



STATE REVENUES AND THE EDUCATION TRUST FUND IN 2022

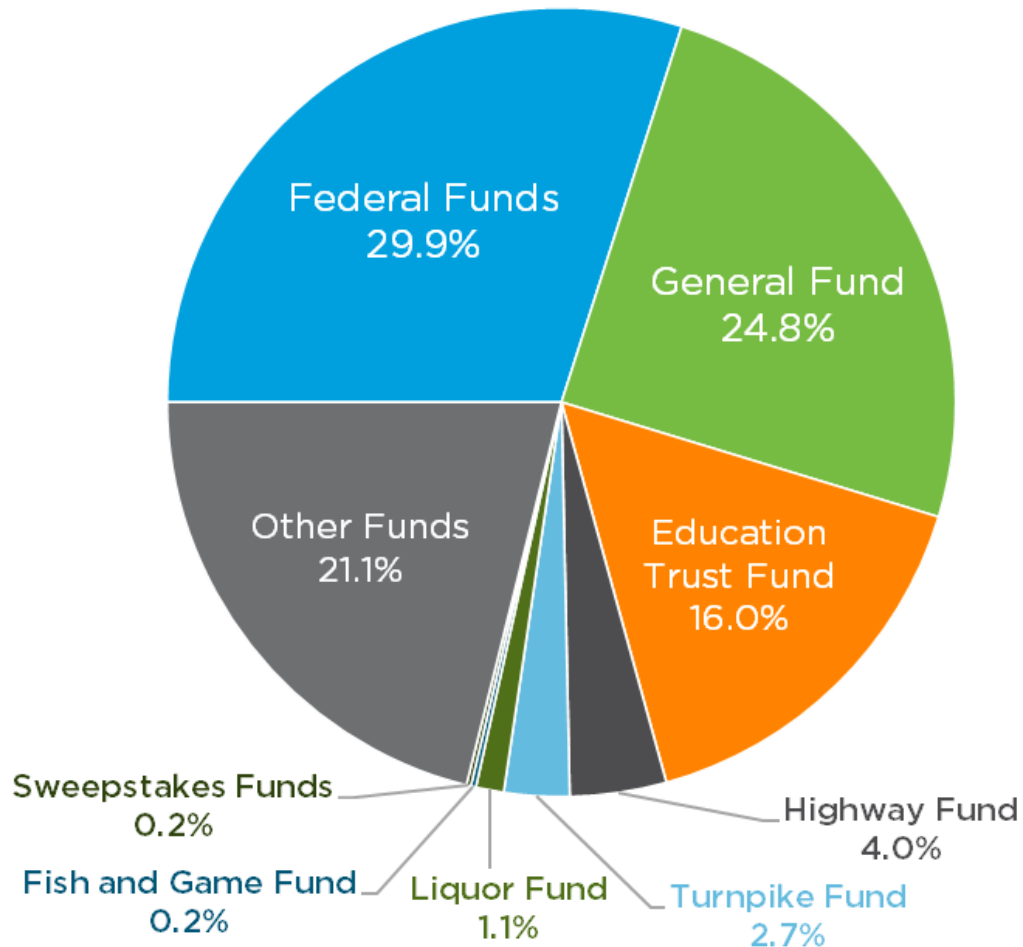
PRESENTED BY PHIL SLETTEN, SENIOR POLICY ANALYST

