

House Finance Committee

Division Briefing New Hampshire State Operating Budget

January 2021

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The Operating Budget Process

Fiscal Issue Brief

January 2021

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

AGENCY PHASE

March - October

On or before October 1st of the even-numbered years, RSA 9:4 requires State agencies to prepare a budget request for the upcoming biennium based on expenditure targets provided by the Governor. These targets are based on revenue and economic forecasts, and the forecasted financial condition of the State.

GOVERNOR PHASE

November - February

In November, the Governor conducts public hearings for State agencies to explain their Agency Budget Request. The Governor is required to submit a recommended budget to the Legislature for their consideration by February 15th. Historically, the budget is introduced as House Bills 1 and 2.

HOUSE PHASE

February - March

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 Senate Finance Committee considers the House budget, crafts its amendments and proposes final recommendations 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 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 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: <http://www.gencourt.state.nh.us/LBA/AuditReports.aspx>



@nh_lba

das.nh.gov/accounting/

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

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

das.nh.gov/budget/

Department of Administrative Services – Budget Office

- Agency Budget Submissions
- Governor’s Operating Budget

nh.gov/transparentnh/

Department of Administrative Services

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

FY 2020 Actual Expenditures and FY 2021 Adjusted Authorized Appropriations

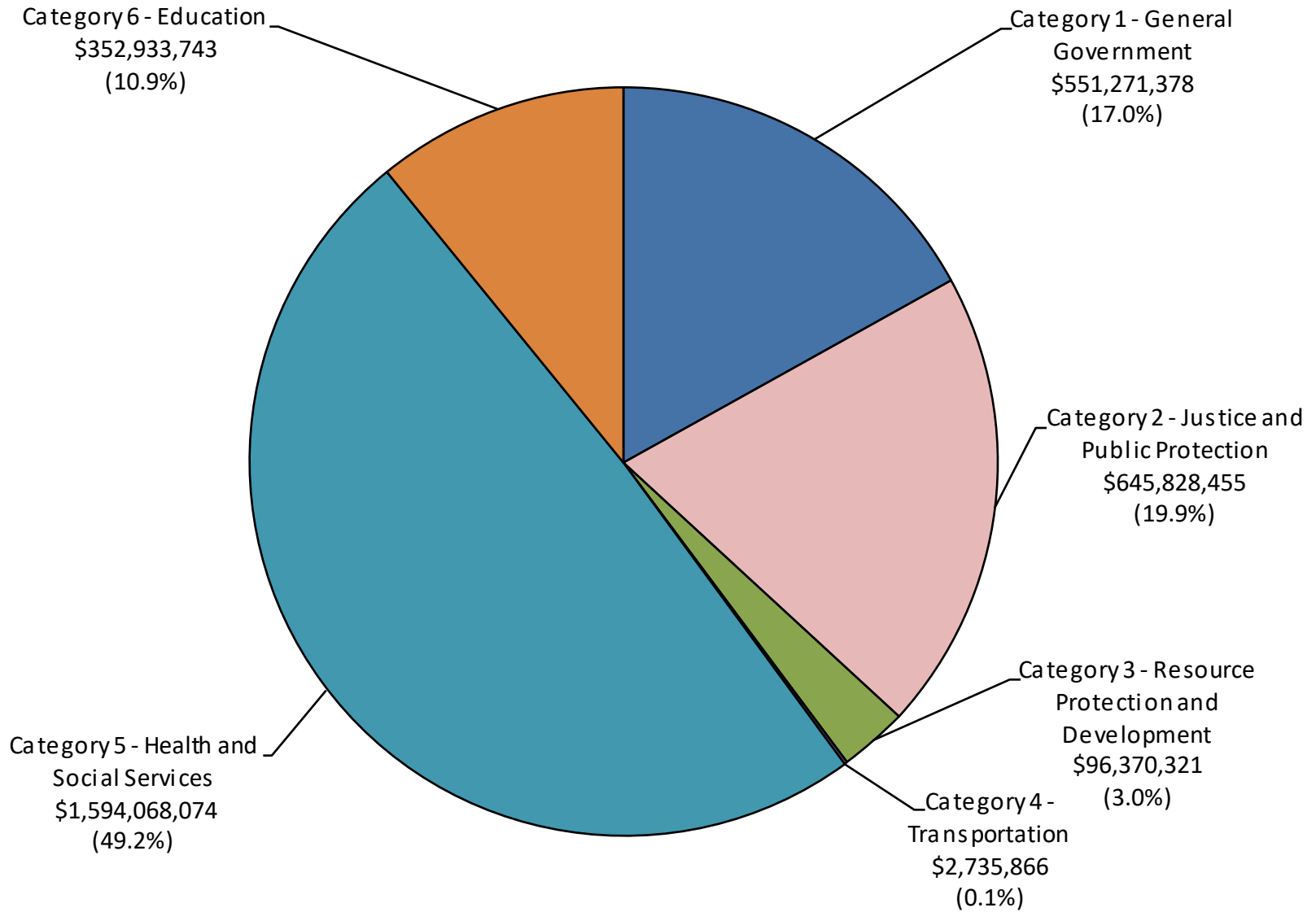
Totals by Category - General Funds

CATEGORY	FY 2020 Actual	FY 2021 Adjusted Authorized	BIENNIUM TOTAL	
				% OF TOTAL
Category 1 - General Government	\$ 279,072,686	\$ 272,198,692	\$ 551,271,378	17.0%
Category 2 - Justice and Public Protection	\$ 312,045,803	\$ 333,782,652	\$ 645,828,455	19.9%
Category 3 - Resource Protection and Development	\$ 43,755,434	\$ 52,614,887	\$ 96,370,321	3.0%
Category 4 - Transportation	\$ 1,296,288	\$ 1,439,578	\$ 2,735,866	0.1%
Category 5 - Health and Social Services	\$ 711,994,806	\$ 882,073,268	\$ 1,594,068,074	49.2%
Category 6 - Education	\$ 178,027,527	\$ 174,906,216	\$ 352,933,743	10.9%
Total	\$ 1,526,192,544	\$ 1,717,015,293	\$ 3,243,207,837	100.0%

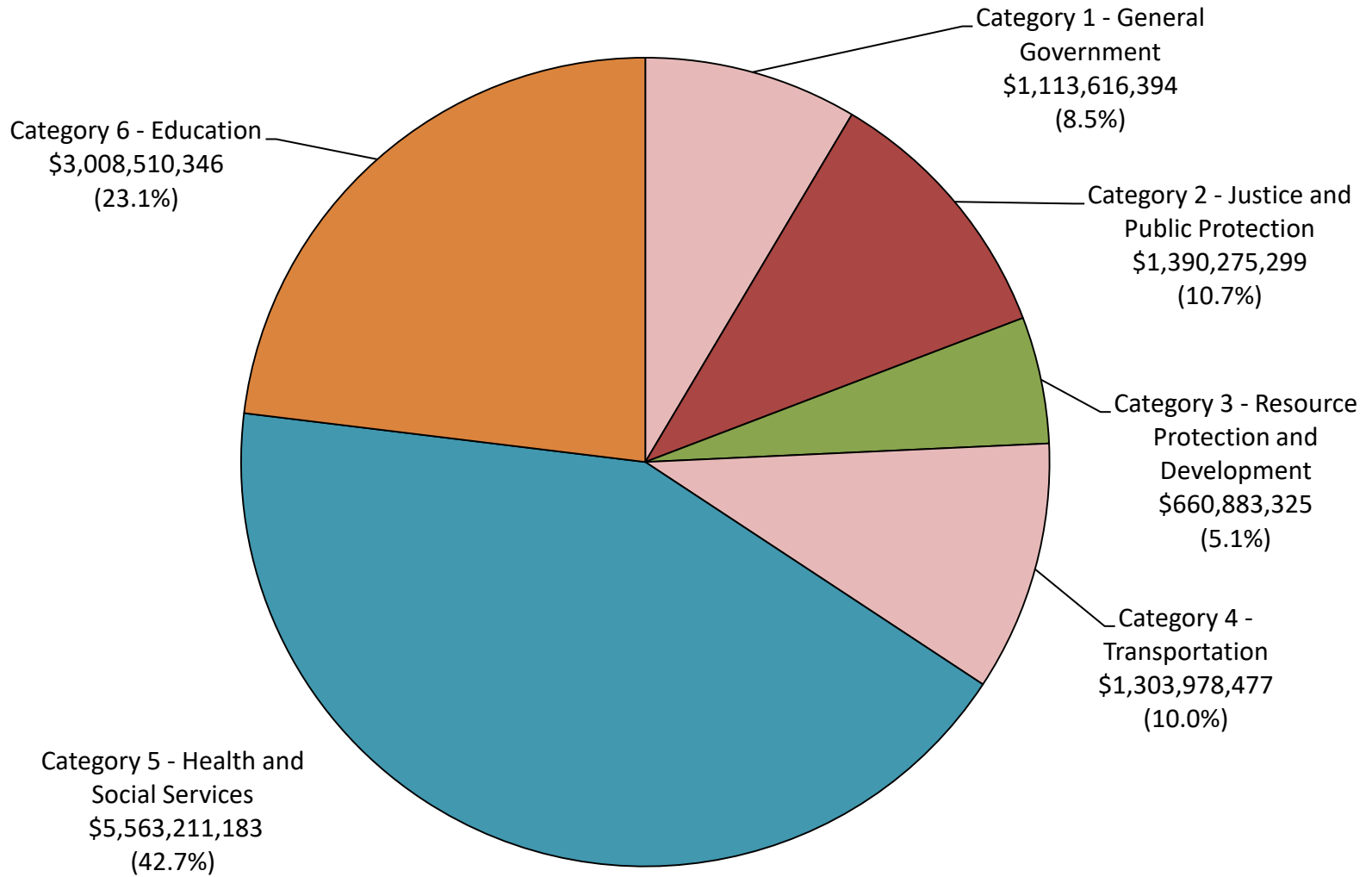
Totals by Category - All Funds

CATEGORY	FY 2020 Actual	FY 2021 Adjusted Authorized	BIENNIUM TOTAL	
				% OF TOTAL
Category 1 - General Government	\$ 544,912,003	\$ 568,704,391	\$ 1,113,616,394	8.5%
Category 2 - Justice and Public Protection	\$ 658,413,049	\$ 731,862,250	\$ 1,390,275,299	10.7%
Category 3 - Resource Protection and Development	\$ 305,068,175	\$ 355,815,150	\$ 660,883,325	5.1%
Category 4 - Transportation	\$ 606,363,163	\$ 697,615,314	\$ 1,303,978,477	10.0%
Category 5 - Health and Social Services	\$ 2,626,402,906	\$ 2,936,808,277	\$ 5,563,211,183	42.7%
Category 6 - Education	\$ 1,451,426,591	\$ 1,557,083,755	\$ 3,008,510,346	23.1%
Total	\$ 6,192,585,887	\$ 6,847,889,137	\$ 13,040,475,024	100.00%

**FY 2020 ACTUAL EXPENDITURES AND FY 2021
ADJUSTED AUTHORIZED APPROPRIATIONS**
(GENERAL FUNDS, BY CATEGORY - \$3,243,207,837)



**FY 2020 ACTUAL EXPENDITURES AND FY 2021
ADJUSTED AUTHORIZED APPROPRIATIONS**
(ALL FUNDS, BY CATEGORY - \$13,040,475,024)



House Finance Committee Divisions

Division I

All of Category 1

All of Category 2 except for the Department of Safety (Department 023)

All of Category 3 except for the Department of Fish and Game Department (Department 075)

Division II

Department of Safety (Department 023)

Department of Fish and Game Department (Department 075)

