How We Fund Public Services in New Hampshire

Presented by Phil Sletten
New Hampshire Fiscal Policy Institute

New Hampshire Municipal Association Annual Conference
Manchester, New Hampshire
November 13, 2019
Public Services Help Ensure Our Quality of Life
Why is Revenue Important?

- Pays for services that help make our communities stronger

- Tangible and direct:
  - Roads and bridges
  - Police, fire, and emergency medical services
  - Education (including primary, secondary, and public higher education)
  - Public health services and health coverage for those in need
  - Cleaning trash, clearing roads
  - Parks and preserves, including federal, state, and local protected areas

- Less tangible, but very important:
  - Benefitting from an educated workforce and public
  - Protecting citizens from harm, environmental degradation
  - Long-term investments, with positive returns, made collectively
Not all government revenue comes from taxes

Collections through fees, charges, interest, and programs that sell products or services

Federal programs, grants, and aid supply a large amount of revenue to the State government directly, also may provide funding for local government initiatives, support for other organizations

**General and Program Revenues**

*New Hampshire, State Fiscal Year (SFY) 2018*

Source: NH Comprehensive Annual Financial Report, SFY 2018

- General (Mostly Tax) Revenues 35.0%
- Program (Non-Tax) Revenues 65.0%
What Revenue Are We Considering?

- The federal government collects revenue that ends up in State coffers, but that is not a focus here

- State Revenue: money collected through New Hampshire state taxation and other sources, including grants from the federal government
  - State tax revenue is usually the least restricted revenue, with federal grant programs and specific State fees more likely to have “strings attached”

- Local Revenue: money collected by New Hampshire counties, school districts, and municipalities (local governments), with tax revenue collected primarily through property taxes
Our Road Map Through The Revenue System

- Where State Revenue Comes From
- How Federal Decisions Affect State Revenue
- Where Local Government Revenue Comes From
- How State Decisions Affect Local Revenue

For more information, see Revenue In Review at nhfpi.org.
The Big Picture – State Budget Funds

New Hampshire, SFY 2018

Source: Chapter 155, Laws of 2017

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

**General and Education Trust Fund Revenue**

*New Hampshire Funds by Year, Inflation-Adjusted dollars*

- **Revenue by Fund, Millions of SFY 2018 Dollars**
  - $3,000
  - $2,500
  - $2,000
  - $1,500
  - $1,000
  - $500
  - $0

- **State Fiscal Year**
  - 2006
  - 2007
  - 2008
  - 2009
  - 2010
  - 2011
  - 2012
  - 2013
  - 2014
  - 2015
  - 2016
  - 2017
  - 2018

State Revenue – Two Primary Business Taxes

**Business Profits Tax**
- Tax based on gross business profits, adjustments (BET), and apportionment
- Tax base likely about $4.8 billion in Tax Year 2017
- Funds General Fund and Education Trust Fund
  - 1.5 percentage points of the total rate to the Education Trust Fund
- Recent rate reductions, revenue-based trigger for 2021:
  - 8.5% in 2015, 8.2% in 2016, 7.9% in 2018, 7.7% in 2019, may change in 2021

**Business Enterprise Tax**
- Relatively unique among state business taxes, based on compensation, interest, dividends paid or accrued, adjustments, and apportionment
- Broader tax base, likely about $31.0 billion in Tax Year 2017
  - Funds the Education Trust Fund (0.50 percentage points of total rate) and the General Fund, General Fund portion may be eliminated
- Recent rate reductions, revenue-based trigger for 2021:
  - 0.75% in 2015, 0.72% in 2016, 0.675% in 2018, 0.60% in 2019, may change in 2021
State Revenue – Two Primary Business Taxes

Business Profits Tax and Business Enterprise Tax Revenue
New Hampshire General and Education Trust Fund Inflation-Adjusted Revenue

Millions of SFY 2018 Dollars

State Fiscal Year

Note: Comprehensive Annual Financial Report BPT/BET split based in part on historical trends.
State Revenue – 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

Sources: NH Department of Administrative Services Monthly Revenue Focus Reports
Note: Medicaid Enhancement Tax excluded from historical data.
State Revenue – Two Primary Business Taxes

