



THE STATE BUDGET FOR FISCAL YEARS 2022-2023: STATE AID TO LOCAL GOVERNMENTS

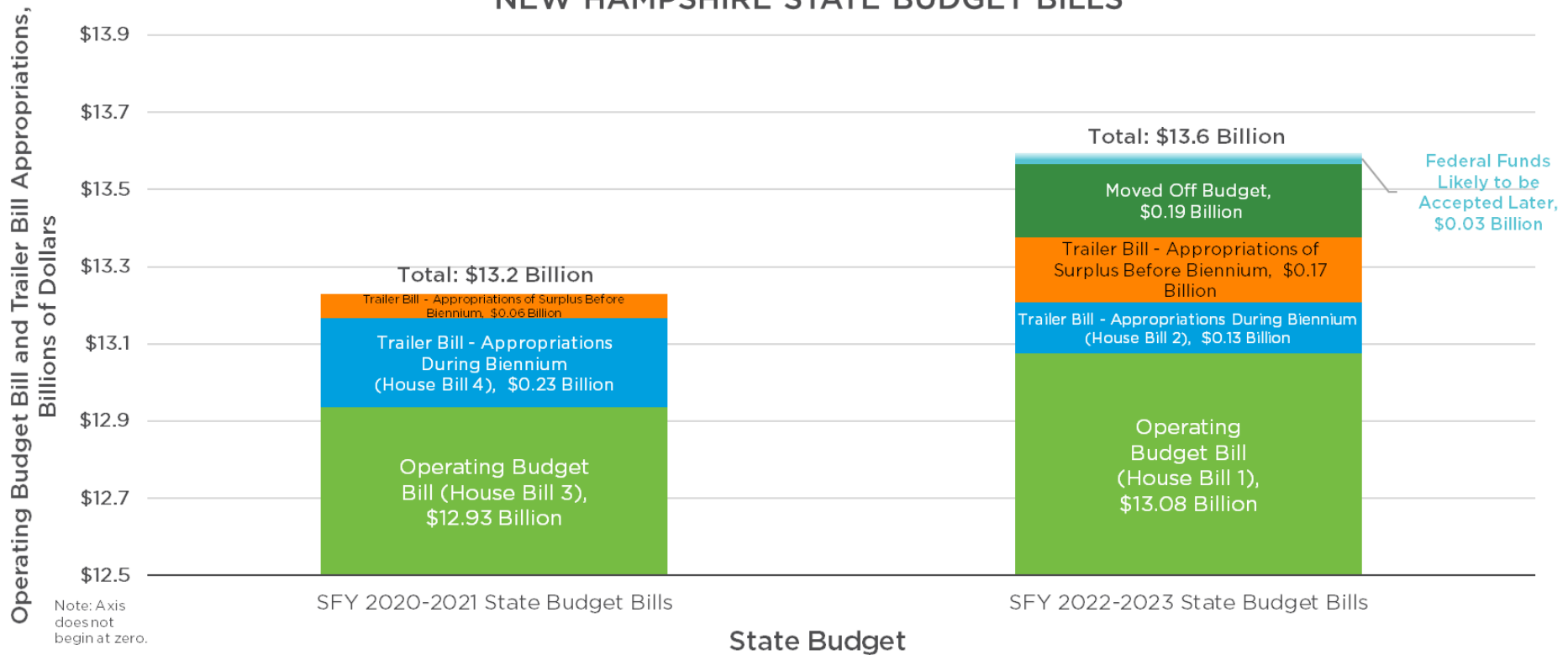
PRESENTED BY PHIL SLETTEN, SENIOR POLICY ANALYST

