

June 6, 2011

The Senate's FY 2012-13 Budget Proposal

On Wednesday, June 1, the New Hampshire Senate approved its versions of the state's two budget bills – HB 1 and HB 2 – for the coming fiscal year 2012–2013 biennium. The Senate should soon begin meeting with the House of Representatives in a committee of conference to reconcile the budgetary differences between the two chambers before fiscal year 2012 begins on July 1.

For the most part, the Senate followed the path laid by the House in its version of the budget, imposing substantial spending reductions across a wide array of vital public services. In broad terms, the budget supported by the Senate would lower General and Education Fund expenditures from their anticipated level of \$4.7 billion during the current FY 2010-11 biennium to \$4.45 billion over the course of FY 2012-13, a decline of roughly \$240 million or approximately 5 percent. More narrowly, like the House, the Senate would cut General Fund payments for uncompensated care by \$115 million over the next two years, reduce local aid by over \$100 million, and drop state support for public universities and community colleges by roughly \$140 million.

Still, important differences between the Senate and the House do exist and will need to be resolved through the committee of conference. Overall, after accounting for so-called “back of the budget” changes and other adjustments, General and Education Fund expenditures for FY12-13 are close to \$70 million higher in the Senate's version of the budget than in the one passed by the House. Most notably, the Senate would reduce spending within the Department of Health and Human Services by nearly \$50 million less than the House would do, preserving some funds for programs for people with disabilities and for services for adults and children with severe mental illnesses. In addition, the Senate anticipates some \$33 million less in savings from changes to medical and pension benefits for state retirees than the House does.

The Senate was able to achieve a relatively higher level of expenditure for the FY 2012-2013 biennium for two principal reasons. First, the Senate projects that General and Education Fund tax collections, prior to any legislative changes, will amount to \$4.46 billion over the next two years; this figure, in turn, is about \$40 million – or 0.9 percent – higher than the sum on which the House version of the budget was initially based. Second, the Senate assumed that any budget deficit emerging in fiscal year 2011 (due to lower than anticipated revenue collections) will be addressed in FY11, while the House carried forward a \$50 million deficit from the current fiscal year into the FY 2012-2013 biennium. Consequently, the Senate had a larger set of resources to devote to meeting pressing needs in the upcoming biennium.

Ultimately, should a FY 2011 deficit emerge and should it be addressed before the close of the fiscal year, the revenue and spending levels approved by the Senate for the General and Education Funds for FY12-13 would result in a \$32.6 million deposit into the Revenue Stabilization – or “Rainy Day” – Fund at the close of the biennium. Under the same set of circumstances, the revenue and spending levels approved by the House for the General and Education Funds for FY12-13 would lead to a deposit of \$64.3 million. Whatever consensus the Senate and House may be able to reach during their committee of conference, given the depth and breadth of spending cuts their respective budgets would force, they should be able to agree that deposits of this magnitude into the Stabilization Fund are too large. While the current state of the economy does warrant some caution in crafting a budget for the next two years, saving for a rainy day makes little sense when it is already pouring outside.

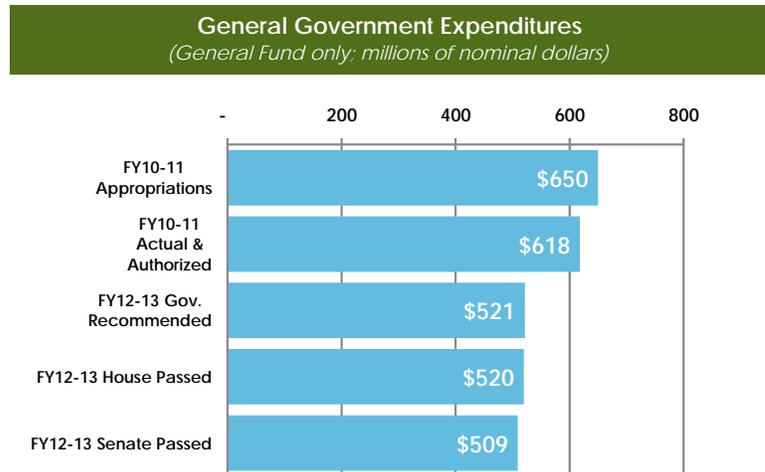
The remainder of this Budget Brief examines the Senate’s spending proposals and revenue estimates in greater detail.

Major Expenditure Proposals

General Government

Under the version of the budget approved by the Senate, General Fund appropriations for general government – a category of spending that includes funding for the legislative branch, the Governor’s office, and several executive branch agencies – would total \$509.2 million during FY12-13.

This figure is significantly below the amount the state is expected to spend in this category during the current FY10-11 biennium, in large measure because, like the Governor, the Senate would eliminate the state’s contribution to the New Hampshire Retirement System. That contribution will total \$97.5 million for FY10-11 and was scheduled to rise to at least \$125 million for FY12-13.



