



# HOW NEW HAMPSHIRE FUNDS PUBLIC SERVICES AT THE STATE AND LOCAL LEVELS

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NEW HAMPSHIRE GOVERNMENT FINANCE OFFICERS ASSOCIATION

JULY 19, 2023

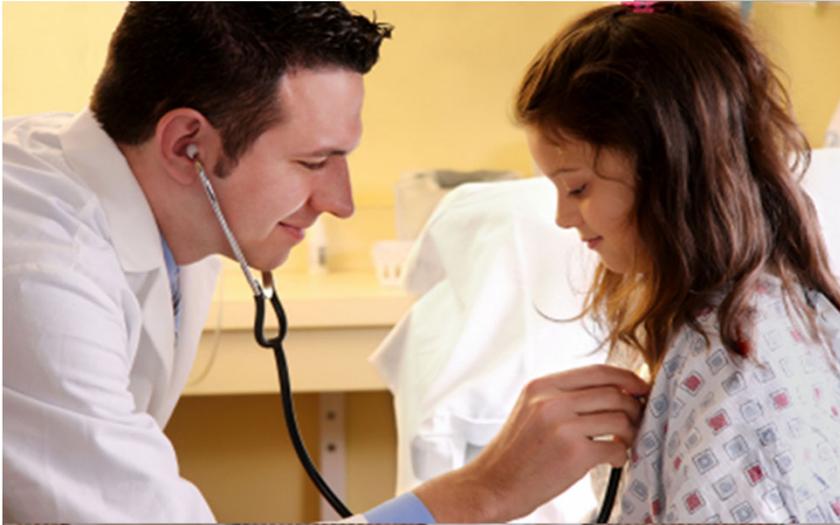
# ROAD MAP THROUGH THE REVENUE SYSTEM

- New Hampshire State revenue sources
- Recent trends in New Hampshire State revenues
- Construction of the New Hampshire State Budget
- Federal pandemic-related aid in New Hampshire
- 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](http://nhfpi.org).

Also, see the New Hampshire Department of Revenue Administration and the New Hampshire Annual Comprehensive Financial Report, which provide key information used in this presentation, for more details.

# WHY REVENUE IS IMPORTANT



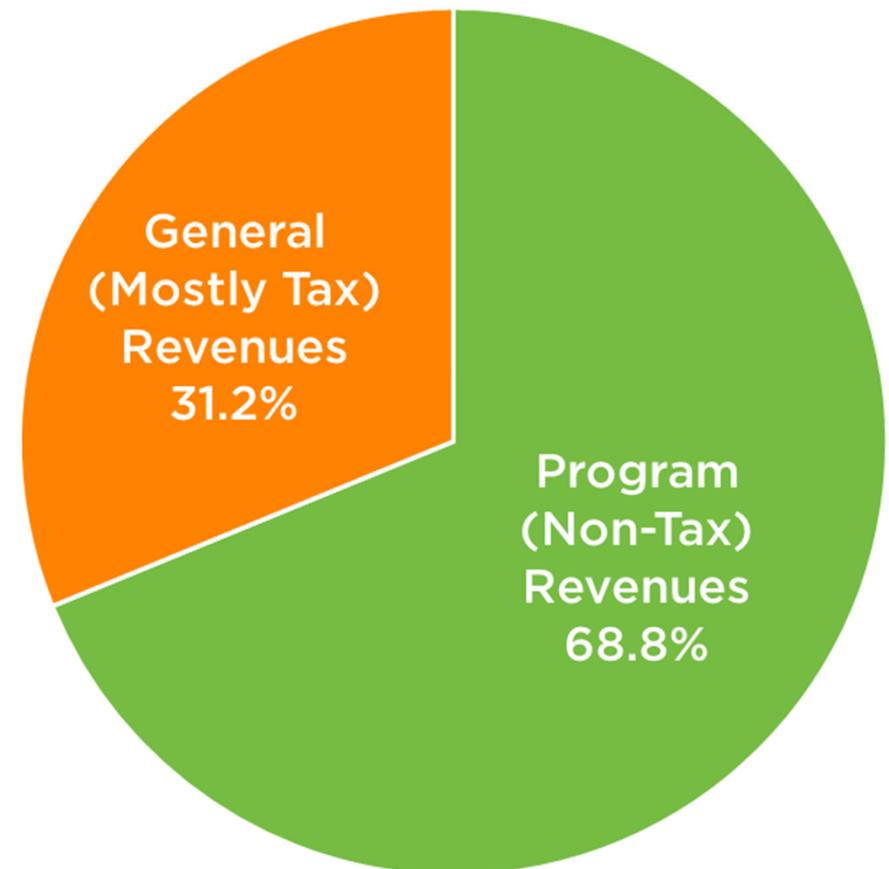
# WHY REVENUE IS IMPORTANT

- 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)
  - Assistance accessing child care and early education services
  - Unemployment assistance and job training
  - 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
  - Benefits from an educated public and workforce
  - Protects 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
- Revenue is also collected 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  
FOR THE STATE OF NEW HAMPSHIRE,  
STATE FISCAL YEAR 2022



Source: New Hampshire Annual Comprehensive Financial Report, SFY 2022

# WHICH REVENUES ARE WE DISCUSSING?

## Three Levels of Government Revenue

- State Revenue: money collected through New Hampshire State taxation and other sources, including grants from the federal government
- Local Revenue: money collected by New Hampshire's local governments (counties, school districts, and municipalities), with tax revenue collected primarily through property taxes
- Federal Revenue: money raised from economic activity in New Hampshire and nationwide that flows to state and local budgets; federal revenue collections are not a focus in this presentation
- Generally, federal grants to the State and certain State revenue sources have legal restrictions on use, such as being directed to a specific program

# NEW HAMPSHIRE'S STATE REVENUE SYSTEM

## QUESTION

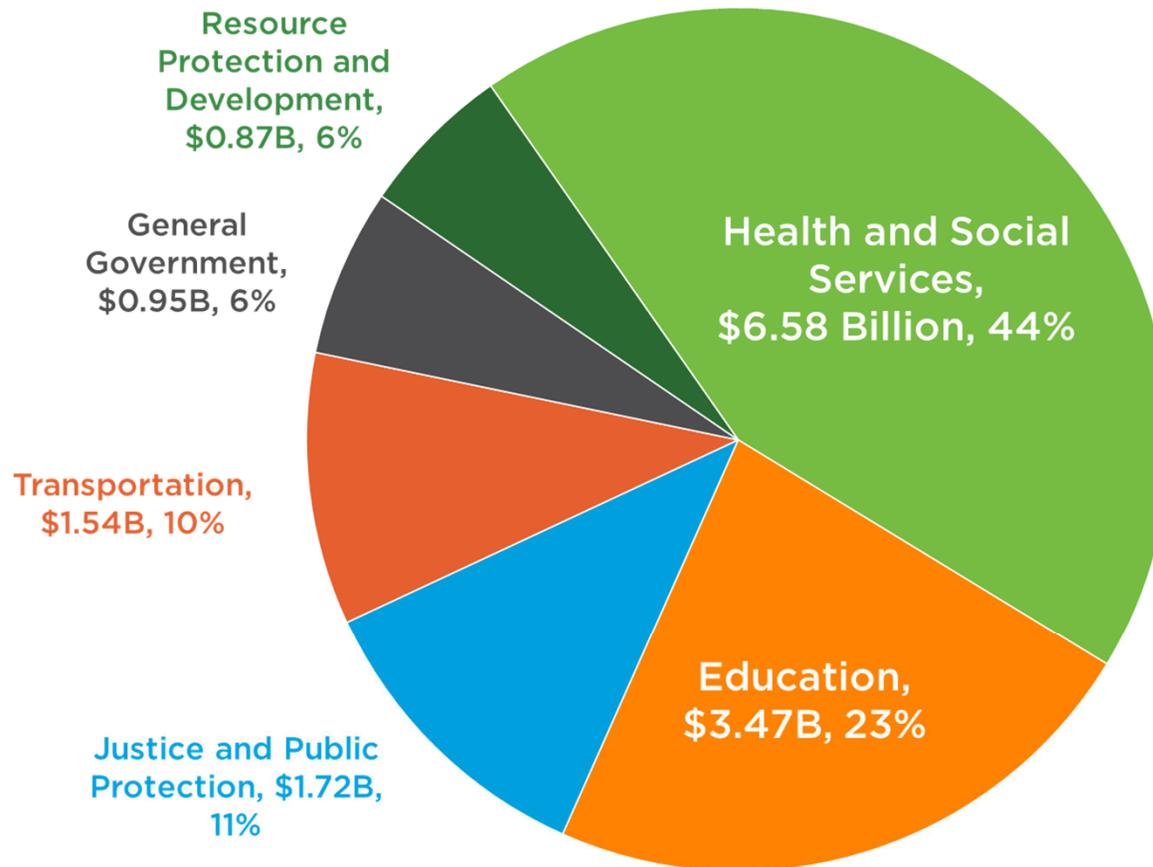
WHAT PERCENTAGE  
OF THE STATE BUDGET  
IS APPROPRIATED TO:

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

# STATE REVENUE SUPPORTS THE STATE'S BUDGET AND OTHER SERVICES

## STATE BUDGET APPROPRIATIONS BY CATEGORY

*State Fiscal Years 2024-25 and Surplus Appropriations,  
Includes Trailer Bill Appropriations*



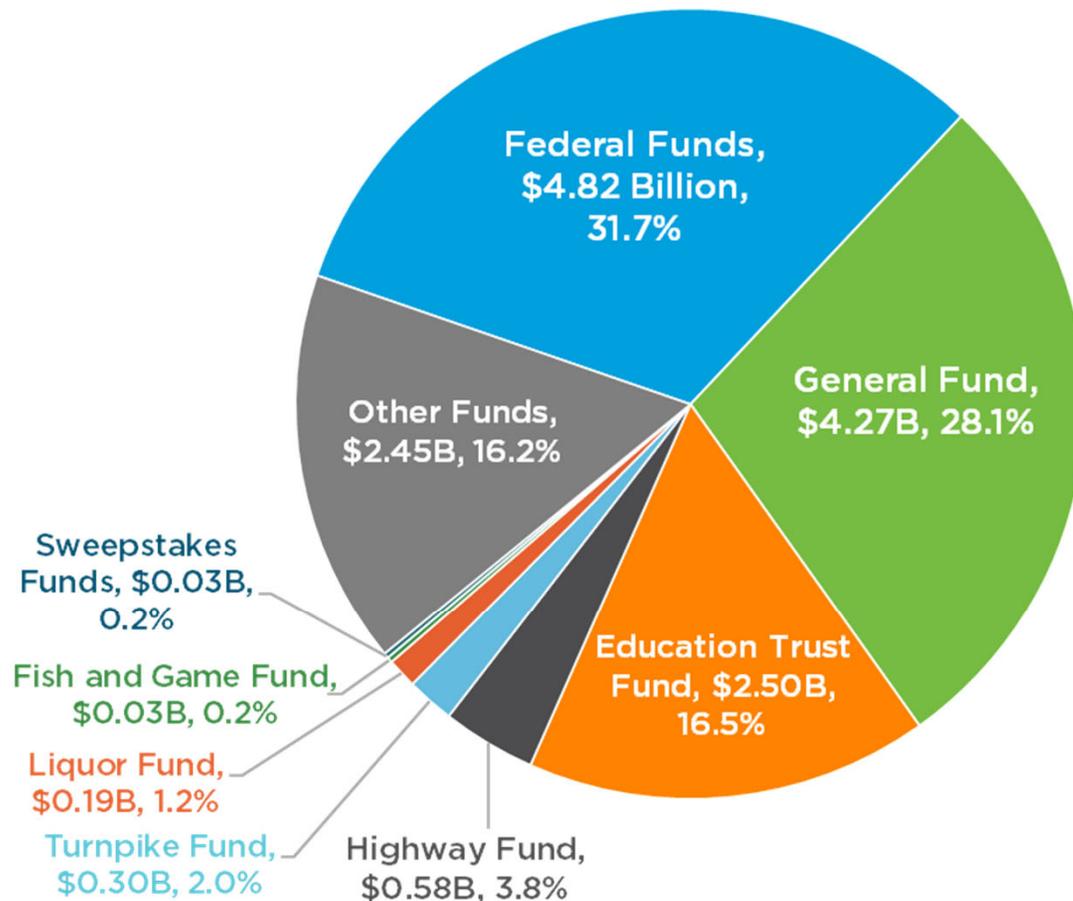
Note: General Government includes HB 2 appropriations for the Affordable Housing Fund, InvestNH, and all State employee pay raises defined by and funded through appropriations made in House Bill 2, as amended by the House.

Sources: New Hampshire Office of Legislative Budget Assistant, Compare House Finance to Governor, March 28, 2023, Surplus Statements, April 6 and 7, 2023, Briefing on Senate Finance Changes to House Passed Budget, June 6, 2023; 2023-2092s; 2023-2171s; 2023-2139s

# NEW HAMPSHIRE'S STATE BUDGET FUNDS

## THE STATE BUDGET FOR FISCAL YEARS 2024 AND 2025, BY FUND

*Includes Operating Budget and Trailer Bill Appropriations*



- 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

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

Sources: New Hampshire Office of Legislative Budget Assistant, Senate Finance Committee Surplus Statements, June 2023; 2023-2054s; 2023-2092s; 2023-2171s; 2023-2139s

# FEDERAL FUNDING AND STATE SERVICES

## Medicaid

- Approximately \$2.5 billion expenditure in SFY 2022 from all sources, with more than half of the total supported by federal funds
- About 199,000 Granite Staters had access to health care through the program at the end of June 2023, decrease from pandemic highs, yet still higher than 2019

## 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 (WIC)
- Temporary Assistance for Needy Families (TANF)
- Veterans' care aid
- Low Income Home Energy Assistance Program (State Fuel Assistance Program)
- Many other areas

## QUESTIONS

WHERE DOES STATE TAX  
REVENUE COME FROM?

WHAT ARE THE FIVE LARGEST  
TAX REVENUE SOURCES?

# LARGEST TAX REVENUE SOURCES

## Amounts to All Funds (State Fiscal Year 2022)

1. Business Profits Tax - \$889.1 million (estimate)
2. Meals and Rentals Tax - \$415.4 million
3. Statewide Education Property Tax - \$363.3 million
4. Business Enterprise Tax - \$334.9 million (estimate)
5. Medicaid Enhancement Tax - \$285.3 million
6. Real Estate Transfer Tax - \$237.6 million
7. Tobacco Tax - \$231.9 million
8. Motor Fuels Tax - \$179.0 million
9. Insurance Premium Tax - \$165.1 million
10. Interest and Dividends Tax - \$157.5 million

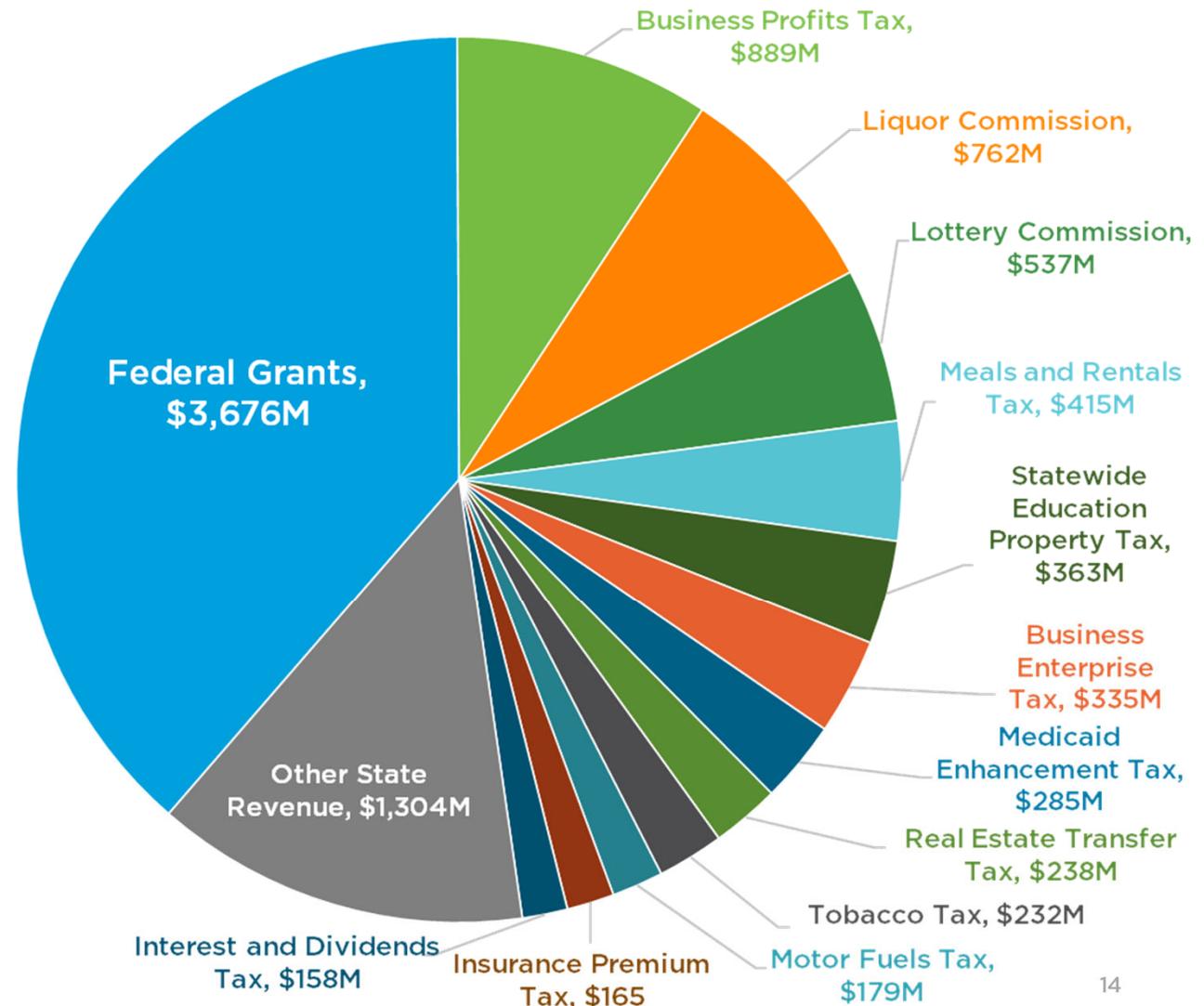
Sources: New Hampshire Annual Comprehensive Financial Report for the Fiscal Year Ending June 30, 2022; New Hampshire Department of Revenue Administration; New Hampshire Treasury Department; New Hampshire Department of Health and Human Services.

