



The COVID-19 Crisis, the Economy, and New Hampshire's State Budget

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New Hampshire Fiscal Policy Institute*

Breakfast Budget Briefing
December 7, 2020

Key Takeaways

- Granite States with the fewest resources have seen the most extensive impacts from the COVID-19 crisis. The long-term economic effects may be substantial.
- Exact State Budget impacts not yet clear; the loss of revenue may be significant, although the forecast has improved over time.
- With revenue shortfalls potentially smaller than during the Great Recession, State policymakers have resources and flexibility to preserve key services.
- Federal action key to outlooks for State services, the economy, and the well-being of low-income families and individuals.

The COVID-19 Crisis and Household Finances

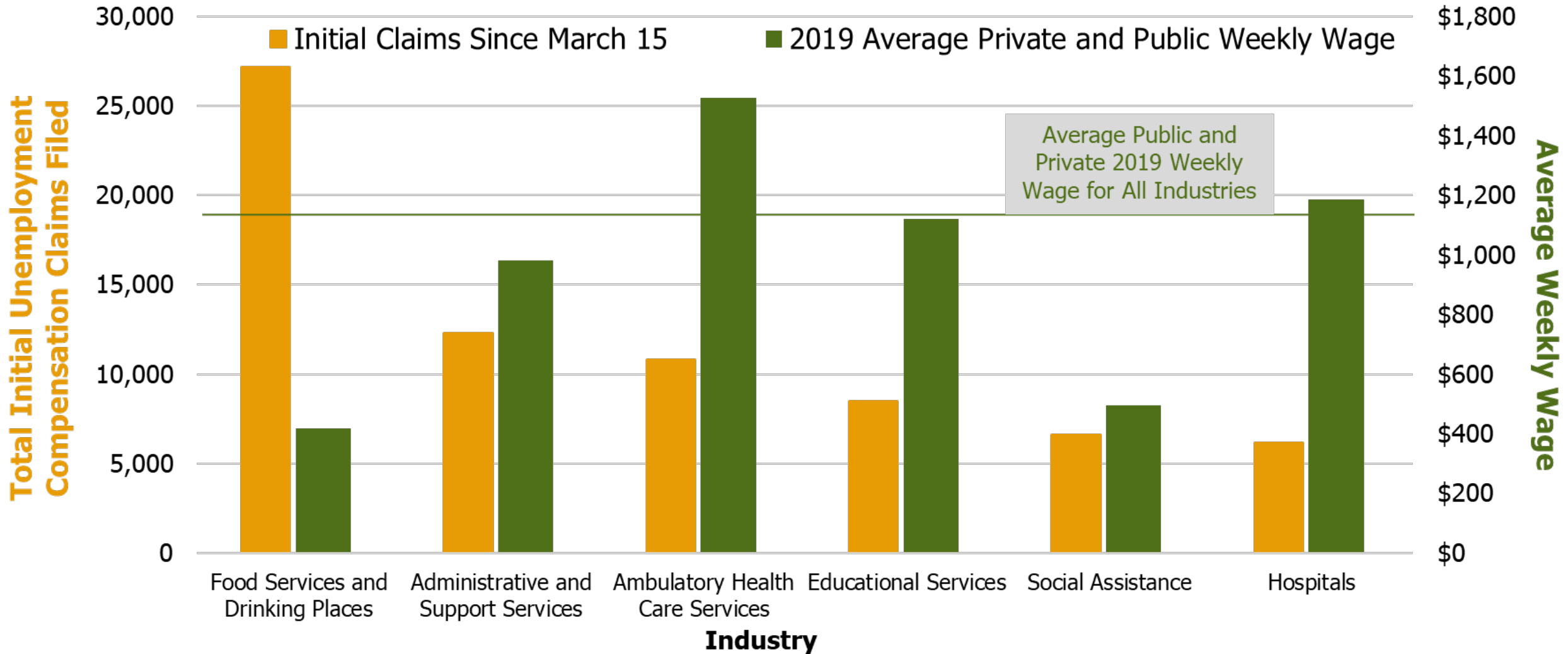
U.S. Census Bureau surveys of New Hampshire adults show approximately:

- 47 percent of households lost employment income between March 13 and the July 2-21 survey (the last survey that asked this question)
- 28 percent of respondents indicated it has been somewhat or very difficult to pay for usual household expenses during the pandemic (November 11-23 survey)
- 24 percent of respondents expected a loss of household employment income in the next four weeks (November 11-23 survey)
- 12 percent of households sometimes or often did not have enough food in the prior seven days (November 11-23 survey)

Source: U.S. Census Bureau, 2020 Household Pulse Survey, accessed August 10 (Phase 1) and December 3 (Phase 2), 2020

