

House Finance Committee

Division Briefings

New Hampshire State Operating Budget

January 2015

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State of New Hampshire

The Operating Budget Process...EXPLAINED

(The State's Operating Budget Process begins during an even-numbered year, and ends during an odd-numbered year)

AGENCY PHASE

March - October

State agencies are required under RSA 9:4 to prepare a budget for the upcoming biennium. Often referred to as the "Agency Budget Request", this includes a level of funding to provide the same level of services in the upcoming biennium, as well as any proposed new programs or other changes.



GOVERNOR'S PHASE

November - February

In November, the Governor holds hearings where state agencies explain their Agency Budget Request. The Governor is required to submit a recommended budget to the Legislature for their consideration by February 15th. The Governor's recommended budget is typically introduced as House Bills 1 and 2.



HOUSE PHASE

February - April

The budget bills, HB1 (operating budget) and HB2 ("trailer bill"), are referred to the House Finance Committee. The Committee splits into three "divisions", each with assigned budget categories, to ultimately craft amendments to HB1 and HB2 for the full Committee and the House to consider and act upon.



SENATE PHASE

April - June

Once the House has acted upon HB1 and HB2, the bills are referred to the Senate Finance Committee. The Committee considers changes to the House passed HB1 and HB2 and proposes its final recommendation on the two bills to the full Senate for action.



COMMITTEE OF CONFERENCE AND SUBMISSION TO THE GOVERNOR

June

Typically, the House will request and the Senate will accede to a Committee of Conference on HB1 and HB2. These Committees, usually comprised of members of House and Senate Ways and Means and Finance Committees, will ultimately negotiate the final versions of HB1 and HB2 (including revenue estimates). If the House and Senate adopt the recommendations from the Committees of Conference on HB1 and HB2, the bill is then submitted to the Governor for action.

List of Helpful Websites

gencourt.state.nh.us/lba/

Office of Legislative Budget Assistant

- Operating Budget Documents
- Capital Budget Documents
- Audit Reports

admin.state.nh.us/accounting/

Department of Administrative Services -Division of Accounting Services – Bureau of Financial Management

- Comprehensive Annual Financial Reports (CAFR)
- Revenue Reports
- Dedicated Funds Report

admin.state.nh.us/budget/

Department of Administrative Services – Budget Office

- Agency Budget Submissions
- Governor’s Recommended Operating Budget

nh.gov/transparentnh/

Department of Administrative Services

- State Expenditure Register
- State Employee Pay Search
- State Authorized Positions

Fiscal Year 2014 Actual Expenditures and Fiscal Year 2015 Adjusted Authorized Appropriations

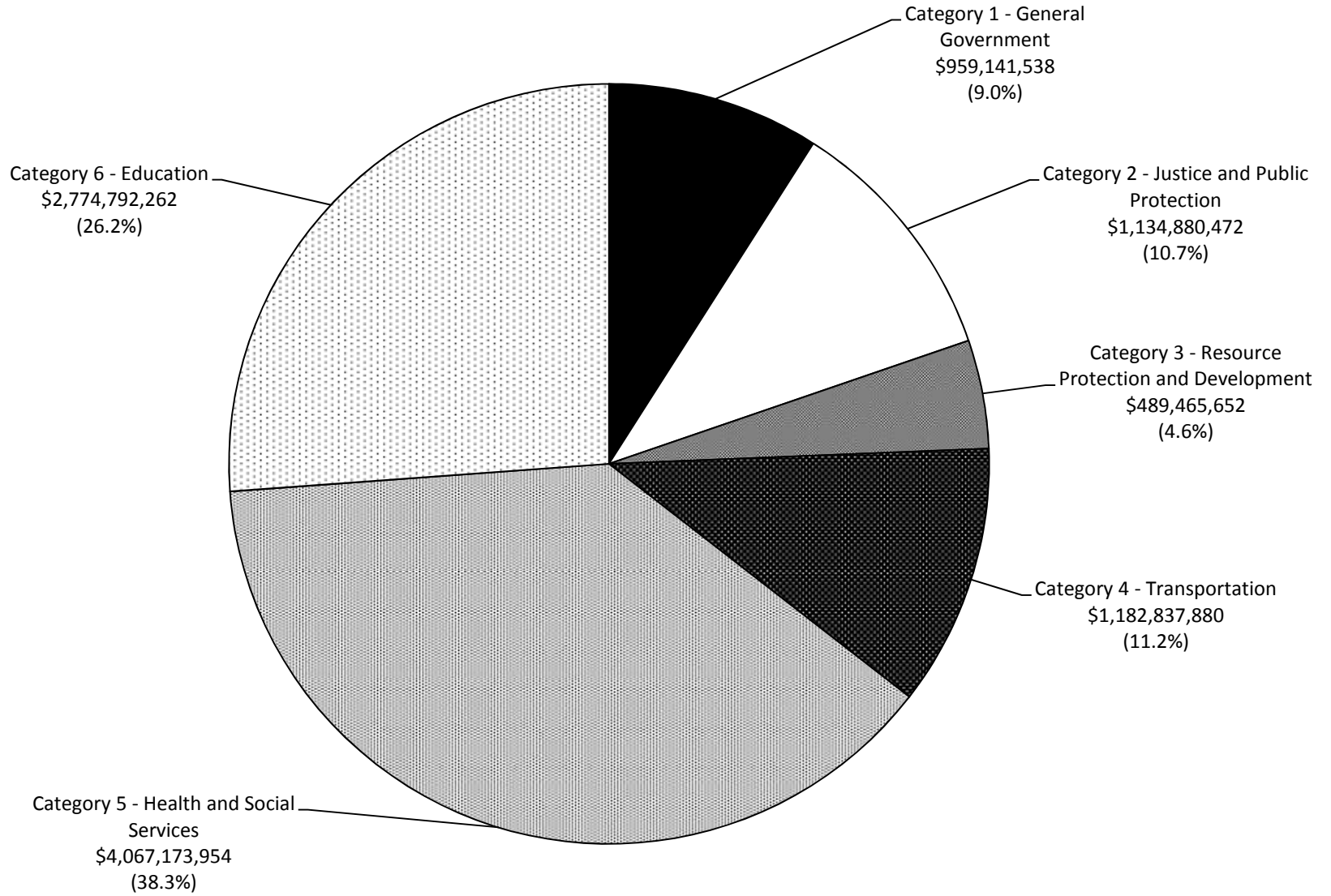
Totals by Category - General Funds

CATEGORY	FY 2014 (Actuals)	FY 2015 (Adjusted Authorized)	BIENNIUM TOTAL	%OF TOTAL
Category 1 - General Government	\$ 248,081,152	\$ 269,325,403	\$ 517,406,555	19.7%
Category 2 - Justice and Public Protection	\$ 212,785,006	\$ 223,502,002	\$ 436,287,008	16.6%
Category 3 - Resource Protection and Development	\$ 30,509,383	\$ 33,861,275	\$ 64,370,658	2.5%
Category 4 - Transportation	\$ 899,223	\$ 975,582	\$ 1,874,805	0.1%
Category 5 - Health and Social Services	\$ 551,292,561	\$ 634,945,308	\$ 1,186,237,869	45.2%
Category 6 - Education	\$ 198,585,859	\$ 218,418,358	\$ 417,004,217	15.9%
Total	\$ 1,242,153,184	\$ 1,381,027,928	\$ 2,623,181,112	100.0%

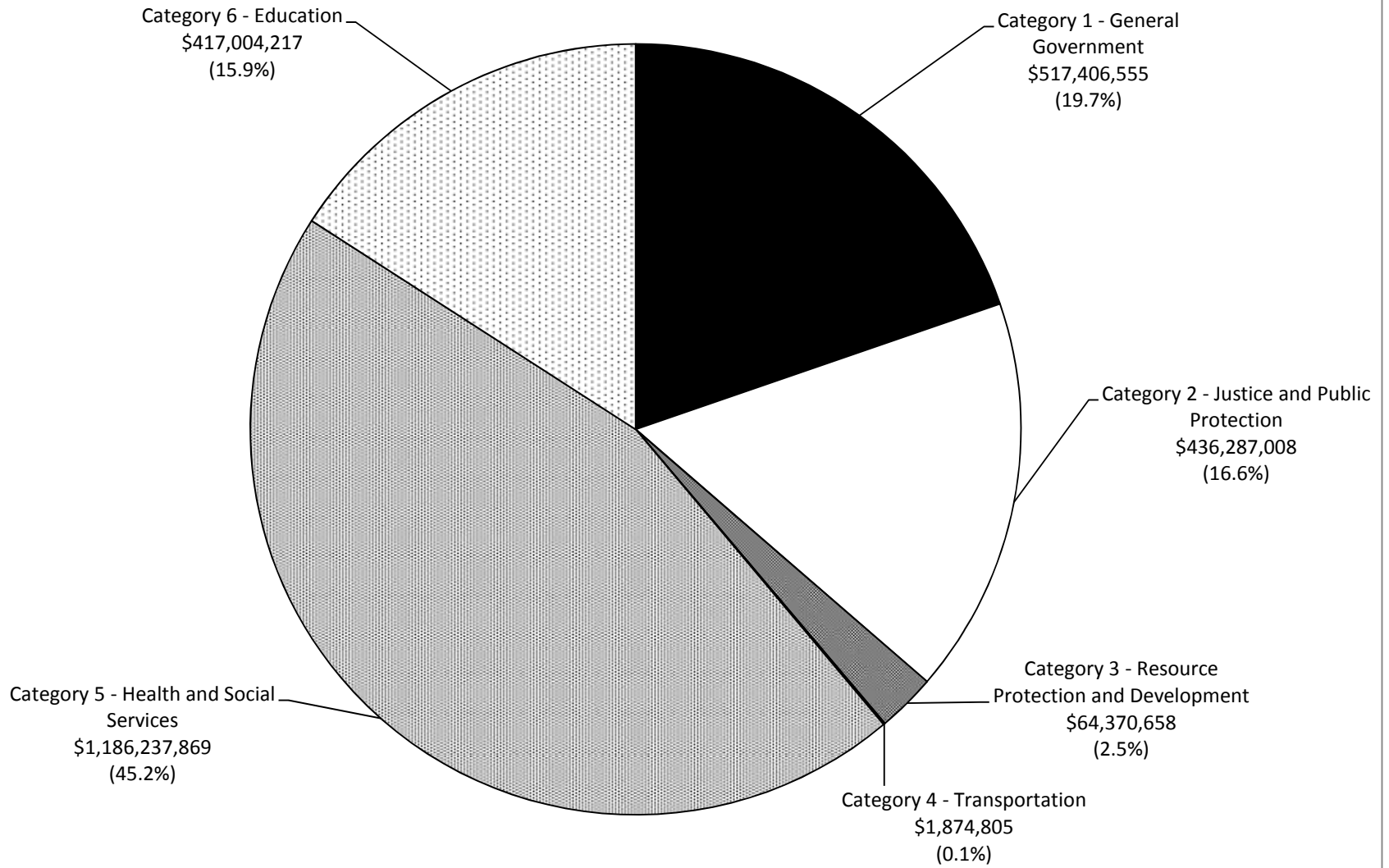
Totals by Category - All Funds

CATEGORY	FY 2014 (Actuals)	FY 2015 (Adjusted Authorized)	BIENNIUM TOTAL	%OF TOTAL
Category 1 - General Government	\$ 454,912,836	\$ 504,228,702	\$ 959,141,538	9.0%
Category 2 - Justice and Public Protection	\$ 537,657,553	\$ 597,222,919	\$ 1,134,880,472	10.7%
Category 3 - Resource Protection and Development	\$ 205,663,478	\$ 283,802,174	\$ 489,465,652	4.6%
Category 4 - Transportation	\$ 580,518,909	\$ 602,318,971	\$ 1,182,837,880	11.2%
Category 5 - Health and Social Services	\$ 1,911,120,490	\$ 2,156,053,464	\$ 4,067,173,954	38.3%
Category 6 - Education	\$ 1,344,264,804	\$ 1,430,527,458	\$ 2,774,792,262	26.2%
Total	\$ 5,034,138,070	\$ 5,574,153,688	\$ 10,608,291,758	100.00%

