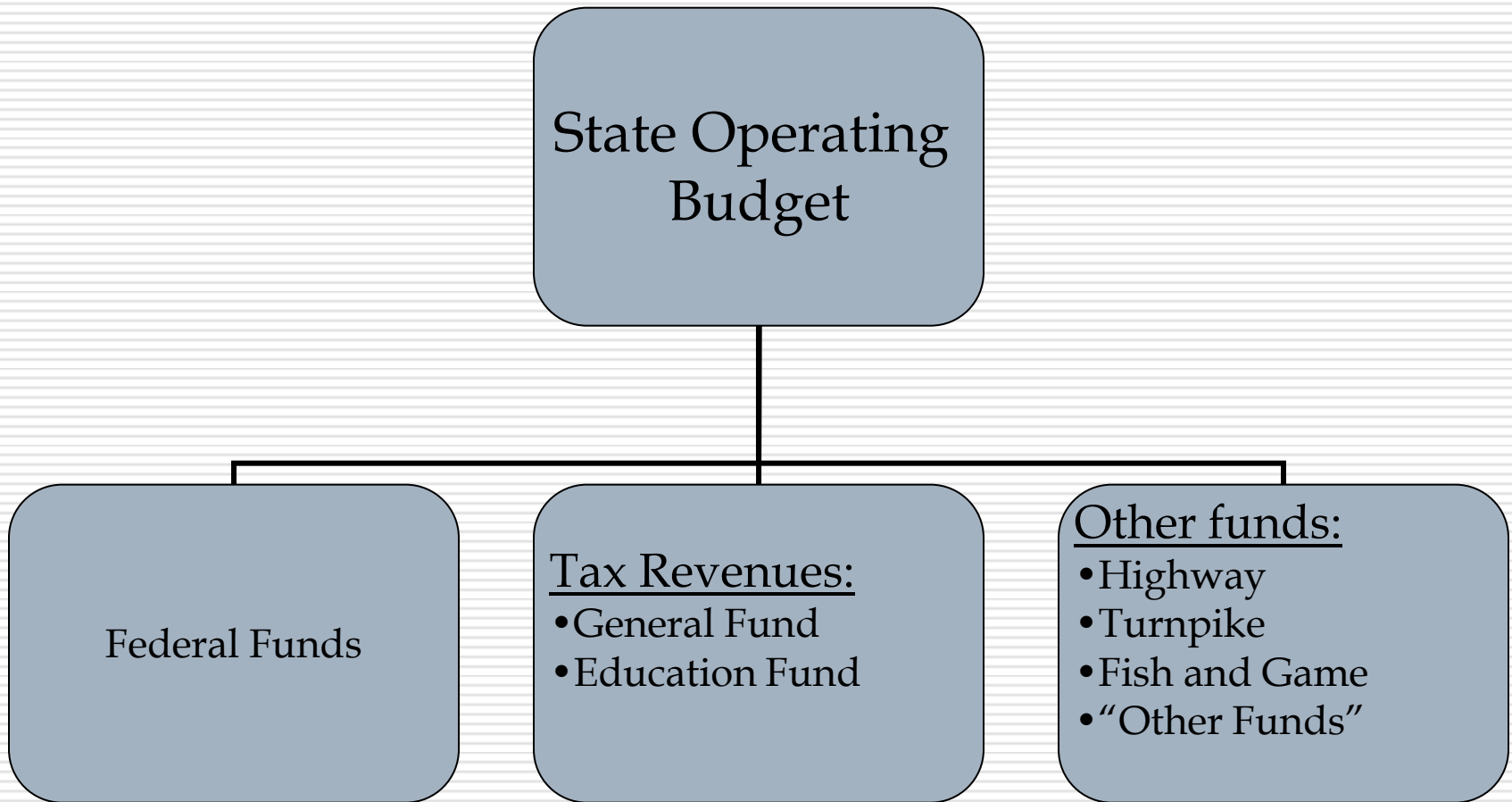

Understanding the State Operating Budget and Shortfall

Charlie Arlinghaus,
Josiah Bartlett Center for Public Policy

New Hampshire Operating Budget



New Hampshire State Budget

- ❑ 24 month budget
- ❑ 2 one year components
- ❑ Balanced Budget law
- ❑ July 1 – June 30 Fiscal Year
- ❑ Capital and Operating separate

