



# FUNDING PUBLIC SERVICES AND INVESTING IN NEW HAMPSHIRE'S FUTURE

NEW HAMPSHIRE FISCAL POLICY INSTITUTE  
9<sup>TH</sup> ANNUAL BUDGET AND POLICY CONFERENCE

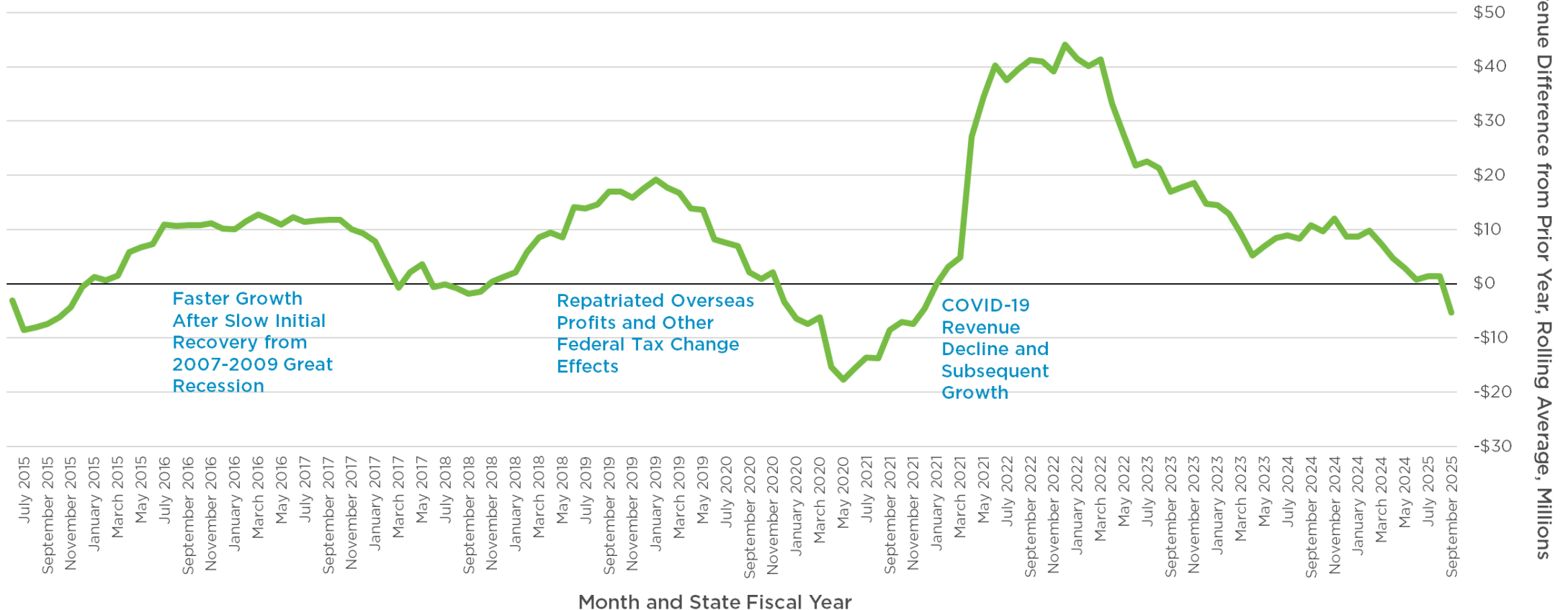
DECEMBER 6, 2024

# KEY REVENUES DECLINING AFTER POST-PANDEMIC BOOST

## DIFFERENCES OVER TIME IN NEW HAMPSHIRE COMBINED GENERAL AND EDUCATION TRUST FUNDS MONTHLY CASH RECEIPTS

Twelve-Month Rolling Averages of Monthly Cash Receipts to the General and Education Trust Funds Relative to Prior Year from All Sources Excluding Statewide Education Property Tax

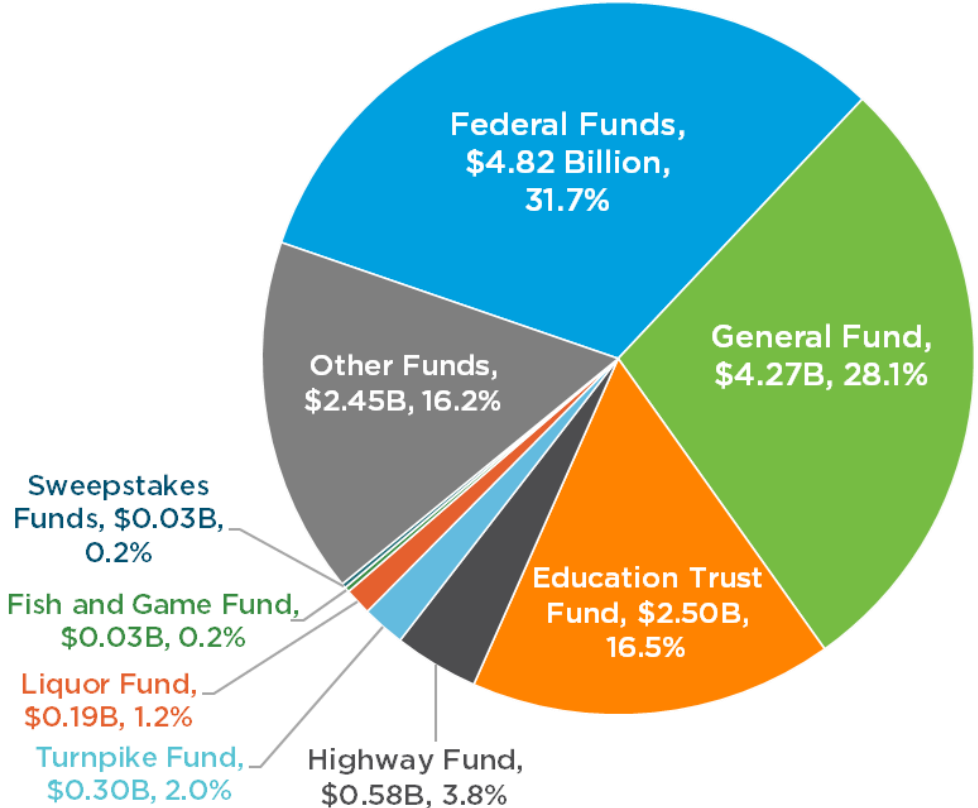
— General and Education Trust Funds Revenue



Note: Medicaid Enhancement Tax excluded from historical data. Statewide Education Property Tax excluded due to tax targeting a certain amount collected. Sources: New Hampshire Department of Administrative Services, Monthly Revenue Focus Reports

# WHY THE FOCUS ON COMBINED GENERAL FUND AND EDUCATION TRUST FUND REVENUES?

THE STATE BUDGET FOR  
FISCAL YEARS 2024 AND 2025, BY FUND  
*Includes Operating Budget and Trailer Bill Appropriations*



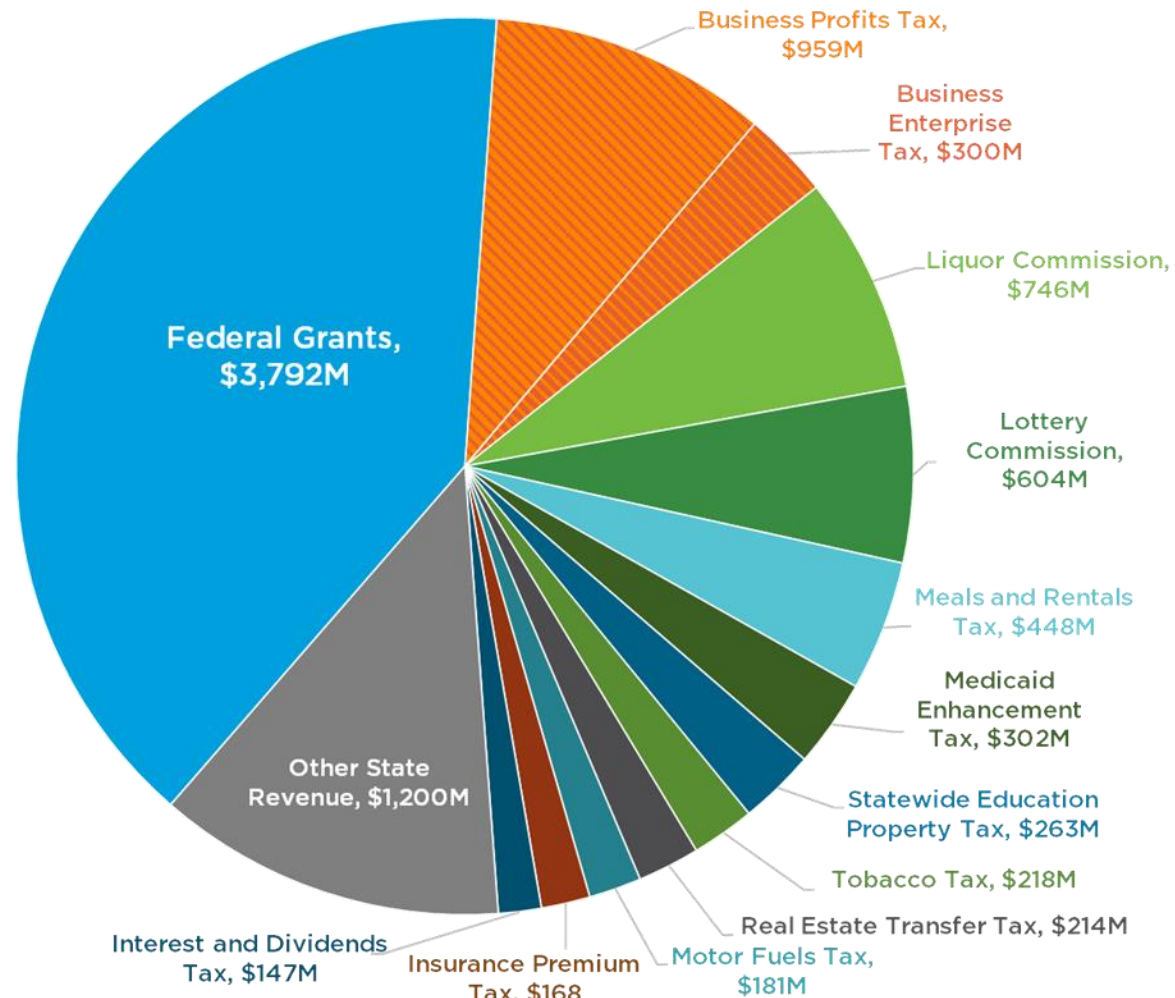
Sources: New Hampshire Office of Legislative Budget Assistant, Senate Finance Committee Surplus Statements, June 2023; 2023-2054s; 2023-2092s; 2023-2171s; 2023-2139s

# HOW DOES THE STATE RAISE REVENUE?

# WHAT ARE THE LARGEST REVENUE SOURCES FOR THE STATE GOVERNMENT? PICK THREE

# NEW HAMPSHIRE STATE REVENUES

STATE REVENUE SOURCES, GOVERNMENTAL AND ENTERPRISE FUNDS, STATE FISCAL YEAR 2023



- Federal transfers significant, typical among U.S. states as fraction of total revenue
- 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 most revenues generated used to support internal operations
- Business Profits Tax is the largest State tax revenue source, and revenues are commonly combined with Business Enterprise Tax revenues prior to final audits

Sources: New Hampshire Annual Comprehensive Financial Report, SFY 2023; NH Department of Revenue Administration, 2023 Annual Report; NH Department of Health and Human Services

# LARGEST STATE TAX REVENUE SOURCES - 2023

## Amounts to All Funds (State Fiscal Year 2023)

1. Business Profits Tax - \$958.8 million (estimate)
2. Meals and Rentals Tax - \$448.5 million
3. Medicaid Enhancement Tax - \$301.9 million
4. Business Enterprise Tax - \$300.1 million (estimate)
5. Statewide Education Property Tax - \$263.1 million
6. Tobacco Tax - \$217.8 million
7. Real Estate Transfer Tax - \$213.6 million
8. Motor Fuels Tax - \$180.6 million
9. Insurance Premium Tax - \$168.3 million
10. Interest and Dividends Tax - \$147.3 million

Sources: New Hampshire Annual Comprehensive Financial Report for the Fiscal Year Ending June 30, 2023; New Hampshire Department of Revenue Administration; New Hampshire Treasury Department; New Hampshire Department of Health and Human Services.

# LARGEST STATE TAX REVENUE SOURCES - 2024

## Unaudited Amounts to All Funds (State Fiscal Year 2024)

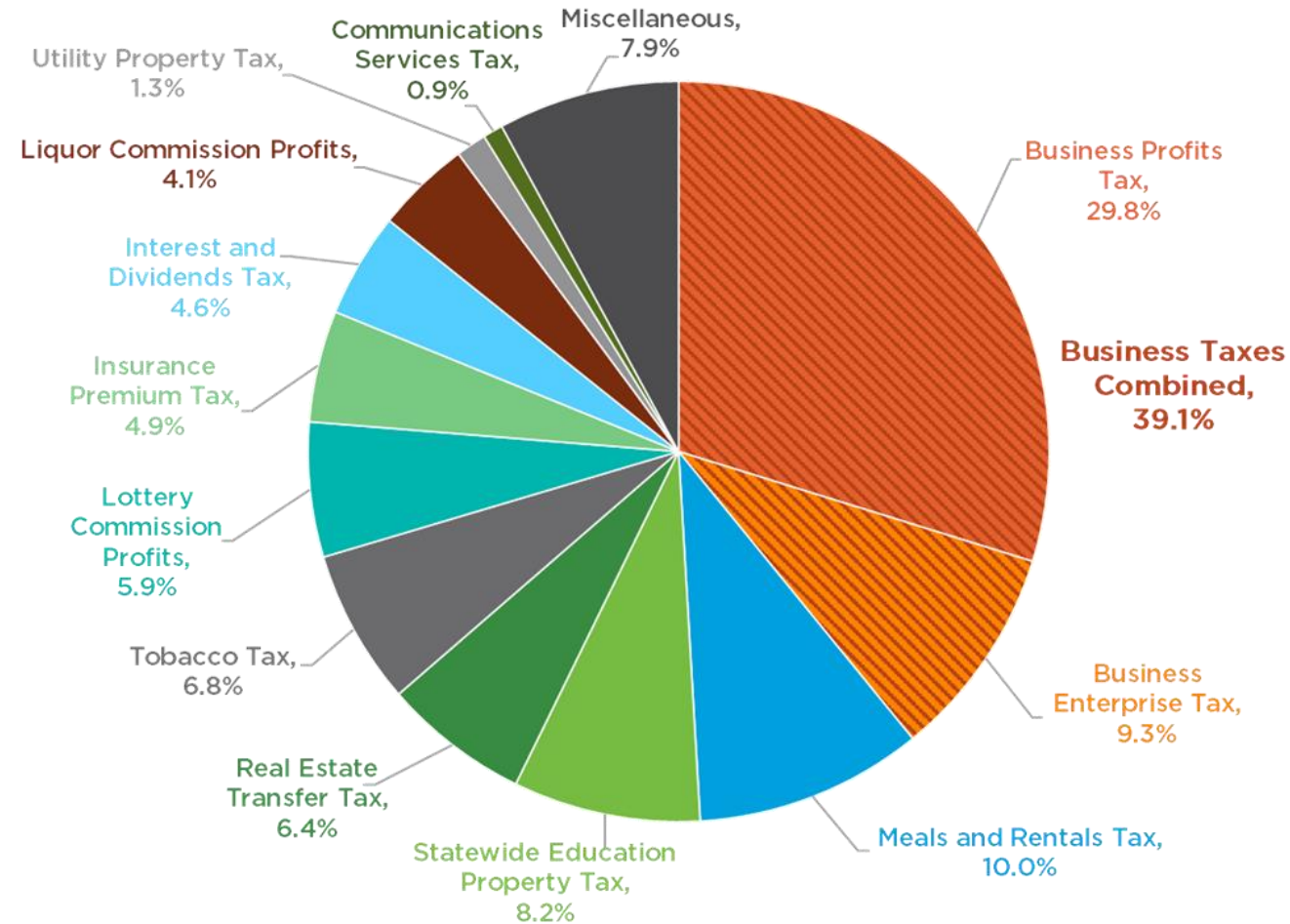
1. Business Profits Tax - \$1,011.8 million (+5.5%)
2. Meals and Rentals Tax - \$465.4 million (+3.8%)
3. Statewide Education Property Tax - \$363.8 million (+38.3%)
4. Medicaid Enhancement Tax - \$319.9 million (+6.0%)
5. Business Enterprise Tax - \$206.1 million (-31.3%)
6. Tobacco Tax - \$189.9 million (-12.8%)
7. Interest and Dividends Tax - \$184.3 million (+25.1%)
8. Real Estate Transfer Tax - \$183.7 million (-14.0%)
9. Motor Fuels Tax - \$182.8 million (+1.2%)
10. Insurance Premium Tax - \$173.6 million (+3.2%)

Source: New Hampshire Department of Administrative Services, Preliminary Accrual, June FY 2024; New Hampshire Department of Revenue Administration; New Hampshire Department of Health and Human Services.