**FY 2014 ACTUAL EXPENDITURES AND
FY 2015 ADJUSTED AUTHORIZED APPROPRIATIONS**
(ALL FUNDS, BY CATEGORY - \$10,608,291,758)



**FY 2014 ACTUAL EXPENDITURES AND
FY 2015 ADJUSTED AUTHORIZED APPROPRIATIONS**
(GENERAL FUNDS, BY CATEGORY - \$2,623,181,112)



Fiscal Year 2014 Actual Expenditures and Fiscal Year 2015 Adjusted Authorized Appropriations

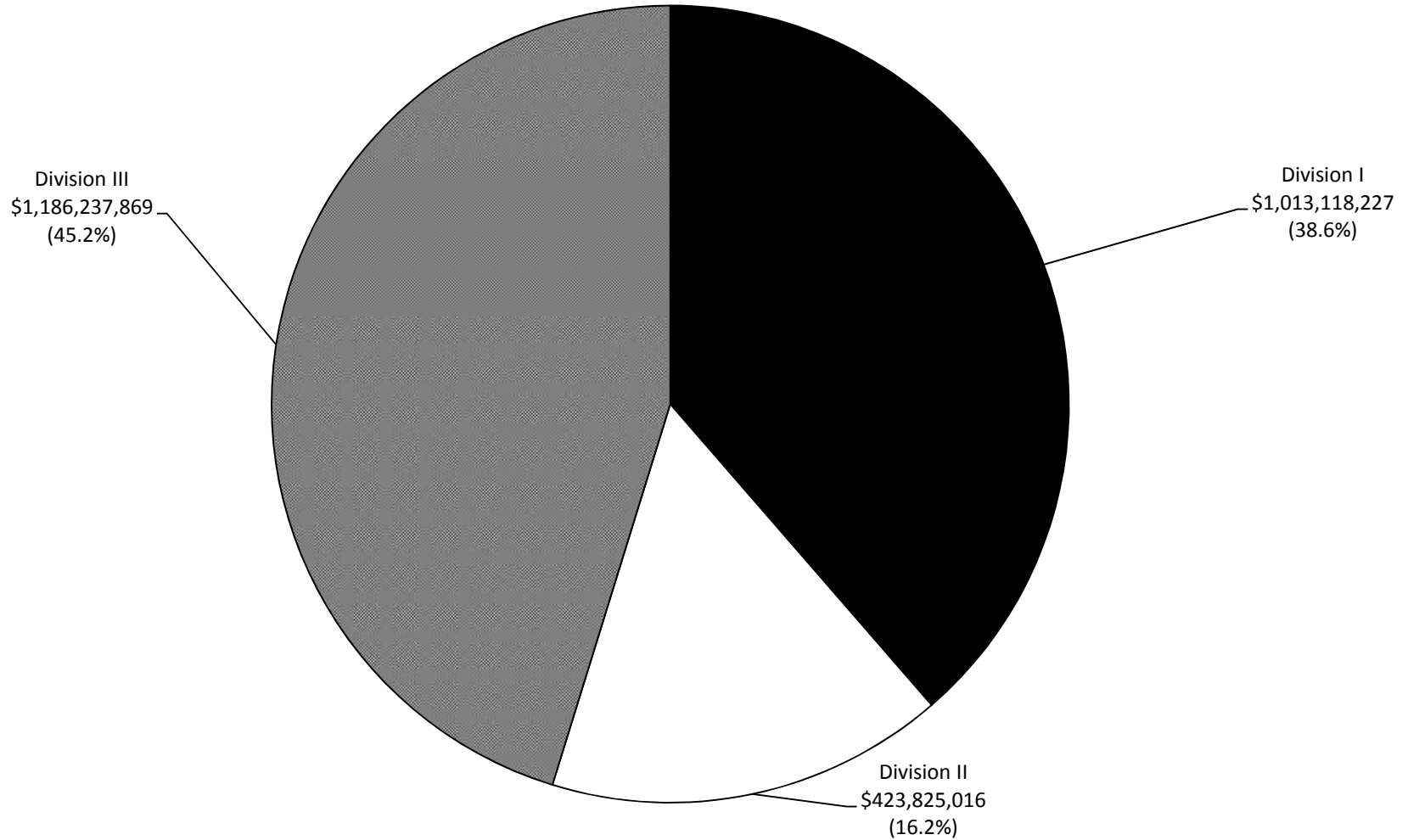
Totals by Division - General Funds

DIVISION / CATEGORY	FY 2014 (Actuals)	FY 2015 (Adjusted Authorized)	BIENNIUM TOTAL	%OF TOTAL
Division I - Categories 1, 2, & 3 (except Safety and Fish and Game)	\$ 488,864,010	\$ 524,254,217	\$ 1,013,118,227	38.6%
Division II - Categories 4 & 6 (plus Safety and Fish and Game)	\$ 201,996,613	\$ 221,828,403	\$ 423,825,016	16.2%
Division III - Category 5	\$ 551,292,561	\$ 634,945,308	\$ 1,186,237,869	45.2%
Total	\$ 1,242,153,184	\$ 1,381,027,928	\$ 2,623,181,112	100.00%

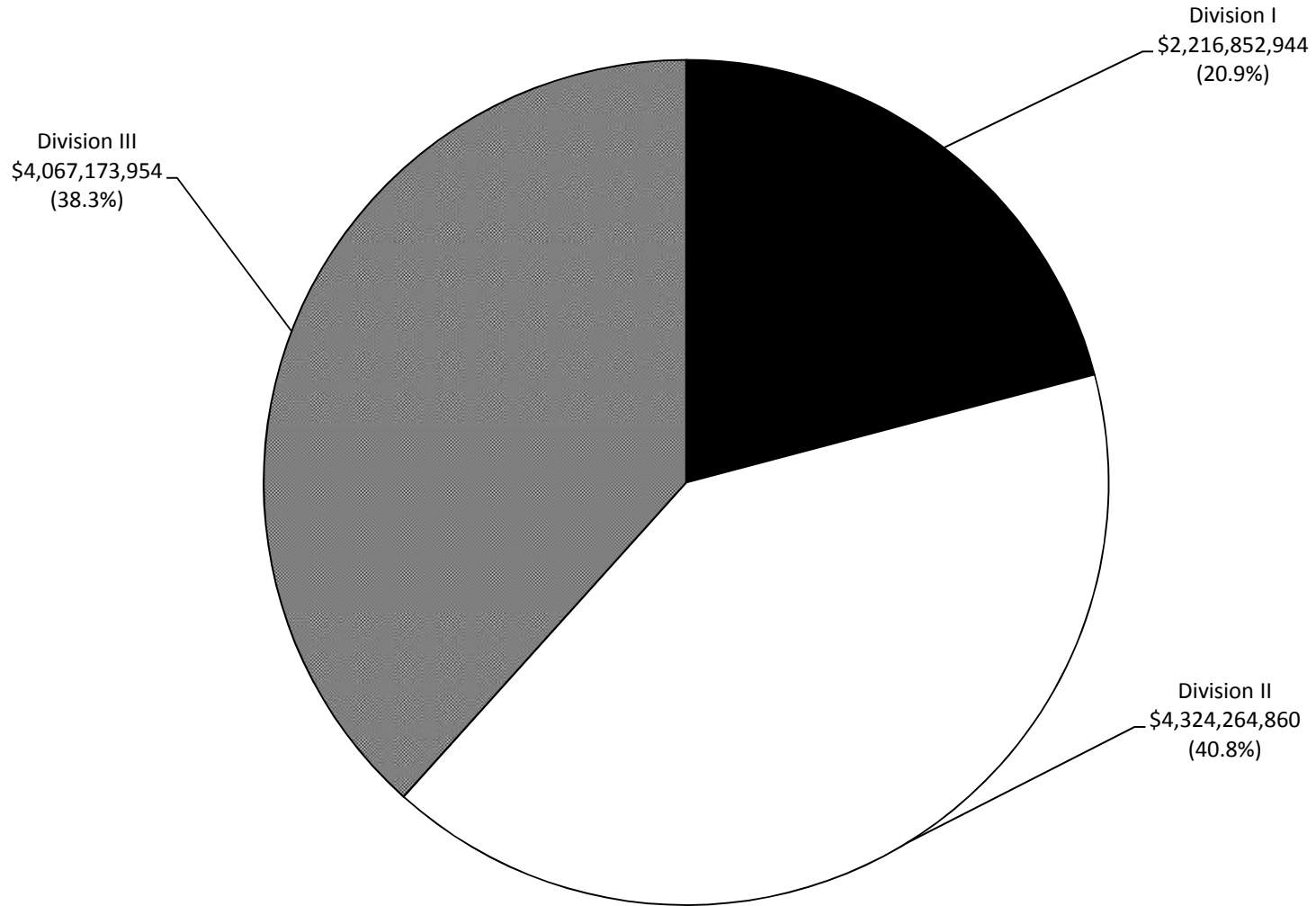
Totals by Division - All Funds

DIVISION / CATEGORY	FY 2014 (Actuals)	FY 2015 (Adjusted Authorized)	BIENNIUM TOTAL	%OF TOTAL
Division I - Categories 1, 2, & 3 (except Safety and Fish and Game)	\$ 1,028,183,136	\$ 1,188,669,808	\$ 2,216,852,944	20.9%
Division II - Categories 4 & 6 (plus Safety and Fish and Game)	\$ 2,094,834,444	\$ 2,229,430,416	\$ 4,324,264,860	40.8%
Division III - Category 5	\$ 1,911,120,490	\$ 2,156,053,464	\$ 4,067,173,954	38.3%
Total	\$ 5,034,138,070	\$ 5,574,153,688	\$ 10,608,291,758	100.00%