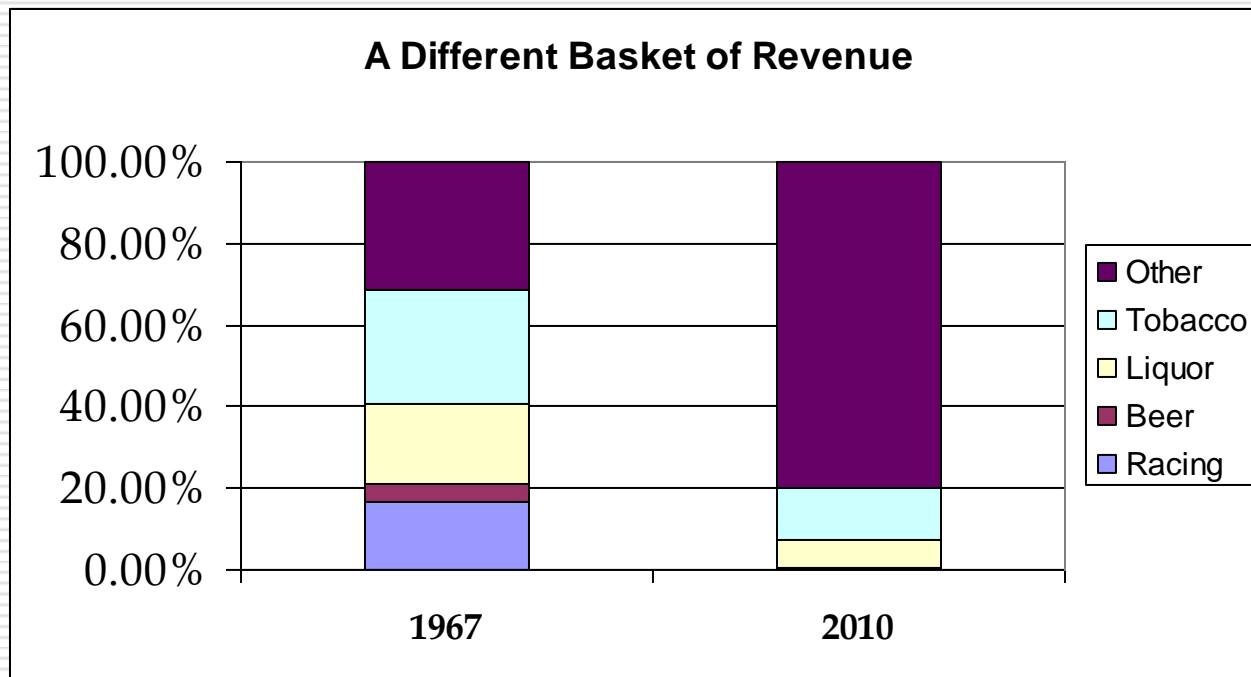
Balanced Budget Law

- RSA 9:8-B
- Each fund must be balanced
- Expenditures for *biennium* balanced by
 - Estimated revenue
 - Money remaining from prior biennium
- Bonding (debt) prohibited for “operating expenditures”

Education Trust Fund

- Created in 1998
- Response to Claremont case
- Transparency re: tax increases
- Not a real trust fund
- Transfers to and from General fund
- Statewide Property Tax
- Separate or Combined?

