

NEW HAMPSHIRE AND CARROLL COUNTY: AN ECONOMIC AND DEMOGRAPHIC REVIEW

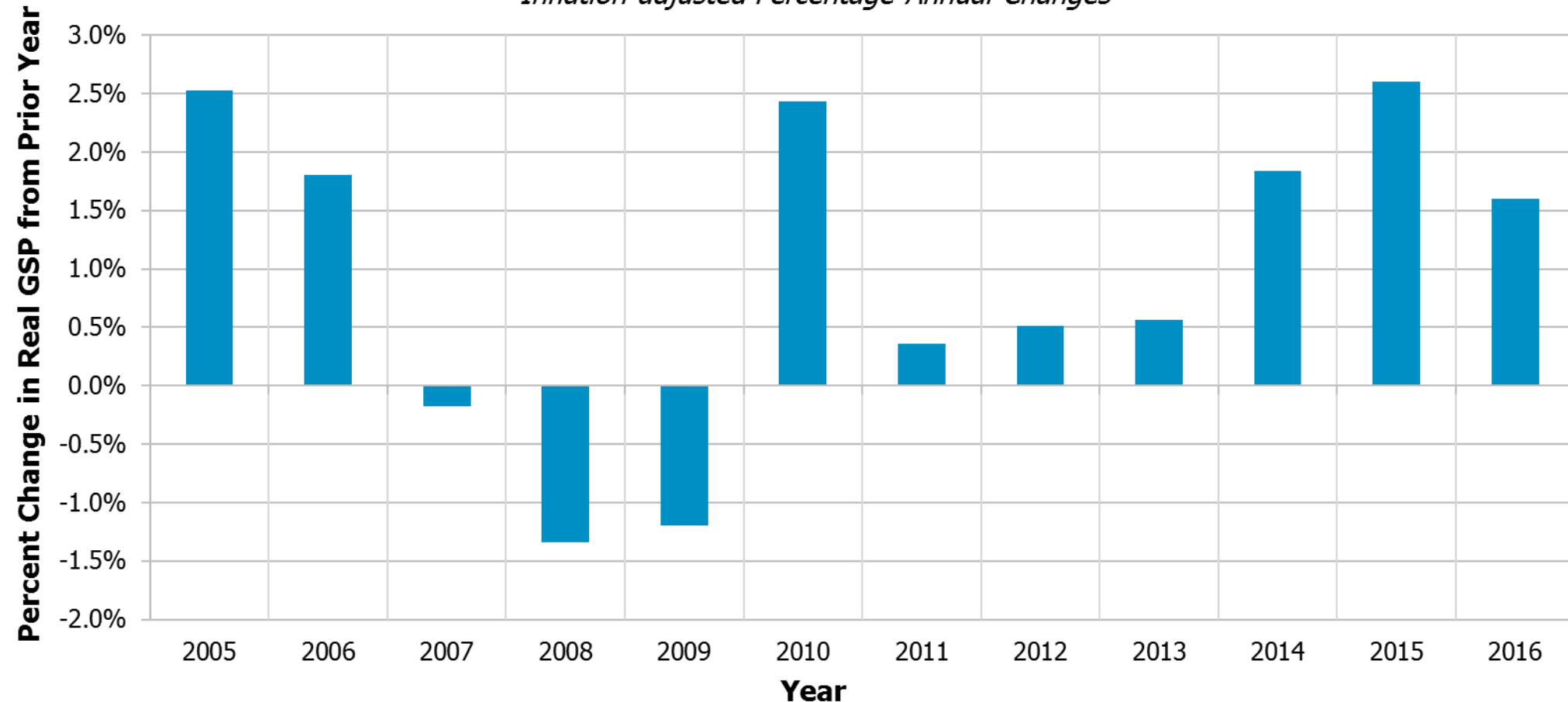
Presented by Phil Sletten, Policy Analyst

Mount Washington Valley Economic Council
Conway, New Hampshire
April 5, 2018

Economic Growth in New Hampshire

Real Gross State Product in New Hampshire

Inflation-adjusted Percentage Annual Changes



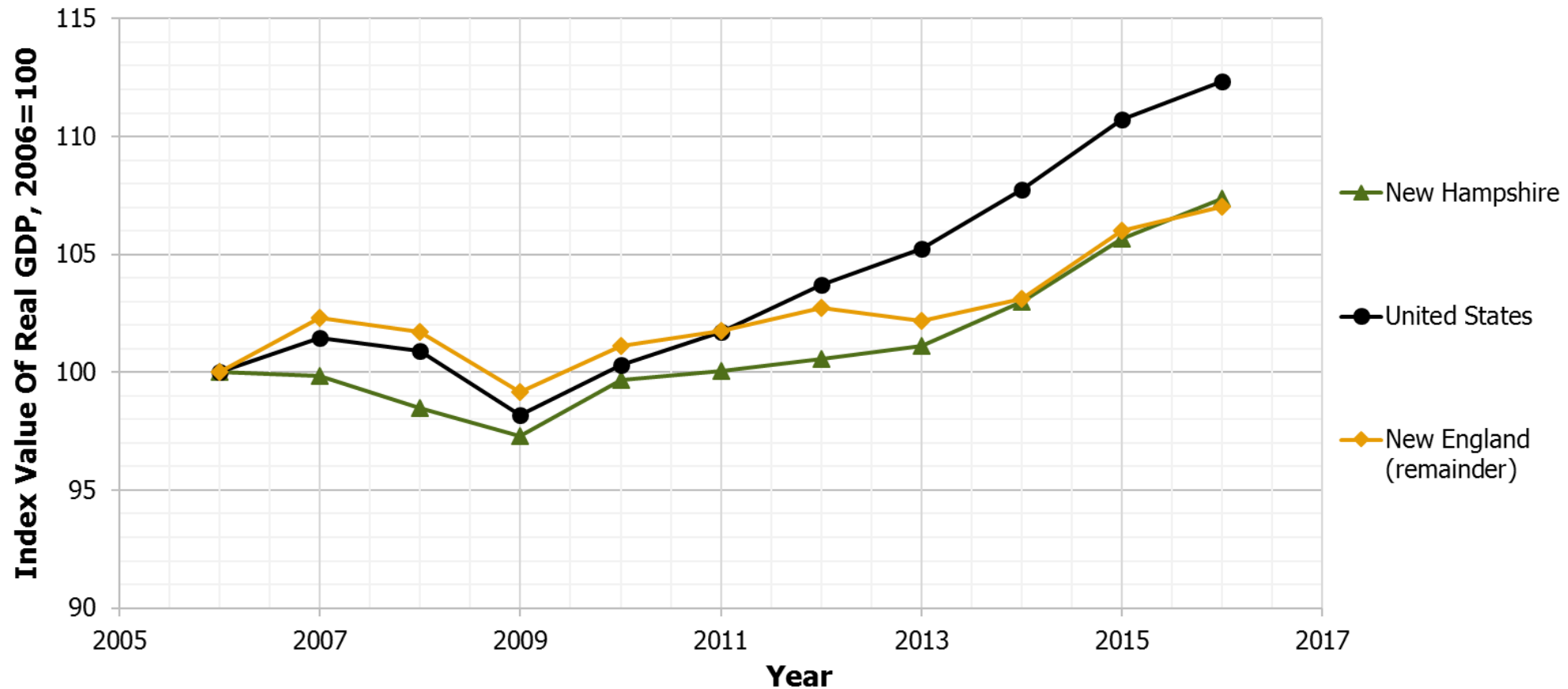
Note: Inflation adjustment is 2009 chained dollars.

Source: U.S. Bureau of Economic Analysis

Economic Growth in New Hampshire

Changes in Real Gross Domestic Product

New Hampshire, the Rest of New England, and the United States, Inflation-adjusted

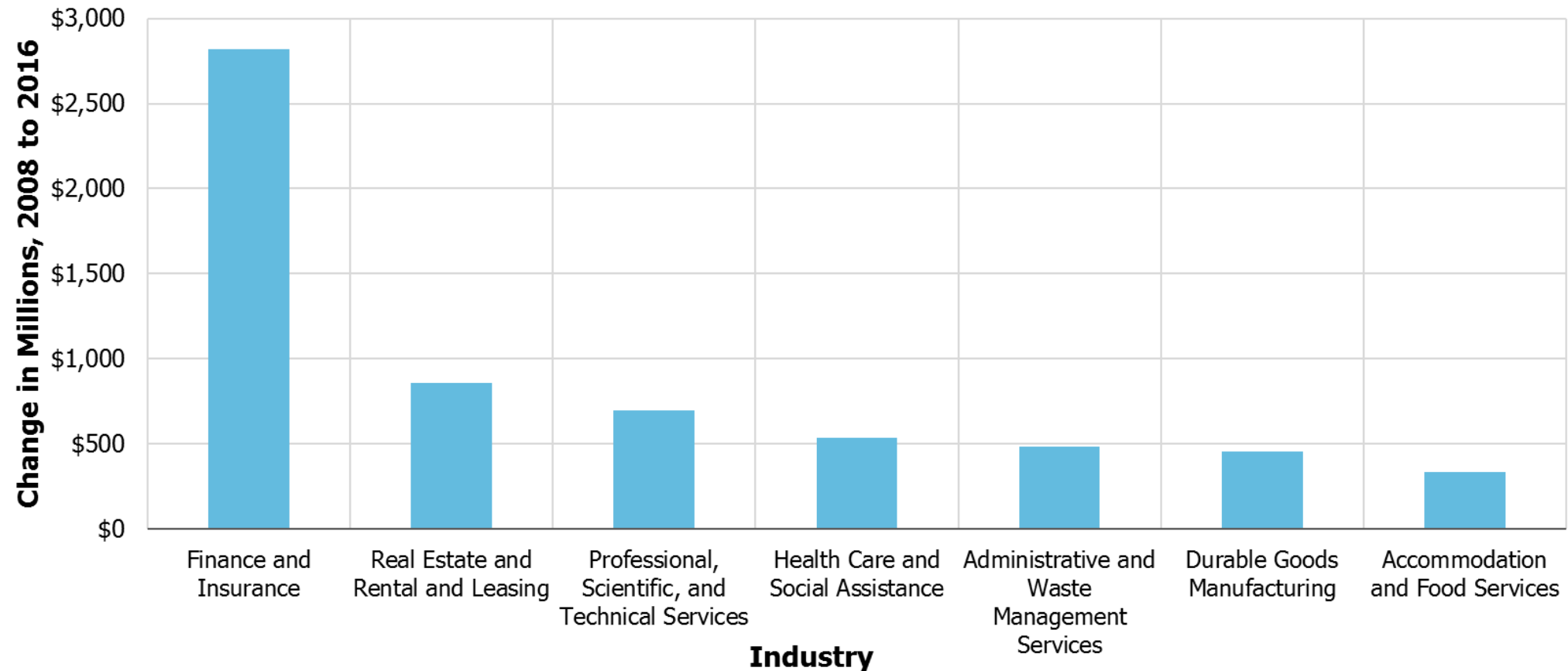


Note: Inflation adjustment is 2009 chained dollars
Source: U.S. Bureau of Economic Analysis

Economic Growth in New Hampshire

Increases in Gross State Product by Industry Sector

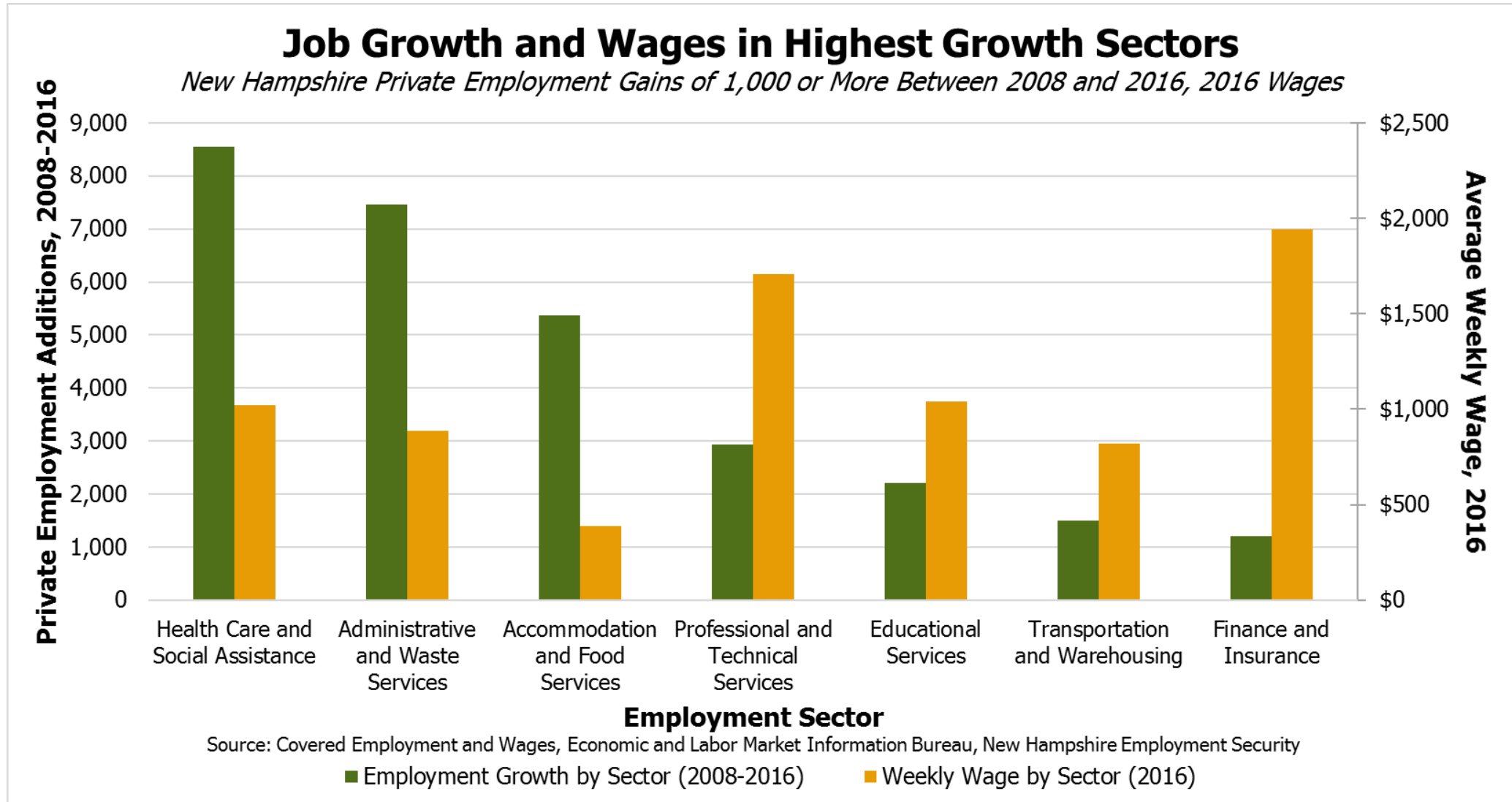
Largest Increases, Industry Contributions to the Size of the Economy, 2008-2016, Inflation-adjusted



Note: Inflation adjustment is 2009 chained dollars.

