



HOW PUBLIC SERVICES ARE FUNDED IN NEW HAMPSHIRE AT THE STATE AND LOCAL LEVELS

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NEW HAMPSHIRE GOVERNMENT FINANCE OFFICERS ASSOCIATION

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ROAD MAP THROUGH THE REVENUE SYSTEM

- New Hampshire State revenue sources
- Impacts of federal decisions on State revenues
- The COVID-19 Crisis and State revenues
- New Hampshire local government revenue sources
- Impacts of State decisions on local revenues

For more information on State revenues, see *Revenue In Review* at nhfpi.org.

WHY REVENUE IS IMPORTANT

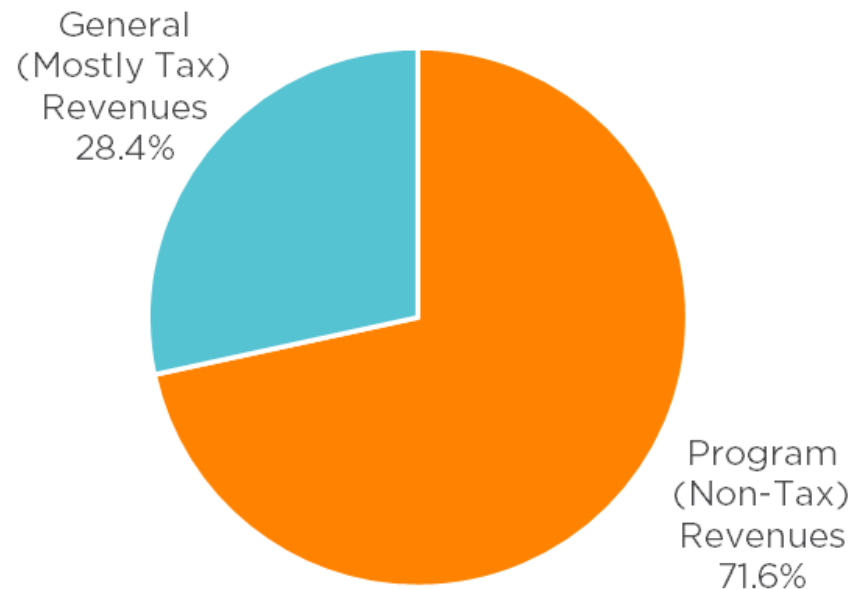
- Pays for services that help make our communities stronger
- Tangible and direct
 - Roads and bridges
 - Police, fire, and emergency medical services
 - Education (including primary, secondary, and public higher education)
 - Public health services and health coverage for those in need
 - Cleaning trash, clearing roads
 - Parks and preserves, including federal, state, and local protected areas
- Less tangible effects of services
 - Benefitting from an educated public and workforce
 - Protecting citizens from harm, environmental degradation
 - Long-term investments, with positive returns, made collectively

WHY “REVENUE”? ISN'T IT JUST 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 and support for other organizations

GENERAL AND PROGRAM REVENUES NEW HAMPSHIRE, STATE FISCAL YEAR (SFY) 2020

Source: New Hampshire Comprehensive Annual Financial Report, SFY 2020



WHICH REVENUES ARE WE DISCUSSING?

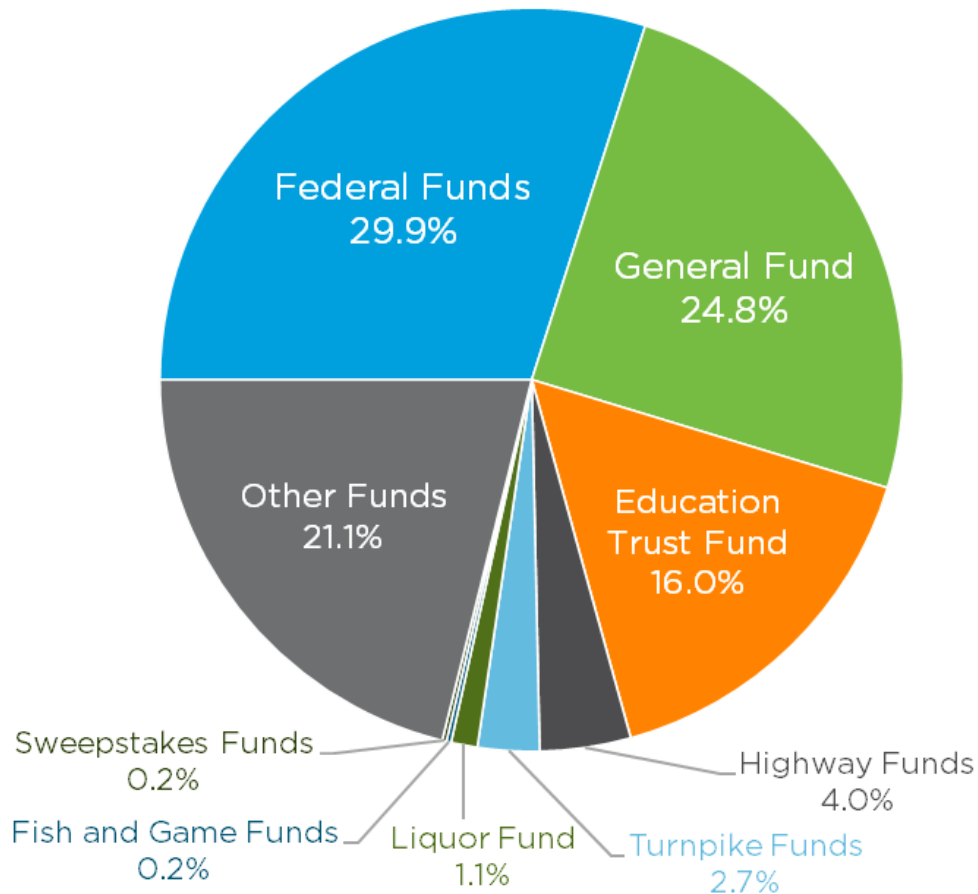
- The federal government collects revenue that ends up in State and local budgets, but that is not the focus here
- State Revenue: money collected through New Hampshire State taxation and other sources, including grants from the federal government
 - State tax revenue is usually the least restricted revenue, with federal grant programs and specific State fees more likely to have “strings attached”
- Local Revenue: money collected by New Hampshire’s local governments (counties, school districts, and municipalities), with tax revenue collected primarily through property taxes

NEW HAMPSHIRE'S STATE REVENUE SYSTEM

NEW HAMPSHIRE'S 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

Sources: New Hampshire State Constitution, Part 2, Articles 6-a and 6-b; NHFPI, *Building the Budget*, February 2017.

FEDERAL FUNDING IN THE STATE BUDGET

Medicaid

- Approximately \$2.1 billion expenditure in SFY 2020, more than half of that total is federal funds
- About 220,000 Granite Staters have access to health care through the program at the end of April 2021, significant increase (about 23 percent) during pandemic

Other Program Areas

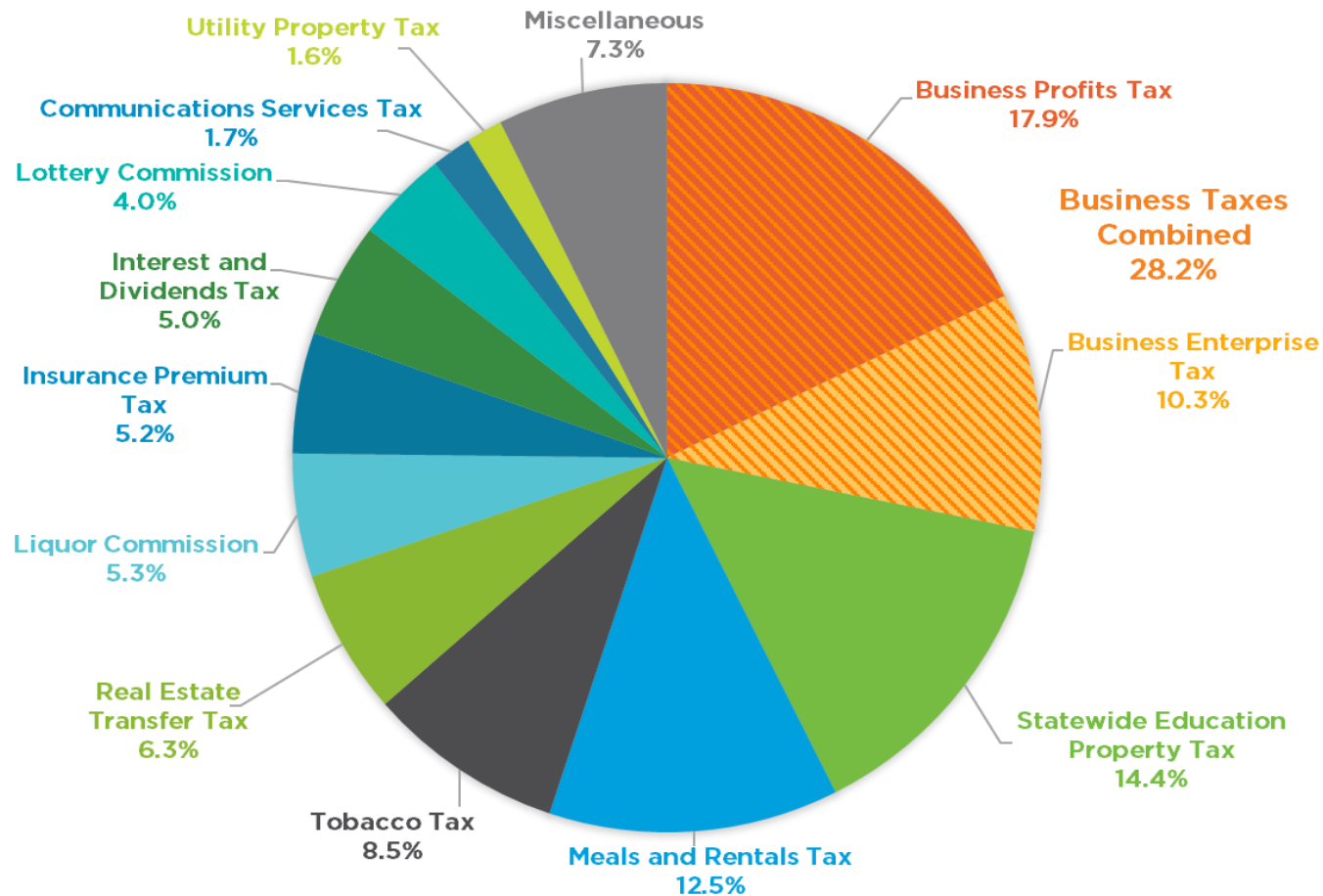
- Federal transportation aid
- Education aid – special education, school meals, professional development
- Water pollution and infrastructure funds, clean and drinking water programs
- Food Stamps/Supplemental Nutrition Assistance Program (SNAP)
- Women, Infants, and Children Nutrition Program
- Temporary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

Sources: New Hampshire Office of Legislative Budget Assistant; Chapter 155, Laws of 2017; New Hampshire Department of Health and Human Services.

GENERAL AND EDUCATION TRUST FUNDS REVENUE SOURCES

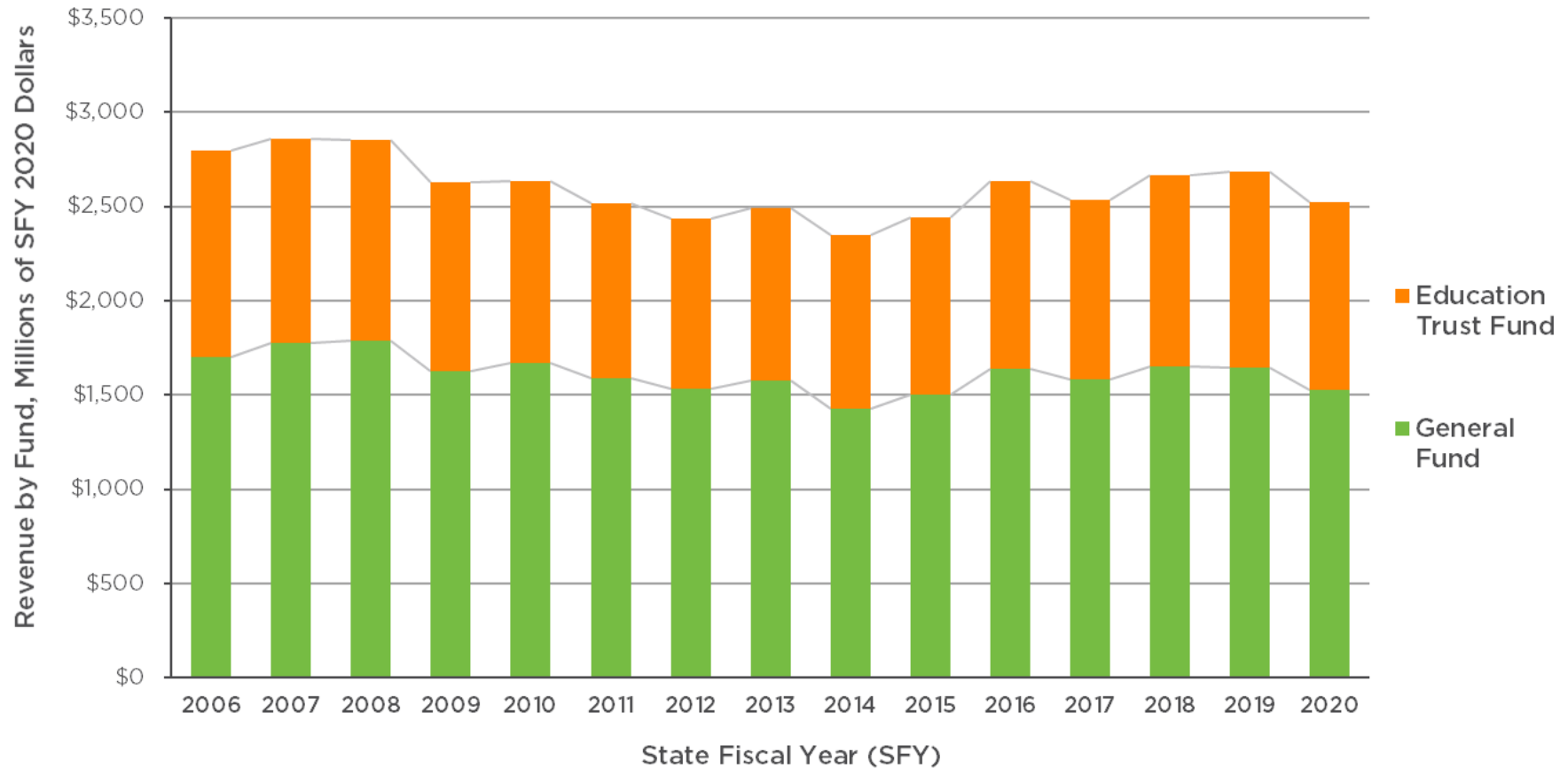
STATE FISCAL YEAR 2020

Source: New Hampshire Comprehensive Annual Financial Report, SFY 2020



INFLATION-ADJUSTED REVENUE

GENERAL AND EDUCATION TRUST FUND REVENUE, ADJUSTED FOR INFLATION



Sources: New Hampshire Comprehensive Annual Financial Reports, SFYs 2014-2020
U.S. Bureau of Labor Statistics Consumer Price Index-Urban, Northeast

LARGEST TAX REVENUE SOURCES

To All Funds (State Fiscal Year 2020)

- Business Profits Tax - \$450.8 million (estimate)
- Statewide Education Property Tax - \$363.2 million
- Meals and Rentals Tax - \$315.4 million
- Medicaid Enhancement Tax - \$262.3 million
- Business Enterprise Tax - \$258.9 million (estimate)
- Tobacco Tax - \$214.0 million
- Motor Fuels Tax - \$174.7 million
- Real Estate Transfer Tax - \$158.4 million
- Insurance Premium Tax - \$134.0 million
- Interest and Dividends Tax - \$125.7 million

Sources: New Hampshire Comprehensive Annual Financial Report for the Fiscal Year Ending June 30, 2020 (employed throughout this presentation); New Hampshire Department of Revenue Administration, 2020 Annual Report.

THE TWO PRIMARY BUSINESS TAXES

Business Profits Tax

- Tax based on gross business profits, adjustments (BET), and apportionment
- Tax base likely about \$6.6 billion in Tax Year 2018
- Supports the General Fund and the Education Trust Fund
- Recent rate reductions
 - 8.5% in 2001-2015, 8.2% in 2016-2017, 7.9% in 2018, 7.7% in 2019-present

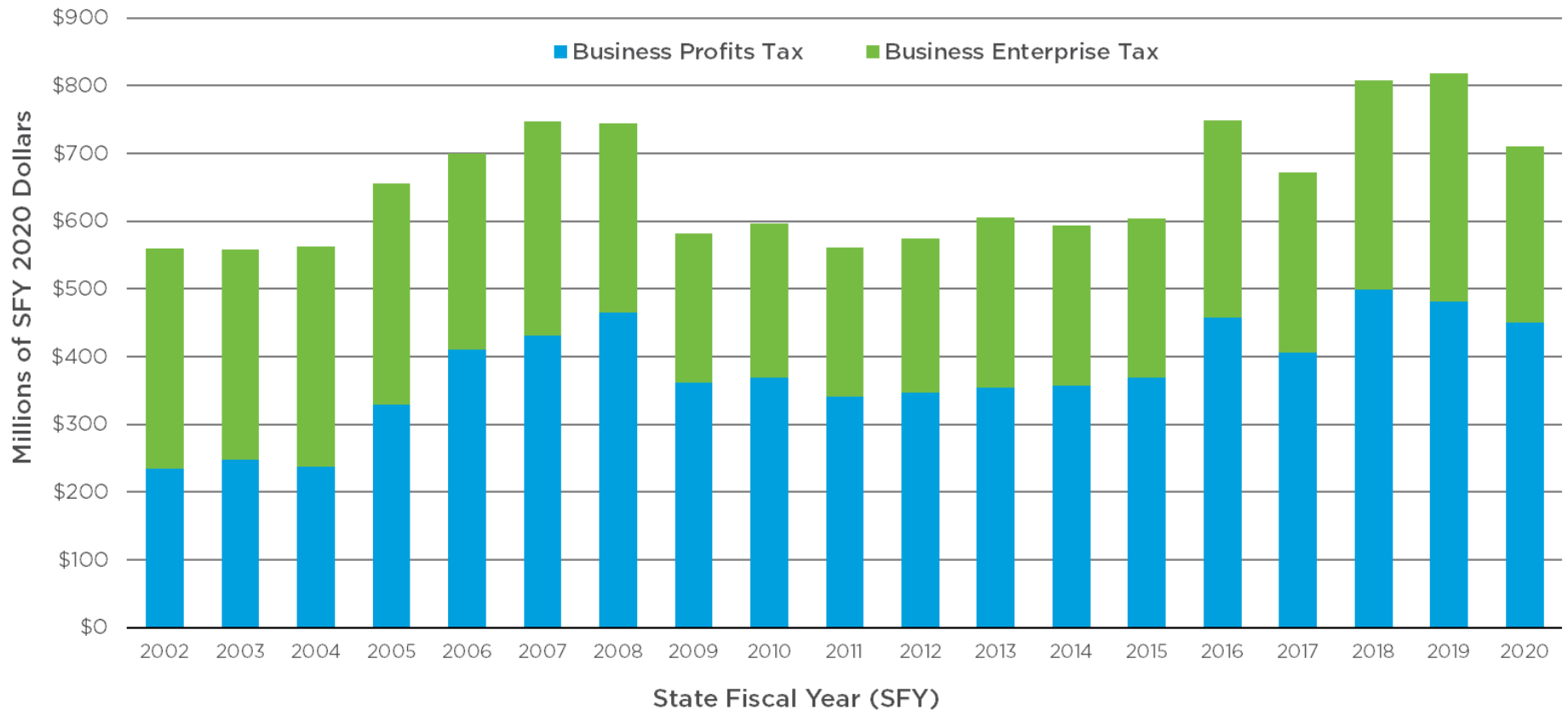
Business Enterprise Tax

- Relatively unique among state business taxes, based on compensation and interest paid or accrued and dividends paid, adjustments, and apportionment
- Broader tax base, likely about \$34.2 billion in Tax Year 2018
- Supports the General Fund and the Education Trust Fund
- Recent rate reductions
 - 0.75% in 2001-2015, 0.72% in 2016-2017, 0.675% in 2018, 0.60% in 2019-present

Sources: New Hampshire Fiscal Policy Institute, *Revenue in Review*, May 2017; New Hampshire Department of Revenue Administration

INFLATION-ADJUSTED BUSINESS TAX REVENUE

NEW HAMPSHIRE BUSINESS PROFITS TAX AND BUSINESS ENTERPRISE TAX
GENERAL AND EDUCATION TRUST FUNDS INFLATION-ADJUSTED REVENUE



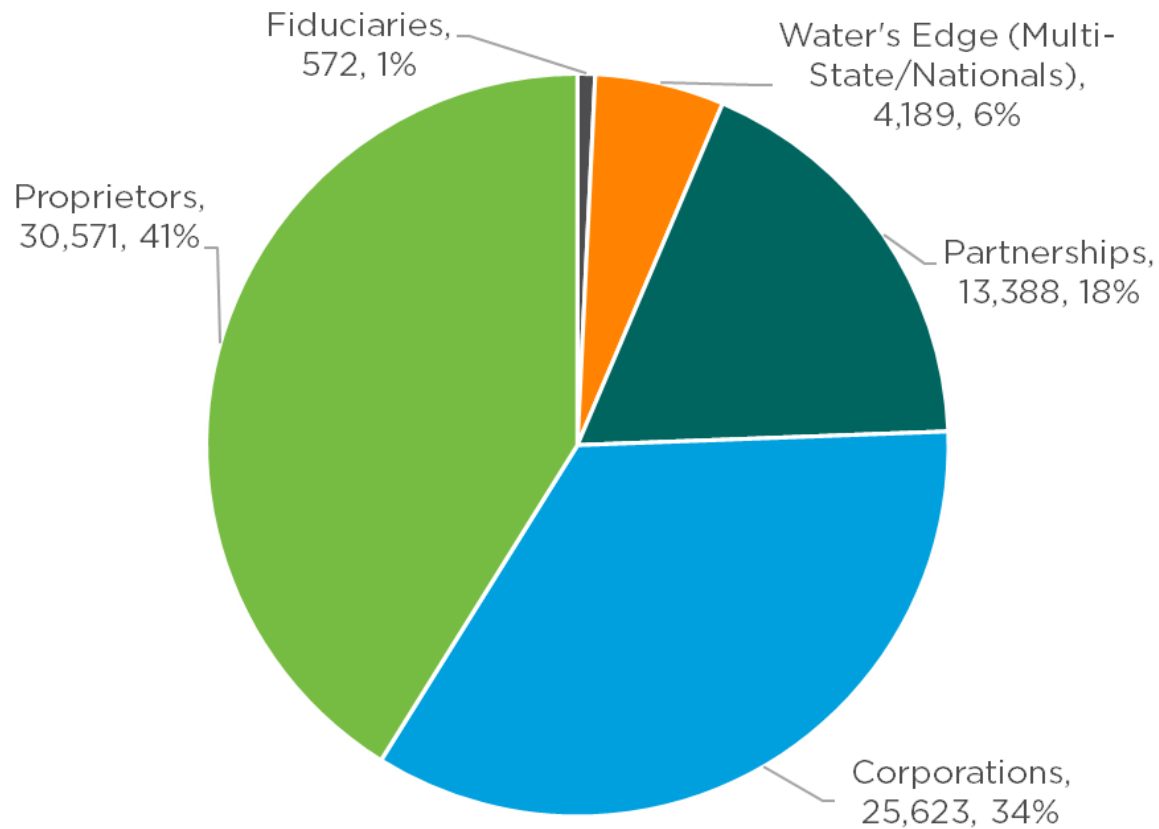
Note: Final sorting between these two taxes not reported fully in the Comprehensive Annual Financial Reports.
Sources: New Hampshire Comprehensive Annual Financial Reports; U.S. Bureau of Labor Statistics, CPI-U, Northeast