# 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

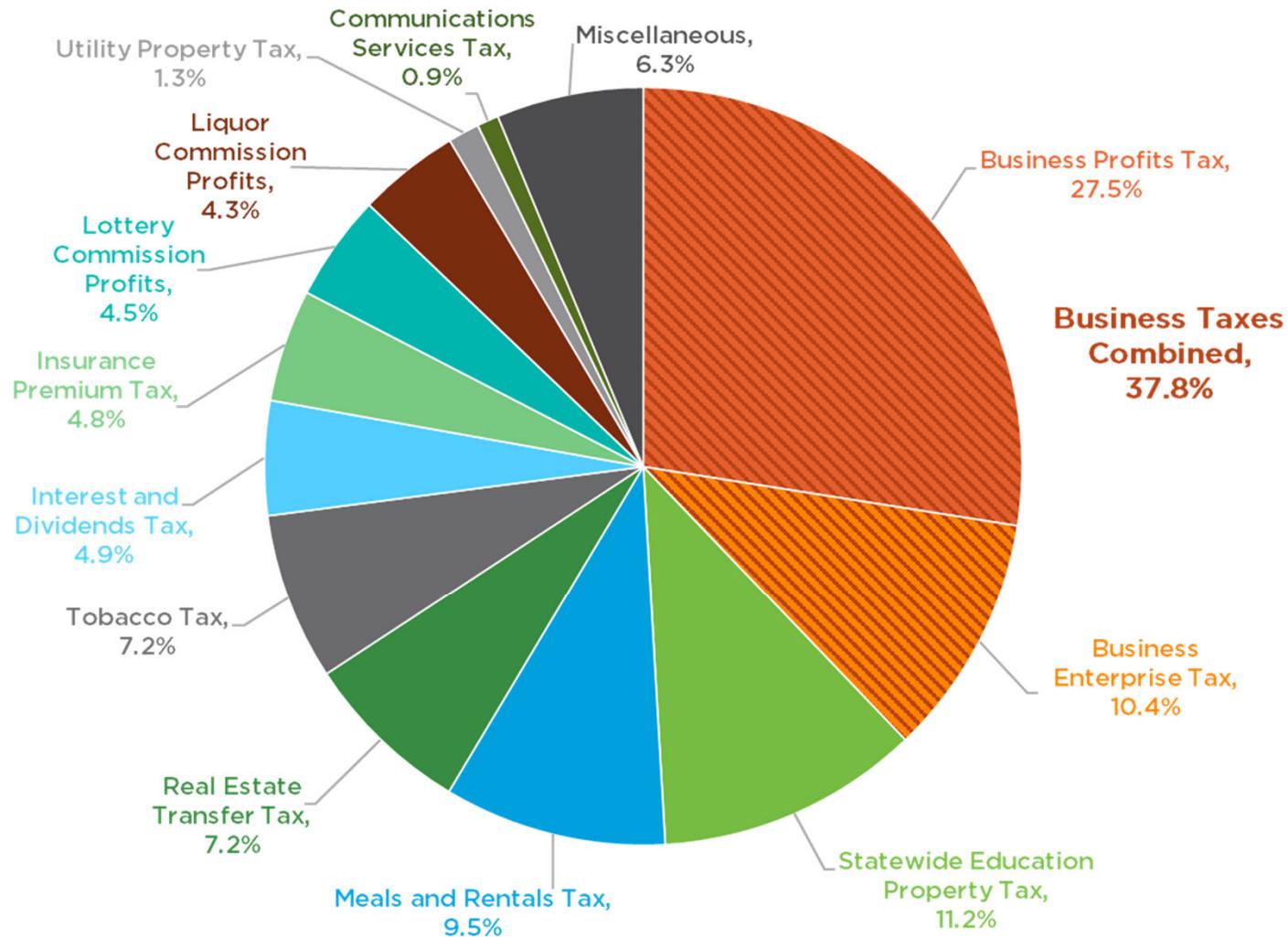
Sources: New Hampshire Annual Comprehensive Financial Report, SFY 2022; NH Department of Revenue Administration, 2022 Annual Report; NH Department of Health and Human Services



# GENERAL AND EDUCATION TRUST FUNDS SHARE MANY REVENUE SOURCES

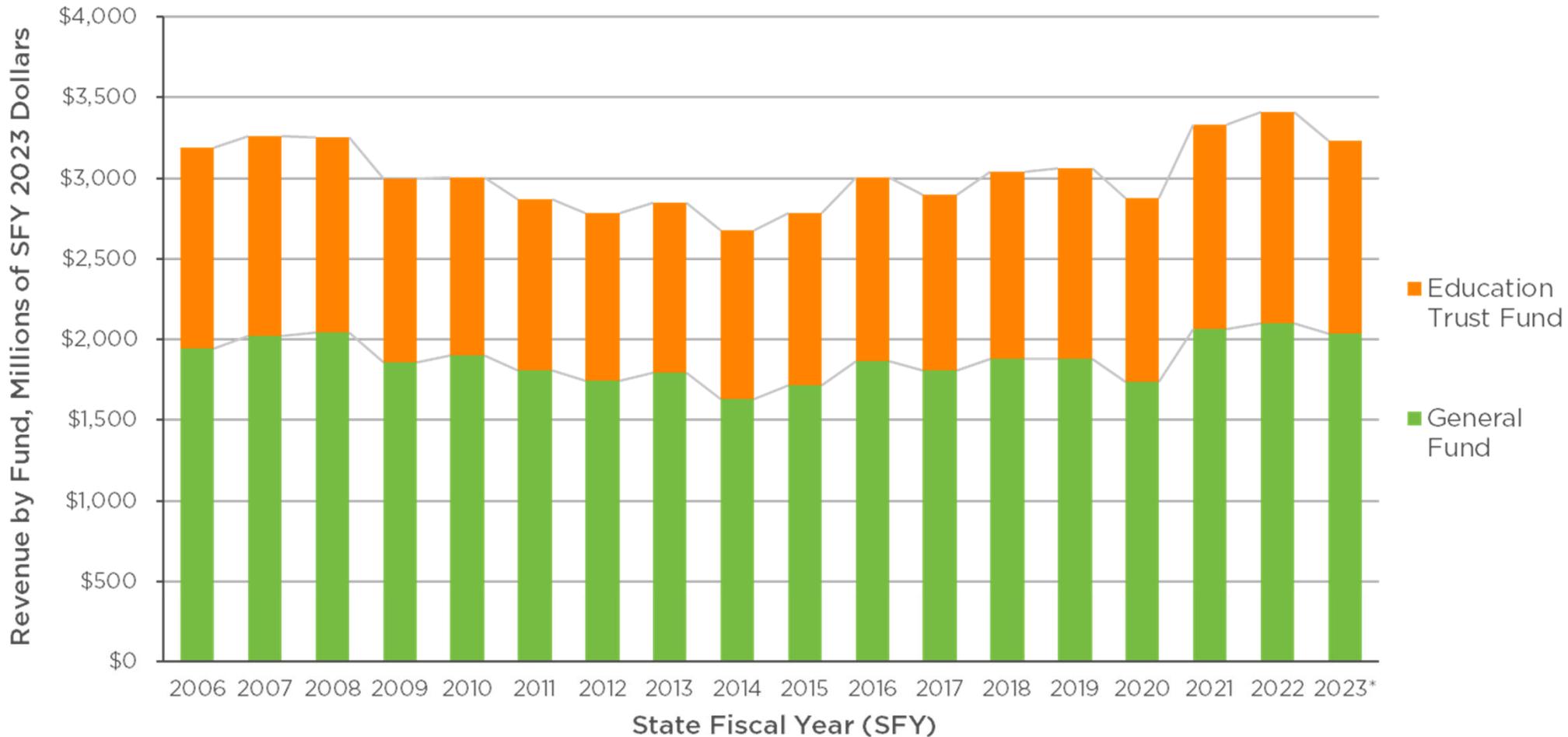
## GENERAL AND EDUCATION TRUST FUNDS COMBINED REVENUE IN STATE FISCAL YEAR 2022

Source: New Hampshire Annual Comprehensive Financial Report, State Fiscal Year 2022



# INFLATION-ADJUSTED REVENUE TO KEY FUNDS SHOWS RECENT BOOST

## GENERAL AND EDUCATION TRUST FUND REVENUE, ADJUSTED FOR INFLATION



\*Note: Preliminary data based on unaudited cash receipts.

Sources: New Hampshire Annual Comprehensive Financial Reports, SFYs 2014-2022; Department of Administrative Services Monthly Revenue Focus, June SFY 2023; U.S. Bureau of Labor Statistics Consumer Price Index-Urban, Northeast

# THE TWO PRIMARY BUSINESS TAXES

## Business Profits Tax

- Tax based on gross business profits, adjustments (BET), and apportionment
- Tax base likely about \$6.8 billion in Tax Year 2020
- Recent rate reductions
  - 2001-2015: 8.5%, 2016-17: 8.2%, 2018: 7.9%, 2019-21: 7.7%, 2022: 7.6%, 2023: 7.5%
- Supports the General Fund and the Education Trust Fund

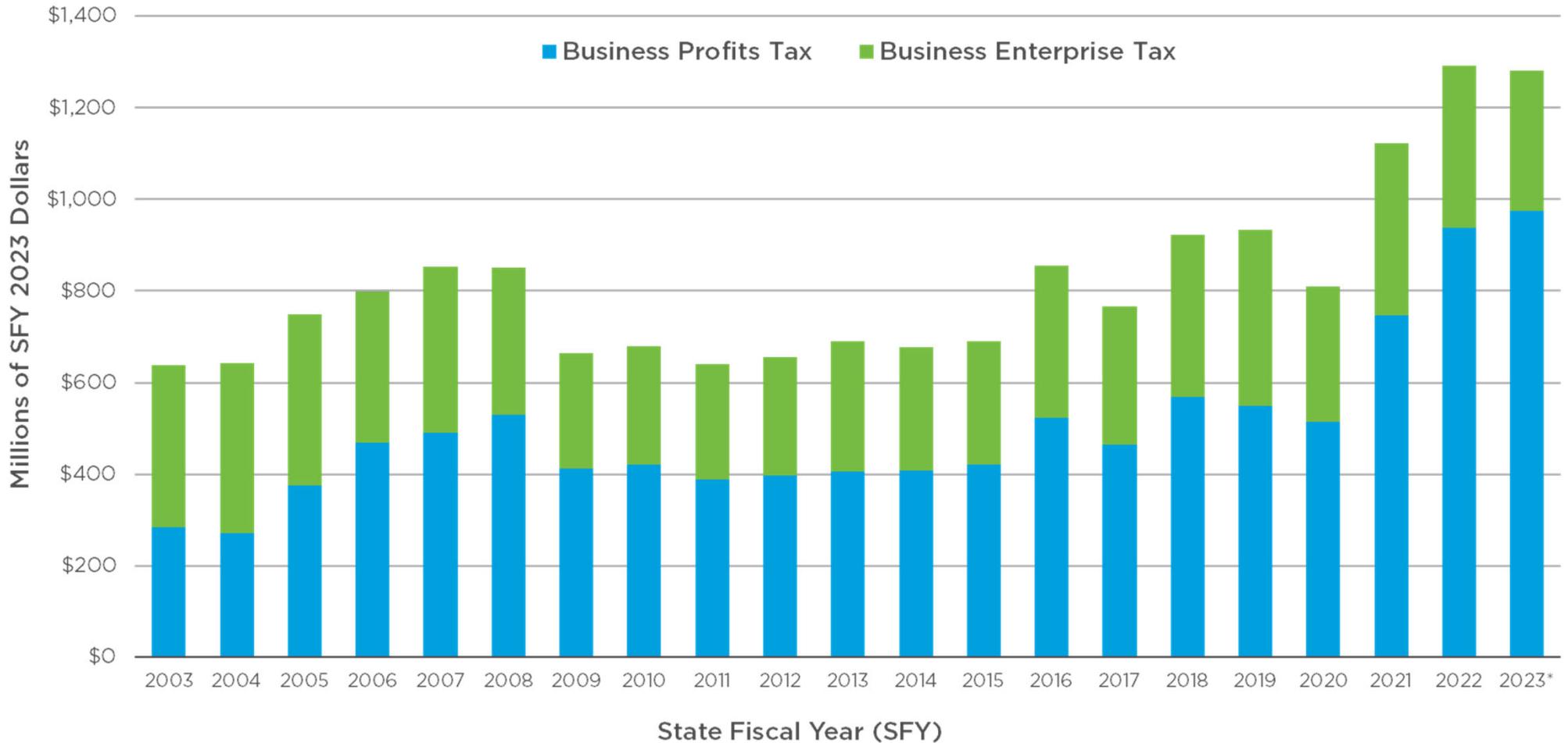
## Business Enterprise Tax

- Unique among state business taxes, based on compensation and interest paid or accrued and dividends paid, adjustments, and apportionment
- Broader tax base, likely about \$36.0 billion in Tax Year 2020
- Recent rate reductions
  - 2001-2015: 0.750%, 2016-17: 0.720%, 2018: 0.675%, 2019-21: 0.600%, 2022: 0.550%
- Supports the Education Trust Fund and the General Fund

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

# INFLATION-ADJUSTED REVENUE FROM TWO PRIMARY BUSINESS TAXES

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



\*Note: Preliminary data based on unaudited cash receipts. Final sorting between these two taxes not reported fully in the Annual Comprehensive Financial Reports.  
Sources: New Hampshire Annual Comprehensive Financial Reports; Department of Administrative Services Monthly Revenue Focus, June SFY 2023;  
U.S. Bureau of Labor Statistics, CPI-U, Northeast

# HIGH NATIONAL CORPORATE PROFITS LIKELY BOOSTING STATE REVENUES

## U.S. CORPORATE PROFITS BY QUARTER

*Corporate Profits Adjusted for Inventory Valuation and Capital Consumption,  
Annual Rate, Seasonally Adjusted*



