



NEW HAMPSHIRE'S STATE BUDGET AND FUNDING FOR PUBLIC SERVICES

PRESENTED BY PHIL SLETTEN, RESEARCH DIRECTOR

KENT STREET COALITION

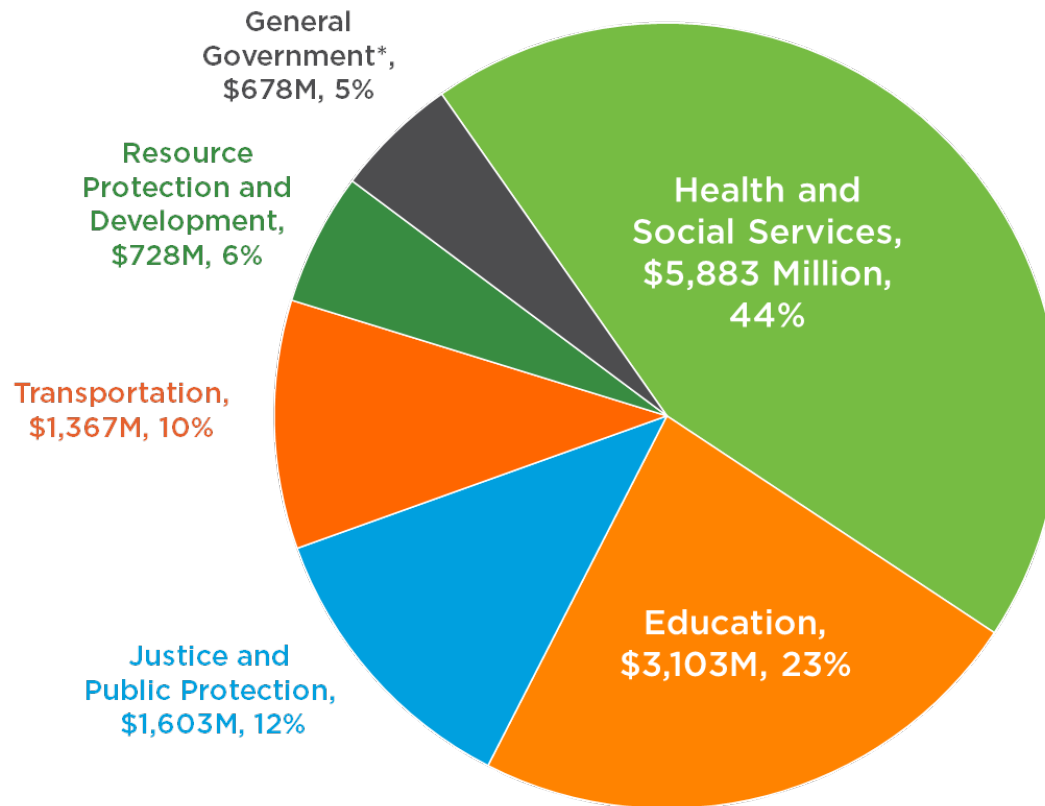
AUGUST 18, 2022

BASICS OF THE STATE BUDGET

- Two-year, or biennial, operating budget
 - Funds *most* State operations for two State Fiscal Years (SFYs)
 - Current State Budget provides funding for SFYs 2022-2023 (July 1, 2021 to June 30, 2023), more than \$13 billion in appropriations
- Comprised of two separate pieces of legislation
 - Operating Budget Bill, typically House Bill 1 or “HB 1,” holds the line-item appropriations, amount of money in each component of State programs
 - Trailer Bill, typically House Bill 2 or “HB 2,” is the companion omnibus bill with policy changes and appropriations separate from HB 1
- Not all State expenditures, spending plans are in State Budget
 - Capital Budget, covers six years with changes every two years
 - Ten Year Transportation Improvement Plan, altered every two years
 - Separately authorized expenditures, such as bills that appropriate funds, authorized spending through Joint Legislative Fiscal Committee, or separate off-budget funds; expanded Medicaid under the Patient Protection and Affordable Care Act authorized outside of the State Budget

STATE BUDGET APPROPRIATIONS BY CATEGORY OF SERVICE AREA

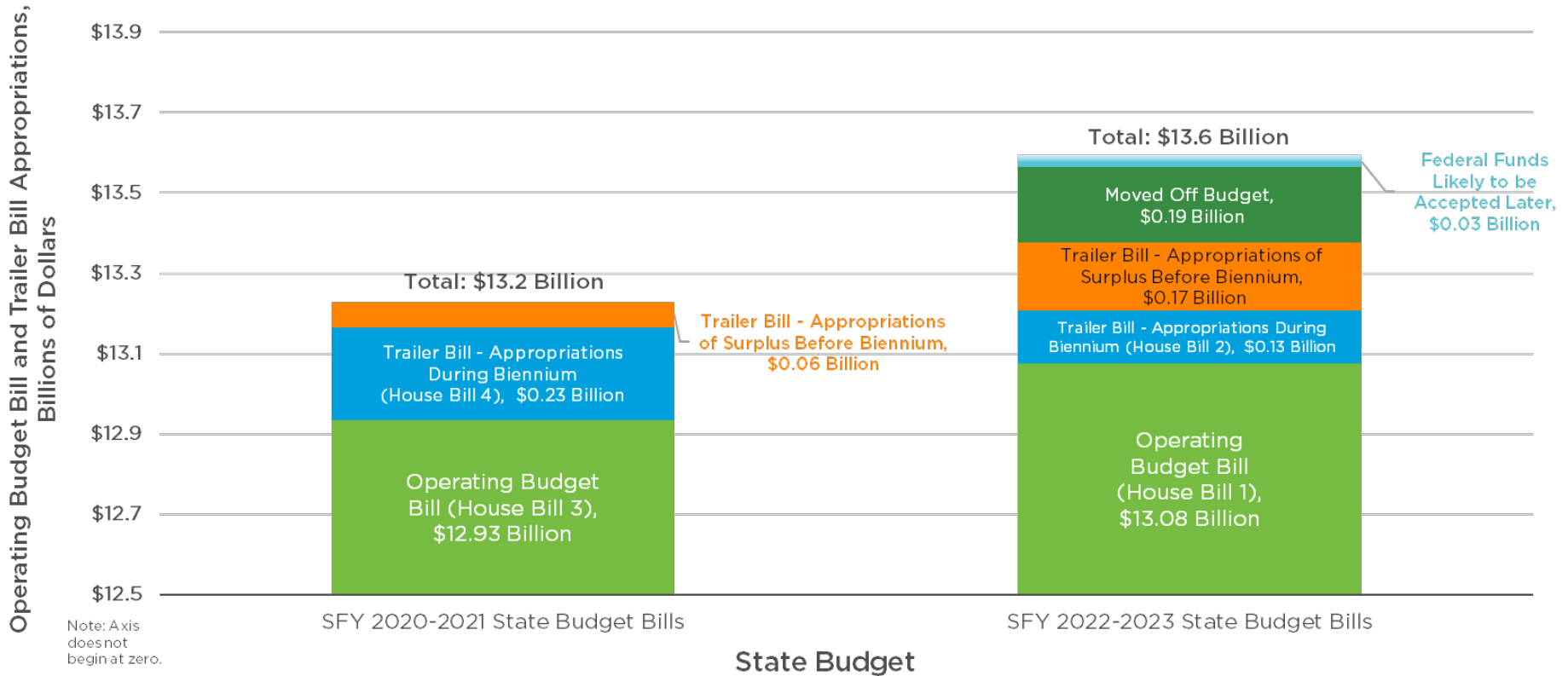
STATE BUDGET LEGISLATION APPROPRIATIONS
State Fiscal Years 2022-23 and Trailer Bill SFY 2021 Appropriations



Note: General Government includes HB 2 appropriations for the Affordable Housing Fund, FRM Victim's Fund, and State employee pay raises.
Source: HB 1 and HB 2 as Approved, 2021 Session; New Hampshire Office of Legislative Budget Assistant, Surplus Statements, June 2021

