



NEW HAMPSHIRE'S STATE BUDGET: THE GOVERNOR'S PROPOSAL FOR STATE FISCAL YEARS 2022-2023

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CRITICAL PERIOD FOR PUBLIC SERVICES

Unusual, fast-changing economic times

- Number of employed New Hampshire residents dropped by an estimated 22 percent from mid-February to mid-April of 2020
- Substantial recovery, but still about 26,000 fewer New Hampshire residents working during January 2021 versus January 2020

Uneven impacts, disproportionately on more vulnerable

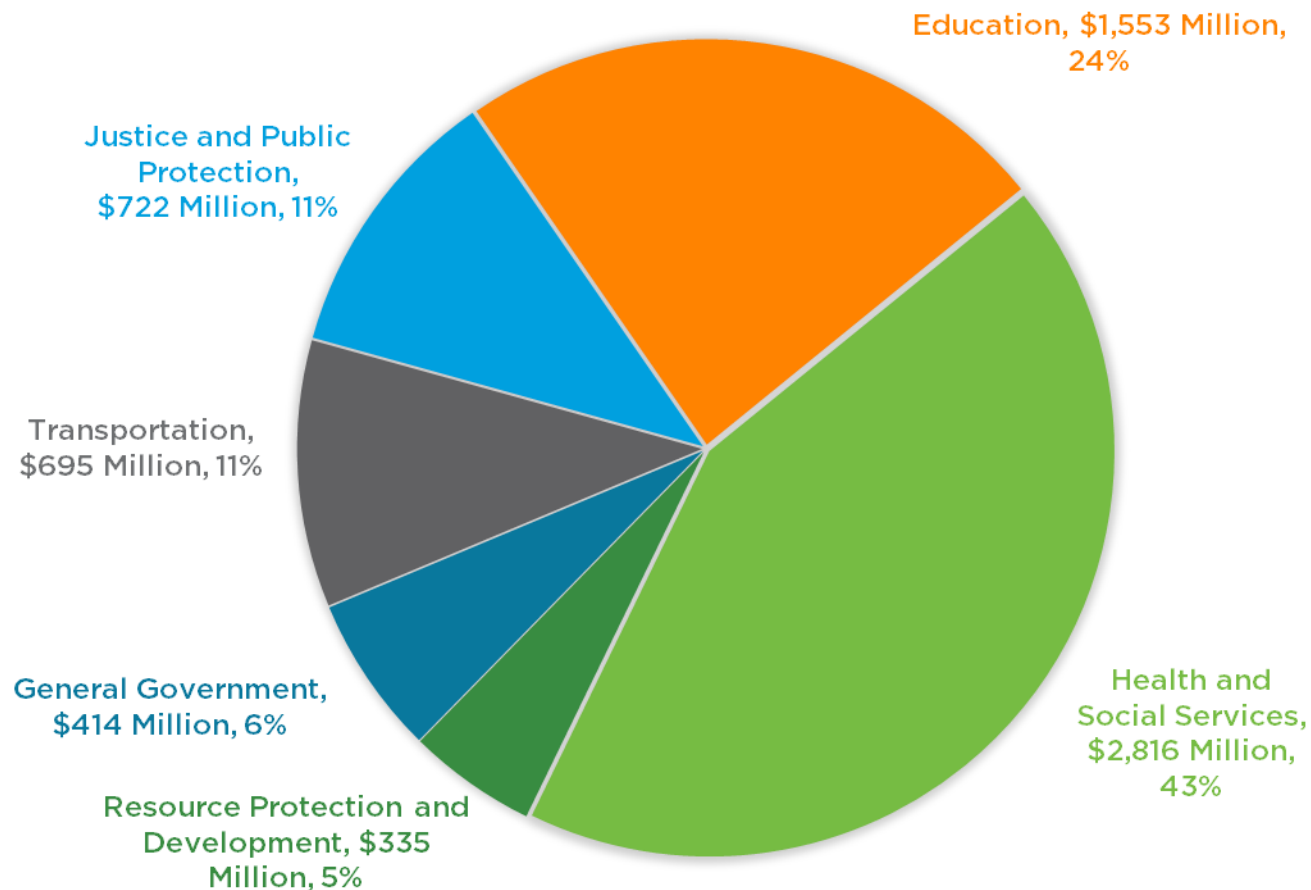
- Low-income workers and households more likely to lose employment, after slow recovery from Great Recession
- In-person services bring greater risk, including low-wage service work, in-home and community-based supports
- More resources and care needed to make congregate or dense housing situations, long-term care facilities safer for residents

Sources: New Hampshire Employment Security, GraniteStats; NHFPI, Designing a State Budget to Meet New Hampshire's Needs During and After the COVID-19 Crisis, February 2021; NHFPI, Challenges Facing New Hampshire's Workers and Economy During the COVID-19 Crisis, September 2020; NHFPI, New and Expanded Challenges Facing Vulnerable Populations in New Hampshire, September 2020