THE STATE EMPLOYEES' ASSOCIATION OF NEW HAMPSHIRE, SEIU LOCAL 1984
SEPTEMBER 9, 2021

THE TOPLINE NUMBERS OF THE NEW STATE BUDGET

THE NEW STATE BUDGET: TOTAL EXPENDITURES

APPROPRIATIONS FROM PRIOR AND CURRENT NEW HAMPSHIRE STATE BUDGET BILLS

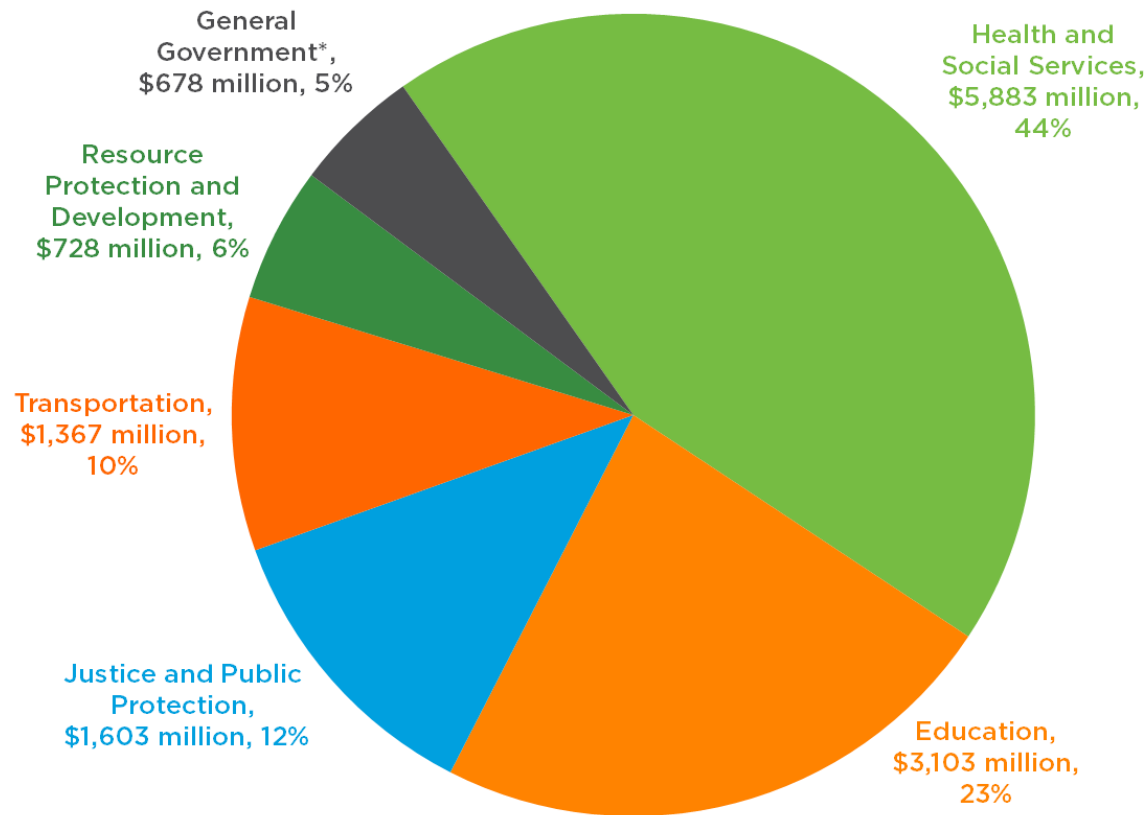


Note: Figures include all back-of-budget changes and Trailer Bill Appropriations, including changes identified on General, Education Trust, Highway, and Fish and Game Funds Surplus Statements prepared by the New Hampshire Office of Legislative Budget Assistant and changes to other funds identified in Office of Legislative Budget Assistant compare reports and legislative language.

Sources: New Hampshire Office of Legislative Budget Assistant, Surplus Statements, June 2021; Chapter 345, Laws of 2019; Chapter 346, Laws of 2019; Chapter 90, Laws of 2021; Chapter 91, Laws of 2021.

TOTAL APPROPRIATIONS BY BUDGET CATEGORY

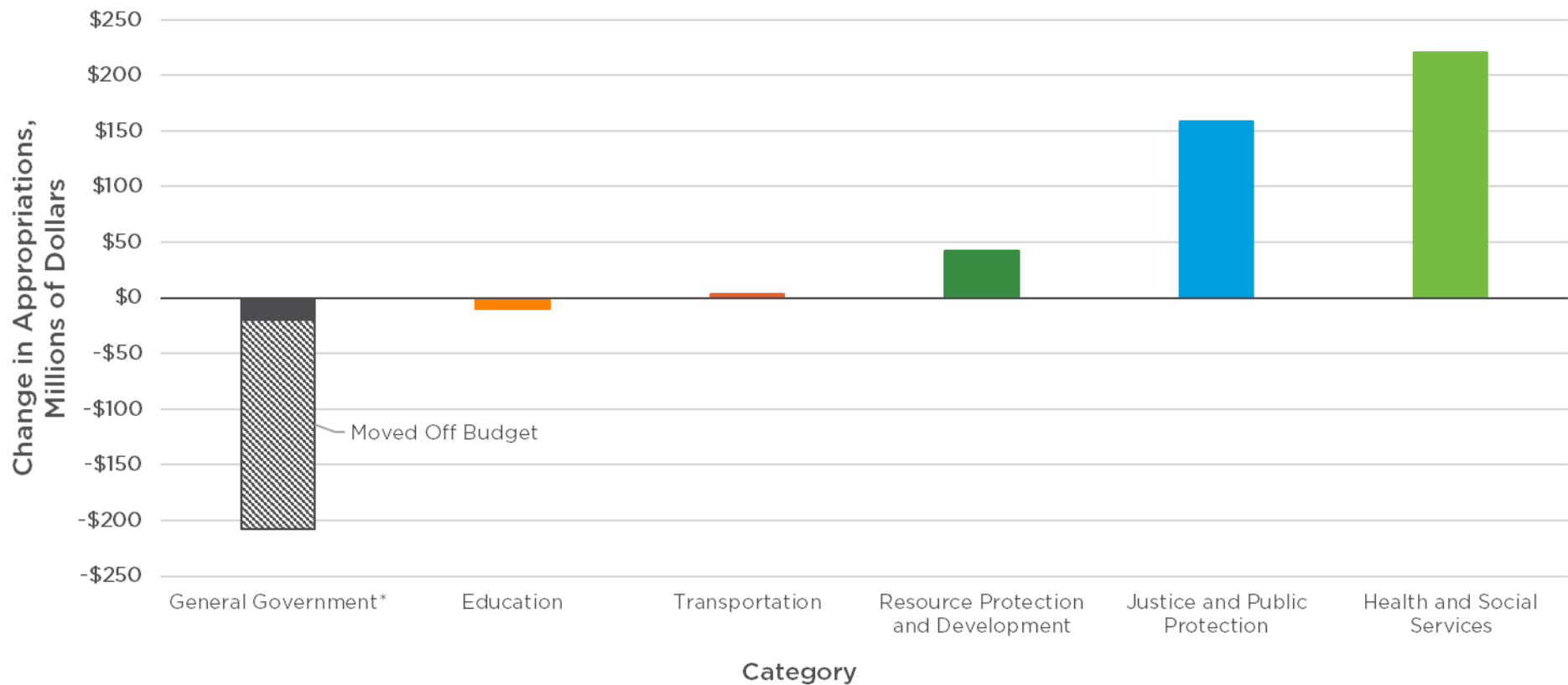
STATE BUDGET LEGISLATION APPROPRIATIONS
SFYs 2022 and 2023, and Trailer Bill SFY 2021 Appropriations



Note: General Government includes HB 2 appropriations for the Affordable Housing Fund, FRM Victim's Fund, and State employee pay raises.
Source: HB 1 and HB 2 as Approved, 2021 Session; New Hampshire Office of Legislative Budget Assistant, Surplus Statements, June 2021

CATEGORY CHANGES FROM PRIOR BUDGET

DIFFERENCE BETWEEN THE PRIOR STATE BUDGET'S APPROPRIATIONS AS ENACTED AND THE NEW STATE BUDGET'S APPROPRIATIONS BY CATEGORY

