



REVENUE POLICY CHANGES & REVIEWING THE HOUSE FINANCE BUDGET

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KENT STREET COALITION EVENT

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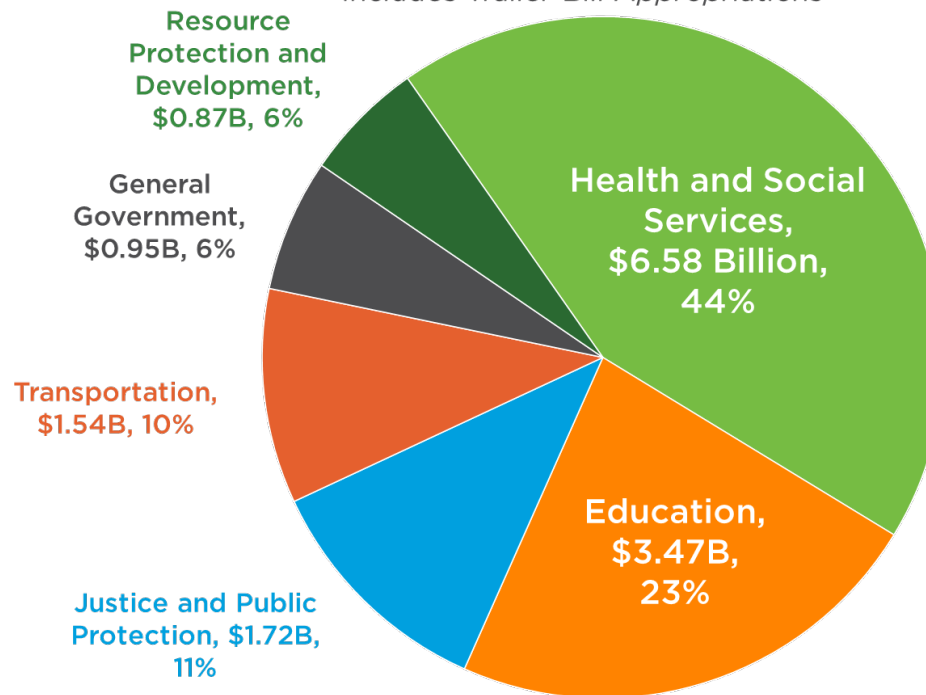
- NHFPI is a nonpartisan, independent research nonprofit that examines issues related to the State Budget, the economy, fiscal policy decisions, and the financial security of Granite Staters, focusing on issues relevant to individuals and families with low and moderate incomes in New Hampshire
- Mission: to promote opportunity and economic well-being for all New Hampshire residents by producing and disseminating independent research and analysis to inform public policy
- NHFPI's goal is to provide unbiased data analysis to policymakers, community leaders, journalists, and the public

REVENUE POLICY CHANGES: WHAT'S CHANGING THE REVENUE PICTURE

BUDGET APPROPRIATIONS IN SIX CATEGORIES

STATE BUDGET APPROPRIATIONS BY CATEGORY

*State Fiscal Years 2024-25 and Surplus Appropriations,
Includes Trailer Bill Appropriations*

