



THE NEW HAMPSHIRE STATE BUDGET: A BRIEF OVERVIEW FOR 2021

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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

BASICS OF THE STATE BUDGET

Two-year, or biennial, operating budget

- Funds *most* State operations for two State fiscal years (SFYs)
- Next State Budget will provide funding for SFYs 2022-2023: July 1, 2021 to June 30, 2023

Comprised of two separate pieces of legislation

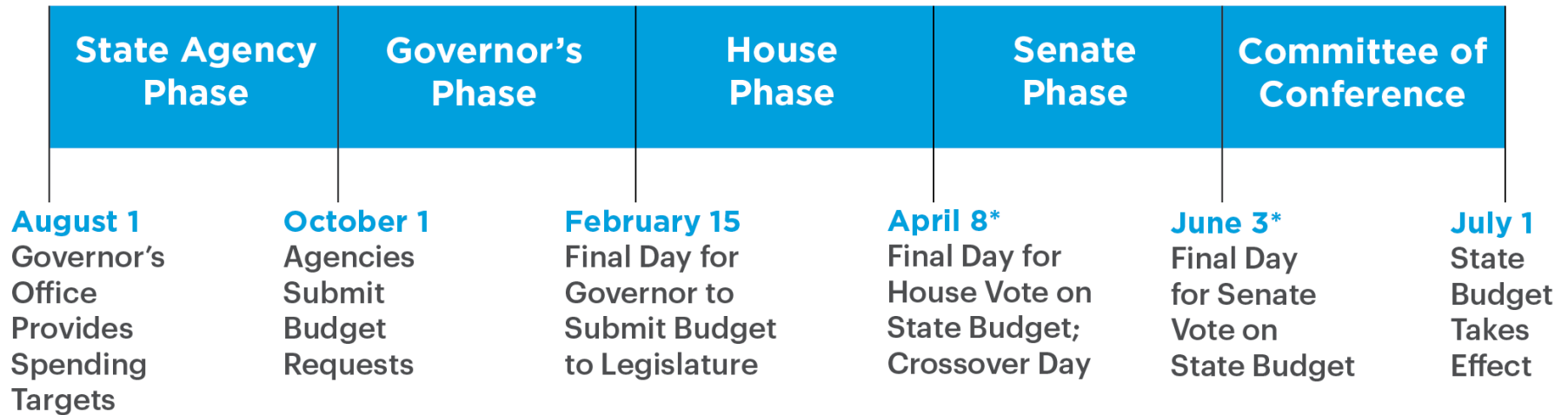
- Operating Budget Bill, typically House Bill 1 or “HB1”: the line-item appropriations to specific operations
- Trailer Bill, typically House Bill 2 or “HB2”: the companion omnibus bill with policy changes and separate appropriations

Governor’s proposal starts Legislature’s process

- House first considers budget, then moves to Senate, Committee of Conference final step in Legislature before returning to Governor
- Both chambers must pass a balanced State Budget plan by July 1

