

NH's General Fund Appropriations: The Committee of Conference

June 2017

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About this paper

One of the Center's projects in recent years has been to address issues regarding state finance. This paper is the latest in our series of reports on that topic.

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New Hampshire now enters the final phase of its budget process. The Committee of Conference has passed a budget and it now moves onto the House of Representatives. While the Governor, House and Senate have struggled over the past 4 budget biennia to balance the budget since the Great Recession, this budget is different. Revenues have grown significantly more quickly than anticipated and, more importantly from a budgetary perspective, more quickly than spending has increased. Budget makers now face a situation where they will have the option to fill the state's rainy-day fund, strategically invest in state services, and/or provide tax relief to property owners or businesses.

How has this situation happened? Growth in revenues has exceeded all expectations. Between fiscal years 2015 and 2016 (which ended in June of 2016), revenues grew by almost 7%, driven by torrid growth in business taxes (16.3%) and real estate transfer tax receipts (14.5%) and a 6.9% increase in the state's tax on meals and rooms. And FY 2017? Through May – the last month for which we have data – revenues appear to be continuing to increase, albeit at a slower rate. Growth in the first half of 2017 is being driven by meals and rooms and real estate transfer tax receipts.

In this analysis, we look at long term trends in appropriations of general funds (those funds driven largely by the state's tax structure). For this analysis, we focus on HB 1 – the legislation which clearly delineates and defines state spending. We then turn to an analysis of the recently passed Committee of Conference budget.

The analysis shows that the Committee of Conference-approved budget represents a departure from post Great Recession budget trends, investing heavily in health and human services, which accounted for almost two thirds of the growth. Despite this growth, general fund appropriations are only now reaching the levels that existed prior to the Great Recession.

[HB1 - Long Term Annual Trends in Appropriations – 2004 Through 2019](#)

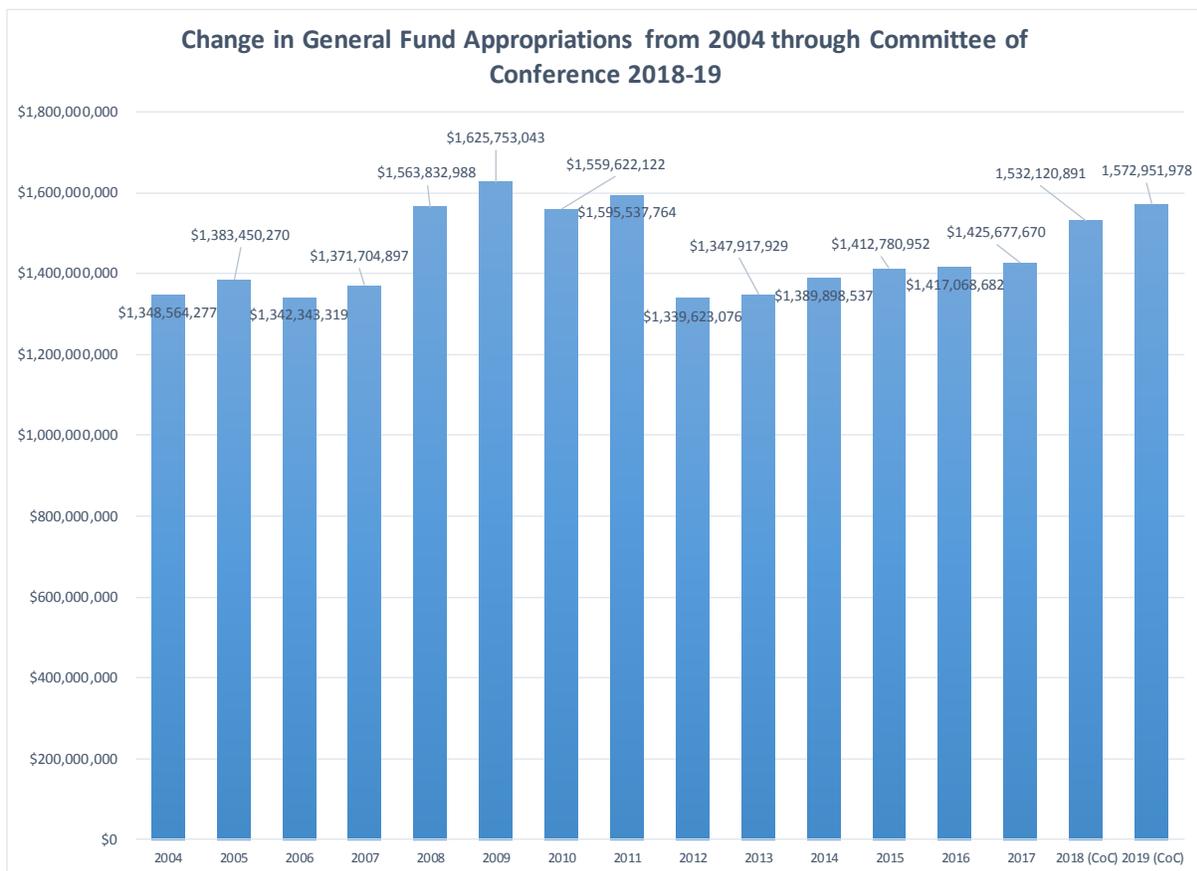
As we have noted in the past, the budget development process most often uses as a baseline the prior year's spending level, which provides a quick and consistent basis for understanding changes in spending. Looking over a much longer time period, long-term trends come into view, revealing patterns in the way state spending has changed. This is particularly important given the fundamental changes that occurred in the state budget during the Great Recession.