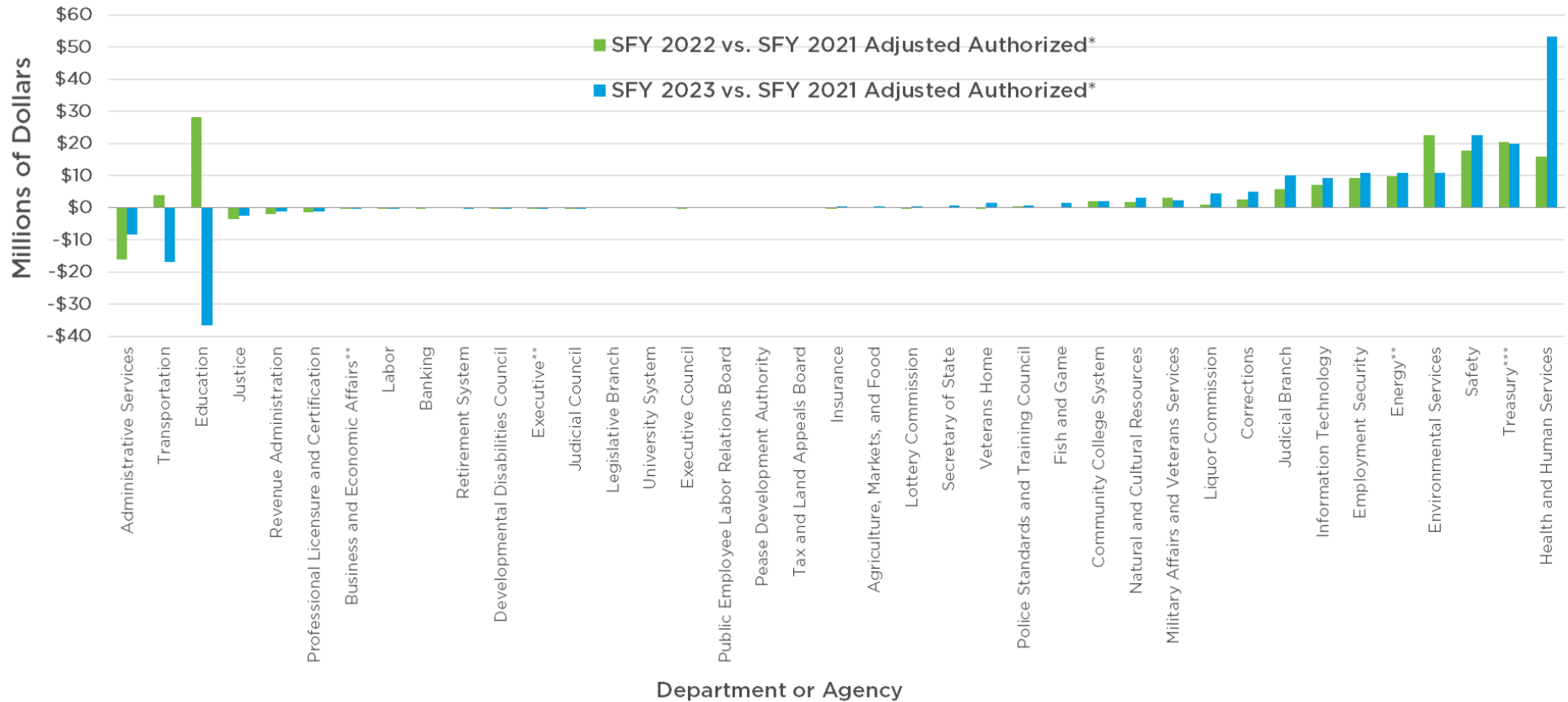


Note: Figures by category do not control for proposed agency reorganizations. Graph shows both Operating Budget Bill and Trailer Bill appropriations. *General Government includes Trailer Bill appropriations for the Affordable Housing Fund, FRM Victim's Fund, and State employee pay raises.

Sources: New Hampshire Office of Legislative Budget Assistant; Chapters 90 and 91, Laws of 2021; Chapters 345 and 346, Laws of 2019

AGENCY CHANGES FROM PRIOR BUDGET

DIFFERENCE BETWEEN ADJUSTED AUTHORIZED STATE FISCAL YEAR 2021 BUDGET AND THE STATE FISCAL YEARS 2022 AND 2023 BUDGETS* BY AGENCY



Notes: *Authorized Adjusted budget reflects the levels of spending authorized by each agency, including the original SFY 2021 budget appropriations and any additions or changes made by the Joint Legislative Fiscal Committee, through to the Senate Finance Committee's budget proposal as presented on June 1, 2021. Authorized Adjusted amounts also account for agency reorganizations. SFY 2022 and SFY 2023 budgets include Trailer Bill appropriations, which were also incorporated into the SFY 2021 Authorized Adjusted amounts. **The new Department of Energy drew offices from several other agencies in its creation, including the Executive Department and the Department of Business and Economic Affairs; the Adjusted Authorized values here control for those changes. ***Meals and Rentals Tax revenue sharing that had been included in the Treasury Department's budget in SFY 2021 has been moved off budget entirely for SFYs 2022-2023, but is incorporated in the Treasury Department budget represented here for comparison purposes.

