The State Budget and Residents in the New Hampshire Economy

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New Hampshire Center for Nonprofits
2019 Nonprofit Leadership Summit

September 19, 2019
How Residents are Faring in the New Hampshire Economy

New Hampshire Center for Nonprofits
2019 Nonprofit Leadership Summit

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New Hampshire’s Numbers (2017):

- Estimated Median Household Income: **$73,381** – among highest 10 in country

- Estimated Poverty Rate: **7.7 percent** – lowest of any state

- Estimated Unemployment Rate: **2.5 percent** in August and holding steady – among lowest state rates

A Different Economic Reality for Many Residents

New Hampshire’s Numbers (2017):

- Poverty for a family of three, two adults one child: $19,730
- Estimated Poverty Rate: 7.7 percent – 100,000 people
- Estimated Child Poverty Rate (Under 18): 10.3 percent – 26,000 children
- Estimated Poverty Rate, Ages 18-64: 7.4 percent – 61,000 people
- Estimated Poverty Rate, Ages 65 and Up: 5.8 percent – 13,000 people

Sources: U.S. Census Bureau, American Community Survey, 2017 One-Year Estimates
Poverty Rates Are Much Higher for Certain Groups

Group or Living Situation
Note: Margins of Error represent 90 percent confidence intervals
Source: U.S. Census Bureau, American Community Survey Five-Year Estimates, 2013-2017
Many More Households Have Limited Incomes

New Hampshire Households by Income Group

Source: U.S. Census Bureau, American Community Survey, 2017 Data
Note: Calculated Yearly Incomes for 528,700 Households; Label Figures are Midpoint Estimates

- $200,000 or More: 8.3%
- $150,000 to $199,999: 8.4%
- $100,000 to $149,999: 18.4%
- $75,000 to $99,999: 14.0%
- $50,000 to $74,999: 17.5%
- $35,000 to $49,999: 10.4%
- $25,000 to $34,999: 8.1%
- $15,000 to $24,999: 7.6%
- $10,000 to $14,999: 3.1%
- Less Than $10,000: 4.2%

About a third of New Hampshire households have yearly incomes of less than $50,000.
• Poverty Level Income for Two Adults and One Child (2017): $19,730

• Estimated New Hampshire Median Household Income (2017): $73,381

• About 1 in 5 households have less than $35,000 per year in income

• About 1 in 3 households have less than $50,000 per year in income

Source: U.S. Census Bureau, American Community Survey, 2017 One-Year Estimates
Recovery Has Been Uneven, Not Lifted Everyone Equally

Changes in Inflation-Adjusted New Hampshire Wages from 2004-2006 to 2016-2018 Averages
By Wage Decile, Includes All Income from Work

Relative Wage Percentiles
Note: Inflation adjustment using Consumer Price Index-Urban-Research Series (current methods). Includes workers aged 18 to 64 years.
Job Growth in New Hampshire by Industry, 2008-2018
Private Sector Industries, 2018 Average Wages

<table>
<thead>
<tr>
<th>Industry Sector</th>
<th>Change in Employment</th>
<th>Average Weekly Wages</th>
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</thead>
<tbody>
<tr>
<td>Health care and Social Assistance</td>
<td>12,000</td>
<td>$2,400</td>
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<tr>
<td>Administrative and Waste Services</td>
<td>8,000</td>
<td>$2,000</td>
</tr>
<tr>
<td>Professional and Technical Services</td>
<td>6,000</td>
<td>$1,600</td>
</tr>
<tr>
<td>Accommodation and Food Services</td>
<td>6,000</td>
<td>$1,200</td>
</tr>
<tr>
<td>Educational Services</td>
<td>4,000</td>
<td>$800</td>
</tr>
<tr>
<td>Transportation and Warehousing</td>
<td>2,000</td>
<td>$400</td>
</tr>
</tbody>
</table>

Note: Average weekly wage for 2018 determined by averaging the average quarterly wages. Annualized number of jobs for 2018 determined by averaging each three months of the quarters and averaging the four quarters.
Housing Cost and Availability in New Hampshire