Source: U.S. Bureau of Economic Analysis

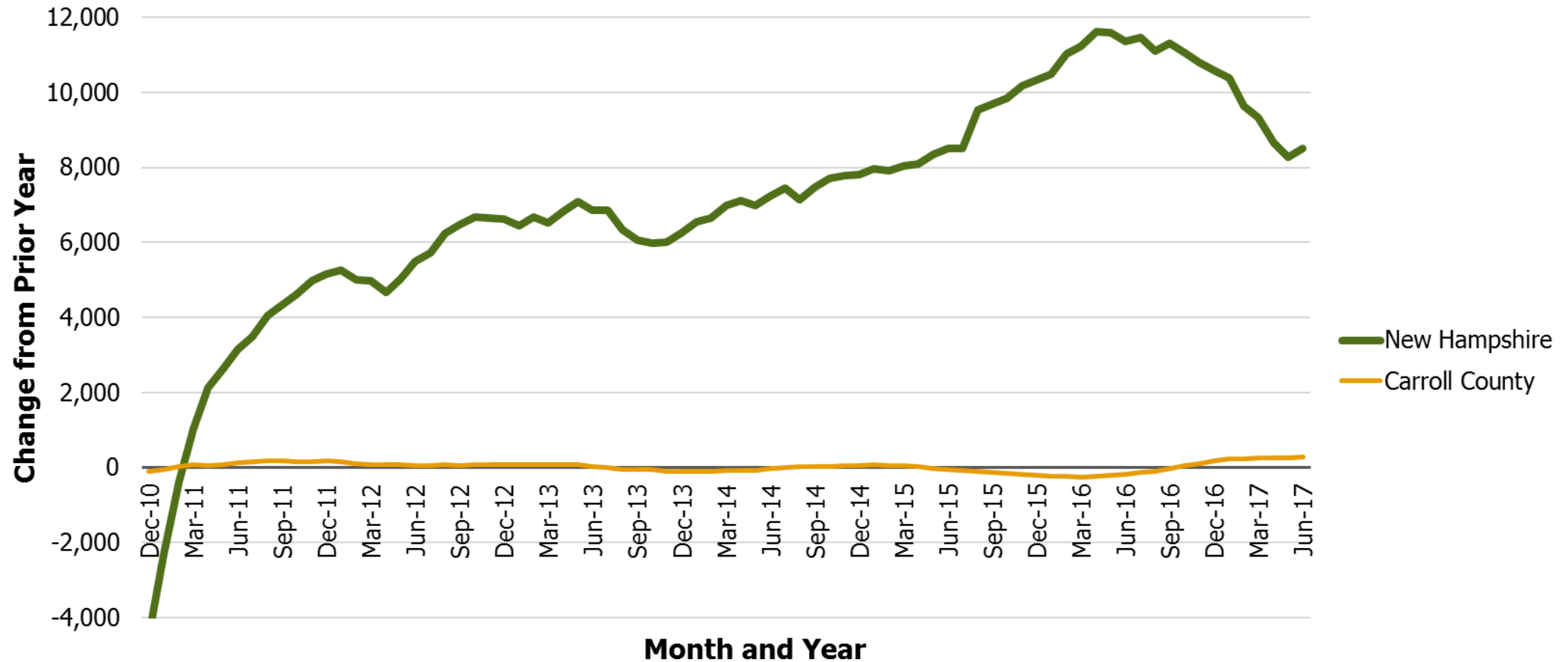
Job Growth in New Hampshire



Job Growth in New Hampshire

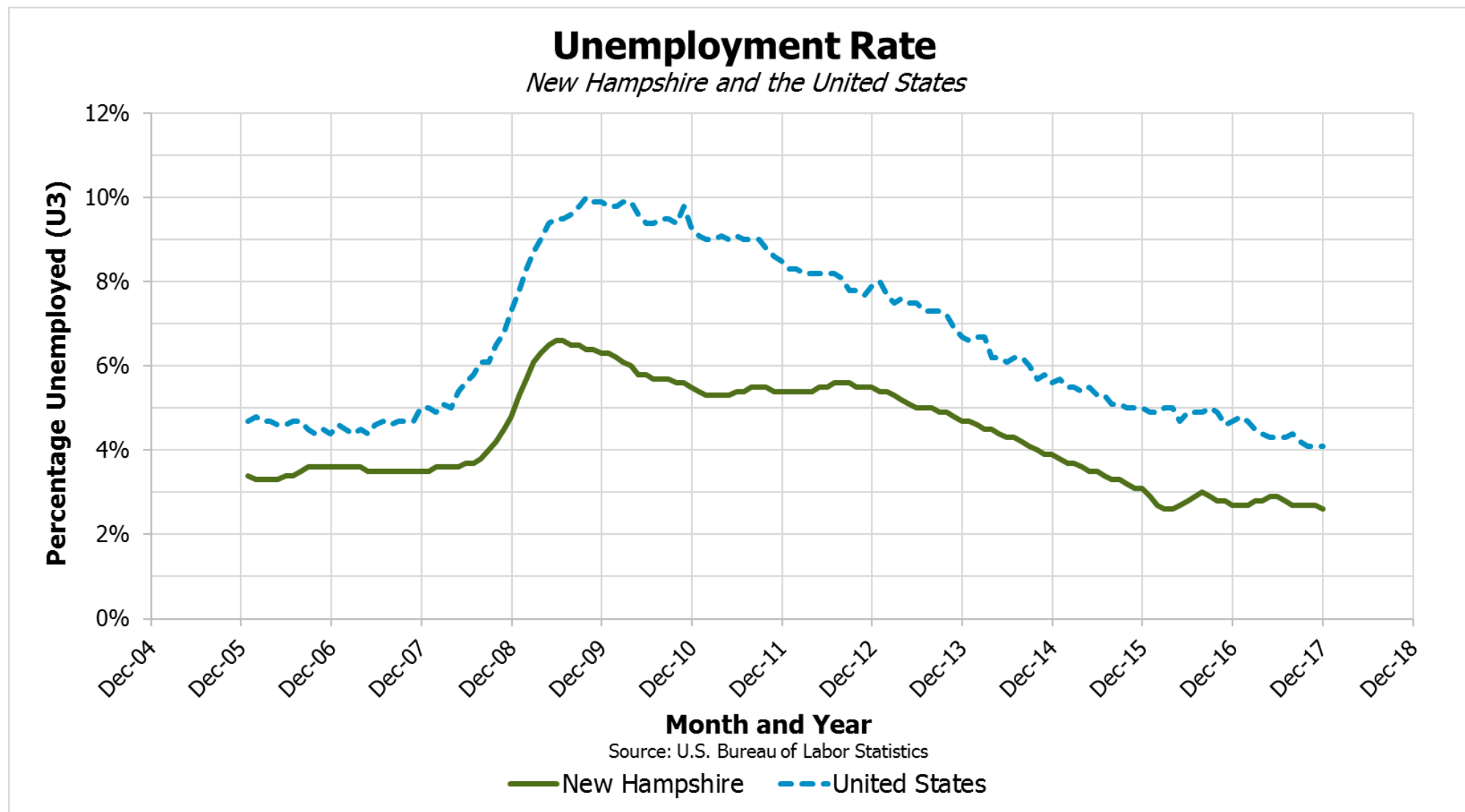
Employment Changes in New Hampshire and Carroll County

Twelve-Month Rolling Average of Difference from Prior Year

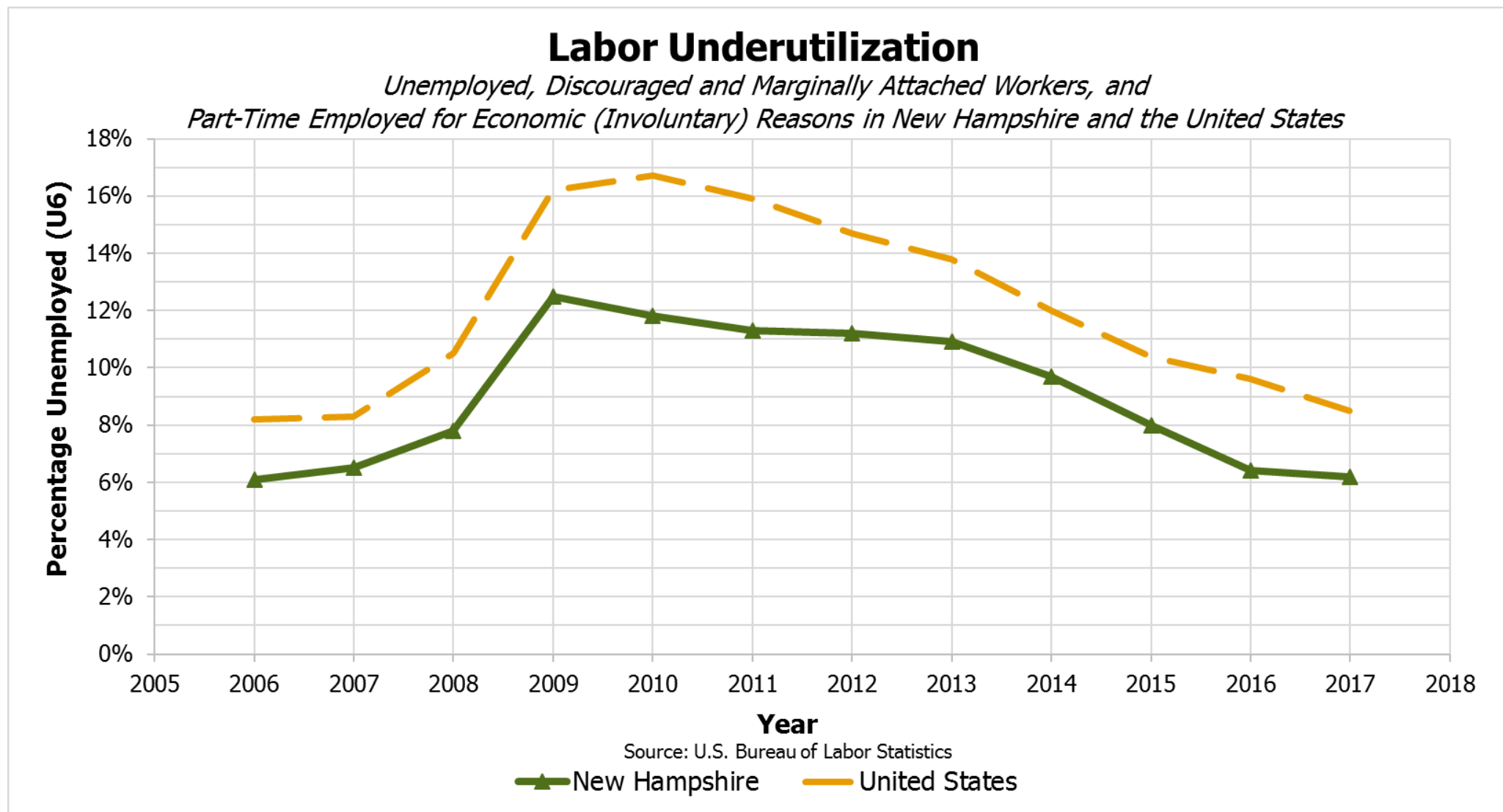


Source: Covered Employment and Wages (based on Quarterly Census of Employment and Wages),
Economic and Labor Market Information Bureau, New Hampshire Employment Security

