



THE NEW HAMPSHIRE ECONOMY AND STATE BUDGET

PRESENTED BY PHIL SLETTEN, RESEARCH DIRECTOR

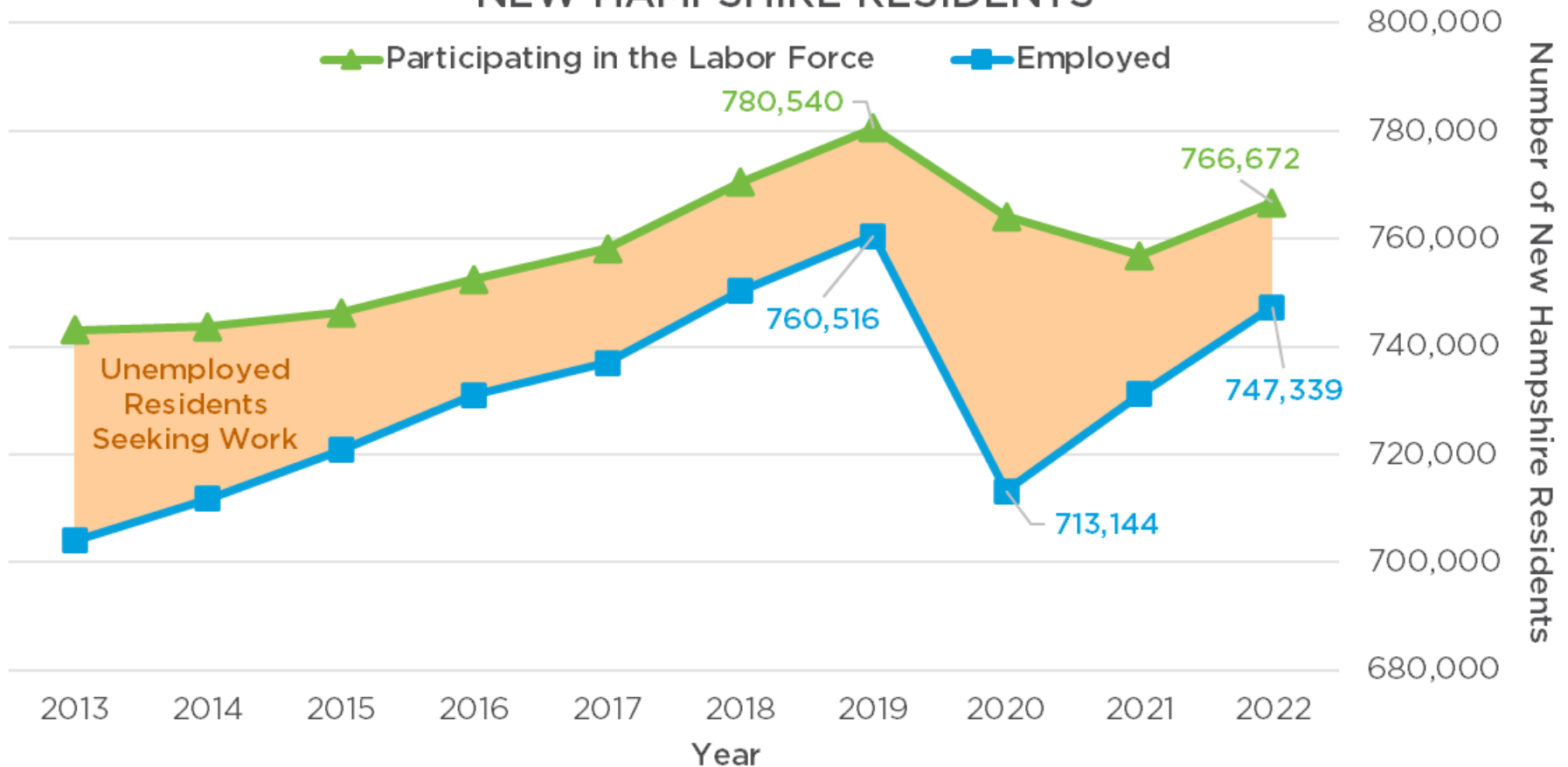
UNIVERSITY OF NEW HAMPSHIRE-MANCHESTER
PS 515

APRIL 27, 2023

OVERVIEW OF KEY CHALLENGES FACING THE NEW HAMPSHIRE ECONOMY

NUMBER OF NH RESIDENTS PARTICIPATING IN LABOR FORCE BELOW 2019 PEAK

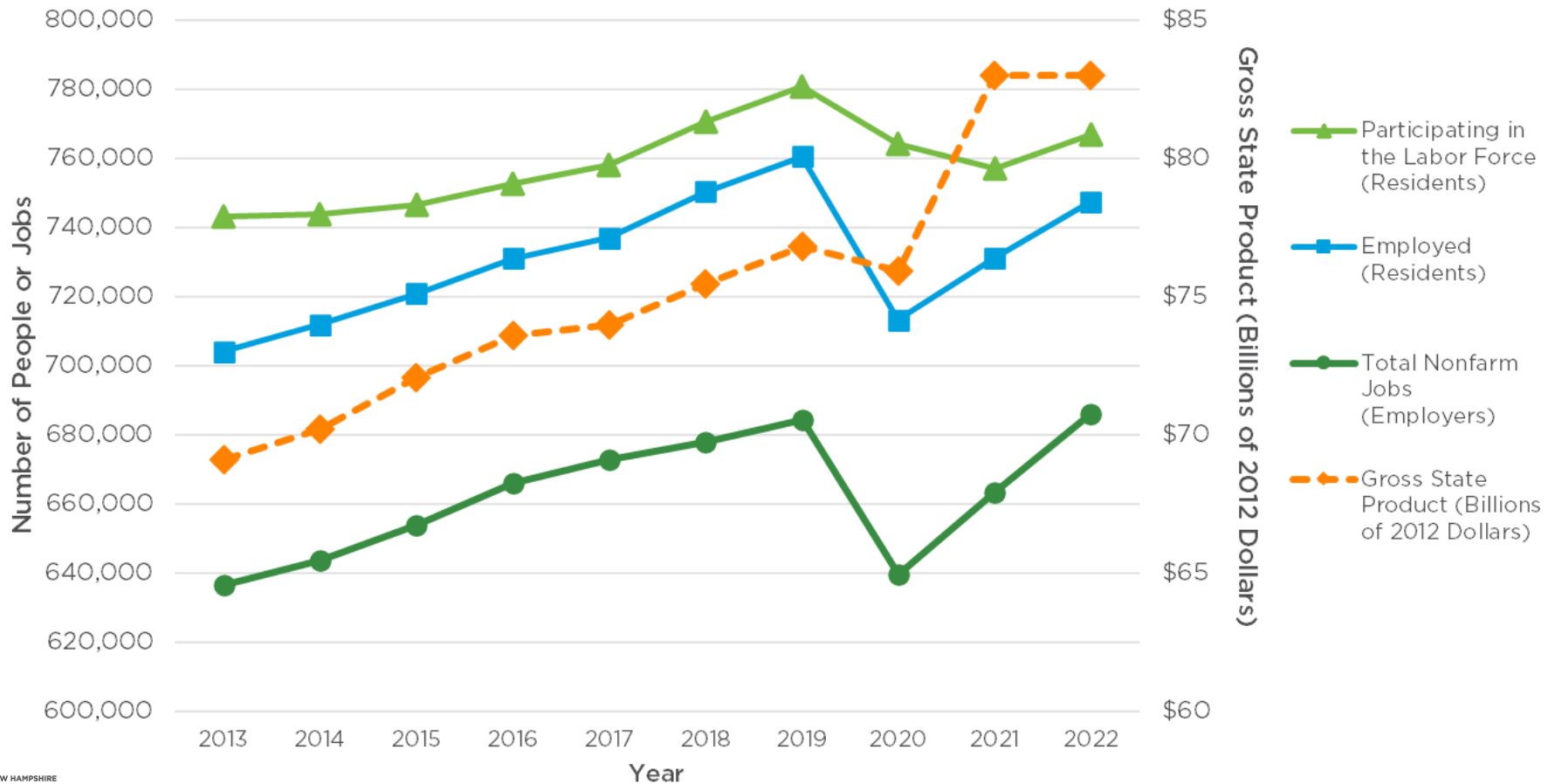
LABOR FORCE AND EMPLOYMENT AMONG NEW HAMPSHIRE RESIDENTS