CURRENT STATE BUDGET LARGER IN SIZE, MOVED MORE FUNDS OFF BUDGET

APPROPRIATIONS FROM PRIOR AND CURRENT NEW HAMPSHIRE STATE BUDGET BILLS

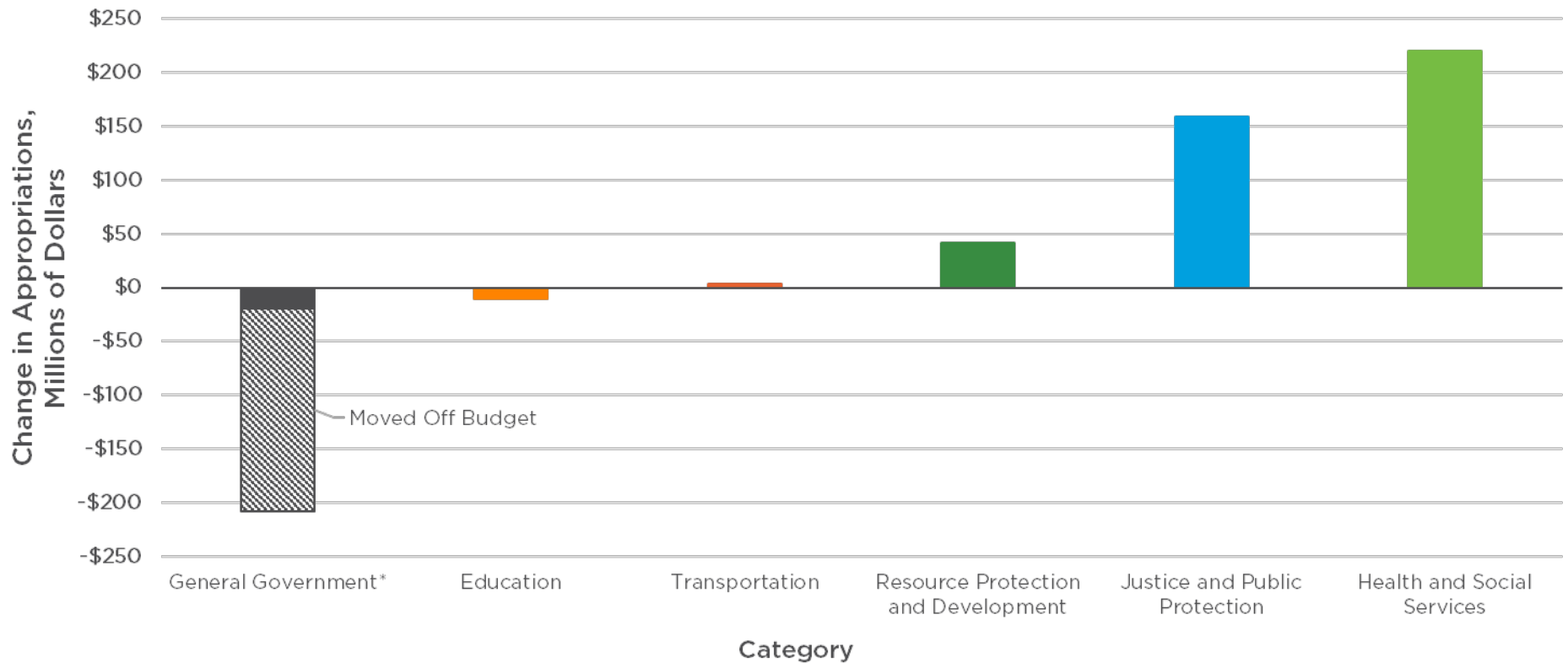


Note: Figures include all back-of-budget changes and Trailer Bill Appropriations, including changes identified on General, Education Trust, Highway, and Fish and Game Funds Surplus Statements prepared by the New Hampshire Office of Legislative Budget Assistant and changes to other funds identified in Office of Legislative Budget Assistant compare reports and legislative language.

Sources: New Hampshire Office of Legislative Budget Assistant, Surplus Statements; Chapter 345, Laws of 2019; Chapter 346, Laws of 2019; Chapter 90, Laws of 2021; Chapter 91, Laws of 2021.

CHANGES IN APPROPRIATIONS NOT EVEN ACROSS BUDGET CATEGORIES

DIFFERENCE BETWEEN THE PRIOR STATE BUDGET'S APPROPRIATIONS AS ENACTED AND THE NEW STATE BUDGET'S APPROPRIATIONS BY CATEGORY



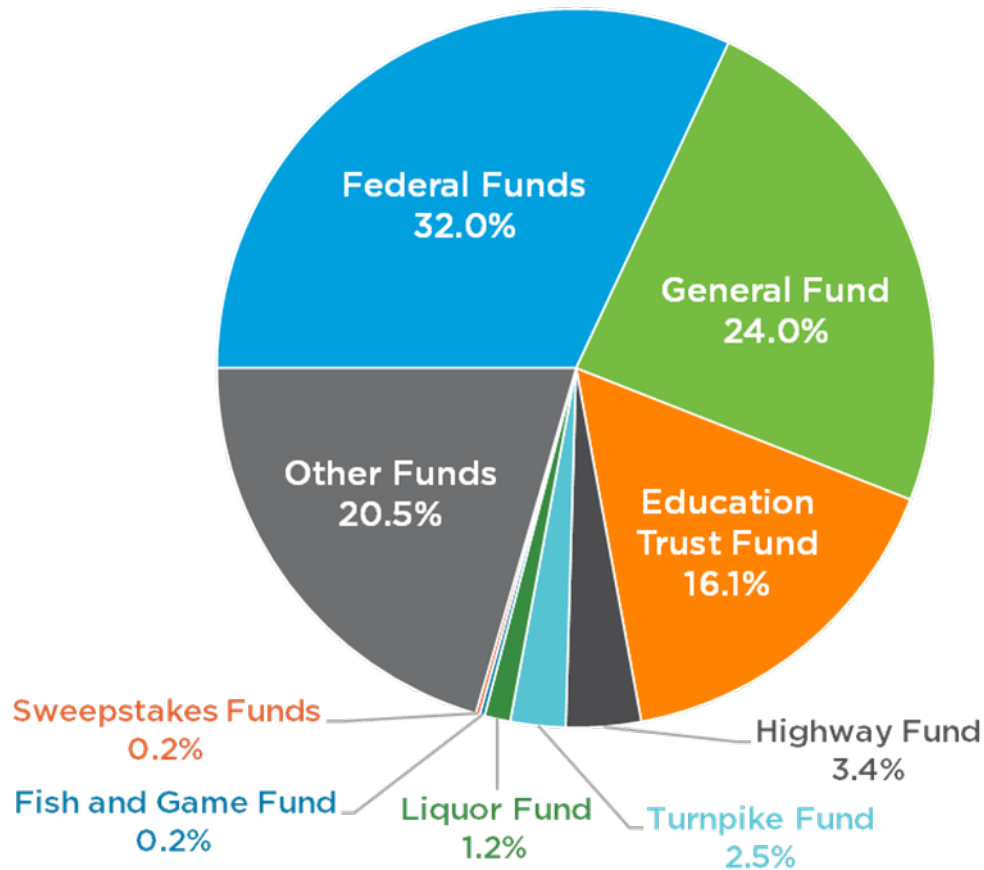
Note: Figures by category do not control for proposed agency reorganizations. Graph shows both Operating Budget Bill and Trailer Bill appropriations. *General Government includes Trailer Bill appropriations for the Affordable Housing Fund, FRM Victim's Fund, and State employee pay raises.

Sources: New Hampshire Office of Legislative Budget Assistant; HB 1 and HB 2 as Adopted, 2021 Session; Chapters 345 and 346. Laws of 2019

NEW HAMPSHIRE'S STATE BUDGET FUNDS

NEW HAMPSHIRE STATE BUDGET, STATE FISCAL YEAR 2022

Source: Chapter 90, Laws of 2021, Section 1.07



- Funds act like accounts
- Interact with one another
- General Fund holds the most flexible dollars
- General Fund fills any Education Trust Fund shortfall
- Lottery revenues, gasoline and motor-vehicle revenues directed by the State Constitution
- Other funds directed by statute
- Federal Funds support about a third of the State Budget

