



# **The COVID-19 Crisis and State Budget Implications for New Hampshire**

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New Hampshire Fiscal Policy Institute*

Endowment for Health Advisory Council  
Lunch and Learn Session  
November 10, 2020

## Key Takeaways

- Exact State Budget impacts not yet clear, but the loss of revenue will be significant.
- These impacts may be delayed, and federal relief would reduce risk of reductions to key services.
- COVID-19 crisis has had massive economic effects for Granite Staters, especially those with the fewest resources.
- The resources individuals and families have available, and the strength of the overall economic recovery, are both substantially influenced by federal and state government policy.

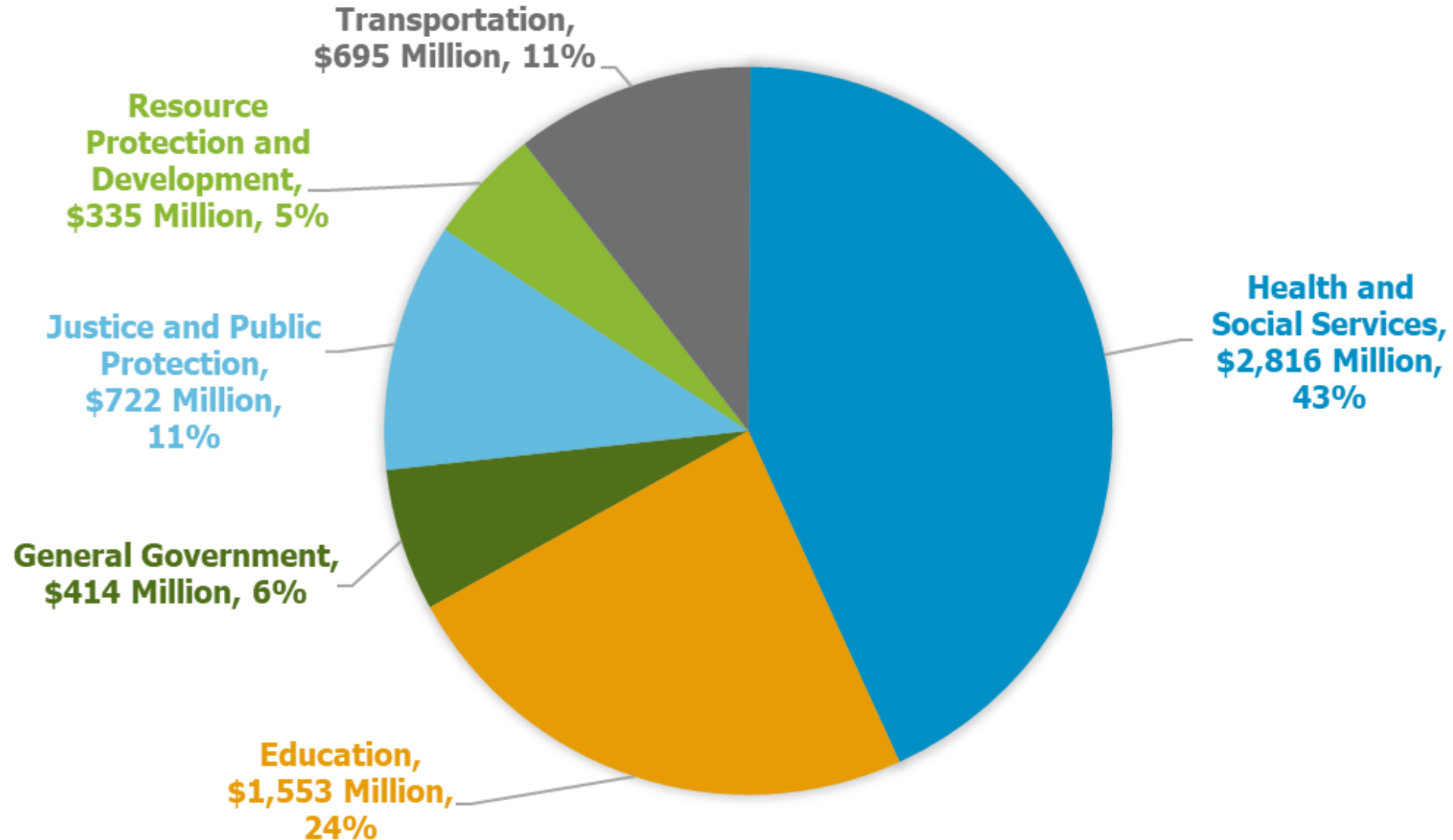
# Basics of the State Budget

- Two-year or biennial operating budget
  - Funds most State operations for two State fiscal years (SFY)
  - Current State Budget provides funding for SFYs 2020-2021 (July 1, 2019 to June 30, 2021), approximately \$13 billion in appropriations
- Comprised of two separate pieces of legislation
  - Operating Budget Bill, typically House Bill 1 or “HB 1”: the line-item appropriations, amount of money in each component of State programs
  - Trailer Bill, typically House Bill 2 or “HB 2”: the companion omnibus bill with policy changes and separate appropriations
- Not all State expenditures in the State Budget
  - Capital Budget, covers six years with changes every two years
  - Ten Year Transportation Improvement Plan, altered every two years
  - Separately authorized expenditures, such as expanded Medicaid