UNDERSTANDING SCHOOL FUNDING AND STATE REVENUES IN 2022
REACHING HIGHER NEW HAMPSHIRE
FEBRUARY 22, 2022

NEW HAMPSHIRE'S STATE BUDGET FUNDS

NEW HAMPSHIRE STATE BUDGET, STATE FISCAL YEAR 2021

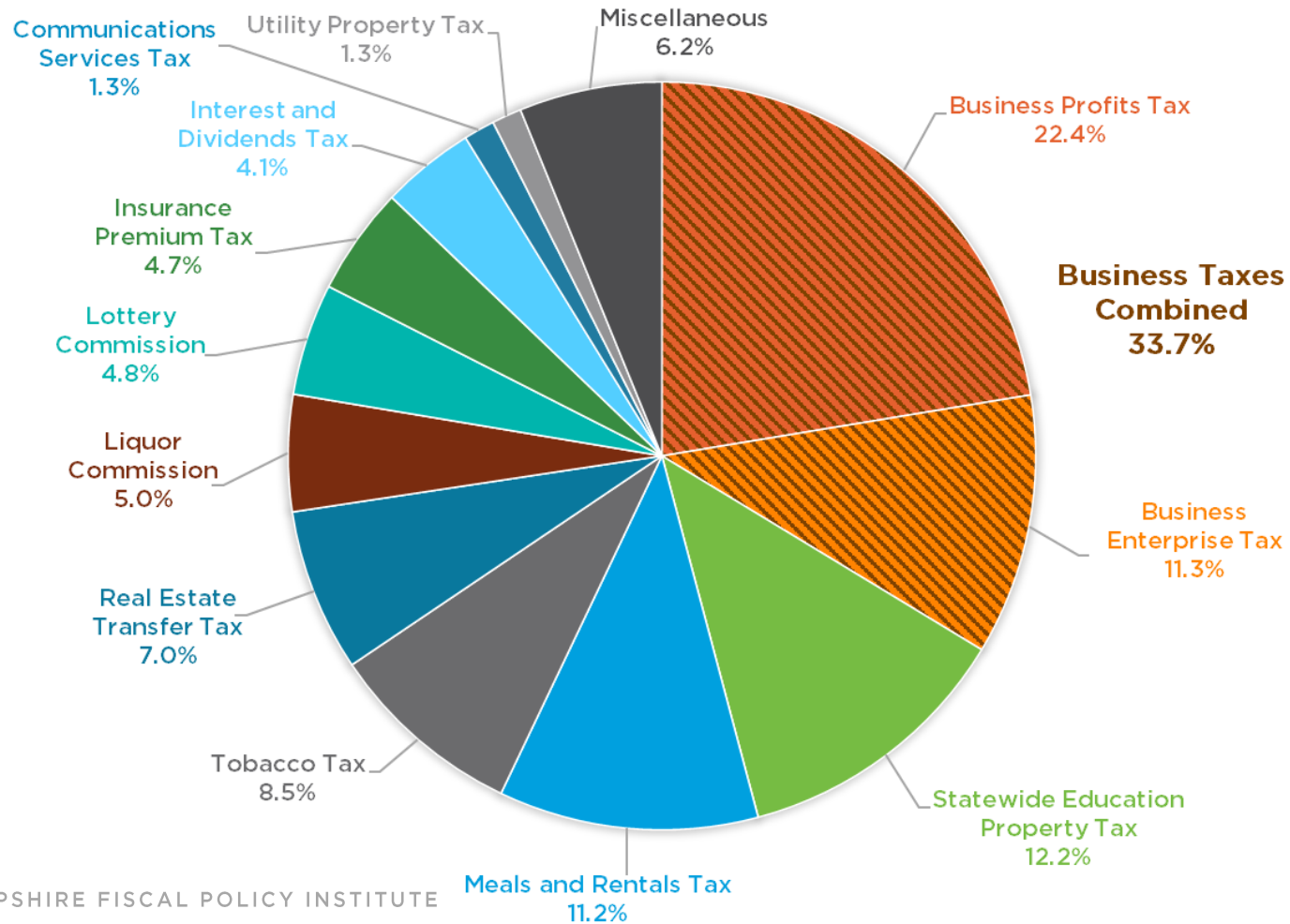
Source: Chapter 345, Laws of 2019