Smokes and Liquor At The Track

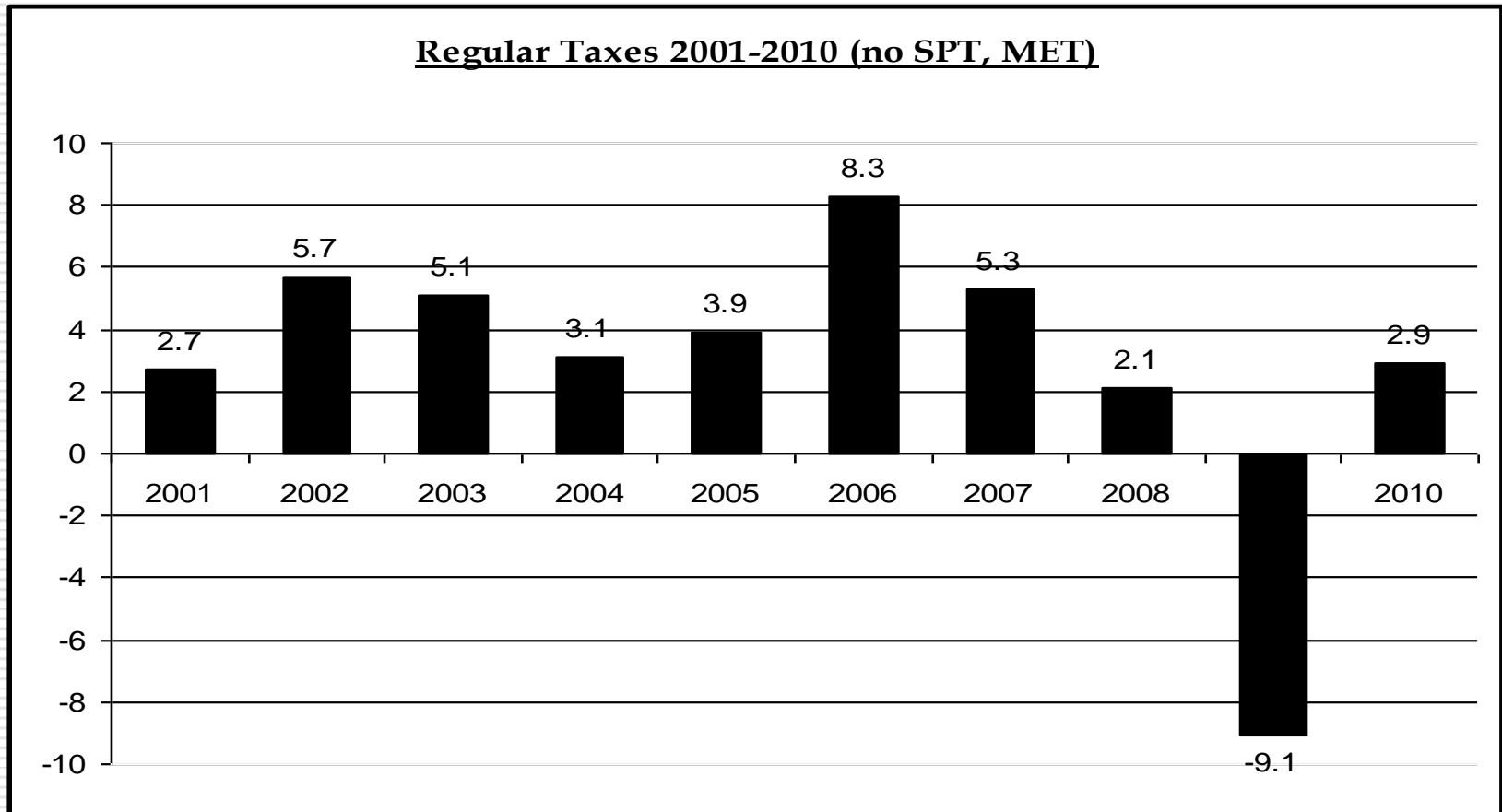


“Unrestricted revenue”: \$1,853M

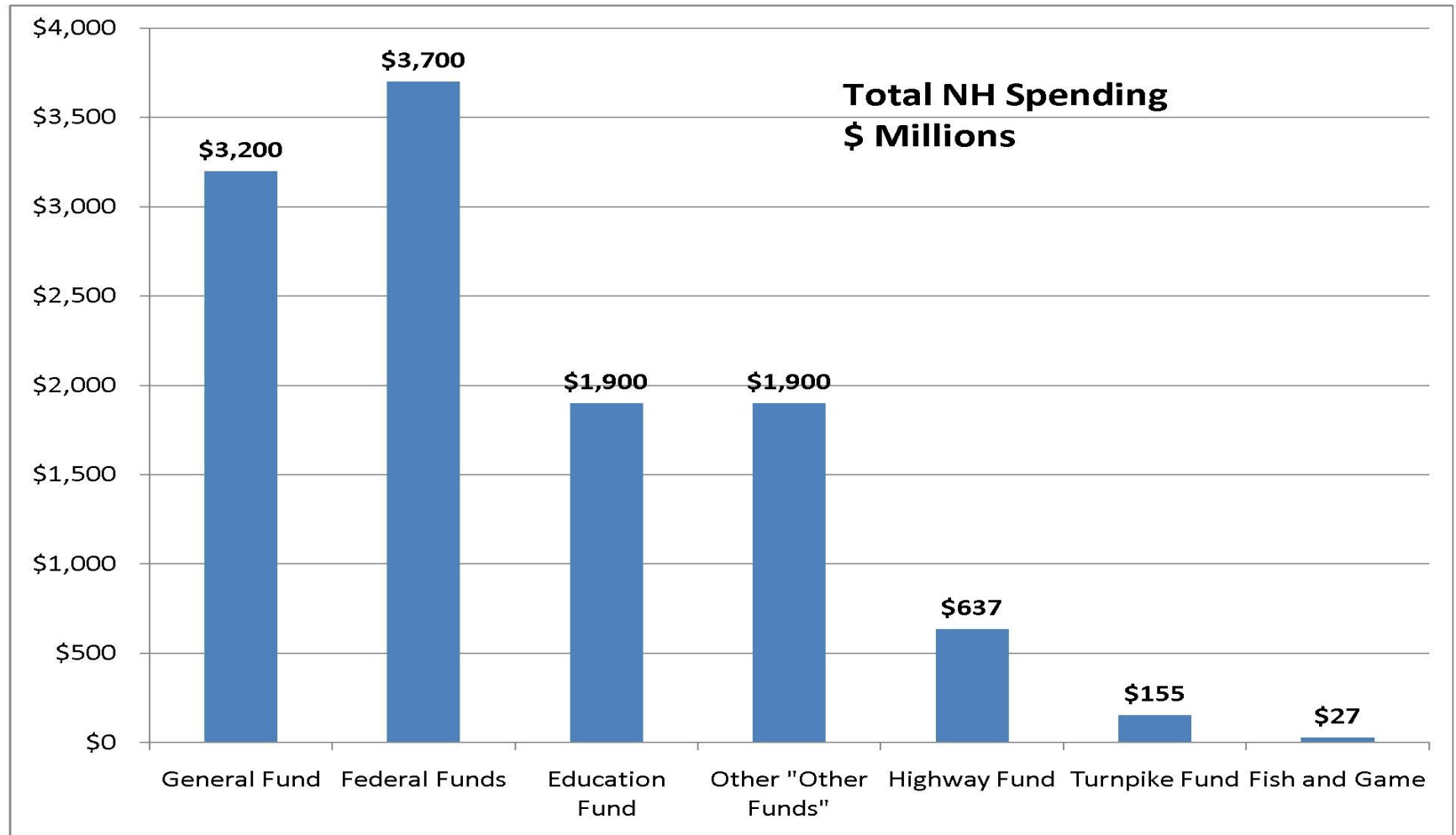
(not including state property tax)