STATE BUDGET APPROPRIATIONS BY CATEGORY

NEW HAMPSHIRE, STATE FISCAL YEAR 2021

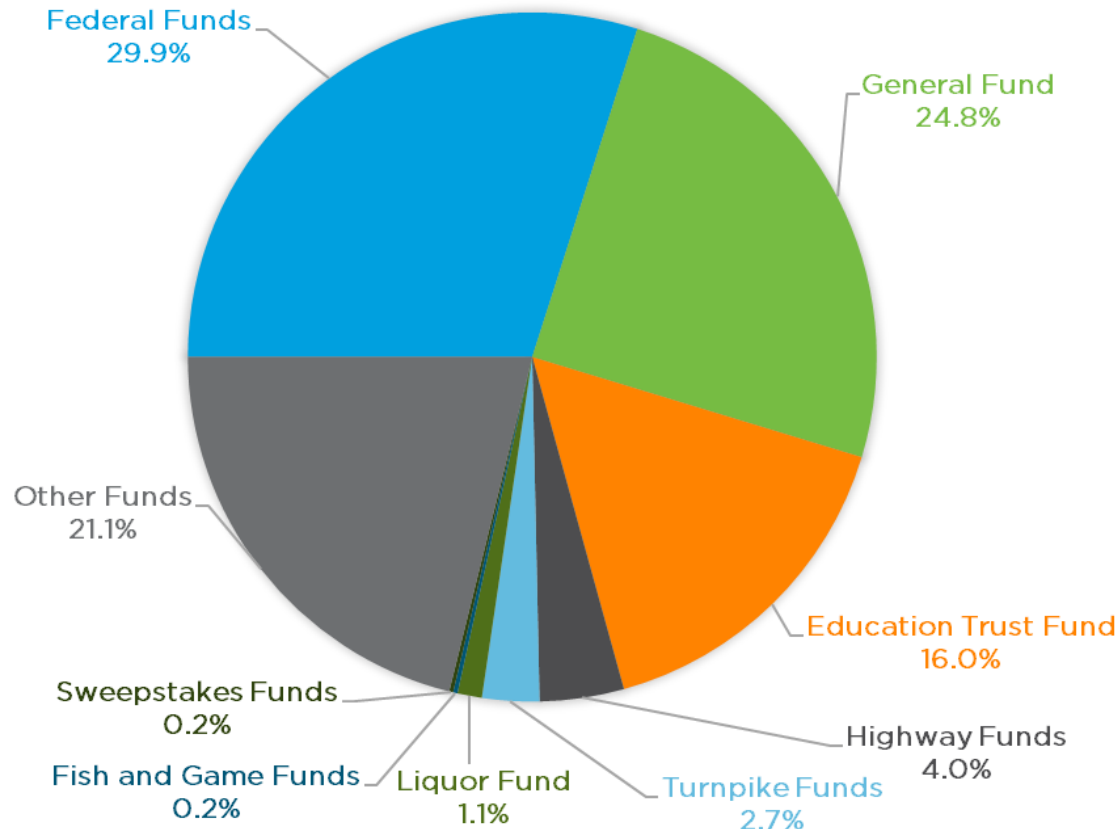
Source: Chapter 345, Laws of 2019



STATE BUDGET FUNDS

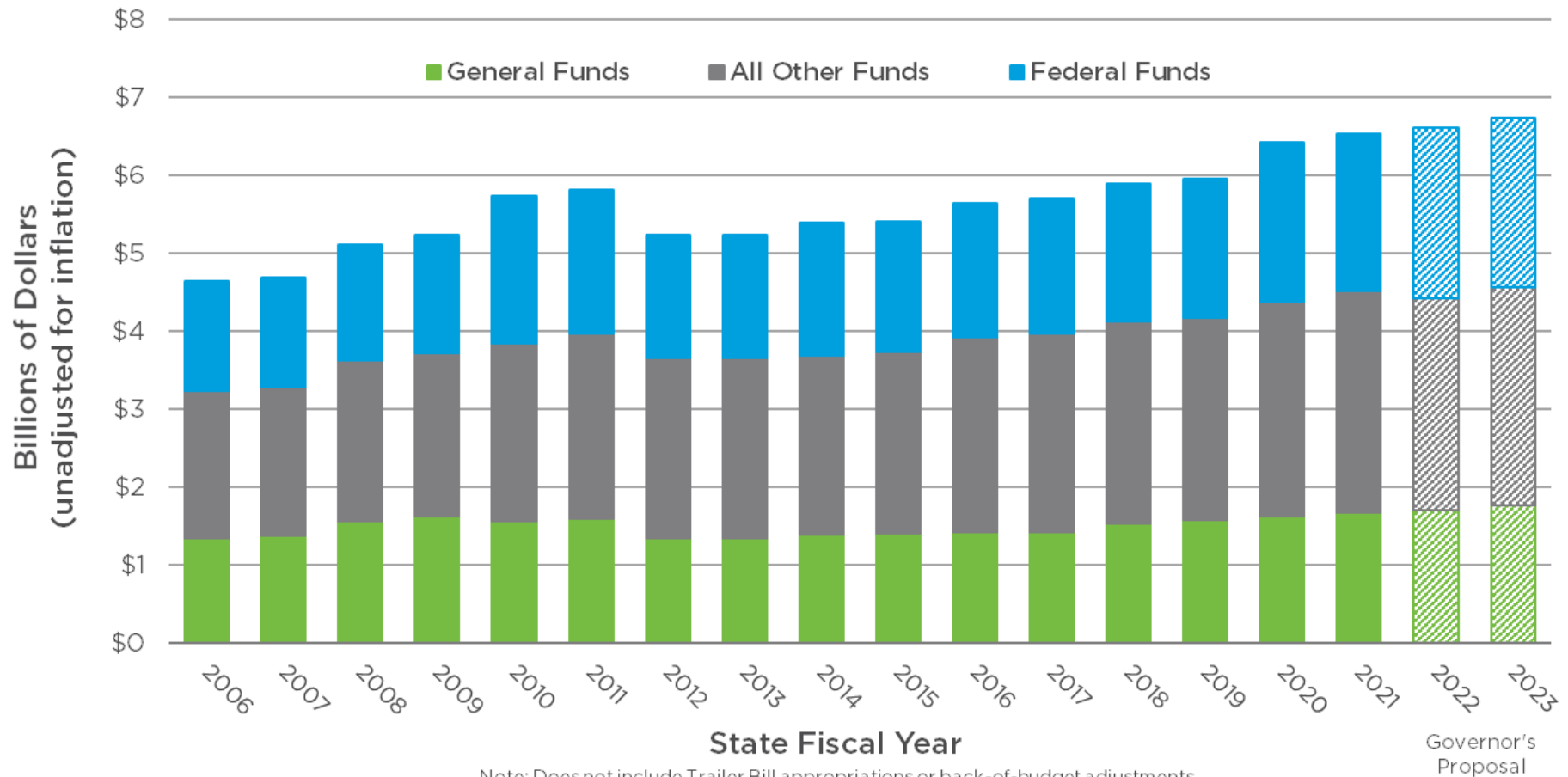
NEW HAMPSHIRE, STATE FISCAL YEAR 2021

Source: Chapter 345, Laws of 2019



- Funds act like accounts
- Interact with one another
- General Fund most flexible
- General Fund fills any Education Trust Fund shortfall
- Lottery revenues dedicated to state education aid to school districts by constitution