Source: New Hampshire Employment Security, GraniteStats, Local Area Unemployment Statistics

NEW HAMPSHIRE WORKFORCE SMALLER, JOBS UP SLIGHTLY, ECONOMY LARGER

LABOR FORCE, EMPLOYMENT, JOBS AND THE SIZE OF THE ECONOMY IN NEW HAMPSHIRE



Source: New Hampshire Employment Security; U.S. Bureau of Economic Analysis

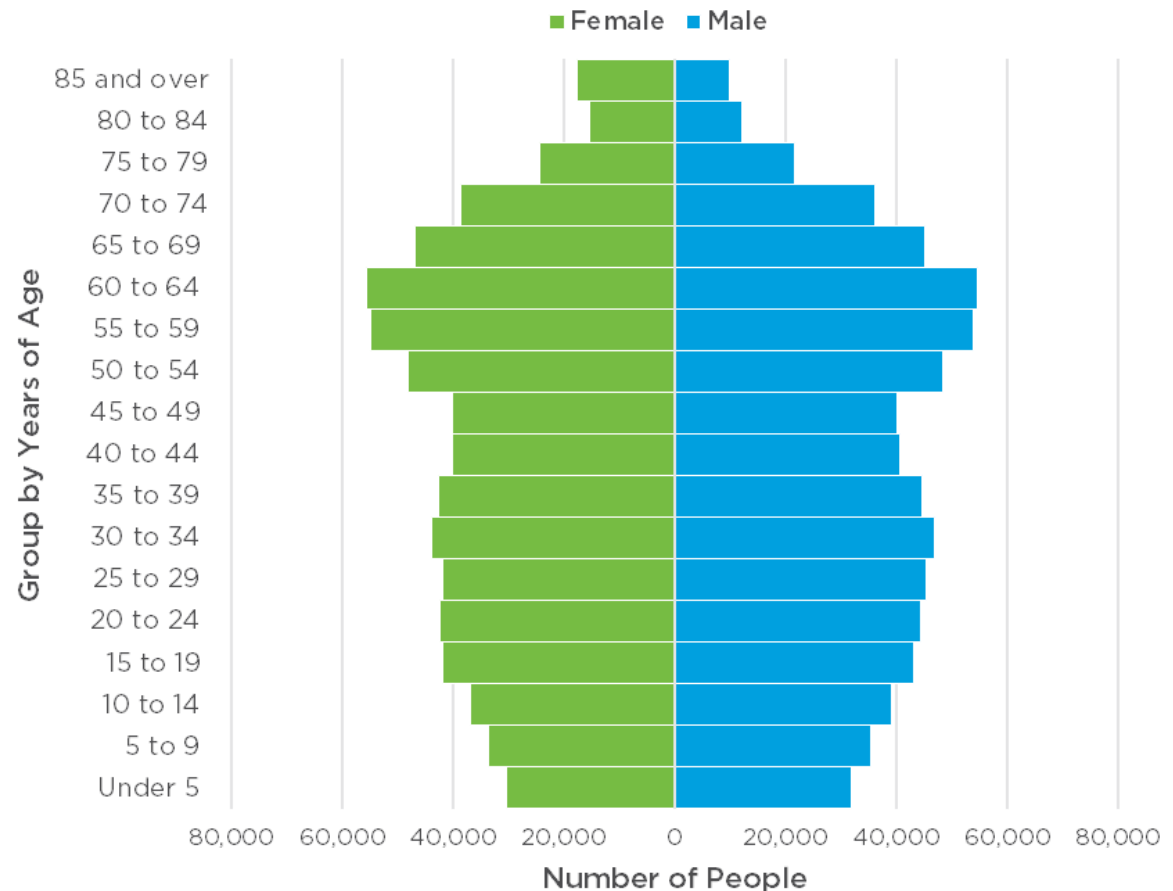
DEMOGRAPHICS LIKELY TO ADD TO LABOR FORCE CONSTRAINTS

- Labor force constraint already noteworthy, with approximately 20,600 unemployed workers and 44,000 job openings in February 2023
- State projections estimate more than 30 percent of state population will be 60 years old or older by 2030

Sources: New Hampshire Department of Business and Economic Affairs, Office of Planning and Development September 2022 report State, County, and Municipal Population Projections: 2020-2050; U.S. Bureau of Labor Statistics. The Economics Daily, April 26, 2023

NEW HAMPSHIRE POPULATION BY AGE

2021 Estimates for Age and Sex



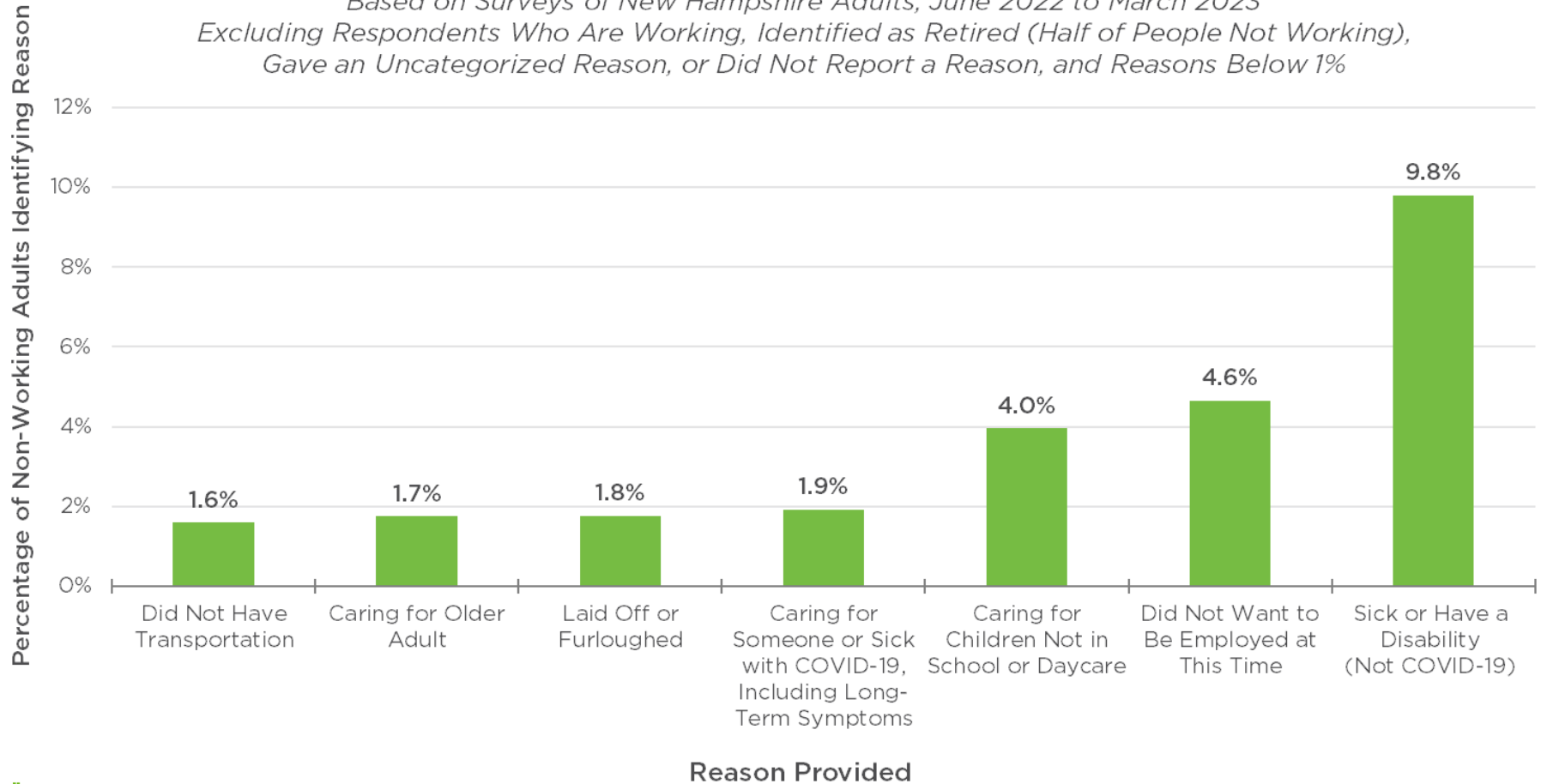
Source: U.S. Census Bureau, Population Estimates Program, July 1, 2021 Estimates