Initial Unemployment Claims and Wages by Industry

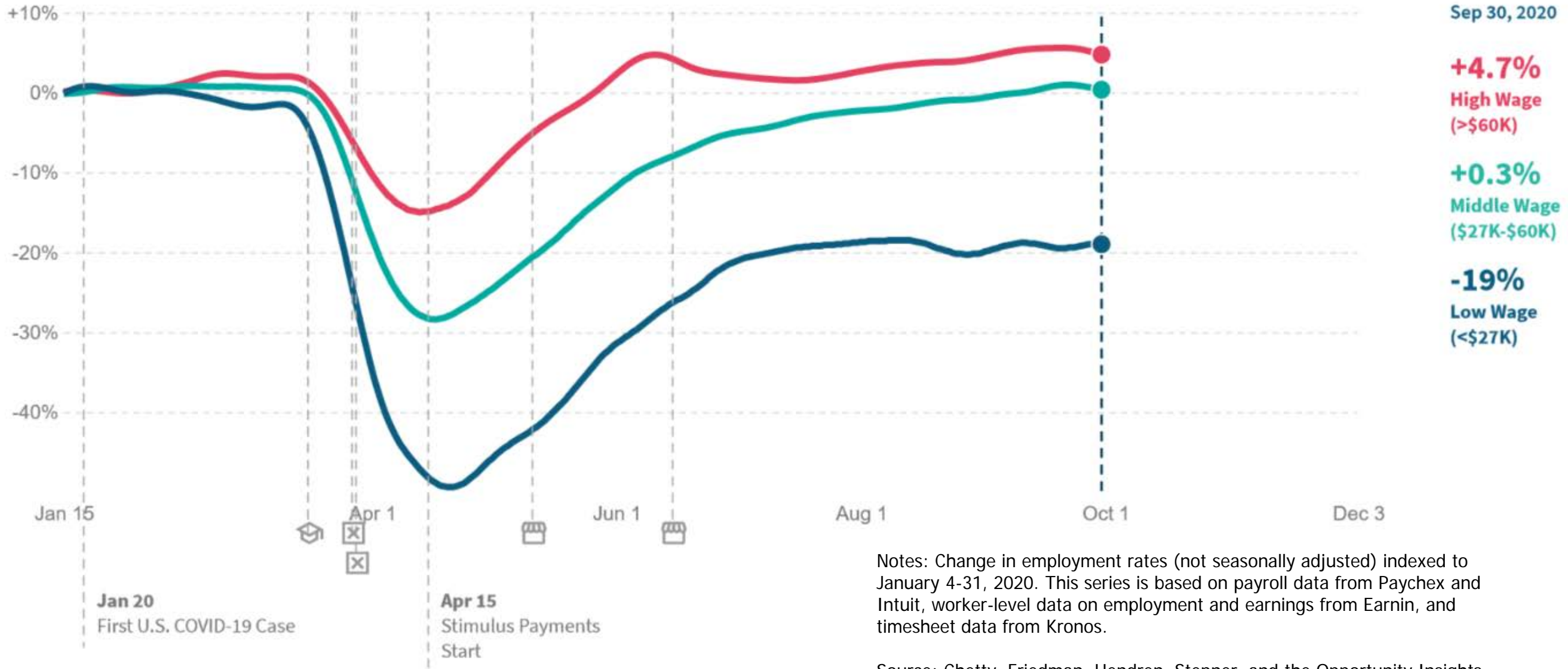
In New Hampshire, From March 15 to November 7, 2020



Sources: New Hampshire Employment Security, *COVID-19 Unemployment Update*, November 11, 2020 and New Hampshire Employment Security, Economic and Labor Market Information Bureau, Covered Employment and Wages

Opportunity Insights Economic Tracker

New Hampshire, Wages Based on Prior Year

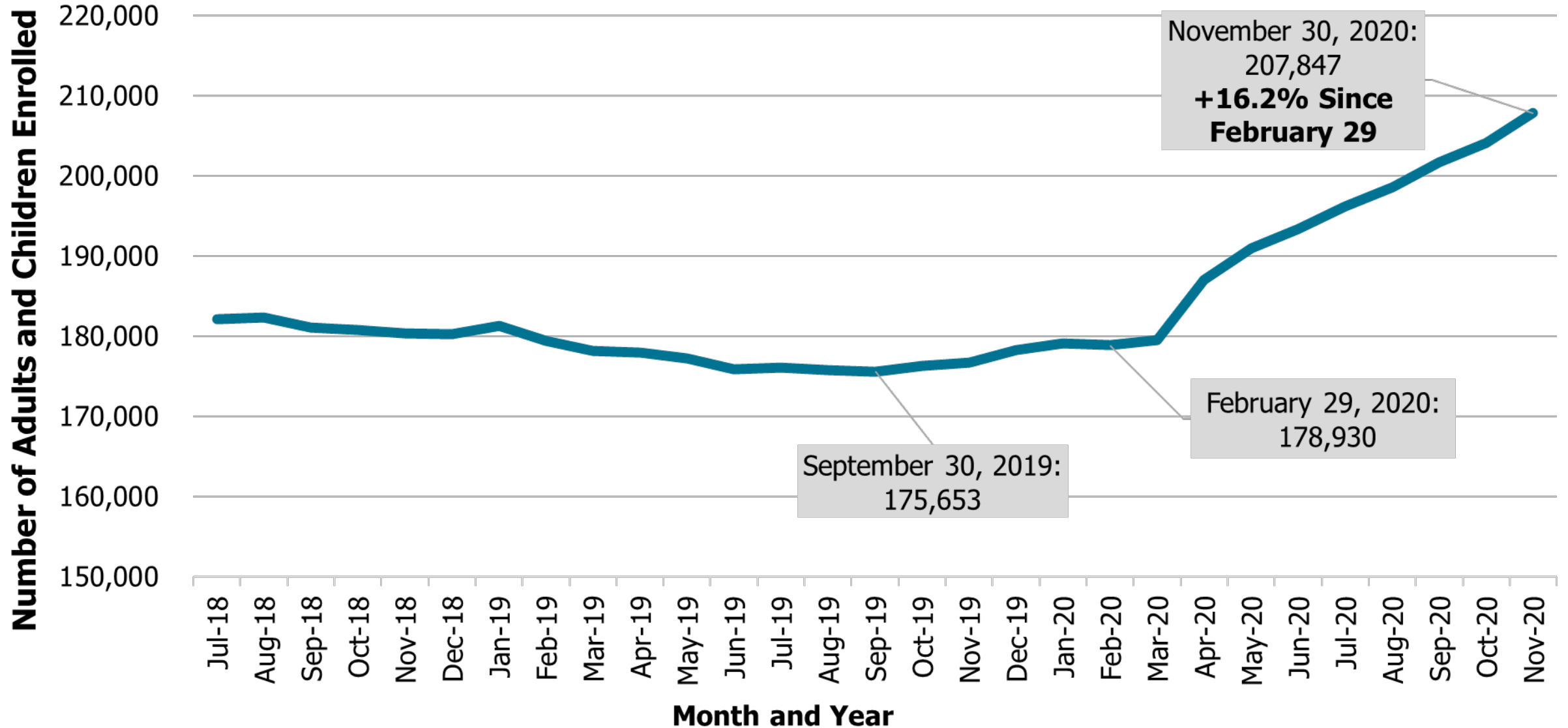


Notes: Change in employment rates (not seasonally adjusted) indexed to January 4-31, 2020. This series is based on payroll data from Paychex and Intuit, worker-level data on employment and earnings from Earnin, and timesheet data from Kronos.

Source: Chetty, Friedman, Hendren, Stepner, and the Opportunity Insights Team, November 2020, accessed at tracktherecovery.org, a project of Harvard University, Brown University, and The Bill and Melinda Gates Foundation.