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		

BUSINESS TYPES IN THE BPT BASE

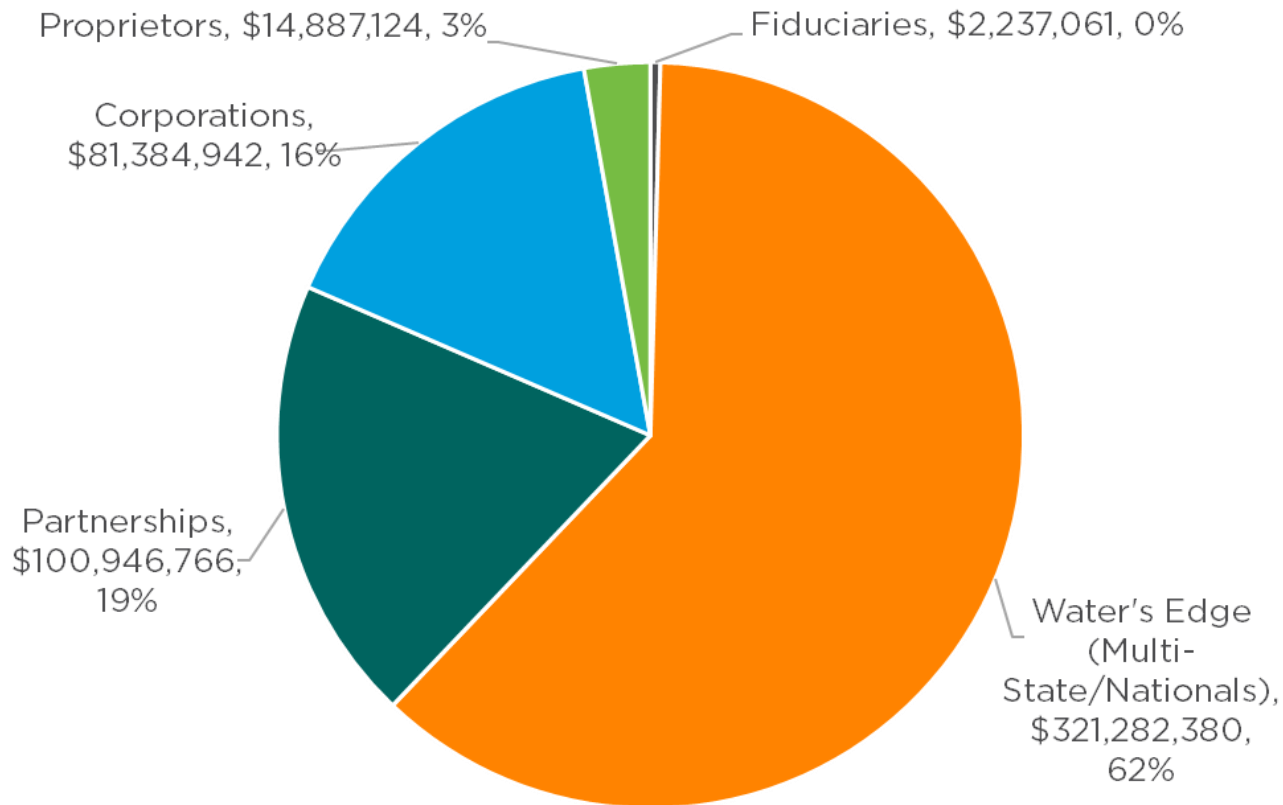
BUSINESS PROFITS TAX FILERS BY TYPE
DRAFT DATA, TAX YEAR 2018



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

WATER'S EDGE FILERS PAY MAJORITY OF TAX REVENUE

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



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

BROADER TAX BASE FOR BET, NOT DEPENDENT ON LARGE PROFITS

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

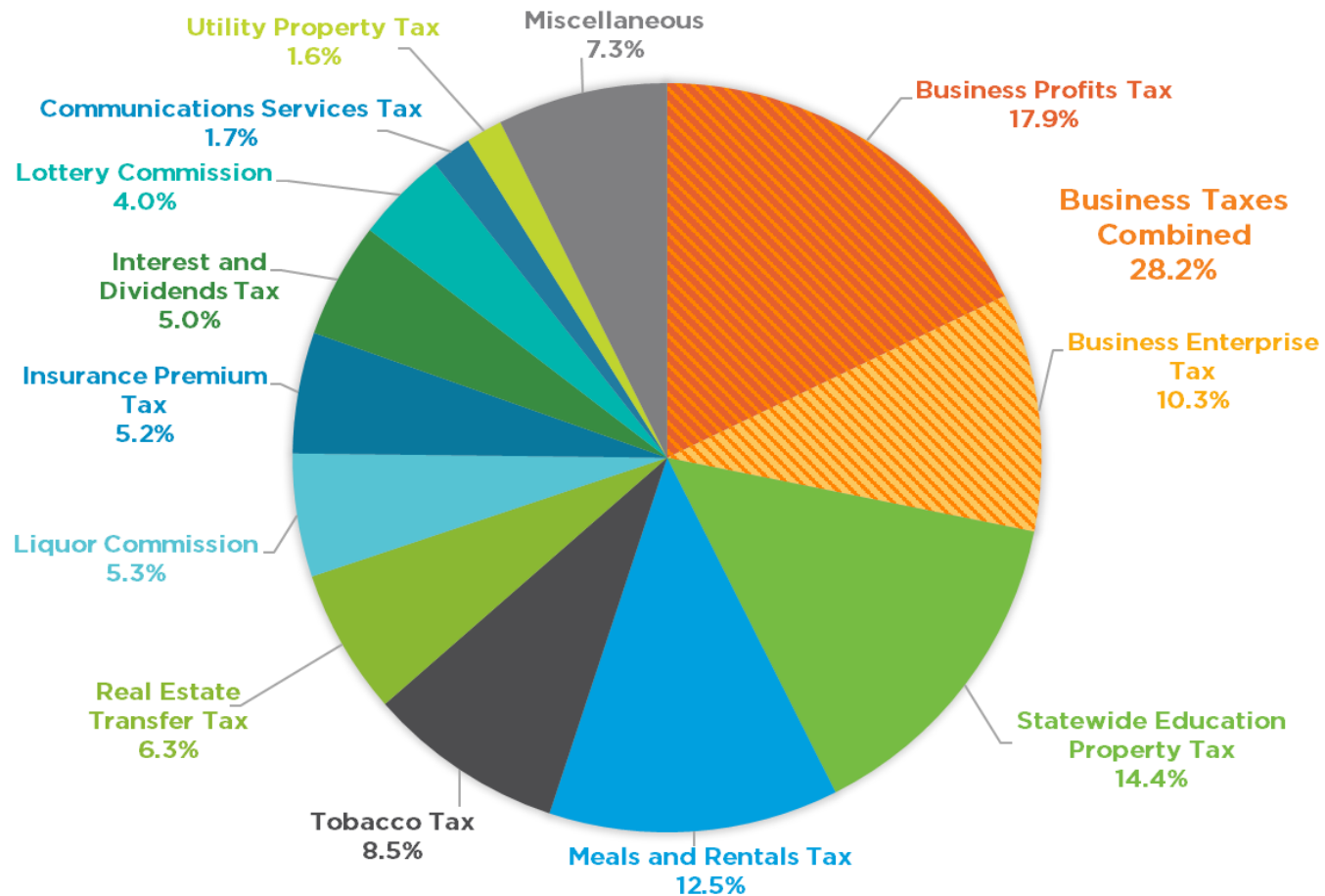
*Note: Taxable enterprise value tax base determined by amount of compensation and interest paid or accrued, dividends paid, and adjustments for interstate liabilities and certain dividends.

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

REVIEW: GENERAL AND EDUCATION TRUST FUNDS REVENUE SOURCES

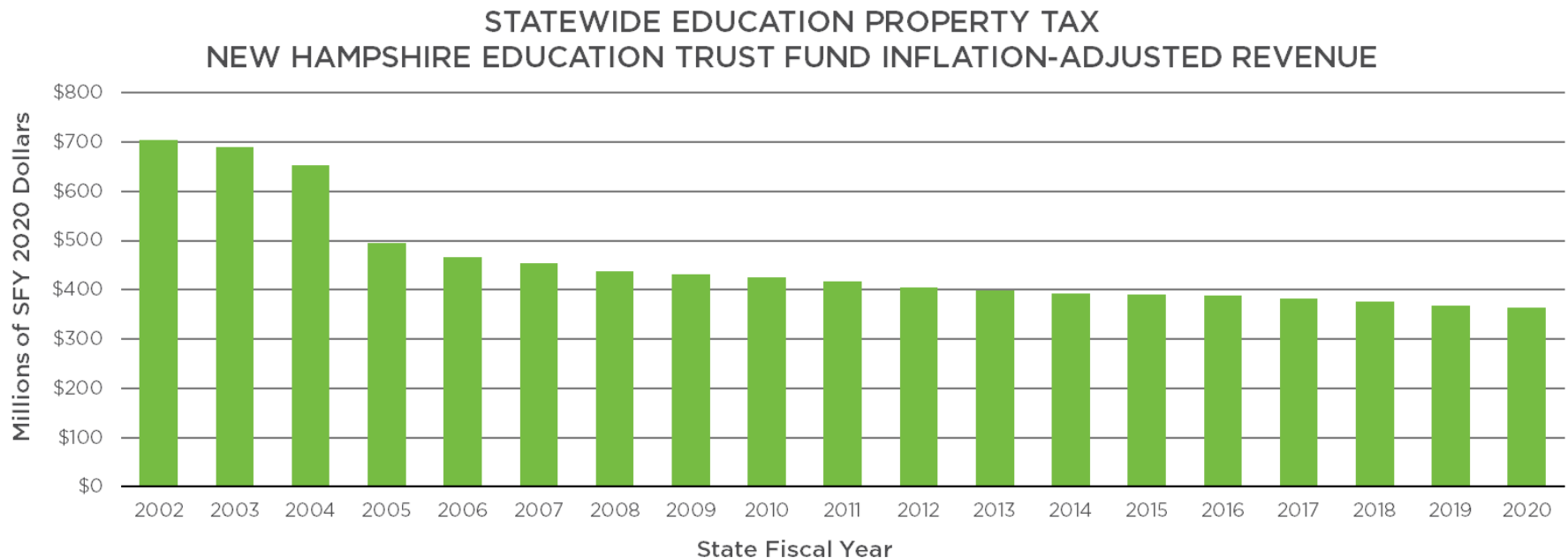
STATE FISCAL YEAR 2020

Source: New Hampshire Comprehensive Annual Financial Report, SFY 2020



STATEWIDE EDUCATION PROPERTY TAX

- Established in 1999 to support newly created Education Trust Fund for Adequate Education Grants funding education on a per pupil basis
- Set to raise \$363 million in 2005, does not adjust for inflation
- State requires local governments to raise this revenue
- Retained locally; revenue went to state previously, but not after 2011

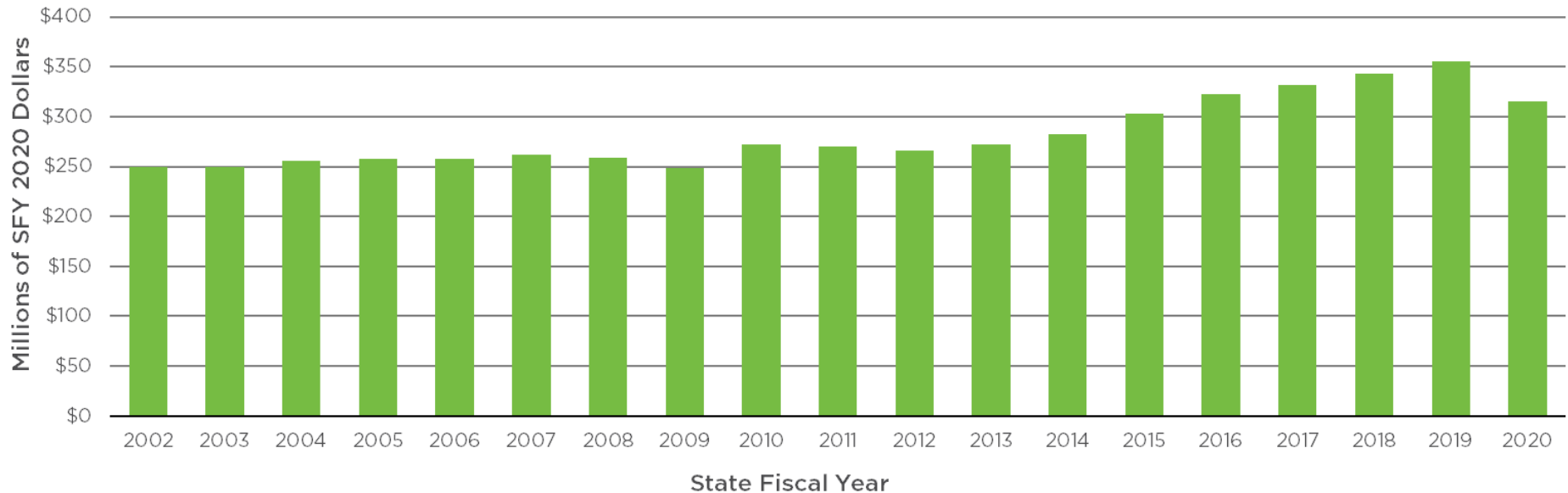


Sources: New Hampshire Comprehensive Annual Financial Reports; U.S. Bureau of Labor Statistics, CPI-U, Northeast

MEALS AND RENTALS TAX

- Tax of 9 percent levied on most purchases of food or beverages from restaurants, also on hotel rooms and car rentals; 8 percent before SFY 2010
- Funds the General Fund, Education Trust Fund (car rentals portion), certain school building aid, State’s travel and tourism development agency, municipalities (40 percent set in statute, intervening statutes have reduced that amount)

NEW HAMPSHIRE MEALS AND RENTALS TAX
GENERAL AND EDUCATION TRUST FUNDS INFLATION-ADJUSTED REVENUE

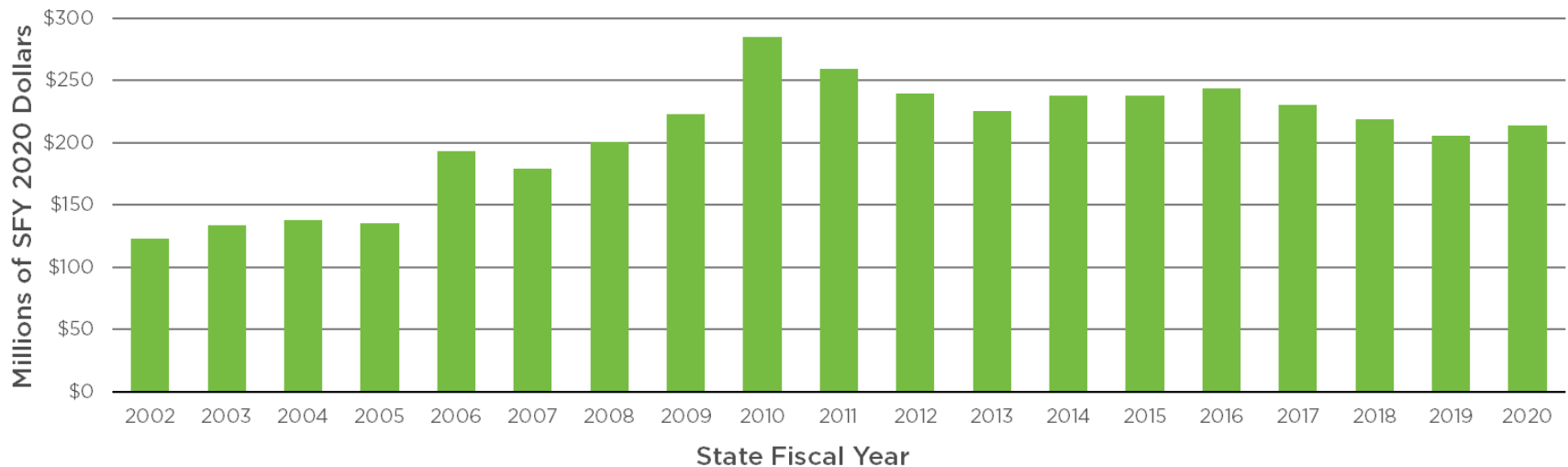


Sources: New Hampshire Comprehensive Annual Financial Reports; U.S. Bureau of Labor Statistics, CPI-U, Northeast

TOBACCO TAX

- \$1.78 per 20-cigarette pack, adjusted-proportionally for pack size
- 65.03 percent on wholesale price of other tobacco products
- Also includes e-cigarettes, certain nicotine products, 8 percent tax
- Several rate changes in last 25 years (boosted up to \$0.37/pack in 1997)
- Supports General (\$1.00/pack) and Education Trust Funds (\$0.78/pack)

NEW HAMPSHIRE TOBACCO TAX
GENERAL AND EDUCATION TRUST FUNDS INFLATION-ADJUSTED REVENUE

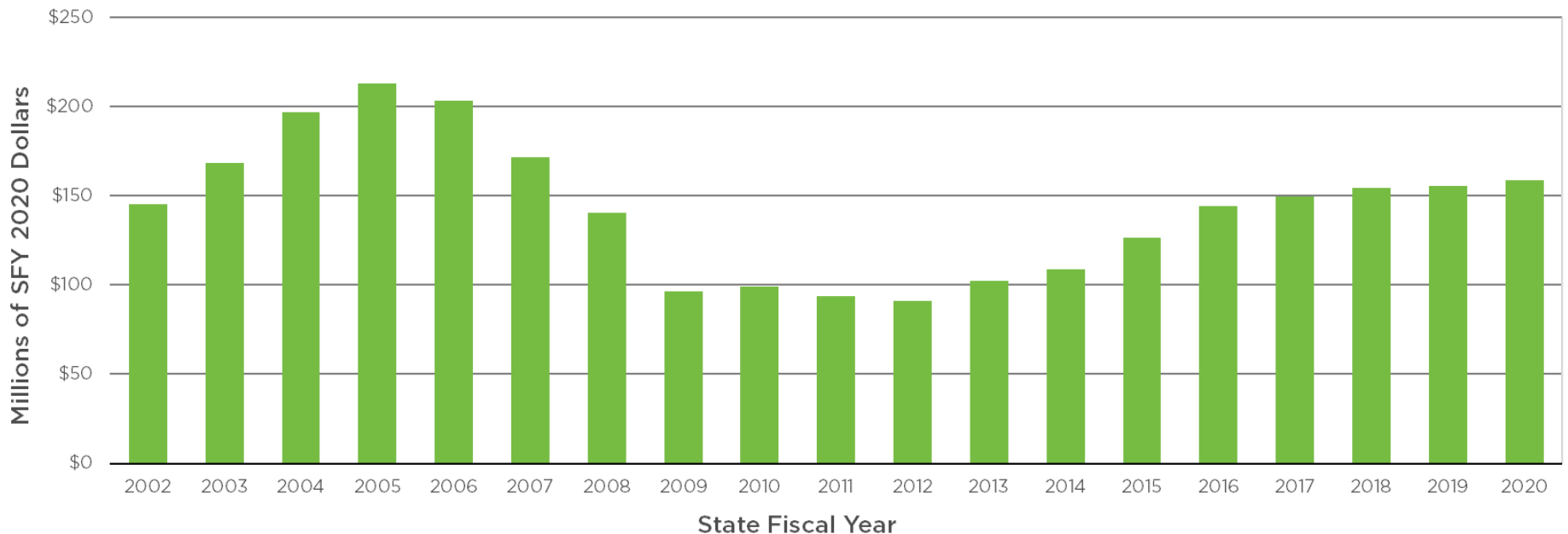


Sources: New Hampshire Comprehensive Annual Financial Reports; U.S. Bureau of Labor Statistics, CPI-U, Northeast

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
- \$0.25 of the \$0.75 goes to the Education Trust Fund, rest to General Fund

NEW HAMPSHIRE REAL ESTATE TRANSFER TAX
GENERAL AND EDUCATION TRUST FUNDS INFLATION-ADJUSTED REVENUE

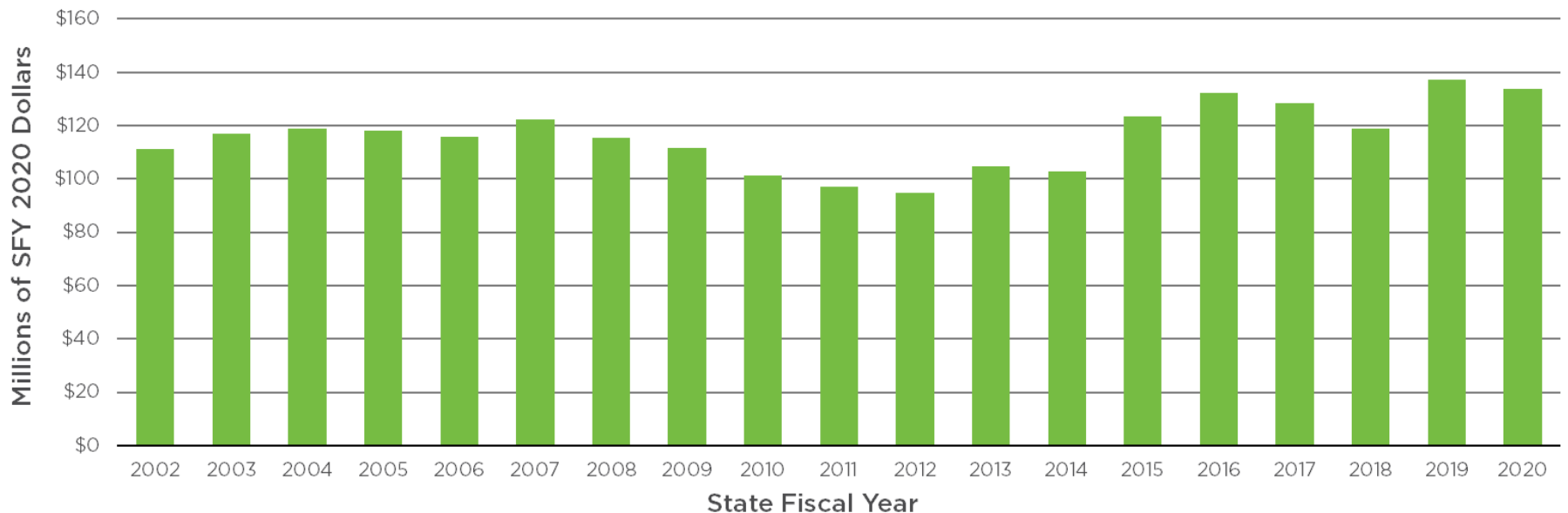


Sources: NH Comprehensive Annual Financial Reports; U.S. Bureau of Labor Statistics, CPI-U, Northeast