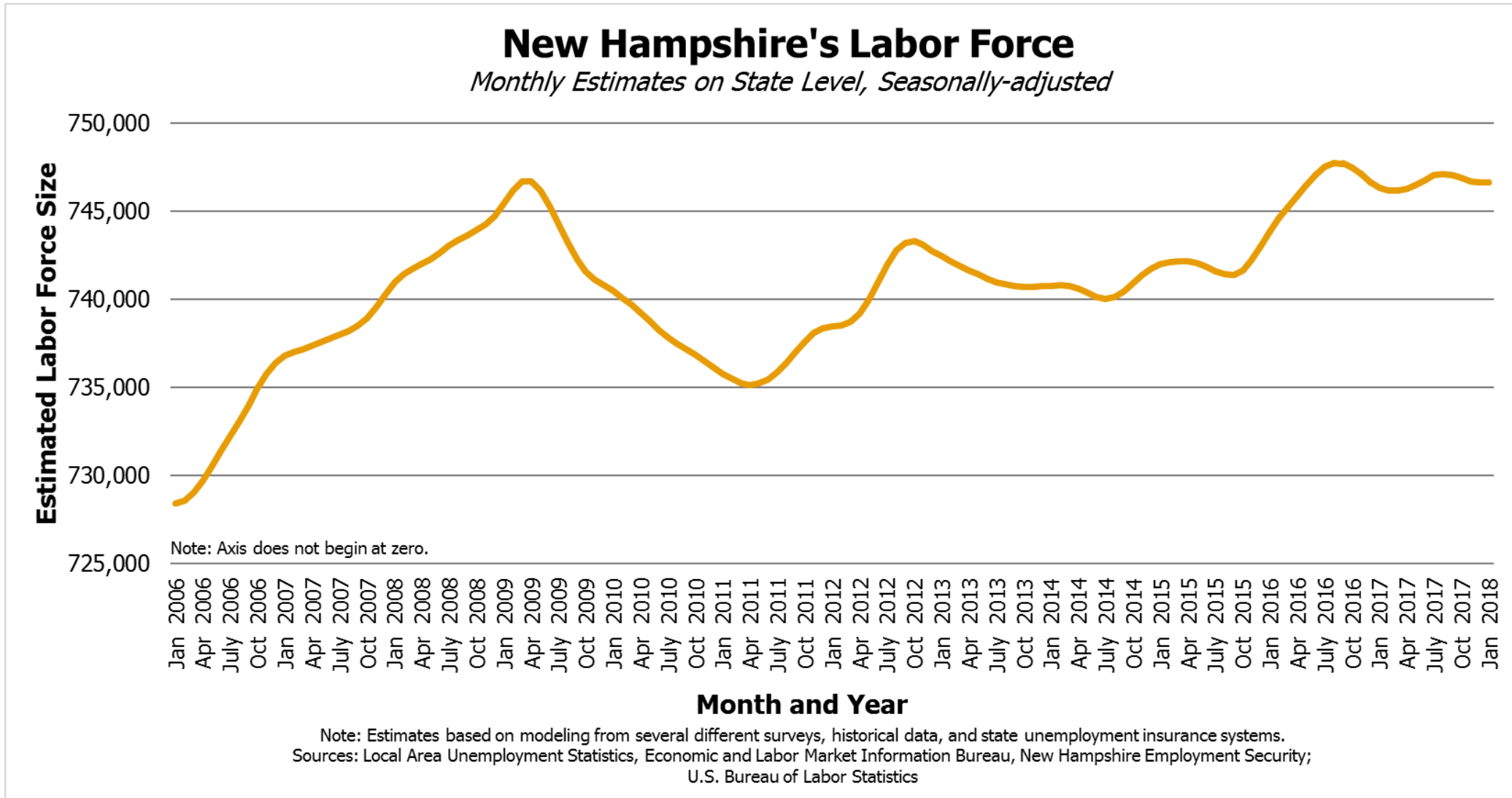
Job Growth in New Hampshire



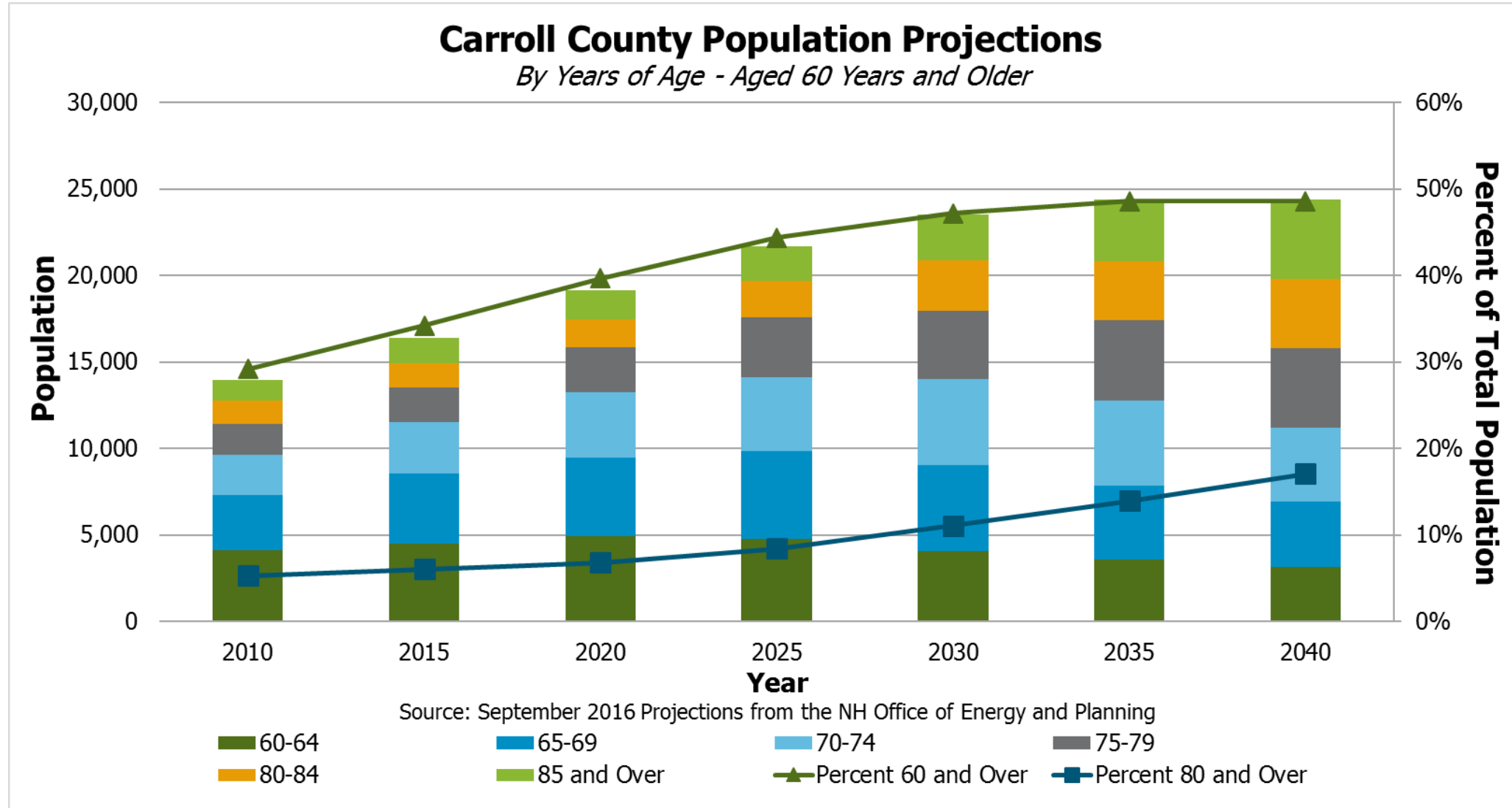
The Labor Force



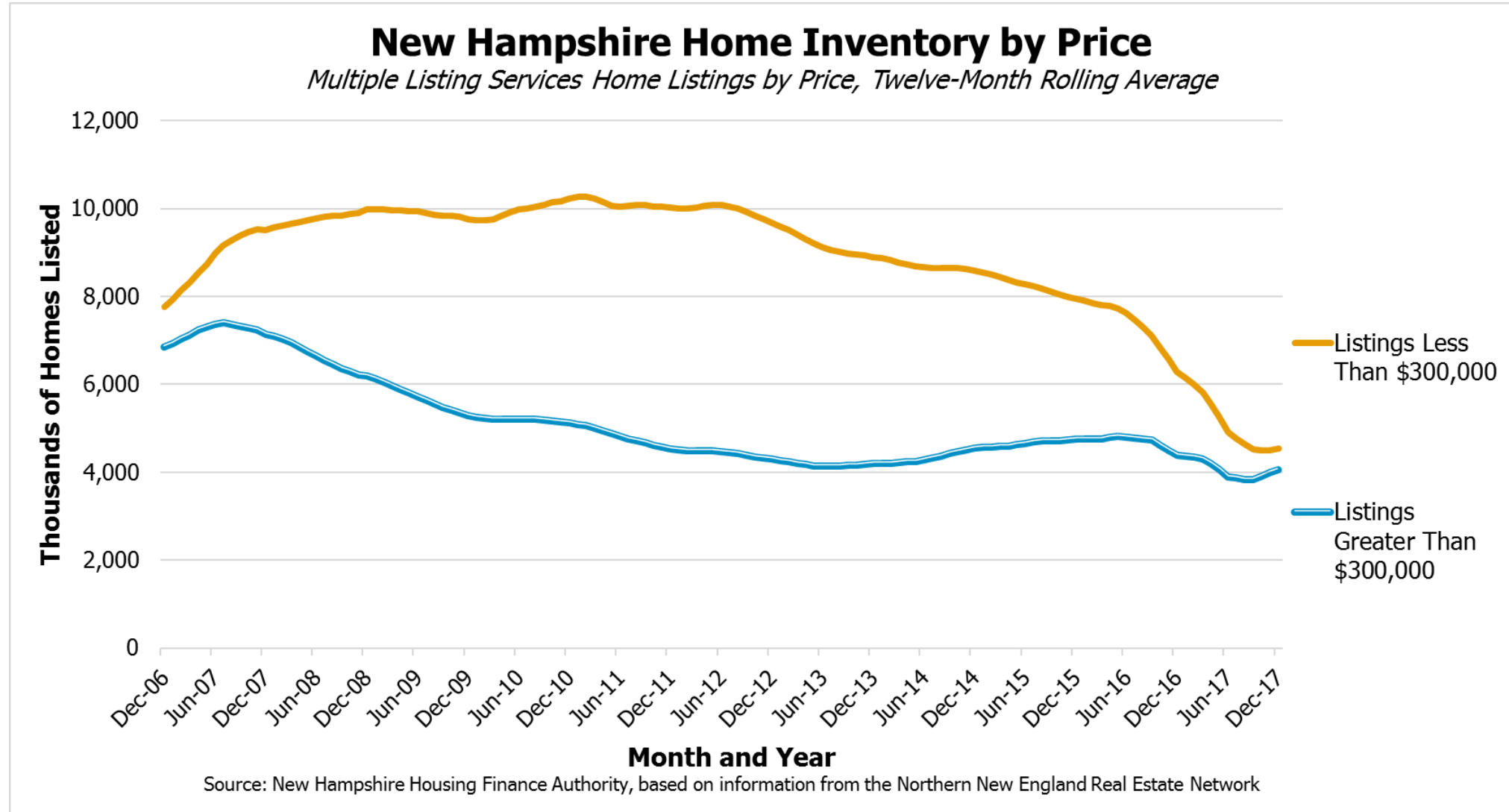
The Labor Force



Demographic Projections



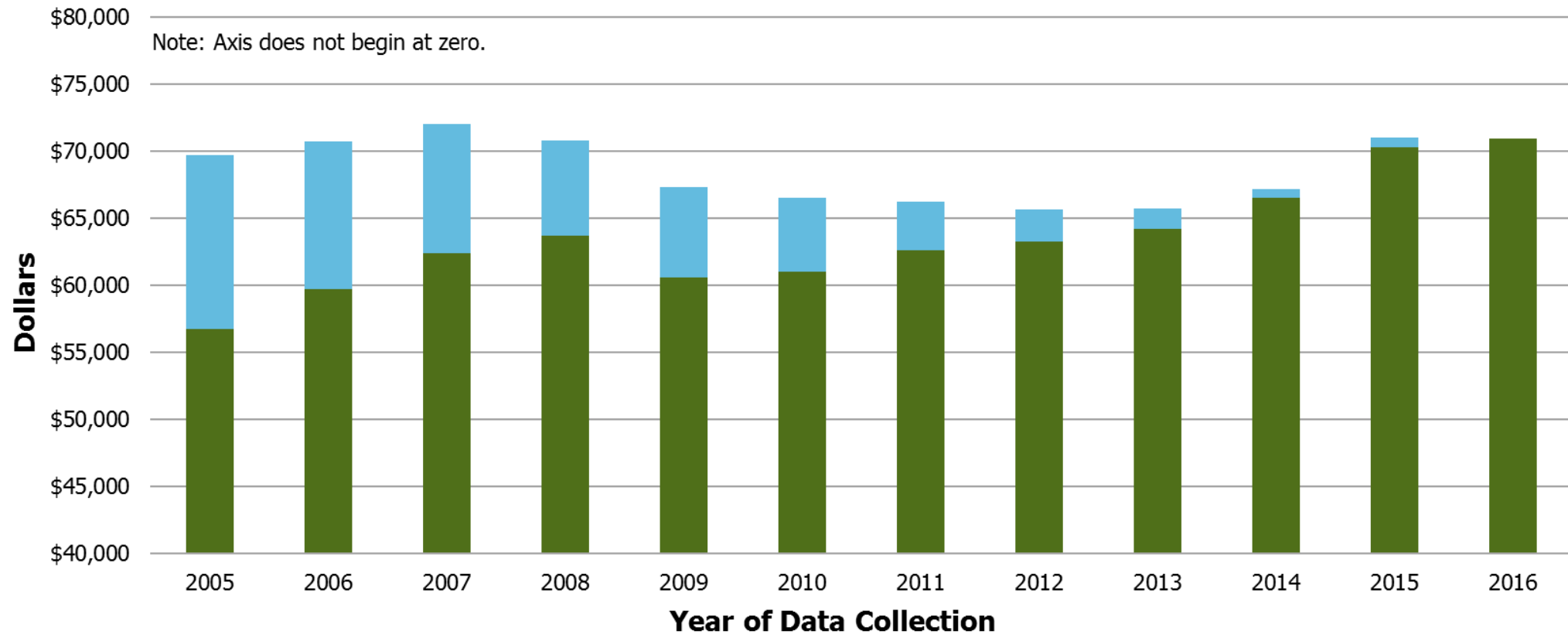
Housing Constraints



Household Income – Annual Statewide Data

Median Household Income in New Hampshire

American Community Survey Estimates, Inflation-adjusted

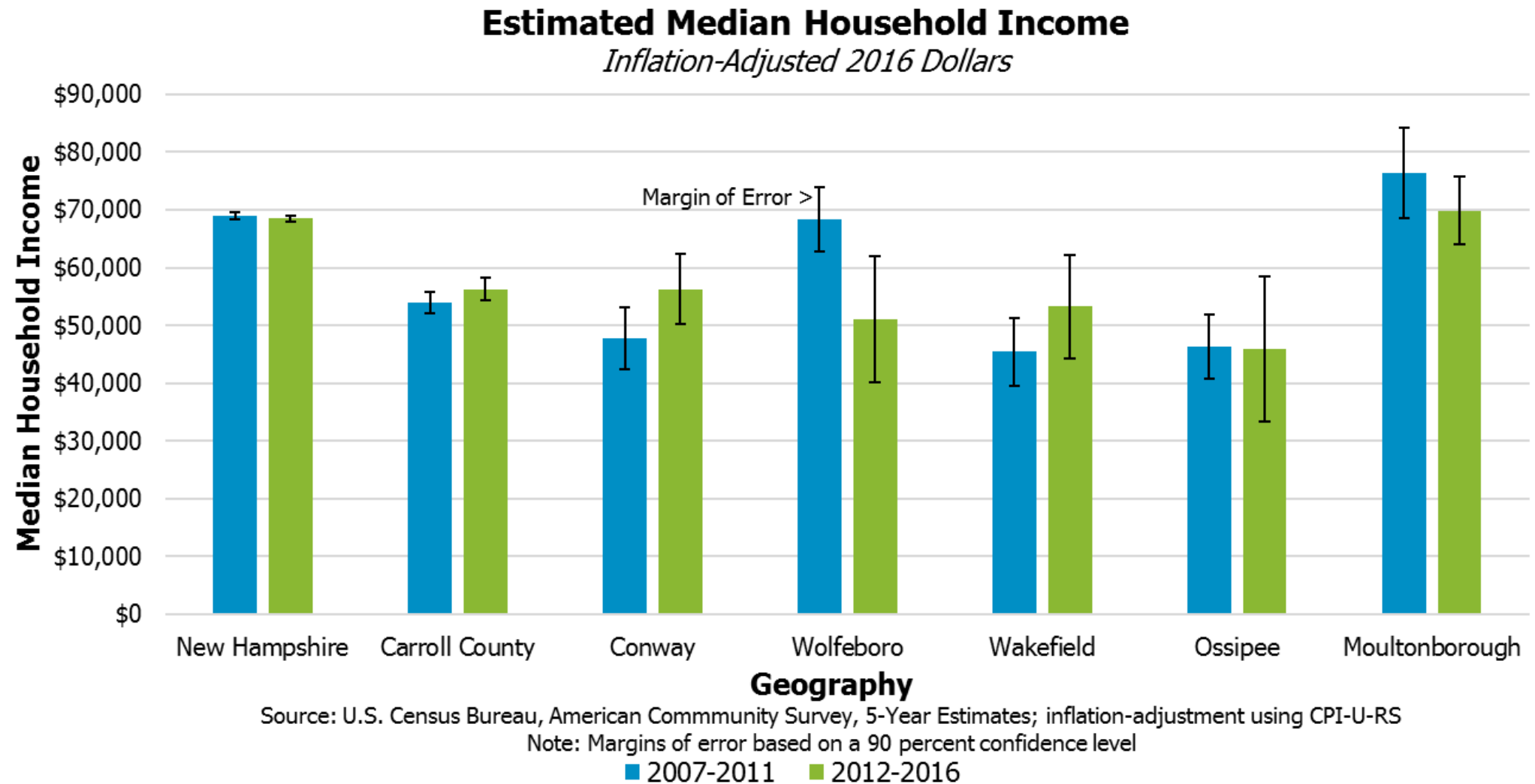


Note: Inflation adjustment is Consumer Price Index-Urban, Northeast.