# GENERAL AND EDUCATION TRUST FUNDS SHARE KEY LARGE REVENUE SOURCES

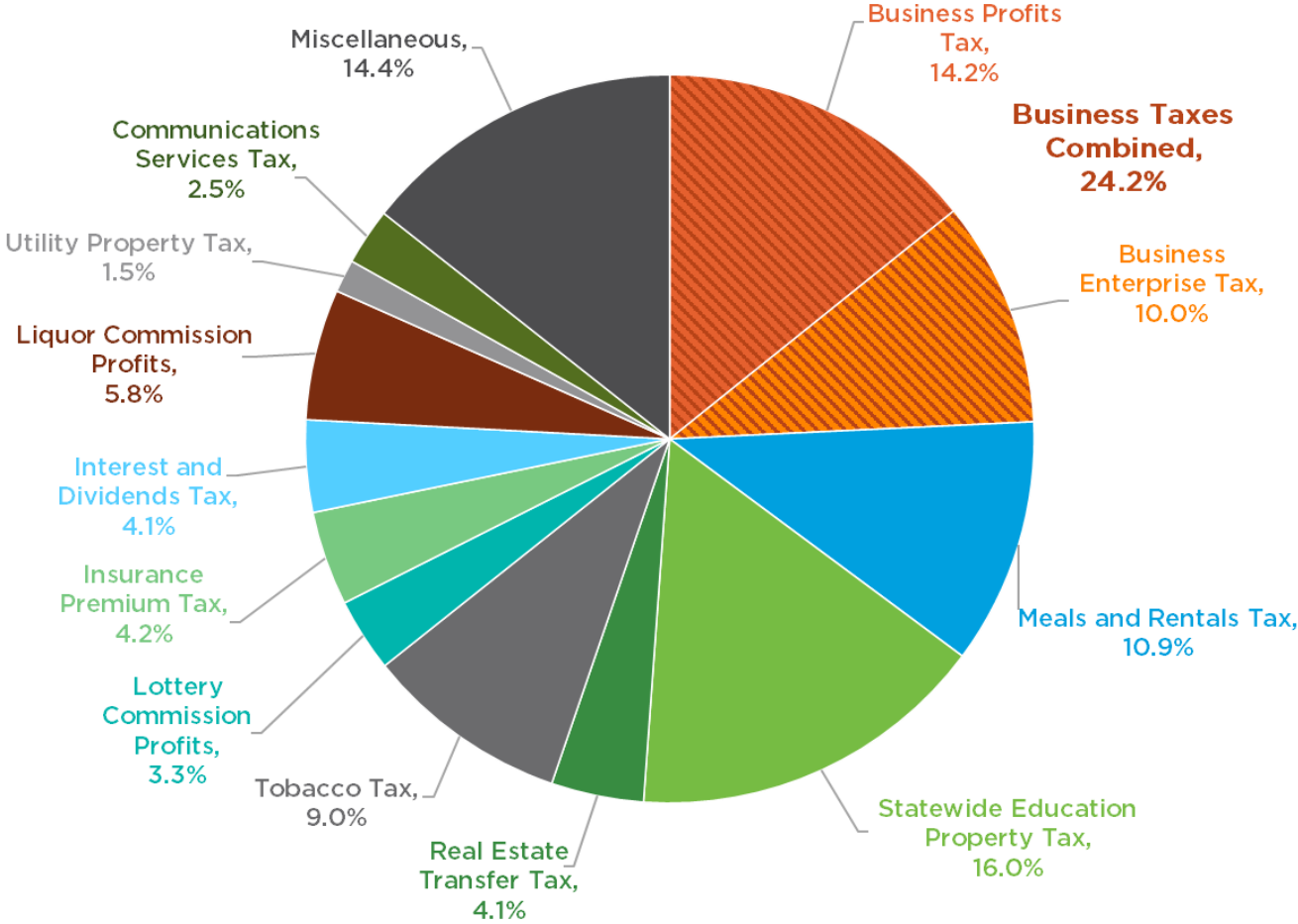
GENERAL AND EDUCATION TRUST FUNDS  
COMBINED REVENUE IN STATE FISCAL YEAR 2023



Source: New Hampshire Annual Comprehensive Financial Report, State Fiscal Year 2023

# REVENUE SOURCES HAVE CHANGED OVER TIME AND BECOME LESS DISTRIBUTED

GENERAL AND EDUCATION TRUST FUNDS  
COMBINED REVENUE IN STATE FISCAL YEAR 2013



Source: New Hampshire Annual Comprehensive Financial Report, State Fiscal Year 2013

# NEW HAMPSHIRE'S BUSINESS TAXES

# THE TWO PRIMARY BUSINESS TAXES

## Business Profits Tax (BPT)

- Traditional state corporate income tax
- Tax based on net business profits after adjustments (BET) and apportionment
- Tax base likely about \$10.7 billion in Tax Year 2022
- Recent rate reductions:
  - 2001-2015: 8.5%, 2016-17: 8.2%, 2018: 7.9%, 2019-21: 7.7%, 2022: 7.6%, 2023: 7.5%
- Supports the General Fund (59%) and the Education Trust Fund (41%)

## Business Enterprise Tax (BET)

- Unique among state business taxes, based on compensation and interest paid or accrued and dividends paid, adjustments, and apportionment
- Broader tax base, likely about \$43.3 billion in Tax Year 2022
- Recent rate reductions
  - 2001-2015: 0.750%, 2016-17: 0.720%, 2018: 0.675%, 2019-21: 0.600%, 2022: 0.550%
- Supports the General Fund (59%) and the Education Trust Fund (41%)

# SUBSTANTIAL RECENT GROWTH FROM BUSINESS TAXES, EVEN AFTER INFLATION

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

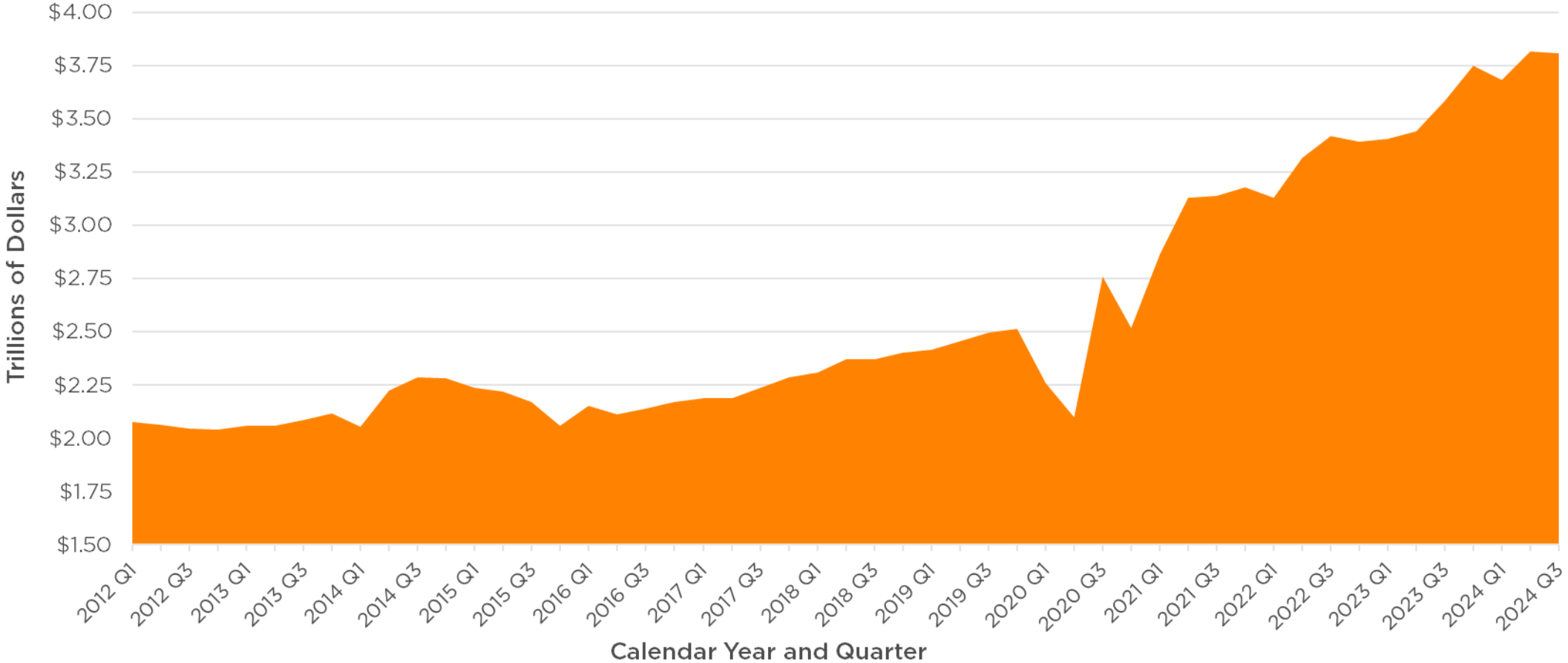


- BPT appears to be primary driver of revenue growth
- BPT versus BET assumptions in cash revenue splits have changed over time as BPT revenues have increased

# CORPORATE PROFITS NATIONWIDE INCREASED SUBSTANTIALLY AFTER THE PANDEMIC

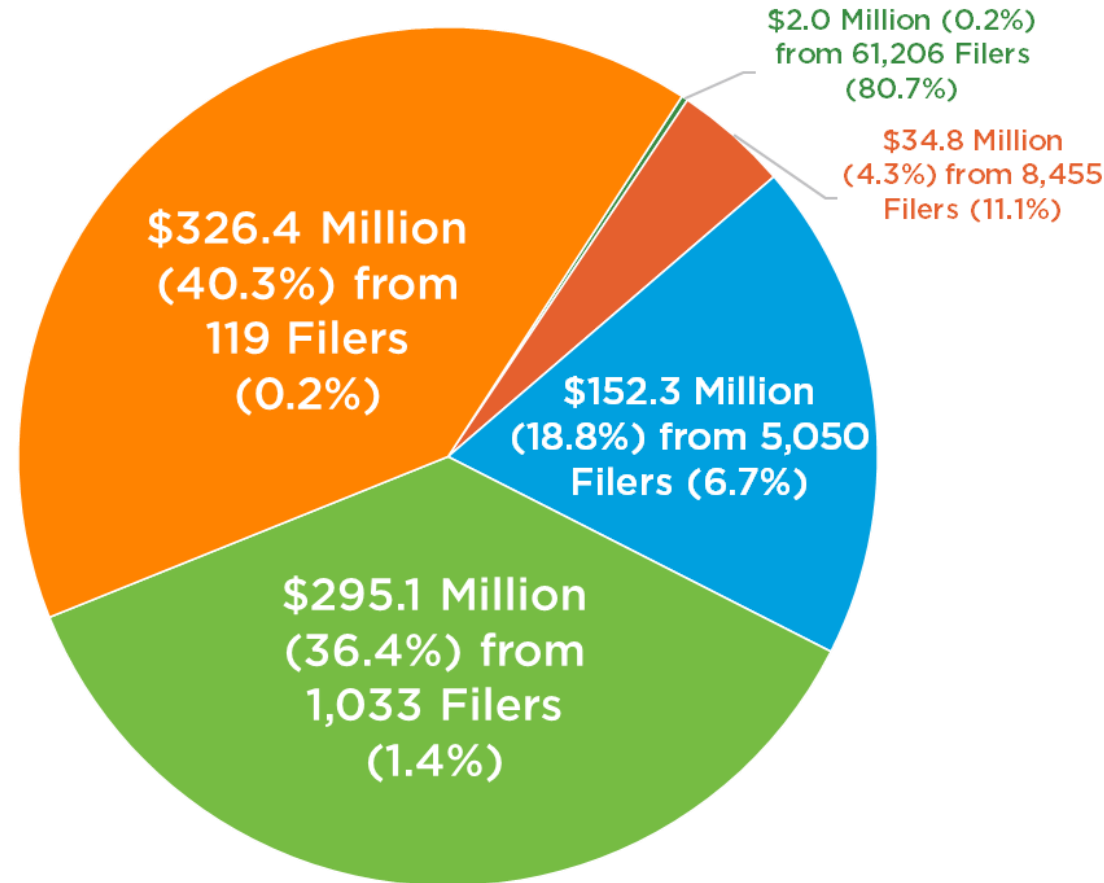
## U.S. CORPORATE PROFITS BY QUARTER

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



# LARGE FILERS KEY TO BPT REVENUES

## NEW HAMPSHIRE BUSINESS PROFITS TAX PAID AND NUMBER OF FILERS, TAX YEAR 2022



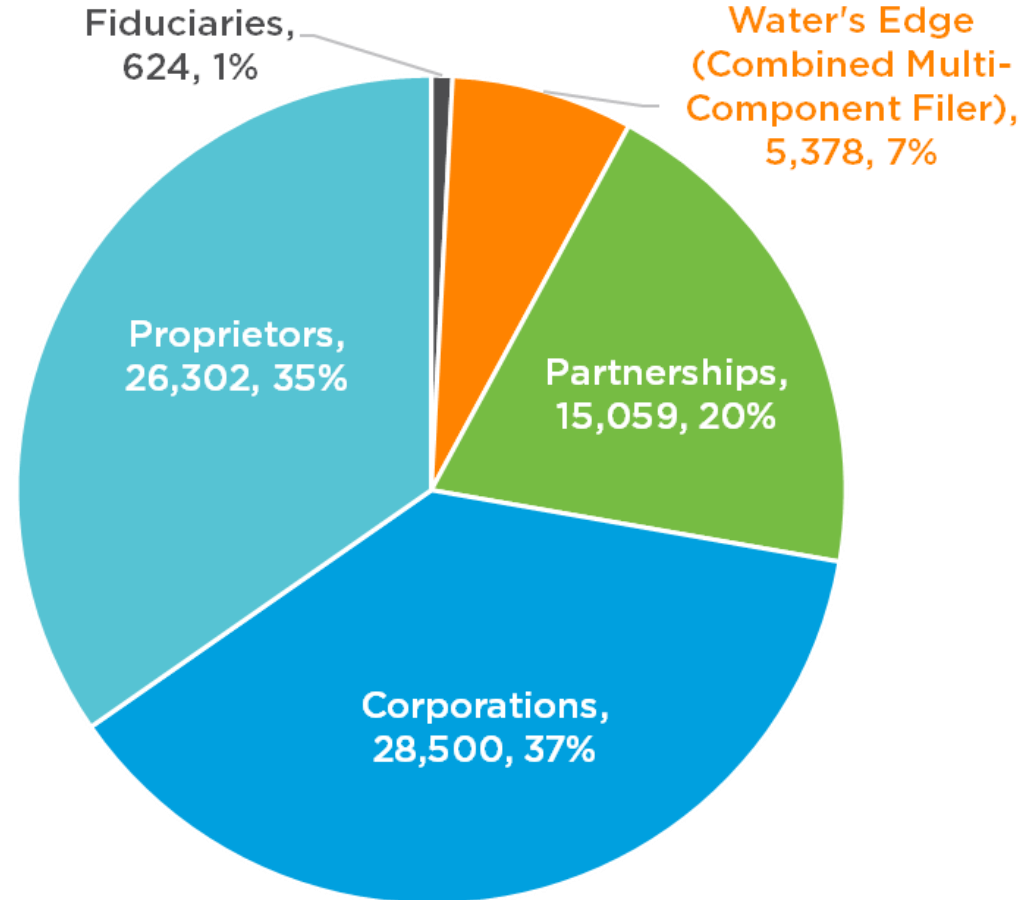
Note: Draft data as of August 12, 2024.