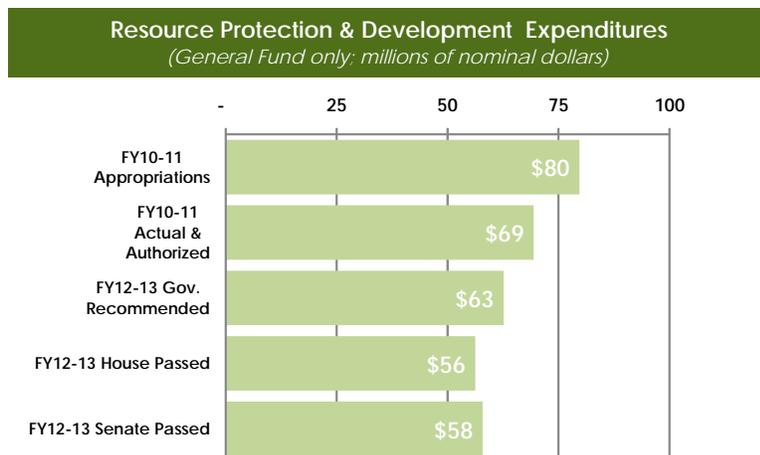
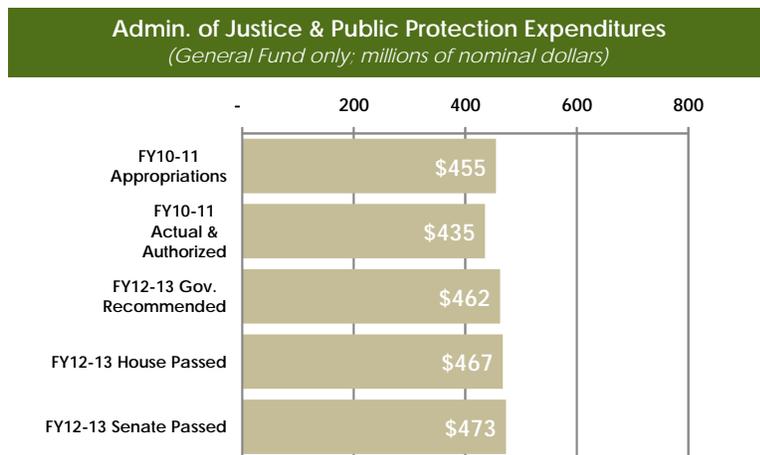
Other legislation now in a separate conference committee – SB 3 – could make major changes to New Hampshire’s public employee retirement system and offset the loss of at least a portion of such funds; however, as negotiations between the House and the Senate over such legislation are not yet complete, the ultimate impact of this budget on cities’ and towns’ pension responsibilities remains unclear.

The Senate’s General Fund appropriation for general government is, as well, somewhat smaller than the level approved by the House for the upcoming biennium. This is due, in part, again, to differences over public employee pension contributions,

but also because the Senate would reduce appropriations for the Department of Administrative Services by another \$5 million over the biennium. Still, in response to concerns about its potential impact on state revenue collections, the Senate did seek to undo a major portion of a “back of the budget” cut to the Department of Revenue Administration proposed by the House, shrinking that cut from \$5.2 million to \$2.1 million.

Administration of Justice & Public Protection

The Senate budget includes an initial General Fund appropriation of \$473 million for the administration of justice and public protection for the FY12-13 biennium. While this would appear to be higher than the level approved by the House or recommended by the Governor – and even to represent some growth over actual and authorized expenditures for FY10-11 – it is mitigated by a pair of “back of the budget” cuts. More specifically, while the Senate would provide \$160.7 million in General Funds to the judicial branch over the course of FY12-13 and \$217.4 million to the Department of



Corrections, it would reduce these sums by \$21.2 million and \$13 million respectively via provisions found elsewhere in HB1. What’s more, the Senate’s appropriation reflects an accounting change that shifts \$6.4 million in Highway Funds into the General Fund to help support expenditures within the Department of Safety. Nevertheless, the Senate did restore some \$1.4 million in General Funds for the Civil Legal Services Fund over the FY12-13 biennium, a program that the House had eliminated entirely.

Resource Protection & Development

General Fund appropriations for resource protection and development would total \$57.9 million for FY12-13 if the Senate’s version of the budget

were to become law, with the bulk of those funds flowing to the Department of Resources and Economic Development (\$26.5 million) and the Department of Environmental Services (\$31.0 million).

The Senate budget contains few major changes, relative to the House’s proposed budget, within this expenditure category. For instance, where the House had eliminated General Fund support for the Fish & Game Department, the Senate would, over the biennium, provide the Department with the \$100,000 in General Funds recommended by the Governor. In addition, the Senate would, relative to the House, increase spending within the Department of Environmental Services by \$1.2 million during FY12-13, thus permitting the restoration of staff for pollution control and shellfish protection programs.

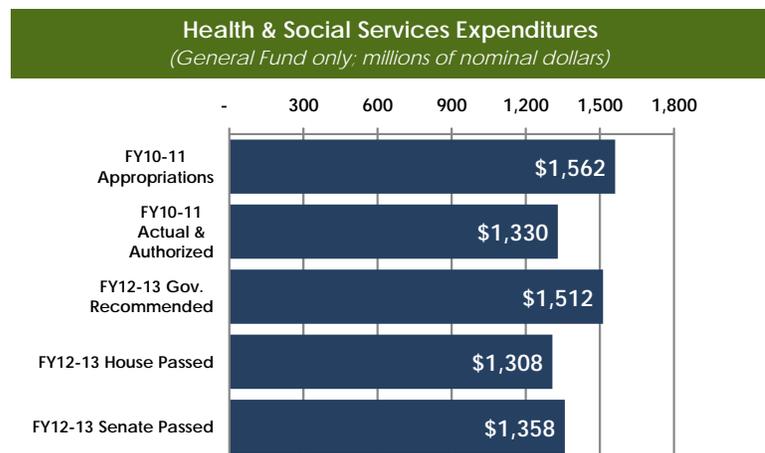
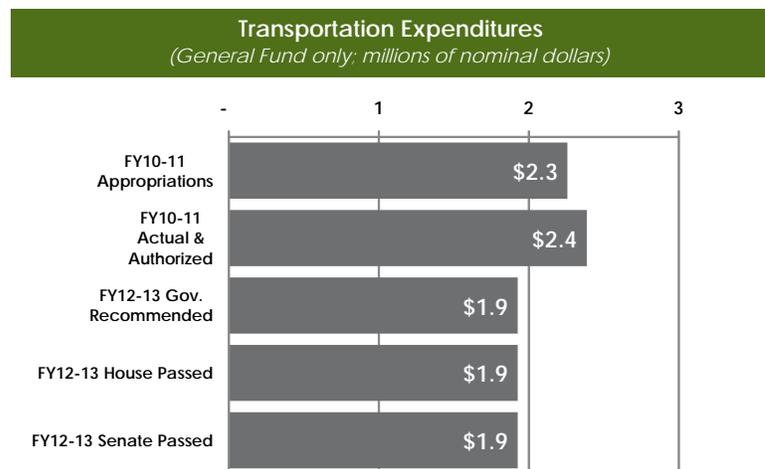
Transportation

Like the Governor and the House before it, the Senate would appropriate approximately \$1.9 million in General Funds for transportation for FY 12-13 or about half a million dollars less than what the state will likely spend in the current two-year budget cycle.

