

New Hampshire's FY 2012-2013 Budget: *Causes and Consequences*

Carroll County Democratic Committee
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New Hampshire's FY 2012-2013 Budget: *Causes and Consequences*

- ❖ What is the New Hampshire budget?
- ❖ What is the scope and source of NH's budget crisis?
- ❖ How have the Governor and the Legislature responded and what are some of the likely consequences of their responses?
- ❖ How might fiscal debates continue in the months ahead?
- ❖ What options were ignored?

The New Hampshire Budget: A Statement of Priorities, A Reflection of Values



*Schools,
libraries,
and
universities*



The New Hampshire Budget: A Statement of Priorities, A Reflection of Values



***Health care and
human services***

The New Hampshire Budget: A Statement of Priorities, A Reflection of Values



Public safety



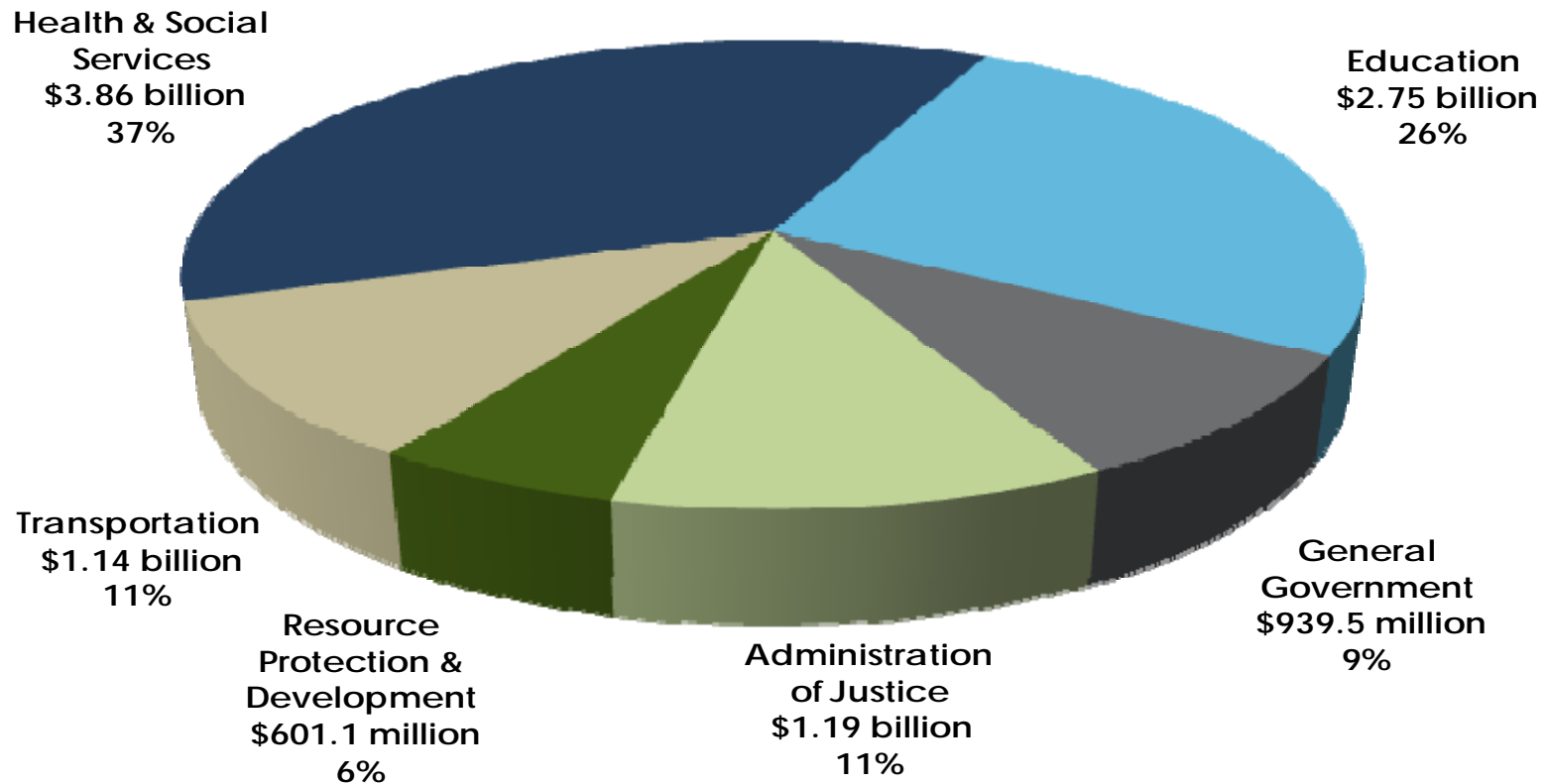
The New Hampshire Budget: A Statement of Priorities, A Reflection of Values



*Parks and
public infrastructure*

What is the New Hampshire Budget?

*FY 2012-2013 Total Fund Appropriations,
as recommended by Conference Committee: \$10.5 billion*



Source: NHFPI calculations based on June 16, 2011 Conference Committee

What is the New Hampshire Budget?

GENERAL GOVERNMENT

Office of the Governor
House of Representatives & Senate
Secretary of State
Departments of Treasury, Revenue Administration

ADMINISTRATION OF JUSTICE

Department of Justice
Department of Safety
Department of Corrections

RESOURCE PROTECTION & DEVELOPMENT

Department of Resources & Economic Development
Department of Environmental Resources

HEALTH & SOCIAL SERVICES

Division for Children, Youth and Families
Office of Medicaid Business and Policy
Division of Family Assistance
Division of Public Health Services

EDUCATION

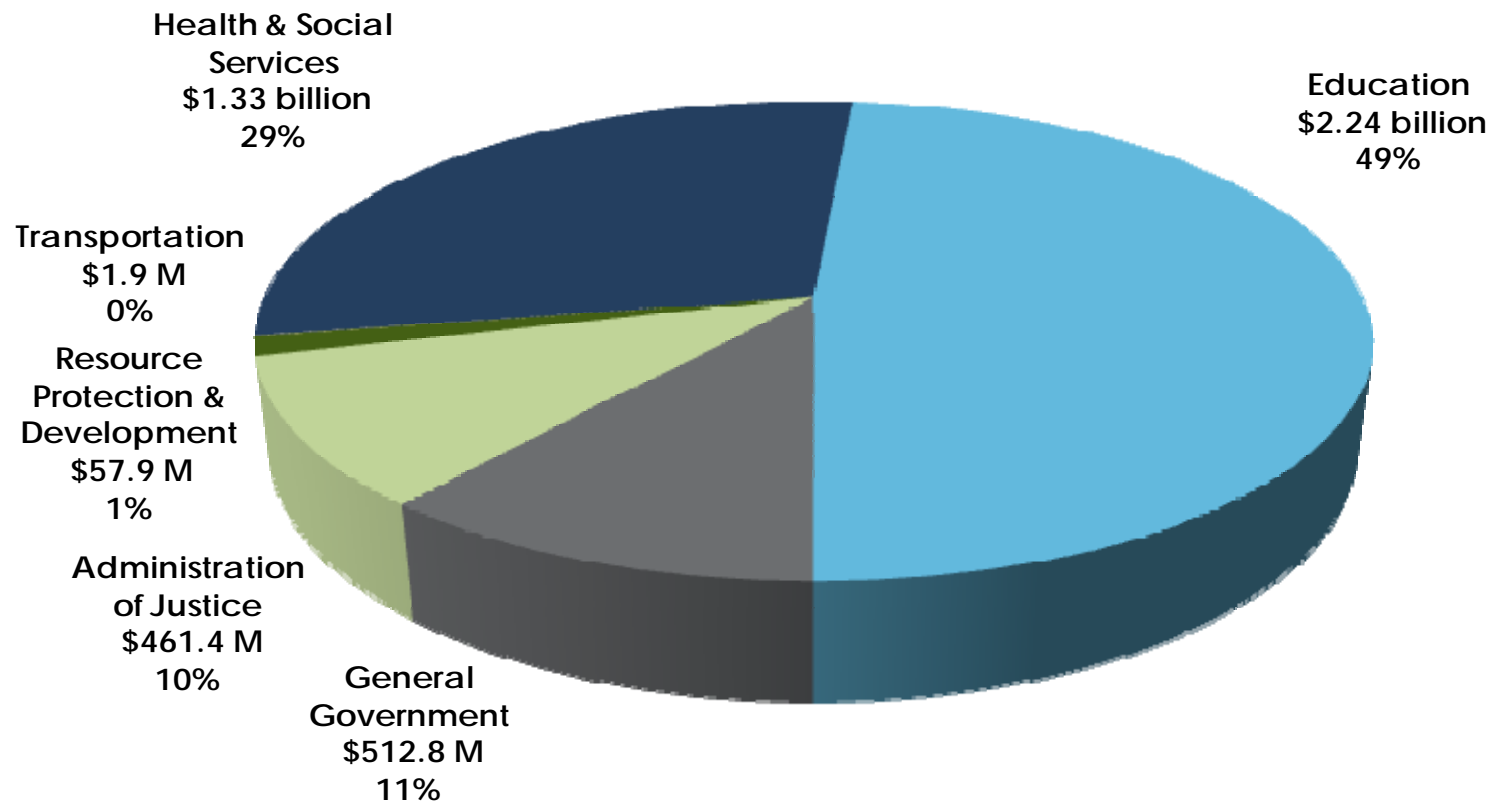
Department of Education
University of New Hampshire
Regional, Community, and Technical Colleges

TRANSPORTATION

Department of Transportation

What is the New Hampshire Budget?