All of Category 4

All of Category 6

Division III

All of Category 5

FY 2020 Actual Expenditures and FY 2021 Adjusted Authorized Appropriations

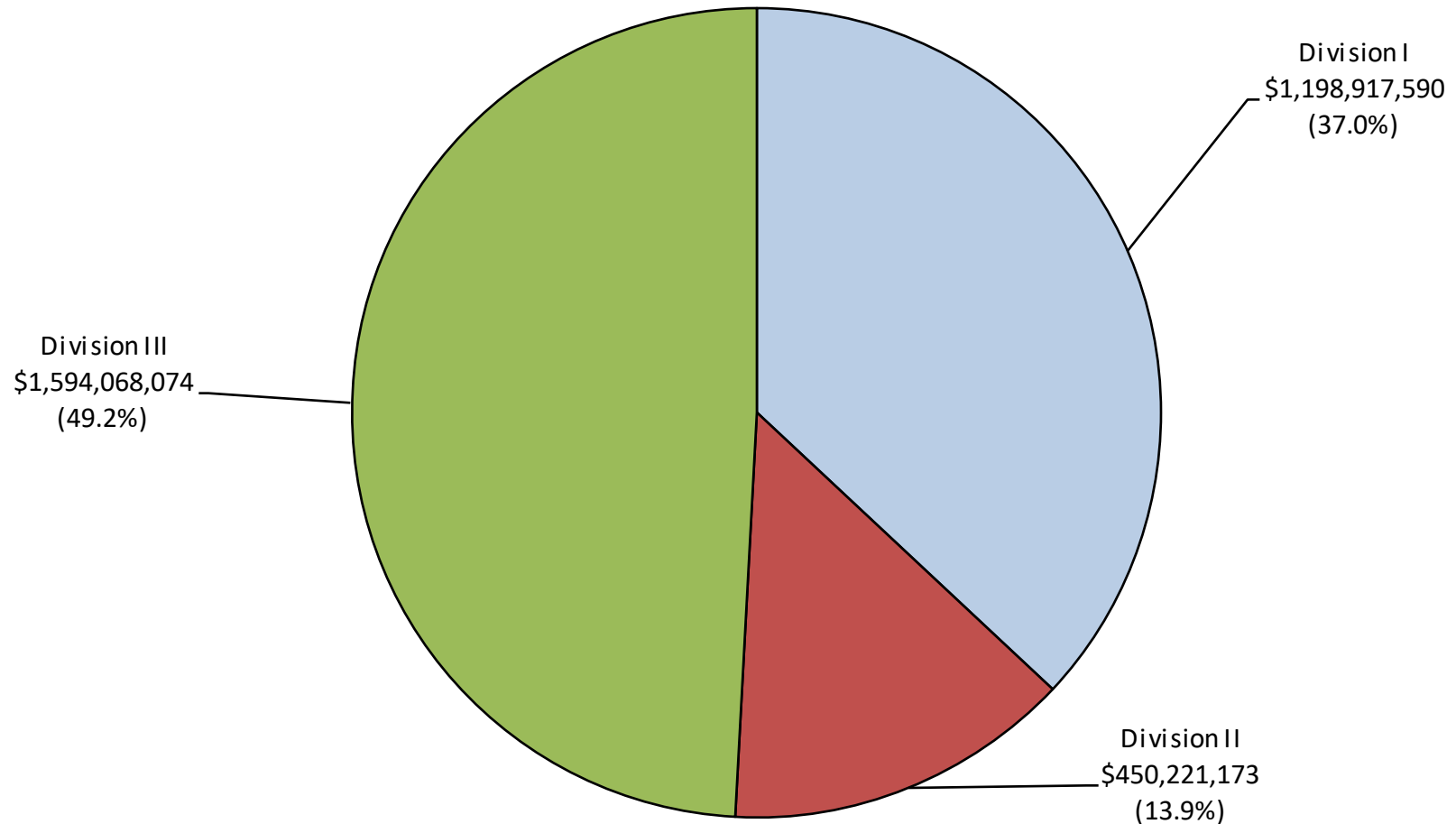
Totals by Division - General Funds

DIVISION / CATEGORY	FY 2020 Actual	FY 2021 Adjusted Authorized	BIENNIUM TOTAL	% OF
				TOTAL
Division I - Categories 1, 2, & 3 (except Safety and Fish and Game)	\$ 590,247,158	\$ 608,670,432	\$ 1,198,917,590	37.0%
Division II - Categories 4 & 6 (plus Safety and Fish and Game)	\$ 223,950,580	\$ 226,270,593	\$ 450,221,173	13.9%
Division III - Category 5	\$ 711,994,806	\$ 882,073,268	\$ 1,594,068,074	49.2%
Total	\$ 1,526,192,544	\$ 1,717,014,293	\$ 3,243,206,837	100.00%

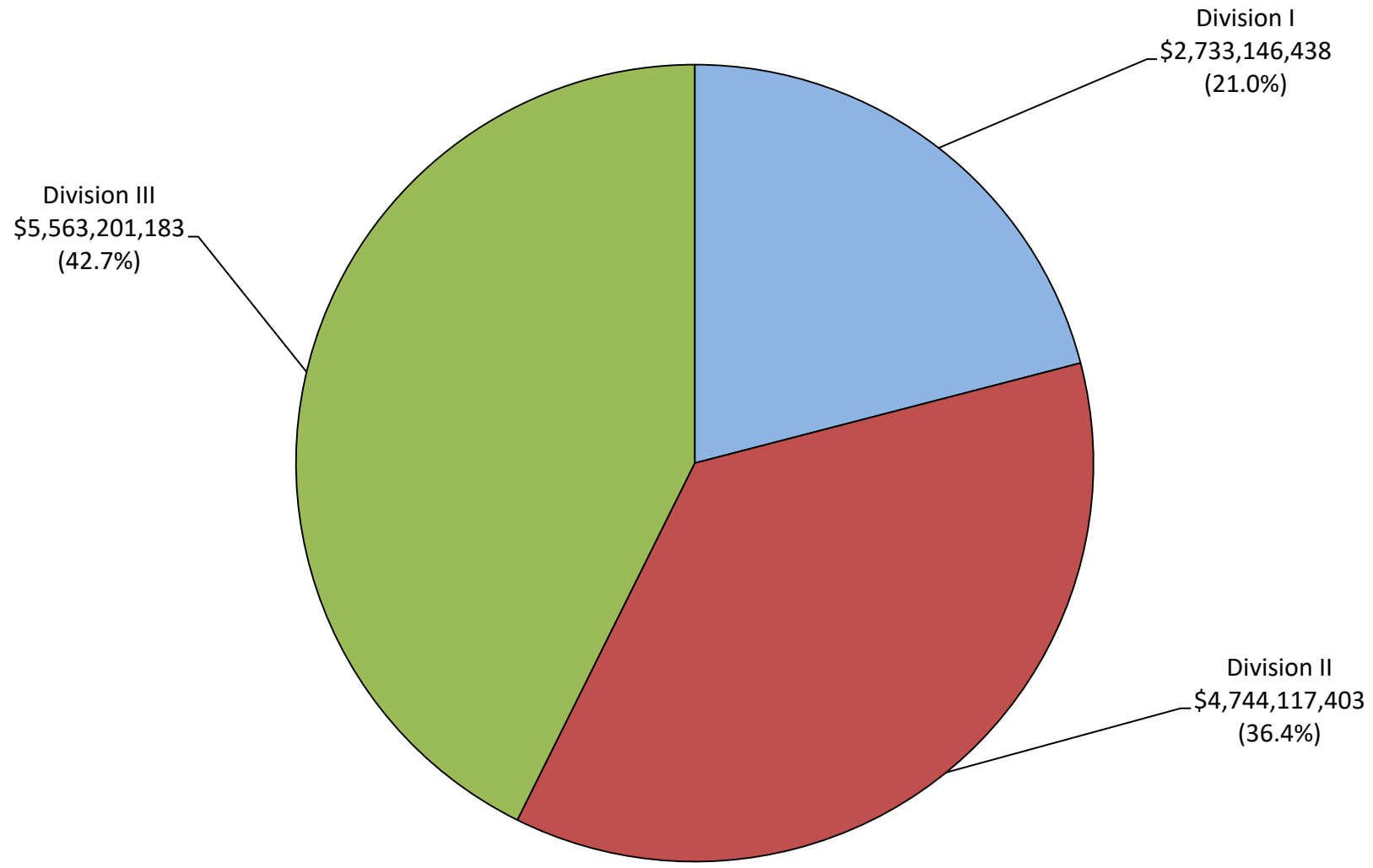
Totals by Division - All Funds

DIVISION / CATEGORY	FY 2020 Actual	FY 2021 Adjusted Authorized	BIENNIUM TOTAL	% OF
				TOTAL
Division I - Categories 1, 2, & 3 (except Safety and Fish and Game)	\$ 1,303,984,038	\$ 1,429,162,400	\$ 2,733,146,438	21.0%
Division II - Categories 4 & 6 (plus Safety and Fish and Game)	\$ 2,262,198,943	\$ 2,481,918,460	\$ 4,744,117,403	36.4%
Division III - Category 5	\$ 2,626,402,906	\$ 2,936,798,277	\$ 5,563,201,183	42.7%
Total	\$ 6,192,585,887	\$ 6,847,879,137	\$ 13,040,465,024	100.00%

**FY 2020 ACTUAL EXPENDITURES AND FY 2021
ADJUSTED AUTHORIZED
APPROPRIATIONS**
(GENERAL FUNDS, BY DIVISION - \$3,243,206,837



**FY 2020 ACTUAL EXPENDITURES AND FY 2021
ADJUSTED AUTHORIZED APPROPRIATIONS**
(ALL FUNDS, BY DIVISION - \$13,040,465,024)



Division I

FY 2020 ACTUAL EXPENDITURES AND FY 2021 ADJUSTED AUTHORIZED APPROPRIATIONS

Division I by Agency - General Funds

ROW	CATEGORY- AGENCY CODE	AGENCY/DEPARTMENT	FY 2020 ACTUAL	FY 2021 ADJ. AUTHORIZED	BIENNIUM	% OF DIVISION TOTAL
1	01-02	EXECUTIVE DEPARTMENT	\$ 3,215,403	\$ 3,445,211	\$ 6,660,614	0.6%
2	01-03	DEPARTMENT OF INFORMATION TECHNOLOGY	\$ 77,898	\$ -	\$ 77,898	0.0%
3	01-04	LEGISLATIVE BRANCH	\$ 16,709,129	\$ 19,818,470	\$ 36,527,599	3.0%
4	01-05	EXECUTIVE COUNCIL	\$ 242,914	\$ 261,331	\$ 504,245	0.0%
5	01-14	DEPARTMENT OF ADMINISTRATIVE SERVICES	\$ 54,904,498	\$ 63,804,454	\$ 118,708,952	9.9%
6	01-21	OFFICE OF PROFESSIONAL LICENSURE & CERTIFICATION	\$ -	\$ -	\$ -	0.0%
7	01-32	DEPARTMENT OF STATE	\$ 1,986,570	\$ 2,434,131	\$ 4,420,701	0.4%
8	01-38	TREASURY DEPARTMENT	\$ 182,430,687	\$ 161,012,024	\$ 343,442,711	28.6%
9	01-59	NH RETIREMENT SYSTEM	\$ -	\$ -	\$ -	0.0%
10	01-84	DEPARTMENT OF REVENUE ADMINISTRATION	\$ 18,645,974	\$ 20,542,781	\$ 39,188,755	3.3%
11	01-89	BOARD OF TAX & LAND APPEALS	\$ 859,613	\$ 880,290	\$ 1,739,903	0.1%
12	01-97	DEVELOPMENTAL DISABILITIES COUNCIL	\$ -	\$ -	\$ -	0.0%
13	02-07	JUDICIAL COUNCIL	\$ 31,994,633	\$ 31,764,114	\$ 63,758,747	5.3%
14	02-10	JUDICIAL BRANCH	\$ 85,936,031	\$ 92,535,363	\$ 178,471,394	14.9%
15	02-12	MILITARY AFFAIRS & VETERANS SERVICES	\$ 4,503,191	\$ 5,357,830	\$ 9,861,021	0.8%
16	02-18	DEPARTMENT OF AGRICULTURE, MARKETS AND FOOD	\$ 3,198,768	\$ 3,559,616	\$ 6,758,384	0.6%
17	02-20	DEPARTMENT OF JUSTICE	\$ 13,211,809	\$ 13,354,360	\$ 26,566,169	2.2%
18	02-24	INSURANCE DEPARTMENT	\$ -	\$ -	\$ -	0.0%
19	02-26	DEPARTMENT OF LABOR	\$ -	\$ -	\$ -	0.0%
20	02-27	DEPARTMENT OF EMPLOYMENT SECURITY	\$ -	\$ -	\$ -	0.0%
21	02-46	DEPARTMENT OF CORRECTIONS	\$ 129,430,501	\$ 138,367,350	\$ 267,797,851	22.3%
22	02-72	BANKING DEPARTMENT	\$ -	\$ -	\$ -	0.0%
23	02-73	PUBLIC EMPLOYEES LABOR RELATIONS BOARD	\$ 465,603	\$ 484,117	\$ 949,720	0.1%
24	02-77	LIQUOR COMMISSION	\$ -	\$ -	\$ -	0.0%
25	02-81	PUBLIC UTILITIES COMMISSION	\$ 254,521	\$ 286,035	\$ 540,556	0.0%
26	03-13	PEASE DEVELOPMENT AUTHORITY	\$ -	\$ -	\$ -	0.0%
27	03-22	DEPARTMENT OF BUSINESS & ECONOMIC AFFAIRS	\$ 12,712,787	\$ 16,244,123	\$ 28,956,910	2.4%
28	03-35	DEPARTMENT OF NATURAL & CULTURAL RESOURCES	\$ 8,636,987	\$ 8,423,846	\$ 17,060,833	1.4%
29	03-44	DEPARTMENT OF ENVIRONMENTAL SERVICES	\$ 20,829,641	\$ 26,094,986	\$ 46,924,627	3.9%
30		TOTAL	\$ 590,247,158	\$ 608,670,432	\$ 1,198,917,590	100.0%

