



THE NEW HAMPSHIRE STATE BUDGET AND EDUCATION FUNDING

PRESENTED BY PHIL SLETTEN, SENIOR POLICY ANALYST

KENT STREET COALITION
FEBRUARY 11, 2021

BASICS OF THE STATE BUDGET

Two-year, or biennial, operating budget

- Funds most State operations for two State fiscal years (SFYs)
- Current State Budget provides funding for SFYs 2020-2021: July 1, 2019 to June 30, 2021
- Approximately \$13 billion in appropriations for SFYs 2020-2021
- Two bills, typically HB 1 (operating budget bill) and HB 2 (“Trailer” bill)

Not all State expenditures are in the State Budget

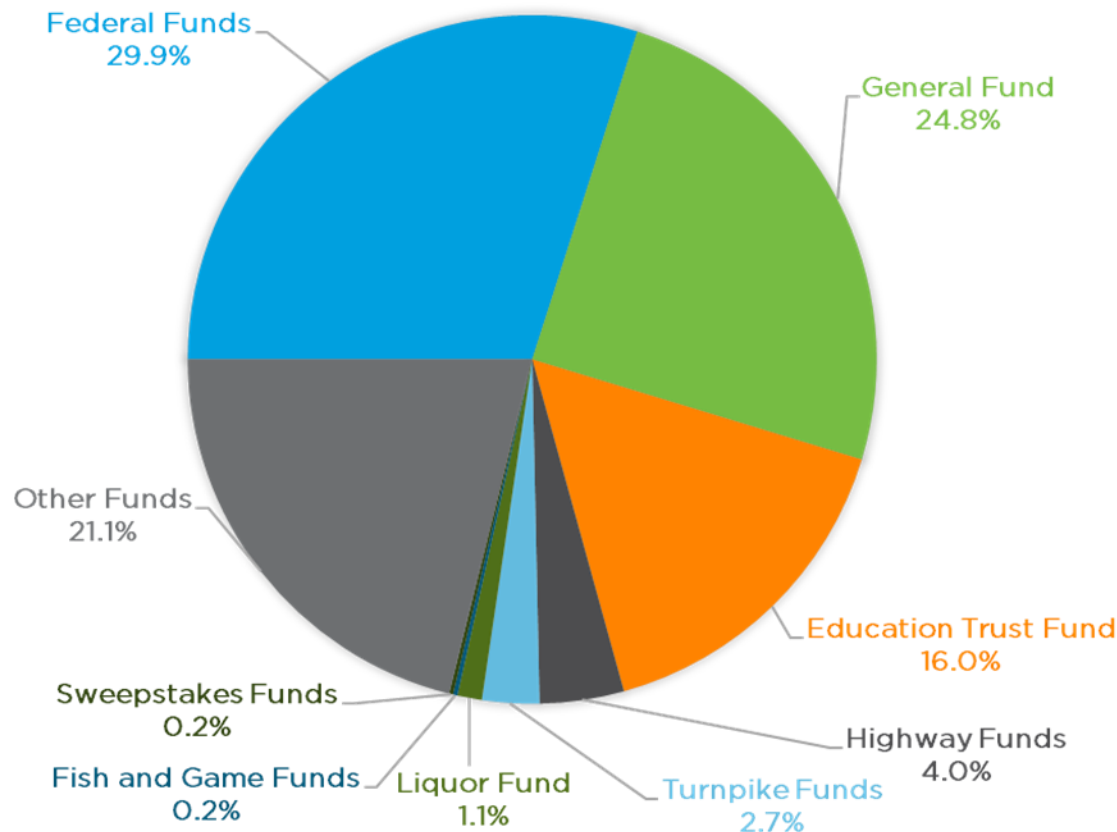
- Capital Budget, covers six years with changes every two years
- Ten Year Transportation Improvement Plan, altered every two years
- Separately authorized expenditures in other bills, including significant ones such as expanded Medicaid
- Federal funds accepted later by the Joint Legislative Fiscal Committee

Sources: NHFPI, *Building the Budget*, February 2017, for more details, as well as the Office of Legislative Budget Assistant, FY 2020-2021 Operating and Capital Budget.