INSURANCE PREMIUM TAX

- 1.25 percent on premiums from insurers
- 2 percent health, accident, and certain life insurance premiums
- Supports General Fund, except revenues from those insured under the NH Granite Advantage Health Care Program, which go to the Program's trust fund

NEW HAMPSHIRE INSURANCE PREMIUM TAX
GENERAL FUND INFLATION-ADJUSTED REVENUE

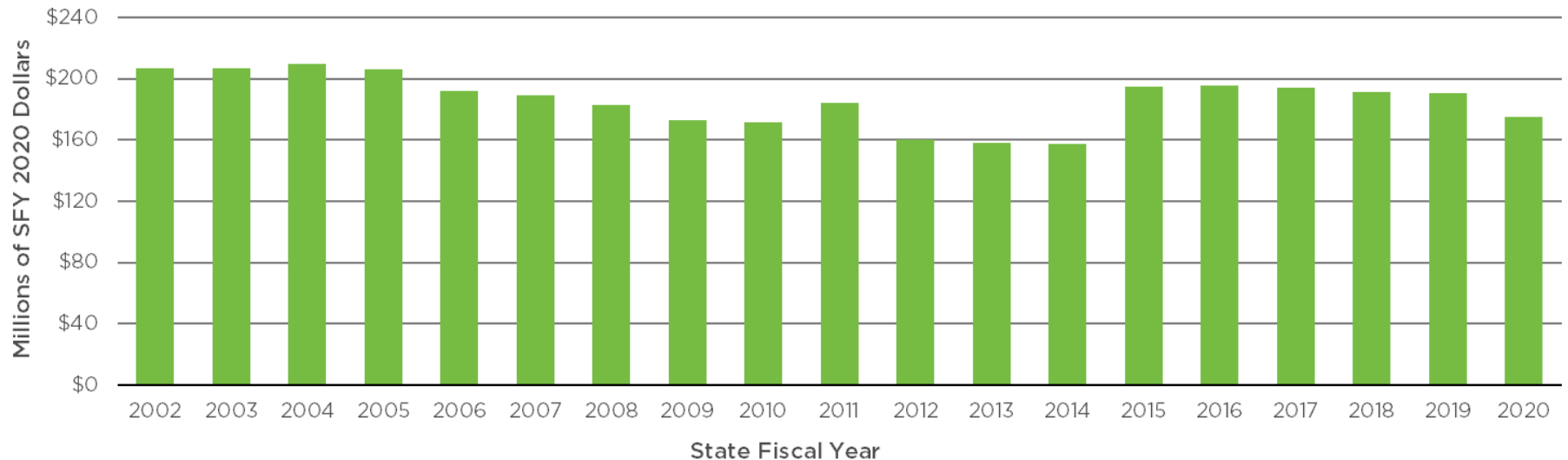


Sources: New Hampshire Comprehensive Annual Financial Reports; U.S. Bureau of Labor Statistics, CPI-U, Northeast

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
- Revenues go to the Highway Fund, used for interest on highway bonds and notes as well as operations

NEW HAMPSHIRE MOTOR FUELS TAX
HIGHWAY FUND INFLATION-ADJUSTED REVENUE

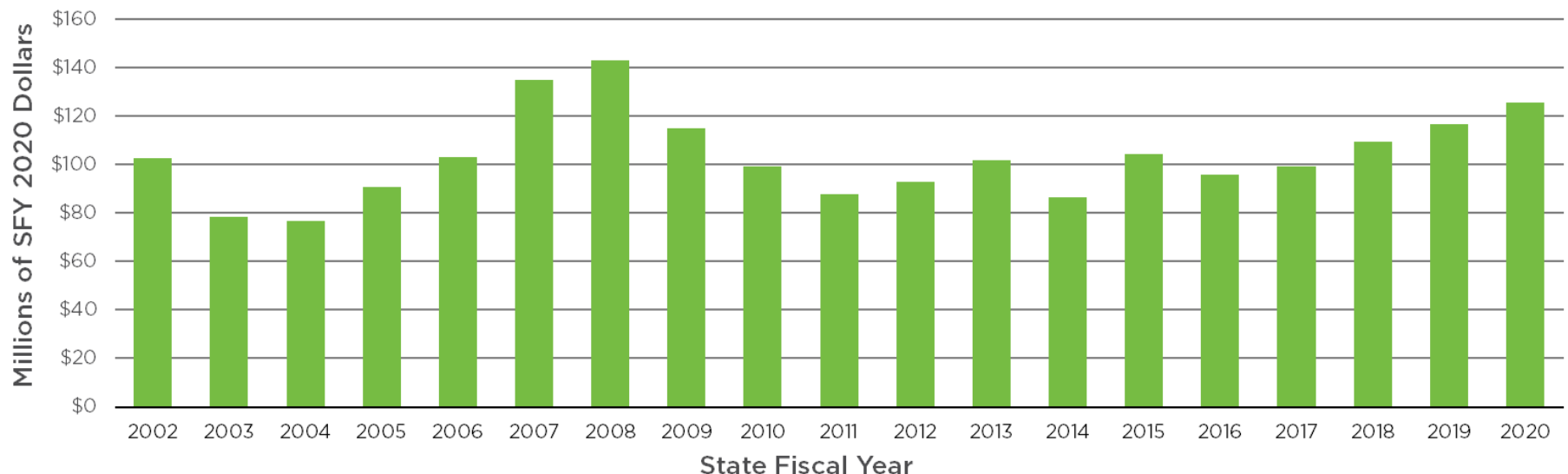


Sources: New Hampshire Comprehensive Annual Financial Reports; U.S. Bureau of Labor Statistics, Consumer Price Index-Urban, Northeast

INTEREST AND DIVIDENDS TAX

- 5 percent tax on interest, dividend, and distribution income from assets
- Individuals, joint filers, certain companies and partnerships
- Filing threshold of \$2,400, and \$4,800 for joint filers; additional \$1,200 exemptions for older adults, blind individuals, or certain disabilities
- \$125.7 million to the General Fund in SFY 2020

NEW HAMPSHIRE INTEREST AND DIVIDENDS TAX
GENERAL FUND INFLATION-ADJUSTED REVENUE



Sources: New Hampshire Comprehensive Annual Financial Reports; U.S. Bureau of Labor Statistics, CPI-U, Northeast

HIGH-INCOME INDIVIDUALS KEY 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

OTHER KEY STATE TAXES

Medicaid Enhancement Tax

- 5.4 percent of charges hospitals make for services
- \$262.3 million in SFY 2020
- Revenues to Uncompensated Care and Medicaid Fund
- Leverages federal dollars

Communications Services Tax

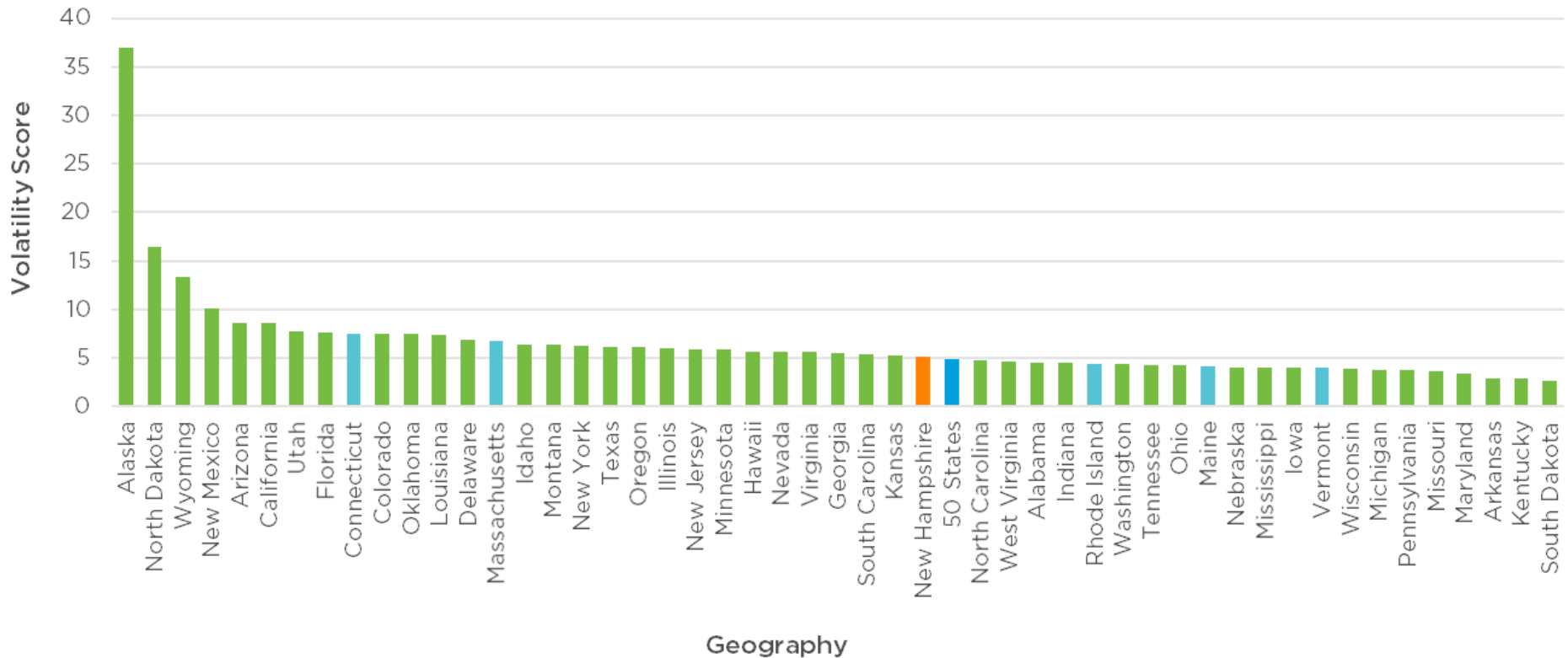
- 7 percent tax on two-way communications services
- Does not include internet providers, landline phones key to tax base
- Declining revenue, \$39.8 million in SFY 2020

Utility Property Tax

- \$6.60 per \$1,000 levied on machinery, real estate, structures for commercial electricity, natural gas, or petroleum distribution and certain water and sewer

NEW HAMPSHIRE TAX REVENUES NEAR AVERAGE VOLATILITY

STATE TAX REVENUE VOLATILITY, FISCAL YEARS 2000-2019



Source: The Pew Charitable Trusts, Tax Revenue Swings Complicate State Budgeting, April 27, 2021

LARGEST NON-TAX REVENUE SOURCES

To All Funds (State Fiscal Year 2020)

- Federal Grants - \$2,867.2 million
(includes \$493.3 million in Coronavirus Relief Funds)
- Liquor Commission Sales - \$739.6 million
(\$141.8 million in operating profits for other State uses)
- Lottery Commission Sales - \$392.2 million
(\$99.8 million in profits for Education Trust Fund)
- Turnpike Tolling - \$130.9 million

Sources: New Hampshire Comprehensive Annual Financial Report for the Fiscal Year Ending June 30, 2020; New Hampshire Liquor Commission 2020 Comprehensive Annual Financial Report; New Hampshire Lottery Commission Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2020.

NON-TAX STATE REVENUE SOURCES: 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; beer is taxed
- Pays for its own operations, the Alcohol Abuse Prevention and Treatment Fund (\$10.0 million in SFY 2020), and the General Fund

Lottery Commission

- Sells lottery tickets and oversees racing, charitable gaming, Keno, sports betting; several recent expansions
- Per constitutional requirement, profits go to the Education Trust Fund

Turnpike System

- Tolls users of three turnpikes to operate, construct, and maintain them
- Not all 89 miles of turnpike highway are tolled, sections can be transferred from other Department of Transportation ownership

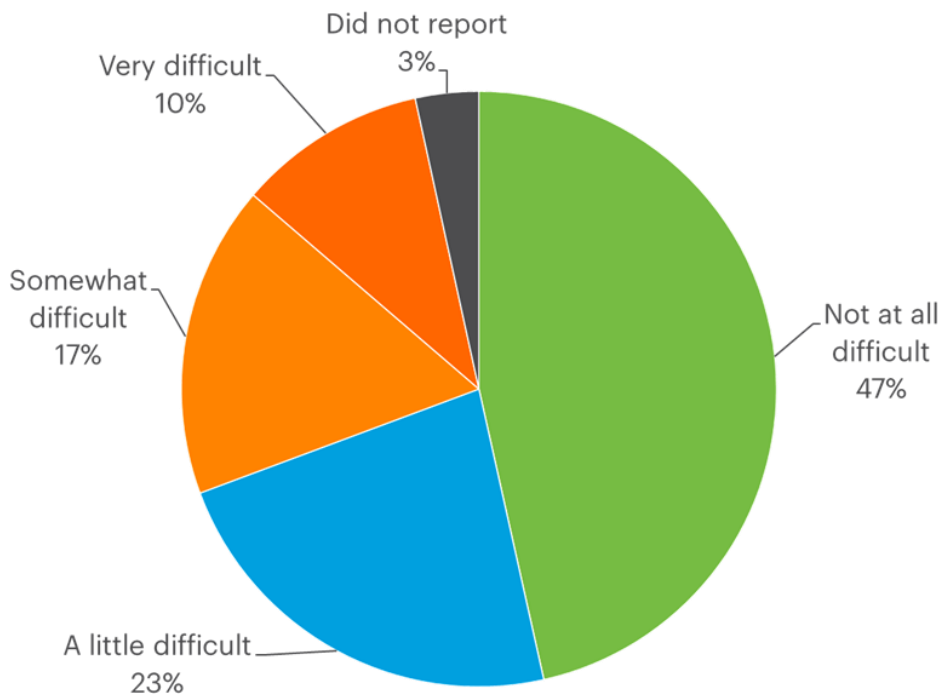
STATE REVENUE SYSTEM: STRENGTHS AND WEAKNESSES

- Reliance on many revenue streams, most with narrow bases
- High importance of non-tax revenue sources, such as profits from liquor and lottery sales
- Fortunes do not rise or fall with changes in a single revenue source, adds stability to the revenue system relative to some other states
- Policymaker flexibility might be more limited because of narrower bases, large or many adjustments may be needed to react to changes
- Narrow bases more likely to disappear with changing economy
- Certain revenue sources likely to be declining over time, such as the Tobacco Tax and the Communications Services Tax
- Changing demographics may complicate sustainability
- Reliance on federal sources results in limited options if funding from the federal government is reduced

HOW HAS COVID-19 IMPACTED NEW HAMPSHIRE?

HOUSEHOLD ECONOMIC SECURITY IMPACTS

NEW HAMPSHIRE ADULTS REPORTING DIFFICULTY PAYING FOR USUAL HOUSEHOLD EXPENSES DURING THE LAST SEVEN DAYS, FROM FEBRUARY 17 TO MARCH 1, 2021



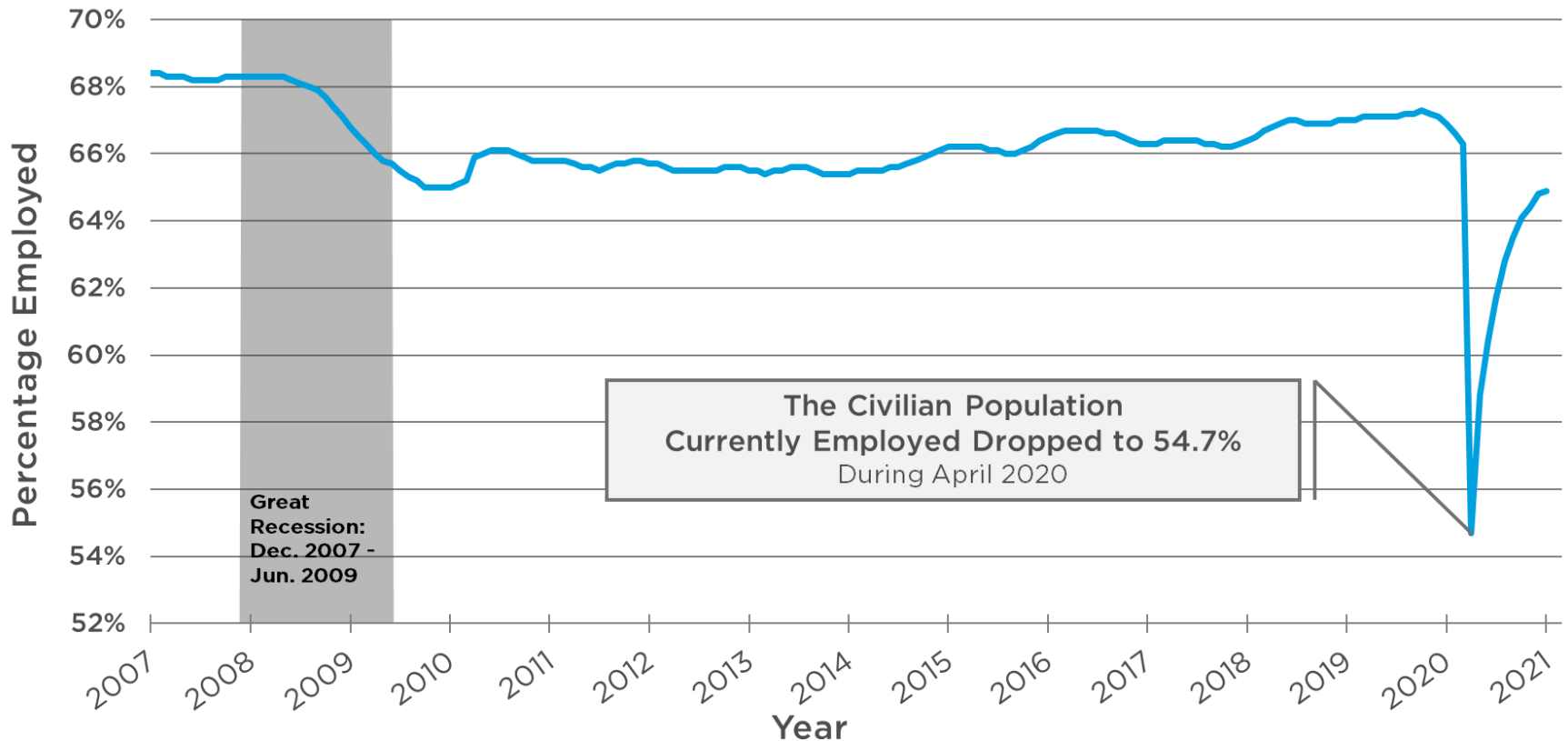
Note: Estimates for Week 25 of the Household Pulse Survey representing the total population age 18 years and older in New Hampshire
Source: U.S. Census Bureau, Household Pulse Survey, accessed March 15, 2021

- About 22 percent fewer New Hampshire residents were employed in mid-April 2020 than in mid-February 2020
- 47 percent of New Hampshire households lost employment income between March 13, 2020 and the July 2-21, 2020 survey
- About 1 in 4 indicated difficulty in paying for usual household expenses in February and March 2021, down from 1 in 3 in early December 2020; dropped lower in most recent data

Sources: NHFPI, *Designing a State Budget to Meet New Hampshire's Needs During and After the COVID-19 Crisis*, February 8, 2021; U.S. Census Bureau, Household Pulse Survey; National Conference of State Legislatures, *COVID-19 Economic Relief Bill*, January 4, 2021

SHARE OF POPULATION EMPLOYED

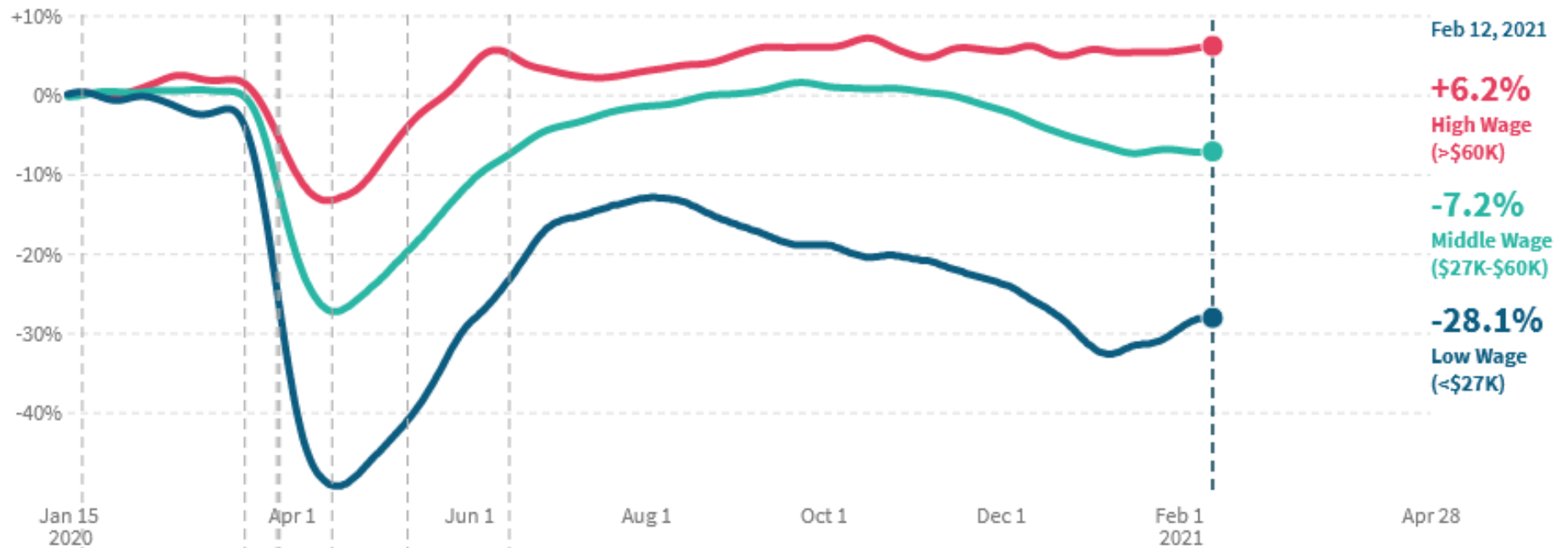
EMPLOYMENT-POPULATION RATIO IN NEW HAMPSHIRE



Note: Seasonally-Adjusted
Source: U.S. Bureau of Labor Statistics

IMPACTS GREATEST ON LOW-WAGE WORK

PERCENT CHANGE IN EMPLOYMENT IN NEW HAMPSHIRE

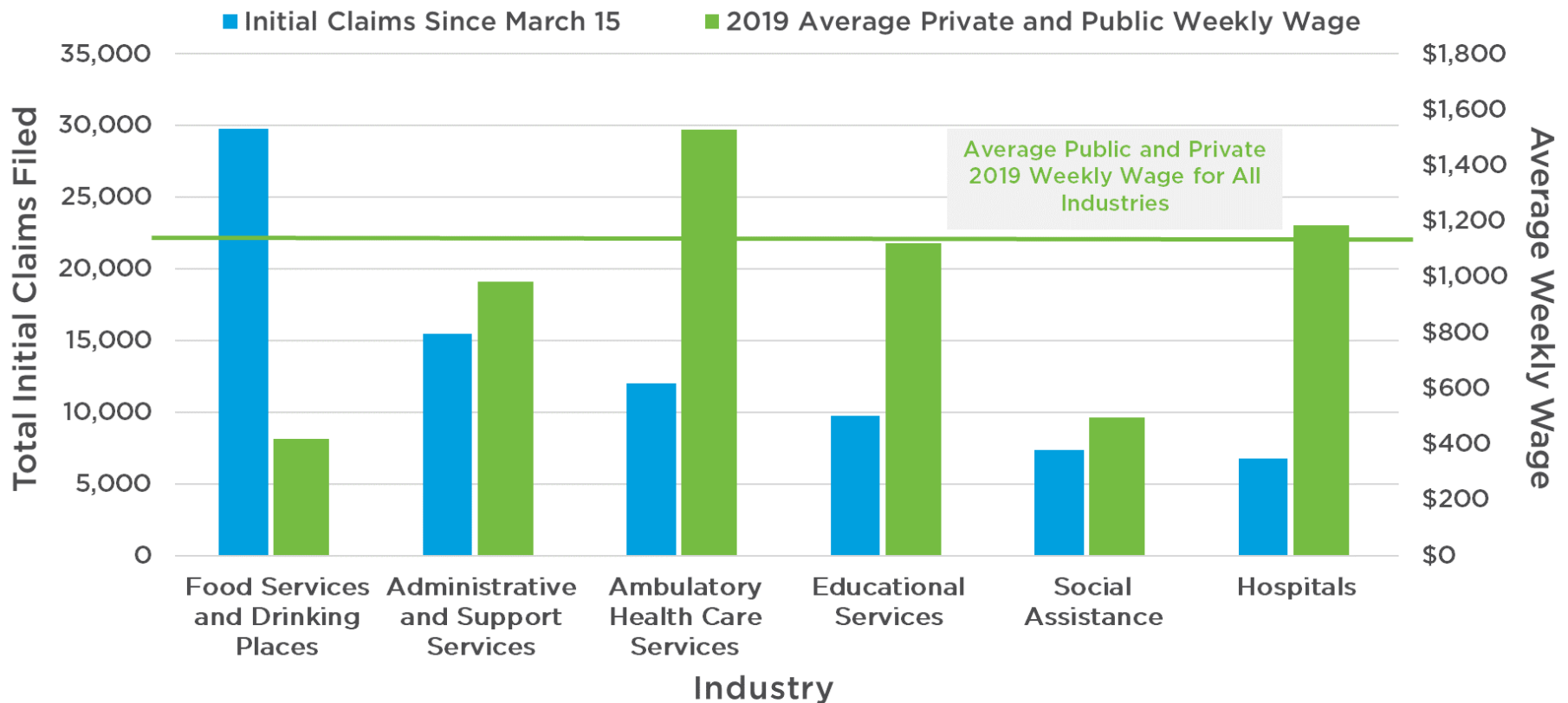


Notes: Change in employment rates (not seasonally adjusted) indexed to January 4-31, 2020. This series is based on payroll data from Paychex and Intuit, worker-level data on employment and earnings from Earnin, and timesheet data from Kronos.