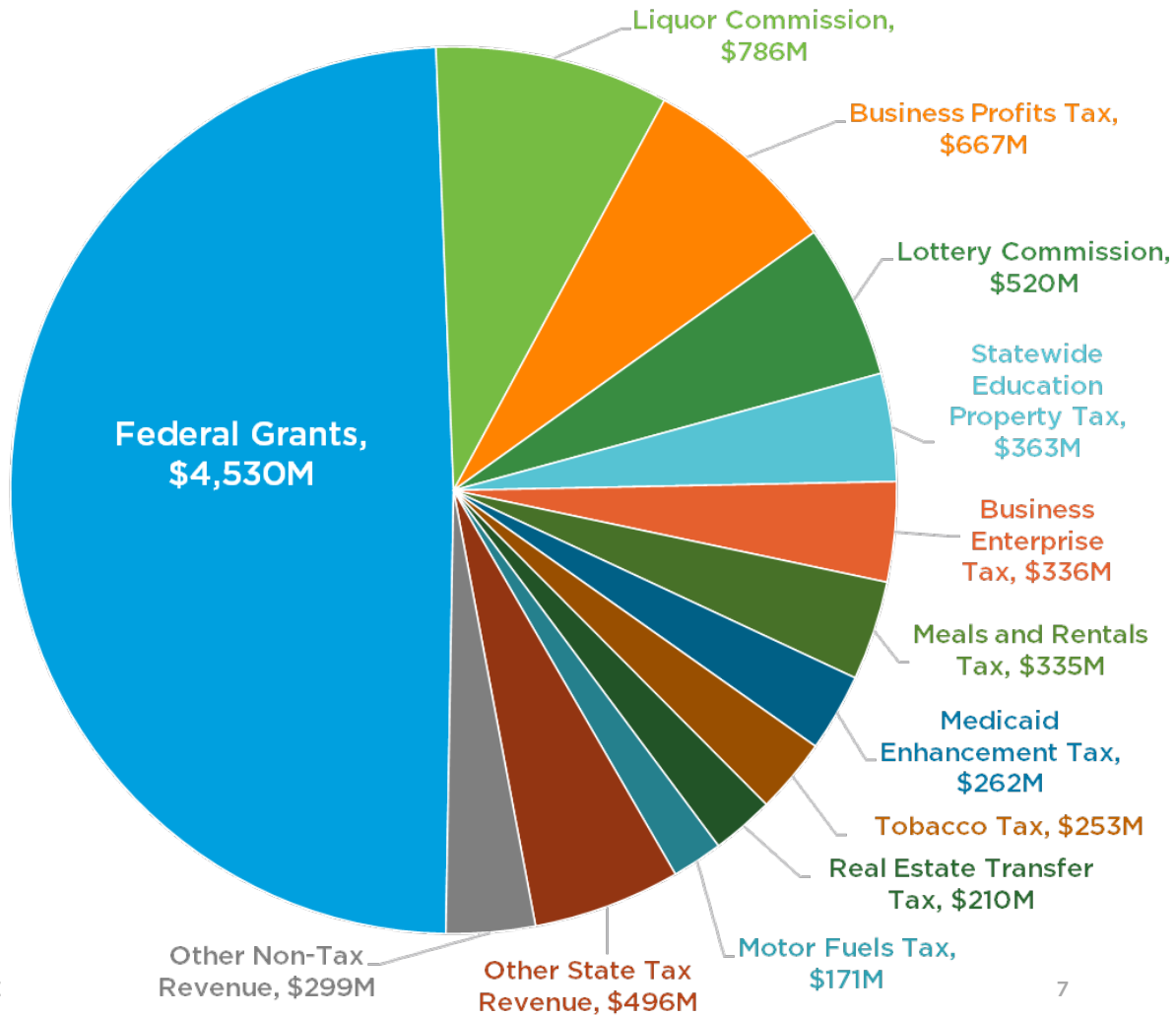
Sources: New Hampshire State Constitution, Part 2, Articles 6-a and 6-b; NHFPI, *Building the Budget*, February 2017.

STATE TAX AND OTHER REVENUES

- Federal transfers still significant outside of pandemic-related aid, all included in this figure's calculations
- Not all federal aid, or all State spending, flows through the State Budget
- Gross revenues from the Liquor Commission and the Lottery Commission are among largest State revenue sources, but many funds go to support internal operations
- Business Profits Tax is the largest State tax revenue source

STATE REVENUE SOURCES, GOVERNMENTAL AND ENTERPRISE FUNDS, STATE FISCAL YEAR 2021

Source: New Hampshire Annual Comprehensive Financial Report, SFY 2021



LARGEST STATE TAX REVENUE SOURCES

To All Funds (State Fiscal Year 2021)

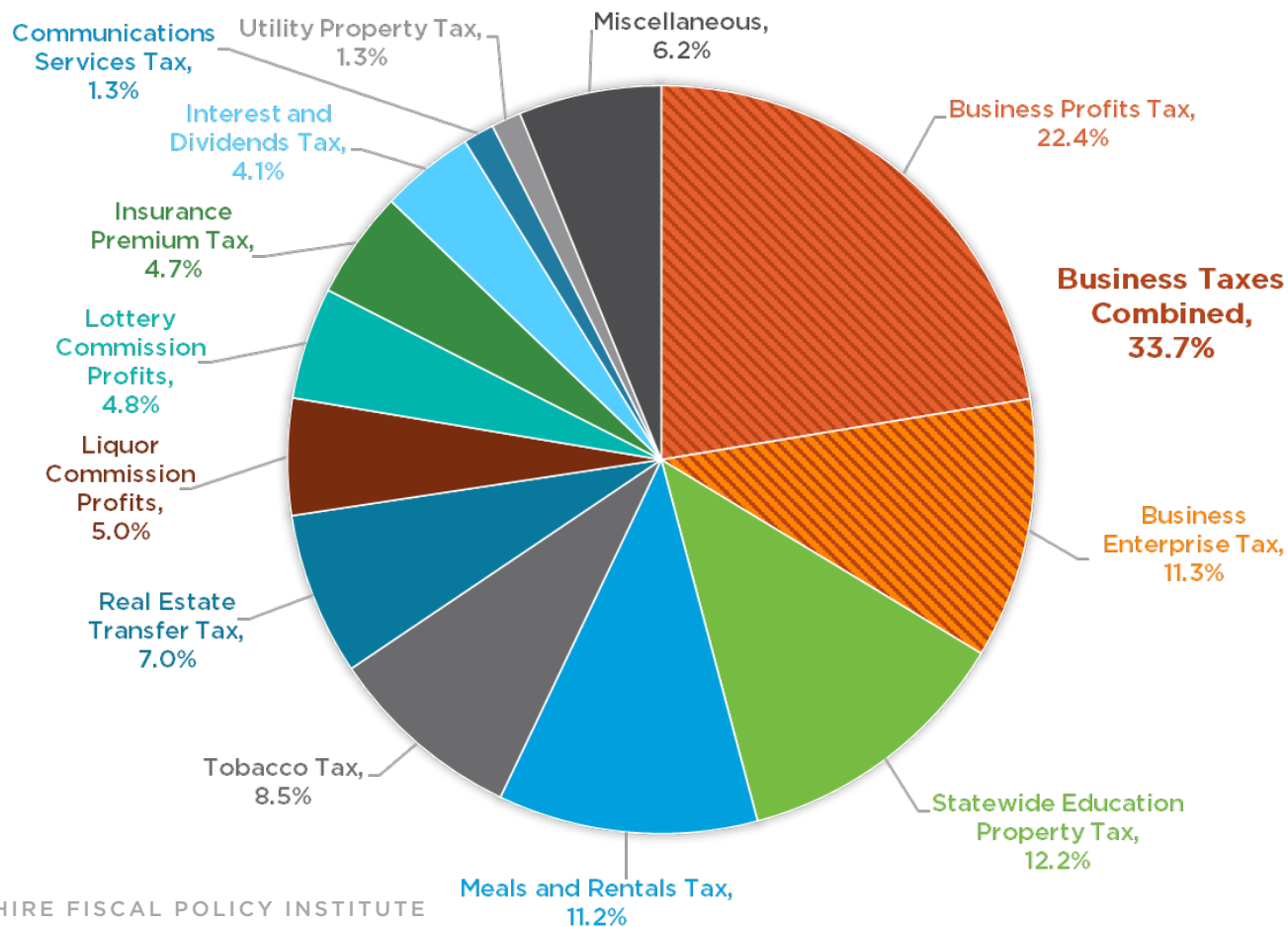
- Business Profits Tax - \$667.2 million (estimate)
- Statewide Education Property Tax - \$363.1 million
- Business Enterprise Tax - \$336.0 million (estimate)
- Meals and Rentals Tax - \$334.7 million
- Medicaid Enhancement Tax - \$262.3 million
- Tobacco Tax - \$252.6 million
- Real Estate Transfer Tax - \$209.8 million
- Motor Fuels Tax - \$171.0 million
- Insurance Premium Tax - \$147.5 million
- Interest and Dividends Tax - \$120.7 million

Sources: New Hampshire Annual Comprehensive Financial Report for the Fiscal Year Ending June 30, 2021; New Hampshire Department of Revenue Administration; New Hampshire Treasury Department.