- Gasoline, motor vehicle tax and fee revenues constitutionally-protected
- Others protected by statute

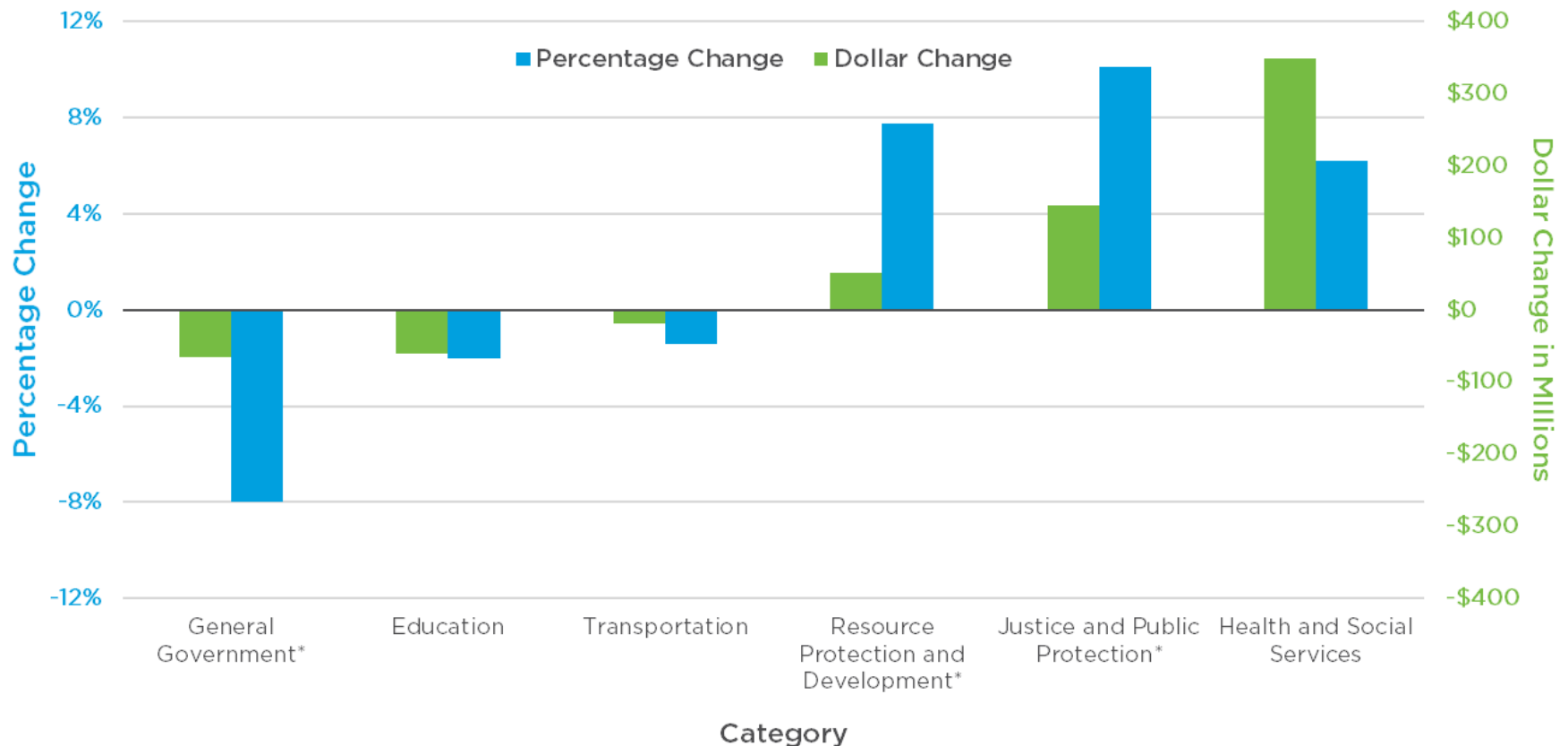
GOVERNOR WOULD INCREASE APPROPRIATIONS OVERALL



Note: Does not include Trailer Bill appropriations or back-of-budget adjustments.
 Sources: HB 1, Section 1.07 as Approved, Sessions 2005 to 2015; HB 144, Session 2017;
 HB 3 as Approved, Session 2019; New Hampshire Department of Administrative Services