# The State Budget by Category

*New Hampshire, State Fiscal Year 2021*

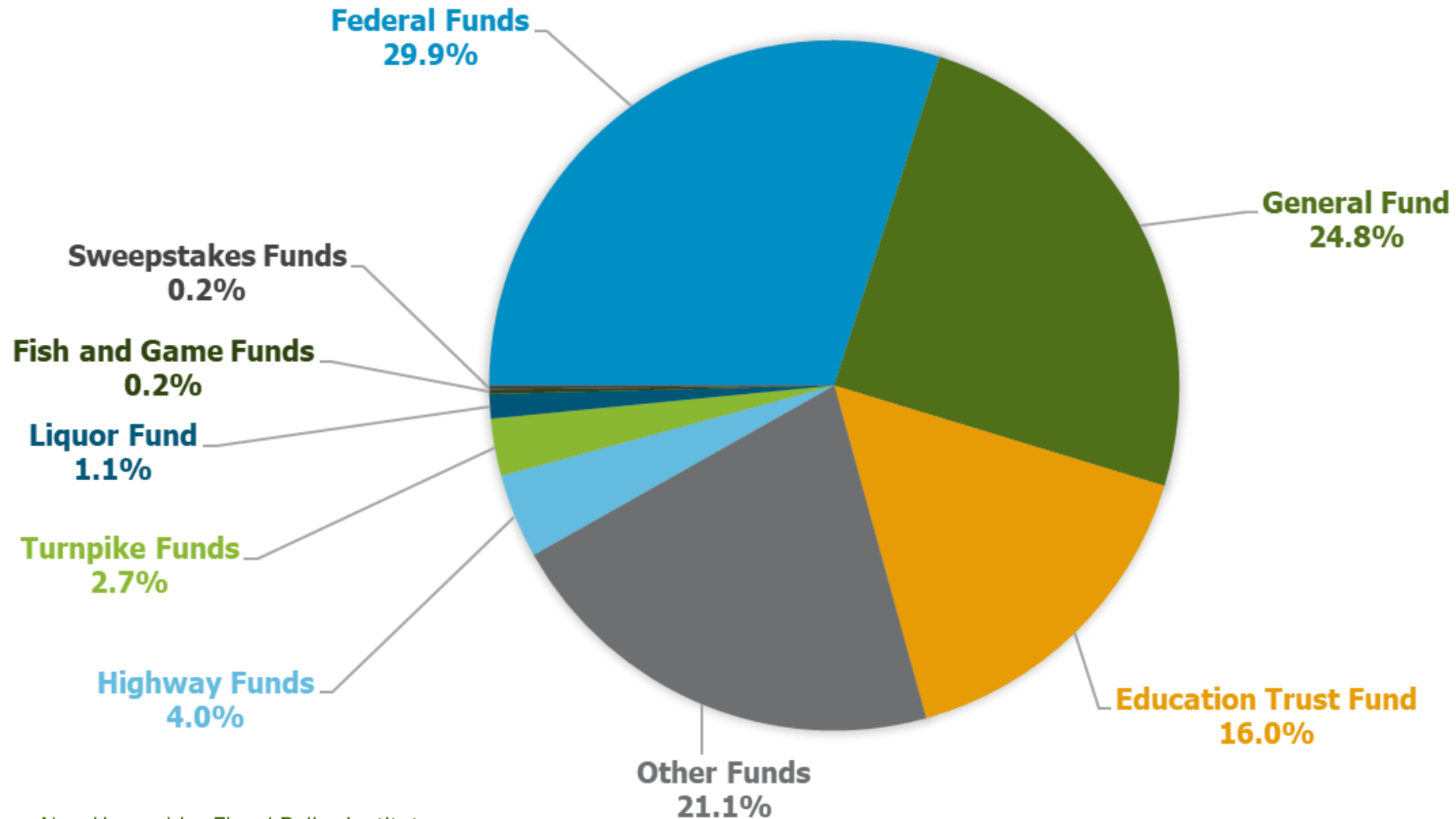
Source: Chapter 345, Laws of 2019



# The State Budget Funds

*New Hampshire, SFY 2021*

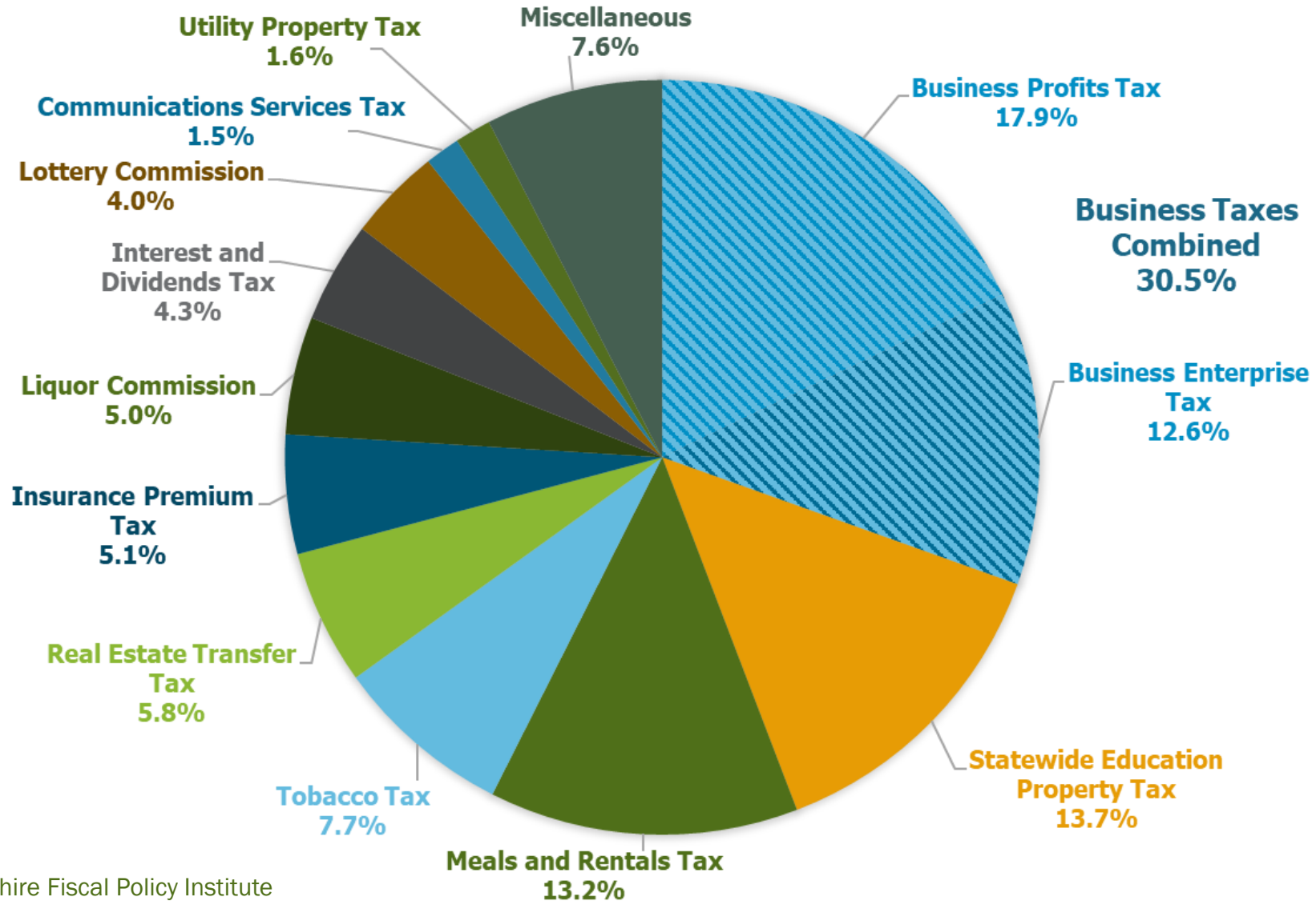
Source: Chapter 345, Laws of 2019



# General and Education Trust Fund Revenue

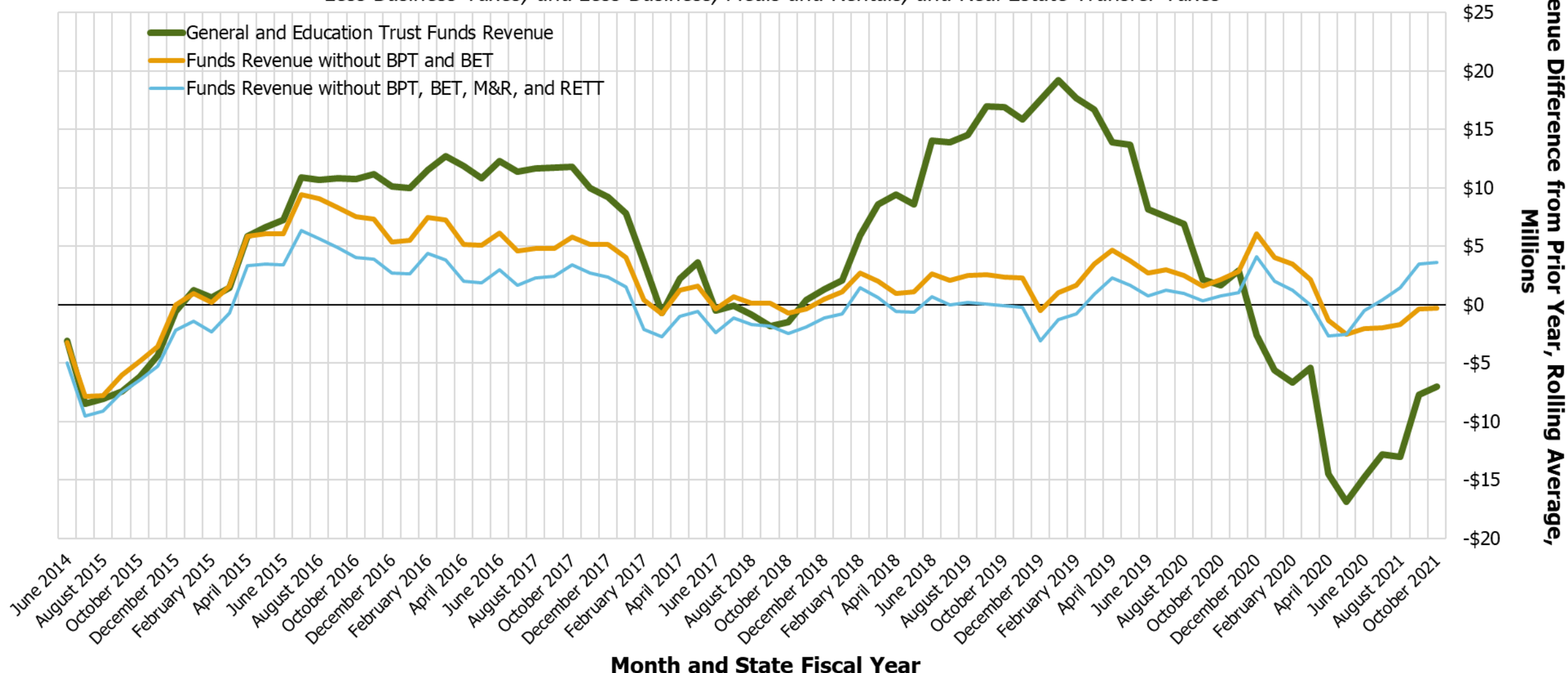
*SFY 2019 State-Generated Revenue*

Source: NH Comprehensive Annual Financial Report, SFY 2019



# Differences in New Hampshire 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*



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

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

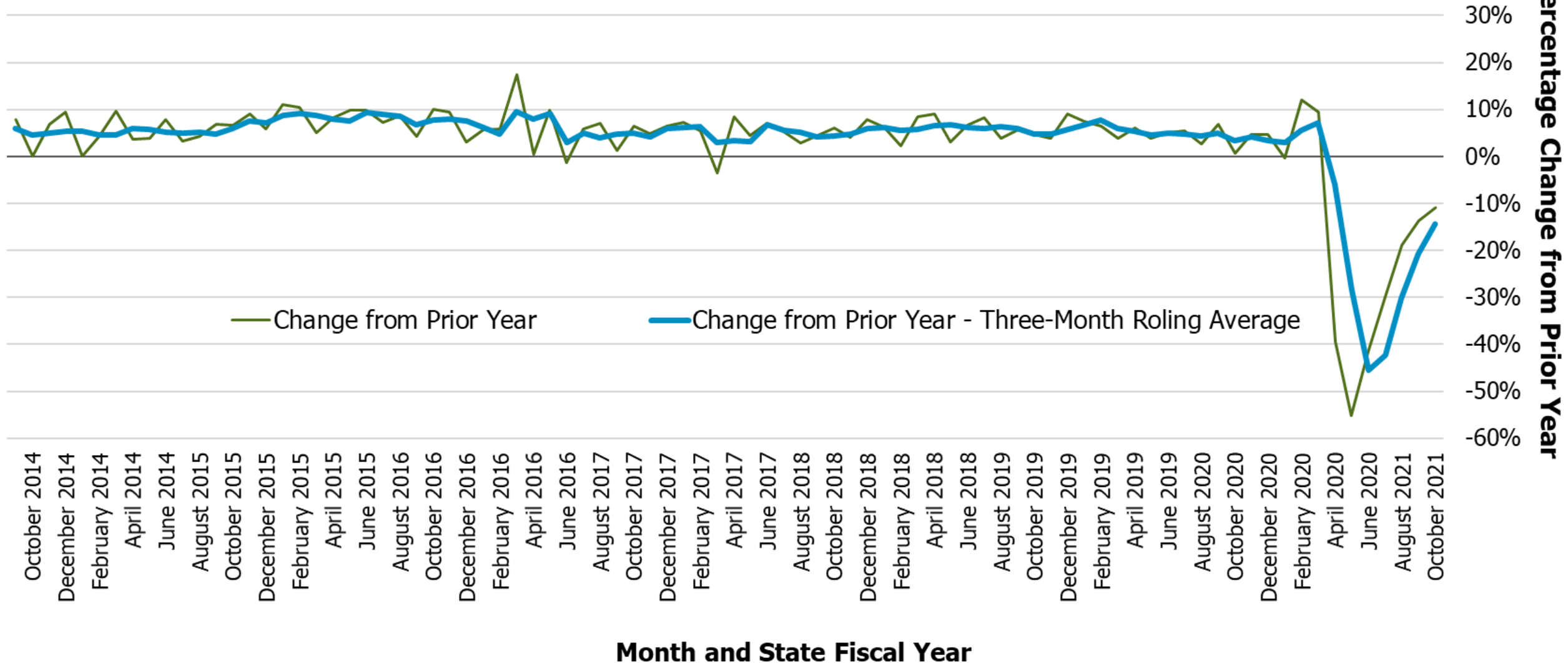


Note: Medicaid Enhancement Tax excluded from historical data.



# Meals and Rentals Tax Revenue Changes

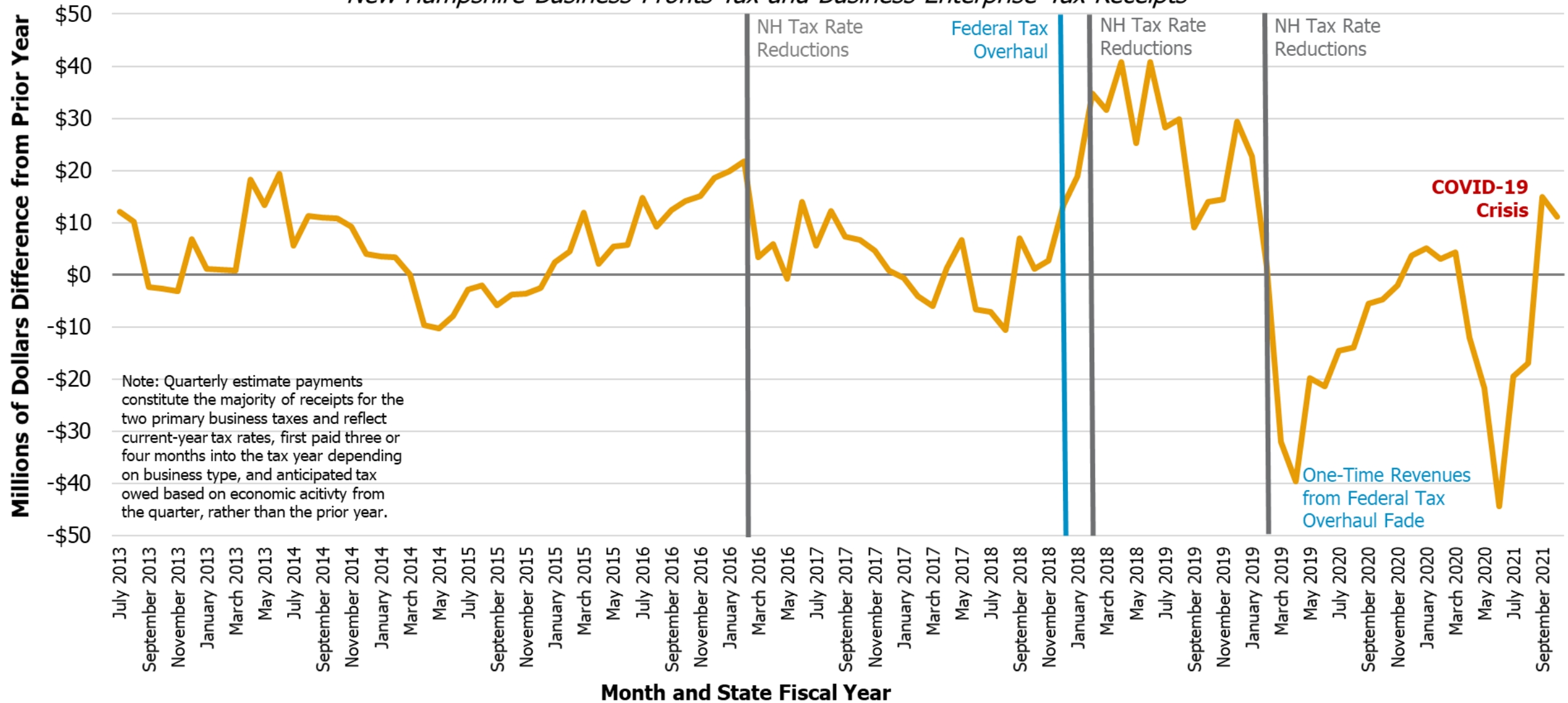
*Change in Receipts from Same Month of Prior Year,  
New Hampshire General and Education Trust Funds Receipts*