Still, the Senate did make some changes to the House’s version of the budget – outside of the General Fund – related to transportation. For instance, it provided an additional \$7.6 million for debt service not contemplated in either the Governor or the House’s budget. In addition, the Senate appears to have mitigated several “back of the budget” cuts to the Highway Fund found in the House’s budget; all told, the House would have reduced Highway Fund expenditures by roughly \$45 million via legislative language in HB 1, while the Senate would reduce such expenditures by around \$27.5 million through that approach.

Health & Social Services

The Senate budget makes no reductions to health and social services above and beyond those adopted in the House budget; rather, the Senate budget increases spending for this category by approximately \$50 million relative to the House budget. The Senate budget appropriates \$1.36 billion in General Funds for health and social services in FY12-13, representing a drop of \$154 million – or



10 percent – from the Governor’s FY12-13 budget recommendation and a difference of \$204 million from initial FY10-11 General Fund appropriations. While the Senate budget preserves some funding for programs serving children, seniors, and people with mental illnesses and restores, in its entirety, funding for programs serving people with disabilities that had been cut in the House budget, the remaining reductions to health and human services included in the Senate’s budget are substantial. These proposals may help to close the state’s immediate budget gap but will have costly outcomes across the state. Additional health care costs, employment barriers for working families, and burdens on already strained community services such as police and fire departments and schools are all likely to grow if the Senate budget becomes law. Below are just some of the reductions to health and human services spending approved by the Senate.

I. Changes to Services that Help to Manage Health Care Costs

A. Reduction of Mental Health and Substance Abuse Services

The Senate budget would provide \$3.2 million in General Funds for substance abuse services, an amount that is \$3 million lower than the sum proposed by the Governor. As a result, it would eliminate prevention services for approximately 12,000 people (most of them youth) and reduce treatment services for another 800 people. People who are struggling with substance abuse likely will have increased contacts with law enforcement and hospital emergency departments without prevention and treatment services.

While the Senate budget restores \$18.1 million for mental health services that had been eliminated by the House’s budget, it reduces the Governor’s FY12-13 recommended level of General Fund appropriations for mental health services for adults and children by \$6.9 million. The Senate’s approved funding level puts at risk mental health services for more than 700 adults and 600 children. Consequently, many patients will likely have increased contact with law enforcement and hospital emergency departments, thus shifting the cost of aiding these individuals from the state budget to local governments and organizations. Additional amendments in HB2 – the so-called “trailer bill” - appear to authorize providers to place adults and children seeking mental health services on a waitlist. Again, the absence of mental health services will mean many patients’ needs will be pushed onto other, already strained systems of care, including local governments.

B. Reduction in New Hampshire Healthy Kids Funding

The Senate’s budget maintains the Governor’s and House’s FY 12-13 General Fund reduction of \$6.6 million to the New Hampshire Kids (NHHK) program. Additionally, under the Senate budget, the General Fund appropriations for staff for NHHK will be eliminated when the program’s enrollees are transitioned into the state’s new Medicaid Managed Care program, which is scheduled to begin July 1, 2012.

New Hampshire Healthy Kids administers the state’s Children’s Health Insurance Program, also known as Healthy Kids Silver. Healthy Kids Silver provides subsidized

health insurance to approximately 8,600 children with family incomes between 185 and 300 percent of the federal poverty level (FPL). Families pay a small, monthly premium per child depending on their incomes. Enrollees are provided care by Harvard Pilgrim Health Care, which helps to coordinate care (and thereby manage costs) for its enrollees through primary care providers. New Hampshire Healthy Kids also administers a health insurance buy-in program for approximately 875 children with family incomes between 300 and 400 percent of FPL by providing them with non-subsidized, lower-priced insurance premiums. Buy-in program enrollees pay full premiums and have the same network and benefits as Healthy Kids Silver enrollees.

The Governor, House and Senate budget proposals all contemplate policy changes for NHHK. Under the Governor's budget, Healthy Kids Silver enrollees were to be converted into Medicaid members and transitioned into the Medicaid fee-for-service system as of July 1, 2011. Under the House and Senate budgets, Healthy Kids Silver enrollees will still be converted into Medicaid members, but will be transitioned into the state's new Medicaid Managed Care program, which is currently being developed and has a target implementation date of July 1, 2012. Children with incomes between 185 and 300 percent of FPL would continue to receive health insurance coverage and continue paying the same monthly premiums, but their care will be managed by a managed care vendor yet to be selected. DHHS officials have noted that the buy-in program will be discontinued because it will not be feasible to convert buy-in enrollees into Medicaid enrollees or to continue to provide the current benefit and premium schedule to the fewer than 900 children that would remain after the transition.

The Department of Health and Human Services' analysis of the Governor's original proposal suggested that the difference between lower Medicaid reimbursement rates and the New Hampshire Healthy Kids per member per month fee would yield most of the \$6.6 million projected savings. However, questions have been raised as to whether those savings could be achieved without significant attrition among Healthy Kids Silver enrollees. With respect to the House and Senate budget plans, questions have also been raised as to how reliably a brand new managed care system will find efficiencies and savings since New Hampshire Healthy Kids is already a mature managed care program. Finally, it still seems likely that more than 800 buy-in children, most of whom have significant ongoing medical needs, will lose insurance coverage due to this change.

C. Restoration in Developmental Disabilities Funding

The Senate budget restores \$19.9 million in funding cuts for services for people with developmental disabilities made in the House budget and restores \$6 million in funding for the developmental disabilities wait list that had been eliminated by the Governor's and House's FY12-13 budget recommendations.

The House budget reduced the Governor's FY12-13 General Fund budget recommendation for Waiver Day Services by \$5.7 million. The Senate budget restores all of this funding. Day Services enable nearly 400 adults with developmental disabilities to remain at home with their families and allow those family members to maintain their employment. Day Services provide assistance with basic living and

safety skills at home and in the community, as well as vocational and volunteering opportunities for developmentally disabled people. Reductions in funding for day services could result in families being forced to leave the workforce in order to care for their adult child at home or to make the difficult choice to seek more expensive care, such as costly out-of-home placements or twenty-four hour/residential support. These reductions may have created real barriers to employment for disabled adults and their family members and may increase demands for more expensive, institutional care for which the state would be responsible.