BUILDING THE STATE BUDGET

STATE BUDGET PROCESS TIMELINE

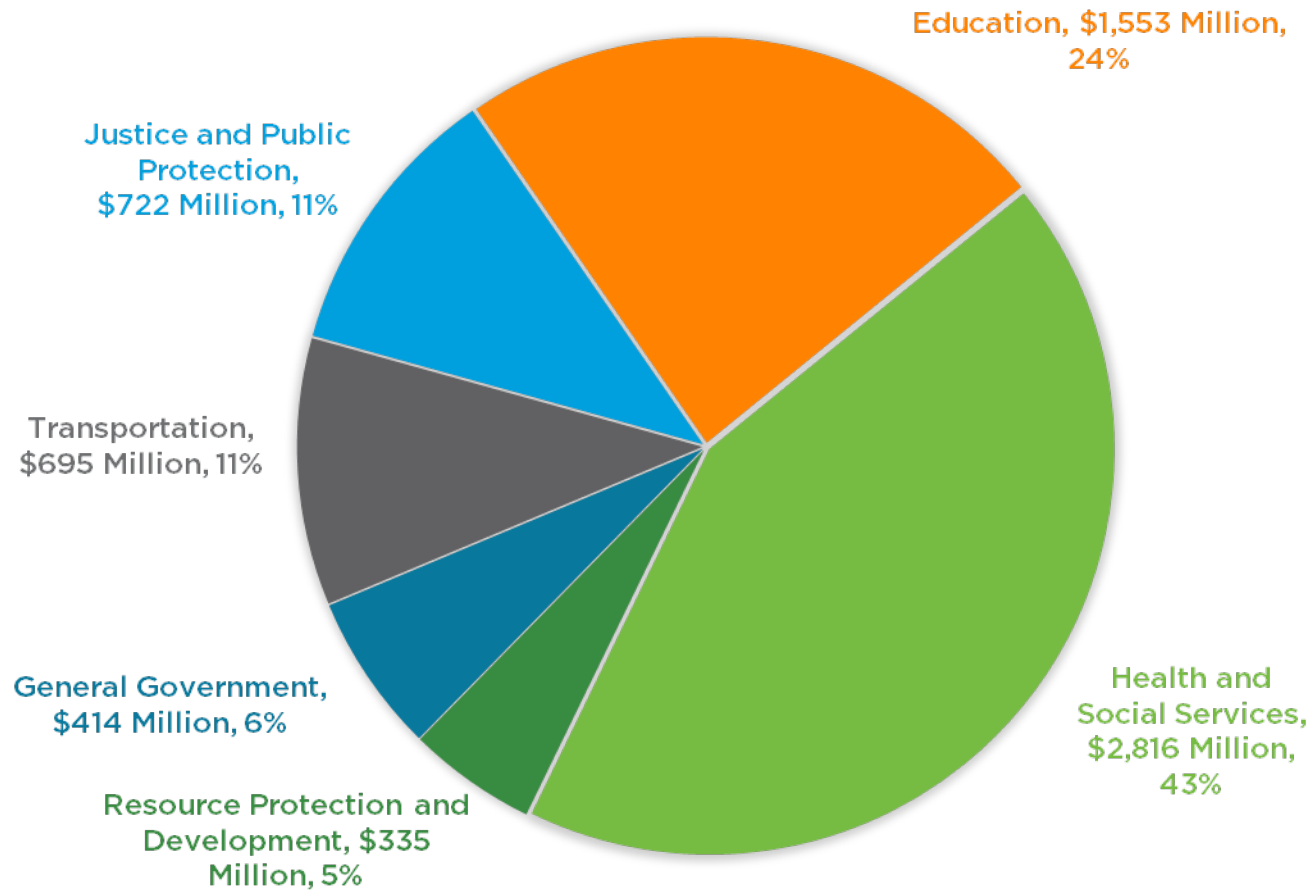


*Dates set by legislative leadership for the 2021 session; all other dates specified in statute.