STATE BUDGET FUNDS

NEW HAMPSHIRE, STATE FISCAL YEAR 2021

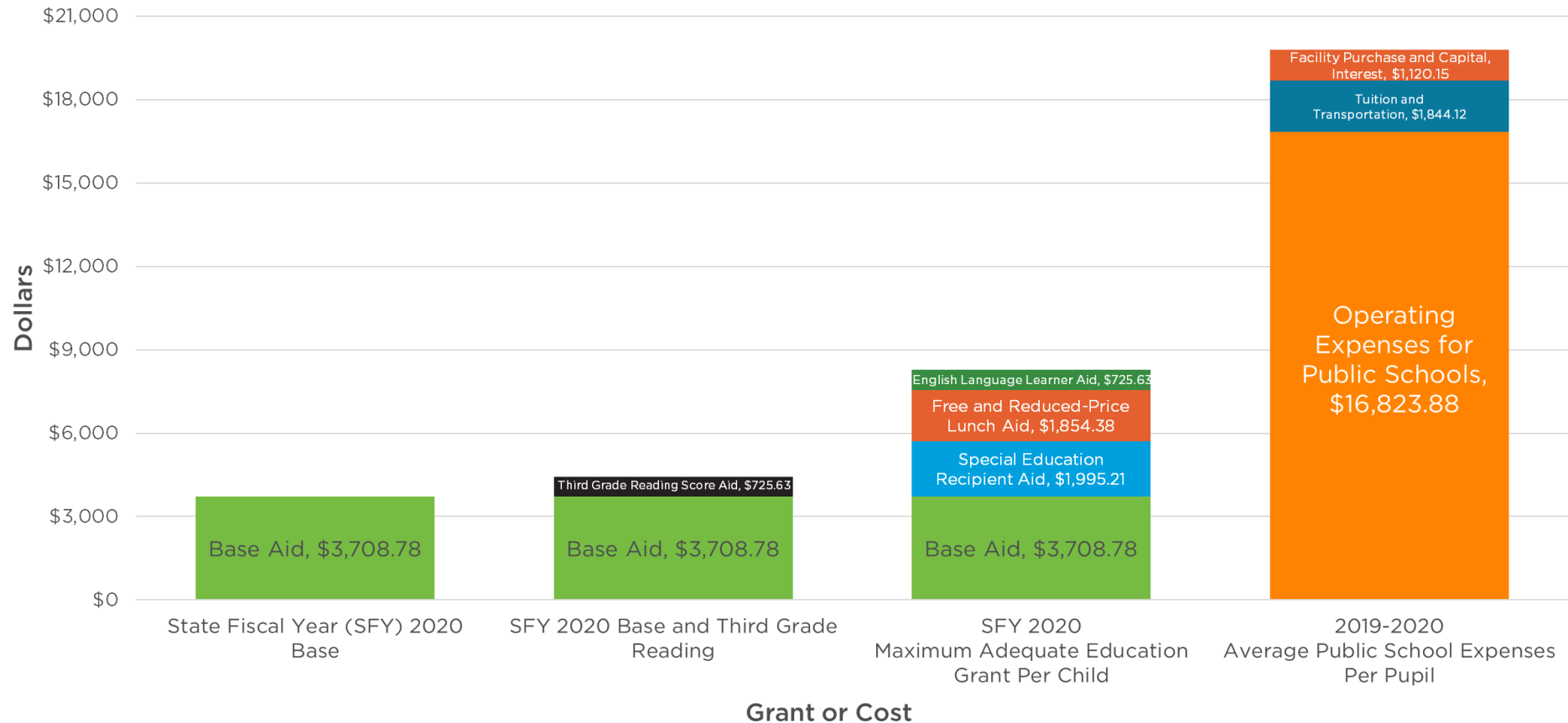
Source: Chapter 345, Laws of 2019



- Funds act like accounts
- Interact with one another
- General Fund most flexible
- Education Trust Fund holds funding for Adequate Education Grants to local public schools
- General Fund fills any Education Trust Fund shortfall
- Lottery revenues dedicated to state education aid to school districts by constitution

EDUCATION GRANT SIZE DEPENDS ON STUDENT, LOWER THAN DISTRICT COSTS

ADEQUATE EDUCATION AID AND SCHOOL COSTS PER STUDENT NEW HAMPSHIRE LOCAL PUBLIC SCHOOLS AND STATE AID

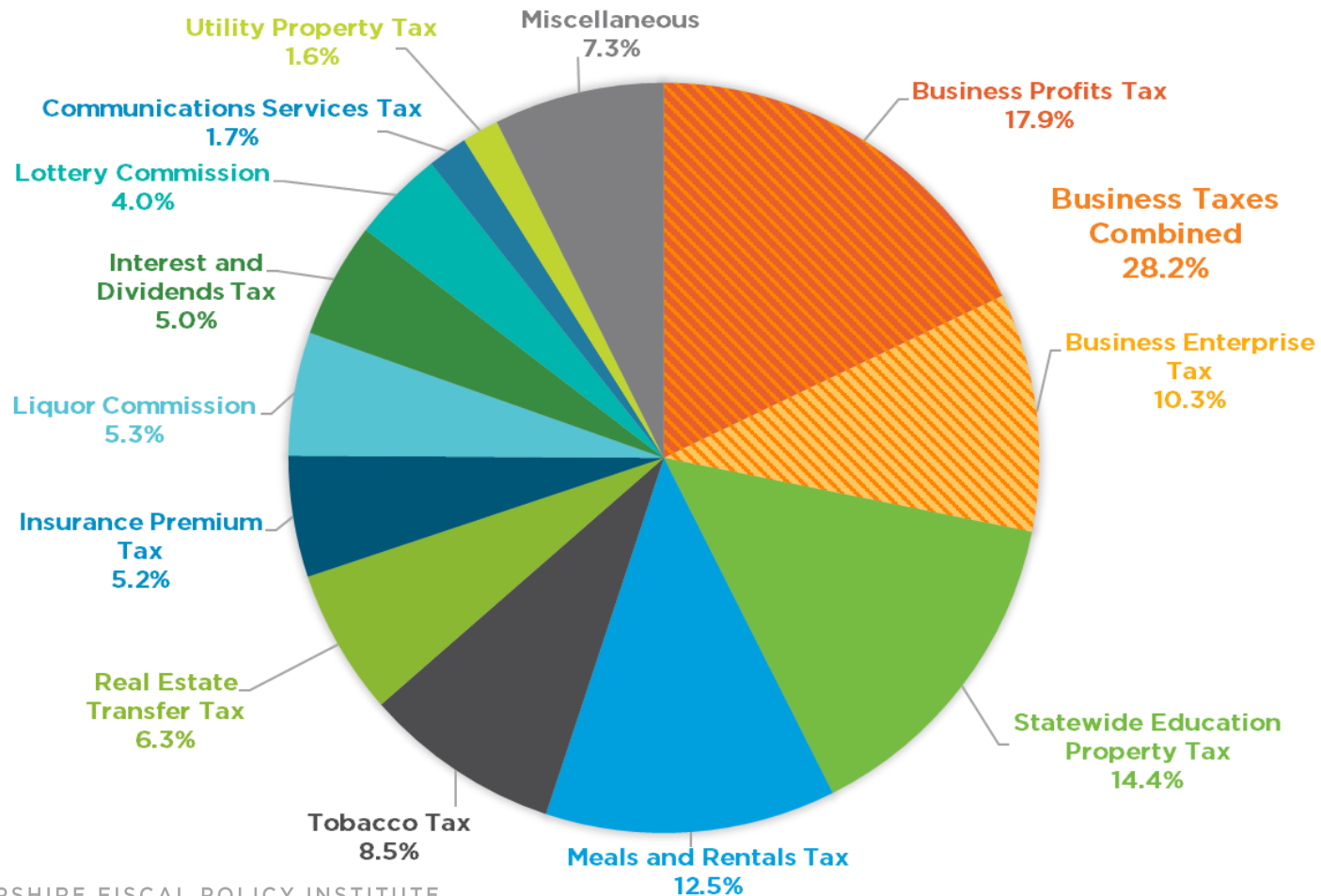


Sources: Office of Legislative Budget Assistant, Fiscal Issue Brief, Calculating Education Grants, January 2019; New Hampshire Department of Education, State Average Cost Per Pupil and Total Expenditures 2019-2020, December 21, 2020.