Source: New Hampshire Department of Revenue Administration,  
2024 Annual Report

# BPT FILER TYPES IN TAX BASE

## BUSINESS PROFITS TAX FILERS BY TYPE

*Tax Year 2022*



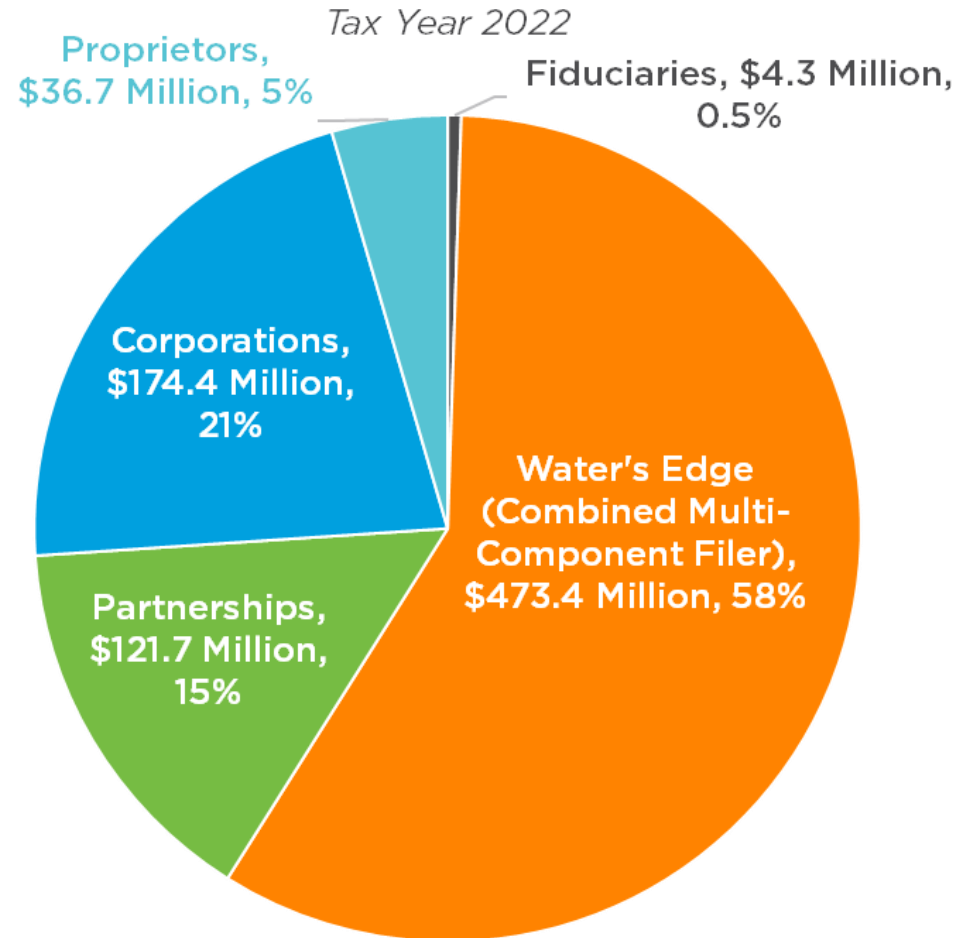
Note: Draft data as of August 12, 2024.

Source: New Hampshire Department of Revenue Administration, 2024 Annual Report



# MORE THAN HALF OF BPT REVENUES FROM COMPLEX, COMBINED-REPORTING FILERS

## BUSINESS PROFITS TAX FILERS BY LIABILITY



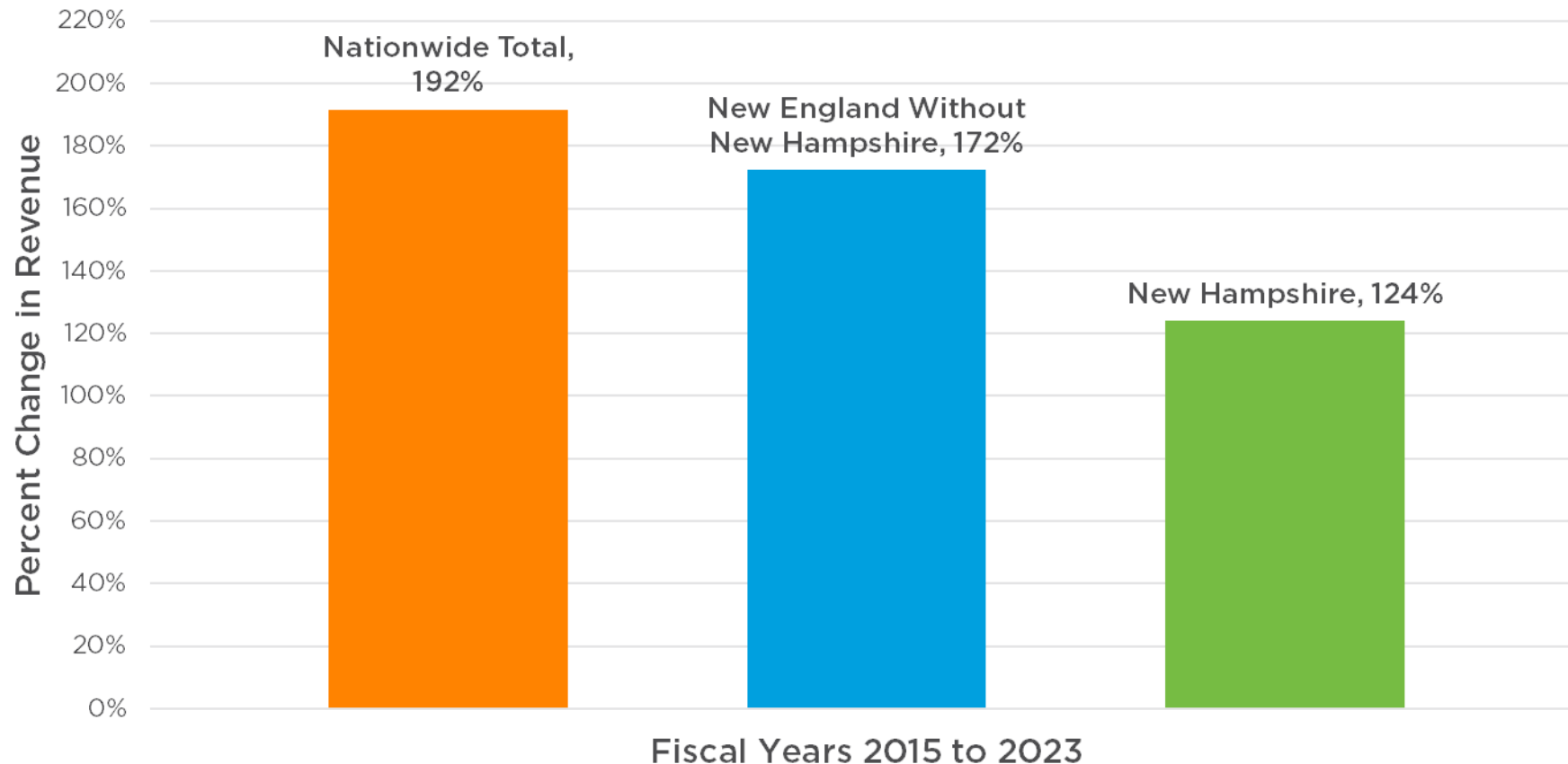
Note: Draft data as of August 12, 2024.

Source: New Hampshire Department of Revenue Administration, 2024 Annual Report

# STATE CORPORATE TAX RECEIPTS INCREASED NATIONWIDE, SLOWER THAN AVERAGE IN NH

## CHANGE IN STATE CORPORATE TAX REVENUES, 2015-2023

*Nationwide and New England Aggregate Figures as Reported by the U.S. Census Bureau,  
New Hampshire Data from State Financial Audits, by Fiscal Year*



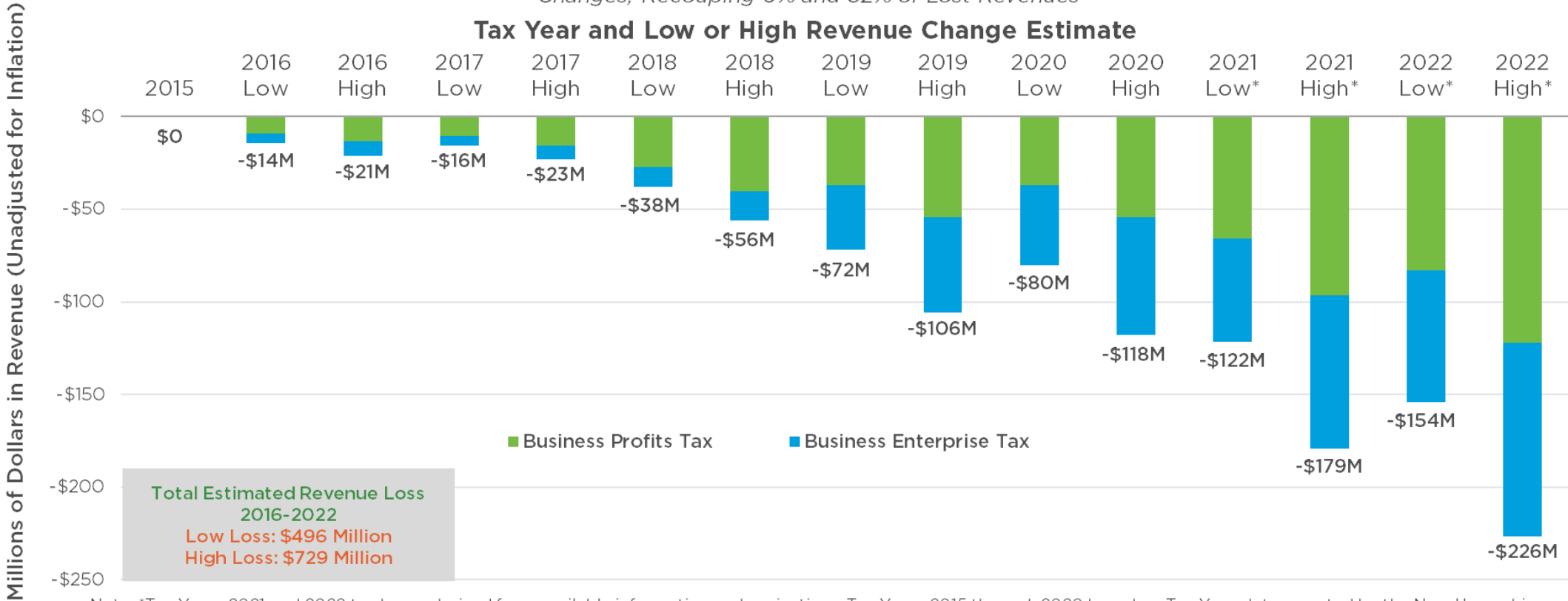
Note: New Hampshire data based on Annual Comprehensive Financial Reports, others based on U.S. Census Bureau data. Data for New Hampshire in the U.S. Census Bureau Collections appeared to include an error.

Sources: U.S. Census Bureau, Annual Survey of State Government Tax Collections; New Hampshire Annual Comprehensive Financial Reports

# BPT AND BET RATES REDUCTIONS DECREASED POTENTIAL REVENUE FROM PRIOR RATES

## ESTIMATED REVENUE CHANGES ASSOCIATED WITH BUSINESS PROFITS TAX AND BUSINESS ENTERPRISE TAX RATE CHANGES SINCE TAX YEAR 2015

Low and High Revenue Loss Estimates Based on Research Indicating Varying Economic Responses to State Corporate Tax Rate Changes, Recouping 0% and 32% of Lost Revenues



Note: \*Tax Years 2021 and 2022 tax bases derived from available information and projections. Tax Years 2015 through 2020 based on Tax Year data reported by the New Hampshire Department of Revenue Administration. Revenue changes only include estimated effects of tax rate changes, not including policy changes impacting the scope of the tax base (such as filing threshold adjustments or changes to apportionment).

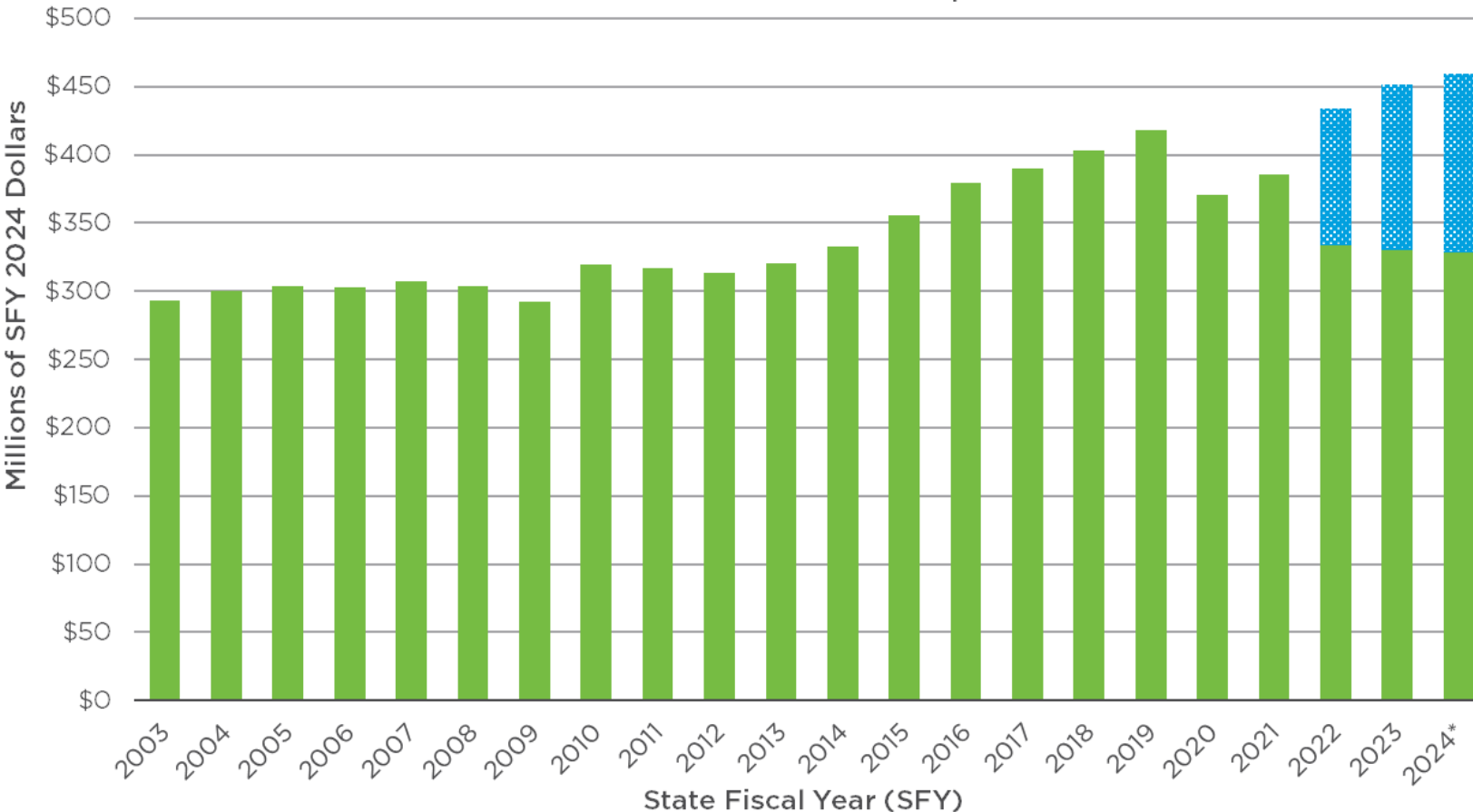
For data sources, methodology, and supporting research, see NHFPI's August 2023 Issue Brief, State Business Tax Rate Reductions Led to Between \$496 Million and \$729 Million Less for Public Services.