STATE'S DIVERSE REVENUE PICTURE

GENERAL AND EDUCATION TRUST FUNDS COMBINED REVENUE IN STATE FISCAL YEAR 2021

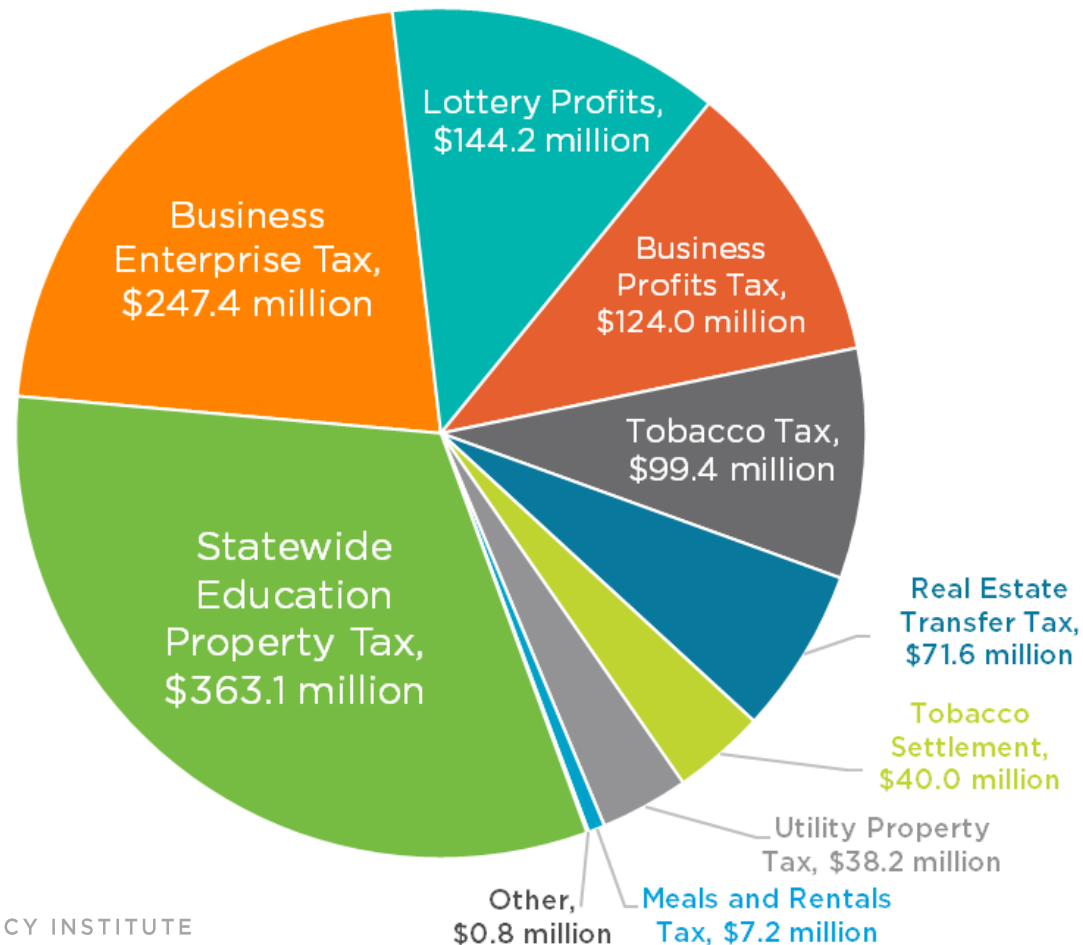
Source: New Hampshire Annual Comprehensive Financial Report, State Fiscal Year 2021