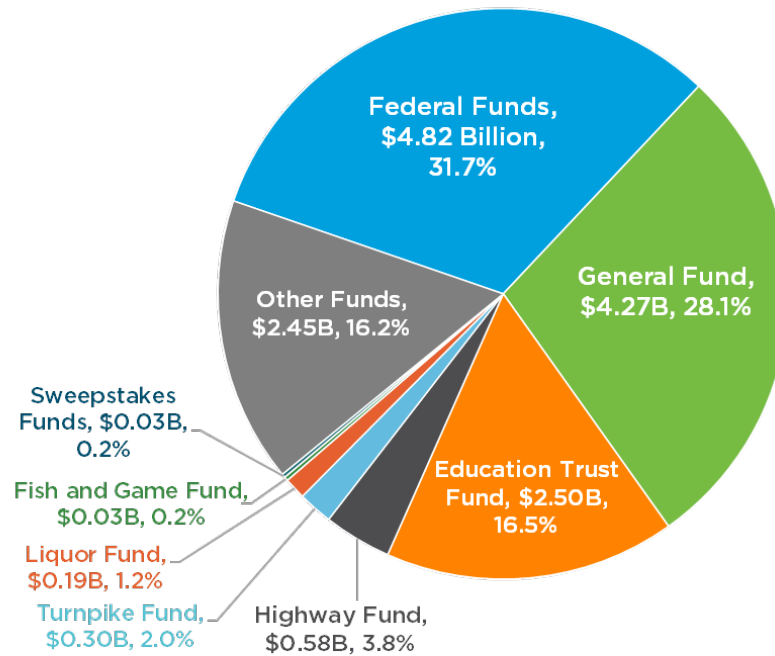


Note: General Government includes HB 2 appropriations for the Affordable Housing Fund, InvestNH, and all State employee pay raises defined by and funded through appropriations made in House Bill 2, as amended by the House.

Sources: New Hampshire Office of Legislative Budget Assistant, Compare House Finance to Governor, March 28, 2023, Surplus Statements, April 6 and 7, 2023, Briefing on Senate Finance Changes to House Passed Budget, June 6, 2023; 2023-2092s; 2023-2171s; 2023-2139s

THE COMBINED GENERAL FUND & EDUCATION TRUST FUND IS OFTEN THE FOCUS

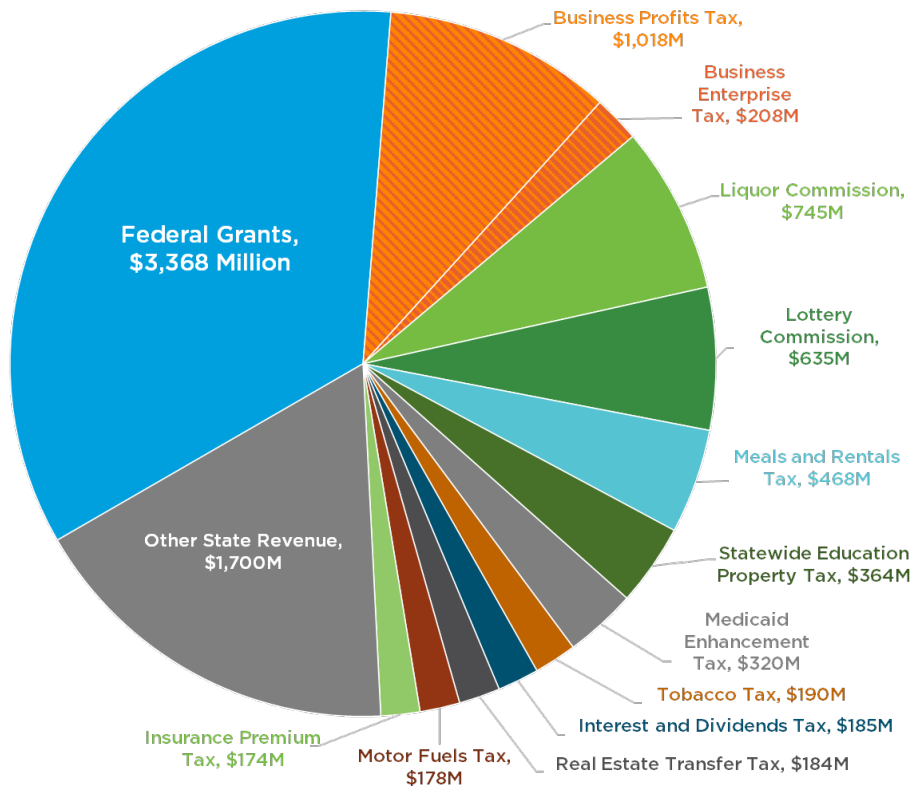
THE STATE BUDGET FOR
FISCAL YEARS 2024 AND 2025, BY FUND
Includes Operating Budget and Trailer Bill Appropriations