*FY 2012-2013 General & Education Fund Appropriations,
as recommended by Conference Committee : \$4.60 billion*

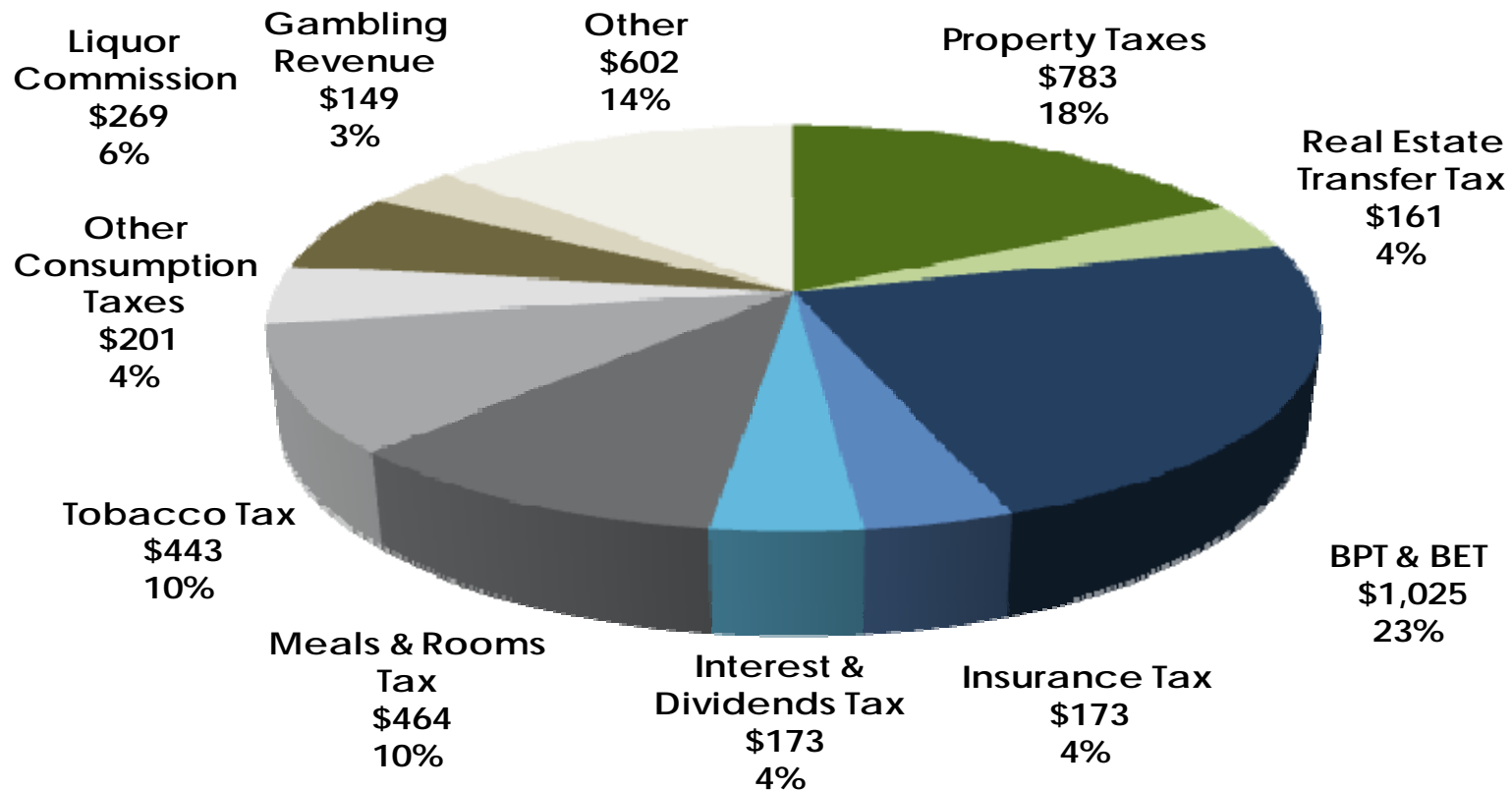


Source: NHFPI calculations based on June 16, 2011 Conference Committee

What is the New Hampshire Budget?

Conference Committee Projections

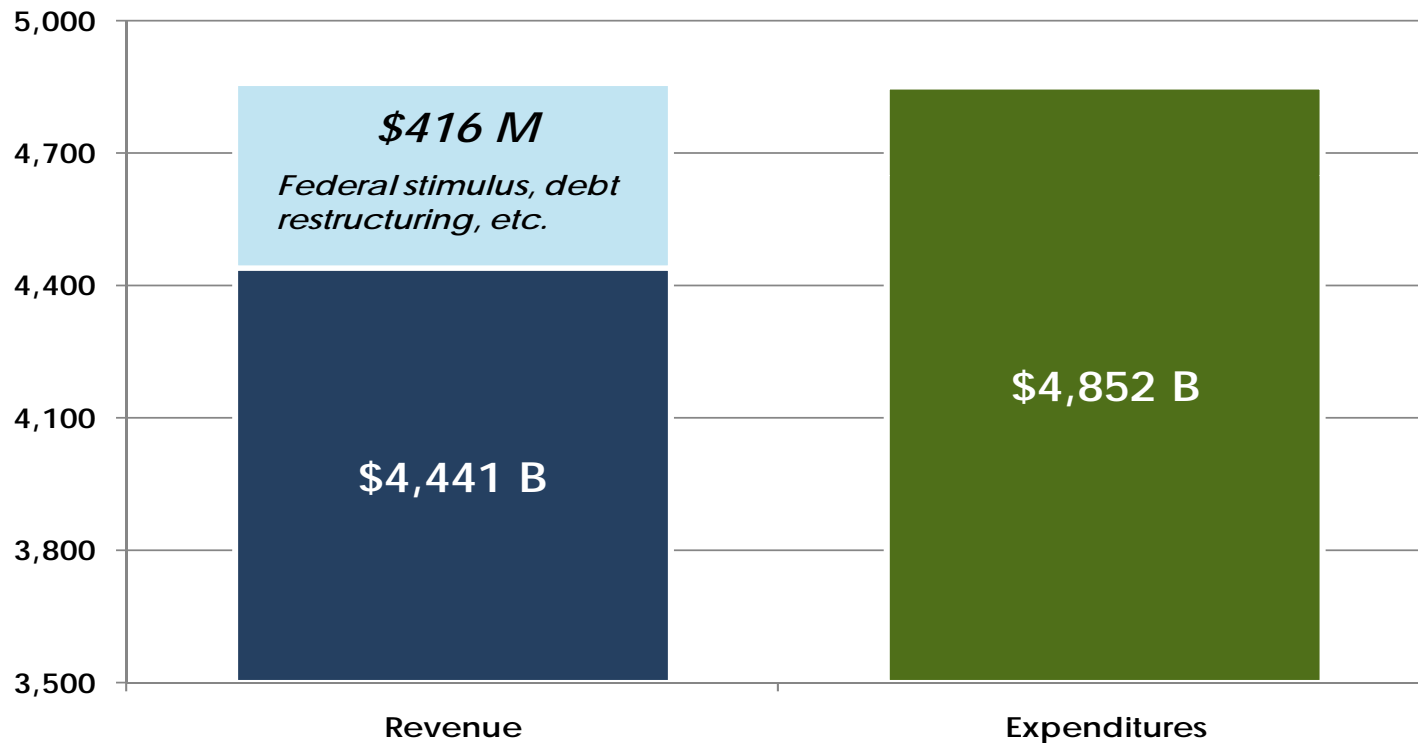
FY 2012-13 General & Education Fund Collections: \$4.44 billion



Source: NHFPI calculations based on LBA Statement of Surplus, June 18, 2011

FY10-11 Budget Relies Heavily on Temporary Sources of Revenue

FY10-11 General and Education Fund Revenue and Expenditures, in \$M

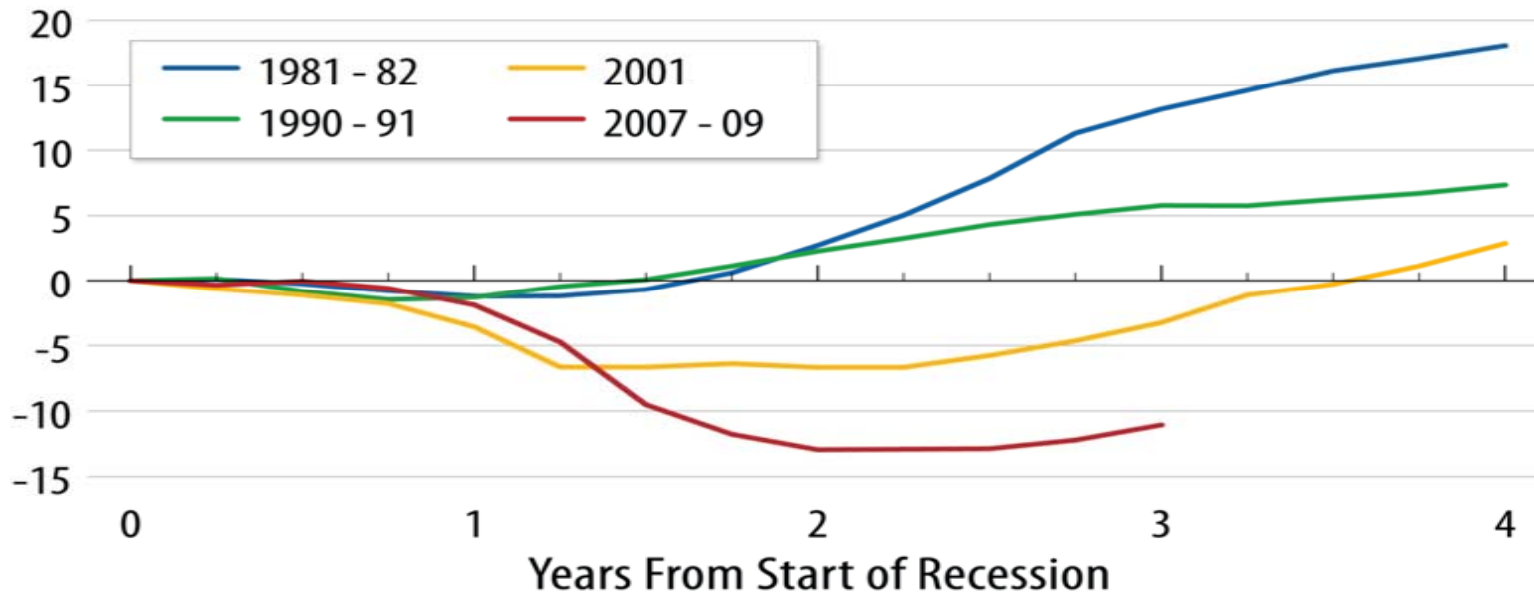


Source: NHFPI calculations based on LBA Surplus Statements of January 5, 2011 & June 18, 2011