Total Medicaid Enrollment in New Hampshire

Total Number of People Enrolled

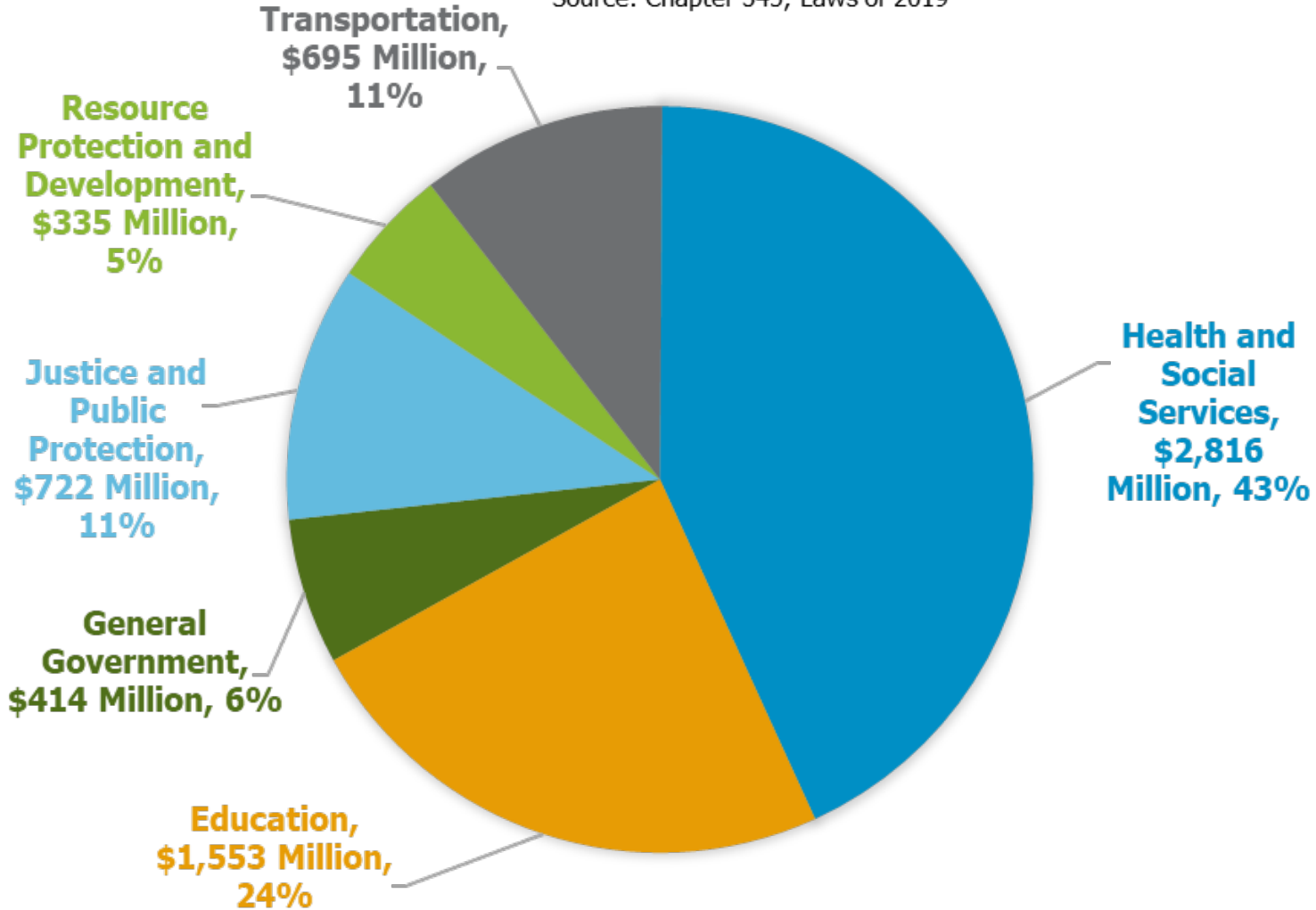


Source: New Hampshire Department of Health and Human Services, Monthly Caseload Reports

The State Budget by Category

New Hampshire, State Fiscal Year 2021

Source: Chapter 345, Laws of 2019



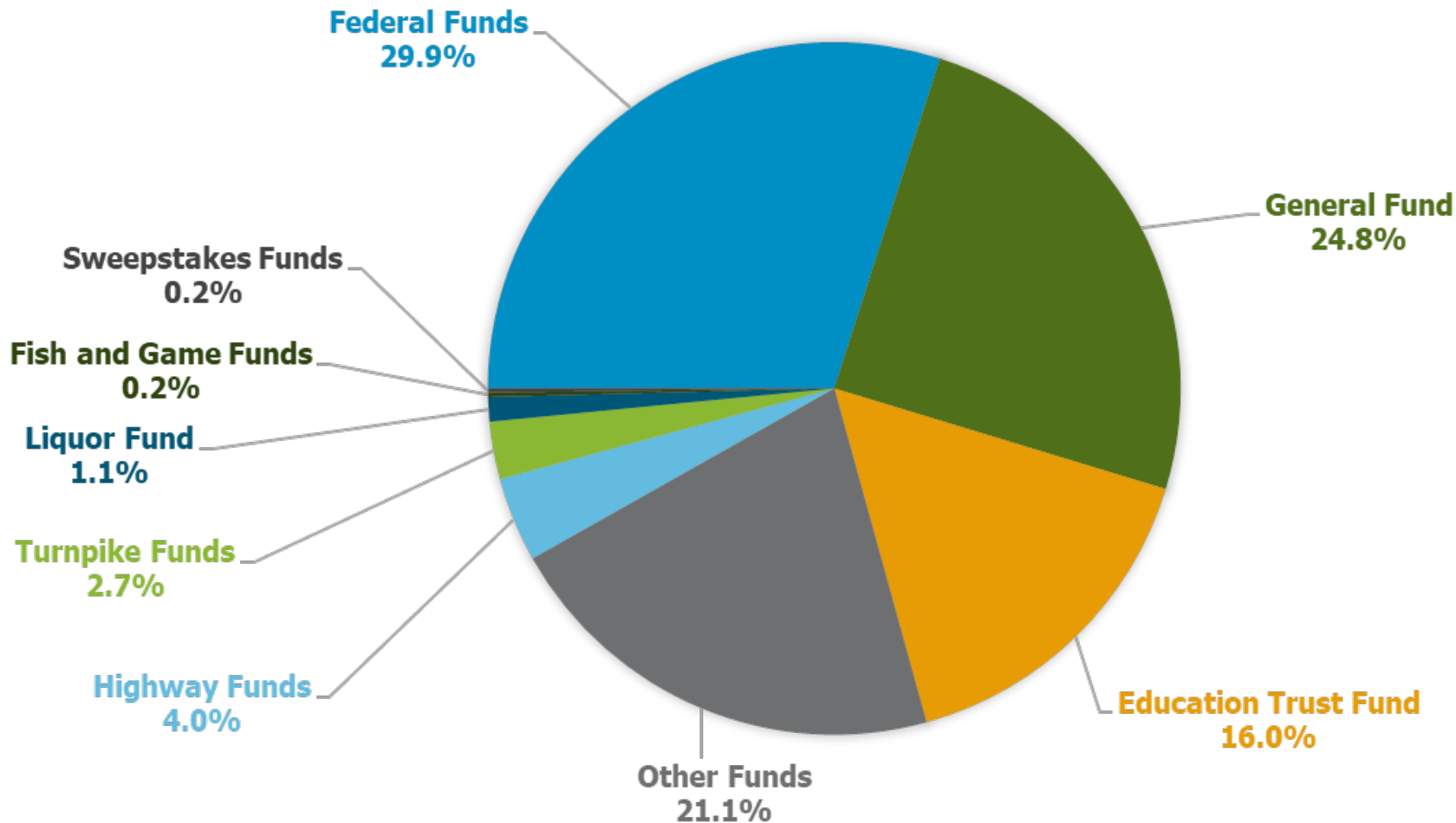
- Medicaid approximately \$2.1 billion last year, more than half federal funds
- Health and Social Services also includes federally-funded Food Stamp/Supplemental Nutrition Assistance Program benefits, cash assistance grants, child care assistance, child protection, housing supports
- Education funding primarily state-funded grants to local school districts; includes targeted aid for districts with more students from families with low incomes and the one-time aid allocated to these and property-poor districts, as well as higher education funding