GENERAL AND EDUCATION TRUST FUNDS SHARE MANY REVENUE SOURCES

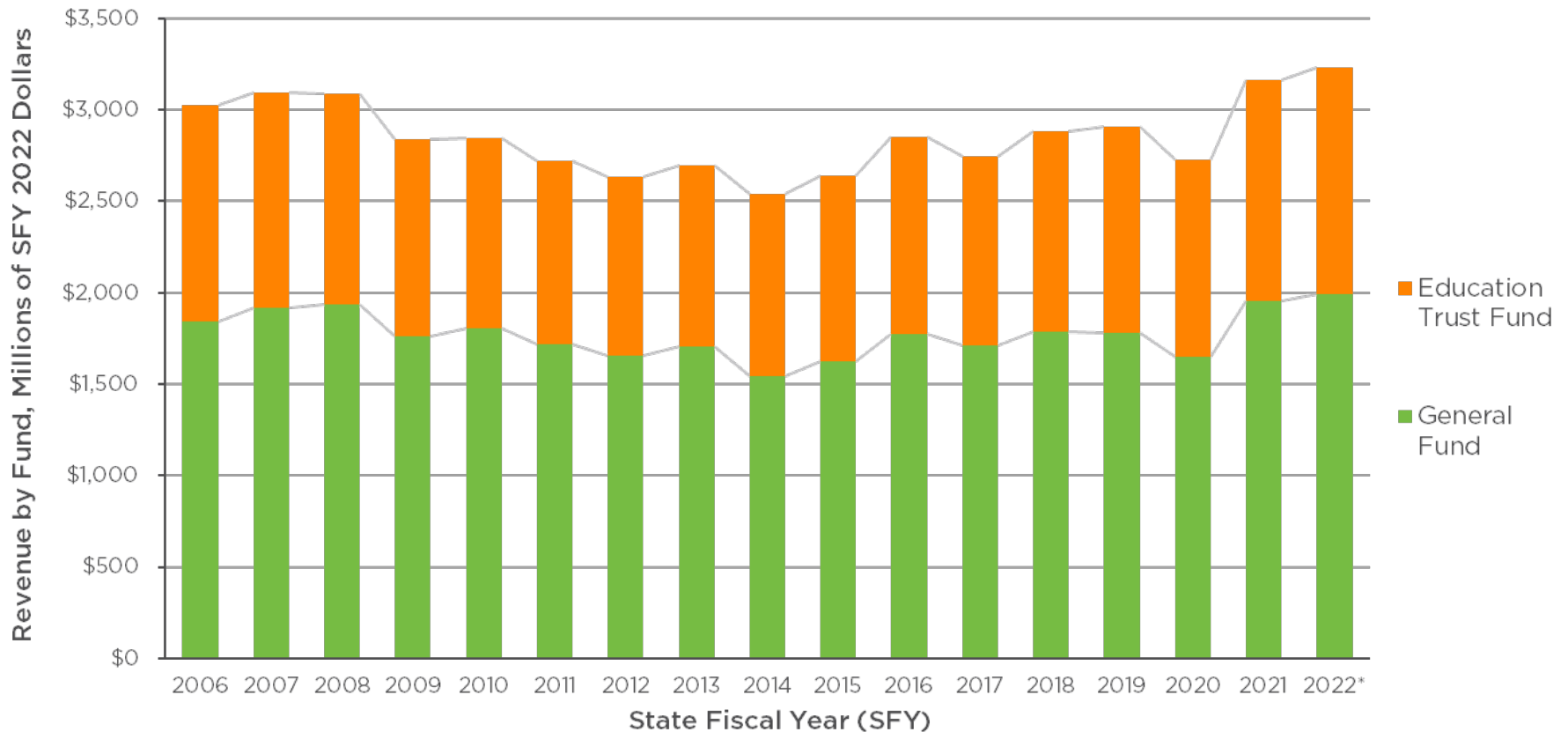
GENERAL AND EDUCATION TRUST FUNDS COMBINED REVENUE IN STATE FISCAL YEAR 2021

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



INFLATION-ADJUSTED REVENUE TO KEY FUNDS SHOWS RECENT GROWTH

GENERAL AND EDUCATION TRUST FUND REVENUE, ADJUSTED FOR INFLATION



*Note: 2022 data are preliminary accrual data, not final audited figures.
 Sources: New Hampshire Comprehensive Annual Financial Reports, SFYs 2014-2022
 U.S. Bureau of Labor Statistics Consumer Price Index-Urban, Northeast

THE TWO PRIMARY BUSINESS TAXES

Business Profits Tax

- Tax based on gross business profits, adjustments (BET), and apportionment
- Tax base likely about \$6.7 billion in Tax Year 2019
- Supports the General Fund and the Education Trust Fund
- Recent rate reductions
 - 2001-2015: 8.5%, 2016-17: 8.2%, 2018: 7.9%, 2019-21: 7.7%, 2022: 7.6%, 2023: 7.5%

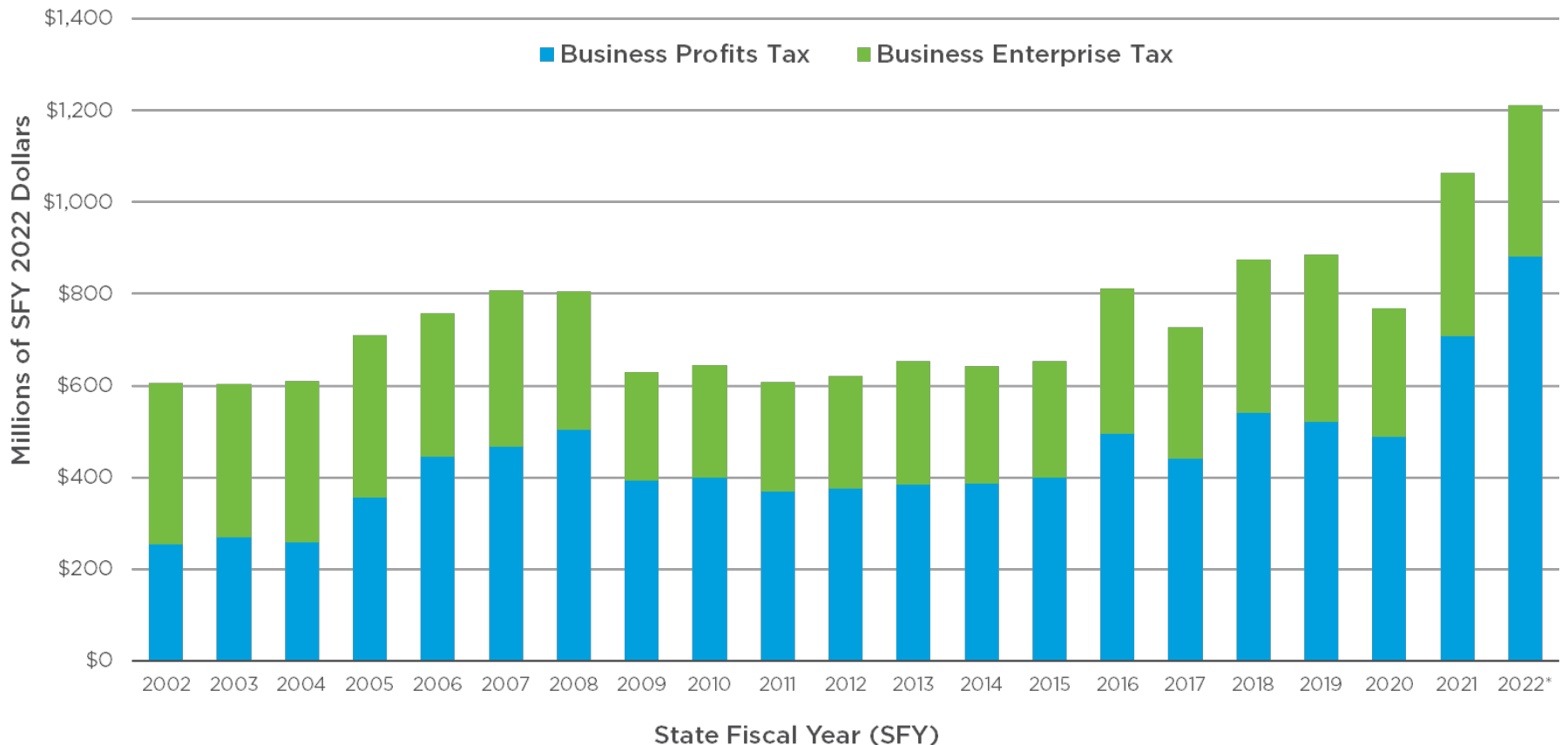
Business Enterprise Tax

- Unique among state business taxes, based on compensation and interest paid or accrued and dividends paid, adjustments, and apportionment
- Broader tax base, likely about \$34.4 billion in Tax Year 2019
- Supports the General Fund and the Education Trust Fund
- Recent rate reductions
 - 2001-2015: 0.750%, 2016-17: 0.720%, 2018: 0.675%, 2019-21: 0.600%, 2022: 0.550%

Sources: New Hampshire Fiscal Policy Institute, *Revenue in Review*, May 2017; New Hampshire Department of Revenue Administration

INFLATION-ADJUSTED REVENUE FROM TWO PRIMARY BUSINESS TAXES

NEW HAMPSHIRE BUSINESS PROFITS TAX AND BUSINESS ENTERPRISE TAX
GENERAL AND EDUCATION TRUST FUNDS INFLATION-ADJUSTED REVENUE