Below the Center analyzed 15 years of data on budgeted appropriations from 2004 through the budget most recently passed by the Senate. These "appropriated" or budgeted amounts best reflect the state's intent to spend money on specific programs. We used the standard budgetary classifications which break down the major functions of government: General Government; Justice and Public Protection; Resource Protection and Development; Transportation; Health and Human Services; and Education. In this analysis, we compare spending decisions prior to the Great Recession including fiscal years 2010 and 2011 which were passed prior to the Great Recession to post recession growth rates and decisions made by the Senate.

General Funds

Figure 1 below shows how general fund appropriations changed across the period 2004 and 2019. The Great Recession had a strong impact on state decisions regarding appropriations, in large part due to a significant reduction in state revenues. Between 2011 and 2012, general fund appropriations dropped by more than \$255 million, or 16%. Across the entire period, general fund appropriations increased by approximately 1% per year, with growth rates pre- and post- the recession at approximately 2.4%. On an annualized basis, budgeted general appropriations by the Committee of Conference increased by 4.5% per year from 2017. Despite this growth, even in 2019, budgeted general funds did not exceed those budgeted prior to the Great Recession, where general fund appropriations peaked at \$1.6 billion.

Figure 1: General Fund Budget Appropriations through Committee of Conference 2018-19

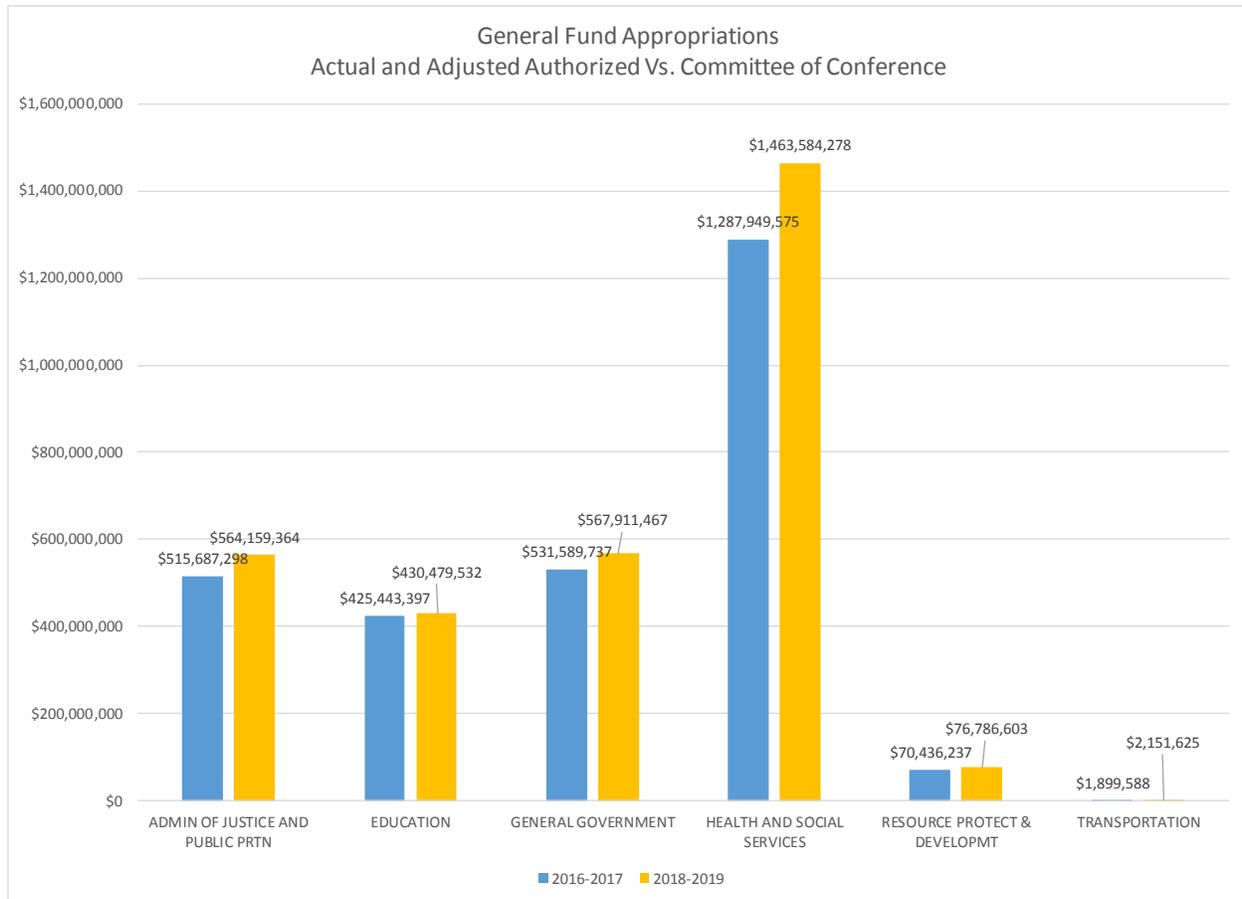


HB -1 Comparison of Committee of Conference to Actual 2016 and Adjusted Authorized 2017

For those interested in looking at changes relative to what we are currently spending, we provide the following analysis of general fund spending relative to what the state anticipates spending in the current biennium. This provides a snapshot of how spending is changing by major functions in state government, ranked from those receiving the largest increases in aggregate terms (Health and Human Services) to those receiving the least (the Department of Education). Underneath these changes are complicated programmatic changes, the details of which have a significant impact on New Hampshire.

At a very high level – at the Department level – both in aggregate and in percentage terms, general funds would grow the most quickly in health and human services. In total, the Committee of Conference proposal increases spending in state general funds by approximately \$271 million, or a 9.6% increase over current biennium spending. Of that increase, 60% is being dedicated to increases in health and human services spending (see Figure 2).

Figure 2: General Fund Changes at the Department Level



For those interested in looking at a more detailed analysis of changes relative to what we are currently spending, we offer the following table. This table shows, by agency, the current spending compared to that which would be appropriated in the Committee of Conference budget, sorted by the aggregate change in general fund appropriations between the two time periods.