The House budget also reduced the Governor's FY12-13 General Fund budget recommendation for Family Support Services for families with developmentally disabled members by \$7.8 million; the Senate budget restores this funding as well. These services enable 3,000 families to be the primary caregiver for family members with developmental disabilities, through assistance with home modifications and respite care. Without these supports for families, there likely would be an increase in demand for other developmental services provided by the state. There could also be an increase in more expensive, institutional, long-term care for which the state may be responsible, if families find themselves unable to remain the primary caregiver for their disabled family members.

The House budget reduced funding, relative to the Governor's recommendations, for case management and independent living supports for people with developmental disabilities by \$6.3 million. Under the Senate budget, all of these funding cuts were restored. Targeted case management assists more than 1200 children and adults with housing, medical, and vocational supports. Additionally, this funding restoration will provide the continuation of community support services to more than 250 people, enabling them to develop and maintain independent living skills. Without these supports, it is likely that many would require more formal and costly residential supports.

The Governor's FY 12-13 budget proposal also eliminated approximately \$17.3 million in General Funds used to reduce the amount of time individuals must be placed on a waitlist to receive services from the Bureau of Developmental Services. The Senate budget appropriates \$6 million for waitlist funding. Waitlist funding over the last two biennia has reduced the number of days individuals must wait to receive services, including programs designed to allow their parents or family members to continue to work, from as many as 228 days to as few as 17; as of December 2010, the average time spent on the wait list was 32 days. While the partial restoration of this funding will be helpful, without full funding, the average amount of time on the waitlist will almost certainly increase for the 477 people that are expected to fall onto that list in FY12-13.

D. Limiting Uncompensated Care Funds

The Senate and the House budgets both reduce the Governor's FY12-13 General Fund appropriation of \$166 million for uncompensated care funding by \$115 million, effectively reducing total funds allocated for this purpose by \$231 million. Under its budget, the House held harmless 13 of New Hampshire's 28 hospitals, known as critical access hospitals (CAH), from such cuts by requiring that the uncompensated care

funds remaining in the budget be used to pay the 100 percent of their uncompensated care costs before those funds could be used for any other purpose. Under the Senate budget, critical access hospitals might be protected from this funding reduction, if specific conditions, outlined in HB2 language described below, are first met.

Typically, to provide hospitals with some financial relief for uncompensated care (UCC) - that is, losses related to care for the uninsured and for Medicaid members - New Hampshire participates in a federal matching program called the Disproportionate Share Hospital program (DSH). Through DSH, a state receives one dollar in federal funds for every non-federal dollar contributed toward hospitals' uncompensated care costs. Traditionally, New Hampshire had placed all of the revenue generated by the Medicaid Enhancement Tax into the Uncompensated Care Fund (UCF), directing at least 50 percent of it towards uncompensated care reimbursement for hospitals and directing the remainder into the General Fund as unrestricted revenue. Accordingly, over the last 10 years, the New Hampshire budget has provided approximately \$150 to \$250 million non-federal dollars for uncompensated care every biennium and has successfully drawn down an additional \$150 to \$250 million in federal aid that, together, are paid to the state's hospitals.ⁱ While DSH enabled New Hampshire to reimburse every hospital for some portion of its uncompensated costs in FY 11, the state was not able, even with federal matching funds, to fully compensate all New Hampshire hospitals, in the aggregate, for their total uncompensated care losses.ⁱⁱ

The Senate budget amends the state statute that controls the Uncompensated Care Fund. This amendment functions in two ways: First, it eliminates the requirement that at least 50 percent of uncompensated care funding go towards uncompensated care reimbursement. Second, it permits uncompensated care fund distributions to be made through either Medicaid provider rate adjustments or DSH payments so long as those expenditures are prioritized in the following order:

- supporting Medicaid provider reimbursement rates as budgeted;
- making uncompensated care payments to the state's 13 critical access hospitals (CAH);
- supporting the Uncompensated Care Fund's General Fund contribution; and
- permitting non-critical access hospitals to each receive a uniform percentage of their uncompensated care costs.

In addition, the Senate budget charges the Commissioner of DHHS with presenting a plan to the Joint Fiscal Committee describing how uncompensated care funding will be distributed for FY 13 no later than July 1, 2012.

Critical access hospitals are rural, acute care hospitals with 25 or fewer beds and are frequently not only the sole source of health care in some regions of the state, but also a major regional employer. For these reasons, the House budget reimbursed only the CAH hospitals for their uncompensated care costs. Under the Senate budget, critical access hospitals will receive reimbursement for their uncompensated care costs only if there are funds remaining after Medicaid provider payments are funded; the

percentage of their uncompensated costs to be covered will be determined by the amount of funds available.

The remaining fifteen institutions will not receive any reimbursement for their uncompensated care losses under the Senate budget unless the following conditions have all been met:

- Medicaid provider payments are funded;
- CAH uncompensated care payments are funded;
- the Uncompensated Care Fund contribution to the General Fund is made;
- revenues exceed budgeted projections; and
- payments from any such excess are authorized by the Joint Fiscal Committee, Governor and Executive Council.

Uncompensated care may represent as much as 2.5 percent to 14.9 percent of the general revenue a hospital expects to collect - from patients and other payers - for services provided.ⁱⁱⁱ Without uncompensated care funding, hospitals will cover these deficits by charging other patient populations - mostly the privately insured - more than the actual cost of their care. In 2009, a year in which all New Hampshire hospitals received some uncompensated care reimbursement, private insurance payments were \$800 million above expenses.^{iv} In other words, cost-shifting occurs even when some reimbursement for uncompensated care is provided. The absence of uncompensated care funding for most of the hospitals in the state will likely push health insurance premiums even higher.