NOT A UNIFORM INCREASE ACROSS EXPENDITURE CATEGORIES

DIFFERENCE BETWEEN SFY 2020-2021 STATE BUDGET AS ENACTED AND GOVERNOR'S SFY 2022-2023 BUDGET PROPOSAL BY CATEGORY

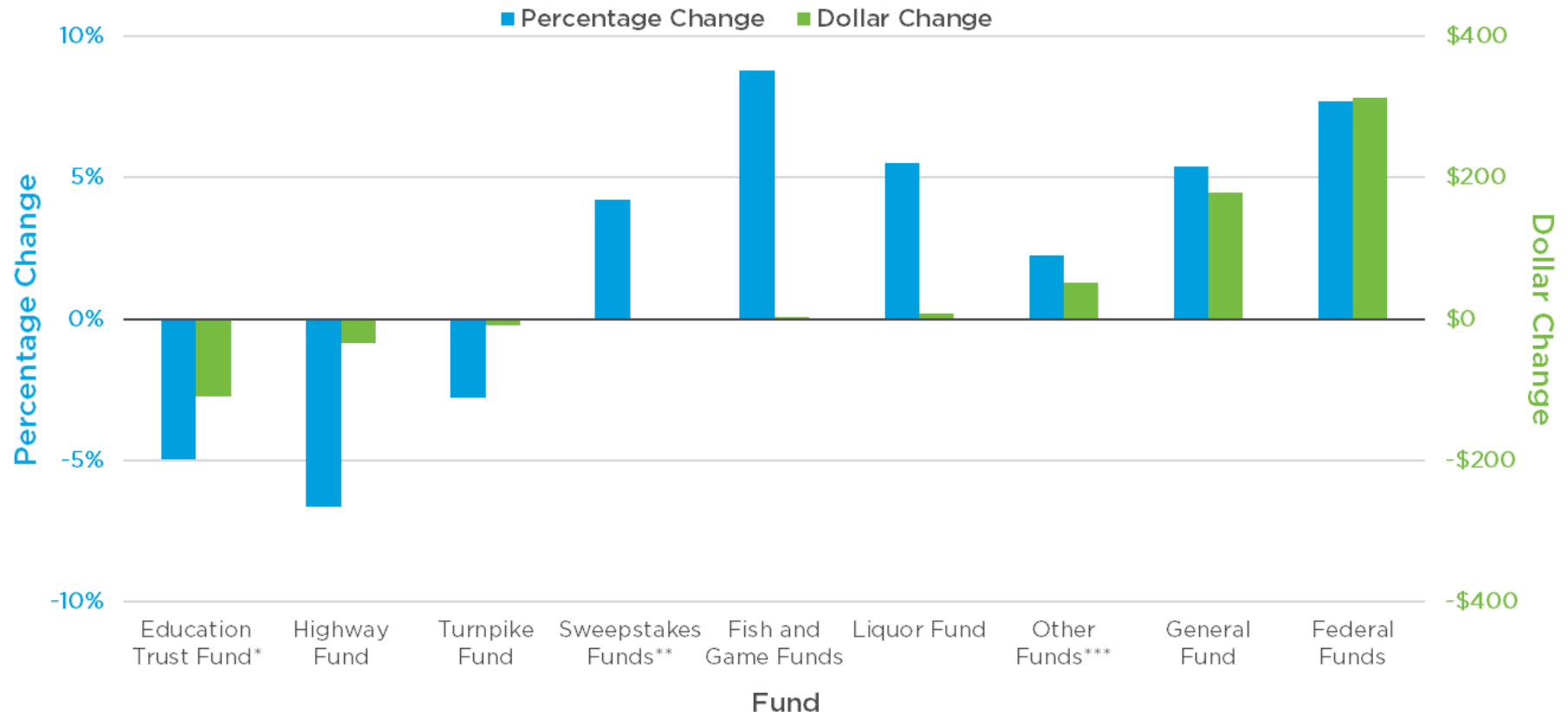


*Note: Proposed agency reorganizations impact these figures.

Sources: New Hampshire Department of Administrative Services; Chapter 345, Laws of 2019