# OTHER KEY STATE TAX REVENUE SOURCES

# THE MEALS AND RENTALS TAX

## NEW HAMPSHIRE MEALS AND RENTALS TAX INFLATION-ADJUSTED REVENUE

■ General and Education Trust Funds ■ Municipal Revenue Fund Transfer



\*Note: Data based on unaudited preliminary accrual receipts.

Sources: NH Annual Comprehensive Financial Reports; Department of Administrative Services Monthly Revenue Focus, June SFY 2024 Preliminary Accrual; U.S. Bureau of Labor Statistics, CPI-U, Northeast

- Tax of 8.5 percent levied on most purchases of food or beverages from restaurants, also on hotel rooms and car rentals
- Rate was 9 percent from mid-2010 to late 2021
- Funds the General Fund, Education Trust Fund (car rentals portion), certain school building aid, State’s travel and tourism development agency, municipalities (30 percent directed to a special fund outside State Budget)

# THE STATEWIDE EDUCATION PROPERTY TAX

- Established in 1999 to support newly created Education Trust Fund for Adequate Education Grants funding education on a per pupil basis
- Set to raise \$363 million in 2005, does not adjust for inflation; one-time reduction to \$263 million for SFY 2023
- State requires local governments to raise this revenue
- Retained locally; revenue went to State previously, but not after 2011

STATEWIDE EDUCATION PROPERTY TAX  
NEW HAMPSHIRE EDUCATION TRUST FUND  
INFLATION-ADJUSTED REVENUE

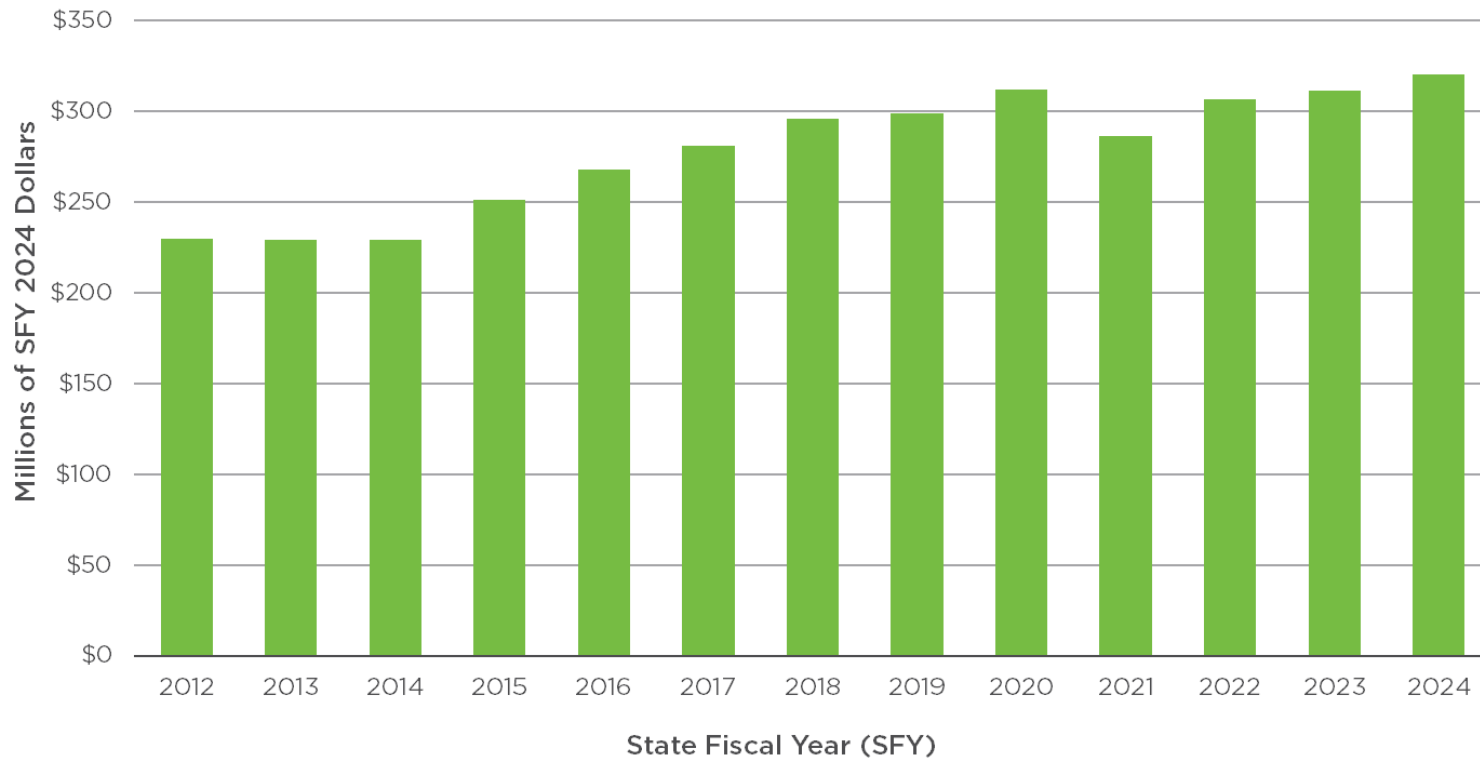


\*Note: Preliminary data based on unaudited cash receipts.

Sources: New Hampshire Annual Comprehensive Financial Reports; Department of Administrative Services Monthly Revenue Focus, June SFY 2024; U.S. Bureau of Labor Statistics, CPI-U, Northeast

# THE MEDICAID ENHANCEMENT TAX

NEW HAMPSHIRE MEDICAID ENHANCEMENT TAX  
INFLATION-ADJUSTED REVENUE



Note: All revenues are unaudited cash basis revenues.

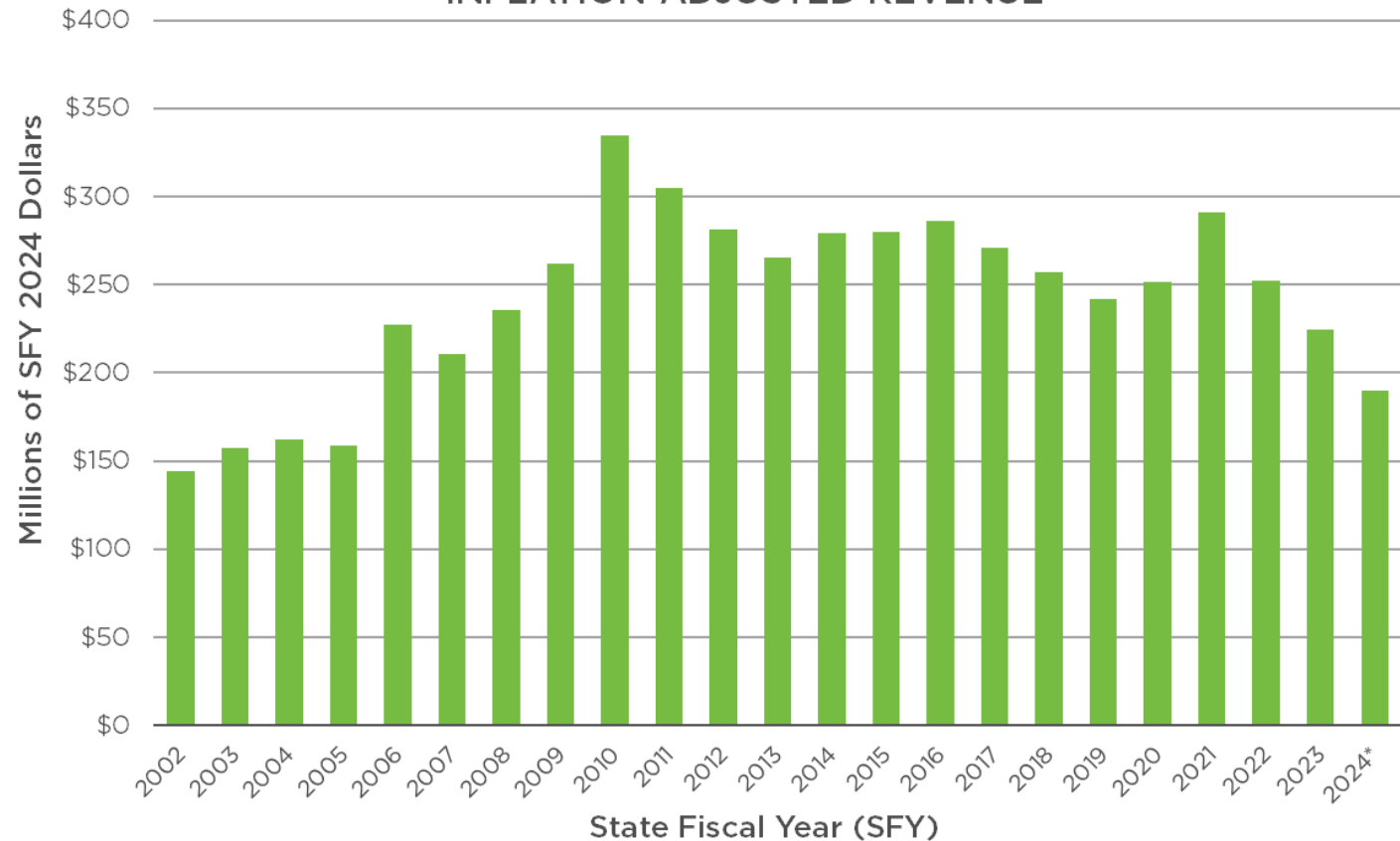
Sources: New Hampshire Department of Revenue Administration; New Hampshire State Treasury; U.S. Bureau of Labor Statistics, CPI-U, Northeast

- Tax on hospitals equivalent to 5.4 percent of charges levied for services
- Revenues to Uncompensated Care and Medicaid Fund, matched with federal funds
- Supports Disproportionate Share Payments to hospitals based on care provided to Medicaid and uninsured patients
- Remaining funds contribute State share of match for federal Medicaid dollars
- Previously also contributed to the General Fund

# THE TOBACCO TAX

- \$1.78 per 20-cigarette pack, adjusted-proportionally for pack size, does not include premium cigars
- 65.03 percent on wholesale price of other tobacco products
- Also includes e-cigarettes, certain nicotine products (8 percent tax open system, \$0.30 per milliliter closed system)
- Several rate changes in last 25 years (boosted up to \$0.37/pack in 1997)
- Supports General (\$1.00/pack) and Education Trust Funds (\$0.78/pack)

NEW HAMPSHIRE TOBACCO TAX  
GENERAL AND EDUCATION TRUST FUNDS  
INFLATION-ADJUSTED REVENUE



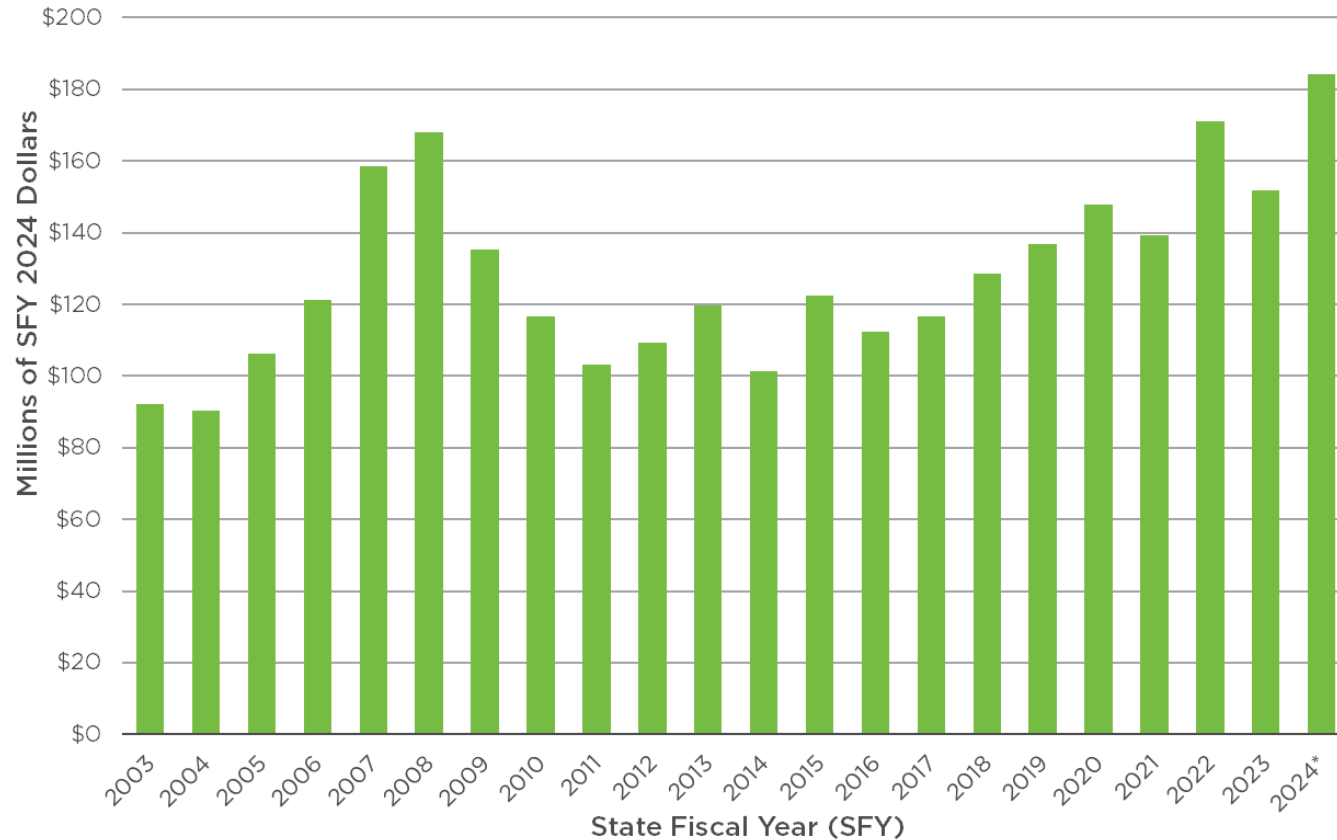
\*Note: Preliminary data based on unaudited cash receipts.

