

HOUSE FINANCE COMMITTEE

DIVISION II

OPERATING BUDGET ORIENTATION

February 2009

Office of Legislative Budget Assistant
Telephone Directory

Office Main Line

271-3161

Direct Lines

Division II

Jack Dianis	271-3085
John Beardmore	271-3089
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OPERATING BUDGET PROCESS

Timeline of Activity

AGENCY PHASE:

May 1 – July 30:

Preliminary planning at the agency level including reviewing the budget organization structure, reviewing personnel information, identifying performance measures, and gathering performance measures.

July 28 – Sept 10:

Agency inputs budget data.

September 22:

Agency budget package due to the Department of Administrative Services.

October 1:

Agency budget requests available in accordance with RSA 9:4.

(Pursuant to Chapter 177:11, I, agency budget requests for the FY2010-2011 biennium were made available on October 15 rather than October 1 due to conversion to a new state financial accounting and statewide budget system.)

GOVERNOR'S PHASE:

November – December:

The Governor holds public hearings on the agency budget requests. Agency officials attend and testify in support of their requests.

February 15:

The Governor submits the Operating Budget to the general court no later than February 15 of each odd numbered year.

OPERATING BUDGET PROCESS

Timeline of Activity

LEGISLATIVE PHASE:

February 16 – February 28:

House Finance Committee:

The operating budget bill is written and usually incorporates the Governor's recommended Budget presented February 15. The sponsor of this bill is the Chairman of the Finance Committee, but sometimes the Chairman of Senate Finance Committee cosponsors the bill.

The Committee holds public hearings on the bill, then divides the bill by category of government and refers those sections to the Committee's Divisions.

March 1 – March 31:

House Finance Divisions I – III:

The Divisions meet with agencies to determine the Division's recommendations to the full committee. These recommendations are presented to the full committee for review and approval. When the bill passes this committee, the House votes to approve the bill and sends it to the Senate where it is referred to the Senate Finance Committee.

Early April:

House Finance:

House Finance Division recommendations are presented to the full committee for review and approval. The committee bill is then passed to the full House. House Rule 48a requires a detailed briefing on the general budget bill be presented to the House at least two days before final action is taken on such a bill.

Mid April:

Full House:

The full House reviews the bill that House Finance has produced and when approved, the bill is sent to the Senate.

Mid April:

Senate Finance Committee:

The Committee holds public hearings on the bill. The Committee will break into Divisions to work on the bill, with the Divisions presenting recommendations to the full Committee for review and approval.

The bill is approved by this Committee and the full Senate. If the bill has been amended, it is sent back to the House where the House can either concur, non concur, or non concur and request a Committee of Conference.

End of May:

Joint House and Senate Committee of Conference:

If a Committee of Conference is appointed, the Committee meets to work out differences between the House and Senate positions.

Beginning of June:

Committee of Conference Report Adopted

End of June:

Operating Budget Bill to the Governor to sign

CHAPTER 262, L'07 - THE OPERATING BUDGET FOR FY08/09

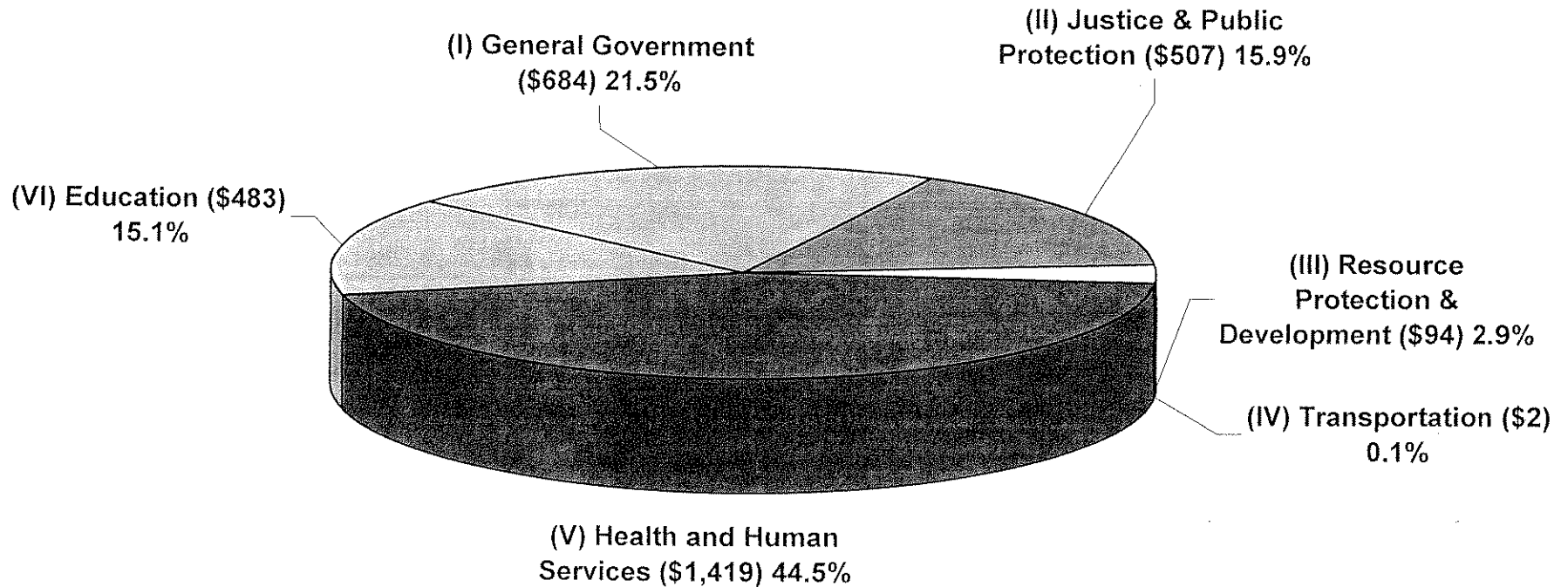
Total Appropriations by Category - General Funds

CATEGORY	FY 2008	FY 2009	BIENNIUM	% OF TOTAL
Category 1 - General Government	337,229,729	347,133,880	684,363,609	21.46%
Category 2 - Justice and Public Protection	250,770,266	256,750,420	507,520,686	15.91%
Category 3 - Resource Protection and Development	46,738,833	46,912,913	93,651,746	2.94%
Category 4 - Transportation	1,194,950	1,214,882	2,409,832	0.08%
Category 5 - Health and Social Services	690,596,696	728,389,659	1,418,986,355	44.49%
Category 6 - Education	237,302,514	245,351,289	482,653,803	15.13%
Total	1,563,832,988	1,625,753,043	3,189,586,031	100.00%