- Two-bedroom apartment statewide median monthly rent and utilities cost in 2019: $1,347
- Vacancy rate for rental units at less than one percent in 2019
- Renter-occupied unit median household income in New Hampshire estimated at $41,868 in 2017

Sources: New Hampshire Housing Finance Authority, 2019 New Hampshire Residential Rental Cost Survey; U.S. Census Bureau, American Community Survey, 2017 One-Year Estimates
• Approximately **42,000 New Hampshire households** estimated to have been food insecure within the past year, based on 2016-2018 data

• The Food Stamp Program, also known as the Supplemental Nutrition Assistance Program (SNAP), provides food assistance to about **74,000 individuals**, about 38.7 percent children and 9.2 percent over age 64

• 27.2 percent of students, or 42,981 students, were eligible for the free- and reduced-price school lunch program in October 2018

• Approximately three in four public school students live in cities or towns with below the state’s average for taxable property wealth per student

Source: New Hampshire Department of Education
New Hampshire Individuals with Disabilities by Age Group
Disability Based on Survey Responses to U.S. Census Bureau, 2013-2017

- Estimated Number of People with Disabilities
- Percentage of Total Population within Age Group that Has a Disability

Age Group
- Under 5 Years
- 5 to 17 Years
- 18 to 34 Years
- 35 to 64 Years
- 65 to 74 Years
- 75 Years and Over

Source: U.S. Census Bureau, American Community Survey Five-Year Estimates, 2013-2017
Substance Misuse in New Hampshire

Drug Deaths in New Hampshire

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Drug Deaths</th>
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<tbody>
<tr>
<td>2012</td>
<td>100</td>
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<tr>
<td>2013</td>
<td>200</td>
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<tr>
<td>2014</td>
<td>300</td>
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<td>2015</td>
<td>400</td>
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<td>2016</td>
<td>500</td>
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<tr>
<td>2017</td>
<td>550</td>
</tr>
<tr>
<td>2018</td>
<td>400</td>
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</tbody>
</table>

Source: NH Department of Justice, Office of Chief Medical Examiner, Drug Death Data as of May 28, 2019

New Hampshire Division of Children, Youth, and Families Cases Opened per Year

<table>
<thead>
<tr>
<th>Year</th>
<th>Cases Opened by Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>300</td>
</tr>
<tr>
<td>2017</td>
<td>600</td>
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</tbody>
</table>

Source: Governor’s Commission on Alcohol and Other Drugs, Mid-Year Report, March 2019
Final Thoughts

- New Hampshire’s economy is doing well overall, but not all residents are thriving.
- New Hampshire has a workforce challenge, and many of the factors discussed here contribute to this challenge.
- New Hampshire’s population is aging, and we need to create an environment that will encourage more families and young people to make New Hampshire their home.
- We should work to ensure that:
  - Housing is accessible and affordable to residents of all incomes
  - Young people are healthy and able to thrive
  - Care is provided for a growing population of older adults and other residents
  - New Hampshire has the resources available to meet our state’s needs
- The State Budget is our primary vehicle for public investment at the state level.
- Decisions at the state level impact the local level, and the fiscal capacity of communities to respond varies greatly.
- As we focus on the State Budget for the next two years, we should consider the longer-term impacts of budget decisions and work to lay a strong foundation for a prosperous future.
New Hampshire’s State Budget: What You Need to Know

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What the State Budget Funds

- Two-Year State Operating Budget
- Covers two State Fiscal Years, beginning July 1
- Includes most (but not all) State expenditures, last budget was approximately $11.85 billion
- Comprised of two pieces of legislation, typically HB 1 (Operating Budget Bill) and HB 2 (Trailer Bill)

State Budget Appropriations by Category

- Education 23.6%
- Health and Social Services 41.0%
- Transportation 10.2%
- General Government 9.3%
- Justice and Public Protection 11.1%
- Resource Protection and Development 4.8%