Source: Opportunity Insights Economic Tracker; 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. Last updated April 12, 2021.

TOP INDUSTRIES FOR UNEMPLOYMENT CLAIMS

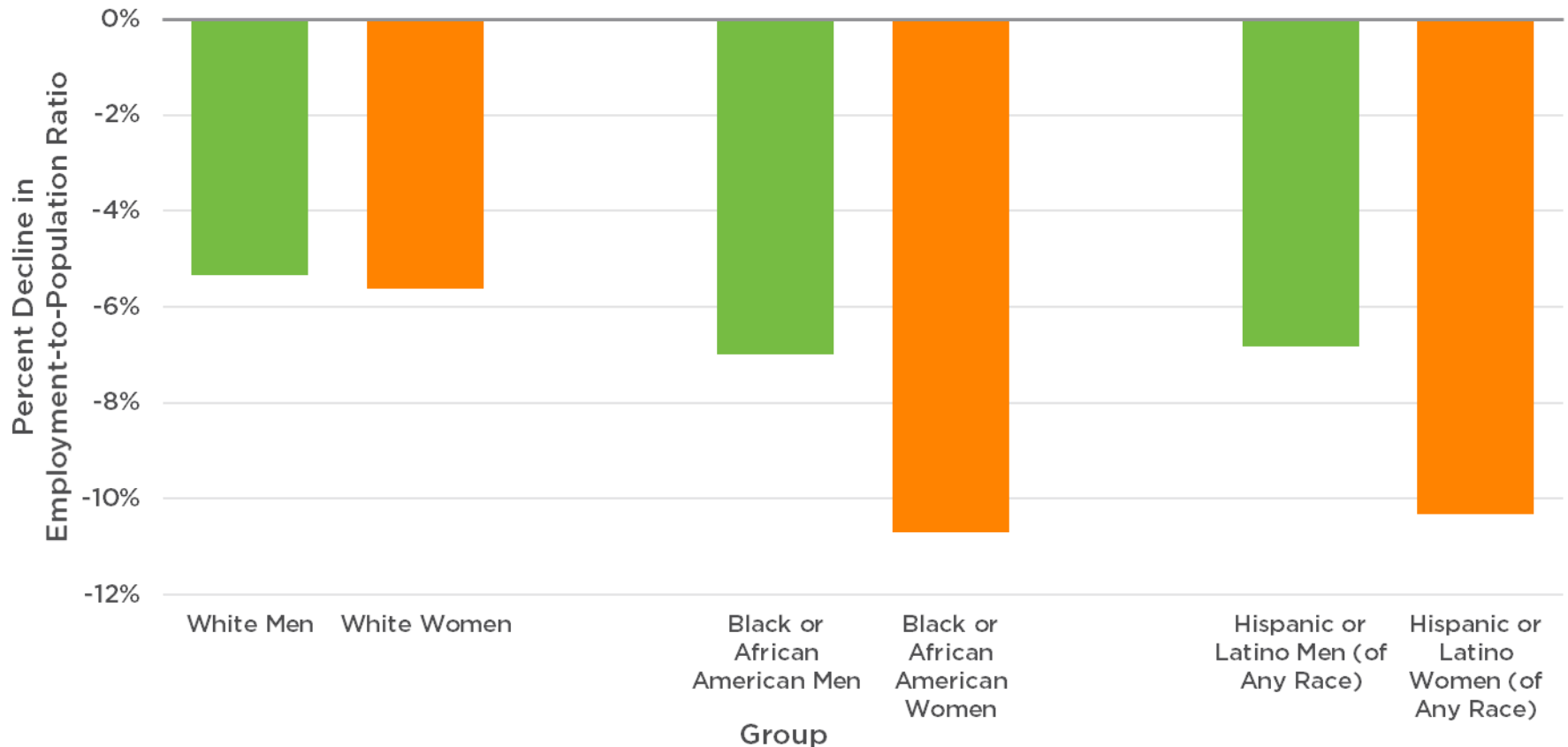
IN NEW HAMPSHIRE, FROM MARCH 16, 2020 TO FEBRUARY 20, 2021



Sources: New Hampshire Employment Security, *COVID-19 Unemployment Update*, March 12, 2021 and New Hampshire Employment Security, Economic and Labor Market Information Bureau, Covered Employment and Wages

NATIONAL EMPLOYMENT IMPACTS UNEVEN

RELATIVE CHANGE IN EMPLOYMENT TO POPULATION RATIOS BY GROUP, COMPARING FEBRUARY 2021 TO FEBRUARY 2020 IN THE UNITED STATES

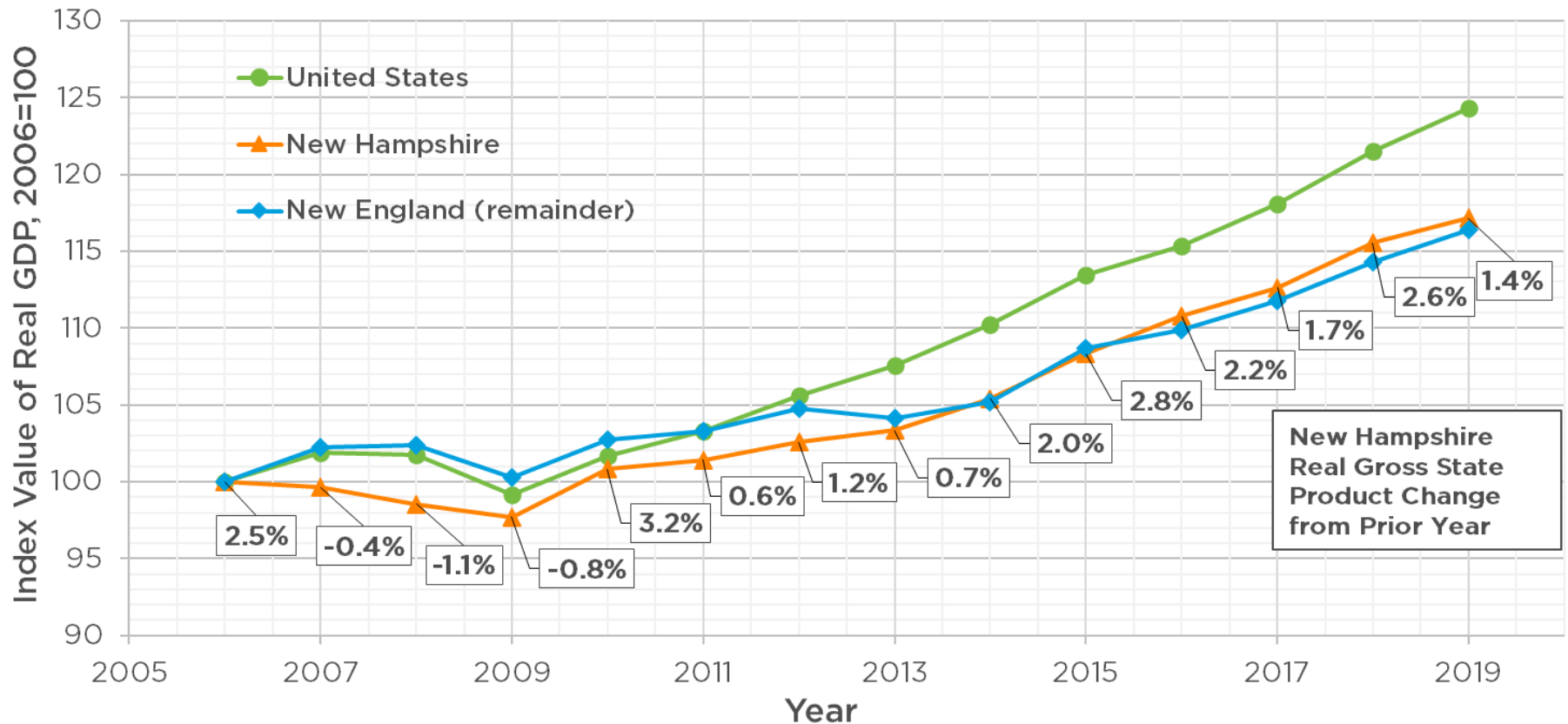


Note: For adults age 20 years and older.

Source: U.S. Bureau of Labor Statistics, Current Population Survey

SLOW GROWTH IN NEW HAMPSHIRE FOLLOWING LAST RECESSION

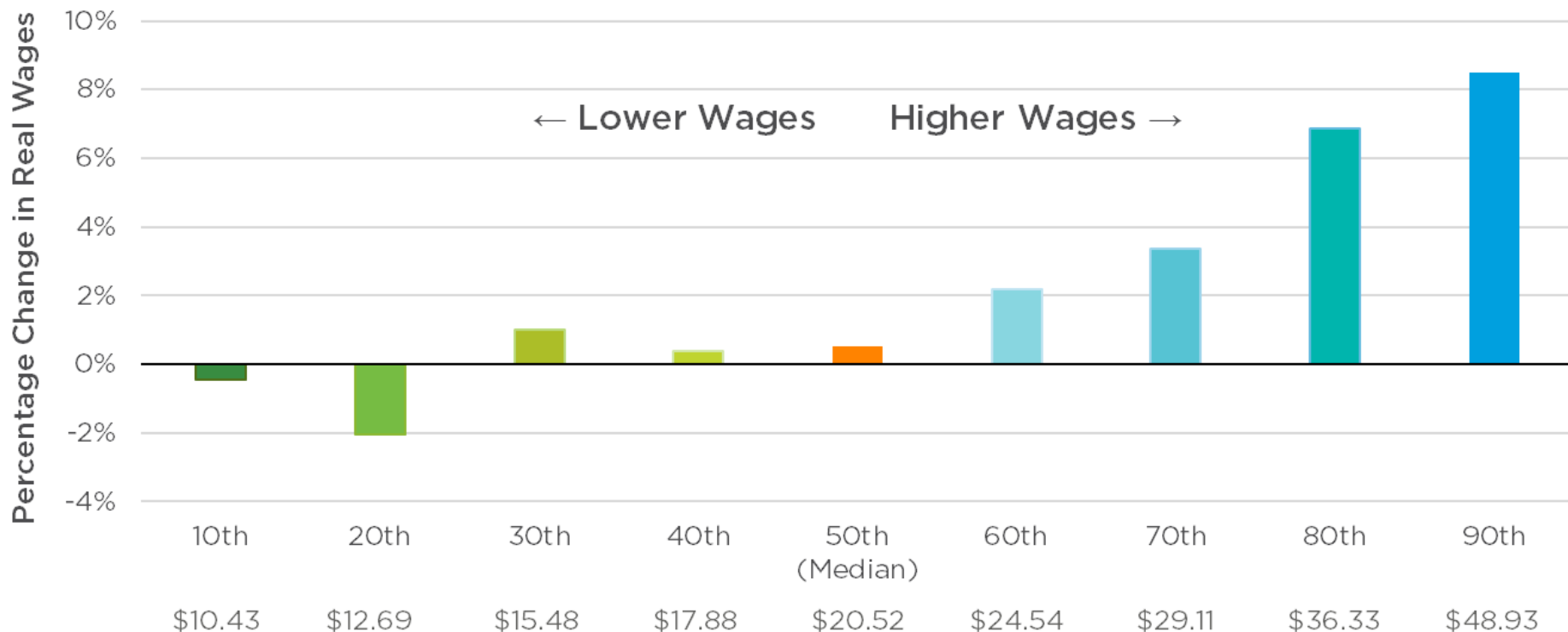
CHANGES IN INFLATION-ADJUSTED GROSS DOMESTIC PRODUCT



Note: Inflation adjustment is 2012 chained dollars.
Source: U.S. Bureau of Economic Analysis

REAL WAGES IN NEW HAMPSHIRE HAD NOT GROWN FOR LOWER-INCOME WORKERS

CHANGE FROM 2004-2006 TO 2017-2019 AVERAGES BY WAGE DECILE



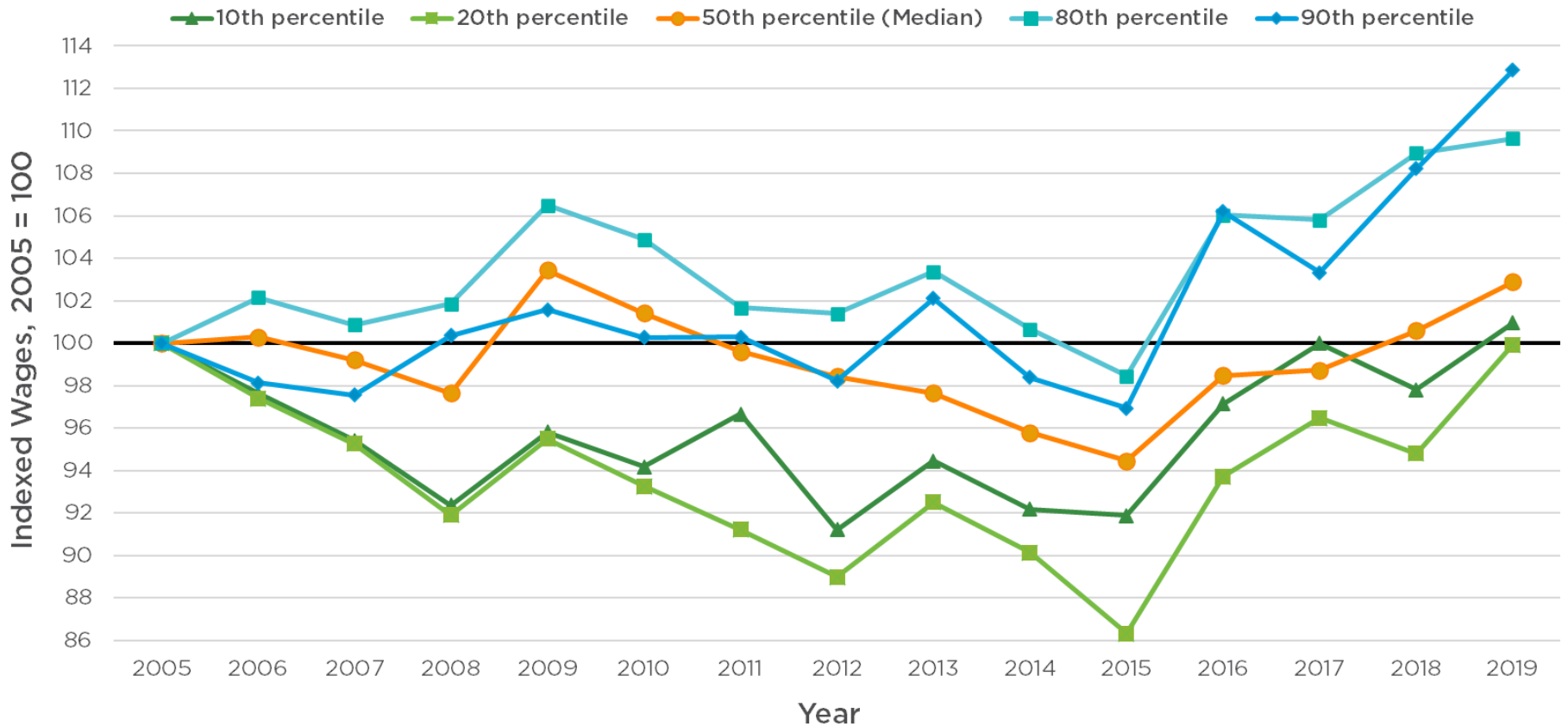
Relative Wage Percentiles and Corresponding 2017-2019 Hourly Wage Estimates

Note: Inflation adjustment using Consumer Price Index-Urban-Research Series (current methods). Includes workers aged 16 years and older and all income from work.

Source: Economic Policy Institute analysis of Current Population Survey Outgoing Rotation Group data

LESS PURCHASING POWER IN LOW WAGES DURING RECOVERY FROM LAST RECESSION

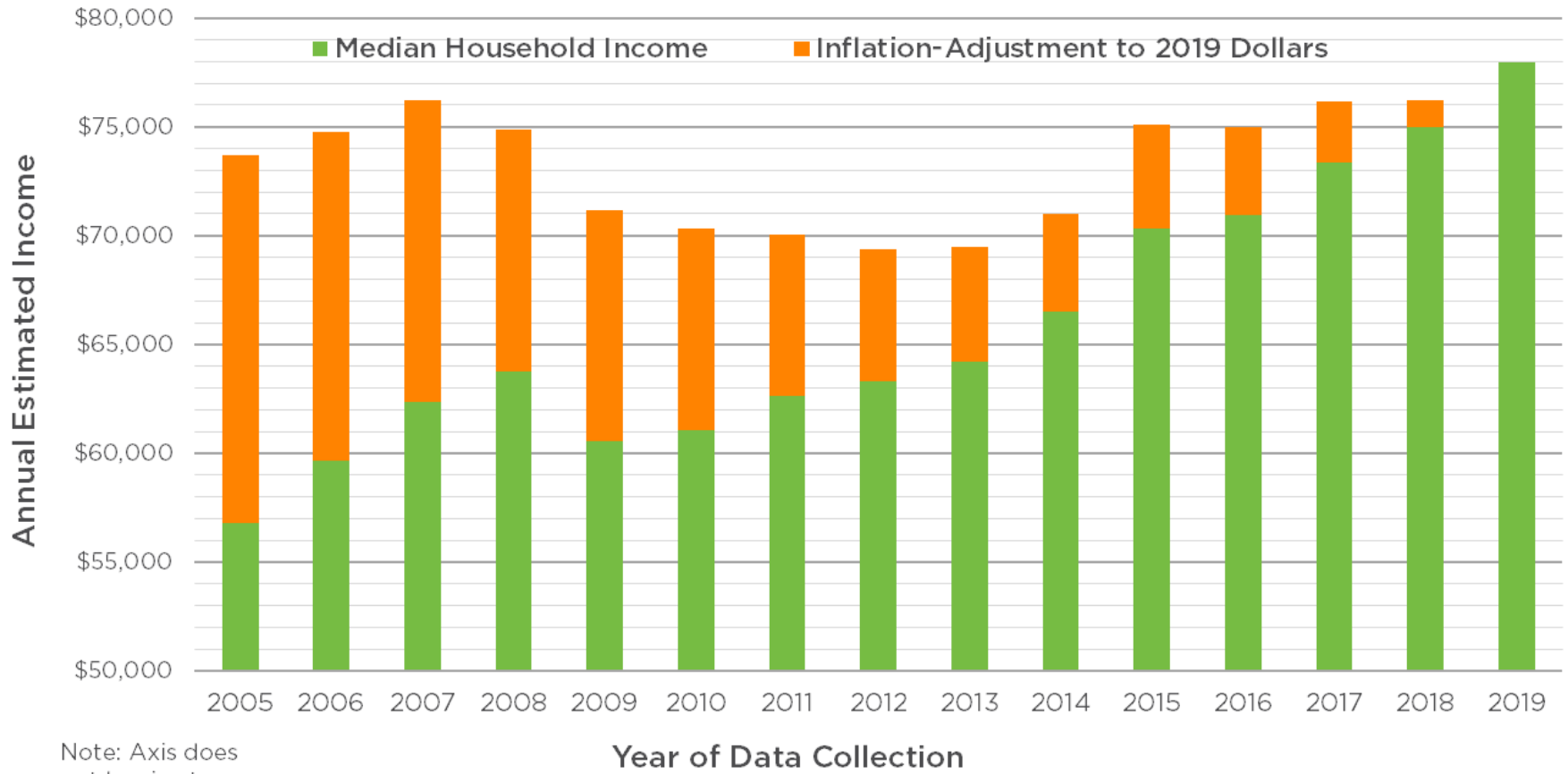
INFLATION-ADJUSTED WAGES IN NEW HAMPSHIRE



Notes: Inflation adjustment using Consumer Price Index-Urban-Research Series (current methods).
Includes workers aged 16 years and older and all income from work.
Source: Economic Policy Institute analysis of Current Population Survey Outgoing Rotation

HOUSEHOLD INCOME RECOVERY DELAYED

MEDIAN HOUSEHOLD INCOME IN NEW HAMPSHIRE



Note: Axis does not begin at zero.