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

Month and State Fiscal Year
Sources: NH Department of Administrative Services Monthly Revenue Focus Reports
# State Revenue – Two Primary Business Taxes

## Business Enterprise Tax Incidence

**Tax Year 2017 - Filing Businesses**

<table>
<thead>
<tr>
<th>Tax Paid</th>
<th>Number of Businesses by Tax Paid</th>
<th>Percent of Businesses by Tax Paid</th>
<th>Cumulative Number of Businesses by Tax Paid</th>
<th>Cumulative Percent of Business by Tax Paid</th>
<th>Revenue by Amount of Tax Paid</th>
<th>Percent of Revenue by Tax Paid</th>
<th>Cumulative Percent of Revenue by Tax Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0</td>
<td>35,371</td>
<td>48.5%</td>
<td>72,979</td>
<td>100.0%</td>
<td>$0</td>
<td>0.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>$1-$500</td>
<td>9,638</td>
<td>13.2%</td>
<td>37,608</td>
<td>51.5%</td>
<td>$1,933,710</td>
<td>0.9%</td>
<td>100.0%</td>
</tr>
<tr>
<td>$500-$1K</td>
<td>7,510</td>
<td>10.3%</td>
<td>27,970</td>
<td>38.3%</td>
<td>$5,608,392</td>
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<tr>
<td>$1K-$10K</td>
<td>17,404</td>
<td>23.8%</td>
<td>20,460</td>
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<td>$52,216,404</td>
<td>23.4%</td>
<td>96.6%</td>
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<tr>
<td>$10K-$50K</td>
<td>2,465</td>
<td>3.4%</td>
<td>3,056</td>
<td>4.2%</td>
<td>$50,502,262</td>
<td>22.7%</td>
<td>73.2%</td>
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<tr>
<td>$50K-$100K</td>
<td>321</td>
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<td>591</td>
<td>0.8%</td>
<td>$22,209,228</td>
<td>10.0%</td>
<td>50.5%</td>
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<tr>
<td>$100K-$1M</td>
<td>258</td>
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<td>270</td>
<td>0.4%</td>
<td>$62,882,980</td>
<td>28.2%</td>
<td>40.6%</td>
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<tr>
<td>&gt;$1M</td>
<td>12</td>
<td>0.0%</td>
<td>12</td>
<td>0.0%</td>
<td>$27,602,405</td>
<td>12.4%</td>
<td>12.4%</td>
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<tr>
<td><strong>Totals</strong></td>
<td><strong>72,979</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>72,979</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>$222,955,381</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

Source: New Hampshire Department of Revenue Administration 2019 Annual Report - Draft Data
# State Revenue - Two Primary Business Taxes

## Business Profits Tax Incidence

**Tax Year 2017 - Filing Businesses**

<table>
<thead>
<tr>
<th>Tax Paid</th>
<th>Number of Businesses by Tax Paid</th>
<th>Percent of Businesses by Tax Paid</th>
<th>Cumulative Number of Businesses by Tax Paid</th>
<th>Cumulative Percent of Business by Tax Paid</th>
<th>Revenue by Amount of Tax Paid</th>
<th>Percent of Revenue by Tax Paid</th>
<th>Cumulative Percent of Revenue by Tax Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0</td>
<td>56,335</td>
<td>77.2%</td>
<td>72,979</td>
<td>100.0%</td>
<td>$0</td>
<td>0.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>$1-$500</td>
<td>4,749</td>
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<td>16,644</td>
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<td>$774,792</td>
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<td>$500-$1K</td>
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<td>11,895</td>
<td>16.3%</td>
<td>$1,228,760</td>
<td>0.3%</td>
<td>99.8%</td>
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<tr>
<td>$1K-$10K</td>
<td>7,062</td>
<td>9.7%</td>
<td>10,214</td>
<td>14.0%</td>
<td>$26,225,666</td>
<td>6.6%</td>
<td>99.5%</td>
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<tr>
<td>$10K-$50K</td>
<td>2,261</td>
<td>3.1%</td>
<td>3,152</td>
<td>4.3%</td>
<td>$47,278,898</td>
<td>11.9%</td>
<td>92.9%</td>
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<tr>
<td>$50K-$100K</td>
<td>357</td>
<td>0.5%</td>
<td>891</td>
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<td>$24,833,603</td>
<td>6.3%</td>
<td>80.9%</td>
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<tr>
<td>$100K-$1M</td>
<td>478</td>
<td>0.7%</td>
<td>534</td>
<td>0.7%</td>
<td>$131,468,448</td>
<td>33.2%</td>
<td>74.7%</td>
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<tr>
<td>&gt;$1M</td>
<td>56</td>
<td>0.1%</td>
<td>56</td>
<td>0.1%</td>
<td>$164,334,978</td>
<td>41.5%</td>
<td>41.5%</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>72,979</strong></td>
<td><strong>100.0%</strong></td>
<td></td>
<td></td>
<td><strong>$396,145,145</strong></td>
<td><strong>100.0%</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: New Hampshire Department of Revenue Administration 2019 Annual Report - Draft Data
State Revenue – Two Primary Business Taxes