FUNDING THE EDUCATION TRUST FUND

NEW HAMPSHIRE'S EDUCATION TRUST FUND STATE FISCAL YEAR 2021 REVENUE SOURCES

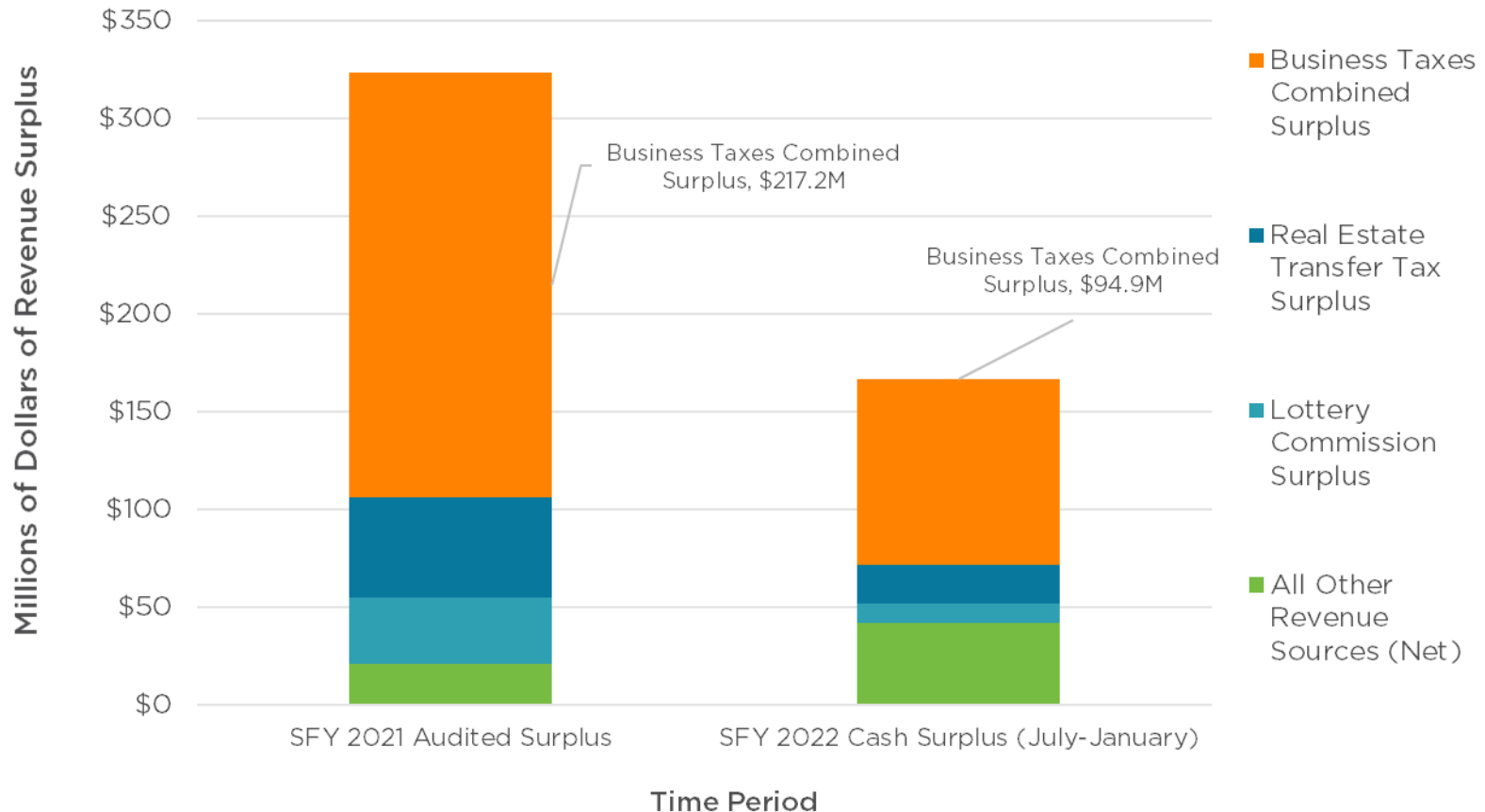
Source: New Hampshire Annual Comprehensive Financial Report, State Fiscal Year 2021