National Recession Has Battered State Tax Revenue

State Revenue Losses Far Exceed Other Recent Recessions

Percent change in state tax revenue since start of recession, adjusted for inflation

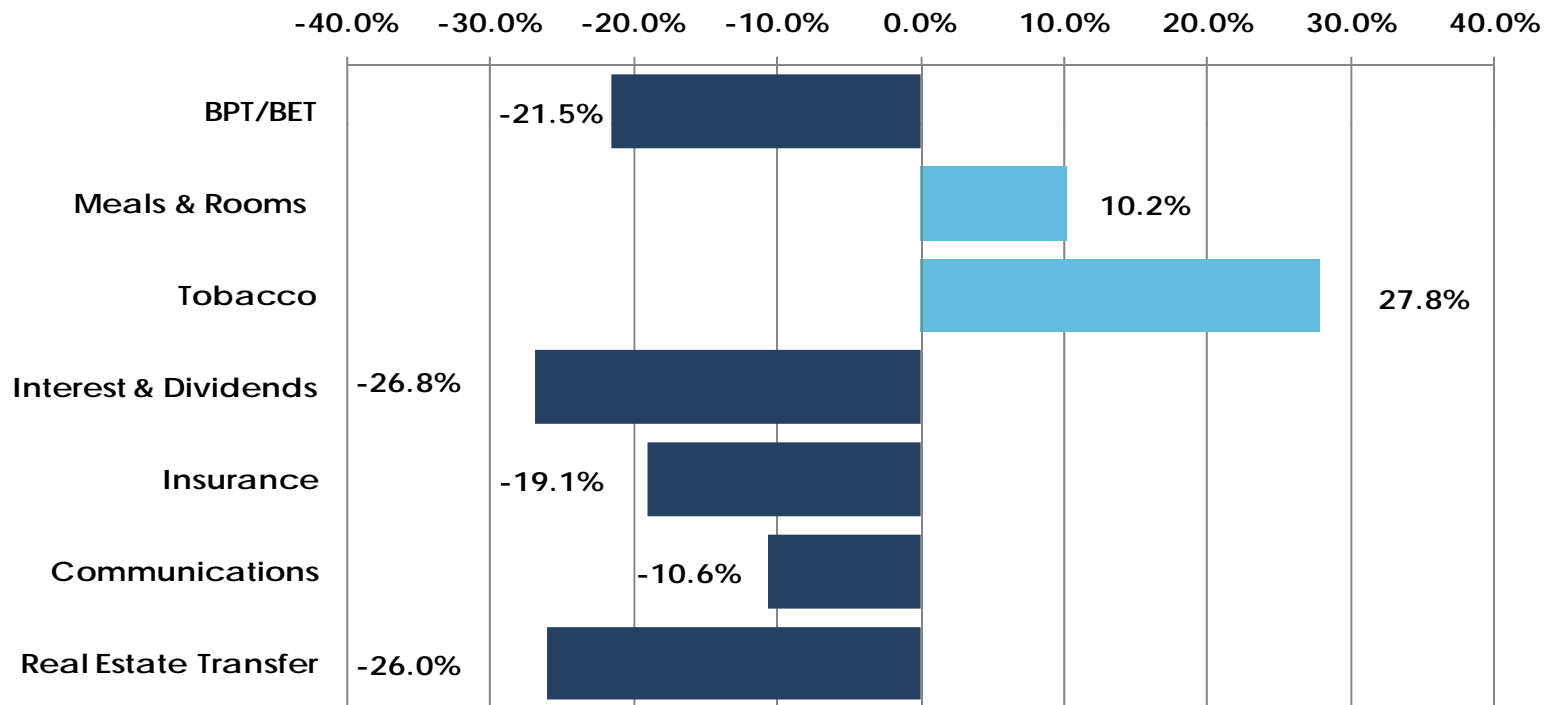


Figures represent four-quarter rolling averages.

Source: Center on Budget and Policy Priorities, February 2011

Most Major Sources of Tax Revenue in NH Have Declined Since Start of Recession

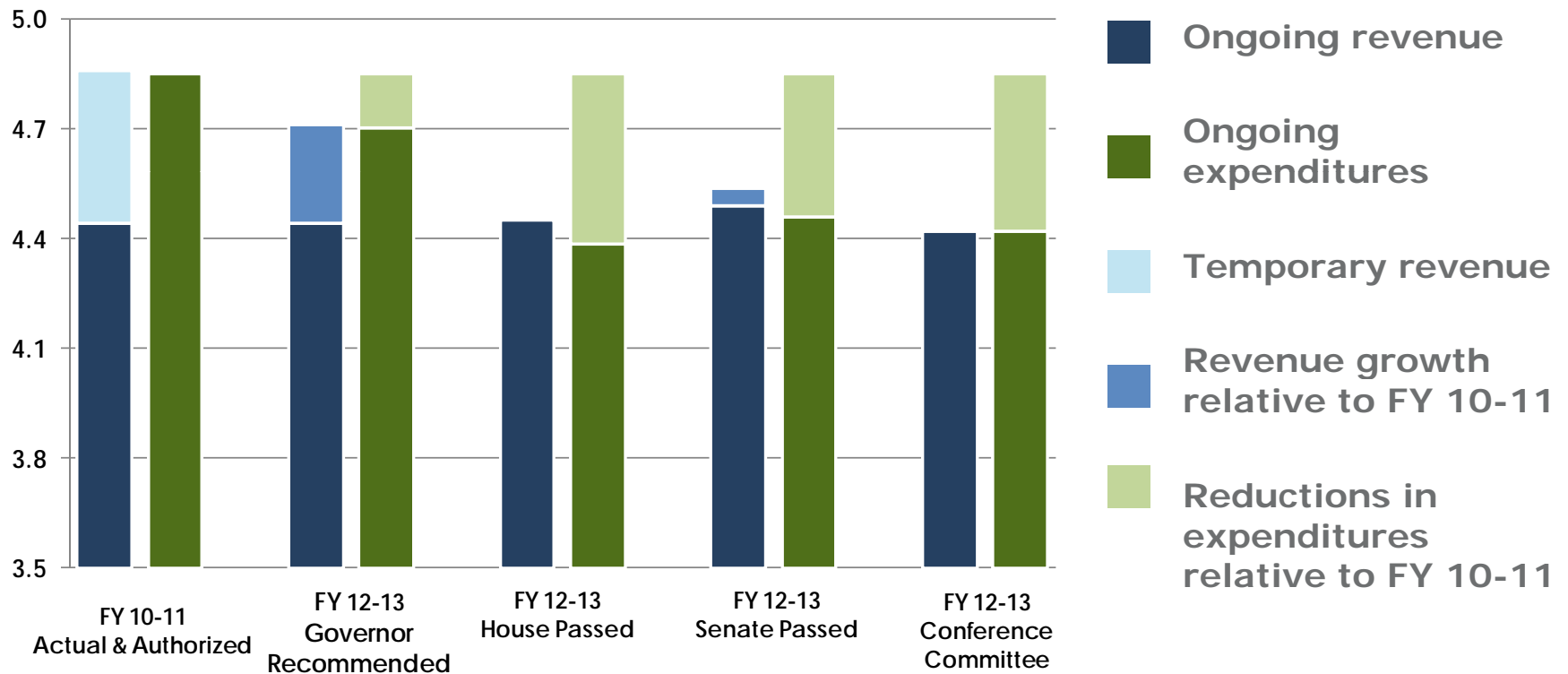
Projected Real Aggregate Change in Select NH Taxes, FY 2008 - FY 2011



