



FEBRUARY REVENUES, HOUSE REVENUE PROJECTIONS, THE TRAILER BILL, AND FEDERAL AID

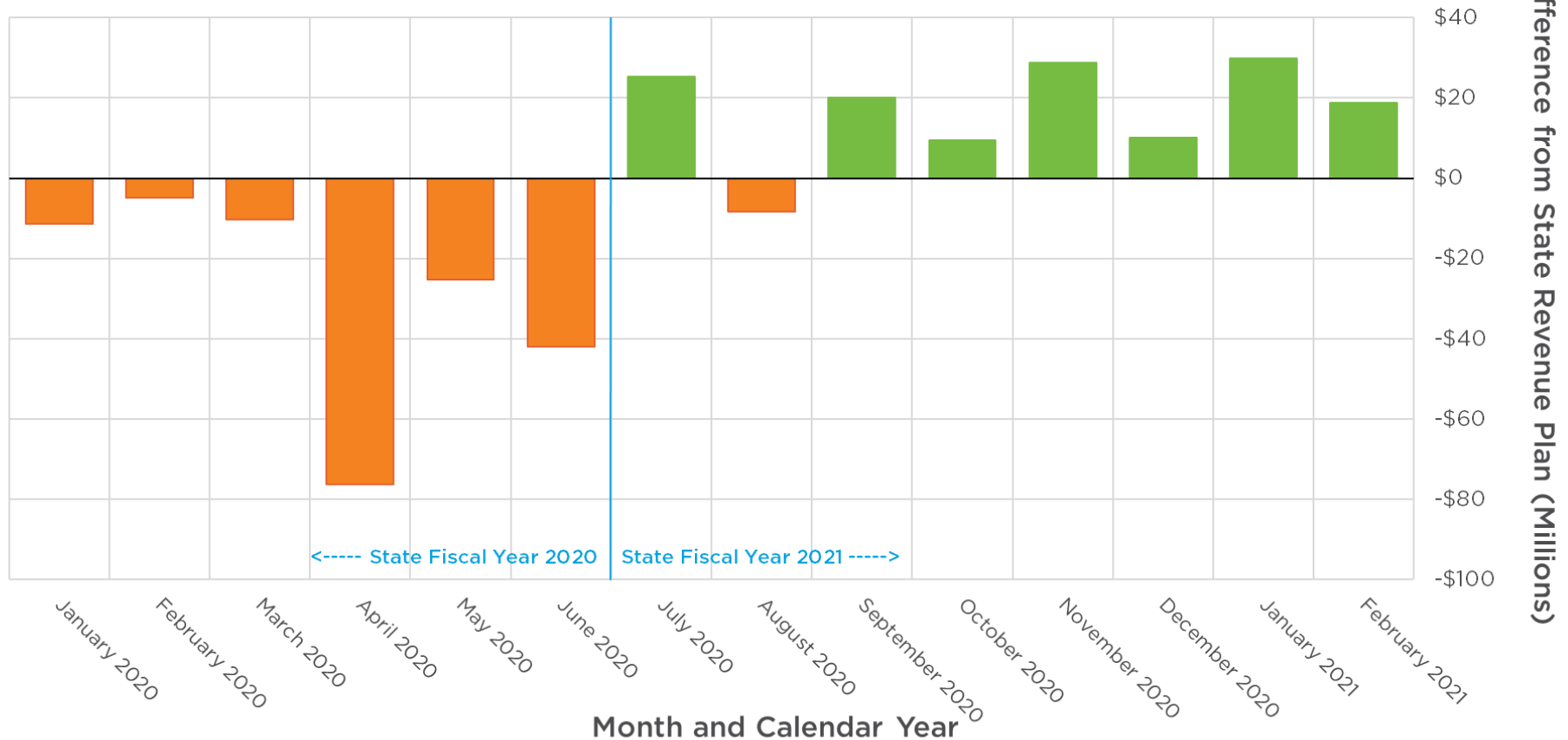
PRESENTED BY PHIL SLETTEN, SENIOR POLICY ANALYST

BREAKFAST BUDGET BRIEFING
MARCH 8, 2021

FEBRUARY REVENUES

ANOTHER STRONG MONTH FOR REVENUE

REVENUE TO THE NEW HAMPSHIRE GENERAL AND EDUCATION TRUST FUNDS



Note: Revenue from all sources, shown on a cash basis.

Source: New Hampshire Department of Administrative Services Monthly Revenue Focus Reports and State Revenue Plan