Total Appropriations by Category - All Funds

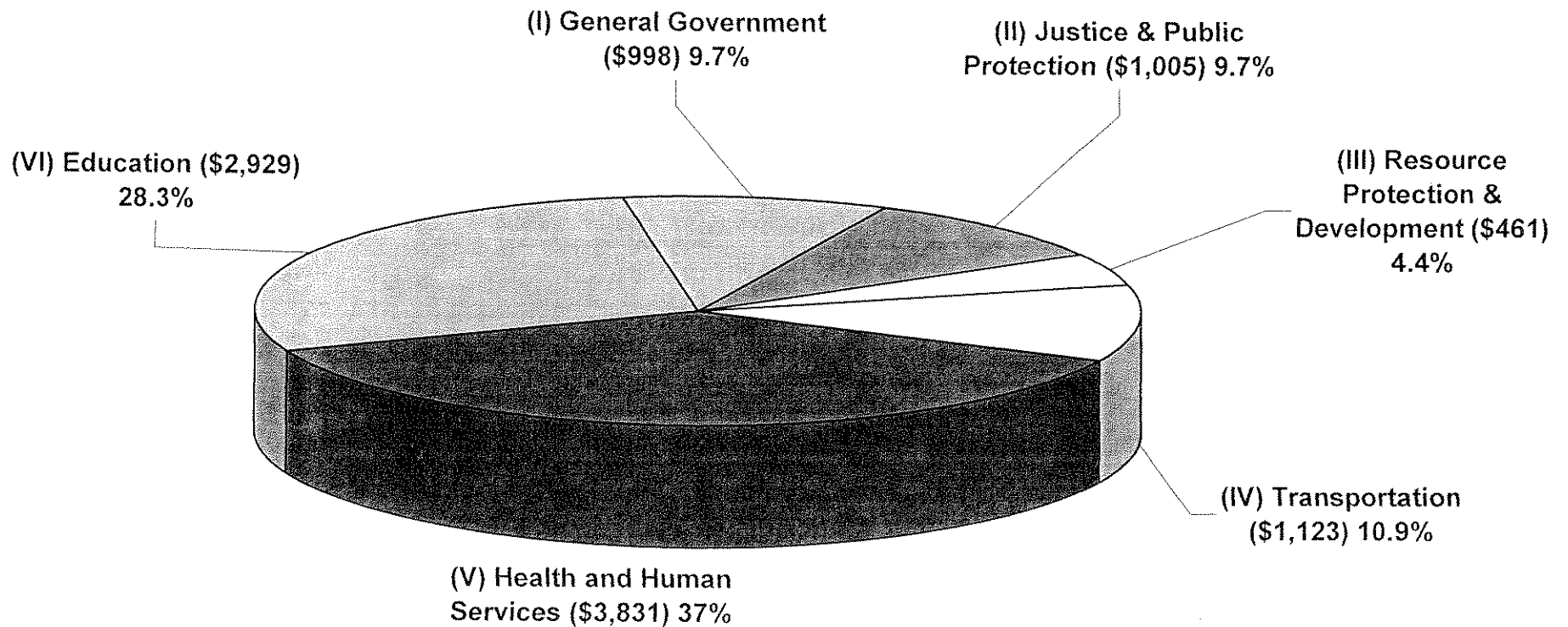
CATEGORY	FY 2008	FY 2009	BIENNIUM	% OF TOTAL
Category 1 - General Government	489,197,174	508,859,280	998,056,454	9.65%
Category 2 - Justice and Public Protection	497,656,860	507,586,534	1,005,243,394	9.72%
Category 3 - Resource Protection and Development	232,532,423	228,209,069	460,741,492	4.45%
Category 4 - Transportation	554,362,042	568,154,851	1,122,516,893	10.85%
Category 5 - Health and Social Services	1,878,467,014	1,953,022,702	3,831,489,716	37.03%
Category 6 - Education	1,458,949,429	1,470,180,444	2,929,129,873	28.31%
Total	5,111,164,942	5,236,012,880	10,347,177,822	100.00%

**CHAPTER 262, L'07 - THE OPERATING BUDGET FOR FY 08/09
GENERAL FUND APPROPRIATIONS BY CATEGORY \$3,189**



Source of Funds in Millions
LBAO
February 2009

CHAPTER 262, L'07 - THE OPERATING BUDGET FOR FY 08/09
TOTAL APPROPRIATIONS BY CATEGORY \$10,347



Source of Funds in Millions
LBAO
February 2009

CHAPTER 262, L'07 THE OPERATING BUDGET FOR FY 08/09 Top Five General Fund Programs in Each Budget Category

	<u>Category 1</u>	<u>Department</u>	<u>Program</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>Biennium</u>
1	01-08-04	Treasury	Debt Service	\$ 88,379,545	\$ 91,338,688	\$ 179,718,233
2	01-08-04	Treasury	Meals and Rooms Distribution	\$ 55,903,053	\$ 60,903,053	\$ 116,806,106
3	01-10-02	Retirement	Normal Contribution (Municipal)	\$ 53,306,968	\$ 55,554,921	\$ 108,861,889
4	01-04-01-07	Administrative Services	Retiree Health Insurance	\$ 39,100,000	\$ 43,985,000	\$ 83,085,000
5	01-08-04	Treasury	State Revenue Sharing	\$ 25,216,057	\$ 25,216,057	\$ 50,432,114
			Sub-total Category 1	\$ 261,905,623	\$ 276,997,719	\$ 538,903,342

	<u>Category 2</u>	<u>Department</u>	<u>Program</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>Biennium</u>
1	02-16-03	Corrections	NH State Prison for Men	\$ 30,541,876	\$ 31,115,936	\$ 61,657,812
2	02-13-04-03	Liquor	Store Operations	\$ 24,542,154	\$ 25,199,345	\$ 49,741,499
3	02-18-01	Judicial Council	Indigent Defense	\$ 20,360,646	\$ 21,709,754	\$ 42,070,400
4	02-16-08	Corrections	Berlin Prison	\$ 14,107,716	\$ 14,448,037	\$ 28,555,753
5	02-16-05	Corrections	Division of Medical and Forensic Services	\$ 13,566,513	\$ 13,825,656	\$ 27,392,169
			Sub-total Category 2	\$ 103,118,905	\$ 106,298,728	\$ 209,417,633