- ❑ Business Taxes - \$504 – 27%
- ❑ Meals and Rooms - \$232 – 12.5%
- ❑ Tobacco - \$244 – 13%
- ❑ Liquor - \$120 – 6.5%
- ❑ I & D - \$84.5 – 4.5%
- ❑ Real Estate Transfer – \$84.5 – 4.5%
- ❑ Insurance – \$87 – 4.5%
- ❑ Communications - \$80 – 4.3%
- ❑ Lottery - \$66 – 3.5%
- ❑ Medicaid Enhancement - \$118 – 6%
- ❑ Other: Court fees, securities revenue, utility taxes, beer tax, utility state property tax, racing, tobac. settlement

Ten-year Average = 3.0%



This Fund and That Fund: Total \$11.5 billion – Biennial Budget



Spending (100%)

- The Six Categories (All Funds)
 - General Government - \$555M – 10%
 - Justice \$691M – 12%
 - Resources \$344M – 8%
 - Transportation \$566M – 10%
 - Health and Social \$2087M - 36%
 - Education \$1502 – 26%

Spending (44%)

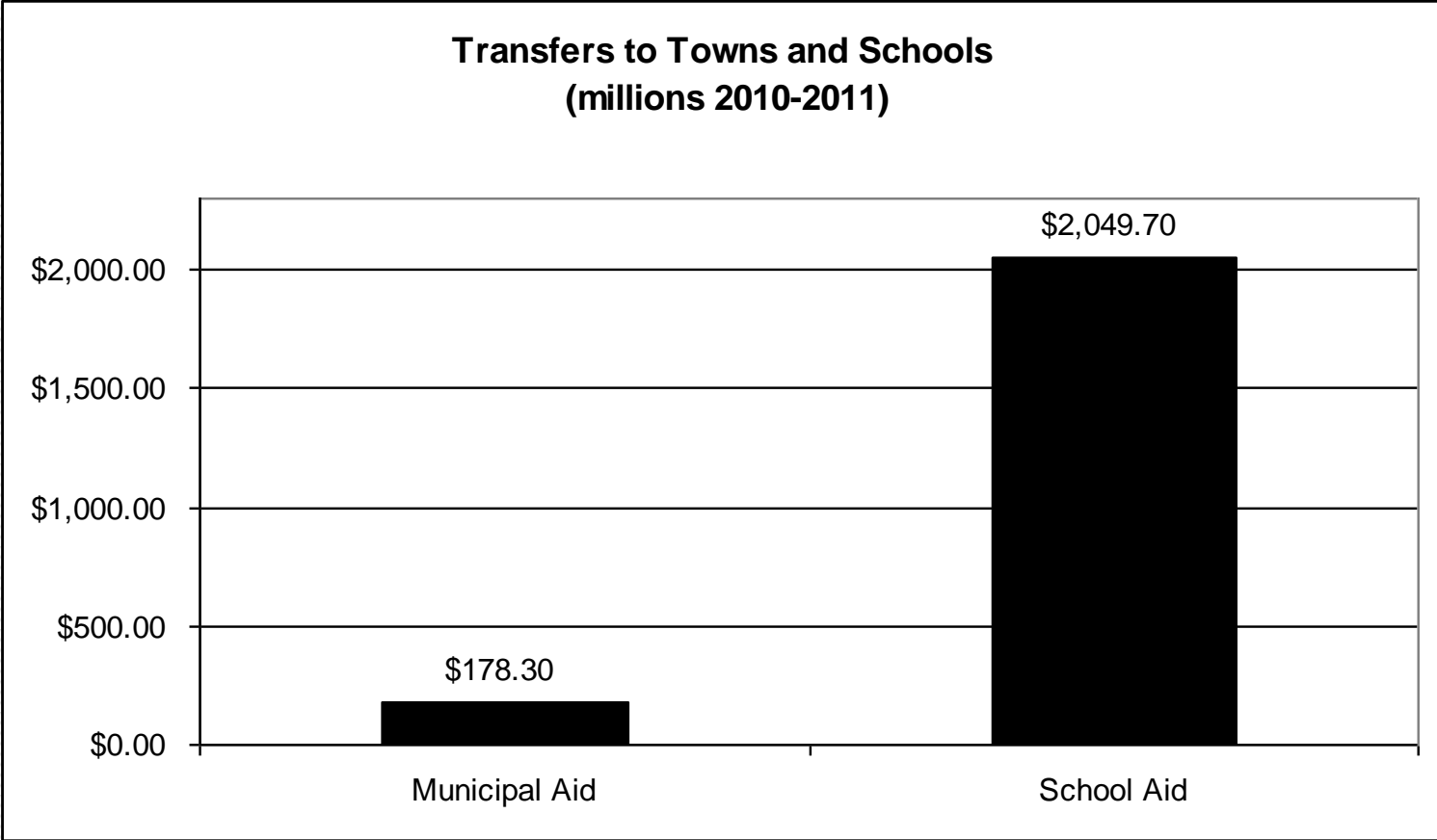
- Education: Trust fund (\$958m) plus
- Just the general fund – 6 Categories
 - General Government - \$324M – 21%
 - Justice \$227M – 15%
 - Resources \$41M – 3%
 - Transportation \$1M – 0.1% (highway, turnpike funds)
 - Health and Social \$765M - 49%
 - Education \$201 – 13% (plus education fund)