ILLNESS, DISABILITY, CHILD CARE KEY REASONS IDENTIFIED FOR NOT WORKING

COMMON IDENTIFIED REASONS FOR NOT WORKING

Based on Surveys of New Hampshire Adults, June 2022 to March 2023

Excluding Respondents Who Are Working, Identified as Retired (Half of People Not Working), Gave an Uncategorized Reason, or Did Not Report a Reason, and Reasons Below 1%



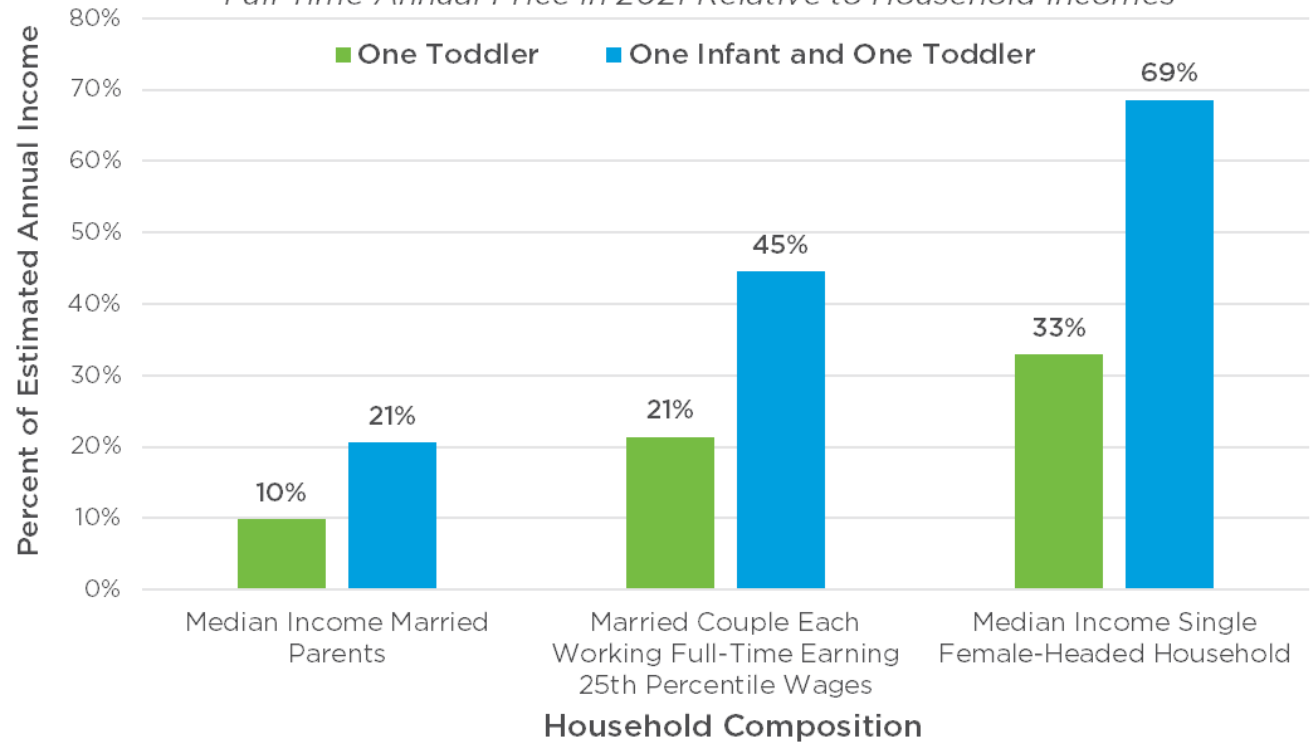
Source: U.S. Census Bureau, Household Pulse Survey. Note: Insufficient data cells assumed to be zero for purposes of averages.

HIGH CHILD CARE COSTS, LACK OF ACCESS LIKELY REDUCE LABOR FORCE SIZE

- About 60% of child care needs met with formal care before pandemic
- Prices are high
- Geographic access challenge: child care providers in state declined in 2017-2021 even while capacity rose