Sources: New Hampshire Annual Comprehensive Financial Reports; Department of Administrative Services Monthly Revenue Focus, June SFY 2024; U.S. Bureau of Labor Statistics, CPI-U, Northeast



# THE INTEREST AND DIVIDENDS TAX

NEW HAMPSHIRE INTEREST AND DIVIDENDS TAX  
GENERAL FUND INFLATION-ADJUSTED REVENUE



\*Note: Preliminary data based on unaudited cash receipts.

Sources: New Hampshire Annual Comprehensive Financial Reports; Department of Administrative Services Monthly Revenue Focus, June SFY 2024; U.S. Bureau of Labor Statistics, CPI-U, Northeast

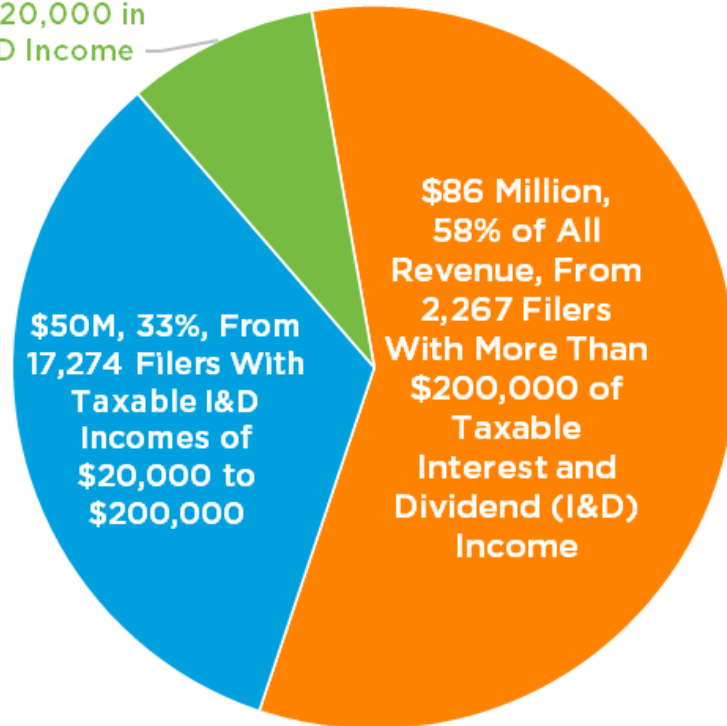
- 3 percent tax on interest, dividend, and distribution income from assets
- Effectively tax on income generated from wealth, including stock or business ownership, not including the sale of assets (capital gains)
- Being phased out, will be repealed in 2025; rate was 5 percent from 1977 to 2022
- Individuals, joint filers, and certain companies and partnerships
- Filing threshold of \$2,400, and \$4,800 for joint filers; additional \$1,200 exemptions for older adults, blind individuals, or certain disabilities

# WHO PAYS INTEREST AND DIVIDENDS TAXES?

## NEW HAMPSHIRE INTEREST AND DIVIDENDS TAX REVENUE BY THE TAXABLE INTEREST AND DIVIDEND INCOME OF FILERS

*Tax Year 2022, Only Taxable Interest, Dividend, and  
Distribution Income Included*

\$13M, 9%, From  
53,800 Filers With  
Less Than \$20,000 in  
Taxable I&D Income



Source: New Hampshire Department of Revenue Administration,  
2024 Annual Report

## Taxable Income Does Not Include:

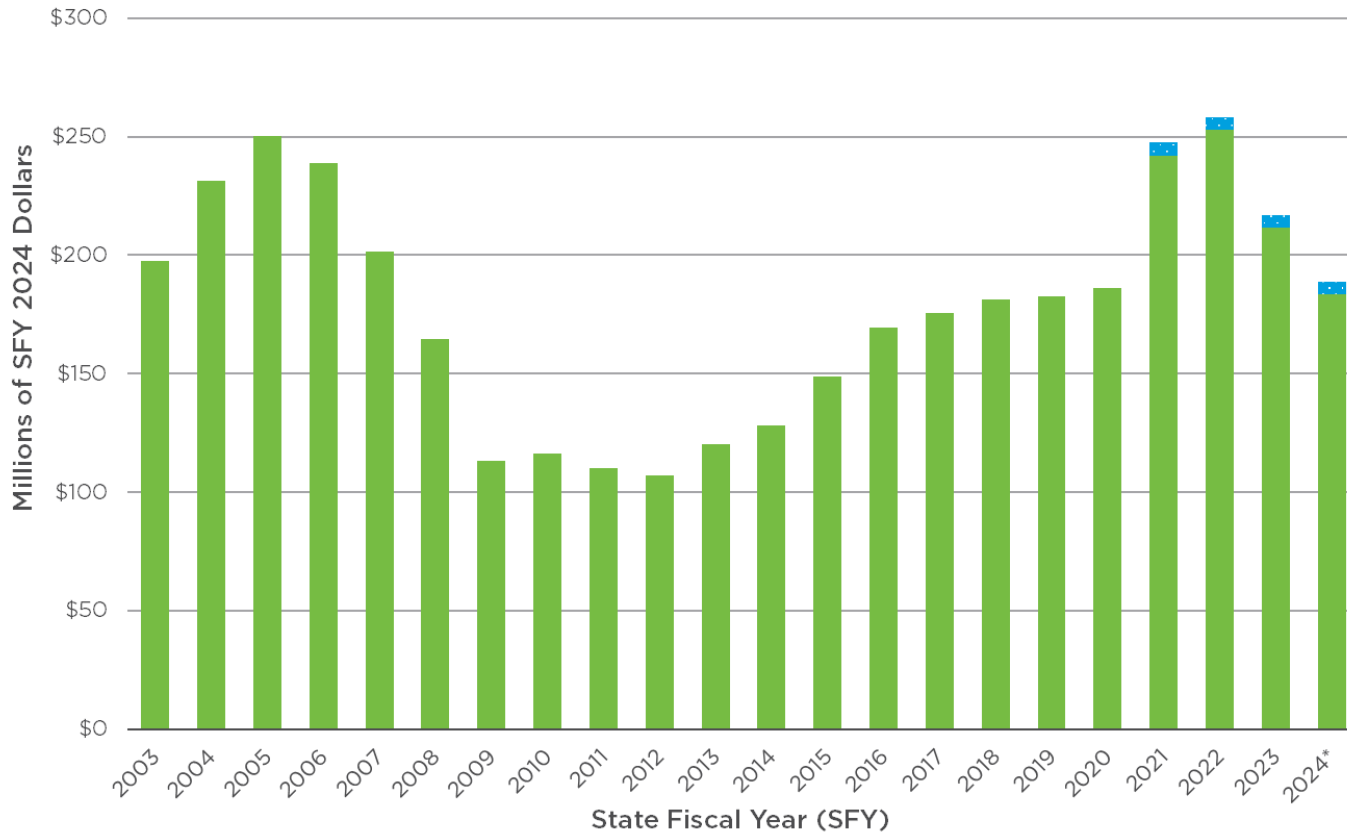
- Salaries
- Wages
- Capital gains
- Individual Retirement Accounts
- Employee Benefit Plans under the Employee Retirement Income Security Act of 1974 (Section 3)
- Keogh Plans (for retirement)
- Tax deferred investment plans
- Stock dividends paid in new stock
- Certain interest and dividends from College Tuition Savings Plans

Learn more from the New Hampshire Department of Revenue Administration's "I&D Checklist"

# THE REAL ESTATE TRANSFER TAX

NEW HAMPSHIRE REAL ESTATE TRANSFER TAX  
INFLATION-ADJUSTED REVENUE

■ General and Education Trust Funds ■ Affordable Housing Fund Transfer



\*Note: Preliminary data based on unaudited cash receipts.

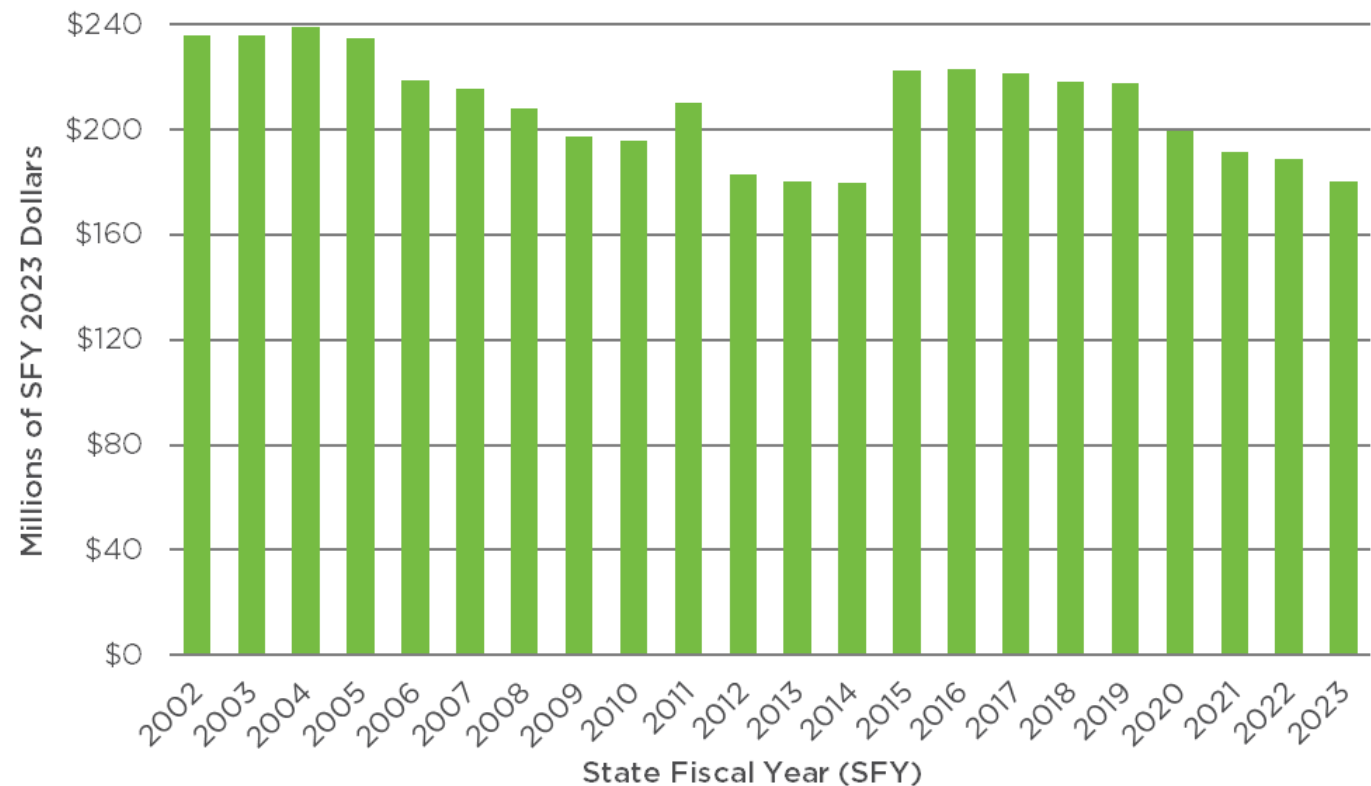
Sources: New Hampshire Annual Comprehensive Financial Reports; Department of Administrative Services Monthly Revenue Focus, June SFY 2024; U.S. Bureau of Labor Statistics, CPI-U, Northeast

- \$0.75 per \$100 of sale of real estate or interest in real estate
- Rate charged to both buyer and seller, for total revenue of \$1.50 per \$100
- \$0.25 of the \$0.75 to Education Trust Fund, rest to General Fund, with \$5 million each year to the Affordable Housing Fund
- Revenues shift more with the overall economy than other taxes, but largely correlate with single family home sales volume, while still applying to commercial property

# THE MOTOR FUELS TAX

- \$0.222 per gallon on motor fuels, aviation fuel taxed at different rate
- Rate was increased from \$0.18 for SFY 2015, continues to have a fixed dollar amount that is not adjusted for inflation
- Can only be used for highway-related purposes under the State Constitution, other more specific restrictions on parts of revenue
- Revenues go to the Highway Fund, used for interest on highway bonds and notes as well as for highway-related operations, such as construction and maintenance

NEW HAMPSHIRE MOTOR FUELS TAX  
HIGHWAY FUND INFLATION-ADJUSTED REVENUE

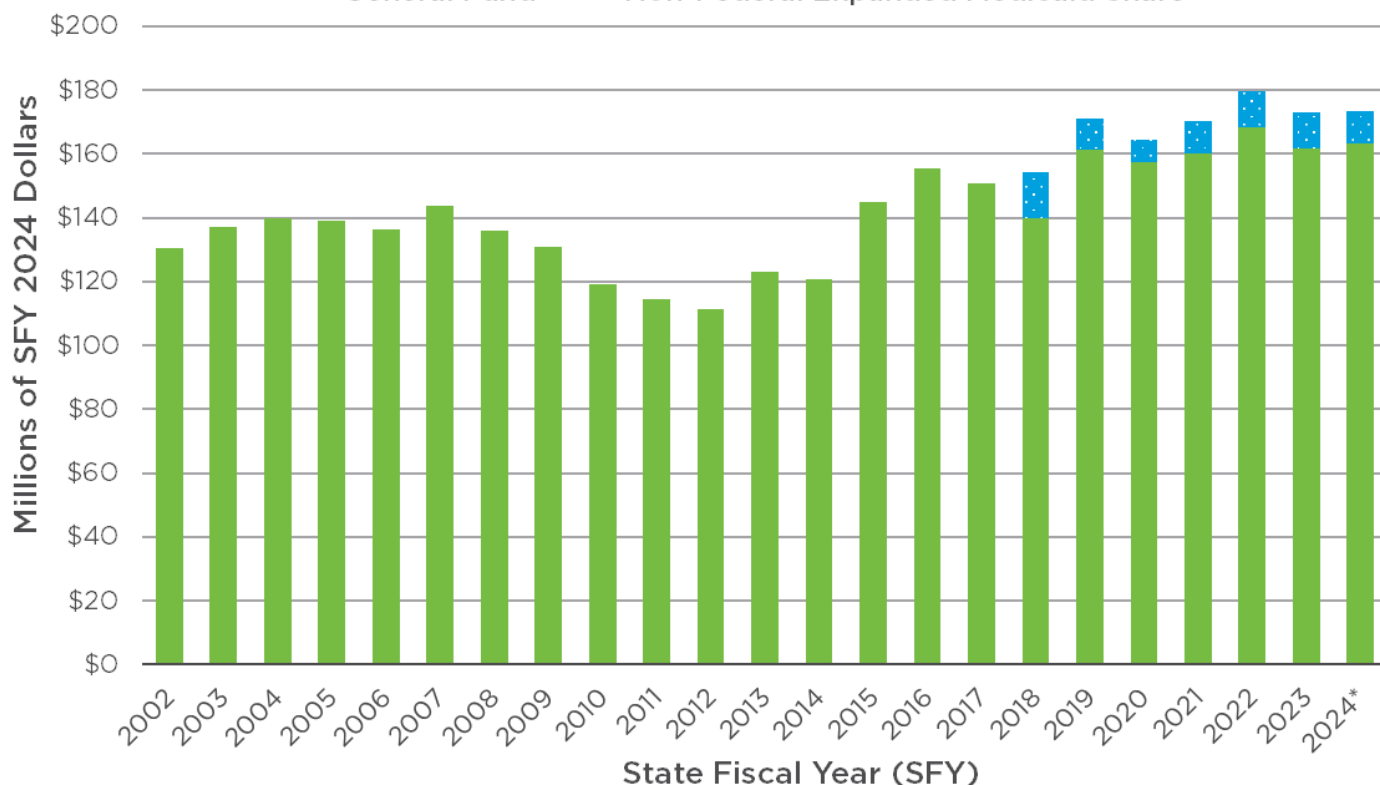


Sources: New Hampshire Annual Comprehensive Financial Reports; U.S. Bureau of Labor Statistics, Consumer Price Index-Urban, Northeast

# THE INSURANCE PREMIUM TAX

NEW HAMPSHIRE INSURANCE PREMIUM TAX  
INFLATION-ADJUSTED REVENUE

■ General Fund ■ Non-Federal Expanded Medicaid Share



\*Note: Preliminary data based on unaudited cash receipts.