Employee costs – all funds

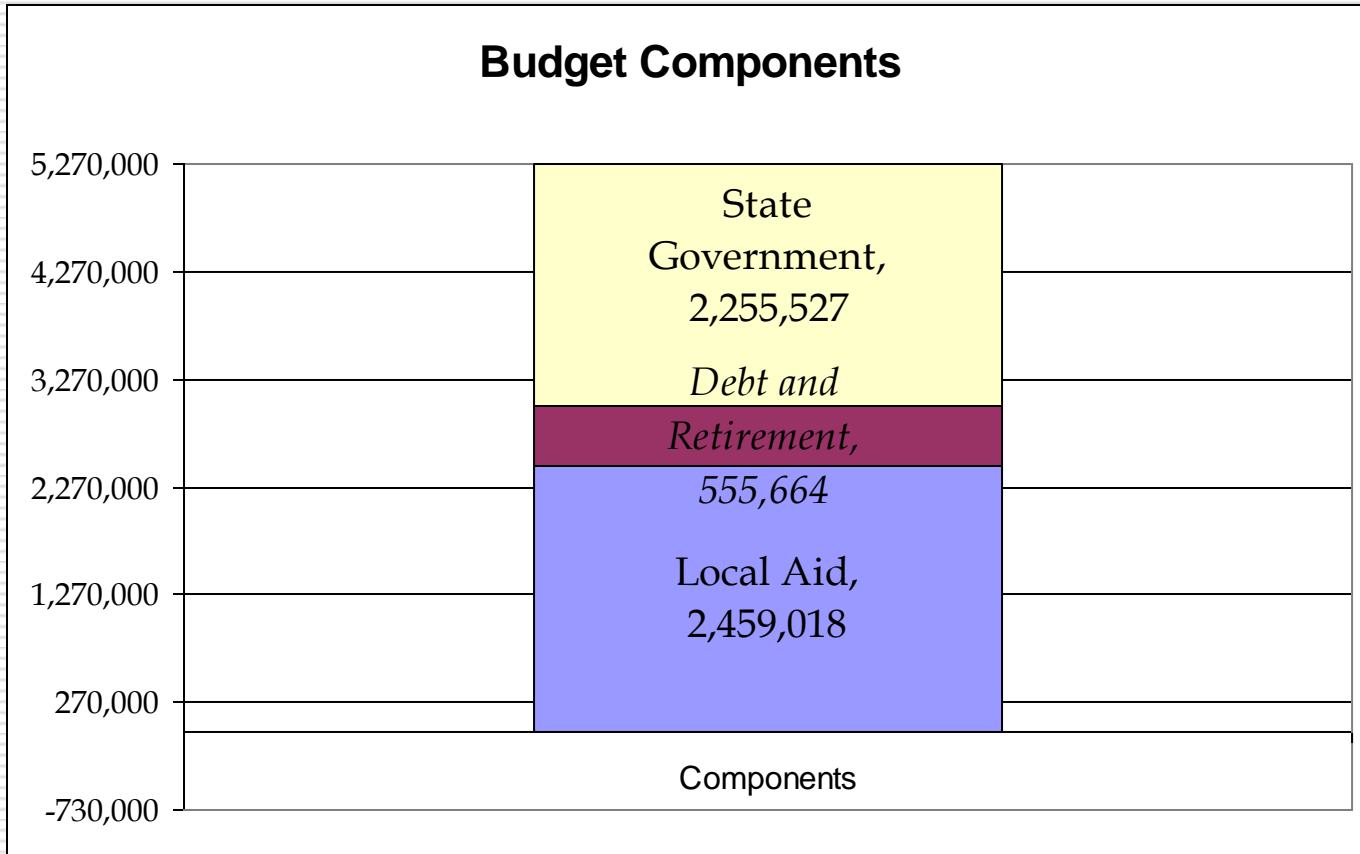
- ❑ Wages approx. \$700M
- ❑ Benefits approx \$250M
- ❑ Retirement approx \$50M