	<u>Category 3</u>	<u>Department</u>	<u>Program</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>Biennium</u>
1	03-04-02-01-02	Environmental Services	WSPC - State Aid Grants	\$ 11,500,000	\$ 11,500,000	\$ 23,000,000
2	03-03-05	DRED	Travel & Tourism	\$ 5,034,949	\$ 5,034,760	\$ 10,069,709
3	03-03-02	DRED	Division of Economic Development	\$ 3,317,644	\$ 3,347,926	\$ 6,665,570
4	03-04-04-02-01	Environmental Services	Landfill Closure Grants	\$ 2,000,000	\$ 2,000,000	\$ 4,000,000
5	03-04-02-03-04	Environmental Services	Public Water System Grants	\$ 1,697,363	\$ 1,368,221	\$ 3,065,584
			Sub-total Category 3	\$ 23,549,956	\$ 23,250,907	\$ 46,800,863

CHAPTER 262, L'07 THE OPERATING BUDGET FOR FY 08/09 Top Five General Fund Programs in Each Budget Category

	<u>Category 4</u>	<u>Department</u>	<u>Program</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>Biennium</u>
1	04-01-04-04-01	Transportation	Aeronautics-Administration & Support	\$ 649,808	\$ 665,024	\$ 1,314,832
2	04-01-04-03-02	Transportation	Railroad	\$ 332,142	\$ 336,858	\$ 669,000
3	04-01-04-03-01	Transportation	Public Transportation	\$ 208,000	\$ 208,000	\$ 416,000
4	Various	Transportation	Various	\$ 5,000	\$ 5,000	\$ 10,000
			Sub-total Category 4	\$ 1,194,950	\$ 1,214,882	\$ 2,409,832

	<u>Category 5</u>	<u>Department</u>	<u>Program</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>Biennium</u>
1	05-01-02-01-03	DHHS - Medicaid	Provider Payments	\$ 183,454,702	\$ 203,582,295	\$ 387,036,997
2	05-01-10-01	DHHS - Dev. Services	Developmental Services	\$ 90,918,719	\$ 96,836,583	\$ 187,755,302
3	05-01-08-04-01	DHHS - Elderly & Adult	Nursing Services	\$ 76,601,890	\$ 52,373,097	\$ 128,974,987
4	05-01-09-04-01	DHHS - Behavioral Health	Community Mental Health	\$ 47,644,801	\$ 50,399,450	\$ 98,044,251
5	05-01-12	DHHS - Behavioral Health	New Hampshire Hospital	\$ 46,538,596	\$ 48,021,974	\$ 94,560,570
			Sub-total Category 5	\$ 445,158,708	\$ 451,213,399	\$ 896,372,107

	<u>Category 6</u>	<u>Department</u>	<u>Program</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>Biennium</u>
1	06-06	USNH	University System	\$ 96,000,000	\$ 100,000,000	\$ 196,000,000
2	06-03-02-02-02	Education	Building Aid	\$ 44,308,037	\$ 44,068,069	\$ 88,376,106
3	06-03-02-02-02	Education	Catastrophic Aid	\$ 33,968,831	\$ 34,287,167	\$ 68,255,998
4	06-04	NH Comm. Tech. Colleges	Community Technical Colleges	\$ 33,706,780	\$ 34,625,817	\$ 68,332,597
5	06-03-02-02-02	Education	Tuition & Transportation Aid	\$ 6,625,564	\$ 8,055,689	\$ 14,681,253
			Sub-total Category 6	\$ 214,609,212	\$ 221,036,742	\$ 435,645,954

Total Top 5 from each Category	\$ 1,049,537,354	\$ 1,080,012,377	\$ 2,129,549,731
Percentage of State Totals	67.1%	66.4%	66.8%
Statewide Total General Funds	\$ 1,563,832,988	\$ 1,625,753,043	\$ 3,189,586,031

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CHAPTER 262, L'07 - THE OPERATING BUDGET FOR FY08/09

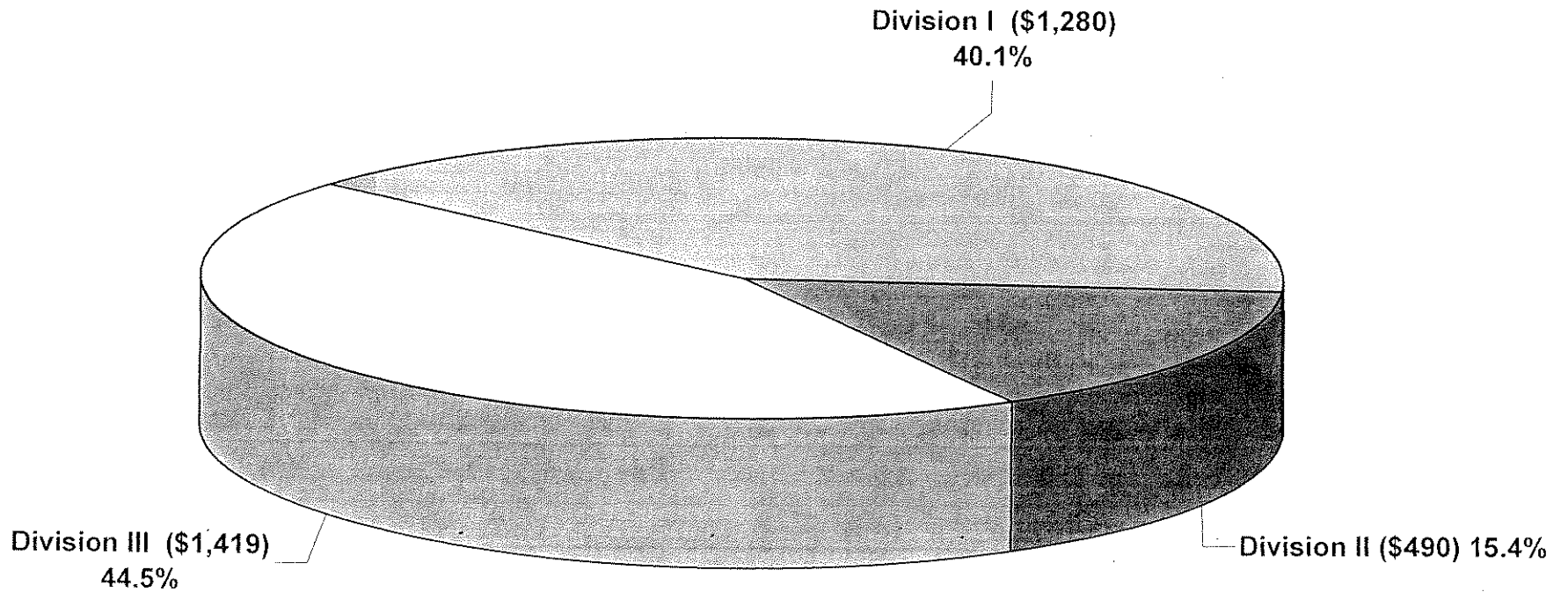
Appropriations by Division - General Funds