Dollar value of the State Fiscal Year 2020 Medicaid program, which includes on- and off-budget expenditures, reported by the Office of Legislative Budget Assistant.

The State Budget Funds

New Hampshire, State Fiscal Year 2021

Source: Chapter 345, Laws of 2019

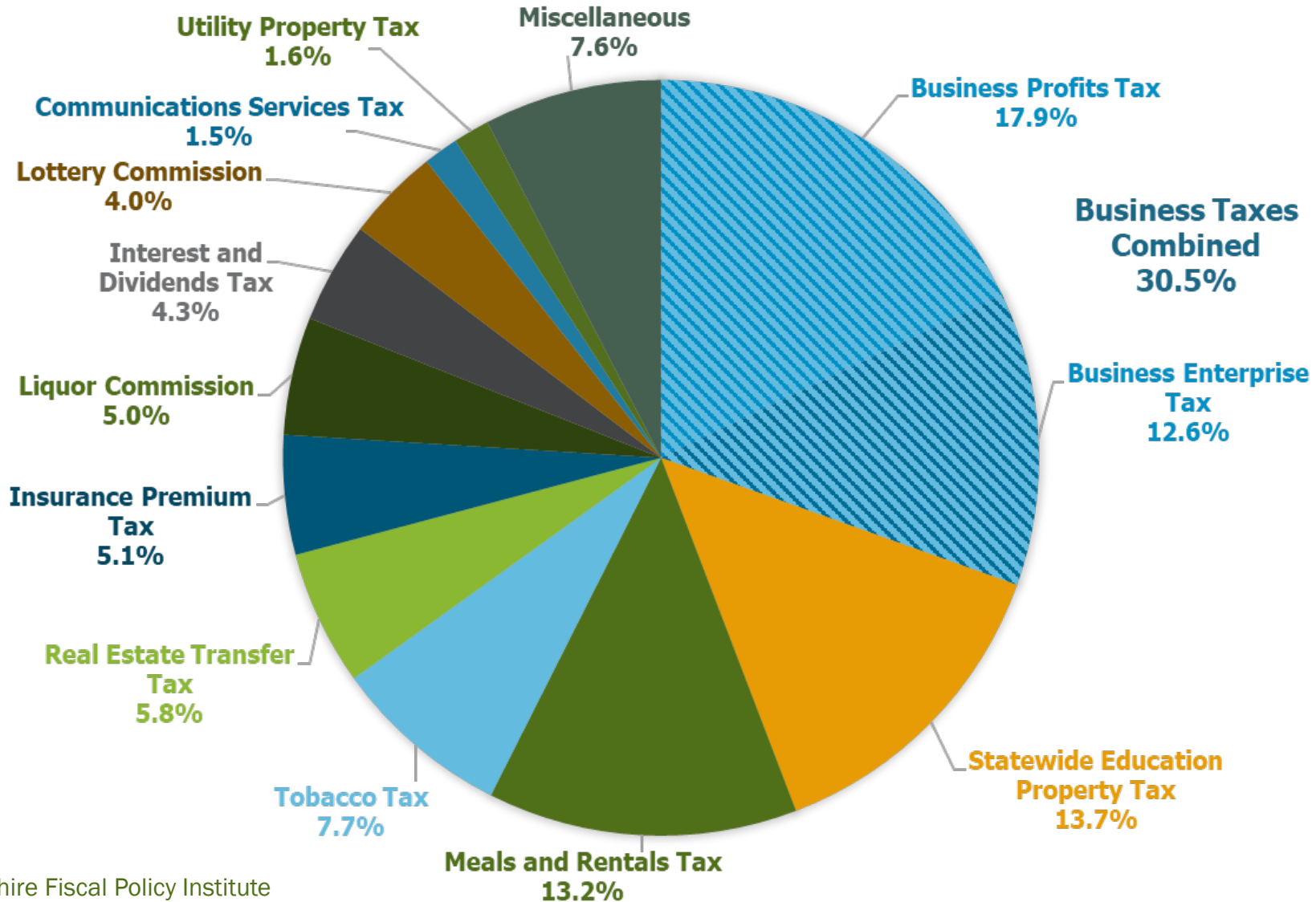


- State policymakers have most flexibility over General Fund dollars, primarily generated from State tax, fee, and Liquor Commission revenues
- General Fund used to ensure positive balance in Education Trust Fund, shares key revenue sources