GENERAL AND EDUCATION TRUST FUNDS REVENUE SOURCES

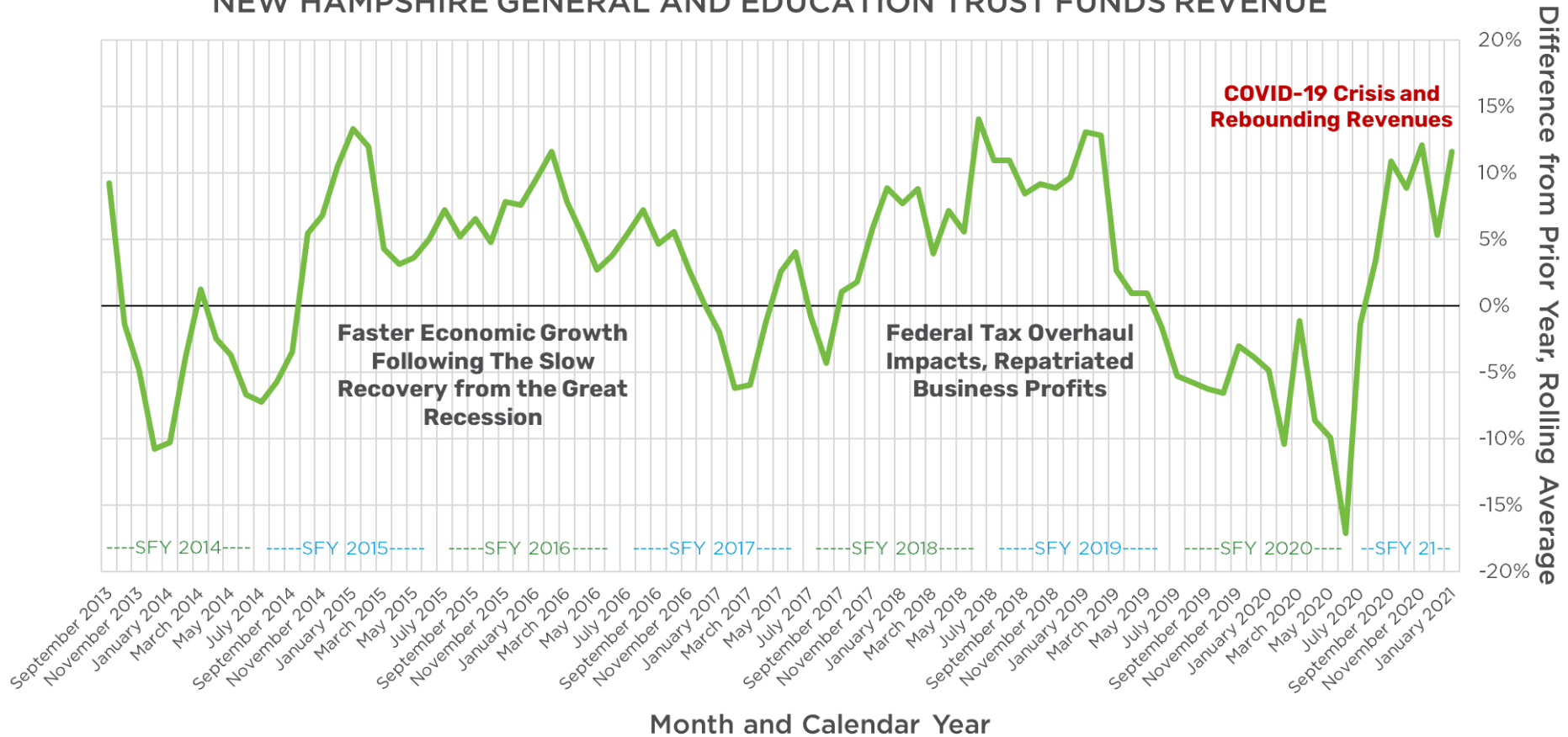
STATE FISCAL YEAR 2020

Source: New Hampshire Comprehensive Annual Financial Report, SFY 2020



REVENUE REBOUND FOLLOWING DROP

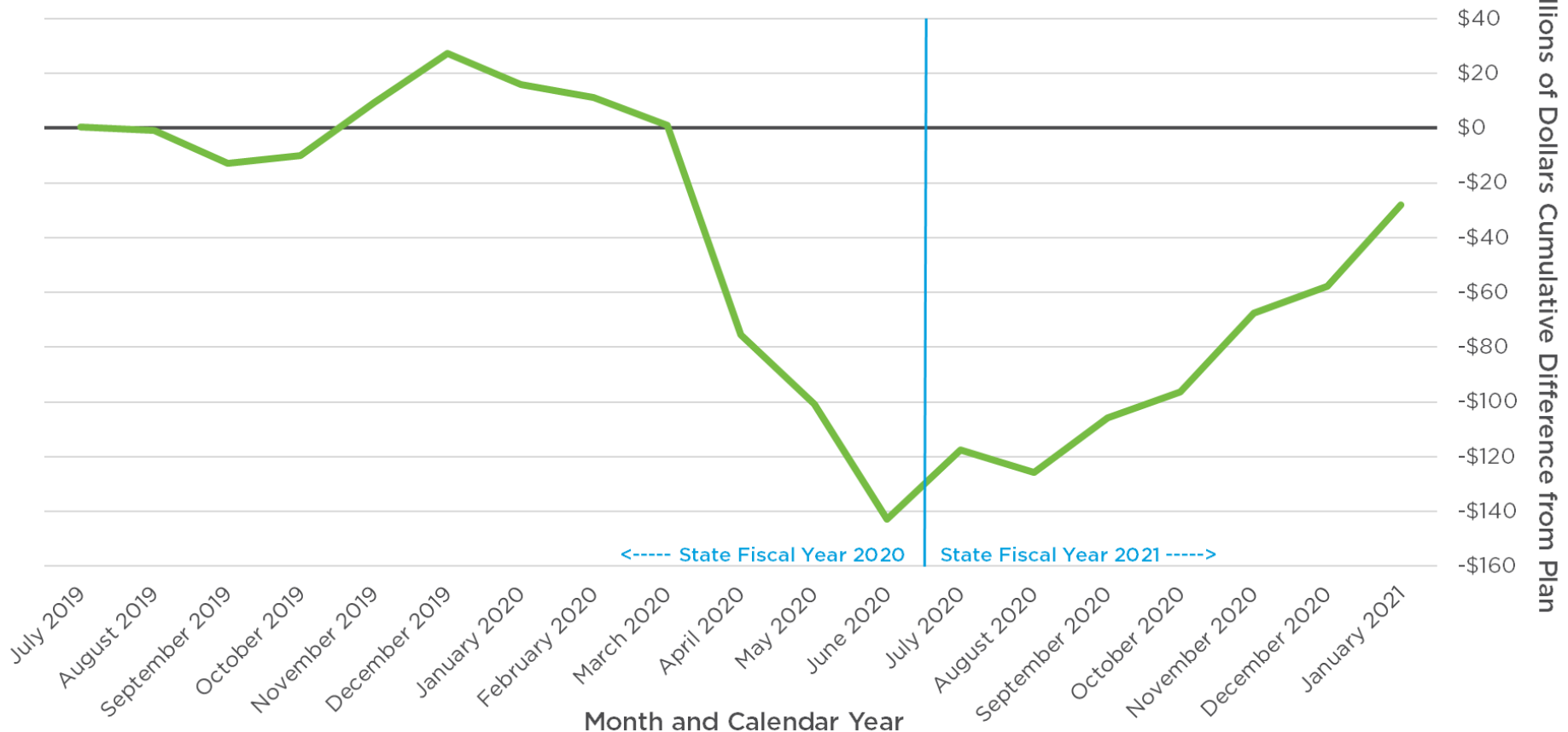
ANNUAL CHANGE IN THREE-MONTH ROLLING AVERAGES OF NEW HAMPSHIRE GENERAL AND EDUCATION TRUST FUNDS REVENUE



