



13. Government Revenues & Expenditures

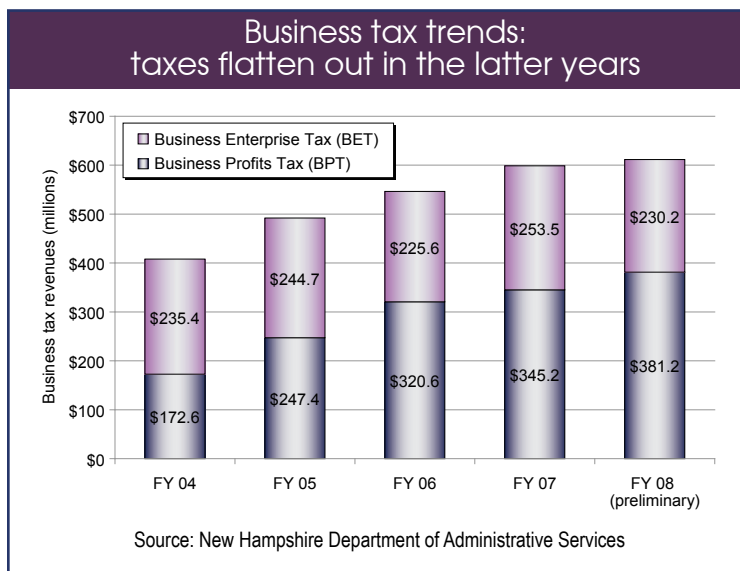
As the first part of Fiscal Year 2009 (FY 09) passed by, some analysts predicted that in the next three years New Hampshire's budget deficit could be significant. The New Hampshire Center for Public Policy Studies reported that between FY 09 and FY 11 the deficit might range between \$156 million and \$495 million.¹ The primary problem is the effect of a slumping economy, which results in falling revenues but spending is set. Factors that could drive the state budget include retirement costs, labor contract increases, education funding, and increases in those seeking Medicaid or other state-funded assistance.² The ongoing credit crisis and increasing energy prices have also affected New Hampshire's revenues. The state will likely need to weather the storm for the rest of the decade.

With the prospect of a deep and/or long-lasting recession intertwined with the credit crisis, lawmakers may need to be creative in addressing looming deficits.³ Facing the biggest economic crisis in some 20 years, the burst of the housing "bubble" resulted in declines in home values, increases in foreclosures, and subsequent drops in the real estate transfer tax in both FY 06 and 07. Preliminary FY 08 fell by another \$21.1 million. Although the state total equalized valuation did go up each year (FY 04 through FY 07), the rate of increase was lower each time (over-the-year increases of 15.2 percent to 12.0 percent to 4.8 percent then 0.3 percent the last four fiscal years). At the time of this article there are no equalization values for FY 08.

¹ Love, Norma. "Group says NH could see \$495m deficit." *Nashua Telegraph*. September 5, 2008. <www.nashuatelegraph.com>.

² Dorgan, Lauren. "Budget outlook: bad and soon to be worse." *Concord Monitor*. September 14, 2008. <www.concordmonitor.com>.

So far in FY 09 (through November 2008) unrestricted revenues for the General and Education Funds, were some \$100 million below planned levels. A major portion of unrestricted revenues comes from business taxes, which were well below the plan, down by \$58.2 million. From FY 04 through FY 07, total business taxes went up \$190.7 million (prior to allotting Education Fund portion). This surpassed the plan requirements for each of those years. Preliminary FY 08 showed total business taxes increased another \$12.7 million, but fell short of the state budget plan amount by \$26.6 million.



The Business Profits Tax (BPT) is an 8.5 percent tax assessed on income from conducting business

³ Associated Press (AP). "U.S. confronts possibility of long, deep recession." *Foster's Daily Democrat*. October 16, 2008: B3.

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activity within the state. It applies to any business organized for profit; however, organizations with \$50,000 or less of gross business income are exempt from filing. The Business Enterprise Tax (BET) is a 0.75 percent tax assessed on the enterprise value tax base, which is the sum of all compensation paid or accrued, interest and dividends

paid, after special adjustments. The BET applies to enterprises with more than \$150,000 gross receipts from all activities, or an enterprise value tax base more than \$75,000.