FY 2020 ACTUAL EXPENDITURES AND FY 2021 ADJUSTED AUTHORIZED APPROPRIATIONS

Division I by Agency - All Funds

ROW	CATEGORY- AGENCY CODE	AGENCY/DEPARTMENT	FY 2020 ACTUAL	FY 2021 ADJ. AUTHORIZED	BIENNIUM	% OF DIVISION TOTAL
1	01-02	EXECUTIVE DEPARTMENT	\$ 33,949,691	\$ 35,706,306	\$ 69,655,997	2.5%
2	01-03	DEPARTMENT OF INFORMATION TECHNOLOGY	\$ 90,991,565	\$ 102,010,125	\$ 193,001,690	7.1%
3	01-04	LEGISLATIVE BRANCH	\$ 17,353,177	\$ 20,489,844	\$ 37,843,021	1.4%
4	01-05	EXECUTIVE COUNCIL	\$ 242,914	\$ 261,331	\$ 504,245	0.0%
5	01-14	DEPARTMENT OF ADMINISTRATIVE SERVICES	\$ 127,972,522	\$ 148,185,623	\$ 276,158,145	10.1%
6	01-21	OFFICE OF PROFESSIONAL LICENSURE & CERTIFICATION	\$ 11,659,466	\$ 15,161,724	\$ 26,821,190	1.0%
7	01-32	DEPARTMENT OF STATE	\$ 11,046,225	\$ 10,596,487	\$ 21,642,712	0.8%
8	01-38	TREASURY DEPARTMENT	\$ 220,794,328	\$ 199,417,554	\$ 420,211,882	15.4%
9	01-59	NH RETIREMENT SYSTEM	\$ 9,963,347	\$ 12,289,637	\$ 22,252,984	0.8%
10	01-84	DEPARTMENT OF REVENUE ADMINISTRATION	\$ 19,361,622	\$ 22,923,052	\$ 42,284,674	1.5%
11	01-89	BOARD OF TAX & LAND APPEALS	\$ 957,128	\$ 978,101	\$ 1,935,229	0.1%
12	01-97	DEVELOPMENTAL DISABILITIES COUNCIL	\$ 620,018	\$ 684,607	\$ 1,304,625	0.0%
13	02-07	JUDICIAL COUNCIL	\$ 31,994,633	\$ 31,764,114	\$ 63,758,747	2.3%
14	02-10	JUDICIAL BRANCH	\$ 91,475,005	\$ 98,904,299	\$ 190,379,304	7.0%
15	02-12	MILITARY AFFAIRS & VETERANS SERVICES	\$ 24,791,366	\$ 36,190,408	\$ 60,981,774	2.2%
16	02-18	DEPARTMENT OF AGRICULTURE, MARKETS AND FOOD	\$ 5,274,730	\$ 7,118,757	\$ 12,393,487	0.5%
17	02-20	DEPARTMENT OF JUSTICE	\$ 35,060,041	\$ 43,372,928	\$ 78,432,969	2.9%
18	02-24	INSURANCE DEPARTMENT	\$ 10,573,155	\$ 12,915,578	\$ 23,488,733	0.9%
19	02-26	DEPARTMENT OF LABOR	\$ 8,665,971	\$ 10,652,044	\$ 19,318,015	0.7%
20	02-27	DEPARTMENT OF EMPLOYMENT SECURITY	\$ 35,047,890	\$ 39,753,745	\$ 74,801,635	2.7%
21	02-46	DEPARTMENT OF CORRECTIONS	\$ 133,643,274	\$ 142,894,623	\$ 276,537,897	10.1%
22	02-72	BANKING DEPARTMENT	\$ 5,571,102	\$ 6,646,153	\$ 12,217,255	0.4%
23	02-73	PUBLIC EMPLOYEES LABOR RELATIONS BOARD	\$ 467,163	\$ 486,117	\$ 953,280	0.0%
24	02-77	LIQUOR COMMISSION	\$ 70,785,911	\$ 77,695,064	\$ 148,480,975	5.4%
25	02-81	PUBLIC UTILITIES COMMISSION	\$ 30,855,735	\$ 29,964,921	\$ 60,820,656	2.2%
26	03-13	PEASE DEVELOPMENT AUTHORITY	\$ 582,742	\$ 819,660	\$ 1,402,402	0.1%
27	03-22	DEPARTMENT OF BUSINESS & ECONOMIC AFFAIRS	\$ 21,514,574	\$ 26,732,977	\$ 48,247,551	1.8%
28	03-35	DEPARTMENT OF NATURAL & CULTURAL RESOURCES	\$ 44,520,920	\$ 54,517,518	\$ 99,038,438	3.6%
29	03-44	DEPARTMENT OF ENVIRONMENTAL SERVICES	\$ 208,247,823	\$ 240,029,103	\$ 448,276,926	16.4%
30		TOTAL	\$ 1,303,984,038	\$ 1,429,162,400	\$ 2,733,146,438	100.0%

Category 1

Department of Information Technology (DoIT)

	FY 2020 Actual	FY 2021 Authorized	FY 2022 Request	FY 2023 Request
General Fund	\$77,898	\$0	\$0	\$0
Other	\$90,913,667	\$102,010,125	\$111,516,252	\$111,384,182
Total Budget	90,991,565	\$102,010,125	\$111,516,252	\$111,384,182
Positions	368	368	368	368
DHHS (Other)	\$21,379,704	\$24,461,680	\$26,986,834	\$25,471,248
Dept. of Safety (Other)	\$6,695,024	\$8,528,455	\$8,945,557	\$8,928,083

DoIT uses a direct chargeback method to address individual agency needs and shared services chargeback for services benefitting all agencies. Each agency budgets its DoIT costs in class 027 (Transfers to DoIT). The FY20-21 operating budget included an adjustment for funds budgeted for revenue transfers included as other funds across all agencies and included all types of interagency transfers. This was intended to highlight the “double counting” caused by interagency transfers.

Department of Administrative Services

	FY 2020 Actual	FY 2021 Authorized	FY 2022 Request	FY 2023 Request
General Fund	\$54,904,498	\$63,804,454	\$55,880,785	\$59,575,515
Federal Fund	\$477,945	\$240,971	\$842,825	\$849,309
Other	\$72,590,079	\$84,140,198	\$77,995,062	\$81,501,714
Total Budget	\$127,972,522	\$148,185,623	\$134,718,672	\$141,926,538
Positions	316	316	318	318

Retiree Health Benefits - Pursuant to RSA 21-I:30, the State provides health benefits within the funds appropriated at each legislative session to eligible retired State employees and the Fiscal Committee is authorized to approve plan design changes to the Retiree Health Benefit Plan. The State’s General Fund share of this benefit is appropriated to the Department of Administrative Services. Table 1 shows the State retiree health appropriations by funding

source. The rate for retirees under the age of 65 is no less than 20% of the cost of the insurance premium per person and the Fiscal Committee may authorize an amount over 20%. The rate for these retirees was \$198.94 per person per month as of January 1, 2020 and is \$202.58 per person per month as of January 1, 2021. The rate for Medicare-eligible retirees over age 65 (only those born on or after January 1, 1949) is no less than 10% of the cost of the insurance premium per person and the Fiscal Committee may authorize an amount over 10%. The rate for these retirees was \$32.04 per month as of January 1, 2020 and is \$22.61 per month as of January 1, 2021. Medicare-eligible retirees over age 65 born before January 1, 1949 continue to pay no premium.

Table 1

	FY 2020 Actual	FY 2021 Adjusted Authorized	FY 2022 UPDATED ESTIMATE (12/8/20)	FY 2023 UPDATED ESTIMATE (12/8/20)
General Funds	\$30,744,403	\$36,320,800	\$27,037,800	\$30,189,900
Other Agency Funds	\$16,220,163	\$20,147,400	\$15,082,100	\$16,896,800
Medical Subsidy	\$11,000,001	\$11,808,400	\$10,529,900	\$10,465,000
Retirees (Under 65 and self-payers, etc.)	\$8,651,507	\$9,883,700	\$8,248,300	\$8,834,500
Retirees (Over 65)	\$1,351,427	\$1,521,100	\$1,224,800	\$1,467,300
TOTAL	\$67,967,501	\$79,681,400	\$62,122,900	\$67,853,500

Concord Steam – The State bought steam from Concord Steam (a PUC regulated utility) to heat 25 state-owned facilities in Concord until Concord Steam ceased operations effective May 31, 2017.

The FY18-19 operating budget (trailer bill) and capital budget appropriated \$25 million (\$18 million and \$7 million respectively) to the Department of Administrative Services for the purchase and replacement of all Concord Steam systems providing heat to state facilities at the Governor Hugh Gallen State Office park and state owned facilities in downtown Concord, and for decommissioning the physical plant facility. Of this total, the capital budget’s \$7 million in general obligation bond expenses would be paid from a new nonlapsing State Heating System Savings Account

established for the transfer of unexpended state heating system appropriations realized from savings resulting from the project. (HB 368, Ch. 2; HB 25, Ch. 228, HB 517, Ch. 156).

Since the initial appropriations were approved, \$2,016,343 of the unencumbered balance from the 2017 operating budget appropriation lapsed due to the veto of HB 2 in 2019, which contained an extension of the June 30, 2019 lapse date for the balance of the original appropriation. From June 2019 to May 2020, \$326,486 was utilized from the capital budget emergency fund (established pursuant to Ch. 228, Laws of 2017). From May 2020 to the present, \$1,052,889 has been spent or encumbered from the DAS maintenance fund for FY 20-FY21 (established pursuant to Ch. 346, Laws of 2019). Approximately \$815,000 is required to complete the entire conversion process, including items that should have been included in the original estimate. Funding for this expense will be from the DAS maintenance fund and/or the capital budget emergency fund. The total cost of the project is estimated to be \$26,178,031.

Office of Child Advocate – The Office of Child Advocate was created in the FY18-19 budget in response to multiple gaps in functioning of the child welfare system, culminating in tragedy that prompted system reform, including this Office as a mechanism of oversight. The initial budget appropriated \$350K annually for the creation of a new independent Office of the Child Advocate and authorized 3 new staff positions (1 unclassified and 2 classified). The Office was administratively attached to the DAS Commissioner’s Office. The Office was charged with oversight of the Department of Health and Human Services Division of Children, Youth and Families and to assure that the best interests of children would be protected. The FY20-21 included funding for an Assistant Child Advocate position. The Office now includes a total of 5 full time equivalent positions (including one unfilled/frozen) and 1 temporary part time position and an operating budget of \$551,375 for FY 2021. In 2020, HB 1162 passed (Ch. 26, L. 2020) and included a new statutory mandate to oversee all state provided, funded, or agreed-upon services for children. The Office is now required to periodically visit children who are placed out of their homes and assist them as needed. HB 1162 did not appropriate funds for these new responsibilities, but it required the appointment of an associate child advocate, and subject to appropriation, other personnel as the child advocate deems necessary for the efficient management of the office. The Office is requesting a budget of \$816,794 for FY 22 and \$862,134 for FY 23 to incorporate staffing, travel and administrative needs.

Lakes Region Facility – The campus of the former Laconia State School has been the subject of several bills in recent years to study the use and possible sale of the facility. The campus consists of numerous buildings, many of which are in disrepair and the property has functional and environmental issues that may impact the possible sale or redevelopment of the property or portions thereof. In 2017, the Lakeshore Redevelopment Planning Commission was established to study the land and buildings to identify potential development alternatives, including but not limited to potential public private partnerships, for the purpose of developing the state-owned property for self-sustaining economic development and job creation for the benefit of the city of Laconia, Belknap County, and the State of New Hampshire. An appropriation of \$365,000 was made for the purpose of the Commission, to lapse June 30, 2021 (HB 340, Ch. 240, L. 2017). HB 1224 from the 2020 session appropriated \$500,000 to the Commission for matching available funds and extended the lapse date of the prior appropriations. SB 635 established the Lakes Region Development Authority to continue the work of the Commission to implement the redevelopment plan and included a provision for state funds to be used as loans to leverage matching grants (later amended to include \$2 million for this purpose). Both bills were tabled in part due to the legislative disruption caused by the coronavirus pandemic and the bills were added to omnibus legislation, HB 1234, that was subsequently vetoed. The current budget request is for \$350,000 for each fiscal year.