**FY 2014 ACTUAL EXPENDITURES AND
FY 2015 ADJUSTED AUTHORIZED APPROPRIATIONS**
(GENERAL FUNDS, BY DIVISION - \$2,623,181,112)



**FY 2014 ACTUAL EXPENDITURES AND
FY 2015 ADJUSTED AUTHORIZED APPROPRIATIONS**
(ALL FUNDS, BY DIVISION - \$10,608,291,758)



Division I

FISCAL YEAR 2014 ACTUAL EXPENDITURES AND FISCAL YEAR 2015 ADJUSTED AUTHORIZED APPROPRIATIONS

Division I by Agency - General Funds

ROW	CATEGORY- AGENCY CODE	AGENCY/DEPARTMENT	FY 2014 (Actual)	FY 2015 (Adj. Auth)	BIENNIUM	% OF DIVISION TOTAL
1	01-02	EXECUTIVE OFFICE	2,995,949	2,974,056	5,970,005	0.6%
2	01-03	DEPARTMENT OF INFORMATION TECHNOLOGY	197,482	278,349	475,831	0.0%
3	01-04	LEGISLATIVE BRANCH	14,450,477	17,073,572	31,524,049	3.1%
4	01-05	EXECUTIVE COUNCIL	208,342	235,495	443,837	0.0%
5	01-14	DEPARTMENT OF ADMINISTRATIVE SERVICES	52,893,607	56,291,462	109,185,069	10.8%
6	01-28	REAL ESTATE COMMISSION	308,910	409,572	718,482	0.1%
7	01-30	BOXING AND WRESTLING COMMISSION	2,847	3,739	6,586	0.0%
8	01-31	JOINT BOARD OF LICENSURE & CERTIFICATION	1,628,942	1,794,867	3,423,809	0.3%
9	01-32	DEPARTMENT OF STATE	1,262,683	1,720,821	2,983,504	0.3%
10	01-34	DEPARTMENT OF CULTURAL RESOURCES	2,516,484	2,702,048	5,218,532	0.5%
11	01-38	TREASURY DEPARTMENT	155,965,036	167,608,696	323,573,732	31.9%
12	01-59	NH RETIREMENT SYSTEM	-	-	-	0.0%
13	01-84	DEPARTMENT OF REVENUE ADMINISTRATION	14,956,212	17,407,633	32,363,845	3.2%
14	01-89	BOARD OF TAX & LAND APPEALS	694,181	825,093	1,519,274	0.1%
15	01-97	DEVELOPMENTAL DISABILITIES COUNCIL	-	-	-	0.0%
16	02-07	JUDICIAL COUNCIL	24,611,722	25,569,376	50,181,098	5.0%
17	02-10	JUDICIAL BRANCH	71,116,904	75,446,191	146,563,095	14.5%
18	02-12	ADJUTANT GENERAL DEPARTMENT	3,407,531	3,817,784	7,225,315	0.7%
19	02-18	DEPARTMENT OF AGRICULTURE	2,425,244	2,451,487	4,876,731	0.5%
20	02-20	DEPARTMENT OF JUSTICE	8,668,772	9,423,147	18,091,919	1.8%
21	02-24	INSURANCE DEPARTMENT	-	-	-	0.0%
22	02-25	HIGHWAY SAFETY AGENCY	-	-	-	0.0%
23	02-26	DEPARTMENT OF LABOR	-	-	-	0.0%
24	02-27	DEPARTMENT OF EMPLOYMENT SECURITY	-	-	-	0.0%
25	02-46	DEPARTMENT OF CORRECTIONS	99,245,785	103,486,138	202,731,923	20.0%
26	02-72	BANKING DEPARTMENT	-	-	-	0.0%
27	02-73	PUBLIC EMPLOYEES LABOR RELATIONS BOARD	394,536	414,801	809,337	0.1%
28	02-76	HUMAN RIGHTS COMMISSION	452,981	508,615	961,596	0.1%
29	02-77	LIQUOR COMMISSION	-	-	-	0.0%
30	02-81	PUBLIC UTILITIES COMMISSION	-	-	-	0.0%
31	02-86	RACING AND CHARITABLE GAMING COMMISSION	-	-	-	0.0%
32	03-13	PEASE DEVELOPMENT AUTHORITY	-	-	-	0.0%
33	03-35	DEPARTMENT OF RESOURCES & ECONOMIC DEVELOPMENT	12,433,399	14,113,870	26,547,269	2.6%
34	03-37	COMMUNITY DEVELOPMENT FINANCE AUTHORITY	179,550	179,550	359,100	0.0%
35	03-44	DEPARTMENT OF ENVIRONMENTAL SERVICES	17,846,434	19,517,855	37,364,289	3.7%
36		TOTAL	488,864,010	524,254,217	1,013,118,227	100.0%

FISCAL YEAR 2014 ACTUAL EXPENDITURES AND FISCAL YEAR 2015 ADJUSTED AUTHORIZED APPROPRIATIONS

Division I by Agency - All Funds

ROW	CATEGORY- AGENCY CODE	AGENCY/DEPARTMENT	FY 2014 (Actual)	FY 2015 (Adj. Auth)	BIENNIUM	% OF DIVISION TOTAL
1	01-02	EXECUTIVE OFFICE	30,962,662	40,153,629	71,116,291	3.2%
2	01-03	DEPARTMENT OF INFORMATION TECHNOLOGY	60,570,605	67,927,394	128,497,999	5.8%
3	01-04	LEGISLATIVE BRANCH	15,059,534	17,824,777	32,884,311	1.5%
4	01-05	EXECUTIVE COUNCIL	208,342	235,495	443,837	0.0%
5	01-14	DEPARTMENT OF ADMINISTRATIVE SERVICES	115,751,247	124,109,457	239,860,704	10.8%
6	01-28	REAL ESTATE COMMISSION	636,014	672,046	1,308,060	0.1%
7	01-30	BOXING AND WRESTLING COMMISSION	2,847	3,739	6,586	0.0%
8	01-31	JOINT BOARD OF LICENSURE & CERTIFICATION	1,682,241	1,832,367	3,514,608	0.2%
9	01-32	DEPARTMENT OF STATE	7,975,014	8,413,188	16,388,202	0.7%
10	01-34	DEPARTMENT OF CULTURAL RESOURCES	5,581,903	7,449,784	13,031,687	0.6%
11	01-38	TREASURY DEPARTMENT	190,957,072	204,365,512	395,322,584	17.8%
12	01-59	NH RETIREMENT SYSTEM	7,269,050	8,654,918	15,923,968	0.7%
13	01-84	DEPARTMENT OF REVENUE ADMINISTRATION	16,965,062	20,958,579	37,923,641	1.7%
14	01-89	BOARD OF TAX & LAND APPEALS	810,414	977,763	1,788,177	0.1%
15	01-97	DEVELOPMENTAL DISABILITIES COUNCIL	480,829	650,054	1,130,883	0.1%
16	02-07	JUDICIAL COUNCIL	24,611,722	25,569,376	50,181,098	2.3%
17	02-10	JUDICIAL BRANCH	77,112,343	80,462,243	157,574,586	7.1%
18	02-12	ADJUTANT GENERAL DEPARTMENT	20,581,249	26,990,561	47,571,810	2.1%
19	02-18	DEPARTMENT OF AGRICULTURE	4,551,969	5,365,720	9,917,689	0.4%
20	02-20	DEPARTMENT OF JUSTICE	21,784,423	26,914,896	48,699,319	2.2%
21	02-24	INSURANCE DEPARTMENT	9,290,687	12,826,923	22,117,610	1.0%
22	02-25	HIGHWAY SAFETY AGENCY	3,628,260	6,931,882	10,560,142	0.5%
23	02-26	DEPARTMENT OF LABOR	7,844,392	9,508,225	17,352,617	0.8%
24	02-27	DEPARTMENT OF EMPLOYMENT SECURITY	33,459,206	38,668,245	72,127,451	3.3%
25	02-46	DEPARTMENT OF CORRECTIONS	102,218,050	107,982,776	210,200,826	9.5%
26	02-72	BANKING DEPARTMENT	4,835,663	6,284,195	11,119,858	0.5%
27	02-73	PUBLIC EMPLOYEES LABOR RELATIONS BOARD	396,816	417,388	814,204	0.0%
28	02-76	HUMAN RIGHTS COMMISSION	596,612	655,581	1,252,193	0.1%
29	02-77	LIQUOR COMMISSION	48,295,488	52,965,216	101,260,704	4.6%
30	02-81	PUBLIC UTILITIES COMMISSION	34,394,420	27,509,219	61,903,639	2.8%
31	02-86	RACING AND CHARITABLE GAMING COMMISSION	1,508,818	1,611,731	3,120,549	0.1%
32	03-13	PEASE DEVELOPMENT AUTHORITY	707,891	741,221	1,449,112	0.1%
33	03-35	DEPARTMENT OF RESOURCES & ECONOMIC DEVELOPMENT	52,824,921	64,561,656	117,386,577	5.3%
34	03-37	COMMUNITY DEVELOPMENT FINANCE AUTHORITY	179,550	179,550	359,100	0.0%
35	03-44	DEPARTMENT OF ENVIRONMENTAL SERVICES	124,447,820	188,294,502	312,742,322	14.1%
36		TOTAL	1,028,183,136	1,188,669,808	2,216,852,944	100.0%

DIVISION I THINGS TO KNOW

Category 1

Department of Information Technology (DoIT)

DoIT uses a uniform cost allocation methodology that produces partner agency invoices reflecting each agency's share of information technology costs and provides the detail necessary for agencies to draw down their share of grant, highway, and federal revenues. Careful attention will have to be given to DoIT during the FY 2016/17 budget process since any decisions will affect all agencies across State government due to the complexity of the mechanisms used to fund the agency. Each agency budgets its DoIT costs in class 027 (Transfers to DoIT).

Department of Administrative Services

Retiree Health Benefits - The State provides health benefits to eligible retired State employees pursuant to RSA 21-1:30. The State's general fund share of this benefit is appropriated to the Department of Administrative Services. Effective July 1, 2009, RSA 100-A:54 was amended to include a \$65/month premium contribution from retirees under the age of 65 (and their spouse, if applicable). Chapter 224, Laws of 2011 (HB 2) changed the under 65 retiree contribution from a fixed dollar amount to a percentage (12.5 percent) of premium. In FY 2014 actual general fund expenditures totaled \$33.3 million, and in FY 2015 the general fund adjusted authorized amount is \$34.5 million.

