

Budget Basics

By Peggy Gilmour, New Hampshire State Senate

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With all the talk about the New Hampshire Budget these days, and how cuts in state funding will affect services, the time is right to better understand our state budget and how it is created.

What is “The Budget?”

The state’s total budget is made up of several funds, such as the Highway Fund, Fish and Game, Education Trust Fund, and others. In general, when legislators, news reporters, and others refer to the state budget, they usually mean the “General Fund.” It is the General Fund that pays for most state activities and it is also where most taxes and other revenues go.

How do we get the money?

New Hampshire relies on a variety of taxes and fees to pay for state services. Many of these taxes relate to business and include the business profits tax, real estate transfer tax, tobacco tax, rooms and meals tax. A portion of local property tax goes to fund education.

As we know, all levels of business and tourism have suffered in the recent recession, so revenues are lower than in times of a strong economy. In addition, in a poor economy when people lose their jobs, there is a greater demand for state services. The combination of these elements has contributed to the difficulty of our current budget session.

How does the budget get created?

The New Hampshire Constitution requires that a budget be created, so this confusing exercise has happened every two years since 1784! New Hampshire has a biennial, or two-year, budget.

Our budget is created in three steps. First, each state department drafts a two-year budget request to present to the Governor. The state has many departments, such as Corrections, and Health and Human Services. The Governor reviews all requests, sets what she believes are priorities, and makes an estimate of how much money will come into the state (revenues). Only after all of this, can she complete her budget and present it to the Legislature and the public. The Governor’s budget must be completed in February.

After the Governor, the Legislature begins its work. Our Constitution states all money bills must originate in the House of Representatives. Thus, it is the job of the House Finance Committee to create a budget bill, always named House Bill (HB) 1. The House Finance Committee includes both Republicans and Democrats. However, the majority party always has the committee chair and more committee members, thus more votes. After the Committee holds hearings, reviews revenue projections, department requests, and the Governor’s proposed budget, they ultimately complete their own version. It is a requirement in New Hampshire that all bills have public hearings, and interested parties can testify. Some of you may have testified before the House Finance Committee on the importance of funding services. The House Finance Committee must complete the budget, and present it to the full House of Representatives by a specified date. House Bill 1 must pass the full House with a majority of votes, just like any other bill.

Once this happens, the budget bill goes to the state Senate, and the process starts all over again! After holding another round of public hearings, the Senate Finance Committee makes changes to the House budget, and brings it to the full Senate for a vote. After the Senate passes its version, if different from the House budget, a final committee called a “Committee of Conference” is formed with both House and Senate members. The Conference Committee’s task is to come together, find compromise, and agree on a final budget. The compromise budget must once again be approved by a majority of the full House and Senate.

The budget bill then goes to the Governor for her approval and signature, or her veto. The Governor’s veto would send it back to the drawing board, or if the Legislature has enough votes to override the veto (2/3 vote), the Legislative budget will prevail. As you can see, there are several times when the budget is subject to change. And, different legislators and the Governor need to hear from advocates at every step along the way. I hope this background on the budget process is helpful as you try to navigate our complex state funding system!