

NHFPI Methodology – FY 2016 Monthly Revenue Plan

Step 1:

Using a Legislative Budget Assistant document titled *Introduction to New Hampshire Taxes – January 2015*, NHFPI cataloged for each month, for fiscal years FY 2010 through FY 2014, the monthly percentage of General and Education Fund collections for the following revenue sources:

Grand total, combined business taxes, meals and rooms, tobacco tax, liquor sales and distribution, interest and dividends, and real estate transfer tax.

Since the data in this document was updated as of December 31, 2014, data for FY 2015 was incomplete. Thus, NHFPI used data from each of the FY 2015 *Monthly Revenue Focus* reports to calculate the monthly percentage of collections for the above sources. It used the fiscal year totals from the June FY 2015 unaudited cash basis *Monthly Revenue Focus* as the basis for such calculations.

Step 2:

For each month of the fiscal year and for each revenue source mentioned above, NHFPI estimated the percentage of that revenue source’s total fiscal year collections that is attributable to a particular month. For example, NHFPI estimates that for the meals and rooms tax, the month of August comprises 11 percent of the entire amount the tax will yield in a fiscal year. This figure was reached by averaging August’s share of meals and rooms tax revenues for each fiscal year between FY 2011 and FY 2015 (see table below).

Meals and rooms collections (\$ mil)	FY2015	FY2014	FY2013	FY2012	FY2011
Month of August	29.9	28.7	27.1	26.7	26.2
Entire Fiscal Year	279.7	260.6	247.5	238.5	235.6
August as a % of entire FY	10.7%	11.0%	10.9%	11.2%	11.1%
Average of FY2011 - FY2015	11.0%				

NHFPI used this method, with some exceptionsⁱⁱ, for each month and each revenue stream to produce the following averages:

	July	August	September	October	November	December	January	February	March	April	May	June
Grand total	4.7%	5.0%	9.0%	5.1%	4.0%	8.5%	5.2%	3.7%	28.2%	12.4%	4.2%	9.9%
Combined business taxes	3.1%	2.3%	16.6%	4.6%	1.0%	16.1%	3.5%	1.6%	17.2%	15.4%	2.5%	16.2%
Meals and rooms	9.2%	11.0%	11.3%	8.8%	8.6%	6.9%	7.5%	6.7%	6.9%	7.5%	7.1%	8.4%
Tobacco tax	8.8%	10.0%	9.1%	8.2%	8.2%	8.8%	7.3%	6.8%	7.5%	7.7%	8.2%	10.0%
Liquor sales and distribution	9.2%	10.6%	7.9%	8.2%	8.9%	11.8%	6.2%	6.2%	7.0%	7.2%	8.1%	8.8%
Real estate transfer	9.8%	10.4%	9.4%	8.6%	9.0%	8.4%	9.6%	6.1%	5.2%	6.6%	7.7%	9.0%
Interest and dividends	0.7%	1.1%	15.5%	3.0%	-0.8%	4.7%	14.1%	0.7%	3.9%	41.5%	0.3%	14.9%

Step 3:

For each revenue source, NHFPI applied the above percentages to the conference committee's unrestricted General and Education Fund revenue estimatesⁱⁱⁱ for the entirety of FY 2016 to approximate a monthly plan. For example, historical collections data reveal that the month of April is typically responsible for 41.5 percent of all interest and dividends revenue in a fiscal year. Given that the conference committee projects the tax to yield \$93 million in FY 2016, NHFPI estimates that in April 2016, the tax will bring in \$38.6 million.

After applying the above percentages, NHFPI reconciled the totals they yielded with conference committee totals by allocating any differences across the twelve months of the fiscal year. For instance, the largest deviance was for the tobacco tax; the conference committee projects the tax will reap \$222.8 million, while the sum of NHFPI's monthly tobacco tax estimates equals \$224.2 million, a difference of \$1.4 million. To reconcile this with the conference committee's total estimate, NHFPI subtracted \$.12 million from each month.

	July	August	September	October	November	December	January	February	March	April	May	June		FY 16 Total
Grand total	\$ 107.6	\$ 115.3	\$ 206.9	\$ 116.5	\$ 91.5	\$ 195.6	\$ 119.5	\$ 85.0	\$ 646.7	\$ 283.7	\$ 97.2	\$ 227.7		\$ 2,293.4
Combined business taxes	\$ 17.8	\$ 13.2	\$ 94.8	\$ 26.0	\$ 5.4	\$ 92.1	\$ 19.8	\$ 8.9	\$ 98.2	\$ 87.9	\$ 14.5	\$ 92.8		\$ 571.4
Meals and rooms	\$ 26.7	\$ 32.0	\$ 33.0	\$ 25.7	\$ 25.1	\$ 20.1	\$ 21.9	\$ 19.6	\$ 20.0	\$ 21.8	\$ 20.8	\$ 24.6		\$ 291.4
Tobacco tax	\$ 19.5	\$ 22.2	\$ 20.2	\$ 18.2	\$ 18.1	\$ 19.5	\$ 16.1	\$ 15.0	\$ 16.6	\$ 17.1	\$ 18.2	\$ 22.2		\$ 222.8
Liquor sales and distribution	\$ 13.2	\$ 15.2	\$ 11.3	\$ 11.7	\$ 12.8	\$ 16.9	\$ 8.9	\$ 8.9	\$ 10.0	\$ 10.3	\$ 11.6	\$ 12.7		\$ 143.3
Real estate transfer	\$ 11.6	\$ 12.3	\$ 11.1	\$ 10.2	\$ 10.7	\$ 9.9	\$ 11.4	\$ 7.3	\$ 6.2	\$ 7.8	\$ 9.1	\$ 10.6		\$ 118.3
Interest and dividends	\$ 0.7	\$ 1.1	\$ 14.4	\$ 2.8	\$ (0.7)	\$ 4.4	\$ 13.2	\$ 0.7	\$ 3.7	\$ 38.6	\$ 0.3	\$ 13.9		\$ 93.0

ⁱ Grand total is total General and Education Fund revenues, excluding the Medicaid Enhancement Tax.

ⁱⁱ The five year average method runs into a problem if collections in one of the fiscal years is affected by policy changes or other one-time events. For instance, for FY 2011, FY 2012, FY 2013, and FY 2015, tobacco tax collections in July made up 9.5 percent, 8.1 percent, 9.4 percent, and 8 percent respectively of each year's entire tobacco tax revenues. However, for FY 2014, July represented 21.1 percent of the entire year's take. This is likely due to an increase in the tobacco tax that took effect on August 1, 2013 and the effect it had on the timing of retailer activity. To include the 21.1 percent would be to bias the results by including a non-recurring event. Consequently, NHFPI excluded July FY 2014 and included July FY 2010. An irregular result also occurred for December real estate transfer tax collections in FY 2015.

ⁱⁱⁱ These estimates are located on pages 843-844 in section 7 of the budget footnotes of HB1, as vetoed by Governor Hassan on June 25, 2015. NHFPI made one small adjustment, adding \$5 million to business taxes and thus to the grand total as well. This is to account for the fact that the conference committee made an ad-hoc adjustment to their business tax estimates for FY 2016 and FY 2017. For more details, refer to the conference committee's *Comparative Statement of Undesignated Surplus*.

http://www.gencourt.state.nh.us/lba/Budget/operating_budgets/2016_2017/CoC/Surplus%20Statement%20C%20of%20C.pdf