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

NEW HAMPSHIRE STATE REVENUES

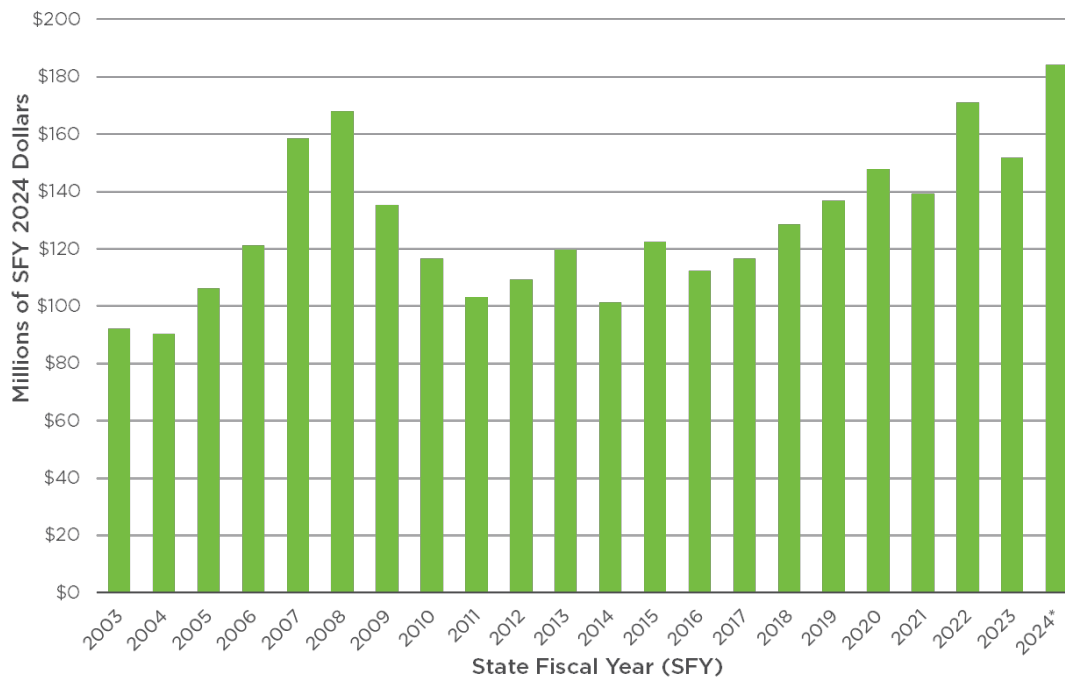
STATE REVENUE SOURCES, GOVERNMENTAL AND ENTERPRISE FUNDS, STATE FISCAL YEAR 2024



- 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

INTEREST & DIVIDENDS TAX REPEAL

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

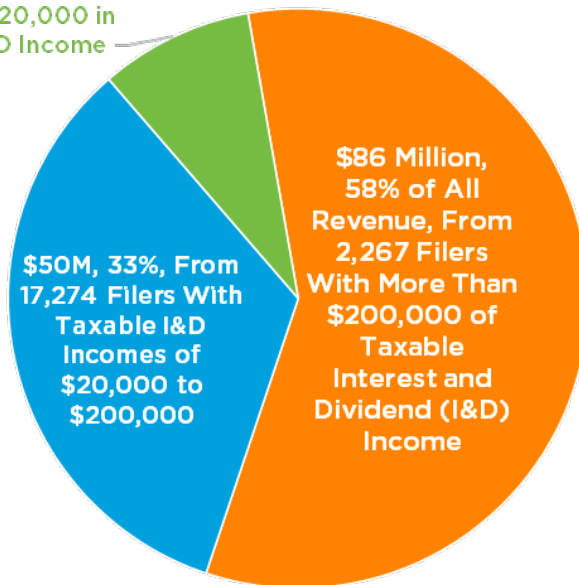
- SFY24 Total Revenue was \$185M
- Repealed as of 1/1/2025, rate was 5% from 1977-2022, then 4%, then down to 3%
- Tax on interest, dividend, and distribution income from assets (including stock or business ownership, not including the sale of assets)
- Individuals, joint filers, and certain companies 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"