II. Changes to Services That Help Manage Employment Barriers

A. Reduction of Support for Childcare Services

Like the House, the Senate budget reduces the Governor's FY12-13 budget recommendation for childcare services by an additional \$10.2 million. This reduction will create the need for a waitlist for childcare services in FY 12 for up to 4,000 children, erecting a significant obstacle to remaining employed for families who are working and are on the path to becoming self-sufficient. In the absence of affordable childcare, some families may experience a loss of employment and, in turn, would be forced to seek financial assistance from the state or local cities or towns.

B. Repeal of the Unemployed Parents Program

The Senate further followed the House's lead by reducing appropriation for the unemployed parents program by \$4.5 million and repealing the statutory language authorizing the program as a whole. This program provides employment training services and financial assistance to families in which one parent is unemployed or underemployed; these changes will affect approximately 500 families who are struggling to enter the workforce or to keep a job.

III. Changes to Existing Community Services and Infrastructure

A. Freezing Services for Seniors

Although the Senate budget restores \$332,000 in funding for Service Link, an online service that connects seniors with senior specific services, the Senate budget reduces General Fund appropriations for additional senior services by \$2.3 million, affecting more than 1,600 seniors, including those with dementia and those who live in congregate housing. Such reductions could make it more likely that more seniors are placed in residential long-term care services, such as nursing homes, rather than remaining with their families in or in their communities.

Of note, nursing homes are largely financed by Medicaid in New Hampshire. New Hampshire's Department of Health and Human Services reports that the annual cost per patient for intermediate care facility nursing home services was \$30,573 in FY 2010.^v Thus, if only ten percent of the seniors affected by these reductions obtain Medicaid financed intermediate nursing home care, the General Fund share of these costs will be approximately \$2.4 million per year, erasing the savings generated by the Senate's proposed cuts in one fiscal year and increasing the state's General Fund obligations thereafter.

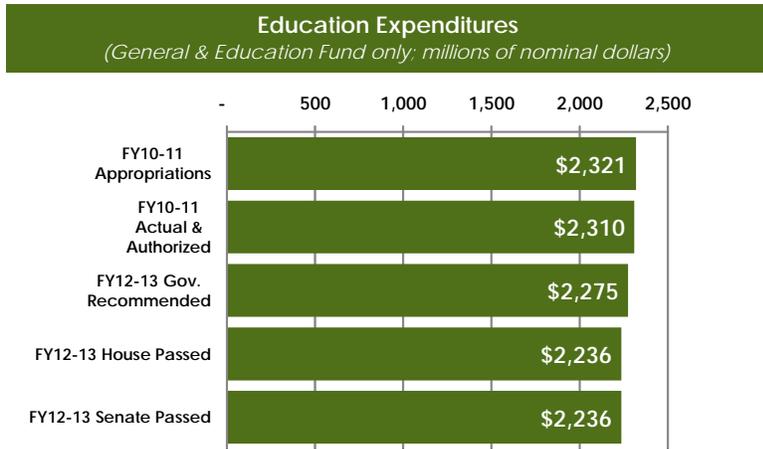
B. Reduction to the CHINS Program

The Senate's budget provides \$4.7 million in General Funds for the Child in Need of Services (CHINS) program. In contrast, the House would have eliminated the program outright, which the Governor would have appropriated \$7.2 million for over the next two years. The budget adopted by the Senate also amends the controlling CHINS statute to limit the CHINS program to only those children who first receive the approval of the Department of Health and Human Services. Policymakers have estimated that the funding level proposed by the Senate for CHINS was sufficient to continue to care for 50 of the children with the most intensive needs in the CHINS service system. To put this in context, approximately 400 children are in the CHINS system at any given time and typically 1,000 children are in the CHINS system every twelve months.

CHINS provides a court ordered process through which youth can be ordered to receive – and are provided – treatment, care, guidance counseling and rehabilitation to help them overcome difficulties that if untreated, could lead to being charged with violations of the law as a minor. This limitation on CHINS will put more pressure on families, local law enforcement, and schools to maintain a safe setting for all young people in the community.

Education

The version of the budget approved by the Senate would provide, from the General and Education Funds, approximately the same level of support for education over the coming biennium as the version approved by the House. More specifically, the Senate



would directly appropriate \$324.2 million in General Funds and \$1.912 billion in Education Funds for this purpose in FY12-13, an aggregate level of appropriation that is roughly \$225,000 less than that proposed by the House.

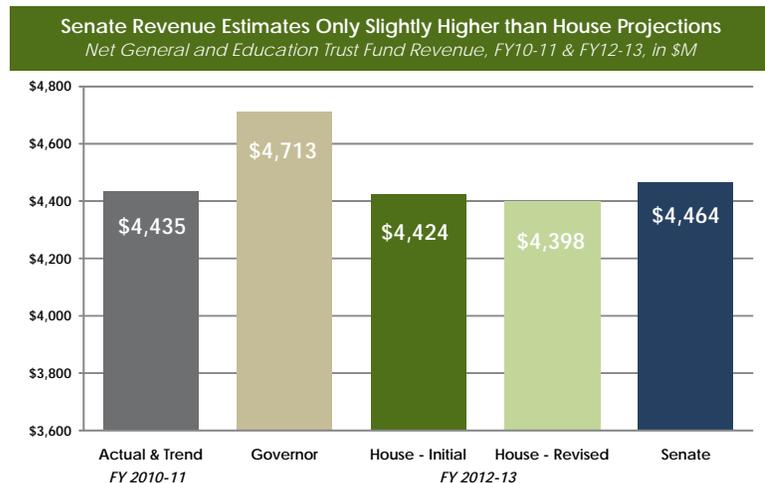
As a result, the Senate largely leaves intact two of the more notable cuts contained in the House budget. Like the

House, the Senate would make major reductions in General Fund support not only for New Hampshire's community college system but also for the state's university system. In the case of the former, the Senate would drop General Fund support from an anticipated amount of \$81.5 million for FY10-11 to \$52.1 million, a decline of \$29.3 million or 36 percent. In the case of the latter, the Senate would impose a reduction of some \$114.5 million – from an anticipated level of \$197 million in the current biennium to \$82.5 million in the upcoming one.