- ❑ \$1,000M = 17% of annual costs

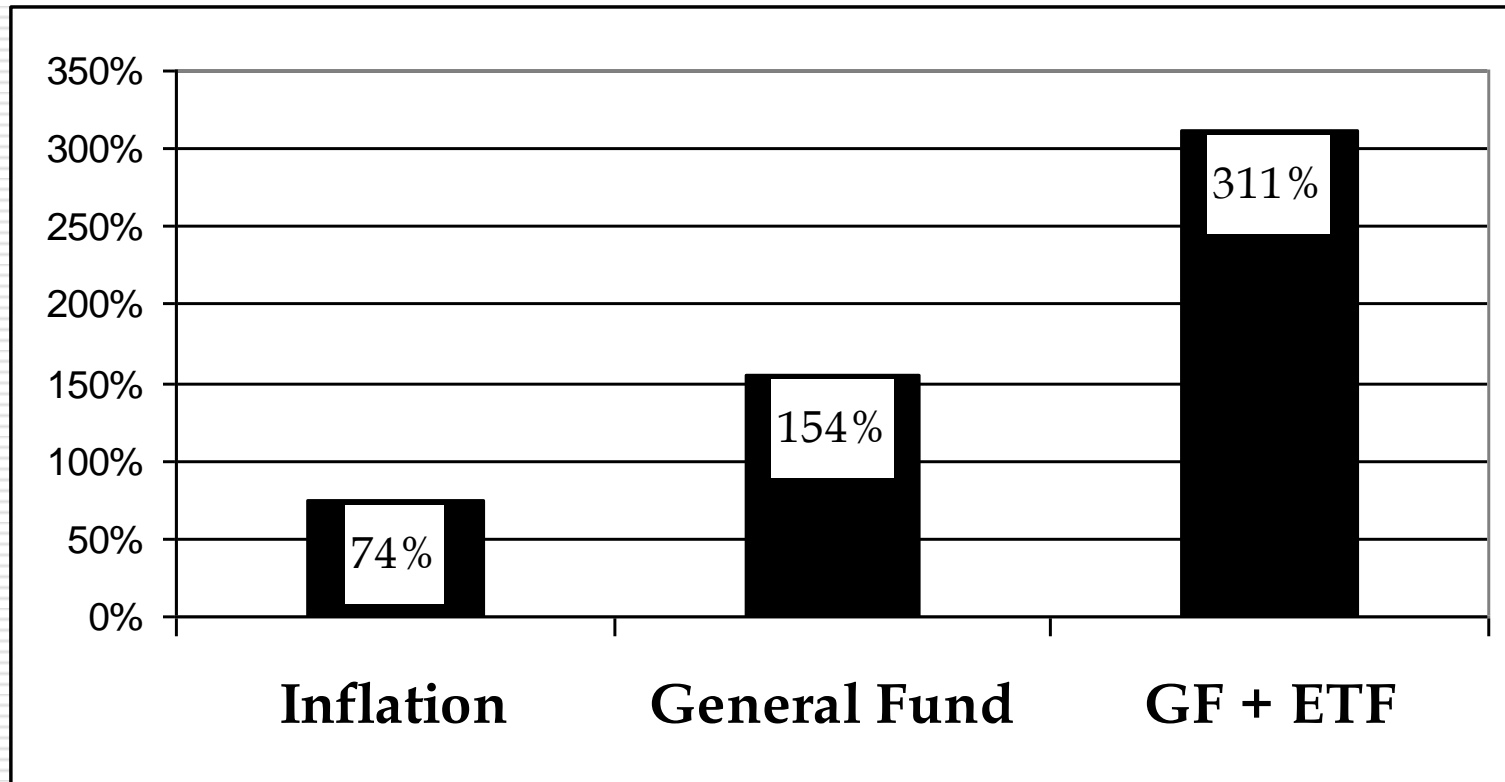
Local Aid is 45% of spending



Spending in Three Parts



Spending Growth 1989-2009



How do we Balance?

- Surplus Statement
- Budget minus lapses (net approp.)
- Unrestricted revenue
- Fund balance plus ETF surplus
- Two year total not each