Key Investments in Current State Budget Discussions

• Local public education funding
• Medicaid reimbursement rates
• Mental health infrastructure (hospital facility and community space)
• Developmental disability services and waitlist funding
• Adult dental benefits in Medicaid
• Substance misuse – State and federal funding
• Affordable Housing Fund – ongoing appropriations
• Homeless and rental assistance
• Child services and protection (also addressed in separate bills)
• Higher education funding (University and Community College systems)
• Job training program
• Aid to local governments
• Department of Transportation fleet replacement, Highway Fund increases
• “Rainy Day Fund” appropriations
Adequate Education Aid and School Costs Per Student

New Hampshire Local Public Schools and State Aid

Local Government Revenue Sources

New Hampshire, Fiscal Year 2016
Source: U.S. Census Bureau, State and Local Government Finance Survey

- Property Taxes, 61.2%
- State Grants, 23.5%
- All Other Revenue, 15.4%
Local Education Aid from the State Declining in Aggregate

Education Aid To Local Governments
New Hampshire State Budget, Inflation-Adjusted Dollars

Note: Does not include certain school building aid dispensed from the temporary Public School Infrastructure Fund.
Sources: Office of Legislative Budget Assistant, Schedule of State Aid to Cities, Towns, and School Districts, October 12, 2018; U.S. Bureau of Labor Statistics, Consumer Price Index-Northeast, State Fiscal Year Adjustment from NHFPI Calculations
State Stabilization and Adequate Education Aid

Not Including Statewide Education Property Tax, State Fiscal Year 2019

Source: New Hampshire Department of Education, Adequacy Aid Updated Memo, October 1, 2018

Total Non-Statewide Education Property Tax, Non-Stabilization Adequacy Aid, $414 million, 75%

Stabilization Aid, $138 million, 25%
Education Funding in Legislature’s June Budget Proposal

- Adopt fiscal disparity aid to send more per-student aid to support students from municipalities with lower taxable property value per student, up to $1,750 per student

- Additional aid of up to $350 for students eligible for free or reduced-price meals based on concentration within school

- Restore stabilization grants to their original (State Fiscal Year 2012-2016) levels during the budget biennium

- Boosts kindergarten grants to the full level of aid provided to grades 1-12 students for full-day kindergarten

- Total proposal would add $138.1 million in aid for biennium relative to current policy
Medicaid Reimbursement Rates and the State Budget

- Payment for Medicaid-eligible and -approved service provided
- Medicaid a State-federal fiscal partnership to provide health coverage for those with limited resources

The Typical Medicaid Payment Process

Transaction 1: A Medicaid beneficiary receives care from a health provider, such as a physician; the provider bills the state Medicaid program; and the state pays the provider by drawing on a pool of state funds combined with a quarterly advance on federal matching funds.

Source: U.S. Government Accountability Office, GAO-05-748

Transaction 2: The state files an expenditure report, in which it claims the federal Medicaid matching share as reimbursement for its payments to providers and reconciles total quarterly expenditures with the federal advance. States may file claims for medical services and for administrative functions.
Medicaid Reimbursement Rates and the Workforce

Changes in Actual Reimbursement Rates and Various Inflation Measures
NH Choices for Independence Waiver Personal Care Services and Home Health Aide (15 Minute Units)

Note: Axis does not begin at zero.
 Medicaid Reimbursement Rates and the Workforce

Estimated Wage Growth for Certain Occupations in New Hampshire
All Occupations, Home Health Aides, Personal Care Aides, Unadjusted for Inflation

Percent Wage Growth, Unadjusted for Inflation

<table>
<thead>
<tr>
<th>Occupation</th>
<th>50th Percentile (Median)</th>
<th>25th Percentile (Median)</th>
<th>10th Percentile</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Occupations</td>
<td>$18.70</td>
<td>$12.71</td>
<td>$9.63</td>
</tr>
<tr>
<td>Home Health Aides</td>
<td>$13.38</td>
<td>$11.68</td>
<td>$10.38</td>
</tr>
<tr>
<td>Personal Care Aides</td>
<td>$12.07</td>
<td>$10.58</td>
<td>$9.69</td>
</tr>
</tbody>
</table>

Occupation and Wage Percentile

- Growth 2015-2017
- Growth 2013-2017

Note: Occupational Employment Statistics are collected in a six-phase sampling panel over three years, with most recent data incorporated and published for May of each displayed year. All figures are estimates from sample data.