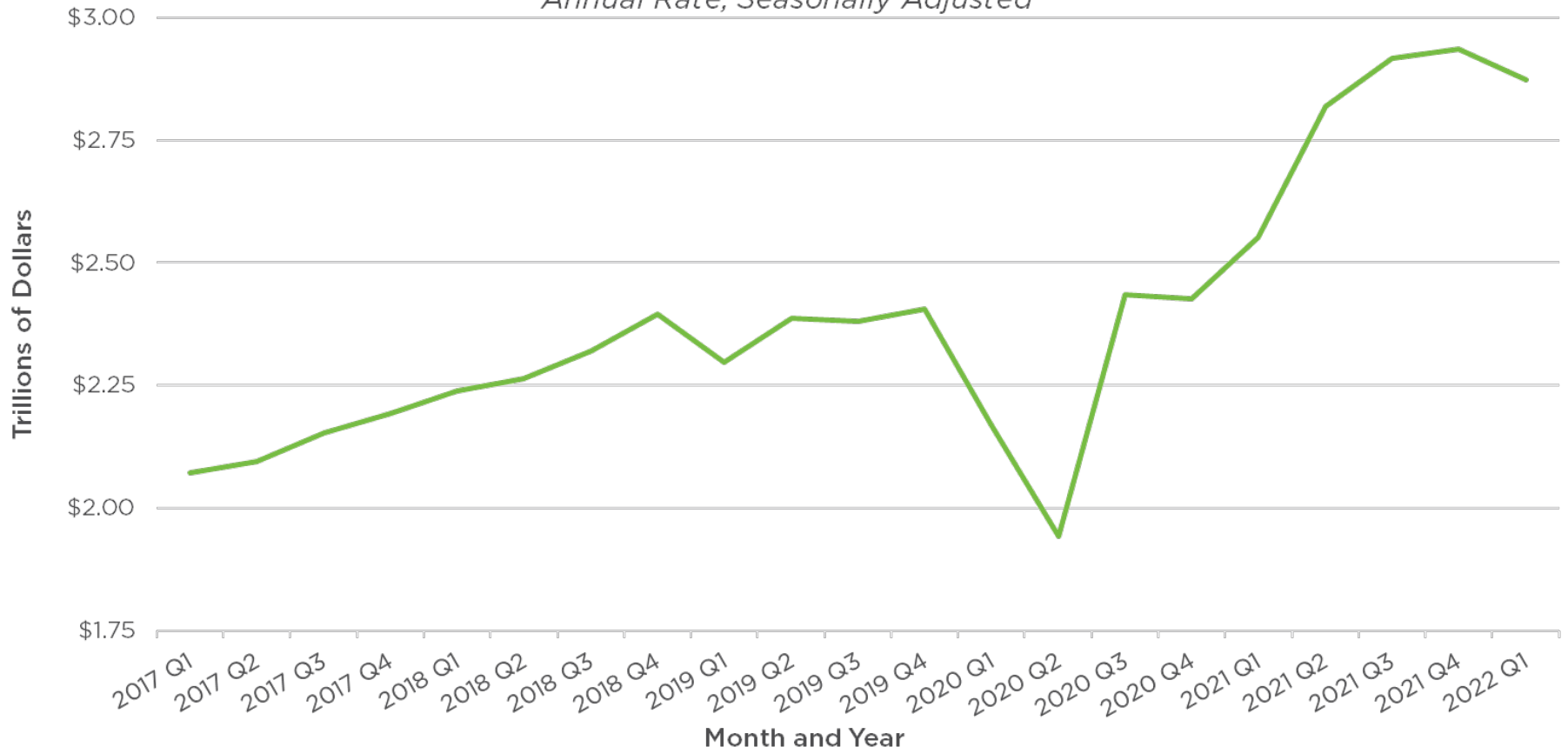


*Note: 2022 data are preliminary accrual data, not final audited figures. Final sorting between these two taxes not reported fully in the Annual Comprehensive Financial Reports.
Sources: New Hampshire Annual Comprehensive Financial Reports; U.S. Bureau of Labor Statistics, CPI-U, Northeast

HIGH NATIONAL CORPORATE PROFITS LIKELY BOOSTING STATE REVENUES

U.S. CORPORATE PROFITS BY QUARTER

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



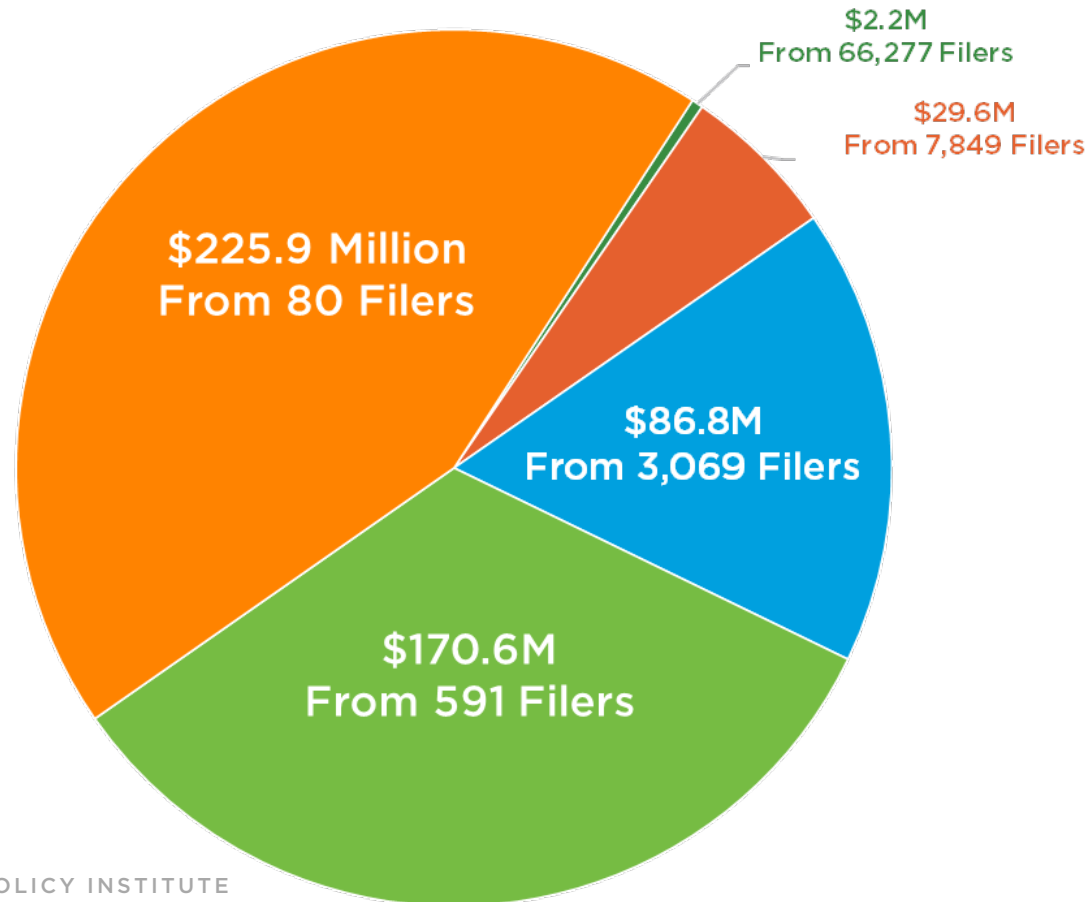
Source: U.S. Federal Reserve Bank of St. Louis