STATE BUDGET APPROPRIATIONS BY CATEGORY

NEW HAMPSHIRE, STATE FISCAL YEAR 2021

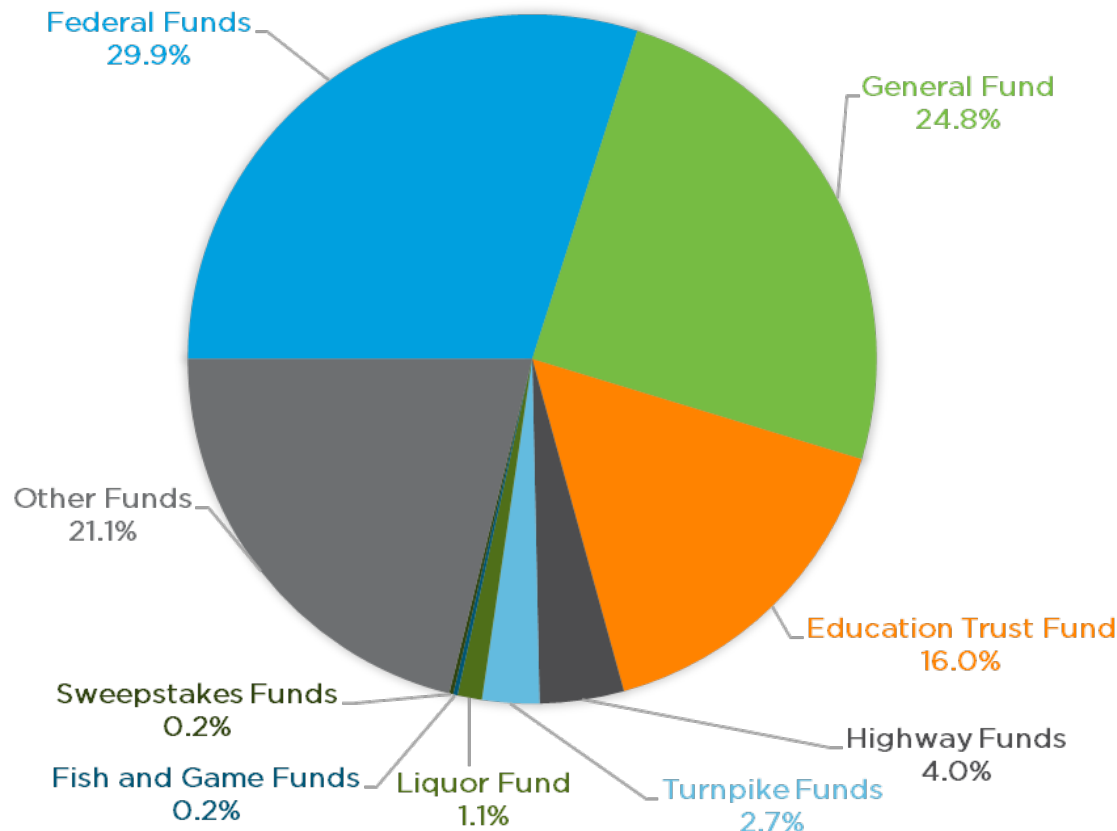
Source: Chapter 345, Laws of 2019



STATE BUDGET FUNDS

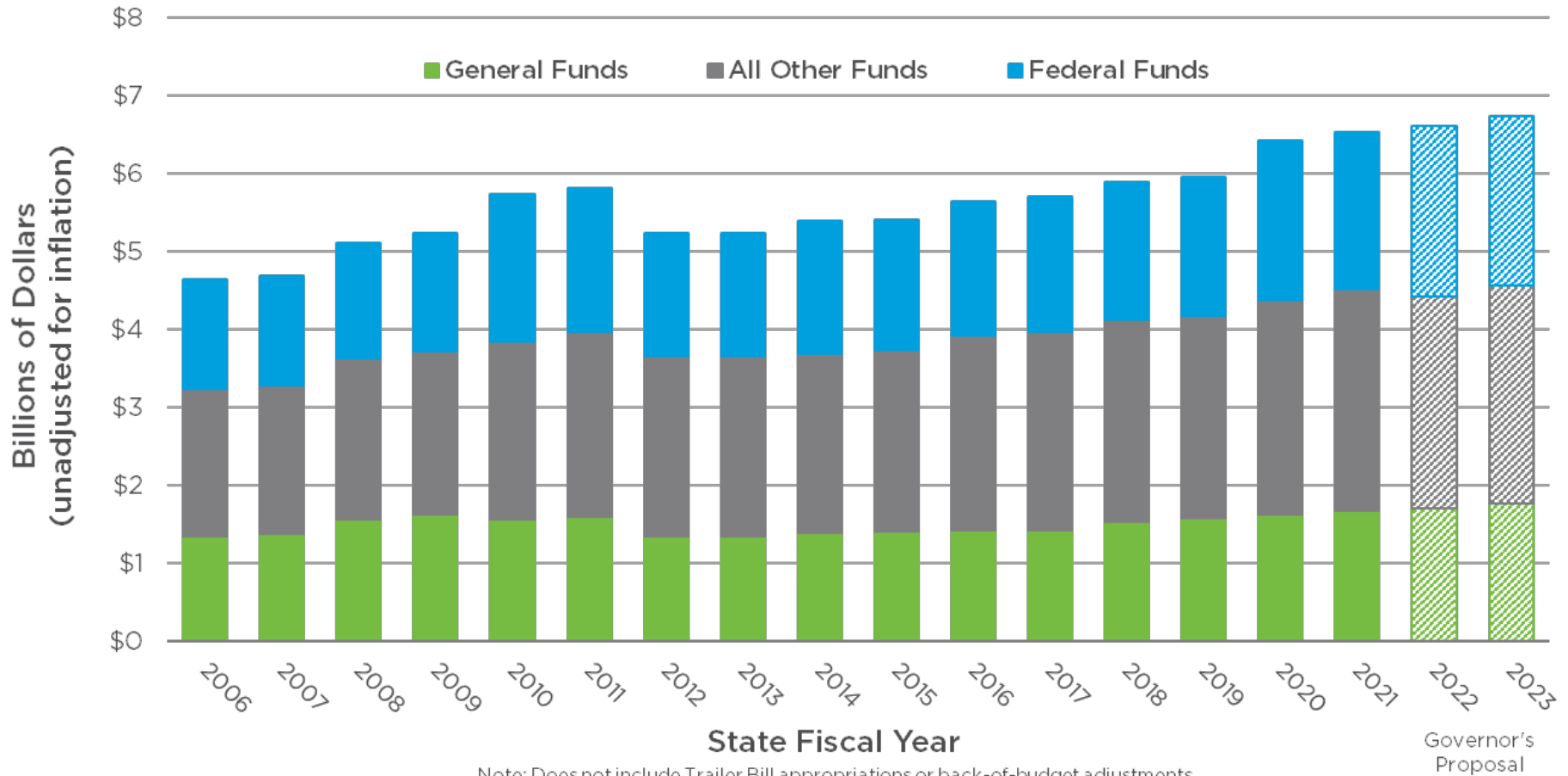
