

Governor's Consensus Revenue Estimating Panel Minutes
State House, Concord, NH
February 7, 2013 at 1:00 pm

Members present:

Gerard Murphy, Governor's Budget Director (chair)

Karen Benincasa, Department of Administrative Services, designee for the
Commissioner of the Department of Administrative Services

Kevin Clougherty, Commissioner of the Department of Revenue Administration

Lindsey Stepp, designee for the Commissioner of the Department of Revenue
Administration

Richard Samuels, McLane Law

Dennis Delay, New Hampshire Center for Public Policy

Jeff McLynch, New Hampshire Fiscal Policy Institute

Ross Gittell, Chancellor of the Community College System of New Hampshire

1:00pm Chairman opens the meeting.

A discussion regarding the 2013 general budget projections ensued; panel member
Dennis Delay confirmed an appropriate accounting step.

Commissioner Kevin Clougherty notes that there is little difference between the economy
last year and this year. A discussion ensued.

Commissioner Kevin Clougherty noted there are not enough auditors, and the
Department of Revenue Administration has faced staff shortages and has approximately
30,000 documents left in backlog. He states the main issue at hand deals with tax notices,
and not refunds, and the reduction in taxes from businesses.

A discussion ensued amongst panel members about the \$518 million Business Taxes plan
amount for FY 2013, discussing where the State is "at" versus "projected."

Consensus was established about calculating business tax estimates; panel member
Dennis Delay must calculate growth rates. Chairman Murphy discussed the importance of
setting baseline numbers.

Panel member Karen Benincasa provided an analysis on the business tax. The report
assumes returns, estimates and extensions are the same as last year; she noted that tax
notices are where the Department of Revenue Administration is seeing a reduction in the
year-to-date numbers. Lindsey Stepp noted the difference between refunds issued and
refunds requested.

Panel member Richard Samuels indicated that the Department of Revenue
Administration must get through the backlog and that the time lost is revenue lost.
Chairman Gerard Murphy inquired into what year the tax refunds are for, to which
Lindsey Stepp noted primarily Fiscal Year 2011.

The panel decided to discuss and agree upon figures for FY 2013, based on analysis provided by panel members Dennis Delay and Karen Benincasa.

A discussion of Fiscal Year 2014 and 2014 begins. Panel member Lindsey Stepp notes a one time issue regarding credits. Chairman Gerard Murphy states that to account for the absence of credits, panel member Dennis Delay must apply the growth rate to Fiscal Year 2013 and to adjust for the expiring credits to derive Fiscal Year 2014 and Fiscal Year 2015 numbers. A discussion ensues about the various approaches panel member Dennis Delay uses.

The panel agrees on the following agency estimates: Tobacco Settlement, Board and Care, Recoveries, Insurance, Transfer from Liquor, Court Fines, Securities, Utility Tax, Utility Property Tax, Beer Tax, Transfer from Lottery, Other, Statewide Property Tax, Transfer from Racing and Charitable Gaming .

Panel member Dennis Delay noted the biggest difference between the agency estimates and his estimates are the Business Taxes. Chairman Gerard Murphy concluded panel member Dennis Delay should run the unadjusted change and then reduce the number; specifically, he must use \$508 million for the base number in FY 2013, and use the previous growth rates (1.6% and 3.0%) and then adjust the number for the previously decided upon tax law changes. Panel member Jeff McLynch notes this leads to a more conservative estimate in Fiscal Year 2014 and a less conservative estimate in Fiscal Year 2015.

Panel member Dennis Delay discusses his model for projecting Meals and Rentals tax revenues, followed by Chancellor Ross Gittell's discussion of his different model. The Panel decides Dennis Delay's projections are reasonable.

Chancellor Ross Gittell expressed concerns regarding the Real Estate Transfer Tax estimates and believes panel member Dennis Delay's numbers are significantly lower, citing year to date growth in the current year of 14.6%. The group agrees to split the difference between panel member Dennis Delay (5%) and Chancellor Ross Gittell's numbers (15%), finalizing the growth rates at 10% annually.

A discussion regarding the Tobacco Tax estimates ensues. Panel member Lindsey Stepp notes that the rush of sales with the rate change must be footnoted using the language "assuming no change indicator." The group decides the base number will reflect the most recent information, a decline of 1% due to a decrease in smoking and an increase of \$10 million due to a rise in the tax rate.

Chairman Gerard Murphy notes that certain estimates should be revised, and panel members' Karen Benincasa's and Lindsey Stepp's analysis should be incorporated into panel member Dennis Delay's projections.

Meeting adjourns at 3:00pm.