INTEREST AND DIVIDENDS TAXES EXAMPLES

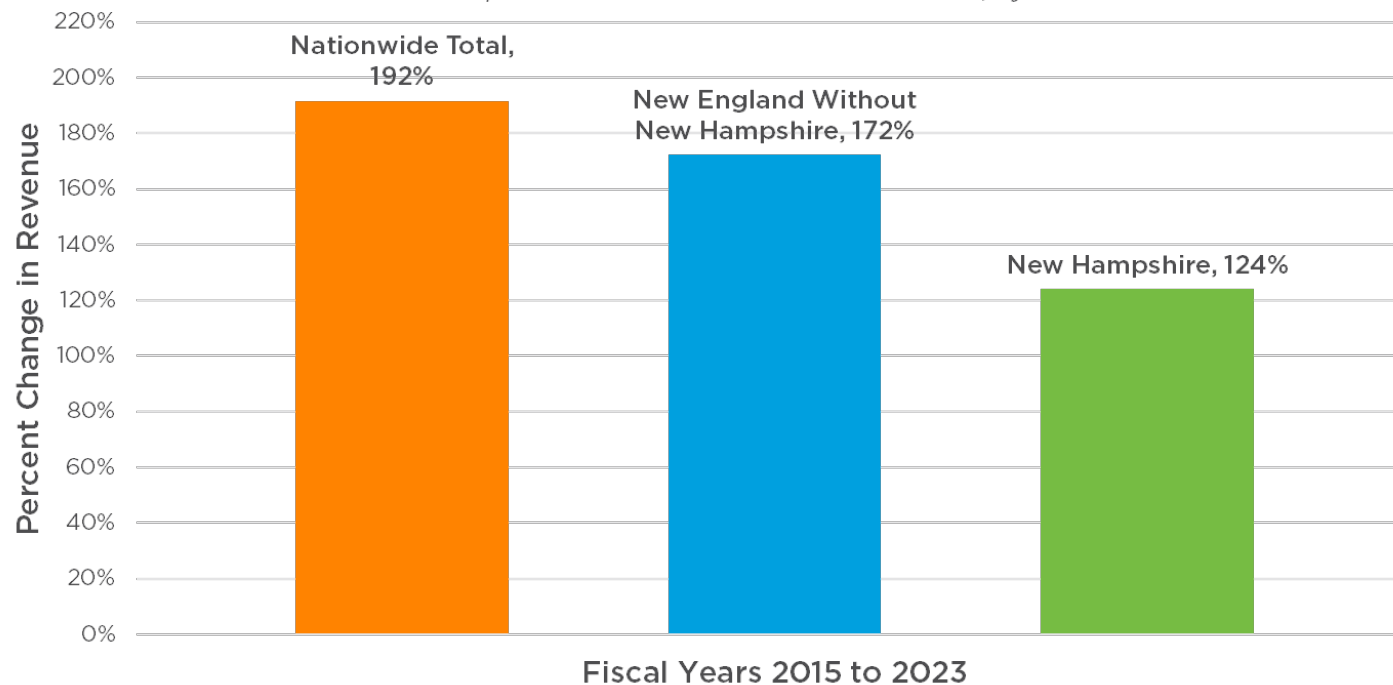
Assumption: Married couple that are both older than 65 in 2023 under then-current law		
Interest		
1	Balance you have in a CD or similar interest-bearing account	\$ 250,000
2	Assuming a 4% ROR interest rate on Line 1, this in your taxable income	\$ 10,000
	<i>We know need to determine what the taxable income is</i>	
3	Joint Filer Exemption. (Ind filer is \$2,800)	\$ 4,800
4	65+ Exemption (\$1,200 for each)	\$ 2,400
5	Blind Exemption(\$1,200 for each)	
6	Add Lines 3, 4, and 5 this is your total NH exemptions	\$ 7,200
7	NH Taxable Income (Line 2 minus 6)	\$ 2,800
8	NH I&D Tax Paid (Line 7 mulitied by 4%)	\$ 112

Assumption: Married couple that are both older than 65 in 2023 under then-current law		
Dividends		
1	Balance you have an asset portfolio (i.e. brokerage account AND NOT IN 401K, etc.)	\$ 15,000,000
2	Assuming a 1.47% Div. Yield (Avg 2023 S&P500) on Line 1, this in your taxable income	\$ 220,500
	<i>We know need to determine what the taxable income is</i>	
3	Joint Filer Exemption. (Ind filer is \$2,800)	\$ 4,800
4	65+ Exemption (\$1,200 for each)	\$ 2,400
5	Blind Exemption(\$1,200 for each)	
6	Add Lines 3, 4, and 5 this is your total NH exemptions	\$ 7,200
7	NH Taxable Income (Line 2 minus 6)	\$ 213,300
8	NH I&D Tax Paid (Line 7 mulitied by 4%)	\$ 8,532