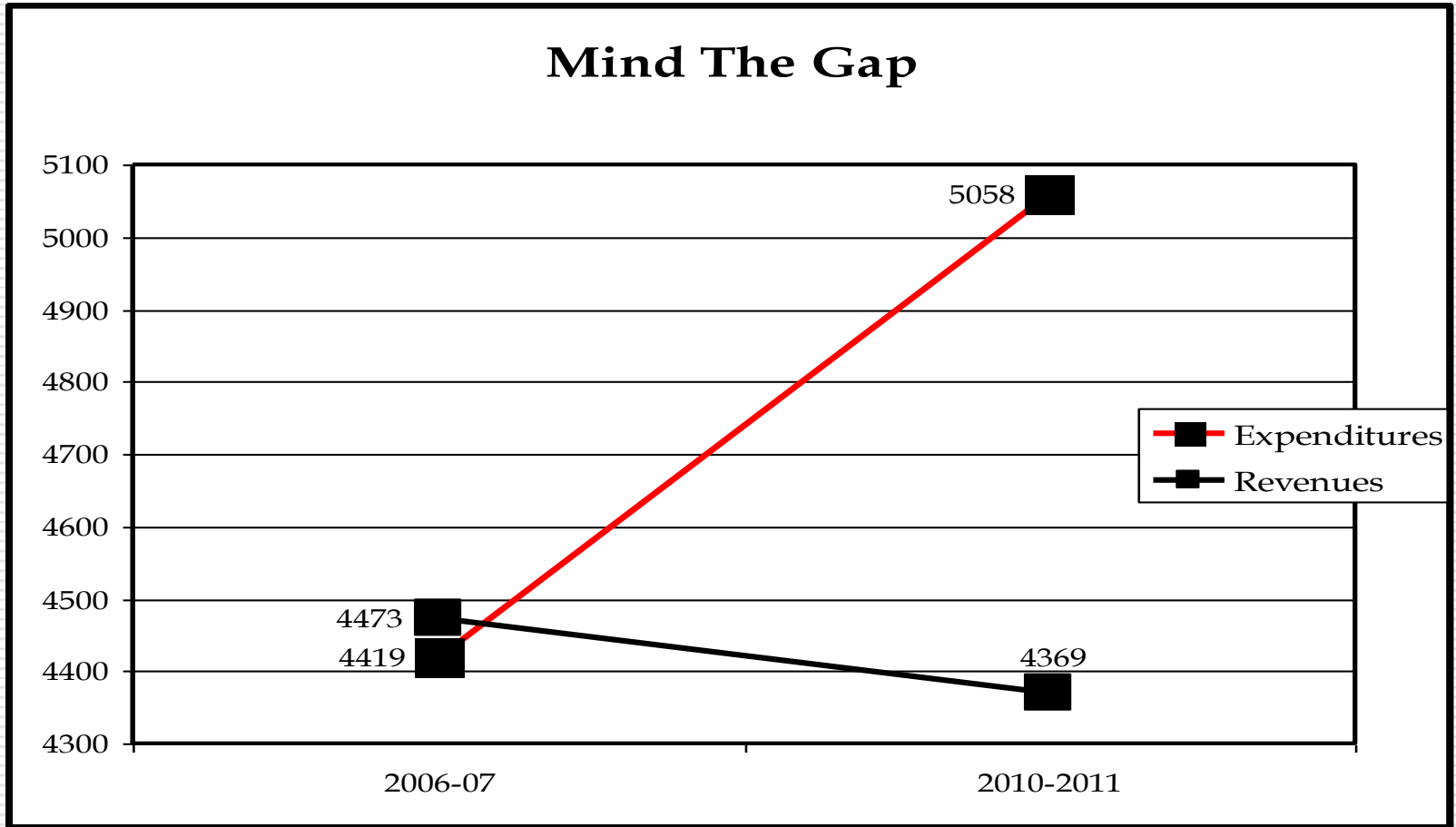
Rainy Day Fund

- Revenue Stabilization Reserve Account
- Surplus in, deficit out
- When does it rain? RSA 9:13-E
- Suspended last 2 budgets