FEDERAL AND GENERAL FUNDS INCREASES, EDUCATION AND TRANSPORTATION DECLINES

DIFFERENCE BETWEEN SFY 2020-2021 STATE BUDGET AS ENACTED
AND GOVERNOR'S SFY 2022-2023 BUDGET PROPOSAL BY FUND

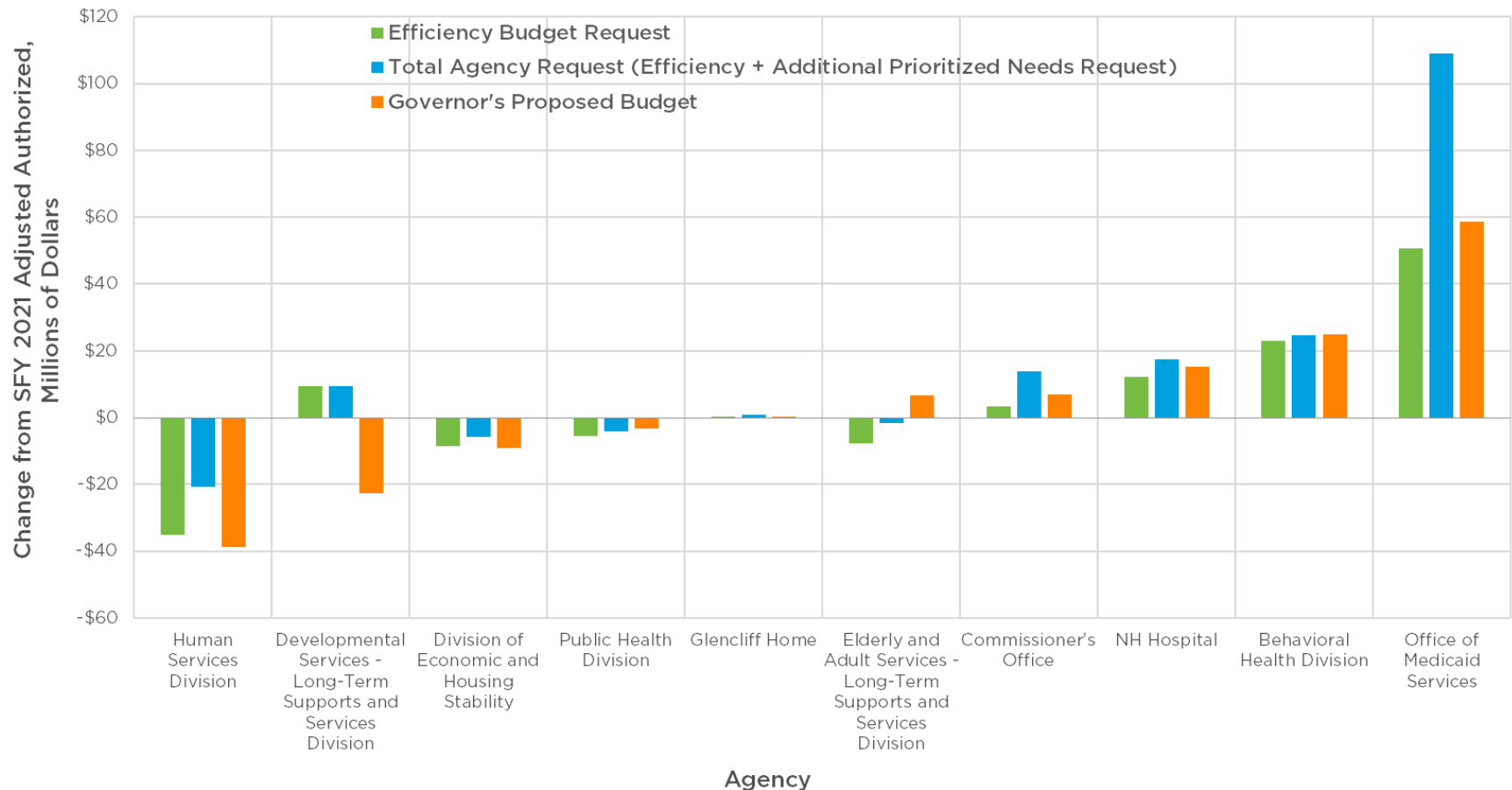


Notes: *Includes \$62.5 million special account funds for SFY 2021. **Includes Sweeps, Racing, and Charitable Gaming.
***Includes reductions for interagency transfers.

Sources: New Hampshire Department of Administrative Services; Chapter 345. Laws of 2019

VARIATIONS WITHIN THE DEPARTMENT OF HEALTH AND HUMAN SERVICES BUDGET

NH DEPARTMENT OF HEALTH AND HUMAN SERVICES BUDGET REQUESTS AND THE GOVERNOR'S BUDGET, DOLLAR DIFFERENCES IN STATE FISCAL YEAR 2022



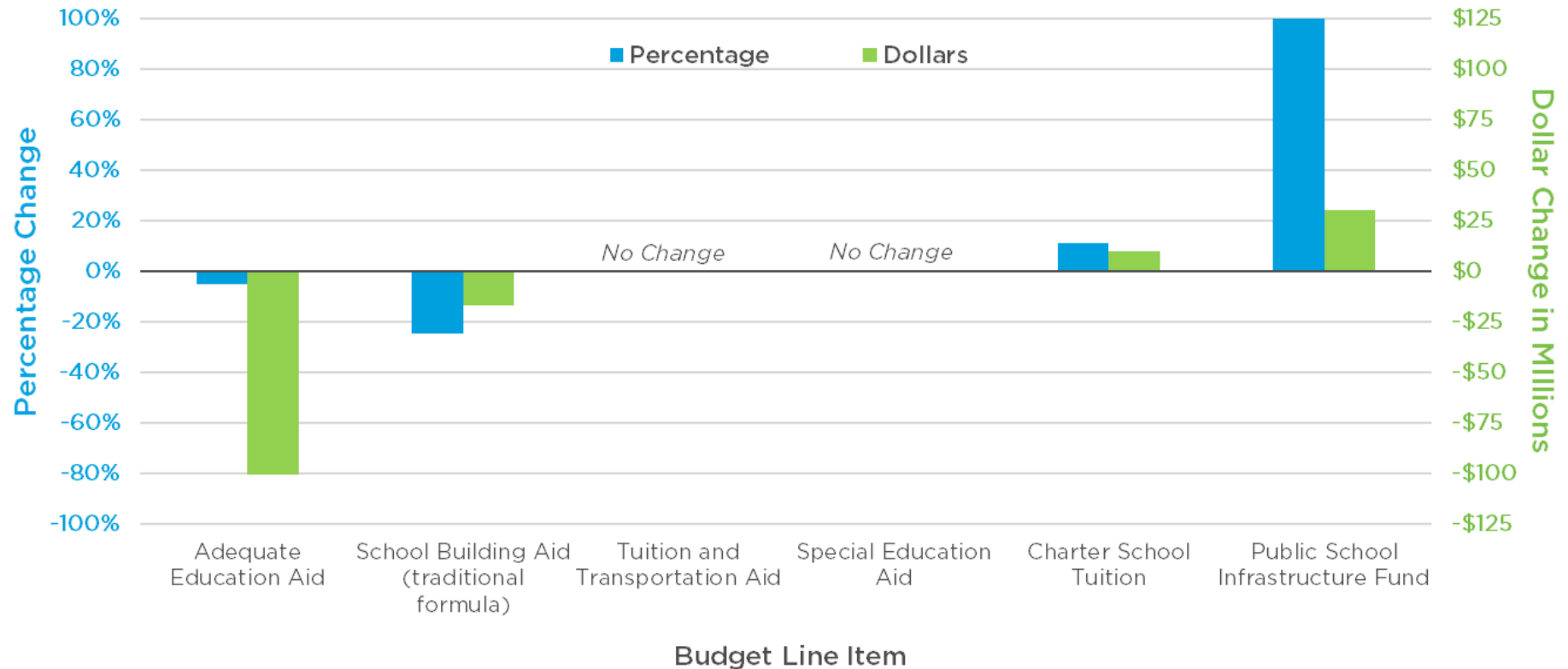
Source: New Hampshire Department of Administrative Services