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



Our Northern New England Neighbors - Vermont & Maine saw larger revenue growth than NH

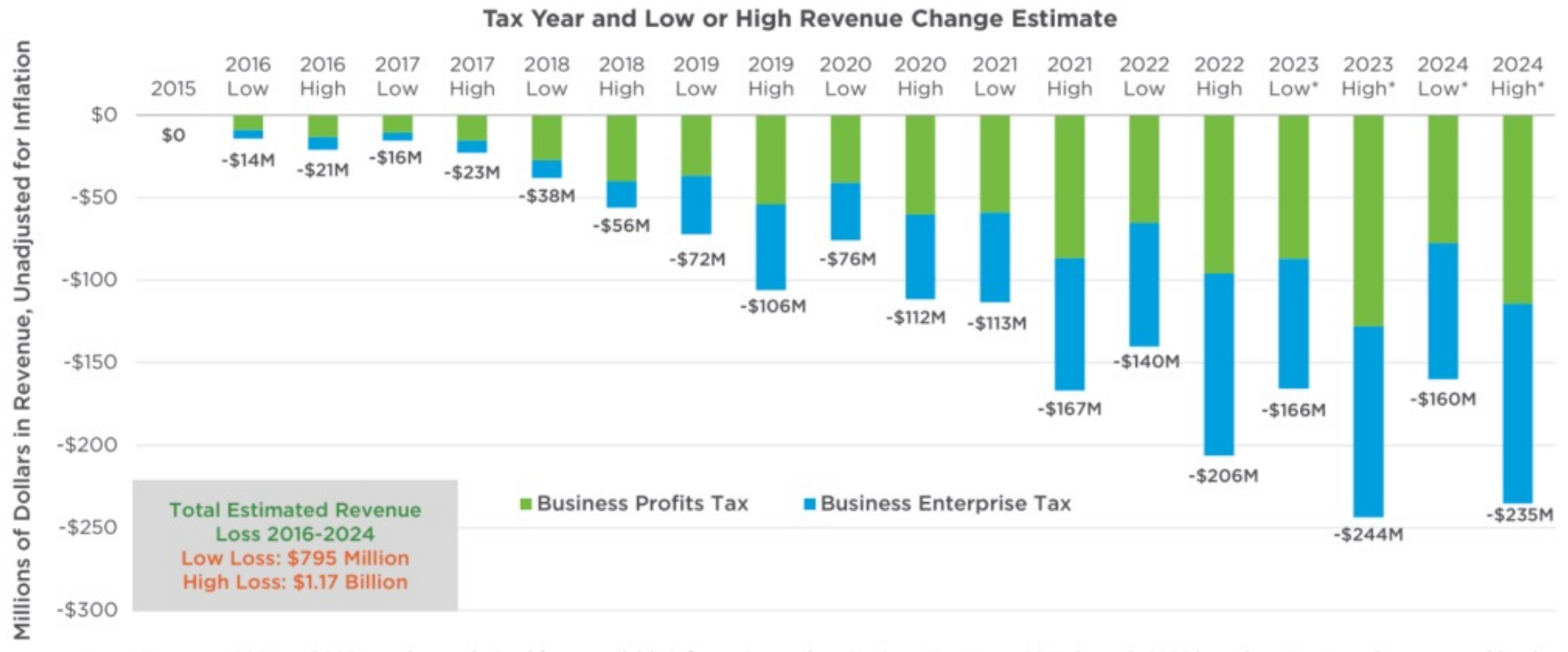
VT - (167% increase)

ME - (167% increase)