Note: Medicaid Enhancement Tax excluded from data. Analysis of revenues on a cash basis. State fiscal year (SFY) also shown.
Sources: New Hampshire Department of Administrative Services Monthly Revenue Focus Reports

UNAUDITED CASH RECEIPTS IN BIENNIUM CLOSE TO A BALANCED BUDGET

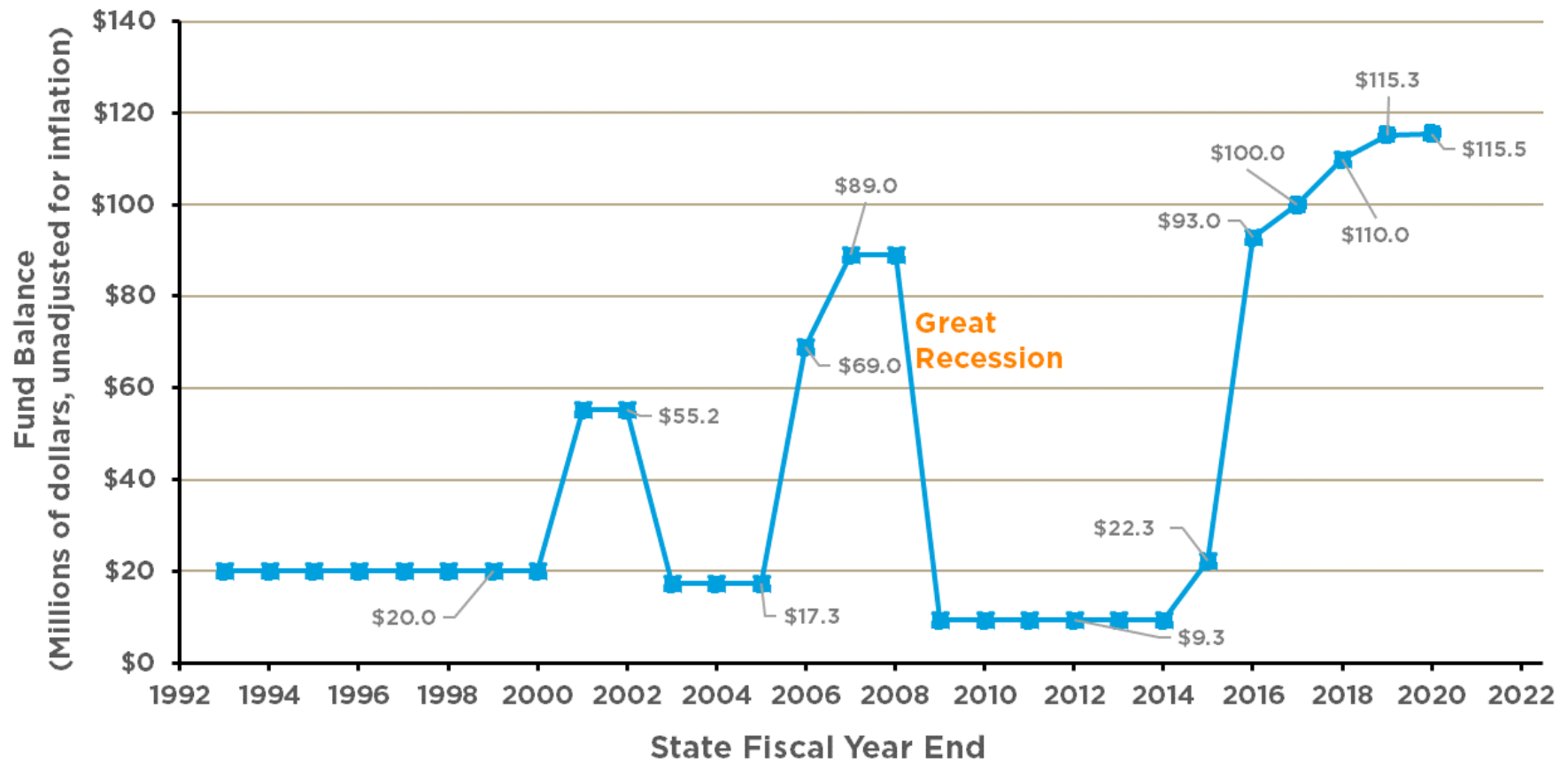
NEW HAMPSHIRE GENERAL AND EDUCATION TRUST FUNDS MONTHLY UNAUDITED CASH RECEIPTS IN CURRENT STATE BUDGET