AGGREGATE EDUCATION FUNDING DECLINE

- Enrollment projections key for per pupil funding
- Boost to education funding in per pupil grants, targeted at districts with more low-income students and less property value, totaled \$62.5 million in SFY 2021 the Governor identified as one-time funding, does not continue in proposal
- Adequate Education Aid total about \$100 million less, SFYs 2020-2021 versus SFYs 2022-2023 as proposed by Governor
- More school building aid through Public School Infrastructure Fund, smaller decline through traditional formula
- Flexibility for districts to use pre-pandemic counts for free and reduced-price school meal students for State funding
- Slightly reduced funding for higher education in combined agencies, with no one-time grants

EDUCATION AID TO LOCAL GOVERNMENTS DECLINES OVERALL

CHANGES TO STATE EDUCATION FUNDING FOR LOCAL PUBLIC SCHOOLS, SFY 2020-2021 STATE BUDGET AND GOVERNOR'S SFY 2022-2023 PROPOSAL



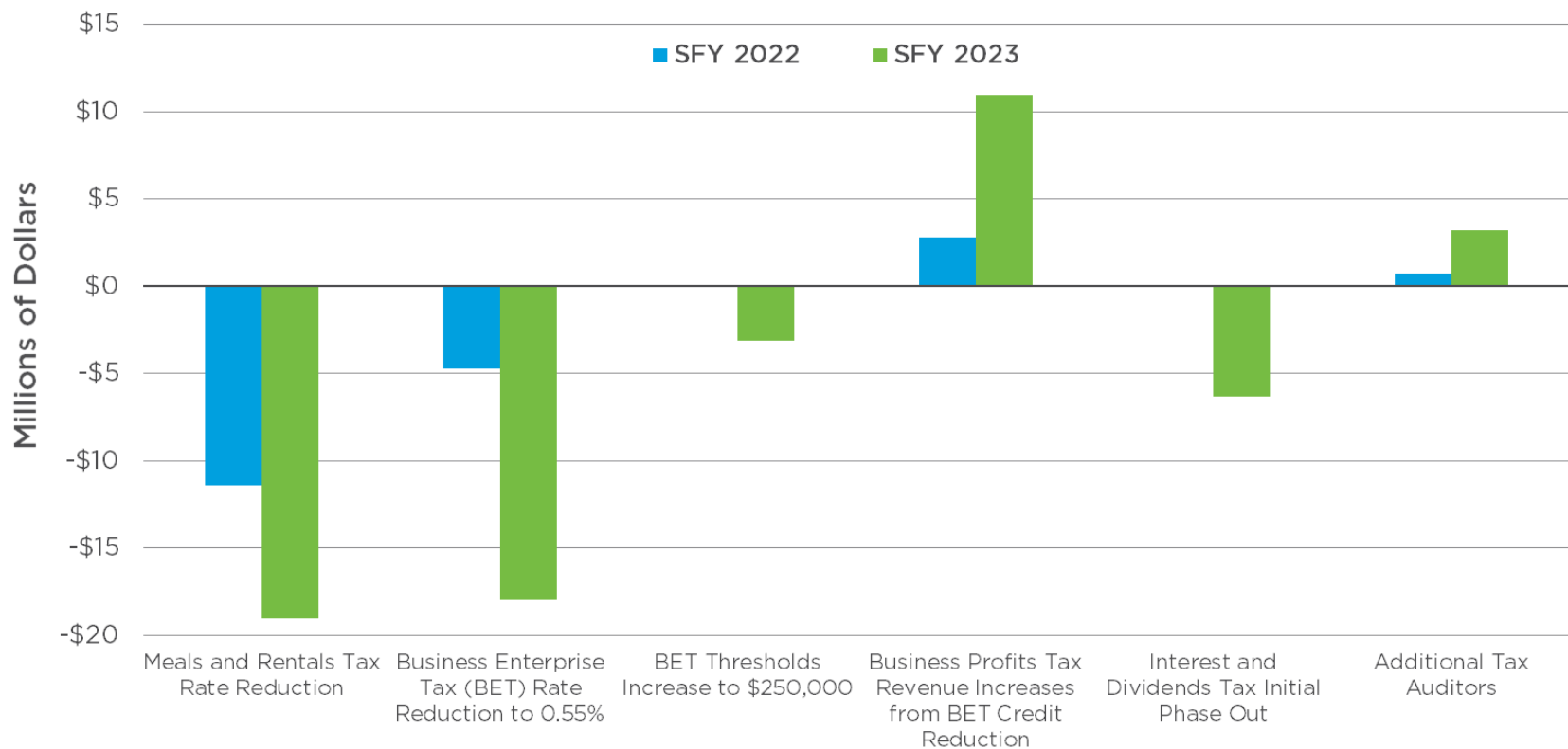
Sources: New Hampshire Department of Administrative Services; Chapter 345, Laws of 2019