NEW HAMPSHIRE, STATE FISCAL YEAR 2021

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

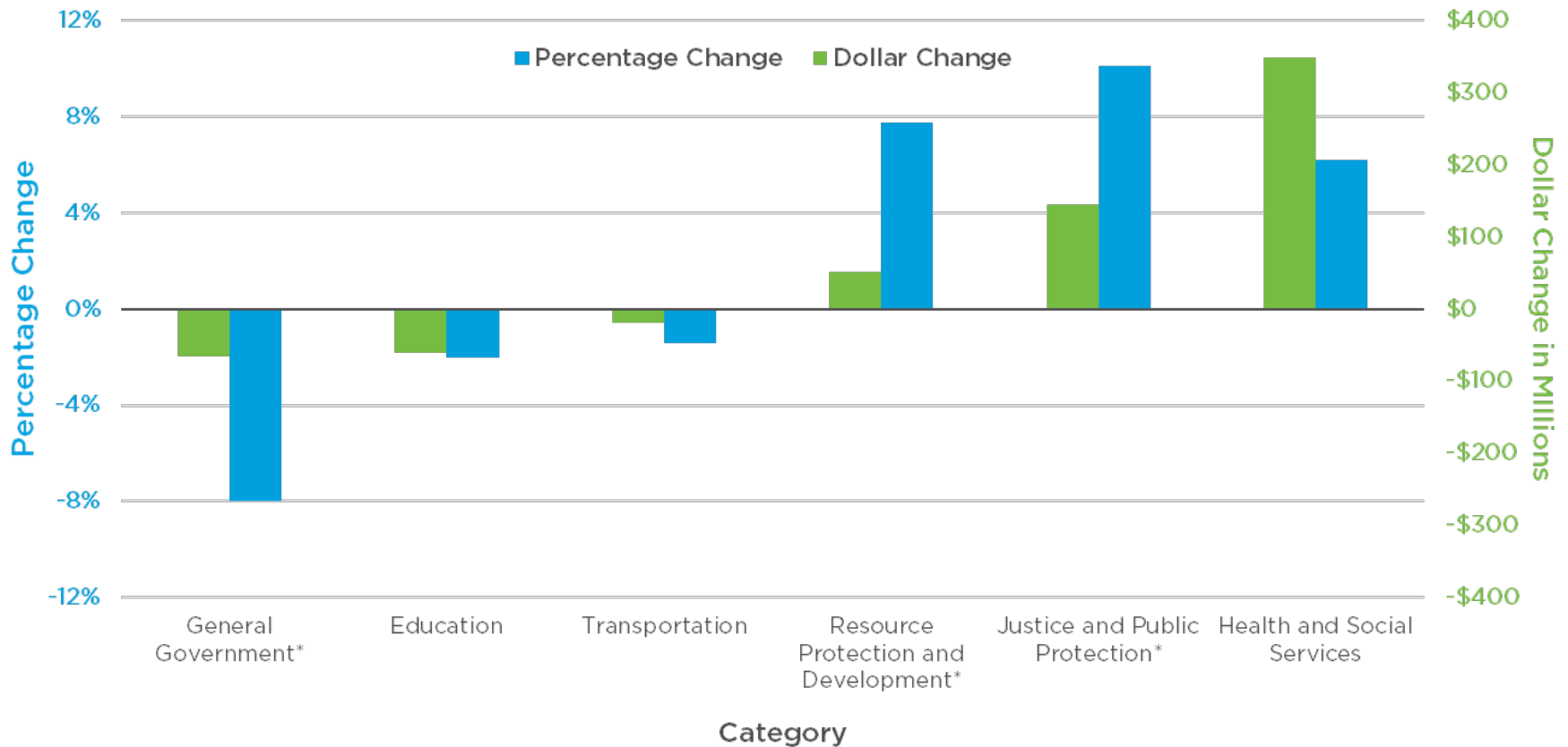
GOVERNOR WOULD INCREASE APPROPRIATIONS OVERALL