Sources: U.S. Census Bureau, American Community Survey One-Year Estimates; U.S. Bureau of Labor Statistics

■ Median Household Income ■ Inflation-adjustment to 2016

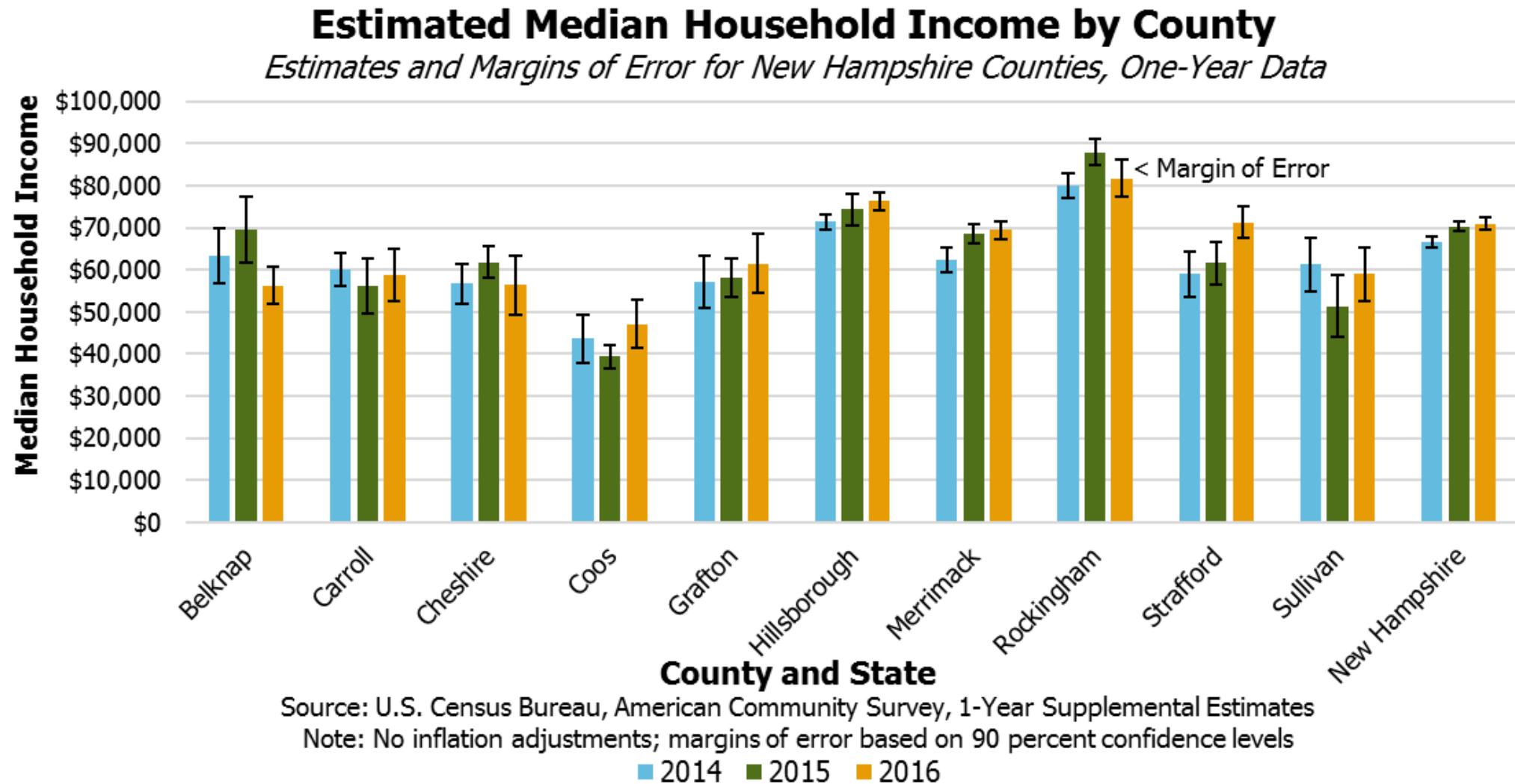
Household Income – Five-Year Survey Data



Household Income – Five-Year Survey Data

Median Household Income <i>2007-2011 and 2012-2016 Data Estimates and Margins of Error</i>				
Geography	2007-2011 Estimate	<i>Margin of Error</i>	2012-2016 Estimate	<i>Margin of Error</i>
New Hampshire	\$68,988	+/- \$551	\$68,485	+/- \$579
Carroll County	\$53,936	+/- \$1,826	\$56,289	+/- \$2,030
Conway	\$47,689	+/- \$5,346	\$56,273	+/- \$6,072
Source: U.S. Census Bureau, American Community Survey, 5-Year Estimates Notes: Margin of error based on a 90 percent confidence level; all figures adjusted for inflation to 2016 dollars defined by the U.S. Census Bureau using CPI-U-RS				

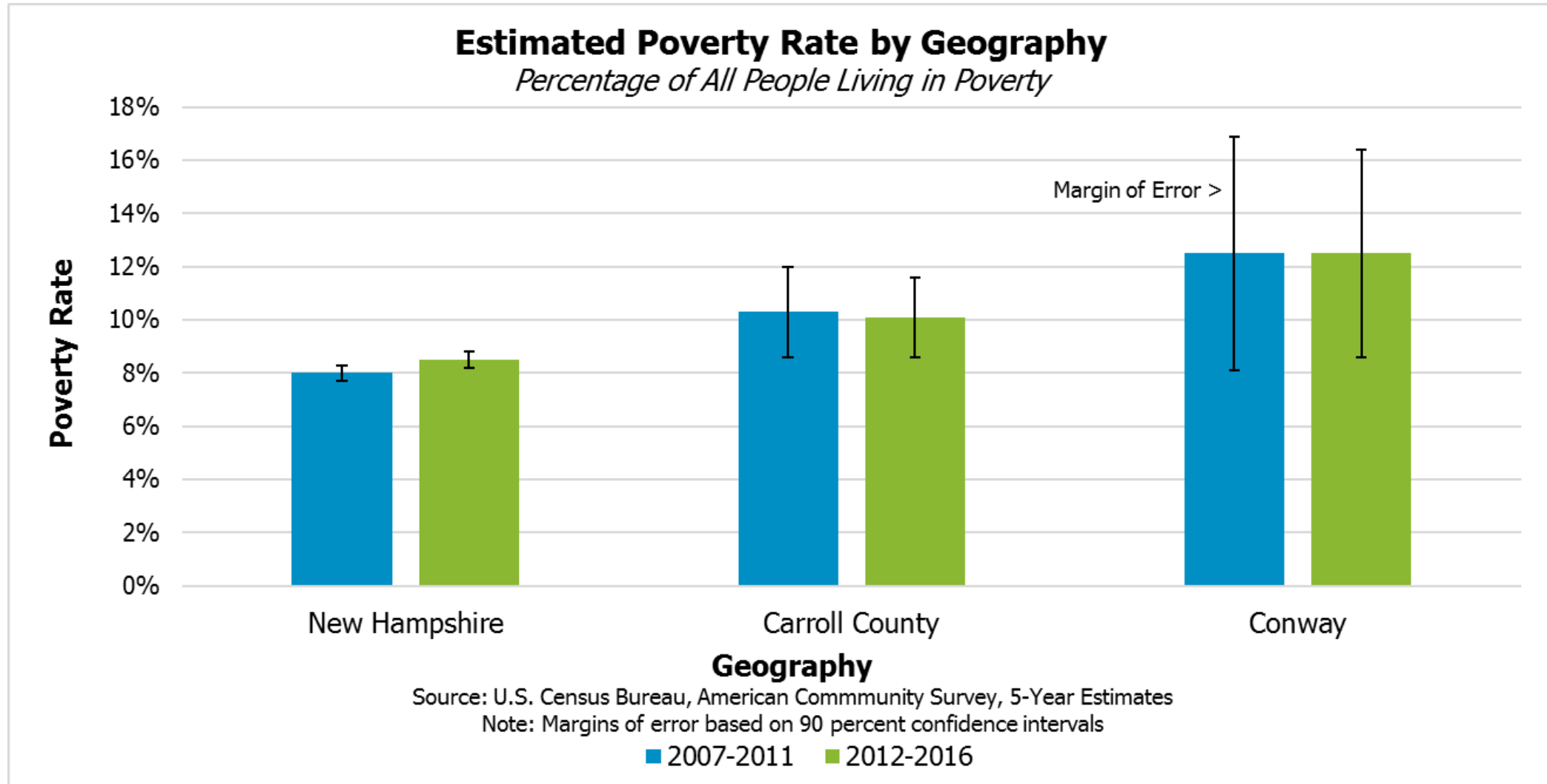
Household Income - One-Year Survey Data



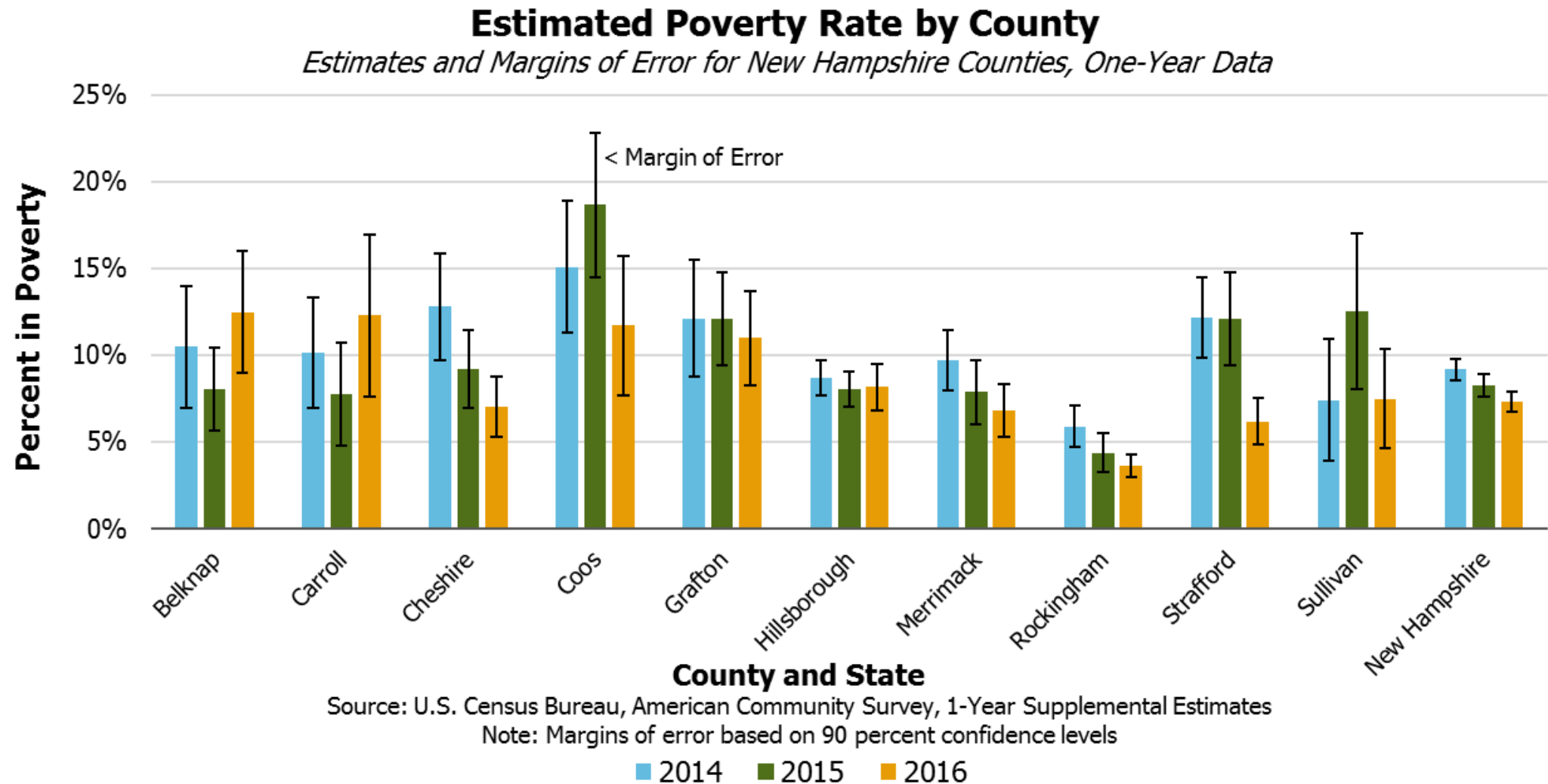
Poverty Threshold by Size of Family

Selected Family Units	Poverty Thresholds (2016)
Single person, under age 65	\$12,486
Single person, aged 65 and over	\$11,511
Couple, householder under age 65	\$16,072
Couple, householder aged 65 and older	\$14,507
Single person under 65 with one child	\$16,543
Couple with one child	\$19,318
Single person with two children	\$19,337
Couple under 65 with two children	\$24,339
Source: U.S. Census Bureau	