Tobacco tax revenue fell dramatically in FY 07. The New Hampshire Department of Revenue had legislation directing

State Government General Revenue (FY ending 6/30)

	2003-04	2004-05	2005-06	2006-07	Source
As reported by Administrative Services (millions) (Modified Accrual Basis of Accounting)	\$4,092.91	\$4,179.01	\$4,169.61	\$4,229.57	AS
Grants from Federal Government (millions)	\$1,380.61	\$1,415.07	\$1,414.10	\$1,409.25	AS
As reported by Census Bureau (millions)	\$5,024	\$5,041	\$5,186	\$5,472	CB
From Taxes (millions)	\$2,005	\$2,022	\$2,081	\$2,175	CB
General Revenue per \$1,000 Personal Income:					
New Hampshire	\$106.47	\$103.57	\$99.54	\$100.34	CB/BEA
United States	\$122.95	\$125.07	\$126.19	\$124.72	CB/BEA
United States rank	41	41	41	41	CB/BEA
Rank in General revenue from taxes	50	50	50	47	CB/BEA
General Revenue per Capita					
New Hampshire	\$3,868	\$3,858	\$3,953	\$4,158	CB
United States	\$4,074	\$4,325	\$4,637	\$4,809	CB
United States rank	40	40	41	41	CB/NHES

State Government General Expenditures (FY ending 6/30)

	2003-04	2004-05	2005-06	2006-07	Source
As reported by Administrative Services (millions) (Modified Accrual Basis of Accounting)	\$4,282.5	\$4,382.4	\$4,433.5	\$4,502.1	AS
As reported by Census Bureau (millions)	\$4,942.2	\$5,050.0	\$5,212.2	\$5,381.9	CB
General Expenditures per \$1,000 Personal Income:					
New Hampshire	\$104.73	\$103.57	\$99.54	\$100.34	CB/BEA
United States	\$124.54	\$124.90	\$122.72	\$122.37	CB/BEA
United States rank	42	46	45	45	CB/BEA
For Education	44	41	44	44	CB/BEA
For Public welfare	35	37	44	41	CB/BEA
For Highways	41	40	39	40	CB/BEA
General Expenditures per Capita					
New Hampshire	\$3,805	\$3,864	\$3,973	\$4,719	CB
United States	\$4,126	\$4,319	\$4,509	\$4,090	CB
United States rank	32	37	39	41	CB/NHES

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that should revenues from cigarette sales not reach \$50 million between July 1 and September 30, 2008, there would be an automatic increase in the tax levied on each pack. The revenues did not hit the projected amount. Effective October 15, 2008, the tax went up by 25 cents per pack.⁴ At \$1.33 tax per pack of cigarettes, the price for cigarettes was still lower than any other surrounding state.

About half of states are experiencing shrinkage in existing revenues and cannot keep pace

with growing expenses. This condition puts states at risk of a structural deficit.⁵ A think tank in New Hampshire has offered basic options to address gaps including spending reductions, raising existing tax rates, creating new revenue sources (e.g., gambling, new tax vehicle, user fees) and bonding. The “Rainy Day” fund (i.e., Revenue Stabilization Reserve Account) can also be used, although at some point it would need to be replenished.

⁴ “Tobacco Tax Rate Increase Update.” Press Release. New Hampshire Department of Revenue Administration. October 15, 2008. Accessed October 16, 2008. <www.nh.gov/revenue/publications/pr/documents/PR101508.doc>.

⁵ “New Hampshire’s Next Budget Conversation: Spending and Revenues in 2010-2011.” New Hampshire Center for Public Policy Studies. August 2008. Accessed October 28, 2008. <www.nhpolicy.org/report.php?report=181>.

Property Valuations, Equalized not including Utilities and Railroad

(Equalization Year – October 1 to September 30)

	2003-04	2004-05	2005-06	2006-07	Source
State total equalized valuation (millions)	\$147,484	\$165,223	\$173,177	\$173,624	RA
Annual percent change	15.2%	12.0%	4.8%	0.3%	RA/NHES
Percent in Hillsborough & Rockingham Counties	53.8%	53.3%	52.4%	51.7%	RA
Equalization ratio	81.2	82.5	92.1	94.7	RA
Full value tax rate per \$1,000	\$15.90	\$14.96	\$15.32	\$15.94	RA