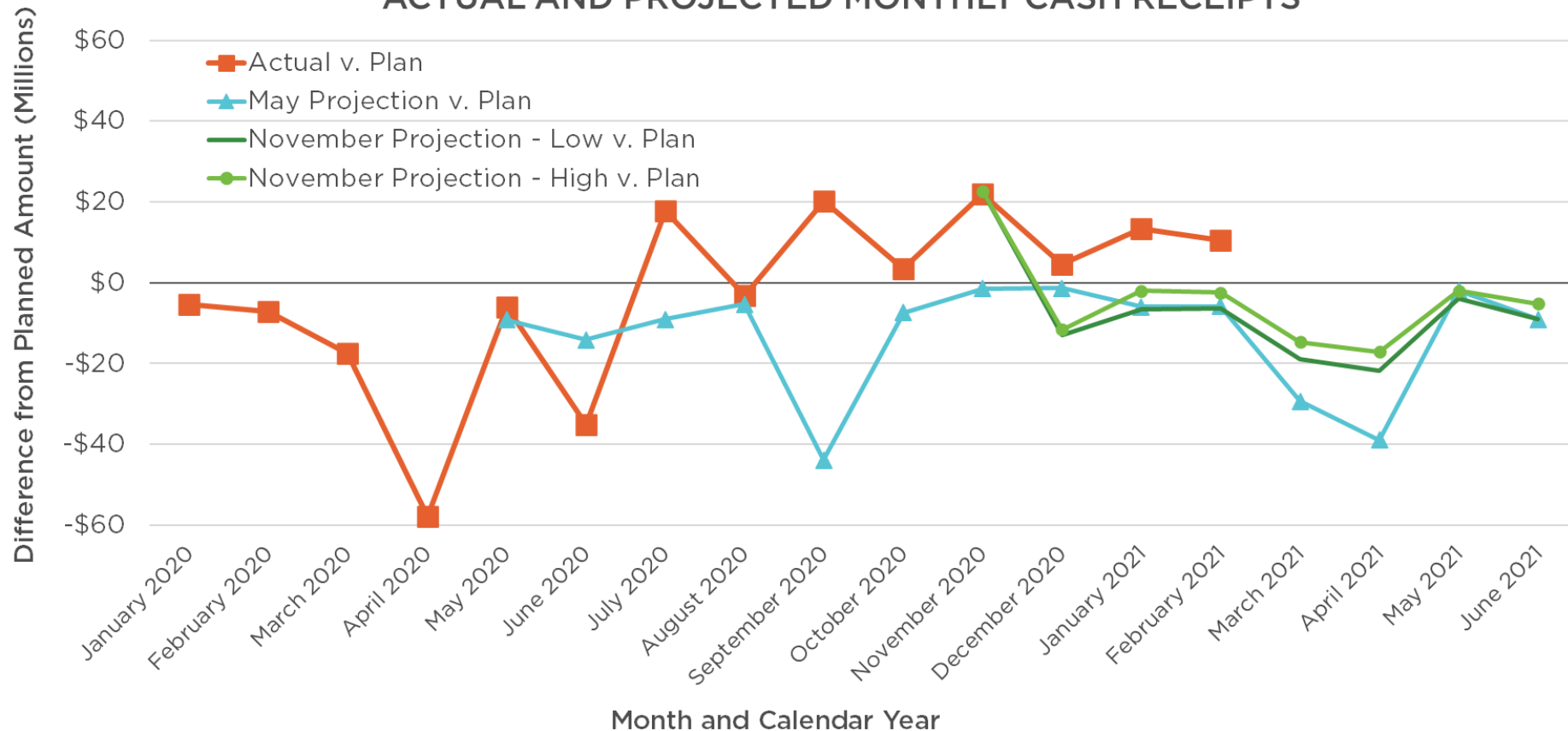
FEBRUARY SURPLUS HELPED BY ANOMALOUS PAYMENTS

- Total cash revenue surplus in the General and Education Trust Funds over State Revenue Plan in February: \$18.8 million
- Surplus generated by the two primary business taxes combined, which was “largely due to anomalous payments” as well as increases in regular payments: \$10.6 million
- Surplus generated by the Lottery Commission, based on higher sales in January attributed to “extremely large jackpots for Mega Millions and Powerball along with continued increases in instant scratch ticket sales”: \$10.2 million
- Other revenue sources mixed

Source: New Hampshire Department of Administrative Services, Monthly Revenue Focus, February FY 2021

BUSINESS TAXES BOOSTED BY ANOMALOUS PAYMENT IN FEBRUARY

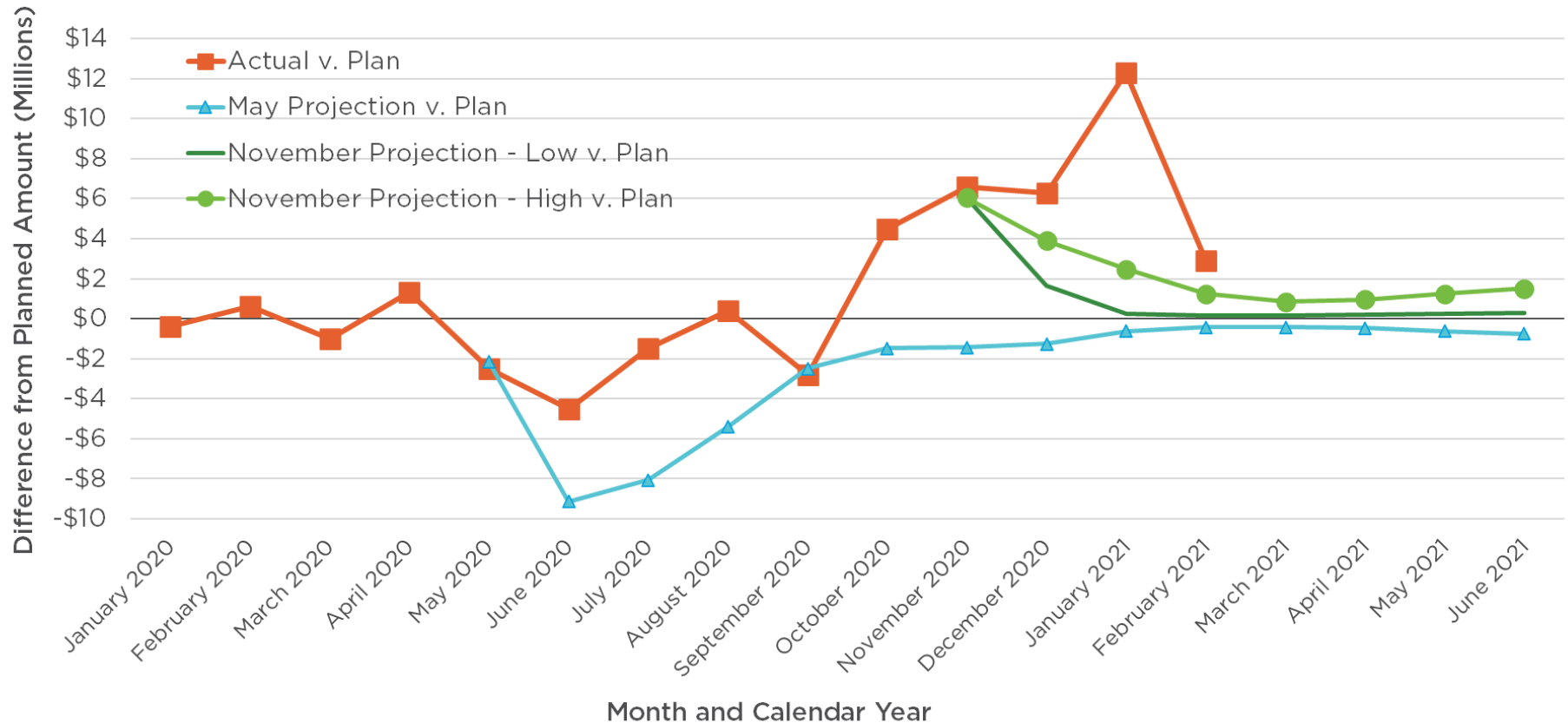
NEW HAMPSHIRE BUSINESS PROFITS AND BUSINESS ENTERPRISE TAXES ACTUAL AND PROJECTED MONTHLY CASH RECEIPTS