Source: NHFPI calculations based on NH DAS & US Bureau of Labor Statistics data

Legislative Budgets Rely Almost Exclusively on Spending Cuts to Achieve Balance

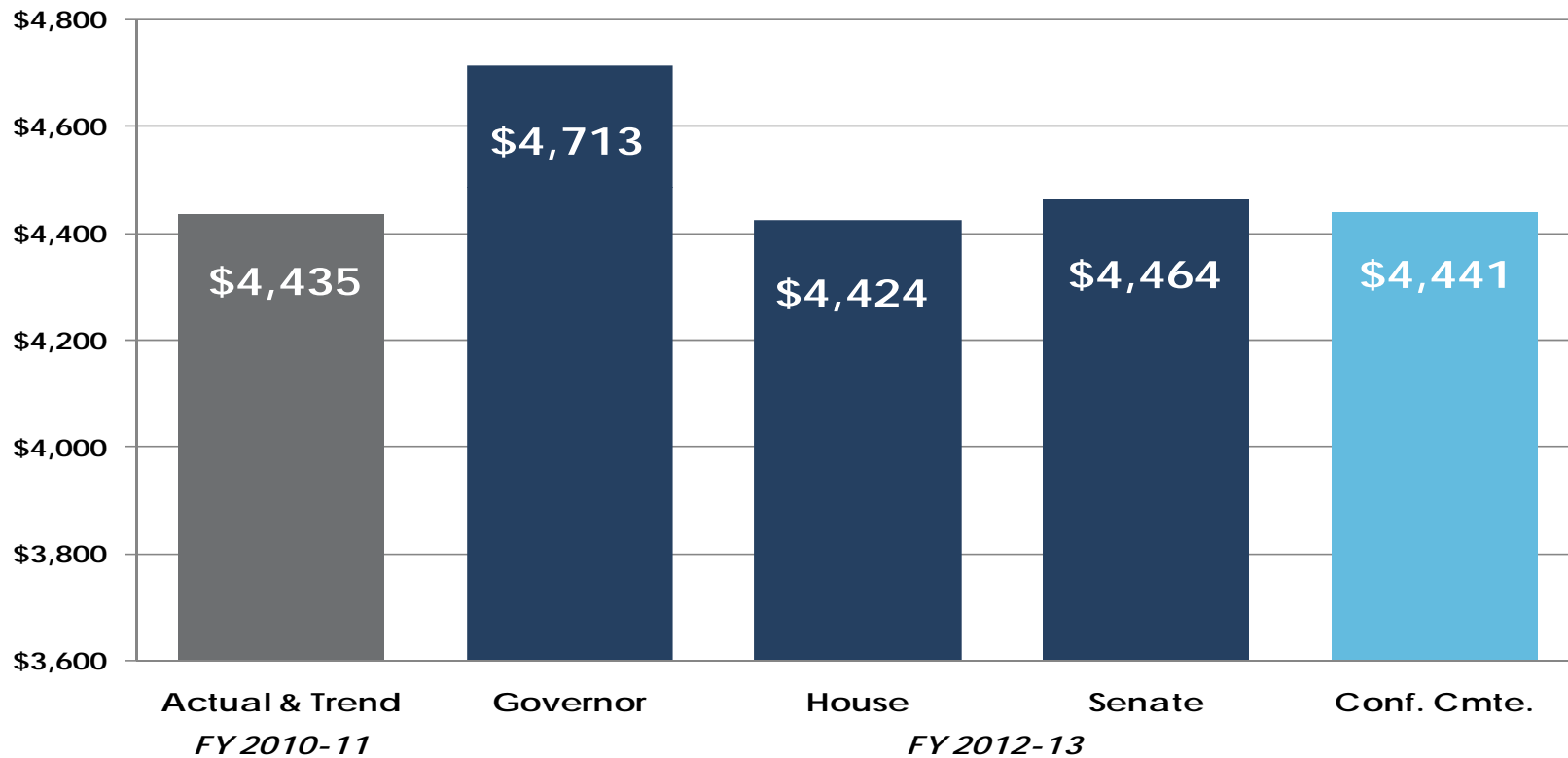
General & Education Fund revenues & expenditures in billions of current dollars



Source: NHFPI calculations based on LBA Surplus Statements

Governor Expects Revenue Growth from Current Levels, Legislature Anticipates Little to None

General and Education Trust Fund Revenue, FY 2010-13, in \$M

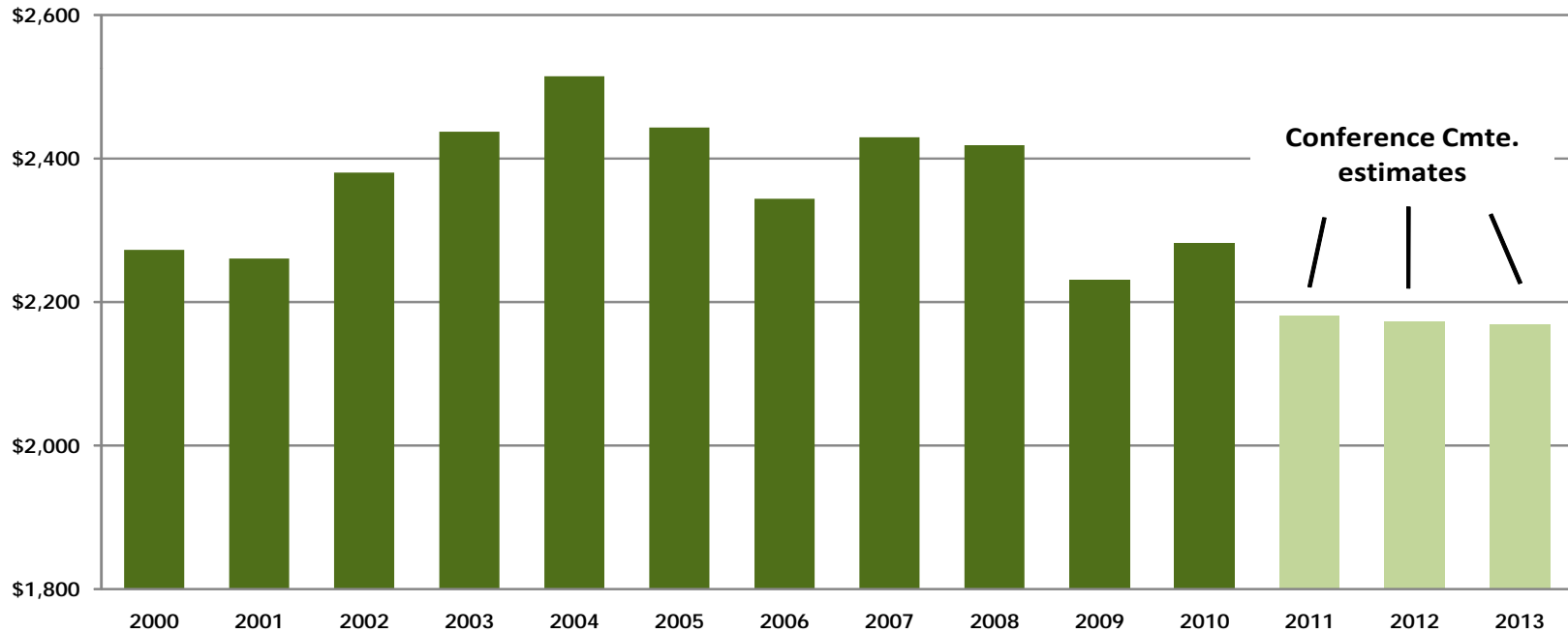


Source: NH DAS; HR 11; HR 12; HB1 and related amendments

Latest Estimates Still Leave Revenue at Lowest Level Since the Creation of Education Fund

General & Education Fund Collections in Millions of FY 11 Dollars, FY 2000-2013

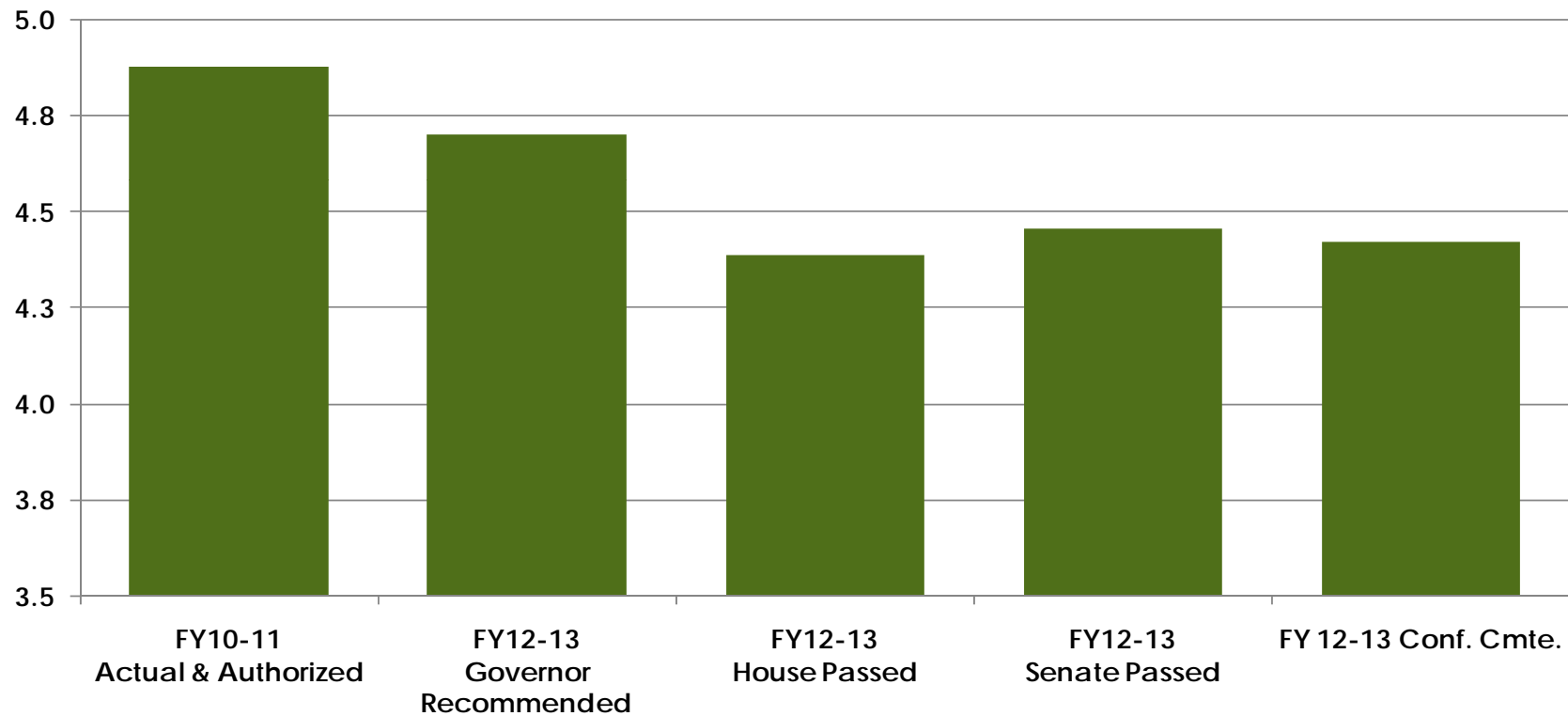
Latest Estimates Still Leave Revenue at Lowest Level in Over a Decade
General and Education Fund Collections in Millions of Constant FY 11 Dollars, FY 2000-2013