Department of Revenue Administration (DRA)

	FY 2020 Actual	FY 2021 Authorized	FY 2022 Request	FY 2023 Request
Education Fund	\$705,122	\$1,750,000	\$800,000	\$800,000
Other	\$10,526	\$630,271	\$630,271	\$630,271
General Fund	\$18,645,974	20,542,781	\$19,635,698	\$20,439,161
Total Budget	\$19,361,622	\$22,923,052	\$21,065,969	\$21,869,432
Positions	156	157	152	157

Tax System - The Department received approval in both operating and capital budgets for FY 2018-2019 to purchase and implement a new revenue information management system, known as RIMS. A new nonlapsing account was established to pay the interest on bonds and notes issued to fund the RIMS project. Savings attributable to the system are dedicated to paying the bonding expenses that fund the project. The revenue increase from existing

taxes attributable to the RIMS collected by the Department and deposited in the account is capped at \$4 million each fiscal year beginning in FY22 and ending in FY31. The capital budget general revenue bonded appropriation was \$30.2 million, with an estimated \$24.2 million of that total to be offset by savings. DRA anticipates a prioritized need of \$340,000 in FY20 and FY21 for Project Health Assessments, or services to gauge the vendor’s performance, project timeline and DRA’s progress in adapting to the new system.

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). The compacts are intended to reimburse towns for the loss of property tax revenue due to property acquired by the United States for flood control.

	FY 2020 Actual	FY 2021 Adjusted Authorized	FY 2022 Request	FY 2023 Request
General Fund	\$778,807	\$256,729	\$256,729	\$256,729
Other	\$10,521	\$630,271	\$630,271	\$630,271
Total Budget	\$789,328	\$887,000	\$887,000	887,000

- The DRA reports the FY22-23 budget assumes Massachusetts will reimburse their share of 70% of the Merrimack River Valley compact plus 50% of the Connecticut River Valley compact and Connecticut will reimburse their share of 40% of the Connecticut River Valley compact.
- There is a long history of Massachusetts not paying its obligation timely or sufficiently for the Merrimack River Valley compact. The DRA reports \$2,991,436 is currently outstanding for FY15 through FY20 (payments through FY14 have been settled). The DRA estimates requesting a warrant be issued for FY21 for \$616,614.

State Treasury

	FY 2020 Actual	FY 2021 Authorized	FY 2022 Request	FY 2023 Request
Federal Fund	\$1,349,257	\$1,729,089	\$1,443,639	\$1,256,748
Other	\$37,014,384	\$36,676,441	\$32,351,906	\$31,395,725
General Fund	\$182,430,687	\$161,012,024	\$194,070,203	\$196,644,830
Total Budget	\$220,794,328	\$199,417,554	\$227,865,748	\$229,297,303

Positions	23	23	23	22
Debt Service-all funds	\$105,492,096	\$101,185,254	\$101,826,305	\$98,040,070
Meals and Rooms Tax Distribution	\$68,805,057	\$68,805,057	\$73,805,057	\$78,805,057
State Revenue Sharing	\$0	\$0	\$25,216,054	\$25,216,054
Municipal Aid	\$20,000,000	\$0	\$0	\$0
LCHIP				
Abandoned Property –Total Unrestricted Revenue	\$17,347,589	\$0	\$16,800,000	\$18,400,000

Debt Service - The Treasury’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. Pursuant to RSA 78-A:26, I(a), the amount of debt service necessary to pay principal and interest on bonds for school building aid is paid from directly from Meals and Rooms tax revenue.

Meals and Rooms Distribution to Cities and Towns - Pursuant to RSA 78-A the Treasury distributes a portion of annual meals and rooms tax revenue to municipalities. 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. This amount has been frozen since FY17. Treasury includes the statutory increase as an additional prioritized need in its budget for FY22 and FY23.

Meals and Rooms Annual Distribution Amount

FY 2009-FY 2014	FY 2015-FY 2016	FY 2017- FY 2021	FY 2022	FY 2023
\$58.8 million	\$63.8 million	\$68.8 million	\$73.8 million	\$78.8 million

State Revenue Sharing - Pursuant to RSA 31-A, the Treasury distributes a portion of State general revenues to municipalities annually. Since FY1999, 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 from FY10 until FY21. Since the suspension is ending June 30, 2021, revenue sharing will be included in the FY22-23 operating budget at \$25.2 million each year unless the statute is suspended or repealed.

Municipal Aid – Pursuant to HB 4, Ch. 346:172, Laws of 2019, \$40 million for the fiscal year ending June 30, 2020 (FY 19) was appropriated to provide municipal aid to each city, town and unincorporated place in the state based upon student enrollment (20%) and the number of students eligible for free and reduced-price meals (80%). This appropriation was paid in 2 installments of \$20 million made on October 1, 2019 and October 1, 2020.

Land and Community Heritage Investment Program (LCHIP) - LCHIP is an independent state authority that operates a competitive matching 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. Funds are used to leverage additional local, private, and federal funds with no general funds appropriated. The FY14-19 budgets funded the program at \$3.5 million a year, directing all surcharge revenue to the LCHIP fund. The FY20-FY021 budget funded the program at \$5 million per year, reflecting a proposed \$1.5 million annual increase resulting from a proposed \$10 increase in the existing additional recording document charge of \$25 to \$35 at the county registries. This proposal was contained in SB 74, which was vetoed. The proposed budget for FY22-FY23 returns the program to \$3.5 million per year.

The program also receives about \$6 (up to \$200,000) from the sale of each conservation license plate (Moose Plate), which provides about two-thirds of the program's annual administrative costs (RSA 261:97-b, I-a and RSA 261:97-c, V). The remainder of the administrative income comes from interest on the LCHIP Trust Fund and other bank accounts and an administrative fee assessed to each grant that is awarded.

Affordable Housing – The FY20-FY21 budget appropriated general funds of \$5 million in FY20 to the affordable housing fund and provided an additional \$5 million from the Real Estate Transfer Tax each year to the fund beginning in FY21.

UNIQUE Scholarship - Pursuant to RSA 195-H, the State of New Hampshire is authorized to sponsor a College Tuition Savings Plan, or a 529 Plan, under the supervision of the College Tuition Savings Plan Advisory Commission

("Advisory Commission"). The State of New Hampshire has a contract with Fidelity Investments to administer the two New Hampshire plans: The UNIQUE College Investing Plan, and The Fidelity Advisor 529 Plan. The New Hampshire UNIQUE Scholarship Programs are administered by the College Tuition Savings Plan Advisory Commission in cooperation with the State Treasurer and the Commission of Higher Education. The UNIQUE Program allocated scholarships and grants at \$15.1 million in FY20 (Actual), \$16.4 million in FY21 (Adjusted Authorized); \$15.9 million budgeted in FY22 and \$16 million budgeted in FY23.

RSA 6:38 established the New Hampshire Excellence in Higher Education Endowment Trust Fund ("Trust Fund") to provide scholarships for the benefit of New Hampshire residents pursuing programs at participating higher educational institutions within the state, under the direction of the College Tuition Savings Plan Advisory Commission. The Trust Fund receives monthly income from investment management assessments or fees generated by the two 529 College Tuition Savings Plans sponsored by the State of New Hampshire.

UNIQUE Annual Allocation Program

The UNIQUE annual allocation program (UAAP) has been implemented as one method to satisfy the statutory obligation in RSA 6:38 to provide increased equal access and choice for deserving needy New Hampshire residents seeking the benefits of higher education at a participating New Hampshire institution.

UNIQUE Endowment Allocation Program

The UNIQUE endowment allocation program (UEAP) is another method to fulfill the statutory obligation in RSA 6:38 to provide qualifying New Hampshire institutions of higher education with allocations to restricted endowments, the earnings from which shall be used to provide awards to New Hampshire residents who are attending the participating institution.

Governor's Scholarship Program –Any eligible student who earns the New Hampshire scholar designation shall be eligible for a scholarship award of \$2,000 per year for up to four years. All other eligible students shall be eligible for a scholarship award of \$1,000 per year for up to four years. The FY22-23 budget prioritized need provides for \$3 million in scholarships and grants in each fiscal year.

The FY20-21 budget provided for the following:

- Moved the Governor’s Scholarship Program to the Treasury Department’s budget (to be administered by the College Tuition Savings Plan Advisory Commission) and provided \$6 million over the biennium for scholarships. (FY20 Actual amount was \$1 million and FY21 Adjusted Authorized was \$3 million).
- Appropriated \$5 million from UNIQUE funds to the state regenerative manufacturing workforce development fund to provide regenerative worker educational debt relief under RSA 162-T:2.
- Provided 80% of UNIQUE funds for the Annual Allocation Program and 20% for the Endowment Allocation Program increasing the annual amount available for student scholarships.

New Hampshire Retirement System

The New Hampshire Retirement System administers a defined benefit plan for state, county and municipal employees, teachers, police officers and firefighters, providing retirement, disability, and death benefits to eligible members and their beneficiaries. NHRS membership includes 465 active participating employers, over 48,000 active members and over 38,000 pension recipients. The State of New Hampshire, individual communities, school districts, counties and others participate in the plan. Not all political subdivisions participate in the system for its Employee members. Participation is mandatory for Police, Fire and Teacher members. The agency budget request contains an appropriation of approximately \$2.7 million for FY22 and \$2.0 million for FY23 that continues a multi-year software update to a web-based system with enhanced cybersecurity and functionality.

Funding Status – As of June 30, 2020:

- The funded ratio for the pension plan was 61.0% in FY 2020 which means the actuarial value of the retirement system’s assets is 61.0% of the projected amount needed to pay for both current retirees and the accrued benefit for future retirees. (up from 60.8% in FY19)
- The unfunded actuarial accrued liability for the pension plan was \$6.04 billion as of June 30, 2020.
- The actuarial value of assets available to pay pension benefits was \$9.45 billion, an increase of \$329.9 million over the prior fiscal year. *(The Actuarial Value of Assets recognizes assumed investment return fully each year. Differences between actual return on the Market Value of assets and assumed return on the Actuarial Value of Assets are phased-in over a closed 5-year*

period. During periods when investment performance exceeds the assumed rate, Actuarial Value of Assets will tend to be less than Market Value. During periods when investment performance is less than the assumed rate, Actuarial Value of Assets will tend to be greater than Market Value.)

Rate Setting – Pursuant to RSA 100-A:16, member (employee) rates are currently 7.0% for Group I members, 11.55% for Group II permanent police members and 11.80% for permanent fireman members.

The New Hampshire Constitution (Part I, Article 36-A) requires NHRS Trustees to set actuarially sound employer contribution rates and requires employers to annually pay those rates in full. Pursuant to RSA 100-A:16, III, employer contribution rates are set every 2 years as part of a biennial actuarial valuation. The actuarially sound rates are necessary to maintain the retirement system trust fund to reflect the cost of benefits as they accrue and at the level needed to meet its future obligations and pay down existing unfunded liabilities. The Retirement System completed an actuarial experience study in June 2020 which resulted in adjustments to a number of actuarial assumptions. The assumed rate of return was reduced from 7.25% to 6.75%, the inflation assumption was reduced from 2.50% to 2.0% and the payroll growth factor was reduced from 3.75% to 3.25% for police, fire and employees, while for teachers it was reduced from 2.75% to 2.25% in response to continued anticipated decline in the school-age population in NH. The Retirement System Board of Trustees at its September 8, 2020 meeting certified the employer rates of contribution effective July 1, 2021 – June 30, 2023 (FY22-23) and are based on the actuarial valuation as of June 30, 2019. The rates below apply to state agencies and other component units of state government. Rates increased by 20% on average.

State of NH Employer Contribution Rates for July 1, 2021-June 30, 2023

	Pension Percentage	Medical Subsidy Percentage	Total Employer Percentage
Group I Employees	13.75%	0.78%	14.53%
Group II Police	30.67%	3.21%	33.88%
Fire	29.78%	3.21%	32.99%

The rates below apply to counties, cities and towns, school districts and all other participating political subdivisions except the State of New Hampshire.

Municipal Employer Contribution Rates for July 1, 2022-June 30, 2023

	Pension Percentage	Medical Subsidy Percentage	Total Employer Percentage
Group I			
Employees	13.75%	0.31%	14.06%
Teachers	19.48%	1.54%	21.02%
Group II			
Police	30.67%	3.21%	33.88%
Fire	29.78%	3.21%	32.99%

Department of Business and Economic Affairs

The Division of Travel and Tourism includes funding required by the statutory allocation of Rooms and Meals Tax pursuant to RSA 12-O:11-b and RSA 78-A:26, I. The FY20-21 budget suspended this provision for the biennium (Chapter 346:82).

The FY20-21 budget included \$3.4 million in money for highway safety rest areas using General Funds instead of Highway Funds. \$200,000 was provided over the biennium to support education and acceleration programs within New Hampshire non-profit tech incubators and an additional \$250,000 was appropriated to the Small Business Development Center and its programs.