CATEGORY	FY 2008	FY 2009	BIENNIUM	% OF TOTAL
Division I - Categories 1, 2, & 3 (except Safety and Fish & Game)	632,018,560	648,032,259	1,280,050,819	40.13%
Division II - Categories 4 & 6, Safety, Fish & Game	241,217,732	249,331,125	490,548,857	15.38%
Division III - Category 5	690,596,696	728,389,659	1,418,986,355	44.49%
Total	1,563,832,988	1,625,753,043	3,189,586,031	100.00%

Appropriations by Division - All Funds

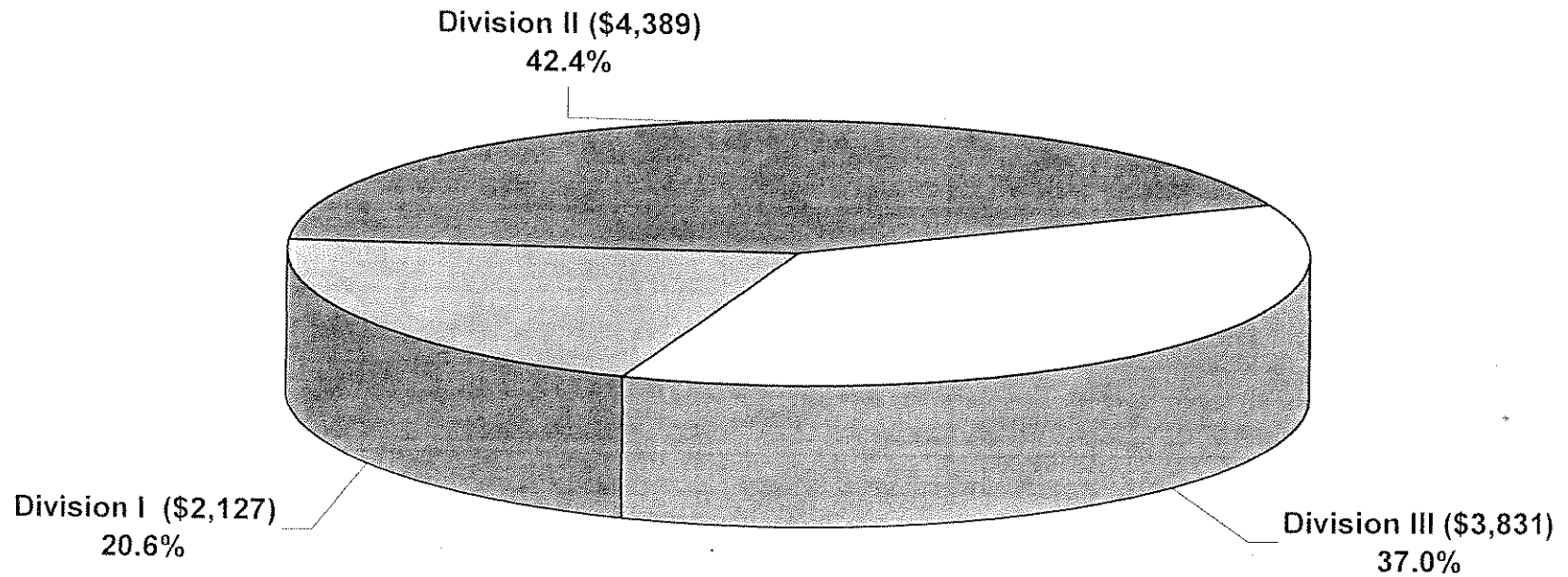
CATEGORY	FY 2008	FY 2009	BIENNIUM	% OF TOTAL
Division I - Categories 1, 2, & 3 (except Safety and Fish & Game)	1,050,712,152	1,076,381,223	2,127,093,375	20.56%
Division II - Categories 4 & 6, Safety, Fish & Game	2,181,985,776	2,206,608,955	4,388,594,731	42.41%
Division III - Category 5	1,878,467,014	1,953,022,702	3,831,489,716	37.03%
Total	5,111,164,942	5,236,012,880	10,347,177,822	100.00%

**CHAPTER 262, L'07 - THE OPERATING BUDGET FOR FY 08/09
GENERAL FUND APPROPRIATIONS BY DIVISION \$3,189**



Source of Funds in Millions
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CHAPTER 262, L'07 - THE OPERATING BUDGET FOR FY 08/09
TOTAL APPROPRIATIONS BY DIVISION \$10,347



Source of Funds in Millions
LBAO
February 2009

CHAPTER 262, L'07 - THE OPERATING BUDGET FOR FY08/09

Division II by Agency - General Funds

						% OF DIVISION
ROW	PAU	AGENCY/DEPARTMENT	FY 2008	FY 2009	BIENNIUM	TOTAL
1	06-03	DEPARTMENT OF EDUCATION	103,064,421	106,185,085	209,249,506	42.66%
2	06-06	UNIVERSITY SYSTEM	96,000,000	100,000,000	196,000,000	39.96%
3	06-04	NH COMMUNITY TECH COLLEGE SYSTEM	33,706,780	34,625,817	68,332,597	13.93%
4	06-01	POSTSECONDARY EDUCATION COMMISSION	4,531,313	4,540,387	9,071,700	1.85%
5	02-15	DEPARTMENT OF SAFETY	2,720,268	2,764,954	5,485,222	1.12%
6	04-01	DEPARTMENT OF TRANSPORTATION	1,194,950	1,214,882	2,409,832	0.49%
7	03-01	FISH & GAME DEPARTMENT	-	-	-	0.00%
8	06-05	NH LOTTERY COMMISSION	-	-	-	0.00%
9		TOTAL	241,217,732	249,331,125	490,548,857	