PRICES FOR CENTER-BASED CHILD CARE AS A PERCENT OF INCOME IN NEW HAMPSHIRE

Full-Time Annual Price in 2021 Relative to Household Incomes



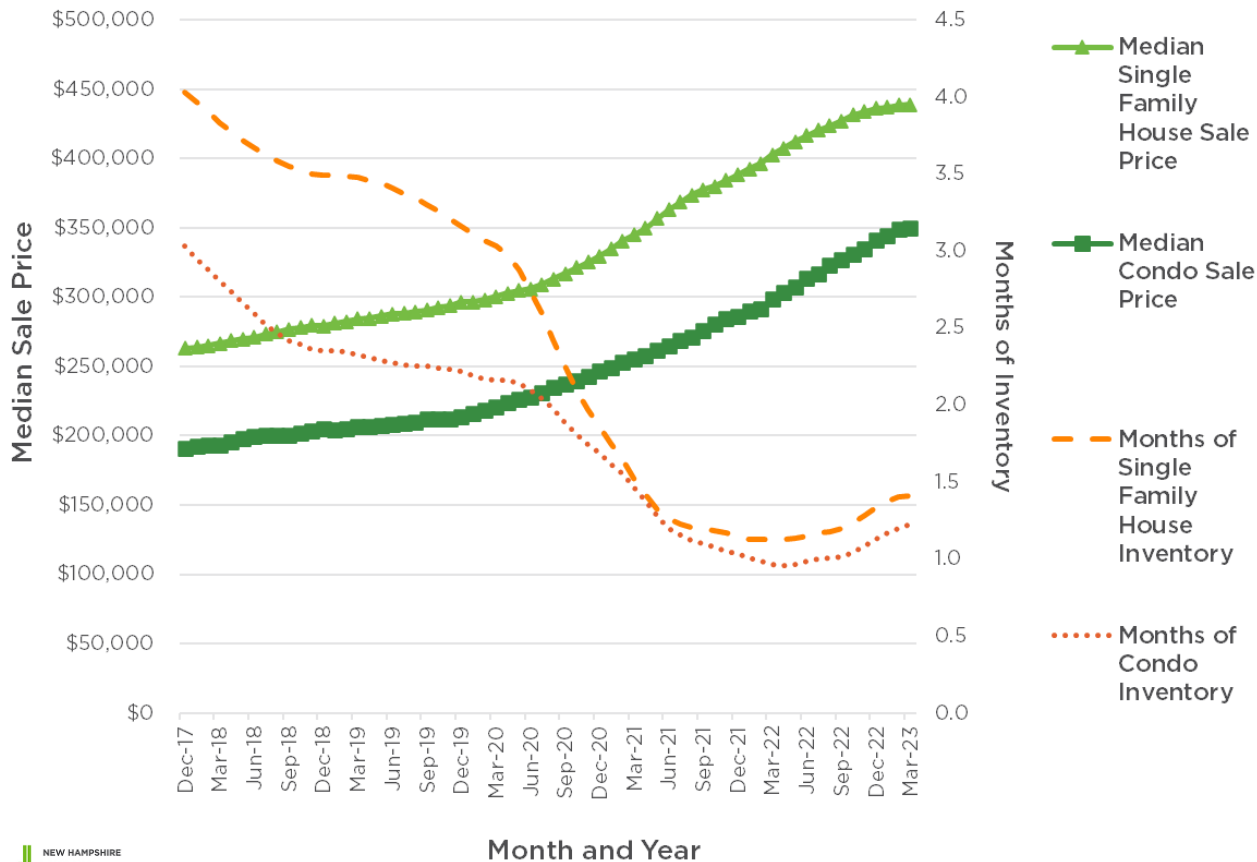
Sources: New Hampshire Department of Health and Human Services, Constraints on New Hampshire's Workforce Recovery, February 18, 2021; University of New Hampshire, Challenges and Opportunities for NH Childcare Sector, April 12, 2023

Note: Full-time 25th percentile wage earner calculations based on estimated hourly wages for May 2021 and 2,080 hours worked per year. Calculation assumes the two 25th percentile wage jobs are the only sources of income for the household. Incomes for other households based on survey data collected from 2017-2021, adjusted for inflation to 2021 dollars. Child care prices for infants and toddlers added for calculations. Sources: U.S. Bureau of Labor Statistics, May 2021 State Occupational Employment and Wage Estimates; U.S. Census Bureau, American Community Survey, 2017-2021 Five Year Estimates; Child Care Aware of America, Child Care Affordability in New Hampshire Fact Sheet, 2021.

VERY LIMITED HOUSING SUPPLY IN NH

NEW HAMPSHIRE HOUSE AND CONDO PRICES AND SUPPLY

Single Family Home and Condo Median Sale Prices and Months of Inventory, 12-Month Rolling Averages



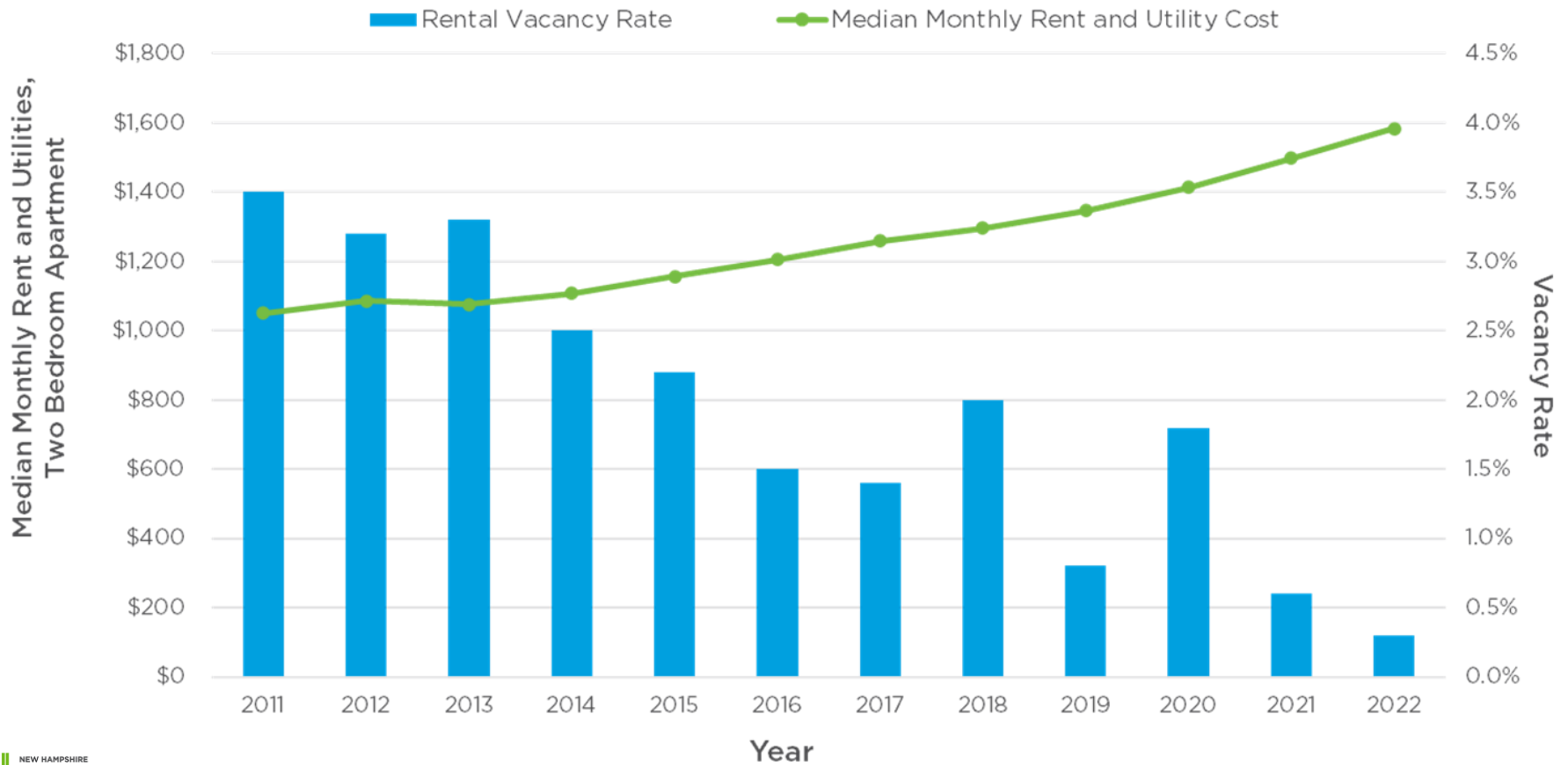
- Median home sale price up 82% from March 2017 to March 2023
- Condo median sale prices up 89%
- Cost of purchasing a home increases with interest rates
- Less housing available for purchase puts pressure on rental market, residents with low incomes

Sources: New Hampshire Association of Realtors, Federal Reserve Bank of St. Louis

