

February 3, 2011

House Ways & Means Revenue Estimates Show Virtually No Growth for FY 2012-2013 *Projections Put Real Revenue at Lowest Level since FY 2000*

Earlier today, the House Ways & Means Committee, in conjunction with the Speaker of the House and others, announced its estimates for the amount of revenue the state will collect over the course of the FY 2012-2013 biennium. It is anticipated that these estimates will soon be considered, in the form of a House Resolution, by the entire House of Representatives and will thus shape that chamber's deliberations about the scope of the budget shortfall New Hampshire now faces and the scale of changes needed to close that gap.

In brief, the Committee predicts that total General and Education Fund revenue will grow very little, if at all, over the next 30 months. As a result, the Committee's estimates serve to underscore the role that declining revenues have played in creating New Hampshire's fiscal difficulties. If the Committee's estimates come to pass, total General and Education Fund revenue in FY 2013 will reach its lowest level, in inflation-adjusted dollars, since the advent of the Education Fund more than a decade ago.

Short-Term Trends: FY 2010 through FY 2013

As Figure 1 below indicates, the House Ways & Means Committee projects that General and Education Fund revenue will total \$2.19 billion in FY 2011, \$2.21 billion in FY 2012, and \$2.24 billion in FY 2013.ⁱ In other words, the Committee anticipates that revenue will decline by roughly 3 percent between the most recently completed fiscal year – FY 2010 – and the current fiscal year – FY 2011 – before climbing by about 1 percent in FY 2012 and by another 1.5 percent in FY 2013.

While the current revenue plan under which the state is operating also foresees a decline in revenue between FY10 and FY11, the estimates crafted by the House Ways & Means Committee are more pessimistic still. In particular, the revenue projections adopted at the time of last June's special session assumed that the funds generated by four of the state's major taxes – namely, the business profits and the business enterprise tax (also known as the BPT and the BET), the tobacco tax, the insurance tax, and the communications services tax – would be lower in FY11 than in FY10. The estimates produced by House Ways & Means show even sharper drops within three of those four taxes, as well as declines in two other key sources of tax revenue – the interest and dividends tax and the real estate transfer tax – that had been expected to grow under the current revenue plan.

Figure 1.

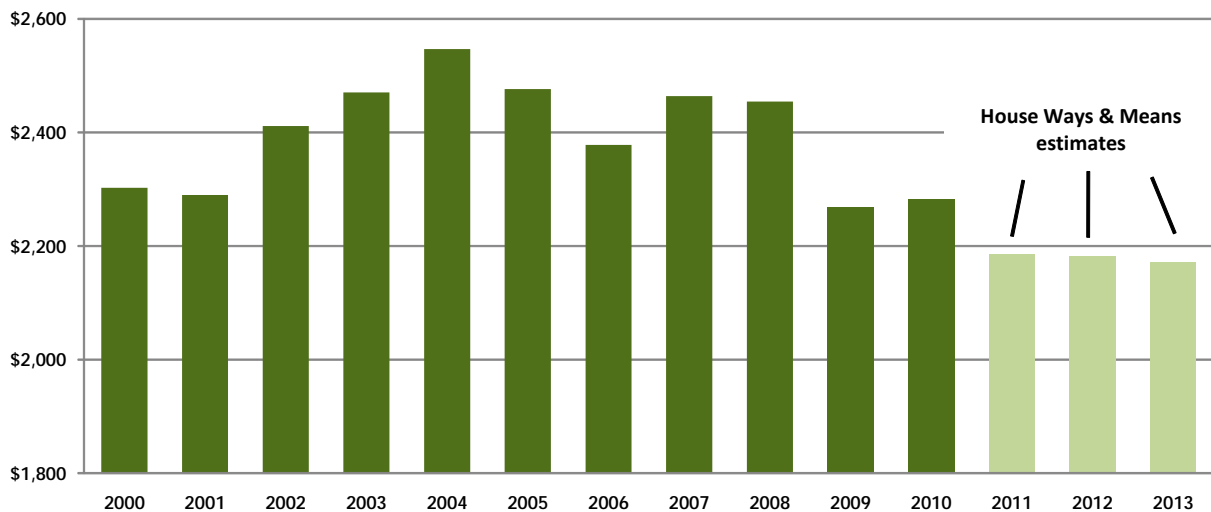
Latest Estimates Forsee Little Growth
 General & Education Trust Fund Revenue, by Source and Year, in Millions of Current Dollars