Sources: NH Department of Administrative Services Monthly Revenue Focus Reports

# Business Tax Revenue Quarterly Estimate Payments

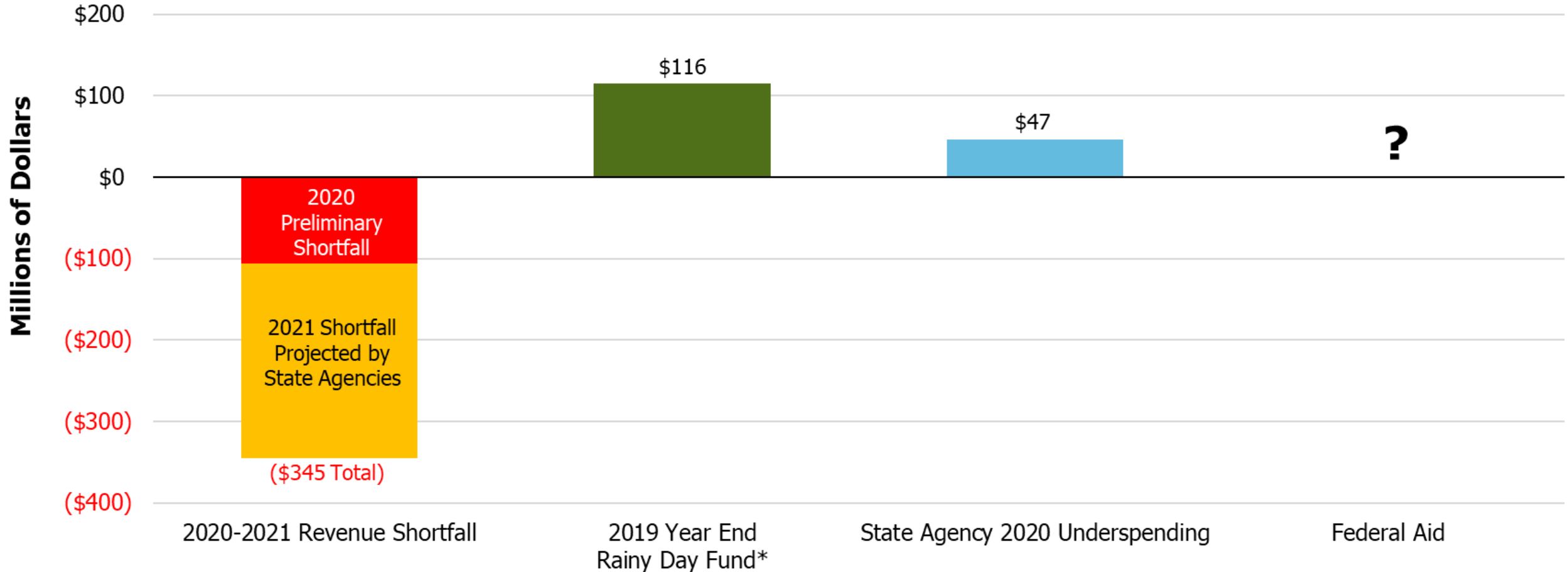
*Year-Over-Year Changes in Three-Month Revenue Totals, Monthly Cash Receipts  
New Hampshire Business Profits Tax and Business Enterprise Tax Receipts*



Source: NH Department of Revenue Administration, NH DRA Business Tax Analysis, April 2019 and October 2021

# 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*



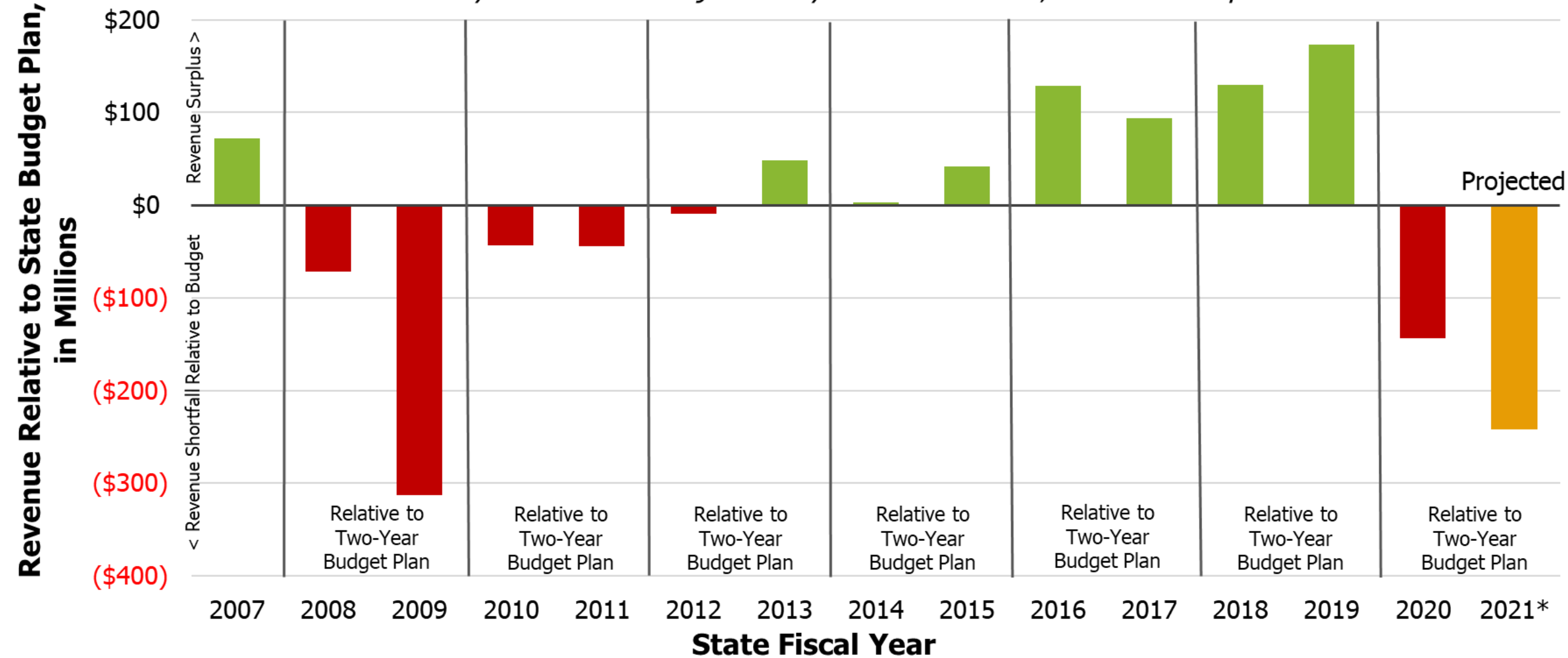
## Asset or Change from State Budget Plan

Notes: \*Rainy Day Fund refers to the Revenue Stabilization Reserve Account.

Sources: New Hampshire Office of Legislative Budget Assistant, September 22, 2020 Revenue Estimate Worksheet; New Hampshire Department of Administrative Services; Draft New Hampshire Comprehensive Annual Financial Report, September 30, 2020.

# General and Education Trust Funds Revenue Relative to Budget

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

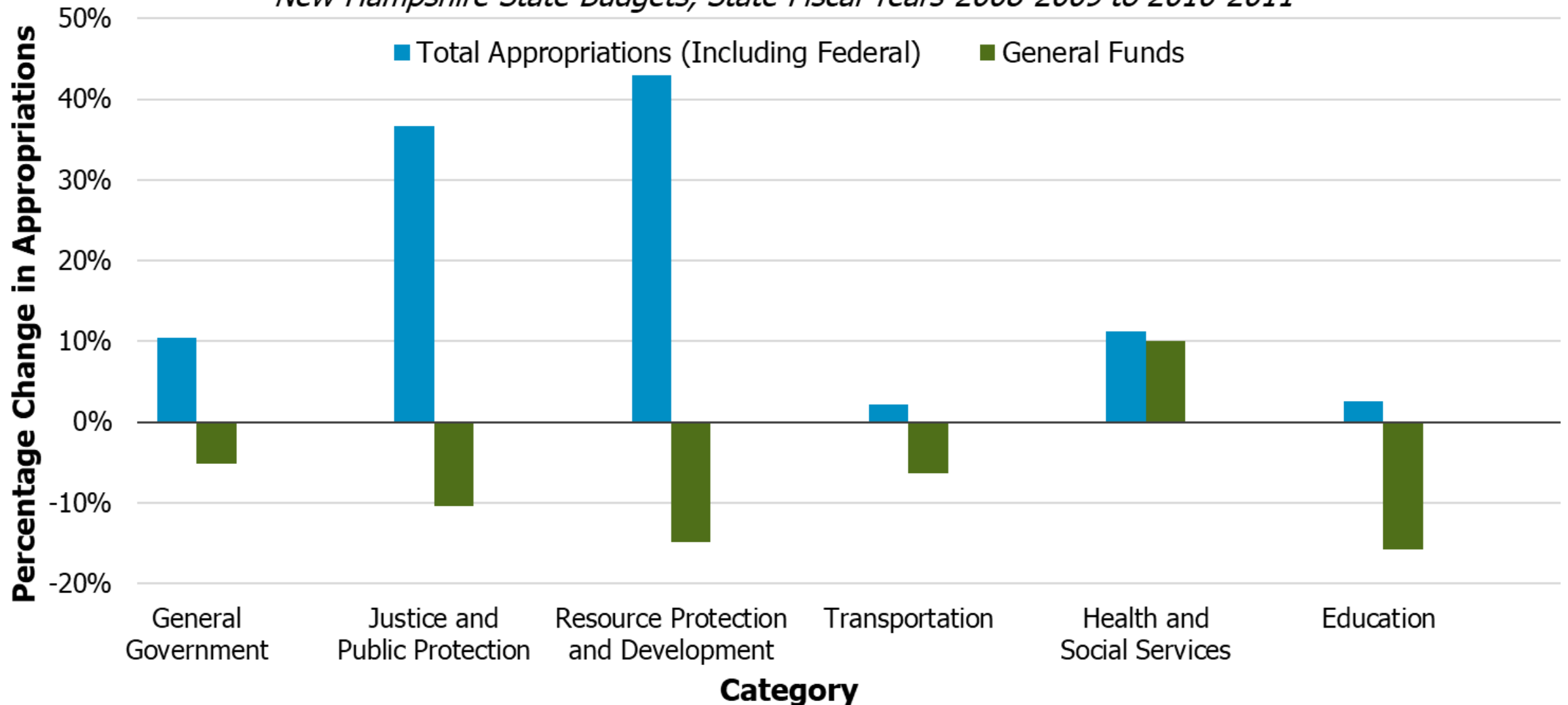


\*Note: Projection for State Fiscal Year 2021.