LARGE ENTITIES KEY TO BPT BASE

NEW HAMPSHIRE BUSINESS PROFITS TAX PAID AND NUMBER OF FILERS

Tax Year 2019

Source: New Hampshire Department of Revenue Administration, 2021 Annual Report

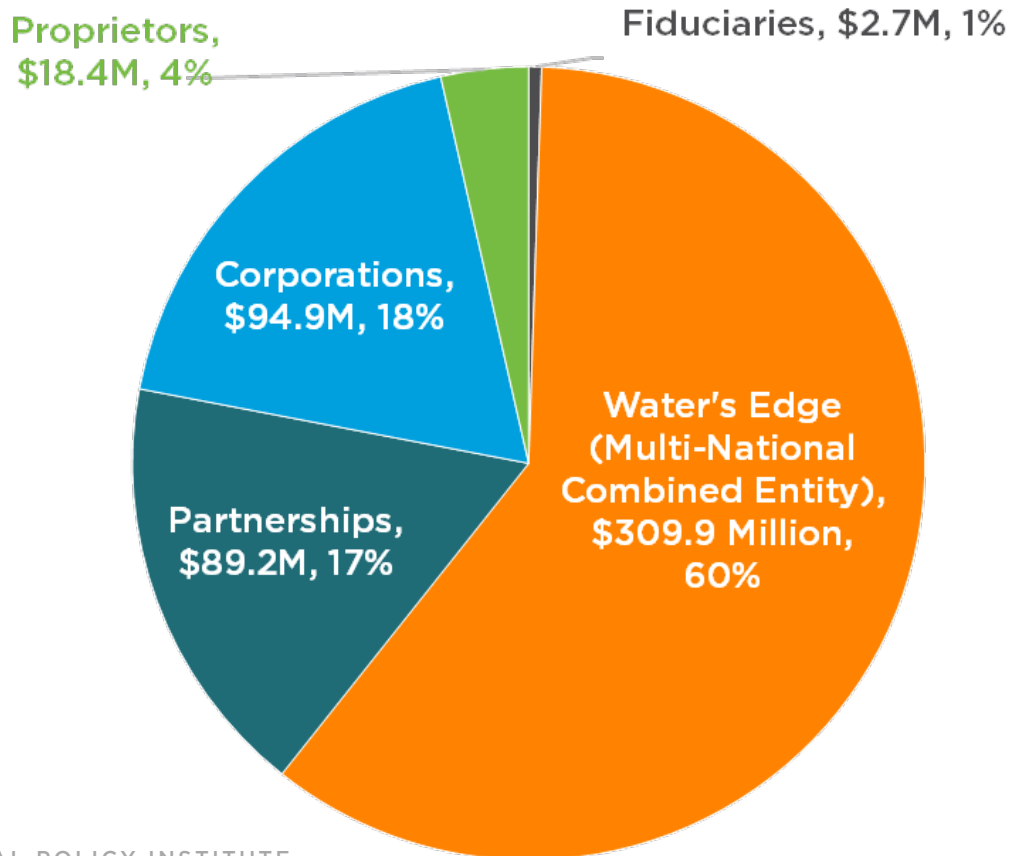


MAJORITY OF TAX REVENUE FROM FILERS WITH SIGNIFICANT OVERSEAS COMPONENT

BUSINESS PROFITS TAX FILERS BY LIABILITY

Tax Year 2019

Source: New Hampshire Department of Revenue Administration, 2021 Annual Report



INTEREST AND DIVIDENDS TAX TO BE ELIMINATED BY 2027 UNDER CURRENT LAW

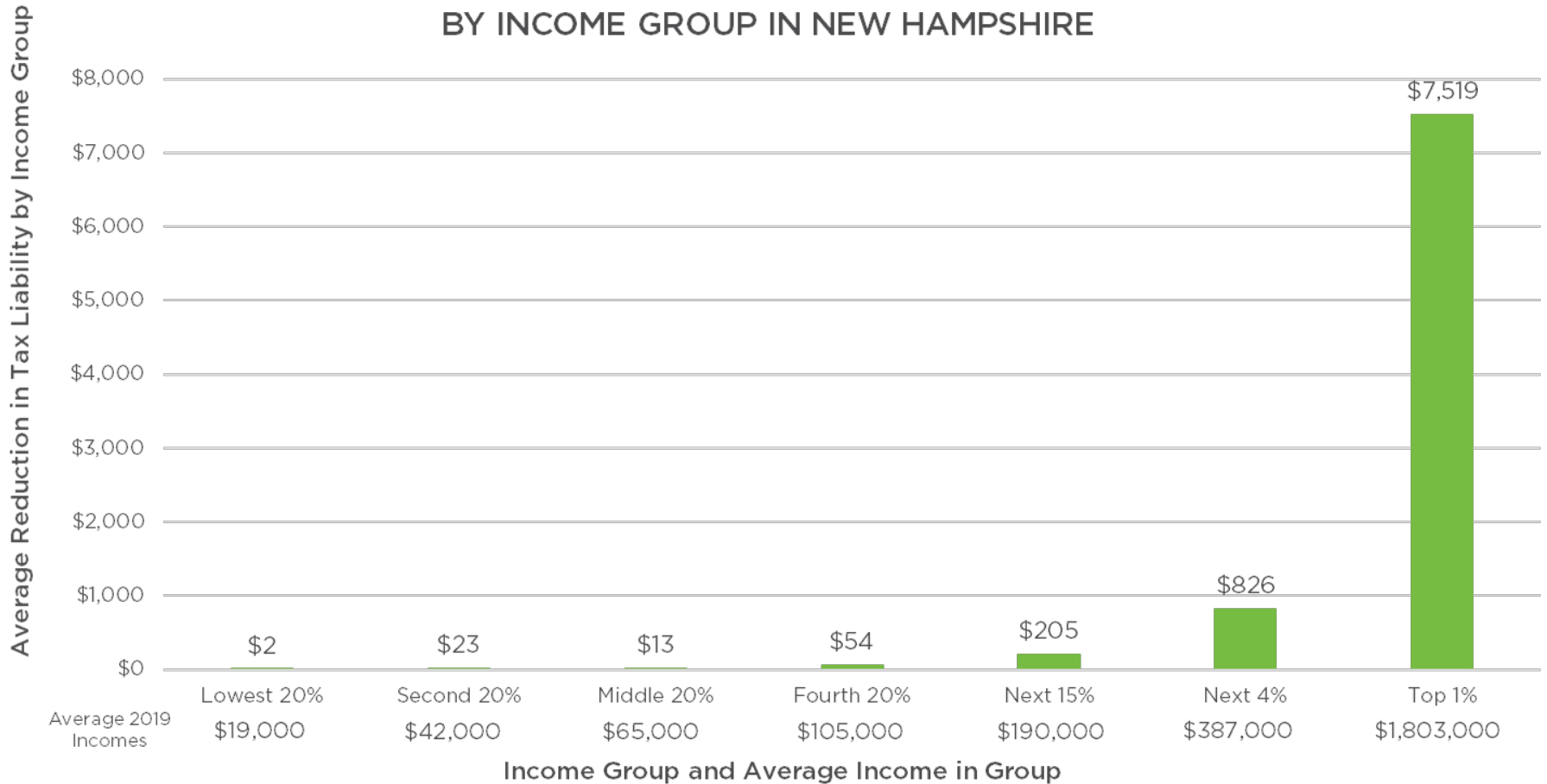
NEW HAMPSHIRE INTEREST AND DIVIDENDS TAX FILERS BY INCOME AND TAX PAID, TAX YEAR 2019

| Taxable Interest and Dividend Income of at Least: | Percentage of Filers | Percentage of Total Tax Revenue Paid |
|---|----------------------|--------------------------------------|
| \$5,000,000 | 0.03% | 9.51% |
| \$2,000,000 | 0.12% | 16.97% |
| \$1,000,000 | 0.32% | 25.18% |
| \$200,000 | 2.61% | 50.96% |
| \$20,000 | 25.41% | 89.54% |
| \$10,000 | 38.84% | 95.31% |
| \$20 | 79.08% | 100.00% |
| \$0 | 100.00% | 100.00% |
| Total Filers/Revenue | 71,785 | \$119,533,123 |