Department of State

HAVA State Election Fund - Six main lump sum federal HAVA payments were received in: May, 2003; July, 2004; November 2011; July 2018; March, 2020 and April 2020 to fund the activities required under section 254(b) of the Federal Help America Vote Act of 2002 (HAVA) (Public Law 107-252). Interest earned must be deposited into the State Election Fund (RSA 5:6-d) and is used to support the objectives of HAVA, including improving election security

and technology, election administration, maintaining and improving the accessible voting system, maintaining and securing the statewide voter registration system, developing and maintaining an election management system, and enabling uniformed and overseas voters to cast absentee ballots, and responding to coronavirus for the 2020 Federal election cycle. Election Fund spending is subject to RSA 5:6-d. The secretary of state shall not expend any monies in the election fund unless the balance in the fund following such expenditure shall be at least 12 times the estimated annual cost of maintaining the programs established to comply with HAVA. The recent Election Fund balances are below:

Fiscal Year	Beginning Balance	Revenue	Expenses	Encumb.	Other Funding	Ending Balance
2020	11,933,334	7,004,375	(1,029,307)	-	-	17,908,402
2019	9,553,222	3,389,863	(1,011,484)	(1,732)	-	11,929,869
2018	9,878,315	177,157	(502,250)	-	-	9,553,222
2017	10,325,743	88,255	(534,961)	(1,732)	-	9,878,315

DIVISION I THINGS TO KNOW

Category 2

Division I of the House Finance Committee is responsible for thirteen 13 of the 14 agencies in budget category 2. (The Department of Safety’s budget is handled by Division II of House Finance.) Of these 13 agencies, six have no general fund appropriations. These non-generally funded agencies are the Departments of Insurance, Labor, Employment Security and Banking, the Liquor Commission and the Pease Development Authority.

Judicial Council

	FY 2020 Actual	FY 2021 Authorized	FY 2022 Request	FY 2023 Request
General Fund	\$31,666,912	\$31,376,432	\$32,251,511	\$32,236,378
Total Budget	\$31,666,912	\$31,376,432	\$32,251,511	\$32,236,378
Total Positions	3	3	3	3

Indigent defense costs are constitutionally mandated at both the State and federal level. The Council only reimburses for indigent services authorized by the Judicial Branch and works with the Branch to control indigent defense costs. RSA 604-A:1-b permits the Judicial Council to request additional funding for the purposes of indigent defense with fiscal committee approval if expenditures exceed appropriated amounts. In FY 2020, the Judicial Council requested, and the Fiscal Committee has approved \$1,325,000 of additional general funds to pay for costs in excess of budgeted amounts. Budget verses actual amounts for the past five years are shown below.

Judicial Council	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Budgeted Amount	\$25,744,799	\$26,510,867	\$28,285,807	\$29,318,904	\$30,988,976
Actual Expenditures	\$26,151,898	\$27,733,140	\$29,471,720	\$31,078,724	\$31,994,632

DIVISION I THINGS TO KNOW

Judicial Council Additional Prioritized Needs-

- Non-Counsel Services. Services the court has ruled as necessary. Increases in opioid prosecutions have contributed to the increase in service costs. Estimated cost: \$483,129 in FY 2022 and \$467,996 in FY 2023.
- Guardian ad Litem Services. This line funds parent representation in termination of parental rights proceedings and guardianship in certain probate matters. It is expected that COVID-19 will lead to an increase in abuse and neglect matters. Estimated cost \$241,950 in each year of the biennium.
- Non-CASA Guardians ad Litem. Private guardians are the backup when CASA is unavailable. Estimated cost \$150,000 in each year of the biennium.

Judicial Branch

	FY 2020 Actual	FY 2021 Authorized	FY 2022 Request	FY 2023 Request
General Fund	\$85,936,031	\$92,535,363	\$97,269,880	\$101,511,195
Total Budget	\$91,475,005	\$98,904,299	\$103,332,129	\$107,592,556

Unrestricted Revenue – The Judicial Branch collects general fund revenue from fines fees and penalty assessments as follows:

	FY 2020 Actual	FY 2021 Authorized	FY 2022 Projected	FY 2023 Projected
Unrestricted Revenue	\$12,555,891	11,564,851	\$12,091,140	\$12,785,808

DIVISION I THINGS TO KNOW

The Judicial Branch Information Technology Fund – In the past this fund was supported by percentages of court entry fees and penalty assessment revenue pursuant to RSA 490:26-h. These revenue sources have declined and have not kept pace with the need for hardware and software expenditures. The current operating budget and the FY 2022-23 budget request include general fund appropriations of approximately \$1 million per year to support to the fund.

There are no additional prioritized special and problematic needs for the Judicial Branch.

Department of Justice

	FY 2020 Actual	FY 2021 Authorized	FY 2022 Request	FY 2023 Request
General Fund	\$13,211,809	\$13,354,360	\$14,110,712	\$14,616,705
Total Budget	\$35,060,041	\$43,372,928	\$40,783,661	\$41,812,125
Total Positions	166	166	175	175

Litigation Costs – The Department has included an additional \$1,000,000 in its additional prioritized needs in both FY 2020 and FY 2021 to pay for litigation costs. RSA 7:12 permits the Department to request additional general funds for unbudgeted litigation costs upon fiscal committee approval. To date, in the current biennium, the Department has requested, and the fiscal committee has approved an additional \$3.2 million for litigation costs.

Department of Justice Additional Prioritized Needs-

- Staffing of the Public Integrity Unit as recommended by the Law Enforcement Accountability, Community & Transparency Commission. Includes an attorney and two investigators.
- Additional attorney position for antitrust review of hospital transactions.
- Investigator position to address the significant increase in election related complaints.

DIVISION I THINGS TO KNOW

Liquor Commission

	FY 2020 Actual	FY 2021 Authorized	FY 2022 Request	FY 2023 Request
Liquor Fund	\$70,459,564	\$77,080,512	\$78,329,880	\$81,715,785
Total Budget	\$70,785,911	\$77,695,064	\$78,960,353	\$82,365,672
Total Positions	344	344	344	344

The Commission operates 76 retail stores that generate over \$617 million in net retail sales. The stores are either leased or owned by the Commission. The budget line for rents and leases in the Store Operations accounting unit is about \$10 million per year for the coming biennium. New State-owned stores are added through the Capital Budget process and the bonds are paid from the Liquor Fund. The Debt Service budget request is \$4.9 in FY 2022 and \$4.8 million in FY 2023.

Liquor Commission Additional Prioritized Needs- The Liquor Commission’s additional prioritized needs budget includes \$1.53 million in FY 2022 and \$1.45 million in FY 2023 for subscriptions and support of the new NextGen Software system.

The budget of the Commission is in a separate liquor fund outside of the general fund. Liquor revenue is transferred to the general fund after deducting administration costs and transfers to the Alcohol Abuse, Prevention and Treatment Fund and the Granite Advantage Health Care Trust Fund. These transfers to the general fund for the past few years are shown below:

(In millions)	FY 2019	FY 2020	FY 2021 Projected
Income before transfers	\$153.7	\$154.8	\$160.0
Transfer to the Alcohol Abuse Prevention & Treatment Fund and Granite Advantage Health Care Trust Fund	(\$8.4)	(\$10.0)	(\$18.5)
Transfer to the General Fund	\$145.3	\$144.8	\$141.5

DIVISION I THINGS TO KNOW

Public Utilities Commission

	FY 2020 Actual	FY 2021 Authorized	FY 2022 Request	FY 2023 Request
General Fund	\$251,521	\$286,035	\$135,285	\$144,969
Total Budget	\$30,855,735	\$29,964,921	\$35,434,562	\$35,846,321
Positions	79	80	81	81
Public Utilities Commission	73	73	74	74
Consumer Advocate	5	5	5	5
Site Evaluation Commission	1	1	2	2

The Office of Consumer Advocate - (OCA) is an independent agency with statutory responsibility to represent residential customers of regulated public utilities providing electric, natural gas or water services. The OCA primarily fulfills this responsibility by participating in proceedings before the New Hampshire Public Utilities Commission (PUC). The OCA advocates for reasonably priced, safe and reliable utility services, as well as for well-designed and prudently administered ratepayer funded programs. The Office is administratively attached to the Public Utilities Commission.

The New Hampshire Site Evaluation Committee - (SEC) was established by the Legislature for the review, approval, monitoring and enforcement of compliance in the planning, siting, construction and operation of energy facilities. There is one full-time Administrator. The SEC is administratively attached to the Public Utilities Commission.

Public Utilities Commission Additional Prioritized Needs- Cybersecurity position to address increased challenges in cybersecurity facing regulated utilities.

DIVISION I THINGS TO KNOW

Department of Corrections

	FY 2020 Actual	FY 2021 Adjusted	FY 2022 Request	FY 2023 Request
General Fund	\$129,430,501	\$138,367,350	\$142,677,264	\$149,153,984
Total Budget	\$133,643,274	\$142,894,623	\$149,130,611	\$155,711,658
Total Positions	976	976	986	986

Vacant Positions and Overtime– The Department has many vacant positions. In May 2020, there were 191 vacant position which equates to a vacancy rate of over 19%. As a result, the Department continues to incur high overtime costs to cover shifts for leave, workers compensation, training and military deployment. Overtime expenditures have consistently exceeded the appropriations for overtime. However, the Department has had and the ability to seek approval from the Legislative Fiscal Committee and the Governor and Executive Council to transfer amounts from permanent personnel appropriations to overtime appropriations. This allows appropriations available due to vacancies to cover necessary overtime costs.

The Department is employing several strategies to address vacancies and overtime costs. These include using existing full-time staff and former staff to cover some shifts and working with the Department of Administrative Services on development of the statewide scheduling and timekeeping software which will provide improved analysis and scheduling. In addition, the Department has expanded retention and recruitment efforts. The Department’s overtime request of \$4.5 million per year reflects the minimum necessary if all 506 uniformed positions are filled and funded.

Medical and Pharmacy Services- These costs comprise about 13% of the Department’s efficiency budget request. The budget request is based on previous experience and data on national expenditures published by the Centers for Medicare and Medicaid Services. Because these are difficult to project, previous operating budgets have included language for these appropriations to be non-lapsing for the biennium. In addition, the Fiscal Committee and the Governor and Executive Council may approve additional appropriations from the general fund.

DIVISION I THINGS TO KNOW

Department of Corrections Additional Prioritized Needs-

- Community Corrections. Three re-entry coordinator positions to monitor and provide coordination of services for up to 12 months post-release for individuals with substance use disorders. Estimated cost: \$280,622 in FY 2022 and \$301,644 in FY 2023.
- Division of Field Services. Six Probation and Parole Officers needed to reduce the supervision case ratio, currently at 79:1. Estimated cost: \$633,039 in FY 2022 and \$640,104 in FY 2023.
- Recruitment Marketing. Additional funds will be used to market vacant positions on social media and other platforms to address the urgent need to fill corrections officer and other direct care positions. Request: \$200,000 in each fiscal year.

Category 3

Environmental Services

	FY 2020 Actual	FY 2021 <i>Authorized</i>	FY 2022 Request	FY 2023 Request
General Fund	\$20,829,641	\$26,094,986	\$25,836,975	\$25,158,766
Total Budget	\$208,247,823	\$240,029,103	\$257,226,295	\$260,140,290
Total Positions	484	484	489	489

The Department of Environmental Services consists of four divisions; Administration, Waste Management, Water, and Air Resources.

DIVISION I THINGS TO KNOW

Department of Environmental Services Additional Prioritized Needs-

- Office of the Commissioner.
 - Project Management and Innovation Unit. An additional Business Systems Analyst II position would directly support the Department's OneStop website which is the primary means for the public to access the Department's data. Estimated Cost: \$102,652 in FY 2022 and \$105,300 in FY 2023.
 - Office of the Commissioner. Increase in the Department's share of the Department of Information Technology allocated costs for software subscriptions, mainly for Office 365 annual subscription. Cost \$167,356 in FY 2022 and \$158,011.
 - Office of the Commissioner. Increase in funds transferred to the Department of Administrative Services for building maintenance. The funding was reduced in the efficiency budget in order to reduce rent costs. This would restore funding to maintain buildings and grounds at the current level. Cost: \$114,562 in FY 2022 and \$78,270 in FY 2023.

- Water Division Dam Bureau Administration.
 - Restore a Land Agent Position which was unfunded in the efficiency target budget. Responsible for management of 300 parcels of property owned by the Department. Estimated cost: \$84,750 in FY 2022 and \$91,150 in FY 2023.
 - IT consulting contract to develop a database system for the Bureau operations. The database will provide reporting and support a dashboard for public access. Replacement of the database was an LBA audit recommendation in its May 2019 performance audit report.
 - State Aid Grants. \$2,051,248 in general funds for the first year of payments for 11 wastewater infrastructure projects in 8 communities in FY 2022 and \$1,524,115 for the second year of funding for these projects in FY 2023.