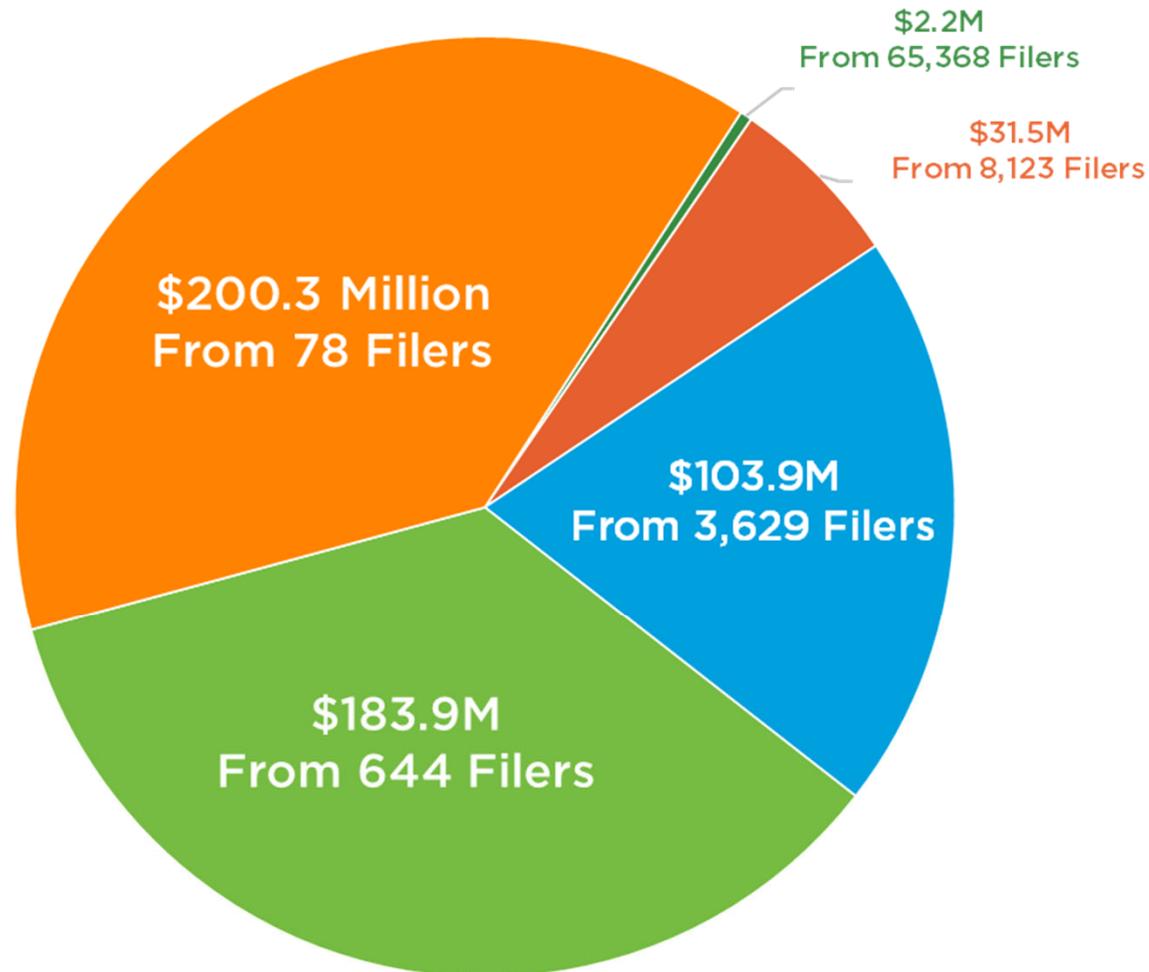
Source: Federal Reserve Bank of St. Louis