**Business Profits Tax Filers by Type**
*Draft Data, Tax Year 2017*

- **Proprietors, 30,053, 41%**
- **Partnerships, 12,973, 18%**
- **Corporations, 25,414, 35%**
- **Fiduciaries, 578, 1%**
- **Water’s Edge (Multi-State/Nationals), 3,961, 5%**

Source: NH Department of Revenue Administration, 2019 Annual Report

**Business Profits Tax Filers by Liability**
*Draft Data, Tax Year 2017*

- **Proprietors, $15,905,192, 4%**
- **Partnerships, $85,900,575, 22%**
- **Corporations, $61,955,151, 15%**
- **Fiduciaries, $3,274,207, 1%**
- **Water’s Edge (Multi-State/Nationals), $229,110,020, 58%**

Source: NH Department of Revenue Administration, 2019 Annual Report
General and Education Trust Fund Revenue

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%
Established in 1999 to support newly created Education Trust Fund for Adequate Education Grants funding education on a per pupil basis

Set to raise $363 million in 2005, does not adjust for inflation

Retained locally, required to be raised by the state by local governments
Tax of 9 percent levied on most purchases of food or beverages from restaurants, also on hotel rooms and car rentals; raised from 8 percent in SFY 2010

Funds the General Fund, Education Trust Fund (car rentals portion), certain school building aid, State’s travel and tourism development agency, municipalities
$1.78 per 20-cigarette pack, adjusted-proportionally for pack size

65.03 percent on wholesale price of other tobacco products

Several rate changes in last 25 years (boosted up to $0.37/pack in 1997)

Supports General ($1.00/pack) and Education Trust Funds ($0.78/pack)
State Revenue – Real Estate Transfer Tax

- $0.75 per $100 of sale of real estate or interest in real estate
- Levied against buyer and seller for total revenue of $1.50 per $100
- $0.25 of the $0.75 goes to the Education Trust Fund, rest to General Fund

Real Estate Transfer Tax

New Hampshire General and Education Trust Fund Inflation-Adjusted Revenue

<table>
<thead>
<tr>
<th>State Fiscal Year</th>
<th>Millions of SFY 2018 Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>$130</td>
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<tr>
<td>2003</td>
<td>$140</td>
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<tr>
<td>2004</td>
<td>$150</td>
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<tr>
<td>2005</td>
<td>$160</td>
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<td>2006</td>
<td>$170</td>
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<td>2007</td>
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<td>2008</td>
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<td>2016</td>
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<tr>
<td>2017</td>
<td>$180</td>
</tr>
<tr>
<td>2018</td>
<td>$180</td>
</tr>
</tbody>
</table>
State Revenue – Insurance Premium Tax

- 1.25 percent on premiums from insurers
- 2 percent health, accident, and certain life insurance premiums
- Goes to General Fund except revenues from those insured under the NH Granite Advantage Health Care Program, which go to the Program’s trust fund