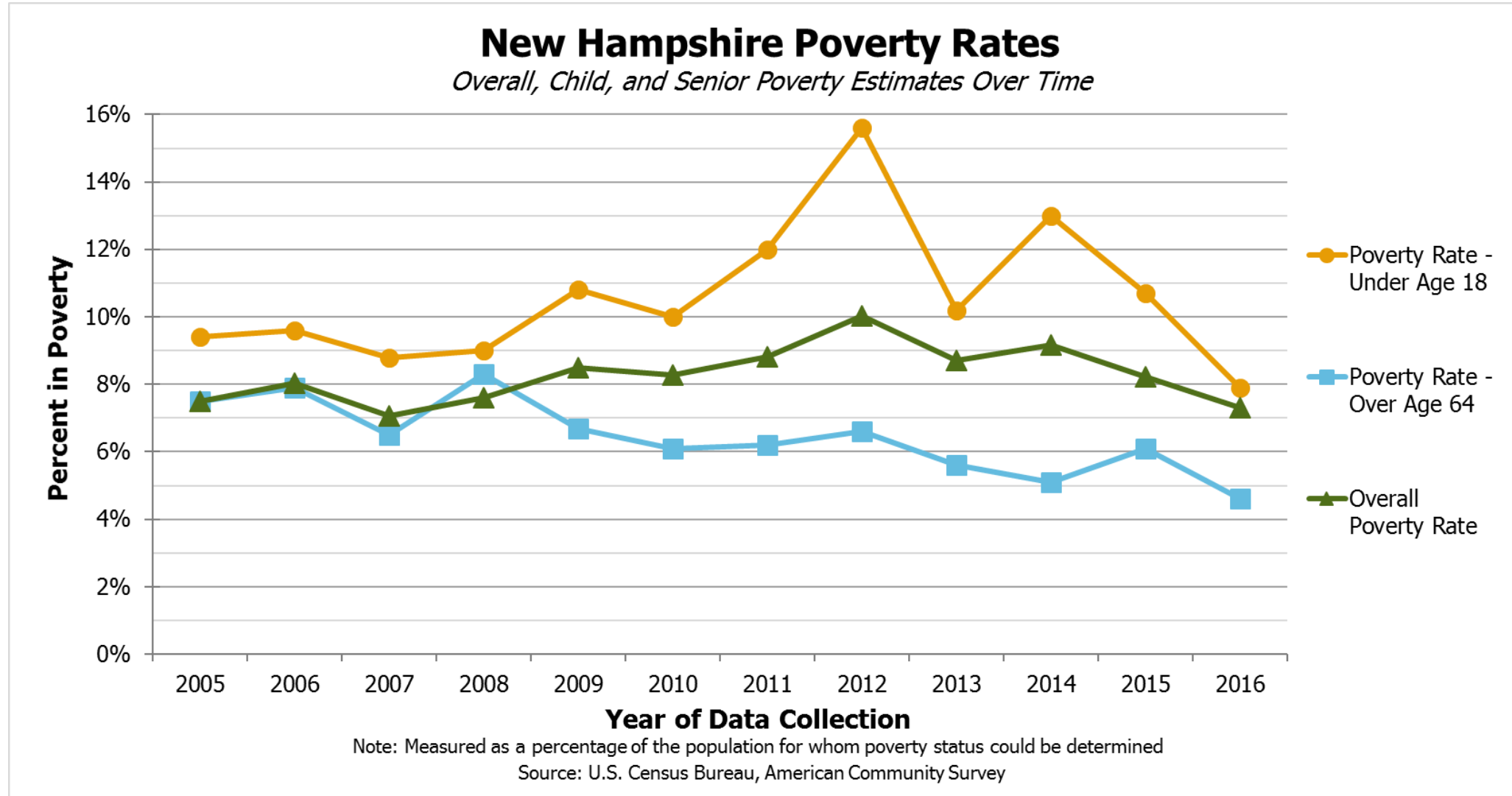
Poverty – Five-Year Survey Data



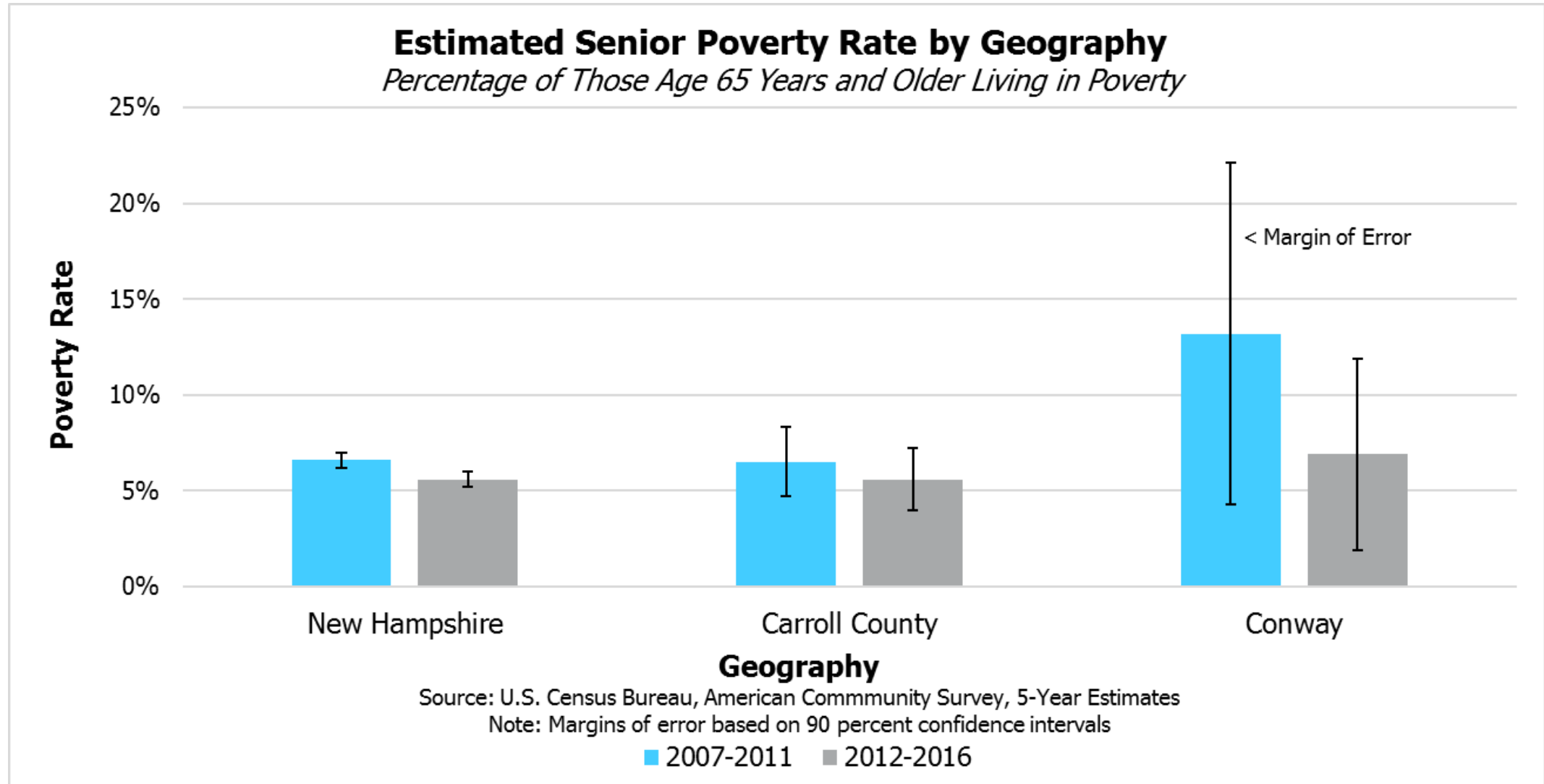
Poverty – One-Year Survey Data



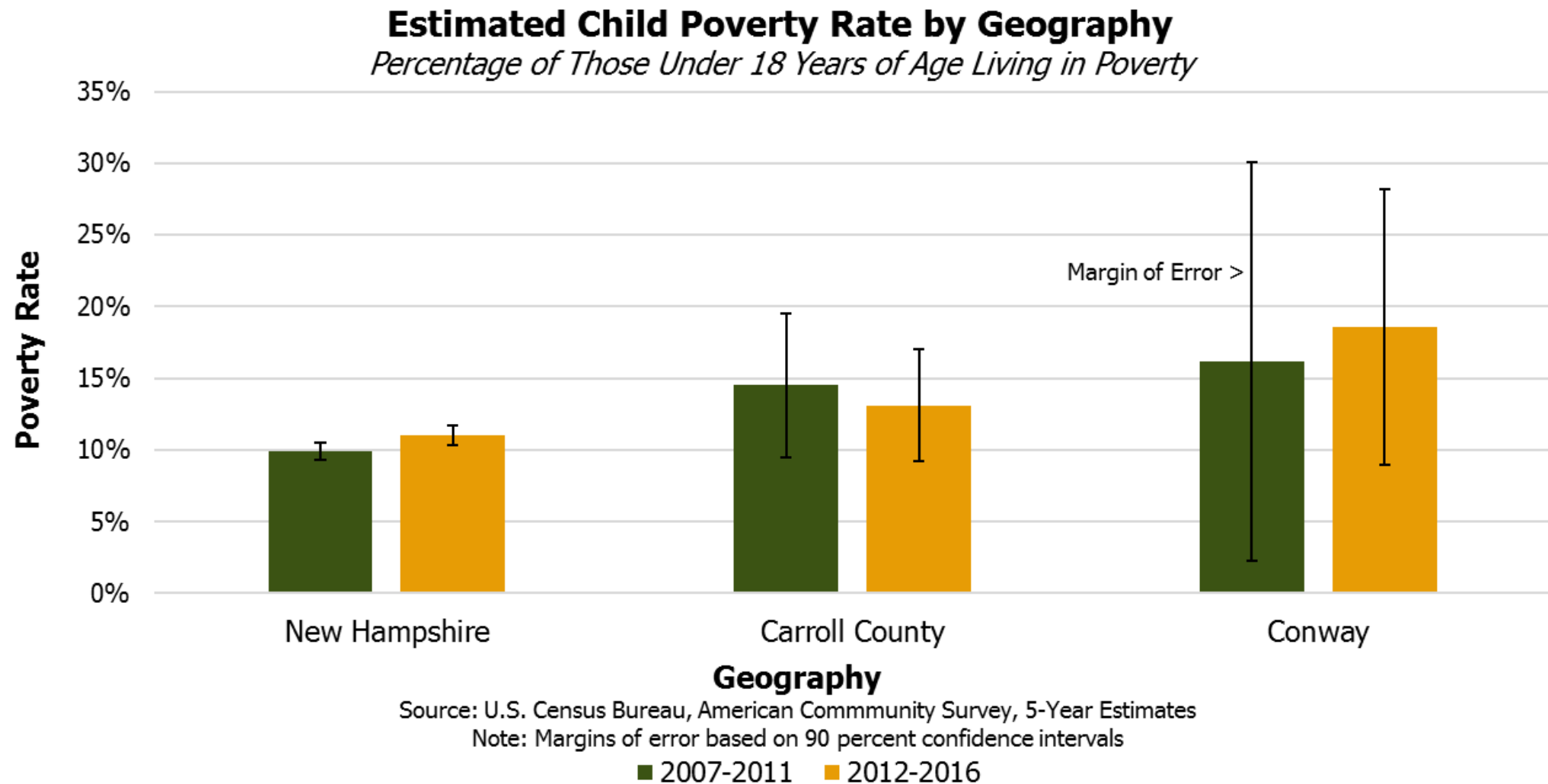
Poverty – One-Year Survey Data



Poverty by Group – Five-Year Survey Data



Poverty by Group – Five-Year Survey Data



QUESTIONS?

HOW WE FUND PUBLIC SERVICES IN NEW HAMPSHIRE

Presented by Phil Sletten, Policy Analyst

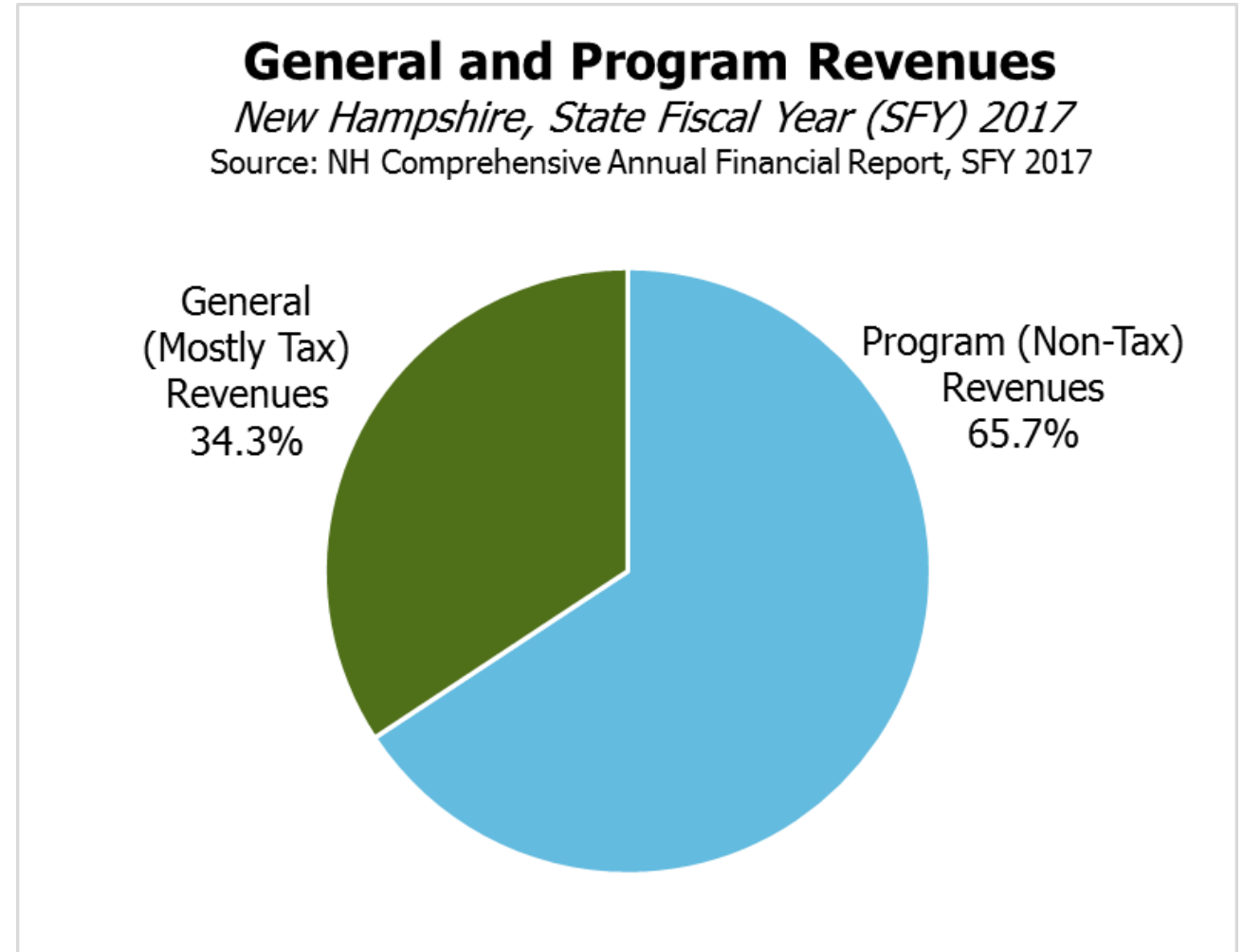
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Public Services Help Ensure Quality of Life



Why “Revenue”? Don’t You Mean Taxes?