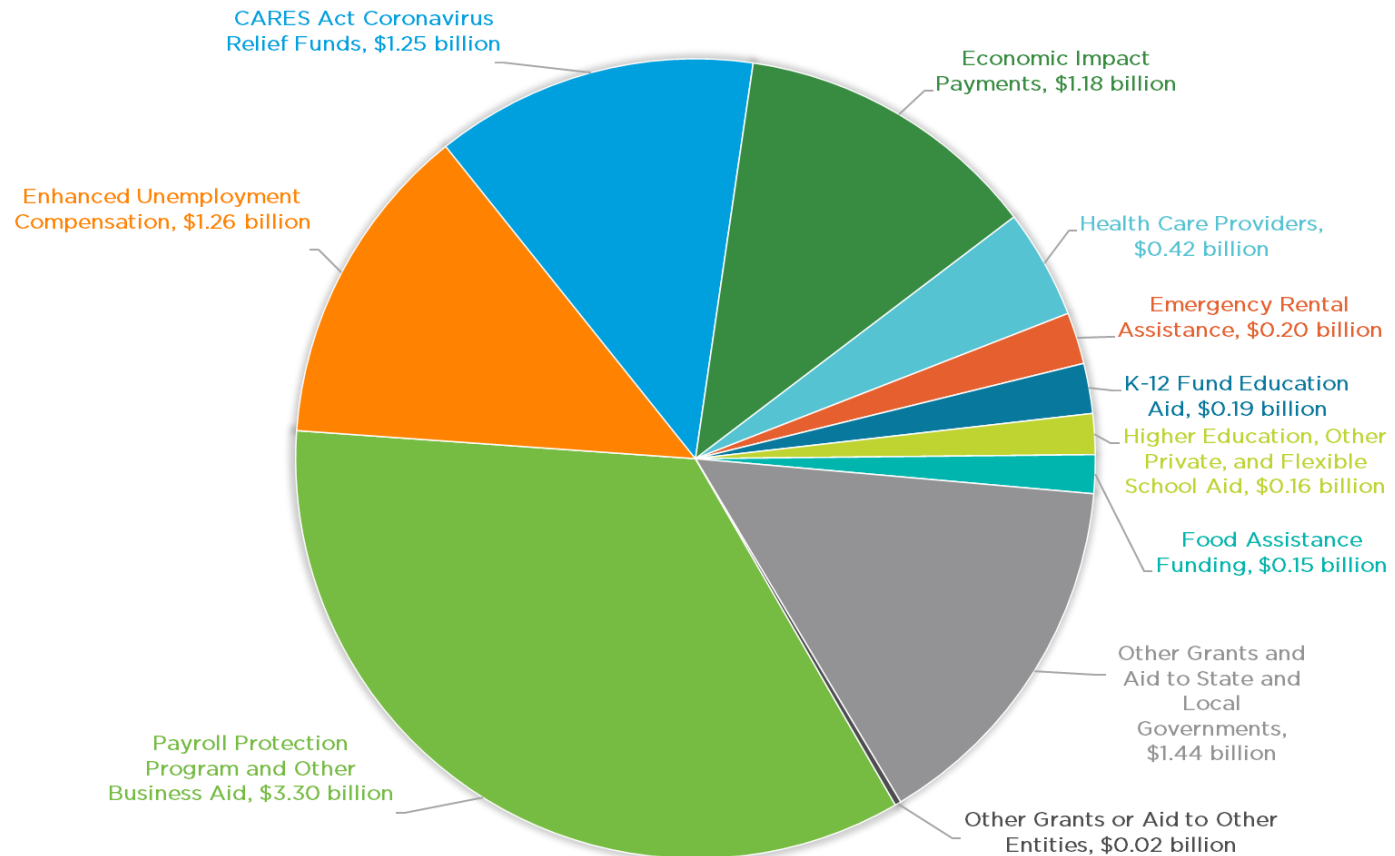
Sources: U.S. Census Bureau, American Community Survey One-Year Estimates; U.S. Bureau of Labor Statistics, Consumer Price Index-Urban, Northeast Region

FUNDING FROM FEDERAL ASSISTANCE IN 2020

- Assistance to individuals and families
 - Enhanced unemployment compensation benefits
 - Extended unemployment compensation benefits
 - Economic Impact Payments
 - Food assistance enhancements
- Grants to businesses
 - Payroll Protection Program
 - Disaster loans for small businesses
- Aid to governments
 - Coronavirus Relief Fund (\$1.25 billion to New Hampshire)
 - Emergency Rental Assistance
 - Local public education aid
 - Higher education and other education aid
 - Other grants to state and local governments
- Relief funds for health care providers

OVER \$9 BILLION TO NEW HAMPSHIRE

FEDERAL ASSISTANCE RELATED TO COVID-19 TO NEW HAMPSHIRE



Note: CARES Act refers to the federal Coronavirus Aid, Relief, and Economic Security Act. Sums may include small amounts of double-counting due to summation mismatches. Totals presented are derivations.

Source: Office of Legislative Budget Assistant, Federal COVID-19 Funds, New Hampshire Allocations, February 17, 2021.

SUPPORT FOR INDIVIDUALS ENACTED IN THE AMERICAN RESCUE PLAN ACT

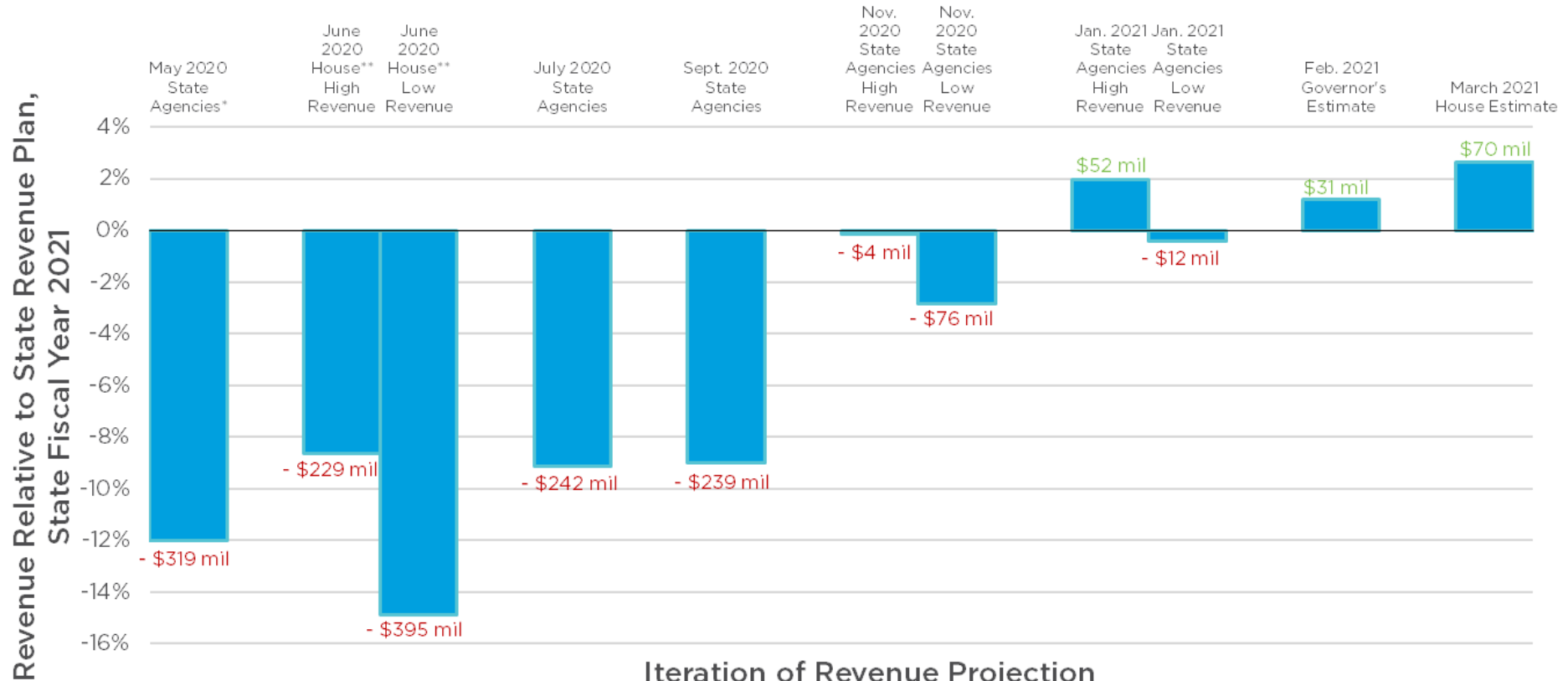
- Unemployment compensation expanded, additional \$300 per week
- Economic Impact Payments, \$1,400 for individuals
- Supplemental Nutrition Assistance Program benefits increased by 15 percent until end of September 2021
- Continuation of Pandemic EBT program for students out of school
- Expanded and fully-refundable Child Tax Credit in 2021
 - Could reach 87 percent of New Hampshire children
 - National estimates suggest this provision may reduce child poverty nearly by half
- Expanded Earned Income Tax Credit for certain adults in 2021
- Health coverage subsidies for individual marketplace purchasers
- Emergency rental assistance, \$152 million for New Hampshire renters (through the New Hampshire Housing Finance Authority)
- Support for child care aid grants for eligible individuals (\$30 million to individuals) and to support child care centers (\$48 million)

SUPPORT FOR ORGANIZATIONS ENACTED IN THE AMERICAN RESCUE PLAN ACT

- Approximately \$350.5 million to New Hampshire school districts, with a portion focused on learning loss during the pandemic
- Institutions of higher education in the state receive \$164.8 million, at least half of which must be used for assistance to college students
- Flexible funds from Coronavirus State and Local Fiscal Recovery Fund
- The Act's language indicates these funds can be used to:
 - respond to the public health or negative economic impacts of the pandemic, including assistance to households, small businesses, nonprofits, or aid to impacted industries
 - provide premium pay to people performing essential work during the COVID-19 crisis
 - offset certain revenue shortfalls resulting from pandemic
 - make necessary investments in water, sewer, or broadband infrastructure
- Funds allocated to different levels of government
 - \$994.6 million to the State of New Hampshire
 - \$264.1 million to New Hampshire's ten counties
 - \$198.2 million to New Hampshire cities and towns

Sources: NHFPI, Federal American Rescue Plan Act Directs Aid to Lower-Income Children, Unemployed Workers, and Public Services, March 26, 2021; U.S. Treasury Department; New Hampshire Office of Legislative Budget Assistant, Federal COVID-19 Funds - New Hampshire Allocations, April 22, 2021.

STATE FISCAL YEAR 2021 SHORTFALL PROJECTIONS SHOW IMPROVED OUTLOOK



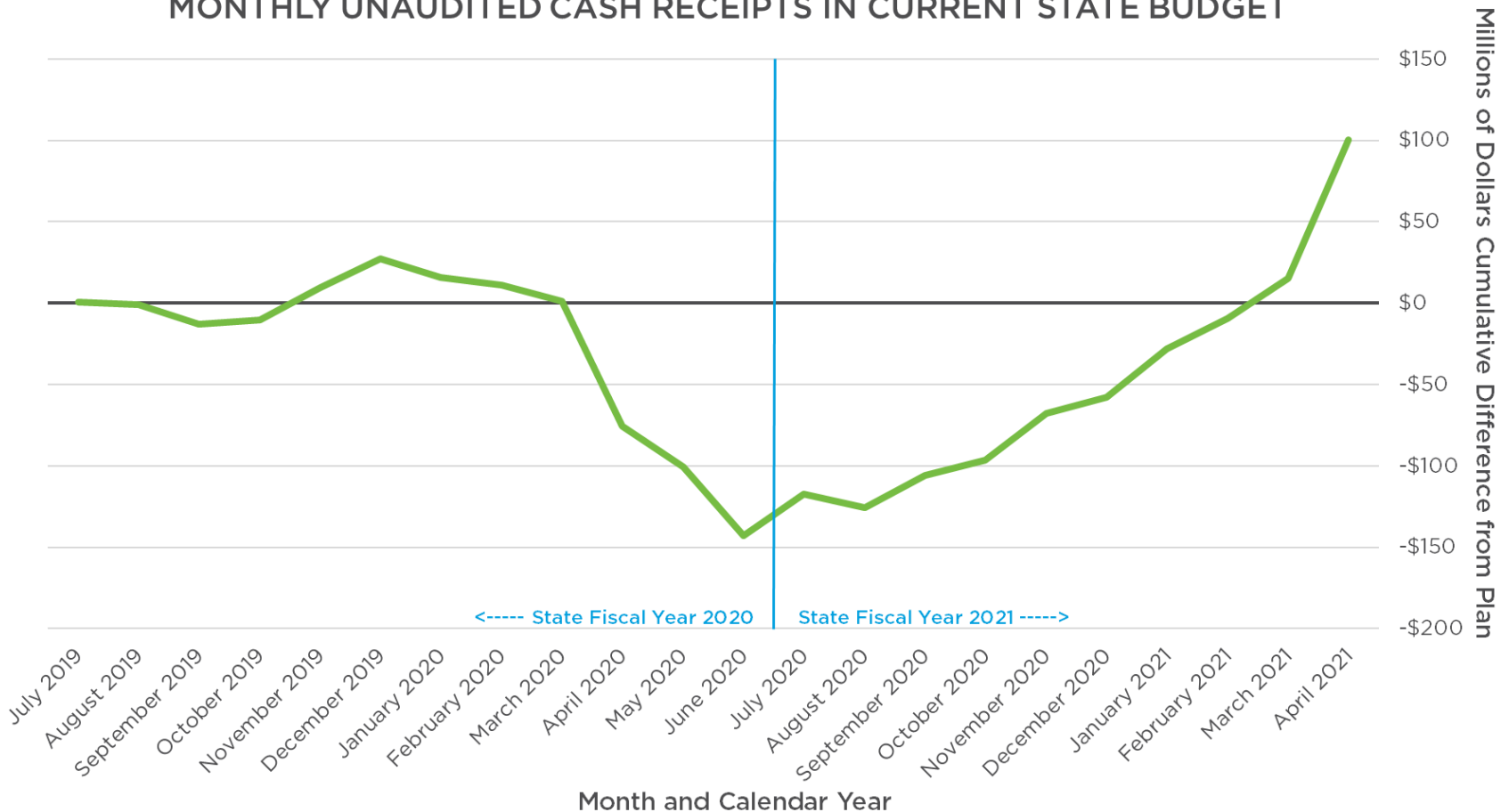
Iteration of Revenue Projection New Hampshire General and Education Trust Funds

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.

Sources: New Hampshire Office of Legislative Budget Assistant, Revenue Estimate Worksheets, November 18, 2020 and February 2, 2021; Governor's Executive Budget Summary, February 11, 2021; House Ways and Means Committee Revenue Estimates, March 18, 2021.

UNAUDITED CASH RECEIPTS IN BIENNIUM SHOW A BUDGET SURPLUS

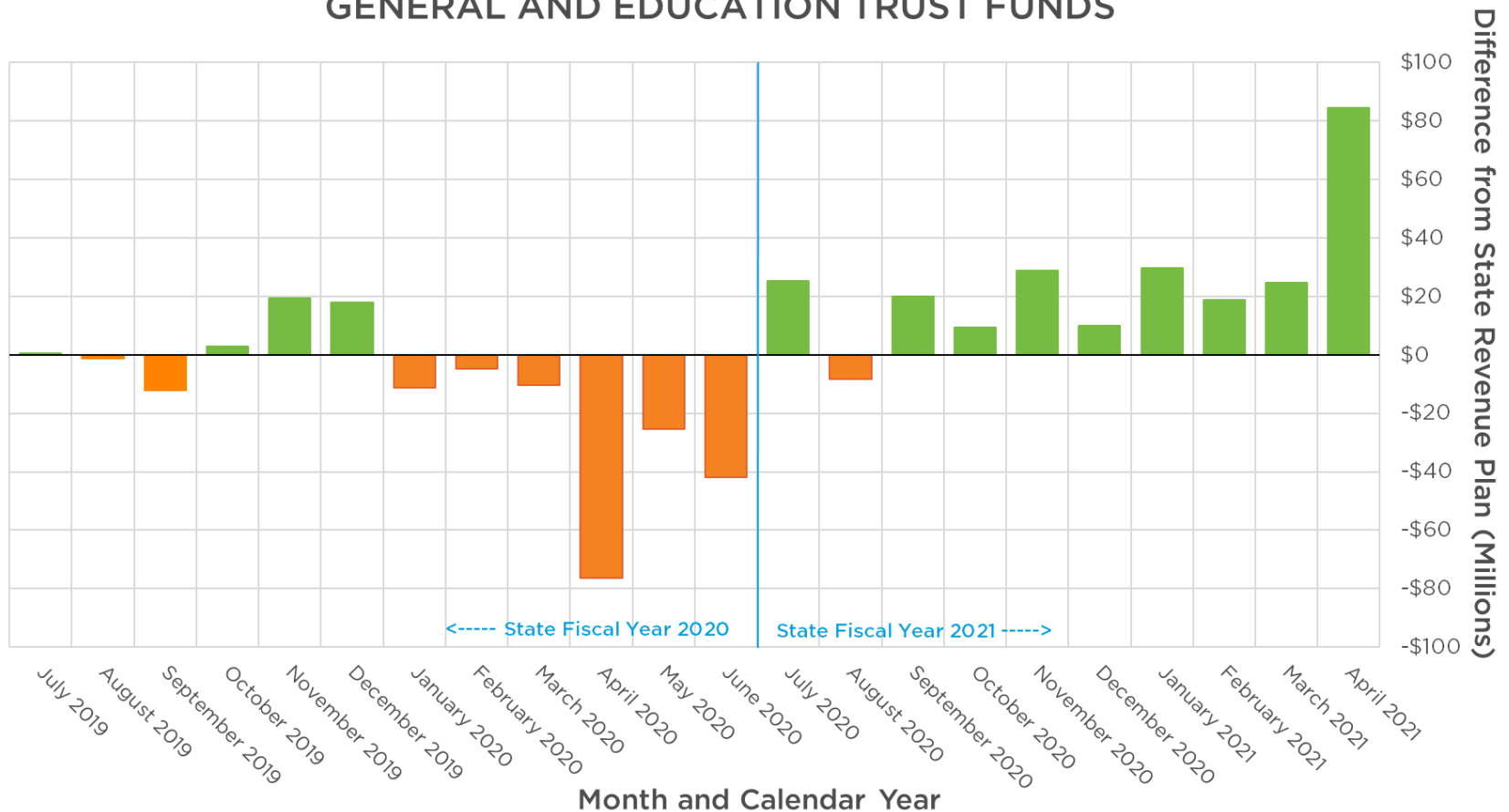
NEW HAMPSHIRE GENERAL AND EDUCATION TRUST FUNDS
MONTHLY UNAUDITED CASH RECEIPTS IN CURRENT STATE BUDGET



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

SIGNIFICANT SURPLUSES GENERATED DURING STATE FISCAL YEAR 2021

REVENUE TO THE NEW HAMPSHIRE GENERAL AND EDUCATION TRUST FUNDS

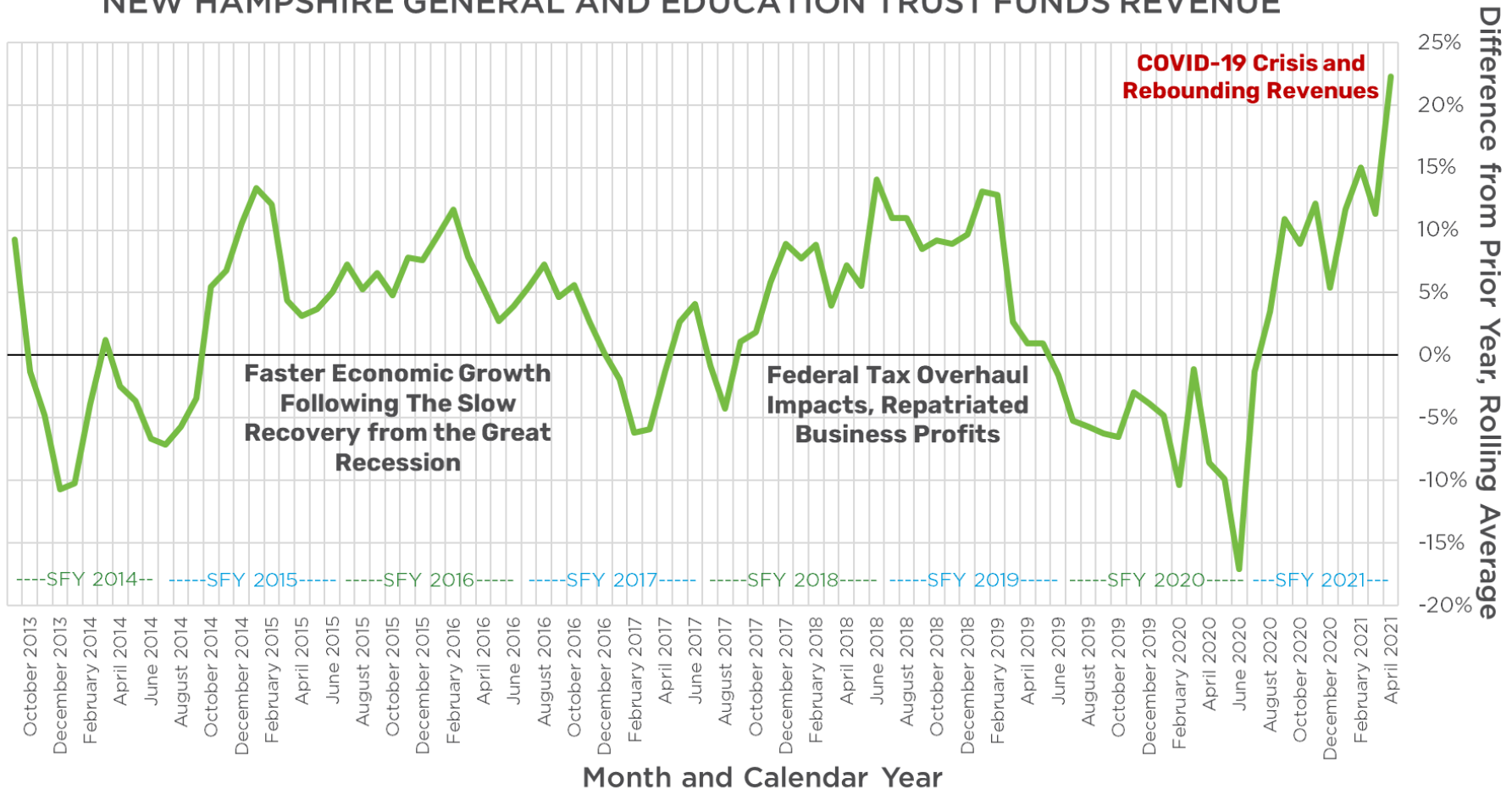


Note: Revenue from all sources, shown on a cash basis.