Source: NHFPI calculations based on NH DAS, HB1 and related amendments, and US Bureau of Labor Statistics data

Aggregate Spending Levels Significantly Lower Under Legislative Budgets

FY 2010-2013 General & Education Fund Expenditures(\$B)

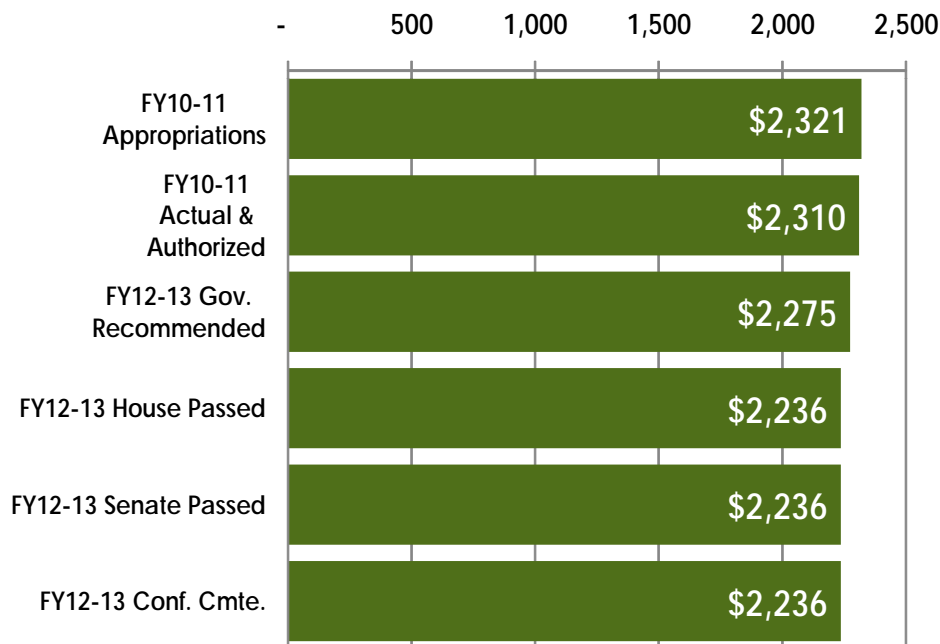


Source: NHFPI calculations based on LBA Surplus Statements

Aggregate Spending Levels Significantly Lower Under Legislative Budgets

Education Expenditures

(General & Education Fund only; millions of nominal dollars)

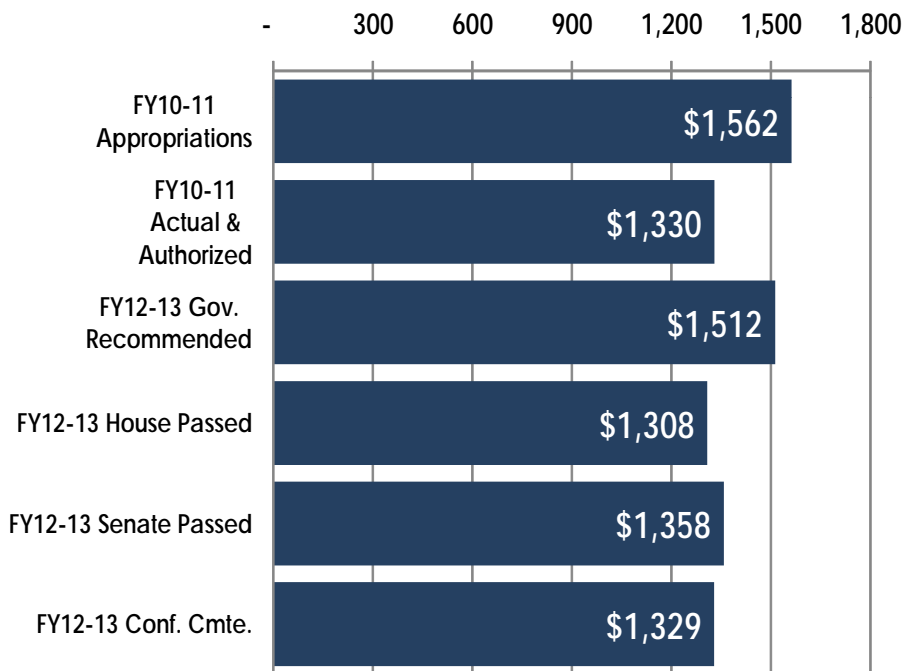


- **General Fund support for community colleges would be reduced by roughly \$29 million - or close to 36% - from current levels under both House and Senate budgets**
- **Both chambers would cut General Fund appropriations for the state's university system by about \$114 million - or 58% - compared to FY10-11**

Source: NHFPI calculations based on LBA data, Governor's Executive Budget Summary, HB1 and related amdts.

Aggregate Spending Levels Significantly Lower Under Legislative Budgets

Health & Social Services Expenditures
(General Fund only; millions of nominal dollars)



Relative to Governor, House would have reduced General Fund appropriations for health & social services by \$204 million; Senate's change was smaller, but still substantial – \$154 million

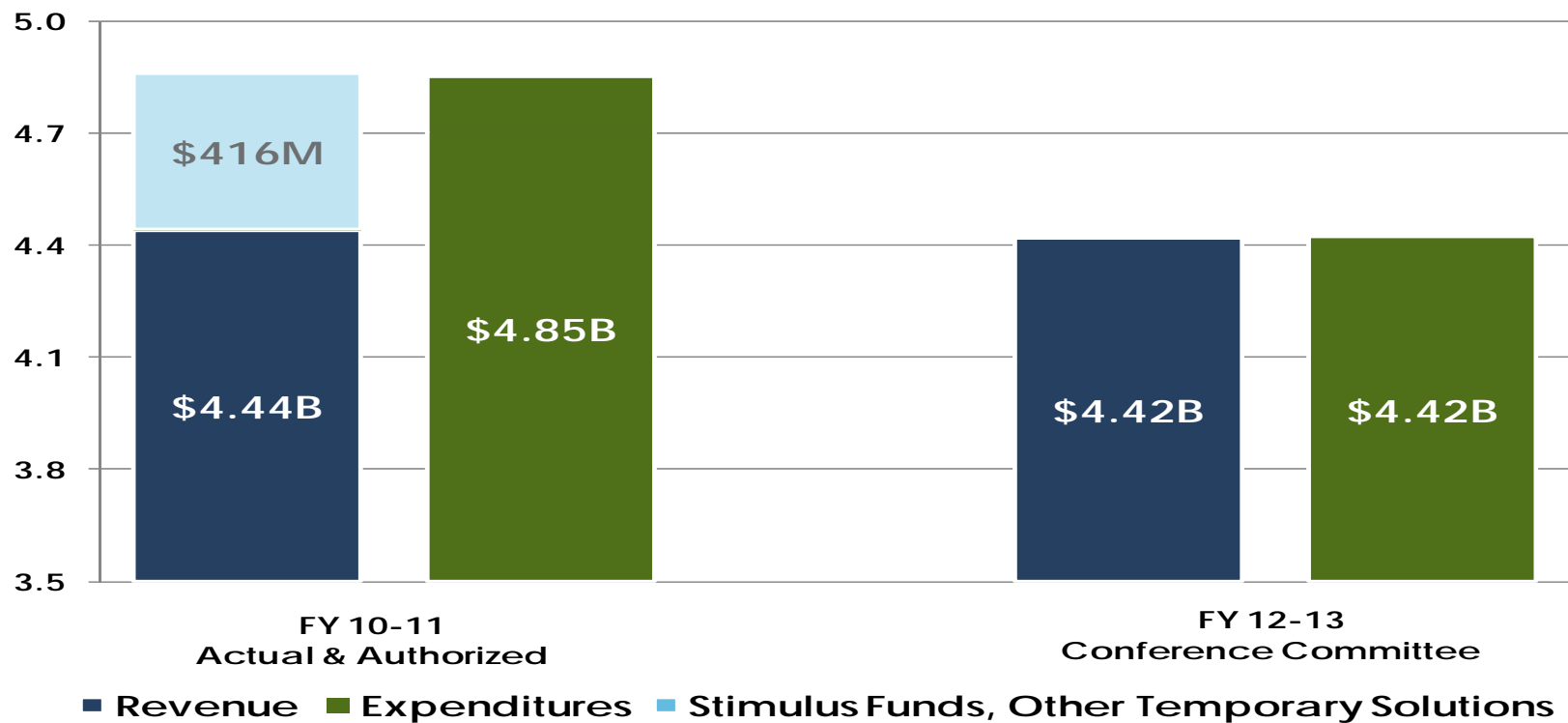
Major cuts include:

- **Uncompensated care**
\$115 million
- **Child care**
\$10.2 million
- **Unemployed parents program**
\$4.5 million

Source: NHFPI calculations based on LBA data, Governor's Executive Budget Summary, HB1 and related amdts.