Insurance Premium Tax

New Hampshire General Fund Inflation-Adjusted Revenue

$0.222 per gallon on motor fuels, aviation fuel taxed at different rate

Can only be used for highway-related purposes, other restrictions on portions

Revenues go to the Highway Fund, used for interest on highway bonds and notes

Motor Fuels Tax Revenue

New Hampshire Highway Fund Inflation-Adjusted Revenue

State Revenue – Other Taxes

Medicaid Enhancement Tax
■ 5.4 percent of charges hospitals make for services, $250.2 million in SFY 2019
■ Revenues to Uncompensated Care and Medicaid Fund, leverages federal dollars

Interest and Dividends Tax
■ Individuals pay 5 percent of interest earned (over at least $2,400 per individual) from interest payments or dividends from certain stock ownership
■ Revenues go to General Fund, $105.8 million in SFY 2018

Communications Services Tax
■ 7 percent on two-way communications services, not internet, declining revenue

Utility Property Tax
■ $6.60 per $1,000 levied on machinery, real estate, structures for commercial electricity, natural gas, or petroleum distribution and certain water and sewer
Liquor Commission

- Operates State liquor stores that are sole source for liquor and spirits, while certain wine may be sold from licensed businesses; beer is taxed
- Pays for its own operations, the Alcohol Abuse Prevention and Treatment Fund ($6.8 million in SFY 2018), and the General Fund
- $691.9 million in SFY 2018 generated from sales and services, $4.3 million from licenses; General Fund received $136.4 million plus $12.8 million from beer tax

Lottery Commission

- Sells lottery tickets and oversees taxed racing, charitable gaming, Keno, sports betting
- $337.8 million revenue in SFY 2018, $87.2 million profit to Education Trust Fund

Turnpike System

- Tolls users of three turnpikes to operate, construct, and maintain them
- $134.8 million from tolling operations in SFY 2018
State Revenue – Federal Funds

New Hampshire, SFY 2018

Source: Chapter 155, Laws of 2017

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

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State Revenue – Federal Funds

Medicaid

- In all funds (State on-budget, State off-budget, federal), about $2.0 billion in SFY 2016 was Medicaid, or approximately 29 percent of all State spending; approximately $2.0 billion anticipated for SFY 2019, about 175,000 people have access to health care through the program

- Proposals at the federal level in 2017 and 2018 would have significantly reduced federal contributions, which are a 50%-50% match or better for the State

Other Program Areas

- Federal transportation aid
- Education aid – special education, school lunch program, professional development
- Water pollution and infrastructure funds, clean and drinking water programs
- Food Stamps/SNAP; Women, Infants, and Children Nutrition Program
- Temporary Assistance for Needy Families
- Veterans’ care aid
- Low Income Home Energy Assistance Program, funds State Fuel Assistance Program
State Revenue System – Strengths and Weaknesses

- Reliance on many revenue streams, most with narrow bases
- High importance of non-tax revenue sources, such as liquor and lottery sales
- Fortunes do not rise or fall with changes in a single revenue source, adds stability to the revenue system relative to other states
- Policymaker flexibility might be more limited because of narrower bases, large or many adjustments may be needed to react to changes
- Narrow bases more likely to disappear with changing economy
- Certain revenue sources likely to be declining over time, such as the Tobacco Tax and the Communications Services Tax
- Changing demographics may complicate sustainability
- Reliance on federal sources results in limited options if funding from the federal government is reduced
State Revenue System – Strengths and Weaknesses

State Tax Revenue Volatility
Pew Charitable Trusts Analysis, Fiscal Years 1998-2017

Geography
Source: The Pew Charitable Trusts, Tax Revenue Volatility Varies Across States, Revenue Streams, Aug. 29, 2018
Local Revenue System – Local Governments

Local governments includes:

- School districts
- Municipal governments (town and city)
- County governments
  - Sheriff’s departments
  - County nursing homes and long-term care
  - County jails
  - County attorney
  - Register of deeds office
  - Unincorporated townships
Local Revenue System – Sources

- Grants from other levels of governments (state and federal)
- Fees, grants, or gifts
- However, only viable tax option is the property tax

The Local Property Tax

- Estimated 99 percent of all local tax revenue
- Estimated 61 percent of all local revenue, including grants from the State and federal governments, school lunches, etc.
- Approximately $3.4 billion dollars in tax year 2018
- About 90 percent of property taxes paid in NH are local taxes
Fewer Tax Revenue Sources at Local Level