FORGONE REVENUE: \$795 MILLION-\$1.17 BILLION

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



HOUSE FINANCE COMMITTEE BUDGET

***DIVISION III
(HEALTH AND SOCIAL SERVICES)***

MEDICAID CHANGES

- Medicaid co-pays for ~11,000 adults in Granite Advantage (NH's Medicaid Expansion) earning 100%-138% of Federal Poverty Guidelines
 - 138% of Poverty Guidelines is \$21,597 (individual) or \$36,777 (Family of 3)
- 86,177 children enrolled in the Children's Health Insurance Program
 - Single parent with one kid making \$58,000 could see \$242 a month (5% of income)
- 3% Medicaid rate decrease for all service areas, effective 1/1/26
 - GF reductions: \$17.5M in SFY 2026 and \$35M in SFY 2027

DEVELOPMENTAL SERVICES, MENTAL HEALTH AND SUBSTANCE USE DISORDER SERVICES

- Funding reductions for developmental disability services
 - GF reductions: \$8.8M in SFY 2026 and \$22.5M in SFY 2027
 - DHHS can request add'l funds through Fiscal Committee if spending exceeds budgeted amounts
- 38% reduction of Community Mental Health Program Support (\$19.0M decrease each year)
 - \$48M of the \$50M in Gov's Budget is "Contracts for Program Services"
- Repeal of automatic 5% transfer from Liquor Fund to Alcohol Abuse Prevention and Treatment Fund; supplied with transfer from Opioid Abatement Trust Fund for biennium only

REDUCTIONS FOR PUBLIC HEALTH INITIATIVES, OTHER SERVICE CHANGES

- Elimination of funding for Family Planning (about \$1.7M GF savings across biennium)
- State Loan Repayment Program to not accept new applicants for the biennium, continued funding for current recipients (GF reductions: \$300,000 in SFY 2026 and \$500,000 in SFY 2027)
- Reduction in contract for parental education programs within state's Department of Corrections (\$200,000 GF reduction across biennium)
- Elimination of funds for Master Licensed Alcohol and Drug Counselors (MLDAC) contract (about \$3.8M GF savings across biennium)
- Elimination of all General Funds for Tobacco Prevention and Cessation Program (\$1.2M GF savings across biennium)

OTHER SERVICE CHANGES (CONT.), BACK-OF-BUDGET

- Suspension of WIC Farmers' Market Program for biennium
- 10% reduction in Child & Family Services/System of Care lines for Residential Placements (GF reductions: \$5.1M in SFY 2026 and \$5.7M in SFY 2027)
- \$23M each year back-of-budget reduction for DHHS
 - DHHS will have a difficult time implementing this without reductions to services
 - Medicaid and Development Services are the two largest units (likely off the table)
 - Child Protection and New Hampshire Hospital are the next largest budgeted agencies that could receive reductions

DIVISION II
***(Education, Safety, Transportation,
Lottery, Fish & Game)***

OVERALL K-12 EDUCATION FUNDING

- Increases Adequate Education Aid by \$28.1M, for a total of \$2.19B, including \$546.9M of “restricted” revenue from the lottery
 - Defined aid set to \$4,351 per student
 - +\$2,441 for students eligible for free or reduced-price lunches
 - +\$849 for students who are English language learners
 - +\$3,140 for students receiving special education services
- Increase funding for public charter schools by about \$16.5M, for a total of \$151.5M over the biennium
- Increase funding for Education Freedom Accounts by about \$17.5M, for a total of \$91.0M
- Adds Fiscal Capacity Disparity Aid for school districts with lower property values per student
- Restricts maximum per-pupil aid for larger school districts (Manchester and Nashua)

K-12 EDUCATION TAX CAP ON LOCAL SCHOOLS

- Establish tax/appropriation cap on local school districts
 - Until June 30, 2027: Appropriations cannot be more than the appropriation from the prior year multiplied by the average of the past five years of the Northeast Region Consumer Price Index
 - After June 30, 2027, the appropriation cannot be more than the greater of
 - a) the average percent change in ADMR over the past five years, or:
 - b) the average of the past five years' appropriations (whichever option is greater)
 - These calculations would not include costs associated with purchasing new facilities and construction.
 - Districts who want to go over these amounts can do so with 2/3 majority vote of their legislative body