Department of Revenue Administration (DRA)

Flood Control Compact Payments - The State of New Hampshire (NH) is part of two flood control compacts: the Merrimack River Valley Flood Control Compact with Massachusetts (MA) and the Connecticut River Flood Control Compact with MA and Connecticut (CT). In FY 2011 and years prior, RSA 122:4 required the State to compensate the 18 affected NH cities and towns for the loss of taxable land from the construction of dams. The FY 2012/13 budget reduced compensation to communities by the amount of reimbursement not received from other participating states; this resulted in approximately \$540,000 less in compensation per year to the 18 affected municipalities. Chapter 286, Laws of 2012 again made NH responsible for other states' shares, regardless of whether the other states reimburse, and the FY 2014/15 budget fully funded flood control payments to municipalities. Chapter 300, Laws of 2014 (HB 1282) appropriated \$542,672 from the state general fund for the purpose of reimbursing communities for the FY 2012 amount only. Communities did not receive reimbursement for the

DIVISION I THINGS TO KNOW

Massachusetts share for FY 2013. In December 2014, the State of New Hampshire settled with the Commonwealth of Massachusetts for flood control monies owed under the Merrimack River Valley Compact through FY 2014; the most recent settlement agreement committed MA to paying NH \$329,000 per year for FY 2013 and FY 2014. In the absence of legislation to the contrary, these funds will be deposited into the state general fund.

State Treasury

Land and Community Heritage Investment Program (LCHIP) - LCHIP is a competitive grant program that provides funding to municipalities and publicly supported not-for-profit organizations for conservation and preservation of the State's natural, cultural, and historical resources, through the acquisition of lands, and cultural and historical resources, or interests therein, of local, regional, and statewide significance. From FY 2002 through FY 2008, the program was funded through a general fund appropriation to the LCHIP Fund, which is used in its entirety to fund grants. Beginning FY 2009, LCHIP has been funded by a \$25 surcharge on certain register of deeds documents. In the FY 2010/11 biennium, some surcharge revenue was diverted to the state general fund (\$1.5 million in FY 2010 and \$2.1 million in FY 2011, respectively). For the FY 2012/13 biennium, all recording surcharge revenue was diverted to the state general fund, less \$120,000 per year, which was appropriated to LCHIP's administration fund. The FY 2014/15 budget fully funded the program, directing all surcharge revenue to the LCHIP fund. In FY 2014 actual expenditures totaled \$3.5 million, and in FY 2015 the adjusted authorized amount is \$4.3 million.

Debt Service - The Treasury Department's budget includes funding for three types of debt service: debt service for state general funded and University System of New Hampshire capital projects, debt service for school building aid, and debt service for the Community College System of New Hampshire. Of the Department's \$193.2 million appropriation for FY 2014, \$115.4 million was devoted to debt service; and of its \$204.3 million appropriation for FY 2015, \$120.6 million was devoted to debt service.

State Revenue Sharing - Pursuant to RSA 31-A, the Treasury Department is to distribute a portion of State general revenues to municipalities annually. Since FY 1999, the amount distributed each year has been \$25.2 million and it will remain this amount until the legislature alters it, pursuant to RSA 31-A:4. This disbursement has been suspended since FY 2010. Suspension beyond FY 2015 will be a decision discussed by the current Legislature.

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Meals and Rooms Distribution to Cities and Towns - Pursuant to RSA 78-A the Department of Revenue Administration (DRA) distributes a portion of annual meals and rooms tax revenue to municipalities. Although this distribution is DRA's responsibility, the appropriation is contained within the Treasury Department's budget. RSA 78-A:26,II authorizes an increase in the amount to be disbursed, however, the increase from one fiscal year to the next can be no more than \$5 million. The FY 2010/11 and FY 2012/13 budgets capped total annual distribution at the FY 2009 level (\$58.8 million). The FY 2014/15 budget capped distribution at the FY 2009 level in FY 2014 only, with FY 2015 distributions returning to the formula outlined in RSA 78-A (estimated to increase by the \$5 million cap amount).

New Hampshire Retirement System

Retirement System Funding Status - The Retirement System's actuarially determined unfunded liability is \$4.3 billion as of FY 2014 (down from \$4.6 billion in FY 2013), and its funded ratio is 60.7% as of FY 2014 (up from 56.7% in FY 2013). Although the System's funded ratio is low by national standards, the Retirement System's Board of Trustees is currently implementing a plan to restore the System to fully-funded status by 2039. Chapter 300, Laws of 2008 (HB 1645), and Chapter 224, Laws of 2011 (HB 2) made significant changes to the System's administration, funding methodology, and eligibility standards, some of which are the subject of ongoing legal challenges. One legal challenge was recently resolved in the state's favor, when the New Hampshire Supreme Court ruled that Retirement System members do not have a contractual right to a fixed contribution rate. This ruling upheld a provision of 224:172, Laws of 2011 (HB 2) which increased employee contribution rates among all member groups.

DIVISION I THINGS TO KNOW

Category 2

Judicial Branch

In January of 2011, a report was issued by the Judicial Branch Innovation Commission containing recommendations that would allow the Branch to meet an increasing demand for services while faced with shrinking financial resources. The Legislature has worked with the Branch to implement recommendations from the report, including the establishment of the circuit court and the implementation of the e-court project. The Branch continues to strive to implement efficiencies including the continued implementation of the e-court project, increasing the use of pre-trial methods of case resolution in motor vehicle cases, the creation of a central call center, and the use of part-time staff to work varying hours. The Branch has discovered that these changes help to control costs and lead to efficiencies as evidenced by a drop in case backlogs. The Judicial Branch budget for FY 2015 (adjusted authorized) is \$77.7 million (\$75.2 million of state general funds), the maintenance budget requested for FY 2016 is \$79.9 million (\$76.9 million in general funds), and FY 2017 is \$79.8 million (\$76.3 million in state general funds).

Judicial Council

Indigent defense costs are constitutionally mandated at both the state and federal level. Though the Council only reimburses for indigent services authorized by the Judicial Branch, the Council is constantly working with the Branch to control indigent defense costs. The Judicial Council's actual expenditure in FY 2014 was \$24.6 million, and the FY 2015 adjusted authorized amount is \$25.6 million. The Council has requested \$27 million in FY 2016, and \$27.4 million in FY 2017.

Liquor Commission

The FY 2010/11 Operating Budget recognized Liquor as a separate liquor fund, not general funds. Revenue generated by the Commission is transferred to the state general fund after deducting expenses. For the past few years, the Commission has built new stores and renovated existing stores, often resulting in an increase in the store size. These activities have a direct impact on the Commission's operating budget as it needs to have the funds to outfit the new and renovated stores, and to pay for additional staff necessary for the larger stores. Additionally, when the Commission is able to have projects approved as part of the capital budget, debt service payments for

DIVISION I THINGS TO KNOW

these projects have been included in the Commission's operating budget since it has been treated as liquor funds, not general funds. The balance between the revenue generated and transferred to the general fund and the operating costs of the Commission need to be constantly reviewed. The Commission's FY 2015 adjusted authorized budget is \$53 million. The Commission has requested \$59.1 million in FY 2016 and \$62.4 million in FY 2017.

Department of Corrections

Overtime - Overtime continues to be a challenge for the Department of Corrections. The Department has seen its overtime costs increase from \$2.3 million in FY 2010 to \$7.0 million in FY 2014. The Department attributes the overtime challenges to the decrease in authorized positions from 1,099 in FY 2007 to 832 in FY 2014, as well as the difficulty in recruiting correctional officers to fill the existing vacant positions. The Department estimates overtime costs exceeding \$7 million for FY 2015; however, the Department has only \$3.4 million budgeted. In its maintenance budget for FY 2016/17, the Department has requested \$7.5 million each year for overtime costs.

Women's Prison - A new Women's Prison is being built in Concord and is scheduled to open the fall of 2016. The new prison will have 224 beds with the ability to expand at a later time. The Department anticipates hiring and training additional staff during FY 2016 to have the staff necessary when the new prison opens. The Department has included a total of 81 additional staff for the Women's Prison in its FY 2016/17 maintenance budget request. The increased staffing for the Women's Prison is projected to increase costs by \$3.1 million in FY 2016 and \$5.8 million in FY 2017.

Public Utilities Commission

Renewable Energy Fund - In 2007 the Legislature established renewable energy portfolio standards that require providers of electricity to meet specified percentages of their supply through renewable generation. If providers cannot obtain renewable energy certificates to meet the required percentages they must make alternative compliance payments to the renewable energy fund, a nonlapsing, special fund that is continually appropriated to the public utilities commission. Revenue to the fund fluctuates depending on the price and availability of renewable energy certificates in the regional market (consisting of CT, RI, MA, NH and ME) and the level of the alternative compliance payments in each of the states in the regional market. As a result of more revenue going into the fund than anticipated in FY 2013, the Legislature, through Chapter 144:134. Laws of 2013 (HB 2), directed \$16.1 million

DIVISION I
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from the fund be transferred to the general fund by June 30, 2014. Additionally, Chapter 144:136 – 138, Laws of 2013 (HB 2) made \$1.83 million available to the Tri-County Community Action Program from the fund to help with solvency issues. During FY 2014, the revenue to the fund was estimated to be \$7.8 million; total revenue received was \$15.4 million. The Commission estimates it will receive approximately \$23 million in FY 2016 and \$27.5 million in FY 2017 to the fund.

DIVISION I THINGS TO KNOW

Category 3

Department of Resources and Economic Development (DRED)

Travel and Tourism - In FY 2014, travel and tourism accounted for \$6.1 million of DRED's \$12.4 million of general funds expended. For the FY 2015 adjusted authorized budget, travel and tourism accounts for \$7.2 million of DRED's \$14.1 million of general funds authorized. The funding is used to help promote and develop New Hampshire as a preferred travel destination. Chapter 144, Laws of 2009 (HB 2) amended RSA 78-A:26, the meals and rooms tax receipt distribution language, by dedicating 3.15% of the collections to be credited to DRED's division of travel and tourism. Chapter 224:216, Laws of 2011 (HB 2), suspended the distribution of net income pursuant to RSA 78-A:26, I(a)(2) credited to the department of resources and economic development, division of travel and tourism for the biennium ending June 30, 2013. Chapter 109, Laws of 2014 amended RSA 78-A:26 to further clarify the 3.15% distribution to the division of travel and tourism. DRED's travel and tourism maintenance budget request for FY 2016/17 assumes receipt of the 3.15% distribution from the meals and rooms tax.