# LARGE ENTITIES KEY TO BPT BASE

## NEW HAMPSHIRE BUSINESS PROFITS TAX PAID AND NUMBER OF FILERS

*Tax Year 2020*

Source: New Hampshire Department of Revenue Administration,  
2022 Annual Report

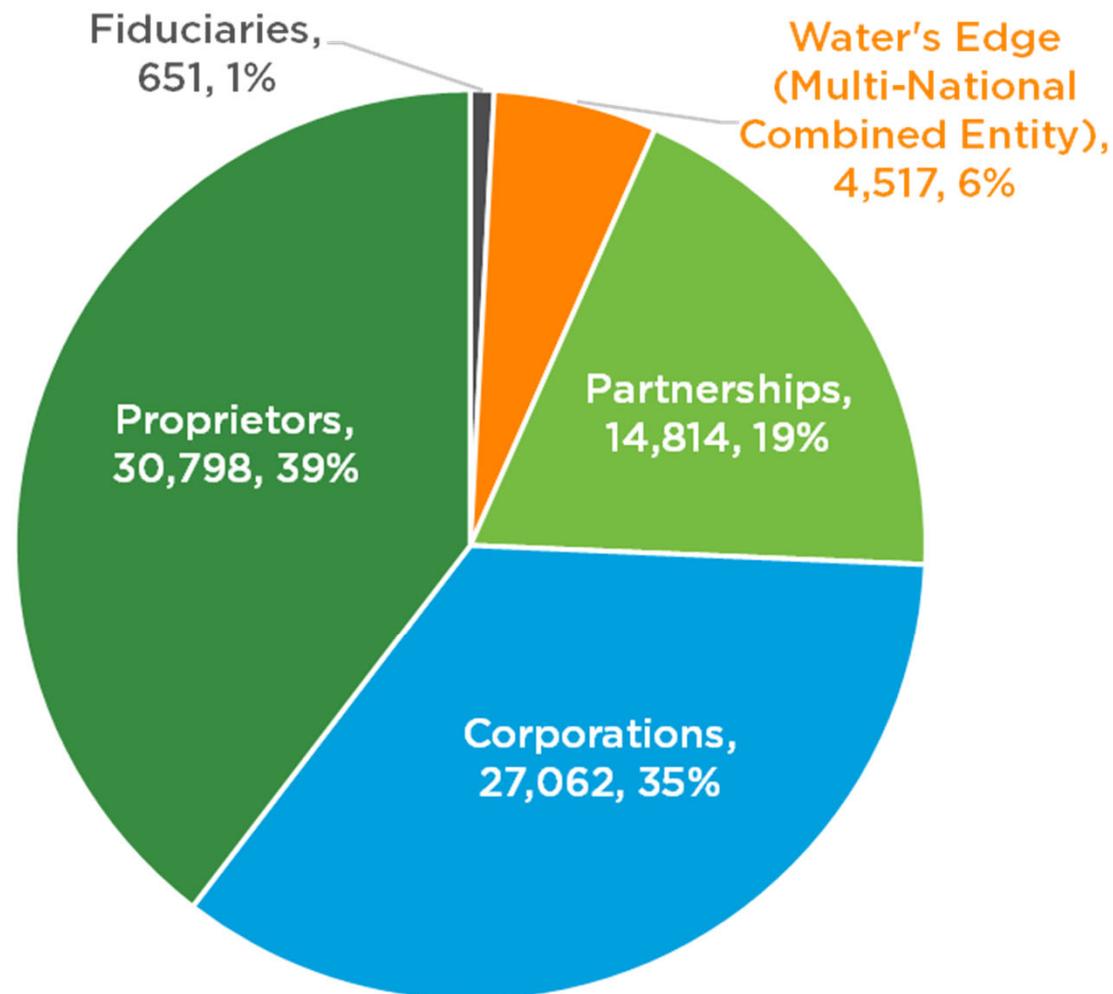


# BUSINESS TYPES IN THE BPT BASE

## BUSINESS PROFITS TAX FILERS BY TYPE

*Tax Year 2020*

Source: New Hampshire Department of Revenue Administration, 2022 Annual Report

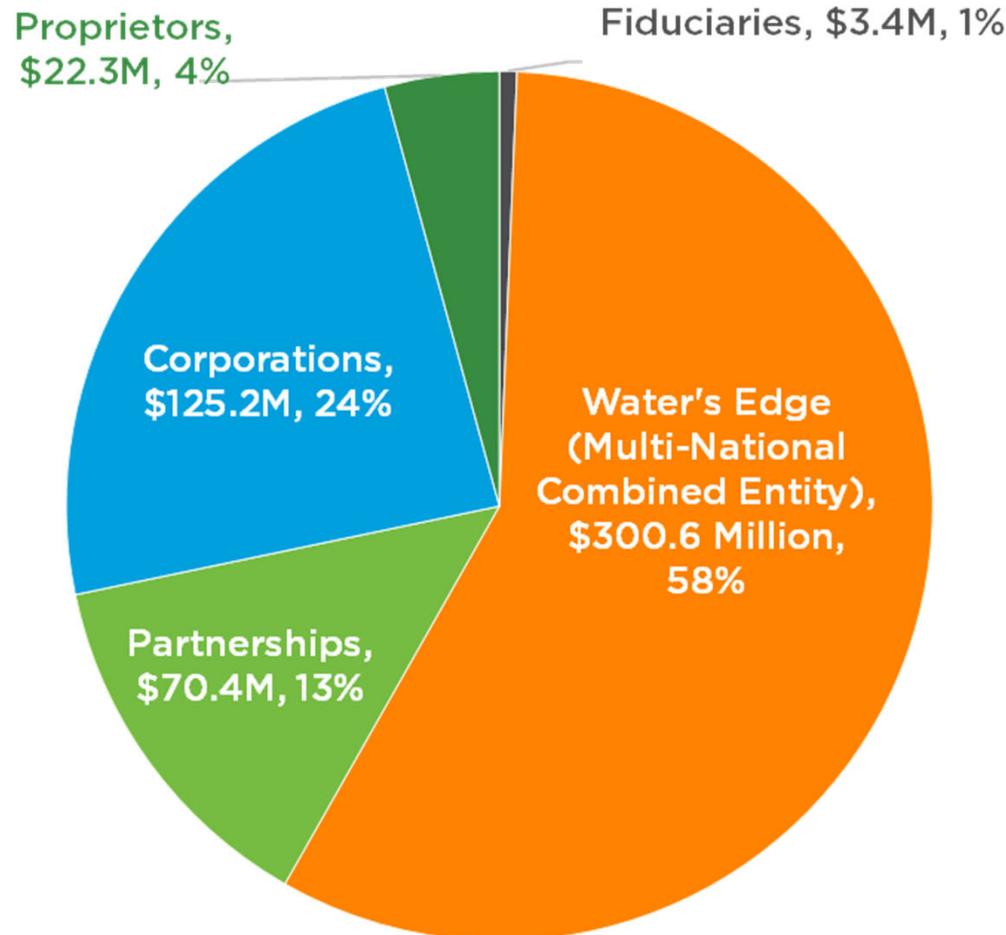


# MAJORITY OF TAX REVENUE FROM FILERS WITH SIGNIFICANT OVERSEAS COMPONENT

## BUSINESS PROFITS TAX FILERS BY LIABILITY

*Tax Year 2020*

Source: New Hampshire Department of Revenue Administration,  
2022 Annual Report

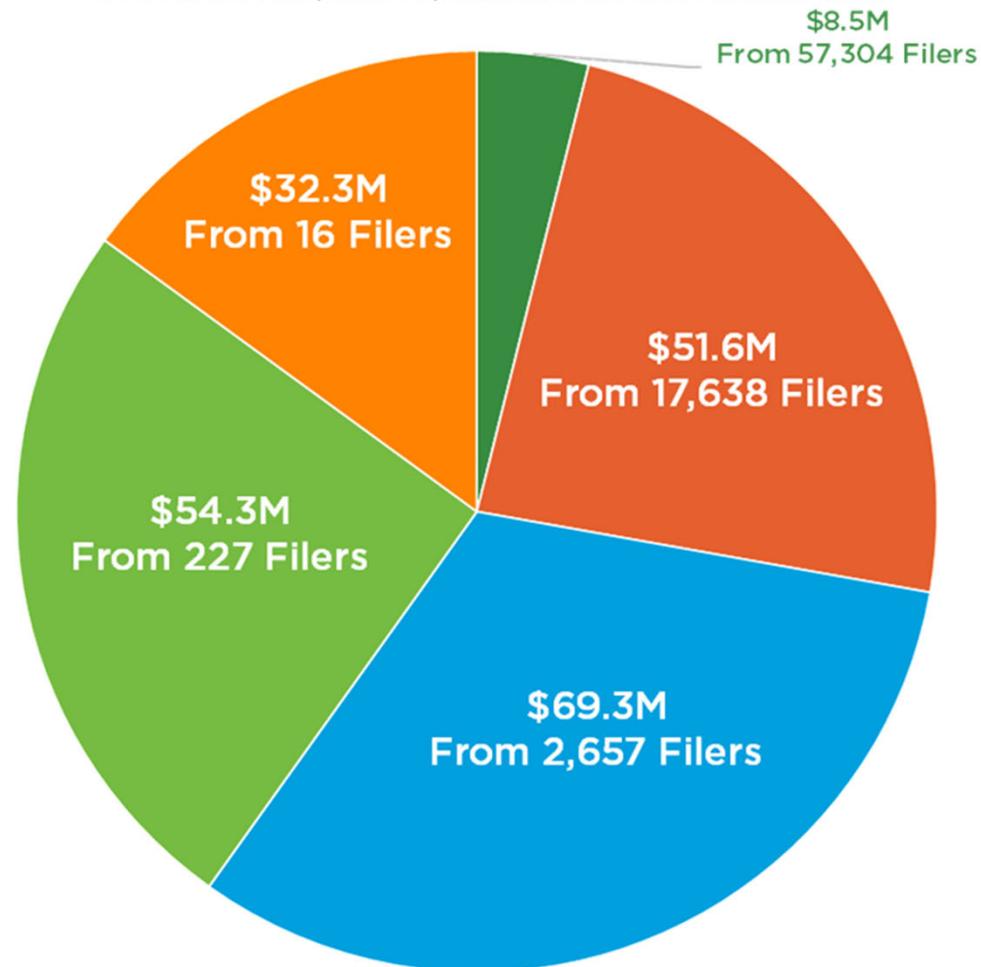


# BROADER TAX BASE FOR BET, NOT DEPENDENT ON LARGE PROFITS

## NEW HAMPSHIRE BUSINESS ENTERPRISE TAX PAID AND NUMBER OF FILERS

*Tax Year 2020*

Source: New Hampshire Department of Revenue Administration

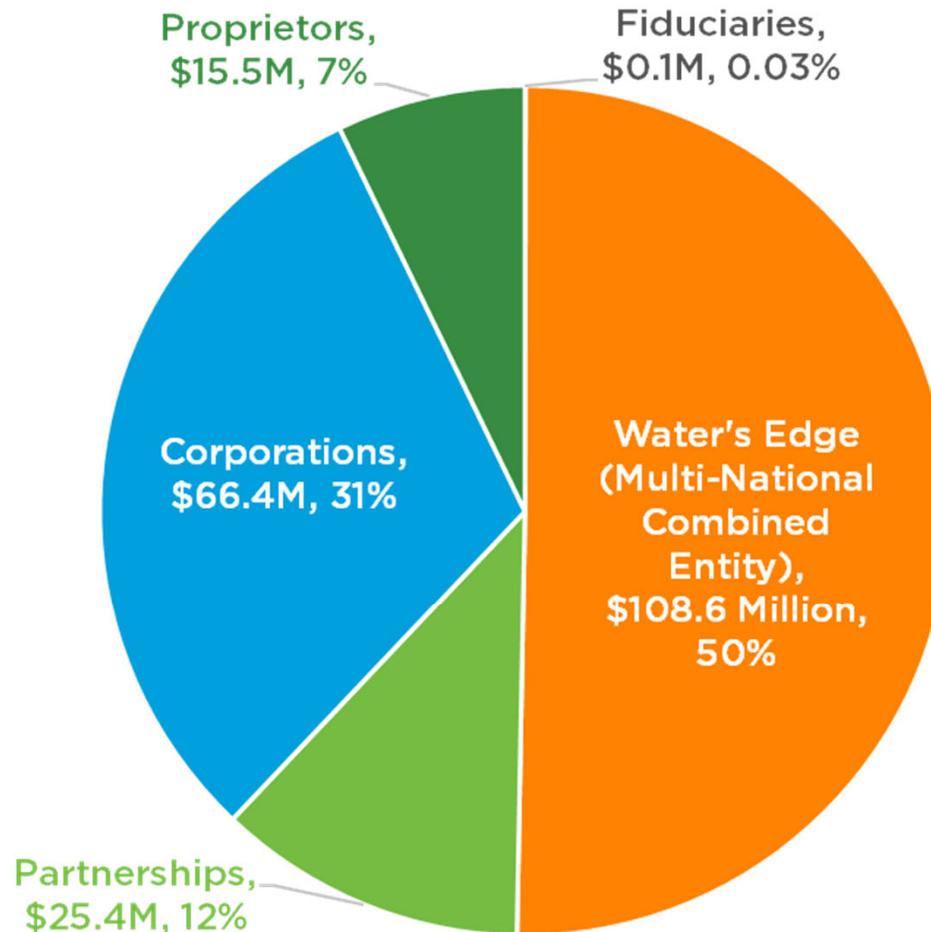


# ENTITIES WITH SIGNIFICANT OVERSEAS OPERATIONS STILL IMPORTANT TO BET

## BET FILERS BY LIABILITY

*Tax Year 2020*

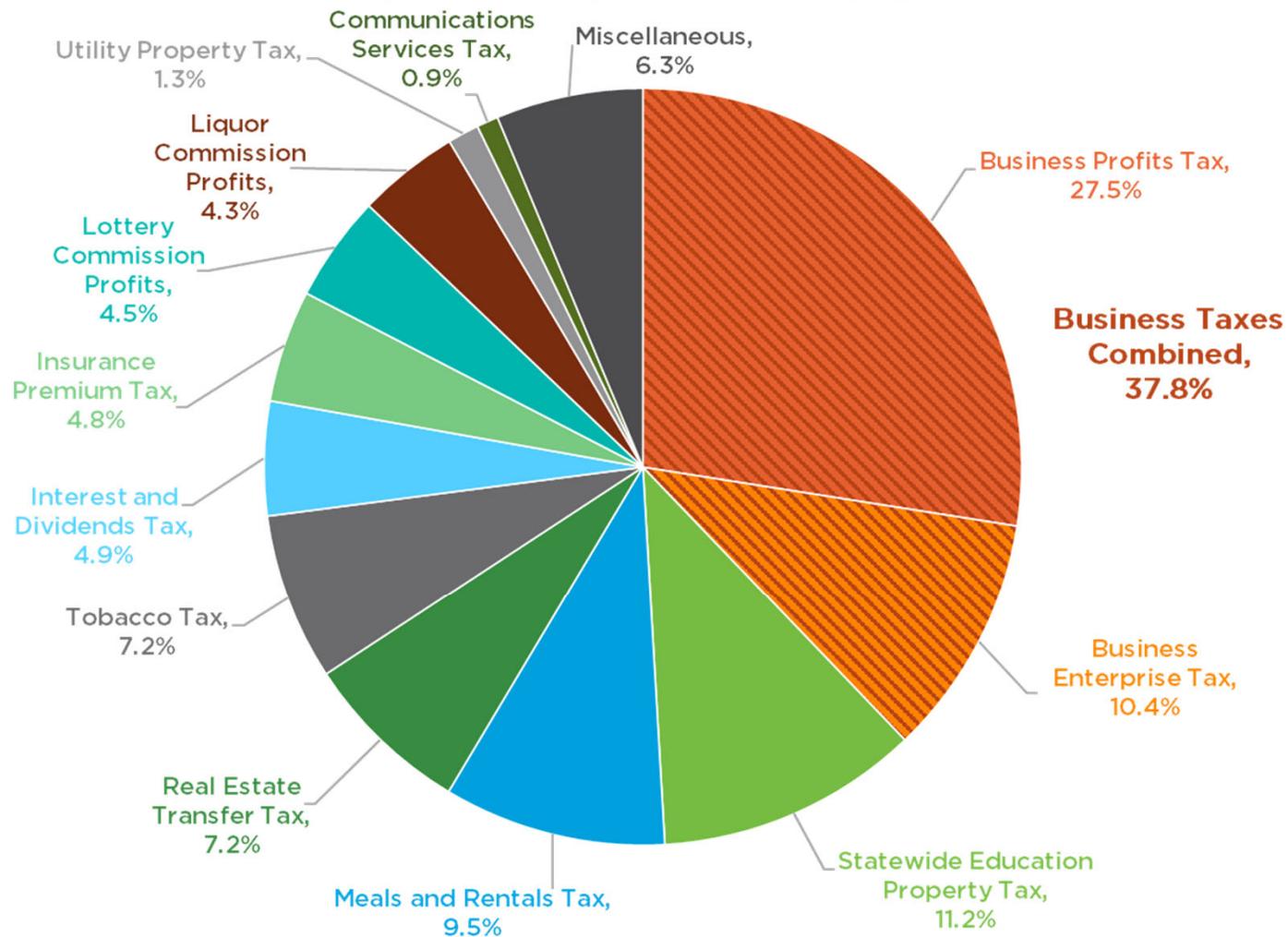
Source: New Hampshire Department of Revenue Administration,  
2022 Annual Report



# REVIEW: GENERAL AND EDUCATION TRUST FUNDS TRUST FUNDS REVENUE SOURCES

## GENERAL AND EDUCATION TRUST FUNDS COMBINED REVENUE IN STATE FISCAL YEAR 2022

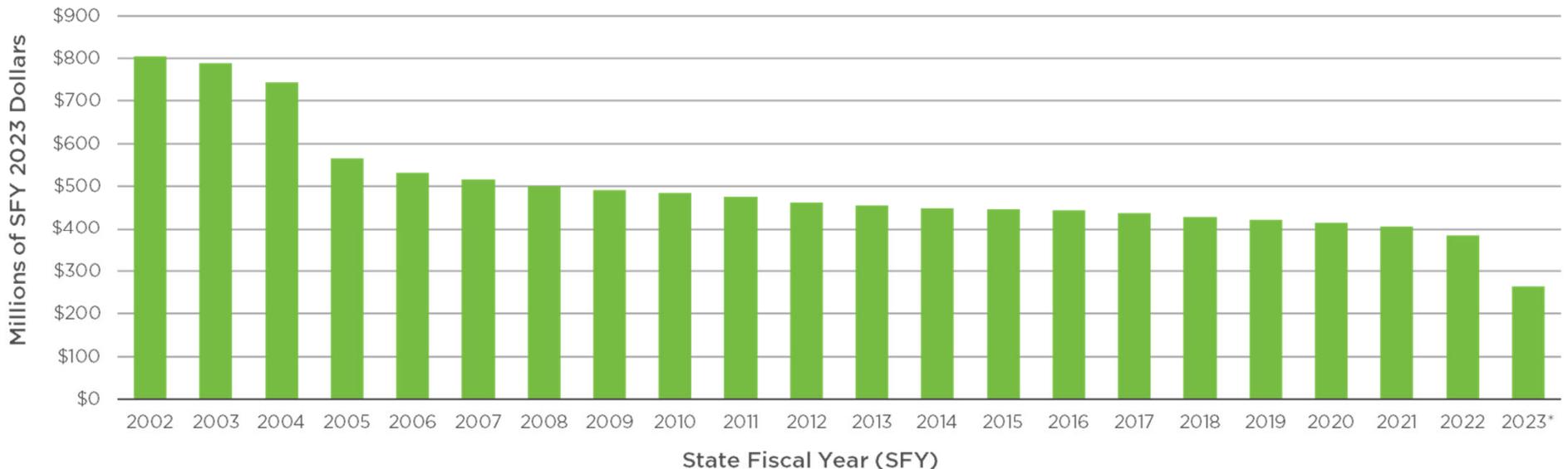
Source: New Hampshire Annual Comprehensive Financial Report, State Fiscal Year 2022



# 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; one-time reduction to \$263 million for SFY 2023
- State requires local governments to raise this revenue
- Retained locally; revenue went to state previously, but not after 2011

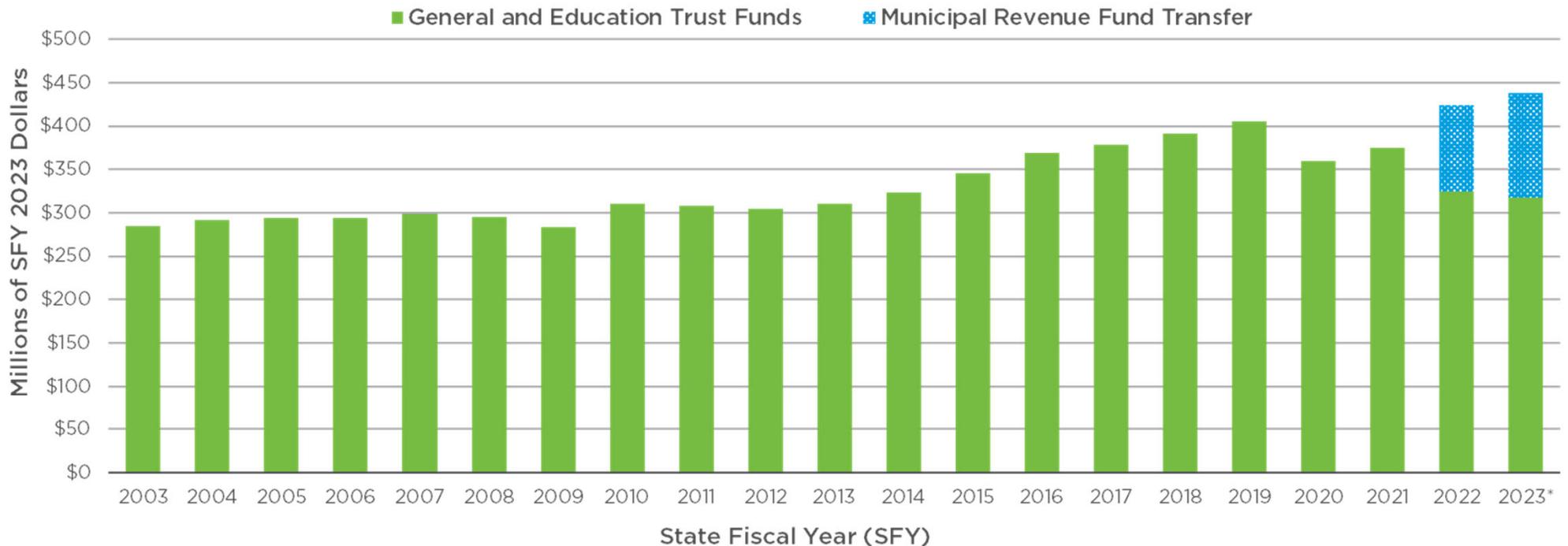
STATEWIDE EDUCATION PROPERTY TAX  
NEW HAMPSHIRE EDUCATION TRUST FUND INFLATION-ADJUSTED REVENUE



# MEALS AND RENTALS TAX

- Tax of 8.5 percent levied on most purchases of food or beverages from restaurants, also on hotel rooms and car rentals; 9 percent before Oct. 2021
- Funds the General Fund, Education Trust Fund (car rentals portion), certain school building aid, State’s travel and tourism development agency, municipalities (30 percent directed to a special fund outside State Budget)

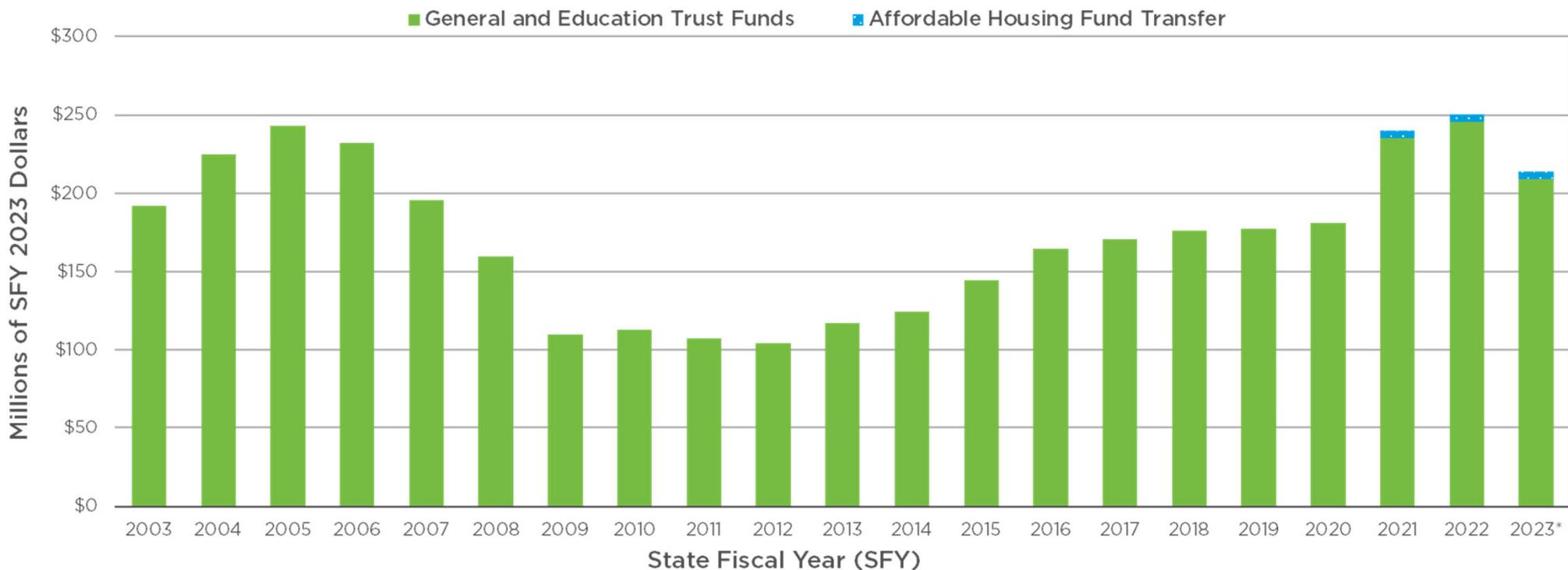
**NEW HAMPSHIRE MEALS AND RENTALS TAX  
INFLATION-ADJUSTED REVENUE**



# 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 to the Education Trust Fund, rest to General Fund

NEW HAMPSHIRE REAL ESTATE TRANSFER TAX  
INFLATION-ADJUSTED REVENUE



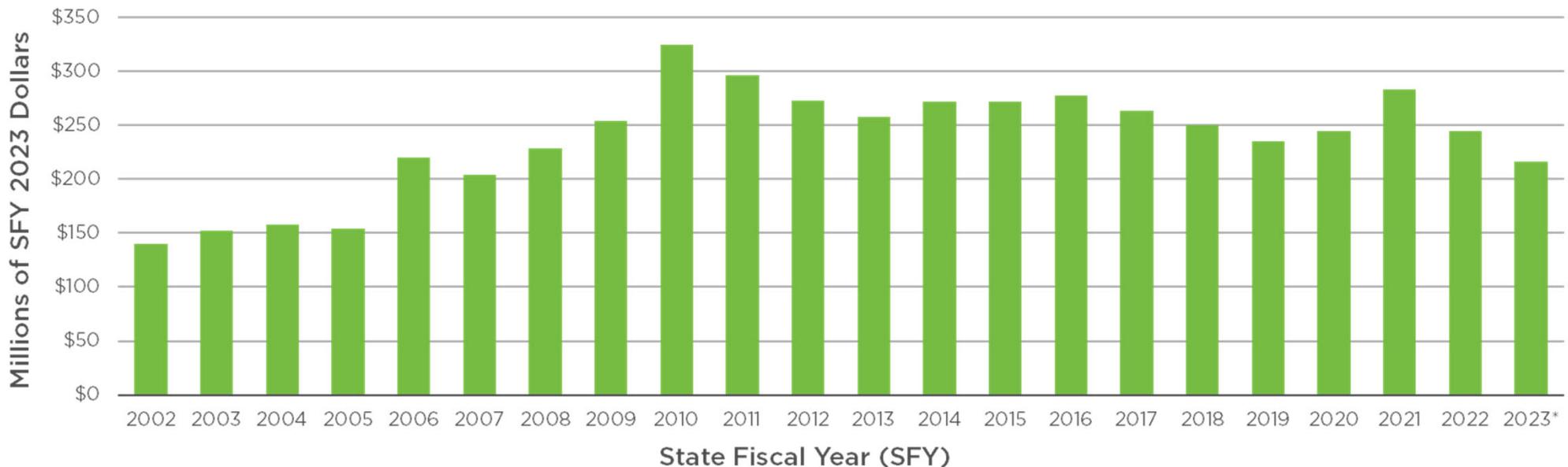
\*Note: Preliminary data based on unaudited cash receipts.