Note: Projected revenue calculations based on Department of Revenue Administration projections and Department of Administrative Services State Revenue Plan.
Sources: New Hampshire Department of Revenue Administration; New Hampshire Department of Administrative Services

REAL ESTATE TRANSFER TAX REVENUE FALLS CLOSER TO EXPECTATIONS

NEW HAMPSHIRE REAL ESTATE TRANSFER TAX ACTUAL AND PROJECTED MONTHLY CASH RECEIPTS

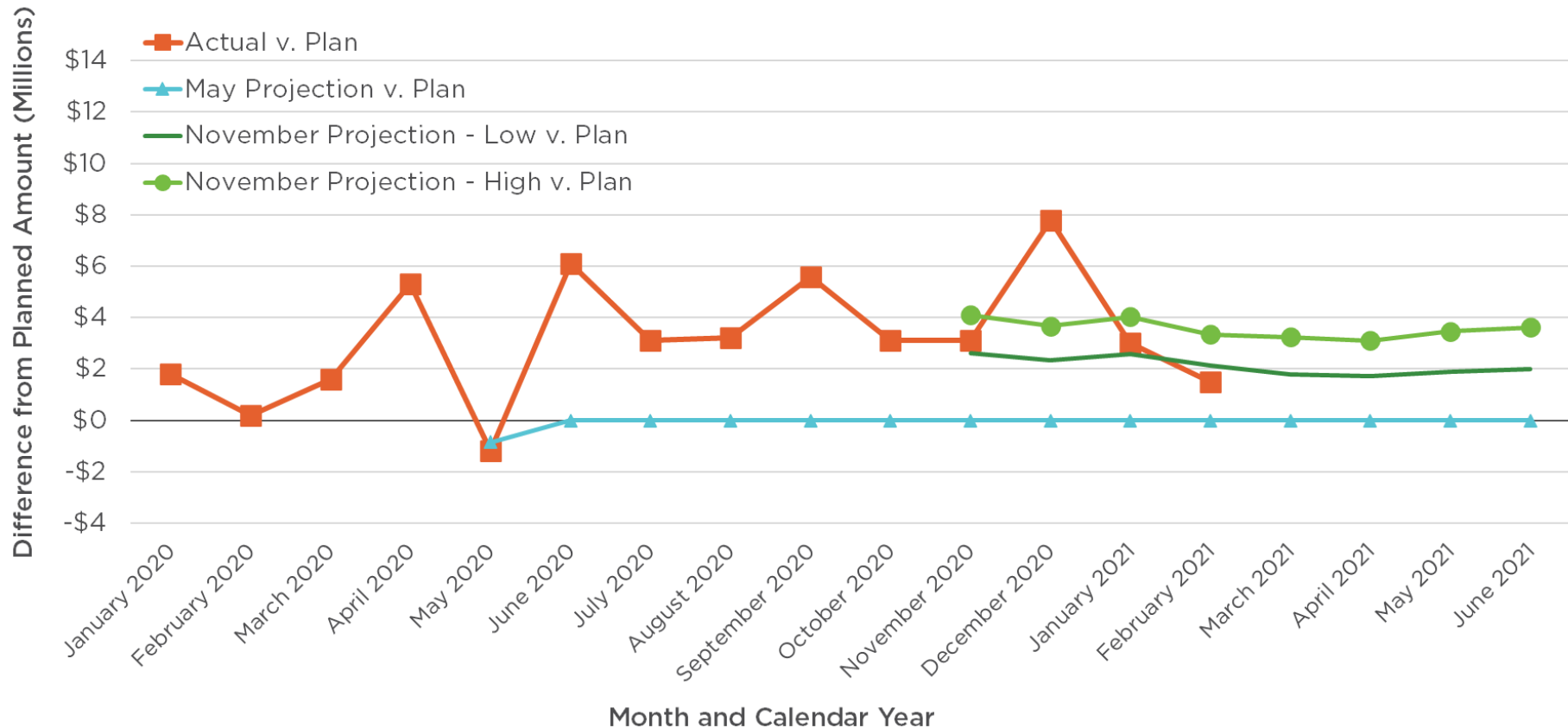


Note: Projected revenue calculations based on Department of Revenue Administration projections and Department of Administrative Services State Revenue Plan. Only includes actual and projected revenue to the General and Education Trust Funds.