Economic Development - The division of economic development accounted for \$2.2 million of general funds expended by DRED in FY 2014, and is authorized to spend \$2.4 million in general funds in FY 2015. The maintenance budget requests \$3.2 million in general funds for FY 2016, and \$3.3 million in general funds for FY 2017. The division of economic development includes funding for the Innovative Research Center, the Business Resource Center, the Small Business Development Center, and the Office of International Commerce. Additionally, DRED's division of economic development is working in partnership with the office of workforce opportunity in providing initiatives required by the Workforce Investment Act.

Department of Environmental Services (DES)

State Aid Grants to Communities - For the FY 2014/15 operating budget, the Legislature fully funded all the projects eligible for state aid on the delayed and deferred projects list maintained by the Department by appropriating \$9.9 million of general funds in FY 2014, and \$9.2 million of general funds in FY 2015. As part of its maintenance budget request, the Department has continued to fully fund the delayed and deferred projects by requesting \$8.0 million in

DIVISION I
THINGS TO KNOW

FY 2016, and \$7.6 million in FY 2017. This request does not address funding for any new projects as there continues to be a moratorium on the funding of new projects.

Division II

FISCAL YEAR 2014 ACTUAL EXPENDITURES AND FISCAL YEAR 2015 ADJUSTED AUTHORIZED APPROPRIATIONS

Division II by Agency - General Funds

ROW	CATEGORY- AGENCY CODE	AGENCY/DEPARTMENT	FY 2014 (Actual)	FY 2015 (Adj. Auth)	BIENNIUM	% OF DIVISION TOTAL
1	02-23	DEPARTMENT OF SAFETY	2,461,531	2,384,463	4,845,994	1.1%
2	03-75	FISH & GAME DEPARTMENT	50,000	50,000	100,000	0.0%
3	04-96	DEPARTMENT OF TRANSPORTATION	899,223	975,582	1,874,805	0.4%
4	06-56	DEPARTMENT OF EDUCATION	89,585,859	91,918,358	181,504,217	42.8%
5	06-58	COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE	40,000,000	42,500,000	82,500,000	19.5%
6	06-87	POLICE STANDARDS & TRAINING COUNCIL	0	0	0	0.0%
7	06-83	NEW HAMPSHIRE LOTTERY COMMISSION	0	0	0	0.0%
8	06-50	UNIVERSITY SYSTEM OF NEW HAMPSHIRE	69,000,000	84,000,000	153,000,000	36.1%
9		TOTAL	201,996,613	221,828,403	423,825,016	100.0%

FISCAL YEAR 2014 ACTUAL EXPENDITURES AND FISCAL YEAR 2015 ADJUSTED AUTHORIZED APPROPRIATIONS

Division II by Agency - All Funds

ROW	CATEGORY- AGENCY CODE	AGENCY/DEPARTMENT	FY 2014 (Actual)	FY 2015 (Adj. Auth)	BIENNIUM	% OF DIVISION TOTAL
1	02-23	DEPARTMENT OF SAFETY	142,547,435	166,558,742	309,106,177	7.1%
2	03-75	FISH & GAME DEPARTMENT	27,503,296	30,025,245	57,528,541	1.3%
3	04-96	DEPARTMENT OF TRANSPORTATION	580,518,909	602,318,971	1,182,837,880	27.4%
4	06-56	DEPARTMENT OF EDUCATION	1,224,804,852	1,292,295,694	2,517,100,546	58.2%
5	06-58	COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE	40,000,000	42,500,000	82,500,000	1.9%
6	06-87	POLICE STANDARDS & TRAINING COUNCIL	3,102,701	3,733,937	6,836,638	0.2%
7	06-83	NEW HAMPSHIRE LOTTERY COMMISSION	7,357,251	7,997,827	15,355,078	0.4%
8	06-50	UNIVERSITY SYSTEM OF NEW HAMPSHIRE	69,000,000	84,000,000	153,000,000	3.5%
9		TOTAL	2,094,834,444	2,229,430,416	4,324,264,860	100.0%

DIVISION II THINGS TO KNOW

Category 2

Department of Safety

Overview - The Department of Safety is comprised of the Divisions of Administration, Emergency Services and Communications, Fire Safety, Fire Standards and Training and Emergency Medical Services, Homeland Security and Emergency Management, Motor Vehicles, and State Police, as well as the Office of the Commissioner.

Usage of Highway Funds - Under the State Constitution, all revenues in excess of the necessary cost of collection and administration accruing to the State from motor vehicle registration fees, operator's licenses, gasoline taxes or any other special charges or taxes with respect to the operation of motor vehicles or the sale or consumption of motor vehicle fuels are appropriated and used exclusively for the construction, reconstruction, and maintenance of public highways within the State, including the supervision of traffic. Accordingly, the Department of Safety traditionally is allocated highway funds to support the road toll bureau, Division of Motor Vehicles, and the Division of State Police. RSA 9:9-b, relative to allocations of highway fund appropriations, has been suspended, in whole or in part, since FY 2012.

"Plea-By-Mail" Revenue - Pursuant to RSA 262:44, I, fine revenue received for most motor vehicle violations, in which the individual pleads guilty or nolo contendere and remits their payment by mail, is credited as agency income to the Department of Safety. Since FY 2012, approximately \$7.0 million has been appropriated across multiple areas of the budget, mostly in the Division of State Police, from this revenue source. The Department has indicated this source of revenue has been declining, while the areas in which it is used to fund is increasing in cost.

State Matching Funds for Disaster Assistance Grants - Prior to FY 2010, the State historically participated in the local match with municipalities for Federal disaster assistance grants from the Federal Emergency Management Agency (FEMA). The traditional cost share was 75% Federal and 25% applicant, with the State covering half (or

DIVISION II THINGS TO KNOW

12.5%). Chapter 229, Laws of 2014 (SB 409), appropriated \$4,976,845 of state general funds in **FY 2016** to cover the State's historical 12.5% participation for disasters declared between February 2010 and July 2013 in which the State had not participated in the applicant match.

DIVISION II THINGS TO KNOW

Category 3

Department of Fish and Game

As the guardian of the State's fish, wildlife, and marine resources, the New Hampshire Department of Fish and Game works in partnership with the public to conserve, manage, and protect these resources; inform and educate the public about these resources; and provide the public with opportunities to use and appreciate these resources.

Most of the Department's conservation work is funded by fishing and hunting licenses and fees, plus dedicated federal funds from the sale of hunting and fishing equipment. The rest of the funding comes from OHRV registrations; un-refunded road tolls for boats and OHRV, transfers and other agency income. This relationship between revenue and expenditures requires a surplus/deficit statement to compare expenditures to available revenue. The preparation of this statement requires coordination between the Finance Committee that determines the level of spending and the Ways and Means Committee that estimates available revenue. The Department traditionally is appropriated \$50,000 per year of general funds for the non-game species management program. This is usually the only state general funds provided to the Department, however, the FY 2014/15 budget did transfer \$1.6 million over the biennium from the state general fund to the fish and game fund to help balance the fund through the end of FY 2015.

The fish and game fund has recently been experiencing flattening revenue coupled with growth in expenditures, thereby depleting the fund's balance. In addition, the fish and game fund is required to cover any deficit in the search and rescue fund, and the funding source currently in place (\$1 for each boat, OHRV, and snowmobile registration in the state) has proven inadequate in recent years, further depleting the balance. The Department projects, based on its agency budget request, the Fish and Game fund would be in deficit by the end of the FY 2016/17 biennium.

DIVISION II THINGS TO KNOW

Category 4

Department of Transportation

Overview - The Department of Transportation is comprised of the Divisions of Policy and Administration, Aeronautics, Rail, and Transit, Finance, Operations, and Project Development, as well as the Office of the Commissioner. The Department is funded mostly through state highway funds, turnpike funds, and federal funds.

Highway Fund Challenges - In the current operating budget, highway funds are allocated to the Department of Transportation, Department of Safety, Judicial Branch, Highway Safety Agency, and Department of Justice. The Department of Transportation (DOT) uses highway funds for capital and operating activities. Like the fish and game fund, the highway fund requires a surplus/deficit statement to compare expenditures to available revenue. The preparation of this statement requires coordination between the Finance Committees to determine the level of spending, and the Ways and Means Committees to estimate available revenue, in addition to the other state agencies which are provided with state highway funds.

Traditional highway fund revenues are substantially comprised of road toll revenue and motor vehicle registration fees. Over the past several years temporary sources of revenue to the highway fund have been utilized, such as a surcharge on motor vehicle registrations, with the most recent being proceeds from the sale of a portion of I-95 to the Turnpike System. This acquisition resulted in over \$130.0 million of unrestricted revenue to the highway fund between FY 2010 and the final year of payment, FY 2015. Under current law, the Department of Transportation has indicated FY 2016 unrestricted highway fund revenues may only be \$240.0 million, down \$100.0 million from the \$340.0 million amount realized in FY 2010.

The Department of Transportation has stated that paired with anticipated FY 2016/17 revenue levels and appropriation levels in the agency budget requests, there could be a deficit in the highway fund of approximately

DIVISION II THINGS TO KNOW

\$87.0 million per year (not taking into consideration lapses or use of FY 2015 undesignated surplus balance, if any).

2014 Road Toll Rate Increase - Chapter 17, Laws of 2014 (SB 367-FN-A) required a consumer price index (CPI) adjustment to the road toll rate effective July 1, 2014 (FY 2015). This resulted in the road toll rate per gallon increasing \$0.042 from \$0.18 to \$0.222. The law enacting the CPI adjustment requires any revenue raised from the \$0.042 increase shall be non-lapsing and continually appropriated to, and expended exclusively by, the Department of Transportation. Furthermore, the law specifically dedicates this revenue be expended for certain purposes in FY 2015, FY 2016, and each fiscal year thereafter, respectively. The estimated revenue per year from the \$0.042 CPI adjustment is approximately \$33.0 million.

DIVISION II THINGS TO KNOW

Category 6

Department of Education

Adequate Education Aid - Chapter 258, Laws of 2011 (HB 337-FN) amended the formula for calculation and distribution of Adequate Education Aid, repealed Fiscal Capacity Disparity Aid and provided stabilization grants to certain municipalities. These changes were implemented for the FY 2012 and FY 2013 adequate education calculations. School districts receive grants from the state education trust fund based on the number of students in grades kindergarten through grade 12 who were legal residents of New Hampshire. The Department of Education uses Average daily membership (ADM) to count the students. A student who is enrolled in school for the entire year has an ADM of 1.00 and a student who transfers between schools is counted as a fractional ADM at each school. Kindergarten students are counted as no more than .50. The base cost and differentiated aid per pupil for FY 2016 and FY 2017 are as follows –

Base Cost	\$3,561.27
<i>Differentiated Aid</i>	
Free or Reduced Lunch	\$1,780.63
English Language Learner	\$ 696.77
Special Education	\$1,915.86
Grade 3 Reading Proficient	\$ 696.77

Each municipality's cost of an adequate education is determined by multiplying each municipality's ADM by the per pupil base cost and differentiated aid amounts and distributed by the Department of Education in four payments (20% by September 1, 20% by November 1, 30% by January 1, and 30% by April 1).