The Senate did, however, restore, though a combination of appropriations and bonding, some of the kindergarten construction aid that had been eliminated by the House; it also appropriated \$600,000 per year in General Funds for dropout prevention, another area that had been zeroed out by the House.

Revenue Projections and Proposals

As the figure at right indicates, the Senate's revenue projections for the next two fiscal years are somewhat higher than those used by the House, but are significantly lower than the estimates put forward by the Governor and reflect comparatively slow growth from current levels. All told, the Senate anticipates that General and Education Fund revenue will amount to

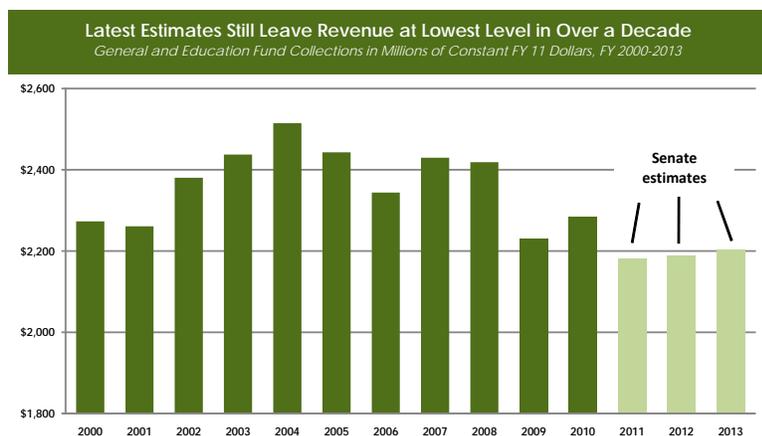


\$4.46 billion over the FY12-13 biennium, after accounting for a partial diversion of meals and rooms tax revenue to cover interest costs associated with the bonding of school building aid. More specifically, the Senate estimates that General and Education Fund revenue will total \$2.18 billion in FY 2011, grow approximately 1.2 percent to \$2.20 billion in FY12, and then climb another 2.7 percent to reach \$2.26 billion in FY 2013.

Consequently, the Senate expects that the General and Education Funds will collect \$40 million more in revenue over the next two years than the House did when it created its budget in March – and that they will accumulate some \$66 million more than the revised estimates the House approved in May. These differences arise, in large measure, because the Senate predicts that revenue will grow more robustly in FY 2012 than the House foresees – again, by about 1.2 percent to the House’s roughly 0.6 percent – and much more quickly in FY 2013 – by about 2.7 percent in comparison to the House’s 1.5 to 1.6 percent mark.

Still, the Senate’s revenue projections, if they come to pass, would represent an aggregate growth rate of just 0.7 percent between the current and upcoming biennia; actual General and Education Fund collections for FY 2010 equaled \$2.25 billion, while at the current year-to-date trend, FY 11 collections would reach \$2.18 billion – or \$4.44 billion for the current biennium as a whole.

What’s more, as the figure below reveals, the Senate’s assumptions would leave General and Education Fund revenue well below the levels that have obtained over the past decade or so. In fact, if the Senate’s estimates are realized, General and



Education Fund revenue, after adjusting for inflation, will be lower in FY 2013 than it was in FY 2000, when the Education Fund was created. More specifically, in constant FY 2011 dollars, FY 2013 revenue is expected to total \$2.20 billion; in FY 2000, it was \$2.27 billion.

The figure above also helps to illustrate the role that sharp declines in revenue – due to

the recent national recession and the ongoing recovery from it – have played in creating the fiscal situation New Hampshire now faces. More specifically, in FY 2008, the year in which the recession began, General and Education Fund revenue was \$2.42 billion in inflation-adjusted dollars. Consequently, had revenue simply held steady in real terms since that time, FY 2012-2013 General and Education Fund revenue would total \$4.84 billion – or roughly \$445 million in constant dollars more than the Senate expects.

Of note, the Senate's version of the budget reflects two changes in tax policy that will further reduce revenue in the years ahead. First, the Senate budget includes a change in the business profits tax (BPT) that will allow companies to deduct more of the losses they incur in determining the tax they owe. Under current law, should a company incur a loss in a given year, it may deduct, within the ten years following that loss, up to \$1 million of that loss from its taxable income; a provision of the Senate budget would raise the limit on this so-called "net operating loss (NOL) carry forward" to \$10 million. While the provision is written so that it does not take effect until after the FY12-13 biennium and while the Department of Revenue Administration (DRA) has not been able to produce an estimate of the revenue loss associated with the change, its impact could ultimately be substantial, as the annual revenue loss from New Hampshire's existing NOL has exceeded \$12 million each year since 2005. Second, the budget approved by the Senate accounts for, but does not explicitly contain, another proposed change to the BPT. Legislation (SB 125) has been adopted in both chambers that would modify provisions of the BPT relating to the compensation certain businesses (such as limited liability companies or partnerships) are allowed to deduct in determining the taxes they owe. DRA's latest fiscal note for the legislation indicates that, as amended by the House, it could result in a revenue loss of as much as \$5 million per year. However, the Senate's version of the budget assumes that the revenue loss would only be \$2 million per year.

Finally, it is worth contrasting the contingencies the Senate and the House have included in their respective versions of the budget to guide state fiscal policy should revenue collections exceed projected levels. The House budget includes legislative language expressing the intent of that body to support four specific measures – HB 37, HB 154, HB 213, and HB 166 – to provide "tax and fee relief" if revenue estimates prove to be too pessimistic; these four measures, if enacted into law, would reduce revenue over the course of FY12-13 by \$97 million.^{vi} The Senate budget contains no such language; rather, it includes a provision that would allow the Department of Health and Human Services, with the approval of the Governor, the Executive Council, and the Joint Legislative Fiscal Committee, to make additional uncompensated care payments to hospitals across the state in the event that budget surpluses should emerge.

ⁱ Based on Department of Administrative Services, *New Hampshire Comprehensive Annual Financial Report for year ending June 30 2009*, p. 111.