Sources: New Hampshire Department of Revenue Administration; New Hampshire Department of Administrative Services

TOBACCO TAX RECEIPTS CLOSER TO THE STATE'S ORIGINAL REVENUE PLAN

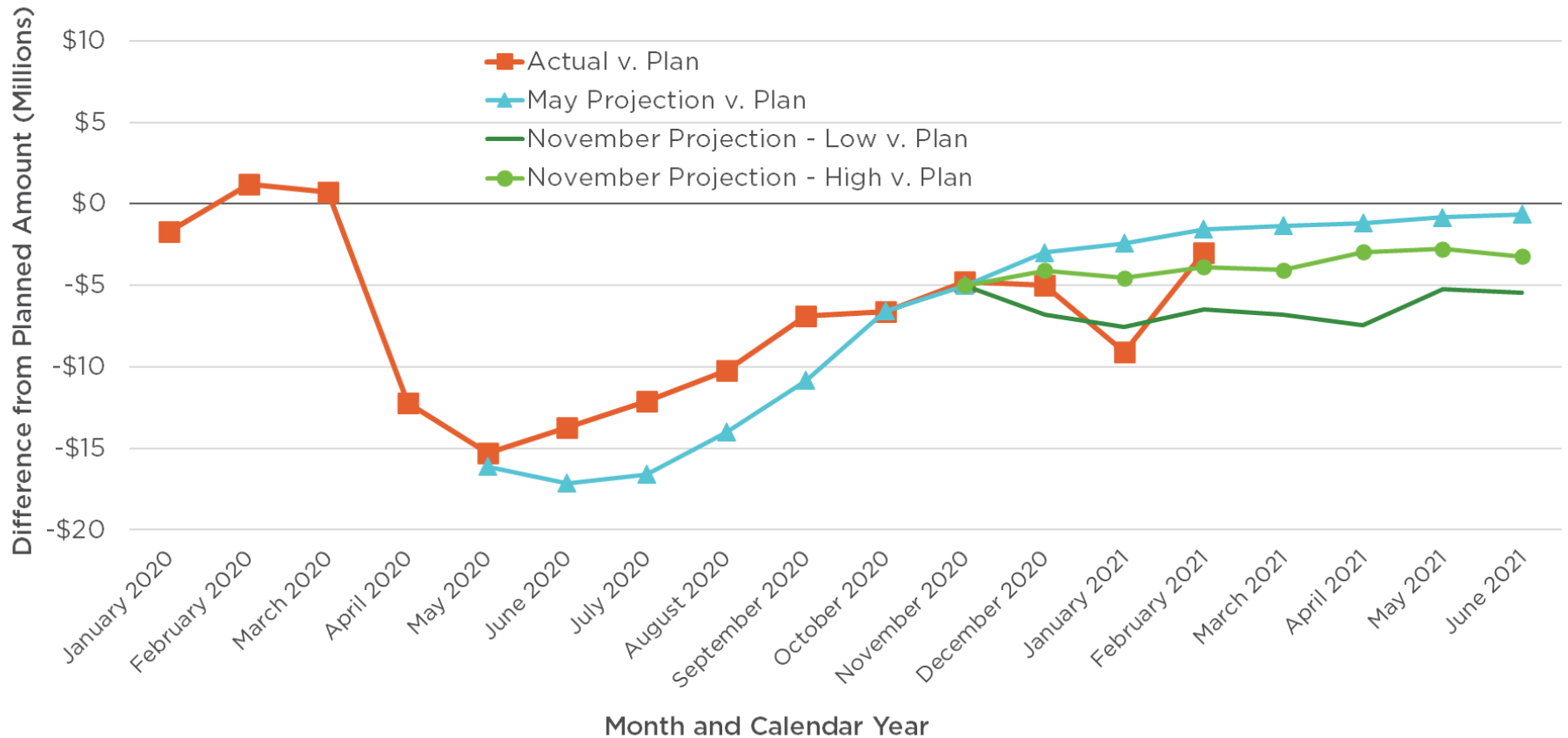
NEW HAMPSHIRE TOBACCO TAX ACTUAL AND PROJECTED MONTHLY CASH RECEIPTS



Note: Projected revenue calculations based on Department of Revenue Administration projections and Department of Administrative Services State Revenue Plan.
Sources: New Hampshire Department of Revenue Administration; New Hampshire Department of Administrative Services; Office of Legislative Budget Assistant.