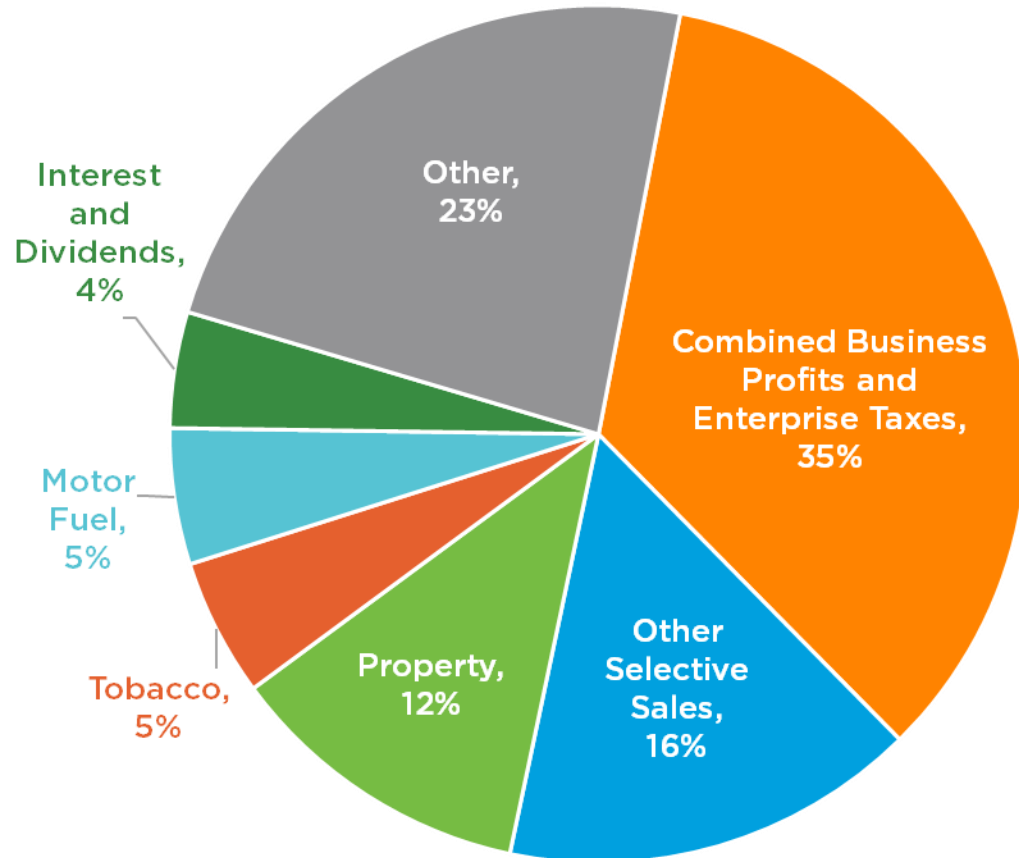
Sources: New Hampshire Annual Comprehensive Financial Reports; Department of Administrative Services Monthly Revenue Focus, April SFY 2018 and June SFY 2024 Preliminary Accrual; U.S. Bureau of Labor Statistics, CPI-U, Northeast

- 1.25 percent on premiums from insurers
- 2 percent health, accident, and certain life insurance premiums
- Previously 2 percent for all types of insurance, and currently includes certain adjustments for interstate operations and rates
- Supports General Fund, except revenues from those insured under the NH Granite Advantage Health Care Program, which go to the Program's Trust Fund to support the non-federal share of Medicaid Expansion

# STATE AND LOCAL TAXES COMBINED

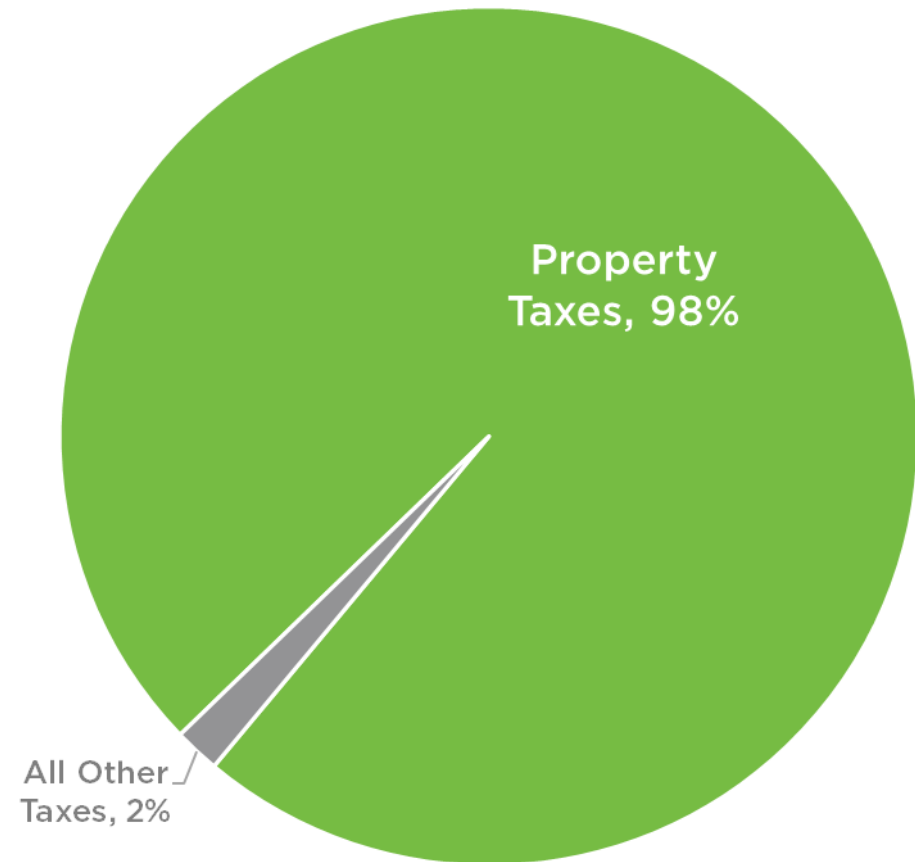
# NH LOCAL GOVERNMENTS HAVE MUCH LESS TAX REVENUE DIVERSITY THAN THE STATE

ALL STATE TAX REVENUE  
IN NEW HAMPSHIRE  
FISCAL YEAR 2022



Source: U.S. Census Bureau, Survey of State and Local Government Finances

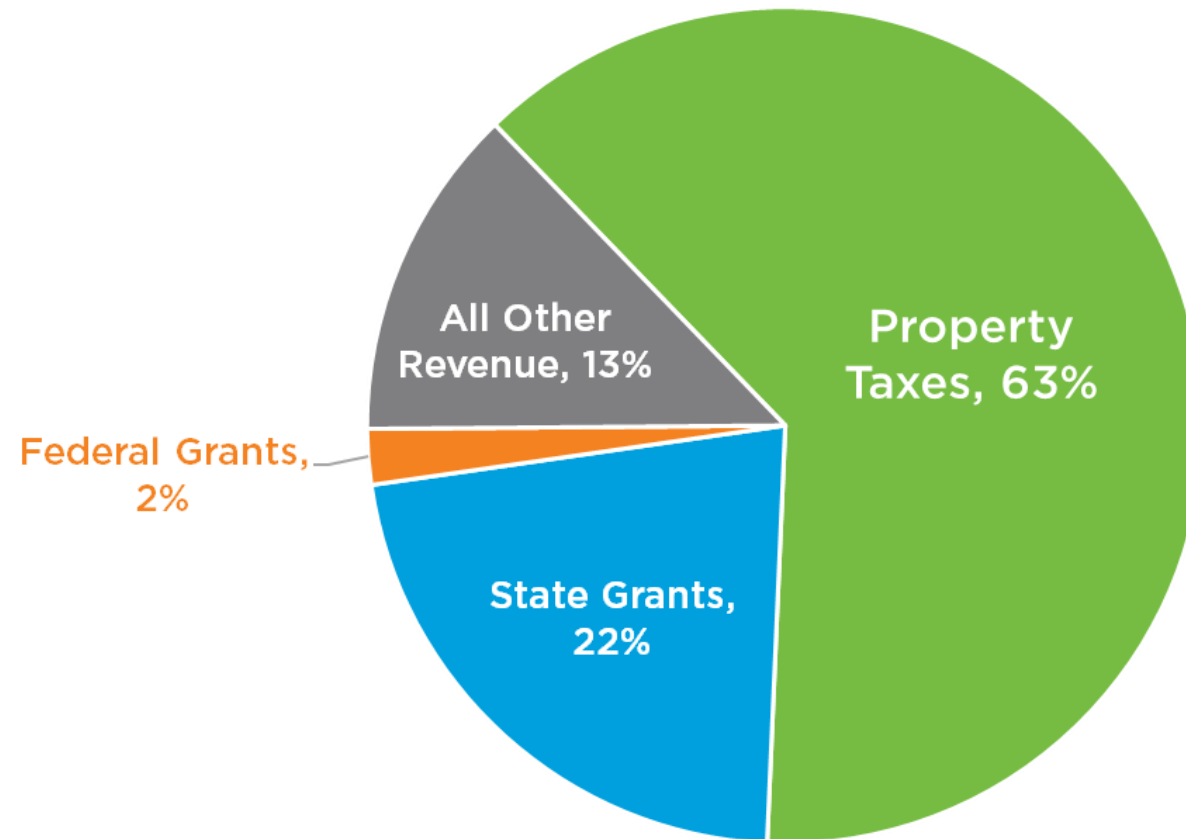
ALL LOCAL TAX REVENUE  
IN NEW HAMPSHIRE  
FISCAL YEAR 2022



Source: U.S. Census Bureau, Survey of State and Local Government Finances

# NH COUNTIES, CITIES, TOWNS, AND SCHOOL DISTRICTS RELIANT ON PROPERTY TAXES

## LOCAL GOVERNMENT REVENUE SOURCES NEW HAMPSHIRE, FISCAL YEAR 2022



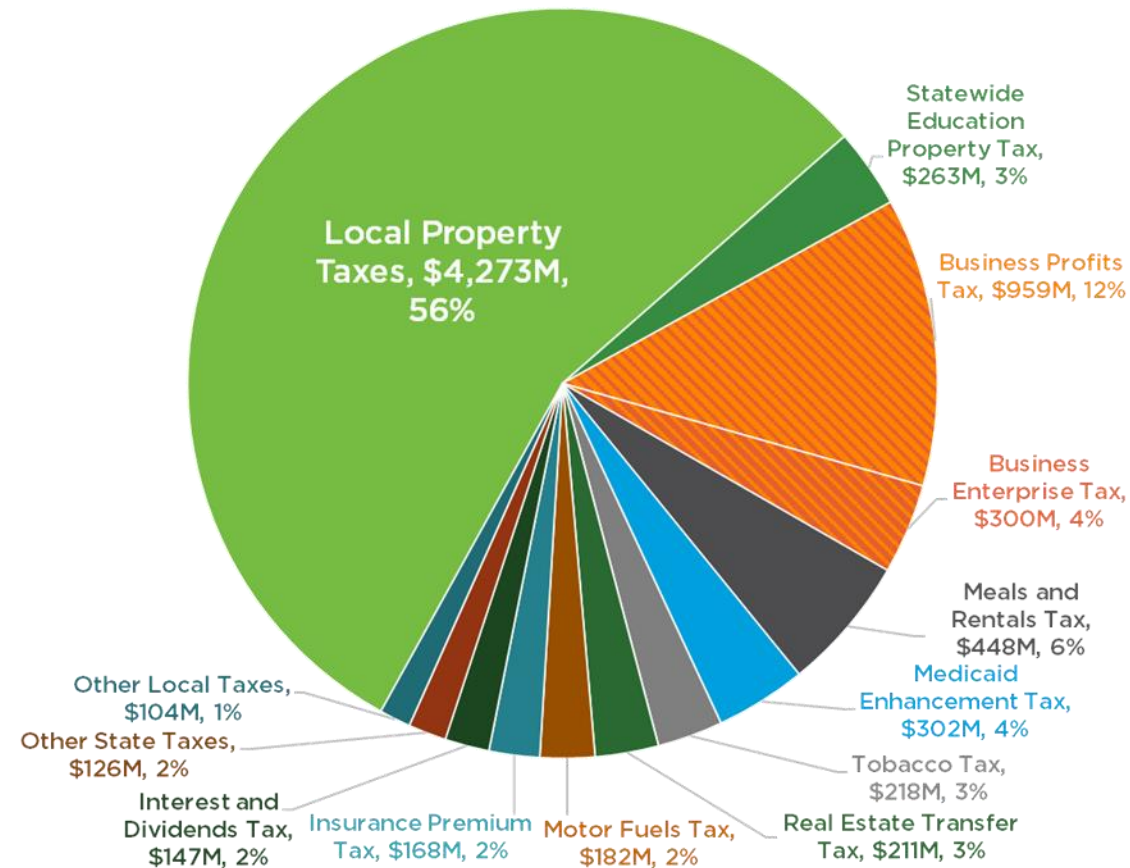
Source: U.S. Census Bureau, Survey of State and Local Government Finances



# PROPERTY TAXES MORE THAN HALF OF STATE AND LOCAL TAX REVENUES

## STATE AND LOCAL TAXES IN NEW HAMPSHIRE

State Fiscal Year or Tax Year 2023



Sources: New Hampshire Annual Comprehensive Financial Report, State Fiscal Year 2023; New Hampshire Department of Revenue Administration, 2023 Annual Report and Completed Public Tax Rates 2023; U.S. Census Bureau, Survey of State and Local Government Finances, 2021; Joint Legislative Fiscal Committee, FIS 23-311

# TOTAL STATE AND LOCAL TAXES IN NEW HAMPSHIRE ARE NEAR NATIONAL MEDIAN

TOTAL STATE AND LOCAL TAX REVENUE PER CAPITA, FISCAL YEAR 2021 REVENUES AND AND JULY 2021 POPULATION ESTIMATES		
State		Estimated Amount
Highest	New York	\$10,331
	Connecticut	\$9,424
	California	\$9,217
	New Jersey	\$8,305
	Massachusetts	\$8,107
United States		<b>\$6,334</b>
<i>New Hampshire* - Ranked 25th</i>		<b><i>\$5,409</i></b>
Lowest	South Carolina	\$4,413
	Florida	\$4,381
	Tennessee	\$4,259
	Alabama	\$4,237
	Alaska	\$4,189

\*Note: Apparent double-counting of Statewide Education Property Tax removed from local property tax revenues in New Hampshire calculations.