Source: New Hampshire Department of Revenue Administration, 2021 Annual Report

HIGH-INCOME FILERS KEY PART OF INTEREST AND DIVIDENDS TAX BASE

AVERAGE TAX REDUCTION FROM INTEREST AND DIVIDENDS TAX ELIMINATION BY INCOME GROUP IN NEW HAMPSHIRE

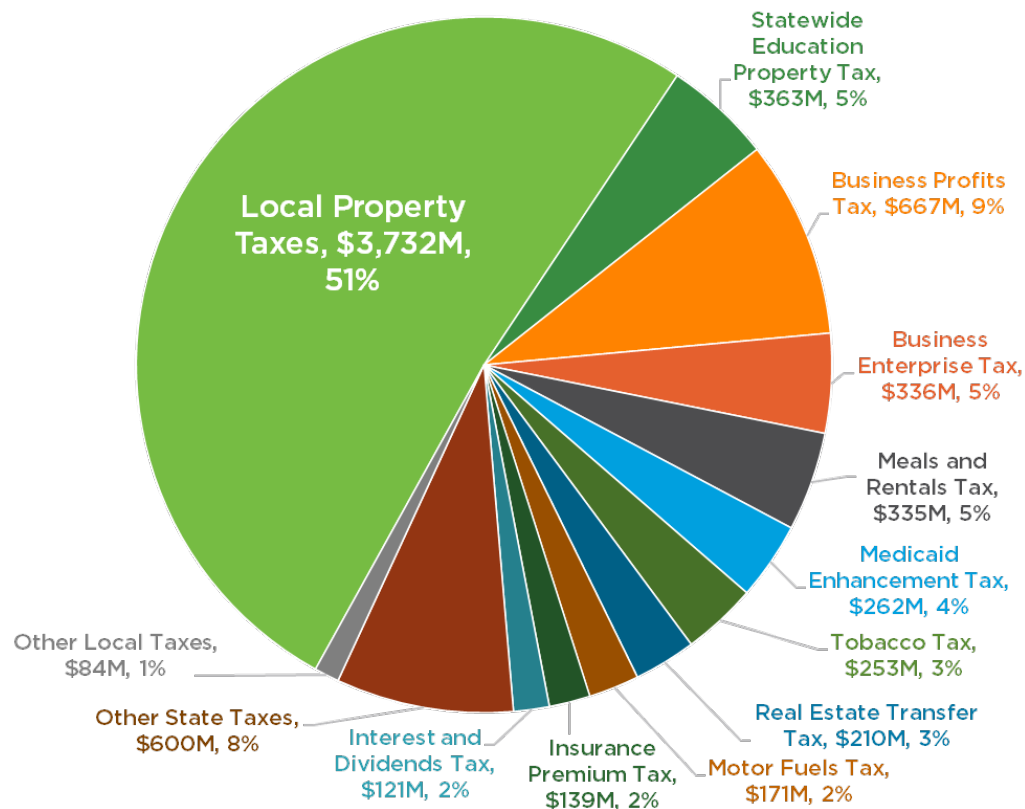


Source: Institute on Taxation and Economic Policy, May 2021

PROPERTY TAXES MORE THAN HALF OF STATE AND LOCAL TAX REVENUES

STATE AND LOCAL TAXES IN NEW HAMPSHIRE

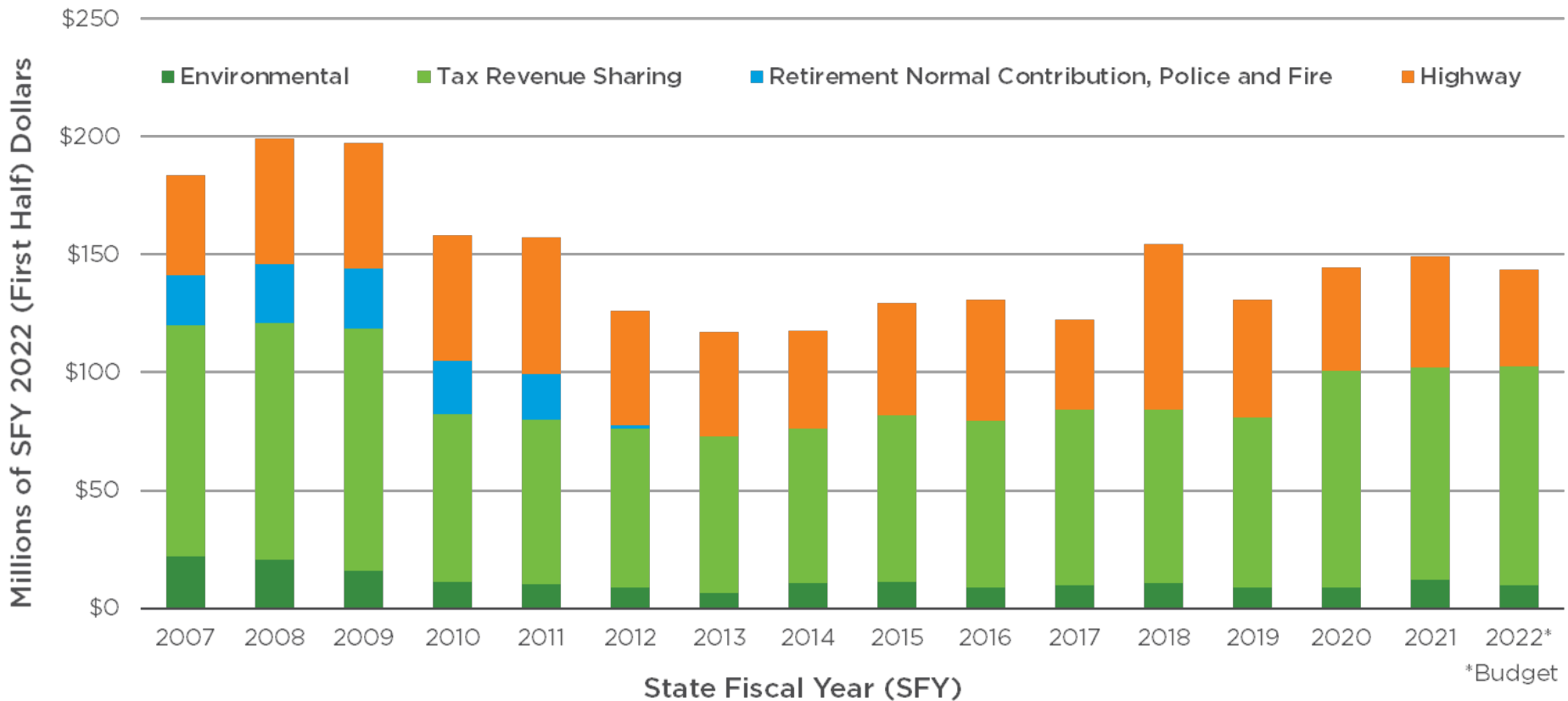
State Fiscal Year or Tax Year 2021



Sources: New Hampshire Annual Comprehensive Financial Report, State Fiscal Year 2021; New Hampshire Department of Revenue Administration, Completed Public Tax Rates 2021; U.S. Census Bureau, Survey of State and Local Government Finances, 2019 ("Other Local Taxes")

STATE AID TO MUNICIPALITIES DECLINED AFTER THE GREAT RECESSION

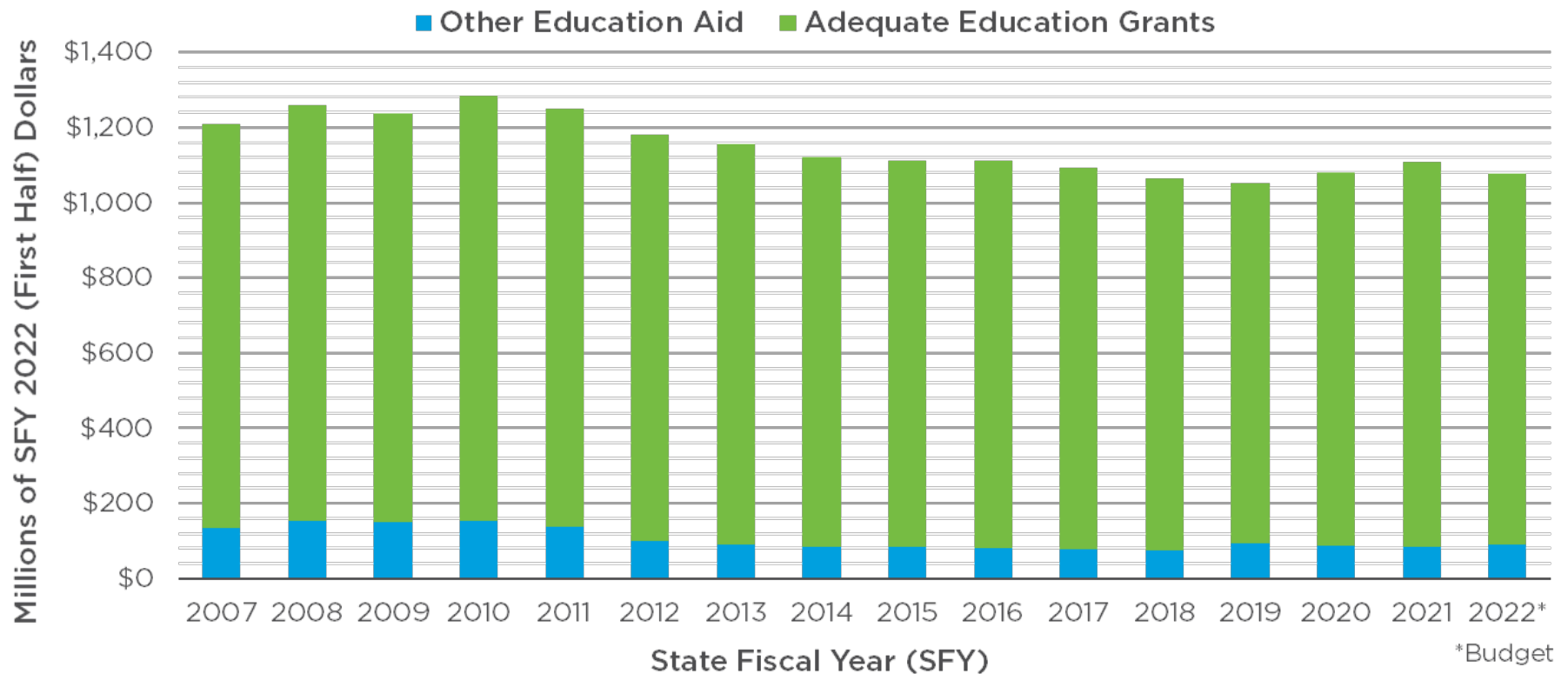
NEW HAMPSHIRE STATE AID TO LOCAL GOVERNMENTS, INFLATION-ADJUSTED AND EXCLUDING EDUCATION AID



Sources: New Hampshire Office of Legislative Budget Assistant, *State Aid to Cities, Towns, and School Districts*, October 1, 2021; U.S. Bureau of Labor Statistics, Consumer Price Index-Northeast, State Fiscal Year Adjustment from NHFPI Calculations