Cigarette Tax Cut Likely to Push FY12-13 Budget Out of Balance

General & Education Fund Expenditures & Revenue, FY 10-13



Source: NHFPI calculations based on LBA Statement of Surplus, June 18, 2011

House and Senate May Have Competing Priorities for Any Surplus Funds



“It is the intent of the House of Representatives that revenue reductions ... will be considered and supported to the extent that state revenues exceed the adopted revenue estimates...”

“The department of health and human services shall present a plan ... for making uncompensated care payments to hospitals ... for the fiscal year ending June 30, 2013.

Said plan shall be presented to the fiscal committee of the general court no later than September 12, 2012

Such payments may be paid on the warrant of the governor, out of any money in the treasury not otherwise appropriated”



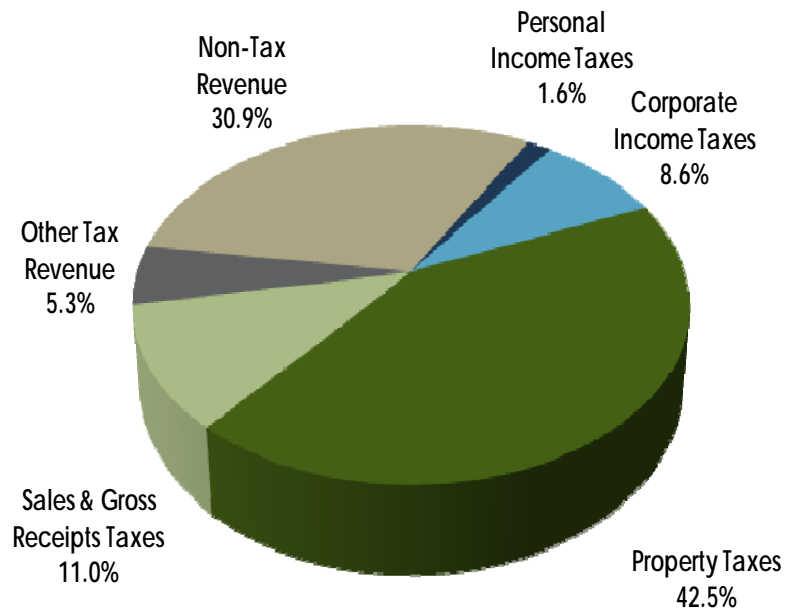
Tax Cuts Specified in House's Version of HB2 Would Reduce Revenue by Nearly \$100 Million

Bill Number	Description	Projected FY12-13 Revenue Loss
HB 37	Reestablishing the monthly exemption to the communications services tax	\$4 M
HB 154	Increasing a threshold amount for taxation under the business enterprise tax (BET)	\$12 M
HB 213	Reducing the business profits tax (BPT) rate from 8.5 to 8.0 percent by 2012	\$27 M
HB 166	Reducing the meals and rooms tax rate from 9 to 8 percent	\$54 M
TOTAL		\$97 M

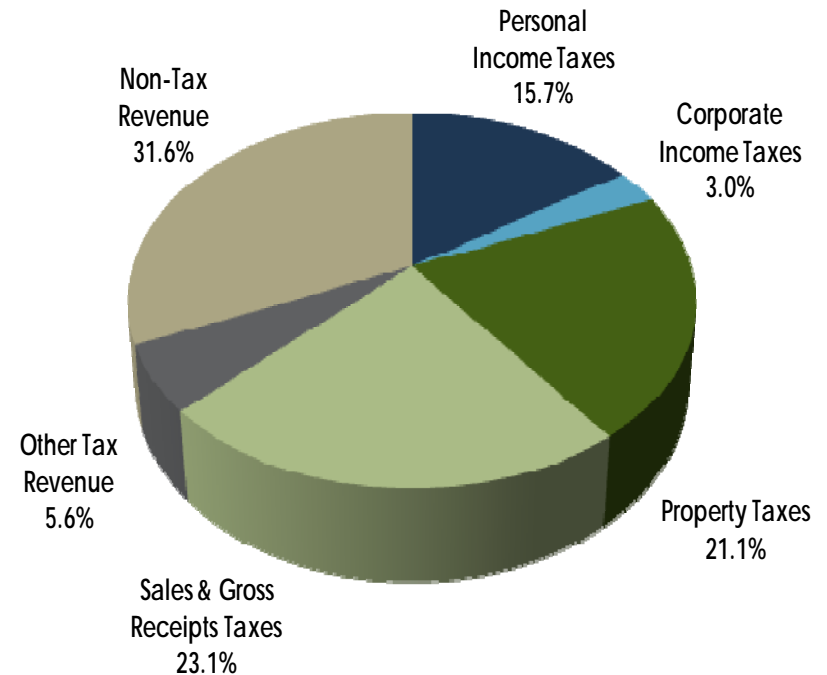
New Hampshire Does Depend on Business Taxes More than Most States...