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

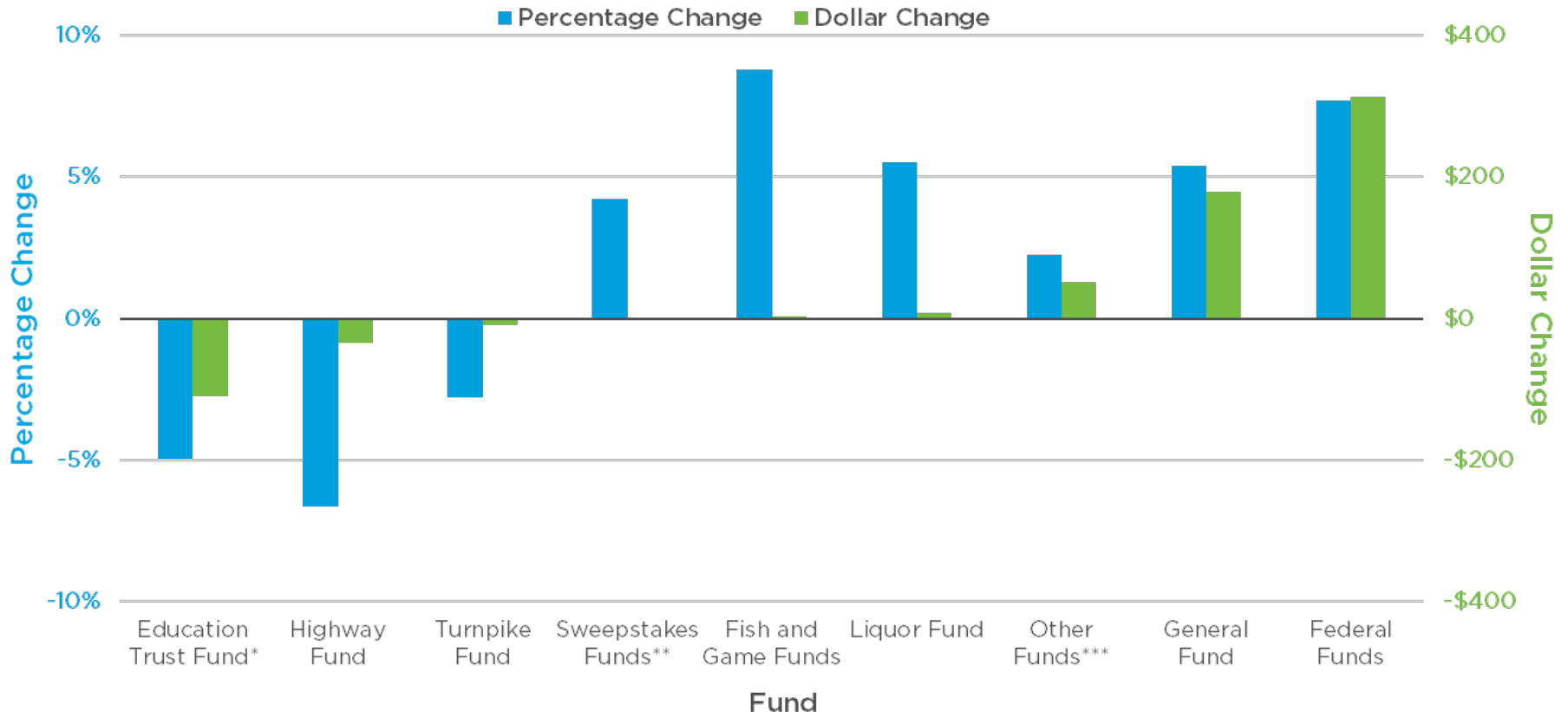


*Note: Proposed agency reorganizations impact these figures.

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

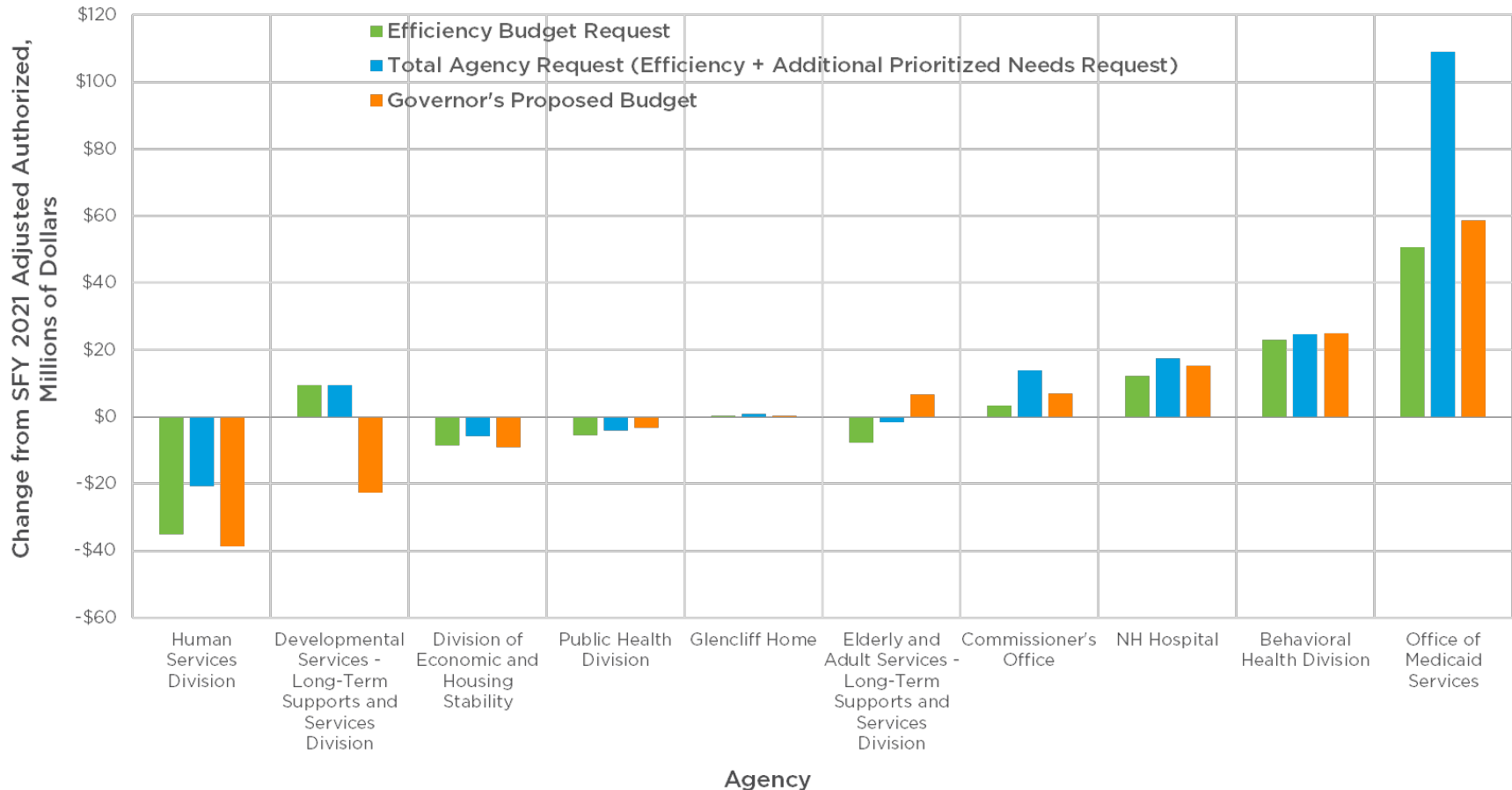


Notes: *Includes \$62.5 million special account funds for SFY 2021. **Includes Sweeps, Racing, and Charitable Gaming. ***Includes reductions for interagency transfers.