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

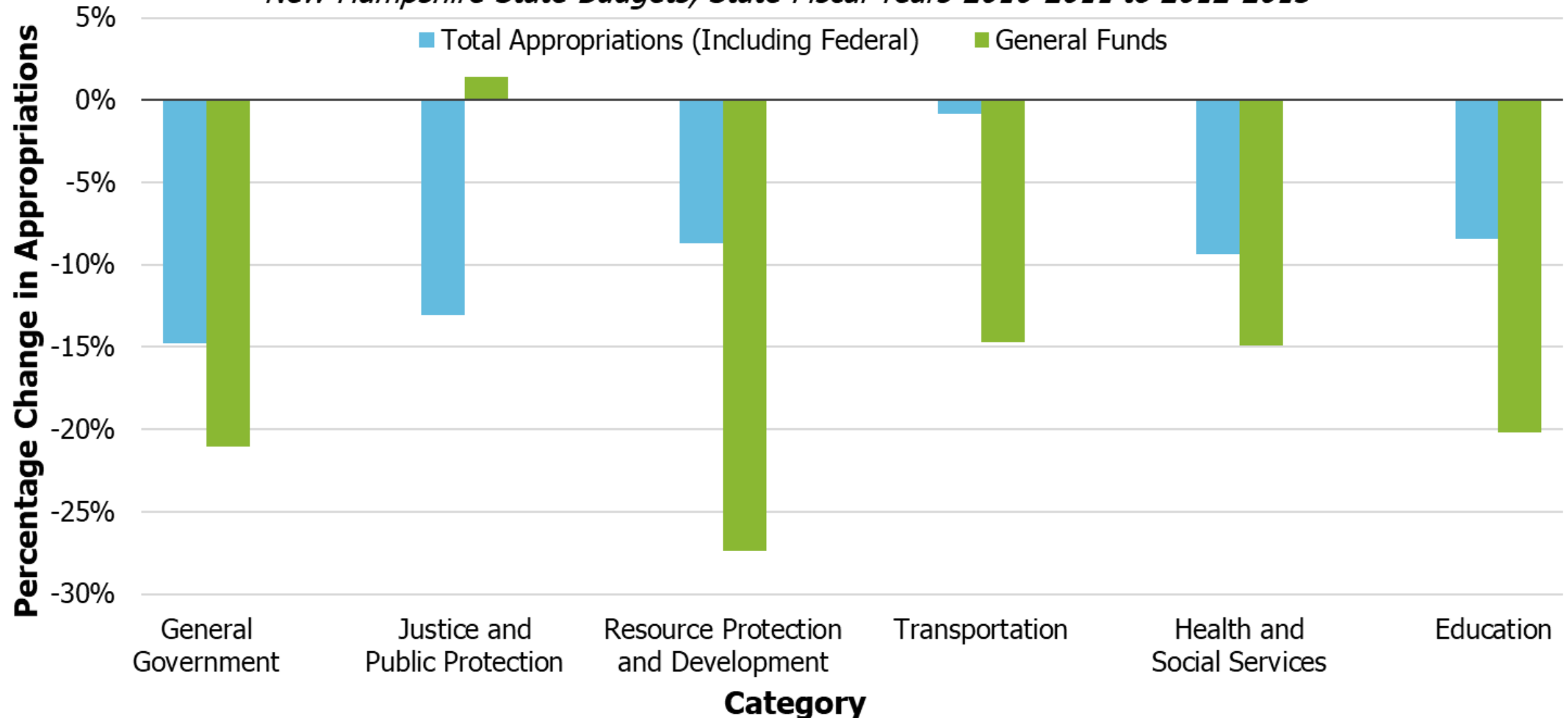
*New Hampshire State Budgets, State Fiscal Years 2008-2009 to 2010-2011*



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).

# Percentage Changes in Appropriations Following the Great Recession

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

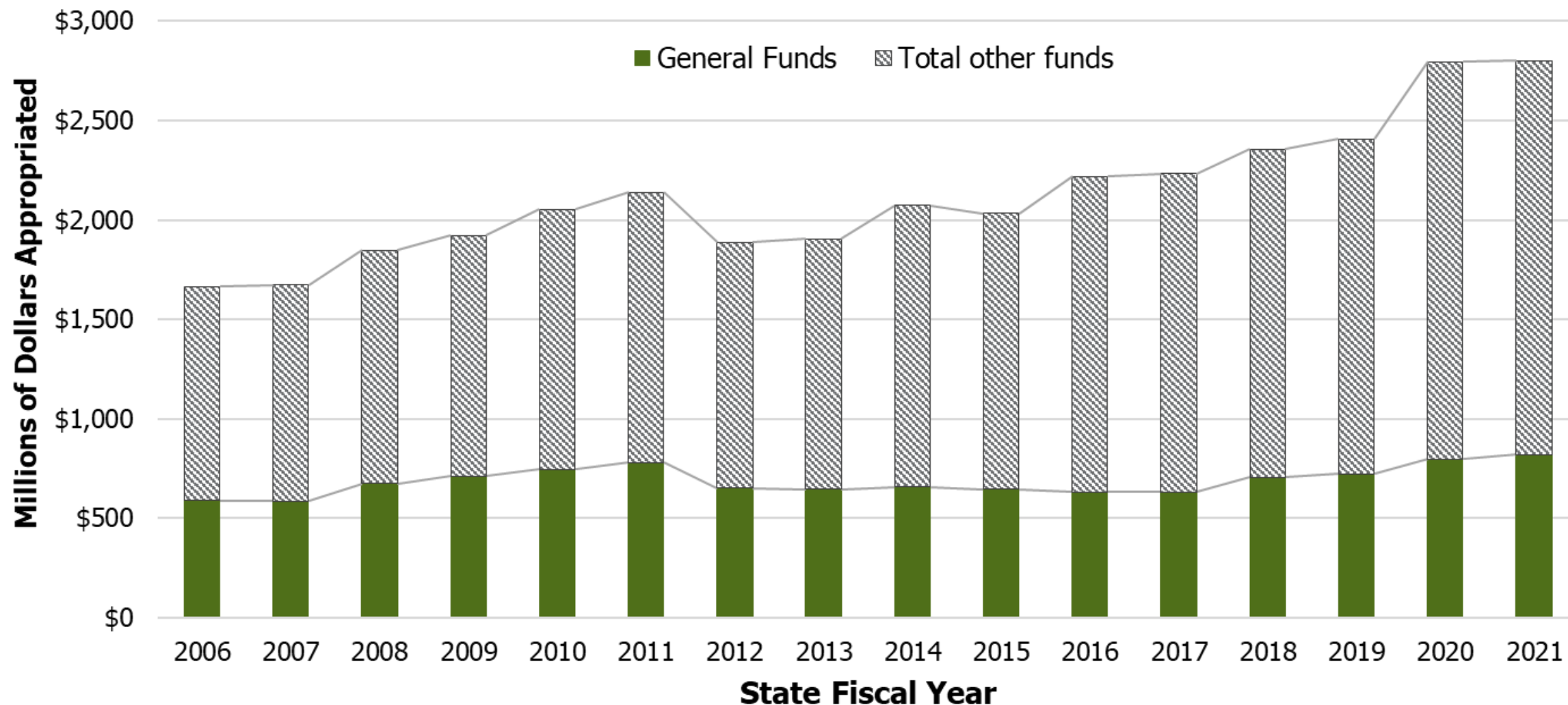


Note: Appropriations do not include trailer bill appropriations, back of the budget changes, or other changes to appropriations outside of the Primary Budget (Section 1 of the State Budget).



# 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).

# Federal Assistance

- Current federal assistance largely cannot be used to offset State or local revenue losses, although certain portions have helped mitigate, defray costs
- Most flexible portion currently is Coronavirus Aid, Relief, and Economic Security (CARES) Act Coronavirus Relief Funds (\$1.25 billion for New Hampshire), must be spent by December 30, 2020, cannot be used for previously-budgeted expenditures

## Forms of Future Aid?

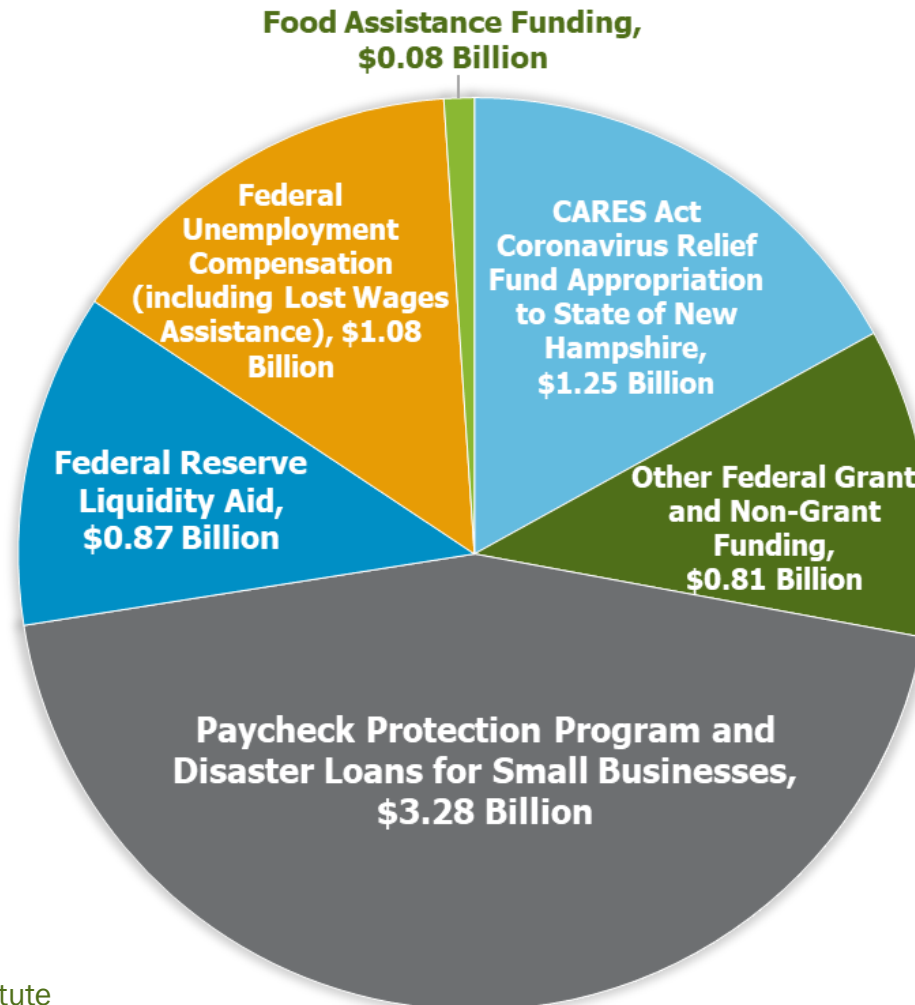
- More flexibility for existing CARES Act Coronavirus Relief Funds?
- Direct, unrestricted aid to states?
- Increase in Medicaid federal match funding large enough to offset previously-budgeted costs?
- Aid for education that can be used to offset existing costs?
- Local government assistance?
- Timing of aid relative to State Budget process?



