STATE REVENUES AND THE EDUCATION TRUST FUND IN 2022

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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

- Federal Funds: 29.9%
- General Fund: 24.8%
- Education Trust Fund: 16.0%
- Other Funds: 21.1%
- Sweepstakes Funds: 0.2%
- Fish and Game Fund: 0.2%
- Liquor Fund: 1.1%
- Turnpike Fund: 2.7%
- Highway Fund: 4.0%
STATE’S DIVERSE REVENUE PICTURE

GENERAL AND EDUCATION TRUST FUNDS

COMBINED REVENUE IN STATE FISCAL YEAR 2021


- Business Profits Tax 22.4%
- Business Taxes Combined 33.7%
- Business Enterprise Tax 11.3%
- Statewide Education Property Tax 12.2%
- Meals and Rentals Tax 11.2%
- Tobacco Tax 8.5%
- Real Estate Transfer Tax 7.0%
- Liquor Commission 5.0%
- Lottery Commission 4.8%
- Insurance Premium Tax 4.7%
- Interest and Dividends Tax 4.1%
- Utility Property Tax 1.3%
- Communications Services Tax 1.3%
- Miscellaneous 6.2%

NEW HAMPSHIRE FISCAL POLICY INSTITUTE
FUNDING THE EDUCATION TRUST FUND

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


- Business Enterprise Tax, $247.4 million
- Statewide Education Property Tax, $363.1 million
- Lottery Profits, $144.2 million
- Business Profits Tax, $124.0 million
- Tobacco Tax, $99.4 million
- Real Estate Transfer Tax, $71.6 million
- Tobacco Settlement, $40.0 million
- Utility Property Tax, $38.2 million
- Meals and Rentals Tax, $7.2 million
- Other, $0.8 million
SIGNIFICANT OVERALL SURPLUSES

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

Time Period
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

NEW HAMPSHIRE STATE REVENUES AND AGENCY PROJECTIONS

General and Education Trust Funds Combined Revenue, Billions of Dollars

State Fiscal Year

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

Billions of Dollars

$3,000

$2,750

$2,500

$2,250

$2,000

$1,750


Month and Year
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

Sources: NHFPI. Revenue in Review, May 2017; New Hampshire Office of Legislative Budget Assistant, Joint Economic Briefing Presentation, January 28, 2022
MOST LOCAL PUBLIC SCHOOL DISTRICT REVENUE PRODUCED BY PROPERTY TAXES

SCHOOL DISTRICT REVENUE 2019-2020

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

- Local Taxation, $2.10 billion, 62%
- Non-SWEPT Adequate Education Aid, $0.60 billion, 18%
- Statewide Education Property Tax, $0.36 billion, 11%
- Other State Aid, $0.09 billion, 3%
- Federal Sources, $0.16 billion, 5%
- Tuition, Food, and Other Sources, $0.04 billion, 1%
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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