EDUCATION AID PRIMARILY TIED TO STUDENT ENROLLMENT

EDUCATION AID TO LOCAL GOVERNMENTS NEW HAMPSHIRE STATE BUDGET, INFLATION-ADJUSTED DOLLARS

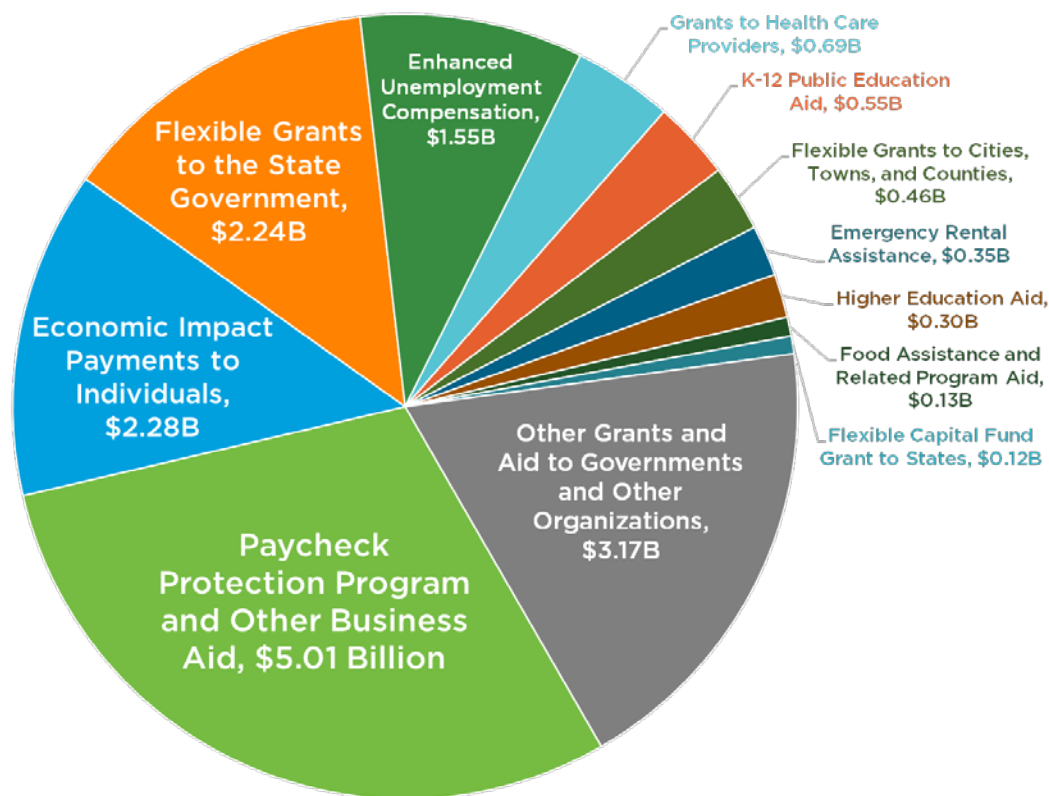


Sources: New Hampshire Office of Legislative Budget Assistant, *State Aid to Cities, Towns, and School Districts*, October 1, 2021; U.S. Bureau of Labor Statistics, Consumer Price Index-Northeast, State Fiscal Year Adjustment from NHFPI Calculations

FEDERAL PANDEMIC-RELATED AID TOTALS OVER \$16 BILLION TO NEW HAMPSHIRE

FEDERAL ASSISTANCE RELATED TO COVID-19 IN NEW HAMPSHIRE

Total of Nearly \$16.9 billion Through July 7, 2022



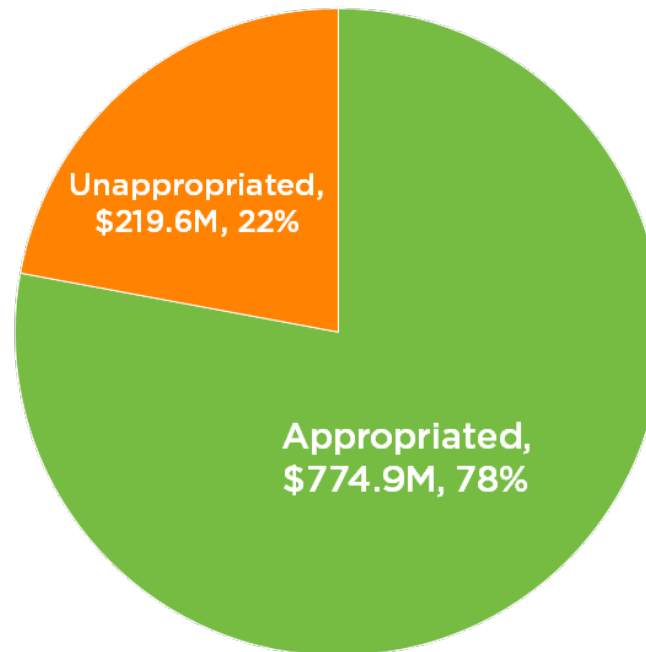
Note: Sums may include small amounts of double-counting due to summation mismatches. Totals presented are derivations. Small amounts of aid to individuals are also included in the "Other Grants and Aid" section, including aid for funeral expenses.

Source: New Hampshire Office of Legislative Budget Assistant, Federal COVID-19 Funds, New Hampshire Allocations, July 7, 2022.

MAJORITY OF STATE'S FLEXIBLE FEDERAL FUNDS APPROPRIATED

AMERICAN RESCUE PLAN ACT CORONAVIRUS STATE FISCAL RECOVERY FUNDS IN NEW HAMPSHIRE

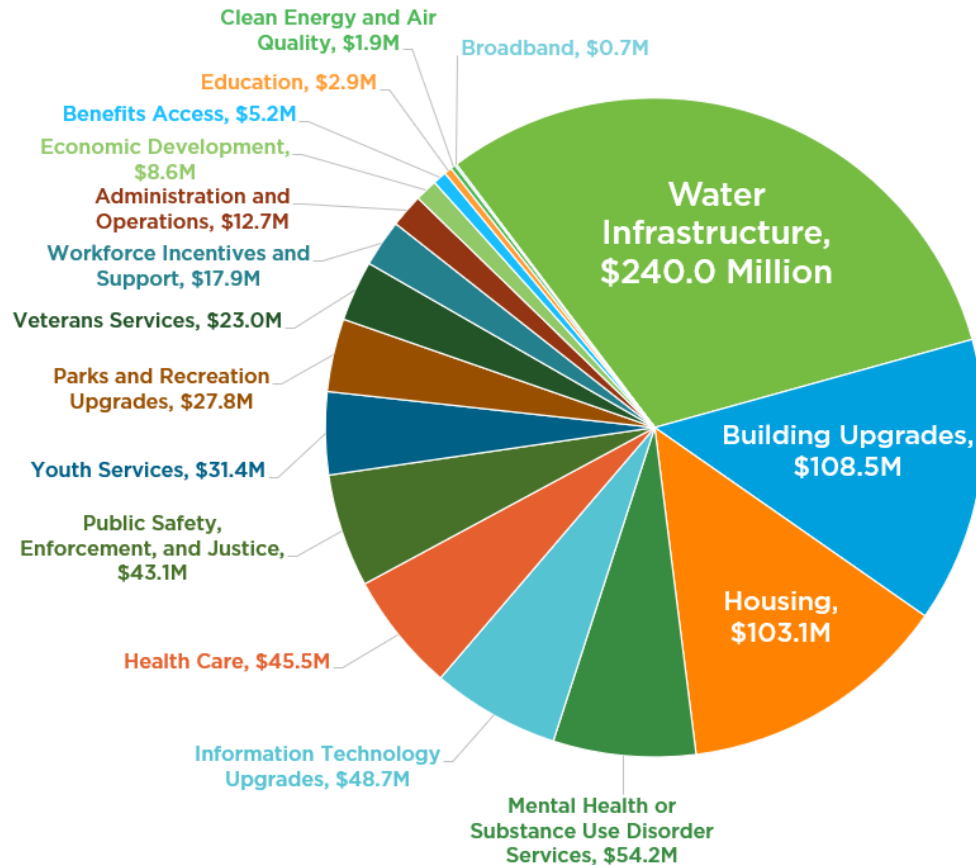
As of August 12, 2022



Source: NHFPI analysis of Joint Legislative Fiscal Committee and Executive Council approvals, May 2021-August 2022

STATE APPROPRIATIONS FOR WIDE VARIETY OF PURPOSES

NEW HAMPSHIRE'S CORONAVIRUS STATE FISCAL RECOVERY FUND ALLOCATIONS, AS OF AUGUST 12, 2022



Source: NHPFI analysis of Joint Legislative Fiscal Committee and Executive Council approvals, May 2021 - August 2022

KEY TAKEAWAYS

- New Hampshire has a biennial State Budget that funds most operations, but not all spending and not capital projects
- Current State Budget bills appropriated more funding than the prior State Budget bills, with uneven increases in services
- Taxes on corporate profits, income from assets being lowered
- Property taxes more than half of all State and local taxes collected in New Hampshire, and most are local taxes
- Inflation-adjusted state aid to local governments lower than prior to the State Budget following the 2007-2009 recession
- Federal funding key to supporting State operations, and much more has been sent to New Hampshire since the pandemic began, providing a substantial opportunity for building an equitable and inclusive economy

ADDITIONAL RESOURCES

- Issue Brief: The State Budget for Fiscal Years 2022 and 2023 – August 17, 2021
<https://nhfpi.org/resource/the-state-budget-for-fiscal-years-2022-and-2023/>
- Publication: Building the Budget: New Hampshire’s State Budget Process and Recent Funding Trends – February 9, 2017
<https://nhfpi.org/resource/building-the-budget-new-hampshires-state-budget-process-and-recent-funding-trends/>
- Publication: Revenue in Review: An Overview of New Hampshire’s Tax System and Major Revenue Sources – May 24, 2017
<https://nhfpi.org/resource/revenue-in-review-an-overview-of-new-hampshires-tax-system-and-major-revenue-sources/>
- Resource Pages: Budget, Revenue & Tax
<https://nhfpi.org/topic/budget/> and
<https://nhfpi.org/topic/revenue-tax/>



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