Source: New Hampshire Department of Revenue Administration Monthly Revenue Focus Reports

THE RAINY DAY FUND

REVENUE STABILIZATION RESERVE ACCOUNT (IN MILLIONS)

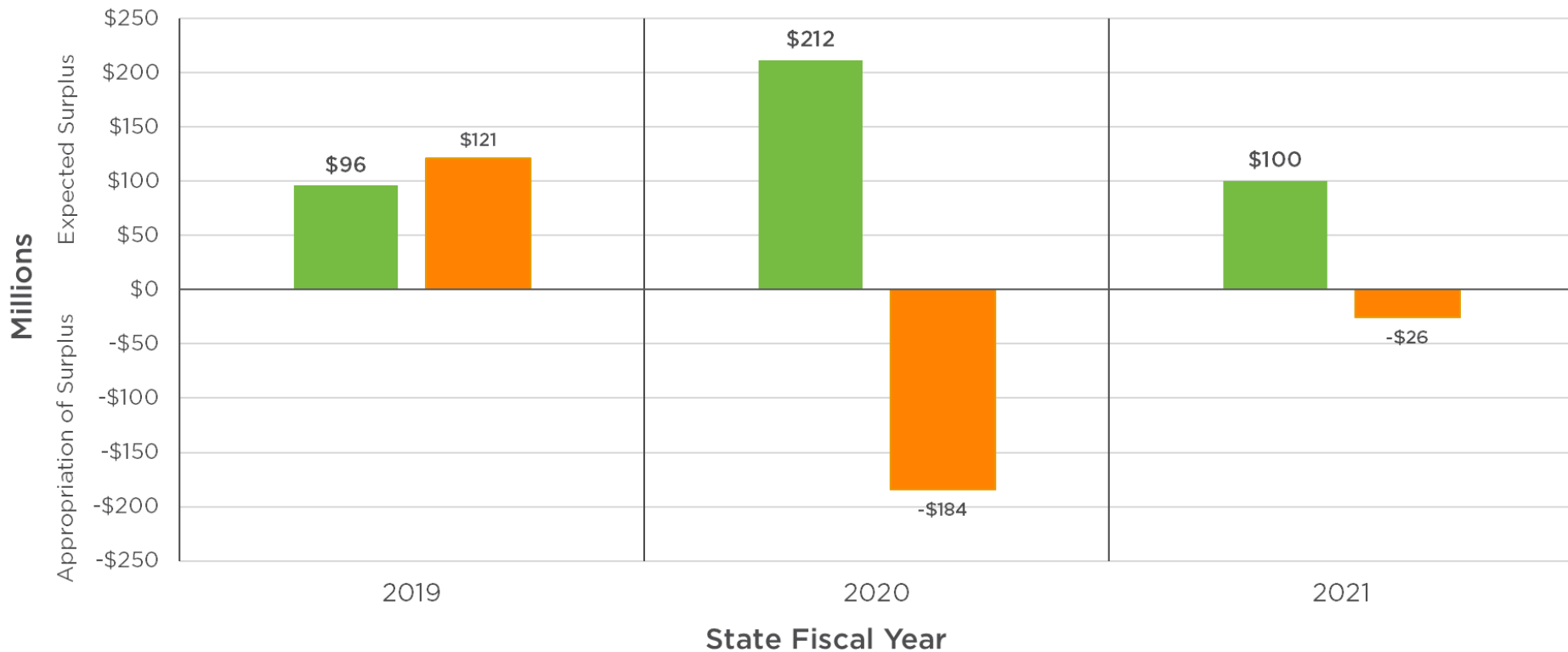


Sources: New Hampshire Comprehensive Annual Financial Reports, SFYs 2019-1997; *LBA Snapshot: Preliminary Analysis of FY 2021 Surplus/(Deficit), General and Education Trust Funds*, 12/15/20

CURRENT BUDGET RELIES ON PAST SURPLUS TO FUND SERVICES

SURPLUS GENERAL AND EDUCATION TRUST FUND REVENUES AND EXPENDITURES
PROJECTED FOR STATE BUDGET STATE FISCAL YEARS 2019, 2020, 2021

■ Surplus Carried Forward from Prior Year ■ Same-Year Revenue Minus Expenditures



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 be allocated 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