SIGNIFICANT OVERALL SURPLUSES

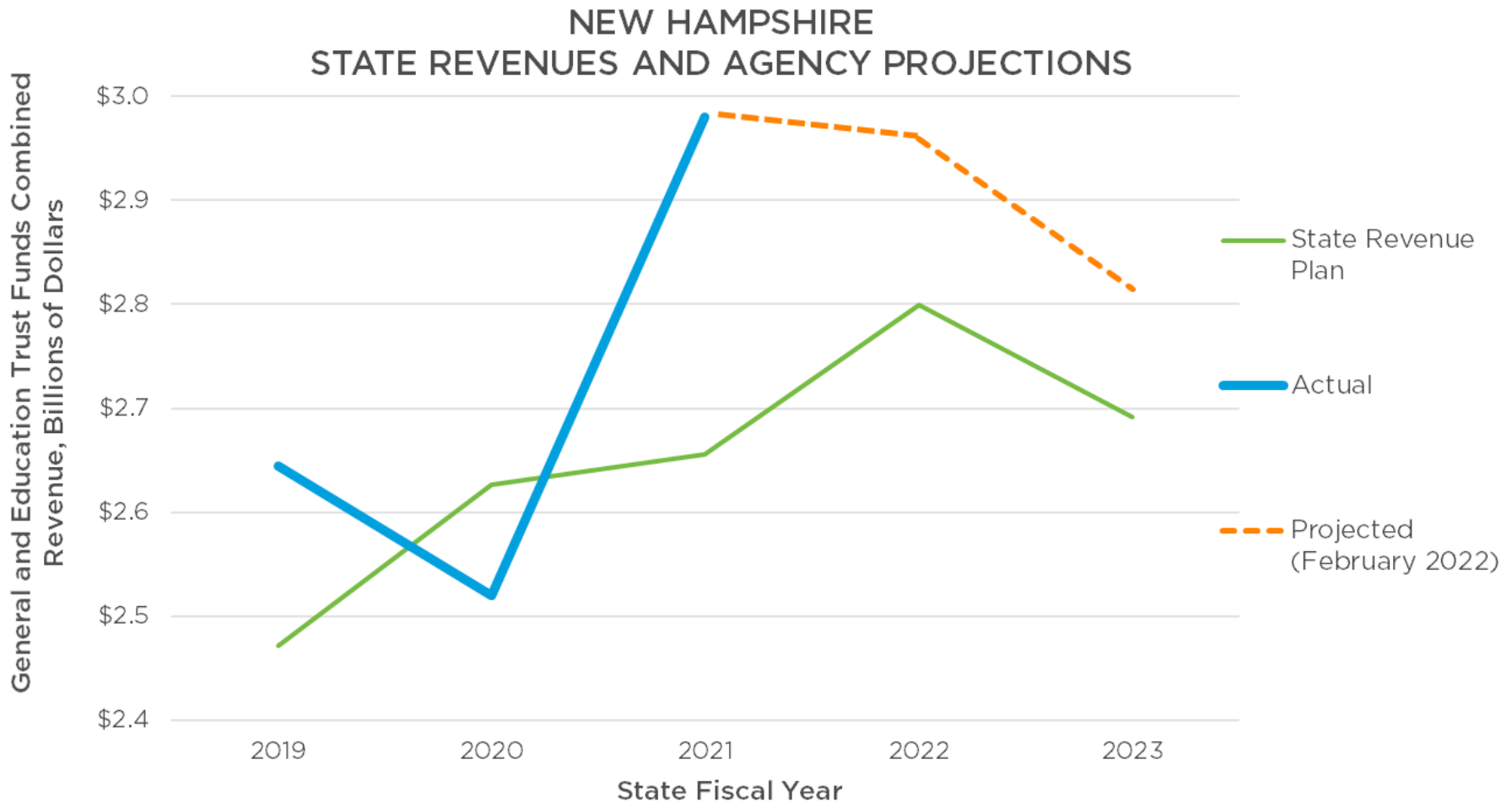
NEW HAMPSHIRE REVENUE SURPLUSES

State Fiscal Years (SFY) 2021 and 2022 Thus Far,
General and Education Trust Funds



Sources: New Hampshire Annual Comprehensive Financial Report, SFY 2021; New Hampshire Department of Administrative Services, January SFY 2022 Monthly Revenue Focus Report

PROJECTED REVENUES ABOVE PLAN BUT SHOW DECLINE



Sources: New Hampshire Annual Comprehensive Financial Report, SFY 2021;
New Hampshire Department of Administrative Services

U.S. CORPORATE PROFITS HIGH, BOOSTING NH BUSINESS PROFITS TAX

U.S. CORPORATE PROFITS BY QUARTER

Corporate Profits Adjusted for Inventory Valuation and Capital Consumption,
Annual Rate, Seasonally Adjusted



Source: Federal Reserve Bank of St. Louis

EDUCATION TRUST FUND AFFECTED BY REVENUE SPLITS, UNBUDGETED COSTS

Business Profits Tax vs. Business Enterprise Tax

- Business taxes filed together, revenues not parsed out until final audits
- Most Business Enterprise Tax revenue supports Education Trust Fund
- Most Business Profits Tax revenue supports the General Fund
- Revenue increases may be due more to profits than enterprise tax base