LIMITED IMPROVEMENT IN MEALS AND RENTALS TAX RECEIPTS

NEW HAMPSHIRE MEALS AND RENTALS TAX ACTUAL AND PROJECTED MONTHLY CASH RECEIPTS

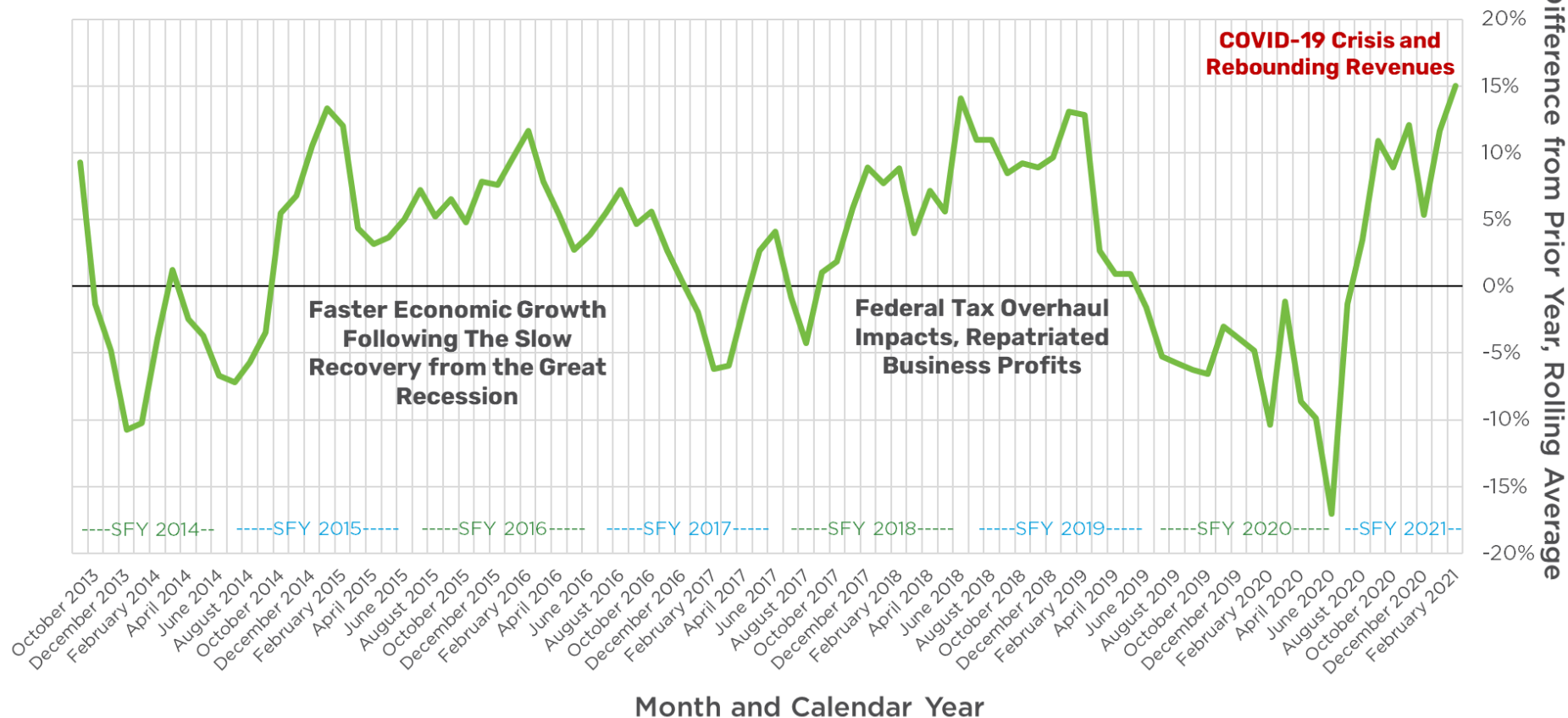


Note: Projected revenue calculations based on Department of Revenue Administration projections and Department of Administrative Services State Revenue Plan. Only includes actual and projected revenue to the General and Education Trust Funds.

Sources: New Hampshire Department of Revenue Administration; New Hampshire Department of Administrative Services