# 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 October 27, 2020*

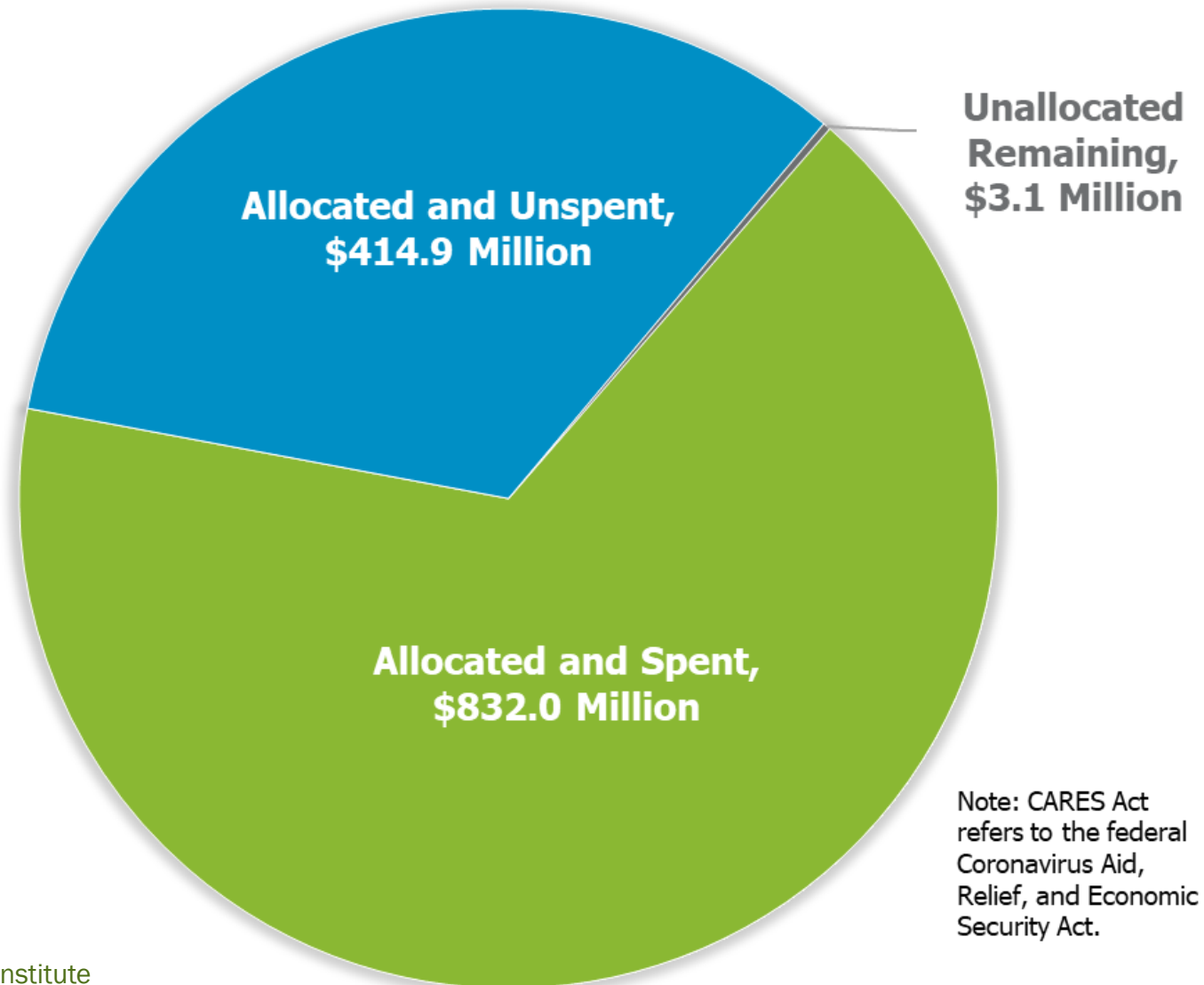
Source: New Hampshire Office of Legislative Budget Assistant, Federal COVID-19 Funds -  
New Hampshire Allocations, October 27, 2020



Notes: CARES Act refers to the federal Coronavirus Aid, Relief, and Economic Security Act. Not all data current as of October 27, 2020 in source document.

# CARES Act Coronavirus Relief Fund Grant to New Hampshire as of October 30, 2020

Source: New Hampshire Governor's Office for Economic Relief and Recovery,  
Weekly Coronavirus Relief Fund Dashboard, Week of October 30, 2020

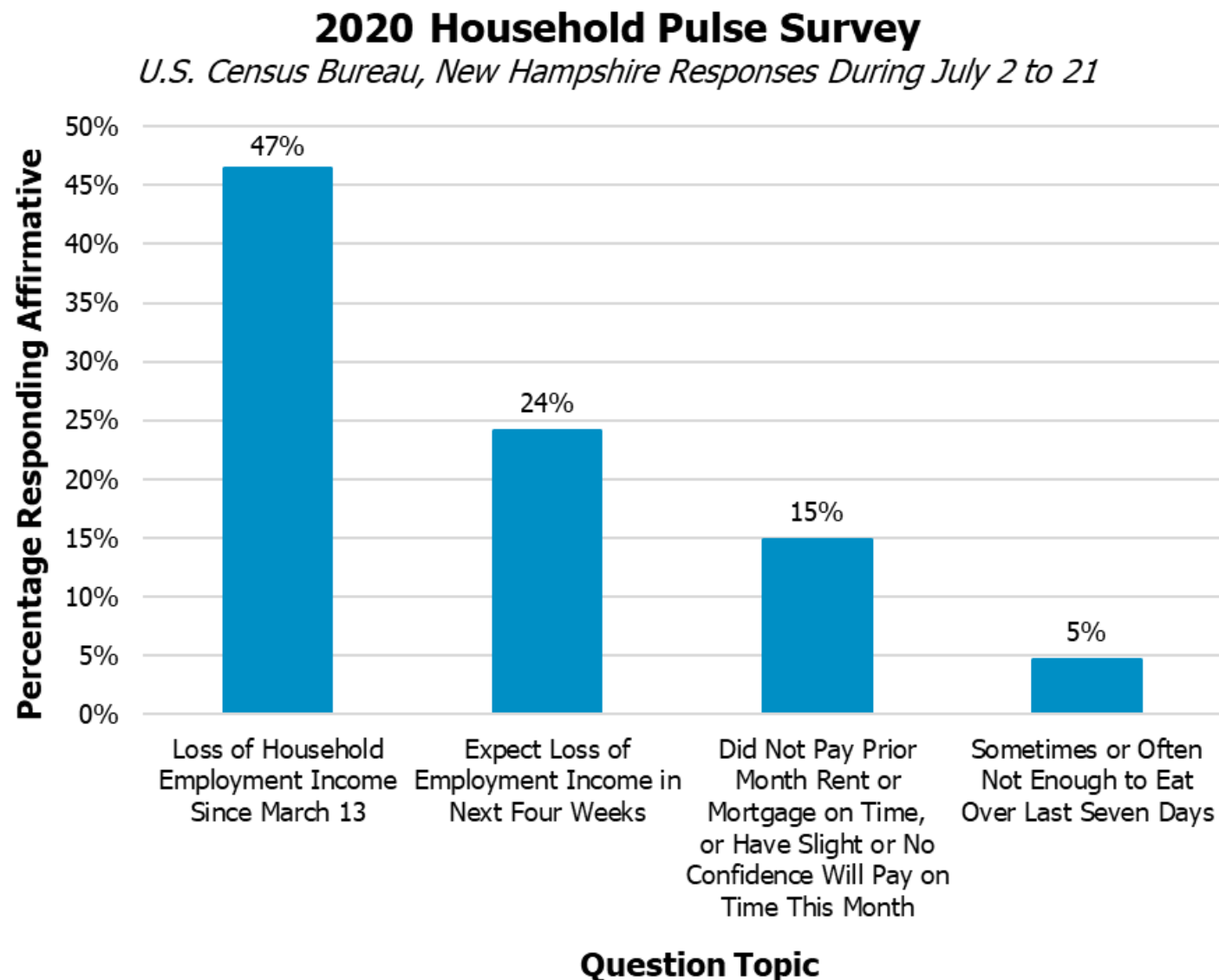


# Building the Next State Budget

- COVID-19, revenues, the economy, and federal aid are all key variables.
- Current State Budget can end with a deficit, no legal requirement to end the current budget in balance.
- Next State Budget has to be a balanced plan of the next two years, must incorporate and resolve any deficit carried into it.
- The State Budget does not need to balance each fiscal year individually, meaning a deficit could be carried forward into the last year of the budget for resolution.
- Needs of Granite Staters may be most acute in the near-term.

# Initial Economic Impact: Widespread Income Loss

- 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)

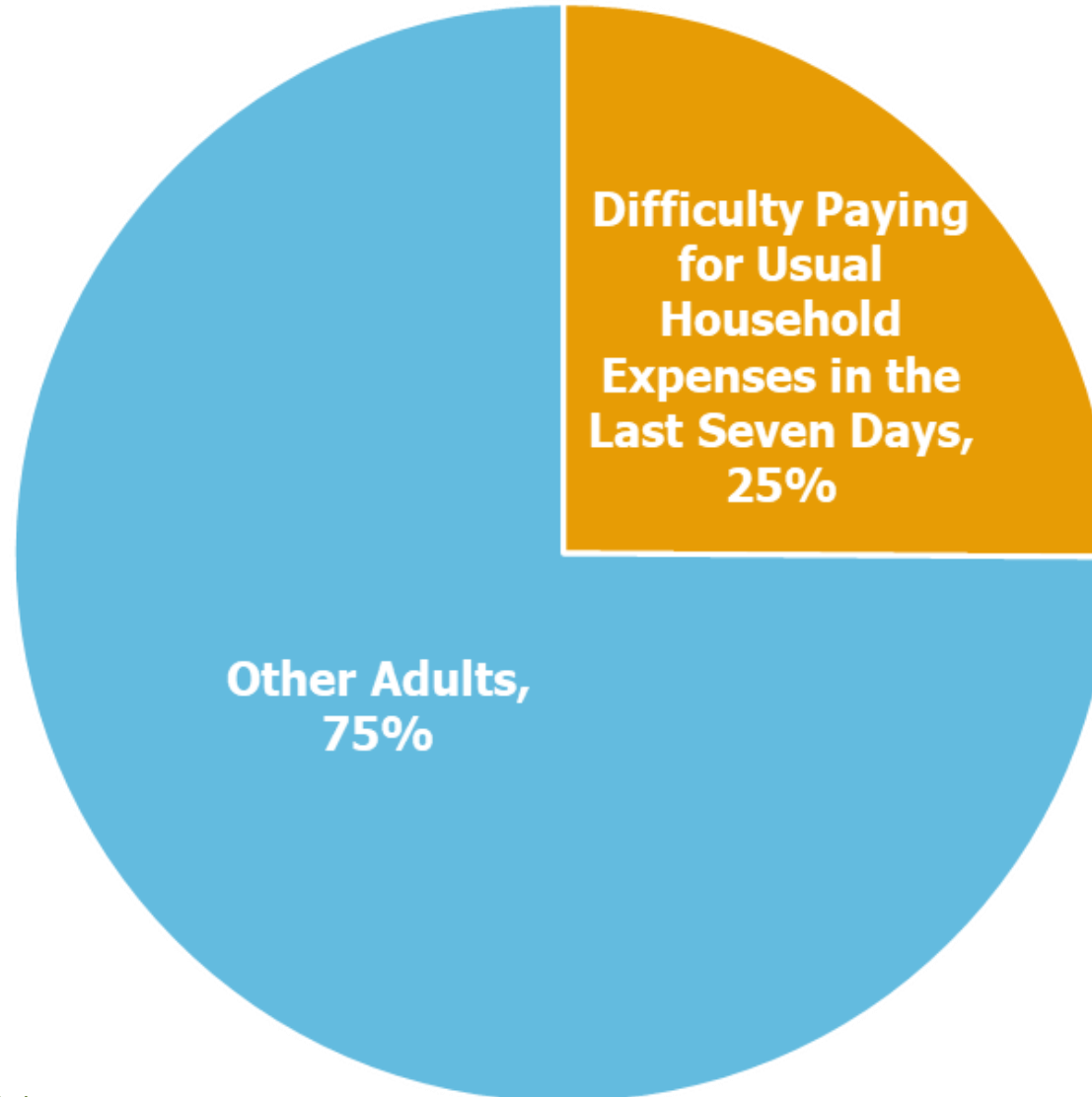


Source: U.S. Census Bureau, 2020 Household Pulse Survey, accessed August 10, 2020