LACK OF HOUSING INVENTORY LIMITS ABILITY OF PEOPLE TO MOVE TO NH

MEDIAN MONTHLY RENTAL COSTS AND VACANCY RATES

New Hampshire Statewide Data, Two Bedroom Apartments

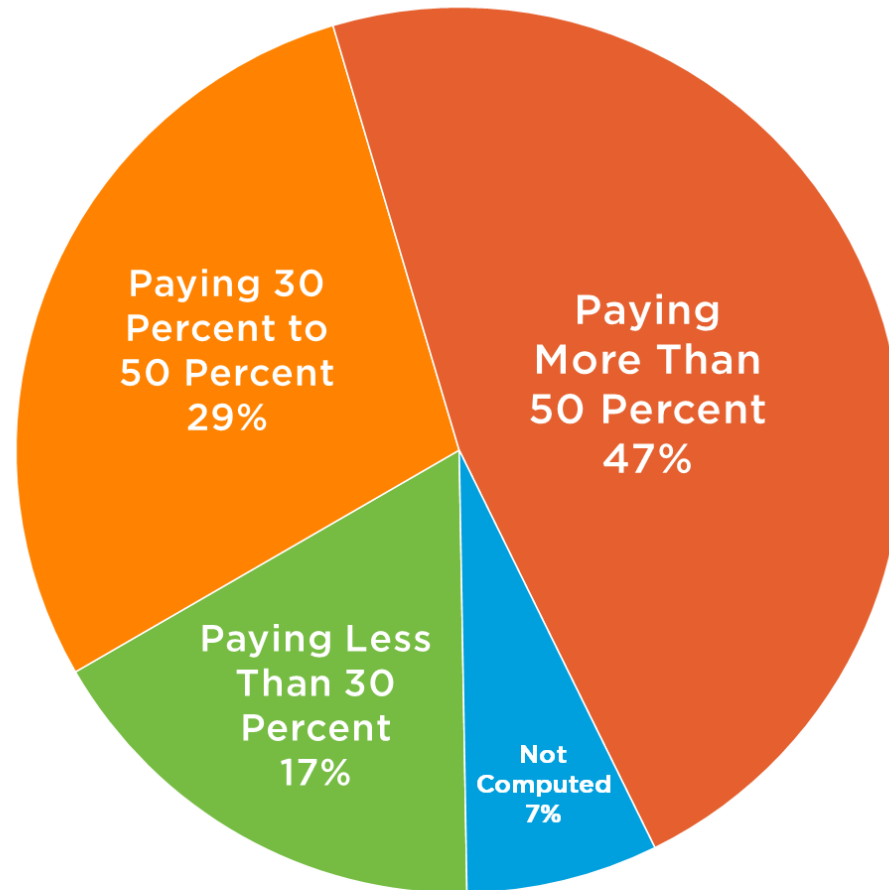


Source: New Hampshire Housing Finance Authority

COST SUBSTANTIAL RELATIVE TO INCOME

RENT AND UTILITIES PAYMENTS AS A PERCENTAGE OF INCOME FOR LOWER-INCOME NEW HAMPSHIRE RENTERS

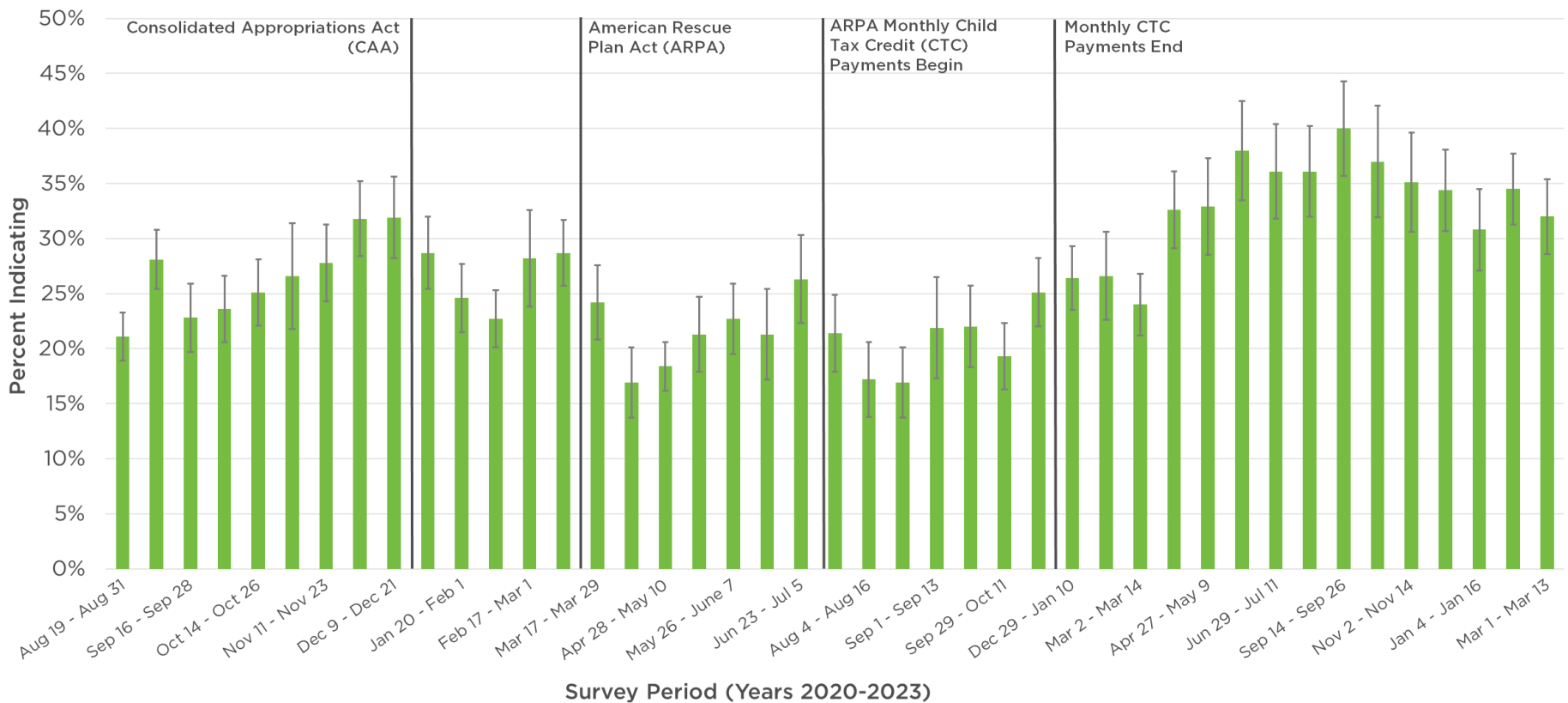
Percentage of Income Paid by Renter Households with Less Than \$35,000 Per Year of Income (39 Percent of All Renters), 2016-2020



NEARLY ONE IN THREE NEW HAMPSHIRE ADULTS REPORT TROUBLE WITH COSTS

NEW HAMPSHIRE ADULTS REPORTING DIFFICULTY WITH USUAL EXPENSES

Percentage Living in Households Where it Has Been Somewhat or Very Difficult to Pay for Usual Household Expenses During The Last Seven Days



Note: Margin of error bars represent 90 percent confidence intervals
 Source: U.S. Census Bureau, 2020-2023 Household Pulse Survey, accessed February 20, 2023

THE NEW HAMPSHIRE STATE BUDGET

BASICS OF THE STATE BUDGET

Two-year, or biennial, operating budget

- Funds *most*, but not all, State operations for two State Fiscal Years (SFYs)
- Next State Budget will provide funding for SFYs 2024-2025, which will span July 1, 2023 to June 30, 2025, from this year's surplus and two years of revenue