General and Education Trust Fund Revenue

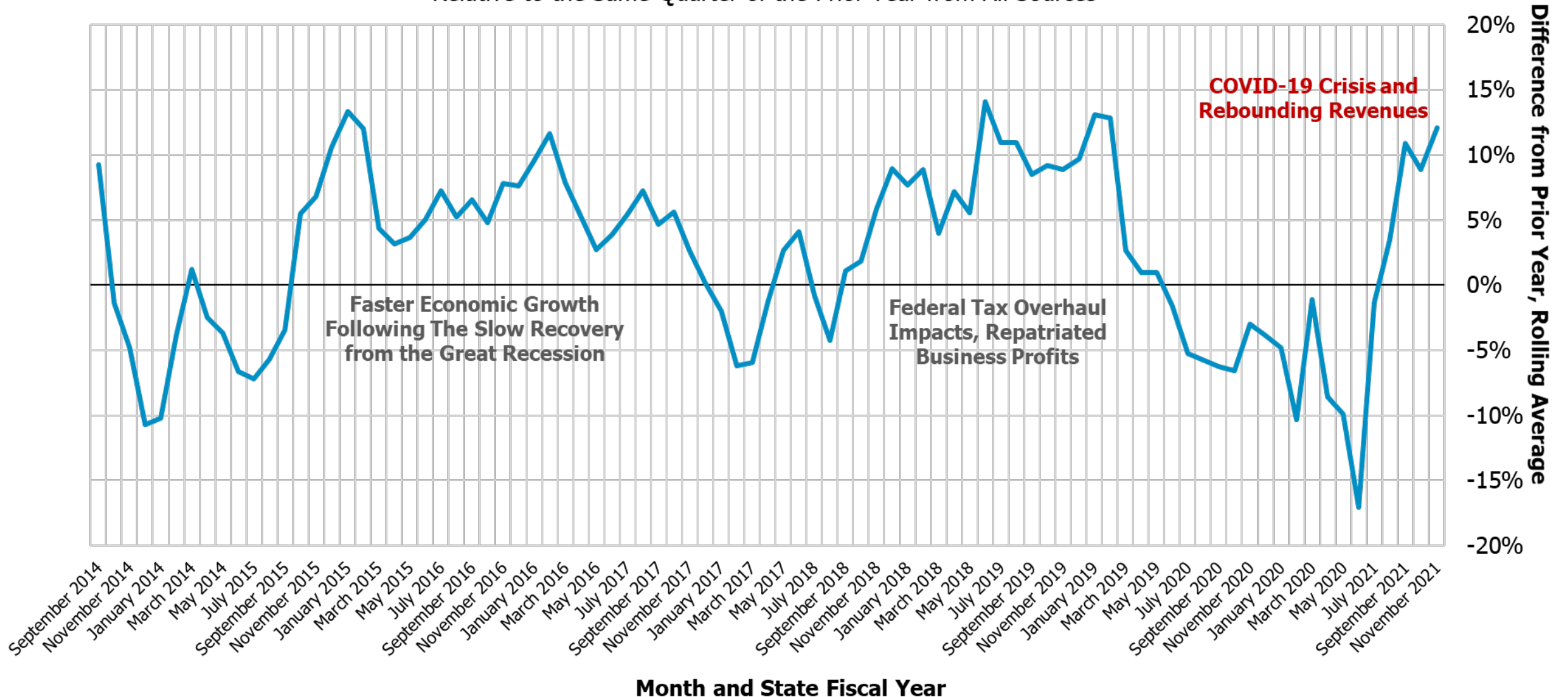
SFY 2019 State-Generated Revenue

Source: NH Comprehensive Annual Financial Report, SFY 2019



Differences in General and Education Trust Funds Monthly Cash Receipts

*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*



**Faster Economic Growth
Following The Slow Recovery
from the Great Recession**

**Federal Tax Overhaul
Impacts, Repatriated
Business Profits**

**COVID-19 Crisis and
Rebounding Revenues**

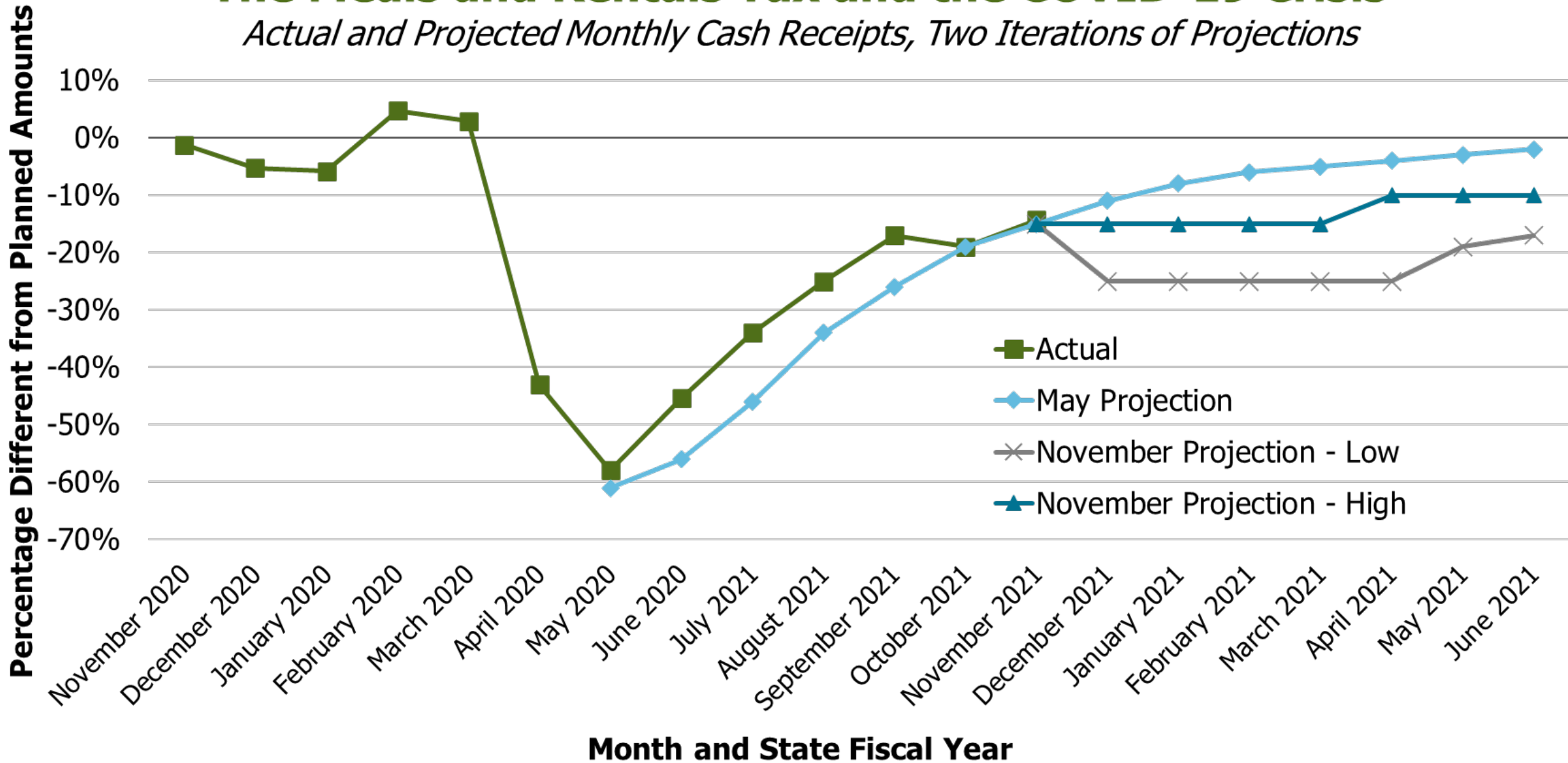
Month and State Fiscal Year

