State and Federal Funding in New Hampshire and the Impacts of the COVID-19 Crisis

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New Hampshire Fiscal Policy Institute

The Mental Health Center of Greater Manchester
Strategic Planning Finance Focus Group Meeting
August 19, 2020
Unemployment Rates
New Hampshire and the United States, Seasonally Adjusted


17.1%
New Hampshire Unemployment Rate for April 2020

14.7%
National Estimated Unemployment Rate for April 2020

Percentage of Labor Force Unemployed

Year

Widespread Loss of Income

- Chair of the U.S. Federal Reserve Jerome Powell, May 13, 2020: “Among people who were working in February, almost 40 percent of those in households making less than $40,000 a year had lost a job in March.”

- Loss of income severe enough to affect food security:
  - 22 percent of respondents nationally ran out of food and did not have enough money to buy more in last 30 days (NORC at the University of Chicago, May 4-10, 2020 survey)
  - Two in five households nationally that included children under 12 years old and the mothers of those children ran out of food and could not afford more at some point since the pandemic began (Brookings Institution, April 2020 survey)

![2020 Household Pulse Survey](chart.png)

**2020 Household Pulse Survey**

U.S. Census Bureau, New Hampshire Responses During July 2 to 21

<table>
<thead>
<tr>
<th>Question Topic</th>
<th>Percentage Responding Affirmative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss of Household Employment Income Since March 13</td>
<td>47%</td>
</tr>
<tr>
<td>Expect Loss of Employment Income in Next Four Weeks</td>
<td>24%</td>
</tr>
<tr>
<td>Did Not Pay Prior Month Rent or Mortgage on Time, or Have Slight or No Confidence Will Pay on Time This Month</td>
<td>15%</td>
</tr>
<tr>
<td>Sometimes or Often Not Enough to Eat Over Last Seven Days</td>
<td>5%</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau, 2020 Household Pulse Survey, accessed August 10, 2020
The State Budget Funds

New Hampshire, SFY 2021
Source: Chapter 345, Laws of 2019

- Federal Funds: 29.9%
- General Fund: 24.8%
- Education Trust Fund: 16.0%
- Other Funds: 21.1%
- Turnpike Funds: 2.7%
- Highway Funds: 4.0%
- Liquor Fund: 1.1%
- Fish and Game Funds: 0.2%
- Sweepstakes Funds: 0.2%
General and Education Trust Fund Revenue

*SFY 2019 State-Generated Revenue*

Source: NH Comprehensive Annual Financial Report, SFY 2019

- Meals and Rentals Tax: 13.2%
- Business Profits Tax: 17.9%
- Business Taxes Combined: 30.5%
- Business Enterprise Tax: 12.6%
- Statewide Education Property Tax: 13.7%
- Real Estate Transfer Tax: 5.8%
- Insurance Premium Tax: 5.1%
- Liquor Commission: 5.0%
- Interest and Dividends Tax: 4.3%
- Lottery Commission: 4.0%
- Communications Services Tax: 1.5%
- Utility Property Tax: 1.6%
- Miscellaneous: 7.6%
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, Meals and Rentals, and Real Estate Transfer Taxes

Month and State Fiscal Year

Sources: NH Department of Administrative Services Monthly Revenue Focus Reports
Note: Medicaid Enhancement Tax excluded from historical data.
Differences in General and Education Trust Funds Monthly Cash Receipts

Three-Month Rolling Averages of Monthly Cash Receipts to the General and Education Trust Funds Relative to the Same Quarter of the Prior Year from All Sources

Source: NH Department of Administrative Services Monthly Revenue Focus Reports
Note: Medicaid Enhancement Tax excluded from historical data.

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Meals and Rentals Tax Revenue Changes

Change in Receipts from Same Month of Prior Year,
New Hampshire General and Education Trust Funds Receipts

Month and State Fiscal Year
Sources: NH Department of Administrative Services Monthly Revenue Focus Reports
Percentage 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

Month and State Fiscal Year
Sources: New Hampshire Department of Administrative Services Monthly Revenue Focus Reports
New Hampshire State Budget Shortfalls and Assets

Selected Deficits, Most Recent Projection, and Rainy Day Fund Balance for the General and Education Trust Funds, by State Fiscal Year

Millions of Dollars

- $200
- $100
- $0
- ($100)
- ($200)
- ($300)
- ($400)
- ($500)

2020 Unaudited Preliminary Accrual Shortfall
2021 Shortfall Projected by State Agencies
($386 Total)

2020-2021 Revenue Shortfall

2019 Year End Rainy Day Fund*

Federal Aid

Asset or Change from State Budget Plan

Notes: *Rainy Day Fund refers to the Revenue Stabilization Reserve Account.
Sources: Estimates provided by the Governor’s Office, July 24, 2020; NH Comprehensive Annual Financial Report, SFY 2019; NH Dept. of Administrative Services, Preliminary Accrual SFY 2020.
The State Budget Funds

New Hampshire, SFY 2021
Source: Chapter 345, Laws of 2019

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- General Fund 24.8%
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- Highway Funds 4.0%
- Education Trust Fund 16.0%
- Other Funds 21.1%
Federal Funds in the State Budget

Funds Supporting Selected Departments

New Hampshire State Budget, SFY 2018

Source: Chapter 155, Laws of 2017
Medicaid

- A significant portion of General Fund revenue supports State matching funds for Medicaid, typically a 50%-50% match, more favorable in certain programs.
- In all funds (State on-budget, State off-budget, federal), about $2.1 billion in SFY 2020 was Medicaid, relative to a $6.4 billion State Budget for SFY 2020.
- About 196,000 people have access to health services through the program.