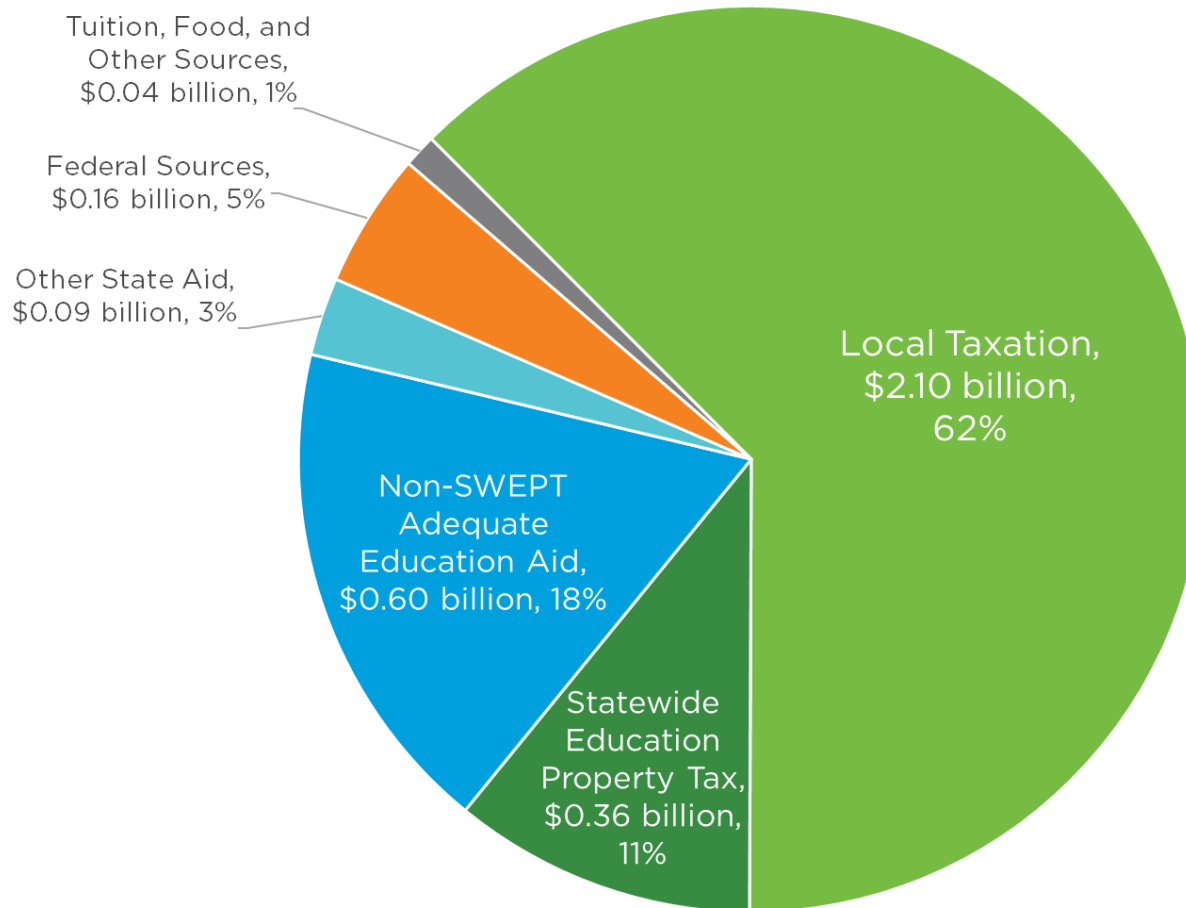
Education Trust Fund Balance

- Education Trust Fund carries forward any surplus, and any shortfall is offset by the General Fund
- As of the end of December 2021, the Education Trust Fund had an estimated surplus of \$40.6 million, while six months earlier budget writers had projected a surplus of \$54.4 million for December 2021
- Two primary reasons identified by Office of Legislative Budget Assistant:
 - \$8 million from Education Freedom Accounts not projected during budget process
 - \$2.4 million in additional Adequate Education Aid over budget based on student enrollment projections

MOST LOCAL PUBLIC SCHOOL DISTRICT REVENUE PRODUCED BY PROPERTY TAXES

SCHOOL DISTRICT REVENUE 2019-2020

Source: New Hampshire Department of Education, December 21, 2020



KEY TAKEAWAYS

- State is in very good financial shape overall, particularly when including the Rainy Day Fund balance and federal funds
- Future revenues may not be as high as the State Fiscal Year 2021 revenues, due in part to reduced tax rates in future years
- Education Trust Fund surplus was smaller than expected at the end of December 2021
- Education Trust Fund can rely on General Fund for support if needed at the end of each year
- The State has significant resources to help create more equitable and inclusive educational opportunities



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