Sources: NH Annual Comprehensive Financial Reports; Department of Administrative Services Monthly Revenue Focus, June SFY 2023; 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)

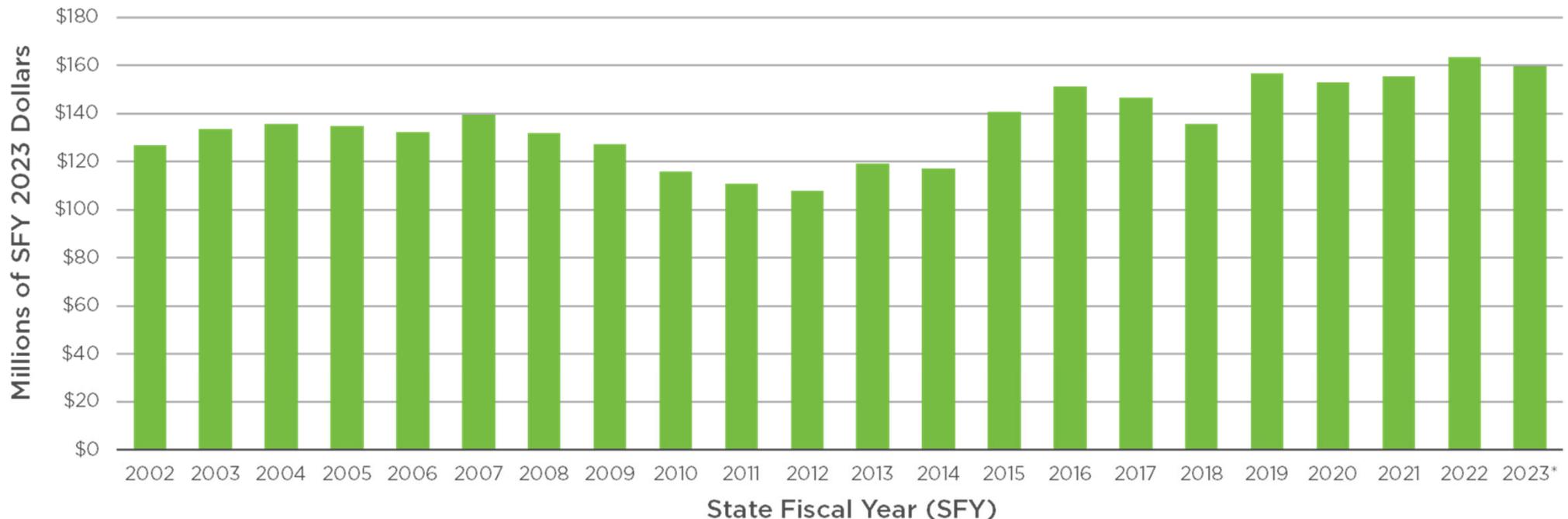
NEW HAMPSHIRE TOBACCO TAX  
GENERAL AND EDUCATION TRUST FUNDS INFLATION-ADJUSTED REVENUE



# 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

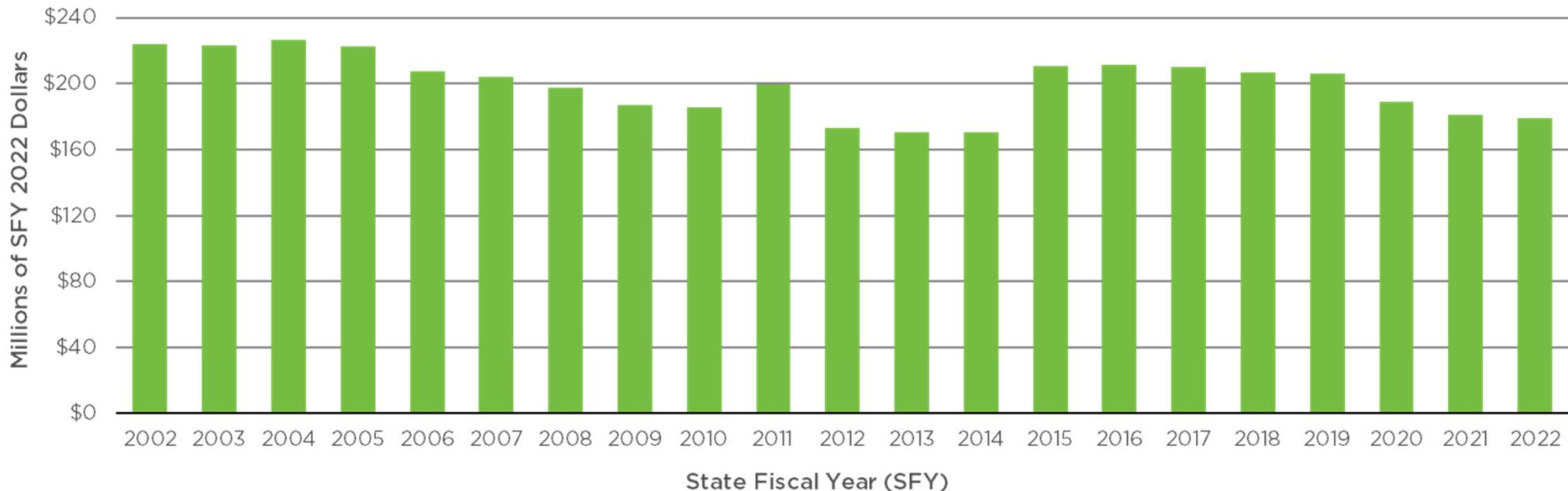
NEW HAMPSHIRE INSURANCE PREMIUM TAX  
GENERAL FUND INFLATION-ADJUSTED REVENUE



# MOTOR FUELS TAX

- \$0.222 per gallon on motor fuels, aviation fuel taxed at different rate
- Can only be used for highway-related purposes under the State Constitution, other more specific restrictions on parts of revenue
- Revenues go to the Highway Fund, used for interest on highway bonds and notes as well as for highway-related operations

NEW HAMPSHIRE MOTOR FUELS TAX  
HIGHWAY FUND INFLATION-ADJUSTED REVENUE

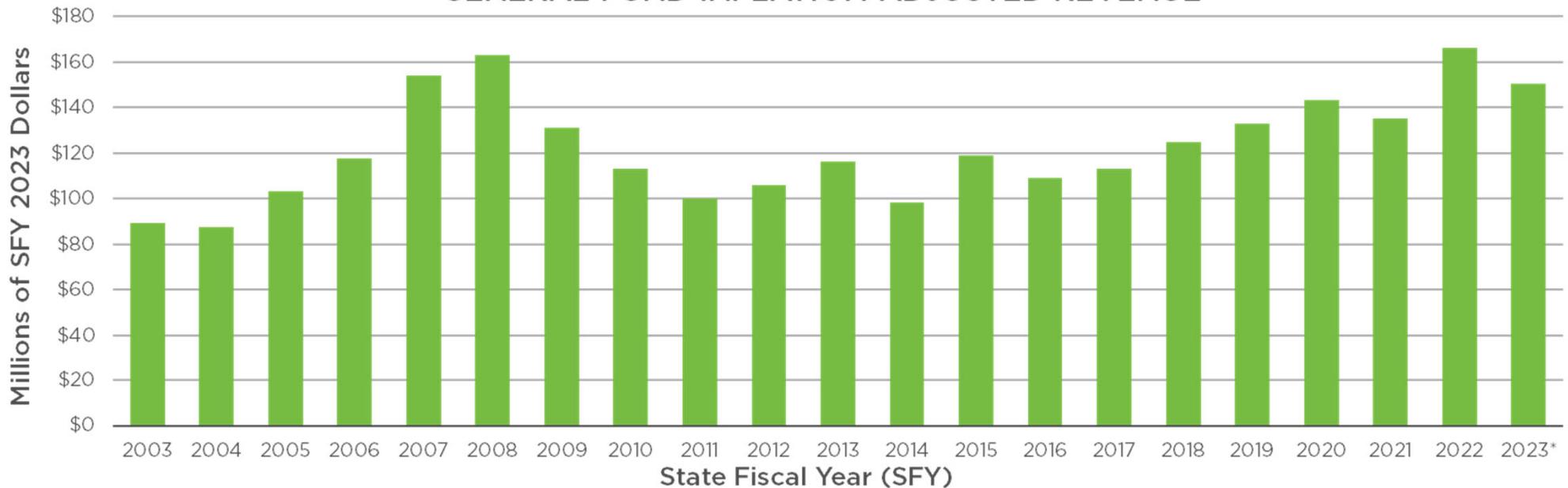


Sources: New Hampshire Annual Comprehensive Financial Reports; U.S. Bureau of Labor Statistics, Consumer Price Index-Urban, Northeast

# INTEREST AND DIVIDENDS TAX

- 4 percent tax on interest, dividend, and distribution income from assets
- Individuals, joint filers, and 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
- Being phased out currently, will be repealed in 2025

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



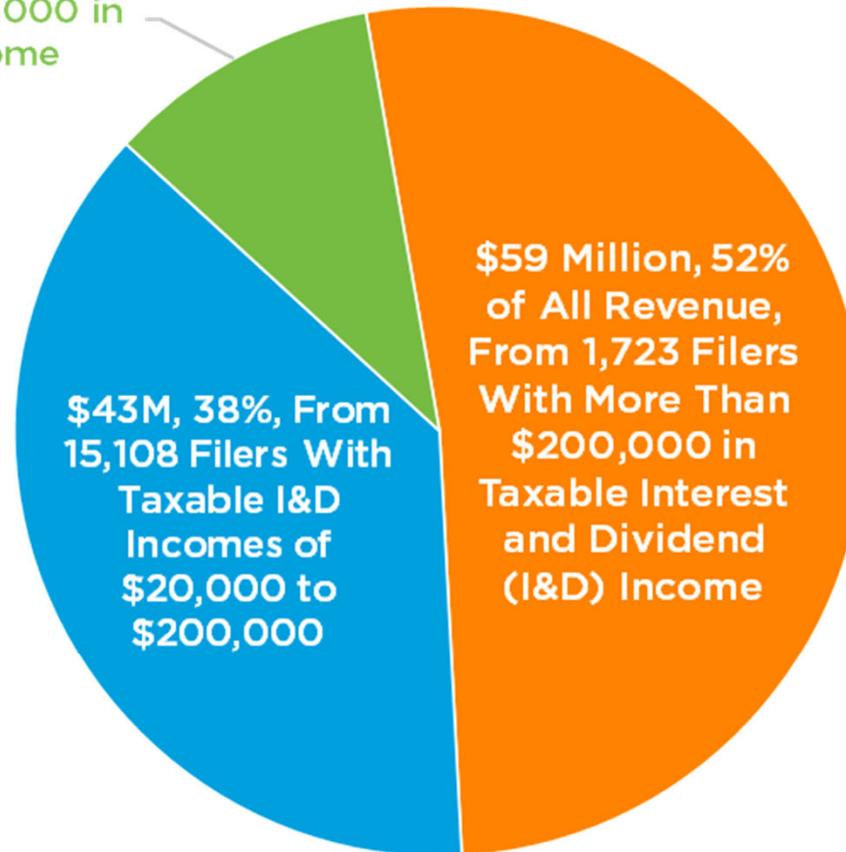
\*Note: Preliminary data based on unaudited cash receipts.

Sources: NH Annual Comprehensive Financial Reports; Department of Administrative Services Monthly Revenue Focus, June SFY 2023; U.S. Bureau of Labor Statistics, CPI-U, Northeast

# I&D TAX PAID ON INCOME FROM WEALTH

NEW HAMPSHIRE INTEREST AND DIVIDENDS TAX REVENUE BY  
THE TAXABLE INTEREST AND DIVIDEND INCOME OF FILERS  
*Tax Year 2020, Only Taxable Interest, Dividend, and Distribution Income Included*

\$12M, 10%, From 51,833 Filers  
With Less Than \$20,000 in  
Taxable I&D Income



Source: New Hampshire Department of Revenue Administration,  
2022 Annual Report

# SIGNIFICANT WEALTH REQUIRED TO GENERATE HIGH I&D TAXABLE INCOME

## ASSET OWNERSHIP REQUIRED TO GENERATE INCOME TAXABLE UNDER THE INTEREST AND DIVIDENDS TAX AT SELECTED LEVELS, TAX AND CALENDAR YEAR 2020 WITH 5 PERCENT TAX RATE

Interest and Dividends Tax Paid (After Any Exemptions, Assumed \$2,400 Exemption in Wealth Estimate Calculations)	Taxable Interest and Dividend Income	Wealth Amount Generating Income with 5 Percent Annual Return	Wealth Amount Generating Income with 3.5 Percent Annual Return	Wealth Amount Generating Income with 1.51 Percent Annual Return (S&P 500 2020 Dividend Average)
\$250,000	\$5,000,000	\$100,048,000	\$142,925,714	\$331,284,768
\$100,000	\$2,000,000	\$40,048,000	\$57,211,429	\$132,609,272
\$50,000	\$1,000,000	\$20,048,000	\$28,640,000	\$66,384,106
\$10,000	\$200,000	\$4,048,000	\$5,782,857	\$13,403,974
\$1,000	\$20,000	\$448,000	\$640,000	\$1,483,444
\$500	\$10,000	\$248,000	\$354,286	\$821,192
\$1	\$20	\$48,400	\$69,143	\$160,265
\$0*	\$0*	Up To \$48,000	Up To \$68,571	Up To \$158,940

\*Note: Calculations assume \$2,400, the base exemption amount under the Interest and Dividends Tax, is not included as taxable income, but is included in the wealth base used to generate taxable interest, dividend, and distribution income.

Sources: New Hampshire Department of Revenue Administration, 2022 Annual Report; New York University Professor Aswath Damodaran, Damodaran Online, accessed March 7, 2023

# OTHER KEY STATE TAXES

## Medicaid Enhancement Tax

- 5.4 percent of charges hospitals make for services
- \$285.3 million in SFY 2022, leverages federal dollars
- Revenues to Uncompensated Care and Medicaid Fund

## Utility Property Tax

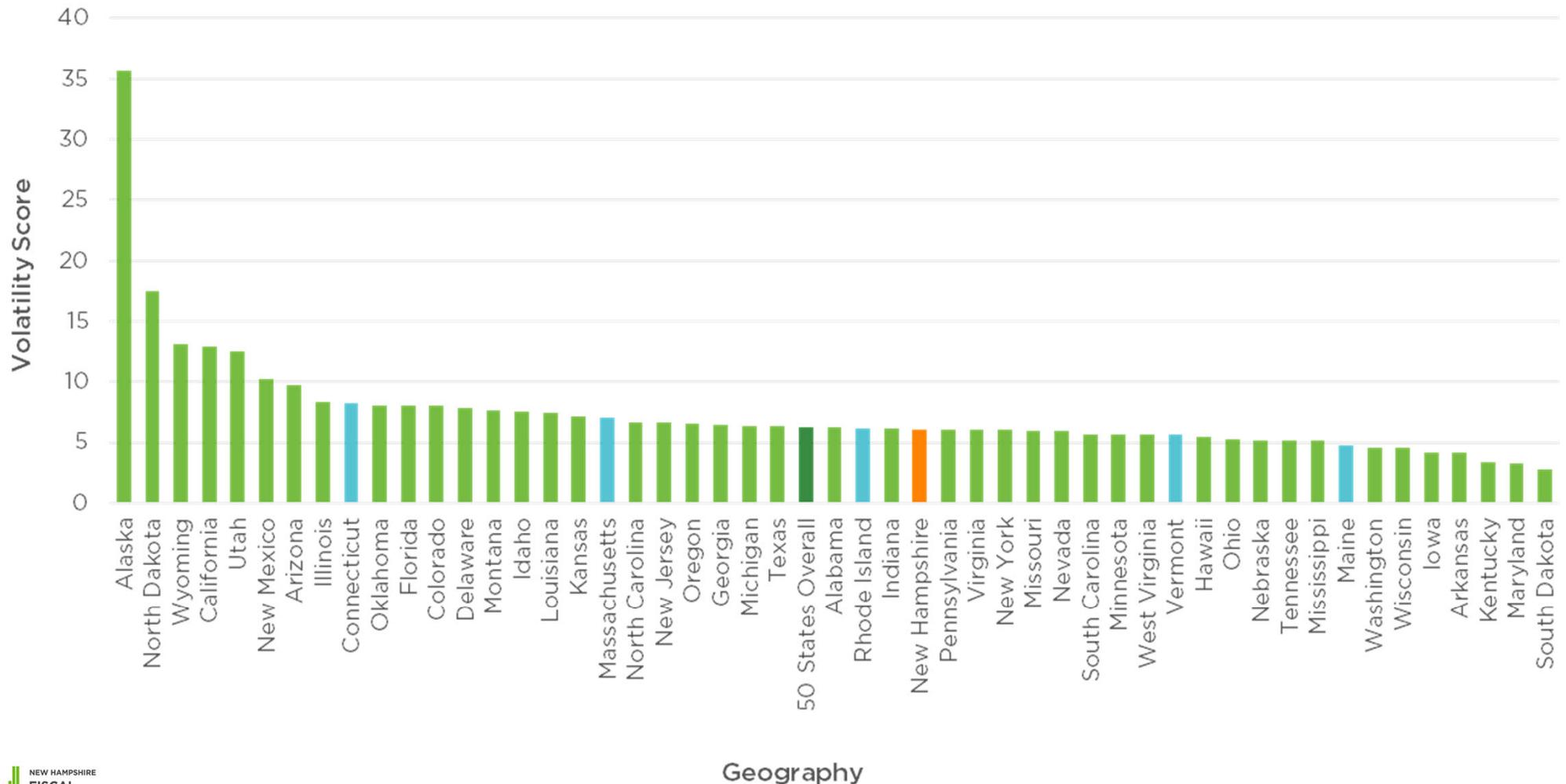
- \$6.60 per \$1,000 levied on machinery, real estate, structures for commercial electricity, natural gas, or petroleum distribution, and certain water and sewer infrastructure
- Relatively stable revenue source, \$43.3 million in SFY 2022

## Communications Services Tax

- 7 percent tax on two-way communications services
- Does not include internet providers, landline phones key to tax base
- Declining revenue source, \$29.9 million in SFY 2022