# **New Hampshire Adults Reporting Difficulty Paying for Household Expenses**

*October 14 to October 26, 2020*

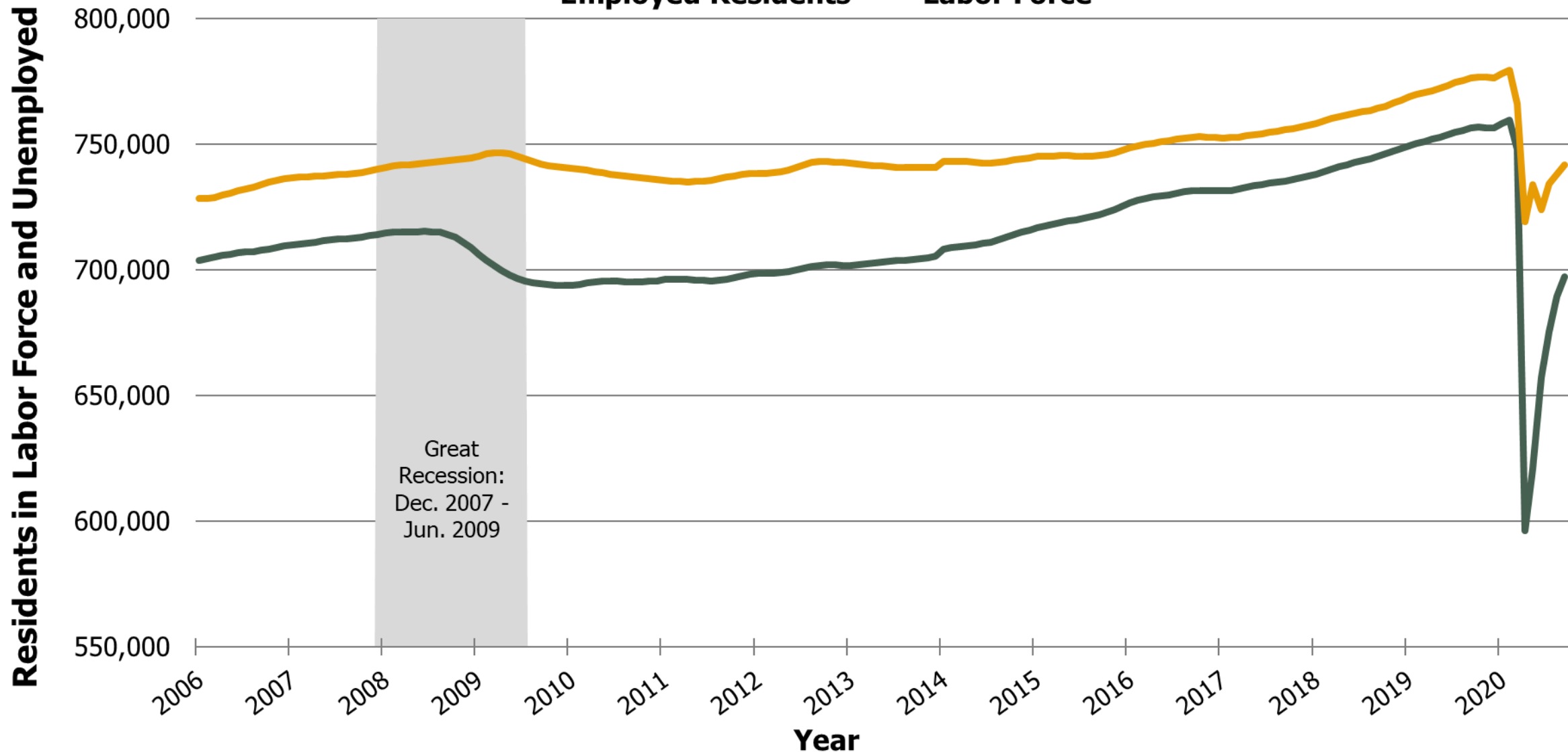
Source: U.S. Census Bureau, Household Pulse Survey, Phase II



# Employment and Unemployment in New Hampshire

*Seasonally Adjusted*

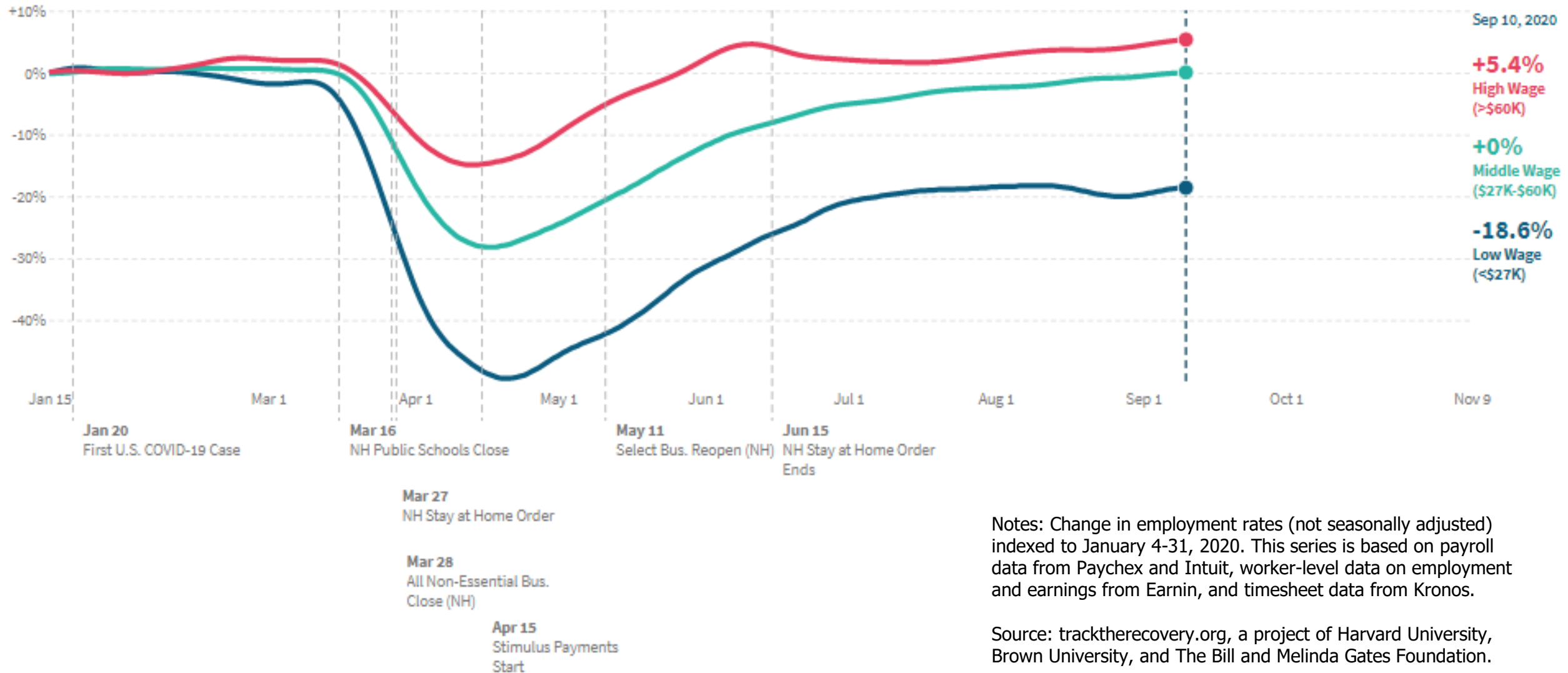
— Employed Residents — Labor Force



Sources: National Bureau of Economic Research; New Hampshire Employment Security

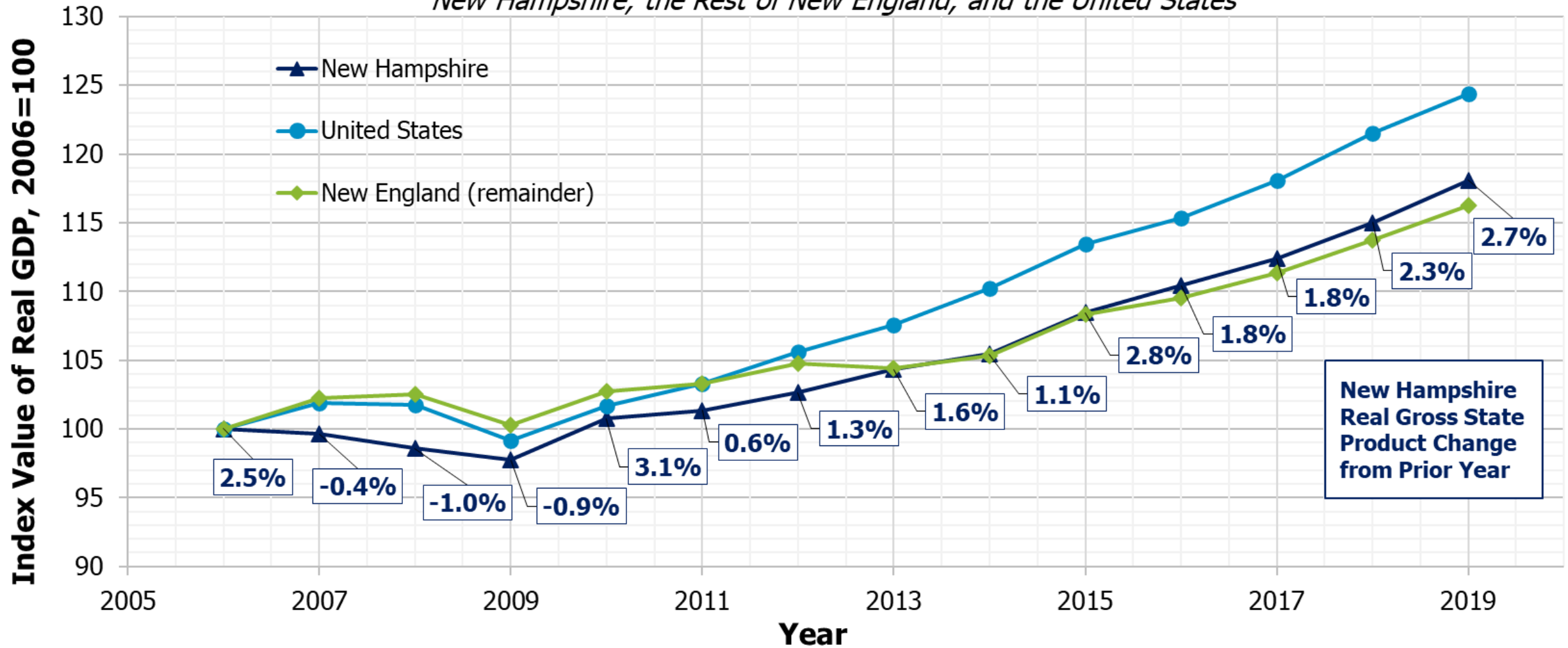
# Opportunity Insights Economic Tracker

*New Hampshire, Wages Based on Prior Year*



# New Hampshire's Relative Economic Growth Since Recession

*Changes in Inflation-Adjusted Gross Domestic Product  
New Hampshire, the Rest of New England, and the United States*



Note: Certain detailed 2018 and 2019 data pending. Inflation adjustment is 2012 chained dollars.