Sources: New Hampshire Office of Legislative Budget Assistant, Senate Finance Committee - Biennial Budget Comparison by Department, June 1, 2021, and Comparative Statements of Undesignated Surplus, Combined General and Education Trust Funds (June 17, 2021), Highway Fund (June 3, 2021), and Fish and Game Fund (June 3, 2021); 2021-1885; Chapters 90 and 91, Laws of 2021

AID TO LOCAL GOVERNMENTS

ASSISTANCE TO COUNTIES AND LONG-TERM CARE FUNDING

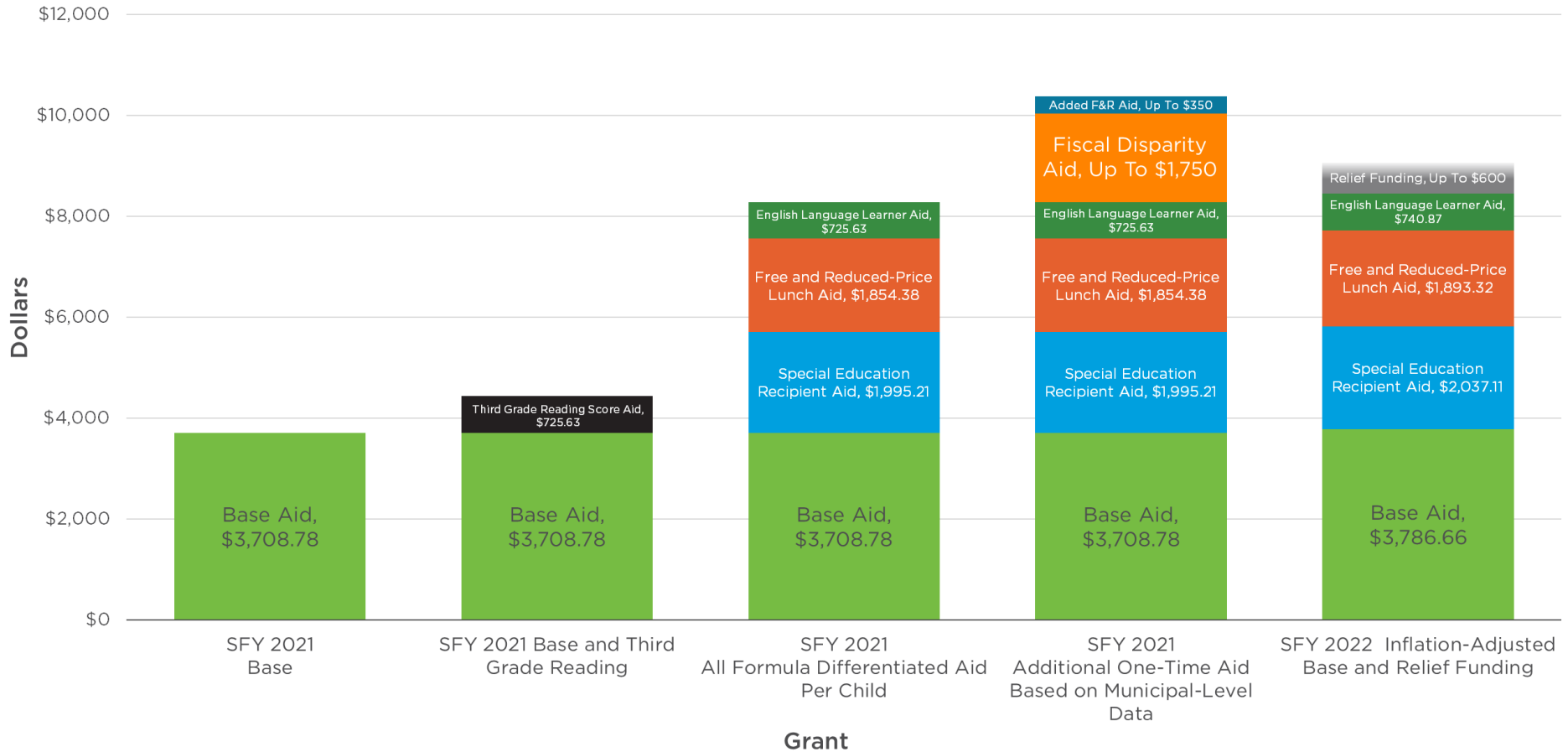
- Adds \$21.4 million to increase funding for nursing homes by 5 percent, using General Fund and federal matching funds without added county funding obligations
- At least a 5 percent rate increase for most services for Choices for Independence Medicaid waiver services for home and community-based care as an alternative to nursing homes
- Caps future increases in county obligations at 2 percent, and provides benefit to counties if federal government enhances Medicaid match
- \$11 million in dollars that would have lapsed after SFY 2021 for waiver and nursing home services permitted to be used in SFY 2022, and adds a \$9.7 million credit against county obligations for SFY 2021 based on Medicaid recipient population

LOCAL PUBLIC EDUCATION FUNDING

- Enrollment projections key for per pupil funding
- Holds enrollment and free and reduced-price meal eligibility at the higher of pre-pandemic and pandemic enrollment levels for purposes of per-pupil grants, adds approximately \$45.7 million for SFY 2022
- Adds up to \$17.5 million per year for additional, targeted funding based on free and reduced-price school meal eligibility, appropriated to a special account
- Adds a \$30 million one-time school building aid contribution, removes \$50 million cap on projects for biennium
- Does not continue SFY 2021 boosts to education funding in per pupil grants, targeted at districts with less taxable property value per student, totaled \$47.5 million that year

DIFFERENCES IN PER PUPIL GRANTS

STATE ADEQUATE EDUCATION AID PER PUPIL FOR NEW HAMPSHIRE LOCAL PUBLIC SCHOOL DISTRICTS



Sources: New Hampshire Office of Legislative Budget Assistant, Fiscal Issue Brief, Calculating Education Grants, January 2019, and updated version January 2021; Chapter 91, Laws of 2021.