ⁱⁱ Based on "DHHS Projections 12-13 012111.xls DHHS FAV ALT NO TRANS," Uncompensated Care Funding History of 2011 presented to Division III of the House Finance Committee by the Department of Health and Human Services, March 10, 2011.

ⁱⁱⁱ HB2, as approved by the House, appears to restrict the remaining \$115 million General Fund dollars to Medicaid provider payments.

^{iv} Norton, S., et al. "Health System Cost-Shifting in New Hampshire," New Hampshire Center for Public Policy Studies, February 2010, p. 1.

^v Department of Health and Human Services, Office of Medicaid Budget and Policy, "New Hampshire Medicaid Annual Report, SFY 2010," April 20, 2011 Appendix 4a, p.13.

^{vi} Respectively, these bills would reestablish the monthly exemption to the communications services tax; increase a threshold amount for taxation under the business enterprise tax; reduce the business profits tax rate from 8.5 to 8.0 percent by 2012; and reduce the meals and rooms tax rate from 9 to 8 percent.

General Fund Appropriated, Actual, and Recommended Expenditures, FY 2010 - FY 2013

Department Name	FY 10-11 Biennium			FY 12-13 Biennium			Change from FY10-11 Appropriations			Change from FY10-11 Actual and Authorized			Difference between House Passed & Senate Passed
	Appropriations	Actual & Authorized	Governor Recommended	House Passed	Senate Passed	Governor Recommended	House Passed	Senate Passed	Governor Recommended	House Passed	Senate Passed		
General Government	649,555,721	618,002,311	521,369,765	519,704,164	509,255,918	(128,185,956)	(129,851,557)	(140,299,803)	(96,632,546)	(98,298,147)	(108,746,393)	(10,448,246)	
02 Executive Office	8,054,001	6,830,178	6,432,830	5,841,081	5,778,836	(1,621,171)	(2,212,920)	(2,275,165)	(397,348)	(989,097)	(1,051,342)	(62,245)	
03 Department of Information Technology	743,305	627,483	555,043	555,043	555,043	(188,262)	(188,262)	(188,262)	(72,440)	(72,440)	(72,440)	-	
04 Legislative Branch	31,828,664	31,085,474	31,828,664	31,828,664	31,828,664	-	-	-	743,190	743,190	743,190	-	
05 Executive Council	466,938	449,484	432,310	432,310	466,287	(34,628)	(34,628)	(651)	(17,174)	(17,174)	16,803	33,977	
14 Department of Administrative Services	131,503,224	119,433,761	120,185,959	118,292,410	113,172,801	(11,317,265)	(13,210,814)	(18,330,423)	752,198	(1,141,351)	(6,260,960)	(5,119,609)	
28 Real Estate Commission	1,025,557	921,422	832,286	816,935	816,935	(193,271)	(208,622)	(208,622)	(89,136)	(104,487)	(104,487)	-	
29 Real Estate Appraiser Board	306,828	291,192	-	-	-	(306,828)	(306,828)	(306,828)	(291,192)	(291,192)	(291,192)	-	
30 Boxing & Wrestling Commission	7,075	7,047	-	7,076	7,076	(7,075)	1	1	(7,047)	29	29	-	
31 Jt. Board of Licensure & Certification	1,374,522	1,191,935	2,127,718	1,976,279	1,976,279	753,196	601,757	601,757	935,783	784,344	784,344	-	
32 Department of State	3,744,640	3,570,058	3,431,477	3,345,734	3,345,736	(313,163)	(398,906)	(398,904)	(138,581)	(224,324)	(224,322)	2	
33 Commission on the Status of Women	62,001	82,423	-	-	-	(62,001)	(62,001)	(62,001)	(82,423)	(82,423)	(82,423)	-	
34 Department of Cultural Resources	7,984,368	6,943,805	6,342,117	5,265,941	6,342,117	(1,642,251)	(2,718,427)	(1,642,251)	(601,688)	(1,677,864)	(601,688)	1,076,176	
38 State Treasury	321,016,672	312,589,019	314,973,237	309,973,237	310,626,904	(6,043,435)	(11,043,435)	(10,389,768)	2,384,218	(2,615,782)	(1,962,115)	653,667	
39 Board of Manufactured Housing	42,000	37,905	-	-	-	(42,000)	(42,000)	(42,000)	(37,905)	(37,905)	(37,905)	-	
51 Board of Accountancy	589,549	522,866	-	-	-	(589,549)	(589,549)	(589,549)	(522,866)	(522,866)	(522,866)	-	
59 NH Retirement System	100,622,710	97,486,110	-	7,300,000	-	(100,622,710)	(93,322,710)	(100,622,710)	(97,486,110)	(97,486,110)	(97,486,110)	(7,300,000)	
84 Department of Revenue Administration	38,210,016	34,080,967	32,497,092	32,409,900	32,724,358	(5,712,924)	(5,800,116)	(5,485,658)	(1,583,875)	(1,671,067)	(1,356,609)	314,458	
89 Board of Tax & Land Appeals	1,904,701	1,816,182	1,731,032	1,659,554	1,614,882	(173,669)	(245,147)	(289,819)	(85,150)	(156,628)	(201,300)	(44,672)	
97 Developmental Disabilities Council	68,950	35,000	-	-	-	(68,950)	(68,950)	(68,950)	(35,000)	(35,000)	(35,000)	-	
Administration of Justice & Public Protection	454,975,330	435,131,735	462,275,377	467,259,061	472,889,353	7,300,047	12,283,731	17,914,023	27,143,642	32,127,326	37,757,618	5,630,292	
07 Judicial Council	51,311,318	53,471,075	49,211,535	46,473,045	48,329,045	(2,099,783)	(4,838,273)	(2,982,273)	(4,259,540)	(6,998,030)	(5,142,030)	1,856,000	
10 Judicial Branch	142,692,074	139,476,684	162,045,622	160,690,412	160,690,412	19,353,548	17,998,338	17,998,338	22,568,938	21,213,728	21,213,728	-	