DIVISION II THINGS TO KNOW

The State Wide Education Property Tax assessment (SWEPT) is then deducted from the calculated cost of an adequate education to arrive at a preliminary grant amount (prior to the application of a stabilization grant or caps, when applicable). SWEPT rates are established by the Department of Revenue Administration by determining the rate needed to raise approximately \$363 million statewide. The SWEPT rate in FY 2016 has been set at \$2.420 per \$1,000 of a municipality's total equalized assessed valuation.

Lastly, RSA 198:41, III(b) states that total grants in each year shall not exceed 108% of the municipality's total grant from the previous year. FY 2015, revised estimates show there were 31 municipalities capped for a total of \$12.3 million, and FY 2016 preliminary estimates projects 44 municipalities will be capped for a total of \$11.1M.

The total amount appropriated for adequacy grants in FY 2015 is \$936.0 million with anticipated expenditures projected at \$926.0 million. For the FY 2016/17 biennium, the preliminary estimates total \$931.7 million per year.

Public Charter School Funding - The State has paid per pupil tuition to approved chartered public schools since FY 2007. Similar to adequate education funding for traditional public schools, charter school funding comes from the state education trust fund. For the FY 2016/17 biennium, charter school per pupil funding will be calculated at the same rate of traditional public schools (\$3,561.27, plus differentiated aid), plus an additional \$2,000, for a total of \$5,561.27 per pupil. Charter school tuition is paid in four installments over the course of the school year based on current year enrollment.

The total amount appropriated for charter school funding in FY 2014 and FY 2015, was \$20.3 million and \$22.8 million, respectively. In FY 2014, actual expenditures were \$17.0 million, and based on current projections FY 2015 is anticipated to be \$20.5 million. For FY 2016 and FY 2017, the preliminary estimates total \$28.6 million and \$34.0 million, respectively.

DIVISION II THINGS TO KNOW

School Building Aid - The School Building Aid program pays a percentage of local school districts bond principal payments for qualifying construction projects. Since FY 2011 there has been a moratorium in place on aid for new projects. Under current law, this moratorium is set to expire on June 30, 2015. In the current budget, appropriations relative to school building aid are included in both the Treasury Department and Department of Education.

The Treasury Department's budget includes debt service payments on school building aid bonds issued between FY 2009 and FY 2011 and is funded through proceeds from the tax on meals and rooms. For FY 2014 and FY 2015, the amount budgeted was \$14.0 million and \$13.6 million, respectively, and the debt service payments in FY 2016 and FY 2017 are set to be \$13.2 million and \$12.7 million, respectively.

Since FY 2012, the operating budget has only included appropriations to cover the so-called "tail" (previously approved projects) payments for school building aid. For FY 2014 and FY 2015, the amount budgeted was \$45.2 million and \$42.8 million, respectively, and the anticipated "tail" payments in FY 2016 and FY 2017 are set to be \$41.3 million and \$35.8 million, respectively. The Department of Education has indicated there are 23 projects on the list of potential upcoming school construction projects with a total construction cost of \$116.5 million, with the state's portion, if funded, being approximately \$45.0 million.

Catastrophic Aid - Catastrophic Aid is paid to school districts that have a special education student for whom costs of special education exceed three and one half times the estimated state average expenditure per pupil of the school year preceding the year of distribution. Catastrophic Aid is equal to 80% of the amount of the special education cost that is between three and one half times and ten times the state average expenditure per pupil plus 100% of the amount over ten times the state average expenditure per pupil. If the amount appropriated is not sufficient to fund the amount entitled, the appropriation will be prorated among the school districts.

DIVISION II THINGS TO KNOW

In the FY 2014/2015 budget, the Catastrophic Aid program was funded at \$22.5 million in each year. The actual proration percentage for FY 2014 was 75.48%. The appropriation for FY 2015 was reduced by \$1.0 million as a result of executive order 2014-09 (11/24/2014). Based on this reduction the estimated proration percentage for FY 2015 is 72.05%.

Tuition and Transportation Aid - The Department of Education is authorized to pay from its budget the cost of tuition and transportation expenses for full or part time students from sending schools who attend regional vocational education centers. The amount of the Department's liability is set by rules, and under these the Department is liable for 75% of the cost of tuition and for 100% of the cost of transportation, less any costs paid via adequate education funding grants, of students from sending schools who attend regional vocational centers. Through FY 2013, this program was also subject to a proration provision if the appropriation was insufficient. During the 2012 legislative session changes to the Tuition and Transportation program were made. Among them was a change in the methodology used in determining tuition rates. Beginning in FY 2013, the districts no longer calculate tuition rates themselves. The Department calculates a statewide tuition rate through the administrative rules process to be used by every district. Under the new calculation, all districts will receive the same dollar amount of aid per student. Between \$6.9 million and \$7.5 million, in state general funds, has been appropriated for this purpose in each year between FY 2012 and FY 2015. The Department utilizes this program as a substantial portion of its maintenance of effort requirement for the federal funds it receives as part of the Carl Perkins grant program.

University System of New Hampshire (USNH)

In the state operating budget, funding for USNH is made through a block appropriation. In FY 2012 and FY 2013, USNH's state general fund appropriations were \$35.8 million and \$46.7 million, respectively. However, the FY 2012/13 budget also appropriated funds to USNH diverted from the UNIQUE Endowment Allocation Program and the New Hampshire Excellence in Higher Education Trust Fund for the biennium only. Including these funds,

DIVISION II THINGS TO KNOW

CCSNH's total FY 2012 and FY 2013 appropriations totaled \$51.7 million and \$54.7 million, respectively. For FY 2014 and FY 2015, state general fund appropriations for CCSNH are \$69.0 million and \$84.0 million, respectively.

Community College System of New Hampshire (CCSNH)

Similar to the University System, CCSNH receives state funding through a block appropriation. In FY 2012 and FY 2013, CCSNH's state general fund appropriations were \$23.6 million and \$28.6 million, respectively. However, the FY 2012/13 budget also appropriated funds to CCSNH diverted from the UNIQUE Endowment Allocation Program and the New Hampshire Excellence in Higher Education Trust Fund for the biennium only. Including these funds, CCSNH's total FY 2012 and FY 2013 appropriations totaled \$31.6 million and \$32.0 million, respectively. For FY 2014 and FY 2015, state general fund appropriations for CCSNH are \$40.0 million and \$42.5 million, respectively.

Division III

FISCAL YEAR 2014 ACTUAL EXPENDITURES AND FISCAL YEAR 2015 ADJUSTED AUTHORIZED APPROPRIATIONS

Division III by Agency - General Funds

ROW	CATEGORY- AGENCY CODE	AGENCY/DEPARTMENT	FY 2014 (Actual)	FY 2015 (Adj. Auth)	BIENNIUM	% OF DIVISION TOTAL
1	05-95-42	HUMAN SERVICES	72,493,214	80,233,259	152,726,473	12.9%
2	05-95-45	TRANSITIONAL ASSISTANCE	39,713,228	48,651,379	88,364,607	7.4%
3	05-95-47	OFFICE OF MEDICAID & BUSINESS POLICY	113,050,795	89,422,359	202,473,154	17.1%
4	05-95-48	ELDERLY & ADULT SERVICES	63,727,375	76,190,836	139,918,211	11.8%
5	05-95-09	DIVISION OF COMMUNITY BASED CARE SERVICES	4,146,723	6,141,767	10,288,490	0.9%
6	05-95-90	DIVISION OF PUBLIC HEALTH	13,457,040	17,786,016	31,243,056	2.6%
7	05-95-91	GLENCLIFF HOME	6,173,993	7,139,032	13,313,025	1.1%
8	05-95-92	DIVISION OF BEHAVIORAL HEALTH	41,755,060	73,023,703	114,778,763	9.7%
9	05-95-93	DIVISION OF DEVELOPMENTAL SERVICES	117,950,760	148,853,009	266,803,769	22.5%
10	05-95-94	NEW HAMPSHIRE HOSPITAL	21,233,565	23,313,697	44,547,262	3.8%
11	05-95-950010	OFFICE OF THE COMMISSIONER	5,483,760	6,373,010	11,856,770	1.0%
12	05-95-951010	OFFICE OF IMPROVEMENT AND INTEGRITY	2,587,705	3,197,442	5,785,147	0.5%
13	05-95-952010	OFFICE OF PROGRAM SUPPORT	4,688,974	5,242,814	9,931,788	0.8%
14	05-95-953010	OFFICE OF ADMINISTRATION	7,830,677	8,920,890	16,751,567	1.4%
15	05-95-954010	OFFICE OF INFORMATION SERVICES	19,219,534	19,413,339	38,632,873	3.3%
16	05-43	NH VETERANS HOME	13,470,197	16,096,623	29,566,820	2.5%
17	05-66	NH OFFICE OF VETERANS SERVICES	464,875	515,673	980,548	0.1%
18	05-74	HHS: ADMINISTRATIVELY ATTACHED BOARDS	3,845,086	4,430,460	8,275,546	0.7%
19		TOTAL	551,292,561	634,945,308	1,186,237,869	100.0%

FISCAL YEAR 2014 ACTUAL EXPENDITURES AND FISCAL YEAR 2015 ADJUSTED AUTHORIZED APPROPRIATIONS

Division III by Agency - All Funds

ROW	CATEGORY- AGENCY CODE	AGENCY/DEPARTMENT	FY 2014 (Actual)	FY 2015 (Adj. Auth)	BIENNIUM	% OF DIVISION TOTAL
1	05-95-42	HUMAN SERVICES	156,813,520	178,043,177	334,856,697	8.2%
2	05-95-45	DIVISION OF FAMILY ASSISTANCE / CLIENT SERVICES	92,479,115	96,529,104	189,008,219	4.6%
3	05-95-47	OFFICE OF MEDICAID & BUSINESS POLICY	578,864,437	609,813,504	1,188,677,941	29.2%
4	05-95-48	ELDERLY & ADULT SERVICES	449,005,271	475,565,783	924,571,054	22.7%
5	05-95-49	DIVISION OF COMMUNITY BASED CARE SERVICES	16,305,252	26,786,173	43,091,425	1.1%
6	05-95-90	DIVISION OF PUBLIC HEALTH	66,386,807	103,195,789	169,582,596	4.2%
7	05-95-91	GLENCLIFF HOME	13,841,279	15,517,997	29,359,276	0.7%
8	05-95-92	DIVISION OF BEHAVIORAL HEALTH	86,411,822	145,883,872	232,295,694	5.7%
9	05095-93	DIVISION OF DEVELOPMENTAL SERVICES	275,072,612	317,599,283	592,671,895	14.6%
10	05-95-94	NEW HAMPSHIRE HOSPITAL	57,640,612	61,751,903	119,392,515	2.9%
11	05-95-950010	OFFICE OF THE COMMISSIONER	9,474,455	11,758,032	21,232,487	0.5%
12	05-95-951010	OFFICE OF IMPROVEMENT AND INTEGRITY	4,950,842	6,224,409	11,175,251	0.3%
13	05-95-952010	OFFICE OF PROGRAM SUPPORT	11,009,564	13,273,981	24,283,545	0.6%
14	05-95-953010	OFFICE OF ADMINISTRATION	12,714,294	14,488,813	27,203,107	0.7%
15	05-95-954010	OFFICE OF INFORMATION SERVICES	47,014,913	41,794,085	88,808,998	2.2%
16	05-43	NH VETERANS HOME	28,496,969	32,248,245	60,745,214	1.5%
17	05-66	NH OFFICE OF VETERANS SERVICES	464,875	515,673	980,548	0.0%
18	05-74	HHS: ADMINISTRATIVELY ATTACHED BOARDS	4,173,851	5,063,641	9,237,492	0.2%
19		TOTAL	1,911,120,490	2,156,053,464	4,067,173,954	100.0%