REDUCTION TO STATEWIDE EDUCATION PROPERTY TAX, AID FROM OTHER TAXES

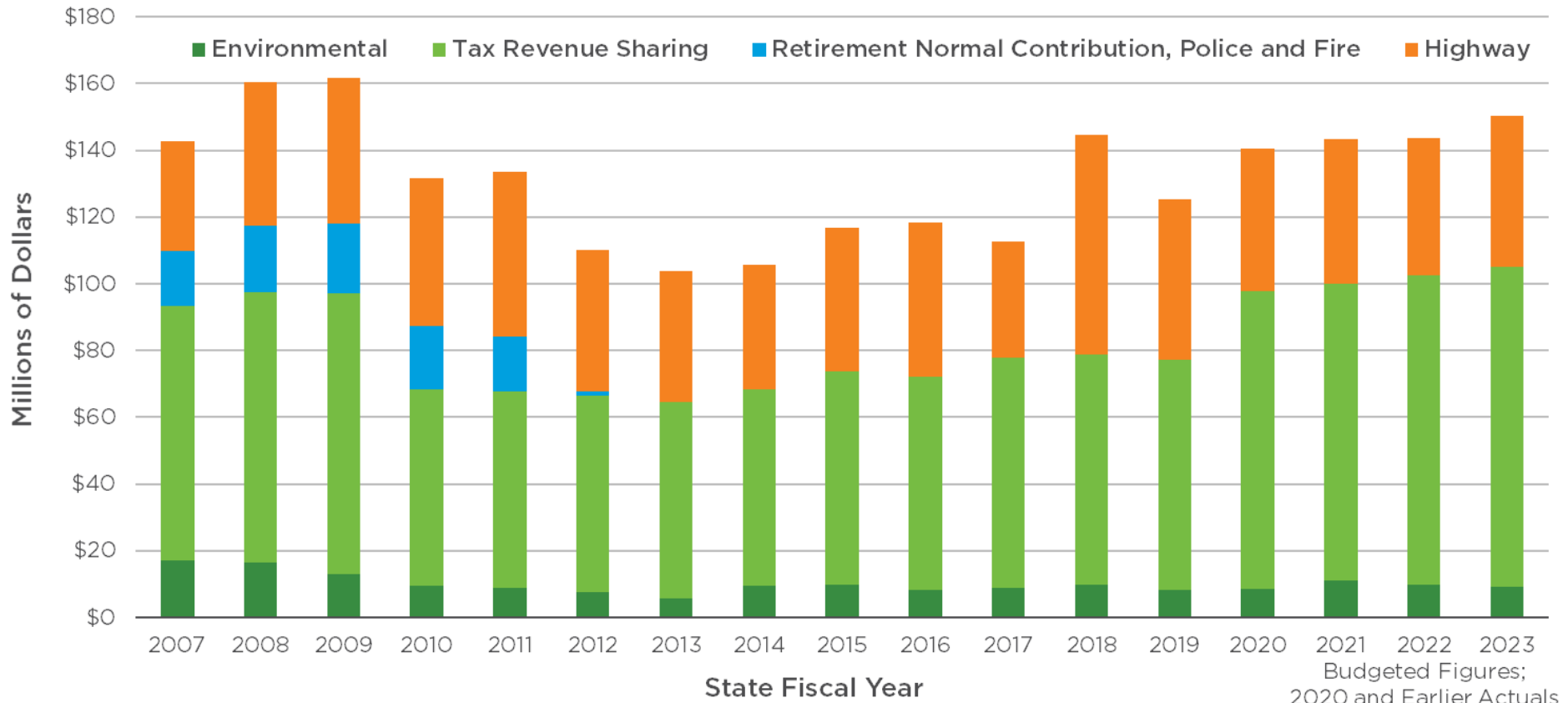
- Statewide Education Property Tax based on statewide estimate of property value
- State tax that is raised and retained locally, dollars do not flow to the State, pays for a portion of State obligation to fund local public education
- Set to raise a target of \$363 million, set in 2005, no inflation adjustment included
- Reduces the Statewide Education Property Tax by \$100 million in SFY 2023, effectively means more money will flow to local governments from other State revenue sources for the Education Trust Fund
- Transfers an estimated \$15.3 million to communities that have substantial amounts of property wealth per student to offset loss of excess SWEPT revenue

NON-EDUCATION MUNICIPAL ASSISTANCE

- Changes the 40 percent Meals and Rentals Tax revenue sharing pledge to municipalities, with catch-up formula, to a 30 percent revenue sharing pledge and meets it immediately
- Sends approximately \$50.6 million more than prior State Budget through Meals and Rentals Tax revenues to cities and towns, distributed on a per capita basis
- Moves \$188.2 million to dedicated, off-budget fund
- Separately, appropriates \$15.58 million for payments on existing State aid grants from the Department of Environmental Services
- Does not repeat one-time \$40.0 million appropriations in last State Budget based on student enrollment, free and reduced-price meal eligibility