CHAPTER 262, L'07 - THE OPERATING BUDGET FOR FY08/09

Division II by Agency - All Funds

ROW	PAU	AGENCY/DEPARTMENT	FY 2008	FY 2009	BIENNIUM	% OF DIVISION TOTAL
1	06-03	DEPARTMENT OF EDUCATION	1,237,658,449	1,240,931,481	2,478,589,930	56.48%
2	04-01	DEPARTMENT OF TRANSPORTATION	554,362,042	568,154,851	1,122,516,893	25.58%
3	02-15	DEPARTMENT OF SAFETY	138,359,939	140,854,419	279,214,358	6.36%
4	06-04	NH COMMUNITY TECH COLLEGE SYSTEM	112,165,133	116,128,361	228,293,494	5.20%
5	06-06	UNIVERSITY SYSTEM	96,000,000	100,000,000	196,000,000	4.47%
6	03-01	FISH & GAME DEPARTMENT	30,314,366	27,419,241	57,733,607	1.32%
7	06-05	NH LOTTERY COMMISSION	8,180,935	8,160,766	16,341,701	0.37%
8	06-01	POSTSECONDARY EDUCATION COMMISSION	4,944,912	4,959,836	9,904,748	0.23%
9		TOTAL	2,181,985,776	2,206,608,955	4,388,594,731	

State of New Hampshire
10 Year History of Authorized Positions - Division II
(Fiscal Years 1998 through 2007)

	Agency Name	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07
1											
2	Christa McAuliffe Planetarium	10	11	12	12	13	13	12	13	13	13
3	Class 10 Positions	6	6	6	6	8	8	12	12	13	13
4	Class 59 Positions	4	5	6	6	5	5	0	1	0	0
5											
6	Education	302	306	313	316	325	336	331	326	340	305
7	Class 10 Positions	300	303	304	306	312	312	316	305	316	297
8	Class 59 Positions	2	3	9	10	13	24	15	21	24	8
9											
10	Fish & Game	180	186	197	198	209	211	201	202	217	197
11	Class 10 Positions	171	171	171	171	173	173	165	164	200	194
12	Class 59 Positions	9	15	26	27	36	38	36	38	17	3
13											
14	Lottery Commission	60	60	60	60	60	60	60	52	52	49
15	Class 10 Positions	60	60	60	60	60	60	60	52	52	49
16	Class 59 Positions	0	0	0	0	0	0	0	0	0	0
17											
18	Police Standards & Training	24	24	24	24	25	25	25	25	25	25
19	Class 10 Positions	24	24	24	24	25	25	25	25	25	25
20	Class 59 Positions	0	0	0	0	0	0	0	0	0	0
21											
22	Postsecondary Education Comm.	6	6	6	6	6	6	6	6	6	7
23	Class 10 Positions	6	6	6	6	6	6	6	6	6	6
24	Class 59 Positions	0	0	0	0	0	0	0	0	0	1
25											
26	Regional Community Tech Colleges	637	654	680	687	712	754	757	764	792	802
27	Class 10 Positions	611	611	619	619	629	629	707	707	753	753
28	Class 59 Positions	26	43	61	68	83	125	50	57	39	49
29											
30	Safety	843	855	885	895	949	968	1,086	1,096	1,132	1,137
31	Class 10 Positions	809	819	840	840	859	865	1,027	1,036	1,092	1,094
32	Class 59 Positions	34	36	45	55	90	103	59	60	40	43
33											

State of New Hampshire
10 Year History of Authorized Positions - Division II
(Fiscal Years 1998 through 2007)

	Agency Name	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07
34	Transportation	1,980	1,979	1,978	1,978	1,979	1,979	1,918	1,889	1,862	1,841
35	Class 10 Positions	1,914	1,914	1,913	1,913	1,913	1,913	1,868	1,868	1,841	1,820
36	Class 59 Positions	66	65	65	65	66	66	50	21	21	21
37											
38	Total Authorized Positions	4,042	4,081	4,155	4,176	4,278	4,352	4,396	4,373	4,439	4,376
39	Total Class 10 Positions	3,901	3,914	3,943	3,945	3,985	3,991	4,186	4,175	4,298	4,251
40	Total Class 59 Positions	141	167	212	231	293	361	210	198	141	125
41	<i>Source: Department of Administrative Services, 10 Year Personnel Analysis.</i>										
42											
43											
44		CY 98	CY 99	CY 00	CY 01	CY 02	CY 03	CY 04	CY 05	CY 06	CY 07
45	New Hampshire Population	1,185	1,201	1,236	1,259	1,275	1,288	1,306	1,315	1,315	1,315
46	(amounts in thousands)										
47	<i>Source: Office of State Planning, NH State Data Center Estimates, Population Estimates.</i>										

DIVISION II
HIGH PROFILE ITEMS

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- Kindergarten Construction Program
- Building Aid
- Catastrophic Aid
- Court Ordered Placements

DIVISION II HIGH PROFILE ITEMS

Category 2

Department of Safety – Overview

Under the State Constitution, all revenues in excess of the necessary cost of collection and administration accruing to the State from motor vehicle registration fees, operator's licenses, gasoline taxes or any other special charges or taxes with respect to the operation of motor vehicles or the sale or consumption of motor vehicle fuels are appropriated and used exclusively for the construction, reconstruction, and maintenance of public highways within the State, including the supervision of traffic.

Accordingly, the Department of Safety is to only use highway funds to support the cost of collection and administration related to collecting motor vehicle fees and gasoline taxes, with the remainder used by the Department of Transportation for public highways. The new budget system will give more transparency to the highway fund split between the Departments of Safety and Transportation by showing budgeted highway funds in Safety as "highway funds" rather than "other-transfers from DOT". Further, in the 2008 session, effective for the FY 2012-13 budget, Chapter 237 changes the allocation method for gross highway fund appropriations between the Department of Transportation, Safety and any other agency supported by highway funds. The significance of this change is that in the past, appropriation allocations were based on a revenue based formula, this is the first budget prepared using an appropriation percentage based formula.

Category 3

Department of Fish and Game – Overview

The Department of Fish and Game's FY 2010-11 biennial budget will be the first submitted under the leadership of the Department's new Executive Director, Glenn Normandeau. This budget is expected to address issues that were identified in the Fish and Game Department performance audit, issued in January 2008, by the Office of Legislative Budget Assistant. The purpose of the audit was to assess the

DIVISION II HIGH PROFILE ITEMS

efficiency and effectiveness of the Department's operations and identified 30 observations and recommendations targeted at improving management organization, controls, and efficiency. This budget will reflect the extent that those audit observations were implemented.

Department of Fish and Game – Non-Game Species Management

The budgeting of the non-game species management program has been a source of confusion in the past. This part of the budget is the area where federal funds and matching state/other funds are shown for the Department to use to develop and implement a comprehensive non-game species management program. What is not clear is that \$50,000 of matching general funds (RSA 212-B:6) are shown in the Department's budget as "agency income", as well as an additional \$87,395 of general funds that were appropriated in section 21 of the FY 2008-09 budget. General funds support the Department's budget, but it is not readily apparent.