REVENUE GROWTH SIGNIFICANT RELATIVE TO RECENT HISTORY

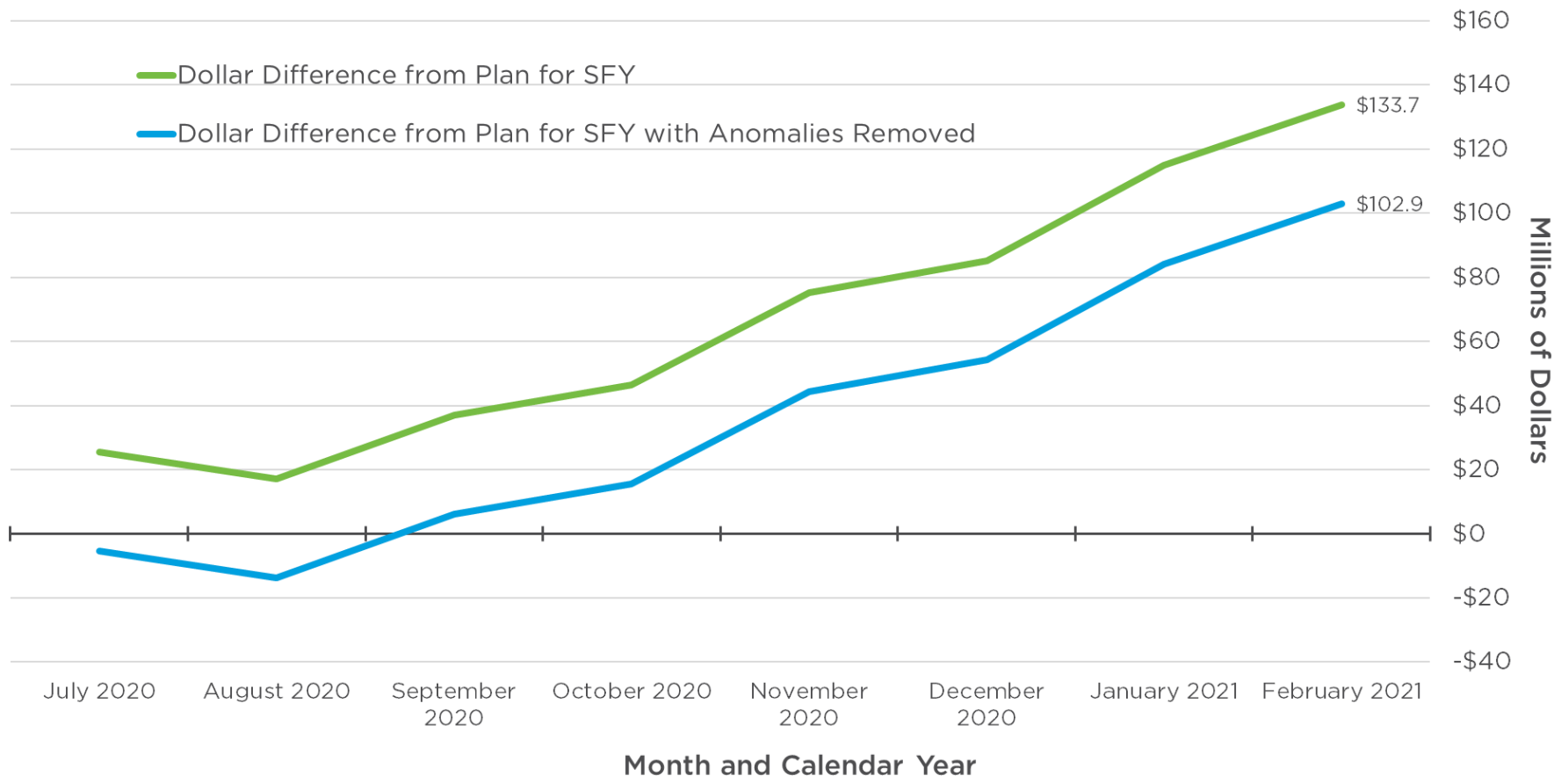
ANNUAL CHANGE IN THREE-MONTH ROLLING AVERAGES OF
NEW HAMPSHIRE GENERAL AND EDUCATION TRUST FUNDS REVENUE



Note: Medicaid Enhancement Tax excluded from data. Analysis of revenues on a cash basis. State fiscal year (SFY) also shown.
Sources: New Hampshire Department of Administrative Services Monthly Revenue Focus Reports

CASH SURPLUS FOR FISCAL YEAR 2021 SO FAR OVER \$100 MILLION

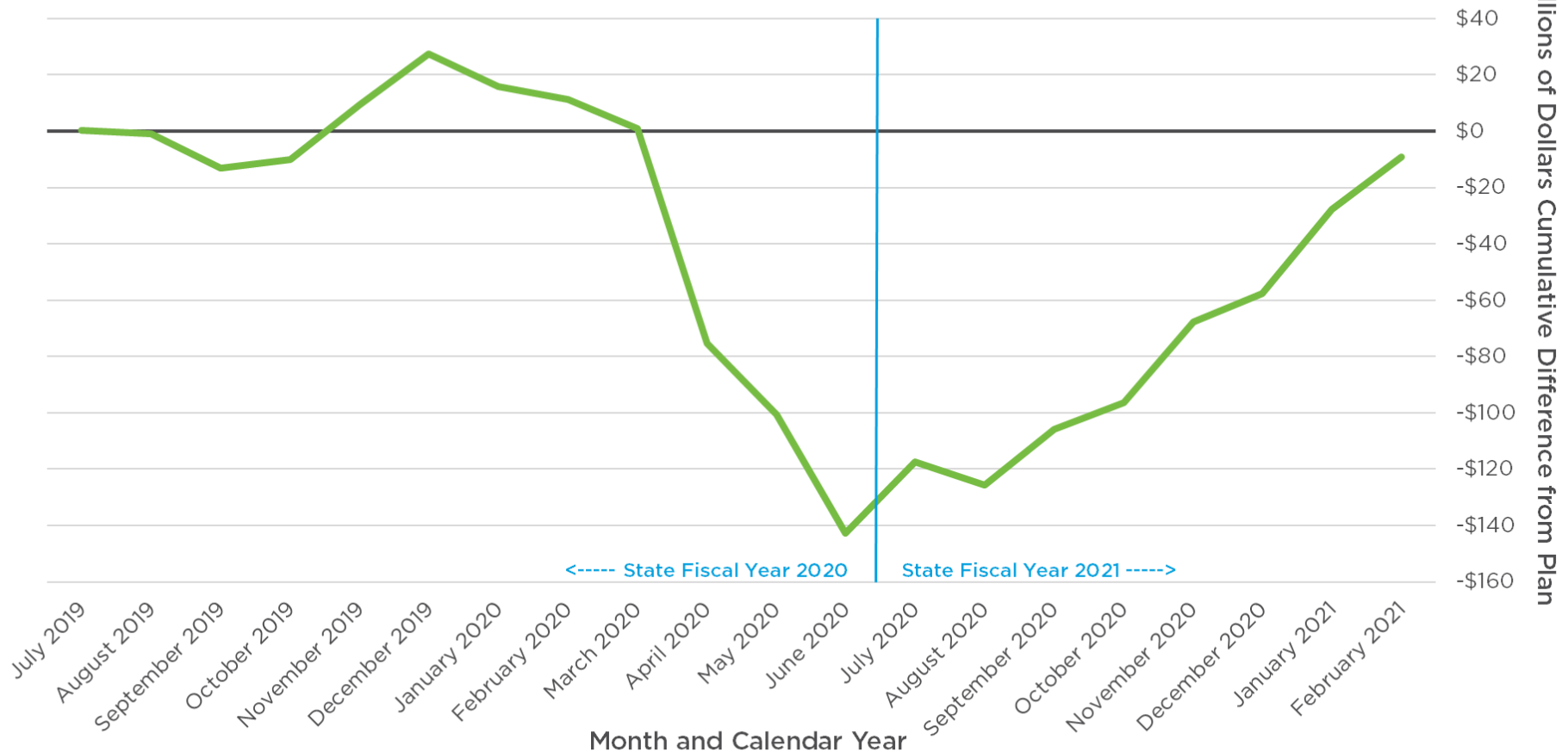
NEW HAMPSHIRE GENERAL AND EDUCATION TRUST FUNDS CASH RECEIPTS
WITH AND WITHOUT ANOMALIES REMOVED, STATE FISCAL YEAR 2021