Source: U.S. Census Bureau, 2021 Annual Survey of State and Local Government Finances, Population Estimates Program

# DOLLARS RECEIVED PER PERSON IN PROPERTY TAXES ARE HIGH RELATIVE TO NATIONAL LEVEL

**STATE AND LOCAL PROPERTY TAX REVENUE PER CAPITA,  
FISCAL YEAR 2021 REVENUES AND JULY 2021 POPULATION ESTIMATES**

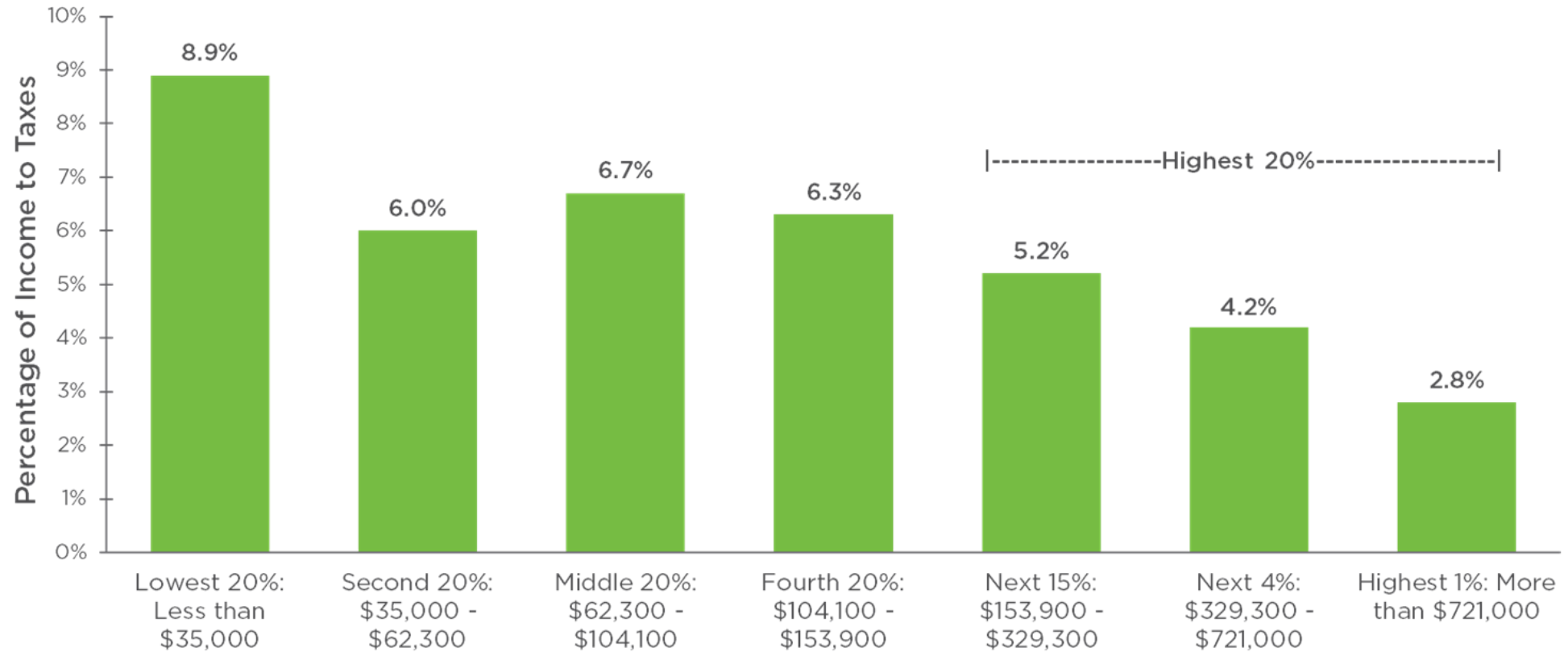
State		Estimated Amount
Highest	New Jersey	\$3,538
	New York	\$3,343
	Connecticut	\$3,276
	New Hampshire*	\$3,046
	Vermont	\$2,992
<b>United States</b>		<b>\$1,898</b>
Lowest	New Mexico	\$936
	Tennessee	\$926
	Oklahoma	\$918
	Arkansas	\$834
	Alabama	\$659

\*Note: Apparent double-counting of Statewide Education Property Tax removed from local property tax revenues in New Hampshire calculations.

Source: U.S. Census Bureau, 2021 Annual Survey of State and Local Government Finances, Population Estimates Program

# EFFECTIVE TOTAL STATE AND LOCAL TAX RATE HIGHER FOR LOWER-INCOME HOUSEHOLDS

STATE AND LOCAL TAXES AS A SHARE OF NEW HAMPSHIRE FAMILY INCOME  
*Effective Tax Rate as a Share of Income by Income Group, 2024 Tax Laws Based on 2023 Income Levels\**



Income Group as a Percentage of Taxpayers

\*Note: Does not include taxpayers who are age 65 and older or tax units with negative incomes. Dependent filers are included with claiming filer.  
Source: Institute on Taxation and Economic Policy, *Who Pays?* Seventh Edition, January 2024

# NON-TAX REVENUE SOURCES GENERATED BY THE STATE

# ENTERPRISE REVENUES AND FUNDS - 2023

## **Liquor Commission Sales and Services - \$746.1 million (\$165.0 million in profits for other uses)**

- Operates State liquor stores that are sole source for liquor and spirits, while certain wine may be sold from licensed businesses; beer is taxed by the Commission
- Funds its own operations, the Alcohol Abuse Prevention and Treatment Fund, non-federal share of expanded Medicaid, and the General Fund

## **Lottery Commission - \$603.8 million (\$189.5 million in profits for Education Trust Fund)**

- Sells lottery tickets and oversees racing, charitable gaming, Keno, sports betting; several recent expansions to scope of gaming
- Per constitutional requirement, profits go to the Education Trust Fund

## **Turnpike System Tolls - \$142.6 million**

- Tolls users of three Turnpikes to operate, construct, and maintain them
- Not all 89 miles of Turnpike highway are tolled, sections can be transferred from other Department of Transportation ownership

## **Unemployment Compensation Fund - \$78.2 million**

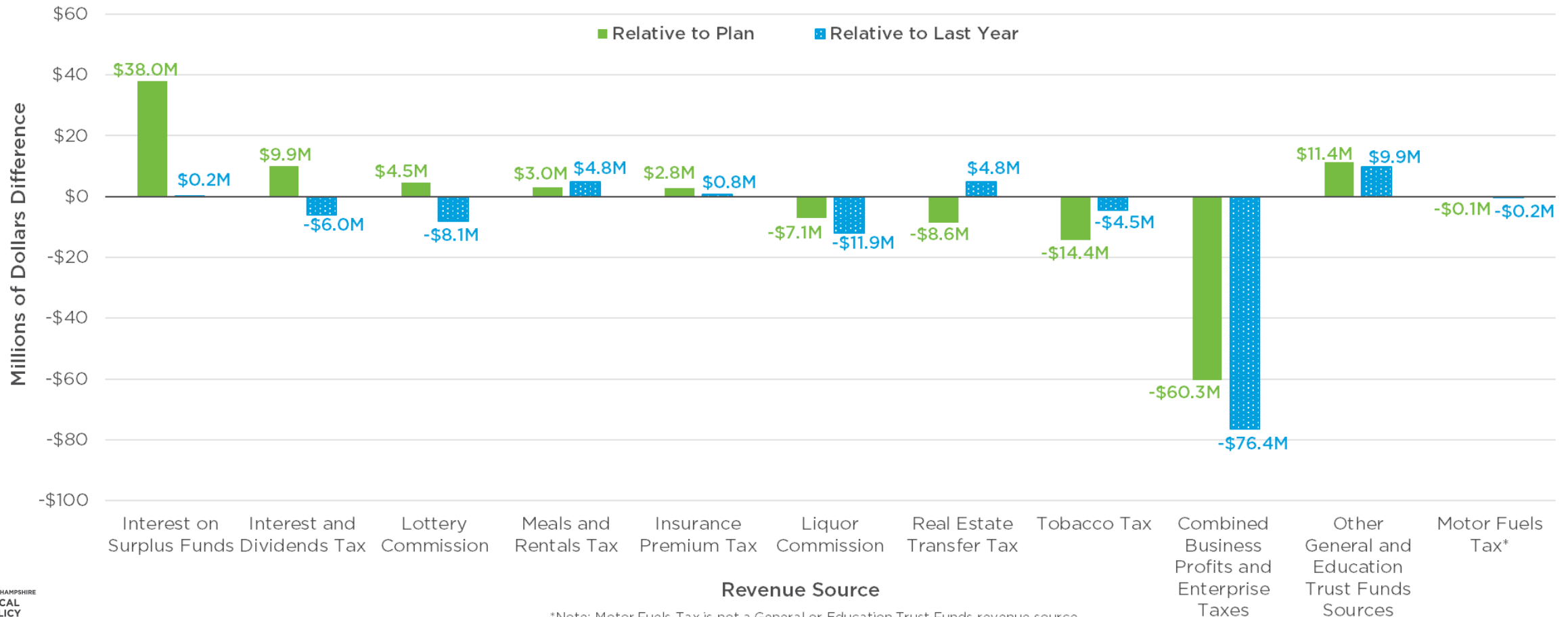
- Charges employers at a variable rate, funds unemployment payments

# WHAT DO THESE STATE REVENUE SOURCES ALL MEAN FOR THE NEXT BUDGET?

# BPT AND BET IN DECLINE A KEY CONCERN

## DIFFERENCES FROM STATE REVENUE PLAN AND PRIOR YEAR BY SOURCE, YEAR-TO-DATE

General and Education Trust Funds Revenues Excluding Statewide Education Property Tax,  
New Hampshire, July-November State Fiscal Year 2025, Cash Basis



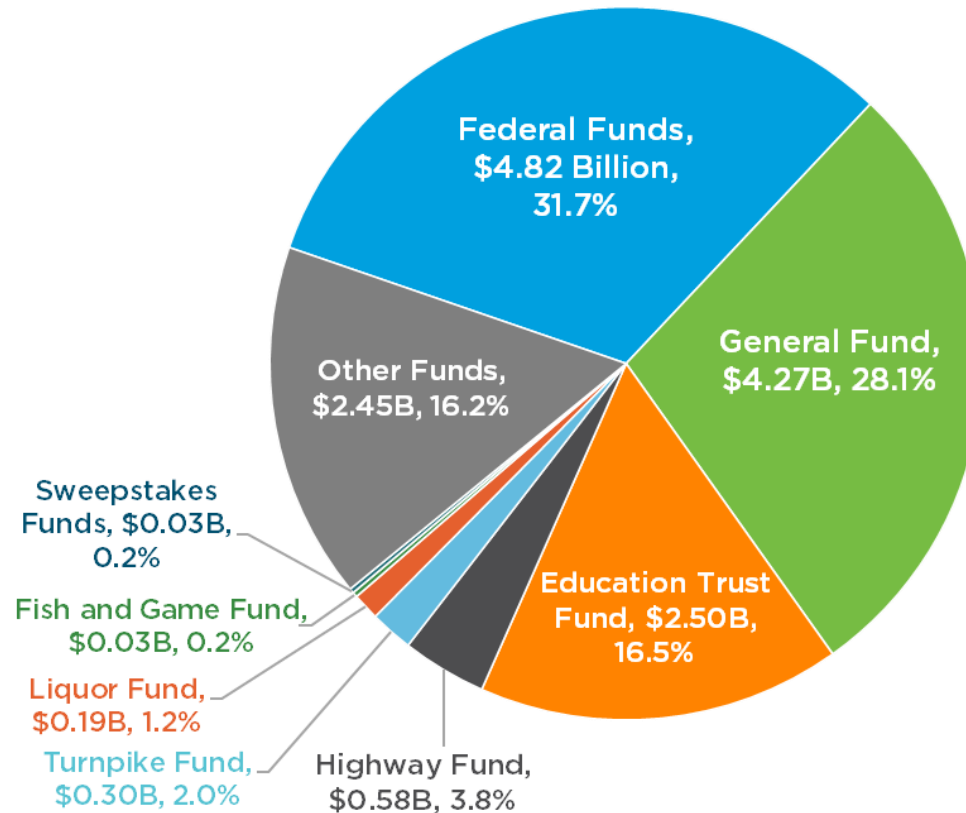
\*Note: Motor Fuels Tax is not a General or Education Trust Funds revenue source.  
Sources: New Hampshire Department of Administrative Services, Monthly Revenue Focus, November FY 2025



# GENERAL FUND AND EDUCATION TRUST FUND KEY FOR FINANCING BUDGET PRIORITIES

## THE STATE BUDGET FOR FISCAL YEARS 2024 AND 2025, BY FUND

*Includes Operating Budget and Trailer Bill Appropriations*

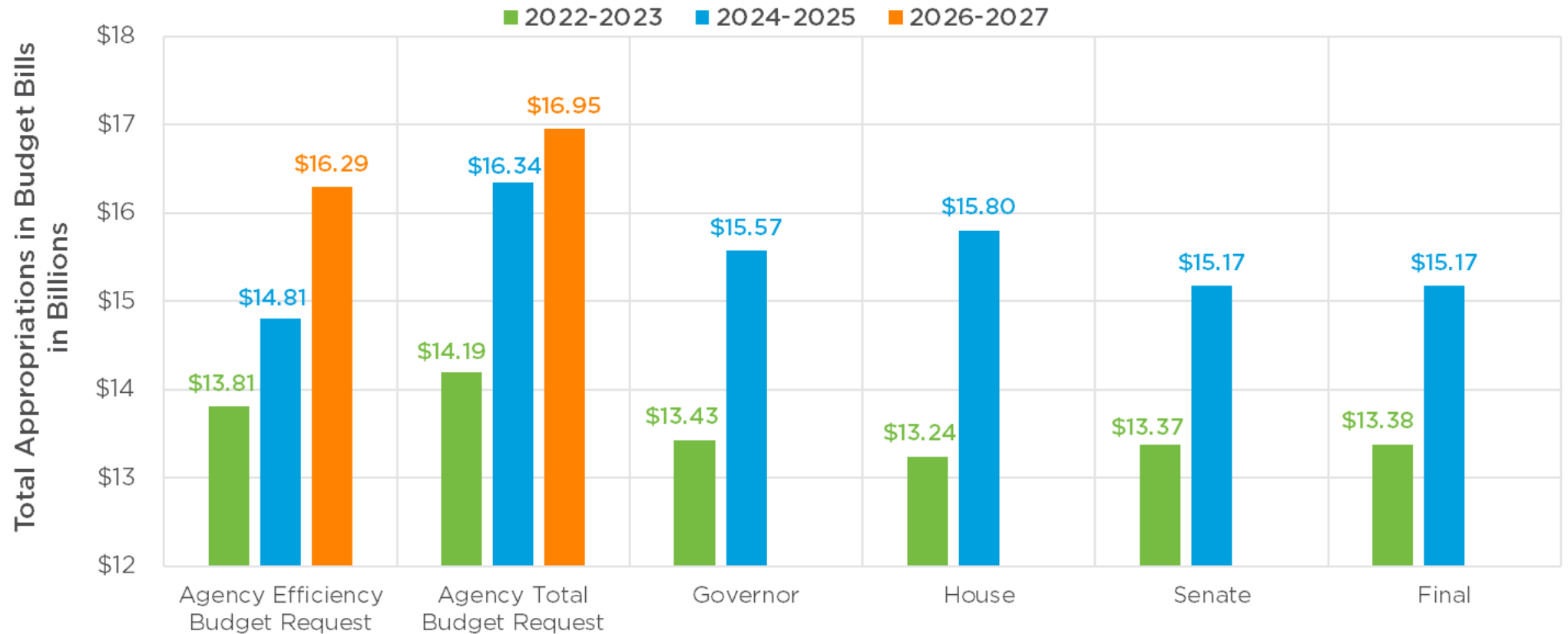


Sources: New Hampshire Office of Legislative Budget Assistant, Senate Finance Committee Surplus Statements, June 2023; 2023-2054s; 2023-2092s; 2023-2171s; 2023-2139s

# AGENCY BUDGET REQUESTS OFTEN HIGHER THAN FINAL, DUE IN PART TO ACCOUNTING

## SIZE OF STATE BUDGET BY PROPOSAL ITERATION

*Includes Operating Budget Bill and Trailer Bill Appropriations, Including Surplus Allocations*