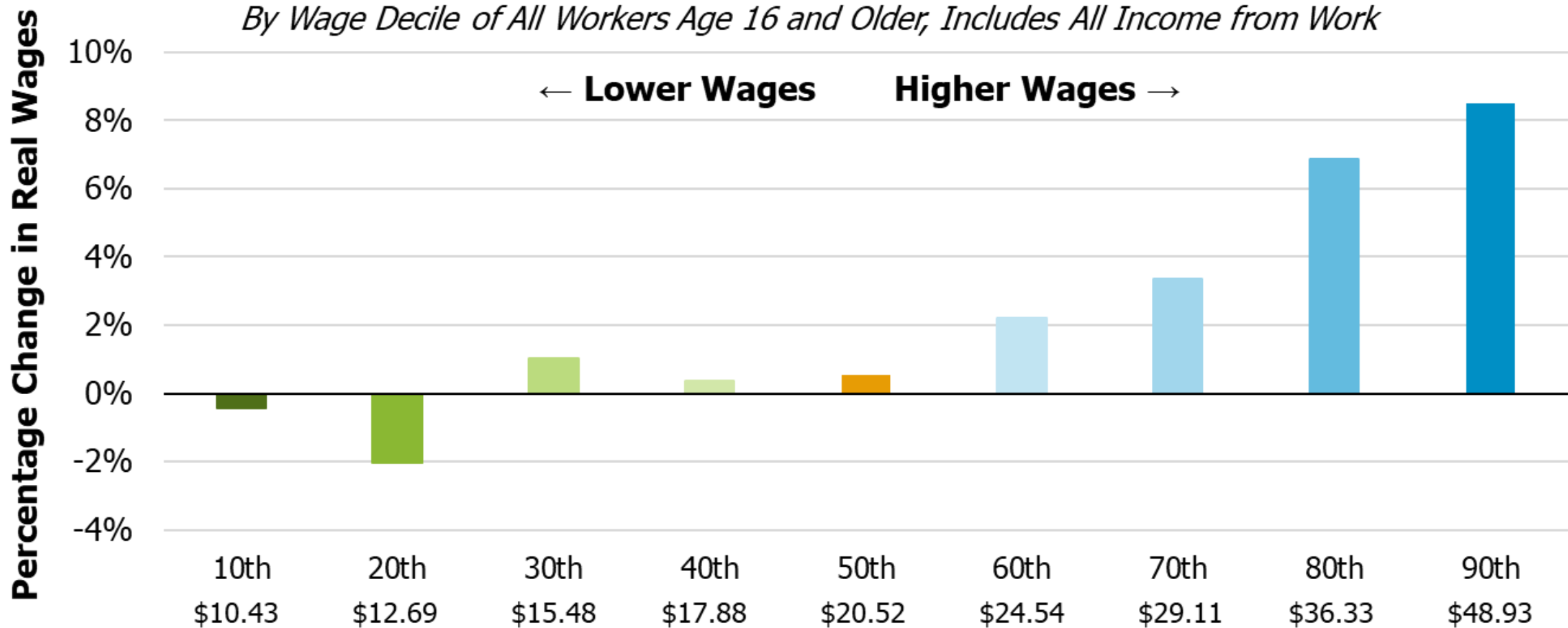
Source: U.S. Bureau of Economic Analysis



# Changes in Inflation-Adjusted New Hampshire Wages

*Change from 2004-2006 Averages to 2017-2019 Averages*

*By Wage Decile of All Workers Age 16 and Older, Includes All Income from Work*



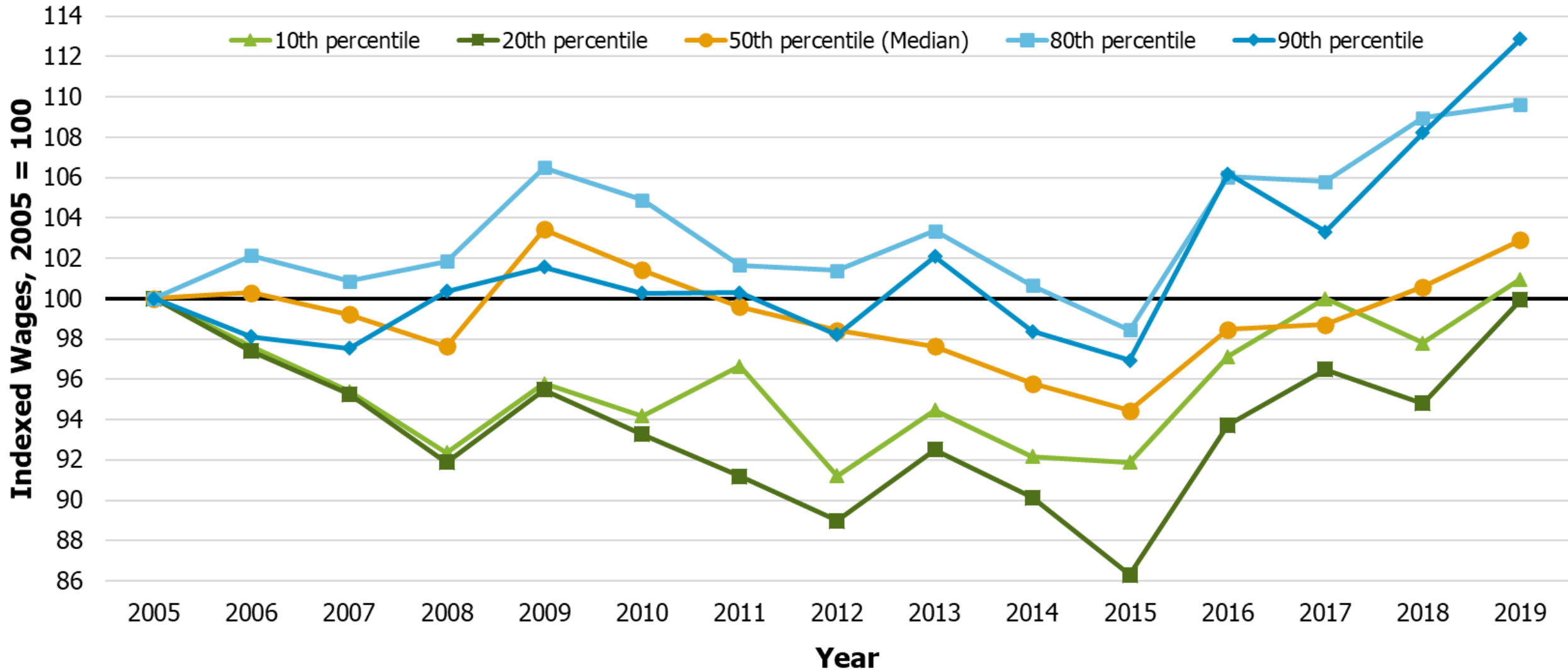
## Relative Wage Percentiles and Corresponding 2017-2019 Hourly Wage Estimates

Note: Inflation adjustment using Consumer Price Index-Urban-Research Series (current methods). Includes workers aged 16 years and older.

Source: Economic Policy Institute analysis of Current Population Survey Outgoing Rotation Group data

# New Hampshire Inflation-Adjusted Wages by Relative Income

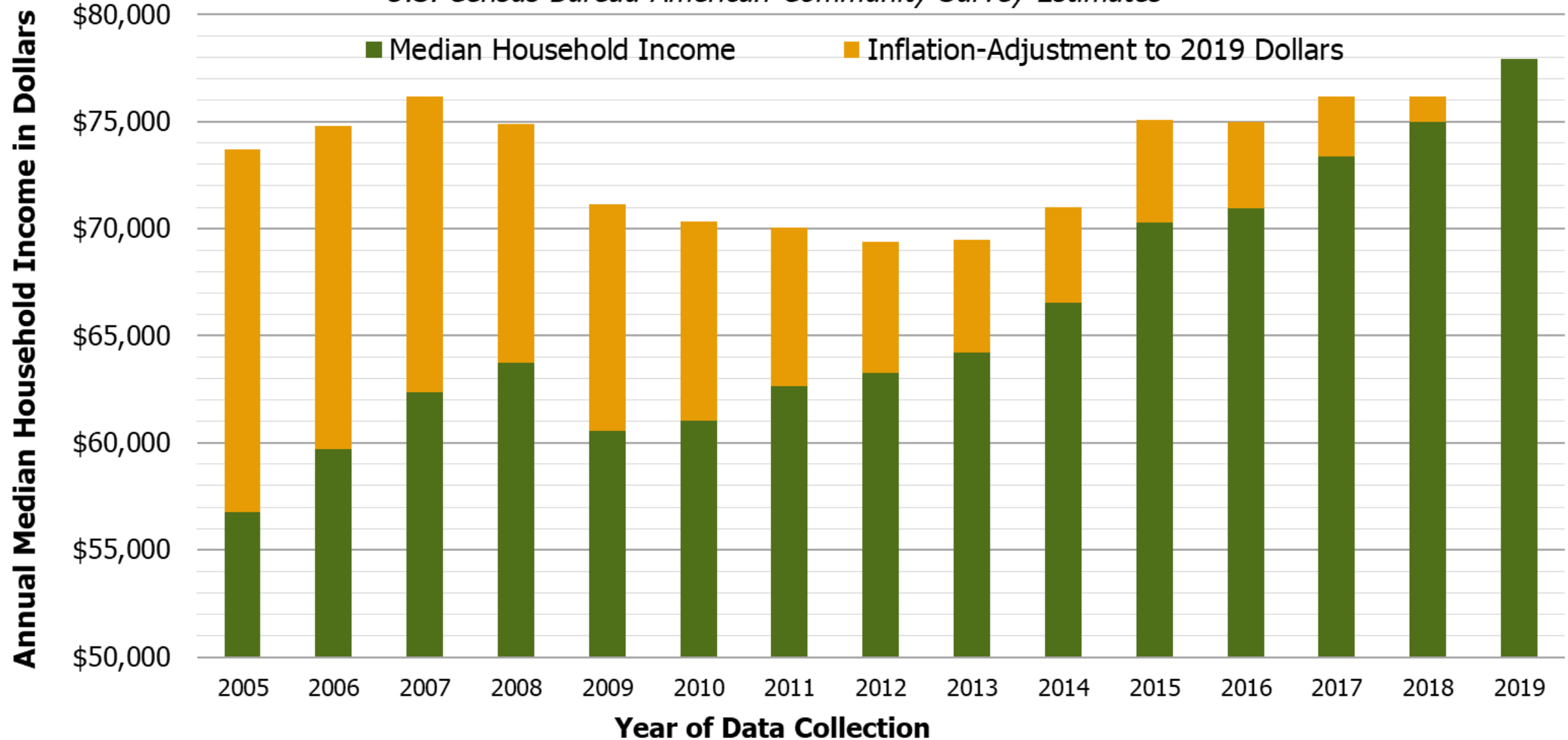
*Selected Income Deciles, Indexed to 2005, Includes All Income from Work, All Workers Age 16 and Up*



Note: Inflation adjustment using Consumer Price Index-Urban-Research Series (current methods). Includes workers aged 16 years and older.  
Source: Economic Policy Institute analysis of Current Population Survey Outgoing Rotation Group data