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

VARIATIONS WITHIN THE DEPARTMENT OF HEALTH AND HUMAN SERVICES BUDGET

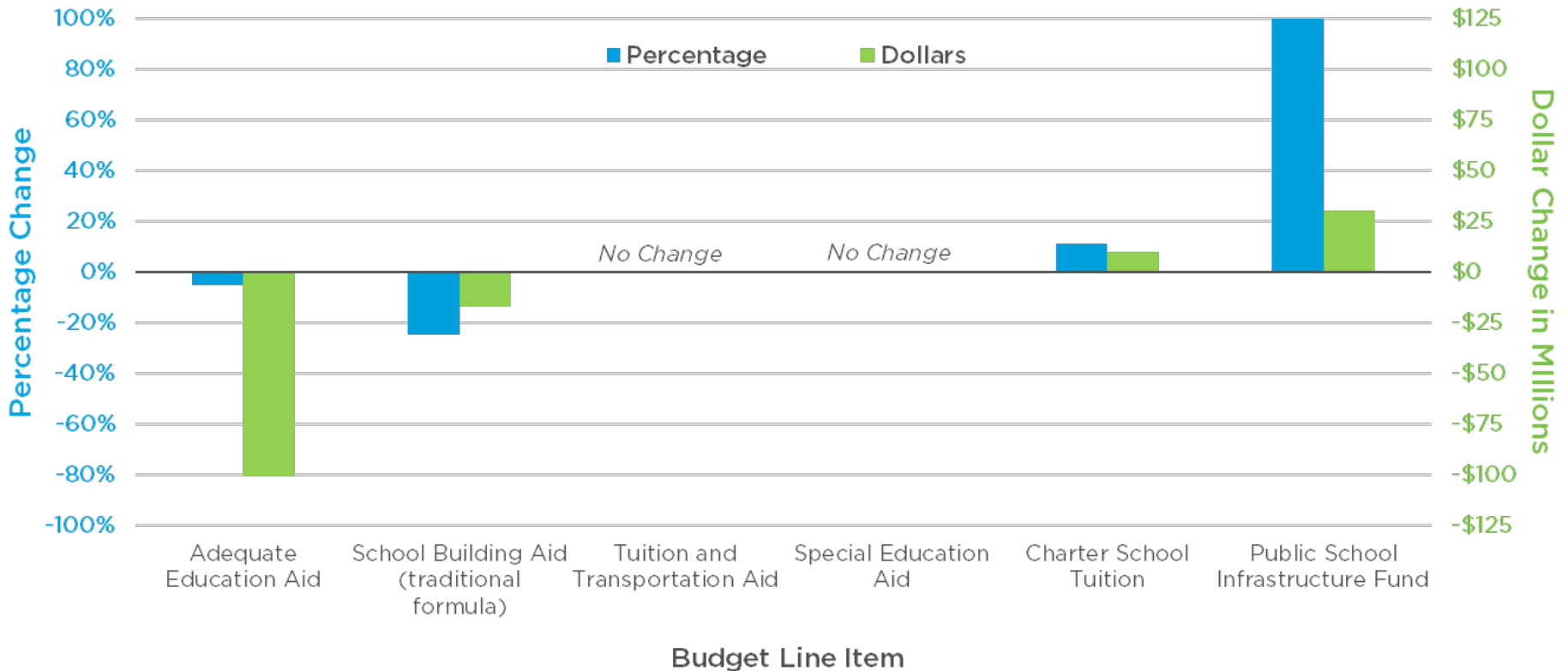
NH DEPARTMENT OF HEALTH AND HUMAN SERVICES BUDGET REQUESTS AND THE GOVERNOR'S BUDGET, DOLLAR DIFFERENCES IN STATE FISCAL YEAR 2022