AGGREGATE INCREASE IN MUNICIPAL AID

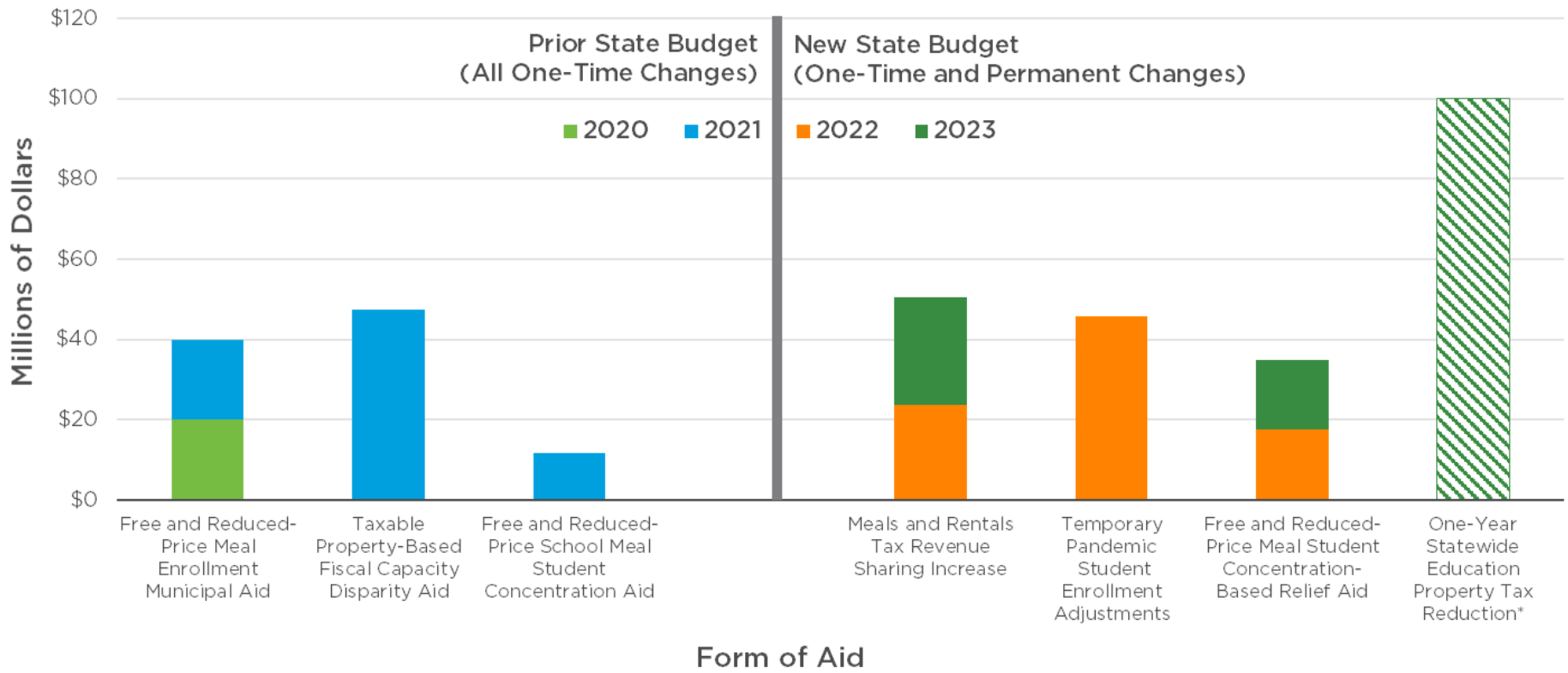
NEW HAMPSHIRE STATE AID TO MUNICIPALITIES, EXCLUDING EDUCATION AID



Source: New Hampshire Office of Legislative Budget Assistant, State Aid to Cities, Towns and School Districts, October 20, 2020; HB1 and 2 Committee of Conference Budget Briefing, June 18, 2021.

SIGNIFICANT CHANGES IN AID TO CITIES, TOWNS, AND SCHOOL DISTRICTS

KEY AGGREGATE AID TO CITIES, TOWNS, AND SCHOOL DISTRICTS
ADDED TO EACH STATE BUDGET, BY STATE FISCAL YEAR



*Note: Statewide Education Property Tax reduction replaces a State tax raised locally with revenue from other State taxes, shifting aid to sources other than local residential property tax payers.
Sources: New Hampshire Office of Legislative Budget Assistant, General and Education Trust Funds Surplus Statement, June 17, 2021; New Hampshire Department of Education, State Adequacy Aid Documents, Division II House Finance, March 3, 2021; Chapter 346, Laws of 2019; NHFPI, The State Budget for Fiscal Years 2020 and 2021, December 2019

EXAMPLES OF CHANGES IN LOCAL AID

DIFFERENCES IN KEY STATE AID FOR SELECTED MUNICIPALITIES, STATE BUDGETS FOR SFYs 2022-2023 vs. SFYs 2020-2021

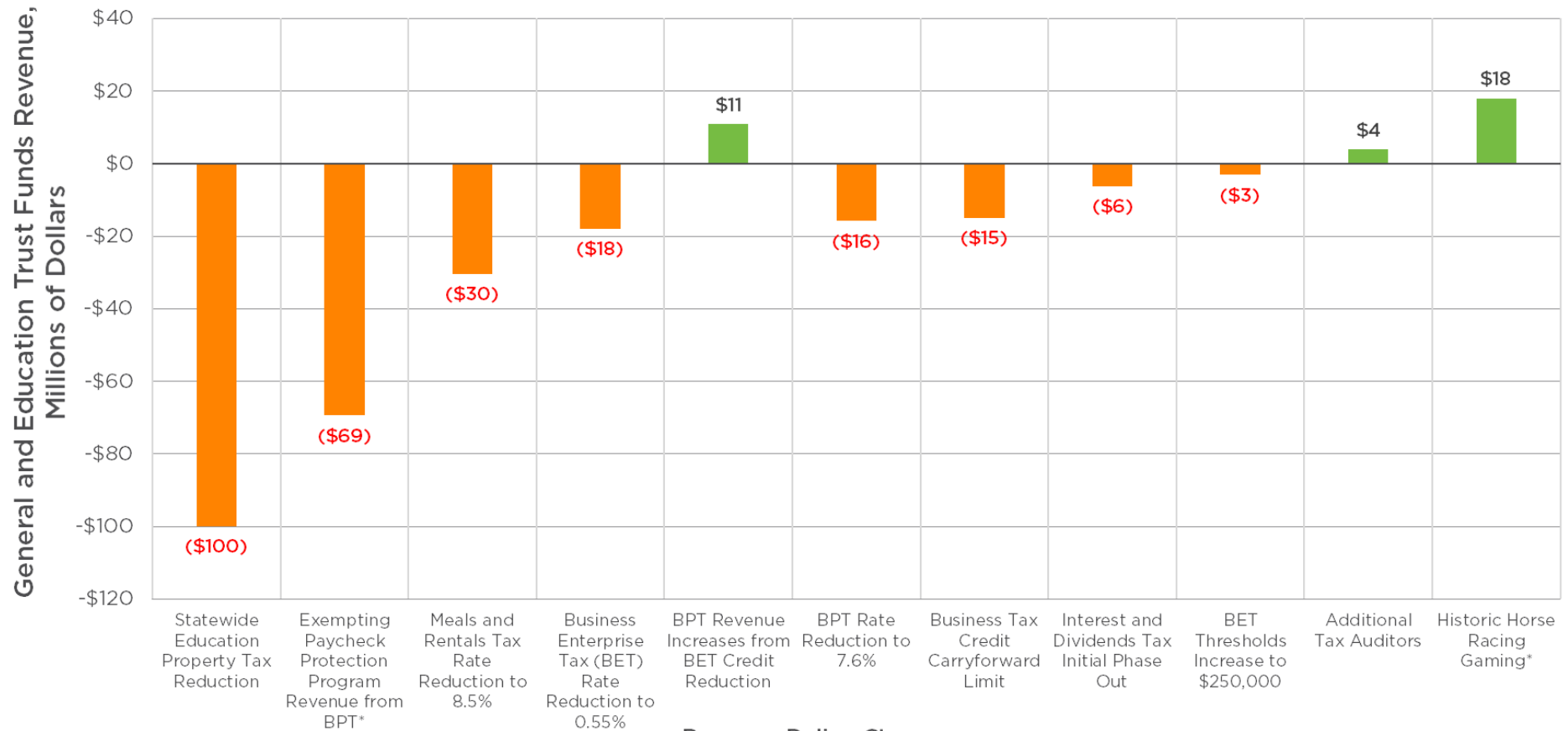
Municipality	Change in Municipal Revenue Sharing Aid	Change in Adequate Education Aid (Includes SWEPT as Aid)
Bedford	\$493,732	-\$231,277
Berlin	-\$176,507	-\$1,135,155
Dover	\$309,572	\$763,498
Franklin	-\$157,975	\$44,976
Hillsborough	-\$58,232	-\$688,444
Laconia	-\$156,646	\$714,123
Londonderry	\$459,448	\$59,120
Manchester	-\$1,823,711	\$201,190
Nashua	-\$419,555	\$1,997,097
Peterborough	\$68,853	\$91,637
Stratham	\$190,908	-\$140,155
Windham	\$356,530	\$663,455
Wolfeboro	\$71,778	-\$294,858