Department of Fish and Game - Fish and Game Fund Surplus/Deficit

Fish and Game Department expenditures are supported by fees from fish and game licenses, marine gas tax, a portion of OHRV registration fees, penalties and recoveries, and federal grants-in-aid related to fish and game management. This relationship between revenue and expenditures requires a fish and game fund surplus/deficit statement to compare expenditures to available revenue. The preparation of this statement requires coordination between the Finance Committee that determines the level of spending and the Ways and Means Committee that estimates available revenue. See the appendix for an example of the fish and game surplus/deficit statement.

Category 4

Department of Transportation – Overview

As stated earlier, the State Constitution, states that 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

DIVISION II HIGH PROFILE ITEMS

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 Department of Transportation (DOT) uses highway funds for capital and operating activities. The capital account is comprised of four main construction accounts (federal construction aid, state aid, municipal bridge and betterment) and the operating account represents the total highway fund less the capital account activities. Cash raised from current year revenue transactions, such as gasoline road toll, licenses, fees etc, are maintained in the operating account and transferred to the capital accounts on demand as cash is needed to fund current year construction.

Like the fish and game fund, the highway fund requires a surplus/deficit statement to compare expenditures to available revenue. The preparation of this statement requires coordination between the Finance Committee that determines the level of spending and the Ways and Means Committee that estimates available revenue. See the appendix for an example of the highway fund surplus/deficit statement.

Federal Stimulus Grants – Overview

The DOT expects federal stimulus payments from Washington, but specific permitted projects, the timing, and funding amounts have not been communicated to the states. Depending on which areas the stimulus payments fund, DOT budgeted expenditures may be required to shift to match those funds, or to be used for other areas within the Department. This will be an area that will become clearer as the session progresses.

Interstate-93 Widening Project

The Interstate-93 widening project is a major, multi-year construction project that has been estimated to cost \$700 million and require pledging future federal highway funds through grant anticipation revenue vehicles (GARVEE) bonds. Litigation has halted part of the work to allow for further environmental studies, however sections of the project are underway. This project is in the relatively early stages. To date, money has been and is being spent on this project for right-of-way acquisitions, preliminary

DIVISION II HIGH PROFILE ITEMS

engineering and park-and-ride facilities, as well as construction on ramps and bridges. More construction contracts are due to be advertised in the near term.

Transfers to Other Agencies

This is the area of the budget that transfers Highway Funds to agencies other than the Department of Transportation. Chapter 237, Laws of 2008 sets guidelines for these transfers beginning in the FY 2010-11 budget based on highway fund gross appropriations net of highway block grant aid. This allocation is as follows: Department of Transportation shall be allocated not less than 68.5%, Department of Safety shall not exceed 30%, and all other agencies allocation shall not exceed 1.5%. These percentages change in future biennia to raise the DOT percentages and lower all others.

Category 6

Adequate Education Aid

In September 2006, the NH Supreme Court ruled the State's current education funding plan unconstitutional.

During the 2008 Session, SB 539 was passed (Ch. 173, Laws of 2008), creating a new formula to determine the cost of an adequate education effective July 1, 2009. This new formula provides a base cost per pupil (\$3,450) and additional amounts for English language learners (\$675) and special education students (\$1,856). The formula also provides additional funds based on school concentration of eligibility for a free or reduced-price meal, ranging from \$431 per eligible student attending a school with a concentration less than 12%, to \$3,450 for each student, whether eligible or not, attending a school with a concentration equal to or greater than 48%. SB 539 also established Fiscal Capacity Disparity Aid, which is separate from the cost of an adequate education. Fiscal Capacity Disparity Aid provides additional per pupil amounts, either \$1,250 or \$2,000, to certain towns with low equalized valuation per pupil and a median family income below the state average.

DIVISION II HIGH PROFILE ITEMS

SB 539 also contains a "transition" formula for the FY 2010 / FY 2011 biennium. Under the transition, once the grant and total aid are determined for each municipality, these amounts are adjusted so that no municipality receives a grant that increases in excess of 15% above its FY 2009 grant, and total aid does not fall below the FY 2009 level.

Two schedules related to adequate education funding are attached. The first schedule shows the major components of adequate education funding since it was established in FY 2000. The second schedule shows the estimated cost of adequate education aid in FY 2010 / FY 2011 compared to the cost of adequate education aid in FY 2008 / FY 2009.

Charter School Tuition

The State has paid per pupil tuition directly to charter schools authorized by the State Board of Education since FY 2007. There are currently 11 charter schools authorized by the State Board of Education in operation. Charter school tuition is \$3,958 per pupil in FY 2009, and is paid in four installments over the course of the school year based on current enrollment. Funding comes from the education trust fund, and the amount necessary to fund tuition is appropriated to the Department of Education under RSA 198:42, IV. In addition, in FY 2008 three charter schools received supplemental grants from the general fund of \$4,000 per pupil in addition to \$3,706 per pupil for tuition.

During the 2008 Session, SB 539 amended the charter school tuition law effective July 1, 2009. During FY 2010, charter schools will receive tuition equal to the amounts in the adequate education formula, including \$3,450 per pupil, plus additional amounts for English language learners, special education students, and free and reduced-price lunch eligibility. Charter schools will also receive an additional \$2,000 per pupil in Fiscal Capacity Disparity Aid; therefore, the minimum per pupil state payment will be \$5,450 (\$3,450 + \$2,000).

DIVISION II HIGH PROFILE ITEMS

HB 2 of the 2007 Session (Ch. 263:93, Laws of 2007) established a moratorium on the approval of additional charter schools by the State Board of Education until June 30, 2009.

Kindergarten Construction Program

During the 2008 Session, SB 530 (Ch. 384, Laws of 2008) extended and expanded the Kindergarten Construction Program. The program will provide school districts either 75% or 100% of the cost of construction of kindergarten facilities, with 100% available for "basic code compliant" facilities. In addition, the State will pay 100% of the cost of temporary kindergarten classrooms for three years for kindergarten programs that begin operation in FY 2009 or FY 2010. Also, SB 530 provided that a school district that does not currently operate a public kindergarten program may contract with a private entity to provide kindergarten for up to three years.