Comprised of two separate pieces of legislation

- Operating Budget Bill, typically House Bill 1 or “HB 1,” holds the line-item appropriations with the amount of money in each component of State programs
- Trailer Bill, typically House Bill 2 or “HB 2,” is the companion omnibus bill with policy changes and appropriations separate from HB 1

Not all State expenditures are in State Budget

- Capital Budget (HB 25), covers six years with changes every two years
- Ten Year Transportation Improvement Plan, altered every two years
- Separately authorized expenditures, such as bills that appropriate funds, spending requests granted by the Joint Legislative Fiscal Committee, or separate off-budget funds; for example: Medicaid Expansion under the Patient Protection and Affordable Care Act enacted outside of the State Budget

A BUDGET IN TWO BILLS

STATE BUDGET

Operating Budget Bill (Typically House Bill 1)

Operating Budget Line Items

(House Bill 1, Sections 1.00 to 1.07)

| | |
|---------------------------------------|----------|
| Line Item 1 | \$X,XXX |
| Line Item 2 | \$XX |
| Line Item 3 | \$XXX |
| Organization, Class, and Agency Notes | |
| Line Items Total | \$XX,XXX |

Text Following Line Items

- Sections 1.08 Through Final Section
- Back of Budget Funding Adjustments
- Revenue Estimates
- Budget Footnotes



Trailer Bill (Typically House Bill 2)

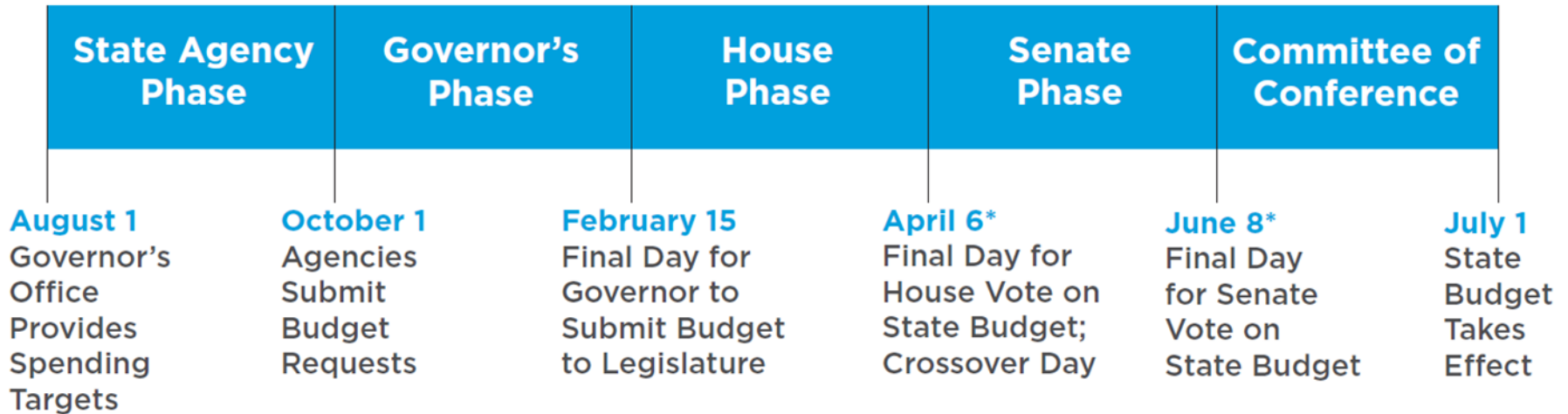
Omnibus Bill Text

Policy Language in Sentences,
Which Can Include:

- Policy Changes Paired With Line Item Changes
- Additional Appropriations
- Allocations of Surplus Revenue from the Prior Biennium
- Policy on Other Topics

BUDGET CREATED IN A YEARLONG PROCESS WITH FIVE PHASES

STATE BUDGET PROCESS TIMELINE



*Dates set by legislative leadership for the 2023 session; all other dates specified in statute.

QUESTION

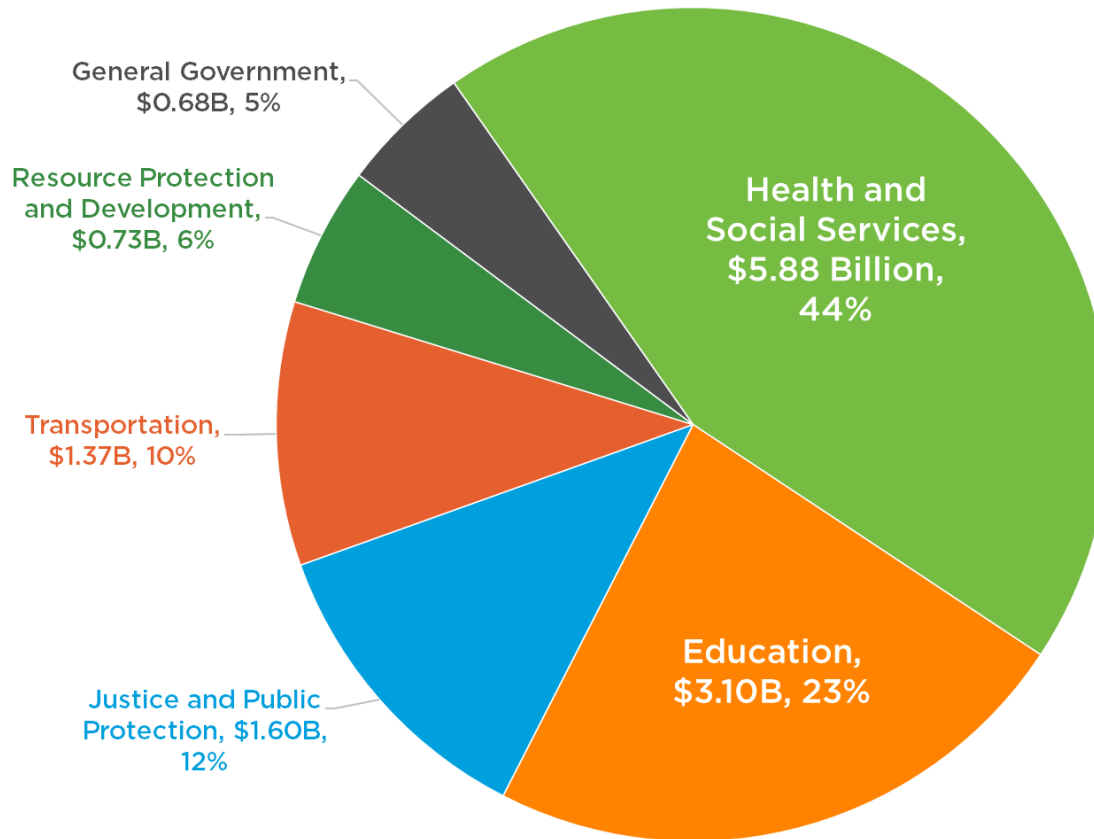
**WHAT PERCENTAGE
OF THE STATE BUDGET
IS APPROPRIATED TO:**

- 1. TRANSPORTATION?**
- 2. EDUCATION?**
- 3. JUSTICE AND PUBLIC PROTECTION?**

TWO-THIRDS OF PROPOSAL FOR HEALTH, SOCIAL SERVICES, AND EDUCATION

STATE BUDGET LEGISLATION APPROPRIATIONS

State Fiscal Years (SFY) 2022-23 and Trailer Bill SFY 2021 Funding



Note: General Government includes HB 2 appropriations for the Affordable Housing Fund, FRM Victim's Fund, and State employee pay raises. Appropriations above do not include expenditures moved off-budget relative to the prior State Budget.

