



Lindsey M. Stepp
Commissioner

State of New Hampshire Department of Revenue Administration

109 Pleasant Street
PO Box 457, Concord, NH 03302-0457
Telephone 603-230-5005
www.revenue.nh.gov



Carollynn J. Lear
Assistant Commissioner

Testimony of Commissioner Lindsey Stepp

Senate Finance – FY 2022 / FY 2023 Operating Budget

April 19, 2021

Good afternoon, and thank you for allowing me the opportunity to present the FY 2022 and FY 2023 Operating Budget from the Department of Revenue Administration (DRA). With me today virtually are Assistant Commissioner Carollynn Lear and Business Administrator Shelley Gerlarneau.

The mission of the DRA is to fairly and efficiently administer the tax laws of the State of New Hampshire, collecting the proper amount of taxes due, incurring the least cost to the taxpayers, in a manner that merits the highest degree of public confidence in our integrity. Further, we provide prompt and constructive assistance to the municipal units of government in matters of budget, finance, and the appraisal of real estate. Together, we developed a thoughtful operating budget that will provide the resources for our team to administer the tax laws of our state for another two fiscal years in a manner that is consistent with this mission. We worked closely with the Governor's Office and House Finance Division I in developing this budget consistent with the targets provided and believe this budget sufficiently funds DRA operations for the next biennium.

In Fiscal Year 2020, the DRA collected \$2.2 billion in state revenue with total expenses of less than \$19.4 million, some of which is for activities unrelated to revenue collection such as local assessment reviews and state aid. When those unrelated costs are accounted for, our cost of collection is three quarters of one percent. The information included with this testimony explain how we were able to build a biennial budget that continues to be an unparalleled return on state tax dollar investment.

We look forward to working with you as you build the next two-year operating budget.

TDD Access: Relay NH 1-8007 35-2964

Individuals who need auxiliary aids for effective communication in programs and services of the Department of Revenue Administration are invited to make their needs and preferences known to the Department.