SIGNIFICANT NEW LOCAL ASSISTANCE IN CURRENT STATE BUDGET

Education Aid

- In total, an additional \$139 million was added in Adequate Education Aid in the current State Budget relative to policy from the previous State Budget
- Continuing policy: increase to Stabilization Grants of \$56.6 million
- Continuing policy: funding full-day kindergarten at same levels as other students
- One-time aid: more resources for communities with lower Equalized Valuations Per Pupil, or less taxable property wealth per student, totaling \$50.0 million
- One-time aid: communities with higher concentrations of free and reduced-price school meal-eligible, or low income, students, totaling \$12.5 million
- Additional School Building and non-formula Special Education Aid

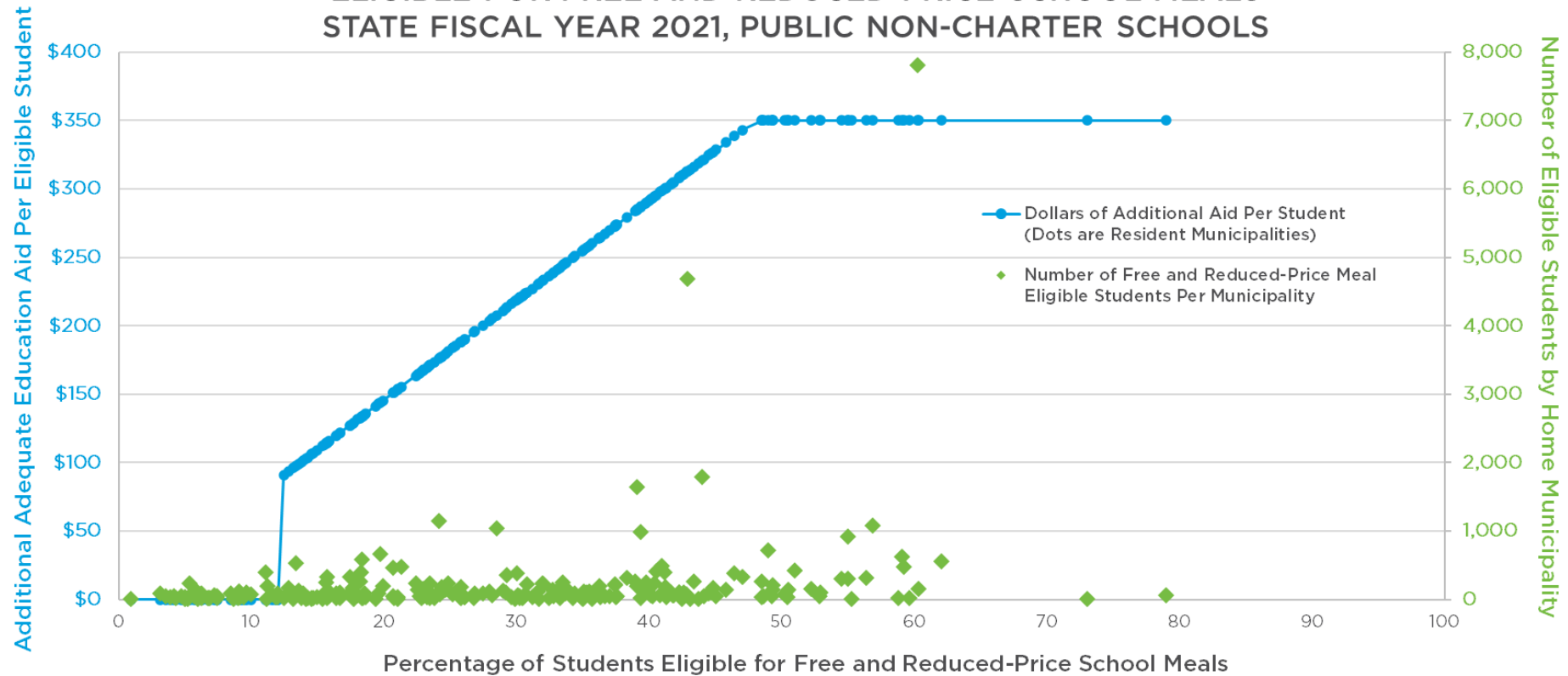
Municipal Aid

- \$40 million in unrestricted, one-time aid during biennium to municipalities
- Additional aid for environmental grants, law enforcement

Sources: NHFPI, *The State Budget for Fiscal Years 2020 and 2021*, Dec. 2019; Office of Legislative Budget Asst., *Comparison of Education Funding*, Sep. 2019.