DIVISION I THINGS TO KNOW

- Waste Management Division, Solid Waste Management Bureau.
 - Two additional positions to work on statewide solid waste management planning, technical assistance and permitting as required by RSA 149-M. Estimated Cost: \$170,012 in FY 2022 and \$182,701 in FY 2023.
 - Additional position to work on post-closure care and controlled use of closed unlined landfills to ensure the facilities do not pose a risk. Estimated Cost \$79,395 in FY 2022 and \$85,329 in FY 2023.

- Waste Management Division, Hazardous Waste Management Bureau.
 - Additional funds for contract to perform additional work on Superfund sites that are now the responsibility of the State. The sites are the Keefe site in Epping, the Kearsarge site in Conway, and the Savage site in Milford, NH. Cost: \$89,000 in FY 2022
 - Replacement of a 2012 Ford Escape SUV with a Toyota RAV4 hybrid SUV. All wheel drive is needed to access former Superfund sites for sampling and maintenance activities.

Division II

FY 2020 ACTUAL EXPENDITURES AND FY 2021 ADJUSTED AUTHORIZED APPROPRIATIONS

Division II by Agency - General Funds

ROW	CATEGORY- AGENCY CODE	AGENCY/DEPARTMENT	FY 2020 ACTUAL	FY 2021 ADJ. AUTHORIZED	BIENNIUM	% OF DIVISION TOTAL
1	02-23	DEPARTMENT OF SAFETY	\$ 43,050,746	\$ 48,073,867	\$ 91,124,613	20.2%
2	03-75	FISH & GAME DEPARTMENT	\$ 1,576,019	\$ 1,851,932	\$ 3,427,951	0.8%
3	04-96	DEPARTMENT OF TRANSPORTATION	\$ 1,296,288	\$ 1,438,578	\$ 2,734,866	0.6%
4	06-50	UNIVERSITY SYSTEM OF NEW HAMPSHIRE	\$ 94,500,000	\$ 88,500,000	\$ 183,000,000	40.6%
5	06-56	DEPARTMENT OF EDUCATION	\$ 23,423,851	\$ 27,544,467	\$ 50,968,318	11.3%
6	06-58	COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE	\$ 57,255,000	\$ 55,360,000	\$ 112,615,000	25.0%
7	06-87	POLICE STANDARDS & TRAINING COUNCIL	\$ 2,848,676	\$ 3,501,749	\$ 6,350,425	1.4%
8	06-83	NEW HAMPSHIRE LOTTERY COMMISSION	\$ -	\$ -	\$ -	0.0%
9		TOTAL	\$ 223,950,580	\$ 226,270,593	\$ 450,221,173	100.0%

FY 2020 ACTUAL EXPENDITURES AND FY 2021 ADJUSTED AUTHORIZED APPROPRIATIONS

Division II by Agency - All Funds

ROW	CATEGORY- AGENCY CODE	AGENCY/DEPARTMENT	FY 2020 ACTUAL	FY 2021 ADJ. AUTHORIZED	BIENNIUM	% OF DIVISION TOTAL
1	02-23	DEPARTMENT OF SAFETY	\$ 174,207,073	\$ 193,503,499	\$ 367,710,572	7.8%
2	03-75	FISH & GAME DEPARTMENT	\$ 30,202,116	\$ 33,715,892	\$ 63,918,008	1.3%
3	04-96	DEPARTMENT OF TRANSPORTATION	\$ 606,363,163	\$ 697,615,314	\$ 1,303,978,477	27.5%
4	06-50	UNIVERSITY SYSTEM OF NEW HAMPSHIRE	\$ 94,500,000	\$ 88,500,000	\$ 183,000,000	3.9%
5	06-56	DEPARTMENT OF EDUCATION	\$ 1,287,558,390	\$ 1,397,276,002	\$ 2,684,834,392	56.6%
6	06-58	COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE	\$ 57,255,000	\$ 55,360,000	\$ 112,615,000	2.4%
7	06-87	POLICE STANDARDS & TRAINING COUNCIL	\$ 2,848,676	\$ 3,501,749	\$ 6,350,425	0.1%
8	06-83	NEW HAMPSHIRE LOTTERY COMMISSION	\$ 9,264,525	\$ 12,446,004	\$ 21,710,529	0.5%
9		TOTAL	\$ 2,262,198,943	\$ 2,481,918,460	\$ 4,744,117,403	100.0%

DIVISION II THINGS TO KNOW

Multiple Agencies - Highway Funds

In the FY 2020/21 budget, highway funds are appropriated to the Department of Transportation, Department of Safety, and Judicial Branch. Similar to the state general 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 Committee, to determine the level of spending, and the Ways and Means Committee to estimate available revenue. Traditional highway fund revenues are substantially comprised of road toll revenue and motor vehicle 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, the sale of a portion of I-95 to the Turnpike System, and most recently a straight transfer of general funds to the highway fund in FY 2019.

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.

The FY 2016/17 biennium marked the first time in which the costs of collection and administration of highway funds by the Department of Safety were accounted for and budgeted for in the operating budget. In the prior budgets, all highway fund revenue collected by the Department was credited as unrestricted highway fund revenue, but since the FY 2016/17 budget, certain Department costs (as set in the operating budget) are deducted from the gross revenue collected prior to revenue being credited to the highway fund. The authorized budget for cost of collection and administration funds, mostly in the Division of Motor Vehicles, in FY 2021 is \$34.2 million. The Department's budget request in FY 2022/23 is \$32.1 million and \$33.4 million, respectively.

DIVISION II THINGS TO KNOW

In addition to the constitutional requirement, RSA 9:9-b sets the following highway fund appropriation thresholds, as a percentage of total anticipated gross road toll and motor vehicle fees and fines for the biennium:

Department of Transportation - Not less than 73 percent

Department of Safety - Not to exceed 26 percent

All Other Agencies - Not to exceed 1 percent

Unrestricted Highway Fund Appropriations

Department of Safety - In addition to the cost of collection and administration appropriations, the operating budget includes \$33.7 million in FY 2020 and \$34.3 million in FY 2021 in unrestricted highway funds. The breakdown of those appropriations is as follows (in millions):

Description	FY 2020	FY 2021	Total
Division of State Police Accounting Units	\$16.0	\$16.4	\$32.4
<u>Office of Commissioner / Division of Administration</u>			
Transfers to Dept. of Information Technology	\$6.5	\$6.5	\$13.0
Other	\$5.8	\$5.8	\$11.6
Retiree Health	\$2.8	\$3.0	\$5.8
Bureau of Hearings	\$2.6	\$2.6	\$5.2
TOTAL	\$33.7	\$34.3	\$68.0

The Department's total unrestricted highway fund appropriation request for FY 2022 is \$36.1 million (*\$35.1 million efficiency budget plus \$1.0 million in additional prioritized needs*). For FY 2023, the total request is \$37.2 million (*\$36.4 million efficiency budget plus \$0.8 million in additional prioritized needs*).

DIVISION II THINGS TO KNOW

Department of Transportation - The current budget appropriates \$221.7 million in FY 2020 and \$239.9 million in FY 2021 in unrestricted highway funds. The breakdown of those appropriations is as follows (in millions):

Description	FY 2020	FY 2021	Total
Division of Operations – Highway / Winter Maintenance	\$88.7	\$92.7	\$181.4
Division of Operations – Mechanical Services	\$18.7	\$19.4	\$38.1
Division of Operations – All Other	\$18.5	\$19.3	\$37.8
Division of Project Development	\$21.8	\$22.6	\$44.4
Debt Service	\$12.3	\$12.6	\$24.9
Retiree Health, Unemployment/Workers' Compensation	\$9.2	\$9.8	\$19.0
Transfers to Other Agencies	\$10.2	\$10.6	\$20.8
Admin (Executive Office, Finance/Contracts, HR, etc...)	\$6.9	\$7.1	\$14.2
General Fund Overhead	<u>\$2.7</u>	<u>\$2.7</u>	<u>\$5.4</u>
<i>Total Operating Budget</i>	<i>\$189.0</i>	<i>\$196.8</i>	<i>\$386.0</i>
Highway Block Grants	\$32.3	\$32.6	\$64.9
Non-Participating Construction	<u>\$0.4</u>	<u>\$0.5</u>	<u>\$0.9</u>
<i>Total Municipal Aid and Construction</i>	<i>\$32.7</i>	<i>\$33.1</i>	<i>\$65.8</i>
TOTAL	\$221.7	\$229.9	\$451.6

The Department's total unrestricted highway fund appropriation request for FY 2022 is \$236.7 million (*\$215.9 million efficiency budget plus \$20.8 million in additional prioritized needs*). For FY 2023, the total request is \$245.6 million (*\$223.4 million efficiency budget plus \$22.2 million in additional prioritized needs*).

**DIVISION II
THINGS TO KNOW**

Category 2

Department of Safety

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.

Dedicated Funds / Restricted Revenue Accounts – In addition to general, highway, turnpike, and federal funding, the Department of Safety is funded by several “other” dedicated sources (the aforementioned costs of collection/administration, criminal records fund, enhanced 911 systems fund, “plea-by-mail” revenue, watercraft safety fund, fire standards and emergency medical services fund, intra-agency transfers, etc...). Over the past several budgets, general fund dollars have been utilized to prop up many areas historically funded by these dedicated sources. Below is a summary of “other” funded appropriations, by Division:

Division	Operating Budget	Agency Budget Request	
	FY 2021	FY 2022	FY 2023
Office of the Commissioner	\$2.3	\$2.4	\$2.4
Administration	5.5	5.5	5.8
Motor Vehicles	30.4	29.1	30.2
State Police	14.6	18.2	18.7
Homeland Security & Emergency Management	3.3	3.7	3.7
Emergency Services & Communications	16.2	16.6	17.3
Fire Standards/Training & Emergency Medical Services	7.8	8.1	8.5
Fire Safety	2.3	4.4	4.4
TOTAL	\$82.4	\$88.0	\$91.0

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 off-highway recreation vehicles (OHRV) and snowmobile registrations; “non-refunded” road tolls for boats and OHRV, transfers and other agency income. Like the general and highway funds, the fish and game fund requires a surplus/deficit statement to compare expenditures to available revenue and also 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 has been appropriated general funds for the non-game species management program (\$50,000 per year until FY 2019 when it was increased to \$100,000), which historically had been the only general funds provided to support Fish and Game. However, since FY 2014, budgets have included general funds to help prop up the Fish and Game Fund, either through a fund transfer or an appropriation directly within conservation law enforcement:

<i>\$ In Millions</i>	Actual								Agency Request	
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
GF Transfer to F&G Fund	\$0.70	\$0.89	\$0.60	\$0.60	-	-	-	-	-	-
GF Appropriation to Enforcement	-	-	-	-	\$0.75	\$0.75	\$1.49	\$1.75	\$0.50	\$0.55
Total	\$0.70	\$0.89	\$0.60	\$0.60	\$0.75	\$0.75	\$1.49	\$1.75	\$0.50	\$0.55

DIVISION II THINGS TO KNOW

Category 4

Department of Transportation

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 mainly through state highway funds, turnpike funds, and federal funds. While comprised of multiple sources of funds, the Department’s budget has two major categories; operating (e.g., highway/winter maintenance, retiree health, Turnpike System collections, etc...) and municipal aid and construction (e.g., highway block grants, highway and bridge betterment account, “SB 367” funds, etc...).

Winter Maintenance – The Department of Transportation budgets much of its direct winter operation activities in a separate accounting unit within the Division of Operations. Over the past few budgets, winter maintenance has been funded at a level below actual realized need. The five-year average (FY 2016-20) for winter maintenance expense is approximately \$29.12 million.

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Budgeted Amount	\$22.75	\$23.11	\$23.14	\$23.14	\$26.49	\$26.33
Transfer From Highway Surplus	<u>\$0.00</u>	<u>\$9.11</u>	<u>\$10.20</u>	<u>\$11.13</u>	<u>\$7.31</u>	<u>\$4.47</u>
<i>Total Available (Not including Other Transfers)</i>	\$22.75	\$32.22	\$33.34	\$34.27	\$33.80	\$30.80
Total Actual Expenditures	\$19.70	\$32.80	\$33.00	\$34.90	\$28.20	TBD

“SB 367” (2014 Road Toll Rate Increase) – Passed in the 2014 Session, SB 367 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, an increase of approximately \$34.0 million per year. The law requires any revenue raised by this adjustment be non-lapsing and continually appropriated to, and expended exclusively by, the Department of Transportation. In FY 2020, and each year thereafter, the funds, less required highway block grant

DIVISION II THINGS TO KNOW

payments, will be (1) debt service for bonds issued to complete the widening of I-93, (2) \$6.8 million for the state aid bridge program, and (3) the remainder to the highway and bridge betterment account.