**NH Department of
Revenue Administration
FY 2022 / FY 2023 Budget**

Senate Finance

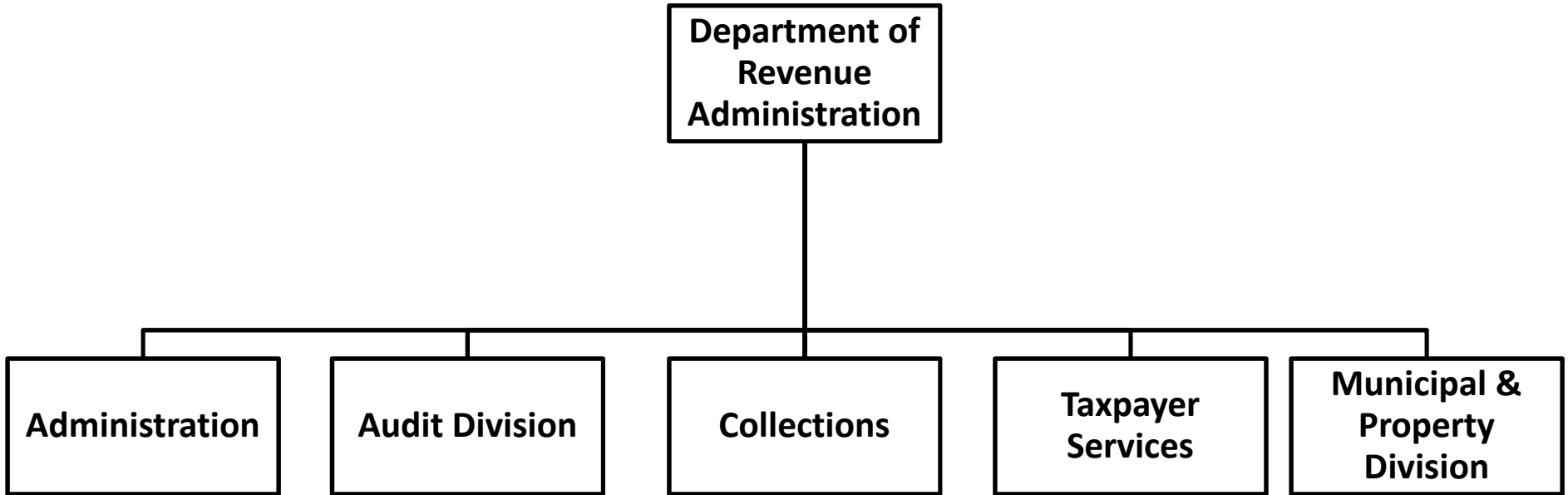
April 19, 2021



Mission



The mission of the Department of Revenue Administration is to fairly and efficiently administer the tax laws of the State of New Hampshire, collecting the proper amount of taxes due, incurring the least cost to the taxpayers, in a manner that merits the highest degree of public confidence in our integrity. Further, we will provide prompt and constructive assistance to the municipal units of government in matters of budget, finance, and the appraisal of real estate.



FY 2022 / FY 2023 Agency Budget – The Big Picture

| | FY 2021 | FY 2022 | FY 2023 |
|---|---------------------|--------------------|------------------|
| | Adjusted Authorized | House | House |
| General Funds | \$ 20,542,781 | \$ 19,729,882 | \$ 20,563,610 |
| <i>(difference from FY 2021 Adj. Auth.)</i> | | <i>(812,899)</i> | <i>20,829</i> |
| Education Trust Fund | \$ 1,750,000 | \$ 800,000 | \$ 800,000 |
| <i>(difference from FY 2021 Adj. Auth.)</i> | | <i>(950,000)</i> | <i>(950,000)</i> |
| Agency Income | \$ 630,271 | \$ 630,271 | \$ 630,271 |
| <i>(difference from FY 2021 Adj. Auth.)</i> | | - | - |
| Total All Funds | \$ 22,923,052 | \$ 21,160,153 | \$ 21,993,881 |
| <i>(difference from FY 2021 Adj. Auth.)</i> | | <i>(1,762,899)</i> | <i>(929,171)</i> |
| | | -7.7% | -4.4% |
| Permanent Classified Positions | 122 | 122 | 122 |
| Unclassified Positions | 35 | 35 | 35 |
| Total Number of Full Time Positions | 157 | 157 | 157 |

- Current funded position count has decreased from 156 full time classified and unclassified positions in FY21 to 152 positions in FY22 and FY23.

FY 2022 / FY 2023 Agency Budget – The Big Picture

- Our general fund operating budget is 75% salary and benefits; we’re a department of people, not things or programs.
 - The following positions are unfunded in the budget and are currently vacant:

| DIVISION | TITLE | FY22 | FY23 |
|----------------------|-----------------|-------------|-------------|
| TAXPAYER SERVICES | CLERK III | \$51,543.92 | \$55,077.47 |
| TAXPAYER SERVICES | TAX EXAMINER I | \$67,944.05 | \$72,523.58 |
| TAXPAYER SERVICES | TAX EXAMINER II | \$56,737.77 | \$60,539.80 |
| TAXPAYER SERVICES | TAX EXAMINER II | \$56,737.79 | \$60,539.81 |
| MUNICIPAL & PROPERTY | MS AUDITOR | \$79,395.48 | \$85,328.93 |

- Funding includes the following positions that are vacant, but when filled would generate revenue:

| Positions | FY 2022 | FY 2023 |
|------------------------|------------|--------------|
| In-State Auditor | \$ 75,000 | \$ 160,000 |
| In-State Auditor | \$ 75,000 | \$ 160,000 |
| Multi-Entity Auditor | \$ 150,000 | \$ 600,000 |
| Multi-State Auditor | \$ - | \$ 1,500,000 |
| Multi-State Auditor | \$ - | \$ 1,500,000 |
| Multi-State Auditor | \$ - | \$ 1,500,000 |
| Collections Supervisor | \$ 400,000 | \$ 800,000 |
| Total | \$ 700,000 | \$ 6,220,000 |

FY 2022 / FY 2023 Agency Budget Highlights

- DoIT services and positions are maintained.
 - DoIT efficiency budget costs are steady over the biennium but are reduced by approximately 8.7% compared to FY21.
- Funding for vendors, such as equalization & tax rate setting, and temporary keying services are included.
 - Equalization & tax rate setting contract amount reduced to reflect updated contract pricing (*pg 171, 1116 Municipal & Property Division, class 038 Technology – Software*).
 - Temporary keying services contract amount reduced to reflect actual cost over the past few years (*pg 167, 1080 Taxpayer Services, class 103 Contracts for Op Services*).
- Maintains operational capabilities as we anticipate adjusting resources for Revenue Information Management System (RIMS) project; however RIMS consulting services were eliminated (*pg 163, 7884 Administration, class 038 Technology – Software*).
- Other reductions include out-of-state travel, employee training and overtime.
 - Additional \$100,000 of out-of-state travel and \$10,000 of employee training would help ensure sufficient funds to on board new employees.
- Division Directors, Business Office, and other managers worked hard to budget conservatively and accurately, requesting funds for needs not wants.