Building Aid

Building Aid pays a percentage of local school districts bond principal payments for qualifying construction projects. Currently, the State pays a minimum of 30% and for certain buildings and for certain types of school districts pays up to 55%. An alternative method for calculating the percentage the State will pay became effective in FY 2006. The alternative method is based on income and equalized valuation and can provide for a 60% State share of the principal payment. When the need for building aid is greater than the appropriation, every school district receives a prorated share of aid. The current operating budget contains general fund appropriations of \$44.3 million in FY 2008 and \$44.0 million in FY 2009. Due to recent budget cuts, school districts will receive \$42.8 million in FY 2009, which is \$1.2 million less than the operating budget appropriation and \$1.9 million less than the \$44.7 million school districts are entitled to under the law.

Catastrophic Aid

Catastrophic Aid is paid to school districts that have a special education student for whom costs of special education exceed three and one half times the estimated state average expenditure per pupil of the school year preceding the year of distribution. Catastrophic Aid is equal to 80% of the amount of the

DIVISION II HIGH PROFILE ITEMS

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 proportionally among the school districts. The current operating budget contains appropriations of \$34 million in FY 2008 and \$34.3 million in FY 2009 for Catastrophic Aid. Due to recent budget cuts, school districts will receive \$32.2 million in FY 2009, which is \$2.1 million less than the operating budget appropriation and \$3.2 million less than the \$35.4 million school districts are entitled to under the law.

Court Ordered Placements

A school district is liable for the expense of special education or for special education and educationally related services related to educationally disabled children who are placed in facilities pursuant to RSA 169-B, Delinquent Children, RSA 169-C, Child Protection Act or RSA 169-D, Children in Need of Services. However, the school district is only liable for up to 3 times the estimated state average expenditure per pupil for the school year preceding the year of distribution. The state is responsible for expenses over 3 times the state average. The current operating budget contains non-lapsing appropriations of \$1 million in each year. However, this budget anticipated a significant balance forward carried into FY 2008, which was approximately \$6.5 million.

ADEQUATE EDUCATION FUNDING

	FY 2009	FY 2008	FY 2007	FY 2006	FY 2005
Total Cost of Adequacy	891,013,576	890,426,556	836,147,136	836,204,501	804,800,238
Equalized Valuation	169,931,316,051	162,083,031,757	144,467,198,903	127,955,059,167	111,502,112,177
State Property Tax Rate	2.140	2.240	2.515	2.840	3.330
State Property Tax Raised	363,653,009	363,065,989	363,335,002	363,392,367	371,302,036
State Tax Remitted to State	-	57,996	-	-	20,934,231
State Tax Retained Locally	363,653,009	363,007,993	363,335,002	363,392,367	350,367,805
Net Grants	\$ 527,360,567	\$ 527,360,567	\$ 472,812,134	\$ 472,812,134	\$ 454,432,433
	FY 2004	FY 2003	FY 2002	FY 2001	FY 2000
Total Cost of Adequacy	895,141,619	896,869,535	880,657,284	824,657,539	824,657,539
Equalized Valuation	96,208,389,435	83,737,423,488	73,196,682,063	66,988,613,263	66,988,613,263
State Property Tax Rate	4.920	5.800	6.600	6.600	6.600
State Property Tax Raised	473,345,275	485,677,056	483,098,102	442,113,450	442,124,848
State Tax Remitted to State	29,843,911	32,680,275	28,963,331	24,149,944	24,149,944
State Tax Retained Locally	443,501,364	452,996,781	454,134,771	417,963,506	417,974,904
Net Grants	\$ 451,640,255	\$ 443,872,754	\$ 426,522,513	\$ 406,817,393	\$ 406,817,393
Source: NH Department of Education, NH Department of Revenue Administration					

Summary of Education Funding Expenditures
School Districts and Chartered Public Schools
FY 2008 - FY 2011

	A	B	C	D	E
1					
2	Source of Funds: Education trust fund, except FY 2008 Chartered Public School Supplemental Grants, which is general fund.				
3					
4		Actual	Budgeted	Estimated	Estimated
5		FY 2008	FY 2009	FY 2010	FY 2011
6	Education Grant - School Districts ¹	527,360,567	527,360,567	560,892,204	560,892,204
7	Fiscal Capacity Disparity Aid - School Districts	-	-	16,704,938	16,704,938
8	State Education Property Taxes Retained	363,065,989	363,653,009	361,588,256	361,588,256
9	Excess State Education Property Taxes Retained ²	-	-	1,577,578	1,577,578
10	Kindergarten Aid ³	850,800	957,600	3,677,700	3,677,700
11	Chartered Public School Tuition ⁴	1,932,308	2,377,579	4,506,417	6,367,891
12	Fiscal Capacity Disparity Aid - Chartered Public Schools	-	-	2,562,000	3,636,000
13	Chartered Public School Supplemental Grants	792,000	-	-	-
14	TOTAL	\$ 894,001,664	\$ 894,348,755	\$ 951,509,093	\$ 954,444,567
15	BIENNIUM TOTAL		\$ 1,788,350,419		\$ 1,905,953,660
16	INCREASE - FY 10/11 LESS FY 08/09				\$ 117,603,241
17					
18	Source:	FY 2008 and FY 2009: Department of Education and Statement of Appropriations. FY 2010 and FY 2011: Department of Education and LBAO.			
19	Notes:	1) Budgeted appropriation for combined education grant and property taxes retained (lines 6 & 8) is \$890,360,565 for both FY 2008 and FY 2009. Per RSA 198:42, II, the amount necessary to fund education grants is appropriated to the Department of Education from the education trust fund. FY 2008 and FY 2009 variation from budgeted amounts due to education property tax calculations.			
20		2) Municipalities may retain excess state education property taxes in FY 2010 and FY 2011 per RSA 198:46, I.			
21		3) Kindergarten Aid paid in FY 2008 and FY 2009 is from an appropriation from the education trust fund in FY 2007 per Chapter 272, Laws of 2007. FY 2009 Kindergarten Aid is actual expenditure. Does not include aid for constructing kindergarten classrooms.			
22		4) FY 2008 chartered public school tuition budget was \$1,779,840. Per RSA 198:42, IV, the amount necessary to fund chartered public school tuition payments is appropriated to the Department of Education from the education trust fund. FY 2009 amount for charter school tuition is the budgeted appropriation. As of September 2008, NH Department of Education estimates actual FY 2009 tuition payments will be \$3,625,072.			