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.
- Low Income Home Energy Assistance Program, funds State Fuel Assistance Program.
Total Medicaid Enrollment in New Hampshire

Total Number of People Enrolled

Number of Adults and Children Enrolled

Month and Year

Source: New Hampshire Department of Health and Human Services, Monthly Caseload Reports
Federal Assistance

Enhanced Medicaid Match

- Medicaid is a state-federal fiscal partnership to provide health coverage to children, parents, pregnant women, older adults in long-term care settings, individuals with disabilities, and other individuals with low incomes

- Federal Medical Assistance Percentage (FMAP) is the portion of costs paid by the federal government, 50% federal-50% state funds for most programs

- FMAP increased by 6.2 percentage points in the Families First Coronavirus Response Act for duration of federal public health emergency; efficient way to support states and enable use of General Fund revenues for other services

- Counting state and non-state funds, Medicaid was an approximately $2.1 billion program in New Hampshire in State Fiscal Year 2020 (NH Office of Legislative Budget Assistant)
Federal Funding Related to COVID-19 to Organizations in New Hampshire

Received by State, Local Governments, and Private For-Profit and Non-Profit Entities,
Data as of August 13, 2020

Source: New Hampshire Office of Legislative Budget Assistant, Aug. 13, 2020

- CARES Act Coronavirus Relief Fund Appropriation to State of New Hampshire, $1.25 bil
- Non-Grant Funds - Federal Reserve Liquidity and Food Assistance, $0.92 bil
- Other Federal Grant Funding, $0.68 bil
- Non-Grant Funds - Paycheck Protection Program and Disaster Loans for Small Businesses, $3.14 bil

Federal Assistance

Flexible Direct Aid to States

- Current CARES Act Coronavirus Relief Fund federal grants ($1.25 billion for NH) cannot be used to pay for previously-budgeted expenses, must be spent by Dec. 30, 2020
- Has been deployed to a wide variety of places, including:
  - Healthcare System Relief Fund ($100 million, grants for providers, including long-term care)
  - Long Term Care Stabilization Program (funding to support Medicaid direct care workers)
  - NH Frontline Protective Worker Stipend ($500,000, including child protection and social workers)
  - Aid to the New Hampshire Food Bank (up to $5 million)
  - Aid to nonprofits ($60 million)
  - Housing relief and assistance for individuals (up to $35 million)
  - Child care programs support (up to $25 million)
  - Main Street Relief Fund ($400 million, support for small businesses)
  - Aid to State agencies, including $179.6 million to the NH Department of Health and Human Services
General and Education Trust Fund Revenue
New Hampshire Funds by Year, Inflation-Adjusted Dollars

*Note: Unaudited Preliminary Accrual for SFY 2020; final audit to be completed December 2020.
State Revenue – Two Primary Business Taxes

Business Profits Tax and Business Enterprise Tax

New Hampshire General and Education Trust Fund Inflation-Adjusted Revenue

Millions of SFY 2020 Dollars

State Fiscal Year

Notes: * 2020 figures are unaudited preliminary accrual figures. Final sorting between these two taxes not reported fully in the Comprehensive Annual Financial Reports.

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General and Education Trust Funds Revenue Relative to Budget

Preliminary Accrual and Projection by State Fiscal Year, for New Hampshire

Revenue Relative to State Budget Plan, in Millions

State Fiscal Year


Note: Projection for State Fiscal Year 2021.
Sources: Estimates provided by the Governor’s Office, July 24, 2020; NH Dept. of Administrative Services, Preliminary Accruals, SFYs 2007-2020.
Percentage Changes in Appropriations Following the Great Recession

New Hampshire State Budgets, State Fiscal Years 2008-2009 to 2010-2011

Note: Appropriations do not include trailer bill appropriations, back of the budget changes, or other changes to appropriations outside of the Primary Budget (Section 1 of the State Budget).

Source: New Hampshire State Budgets, as Passed
Percentage Changes in Appropriations Following the Great Recession

New Hampshire State Budgets, State Fiscal Years 2010-2011 to 2012-2013

<table>
<thead>
<tr>
<th>Category</th>
<th>Total Appropriations (Including Federal)</th>
<th>General Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Government</td>
<td>-10%</td>
<td>-10%</td>
</tr>
<tr>
<td>Justice and Public Protection</td>
<td>-15%</td>
<td>-15%</td>
</tr>
<tr>
<td>Resource Protection and Development</td>
<td>-20%</td>
<td>-20%</td>
</tr>
<tr>
<td>Transportation</td>
<td>-25%</td>
<td>-25%</td>
</tr>
<tr>
<td>Health and Social Services</td>
<td>-30%</td>
<td>-30%</td>
</tr>
<tr>
<td>Education</td>
<td>-35%</td>
<td>-35%</td>
</tr>
</tbody>
</table>

Note: Appropriations do not include trailer bill appropriations, back of the budget changes, or other changes to appropriations outside of the Primary Budget (Section 1 of the State Budget).

Source: New Hampshire State Budgets, as Passed
New Hampshire Department of Health and Human Services Operating Budget

Unadjusted for Inflation, Primary Budget, Not Including Off-Budget Changes

Note: Appropriations do not include trailer bill appropriations, back of the budget changes, or other changes to appropriations outside of the Primary Budget (Section 1 of the State Budget).
Source: New Hampshire State Budgets, as Passed
Future Federal Assistance?

Form of Assistance Key

- More flexibility for existing Coronavirus Relief Funds?
- Increase in FMAP large enough to offset previously-budgeted costs?
- Aid for education that can be used to offset existing costs?
- Direct, unrestricted aid to states?
- Timing, with budget shortfall growing over time?

New Hampshire State Budget Timeline

- New two-year State Budget starting July 1, 2021
- Not legal barrier to ending current State Budget with a deficit, but next State Budget must incorporate that deficit and balance
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