Composition of Total State & Local Own Source Revenue, FY 2008

New Hampshire



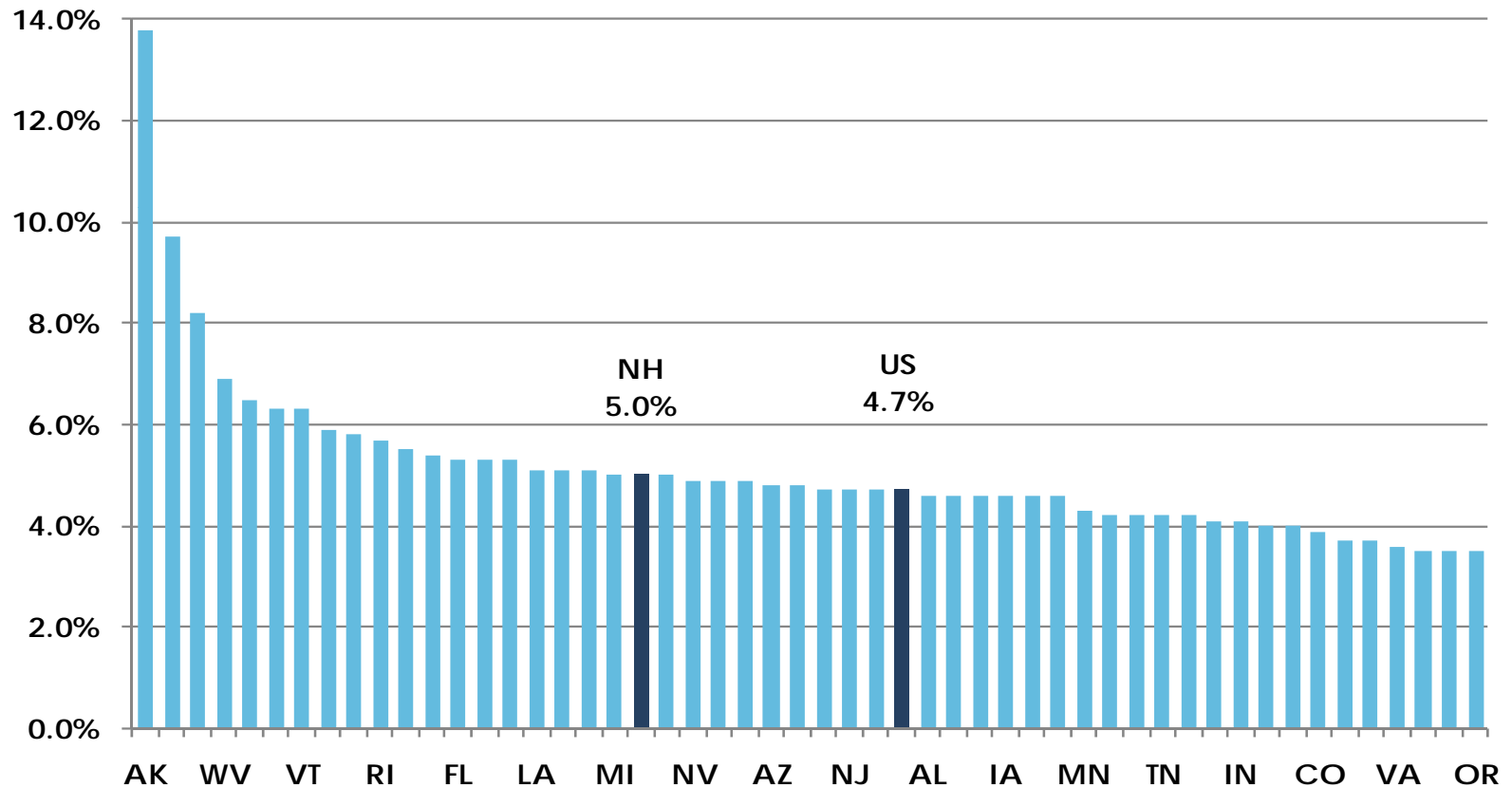
United States



Source: US Census Bureau

...Yet, NH Business Taxes in the Middle of the Pack Nationally

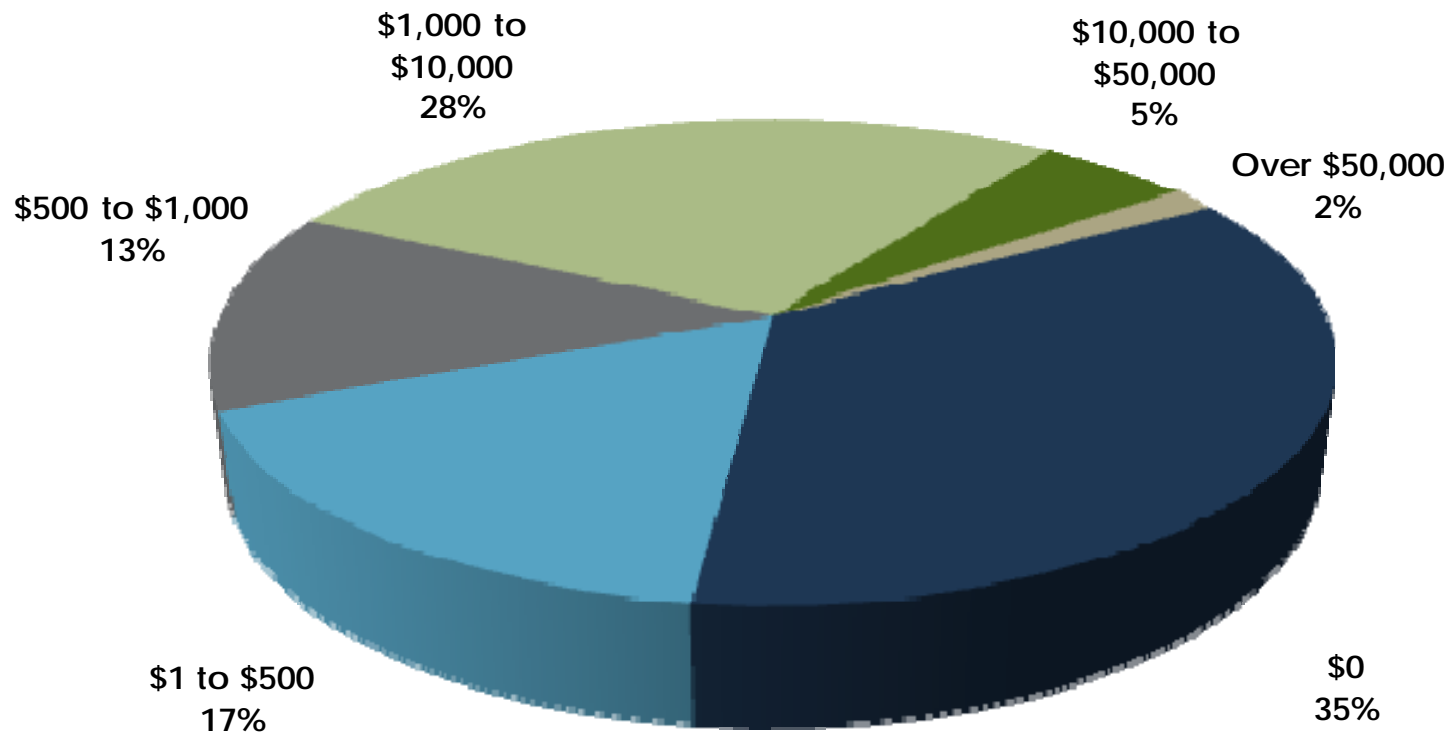
*Total State & Local Taxes Paid by Business
as a Share of Private Sector Gross State Product, FY 2009*



Source: Council on State Taxation

Most Businesses Owe Little or No BPT or BET

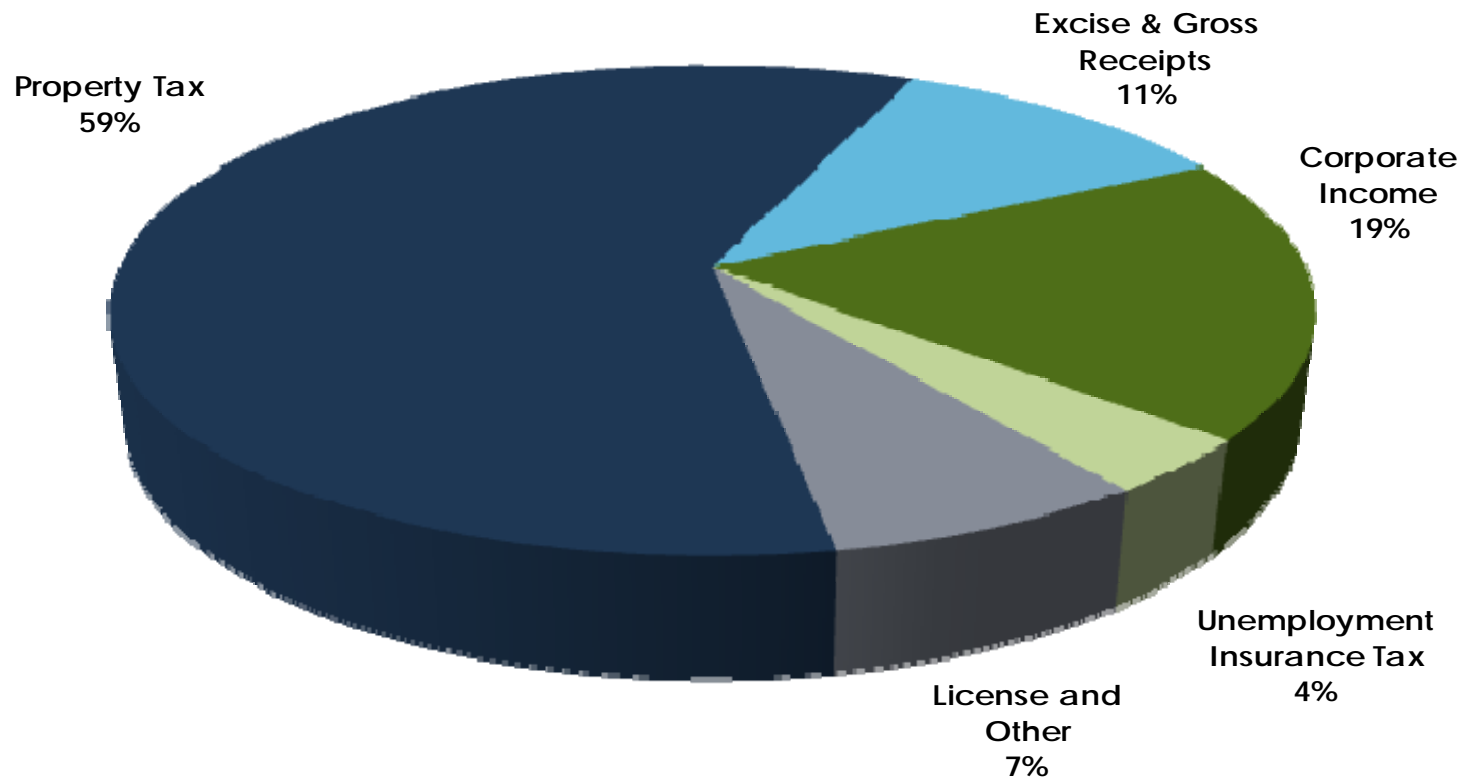
Share of Combined BPT & BET Returns, by Range of Combined Liability, TY 2008



Source: NHFPI calculations based on NH DRA data

State Business Taxes Are a Relatively Small Share of the Taxes Businesses Pay

Composition of State and Local Taxes Paid by New Hampshire Businesses, FY 2009



Source: Council on State Taxation

Supermajority Requirement for Tax Increases at Odds with Sound Fiscal Policy



Projected FY12 shortfall: \$974 million

2010 – Moody’s downgrades bond rating due in part to “...a requirement for a 2/3 majority vote of the state legislature or vote of the people to increase revenues.”



Projected FY12 shortfall: \$25.4 billion

1998 – Citizens’ Budget Commission: two-thirds supermajority “makes it relatively easy to enact tax breaks but difficult to repeal them”



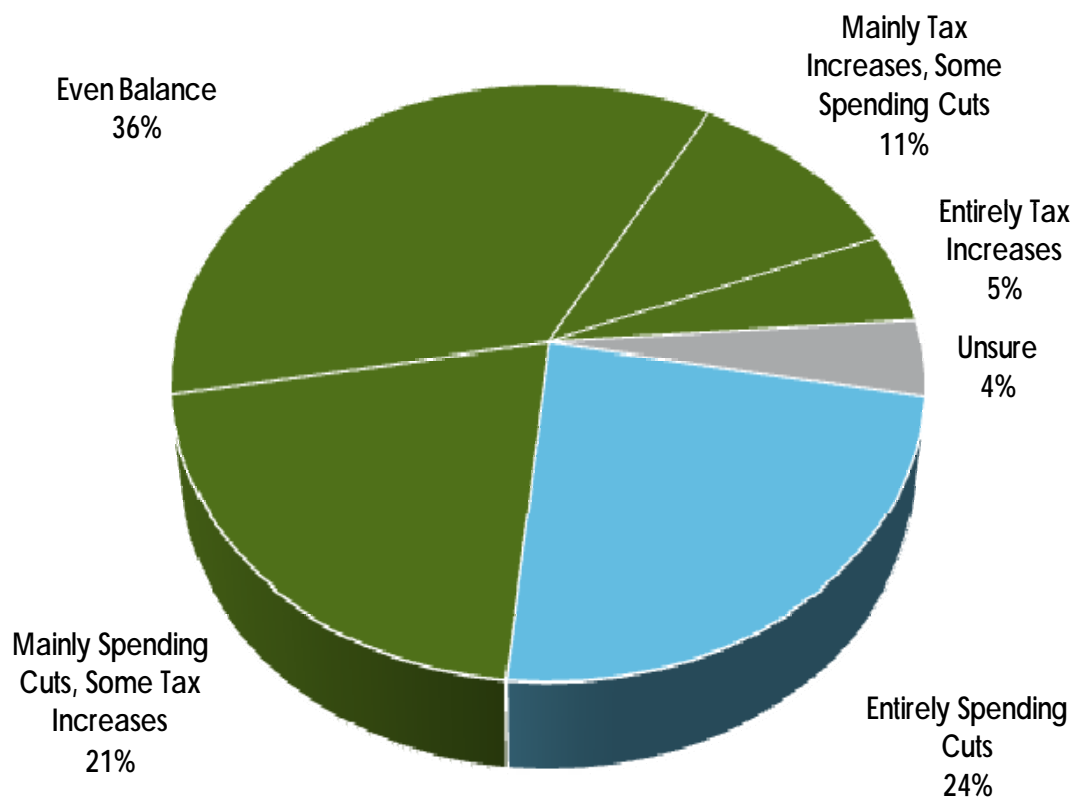
Projected FY12 shortfall: \$1.5 billion

2011 – Moody’s downgrades bond rating, as two-thirds supermajority requirement “presents a hurdle to achieving balance on an ongoing basis going forward.”