Source	Actual	Plan	House Ways & Means (HW&M) Estimates			Actual FY10 to Plan FY11	Actual FY10 to HW&M FY11	HW&M: FY11 to FY12	HW&M: FY12 to FY13
	FY10	FY11	FY11	FY12	FY13				
BPT & BET	510.1	503.0	495.0	505.0	520.0	-1.4%	-3.0%	2.0%	3.0%
Meals & Rooms	232.5	245.0	239.0	243.8	248.7	5.4%	2.8%	2.0%	2.0%
Tobacco	243.5	220.6	228.0	221.0	214.4	-9.4%	-6.4%	-3.1%	-3.0%
Interest & Dividends	84.9	90.1	83.7	85.4	87.1	6.2%	-1.4%	2.0%	2.0%
Insurance	86.8	80.5	80.5	86.1	86.8	-7.3%	-7.3%	7.0%	0.8%
Communications	81.0	75.0	79.4	80.2	81.0	-7.4%	-1.9%	1.0%	1.0%
Real Estate	84.8	89.2	78.0	79.6	81.2	5.2%	-8.0%	2.1%	2.0%
Liquor	120.7	127.9	126.8	130.3	135.0	5.9%	5.0%	2.8%	3.6%
Education Property Tax	363.2	363.6	363.0	363.0	363.0	0.1%	0.0%	0.0%	0.0%
Tobacco Settlement	44.2	44.2	42.2	42.4	42.4	0.0%	-4.6%	0.5%	0.0%
Lottery	66.2	77.7	66.2	66.2	67.5	17.4%	0.0%	0.0%	2.0%
Medicaid Enhancement	98.1	108.5	91.4	97.0	104.8	10.6%	-6.9%	6.1%	8.0%
Medicaid Recoveries	19.9	19.2	22.1	17.4	18.3	-3.3%	11.3%	-21.3%	5.2%
All Other Revenue	216.9	189.6	190.9	192.0	193.0	-12.6%	-12.0%	0.6%	0.5%
TOTAL	2,252.8	2,234.1	2,186.2	2,209.4	2,243.2	-0.8%	-3.0%	1.1%	1.5%

Source: NHFPI calculations based on House Ways & Means Committee estimates

Figure 2.

Latest Estimates Put Revenue at Lowest Level Since Creation of Education Fund
 General and Education Fund Collections in Millions of Constant FY 11 Dollars, FY 2000-2013



Source: NHFPI calculations based on data from the US Bureau of Labor Statistics, the NH Department of Administrative Services, and House Ways & Means Committee estimates

A Longer-Term Perspective: FY 2000 through FY 2013

Effective FY 2000, New Hampshire created a separate Education Fund to help finance the state's obligation to provide an adequate public education to children residing within its borders. Since that time, the amount of revenue collected each year by the General Fund in combination with the Education Fund has generally exceeded \$2.25 billion (in inflation-adjusted, constant FY 2011 dollars). However, should the estimates produced by the House Ways & Means Committee be realized, the revenue flowing into these two funds will fall below that threshold, as seen in Figure 2. In fact, by FY 2013, the Committee anticipates that combined General and Education Fund revenue will amount to \$2.17 billion (in constant FY 2011 dollars), its lowest level since the creation of the Education Fund.

Examining the Committee's latest estimates from this longer-term perspective serves to illustrate the degree to which shrinking revenues have contributed to the fiscal woes that now plague New Hampshire. Between FY 2008, when the recession started, and FY 2010, the most recently completed fiscal year, total General and Education Fund revenue fell from \$2.45 billion to \$2.28 billion, a decline of approximately \$170 million or roughly 7 percent. Should the Committee's latest estimates come to fruition, the decline becomes even more marked; an inflation-adjusted FY 2013 revenue total of \$2.17 billion would imply a drop of \$280 million – or approximately 12 percent – from pre-recession levels.

ⁱ In order to allow for comparisons over time, the revenue figures included in this Issue Brief are presented on a gross basis and therefore do not include the effect of either transfers that will be made from meals & rooms tax collections to finance school building debt service payments or any tax and fee reductions the House of Representatives may approve.