Source: New Hampshire Department of Administrative Services Monthly Revenue Focus Reports and State Revenue Plan

REBOUND IN REVENUES IS HISTORIC

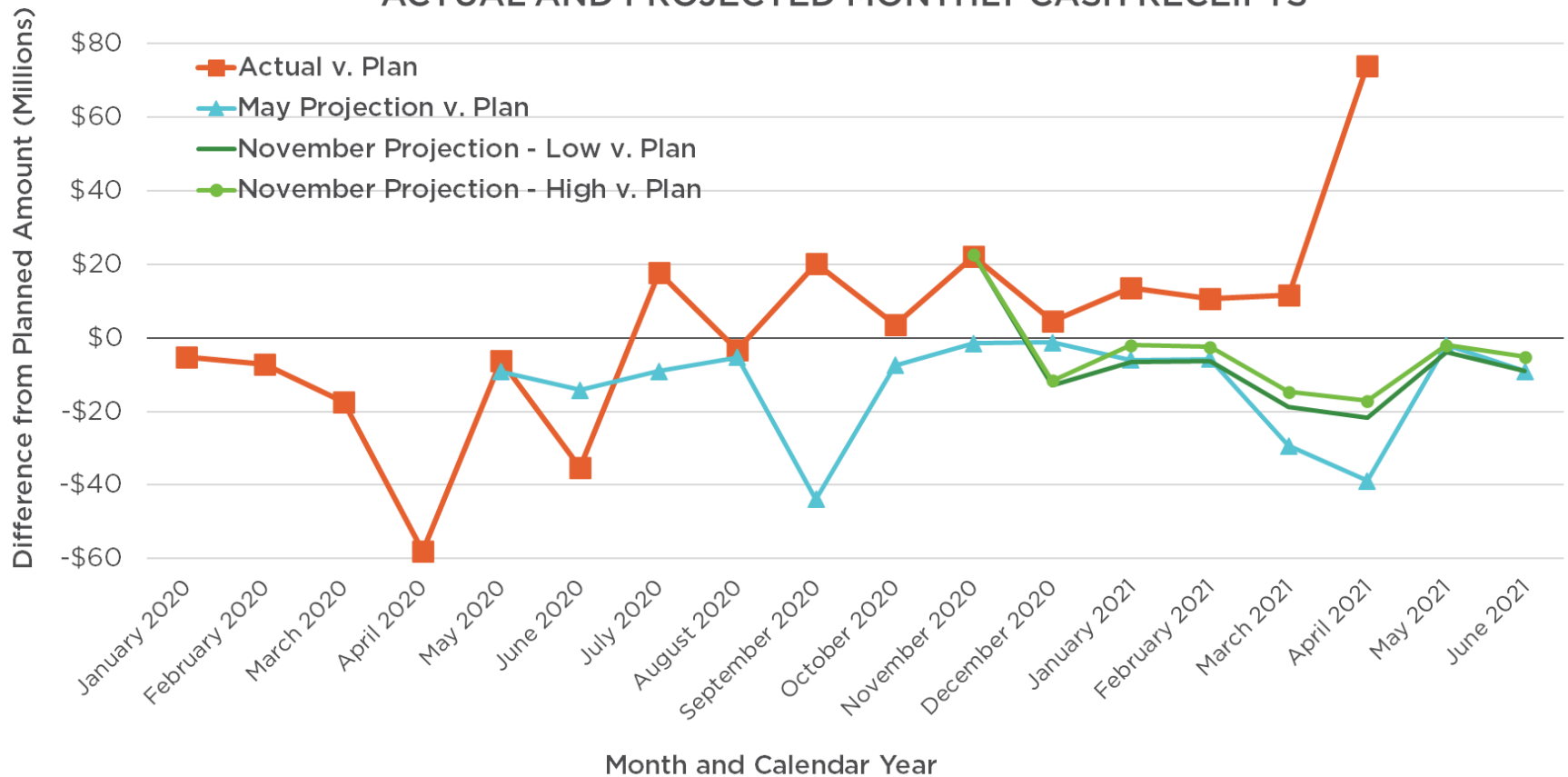
ANNUAL CHANGE IN THREE-MONTH ROLLING AVERAGES OF NEW HAMPSHIRE GENERAL AND EDUCATION TRUST FUNDS REVENUE



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

RECENT SURPLUS DRIVEN BY RECEIPTS FROM TWO PRIMARY BUSINESS TAXES

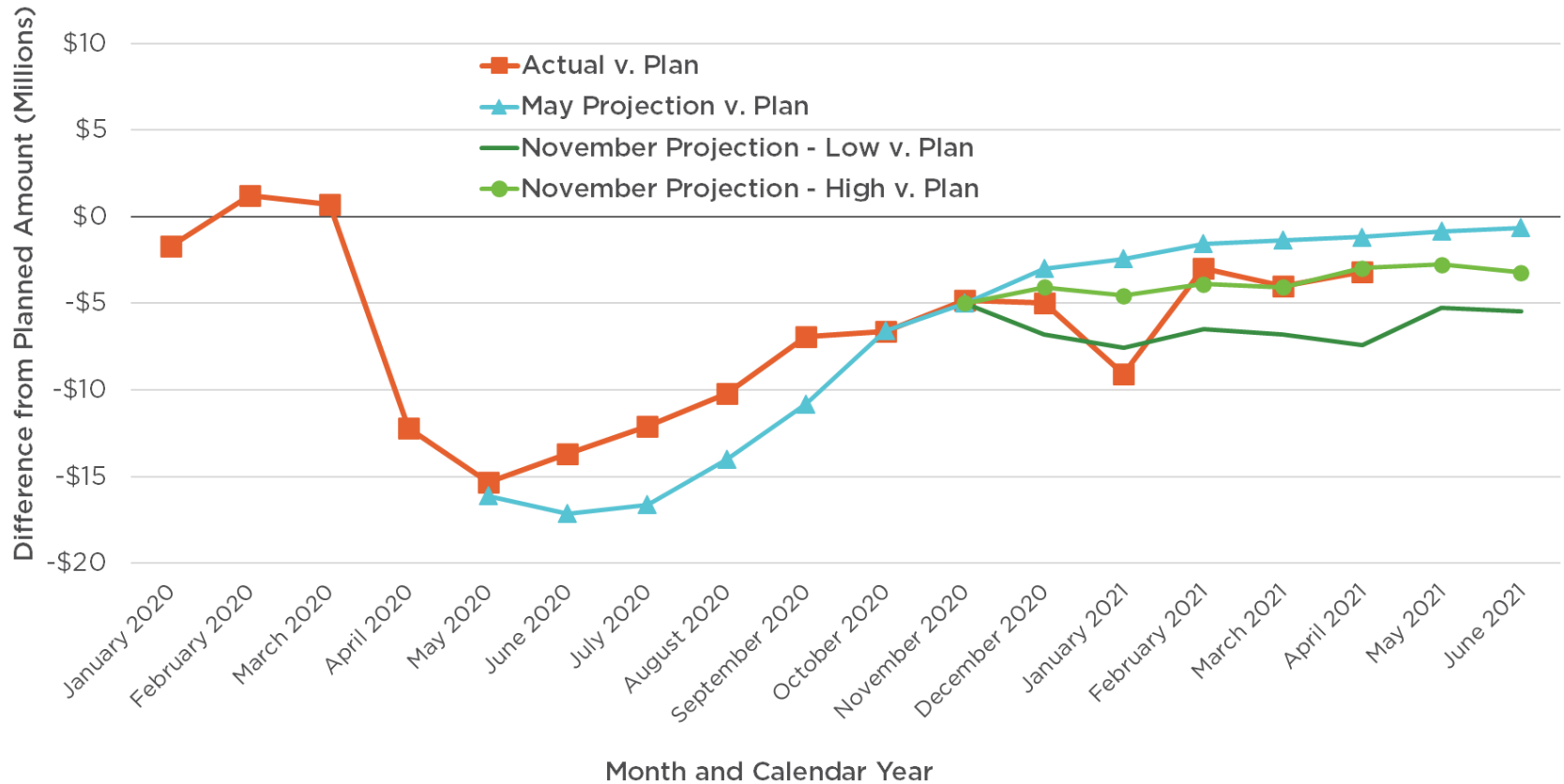
NEW HAMPSHIRE BUSINESS PROFITS AND BUSINESS ENTERPRISE TAXES ACTUAL AND PROJECTED MONTHLY CASH RECEIPTS



Note: Projected revenue calculations based on Department of Revenue Administration projections and Department of Administrative Services State Revenue Plan.
Sources: New Hampshire Department of Revenue Administration; New Hampshire Department of Administrative Services

LIMITED IMPROVEMENT IN MEALS AND RENTALS TAX RECEIPTS

NEW HAMPSHIRE MEALS AND RENTALS TAX
ACTUAL AND PROJECTED MONTHLY CASH RECEIPTS

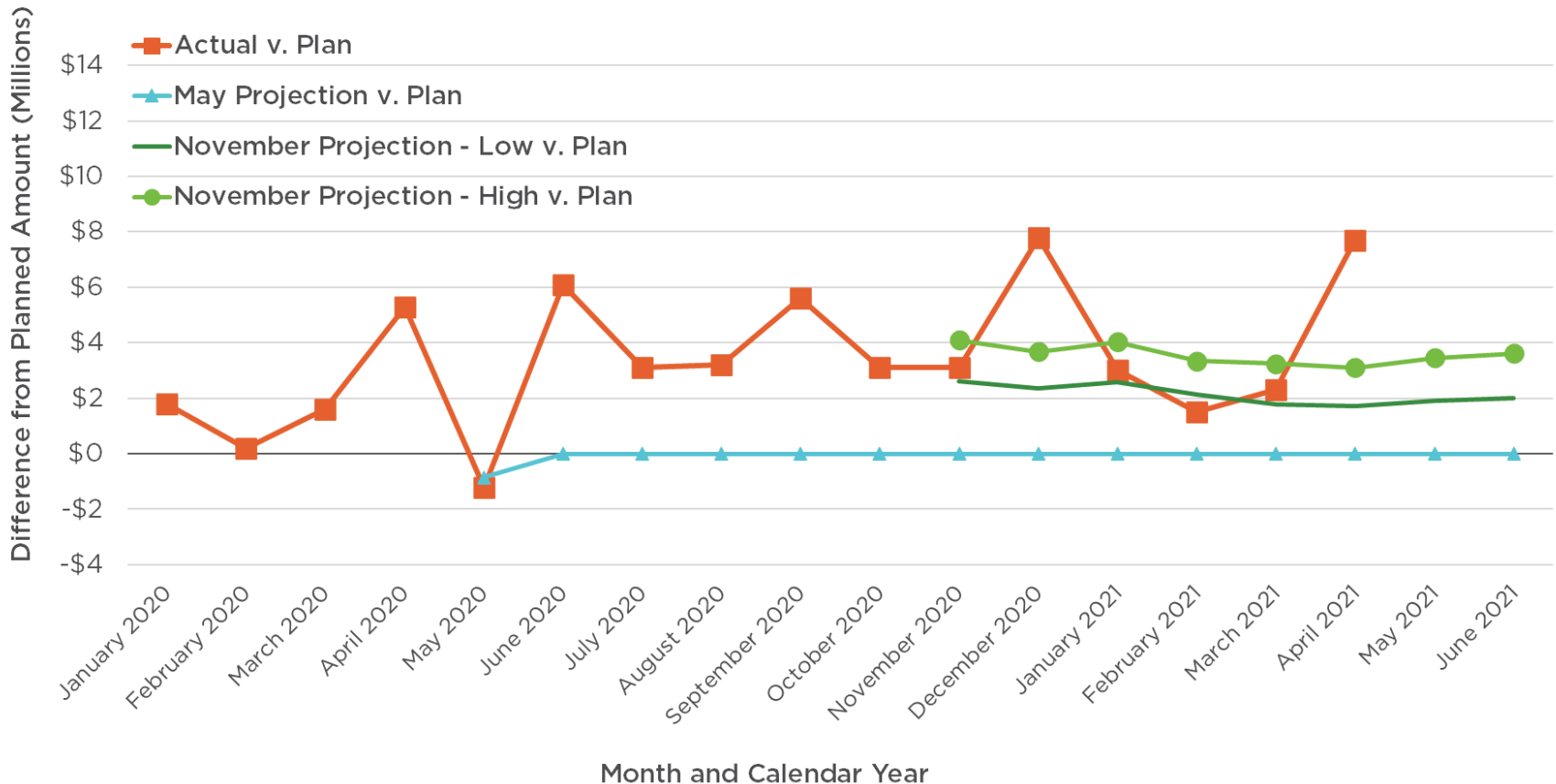


Note: Projected revenue calculations based on Department of Revenue Administration projections and Department of Administrative Services State Revenue Plan. Only includes actual and projected revenue to the General and Education Trust Funds.

Sources: New Hampshire Department of Revenue Administration; New Hampshire Department of Administrative Services

TOBACCO TAX REVENUE CONSISTENTLY ELEVATED

NEW HAMPSHIRE TOBACCO TAX ACTUAL AND PROJECTED MONTHLY CASH RECEIPTS



Note: Projected revenue calculations based on Department of Revenue Administration projections and Department of Administrative Services State Revenue Plan. Sources: New Hampshire Department of Revenue Administration; New Hampshire Department of Administrative Services; Office of Legislative Budget Assistant.

REAL ESTATE MARKET BOOSTS REVENUE

NEW HAMPSHIRE REAL ESTATE TRANSFER TAX ACTUAL AND PROJECTED MONTHLY CASH RECEIPTS

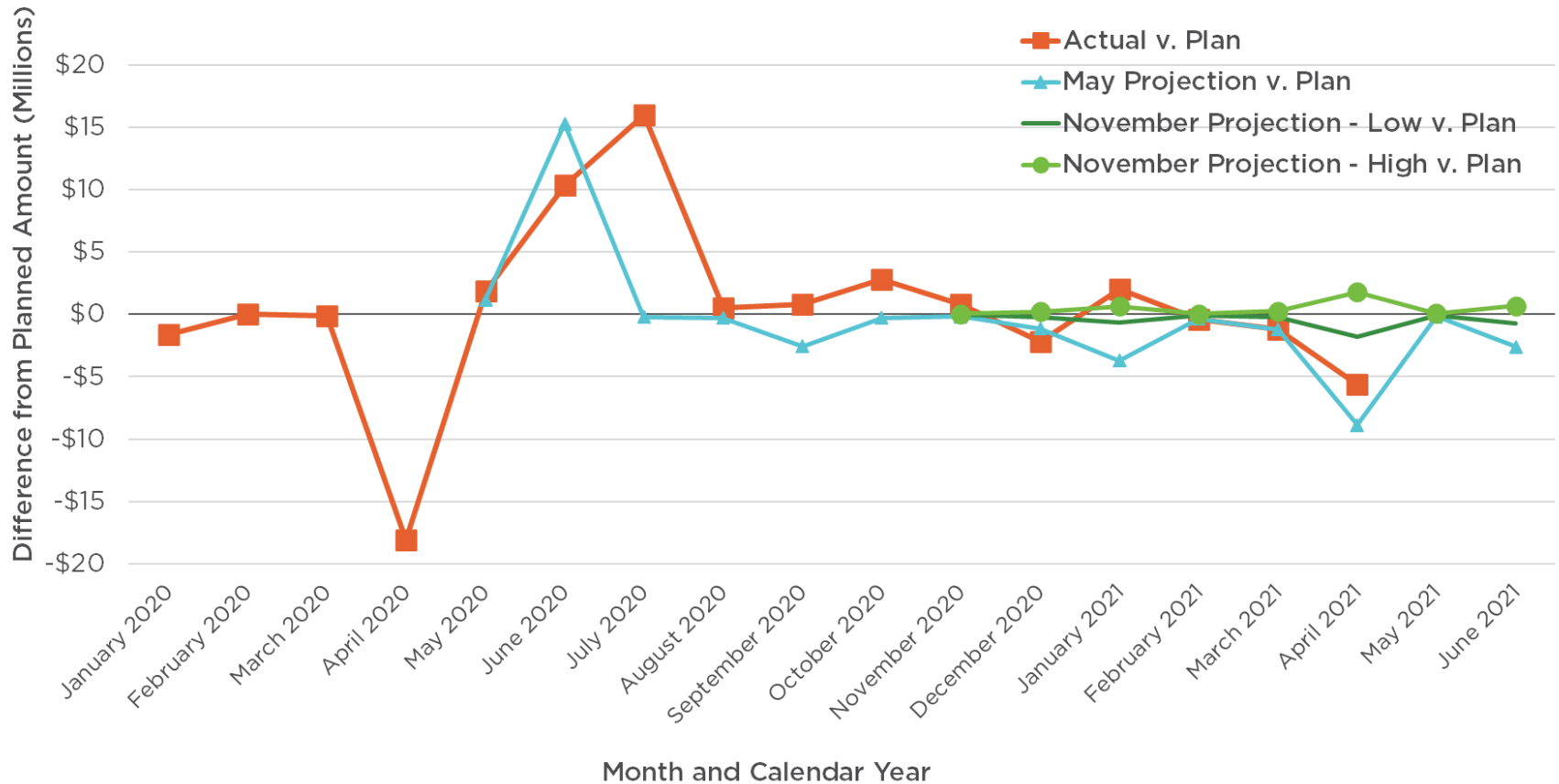


Note: Projected revenue calculations based on Department of Revenue Administration projections and Department of Administrative Services State Revenue Plan. Only includes actual and projected revenue to the General and Education Trust Funds.

Sources: New Hampshire Department of Revenue Administration; New Hampshire Department of Administrative Services

INTEREST AND DIVIDEND REVENUE WITHSTOOD PANDEMIC

NEW HAMPSHIRE INTEREST AND DIVIDENDS TAX ACTUAL AND PROJECTED MONTHLY CASH RECEIPTS



Note: Projected revenue calculations based on Department of Revenue Administration projections and Department of Administrative Services State Revenue Plan.
 Sources: New Hampshire Department of Revenue Administration; New Hampshire Department of Administrative Services; Office of Legislative Budget Assistant.

HOW DO STATE AND LOCAL REVENUES COMPARE?

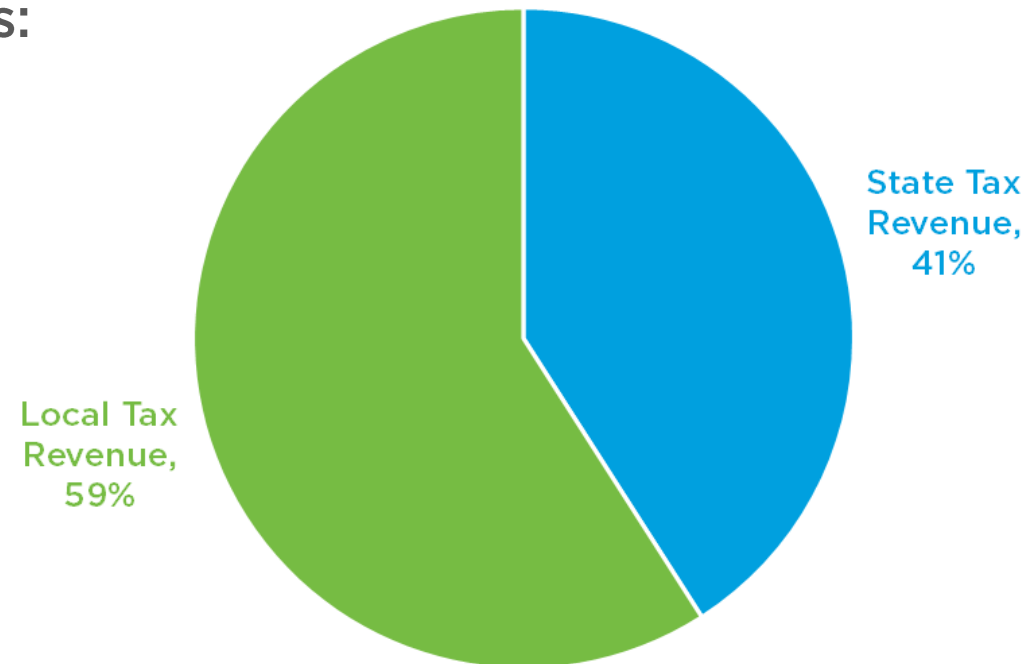
LOCAL GOVERNMENTS AND REVENUES

NEW HAMPSHIRE TAX REVENUE BY GOVERNMENT LEVEL, FISCAL YEAR 2018

Source: U.S. Census Bureau, 2018 Survey of State and Local Government Finances

Local Governments includes:

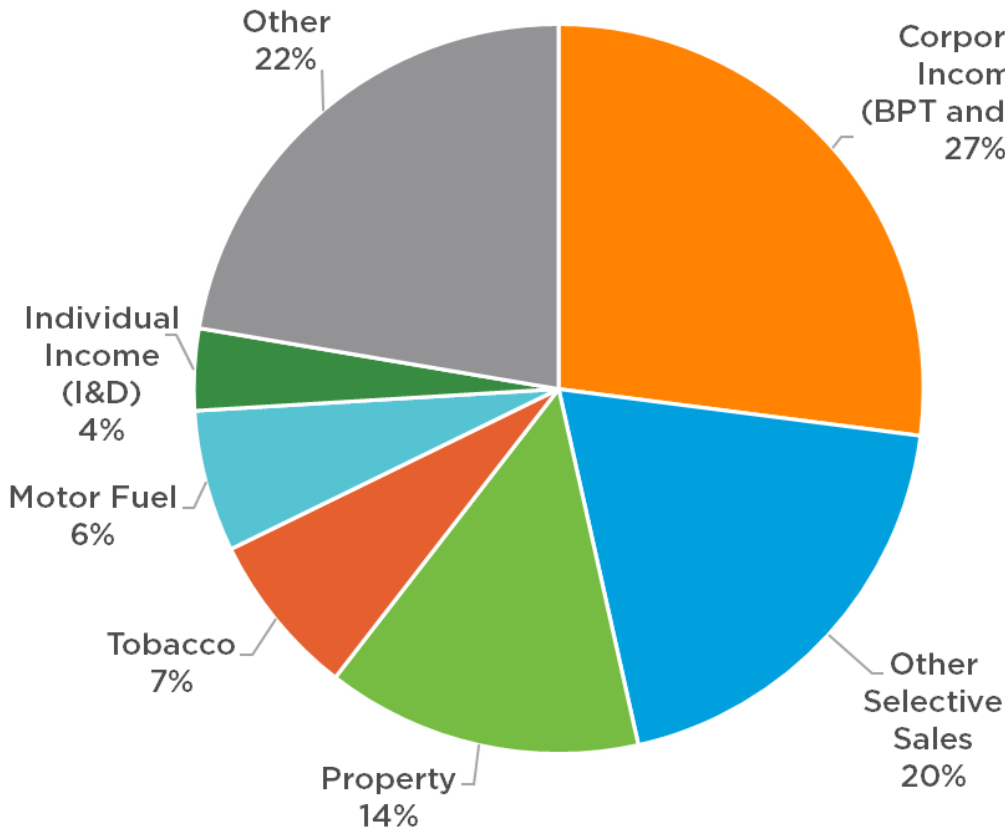
- Municipal governments (town and city)
- School districts
- County governments