Source: New Hampshire Department of Administrative Services

EDUCATION AID TO LOCAL GOVERNMENTS DECLINES OVERALL

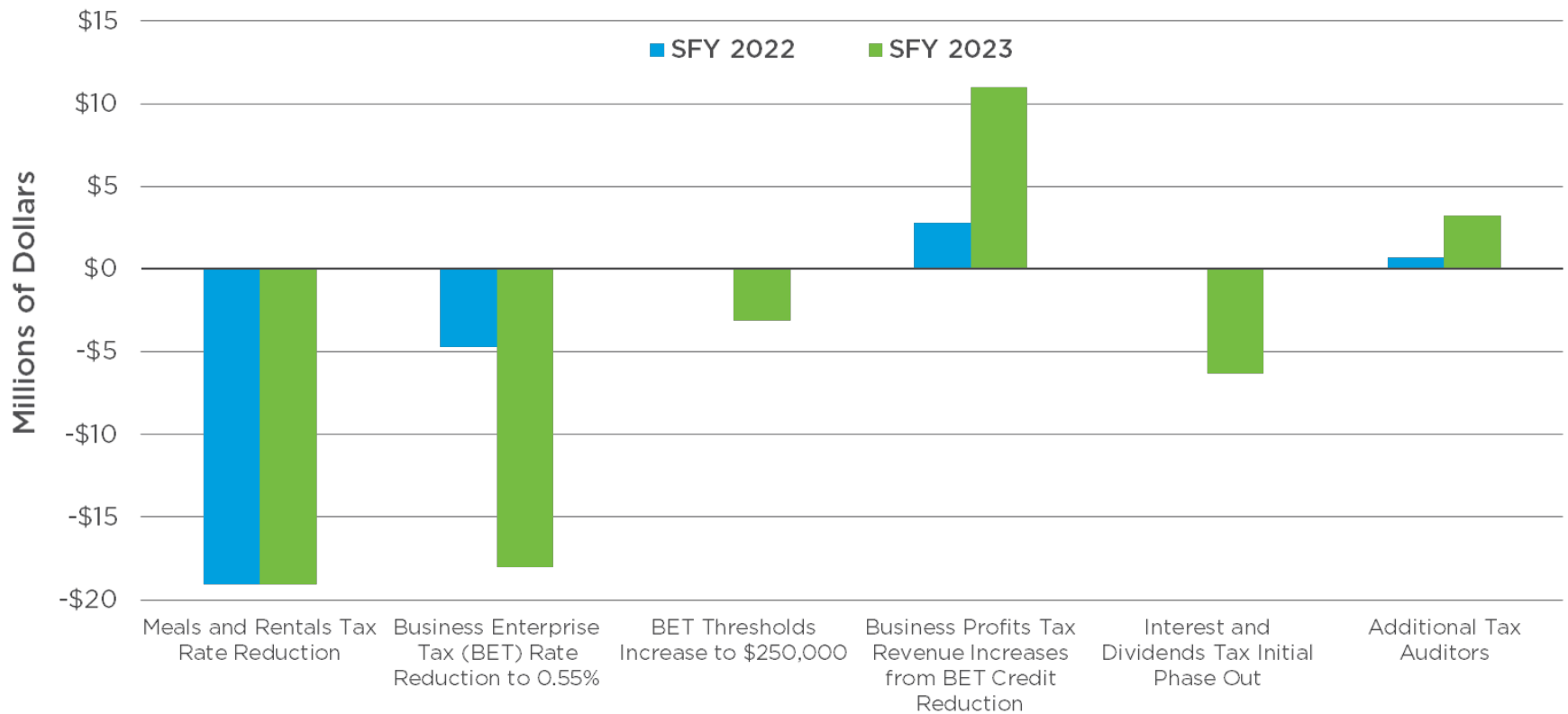
CHANGES TO STATE EDUCATION FUNDING FOR LOCAL PUBLIC SCHOOLS, SFY 2020-2021 STATE BUDGET AND GOVERNOR'S SFY 2022-2023 PROPOSAL



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

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 DIVIDEND 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
<p>*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</p>		