Source: New Hampshire Department of Administrative Services Monthly Revenue Focus Reports and State Revenue Plan

CASH DEFICIT IN KEY FUNDS FROM FIRST HALF OF BIENNIUM NEARLY ELIMINATED

NEW HAMPSHIRE GENERAL AND EDUCATION TRUST FUNDS
MONTHLY UNAUDITED CASH RECEIPTS IN CURRENT STATE BUDGET



Source: New Hampshire Department of Revenue Administration Monthly Revenue Focus Reports

STILL SIGNIFICANT REVENUE AHEAD

GENERAL AND EDUCATION TRUST FUNDS REVENUE AS PROJECTED IN THE NEW HAMPSHIRE STATE BUDGET STATE REVENUE PLAN

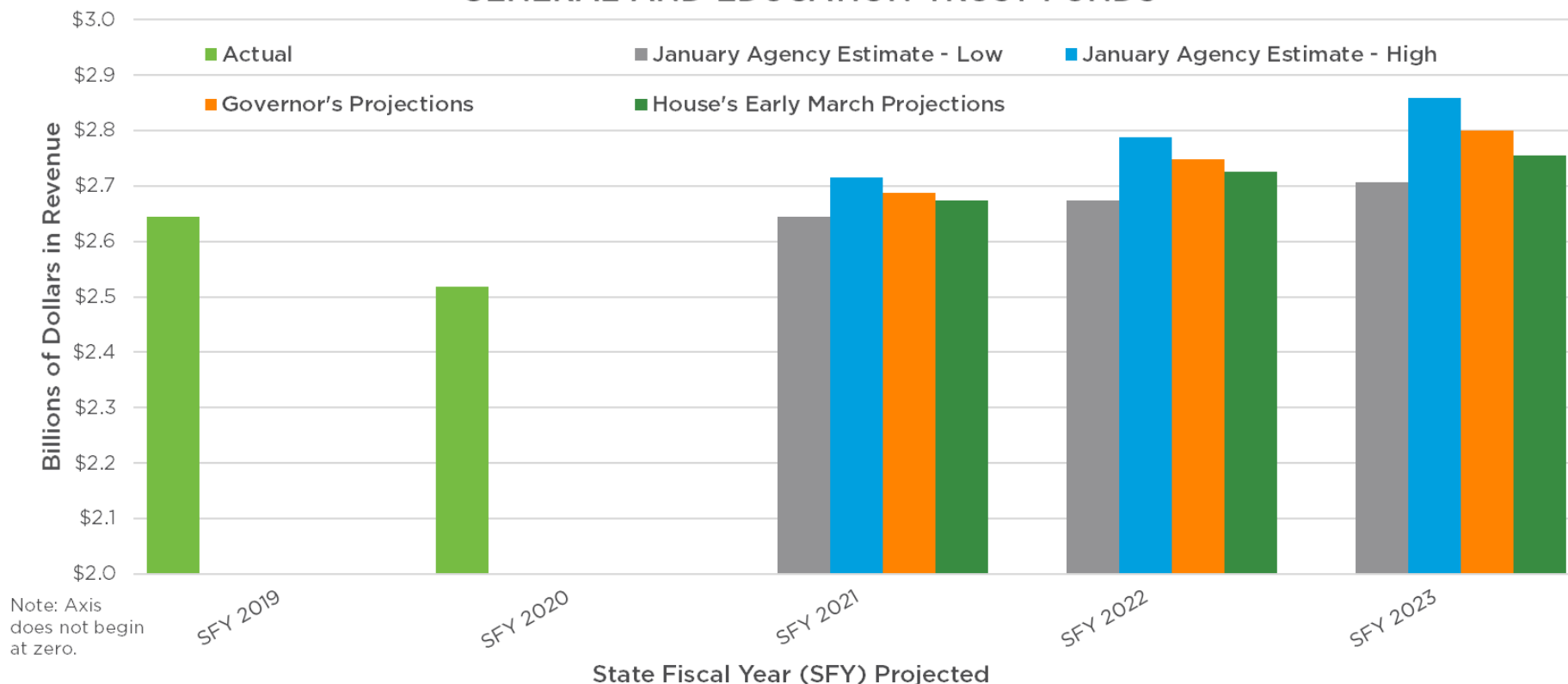


Source: New Hampshire Department of Administrative Services

NEW HAMPSHIRE HOUSE WAYS AND MEANS COMMITTEE REVENUE PROJECTIONS

HOUSE PROJECTS \$79.6 MILLION LESS REVENUE FOR 3 YEARS THAN GOVERNOR

REVENUE PROJECTIONS FROM NEW HAMPSHIRE STATE AGENCIES,
THE GOVERNOR, AND THE HOUSE WAYS AND MEANS COMMITTEE,
GENERAL AND EDUCATION TRUST FUNDS