FEWER LOCAL TAX REVENUE SOURCES

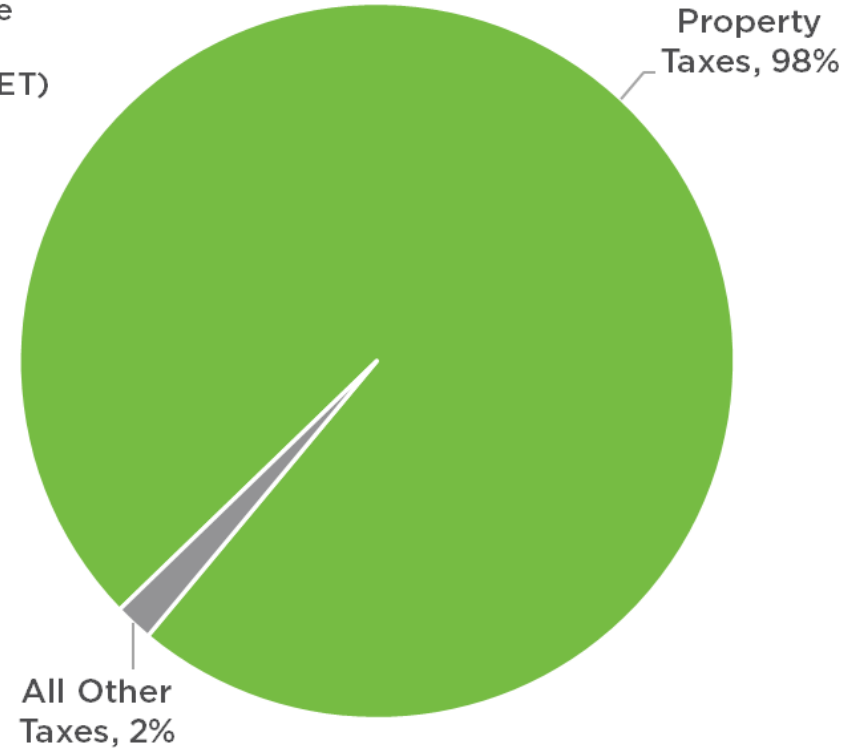
ALL STATE TAX REVENUE IN NEW HAMPSHIRE FISCAL YEAR 2018

Source: U.S. Census Bureau, Survey of State and Local Government Finances



ALL LOCAL TAX REVENUE IN NEW HAMPSHIRE FISCAL YEAR 2018

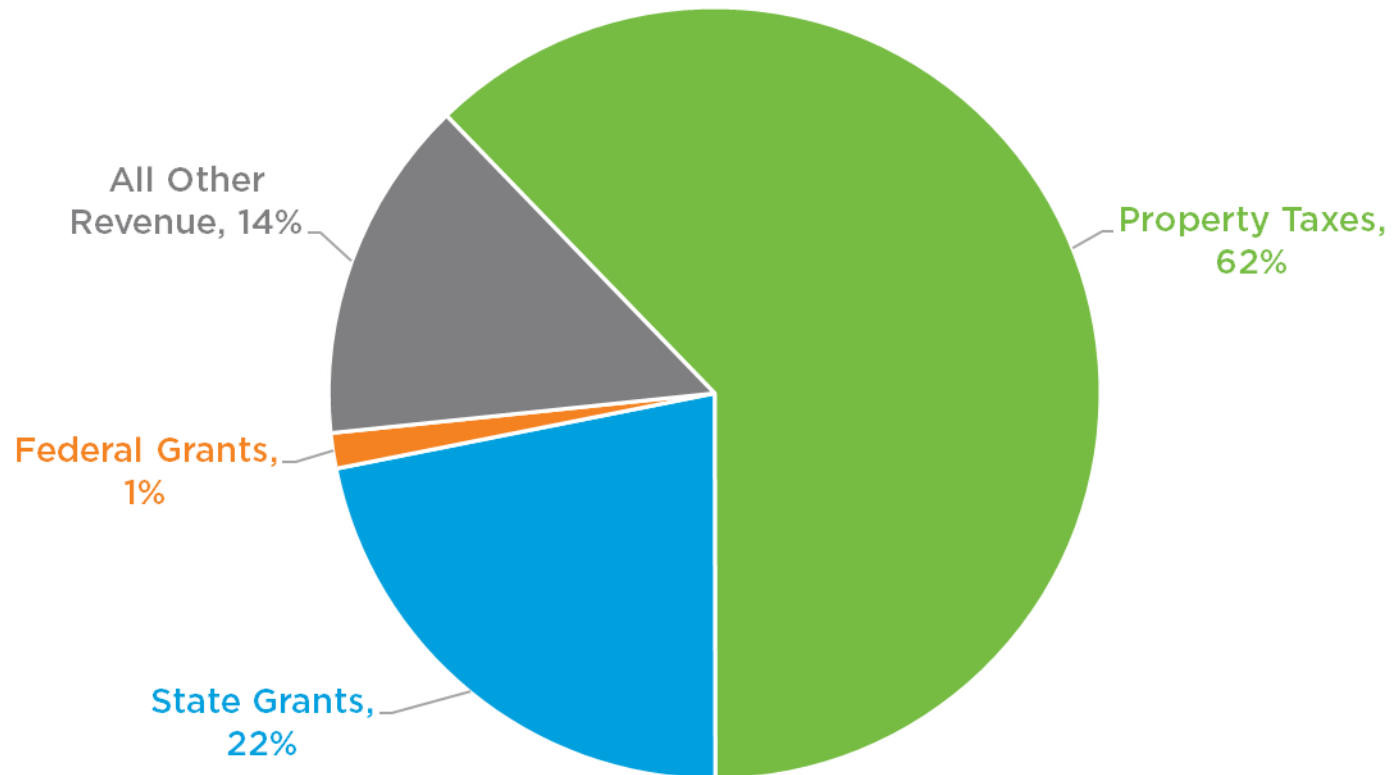
Source: U.S. Census Bureau, Survey of State and Local Government Finances



PROPERTY TAX RECEIPTS A MAJORITY OF LOCAL REVENUE IN NEW HAMPSHIRE

LOCAL GOVERNMENT REVENUE SOURCES NEW HAMPSHIRE, FISCAL YEAR 2018

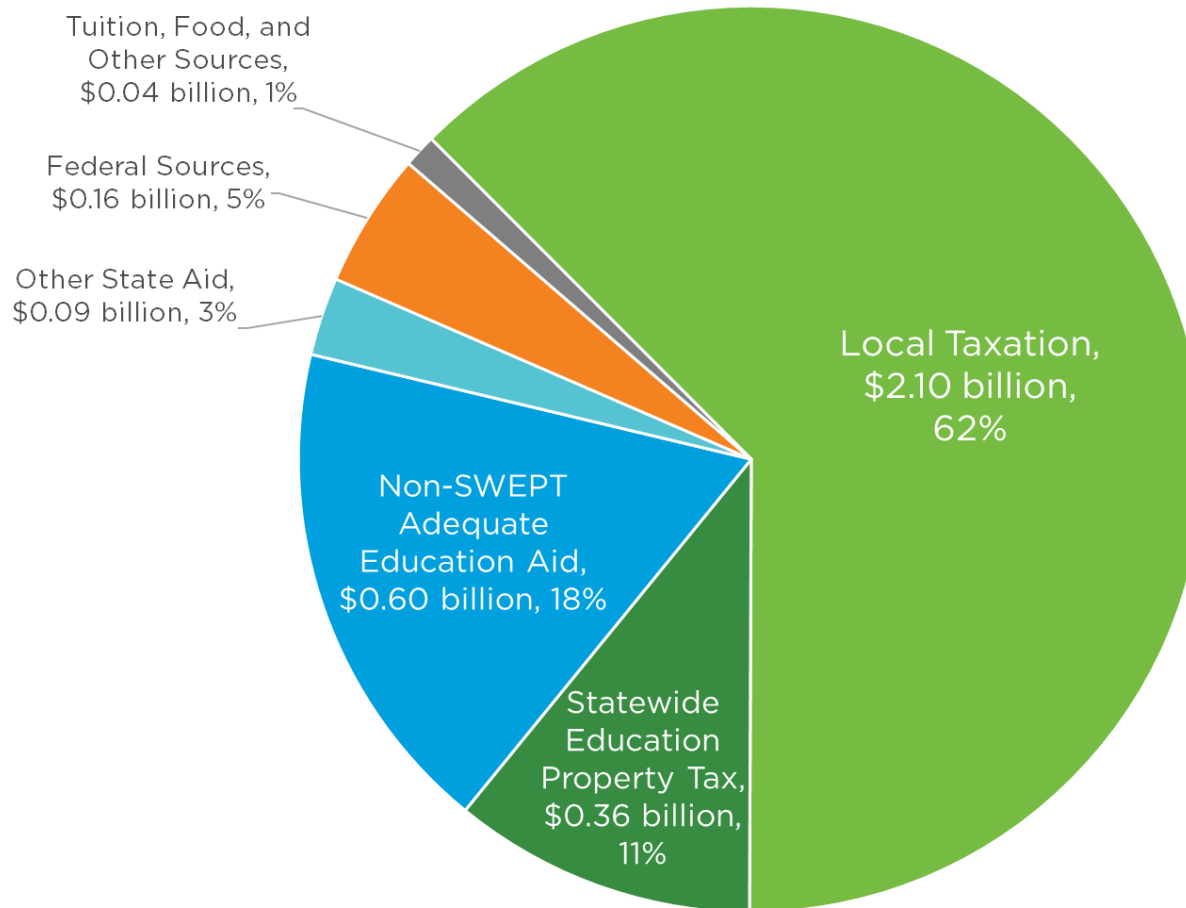
Source: U.S. Census Bureau, Survey of State and Local Government Finances



MOST LOCAL PUBLIC SCHOOL DISTRICT REVENUE PRODUCED BY PROPERTY TAXES

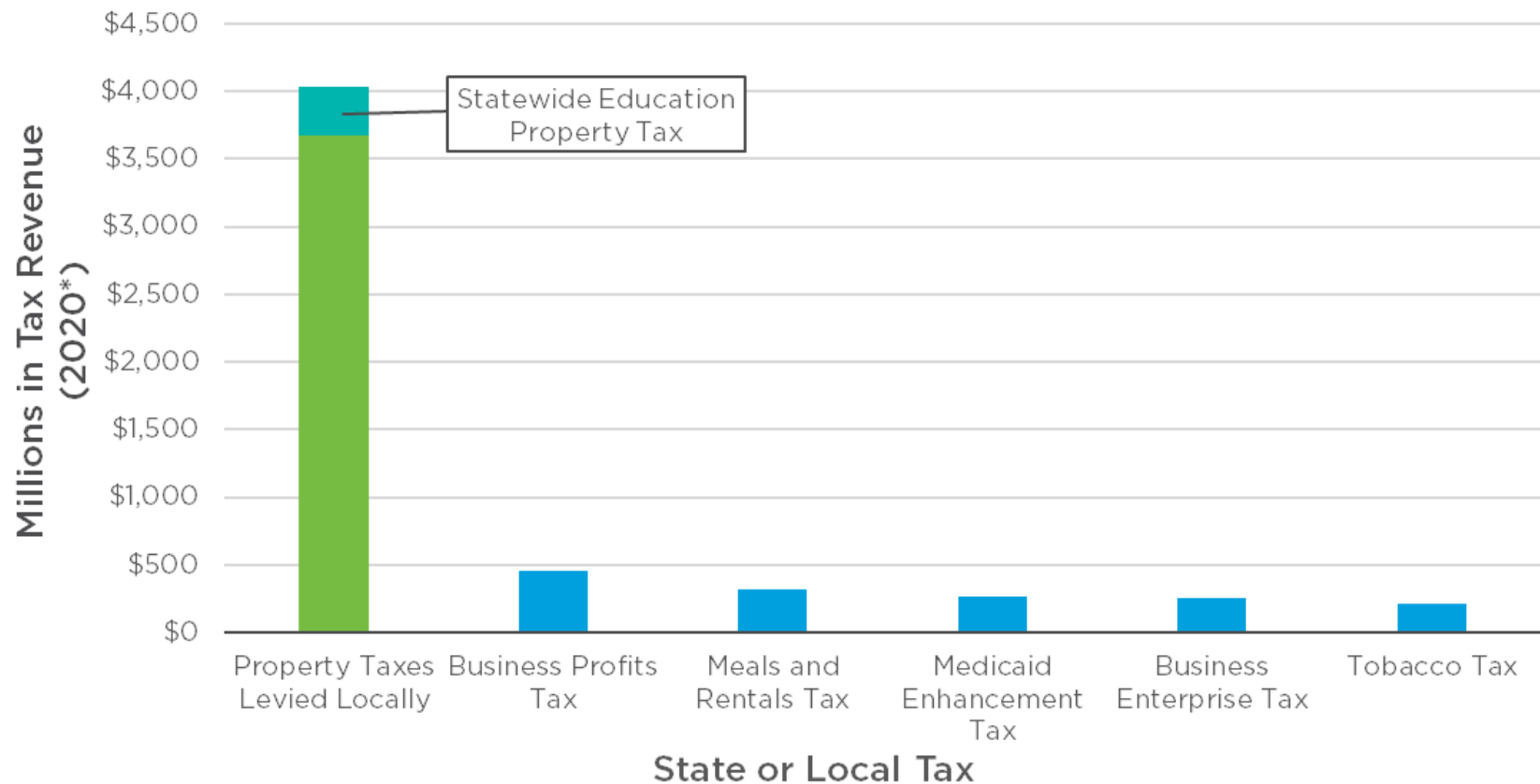
SCHOOL DISTRICT REVENUE 2019-2020

Source: New Hampshire Department of Education, December 21, 2020



PROPERTY TAXES KEY TO COMBINED STATE AND LOCAL REVENUES

LARGEST STATE AND LOCAL TAXES IN NEW HAMPSHIRE

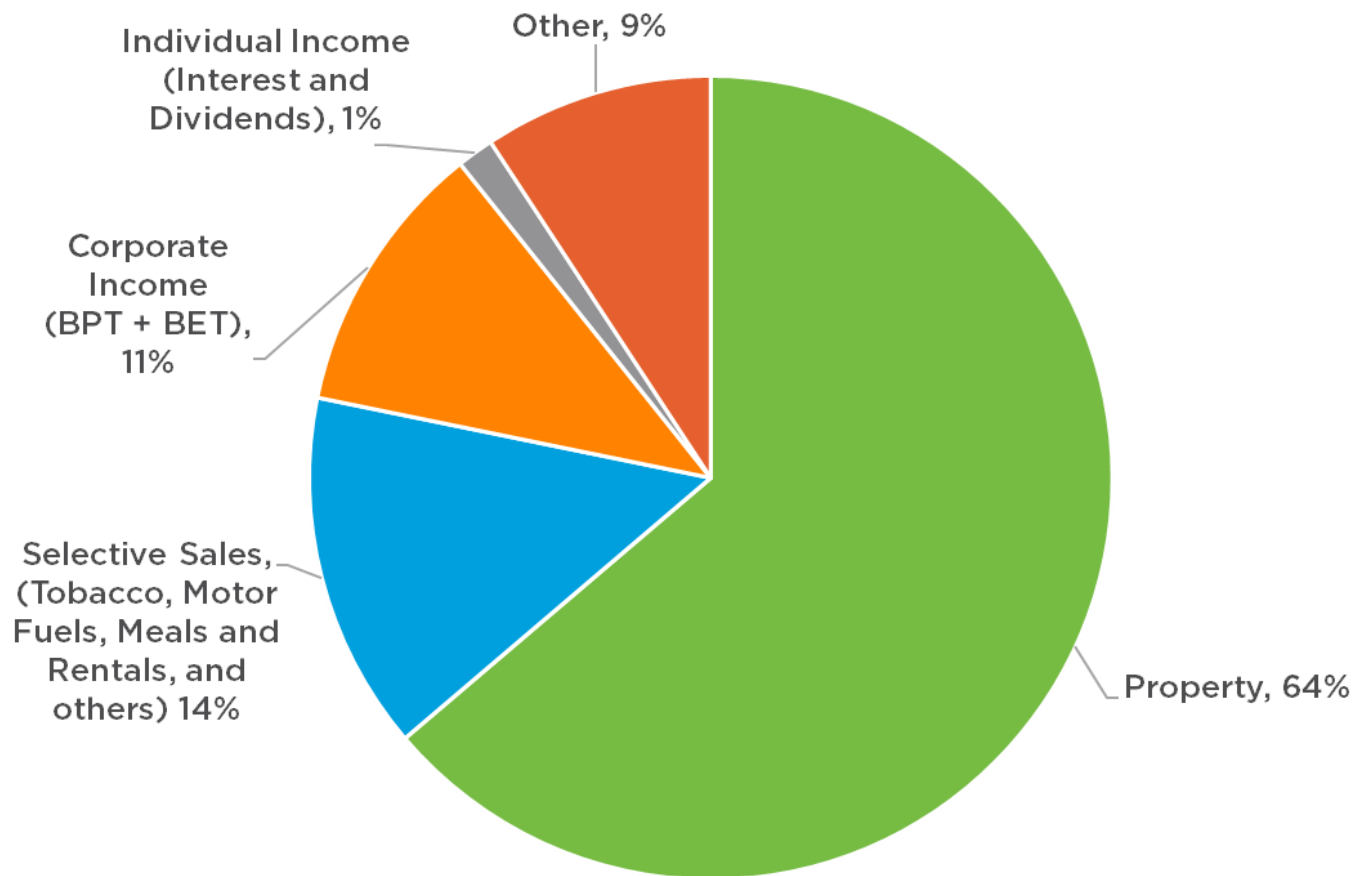


*Note: Tax Year 2020 commitments used for property taxes. All other data for State Fiscal Year 2020.
Sources: New Hampshire Comprehensive Annual Financial Report, State Fiscal Year 2020; New Hampshire Department of Revenue Administration, 2020 Annual Report and 2020 Tax Rates.

PROPERTY TAXES MORE THAN HALF OF STATE AND LOCAL TAX REVENUES

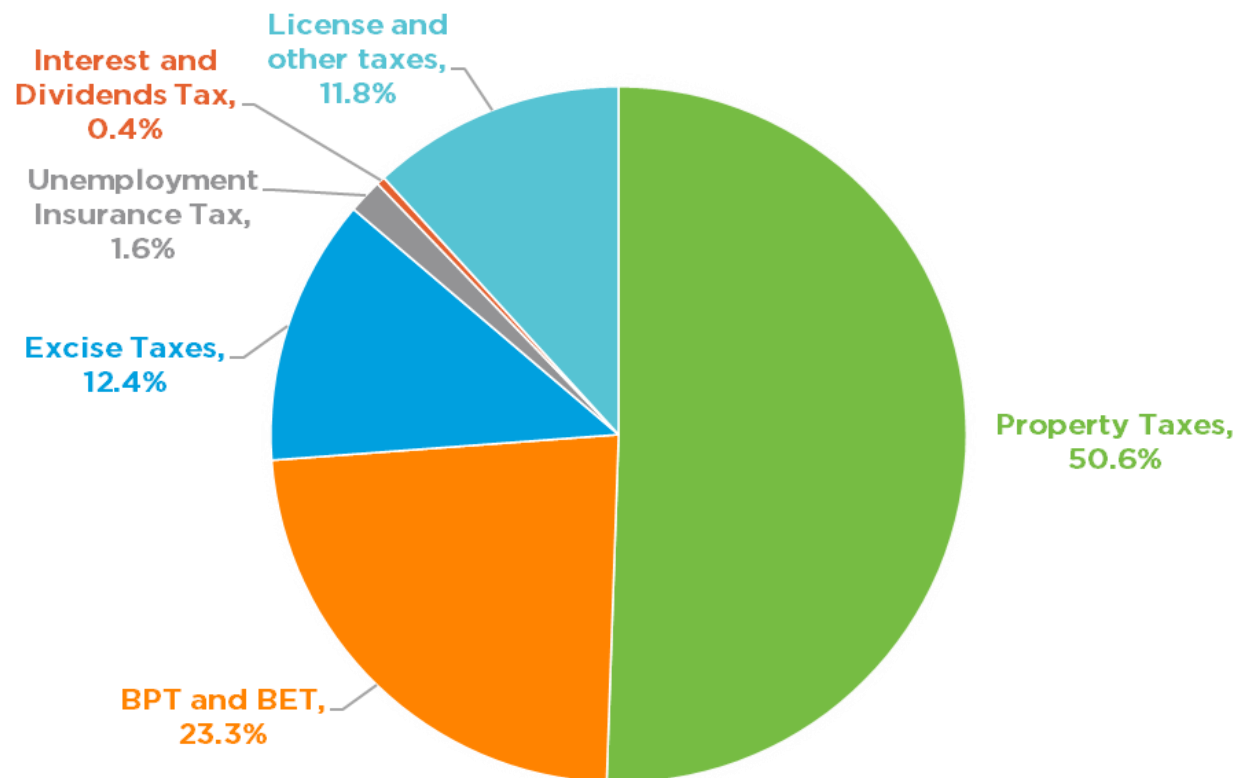
STATE AND LOCAL TAX REVENUE NEW HAMPSHIRE, FISCAL YEAR 2018

Source: U.S. Census Bureau, Survey of State and Local Government Finances



HALF OF STATE AND LOCAL TAX DOLLARS PAID BY BUSINESSES ARE PROPERTY TAXES

TAXES PAID BY BUSINESSES
NEW HAMPSHIRE STATE AND LOCAL TAXES,
FISCAL YEAR 2019



Note: Totals do not sum to 100 percent due to rounding.