Note: Medicaid Enhancement Tax excluded from historical data.

Sources: NH Department of Administrative Services Monthly Revenue Focus Reports

The Meals and Rentals Tax and the COVID-19 Crisis

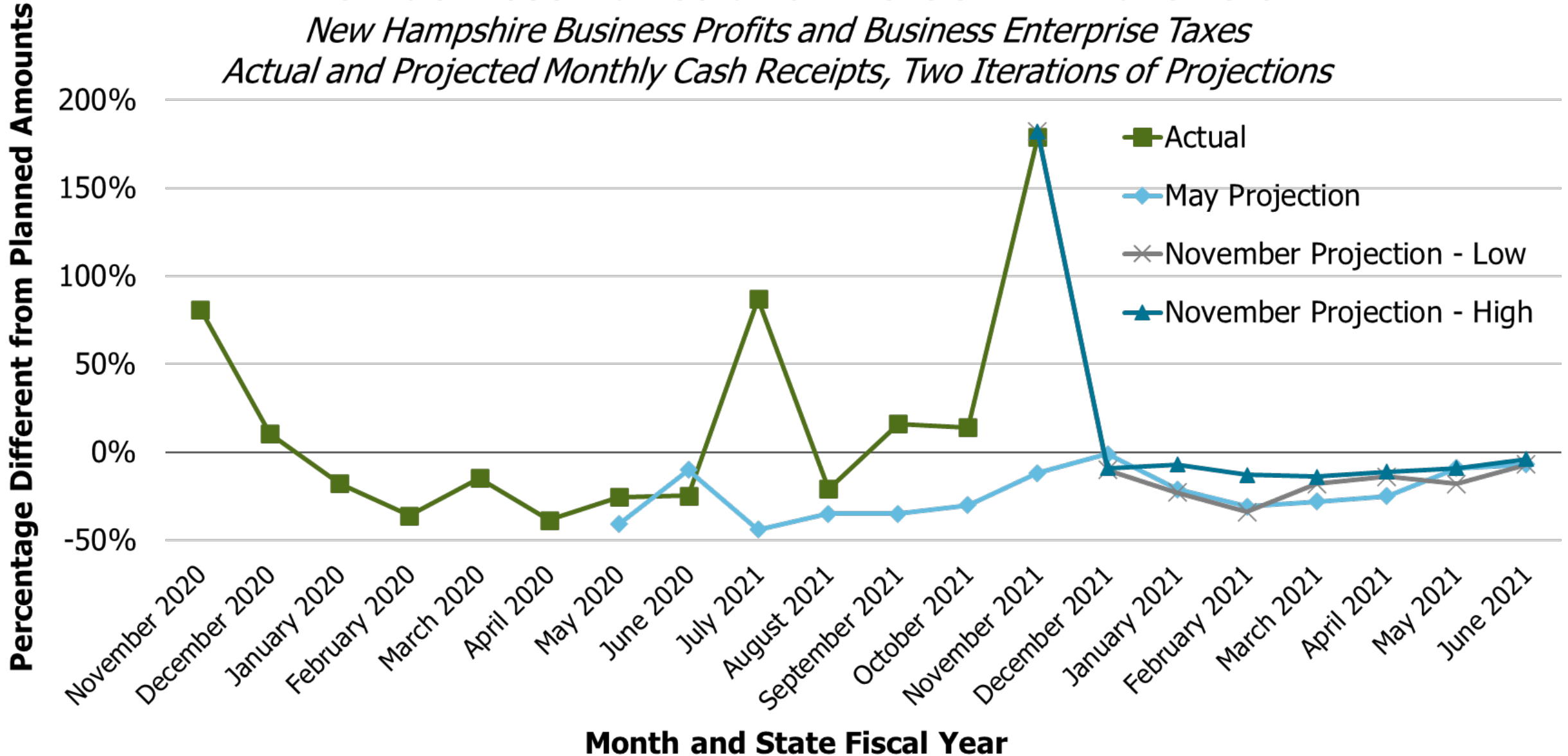
Actual and Projected Monthly Cash Receipts, Two Iterations of Projections



Source: New Hampshire Department of Revenue Administration

The Business Taxes and the COVID-19 Crisis

*New Hampshire Business Profits and Business Enterprise Taxes
Actual and Projected Monthly Cash Receipts, Two Iterations of Projections*

