



STATE OF NEW HAMPSHIRE
OFFICE OF THE GOVERNOR

CHRISTOPHER T. SUNUNU
Governor

December 26, 2019

The Honorable Mary Jane Wallner, Chairman
Fiscal Committee of the General Court
State House
Concord, New Hampshire 03301

Dear Chairman Wallner,

Pursuant to Chapter 345 of the Laws of 2019, the Department of Health and Human Services is submitting this plan on how it will reduce General Fund expenditures during the biennium, as required.

The Department received a significant increase in funding through each phase of the budget process. My budget proposed to increase General Fund appropriations from Fiscal Year 2019 levels of \$733.2 million to \$802 million in Fiscal Year 2021.

The enacted budget funds the Department in the amount of \$821.4 million in Fiscal Year 2021. While the Department is committed to implementing the policy objectives of both myself and the Legislature, it has worked to identify savings that are largely the product of phased implementation of programs, savings from programs that cannot be implemented as enacted, and savings from an anticipated reduction in demand and departmental efficiencies.

The Department will reduce appropriations over the biennium in the amount of \$25 million. These reductions will not come from the areas of Developmental Services, County Programs, or Medicaid Rates, as specified. The Department will make these reductions while avoiding state employee layoffs and taking all efforts to ensure that there is no reduction in current levels of service provided to the citizens of New Hampshire. The reductions in appropriations will come from the following areas:

- **Phased Implementation:** The 90-day delay in enacting the biennial budget has resulted in revised timelines in implementing some program and services. While the budget provides funding for many programs for a full fiscal year, there will be savings on expenditures resulting from both the shorter period of expenditure and the time required for full implementation of operations.

- **Reviewing Outside Contracted Services:** Many of the new programs the Department will be implementing will expand the State's offerings and lessen the need for contracted services, as those services will be supplanted by direct State programming. This will enable the Department to end or scale back specific contracts with outside entities.
- **Program Fund Savings:** There are a few new programs where the funding provided is insufficient for meaningful implementation, or where the funding provided exceeds the projected demand for program services.
- **Increases in Non-Prioritized Needs:** The budget contains funding that was not requested by the Department or where the budgeted amounts exceed the Department's request. In light of the Department's responsibility to reduce appropriations over the biennium, these increases will be scrutinized to determine those expenditures that can be avoided without affecting the projected demand for services.
- **Departmental Efficiencies:** The mandated General Fund reductions will require the Department to closely evaluate efficiencies in program costs, especially in the direct care facilities it operates. It is anticipated that there will be savings identified in the second year of the biennium that will result from efficiencies in the operation of these facilities.
- **Additional Scrutiny of Contracts:** The Department has been engaged in a multi-year effort to improve its contracting process. In conjunction with the Governor and Executive Council, the Department will closely scrutinize all contracts to ensure that it is executing its fiduciary responsibilities and that the scope and deliverables of the contracts are closely tailored to the State's needs.

The Department is committed to implementing the expansion of services consistent with both my and the Legislature's priorities, and will do so in a fiscally responsible and sustainable manner - all while meeting lapse target and back of the budget cuts.

Sincerely,



Christopher T. Sununu
Governor

c/o Members of the Fiscal Committee