- 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



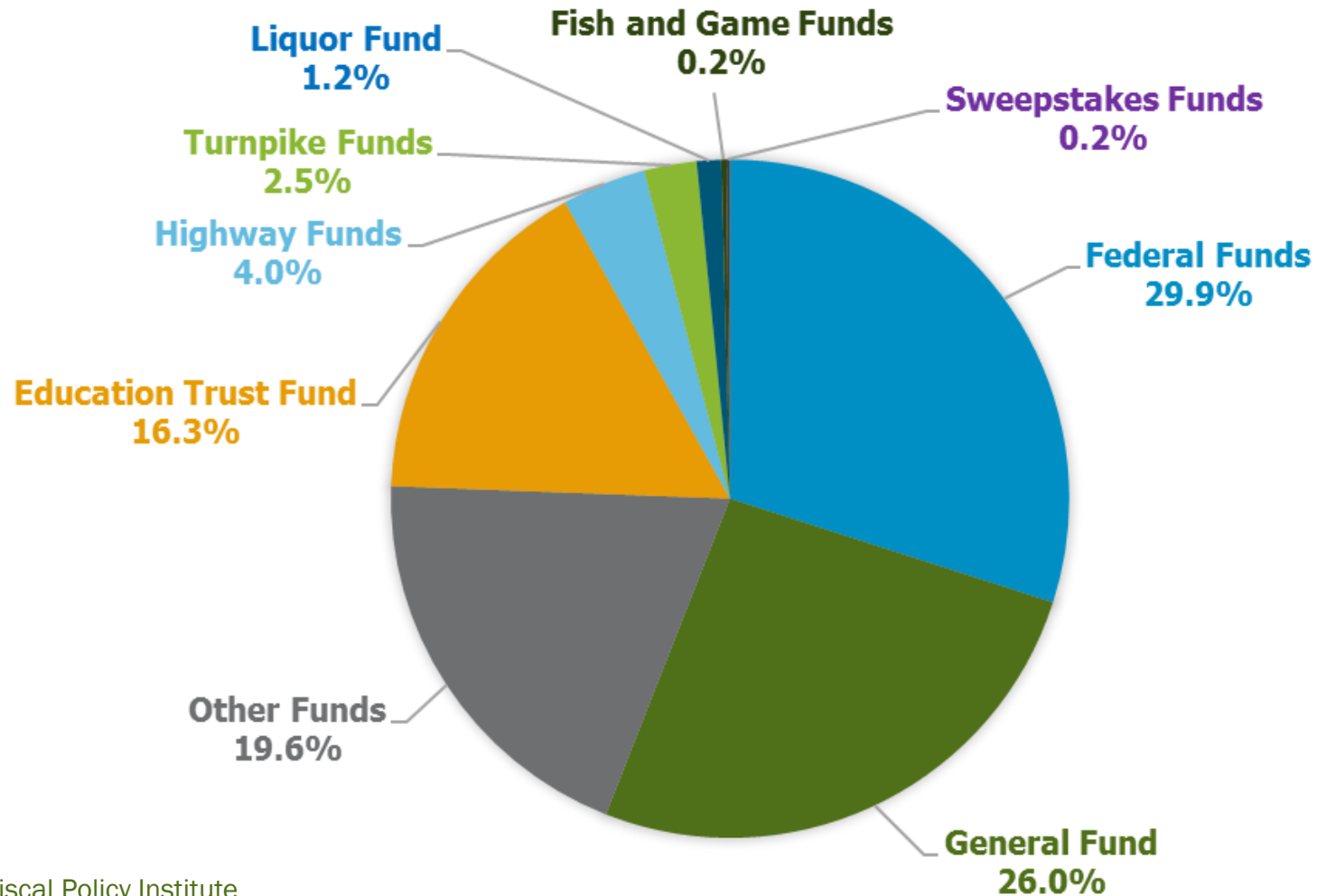
What Revenue Are We Considering?

- 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), primarily through property taxes

State Budget Funds

New Hampshire, SFY 2018

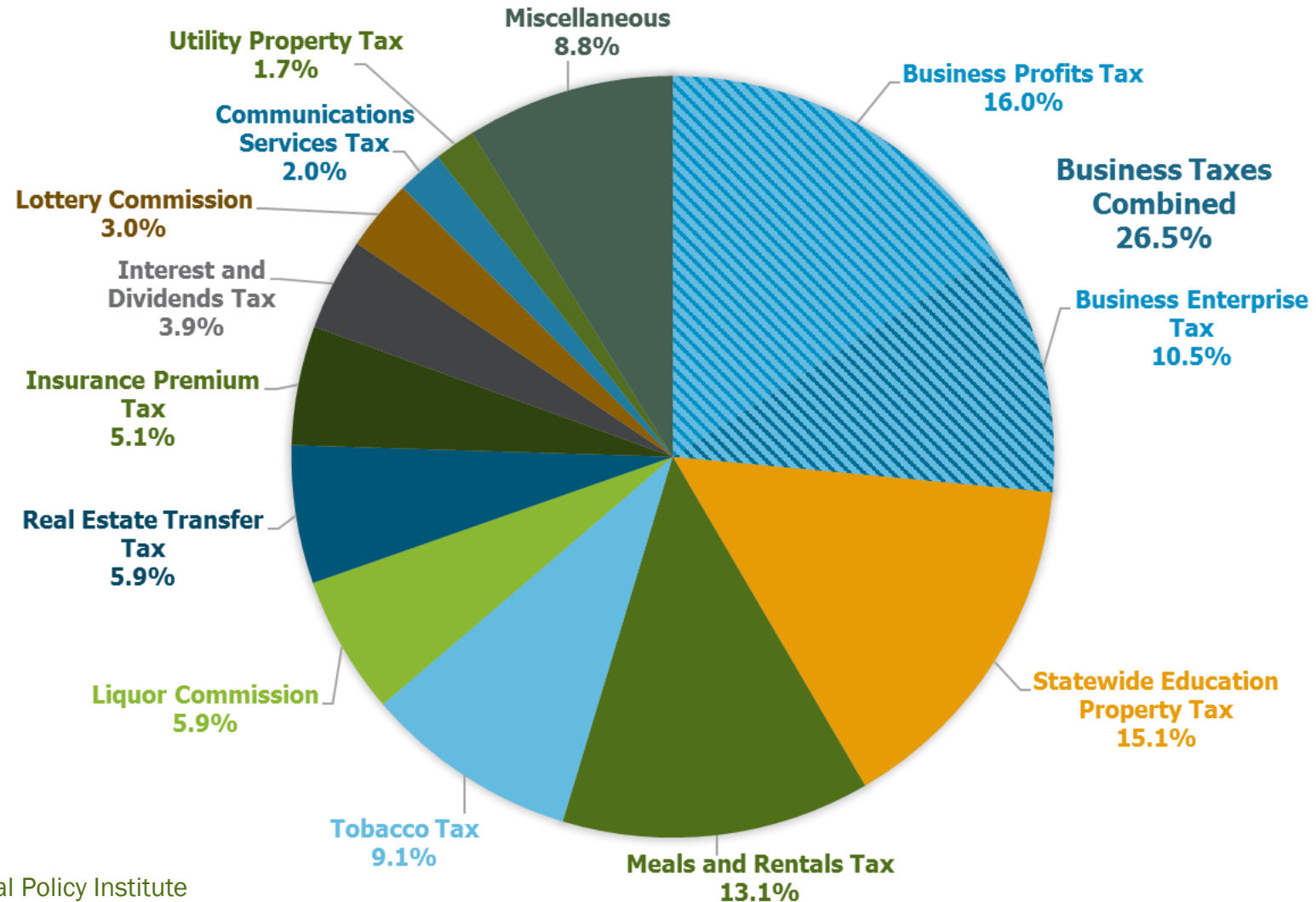
Source: Chapter 155, Laws of 2017



General and Education Trust Fund Revenue

SFY 2017 State-Generated Revenue

Source: NH Comprehensive Annual Financial Report, SFY 2017



State Revenue – Two Primary Business Taxes

Business Profits Tax

- Tax based on gross business profits, adjustments (BET), and apportionment
- Tax base likely about \$4.7 billion
- Funds General Fund and Education Trust Fund
 - 1.5 percentage points of the total rate to the Education Trust Fund
- Rate reductions underway:
 - 8.5% in 2015, 8.2% in 2016, 7.9% in 2018, 7.7% in 2019, 7.5% 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 \$35 billion
 - Funds the Education Trust Fund (0.50 percentage points of total rate) and the General Fund until rate phase-down
- Rate reductions underway:
 - 0.75% in 2015, 0.72% in 2016, 0.675% in 2018, 0.60% in 2019, 0.50% in 2021

State Revenue – Two Primary Business Taxes

Business Profits Tax Incidence							
Tax Year 2015 - Filing Businesses							
Tax Paid	Number of Businesses by Tax Paid	Percent of Businesses by Tax Paid	Cumulative Number of Businesses by Tax Paid	Cumulative Percent of Business by Tax Paid	Revenue by Amount of Tax Paid	Percent of Revenue by Tax Paid	Cumulative Percent of Revenue by Tax Paid
\$0	53,515	76.2%	70,188	100.0%	\$0	0.0%	100.0%
\$1-\$500	4,981	7.1%	16,673	23.8%	\$839,041	0.2%	100.0%
\$500-\$1K	1,769	2.5%	11,692	16.7%	\$1,292,441	0.3%	99.8%
\$1K-\$10K	6,975	9.9%	9,923	14.1%	\$25,547,370	6.8%	99.4%
\$10K-\$50K	2,093	3.0%	2,948	4.2%	\$45,352,344	12.1%	92.6%
\$50K-\$100K	341	0.5%	855	1.2%	\$24,197,850	6.4%	80.6%
\$100K-\$1M	465	0.7%	514	0.7%	\$132,834,276	35.4%	74.1%
>\$1M	49	0.1%	49	0.1%	\$145,452,507	38.7%	38.7%
Totals	70,188	100.0%			\$375,515,829	100.0%	
Source: NH Department of Revenue Administration 2017 Annual Report - Draft Data							

State Revenue – Two Primary Business Taxes

Business Enterprise Tax Incidence							
Tax Year 2015 - Filing Businesses							
Tax Paid	Number of Businesses by Tax Paid	Percent of Businesses by Tax Paid	Cumulative Number of Businesses by Tax Paid	Cumulative Percent of Business by Tax Paid	Revenue by Amount of Tax Paid	Percent of Revenue by Tax Paid	Cumulative Percent of Revenue by Tax Paid
\$0	34,246	48.8%	70,188	100.0%	\$0	0.0%	100.0%
\$1-\$500	9,256	13.2%	35,942	51.2%	\$1,852,432	0.8%	100.0%
\$500-\$1K	6,899	9.8%	26,686	38.0%	\$5,176,734	2.4%	99.2%
\$1K-\$10K	16,829	24.0%	19,787	28.2%	\$49,863,005	22.8%	96.8%
\$10K-\$50K	2,388	3.4%	2,958	4.2%	\$48,203,176	22.1%	74.0%
\$50K-\$100K	307	0.4%	570	0.8%	\$21,226,649	9.7%	51.9%
\$100K-\$1M	251	0.4%	263	0.4%	\$64,080,686	29.3%	42.2%
>\$1M	12	0.0%	12	0.0%	\$28,108,681	12.9%	12.9%
Totals	70,188	100.0%			\$218,511,363	100.0%	
Source: NH Department of Revenue Administration 2017 Annual Report - Draft Data							

State Revenue – Other Taxes

Statewide Education Property Tax

- Established in 1999 to support newly created Education Trust Fund, adequate education grants
- Set to raise \$363 million in 2005; does not adjust for inflation
- Retained locally, State requires money be raised by local governments

Meals and Rentals Tax

- Tax of 9.0 percent levied on most purchases of food or beverages from restaurants, also on hotel rooms and car rentals
- Growing revenue source in recent years due to growth in tax base and a rate increase during SFY 2010 from previous rate of 8.0 percent
- Funds the General Fund, Education Trust Fund (car rentals portion), certain school building aid, State's travel and tourism development agency, municipalities

State Revenue – Other Taxes

Tobacco Tax

- \$1.78 per 20-cigarette pack, adjusted-proportionally for pack size, and 65.03 percent on wholesale price of other tobacco products
- Several rate changes in last 20 years (boosted up to \$0.37/pack in 1997)

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

Insurance Premium Tax

- 1.25 percent on premiums from insurers, 2 percent on health, accident, and certain life insurance premiums, General and NH Health Protection Program funds

Motor Fuels Tax

- \$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

State Revenue – Other Taxes

Medicaid Enhancement Tax

- 5.25 percent of charges hospitals make for services, \$226.6 million in SFY 2017
- 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, \$94.3 million in SFY 2017

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 electricity, natural gas or petroleum distribution owned by regulated utilities

State Revenue – Enterprise Funds

Liquor Commission

- Operates State liquor stores that are sole source for liquor and spirits, while certain wine may be sold from licensed businesses and beer is taxed
- Pays for its own operations, the Alcohol Abuse Prevention and Treatment Fund, and the General Fund
- \$684.8 million in SFY 2017 generated from sales and services, \$4.4 million from licenses; General Fund received \$137.7 million plus \$12.7 million from beer tax

Lottery Commission

- Sells lottery tickets and oversees taxed racing, charitable gaming, and Keno
- \$304.2 million revenue in SFY 2017, \$76.1 million profit to Education Trust Fund