Highway Fund State Aid – The Department of Transportation’s budget includes two major state aid programs; the state aid bridge program and highway block grants.

- **State Aid Bridge Program:** This program allows for municipalities to apply for an 80% state contribution for certain bridge projects. Prior to the FY 2016/17 budget, this program had been funded at \$6.8 million for several years. In FY 2015, the first year of SB 367 revenue, this program was appropriated \$6.8 million in unrestricted highway funds as well as \$9.1 million from SB 367 revenue, for a total of \$15.9 million. Since then, the program has received \$6.8 million per year from SB 367 revenue, a one-time transfer of excess winter maintenance funds of \$2.3 million in FY 2016 (HB 2016, 2016), and general fund appropriations of \$6.8 million in FY 2017 (SB 38, 2017) and \$10.4 million in FY 2019 (HB 1817, 2018).
- **Highway Block Grants:** Also referred to as Apportionment A, highway block grants are distributed by the Department to all municipalities. The total amount disbursed is equal to 12 percent of the previous year’s total gross road toll and motor vehicle revenue. In addition to the unrestricted highway fund appropriation for highway block grants, the SB 367 accounting unit also includes a class line for highway block grants attributable to the revenue collected under the SB 367 road toll rate increase. Also, in FY 2017, a one-time general fund appropriation of \$30.0 million was made (SB 38, 2017), to be disbursed pursuant to the highway block grant formula.

DIVISION II THINGS TO KNOW

Category 6

Department of Education

Adequate Education Aid – The Department distributes 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 to municipalities. The base cost and differentiated aid per pupil for FY 2022 and FY 2023 are as follows –

Base Cost	\$3,786.66
<i>Differentiated Aid</i>	
Free or Reduced Lunch	\$1,893.32
English Language Learner	\$ 740.87
Special Education	\$2,037.11
Grade 3 Reading Non-Proficient	\$ 740.87

The Statewide Education Property Tax assessment (SWEPT) is deducted from the calculated cost of an adequate education to arrive at a preliminary grant amount (prior to the application of a stabilization grant). SWEPT rates are established by the Department of Revenue Administration by determining the rate needed to raise the statutorily required amount of approximately \$363 million statewide. The stabilization grant, if applicable, is then added to the preliminary grant.

The formula generally remained the same from FY 2012 through FY 2020, with the only significant changes being the removal of the cap on total calculated grant, modifications to the stabilization grant amount, and inclusion of full-day kindergarten. For FY 2021 only, additional aid was included in the calculation of the grant based on number of pupils eligible for free or reduced price meals, as well as equalized valuation per pupil. These two components resulted in approximately \$60 million in additional aid. The total amount of adequate education aid, including SWEPT, in FY 2021 is approximately \$1.012 billion. The preliminary estimate for FY 2022 is \$922.7 million.

DIVISION II THINGS TO KNOW

Public Charter School Funding - The State has paid a per pupil amount 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 2022/23 biennium, charter school per pupil funding will be calculated at the same rate of traditional public schools, plus an additional \$3,552.28 per pupil. The additional grant for the Virtual Learning Academy Charter School is estimated to be \$2,256.70 in FY 2022 and \$2,301.83 in FY 2023. Charter school payments are made 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 2020 and FY 2021, was \$41.8 million and \$45.0 million, respectively, in its budget request, the Department has included \$48.0 million in FY 2022 and \$50.4 million in FY 2023 for payments to charter schools.

School Building Aid - The School Building Aid program pays an amount of local school districts bond principal payments for qualifying construction projects. Between FY 2011 and FY 2019, with the exception of FY 2018, there had been a moratorium in place on aid for new projects. In the budget, appropriations relative to school building aid are included in both the Treasury Department, debt service payments for bonds issued for school building aid payments in 2009/10, and Department of Education, to cover new project costs, as well as the so-called “tail” (previously approved projects) payments for school building aid. Since 2010, allocations for new projects have been \$2.3 million in FY 2018, \$6.7 million in FY 2020, and \$1.9 million in FY 2021. Below is a summary of all payments since FY 2014:

	Actual Expenditures							Budget Amount	Agency Budget Request	
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Treasury Building Aid Debt Service	\$14.0	\$13.6	\$13.2	\$12.7	\$12.3	\$11.9	\$11.5	\$8.3	\$8.1	\$7.0
DOE Building Aid Payments	<u>\$44.2</u>	<u>\$43.3</u>	<u>\$40.8</u>	<u>\$37.1</u>	<u>\$36.5</u>	<u>\$33.7</u>	<u>\$38.5</u>	<u>\$30.5</u>	<u>\$27.0</u>	<u>\$25.0</u>
Total	\$58.2	\$56.9	\$54.0	\$49.8	\$48.8	\$45.6	\$50.0	\$38.8	\$35.1	\$32.0

At the end of the current fiscal year (FY 2021), it is estimated there is a total of \$221.7 million still outstanding on previously approved projects to be paid until FY 2041.

DIVISION II THINGS TO KNOW

Special Education Aid – Special Education Aid, formally referred to as “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. Special Education 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. In the FY 2018/19 budget, the Special Education program was funded at \$30.8 million in each year. In FY 2020, the total calculated “entitlement” for all districts was \$32.6 million, resulting in an overall program proration of 94.47%.

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. The Department calculates a statewide tuition rate through the administrative rules process to be used by every district. Under this calculation, all districts will receive the same dollar amount of aid per student. From FY 2012 through FY 2019, the general fund appropriation for this program has been between \$6.9 million and \$7.5 million. The current operation budget appropriates \$9.0 million in each FY 2020 and FY 2021. State aid tuition and transportation is used as a substantial portion of the Department’s maintenance of effort requirement for the federal funds it receives as part of the Carl Perkins grant program.

DIVISION II THINGS TO KNOW

University System of New Hampshire

In the state operating budget, funding for the University System of New Hampshire (USNH) is made through a block appropriation. For FY 2020 and FY 2021, state general fund appropriations for USNH were \$85.5 million and \$88.5 million, respectively. For the past several budgets, all state appropriations to USNH have been used to subsidize the tuition rate for NH residents and fund statutory programs, such as the cooperative extension. In the trailer bill (HB 4), USNH also received a \$9.0 million nonrecurring strategic investment appropriation in FY 2020 (Nursing Program). The USNH ongoing state operating support request is \$88.5 million in each FY 2022 and FY 2023, the same level of appropriation as FY 2021. At this level of support, USNH expects it would freeze in-state tuition while maintaining basic services critical to its mission.

Community College System of New Hampshire

Similar to the University System, the Community College System of New Hampshire (CCSNH) receives state funding through a block appropriation. For FY 2020 and FY 2021, state general fund appropriations for CCSNH are \$54.1 million and \$55.4 million, respectively. Also, in the trailer bill (HB 4), CCSNH was appropriated \$3.2 million for its information technology infrastructure in FY 2020. CCSNH has stated its budget request of \$63.1 million in FY 2022 (which includes \$2.5 million one-time funding for specific uses) and \$64.9 million in FY 2023, would enable a tuition freeze for the biennium.

Lottery Commission

The Lottery Commission includes the Lottery Division and the Racing and Charitable Gaming Division, which was merged into the Lottery Commission in FY 2016. Most recently, the legislature has authorized mobile lottery games, Keno, and sports betting. The Lottery Commission's budget includes only sweepstakes fund appropriations, with all net revenue transferred to the education trust fund.

Police Standards and Training Council

The Police Standards and Training Council (PSTC) sets the hiring and educational standards for state law enforcement officers, as well as operates the NH Police Academy, NH Corrections Academy and regional part-time officer basic training classes. The PSTC budget is 100% general funds.

Division III

FY 2020 ACTUAL EXPENDITURES AND FY 2021 ADJUSTED AUTHORIZED APPROPRIATIONS

Division III by Agency - General Funds

ROW	CATEGORY- AGENCY CODE	AGENCY/DEPARTMENT	FY 2020 ACTUAL	FY 2021 ADJ. AUTHORIZED	BIENNIUM	% OF DIVISION TOTAL
1	05-95-42	HUMAN SERVICES	\$ 104,545,457	\$ 126,688,841	\$ 231,234,298	14.5%
2	05-95-45	TRANSITIONAL ASSISTANCE	\$ 49,964,072	\$ 53,577,933	\$ 103,542,005	6.5%
3	05-95-47	OFFICE OF MEDICAID SERVICES	\$ 196,164,438	\$ 257,051,587	\$ 453,216,025	28.4%
4	05-95-48	ELDERLY & ADULT SERVICES	\$ 36,361,857	\$ 45,952,886	\$ 82,314,743	5.2%
5	05-95-49	COMMUNITY-BASED CARE SERVICES	\$ -	\$ -	\$ -	0.0%
6	05-95-90	DIVISION OF PUBLIC HEALTH	\$ 17,388,341	\$ 18,396,632	\$ 35,784,973	2.2%
7	05-95-91	GLENCLIFF HOME	\$ 7,916,421	\$ 8,417,574	\$ 16,333,995	1.0%
8	05-95-92	DIVISION OF BEHAVIORAL HEALTH	\$ 24,800,264	\$ 49,345,680	\$ 74,145,944	4.7%
9	05-95-93	DIVISION OF DEVELOPMENTAL SERVICES	\$ 169,276,345	\$ 201,232,365	\$ 370,508,710	23.2%
10	05-95-94	NEW HAMPSHIRE HOSPITAL	\$ 32,854,790	\$ 38,795,089	\$ 71,649,879	4.5%
11	05-95-95	OFFICE OF THE COMMISSIONER	\$ 55,662,457	\$ 64,209,587	\$ 119,872,044	7.5%
12	05-43	NH VETERANS HOME	\$ 17,060,364	\$ 18,405,094	\$ 35,465,458	2.2%
13		TOTAL	\$ 711,994,806	\$ 882,073,268	\$ 1,594,068,074	100.0%

FY 2020 ACTUAL EXPENDITURES AND FY 2021 ADJUSTED AUTHORIZED APPROPRIATIONS

Division III by Agency - All Funds

ROW	CATEGORY- AGENCY CODE	AGENCY/DEPARTMENT	FY 2020 ACTUAL	FY 2021 ADJ. AUTHORIZED	BIENNIUM	% OF DIVISION TOTAL
1	05-95-42	HUMAN SERVICES	\$ 207,166,619	\$ 230,565,044	\$ 437,731,663	7.9%
2	05-95-45	TRANSITIONAL ASSISTANCE	\$ 106,558,577	\$ 120,955,689	\$ 227,514,266	4.1%
3	05-95-47	OFFICE OF MEDICAID SERVICES	\$ 1,104,434,172	\$ 1,229,802,916	\$ 2,334,237,088	42.0%
4	05-95-48	ELDERLY & ADULT SERVICES	\$ 457,503,379	\$ 490,778,219	\$ 948,281,598	17.0%
5	05-95-49	COMMUNITY-BASED CARE SERVICES	\$ 2,017,392	\$ -	\$ 2,017,392	0.0%
6	05-95-90	DIVISION OF PUBLIC HEALTH	\$ 91,077,992	\$ 118,175,649	\$ 209,253,641	3.8%
7	05-95-91	GLENCLIFF HOME	\$ 16,197,470	\$ 16,740,674	\$ 32,938,144	0.6%
8	05-95-92	DIVISION OF BEHAVIORAL HEALTH	\$ 74,929,314	\$ 91,253,047	\$ 166,182,361	3.0%
9	05-95-93	DIVISION OF DEVELOPMENTAL SERVICES	\$ 338,582,750	\$ 396,889,807	\$ 735,472,557	13.2%
10	05-95-94	NEW HAMPSHIRE HOSPITAL	\$ 73,623,947	\$ 86,536,983	\$ 160,160,930	2.9%
11	05-95	OFFICE OF THE COMMISSIONER	\$ 122,522,200	\$ 116,071,366	\$ 238,593,566	4.3%
12	05-43	NH VETERANS HOME	\$ 31,789,094	\$ 39,028,883	\$ 70,817,977	1.3%
13		TOTAL	\$ 2,626,402,906	\$ 2,936,798,277	\$ 5,563,201,183	100.0%

DIVISION III THINGS TO KNOW

Category 5

Division of Human Services

Child Development Program - The Child Development Program is responsible for complying with the regulations of the federal Child Care and Development Fund (CCDF), including both the child care scholarship and 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 families may maintain gainful employment, participate in training for a vocation, or participate in short-term job search. The program's operating budget contained \$14.3 million in general funds in FY 2020 and \$16 million FY 2021. The general fund component of the agency budget request is \$14.4 million in FY 2022 (including \$2.6 million in additional prioritized needs) and \$14.9 million in FY 2023 (including \$3.1 million in additional prioritized needs).