# NEW HAMPSHIRE TAX REVENUES SLIGHTLY BELOW AVERAGE VOLATILITY

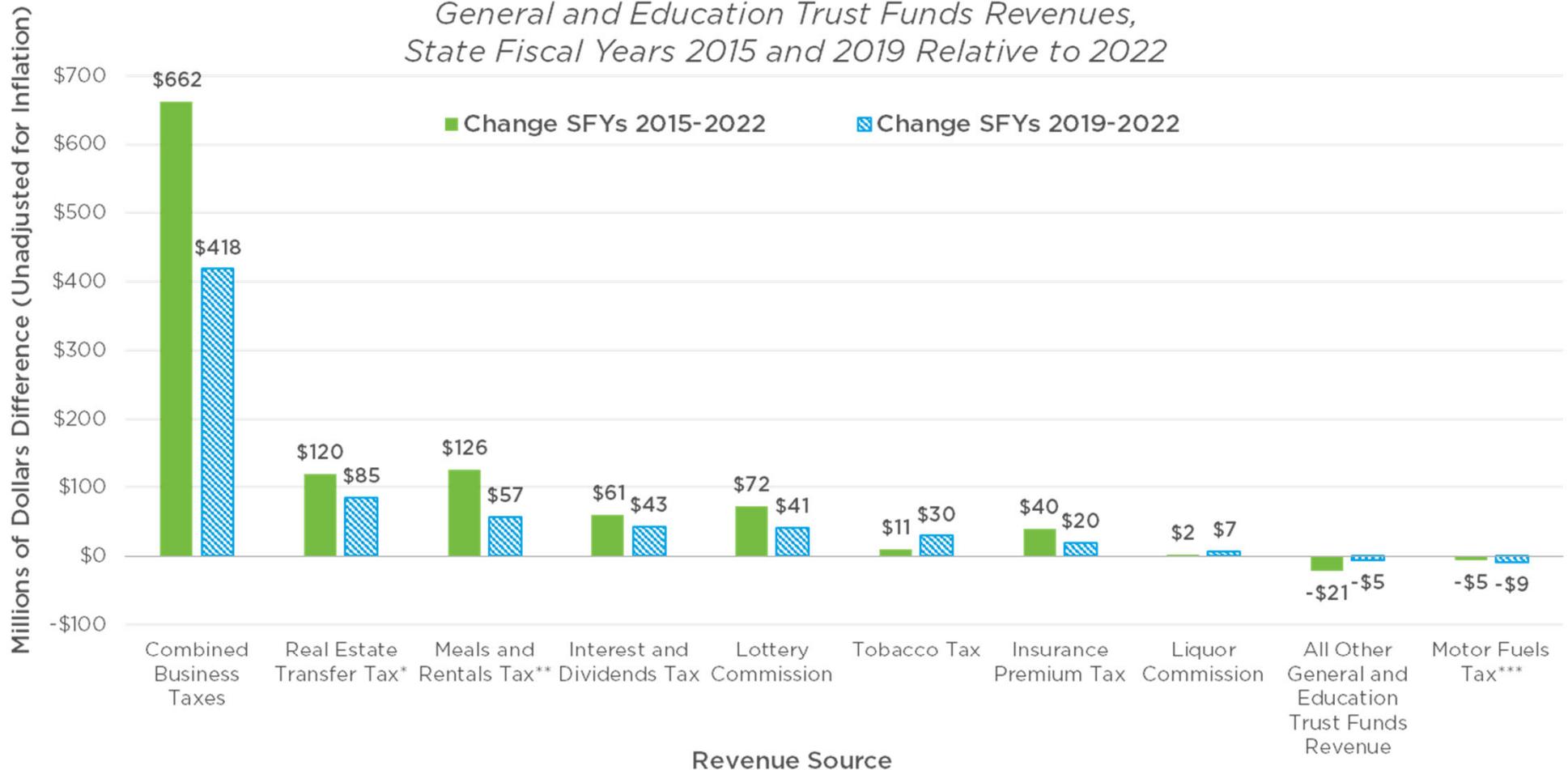
STATE TAX REVENUE VOLATILITY, FISCAL YEARS 2002-2021



# REAL ESTATE TRANSFER AND COMBINED BUSINESS TAXES LED RECENT GROWTH

## DIFFERENCES IN REVENUE BY SOURCE

General and Education Trust Funds Revenues,  
State Fiscal Years 2015 and 2019 Relative to 2022



Notes: \*Includes \$5M annual transfer to Affordable Housing Fund, starting SFY 2021. \*\*Includes Municipal Revenue Fund transfer, starting SFY 2022. \*\*\*Not a General or Education Trust Funds revenue source.

Sources: New Hampshire Annual Comprehensive Financial Reports, SFYs 2015, 2016, 2017, 2019, and 2022; New Hampshire Department of Revenue Administration, 2022 Annual Report

## QUESTION

WHAT ARE THE LARGEST  
NON-TAX REVENUE SOURCES  
FOR THE STATE?

# 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 during SFY 2022 and all other federal transfers to Governmental and Enterprise Funds)
- Liquor Commission Sales and Services - \$761.9 million  
(\$172.6 million in operating profits for other State uses)
- Lottery Commission Revenues - \$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 Annual Comprehensive Financial Report; New Hampshire Lottery Commission Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022.

# ENTERPRISE REVENUES AND 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, non-federal expanded Medicaid, and the General Fund

## Lottery Commission

- Sells lottery tickets and oversees racing, charitable gaming, Keno, sports betting; several recent expansions to scope of gaming
- 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

## Unemployment Compensation Fund

- Charges employers at a variable rate, funds unemployment payments

# 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
- Increased importance of the Business Profits Tax could add reliance on a single, relatively volatile revenue source
- 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

# THE PROCESS FOR CREATING THE NEW HAMPSHIRE STATE BUDGET

## QUESTION

WHAT CAN YOU TELL ME  
ABOUT HOW THE STATE BUDGET  
IS CREATED?

HAVE YOU EVER HEARD OF  
“HOUSE BILL 2”?

# BASICS OF THE STATE BUDGET

## Two-year, or biennial, operating budget

- Funds *most*, but not all, State operations for two State Fiscal Years (SFYs)
- Current State Budget will provide funding for SFYs 2024-2025, which will span July 1, 2023 to June 30, 2025, from last year's surplus and two years of revenue
- State Budget appropriates approximately \$15.17 billion for these two years

## 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)

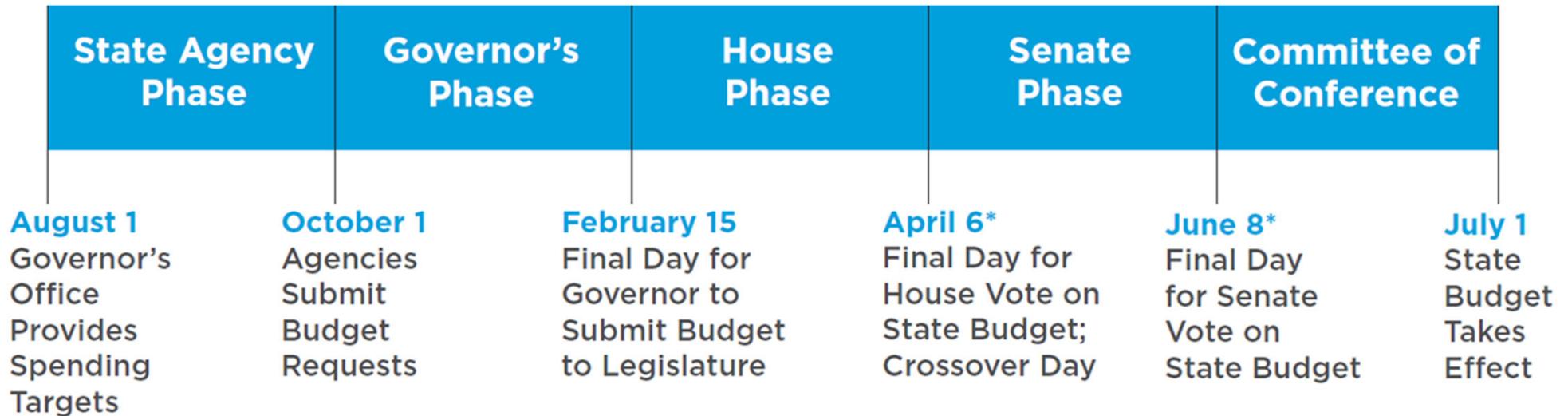
#### Omnibus Bill Text

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

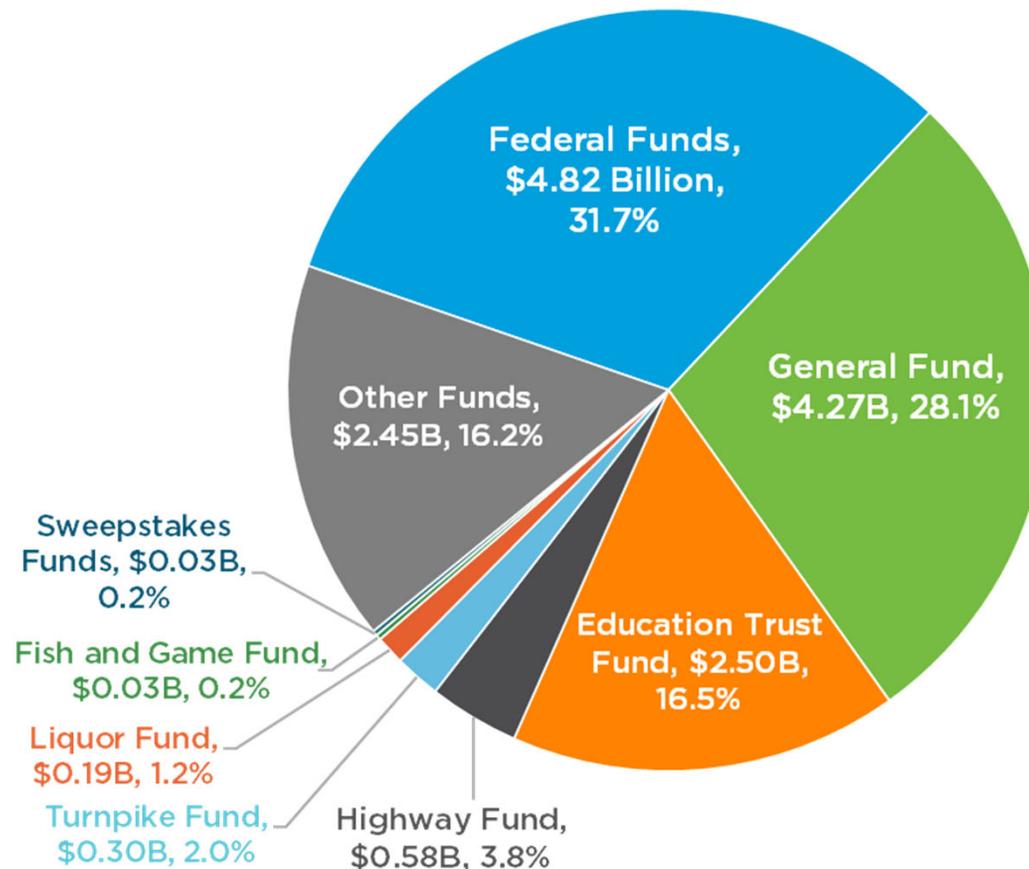


\*Dates set by legislative leadership for the 2023 session; all other dates specified in statute.

# GENERAL FUNDS AT CENTER OF MOST STATE BUDGET DISCUSSIONS

## THE STATE BUDGET FOR FISCAL YEARS 2024 AND 2025, BY FUND

*Includes Operating Budget and Trailer Bill Appropriations*

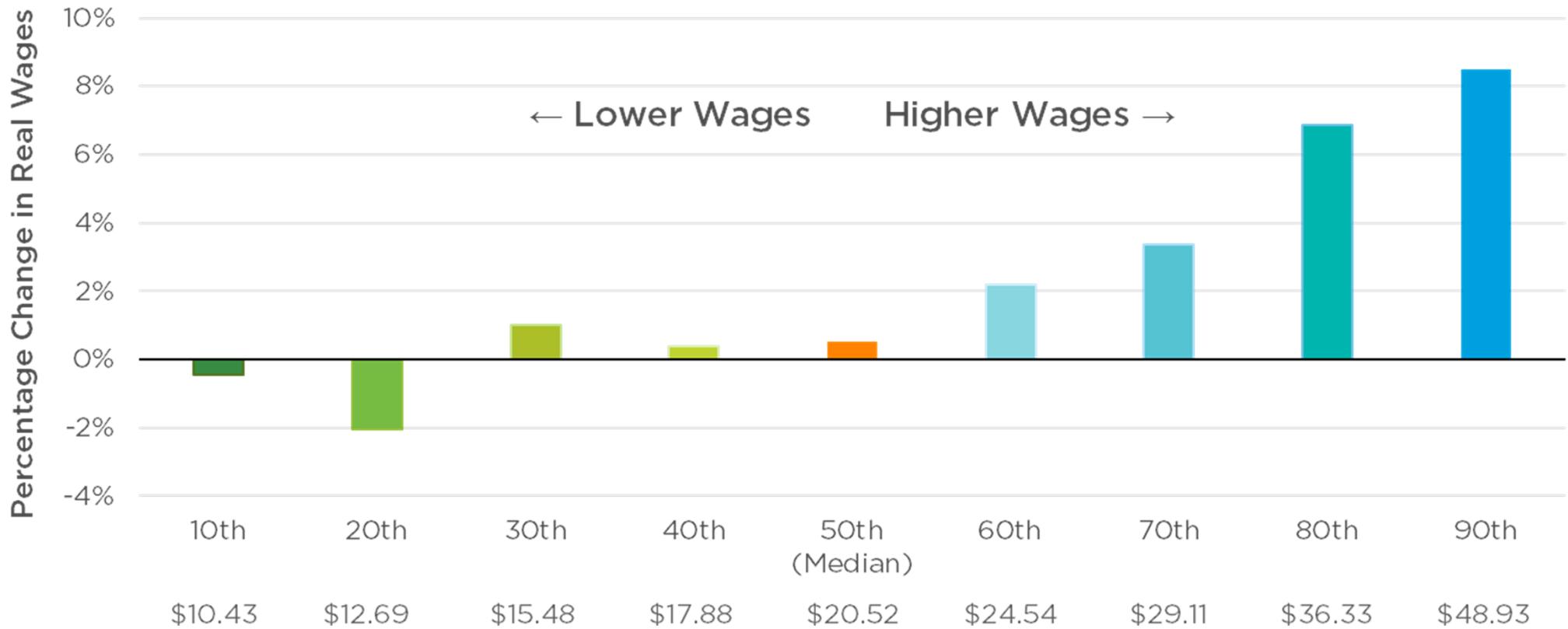


Sources: New Hampshire Office of Legislative Budget Assistant, Senate Finance Committee Surplus Statements, June 2023; 2023-2054s; 2023-2092s; 2023-2171s; 2023-2139s

# FEDERAL ASSISTANCE TO THE STATE, COUNTIES, AND LOCAL GOVERNMENTS DURING THE COVID-19 PANDEMIC

# LIMITED NEW HAMPSHIRE PRE-PANDEMIC INFLATION-ADJUSTED WAGE GROWTH

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



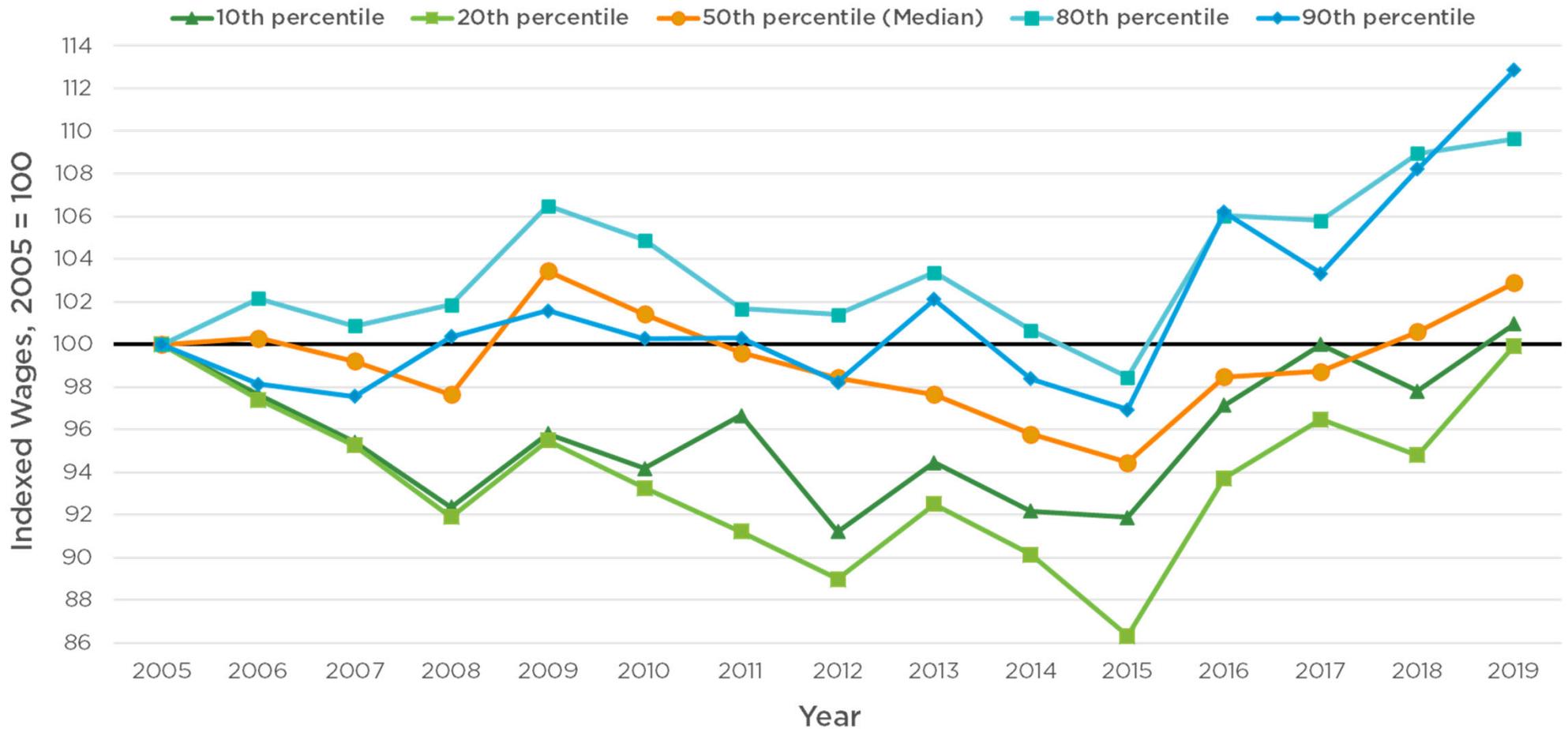
## Relative Wage Percentiles and Corresponding 2017-2019 Hourly Wage Estimates