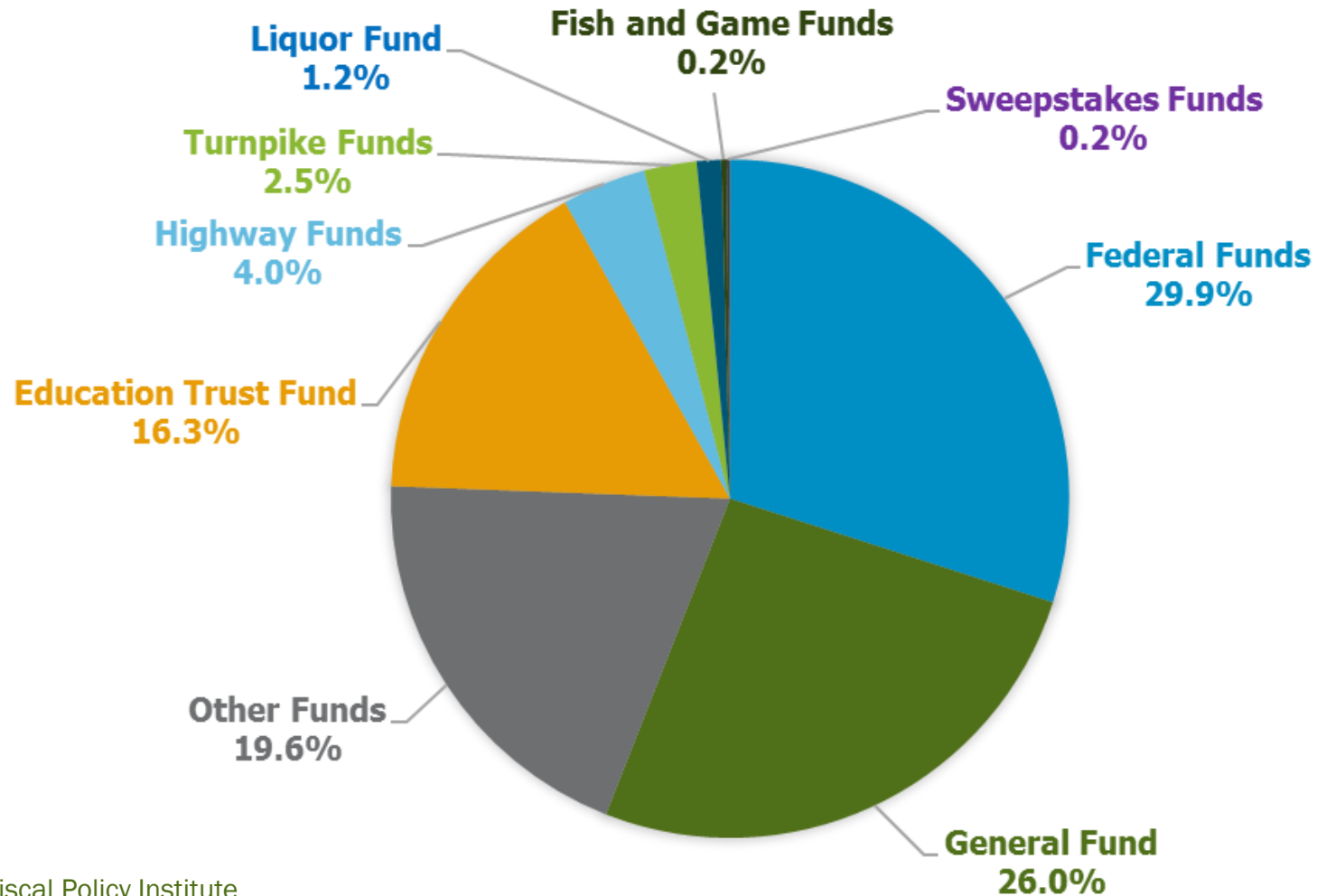
Turnpike System

- Tolls users of three turnpikes to operate, construct, and maintain them
- \$131.4 million from tolling operations in SFY 2017

State Budget Funds

New Hampshire, SFY 2018

Source: Chapter 155, Laws of 2017



State Revenue – Federal Funds

Medicaid

- In all funds (State on-budget, State off-budget, federal), about \$2.0 billion in SFY 2016 was Medicaid, approximately 29 percent of all State spending
- Recent proposals at the federal level would have significantly reduced federal contributions, which are a 50%-50% match or better for the State

Other Program Areas

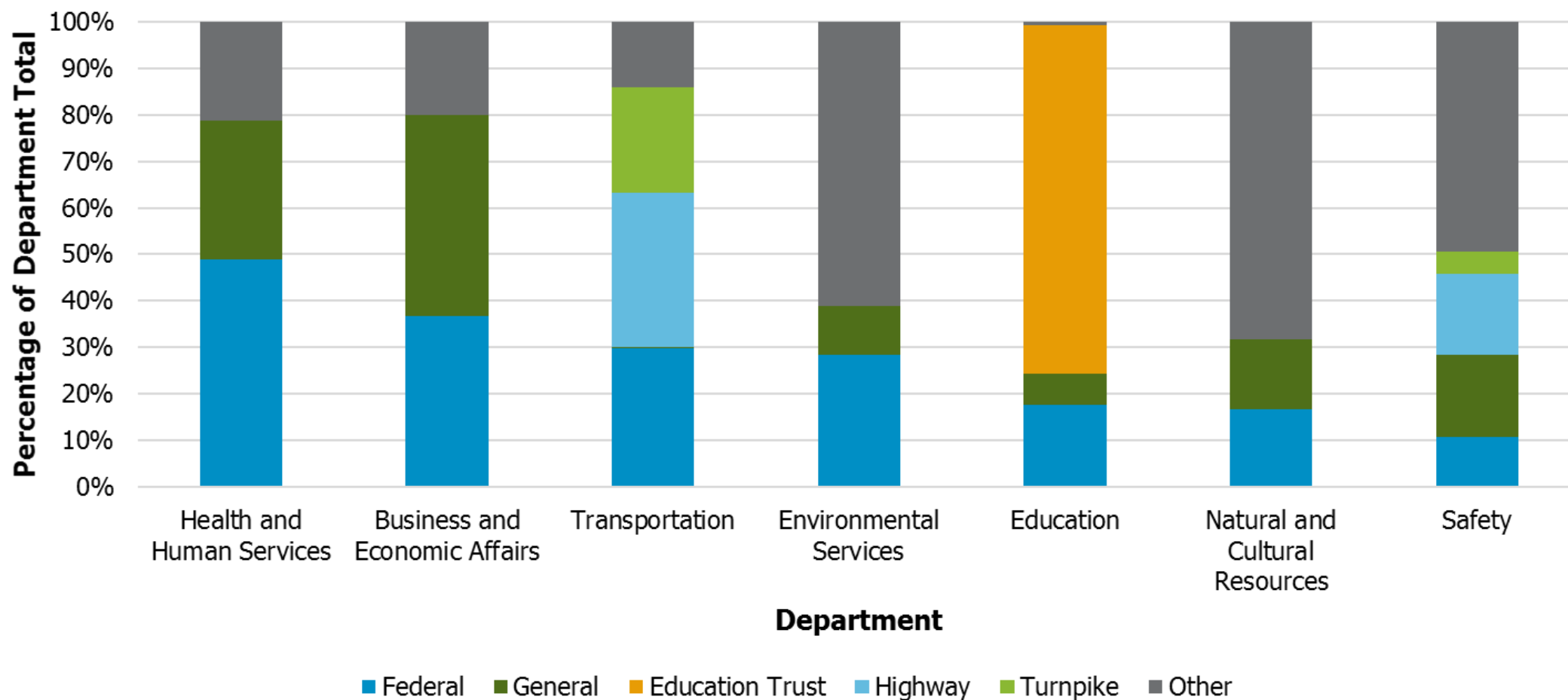
- Federal transportation aid
- Education aid – special education, school lunch program, professional development
- Water pollution and infrastructure funds, clean and drinking water programs
- Temporary Assistance for Needy Families
- Food Stamps/SNAP; Women, Infants, and Children Nutrition Program
-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

State Revenue – Federal Funds

Funds Supporting Selected Departments

New Hampshire State Budget, SFY 2018

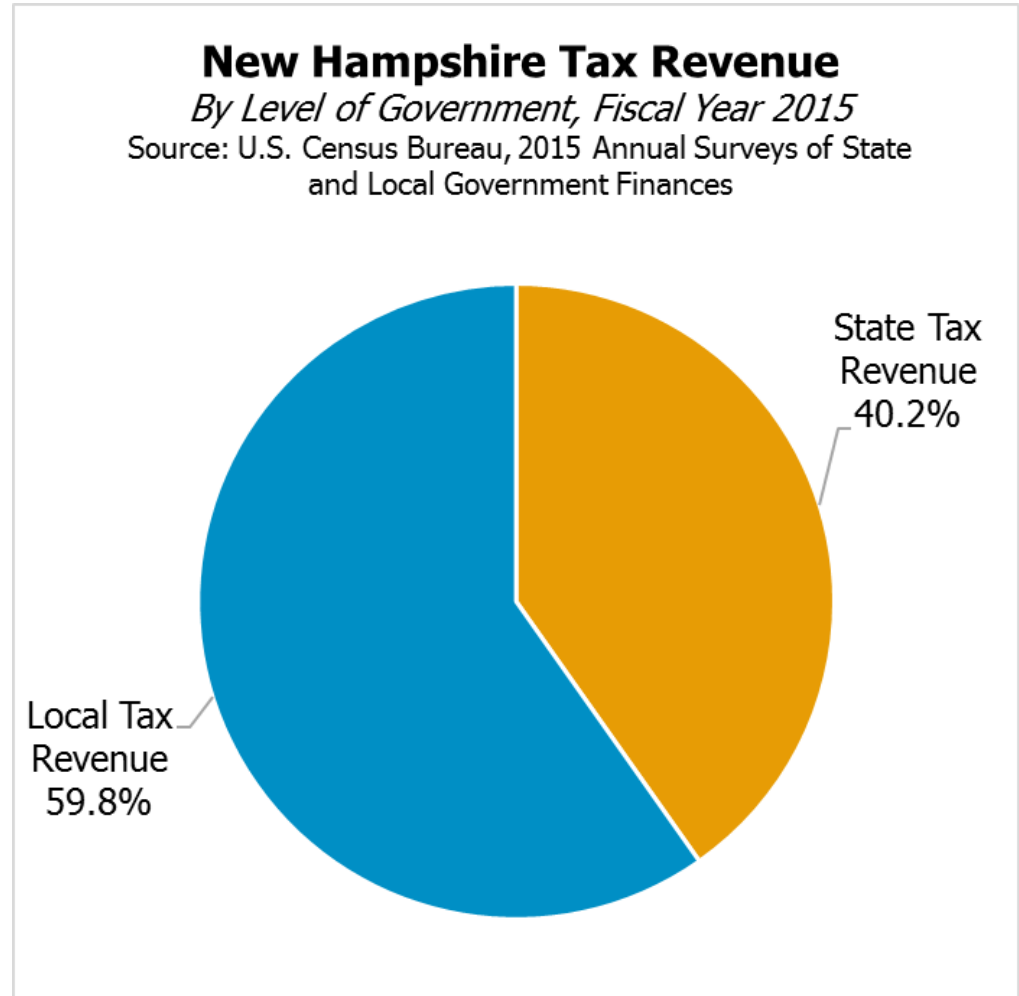
Source: Chapter 155, Laws of 2017



Local Revenue System – Local Governments

Local governments includes:

- **County governments**
 - Sheriff's departments
 - County nursing homes and long-term care
 - County jails
 - County attorney
 - Register of deeds office
 - Unincorporated townships
- **School districts**
- **Municipal governments (town and city)**



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

- 99 percent of all local tax revenue
- 60 percent of all local revenue, including grants from State and federal government, school lunches, etc.
- \$3.1 billion dollars in tax year 2016
- About 90 percent of property taxes paid in NH are local taxes

Local Revenue System – Reliance on the Property Tax

Property Tax as a Percentage of All Local Tax Revenue <i>Fiscal Year 2015</i>		
State		Estimated Percentage
Highest	New Hampshire	99%
	Maine	99%
	Connecticut	98%
	New Jersey	98%
	Rhode Island	98%
	<i>United States</i>	<i>72%</i>
Lowest	Kentucky	56%
	Oklahoma	53%
	Louisiana	46%
	Arkansas	43%
	Alabama	42%
Source: U.S. Census Bureau, 2015 Annual Surveys of State and Local Government Finances		

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*

	State	Estimated Percentage
Highest	New Hampshire	66%
	Alaska	57%
	New Jersey	46%
	Vermont	44%
	Rhode Island	43%
	<i>United States</i>	<i>31%</i>
Lowest	Arkansas	18%
	Delaware	18%
	Hawaii	18%
	Alabama	17%
	North Dakota	13%
Source: U.S. Census Bureau, 2015 Annual Surveys of State and Local Government Finances		