Medicaid Rates and the Legislature’s June State Budget Proposal

- Legislature proposed a nearly universal Medicaid reimbursement rate increase of 3.1 percent in each year of the budget biennium, totaling $60 million in State appropriations.
- Additional $8 million in State funds appropriated for mental health and substance use disorder inpatient and outpatient services.
- Executive Branch has expressed preference for more targeted rate increases and a process for determining those increases.
- State funding typically matched at 50 percent or higher with federal dollars.

### Workforce Shortages Limiting Services

**NH Choices for Independence Waiver**

Seven Case Management Agencies Were Asked: “How often are authorized CFI waiver services not received in full due to unfilled positions or a shortage of workforce availability?”

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Always</td>
<td>0%</td>
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<tr>
<td>Very Often</td>
<td>20%</td>
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<tr>
<td>Often</td>
<td>40%</td>
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<tr>
<td>Sometimes</td>
<td>60%</td>
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<tr>
<td>Rarely</td>
<td>80%</td>
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<td>Never</td>
<td>100%</td>
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<td>Don't Know</td>
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Source: NHFPI Survey of CFI Medicaid Waiver Case Management Agencies, Jan. 2019
New Hampshire’s State Budget Funds

New Hampshire, SFY 2018
Source: Chapter 155, Laws of 2017

- General Fund: 26.0%
- Education Trust Fund: 16.3%
- Federal Funds: 29.9%
- Other Funds: 19.6%
- Turnpike Funds: 2.5%
- Highway Funds: 4.0%
- Liquor Fund: 1.2%
- Fish and Game Funds: 0.2%
- Sweepstakes Funds: 0.2%
The General Fund and the Education Trust Fund

*SFY 2018 State-Generated Revenue*

Source: NH Comprehensive Annual Financial Report, SFY 2018

- **Business Profits Tax**: 18.7%
- **Business Taxes Combined**: 30.3%
- **Business Enterprise Tax**: 11.6%
- **Statewide Education Property Tax**: 14.1%
- **Meals and Rentals Tax**: 12.9%
- **Tobacco Tax**: 8.2%
- **Real Estate Transfer Tax**: 5.8%
- **Liquor Commission**: 5.3%
- **Insurance Premium Tax**: 4.5%
- **Interest and Dividends Tax**: 4.1%
- **Lottery Commission**: 3.4%
- **Utility Property Tax**: 1.8%
- **Communications Services Tax**: 1.7%
- **Miscellaneous**: 8.1%
Surplus Revenue Over State Budget Plans

General and Education Trust Fund Revenue Surplus

Unaudited Cash Basis Aggregate Revenue Surplus by Month for Each State Fiscal Year Relative to State Budget Plan, Not Including Outside-of-Budget Expenditures

Month of State Fiscal Year

Sources: NH Department of Administrative Services Monthly Revenue Focus Reports

- 2014
- 2015
- 2016
- 2017
- 2018
- 2019

$0 Axis = State Revenue Plan Based on State Budget

Millions of Dollars Difference from State Revenue Plan
Surplus Revenue Driven by State’s Two Primary Business Taxes

Differences in General and Education Trust Funds Monthly Cash Receipts
Twelve-Month Rolling Averages of Monthly Cash Receipts to the General and Education Trust Funds Relative to Prior Year from All Sources; Less Business Taxes; and Less Business, Real Estate Transfer, and Meals and Rentals Taxes

Month and State Fiscal Year
Sources: NH Department of Administrative Services Monthly Revenue Focus Reports
Note: Medicaid Enhancement Tax excluded from historical data.
Revenue from Business Taxes Slipping in Recent Receipts

Average Differences in Business Taxes Monthly Cash Receipts

Averages of Monthly Cash Receipts to the General and Education Trust Funds Relative to Prior Year from the Business Profits and Business Enterprise Taxes, Unadjusted for Inflation

