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# Charles Arlinghaus: Sensible debate over a sensible budget

By CHARLES ARLINGHAUS

Budget debates are the least understood part of state government and the most prone to demagoguery. Numbers are thrown around with no explanation and too often used to mislead rather than make sensible policy decisions. Too much public rhetoric conflates old and new numbers and compares apples to oranges to arrive at peaches.

Budgets are complicated and it becomes easier to throw up one's hands than to work constructively. Some of the problems in good debate result from complexity and others from the very structure of our process. Perhaps the hardest number to grapple with is the two-year nature of our budget.

New Hampshire passes a budget to govern spending for a two-year period, but it's really two side-by-side one-year budgets. The two-year totals allow for broad comparisons that are misleading.

For example, someone described the current budget proposed by the governor as a large increase — which no doubt came as something of a surprise to departments annoyed at the spending pressures they were put under.

What the occasional critic will do to exaggerate what he considers a problem is compare the two combined years with the budget passed for the prior two years, while ignoring any changes that happened in between. This means that both the increase in the second year of the prior budget and any additional spending approved before a new governor and Legislature takes office — new programs, legislative specials, new grants accepted — are all counted against the new budget as if they hadn't existed before.

For example, some critics of the House proposal describe it as an \$800 million increase by comparing two-year totals. But \$400 of that \$800 million was increased between year one and two of the old budget — largely from federal grants, lawsuits and other grants rather than from taxes and fees. So the new budget is blamed for money it didn't spend and was already built into the baseline of state spending. If the budget were held absolutely flat, this methodology would still show an increase by blaming the guy fighting to keep it flat for things that he inherited — hardly the right incentive structure for those of us interested in encouraging frugality.

This method also conflates federal and non-federal spending — spending supported by taxes and our own decision making as opposed to federal grants and dictates. The eagerness to include all spending dates back to times in the past when some budgeteers and governors might hide spending by relabeling it as non-general fund. Some would create new funds with new labels to make it appear as if the general fund — the state's operating budget supported by taxes and regular fees —

wasn't growing.

To avoid creating an incentive to hide spending, some analysts took to using every dollar including federal money, licensing fees, special grants. This made it hard to sort out one-time grants, but it did make it harder to hide new spending.

A relatively quick study of the budget can determine whether money is being shuffled around and where real growth is.

In the budget presented by the governor, there are no such shell games relabeling money, so we can determine actual annual increases. The funds currently labeled general and education are the two funds paid for by taxes — the broad patchwork quilt of taxes and fees we assess to pay for government. No categories are added or removed from them. Spending for FY2017 is reconciled since for some categories (Medicaid, criminal case defense) we can only estimate the amount that the state will be obligated to provide.

The governor's budget has quite a few structural virtues I've talked about in the past. But let me note simply that it increased in general and education funds by 2 percent in the first year and 1 percent in the second — which would make the third smallest increase in modern history. That amounts to profligacy in the eye of the beholder. The House Finance proposal retreats even from those parsimonious levels.

Additional cuts to spending or taxes will likely come forward and ought to be considered, as might be some additions. But let us remember that the root stock upon which these changes will be grafted is quite sensible.

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