



Policy Matters

Using Information and Ideas to Transform Public Policy

Budget Visions: 2020-21

House, Senate budgets vs. Gov. Sununu's

SUMMARY: As a committee of conference works out relatively minor differences between the budgets approved by the House and Senate, legislators and the governor remain far apart. A comparison of the governor's budget proposal to the House and Senate budget packages shows that the House would spend \$320 million more than the governor in Fiscal Year 2020-21 General and Education Fund appropriations, while the Senate would spend \$296 million more than the governor. The governor's budget would increase General and Education Trust Fund spending by 3.5% in FY20-21, compared to 10.8% for the House budget and 8.7% for the Senate budget.

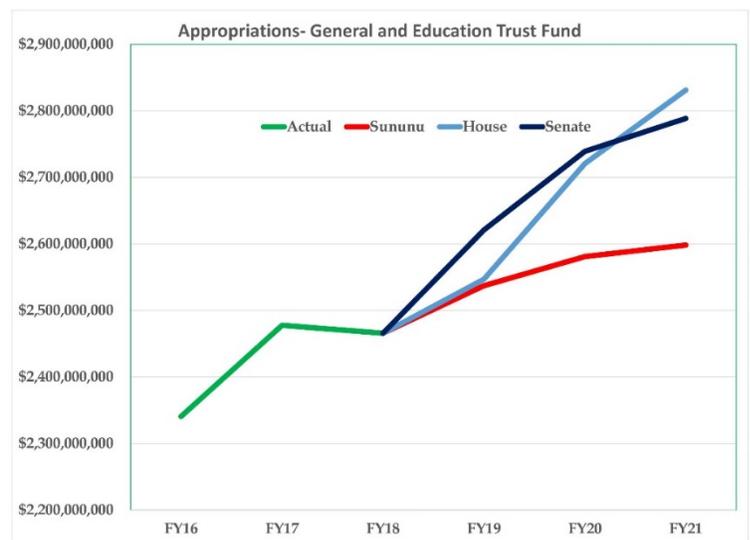
SURPLUS

The governor and the Legislature have very different ideas of how to spend the state's large budget surplus.

Robust revenues over the past two years, fueled by a huge spike in business tax receipts, generated a surplus of \$95.8 million in FY18.¹ The governor projects this year's surplus to total \$98.4 million, for a two-year surplus of \$194.2 million. The House is counting on a total surplus of \$173.1 million, while the Senate projects a surplus of \$166 million.

The governor would use the entire surplus in FY19. His budget adds \$15 million to the state's Rainy Day Fund, puts \$115.5 million into a Capital Infrastructure Reserve to pay for local infrastructure projects, and dedicates \$63.7 million to Targeted School Building Aid.

The House budget adds \$5 million to the Rainy Day Fund in FY19, but carries forward \$168.1 million to cover spending in FY20-21. The Senate takes a similar approach, sending \$5 million to the Rainy Day Fund and carrying \$161 million into FY20-21.



Without this surplus underwriting FY20-21 spending, the House and Senate budgets do not balance using current-year revenues. The House budget would run a FY20 deficit of \$106.5 million, and a FY21 deficit of \$31.9 million. The Senate budget would run a FY20 deficit of \$60.7 million and a FY21 deficit of \$76 million. Spreading the surplus out over the following two years allows the Legislature to increase General Fund spending much more than the governor does. But it also leaves the state with operating expenses that would be unsustainable without new revenue streams.

TAX DISAGREEMENTS

The House and Senate budget packages contain a number of tax law changes not included in the governor’s budget proposal. The most significant of these is an increase in the Business Profits Tax and Business Enterprise Tax. The BPT fell from 7.9% to 7.7% while the BET went from 0.675% to 0.65% in 2019. Both taxes are scheduled in current law to drop again for the 2021 fiscal year, the last step in a broad tax reform package approved four years ago.

The House and Senate would raise business taxes back to their 2018 levels and cancel the scheduled 2021 cuts. Both chambers estimate that this rate increase would generate an additional \$37.6 million in business tax revenue in FY20 and \$55.5 million more in FY21. The House includes a Capital Gains Tax, projected to generate \$150 million in FY21. The Senate removed the Capital Gains Tax from its budget.

Not counting Family and Medical Leave, the House budget includes \$268.1 million in tax increases for FY20-21, while the Senate budget includes \$158.6 million in tax increases over the biennium.

All three budget proposals include increased revenue from sports betting and from applying the tobacco tax to electronic cigarettes.

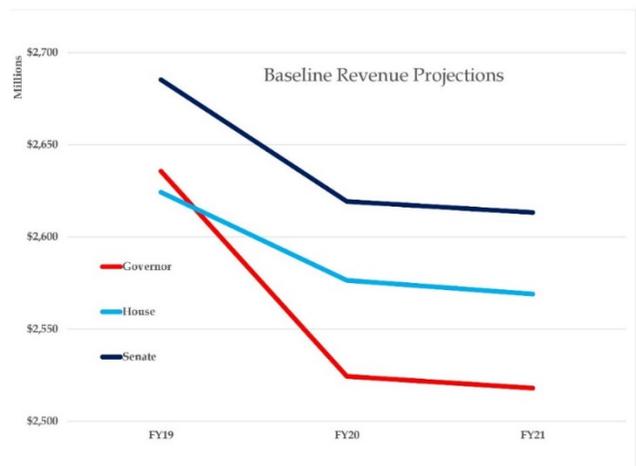
FAMILY AND MEDICAL LEAVE

The House and Senate budgets replace the governor’s Family and Medical Leave plan, a private-sector partnership across New Hampshire and Vermont insurance carriers, with a state-run program funded by a 0.5% tax on employee wages. This tax is expected to total \$168.6 million for the biennium, according to the fiscal note on the Senate version of the Family and Medical Leave bill.

REVENUES

Revenue estimates from existing sources are relatively close. All three sets of revenue projections include strong current-year revenues, boosted in part by federal tax law changes, with the current spike faded over the next two years.

The House estimated current-year revenues coming in slightly below the governor’s estimates, but falling more slowly. With the benefit of strong April² and May³ revenue reports, the Senate was able to forecast higher FY19 revenues, which in turn provides a higher baseline for revenues in FY20-21.



¹ Surplus Statement, Legislative Budget Assistant’s Office, June 6, 2019, http://www.gencourt.state.nh.us/LBA/Budget/operating_budgets/2020_2021/Senate%20Finance/Surplus%20Statement%20-%20Senate-Passed%206-6-19.pdf

² State of NH Monthly Revenue Focus, April 2019, https://das.nh.gov/accounting/FY%2019/Monthly_Rev_April.pdf

³ State of NH Monthly Revenue Focus, May 2019, https://das.nh.gov/accounting/FY%2019/Monthly_Rev_May.pdf