June 25, 2007

STATE OF NEW HAMPSHIRE

COMPARATIVE STATEMENT OF OPERATING UNDESIGNATED SURPLUS

HIGHWAY FUND

(Dollars in Thousands)

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
		2007	2007	2007	2008	2008	2008	2009	2009	2009
		House	Senate	C of C	House	Senate	C of C	House	Senate	C of C
1	Balance, July 1 (Budgetary)	56,647	56,647	56,647	23,825	\$20,400	\$20,400	16,952	\$12,429	14,363
2										
3	Additions:									
4	Unrestricted Revenue									
5	Gasoline Road Toll	127,700	127,700	127,700	137,900	137,900	137,900	139,900	139,900	139,900
6	Motor Vehicle Fees	94,100	94,100	94,100	103,800	102,300	102,300	105,400	103,900	103,900
7	Miscellaneous	11,900	11,900	11,900	13,600	13,600	13,600	13,700	13,700	13,700
8	Total Unrestricted Revenue	233,700	233,700	233,700	255,300	253,800	253,800	259,000	257,500	257,500
9	Proceeds from Sale of Land	3,500	3,500	3,500	4,500	4,500	4,500	4,500	4,500	4,500
10	Total Revenue and Credits	237,200	237,200	237,200	259,800	258,300	258,300	263,500	262,000	262,000
11										
12	Deductions:									
13	Gross Appropriations	(258,322)	(261,222)	(261,222)	(274,812)	(275,700)	(276,455)	(284,643)	(285,568)	(286,354)
14	Less Lapses	14,000	14,000	14,000	10,664	10,664	10,664	10,909	10,909	10,909
15	Lapse Percent	5.42%	5.36%	5.36%	3.88%	3.87%	3.86%	3.83%	3.82%	3.81%
16	Net Appropriations	(244,322)	(247,222)	(247,222)	(264,148)	(265,036)	(265,791)	(273,734)	(274,659)	(275,445)
17	HB 1 Section 16: Reorg lapse					1,290	1,290		1,347	1,347
18	HB 1 Section 22: Adm order 07-004						(1,500)			
19	Collective Bargaining Agreement						(3,192)			(7,138)
20	HB 2 Plate Fund Lapse						631			656
20a	General Fund Transfer						6,750			6,750
21	Legislative Specials		(525)	(525)						
22	Other Debits-Dist. Of Unref Rd Toll	(1,700)	(1,700)	(1,700)	(2,525)	(2,525)	(2,525)	(2,525)	(2,525)	(2,525)
23	Total Deductions	(246,022)	(249,447)	(249,447)	(266,673)	(266,271)	(264,337)	(276,259)	(275,837)	(276,355)
24										
25	Current Year Balance	(8,822)	(12,247)	(12,247)	(6,873)	(7,971)	(6,037)	(12,759)	(13,837)	(14,355)
26										
27	Transfer to Capital	(24,000)	(24,000)	(24,000)	-	-	-	-	-	-
28										
29	Balance, June 30 (Budgetary)	23,825	20,400	20,400	16,952	12,429	14,363	4,193	(1,408)	8
30										
31	GAAP Adjustments	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
32										
33	Balance, June 30 (GAAP)	\$13,825	\$10,400	\$10,400	\$6,952	\$2,429	\$4,363	(\$5,807)	(\$11,408)	(\$9,992)

**STATE OF NEW HAMPSHIRE
COMPARATIVE STATEMENT OF UNDESIGNATED SURPLUS
FISH & GAME FUND
(Dollars in Thousands)**

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(J)	(K)	
		2007	2007	2007	2008	2008	2008	2009	2009	2009	
		House	Senate	C of C	House	Senate	C of C	House	Senate	C of C	
1	Balance, July 1 (Budgetary)	3,639	3,639	3,639	\$2,347	\$2,347	\$2,347	\$2,044	\$2,151	1,984	1
2											2
3	Additions:										3
4	Unrestricted Revenue	9,500	9,500	9,500	9,800	10,500	10,500	9,800	10,200	10,200	4
5	HB2 OHRV Enforcement Change				274			274			5
6	HB2 Game Mgmt HB623				100			200			6
7	Unrefunded Road Toll										7
8	Boats	854	854	854	825	850	850	825	850	850	8
9	OHRVs-HB 498				675	675	675	675	675	675	9
10	Total Revenue and Credits	10,354	10,354	10,354	11,674	12,025	12,025	11,774	11,725	11,725	10
11											11
12	Deductions:										12
13	Gross Appropriations	(12,646)	(12,646)	(12,646)	(12,077)	(12,321)	(12,365)	(12,512)	(12,964)	(12,562)	13
14	Less Lapses	1,000	1,000	1,000	100	100	100	100	100	100	14
15	Lapse Percent	7.91%	7.91%	7.91%	0.83%	0.81%	0.81%	0.80%	0.77%	0.80%	15
16	Net Appropriations	(11,646)	(11,646)	(11,646)	(11,977)	(12,221)	(12,265)	(12,412)	(12,864)	(12,462)	16
17	Collective Bargaining Agreement						(123)			(275)	17
18	Total Deductions	(11,646)	(11,646)	(11,646)	(11,977)	(12,221)	(12,388)	(12,412)	(12,864)	(12,737)	18
19											19
20	Current Year Balance	(1,292)	(1,292)	(1,292)	(303)	(196)	(363)	(638)	(1,139)	(1,012)	20
21											21
22	Balance, June 30 (Budgetary)	2,347	2,347	2,347	2,044	2,151	1,984	1,406	1,012	972	22
23											23
24	GAAP Adjustments	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	24
25											25
26	Balance, June 30 (GAAP)	\$1,347	\$1,347	\$1,347	\$1,044	\$1,151	\$984	\$406	\$12	(\$28)	26

House Finance Committee - Division II
Checklist of State Agencies

ROW	ACCOUNTING UNIT	AGENCY/DEPARTMENT	PLANNED COMPLETION DATE	COMPLETED	BRIEFING TO FULL COMMITTEE	ADOPTED BY FULL COMMITTEE	BRIEFING TO FULL HOUSE	ADOPTED BY FULL HOUSE
1	02-23	DEPARTMENT OF SAFETY					TWO DAYS PRIOR TO FULL HOUSE VOTE	
2	03-75	FISH & GAME DEPARTMENT						
3	04-96	DEPARTMENT OF TRANSPORTATION						
4	06-57	POSTSECONDARY EDUCATION COMMISSION						
5	06-56	DEPARTMENT OF EDUCATION						
6	06-58	COMMUNITY COLLEGE SYSTEM OF NH						
7	06-87	POLICE STANDARDS & TRAINING COUNCIL						
8	06-61	CHRISTA MCAULIFFE PLANETARIUM						
9	06-83	NH LOTTERY COMMISSION						
10	06-50	UNIVERSITY SYSTEM						