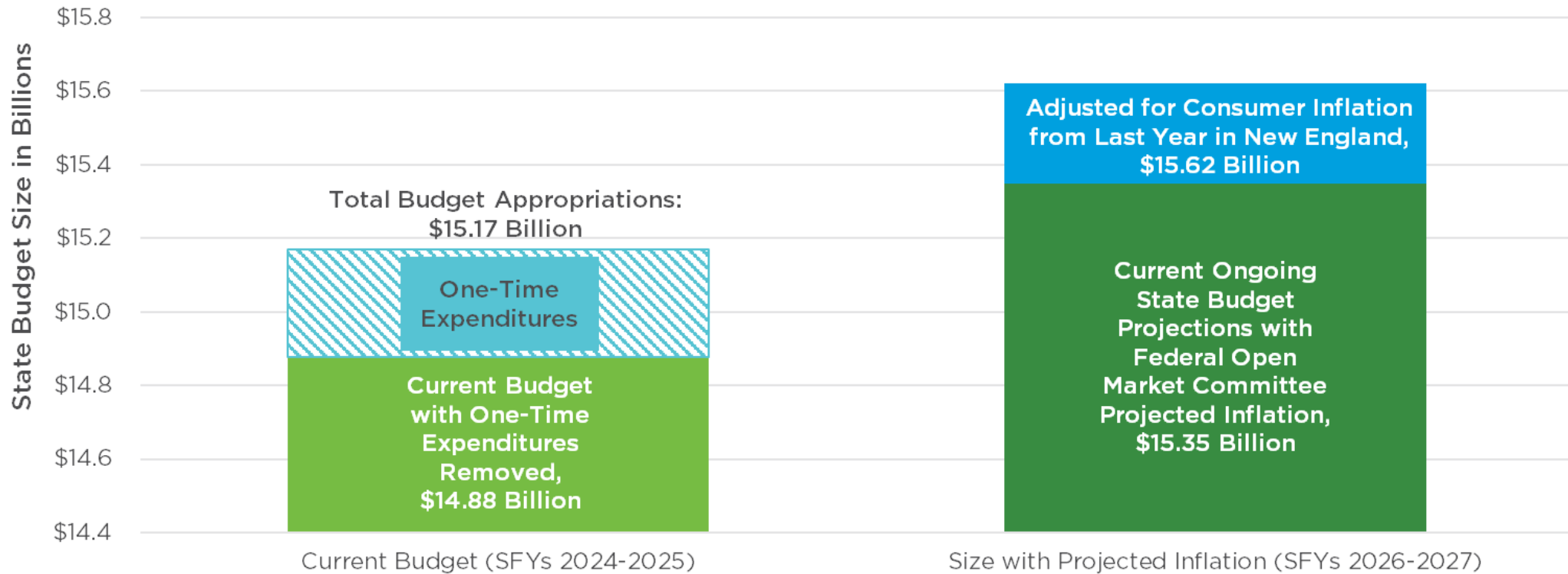
### Iteration of State Budget Proposal

Sources: New Hampshire Department of Administrative Services; NHFPI, The Senate's Budget Proposal for State Fiscal Years 2022 and 2023, June 2021; NHFPI, Examining the State Budget: Reviewing the Senate's Budget Proposal, June 12, 2023

# PROJECTED INFLATION, LESS ONE-TIME FUNDS IN CURRENT BUDGET, STILL TOPS \$15 BILLION

## POTENTIAL VALUES OF EXPENDITURES IN NEXT STATE BUDGET BASED ON CURRENT SERVICES AND PROJECTED INFLATION

*Inflation Projections from Federal Reserve, One-Time Expenditures Removed  
State Budget Expenditures Include Trailer Bill and Surplus Appropriations*

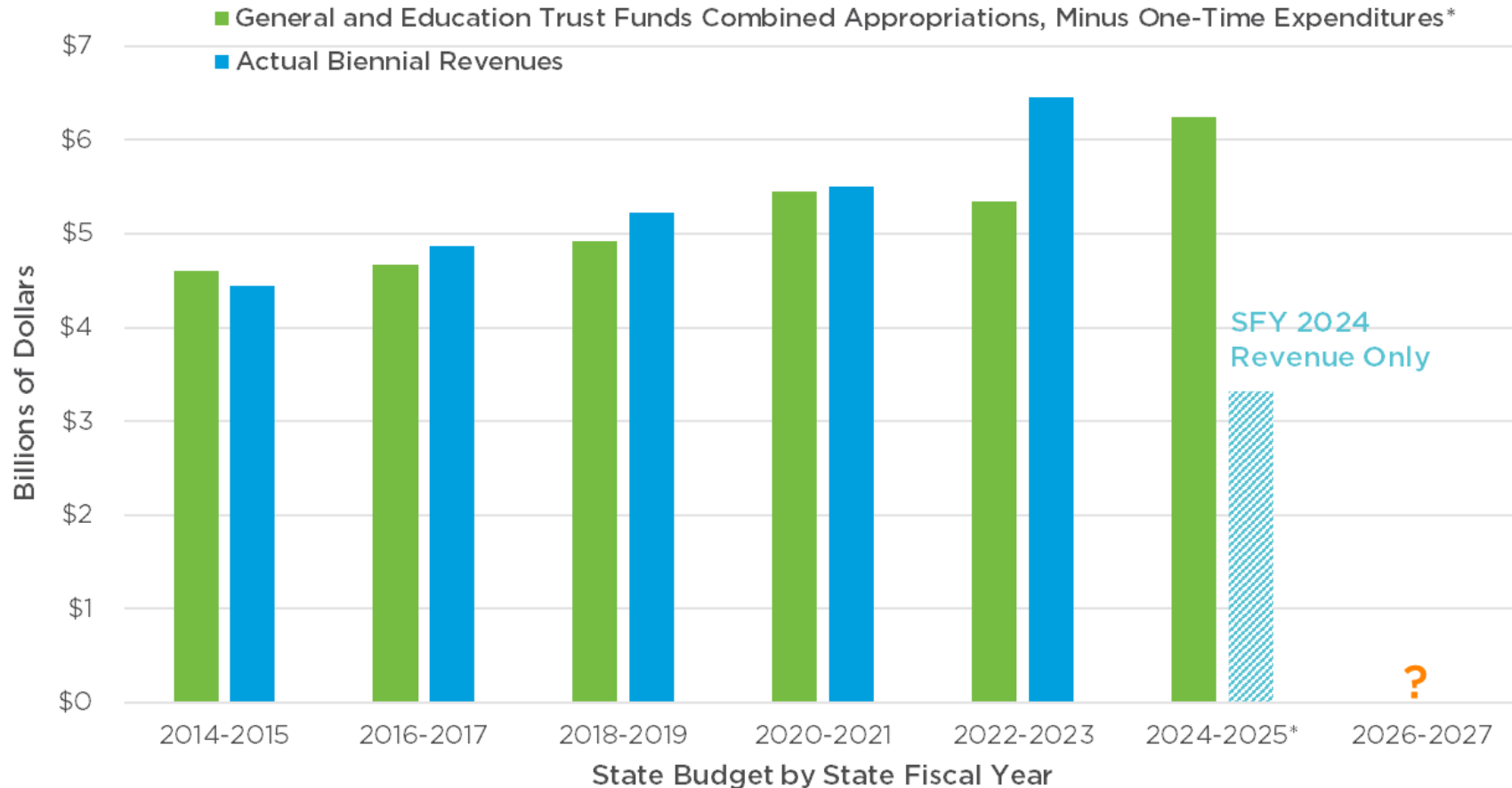


### State Budget Iteration by State Fiscal Year (SFY)

Sources and Notes: Federal Open Market Committee, September 18, 2024 (projections adjusted to NH SFYs); Consumer Price Index-Urban, New England (3.3 percent change in 12 months before October 2024); NHFPI, Examining the State Budget: Reviewing the Senate's Proposal, June 12, 2023; NH Office of Legislative Budget Assistant, Combined General and Education Trust Funds Surplus Statement, June 8, 2023

# ANALYSIS OF GENERAL AND EDUCATION TRUST FUNDS REVEALS DIFFERENT SCENARIOS

COMBINED GENERAL AND EDUCATION TRUST FUNDS COMBINED REVENUES AND APPROPRIATIONS



\*Note: Revenues based on SFY 2024 Preliminary Accrual. One-time expenditures removed based on House Bill 2 appropriations for one-time projects.  
Sources: NH Office of Legislative Budget Assistant Surplus Statements

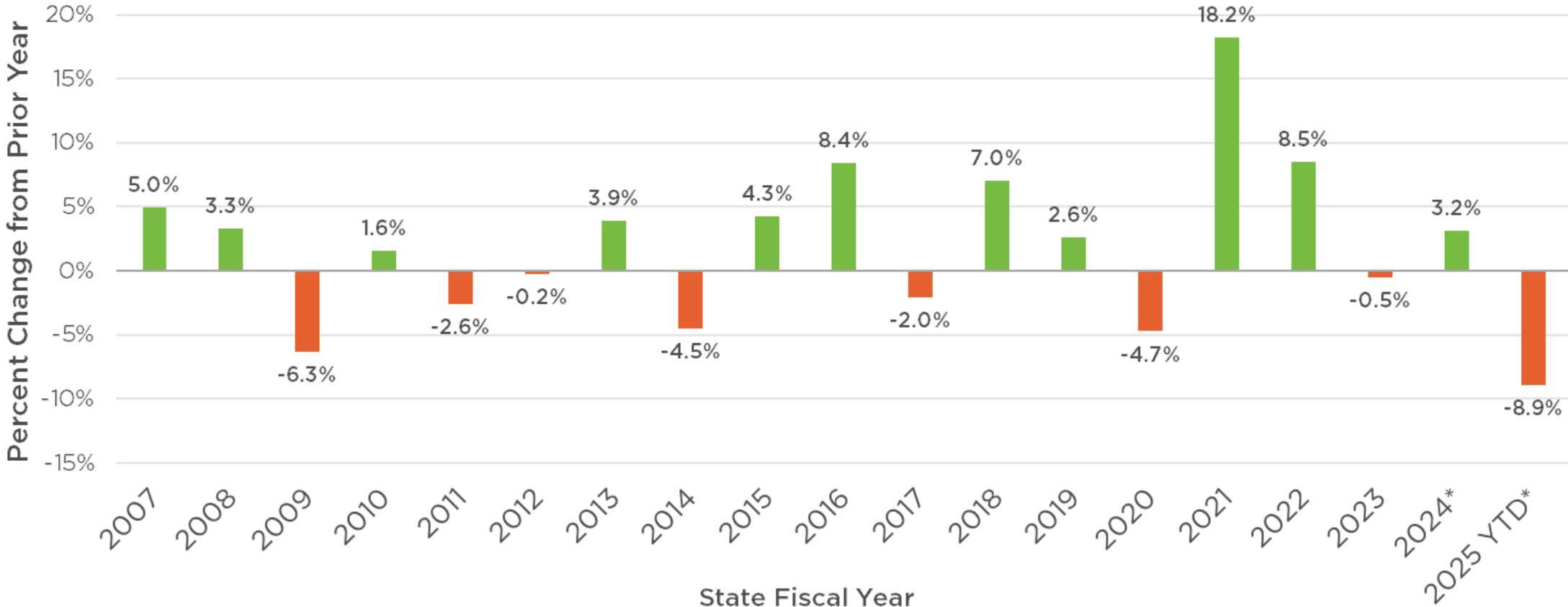
# COST SCENARIOS FOR CURRENT SERVICES SHOW MODEST REVENUE GROWTH NEEDED

Projected Cost Growth Scenario	SFYs 2026-2027 Funding Needed to Support Current General Fund and Education Trust Fund Services, Excluding One-Time Expenses	Annual General Fund and Education Trust Fund Revenue Growth Needed to Support Current Expenses Relative to a SFY 2024 Baseline	Annual Revenue Growth Needed Relative to SFY 2024 Baseline Less Interest and Dividends Tax Revenues	Annual Revenue Growth Needed Relative to SFY 2024 Baseline, No Growth in SFY 2025, Less Interest and Dividends Tax Revenues
Trendline Incremental Growth Since 2014-2015	\$6.55 Billion	-0.5%	1.8%	3.0%
2.0%	\$6.50 Billion	-0.8%	1.5%	2.4%
2.5%	\$6.55 Billion	-0.5%	1.8%	3.0%
3.0%	\$6.60 Billion	-0.2%	2.1%	3.5%
3.5%	\$6.65 Billion	0.1%	2.4%	4.0%

Source: NHFPI Analysis of NH Office of Legislative Budget Assistant Surplus Statements

# REVENUE GROWTH AVERAGED 4.5% IN 2015-2024, 2.5% IN 2007-2024, VARIES ANNUALLY

ANNUAL CHANGES IN COMBINED GENERAL AND EDUCATION TRUST FUND REVENUE FROM PRIOR STATE FISCAL YEAR



\*Note: Based on preliminary, unaudited figures.

Sources: New Hampshire Annual Comprehensive Financial Reports; New Hampshire Department of Administrative Services

# RECALL THE LOOMING QUESTIONS

- Youth Development Center settlements: paid \$102 million, \$469.6 million pending as of September 2024, 206 of 676 total filed claims so far, claims period open until June 2025; \$160 million to settle claims appropriated previously, outlays capped at \$75 million per year
- Court cases associated with the Youth Development Center and children in the care of the State could generate substantial liabilities
- Decisions related to education funding from the State Supreme Court; second-largest State expenditure, small changes can lead to large funding commitments
- Construction of a new State prison for men, potentially \$500-\$600 million, bond payment may be substantial
- Changes to federal funding to the State for operations, with about one in three dollars to fund State services coming from the federal government

# POTENTIAL STRATEGIES FOR NEXT BUDGET

## Revenues

- Consider Meals and Rentals Tax changes, evaluate boost to hotel and rental car components of tax
- Examine Tobacco Tax rates, particularly for non-cigarette products, for potential updates
- Consider changes to the BPT and BET bases, such as reducing access to foreign tax havens for profit shifting
- Evaluate effects of recent tax reductions to inform assessments of return on investment for the people and economy of New Hampshire

## Expenditures

- Evaluate recent State agency reorganizations, such as through public audits, to assess cost savings and inform future decisions
- Rely on the capital budget for one-time expenses, rather than funding deployed through cash investments in recent State Budgets
- Maximize deployment of federal funds, including competitive grants, to support or supplant services
- Mitigate cost overruns for capital projects and seek financing that minimizes impact on General Fund



# WHAT IS YOUR BIGGEST TAKEAWAY FROM THIS PRESENTATION, IN A FEW WORDS?

Join at [menti.com](https://www.menti.com) | use code 3110 0039

Mentimeter

Word Cloud



Word Cloud content:

- bold
- creative
- inspiration
- focus
- fast
- transpiration
- leader

A QR code is located in the top right corner of the word cloud area. A small user icon is visible in the bottom right corner of the word cloud area.

# ADDITIONAL RESOURCES

- Blog: October Revenue Collections Generate Surplus, Partially Offset Revenue Deficit for Year Thus Far – November 14, 2024: <https://nhfpi.org/blog/october-revenue-collections-generate-surplus-partially-offset-revenue-deficit-for-year-thus-far/>
- Presentation: Funding Public Services in New Hampshire at the State and Local Levels – July 17, 2024: <https://nhfpi.org/resource/funding-public-services-in-new-hampshire-at-the-state-and-local-levels/>
- Blog: State Revenues Add to Surplus, But Suggest Potential Trouble Ahead: Seven Takeaways from April Revenue Figures – May 6, 2024: <https://nhfpi.org/blog/state-revenues-add-to-surplus-but-suggest-potential-trouble-ahead-seven-takeaways-from-april-revenue-figures/>
- 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/>

**QUESTIONS ABOUT THE CONTENT  
OF THIS PRESENTATION?**