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

- Corporate Income (BPT and BET): 27%
- Other: 20%
- Individual Income (I&D): 3%
- Motor Fuel: 6%
- Tobacco: 9%
- Property: 15%
- Other Selective Sales: 20%

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

- Property Taxes: 99%
- All Other Taxes: 1%
Local Government Revenue Sources

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

- Property Taxes, 61%
- State Grants, 23%
- Federal Grants, 2%
- All Other Revenue, 14%
## Local Revenue System – Reliance on the Property Tax

### Property Tax as a Percentage of All Local Tax Revenue

*Fiscal Year 2015*

<table>
<thead>
<tr>
<th>State</th>
<th>Estimated Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Highest</strong></td>
<td></td>
</tr>
<tr>
<td>New Hampshire</td>
<td>99%</td>
</tr>
<tr>
<td>Maine</td>
<td>99%</td>
</tr>
<tr>
<td>Connecticut</td>
<td>98%</td>
</tr>
<tr>
<td>New Jersey</td>
<td>98%</td>
</tr>
<tr>
<td>Rhode Island</td>
<td>98%</td>
</tr>
<tr>
<td>United States</td>
<td>72%</td>
</tr>
<tr>
<td><strong>Lowest</strong></td>
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</tr>
<tr>
<td>Kentucky</td>
<td>56%</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>53%</td>
</tr>
<tr>
<td>Louisiana</td>
<td>46%</td>
</tr>
<tr>
<td>Arkansas</td>
<td>43%</td>
</tr>
<tr>
<td>Alabama</td>
<td>42%</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau, 2015 Annual Surveys of State and Local Government Finances
State and Local 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%
## Overall New Hampshire Revenue System Leans Heavily on the Property Tax

### Property Tax as a Percentage of All State and Local Tax Revenue

*Fiscal Year 2015*

<table>
<thead>
<tr>
<th>State</th>
<th>Estimated Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Highest</strong></td>
<td></td>
</tr>
<tr>
<td>New Hampshire</td>
<td>66%</td>
</tr>
<tr>
<td>Alaska</td>
<td>57%</td>
</tr>
<tr>
<td>New Jersey</td>
<td>46%</td>
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<tr>
<td>Vermont</td>
<td>44%</td>
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<td>Rhode Island</td>
<td>43%</td>
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<tr>
<td>United States</td>
<td>31%</td>
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<tr>
<td><strong>Lowest</strong></td>
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</tr>
<tr>
<td>Arkansas</td>
<td>18%</td>
</tr>
<tr>
<td>Delaware</td>
<td>18%</td>
</tr>
<tr>
<td>Hawaii</td>
<td>18%</td>
</tr>
<tr>
<td>Alabama</td>
<td>17%</td>
</tr>
<tr>
<td>North Dakota</td>
<td>13%</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau, 2015 Annual Surveys of State and Local Government Finances
# New Hampshire’s Revenue System Near to Highest Per Capita Tax from Property Taxes

## State and Local Property Tax Revenue Per Capita

*Fiscal Year 2015*

<table>
<thead>
<tr>
<th>State</th>
<th>Estimated Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Highest</strong></td>
<td></td>
</tr>
<tr>
<td>New Jersey</td>
<td>$3,082</td>
</tr>
<tr>
<td>New Hampshire</td>
<td>$3,055</td>
</tr>
<tr>
<td>Connecticut</td>
<td>$2,851</td>
</tr>
<tr>
<td>New York</td>
<td>$2,704</td>
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<tr>
<td>Vermont</td>
<td>$2,542</td>
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<tr>
<td><strong>United States</strong></td>
<td><strong>$1,521</strong></td>
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<tr>
<td><strong>Lowest</strong></td>
<td></td>
</tr>
<tr>
<td>Kentucky</td>
<td>$781</td>
</tr>
<tr>
<td>New Mexico</td>
<td>$772</td>
</tr>
<tr>
<td>Arkansas</td>
<td>$699</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>$679</td>
</tr>
<tr>
<td>Alabama</td>
<td>$540</td>
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</tbody>
</table>

Source: U.S. Census Bureau, 2015 Annual Surveys of State and Local Government Finances
Local Property Taxes in New Hampshire