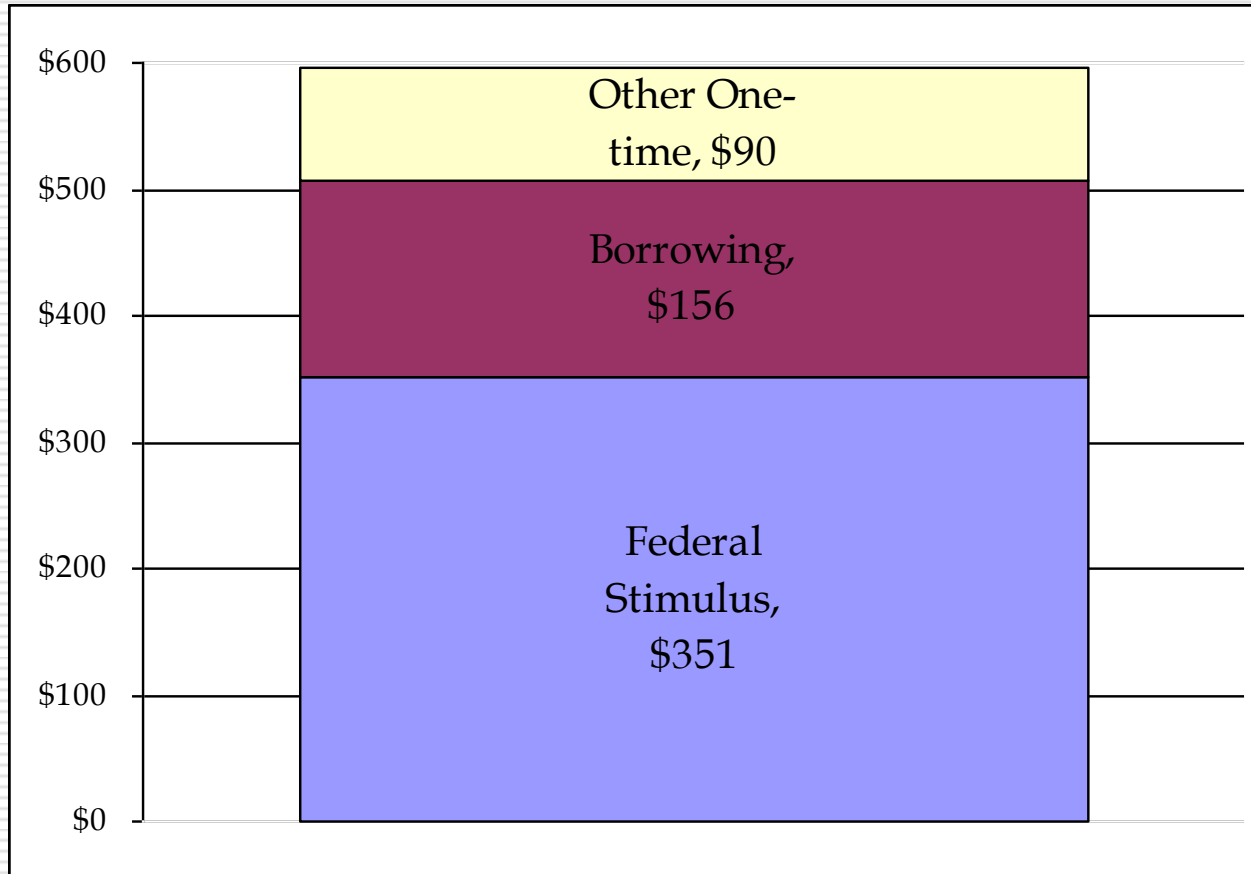
How Deep is the Hole

The 2012-2013 Budget Shortfall

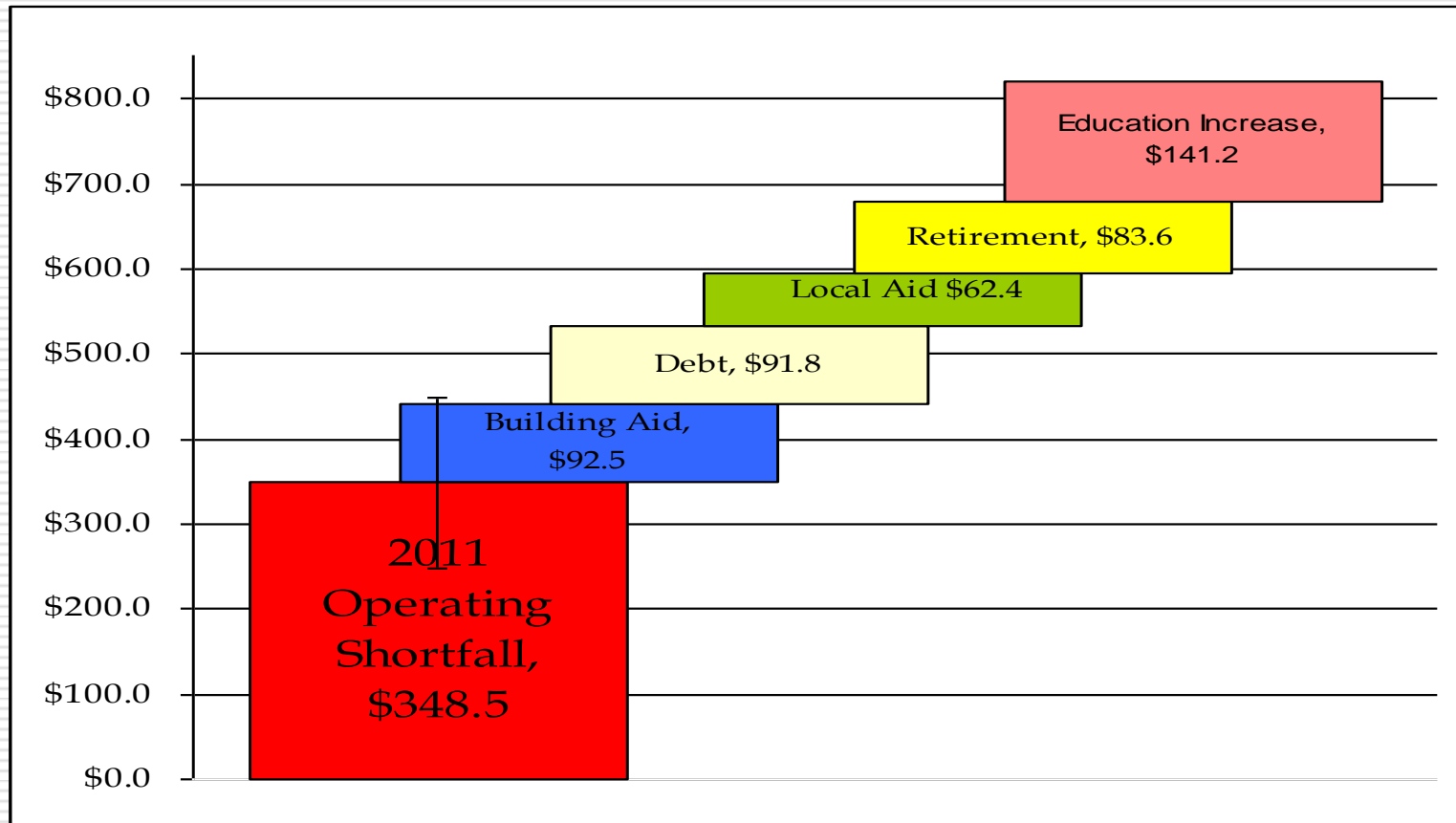
Mind the Gap



Temporary Revenue: \$597m



An \$820 Million Hole



Solving the Problem

- ❑ Revenue growth?
- ❑ 3% annual growth = \$154 million

- ❑ Only \$666 million to go
- ❑ 12.6% cut?

The 4.5% and 5% Solution

- Economic Growth of 4.5%
- Cut Departments by 5%
 - 4.5% revenue growth = \$232 million
 - 5% except local aid = \$113 million
 - Only \$475 million to go
 - $475/2255 = 21\%$

Caps and Cuts

- Revenue at 3% average
 - Adds \$154 million
- Education Aid at 2011
 - Saves \$141.2 million
- Local Aid at 2011
 - Saves \$82 million
- Only \$443 million to go
 - $443/2255 = 19.6\%$

Information where?

□ Monthly Revenue and Historical:

<http://admin.state.nh.us/accounting/reports.asp>

□ Budget Documents (LBA)

<http://www.gencourt.state.nh.us/lba/indexbudget.html>

□ Treasurer: Bond Statement

<http://www.nh.gov/treasury/Divisions/DM/DMdocs.htm>