Source: HB 1 and HB 2 as Approved, 2021 Session; New Hampshire Office of Legislative Budget Assistant, Surplus Statements, June 2021

QUESTIONS

WHERE DOES STATE (TAX AND NON-TAX) REVENUE COME FROM?

WHAT ARE THE FIVE LARGEST TAX REVENUE SOURCES?

LARGEST STATE TAX REVENUE SOURCES

To All Funds (State Fiscal Year 2022)

- Business Profits Tax - \$889.1 million (estimate)
- Meals and Rentals Tax - \$415.4 million
- Statewide Education Property Tax - \$363.3 million
- Business Enterprise Tax - \$334.9 million (estimate)
- Medicaid Enhancement Tax - \$285.3 million
- Real Estate Transfer Tax - \$237.6 million
- Tobacco Tax - \$231.9 million
- Motor Fuels Tax - \$179.0 million
- Insurance Premium Tax - \$165.1 million
- Interest and Dividends Tax - \$157.5 million

Sources: New Hampshire Annual Comprehensive Financial Report for the Fiscal Year Ending June 30, 2022; New Hampshire Department of Revenue Administration; New Hampshire Treasury Department.

LARGEST NON-TAX REVENUE SOURCES

To All Funds (State Fiscal Year 2022)

- Federal Grants - \$3,675.9 million
(includes pandemic-related aid transferred to State in SFY 2022 and all other federal transfers to Governmental and Enterprise Funds)
- Liquor Commission Sales - \$761.9 million
(\$172.6 million in operating profits for other State uses)
- Lottery Commission Sales - \$536.8 million
(\$146.6 million in profits for Education Trust Fund)
- Turnpike Tolling - \$137.8 million

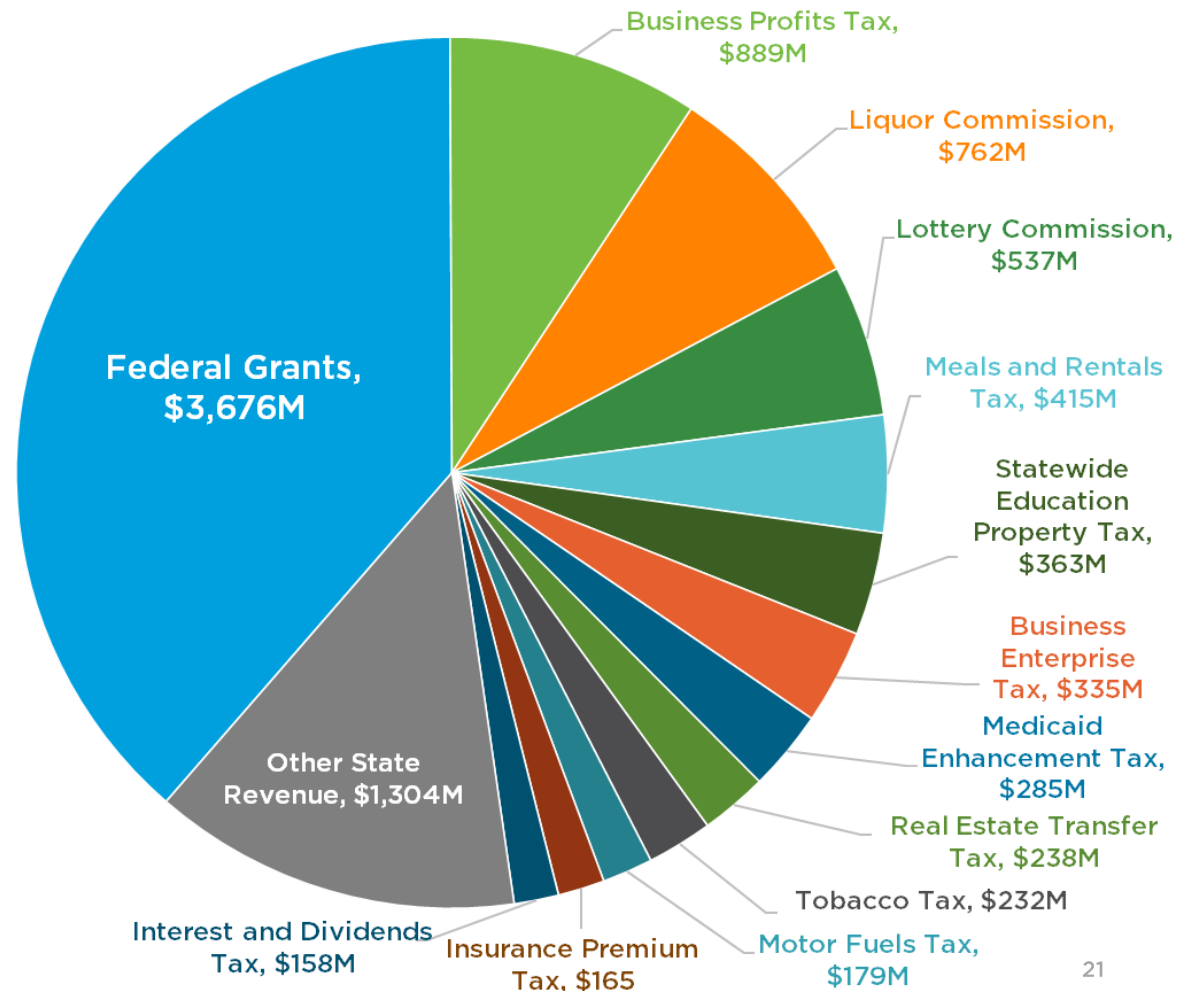
Sources: New Hampshire Annual Comprehensive Financial Report for the Fiscal Year Ending June 30, 2022; New Hampshire Liquor Commission 2022 Comprehensive Annual Financial Report; New Hampshire Lottery Commission Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2022.

STATE TAX AND OTHER REVENUES

- Federal transfers significant, still include some pandemic-related aid
- Not all federal aid, or all State spending, flows through the State Budget
- Gross revenues from the Liquor Commission and the Lottery Commission are among largest State revenue sources, but many funds go to support internal operations
- Business Profits Tax is the largest State tax revenue source