NON-EDUCATION LOCAL GOVERNMENT ASSISTANCE

- Meals and Rentals Tax revenue sharing, Governor proposes to permit the existing catch-up formula to operate, up to \$15 million more in revenue sharing with cities and towns, but may be less, dependent on Meals and Rentals Tax receipts
- One-time grants of \$20 million per year (\$40 million total) to cities and towns in current budget do not continue
- Upward pressure on county-level property taxes, as amount expected from county share of Medicaid nursing home and certain waiver services would increase \$47.5 million from SFYs 2020-2021 State Budget, a 19.8 percent increase
- Education aid changes would likely impact local property taxes and expenditure decisions

TAX POLICY PROPOSALS WOULD REDUCE REVENUE DURING AND AFTER BIENNIUM

ESTIMATED REVENUE IMPACTS OF GOVERNOR'S PROPOSED TAX-RELATED POLICY CHANGES



State Fiscal Year (SFY)

Sources: New Hampshire Office of Legislative Budget Assistant, February 17, 2021; New Hampshire Department of Revenue Administration, Governor's Office Request to Model State Tax Change Proposals, February 22, 2021

HIGH-INCOME INDIVIDUALS LARGE PART OF INTEREST AND DIVIDENDS TAX BASE

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

TAX BASE FOR BET RELATIVELY BROAD

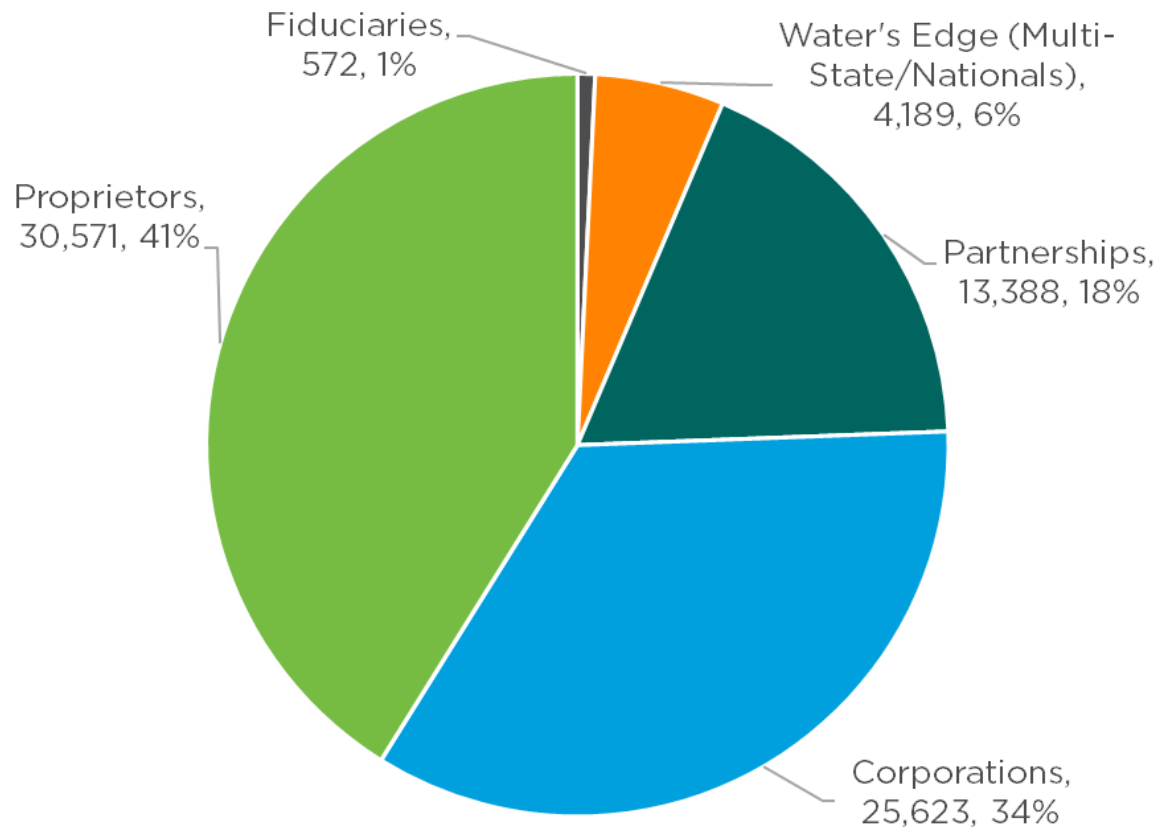
NEW HAMPSHIRE BUSINESS ENTERPRISE TAX FILERS BY INCOME AND TAX PAID, TAX YEAR 2018		
Taxable Enterprise Value Tax Base* of At Least:	Percentage of Filers	Percentage of Total Tax Revenue Paid
\$148,148,148	0.02%	17.34%
\$14,814,814	0.36%	43.06%
\$7,407,407	0.81%	53.00%
\$1,481,481	4.04%	74.03%
\$148,148	27.47%	96.56%
\$74,074	38.05%	99.11%
\$148	51.80%	100.00%
\$0	100.00%	100.00%
Total Filers/Revenue	74,343	\$230,544,164
*Note: Taxable enterprise value tax base determined by amount of compensation and interest paid or accrued, dividends paid, and adjustments for interstate liabilities and certain dividends. Source: New Hampshire Department of Revenue Administration, 2020 Annual Report		