DIVISION III THINGS TO KNOW

Category 5

Division of Human Services

Child Development Program - The Child Development Bureau (CDB) is responsible for complying with the regulations of the Federal Child Care and Development Fund (CCDF) including both child care scholarship and the mandatory child care quality improvement initiatives. The NH Child Care Scholarship program supports family self-sufficiency and reduces family dependence on public assistance programs by providing assistance with the cost of child care so that families may maintain gainful employment, participate in training for a vocation, or participate in short-term job search. NH child care quality improvement initiatives increase the safety of children in child care and improve child care programs' ability to prepare children to be successful in school and in life.

Sununu Youth Services Center - The John H. Sununu Youth Services Center (SYSC) is a 144-bed secure rehabilitation and detention facility. The co-ed facility serves both adjudicated and detained youth. The Rehabilitative Programs and Juvenile Detention Unit provide clinical and residential care and treatment for youth detained or committed by the juvenile courts in a architecturally secure facility.

- Average number of detained youth is 195 per year.
- Average length of stay is 7 months for committed and 16 days for detained youth.
- Youth are committed for charges ranging from serious violent crimes/assaults, burglary and home invasions to sexual offenses, and are deemed a serious risk of harm to self or others.
- A high percentage of the youth have severe psychiatric diagnoses, are prescribed psychotropic medications, suffer from psychotic episodes, and have histories of self-harming behaviors.
- Committed youth require assessments, diagnostics, treatment planning, and therapeutic services to address committing charges and dangerous behaviors.
- All youth need effective treatment including family therapy and permanency planning, supporting restorative justice to promote successful reintegration into the community.
- Detained youth are provided crisis care, suicide assessments and monitoring in a secure environment while awaiting court hearings.

DIVISION III THINGS TO KNOW

- Due to dangerousness of youth behaviors and severe psychiatric needs, youth are often on Clinical/Suicide watches requiring one to one supervision.

Division of Child Support Services - The core mission of the Division of Child Support Services (DCSS) is to locate parents, establish paternity, establish and enforce legal orders for support, and collect and distribute child support. Services provided by DCSS allow families with children to receive the support they are owed in order to maintain or achieve self-sufficiency. Recipients of assistance under the Temporary Assistance to Needy Families (TANF) program are automatically provided services as a condition of their eligibility for public assistance. TANF recipients must assign their rights to child support to the state, and amounts collected help the state and federal government recover a portion of the cost of public assistance expenditures. Federal child support program requirements define three categories of case types: “Current Assistance” means cases receiving public assistance, “Former Assistance” means cases that have left public assistance, and “Never Assistance” means cases that have never received public assistance.

Division of Family Assistance

Temporary Assistance to Needy Families (TANF) - Provides cash assistance and emergency assistance to families with children in which one parent is absent, incapacitated, or deceased, who meet financial eligibility requirements. The four purposes of the program are: assisting needy families so that children can be cared for in their own homes, reducing dependency of needy parents by promoting job preparation, work and marriage, to prevent and reduce out-of-wedlock pregnancies, encouraging the formation and maintenance of two-parent families. New Hampshire receives a \$38 million federal block grant and must spend \$32 million of state money as maintenance of effort (MOE). The consequences of failing to satisfy the MOE requirement are:

- 1) The TANF grant will be reduced on a dollar for dollar basis in the subsequent year reflecting the amount of noncompliance; and
- 2) The state will be required to expend additional state TANF MOE funds in the TANF program equal to the amount by which the state fell short of meeting the MOE requirement.

DIVISION III THINGS TO KNOW

Employment Support - The New Hampshire Employment Program (NHEP) supports purchased services for barrier resolution and job skills training for public assistance recipients to increase self-sufficiency and reduce the need for public assistance. The federal TANF and the State non-TANF programs require the state to achieve a 50% client participation rate in work or work-related activities. Failure to meet the requirement may result in significant financial penalties to the State. Part of this functional area is the Food Stamp Employment and Training Program. To meet Federal requirements, the division operates a voluntary employment and training program to assist with job search training and reimbursement for some job search expenses, such as mileage.

Supplemental Nutrition Assistance Program (SNAP) - This program, formerly known as the Food Stamp program, helps to alleviate hunger and malnutrition by enabling needy households to purchase a nutritionally adequate diet through the normal channels of trade. Food Stamp benefits are funded 100% by the US Government. The State and Federal Government share administrative costs on a 50/50 basis. Nutrition Education is provided to Food Stamp clients through a contract with UNH Cooperative Extension. Food Stamps are issued via Electronic Benefit Transfer (EBT cards).

State Supplemental Programs - Develop and implement income and resource criteria for eligibility of cash assistance in the Old Age Assistance, Aid to the Permanently and Totally Disabled, and Aid to the Needy Blind Programs. All three state supplemental categories are mandated in the Social Security Act and are budgeted based on historical trend data and to reflect federally mandated maintenance of effort (“MOE”) requirements. To maintain federal Medicaid funds the state must maintain minimum payment levels in its State Supplemental Programs.

- *Old Age Assistance (OAA)* - Provides financial assistance for low-income seniors. The average OAA cash grant in FY 2014 was \$181. This grant is generally a supplement to Social Security or Supplemental Security Income benefits and helps low-income seniors maintain a standard of living compatible with decency and health. This program is funded solely with state funds.
- *Aid to the Permanently and Totally Disabled (APTD)* - Provides financial assistance to needy individuals between the ages of 18 and 64 who meet the eligibility requirements including a physical or mental disability that is expected to last at least 4 years. The program is also funded entirely by state fund.

DIVISION III THINGS TO KNOW

- *Aid to the Needy Blind (ANB)* - Provides financial assistance to individuals who meet other eligibility requirements and either have no eyesight or have eyesight with corrective glasses so defective as to prevent accomplishing everyday activities requiring eyesight. This program is also funded by state funds.

Office of Medicaid Business and Policy

Uncompensated Care Fund - Disproportionate Share Hospital (DSH) payments were authorized by the federal government in the early 1980's as a form of relief for public hospitals that served a disproportionate share of indigent patients. The purpose of the payments was for the Medicaid program to help with the cost of care for these patients. In New Hampshire, hospitals are required to pay the state a Medicaid Enhancement Tax (MET) on net patient services revenue according to RSA 84-A. Prior to FY 2011, the state made uncompensated care payments to the hospitals equal to the amount of tax each hospital paid. The state then claimed 50% Medicaid reimbursement for the payments. The additional federal revenue benefitted the state general fund as unrestricted revenue.

In FY 2011, pursuant to Chapter 144:212, Laws of 2009, and in order comply with new federal regulations, distribution of the tax was changed to provide payments equal to 100% of uncompensated care for critical access and rehabilitation hospitals with remaining hospitals reimbursed at a uniform percentage based on uncompensated care provided and the remaining funds available. The new distribution resulted in some hospitals receiving uncompensated care payments smaller than the amount of tax they paid, while other hospital received payments greater than the tax paid. The state continued to benefit from unrestricted revenue.

The budget for FY 2012/13 reduced the uncompensated care program by only providing payments to critical access hospitals. Hospital tax revenue which previously funded the payments to the non-critical access hospitals was instead used supplant \$158 million in general funds in the Medicaid program. As a result, uncompensated care payments were approximately \$300 million less than in the previous biennium and the state enjoyed both the unrestricted revenue and reduced general fund appropriations.

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The operating budget for FY 2014/15 continued to use most of the tax collected to benefit the state general fund. As a result of the uncompensated care changes and reductions in Medicaid reimbursement rates since 2005, several hospitals initiated lawsuits. In the winter and spring of 2014 the hospitals and the state agreed to changes to the MET and the uncompensated care program. These changes were included in Chapter 158, Laws of 2014 (SB369). Some of the significant changes are:

- Continues uncompensated care payments to critical access hospitals at 75% of cost.
- Restored uncompensated care payments to non-critical access hospitals at 50% of cost.
- Eliminated use of MET tax collections to generate unrestricted general fund revenue.
- Continues use of MET tax collections to fund a portion of the Medicaid program.
- Required a waiver request to exempt rehabilitation hospitals from the MET and the uncompensated care program.
- Changed priorities for distribution of the tax to give preference to hospital payments.
- Reduced the tax rate from 5.5% to 5.45% in FY 2016, and 5.4% in FY 2017.

As a result of the agreement and law changes, and based on the FY 2016/17 Agency Budget Request, approximately \$80 million less of the MET collections will benefit the state general fund. Also, since the state general fund is lower in the order of priorities, lower tax collections translate into less MET tax revenue available to fund the Medicaid program.

Medicaid Care Management - The largest account in the DHHS budget and the Medicaid program, this account includes appropriations for payments to the managed care organizations (MCOs) under contract with the state. Medical services are provided by medical providers enrolled in the Medicaid program. The MCO's pay negotiated contracted rates to the providers for the services they provide to Medicaid clients. The Medicaid program pays the MCO's actuarial determined per member per month rates for coverage of the Medicaid population.

Chapter 125, Laws of 2011 (SB147) required the commissioner of the Department of Health and Human Services to provide managed care services to the Medicaid population by entering into agreements with MCOs. Before care management, New Hampshire's Medicaid program operated on a fee for services basis. Program costs were determined by the number of recipients, the rates paid to providers for services, and the level of services utilized by the clients. The

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stated goals of the Care Management Program are: improved access to care, and improved quality of care and overall health status while improving the effectiveness and cost efficiency. The Department is implementing Care Management in two phases or “steps”. Step 1 includes the majority of Medicaid recipients and was implemented on December 1, 2013. Step 2 includes long term supports and services such as nursing home services and home care for children with severe disabilities. Step 2 will likely be implemented in FY 2016.