Child Protection / Child & Family Services- In response to an independent review of the Division for Children, Youth, and Families (DCYF) which, among other things, found social worker caseloads significantly above the national average, the FY 2018/19 and FY 2020/21 budgets added significant funding for child protective service workers, social workers, licensed alcohol and drug counselors, staff attorneys, nurses, and social worker supervisors. Additional funding was also provided for foster care rates and foster care and adoption programs, home visiting services, child care services, and voluntary services for children, youth, and families. The general fund component of the agency budget request for Child Protection and Child & Family Services, the two accounts that are the biggest components of DCYF, is \$62.1 million in FY 2020 and \$68.7 million in FY 2021. The general fund share of the agency budget request is \$65.3 million in FY 2022 and \$66.1 million in FY 2023.

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. Chapter 156:158-174, Laws of 2017 (HB 517, the budget trailer bill) made a variety of changes to the SYSC, with the general goals of reducing the census, serving a larger number of youth in community settings, and repurposing the Center's unused capacity. To this end, the FY 2018/19 and FY 2020/21 budgets funded rate increases and additional capacity for out-of-home placements.

DIVISION III THINGS TO KNOW

HB 1743 from 2018 (codified as Chapter 355, Laws of 2018) established a committee to study alternatives to the continued use of the SYSC facility. The committee issued its report on November 1, 2018, and, among other things, recommended that the unused “Pod G” be converted into either (1) a privately run substance use disorder outpatient facility for juveniles, or (2) a facility for pregnant teen and teen parent programs. The general fund component of the Sununu Center’s budget is \$10.6 million in each year of the FY 2020/21 biennium, flat with the previous biennium. The general fund share of the agency’s budget request is \$14.0 million in FY 2022 (including \$1 million in additional prioritized needs) and \$14.3 million in FY 2023 (including \$600,000 in additional prioritized needs).

Bureau of Child Support Services - The core mission of the Bureau of Child Support Services (BCSS) is to locate parents, establish paternity, establish and enforce legal orders for support, and collect and distribute child support. Services provided by BCSS 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. The operating budget contained \$4.3 million in FY 2020 and \$4.4 million in FY 2021 in general funds for child support services. The agency’s general fund request is \$4.9 million in FY 2022 and \$5.1 million in FY 2023.

Division of Transitional 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 to:

- 1) Assist needy families so that children can be cared for in their own homes;
- 2) Reduce dependency of needy parents by promoting job preparation, work and marriage;
- 3) Prevent and reduce out-of-wedlock pregnancies; and

DIVISION III THINGS TO KNOW

- 4) Encourage the formation and maintenance of two-parent families.

New Hampshire receives a \$38.0 million federal block grant and must spend \$32.0 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.

After the state MOE has been met, any unspent federal TANF funds are held in a TANF reserve account. The status of the TANF reserve is typically of great interest in the development of the budget; The LBA will provide members with the reserve's most recent balance when this information is available.

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. SNAP benefits are funded 100% by the Federal 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 for 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.

DIVISION III THINGS TO KNOW

- *Old Age Assistance (OAA)* - Provides financial assistance for low-income seniors. 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 general 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 general funds.
- *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 general funds.

Office of Medicaid Business and Policy

Uncompensated Care Fund - Disproportionate Share Hospital (DSH) payments were authorized by the federal government in the early 1980s as a form of relief for hospitals that served a disproportionate share of indigent patients. The intent was for the Medicaid program to reimburse hospitals for uncompensated care costs, defined as the Medicaid shortfall (the difference between the actual cost of services and the amount paid by Medicaid), plus the unpaid cost of care for uninsured individuals.

RSA 84-A requires hospitals to pay a Medicaid Enhancement Tax (MET) on net patient services revenue. Prior to 2011, the state made uncompensated care payments to each hospital equal to the amount of MET paid by that hospital. These payments were effectively funded half with MET revenue and half with federal matching funds, while the other half of MET collections were retained by the state as unrestricted general fund revenue. Between FY 2011 and FY 2014, the state made multiple changes to the DSH distribution formula, eventually instituting a comprehensive revision in 2014. This comprehensive revision was the result of a settlement agreement with the hospitals, which had filed suit over the constitutionality of the MET. In 2016, the hospitals, along with hospitals in other states, filed suit against the federal Centers for Medicare and Medicaid Services (CMS) over the federal methodology for determining uncompensated care costs. This second round of lawsuits resulted in another

DIVISION III THINGS TO KNOW

settlement agreement with the state in 2018, linking uncompensated care payments to MET revenue through FY 2024.

The 2018 settlement agreement was codified in state law by Chapter 162:31-34, Laws of 2018 (HB 1817). The agreement requires the state to make the following payments to hospitals from FY 2020-24 (the agreement was effective beginning in FY 2018, with a slightly different distribution formula in the first two years):

- (1) An amount equal to 86 percent of MET revenue in the form of uncompensated care payments;
- (2) An amount equal to 5 percent of MET revenue in the form of provider rate increases; and
- (3) Up to \$250,000 per year to each “deemed disproportionate share hospital” as defined in federal law, of which New Hampshire typically has two to three per year.

Although the agreement directly ties uncompensated care payments to the amount of MET revenue collected, it does so only in the aggregate, unlike the pre-2011 arrangement in which individual hospitals received payments equal to the amount of MET they paid to the state. As with the 2014 agreement, MET revenue remaining after the above items are fulfilled is dedicated to the state’s Medicaid managed care program, effectively freeing up general funds that would otherwise be spent on that program. In keeping with the assumptions made during settlement negotiations, the agency budget request for FY 2022 assumes \$261.5 million in MET revenue each year of the biennium, of which \$119.0 million will be distributed to the hospitals (along with matching federal funds) and \$142.5 million will be available for Medicaid managed care.

Medicaid Care Management - This account (the largest in the DHHS budget) 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 MCOs pay negotiated contracted rates to the providers for the services they provide to Medicaid clients. The Medicaid program pays the MCOs actuarially-determined per member per month rates for coverage of the Medicaid population. Including the Children’s Health Insurance Program, the current operating budget appropriated \$742.9 million in FY 2020 and \$759.9 million in FY 2021, while the agency budget request is \$812.7 million in FY 2022 (including \$53.3 million in additional prioritized needs) and

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\$802.4 million in FY23 (including 26.7 million in additional prioritized needs). It should be noted that these numbers reflect total funds, including general funds, federal funds, and MET funds.

New Hampshire Granite Advantage Health Care Program - Chapter 3, Laws of 2014 (SB 413) established the New Hampshire Health Protection Program. Restructured and renamed the Granite Advantage Health Care Program by Chapter 342, Laws of 2018 (SB 313), the program provides health coverage to citizens with incomes up to 138 percent of the federal poverty level. In accordance with the federal Patient Protection and Affordable Care Act, federal Medicaid funds initially paid for 100% of benefits, with the federal share declining on an annual basis beginning January 1, 2017. As of January 1, 2020, the federal share is 90%, where under current federal law it will permanently remain. For the duration of the program's current reauthorization, which lasts from December 31, 2018 through December 31, 2023, the non-federal share of costs is to be funded primarily from the following three sources:

- (1) Insurance Premium Tax revenue attributable to premiums written for services provided to the Program's population;
- (2) Revenue transferred from the alcohol abuse prevention and treatment fund (see the Governor's Commission on Alcohol and Drug Abuse Prevention, below); and
- (3) Revenue received from the assessment on insurers under RSA 404-G.

Program expenditures are made from a special non-budgeted trust fund established by RSA 126-AA:3. In addition to the three main revenue sources noted above, the trust fund may accept gifts, grants, and donations, as well as surplus funds generated as a result of MCOs managing the cost of services below the medical loss ratio established by the commissioner. The 2018 reauthorization altered the program by providing coverage through MCOs. Previously, most participants received coverage via qualified health plans offered on the federally facilitated exchange. The Department has projected that the shift to MCO coverage will have the effect of keeping program expenditures lower than they would have been under the previous model. Total expenditures for the New Hampshire Health Protection Program in FY 2020 were \$418.3 million.

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Bureau of Elderly and Adult Services (BEAS)

County-State Cost Sharing – Under the current statutory structure for funding of long-term care services, 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, while 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 \$123.4 million for FY 2020 and \$126.9 million for FY 2021. Caps in future years are established by the Legislature on a biennial basis. Counties also receive an aggregate credit of \$5 million per year, 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 the aggregate, each additional dollar of MQIP funds received by county nursing facilities results in a one dollar decrease in Proshare payments. The Department revised its ProShare calculation methodology in 2018, resulting in increased ProShare payments to counties.

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 nursing services at each facility and projected nursing home bed utilization. If the Department estimates the expenditures

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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 - 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 primary programs administered in this unit are funded with federal funds under the Older Americans Act and the Social Services Block Grant and with 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. The operating budget appropriated general funds of \$13.9 million in each of FY 2020 and FY 2021. The general fund component of the agency budget request is \$11.8 million in FY 2021 and \$11.9 million in FY 2022.

Division of Behavioral Health

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, of regional public health networks for the development and implementation of strategies relative to substance misuse prevention and school-based student prevention programs. In addition to other responsibilities, the Bureau administers impaired driver rehabilitation service programs, including impaired driver care management intervention programs and approximately 150 independent impaired driver treatment service providers. The Bureau is also responsible for oversight of substance use disorder treatment programs as well as for-profit methadone clinics.

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. From FY 2004 through FY 2015 the Legislature suspended this law, instead appropriating a fixed dollar amount that

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was generally lower than the five percent of Liquor profits required by statute. From FY 2016 through FY 2018, the share of gross Liquor profits dedicated to the Alcohol Fund fluctuated from 1.7 percent to 3.4 percent. Chapter 342:13 from 2018 (SB 313) reinstated the five percent allocation, while stipulating that alcohol funds be transferred to the Granite Advantage Health Care Trust Fund and used to partially fund the non-federal share of the Granite Advantage Program (see section on the Granite Advantage Program above.) The bill also required the Department to use available federal or other funds to fund any program approved by the Governor's Commission, essentially ensuring that the full five percent of Liquor profits will remain available for the Commission's use.

Community Mental Health Services - Mental health services are provided by community mental health centers under agreements with the state. These services are a significant part of the Medicaid program. 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 of 2014, in response to a class action suit, the state agreed to a settlement to expand and enhance mental health service capacity in integrated community settings. To that end, the FY18/19 and FY 20/21 budgets added funding for designated receiving facility beds, transitional step-down beds, and mobile crisis teams.

Community mental health services are funded partially out of the Medicaid Care Management account and partially out of a CMH Program Support account. The latter account received a general fund appropriation of \$22.2 million in FY 2020 and \$24.9 million in FY 2021. The general fund component of the agency budget request for the same account is \$30.4 million in each of FY 2022 and FY23, including \$1.5 million each year in additional prioritized needs.

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 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

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costs. In response to the situation, the FY 2020/21 trailer bill appropriated \$5 million for an inpatient psychiatric facility for children, as well as \$8.75 million for the construction of a new 25-bed secure psychiatric facility on the NH Hospital grounds. Additional funds were added for designated receiving facility beds throughout the state. The operating budget for NH Hospital contained general funds of \$35.4 million in FY 2020 and \$36.1 million in FY 2021. The general fund component of the agency budget request is \$48.7 million in FY 2022 (including \$2.9 million in additional prioritized needs) and \$51.3 million in FY 2023 (including \$3.1 million in additional prioritized needs). The operating budget for Glenclyff contained general funds of \$8.4 million in each of FY 2020 and FY 2021. The general fund component of the agency budget request is \$8.4 million in FY 2022 (including \$258,000 in additional prioritized needs) and \$8.7 million in FY 2023 (including \$228,000 in additional prioritized needs).

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. For these three services combined, the operating budget appropriated general funds of \$173.5 million in FY 2020 and \$183.2 million in FY 2021; The general fund component of the agency budget request is \$191.7 million in FY 2022 and \$212.4 million in FY 2023.

New Hampshire Veterans Home

The New Hampshire Veterans Home provides long-term care and treatment services to the elderly and disabled veteran population. 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 general fund appropriation for the Veterans Home was \$18.0 million in FY 2020 and \$18.4 million in FY 2021. The agency has requested \$18.3 million in FY 2022 and \$19.1 million in FY 2021. The Home has a unique budget footnote permitting additional revenue to

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be expended, and permitting the home to spend appropriations if budgeted revenues are not achieved, ultimately resulting in a cost to the general fund.