Source: New Hampshire Office of Legislative Budget Assistant, *House Ways and Means Revenue Estimates Worksheets - Revised*, February 23, 2021;
New Hampshire Department of Administrative Services

THE TRAILER BILL

OMNIBUS BILL ATTACHED TO OPERATING BUDGET, WOULD REORGANIZE AGENCIES

- 150 pages as introduced
- Pages 85 to 150 devoted to the organization of the Department of Energy and the reorganization of the Office of Strategic Initiatives and Public Utilities Commission
- Office of Strategic Initiatives removed from the Governor's office, split between the planning functions at the Department of Business and Economic Affairs and energy functions at the Department of Energy
- Plan required by January 2022 to merge the University and Community College Systems, Board of Trustees would be merged more quickly to form the plan, a single chancellor would be appointed for both systems

HEALTH AND HUMAN SERVICES PROVISIONS

- Appropriates \$17.3 million to a 60-bed secure psychiatric unit on the grounds of New Hampshire Hospital
- Appropriates \$10.0 million to Alvarez & Marsal report recommendation implementation for biennium, streamlining certain agency operations to support greater efficiency and accountability, certain transformation projects over four years
- Adds Medicaid Enhancement Tax revenues to the expanded Medicaid funding structure
- Establishes Emergency Services for Children, Youth, and Families Fund
- Changes State Retiree Health Insurance payment statutes
- Controlled Prescription Drug Health and Safety Program transferred to the Department of Health and Human Services
- Limits public funding for certain reproductive health services

FAMILY MEDICAL LEAVE

- Based on State employees forming base of program, other companies or individuals may voluntarily join
- Overseen by Department of Administrative Services, contracting with a private accident or life insurance company
- Eligible employees would receive 60 percent of wages (with a cap for higher incomes) for up to six weeks per year
- Eligible due to a birth or placement of a child, serious health condition of a family member, or certain military-related care
- Supported in part by Insurance Premium Tax revenues generated by the insurance provided through the program
- Credit against the Business Enterprise Tax for up to 50 percent of premium paid by sponsoring employer

LOCAL EDUCATION FUNDING

- Adds \$30 million during the biennium to the Public School Infrastructure Fund, which has focused on safety and security upgrades to schools, and explicitly permits use of the funds for energy efficient school buses
- Provides flexibility for school districts and communities to use the percentage of free and reduced-price school meal eligible students during the 2019-2020 school year or the 2020-2021 school year, whichever is higher, as a basis for calculating State aid
- Does not continue targeted aid to communities with lower relative taxable property wealth and higher concentrations of students from families with low incomes

AID TO LOCAL GOVERNMENTS

- Meals and Rentals Tax formula increase permitted, up to \$15 million more, depending on tax revenue
- Aid of \$20 million per year in revenue sharing in current budget not continued, and general revenue sharing formula suspension extended
- Caps for expected payments from counties raised by a total of about \$47.5 million over the biennium, matching the values in the proposed operating budget bill
- Continue suspension of certain environmental infrastructure grants to cities and towns

TAX POLICY CHANGES

- Reduces the Meals and Rentals Tax rate from 9 percent to 8.5 percent upon passage
- Eliminates the Interest and Dividends Tax, with a rate reduction phase out beginning in 2023, eliminating the tax on January 1, 2027
- Reduces the Business Enterprise Tax rate from 0.60 percent to 0.55 percent, starting in 2022
- Raising both of the thresholds for Business Enterprise Tax filing (based on gross receipts and enterprise value tax base) to \$250,000
- Limiting credits on the business taxes that can be carried forward to 50 percent of tax liability for each tax

OTHER CHANGES

- Altering certain higher education funds to focus on student debt relief, rather than only supporting scholarships
- Raising the limit on the Rainy Day Fund, basing the cap on the prior biennium's General Fund revenue rather than just the prior year
- Establishing a body-worn and dashboard camera fund to provide matching dollars for local law enforcement agencies
- Requiring any revenue that results due to an increased federal match in a DHHS program beyond the amount expected in the State Budget lapse to the General Fund
- Authorizing the sale of State property formerly known as the Laconia State School
- Many other provisions

FEDERAL ASSISTANCE

FEDERAL AID PENDING HOUSE PASSAGE

- Not yet statute, and all still subject to change
- Includes \$350 billion in aid to state, tribal, territorial, county, and municipal governments
- Each state receives \$500 million minimum, with additional aid distributed based on unemployment in the state, and no state, aggregated with aid to its local governments, receiving less than \$1.25 billion
- States would have to send a proposal and certify how money will be used; must be used for COVID-19 response, addressing negative economic impacts of the pandemic, provide services up to the amount of revenue loss during the pandemic, and water/sewer/broadband investments
- Cannot be used for net tax revenue reductions due to policy changes
- Available until the end of 2024

NOTEWORTHY UPCOMING DATES

- Budget Crossover: April 8, 2021, House Budget deadline
- March and April Cash Revenues Known: Early May 2021
- Senate Acts on House Bills: June 3, 2021,
Senate Budget deadline
- Committee of Conference report deadline: June 17, 2021
- Last day for House and Senate to pass Committee of
Conference reports: June 24, 2021
- State Fiscal Year 2022 Begins: July 1, 2021



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