Source: Council on State Taxation, *Total State and Local Business Taxes*, Oct. 2020

PROPERTY TAXES KEY TO LOCAL TAX REVENUE IN MANY STATES

Property Tax as a Percentage of All Local Tax Revenue Fiscal Year 2015

	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

PROPERTY TAXES IN NEW HAMPSHIRE A LARGE SHARE OF TAX REVENUE

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>	31%
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

DOLLARS PAID PER PERSON IN PROPERTY TAXES RELATIVELY HIGH

State and Local Property Tax Revenue Per Capita Fiscal Year 2015

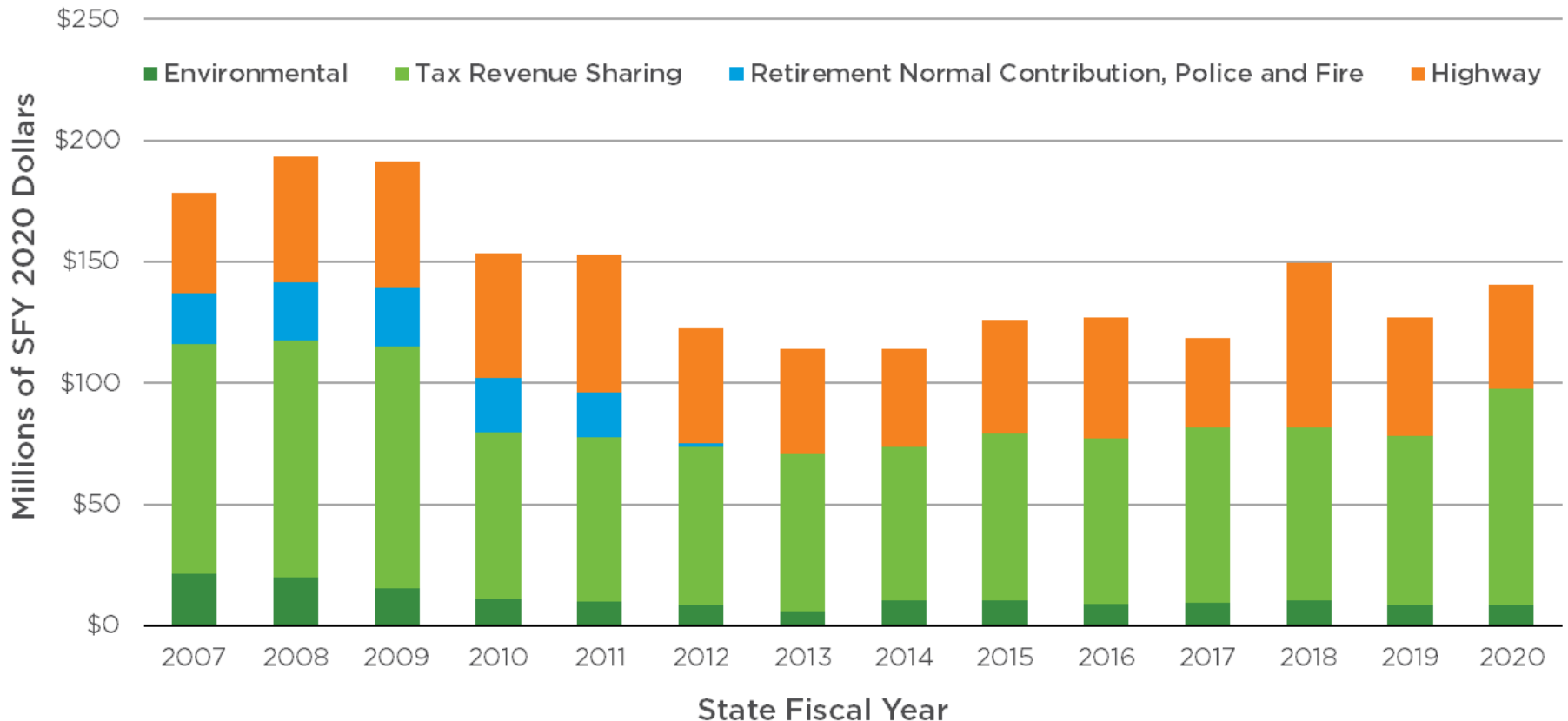
	State	Estimated Amount
Highest	New Jersey	\$3,082
	New Hampshire	\$3,055
	Connecticut	\$2,851
	New York	\$2,704
	Vermont	\$2,542
	<i>United States</i>	<i>\$1,521</i>
Lowest	Kentucky	\$781
	New Mexico	\$772
	Arkansas	\$699
	Oklahoma	\$679
	Alabama	\$540

Source: U.S. Census Bureau, 2015 Annual Surveys of State and Local Government Finances

HOW DO STATE AND LOCAL BUDGETS INTERACT?

STATE AID TO MUNICIPALITIES DECLINED AFTER THE GREAT RECESSION

NEW HAMPSHIRE STATE AID TO LOCAL GOVERNMENTS, INFLATION-ADJUSTED AND EXCLUDING EDUCATION AID



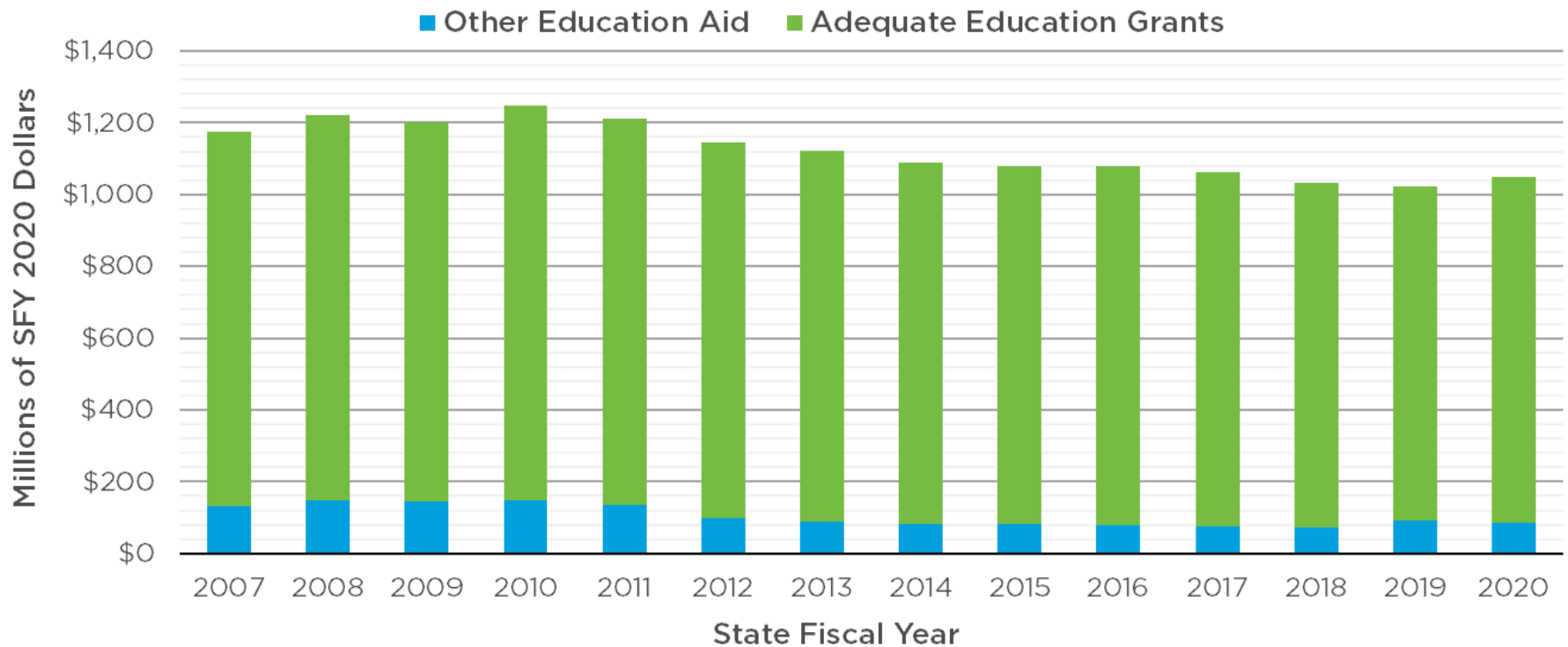
Sources: New Hampshire Office of Legislative Budget Assistant, *State Aid to Cities, Towns and School Districts*, October 20, 2020; U.S. Bureau of Labor Statistics, Consumer Price Index-Northeast, State Fiscal Year Adjustment from NHFPI Calculations

CHANGES IN NON-EDUCATION FUNDING FOR LOCAL GOVERNMENTS

- Meals and Rentals Tax distribution to municipalities set at 40 percent of revenue in law, but formula to reach that percentage has been suspended most years in the last decade
- Since SFY 2013, State contribution to local teacher, police, and firefighter retirement costs has been suspended; 35 percent in SFY 2009 and earlier
- Traditional revenue sharing program has been suspended since 2010
- Current State Budget provides \$40 million during the biennium in unrestricted State aid to cities and towns, \$20 million per year, distributed based on the total number of resident students in the municipality relative to the state and the total number of free and reduced-price meal eligible students in residence
- Environmental grants for drinking water and wastewater facilities and landfills have declined in aggregate; current State Budget increased appropriations for wastewater system grants, funds projects completed during 2019
- Highway and bridge aid funding has fluctuated over time, recently an influx of one-time funds

EDUCATION AID PRIMARILY TIED TO ENROLLMENT

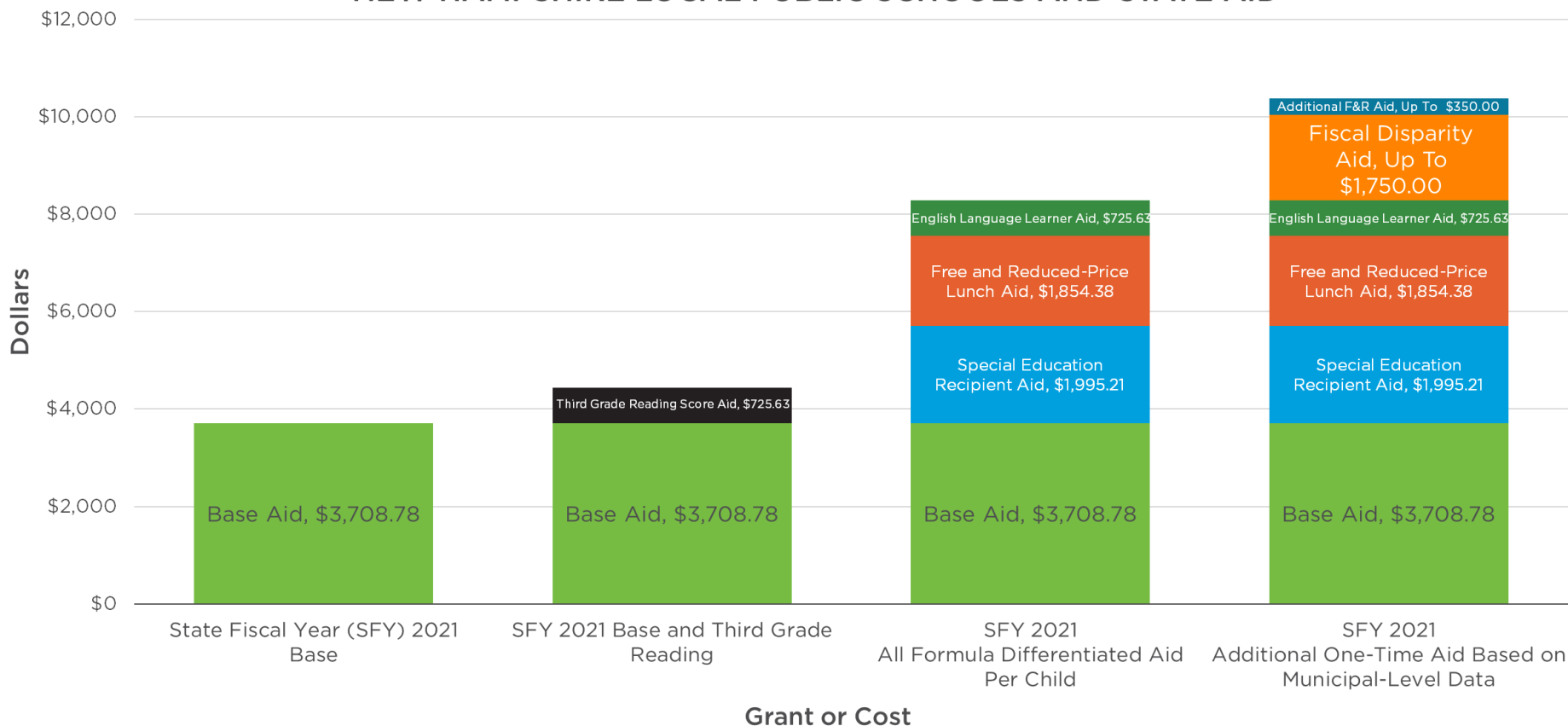
EDUCATION AID TO LOCAL GOVERNMENTS NEW HAMPSHIRE STATE BUDGET, INFLATION-ADJUSTED DOLLARS



Sources: New Hampshire Office of Legislative Budget Assistant, *State Aid to Cities, Towns and School Districts*, October 20, 2020; U.S. Bureau of Labor Statistics, Consumer Price Index-Northeast, State Fiscal Year Adjustment from NHFPI Calculations

ADEQUATE EDUCATION GRANTS PRIMARY FORM OF STATE EDUCATION FUNDING

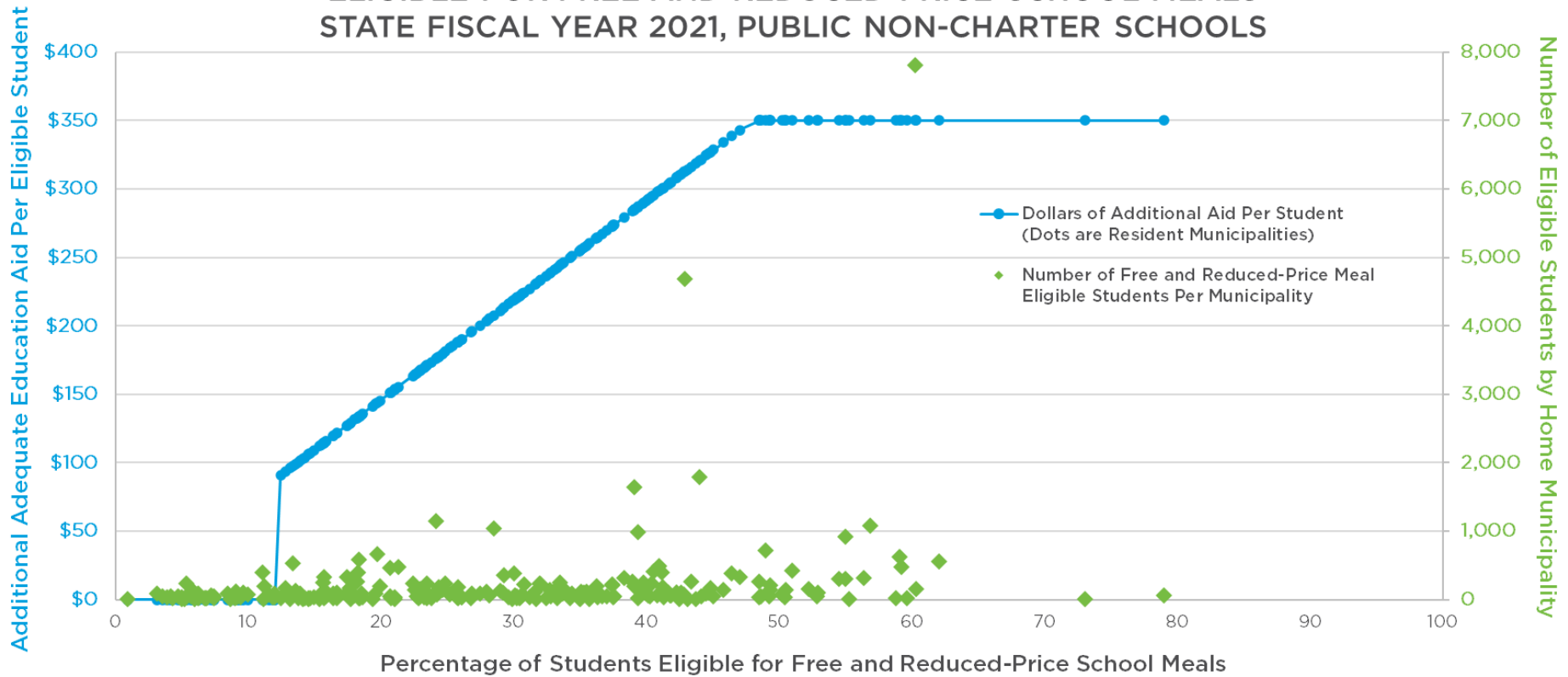
ADEQUATE EDUCATION AID AND SCHOOL COSTS PER STUDENT NEW HAMPSHIRE LOCAL PUBLIC SCHOOLS AND STATE AID



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.

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

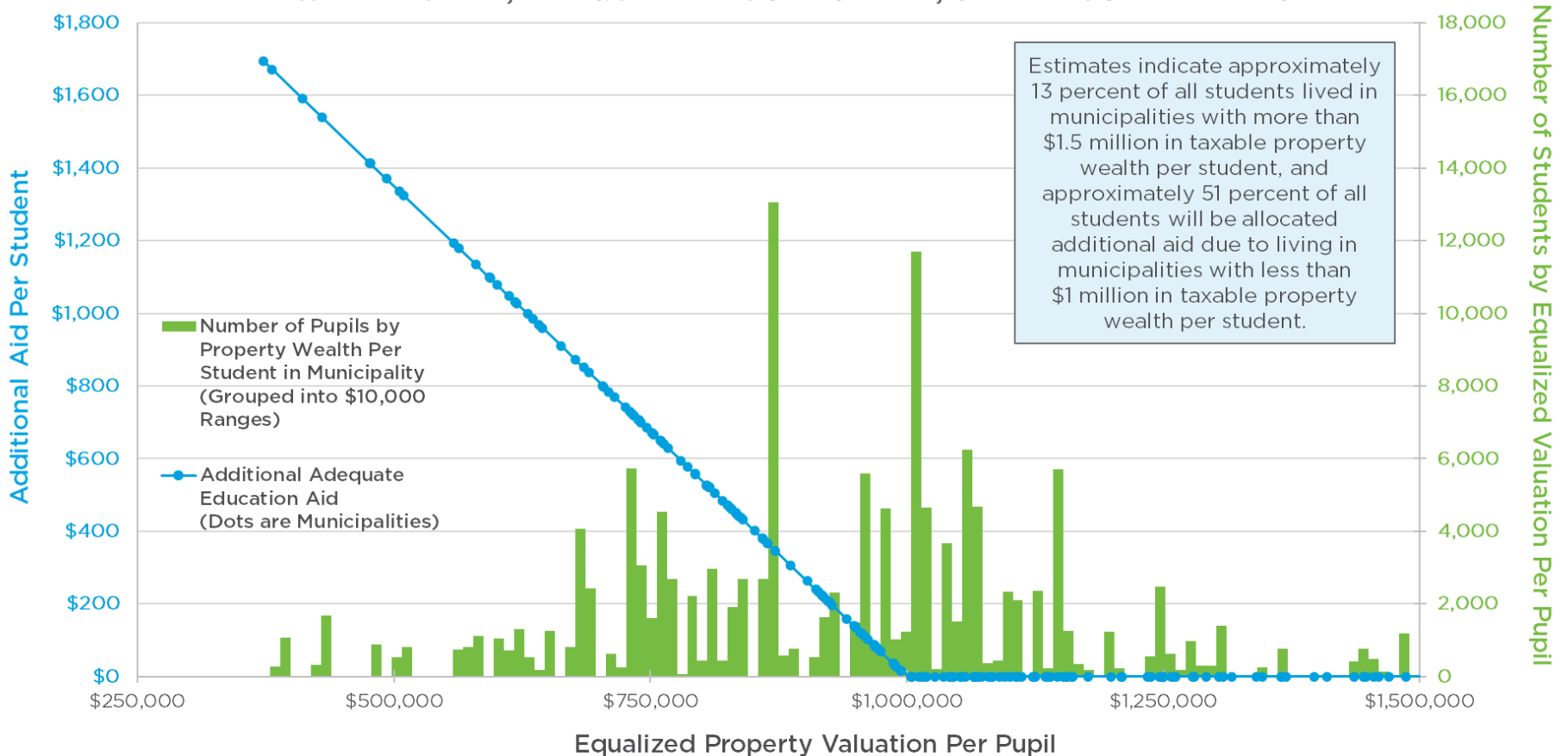
ADDITIONAL AID PER STUDENT BASED ON PERCENT FROM MUNICIPALITY ELIGIBLE FOR FREE AND REDUCED-PRICE SCHOOL MEALS
STATE FISCAL YEAR 2021, PUBLIC NON-CHARTER SCHOOLS



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



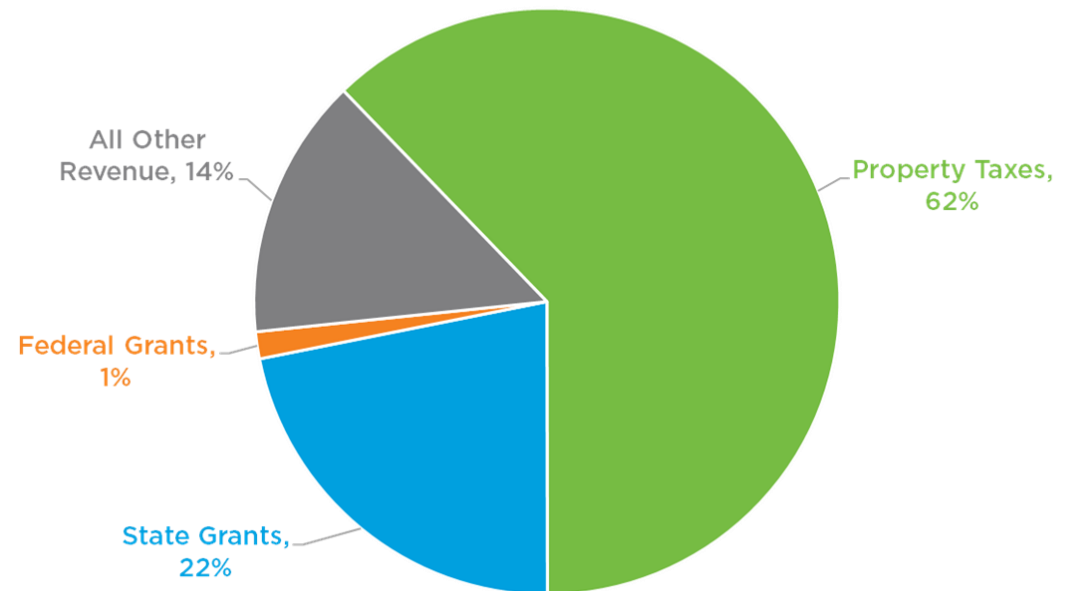
Sources: New Hampshire Office of Legislative Budget Assistant; Chapter 346, Laws of 2019; New Hampshire Department of Education; New Hampshire Department of Revenue Administration.

COVID-19 AND MUNICIPAL BUDGETS

- Federal assistance to households may have helped keep property tax payments flowing
- Impacts can be long-term, including late payments and changes to property tax bases
- Both residential and commercial property value impacts
- Potentially increased local welfare assistance needs for longer-term

LOCAL GOVERNMENT REVENUE SOURCES NEW HAMPSHIRE, FISCAL YEAR 2018

Source: U.S. Census Bureau, Census of State and Local Government Finances



KEY TAKEAWAYS

- New Hampshire State government has wide array of revenue sources, has been fortunate during the pandemic
- Property taxes are key for local governments, majority of revenue and nearly all tax revenue
- Federal policy decisions impact State finances, and State policy decisions impact local finances
- Aggregate reduction in inflation-adjusted State aid to local governments following Great Recession
- Economic impact of COVID-19 crisis has been severe for residents most vulnerable to financial shocks, service needs may be higher for some time
- Federal funding presents substantial opportunity for building an equitable, sustainable, and inclusive economic 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/>
- Issue Brief: The House of Representatives Budget Proposal for State Fiscal Years 2022 and 2023 – April 26, 2021
<https://nhfpi.org/resource/the-house-of-representatives-budget-proposal-for-state-fiscal-years-2022-and-2023/>
- Publication: Revenue in Review: An Overview of New Hampshire's Tax System and Major Revenue Sources – May 24, 2017
<https://nhfpi.org/resource/revenue-in-review-an-overview-of-new-hampshires-tax-system-and-major-revenue-sources/>
- Resource Pages: Budget, Revenue & Tax
<https://nhfpi.org/topic/budget/> and
<https://nhfpi.org/topic/revenue-tax/>



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