New Hampshire Health Protection Program - Chapter 3, Laws of 2014 (SB413) established the New Hampshire Health Protection Program effective on March 27, 2014. The program provides access to health insurance coverage to citizens with income up to 133 percent of the federal poverty level. Federal Medicaid funds pay for 100% of the benefits through December 31, 2016 in accordance with the Patient Protection Affordable Care Act (ACA). Unless extended by the Legislature, the state program is repealed on December 31, 2016 when the federal funding for benefits changes from 100% to 95%. The administrative costs for the expanded Medicaid population are shared 50/50 with the federal government. The FY 2016/17 Agency Budget Request for the Division of Client Services includes an additional \$2,000,000 in general funds for additional staff and enrollment and communication contracts.

Medicaid Caseloads / ACA Eligibility Changes - Beginning in January 2014, the Medicaid program experienced an increase in caseloads as a result of the Medicaid eligibility changes mandated by the ACA. The increase affected the traditional Medicaid population which is funded 50% with federal funds and 50% with state funds. The Department’s monthly Dashboard Report reported a state general fund cost in FY 2015 of \$19 million related to these changes. The changes included:

- Use of Modified Adjusted Gross Income (MAGI) for counting income and determining the size of a household.
- Deductions from income and resource based tests for determining eligibility were eliminated and income thresholds were raised.
- Medicaid applicants are now allowed to self-attest to enroll subject to later verification.
- The changes impacted child, parent, caretaker, and pregnant women eligibility groups which account for 75% of the Medicaid population.

DIVISION III THINGS TO KNOW

- The opening of Healthcare.gov and the individual insurance mandate generated Medicaid applications from individuals who were eligible but not previously enrolled.

Bureau of Elderly and Adult Services (BEAS)

County-State Cost Sharing - In the Medicaid program federal funds pay 50% of the rates for long-term care and medical services, while the State or counties pay the non-federal share (50%). The State pays the non-federal share of costs for medical services, and the counties pay the non-federal share of nursing home and home and community based care services. County payments are capped in RSA 167:18-a at \$109 million for FY 2014, and \$112.5 million for FY 2015. Caps in future years are established by the Legislature on a biennial basis. Counties also receive an aggregate credit of \$5 million intended to prevent them from paying more than they would have paid under a previous cost sharing arrangement with the state.

Medicaid Quality Incentive Program (MQIP) - MQIP is funded by the Nursing Facility Quality Assessment (also known as the “Bed Tax”). In accordance with RSA 84-C:2, a 5.5% assessment on nursing facilities net patient services revenues is collected by the Department of Revenue Administration. The Department transfers the amount collected to the Department of Health and Human Services which makes MQIP payments to the nursing homes. The payments generate additional federal Medicaid matching funds which supplement the Medicaid rate paid to nursing facilities. Payments are based on Medicaid bed days.

Proportionate Share Program- (Proshare) - Proshare provides additional federal funds to county owned nursing facilities. The additional payments make up the difference between the Medicaid rates paid and the Medicare Upper Payment Limit (a calculation of what Medicare would pay for such services). Proshare payments provide additional federal Medicaid revenue for the county homes, are funded with county and federal funds, and do not directly impact the state general fund or private nursing facilities. In aggregate, each additional dollar of MQIP funds received by a county nursing facilities results in a one dollar decrease in Proshare payments.

DIVISION III THINGS TO KNOW

Budget Neutrality - The Department is permitted by the federally approved State Medicaid Plan to apply a budget neutrality factor to rates to ensure payments do not exceed available appropriations. The Department sets nursing facility rates in August and February of each fiscal year by estimating total expenditures based on the cost of providing nursing services at each facility and projected nursing home bed utilization. If the Department estimates the expenditures will exceed available appropriations, they apply a budget neutrality factor or rate reduction. For example, if the Department estimates nursing services expenditures will total \$220 million and appropriations are \$200 million, they would apply a budget neutrality factor in order to reduce total expenditures by \$20 million. In this instance, the neutrality factor applied to rates would be 9.1%.

Grants to Locals - Include other non-Medicaid social services. These include a variety of home and community-based services designed to prevent nursing home placement for individuals age 60 and older and promote their independence. The services are part of the “safety net” targeted to the low-income elderly who may not meet Medicaid eligibility criteria. The programs administrated in this unit are funded under Titles III and XX Federal funds, Title XIX and State general funds. Services provided include: home-delivered and congregate meals programs, transportation services, homemaker and home health aide services, and personal care services. These services are provided by BEAS' community partner agencies statewide.

Division of Community Based Care Services

Bureau of Drug and Alcohol Services - The Bureau of Drug and Alcohol services provides administrative oversight, in collaboration with the Division of Public Health Services, for 13 regional public health networks for the development and implementation of environmental strategies relative to substance misuse prevention and school based students prevention programs. The Bureau administers impaired driver rehabilitation service programs, including eight impaired driver care management intervention programs, and approximately 150 independent impaired driver treatment service providers. The Bureau is also responsible for administrative oversight of 16 substance use disorder treatment programs, and regulatory oversight over eight for-profit methadone clinics. In addition, the Bureau has contract oversight of the New Hampshire Center of Excellence and the New Hampshire Training Institute on Addictive Disorders that supports training and technical assistance to providers in the adoption of evidence-based practices. The Bureau of Drug and

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Alcohol services also provides basic training directly to staff in other program areas throughout the Department, other state agencies and allied professionals at the community level.

Governor's Commission on Alcohol and Drug Abuse Prevention/Alcohol Abuse Prevention and Treatment Fund - RSA 176:16, III requires a percentage of the profits derived by the Liquor Commission to be placed into this continually appropriated, non-lapsing fund for alcohol education and abuse prevention and treatment programs. The Legislature has suspended this law since FY 2004. Instead of the Liquor profit percentage in statute, the Alcohol Abuse Prevention and Treatment Fund received a state general fund appropriation of \$3.6 million for the FY 2014/15 biennium. The Department's maintenance budget request represents level funding. The total agency budget request, including the change amount, is based on the statutory formula and would result in an additional general fund impact of \$13.7 million over the FY 2016/17 biennium.

Balance Incentive Program - \$18.4 million in federal funds are included in each year of the FY 2016/2017 budget request. The Balancing Incentive Program (BIP) provides grant funds to rebalance Medicaid spending between institutional and community long term care services. New Hampshire is eligible to participate in this grant opportunity because, as of December 2009, the state spent more on institutional care than on community-based long-term supports and services.

New Hampshire Hospital (NHH) and Glencliff Home for the Elderly

New Hampshire Hospital (NHH) and Glencliff Home for the Elderly are state facilities that serve individuals with mental illness. The institutions operate 24 hours per day year round. Both institutions are components of the of the statewide mental health system. Insufficient community mental health resources increase the need for beds at NHH. A shortage of beds at NHH has increased the demand on hospital emergency rooms, caused long waits in emergency rooms for citizens needing specialized treatment, and resulted in inefficient care and higher overall costs. In response to the situation, the Department opened 12 additional beds in the spring of 2013 and the Legislature accelerated the opening of a 10-bed psychiatric crisis unit to open on July 1, 2015.

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Bureau of Behavioral Health

Community Mental Health Services - Mental health services are provided by the community mental health centers under agreements with the state. These services are a significant part of the Medicaid program. In September 2008, the Department of Health and Human Services released a Ten Year Plan “Addressing the Critical Mental Health Needs of NH’s Citizens – A Strategy for Restoration.” Funding for components of the Ten Year Plan was included in the FY 2014/15 operating budget.

Community Mental Health Settlement - In April 2011, the U.S. Department of Justice issued a letter finding the State failed to comply with aspects of the Americans with Disabilities Act (ADA) by not providing services for individuals with mental illness that allow them to live in the most integrated community-based settings appropriate for their needs. In February 2012, a class action was filed in the U.S. District Court alleging New Hampshire had failed to provide adequate community-based mental health services. In February of 2014 the state agreed to a settlement to expand and enhance mental health service capacity in integrated community settings. Chapter 214, Laws of 2014 (HB1635) included the additional appropriations necessary to comply with the settlement agreement. The Agency Budget Request includes \$23.7 million in state general funds to fund implementation of the settlement in FY 2016/17.

Bureau of Developmental Services

Developmental Services - Community based services are provided to developmentally disabled citizens and their families through the area agencies established in RSA 171-A. This program is a significant part of the Medicaid program. Chapter 363, Laws of 2007 required, beginning in FY 2010, the Department to budget the full cost of services for persons with developmental disabilities and acquired brain disorders and also required the Legislature to provide sufficient appropriations to pay for the services. The Department maintains a prioritized list of people who are eligible, but not receiving services in three areas: developmental services, acquired brain disorder services, and children’s in home support services. These lists are often referred to as the “DD Waitlist.”

DIVISION III THINGS TO KNOW

DHHS - Department Wide

Personnel/Staffing - There have been significant reductions in the number of authorized and filled position in the Department over the last five years. In December 2010, there were 3,348 positions authorized in the operating budget , of which 2,815 were filled. In September 2014 there were 2,895 positions authorized, of which 2,597 were filled. This represents a reduction of 218 filled positions over 4 years, and the Department has a current vacancy rate of 10%. The vacancies are due in part due to the Department holding positions vacant in order to achieve savings needed to help cover budget shortfalls.

FY 2015 Budget Shortfalls - The Commissioner provides written monthly budget updates to Legislative leadership, the Governor, and the Executive Council. These updates, which are referred to as the “Monthly Dashboard Reports”, indicate the Department has a \$48.8 million dollar budget shortfall in FY 2015. The shortfall is due to unfunded obligations.

Information Technology Costs - The Department’s maintenance level budget request includes a substantial increase over the current biennium. These costs are for enhancements to existing systems, rising software application costs and required hardware replacements. In addition, the cost to maintain the Medicaid Management Information System is expected to increase due to federal and state required enhancements.

New Hampshire Veterans Home

The New Hampshire Veterans Home provides long-term care and treatment services to the elderly and disabled veteran population. The Veterans Home’s current budget is based on 200 residents. The home has three funding sources: general funds, federal funds in the form of per diem payments based on the resident’s acuity, and payments from the residents. The FY 2016/17 maintenance budget request for the Veterans Home includes a large general fund increase of approximately \$10.9M or 37%. The Home has a unique budget footnote permitting additional revenue to be expended, and permitting the home to spend appropriations if budgeted revenues are not achieved. Prior to FY 2014, the Veterans Home spent general funds greater than the amounts appropriated due to the footnote.