12 Adjutant General	8,420,014	7,450,743	7,154,400	6,832,850	7,134,400	(1,265,614)	(1,587,164)	(1,285,614)	(296,343)	(617,893)	(316,343)	301,550	
18 Department of Agriculture	6,548,320	5,870,819	5,328,001	5,735,763	5,348,001	(812,557)	(1,220,319)	(1,200,319)	(135,056)	(542,818)	(522,818)	20,000	
20 Department of Justice	20,743,336	18,336,595	17,819,867	14,770,413	17,006,547	(2,923,469)	(5,972,923)	(3,736,789)	(516,728)	(3,566,182)	(1,330,048)	2,236,134	
23 Department of Safety	4,310,142	3,873,040	1,017,823	14,893,782	15,285,002	(3,292,319)	10,583,640	10,974,860	(2,855,217)	11,020,742	11,411,962	391,220	
26 Department of Labor	2,663,696	2,389,198	-	-	-	(2,663,696)	(2,663,696)	(2,663,696)	(2,389,198)	(2,389,198)	(2,389,198)	-	
46 Department of Corrections	213,789,204	200,381,053	217,375,582	216,550,194	217,375,582	3,586,378	2,760,990	3,586,378	16,994,529	16,169,141	16,994,529	825,388	
73 Regulatory Boards & Commissions	917,263	882,333	815,821	795,821	795,821	(101,442)	(121,442)	(121,442)	(66,512)	(86,512)	(86,512)	-	
76 Human Rights Commission	1,196,869	1,120,704	1,094,964	924,543	924,543	(101,905)	(272,326)	(272,326)	(25,740)	(196,161)	(196,161)	-	
86 Racing & Charitable Gaming Commission	2,383,094	1,879,491	4,000	-	-	(2,379,094)	(2,383,094)	(2,383,094)	(1,875,491)	(1,879,491)	(1,879,491)	-	
Resource Protection and Development	79,709,189	69,392,362	62,644,871	56,235,747	57,904,218	(17,064,318)	(23,473,442)	(21,804,971)	(6,747,491)	(13,156,615)	(11,488,144)	1,668,471	
35 Dept. of Resources & Economic Development	29,102,402	27,261,485	29,038,263	26,058,154	26,458,154	(64,139)	(3,044,248)	(2,644,248)	1,776,778	(1,203,331)	(803,331)	400,000	
37 Community Development Finance	359,931	359,931	342,000	342,000	342,000	(17,931)	(17,931)	(17,931)	(17,931)	(17,931)	(17,931)	-	
44 Department of Environmental Services	50,146,856	41,670,946	33,164,608	29,835,593	31,004,064	(16,982,248)	(20,311,263)	(19,142,792)	(8,506,338)	(11,835,353)	(10,666,882)	1,168,471	
75 Fish & Game Department	100,000	100,000	100,000	-	100,000	-	(100,000)	-	-	(100,000)	-	100,000	
Transportation	2,257,373	2,387,051	1,926,046	1,926,046	1,926,046	(331,327)	(331,327)	(331,327)	(461,005)	(461,005)	(461,005)	-	
96 Department of Transportation	2,257,373	2,387,051	1,926,046	1,926,046	1,926,046	(331,327)	(331,327)	(331,327)	(461,005)	(461,005)	(461,005)	-	
Health and Social Services	1,562,370,014	1,330,003,848	1,512,443,016	1,308,415,238	1,358,113,228	(49,926,998)	(253,954,776)	(204,256,786)	182,439,168	(21,588,610)	28,109,380	49,697,990	
43 Veterans' Home	26,735,067	25,450,882	22,773,738	22,773,738	22,773,738	(3,961,329)	(3,961,329)	(3,961,329)	(2,677,144)	(2,677,144)	(2,677,144)	-	
66 Office of Veterans' Services	915,849	854,408	875,139	875,139	875,139	(40,710)	(40,710)	(40,710)	20,731	20,731	20,731	-	
74 HHS Attached Boards	8,178,130	7,350,461	7,899,385	7,899,385	7,899,385	(278,745)	(278,745)	(278,745)	548,924	548,924	548,924	-	
95 Department of Health & Human Services	1,526,540,968	1,296,348,097	1,480,894,754	1,276,866,976	1,326,564,966	(45,646,214)	(249,673,992)	(199,976,002)	184,546,657	(19,481,121)	30,216,869	49,697,990	
Education	406,292,259	400,088,892	363,252,438	320,974,525	324,220,884	(43,039,821)	(85,317,734)	(82,071,375)	(36,836,454)	(79,114,367)	(75,868,008)	3,246,359	
50 University System	197,000,000	197,000,000	163,323,000	83,323,000	82,517,300	(33,677,000)	(113,677,000)	(114,482,700)	(33,677,000)	(113,677,000)	(114,482,700)	(805,700)	
56 Department of Education	125,169,823	111,713,063	135,243,966	184,399,051	188,796,410	10,074,143	59,229,228	63,626,587	23,530,903	72,685,988	77,083,347	4,397,359	
57 Postsecondary Education Commission	9,009,875	8,562,265	-	-	-	(9,009,875)	(9,009,875)	(9,009,875)	(8,562,265)	(8,562,265)	(8,562,265)	-	
58 Community College System	73,915,187	81,479,913	63,922,433	52,489,435	52,144,135	(9,992,754)	(21,425,752)	(21,771,052)	(17,557,480)	(28,990,478)	(29,335,778)	(345,300)	
61 McAuliffe-Shepard Discovery Center	1,197,374	1,333,651	763,039	763,039	763,039	(434,335)	(434,335)	(434,335)	(570,612)	(570,612)	(570,612)	-	
TOTALS	3,155,159,886	2,855,006,199	2,923,911,513	2,674,514,781	2,724,309,647	(231,248,373)	(480,645,105)	(430,850,239)	68,905,314	(180,491,418)	(130,696,552)	49,794,866	

Sources: Ch. 143 of the Acts of 2009: Governor's FY 2012 and FY 2013 Recommended Budget; House Finance & Senate Finance Committee amendments to HB1
 Note: Appropriations amounts for FY10-11 and Governor, House, and Senate recommendations for FY12-13 are exclusive of 'back of the budget' reductions