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



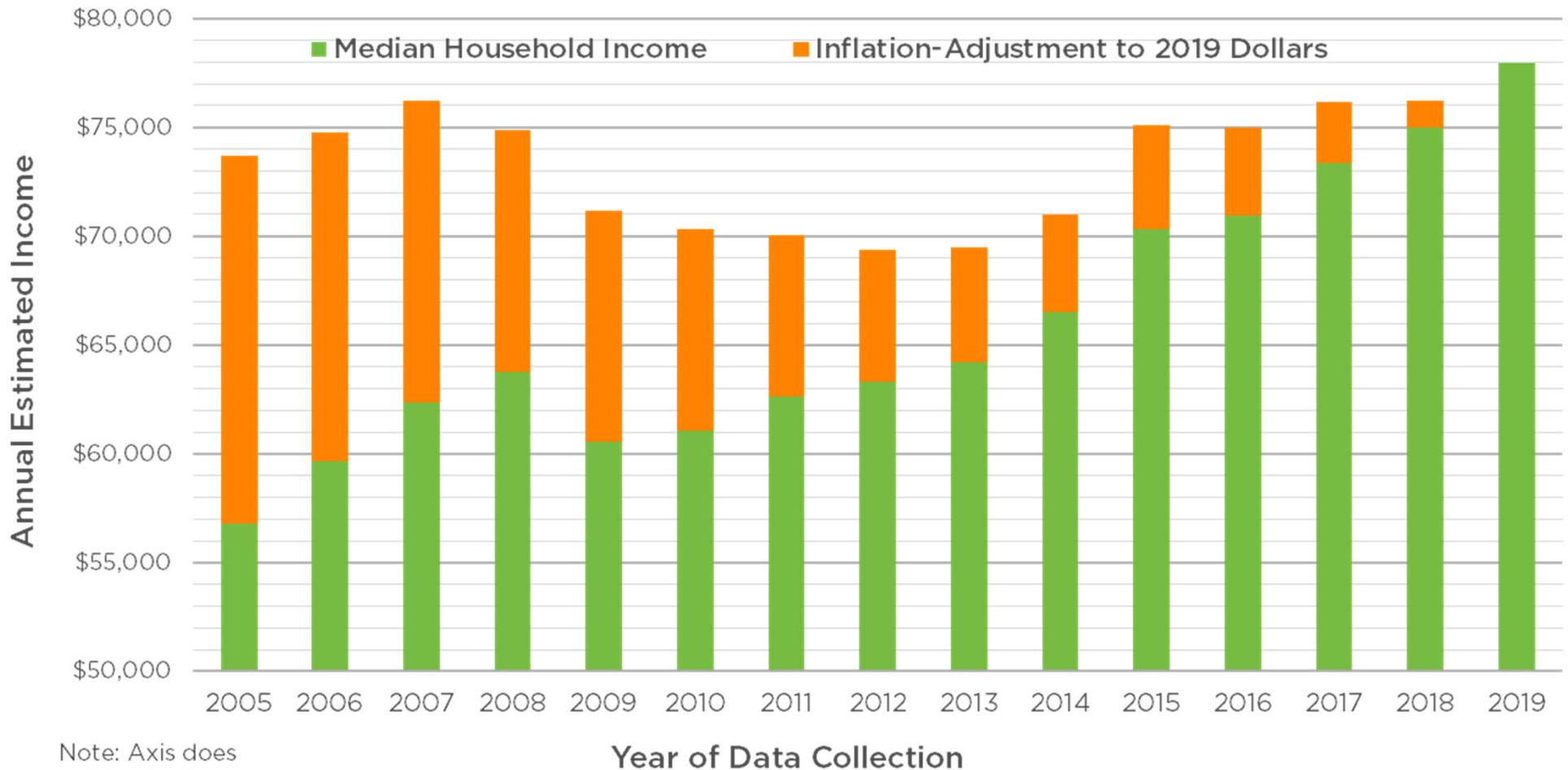
Notes: Inflation adjustment using Consumer Price Index-Urban-Research Series (current methods).

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



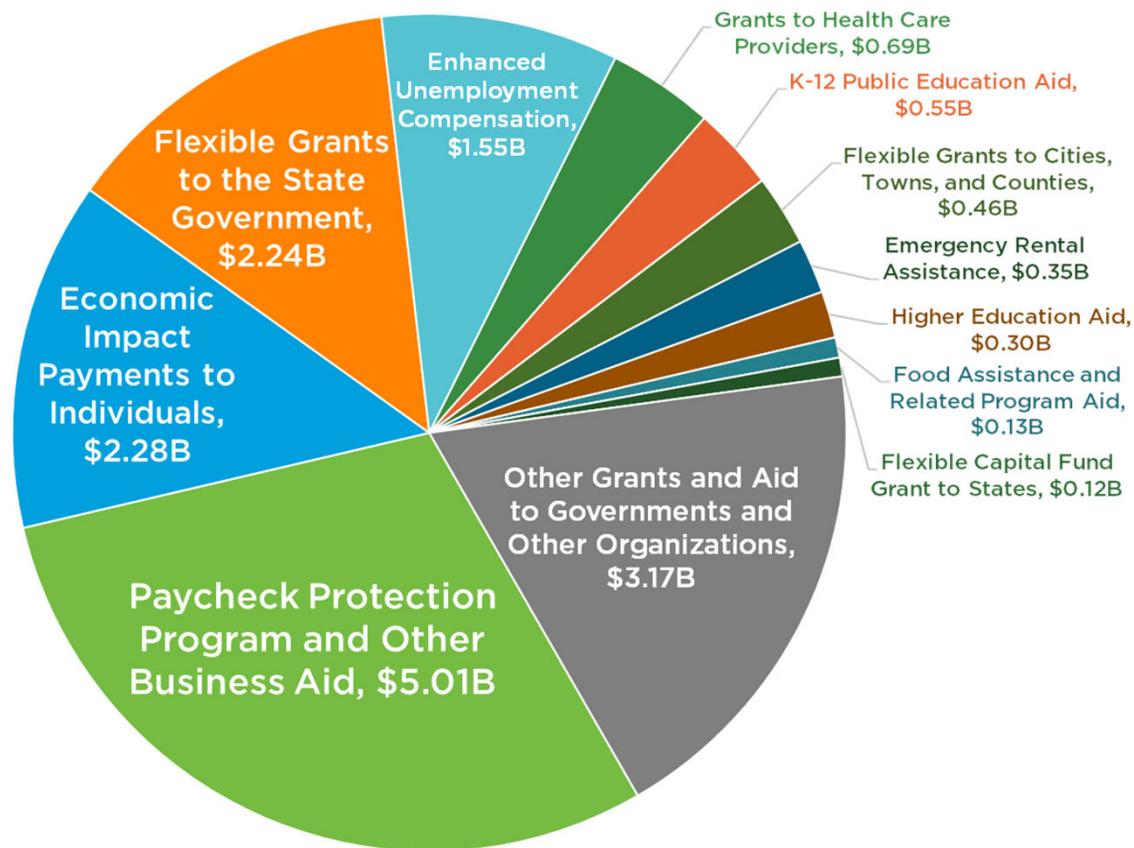
Note: Axis does not begin at zero.

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

# ABOUT \$17 BILLION IN FEDERAL FUNDS TO NEW HAMPSHIRE, ONE-TIME BOOST

## FEDERAL ASSISTANCE RELATED TO COVID-19 IN NEW HAMPSHIRE

Total of Nearly \$16.9 billion Through July 7, 2022



- Response to COVID-19 brought more federal aid to economy
- Most federal aid one-time, not all has been spent yet
- Larger than two-year State Budget
- Relative to \$87.3 billion statewide economy in 2019
- Includes significant aid to businesses, individuals, education

Note: Sums may include small amounts of double-counting due to summation mismatches. Totals presented are derivations. Small amounts of aid to individuals are also included in the "Other Grants and Aid" section, including aid for funeral expenses.

Source: New Hampshire Office of Legislative Budget Assistant, Federal COVID-19 Funds, New Hampshire Allocations, July 7, 2022.

Sources: Office of Legislative Budget Assistant, U.S. Bureau of Economic Analysis

# FUNDING AND SUPPORT PROVIDED BY 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
  - Paycheck 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

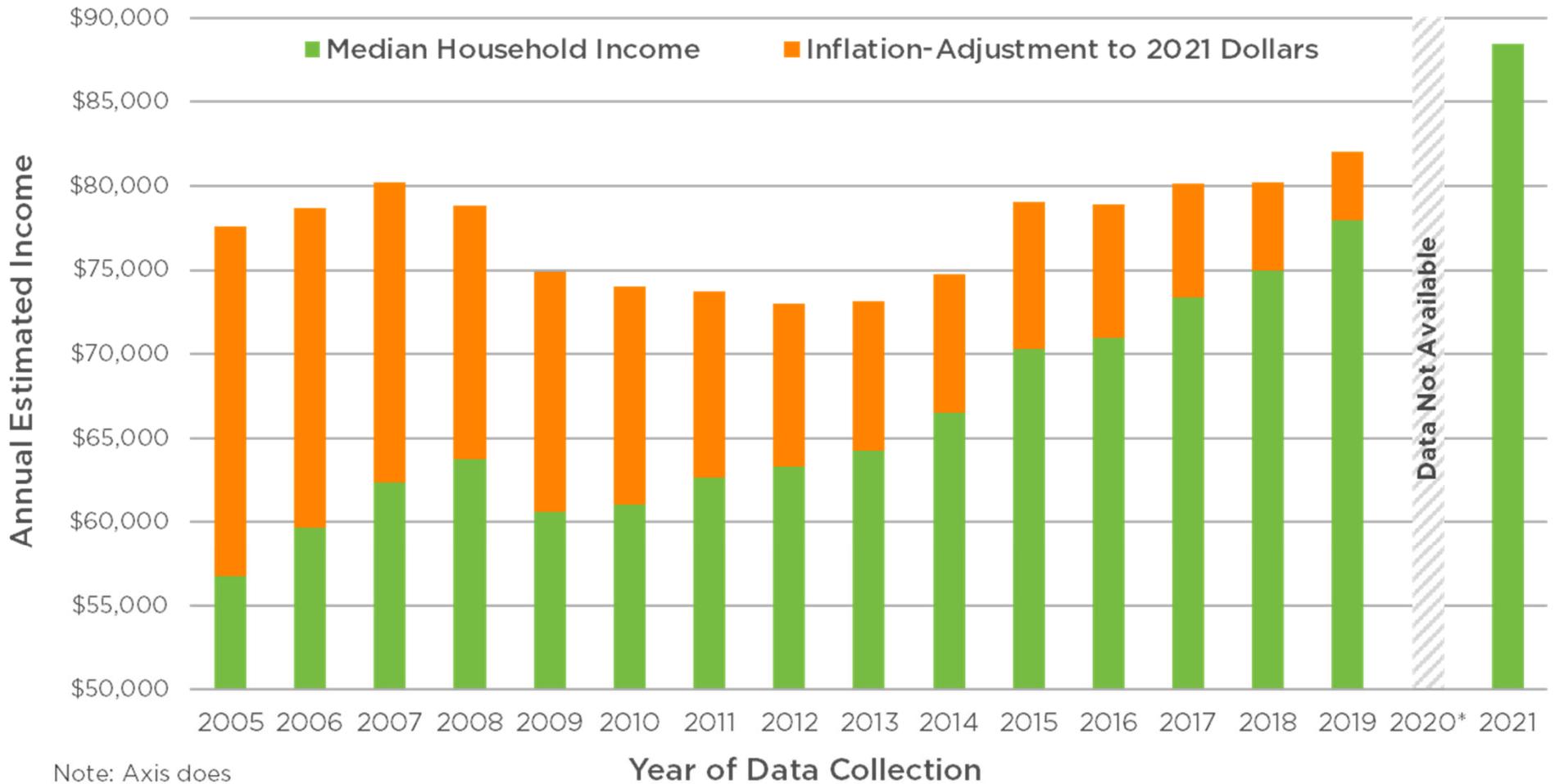
# SUPPORT FOR INDIVIDUALS, PRIVATE FIRMS IN THE AMERICAN RESCUE PLAN ACT

- Unemployment compensation and food assistance amounts expanded
- Economic Impact Payments, \$1,400 per individual
- Continuation of Pandemic EBT program for students out of school
- Expanded, fully-refundable Child Tax Credit, which caused substantial reductions in poverty, and expanded Earned Income Tax Credit
- Health coverage subsidies for individual marketplace purchasers
- Emergency rental assistance
- Support for child care aid grants for eligible individuals and families, and added support for child care centers
- Aid for public and private higher education, also to non-public schools
- More aid to certain health centers funded through key federal agency
- Expanded Paycheck Protection Program, restaurant and venue aid
- Tax credits for smaller employer paid sick, family leave cost

Sources: NHFPI, Federal American Rescue Plan Act Directs Aid to Lower-Income Children, Unemployed Workers, and Public Services, March 26, 2021; Columbia University, Sixth Child Tax Credit Payment Kept 3.7 million Children Out of Poverty in December, January 18, 2022; U.S. Department of Health and Human Services; U.S. Department of Education; U.S. Department of the Treasury; NH Office of Legislative Budget Assistant

# MUCH FASTER INCOME GROWTH THAN RECOVERY FROM THE GREAT RECESSION

## MEDIAN HOUSEHOLD INCOME IN NEW HAMPSHIRE



Note: Axis does not begin at zero.