Sources: NH Department of Administrative Services Monthly Revenue Focus Reports
Repatriation Effects Following Federal Tax Overhaul May Fade

**Business Profits Tax Filers by Type**
*Draft Data, Tax Year 2016*

- Proprietors: 29,931, 41%
- Corporations: 25,403, 35%
- Partnerships: 12,647, 18%
- Water’s Edge (Multi-State/Nationals): 3,846, 5%
- Fiduciaries: 573, 1%

Source: NH Department of Revenue Administration, 2018 Annual Report

**Business Profits Tax Filers by Liability**
*Draft Data, Tax Year 2016*

- Corporations: $83,227,734, 23%
- Partnerships: $51,468,288, 15%
- Proprietors: $15,010,578, 4%
- Water’s Edge (Multi-State/Nationals): $202,038,756, 57%
- Fiduciaries: $3,326,833, 1%

Source: NH Department of Revenue Administration, 2018 Annual Report
Business Tax Revenue Projected to Decline

Revenue from the Two Primary Business Taxes
New Hampshire Business Profits Tax and Business Enterprise Tax Revenues, Actual and Projected by the Governor, Legislature, and NH Department of Revenue Administration

Note: 2019 actuals drawn from preliminary accrual, while all others are final audited figures. Sources: NH Office of Legislative Budget Assistant; NH Department of Revenue Administration; NH Department of Administrative Services, State Revenue Plans, June SFY 2019 Preliminary Accrual, and State of New Hampshire Comprehensive Annual Financial Reports.
Declines in Projections Due in Part to Tax Rate Reductions

- Legislature's budget proposed keeping tax rates at 2018 levels throughout the State Budget biennium, rather than the two rate reductions planned for each tax
- The Legislature estimated revenues would be $93.1 million higher relative to current policy
# Business Tax Revenue Projected to Decline

## Revenue from the Two Primary Business Taxes

*New Hampshire Business Profits Tax and Business Enterprise Tax Revenues, Actual and Projected by the Governor, Legislature, and NH Department of Revenue Administration*

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Note: Axis does not begin at zero.

*Note: 2019 actuals drawn from preliminary accrual, while all others are final audited figures. Sources: NH Office of Legislative Budget Assistant; NH Department of Revenue Administration; NH Department of Administrative Services, State Revenue Plans, June SFY 2019 Preliminary Accrual, and State of New Hampshire Comprehensive Annual Financial Reports.*
State and Local Government Tax Revenue

*New Hampshire, Fiscal Year 2016*

Source: U.S. Census Bureau, State and Local Government Finance Survey

- Property, 65%
- Selective Sales, (Tobacco, Motor Fuels, Meals and Rentals, and others) 15%
- Corporate Income (BPT + BET), 11%
- Individual Income (Interest and Dividends), 1%
- Other, 8%
Key Investments in Current State Budget Discussions

- Local public education funding
- Medicaid reimbursement rates
- Mental health infrastructure (hospital facility and community space)
- Developmental disability services and waitlist funding
- Adult dental benefits in Medicaid
- Substance misuse – State and federal funding
- Affordable Housing Fund – ongoing appropriations
- Homeless and rental assistance
- Child services and protection (also addressed in separate bills)
- Higher education funding (University and Community College systems)
- Job training program
- Aid to local governments
- Department of Transportation fleet replacement, Highway Fund increases
- “Rainy Day Fund” appropriations
The Next Steps

• Currently, State operations are funded at State Fiscal Year 2019 levels, with some modifications, through September 30

• Operating under a three month “continuing resolution” from July 1 to September 30

• Need a new State Budget or another “continuing resolution” by October 1 to avoid potential shutdowns of State services

• Legislature likely to meet September 25 to approve new spending authority
Additional Resources


• **NHFPI NH State Budget page:** [http://nhfpi.org/resources/nh-state-budget](http://nhfpi.org/resources/nh-state-budget)

• **NHFPI Common Cents blog:** [http://nhfpi.org/commoncents](http://nhfpi.org/commoncents)

• **NHFPI Annual Conference:** Friday, February 21, 2020, Grappone Conference Center