State & Local Government General Revenue Per \$1,000 Personal Income (FY ending 6/30)

	2003-04	2004-05	2005-06	2006-07	Source
Total general revenue	\$157.69	\$158.19	\$155.30	n/a	CB/BEA
United States rank	50	50	50	n/a	CB/BEA
Total taxes	\$86.24	\$87.16	\$86.69	n/a	CB/BEA
United States rank	47	47	50	n/a	CB/BEA
Property tax	\$53.39	\$53.48	\$53.36	n/a	CB/BEA
United States rank	2	1	1	n/a	CB/BEA
Percent of total taxes	61.9%	61.5%	61.6%	n/a	CB/BEA
Percent of general revenue	33.9%	34.4%	34.4%	n/a	CB/BEA
United States rank	1	1	1	n/a	CB/BEA

Unemployment Insurance Tax (Calendar Year)

	2004	2005	2006	2007	Source
Average tax (federal + state) per worker in covered employment	\$191	\$187	\$159	\$141	NHES

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Unrestricted Revenue to State General and Education Funds

(State Fiscal Year, ending Jun 30)

	2003-04	2004-05	2005-06	2006-07	Source
Total unrestricted revenue General and Education Funds (millions)	\$2,158.7	\$2,161.9	\$2,182.3	\$2,291.3	AS
Total General Fund Revenue	\$1,310.7	\$1,391.6	\$1,329.5	\$1,421.6	AS
Total Education Fund Revenue	\$848.0	\$770.3	\$852.8	\$869.6	AS
Selected unrestricted general and education funds revenues					
Business profits tax	\$172.6	\$247.4	\$320.6	\$345.2	AS
<i>Education Fund Portion</i>	\$41.0	\$50.7	\$56.6	\$57.8	AS
Business enterprise tax	\$235.4	\$244.7	\$225.6	\$253.5	AS
<i>Education Fund Portion</i>	\$116.9	\$130.6	\$150.4	\$174.2	AS
Meals/rooms & rental tax	\$185.4	\$193.6	\$200.9	\$209.8	AS
<i>Education Fund Portion</i>	\$6.9	\$7.2	\$7.1	\$7.2	AS
Liquor sales and distribution tax	\$106.7	\$112.6	\$120.6	\$124.7	AS
Sweepstakes transfers	\$73.7	\$70.3	\$82.0	\$80.5	AS
<i>Education Fund Portion</i>	\$73.7	\$70.3	\$82.0	\$80.5	AS
Insurance tax	\$86.2	\$88.7	\$90.5	\$97.9	AS
Tobacco tax	\$100.1	\$101.4	\$150.8	\$143.6	AS
<i>Education Fund Portion</i>	\$28.6	\$28.2	\$80.9	\$78.3	AS
Tobacco settlement	\$41.8	\$42.4	\$39.0	\$40.8	AS
<i>Education Fund Portion</i>	\$40.0	\$40.0	\$39.0	\$40.8	AS
Interest and dividends tax	\$55.6	\$67.9	\$80.5	\$108.1	AS
Estate and legacy tax	\$27.0	\$11.7	\$3.2	\$0.6	AS
Telephone/communication tax	\$65.8	\$70.0	\$70.5	\$73.0	AS
Real estate transfer tax	\$142.7	\$159.8	\$158.7	\$137.4	AS
<i>Education Fund Portion</i>	\$47.5	\$52.0	\$52.5	\$45.7	AS
Utilities property tax	\$20.2	\$20.1	\$20.9	\$21.8	AS
<i>Education Fund Portion</i>	\$20.2	\$20.1	\$20.9	\$21.8	AS
Statewide property tax (not retained locally)	\$29.8	\$20.9	\$0.0	\$0.0	AS
<i>Education Fund Portion</i>	\$29.8	\$20.9	\$0.0	\$0.0	AS
Statewide property tax (retained locally)	\$443.4	\$350.4	\$363.4	\$363.3	AS
<i>Education Fund Portion</i>	\$443.4	\$350.4	\$363.4	\$363.3	AS
Other Medicaid Enhancement Revenue to Fund Net Appropriations (Uncompensated care pool)	\$35.1	\$39.1	a	a	AS

^a Beginning in Fiscal Year 2006, these revenues are recorded as restricted revenues rather than unrestricted revenues