Sources: NHFPI analysis of data from the Office of Legislative Budget Assistant and the New Hampshire Department of Education

REVENUE POLICY CHANGES

SIGNIFICANT STATE REVENUE REDUCTIONS

ESTIMATED REVENUE IMPACTS OF REVENUE POLICY CHANGES IN STATE BUDGET DURING STATE FISCAL YEARS 2022-2023

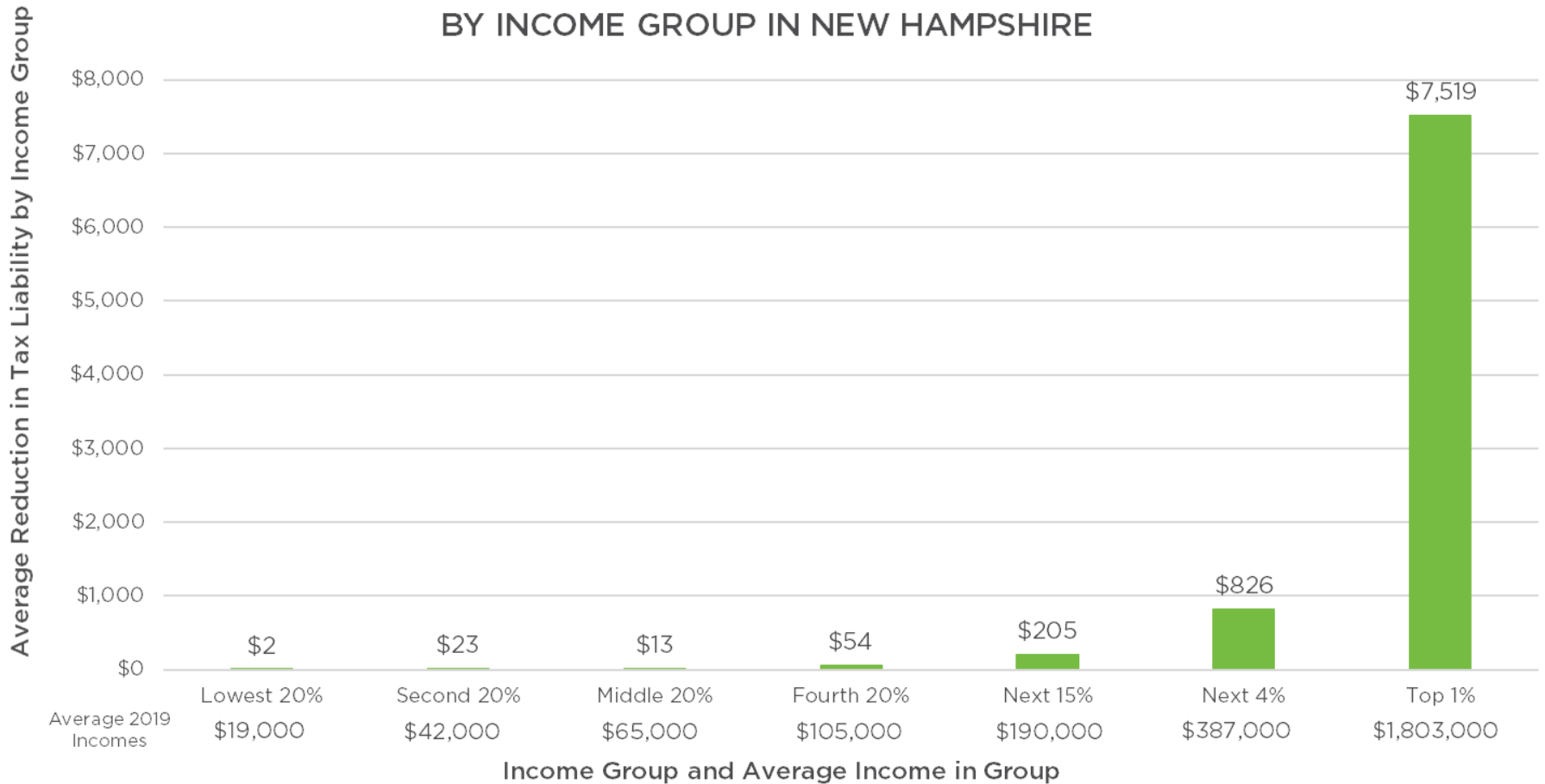


Revenue Policy Change

Note: *The Business Profits Tax (BPT) exemption and Historic Horse Racing were included in the Senate's version of the State Budget, and Historic Horse Racing was included in the House version of the State Budget, but both policies were removed when they were passed separately in Senate Bill 3 and House Bill 626, with the final Surplus Statement reflecting the same revenue impacts. Sources: New Hampshire Office of Legislative Budget Assistant, General and Education Trust Funds Surplus Statement, June 17, 2021 and Senate Ways & Means Revenue Estimates, May 27, 2021