FY 2022 / FY 2023 Agency Budget Highlights

- Low and Moderate Property Tax Relief – RSA 198:57-61
 - Property tax relief program related to the Statewide Education Property Tax, supported by an appropriation from the Education Trust Fund.
 - \$800,000 in both FY22 and FY23 (*pg 176, 1857 Low-Mod Income Hardship Grant, class 083 Hardship Grants*).
 - Funding reflects a decline in total program cost over the past few years:
 - FY18: \$1,243,340
 - FY19: \$1,103,630
 - FY20: \$705,122

FY 2022 / FY 2023 Agency Budget Highlights

- Flood Control – RSA 122:4
 - \$887,000 (\$256,729 general fund and \$630,271 other funds) in FY22 and \$887,000 (\$256,729 general fund and \$630,271 other funds) in FY23 (*pg 172, 3718 Flood Control, class 055 Flood Control*).
 - The Department reimburses cities and towns for lost property taxes resulting from property acquired in the Acquisition of Land by the United States for Navigations and Flood Control.
 - The FY22 and FY23 budget assumes Massachusetts will reimburse their share of 70% of Merrimack River Valley compact as well as 50% of the Connecticut River Valley compact and Connecticut will reimburse their share of 40% of the Connecticut River Valley compact.
 - There is a long history of Massachusetts not paying its obligation timely or sufficiently for the Merrimack River Valley compact, with \$2,991,436 currently outstanding for FY15 through FY20 (payments through FY14 have been settled).
 - Governor is authorized to draw a warrant for the payment of such reimbursements out of money in the treasury not otherwise appropriated.
 - Department requested a warrant be issued for FY21 for \$625,595.

Update on FY 2020 / FY 2021 Budget Priorities

- Revenue Information Management System (RIMS)
 - DRA received a \$30,160,000 capital appropriation through general funds and other funds to replace the DRA's Tax Information Management System.
 - A contract with Fast Enterprises, LLC was approved by G&C on October 31, 2018 to implement its commercial off-the-shelf software, GenTax, for tax collection and administration with a total cost of \$29,550,000.
 - Rollout 1 went live on October 28, 2019 with the Meals and Rentals Tax, Medicaid Enhancement Tax and Nursing Facility Quality Assessment.
 - Rollout 2 went live on October 5, 2020 with the Business Profits Tax, Business Enterprise Tax, Interest and Dividends Tax and Communication Services Tax.
 - Rollout 3 is on schedule for go live on August 9, 2021 with the Real Estate Transfer Tax, Tobacco Tax, Utility Property Tax, Gravel Tax, Timber Tax, Railroad and Private Car Tax.
 - Rollout 1 and Rollout 2 were very successful and we anticipate a similar outcome for Rollout 3.
 - Current contract includes four years of support and maintenance on the system after Rollout 3, with optional extensions.

Update on FY 2020 / FY 2021 Budget Priorities

- RIMS Health Assessments
 - The DRA's additional prioritized need included \$340,000 in FY20 and FY21 for services to assist DRA with Periodic Project Health Assessments for RIMS to gauge the vendor's performance on the project, the project timeline, and also DRA's progress in adapting to the new system.
 - To date BerryDunn has completed six Project Health Assessments, all of which gave the project an overall score of "5" or "outstanding" with no actions or changes recommended.
- Staffing
 - Final FY2020/FY2021 budget included additional positions in the Audit Division:
 - In-State and Multi-Entity Auditors funded in FY20 and FY21
 - Two Multi-State Auditors funded for half of FY20 (1/1/20) and all of FY21
 - Multi-State Auditor funded in FY21
 - All of these positions remain unfilled, but are funded in the House budget for FY22 and FY23.