Table 1: Comparison of Actual to Senate Passed General Funds by Agency

General Fund Analysis				
	Actual 2016 & Adjusted Authorized 2017	Committee of Conference 2018-2019	Aggregate Change 2016-2017 to CoC 2018-19	Percent Change 2016-17 to 2018-2019
HEALTH AND HUMAN SVCS DEPT OF	\$1,256,265,159	\$1,429,042,748	\$172,777,589	13.8%
ADMINISTRATIVE SERVICES DEPT	\$110,013,323	\$130,831,561	\$20,818,238	18.9%
CORRECTIONS DEPT	\$219,069,174	\$237,074,389	\$18,005,215	8.2%
JUDICIAL BRANCH	\$154,189,462	\$168,967,409	\$14,777,947	9.6%
SAFETY DEPT	\$53,705,341	\$63,332,010	\$9,626,669	17.9%
COMMUNITY COLLEGE SYSTEM OF NH	\$86,275,000	\$93,550,000	\$7,275,000	8.4%
EXECUTIVE DEPT	\$5,649,424	\$11,562,094	\$5,912,670	104.7%
JUDICIAL COUNCIL	\$53,268,803	\$57,604,711	\$4,335,908	8.1%
POLICE STDS & TRAINING COUNCIL	\$3,603,987	\$6,974,543	\$3,370,556	93.5%
LEGISLATIVE BRANCH	\$32,132,597	\$35,226,123	\$3,093,526	9.6%
VETERANS HOME	\$30,618,646	\$33,231,055	\$2,612,409	8.5%
ENVIRONMENTAL SERVICES DEPT	\$34,896,254	\$37,323,901	\$2,427,647	7.0%
REVENUE ADMINISTRATION DEPT	\$34,592,672	\$36,862,150	\$2,269,478	6.6%
BUS & ECON AFFAIRS DEPT	\$20,443,643	\$22,409,925	\$1,966,282	9.6%
NATURAL & CULT RESOURCES DEPT	\$13,455,132	\$15,110,471	\$1,655,339	12.3%
ADJUTANT GENERAL'S DEPT	\$7,007,986	\$8,515,293	\$1,507,307	21.5%
PROF LICENSURE & CERT OFFICE	\$12,933,634	\$14,348,389	\$1,414,755	10.9%
AGRICULT, MARKETS & FOOD DEPT	\$5,286,514	\$6,507,362	\$1,220,848	23.1%
TREASURY DEPT	\$330,302,436	\$331,262,596	\$960,160	0.3%
INFORMATION TECHNOLOGY DEPT	\$570,346	\$1,418,695	\$848,349	148.7%
STATE DEPT	\$3,387,453	\$4,180,576	\$793,123	23.4%
FISH AND GAME DEPT	\$1,300,000	\$1,599,392	\$299,392	23.0%
TRANSPORTATION DEPT	\$1,899,588	\$2,151,625	\$252,037	13.3%
VETERANS SERVICES OFFICE	\$1,065,770	\$1,310,475	\$244,705	23.0%
TAX AND LAND APPEALS BOARD	\$1,541,131	\$1,711,450	\$170,319	11.1%
HUMAN RIGHTS COMMISSION	\$1,007,402	\$1,085,070	\$77,668	7.7%
PUBLIC EMPLOYEE LABOR REL BRD	\$849,826	\$902,441	\$52,615	6.2%
EXECUTIVE COUNCIL	\$459,346	\$493,967	\$34,621	7.5%
BOXING & WRESTLING COMMISSION	\$7,375	\$13,866	\$6,491	88.0%
COMMUNITY DEV FINANCE AUTH	\$341,208	\$342,914	\$1,706	0.5%
UNIVERSITY SYSTEM OF NH	\$162,000,000	\$162,000,000	\$0	0.0%
JUSTICE DEPT	\$21,302,790	\$20,170,679	-\$1,132,111	-5.3%
EDUCATION DEPT	\$173,564,410	\$167,954,989	-\$5,609,421	-3.2%
Surplus Statement Schedule 2 Adj		-\$700,000		
Total General Funds	\$2,833,005,832	\$3,104,372,869	\$271,367,037	9.6%
NHCPPS Analysis of LBA Excel Files				

Significant changes in the budget relative to the current biennium are increased spending for state safety net services including funding for children with severe emotional disturbances, domestic violence services, nursing home rate increases, and mental health services (in the form of psychiatric beds and acute mental health service mobile crisis teams and community apartments), increased funding for the community college system, and the funding of the Governor's Scholarship program.