New Hampshire Total Local Property Tax Commitment

*Tax Year, Inflation-Adjusted Dollars*

<table>
<thead>
<tr>
<th>Tax Year (April 1 of Calendar Year)</th>
<th>Billions of Inflation-Adjusted Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$3.0</td>
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<tr>
<td>2010</td>
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<td>2011</td>
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<td>2016</td>
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<tr>
<td>2017</td>
<td>$3.5</td>
</tr>
<tr>
<td>2018</td>
<td>$3.5</td>
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</tbody>
</table>

Note: Inflation-adjustment based on the second half of same numbered calendar year
Sources: NH Department of Revenue Administration; U.S. Bureau of Labor Statistics Consumer Price Index-Urban, Northeast
Businesses and Property Taxes

Taxes Paid by Businesses

New Hampshire State and Local Taxes, Fiscal Year 2018

Source: Council on State Taxation, Total State and Local Business Taxes, Oct. 2019

- Property Taxes, 50.4%
- BPT and BET, 23.1%
- Excise Taxes, 13.3%
- Unemployment Insurance Tax, 1.7%
- Interest and Dividends Tax, 0.4%
- License and other taxes, 11.2%
State Funding for Local Governments – State Decisions Since the Recession

- Much of the on-paper dollar value is in Adequate Education Grants, less when locally-raised Statewide Education Property Tax is removed

- Adequate Education Grants modified, stabilization aid declined 4 percent annually in SFYs 2017, 2018, and 2019

- The school building aid program did not accepted new projects from SFY 2010 to SFY 2020, with one exception

- Since SFY 2013, the State contribution to local teachers, police, and firefighter retirement costs has been suspended, was 35 percent in SFY 2009 and earlier

- Meals and Rentals Tax distribution to municipalities set at 40 percent of revenue in law, but formula to reach that percentage has been suspended

- Annual revenue sharing has been suspended since 2010

- Environmental grants for drinking water and wastewater facilities and landfills have been declining in aggregate

- Highway and bridge aid funding has fluctuated over time, an influx of one-time funds in 2018

State Funding for Local Governments –
The SFYs 2020-2021 State Budget

- Return stabilization aid for education funding to the original value from SFYs 2012-2016, adds $56.6 million over the next two years, continues beyond SFY 2021
- Additional $50 million in SFY 2021 only for fiscal capacity disparity aid, with more resources going to communities with lower taxable property values per pupil, based on a sliding scale formula
- Additional $12.5 million in SFY 2021 only for communities with higher concentrations of students eligible for free and reduced-price school meals, provided per eligible student and calculated by a sliding scale formula
- Also, full Adequate Education Aid grant amounts for full-day kindergarten students and some additional school building aid
- $40 million during the biennium in unrestricted State aid to cities and towns, $20 million per year, distributed based 20 percent on the total number of resident students in the municipality relative to the state, and 80 percent based on the total number of free and reduced-price meal eligible students in residence relative to the state
- Increased appropriations for wastewater system grants, funds projects completed during 2019

Sources: Chapters 345 and 346, Laws of 2019; Office of Legislative Budget Assistant documents: Compare HB 0003 to C of C, September 26, 2019; HB 3 & 4 Briefing, September 25, 2019; Comparisons of Education Funding Current Law vs. Budget Compromise, FY 2020 and FY 2021, September 25, 2019; State Aid to Cities and Towns, June 20, 2019
State Funding For Local Governments – Education-Related Aid

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 Funding For Local Governments – Non-Education Aid

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

Note: Does not include certain municipal bridge aid not included in the State Budget.
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 Funding For Local Governments

A Connection Between Local Property Tax Increases and State Budget Decisions?

- Local property tax rates depend on many factors
- But a logical connection exists
- And federal budget decisions could affect your local property tax bill if changes are made that influence State policymaker decisions concerning aid to local governments
Additional NHFPI Resources

- NHFPI NH State Budget page: http://nhfpi.org/resources/nh-state-budget
- NHFPI Common Cents blog: http://nhfpi.org/commoncents
- NHFPI Annual Conference: February 21, 2020; 8:00 a.m. to 12:30 p.m. Grappone Conference Center, Concord, NH