EFA CHANGES, OPEN ENROLLMENT, & DEI BAN

- Expand eligibility for EFA to 400 percent of the federal poverty (\$128,600 for a family of four) for Academic Year 2025-2026 & Universal eligibility after June 30, 2026
- Open enrollment at public schools
 - Parents can enroll their children at any public school in the state provided the school has space
- DEI Ban - applies to all agencies, political subdivisions (county, city, town), public schools (K-12 & Higher Ed)
 - Implement, promote, or engage in DEI-related initiatives, programs, training, or policies
 - Language in contracts
 - In Public Schools, DOE Commissioner can halt funding

PUBLIC HIGHER EDUCATION

- Reduce Governor appropriation for CCSNH system by approximately \$4.1M over the biennium for a total appropriation of approximately \$136M
 - Flat funding from the current budget, which may require tuition increases
- Reduced appropriation for the USNH system (UNH, Plymouth State, & Keene State) by an additional \$50M over the biennium for a total appropriation of approximately \$132.5M
 - Plymouth State has discussed layoffs for the Humanities Faculty of 30FTE before this proposed reduction

LOTTERY CHANGES

- Recommends language for video lottery terminals
- Removed local option for keno in cities and towns
- Added high-stakes tournaments (5% to State)
- Increased maximum ticket price from \$30 to \$50

DEPARTMENT OF TRANSPORTATION

- Increase vanity plate fee from \$40 to \$60; projected \$6.2M to the General Fund over the biennium
- Various DMV fee increases projected to raise \$45M for the Highway Fund over the biennium
- Adding “Love NH Lakes” license plates with proceeds going to the Cyanobacteria Mitigation Loan and Grant Fund
- Remove vehicle inspections for passenger vehicles

***DIVISION I
(EVERYTHING ELSE)***

ELIMINATION OF AGENCIES

- State Commission on Aging (\$0.6M in General Funds during biennium)
- Office of the Child Advocate (\$2.2M during biennium)
- Housing Appeals Board (\$1.1M during biennium)
- Human Rights Commission (\$3.2M during biennium, plus \$366k in federal funds)
- Board of Tax and Land Appeals (\$2.1M during biennium, plus \$238k in other funds)
- Division of Arts within DNCR (\$1.7M, \$2.0M in federal funds)
- Defund (SFY 2027) and sell welcome centers (\$2.3M from defunding)
- Right-to-Know Ombudsman (partial, combined with others)
- Creates the “Office of State and Public Sector Relations” from the Public Employee Labor Relations Board, the Personnel Appeals Board, and the Right-to-Know Ombudsman
- Granite State Paid Family Leave Plan *marketing requirements*

OTHER KEY CHANGES FROM GOV'S BUDGET

- Removed the extension of authorization of the current State Budget's appropriation for the Housing Champion Designation and Grant Program Fund, while creating "Partners in Housing" (HB 572) program without the General Fund appropriation to promote building housing
- Repealed previously-used mechanism for revenue sharing with municipalities, sets amount to about this year's distribution of \$137M (\$11.2M less than what it would have been)
- Suspended 3.15% of Meals and Rentals Tax revenue for the Division of Travel and Tourism Development

BACK-OF-BUDGET REDUCTIONS AND OTHER SAVINGS

- Judicial Branch (\$7.9M)
- New Hampshire Retirement System (\$8.7M)
- Department of Justice (\$14.7M)
- Department of Natural and Cultural Resources (\$0.6M)
- Department of Environmental Services (\$6.0M)
- Department of Information Technology (\$10.0M in Other Funds)
- Legislative Branch (\$1.0M)
- Governor's Office (\$0.1M)
- Drawing uncommitted funds from the Governor's Scholarship Fund (\$7M)
- Eliminating positions in the Department of Corrections (\$35.3M)
- Removing Liquor Commission enforcement (\$6.2M) & DES grants to municipalities (\$4.6M)

OTHER NEW EXPENDITURES

- YDC Settlement Agreement (\$10.0M)
- YDC Settlement Fund (\$20.0M)
- Group II retirement boost (\$55.0M)
- Judicial Council public defender funds (\$3.6M)

THANK YOU!



Scan the QR Code to Register for the next State Budget Webinar

- Monday, April 7 at 10:30 am: The House Finance Committee's Proposal
- Tuesday, June 3 at 10:30 am: The Senate Finance Committee's Proposal

Signing up will also subscribe you to our email list.

Questions? gmartin@nhfpi.org