Public Supports Taking a Balanced Approach to Addressing New Hampshire's Fiscal Crisis

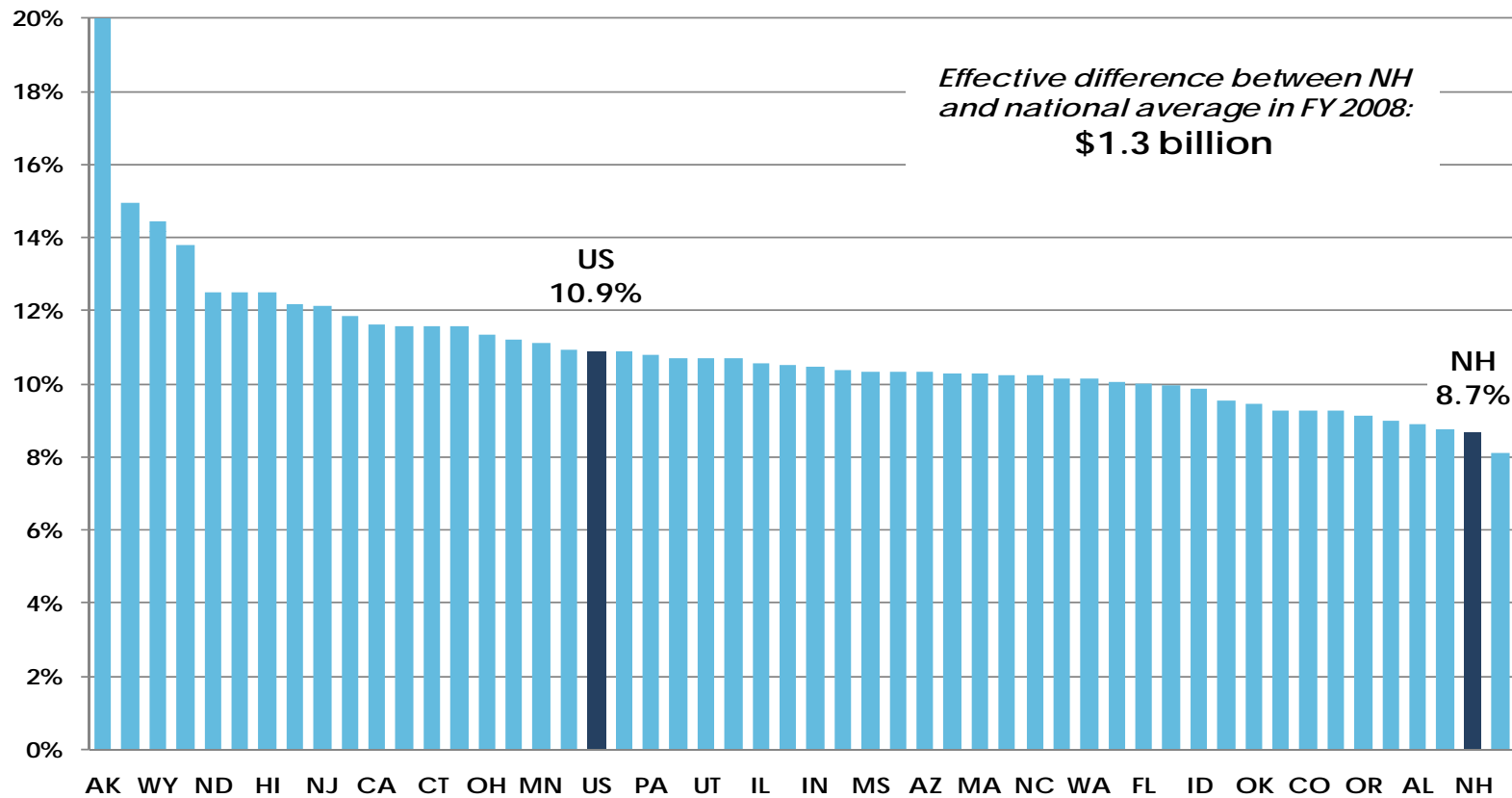
"...Let's turn to the state budget. Which approach would you choose for dealing with the state's budget shortfall?..."

- WMUR Granite State Poll, April 2011



Taxes in NH Very Low Relative to Aggregate Ability to Pay ...

Total State and Local Taxes as a Share of Personal Income, FY 2008

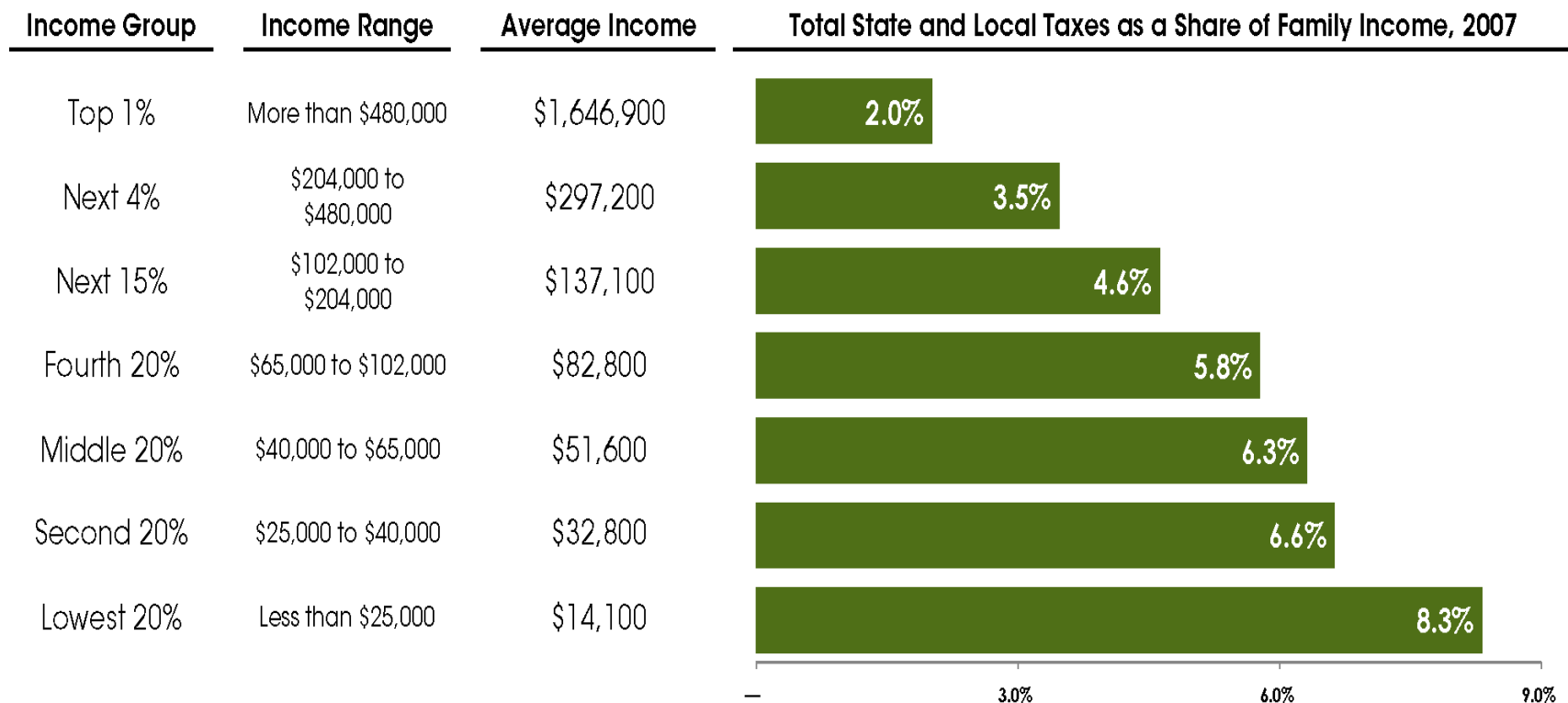


Source: NHFPI calculations based on US Census Bureau, US Bureau of Economic Analysis data

New Hampshire's Tax System is Regressive

Low-income Granite Staters have an effective tax rate that is four times that of the most well-off.

Total State and Local Taxes in New Hampshire, Non-Elderly Taxpayers



Source: Institute on Taxation and Economic Policy

Revenue Options Are Available to Address State's Budget Shortfall

❖ **Modify Existing Taxes**

- Adopt a Business Profits Tax surcharge
POTENTIAL IMPACT: uncertain, up to \$30 million annually
- Expand the Interest & Dividends Tax to include capital gains
POTENTIAL IMPACT: \$90 million annually
- Adjust excise taxes (e.g. beer and/or motor fuels) to account for inflation
POTENTIAL IMPACT: \$15 to \$90 million annually

❖ **Reinstate Prior Taxes**

- Bring back some form of an Estate Tax
POTENTIAL IMPACT: \$25 to \$60 million annually



economic opportunity, prosperity, and security for all New Hampshire residents

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