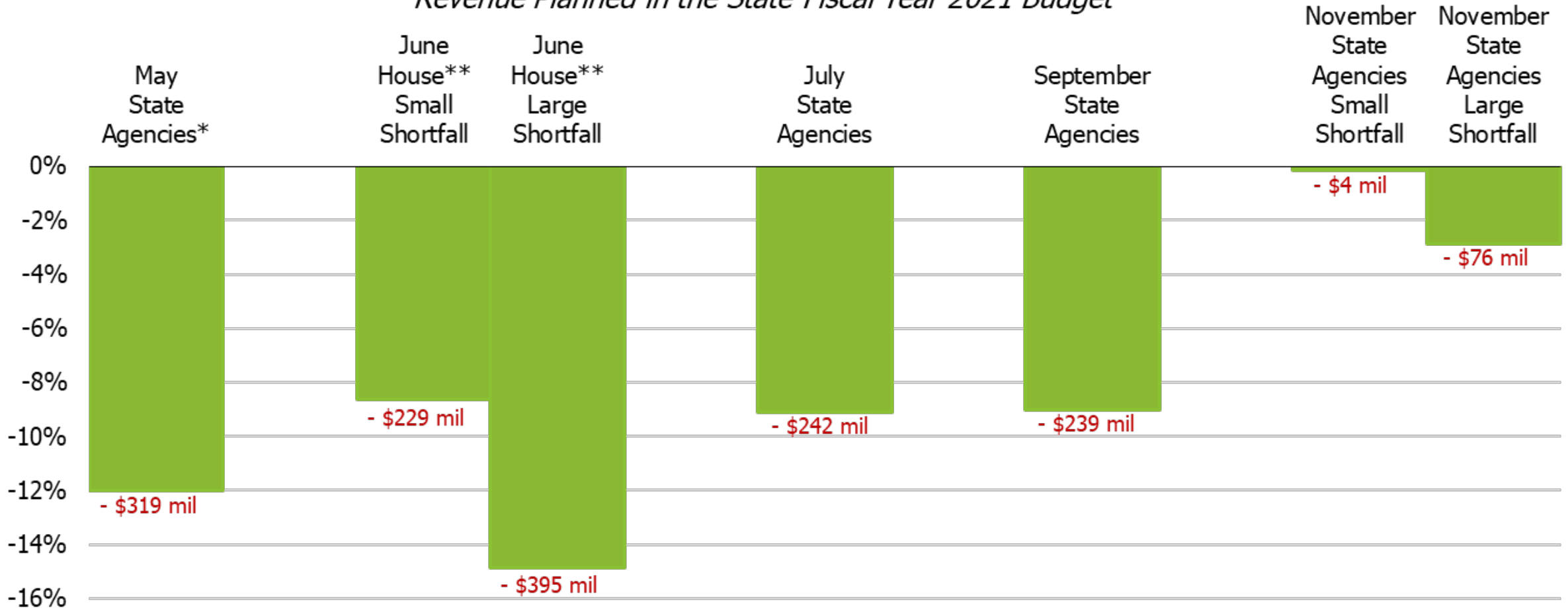


Source: New Hampshire Department of Revenue Administration

Official Revenue Estimates for State Fiscal Year 2021

Projected Revenue Shortfalls in the New Hampshire General and Education Trust Funds Relative to Revenue Planned in the State Fiscal Year 2021 Budget

Shortfall Relative to State Revenue Plan



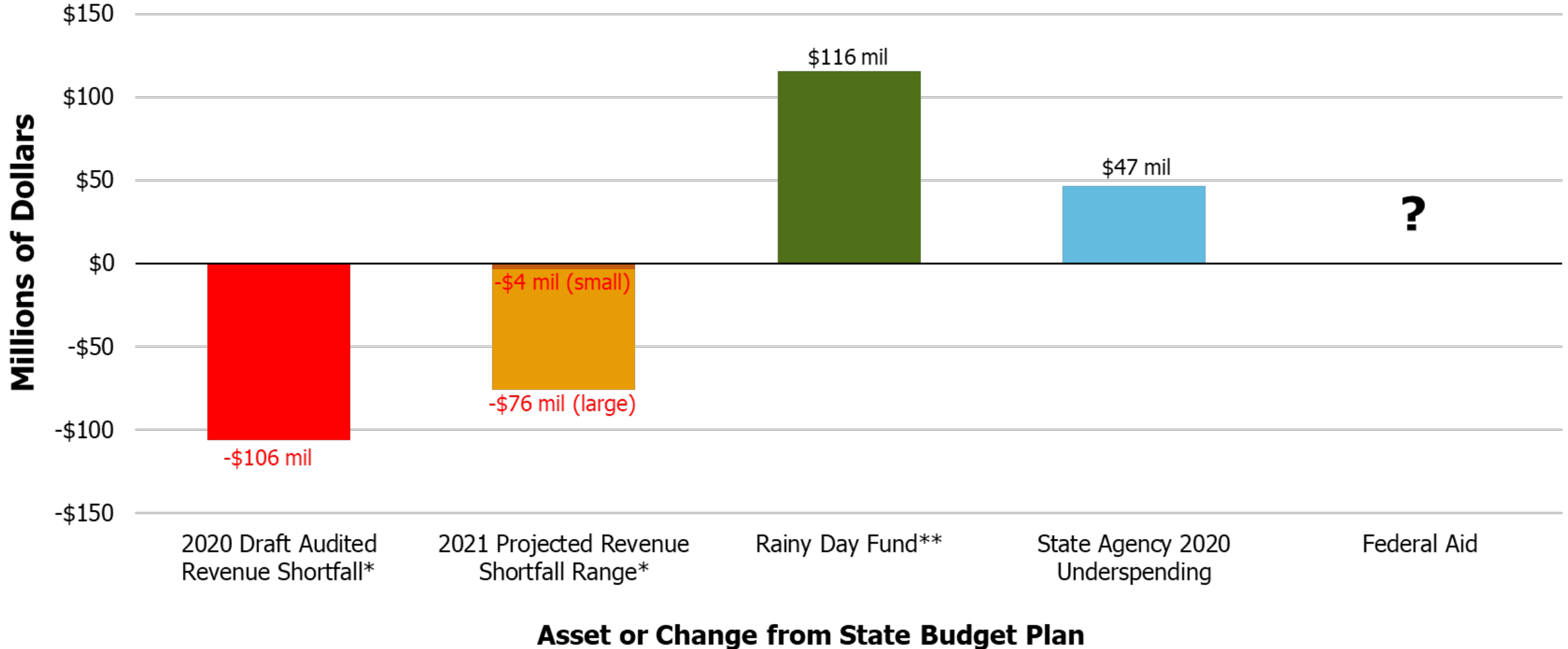
Iteration of Revenue Projection

Notes: *Of the agencies providing estimates, only one agency provided a range, while all others provided point estimates; the average of the estimate totals is provided here. **Estimates from the House Ways and Means Committee.