CURRENT BUDGET DIRECTS AID TO DISTRICTS WITH MORE LOW-INCOME STUDENTS

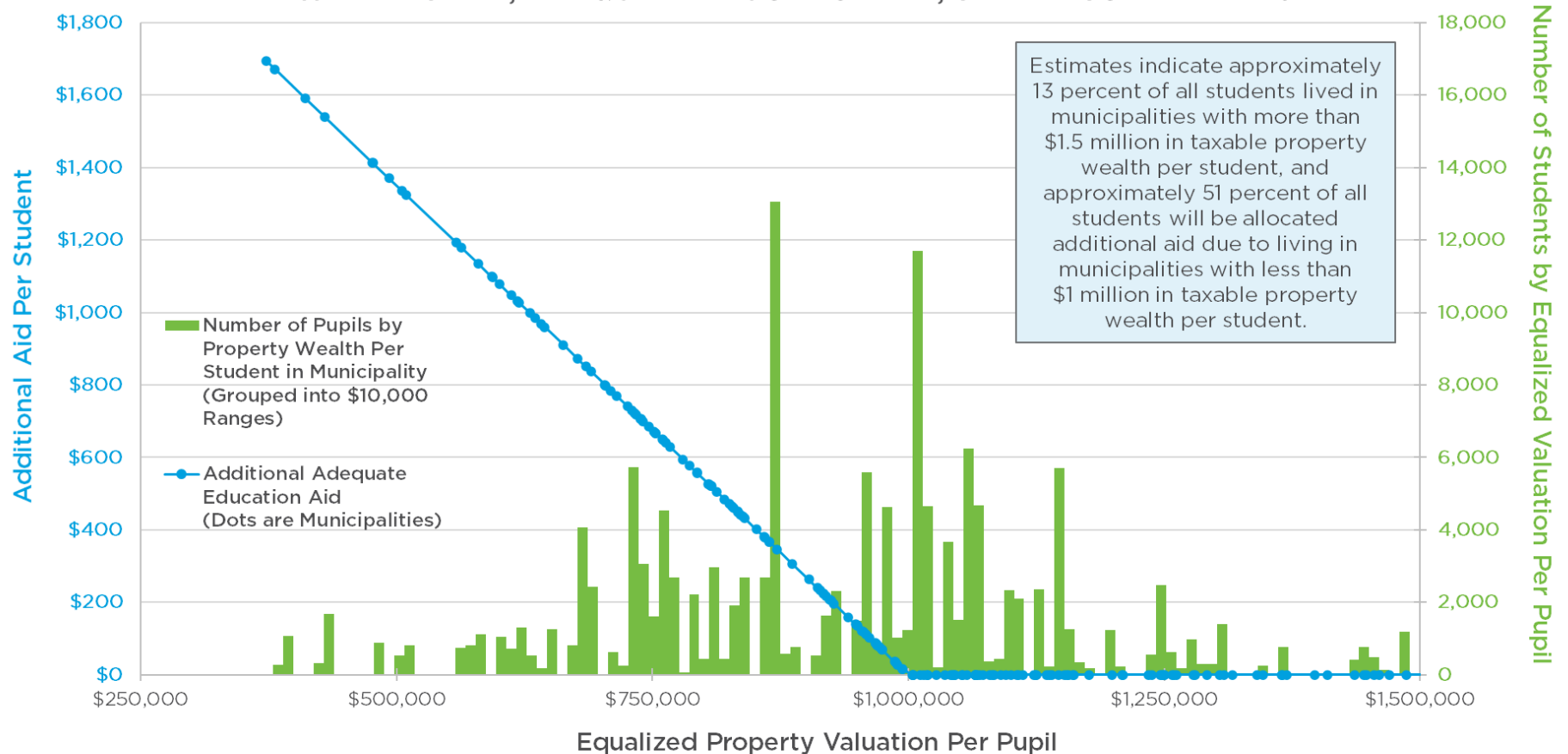
ADDITIONAL AID PER STUDENT BASED ON PERCENT FROM MUNICIPALITY
ELIGIBLE FOR FREE AND REDUCED-PRICE SCHOOL MEALS
STATE FISCAL YEAR 2021, PUBLIC NON-CHARTER SCHOOLS



Sources: New Hampshire Office of Legislative Budget Assistant; Chapter 346, Laws of 2019;
New Hampshire Department of Education, Estimated FY2021 Municipal Summary of Adequacy Aid, November 15, 2019
Note: Counts of students based on November 15, 2019 estimate of enrollment students based on their municipality of residence.

CURRENT BUDGET DIRECTS AID TO DISTRICTS WITH LESS RELATIVE PROPERTY WEALTH

ADDITIONAL AID PER STUDENT BASED ON PROPERTY WEALTH PER STUDENT
NEW HAMPSHIRE, ADEQUATE EDUCATION AID, STATE FISCAL YEAR 2021



Sources: New Hampshire Office of Legislative Budget Assistant; Chapter 346, Laws of 2019; New Hampshire Department of Education; New Hampshire Department of Revenue Administration.

PROPOSALS TO REDUCE REVENUE

Business Profits Tax and Business Enterprise Tax

- Reduce BPT to 7.5 percent by 2022 (currently 7.7 percent)
- Reduce BET to 0.5 percent by 2022 (currently 0.6 percent)
- Step down rates by half of full decline in tax years 2021 and 2022
- Effects are uncertain, but estimated to be \$78.4 million reduction in revenue during SFYs 2022-2023 budget biennium, \$5.9 million before biennium begins

Interest and Dividends Tax

- Raising thresholds over time, eliminating tax in five years
- Estimated revenue reduction of \$15.1 million during SFYs 2022-2023
- Generated \$125.7 million in SFY 2020

Meals and Rentals Tax changes in State Budget

RETURNS ON INVESTMENT FROM CERTAIN POLICIES

Fiscal Stimulus Multipliers, First Quarter of 2009

Estimates of One-Year Change in Size of the Economy (Gross Domestic Product) for \$1.00 Change in Selected Federal Expenditure or Tax Changes	
Selected Policy Change Analyzed	Economic Growth Per \$1 Invested
Temporary Increase in Supplemental Nutrition Assistance Program Benefits	\$1.74
Temporary Federal Financing of Work-Share Programs	\$1.69
Extension of Unemployment Insurance Benefits	\$1.61
Increase in Infrastructure Spending	\$1.57
General Aid to State Governments	\$1.41
Child Tax Credit*	\$1.38
Payroll Tax Holiday for Employees	\$1.27
Earned Income Tax Credit*	\$1.24
Low Income Home Energy Assistance Program	\$1.13
Payroll Tax Holiday for Employers	\$1.05
Temporary Across-The-Board Tax Cut	\$1.02
Making Permanent Existing Reductions in Dividend and Capital Gains Taxes	\$0.39
Permanent Reduction in Corporate Tax Rate	\$0.32