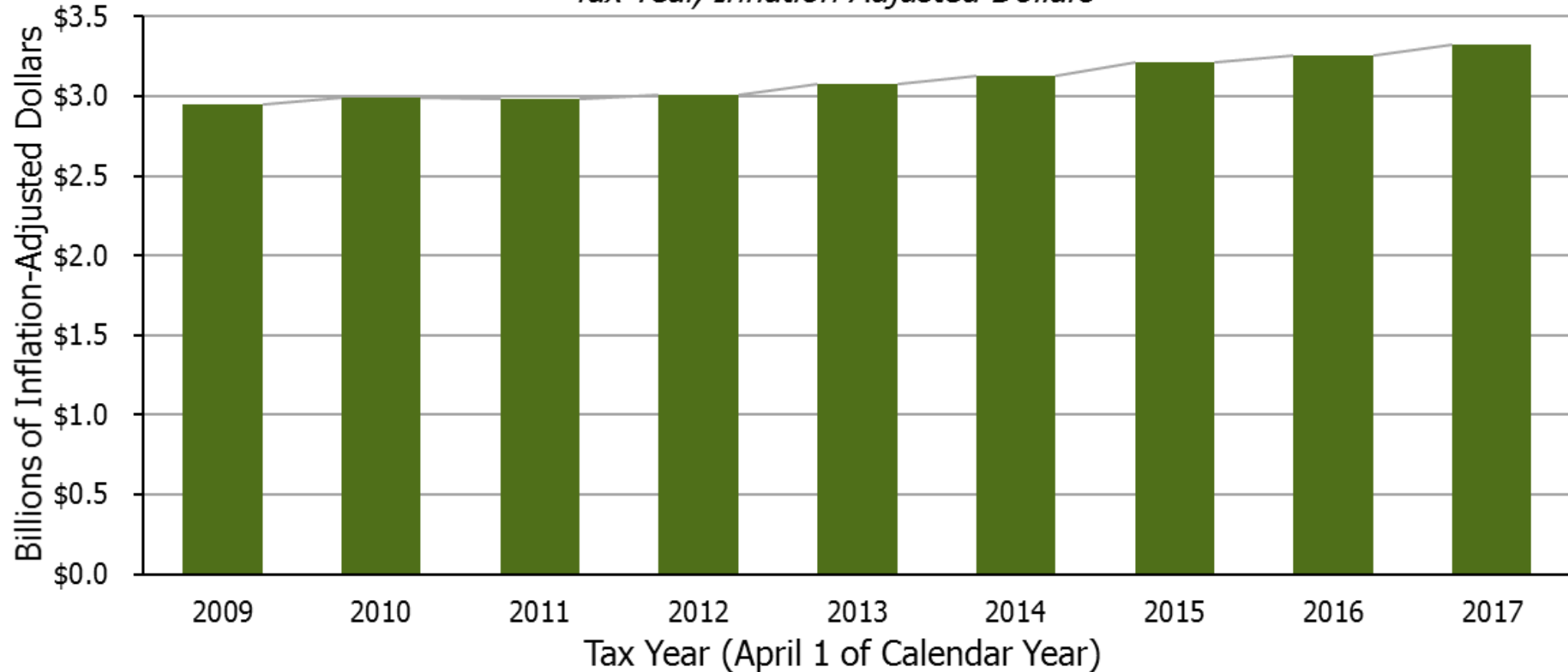
New Hampshire's Revenue System Among Higher Per Capita Tax From Property Taxes

State and Local Property Tax Revenue Per Capita <i>Fiscal Year 2015</i>		
State		Estimated Amount
Highest	New Jersey	\$3,082
	New Hampshire	\$3,055
	Connecticut	\$2,851
	New York	\$2,704
	Vermont	\$2,542
	<i>United States</i>	<i>\$1,521</i>
Lowest	Kentucky	\$781
	New Mexico	\$772
	Arkansas	\$699
	Oklahoma	\$679
	Alabama	\$540
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



Note: Inflation-adjustment based on the second half of same numbered calendar year

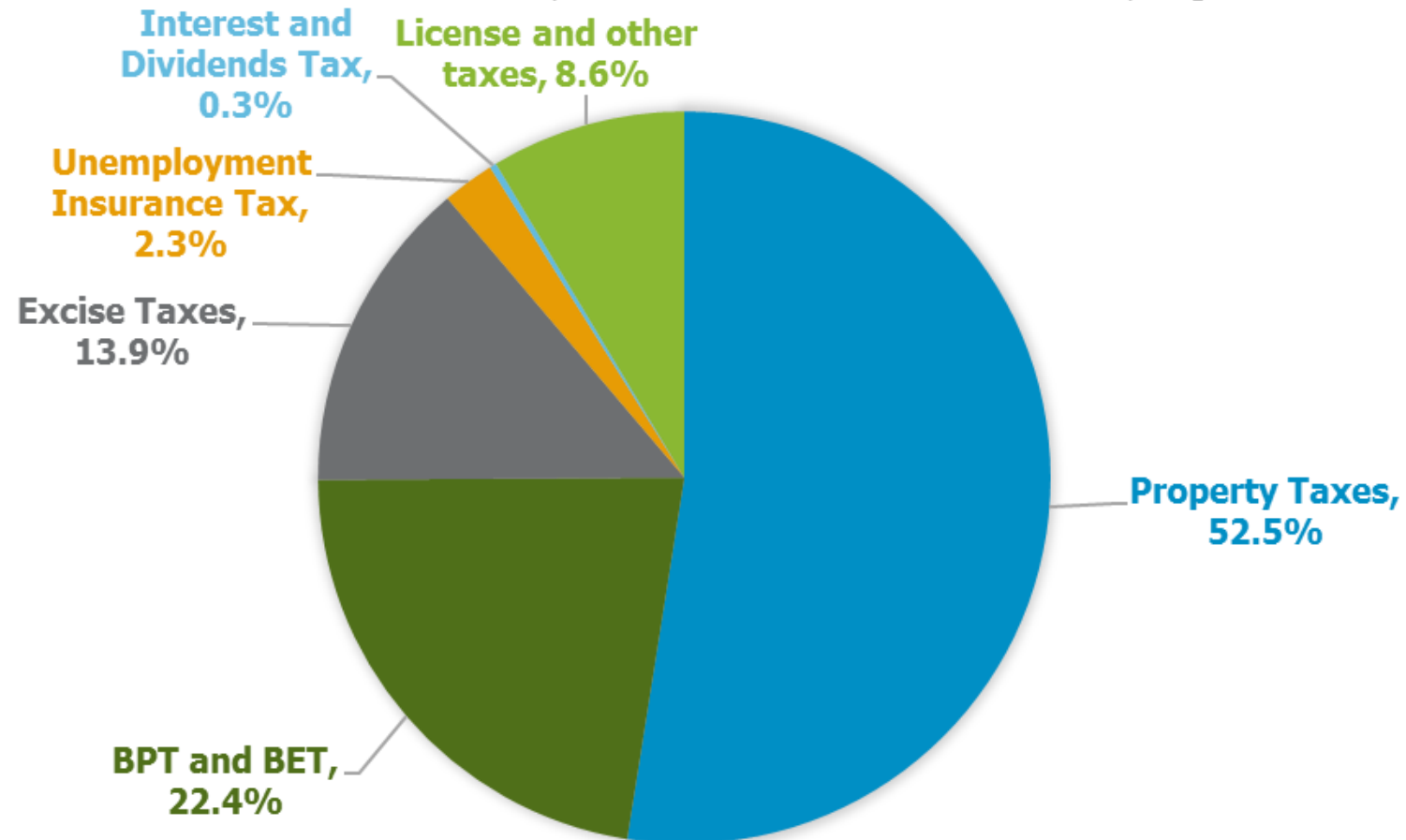
Sources: NH Department of Revenue Administration;
U.S. Bureau of Labor Statistics Consumer Price Index-Urban, Northeast

Businesses Feel The Property Tax

Taxes Paid by Businesses

New Hampshire State and Local Taxes, Fiscal Year 2016

Source: Council on State Taxation, *Total State and Local Business Taxes*, August 2017

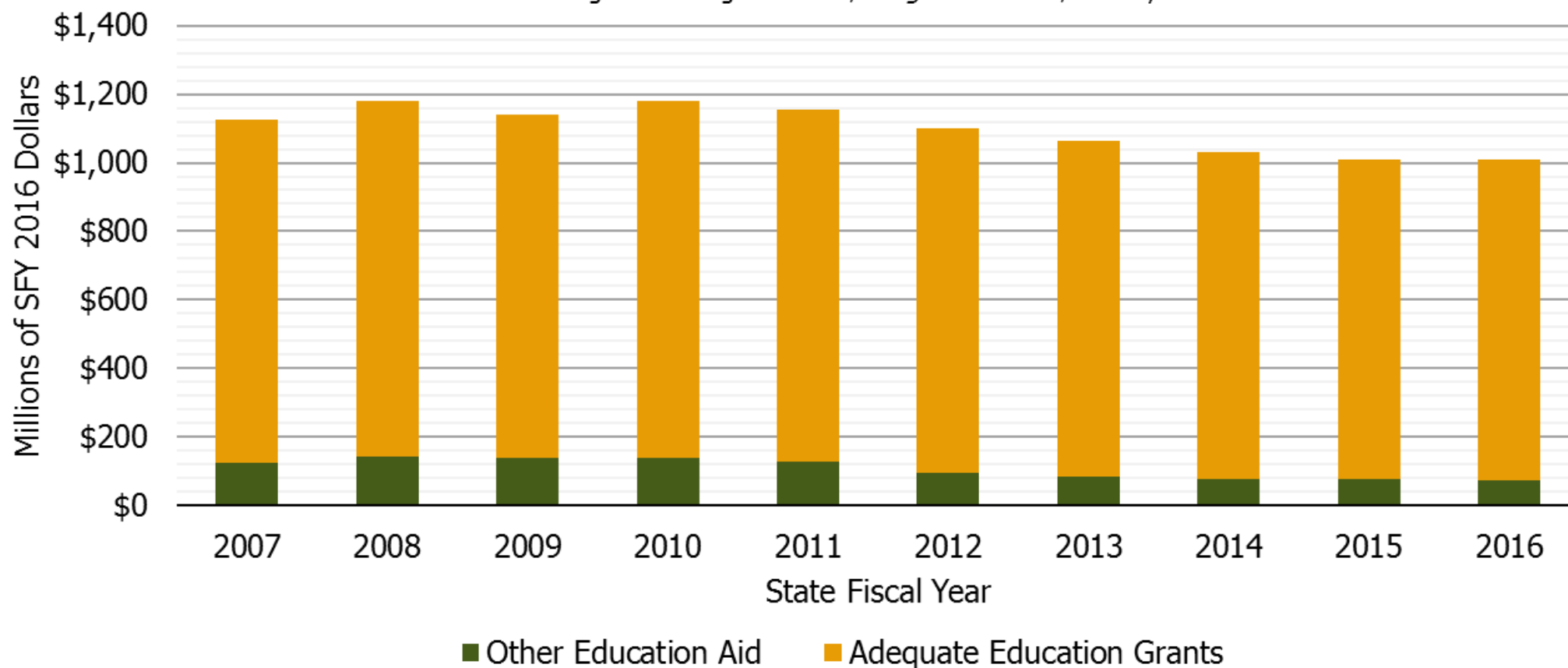


State Funding For Local Governments – Education-Related Aid

Education Aid To Local Governments

New Hampshire State Budget Inflation-Adjusted Dollars

Source: Office of Legislative Budget Assistant, *Budget Orientation*, January 2017

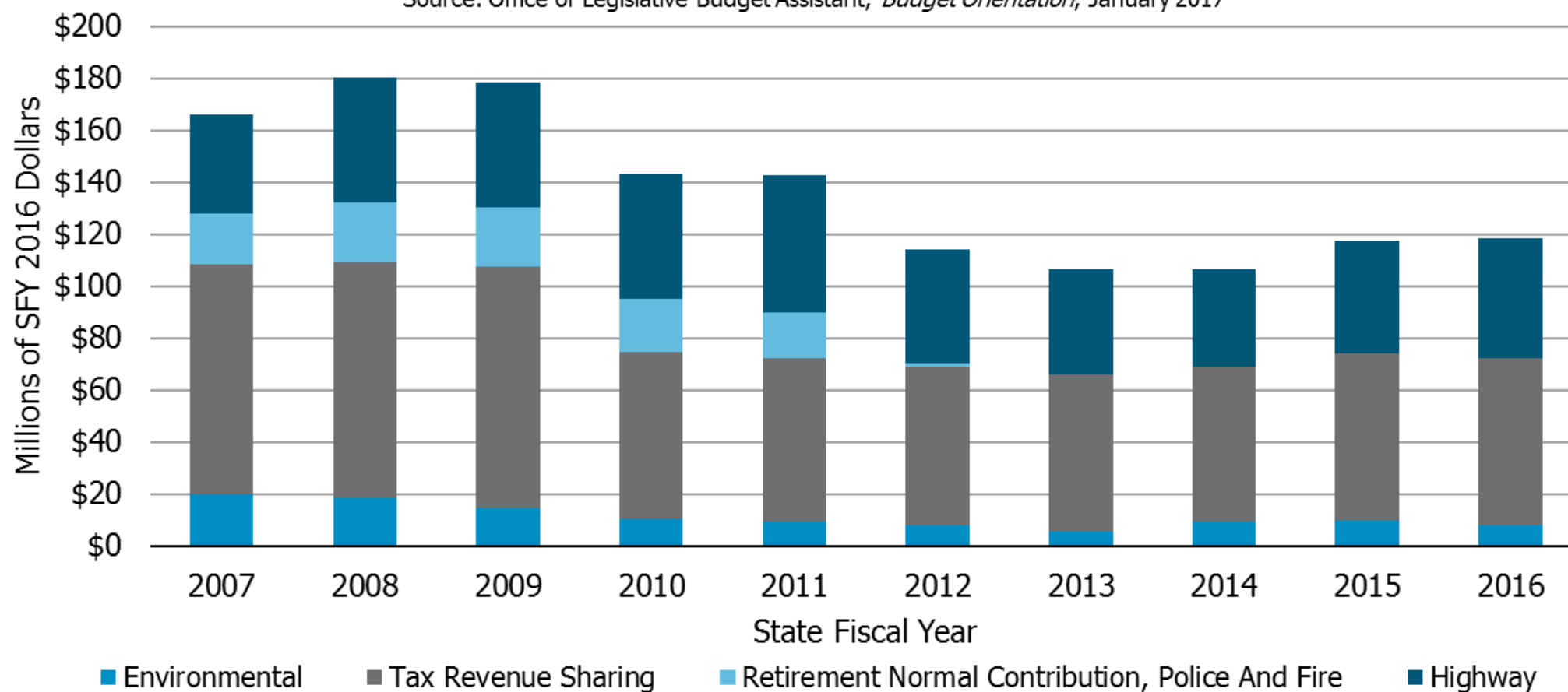


State Funding For Local Governments – Non-Education Aid

Non-Education Aid to Local Governments

New Hampshire State Budget Inflation-Adjusted Dollars

Source: Office of Legislative Budget Assistant, *Budget Orientation*, January 2017



State Funding For Local Governments

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

- Local property tax rates depend on many factors
- However, a logical connection exists
- Federal budget decisions could affect your local property tax bill if changes are made that influence State policymaker decisions on aid to local governments

Additional NHFPI Resources

- Revenue in Review: <http://nhfpi.org/research/state-tax/revenue-review-overview-new-hampshire-tax-system-major-revenue-sources.html>
- Building the Budget: <http://nhfpi.org/research/state-budget/building-budget-new-hampshires-state-budget-process-recent-funding-trends.html>
- Issue Brief: The State Budget for Fiscal Years 2018 and 2019: <http://nhfpi.org/research/state-budget/the-state-budget-for-fiscal-years-2018-and-2019.html>
- NHFPI Common Cents blog: <http://nhfpi.org/commoncents>
- NHFPI NH State Budget page: <http://nhfpi.org/resources/nh-state-budget>



THANK YOU FOR YOUR TIME

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