LARGE ENTITIES KEY TO BPT BASE

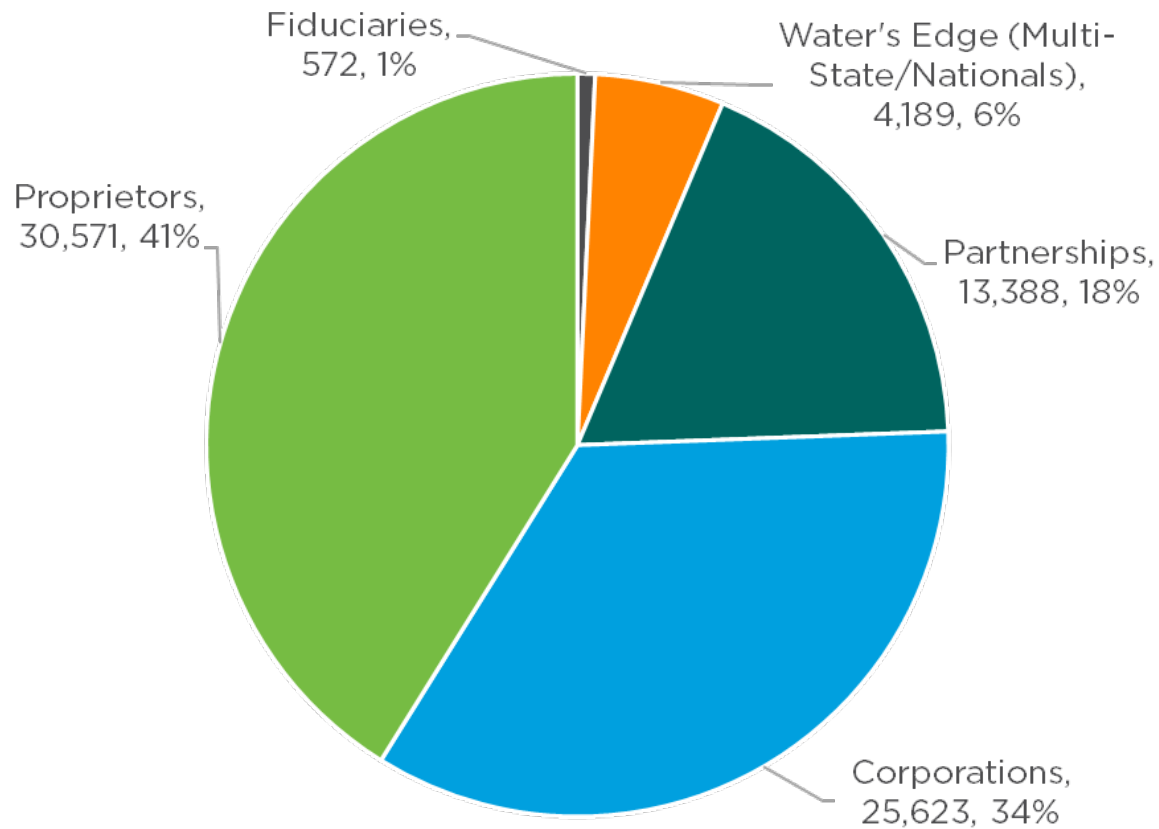
NEW HAMPSHIRE BUSINESS PROFITS TAX FILERS BY INCOME AND TAX PAID, TAX YEAR 2018

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

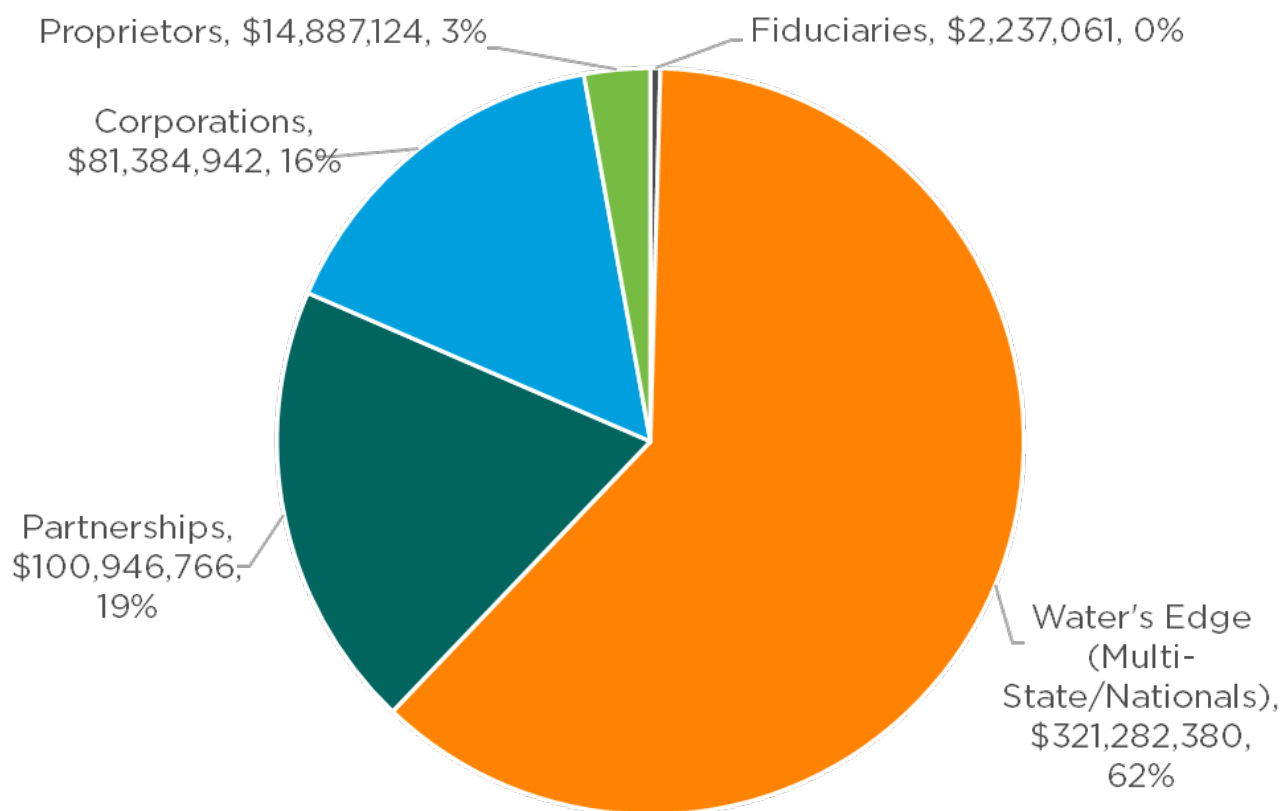
BUSINESS PROFITS TAX FILERS BY TYPE
DRAFT DATA, TAX YEAR 2018



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 8, 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: 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/>
- Webinar: Examining the State Budget: The Governor's Proposal – February 19, 2021
<https://nhfpi.org/events/examining-the-state-budget-the-governors-proposal/>
- 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/>



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