STATE REVENUE SOURCES, GOVERNMENTAL AND ENTERPRISE FUNDS, STATE FISCAL YEAR 2022

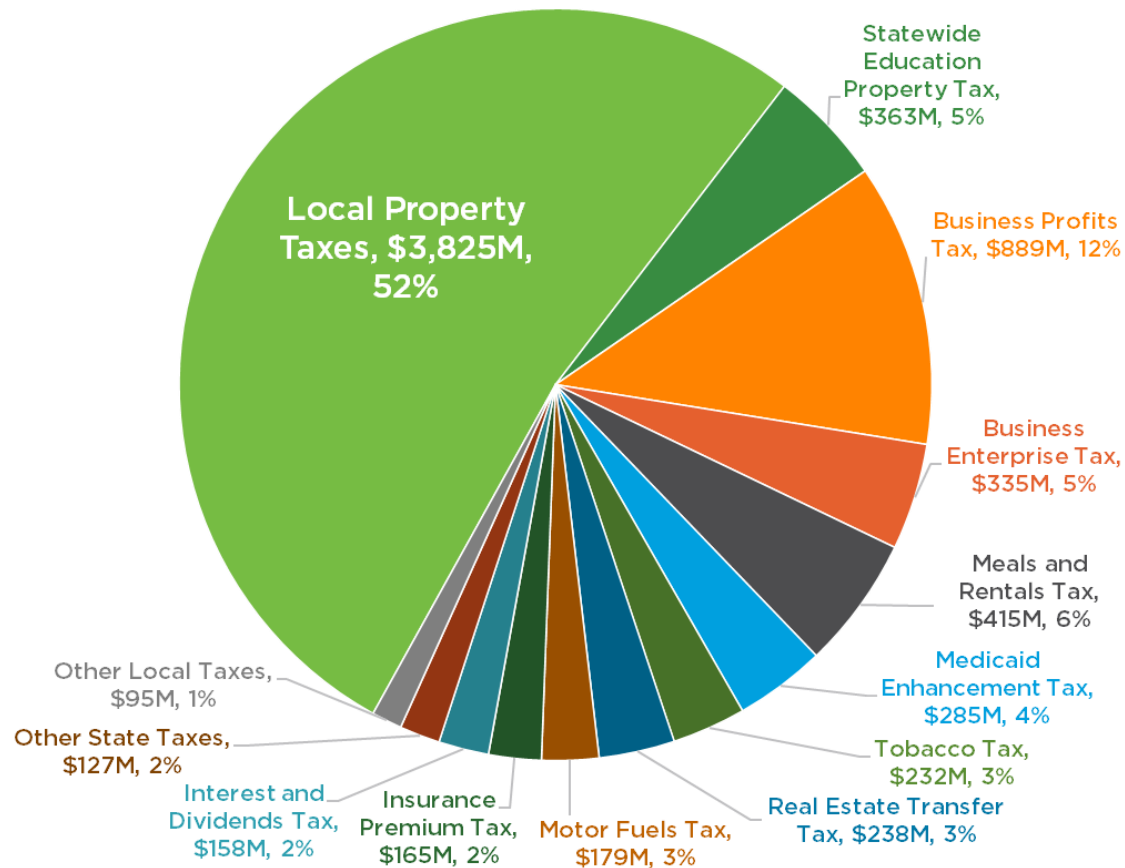
Sources: New Hampshire Annual Comprehensive Financial Report, SFY 2022; NH Department of Revenue Administration, 2022 Annual Report; NH Department of Health and Human Services



PROPERTY TAXES MORE THAN HALF OF STATE AND LOCAL TAX REVENUES

STATE AND LOCAL TAXES IN NEW HAMPSHIRE

State Fiscal Year or Tax Year 2022



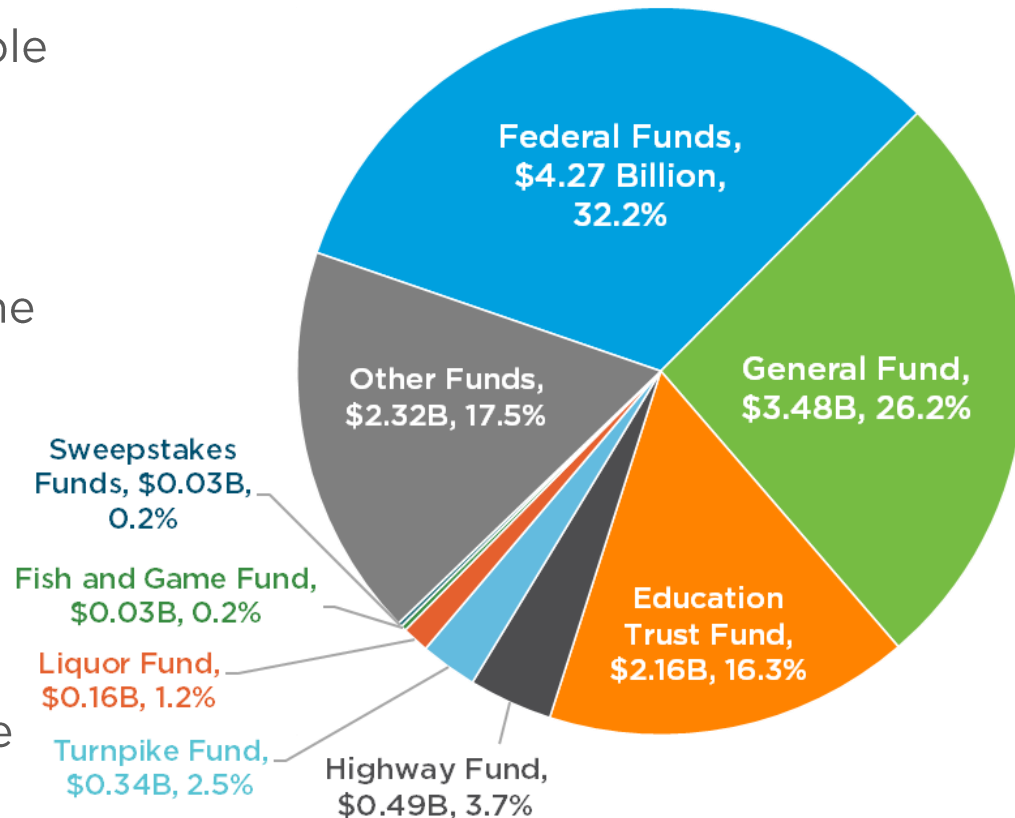
Sources: New Hampshire Annual Comprehensive Financial Report, State Fiscal Year 2022; New Hampshire Department of Revenue Administration, 2022 Annual Report and Completed Public Tax Rates 2022; U.S. Census Bureau, Survey of State and Local Government Finances, 2020 ("Other Local Taxes")

POLICYMAKERS ORGANIZE BUDGET EXPENDITURES BY FUND

- Funds act like accounts
- Interact with one another
- General Fund most flexible
- General Fund fills any Education Trust Fund shortfall
- Lottery revenues, gasoline and motor-vehicle revenues directed by the State Constitution
- Other funds directed by statute
- Federal Funds support about a third of the State Budget

NEW HAMPSHIRE STATE BUDGET, STATE FISCAL YEARS 2022-2023

Includes Operating Budget and Trailer Bill Appropriations



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

Sources: Chapters 90 and 91, Laws of 2021; Office of Legislative Budget Assistant Surplus Statements, June 2021

KEY CONSIDERATIONS FOR THE NEXT STATE BUDGET

- What happens with the economy, and the impacts on State revenues and service needs, over the next two years?
- How does the end of many temporary federal stimulus and economic support programs associated with the pandemic affect services and the economy overall?
- How difficult will accurately projecting revenues and key service expenditures, such as Medicaid enrollment, be for the next two-year budget biennium?
- Ongoing considerations, including key workforce supports:
 - Housing
 - Child care
 - Care for older adults and individuals with disabilities
 - Education funding

ADDITIONAL RESOURCES

- Blog: Ten Facts About the New Hampshire State Budget – February 1, 2023
<https://nhfpi.org/blog/ten-facts-about-the-new-hampshire-state-budget/>
- Issue Brief: The State Budget for Fiscal Years 2022 and 2023 – August 17, 2021
<https://nhfpi.org/resource/the-state-budget-for-fiscal-years-2022-and-2023/>
- 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 Pages: Budget, Revenue & Tax
<https://nhfpi.org/topic/budget/>
<https://nhfpi.org/topic/revenue-tax/>



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