# Median Household Income in New Hampshire

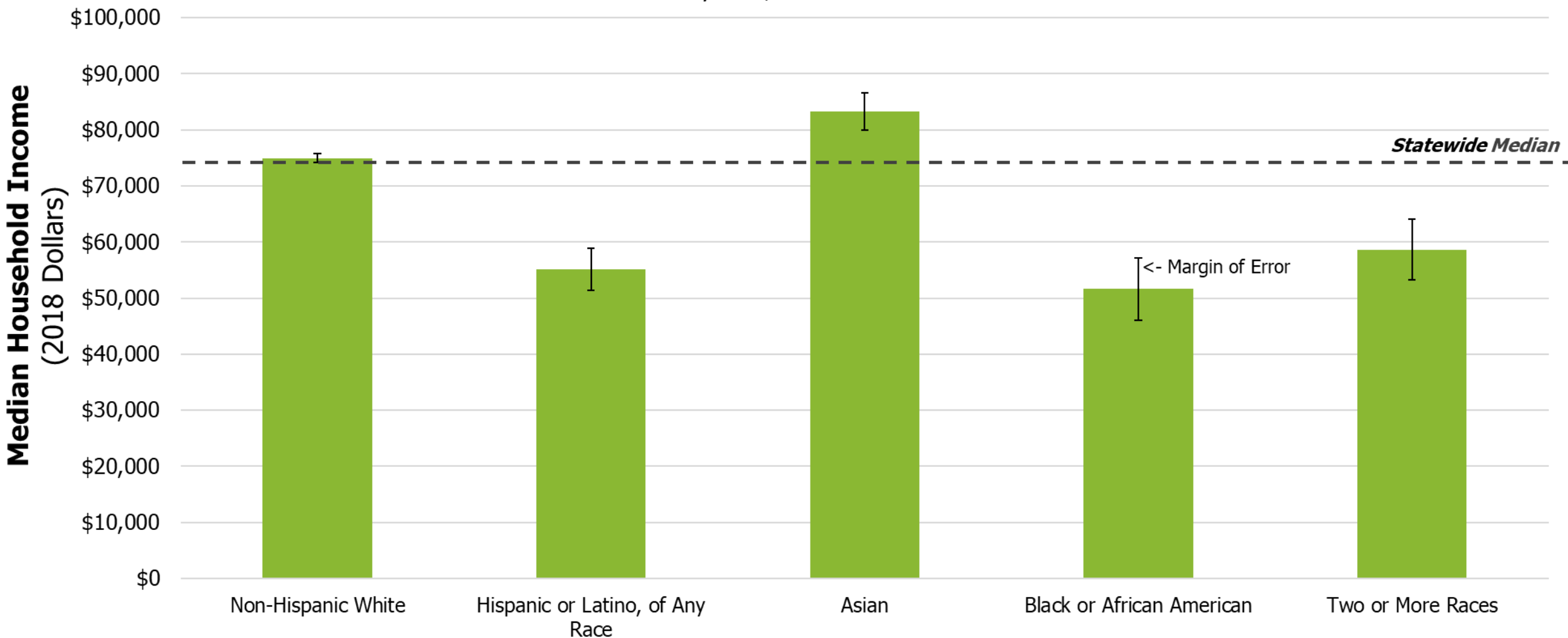
*U.S. Census Bureau American Community Survey Estimates*



Sources: U.S. Census Bureau, American Community Survey One-Year Estimates;  
U.S. Bureau of Labor Statistics, Consumer Price Index-Urban, Northeast Region

# Median Household Incomes by Householder Attribute

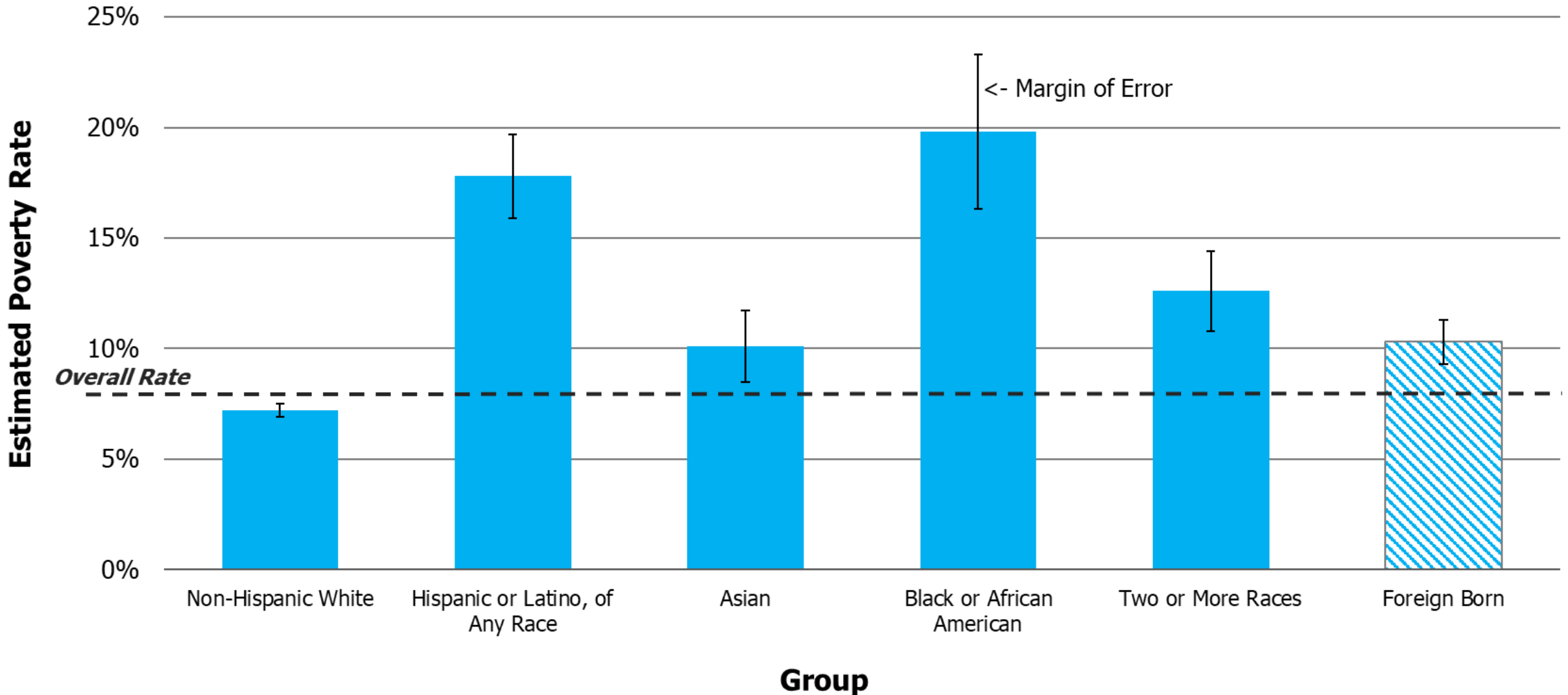
*Hispanic Origin Included in Non-White Races,  
New Hampshire, Estimated for 2014-2018*



Note: Margins of Error represent 90 percent confidence intervals  
Source: U.S. Census Bureau, American Community Survey Five-Year Estimates, 2014-2018

# New Hampshire Poverty Rates by Group

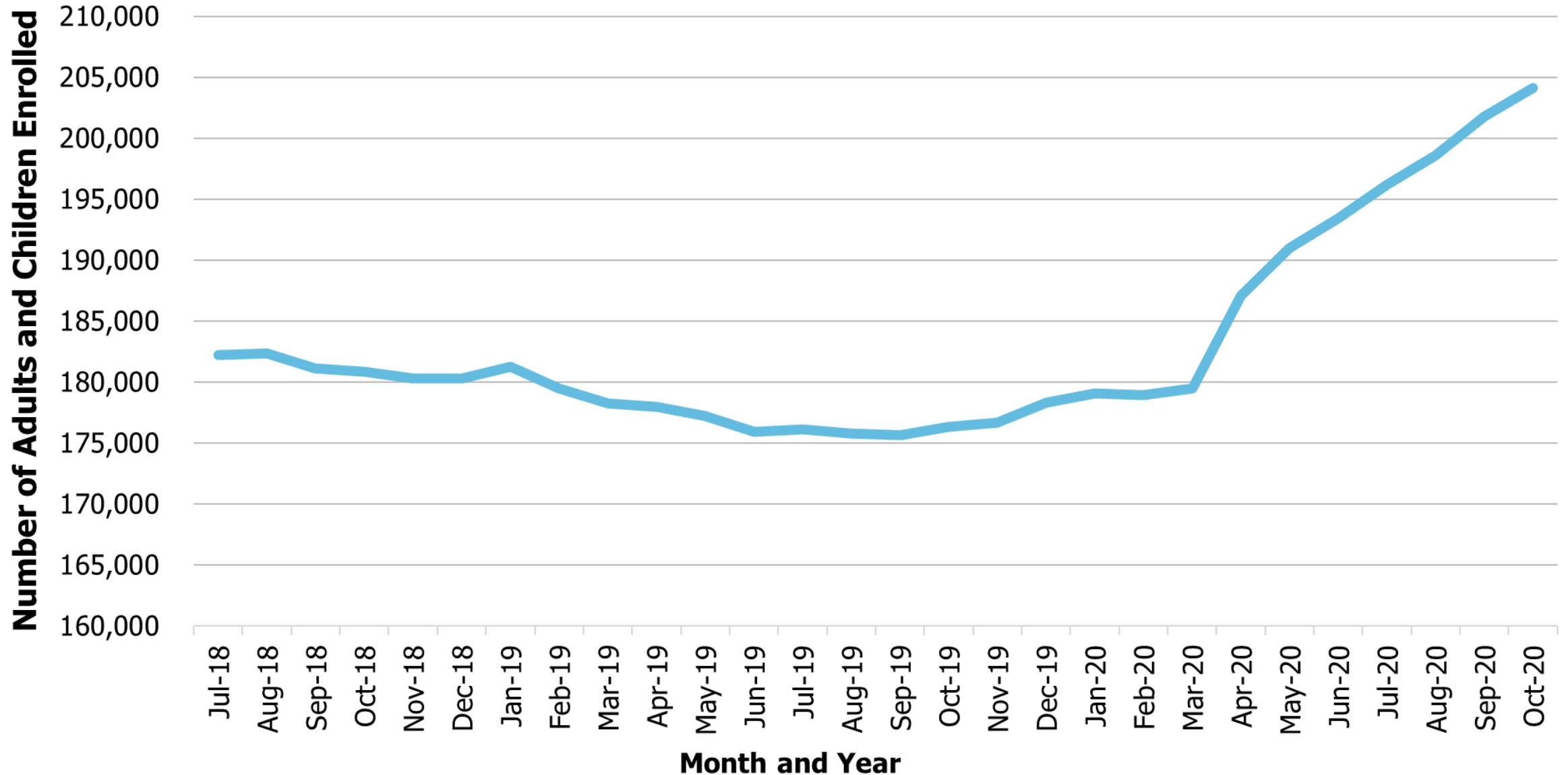
*Among Individuals, Hispanic Origin Included in Non-White Races,  
2014-2018 Estimates*



Source: U.S. Census Bureau, American Community Survey Five-Year Estimates, 2014-2018

# Total Medicaid Enrollment in New Hampshire

*Total Number of People Enrolled*



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

## Key Takeaways

- Exact State Budget impacts not yet clear, but the loss of revenue will be significant.
- These impacts may be delayed, and federal relief would reduce risk of reductions to key services.
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