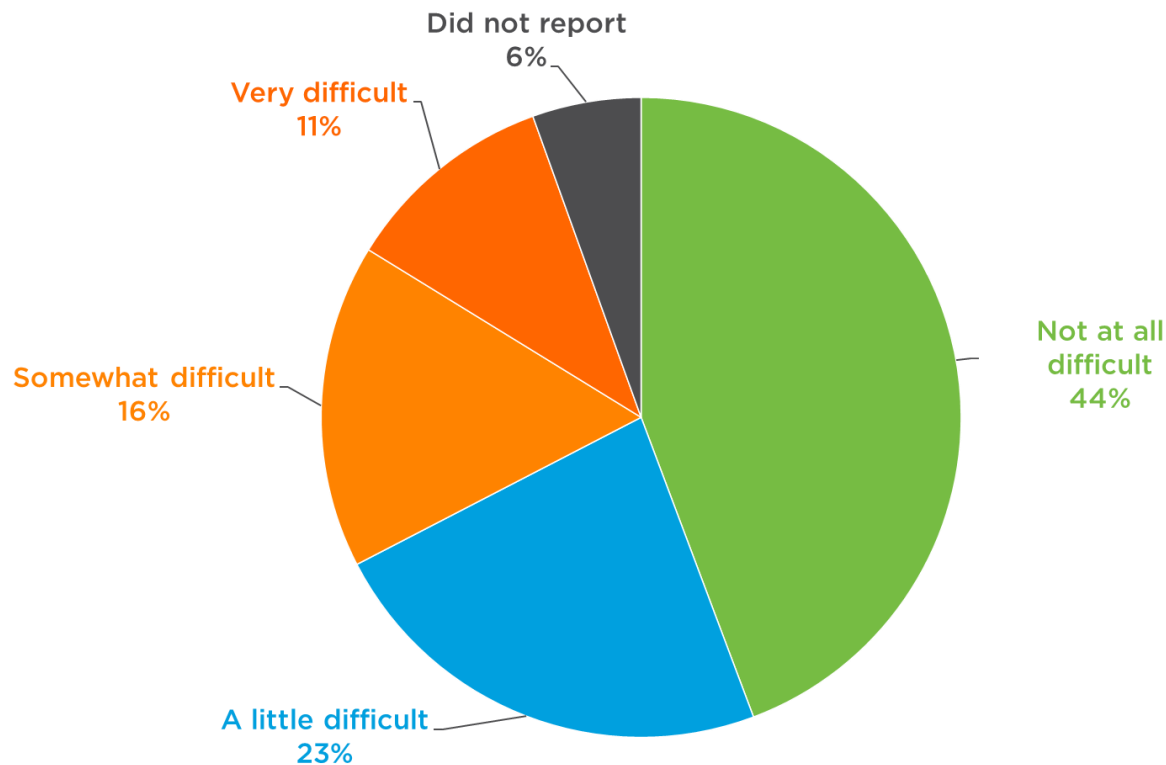
*Note: Evaluated relative to the parameters of the federal 2009 American Recovery and Reinvestment Act.

Source: Moody's Analytics, published by the Center on Budget and Policy Priorities, *The Financial Crisis: Lessons for the Next One*, October 15, 2015.

COVID-19 CRISIS: HOUSEHOLD FINANCES

DIFFICULTY PAYING FOR USUAL HOUSEHOLD EXPENSES IN THE PREVIOUS SEVEN DAYS

In New Hampshire, from January 6 to January 18, 2021



Note: Estimates derived from Week 22 of the Household Pulse Survey, representing the total population age 18 years and older in New Hampshire.
Source: U.S. Census Bureau, Household Pulse Survey, accessed January 27, 2021

STATE REVENUES: HIGH-INCOME INDIVIDUALS KEY TO I&D TAX

NEW HAMPSHIRE INTEREST AND DIVIDENDS TAX FILERS BY INCOME AND TAX PAID, TAX YEAR 2018

Taxable Interest and Dividend Income of At Least:	Percentage of Filers	Percentage of Total Tax Revenue Paid
\$5,000,000	0.02%	6.69%
\$2,000,000	0.12%	15.93%
\$1,000,000	0.32%	24.10%
\$200,000	2.40%	48.99%
\$20,000	25.07%	89.04%
\$10,000	38.54%	95.09%
\$20	79.69%	100.00%
\$0	100.00%	100.00%
Total Filers/Revenue	66,284	\$105,888,793

Source: New Hampshire Department of Revenue Administration, 2020 Annual Report

TAKEAWAYS

- Budget shortfall smaller than anticipated in the early days of the pandemic, and State Budget may even end balanced
- Reliance on past surplus in current State Budget significant
- Needs likely to be higher, especially early, in the new State Budget biennium; deficits can be offset late with revenue/spending adjustments
- Certain policies, such as aid to individuals and supporting public services, more effective economic stimulus than others
- Significant amounts of education aid are ongoing, while others were designed to be one-time in current State Budget
- Additional assistance in current State Budget focused on communities with many low-income students, less relative taxable property value
- Proposals to reduce revenue would limit ability to fund State services and assistance to local governments
- Recession has impacted those with the fewest resources most severely, and policy can help build an equitable, inclusive, and sustainable recovery

ADDITIONAL RESOURCES

- Issue Brief: Designing a State Budget to Meet New Hampshire's Needs During and After the COVID-19 Crisis – February 8, 2021
<https://nhfpi.org/resource/designing-a-state-budget-to-meet-new-hampshires-needs-during-and-after-the-covid-19-crisis/>
- Presentation: New Hampshire's Economy, Household Finances, and State Revenues – January 20, 2021
<https://nhfpi.org/resource/new-hampshires-economy-household-finances-and-state-revenues/>
- Publication: Building the Budget: New Hampshire's State Budget Process and Recent Funding Trends – February 9, 2017
<https://nhfpi.org/resource/building-the-budget-new-hampshires-state-budget-process-and-recent-funding-trends/>
- Resource Page: Budget
<https://nhfpi.org/topic/budget/>



ADDRESS: 100 North Main Street, Suite 400, Concord, NH 03301

PHONE: 603.856.8337

WEBSITE: www.nhfpf.org

EMAIL: info@nhfpf.org

TWITTER: @NHFPI

FACEBOOK: NewHampshireFiscalPolicyInstitute