LARGE ENTITIES KEY TO BPT BASE

NEW HAMPSHIRE BUSINESS PROFITS TAX FILERS BY INCOME AND TAX PAID, TAX YEAR 2018		
Taxable New Hampshire Business Profits of At Least:	Percentage of Filers	Percentage of Total Tax Revenue Paid
\$12,658,228	0.10%	49.10%
\$1,265,823	0.82%	78.28%
\$632,911	1.45%	84.54%
\$126,582	4.70%	94.32%
\$12,658	14.51%	99.59%
\$6,329	16.93%	99.85%
\$13	23.52%	100.00%
\$0	100.00%	100.00%
Total Filers/Revenue	74,343	\$520,738,272
Source: New Hampshire Department of Revenue Administration, 2020 Annual Report		

DIFFERENT CATEGORIES OF BPT FILERS

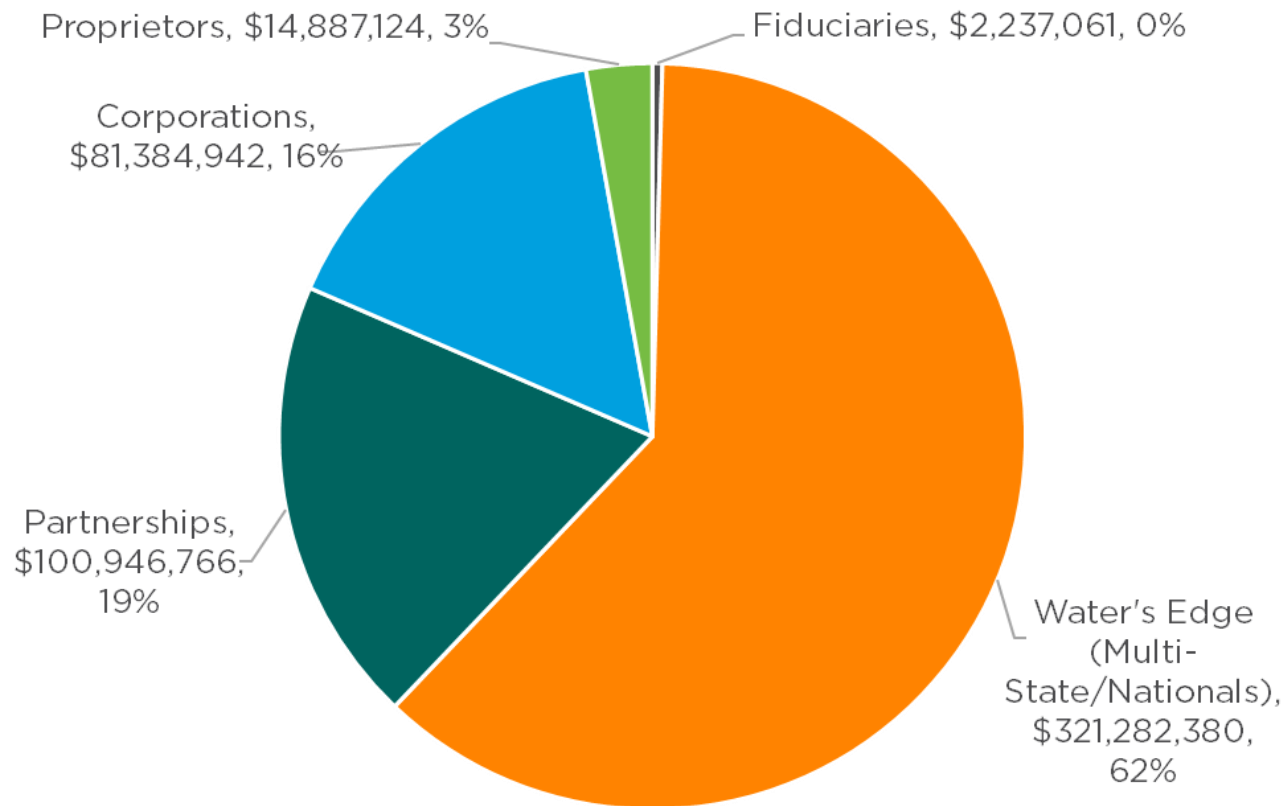
BUSINESS PROFITS TAX FILERS BY TYPE
DRAFT DATA, TAX YEAR 2018



Source: New Hampshire Department of Revenue Administration, 2018 Annual Report

LARGE MUTLI-STATE, MULTI-NATIONAL ENTITIES KEY TO BPT BASE

BUSINESS PROFITS TAX FILERS BY LIABILITY DRAFT DATA, TAX YEAR 2018



Source: New Hampshire Department of Revenue Administration, 2018 Annual Report

NOTEWORTHY UPCOMING DATES

- Budget Crossover: April 9, 2021, House Budget deadline
- March and April Cash Revenues Known: Early May 2021
- Senate Acts on House Bills: June 3, 2021,
Senate Budget deadline
- Committee of Conference report deadline: June 17, 2021
- Last day for House and Senate to pass Committee of
Conference reports: June 24, 2021
- State Fiscal Year 2022 Begins: July 1, 2021

TAKEAWAYS

- Next State Budget will come at a critical time in the public health and economic recovery from the COVID-19 crisis
- Needs likely to be higher earlier in the State Budget biennium
- Policymakers have timing flexibility to shift resources within two-year budget window
- Governor's proposal shifts resources to certain key health services, reductions in other areas such as local public education aid
- Proposed tax policy changes would reduce revenue during and after the next State Budget biennium
- 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: The Governor's Budget Proposal for State Fiscal Years 2022 and 2023 – March 11, 2021
<https://nhfpi.org/resource/the-governors-budget-proposal-for-state-fiscal-years-2022-and-2023/>
- Webinar: Examining the State Budget: The Governor's Proposal – February 19, 2021
<https://nhfpi.org/events/examining-the-state-budget-the-governors-proposal/>
- 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/>
- Resource Page: Budget
<https://nhfpi.org/topic/budget/>



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