INTEREST AND DIVIDENDS TAX REPEAL BENEFITS HIGH-INCOME INDIVIDUALS

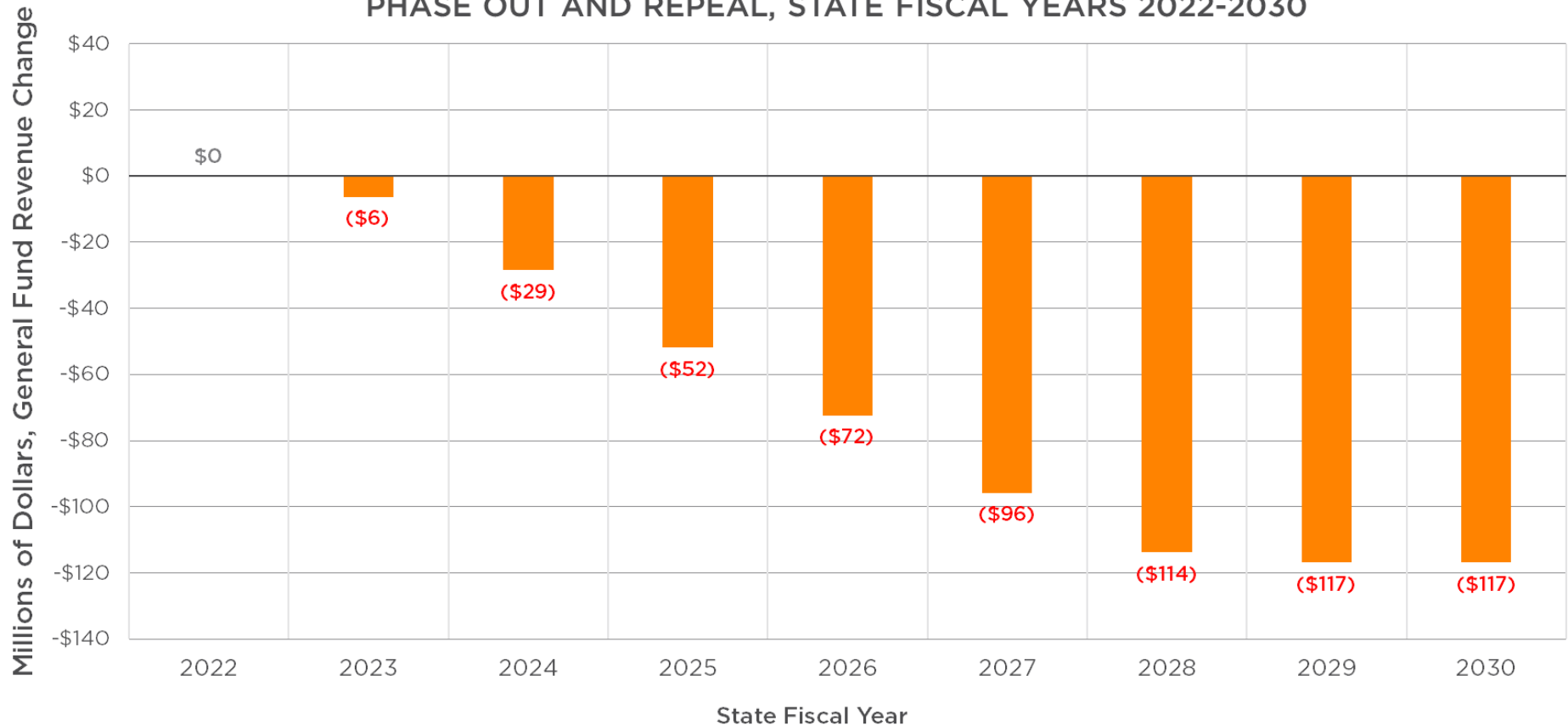
AVERAGE TAX REDUCTION FROM
INTEREST AND DIVIDENDS TAX ELIMINATION
BY INCOME GROUP IN NEW HAMPSHIRE



Source: Institute on Taxation and Economic Policy, May 2021

INTEREST AND DIVIDENDS TAX PHASE OUT HAS LONG-TERM FUNDING IMPACTS

ESTIMATED YEARLY REVENUE IMPACTS OF INTEREST AND DIVIDENDS TAX PHASE OUT AND REPEAL, STATE FISCAL YEARS 2022-2030



Note: New Hampshire Department of Revenue Administration analysis of the Interest and Dividends Tax repeal used a static analysis based on the State Fiscal Year 2021 revenue plan. Actual revenue reductions may be larger.

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

KEY TAKEAWAYS

- New State Budget increases expenditures, not evenly across State agencies or service areas
- Aid for local public education decreases slightly in aggregate, municipal aid increases slightly, but distributions of both are different in the new budget than the prior budget
- Whether a community receives more or less State aid in aggregate depends on the characteristics of the community, with more aid directed on a per capita basis and less determined by local property tax base
- Significant tax reductions, including both temporary overall property tax relief and permanent reductions primarily benefitting people with high incomes and large multi-national entities

ADDITIONAL NHFPI RESOURCES

- Issue Brief: The State Budget for Fiscal Years 2022 and 2023 – August 17, 2021
- Webinar: Examining the State Budget: The Senate’s Proposal – June 8, 2021
- Fact Sheet: County Medicaid Funding Obligations for Long-Term Care – August 1, 2019
- Blog: Nearly 20 Percent of State’s New Flexible Federal Funds Have Been Appropriated – September 1, 2021
- Blog: Federal Guidance Details Uses of Flexible Aid for State and Local Governments – May 25, 2021
- Blog: Federal American Rescue Plan Act Directs Aid to Lower-Income Children, Unemployed Workers, and Public Services – March 26, 2021

All available at nhfpi.org



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