Source: New Hampshire Office of Legislative Budget Assistant, Revenue Estimate Worksheet, November 18, 2020

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*



Notes: *Preliminary shortfall from the draft Comprehensive Annual Financial Report, with key State agencies estimating State Fiscal Year 2021 shortfalls on a cash basis. **Rainy Day Fund refers to the Revenue Stabilization Reserve Account, balance from the draft Comprehensive Annual Financial Report.

Sources: New Hampshire Office of Legislative Budget Assistant, November 18, 2020 Revenue Estimate Worksheet; New Hampshire Department of Administrative Services; Draft New Hampshire Comprehensive Annual Financial Report, September 30, 2020.

The Great Recession and the State Budget

Revenue Shortfalls and Federal Assistance

- The federal 2009 American Recovery and Reinvestment Act included additional aid for States through Medicaid, to education funding, and other areas (COVID-19-related shortfall aid limited to a smaller increase in federal share of Medicaid)
- While planned General Fund totals declined slightly between the 2008-2009 Budget and the 2010-2011 Budget, total appropriations grew due in large part to federal assistance
- Larger revenue shortfalls in the 2008-2009 Budget than appear to be occurring in the 2020-2021 Budget

Long-Term Impacts

- Federal aid provided less support to the 2012-2013 Budget, which declined by 9 percent relative to prior two-year State Budget; annual State Budget appropriations remained below 2011 levels until 2018
- Long, slow economic recovery that did not reach all Granite Staters equally, low and median wages in New Hampshire were outpaced by inflation during much of the recovery

Note: All years are State Fiscal Years, which begin July 1.

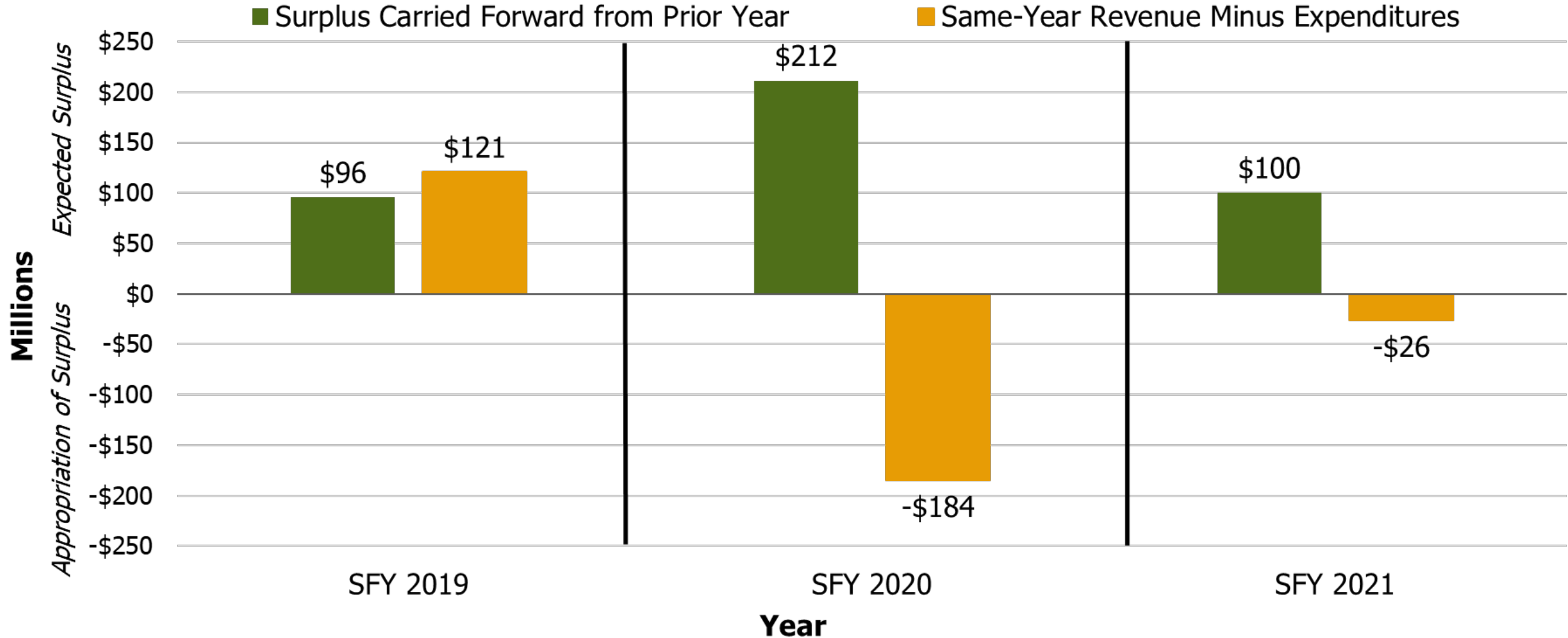
Sources: The Pew Charitable Trusts, *How the Federal Government and States Coordinate in Times of Recession*, September 2019; New Hampshire Office of Legislative Budget Assistant, Operating Budget Documents (reflecting primary budget totals); New Hampshire Department of Administrative Services, Preliminary Accrual Documents; Economic Policy Institute analysis of Current Population Survey-Outgoing Rotation Group data; NHFPI, *The State Budget for Fiscal Years 2018 and 2019*, July 13, 2017.

The Next Budget: Considerations and Complications

- The course of the COVID-19 pandemic
- Federal assistance: More fiscal aid for states? Economic aid to individuals?
- How businesses adapt and respond, important for employment and State revenue
- Does State agency spending relative to the State Budget change when federal aid no longer available after December 30, under current policy?
- As crisis continues, will it be more like a “regular” recession over time?
- Timing flexibility: Current State Budget can end in deficit, policymakers have two years to address needs when most acute, resolve deficits when needs are lower
- Current State Budget relies on surplus funding carried forward from prior budget to fund key components, increases risk to programs even if revenue recovers

Current State Budget Relies on Past Surplus to Balance

*Surplus General and Education Trust Fund Revenues and Expenditures Projected for State Budget
State Fiscal Years 2019, 2020, 2021*



Note: The SFY 2019 appropriations are in addition to a \$5 million allocation to the Rainy Day Fund. The SFY 2020-2021 State Budget projected a General Fund surplus of \$1.188 million to go to the Rainy Day Fund at the end of SFY 2021.

Source: New Hampshire Office of Legislative Budget Assistant, Comparative Statement of Undesignated Surplus, September 25, 2019
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