\*Note: These data were not available for 2020 due to disruptions associated with the pandemic.  
Sources: U.S. Census Bureau, American Community Survey One-Year Estimates;  
U.S. Bureau of Labor Statistics, Consumer Price Index-Urban, Northeast

## QUESTION

**DID YOUR JURISDICTION RECEIVE  
ONE-TIME FUNDING FROM THE  
FEDERAL GOVERNMENT SINCE  
MARCH 2020?**

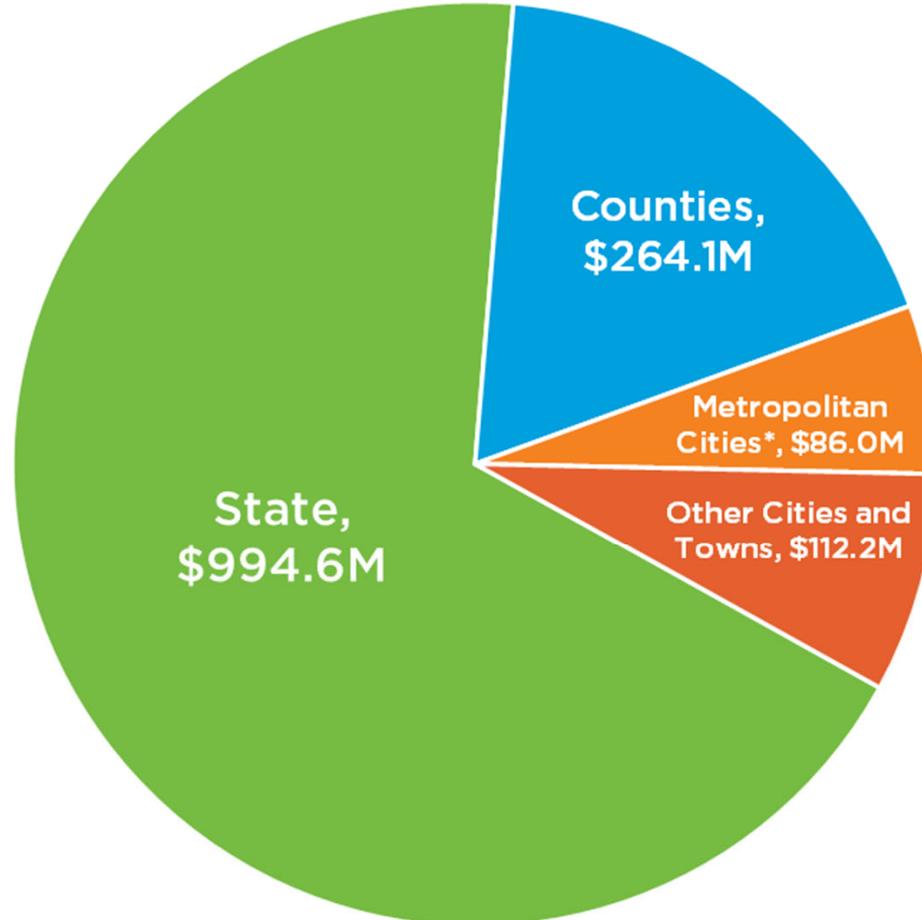
# SIGNIFICANT PANDEMIC-RELATED AID FOR GOVERNMENTS AND ORGANIZATIONS

- Billions of federal dollars came to the State and to local governments for a variety of purposes, both directed and flexible funds
- Flexible aid from the American Rescue Plan Act, “Coronavirus State and Local Fiscal Recovery Funds,” to be used to:
  - Respond to public health and economic impacts of the pandemic
  - Provide premium pay and support for essential workers
  - Replace lost public sector revenue due to the pandemic to support government services
  - Make necessary investments in water, sewer, and broadband infrastructure
- Federal government encouraged recipients “to consider funding uses that foster a strong, inclusive, and equitable recovery, especially uses with long-term benefits for health and economic outcomes.”
- School districts also received aid, but a separate appropriation through Elementary and Secondary School Emergency Relief funds

# CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS IN NEW HAMPSHIRE

## NEW HAMPSHIRE'S ALLOCATIONS OF AMERICAN RESCUE PLAN ACT CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS

Source: U.S. Department of the Treasury, *Coronavirus State and Local Fiscal Recovery Funds*, accessed May 16, 2021



\*"Metropolitan Cities" in New Hampshire include Dover, Manchester, Nashua, Portsmouth, and Rochester.

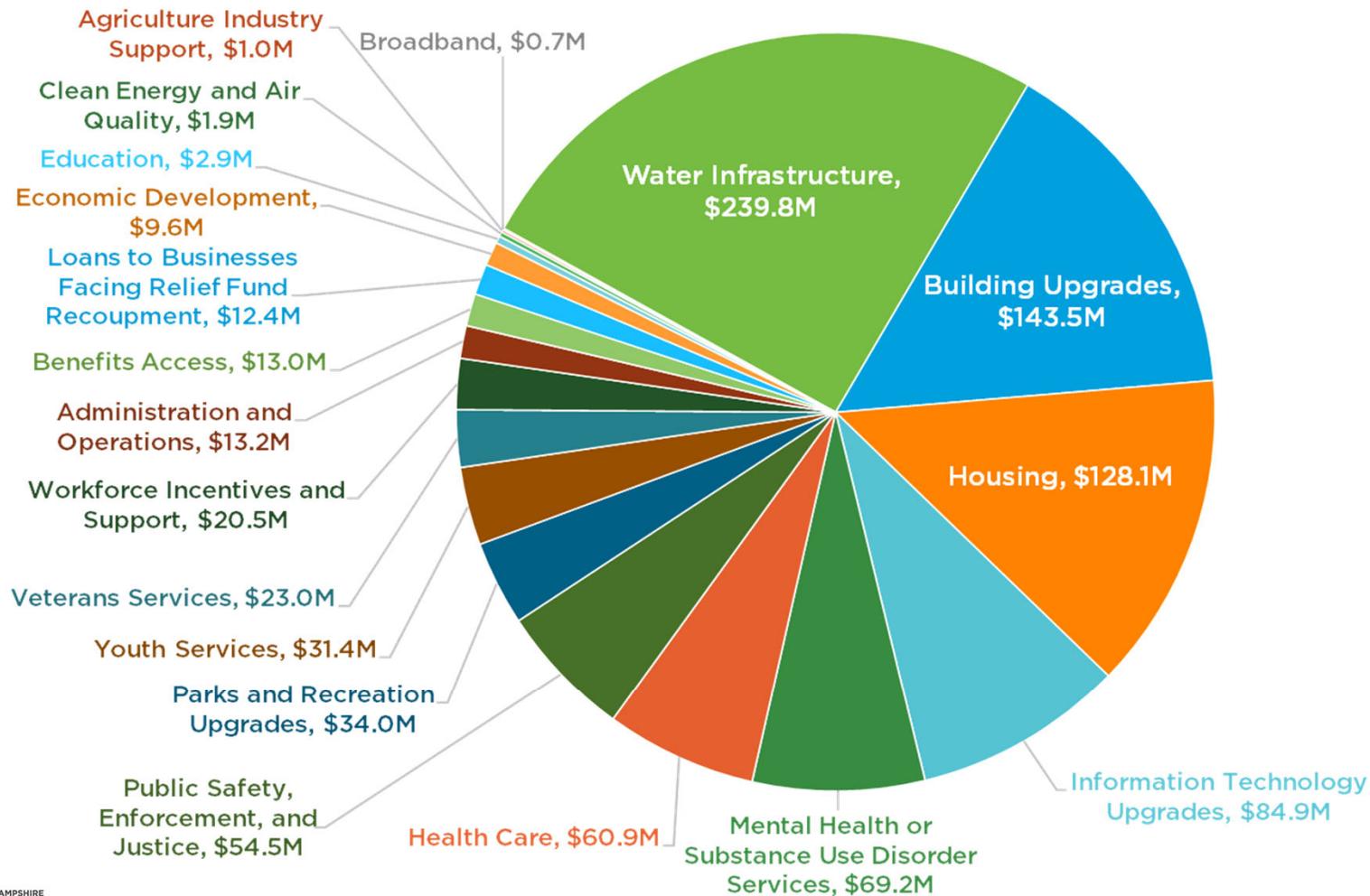
Funds must be obligated by December 31, 2024 and spent by December 31, 2026.

Source: U.S. Department of the Treasury

# STATE USES OF FUNDS VARY IN PURPOSE

## NEW HAMPSHIRE'S CORONAVIRUS STATE FISCAL RECOVERY FUND ALLOCATIONS, AS OF MARCH 29, 2023

*Does Not Include Federal Funds Allocated From Other Sources*



Source: NHFPI analysis of Joint Legislative Fiscal Committee and Executive Council approvals, May 2021 - March 2023

# COMPARING STATE AND LOCAL GOVERNMENT REVENUES

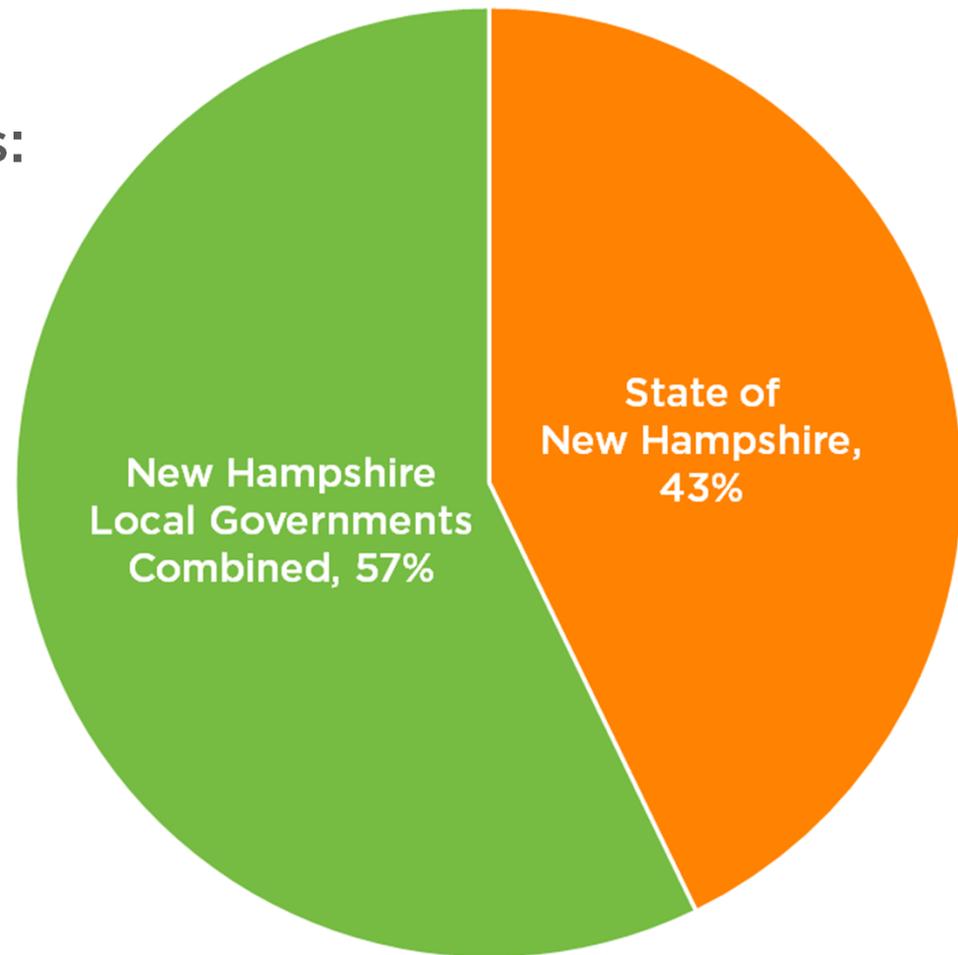
# LOCAL GOVERNMENTS AND TAX REVENUE

## NEW HAMPSHIRE TAX REVENUE BY GOVERNMENT LEVEL, FISCAL YEAR 2021

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

### Local Governments includes:

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



# TOTAL STATE AND LOCAL TAXES IN NEW HAMPSHIRE NEAR NATIONAL AVERAGE

## TOTAL STATE AND LOCAL TAX REVENUE PER CAPITA, FISCAL YEAR 2019 REVENUES AND APRIL 2020 CENSUS COUNTS

State		Estimated Amount
Highest	New York	\$9,501
	Connecticut	\$8,531
	North Dakota	\$8,267
	Hawaii	\$7,636
	New Jersey	\$7,556
United States		<b>\$5,623</b>
<i>New Hampshire* - Ranked 25th</i>		<b><i>\$5,121</i></b>
Lowest	Florida	\$3,973
	South Carolina	\$3,896
	Idaho	\$3,801
	Tennessee	\$3,644
	Alabama	\$3,588

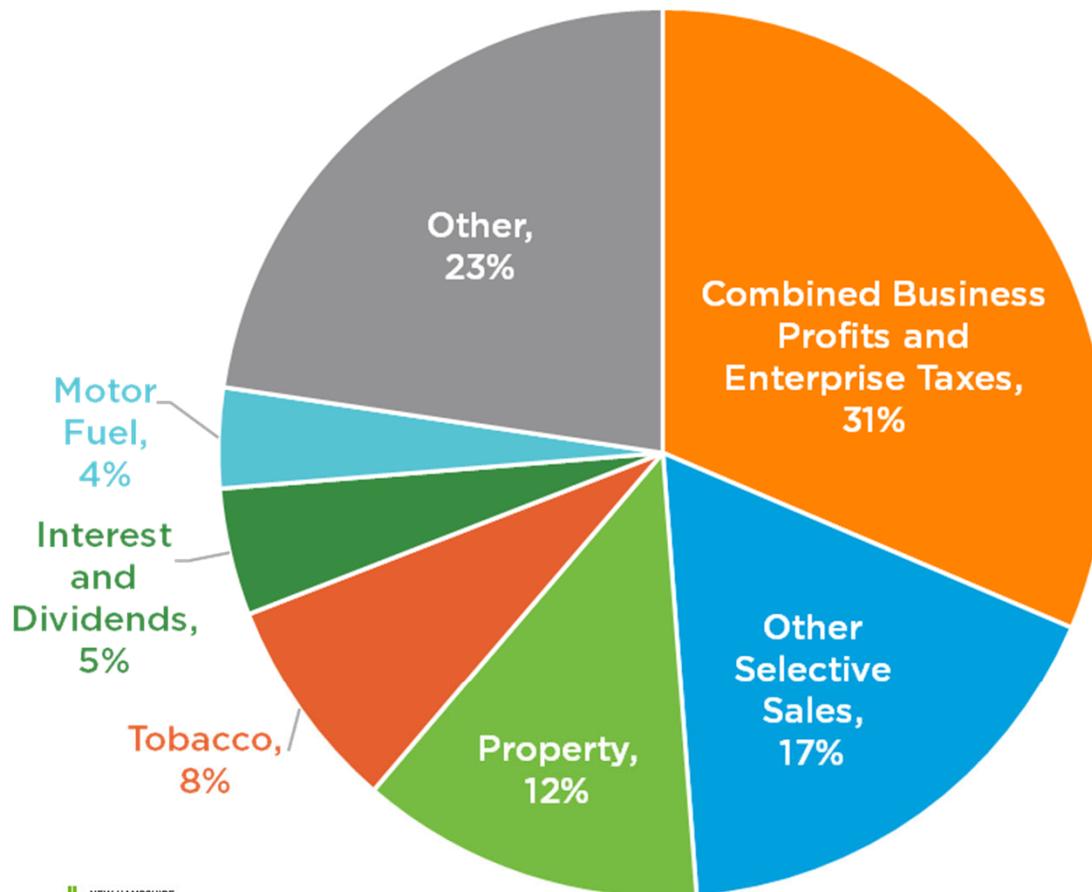
\*Note: Apparent double-counting of Statewide Education Property Tax removed from local property tax revenues in New Hampshire calculations.

Source: U.S. Census Bureau, 2019 Annual Survey of State and Local Government Finances

# FEWER LOCAL TAX REVENUE SOURCES

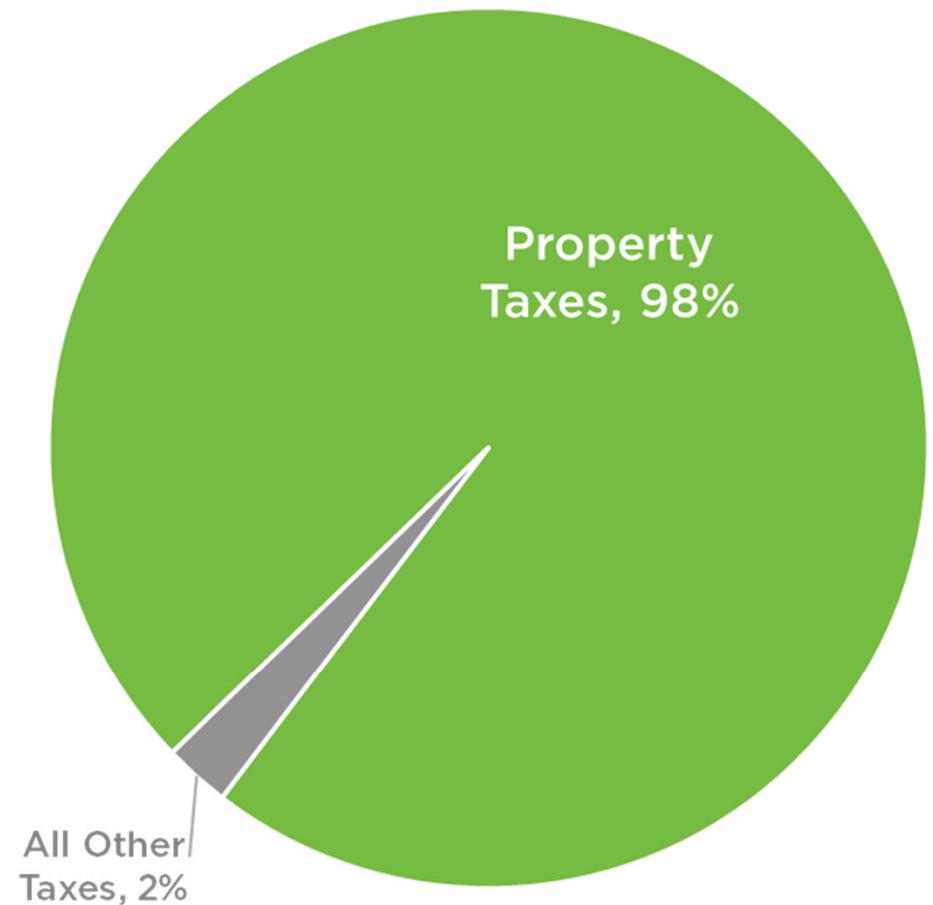
## ALL STATE TAX REVENUE IN NEW HAMPSHIRE FISCAL YEAR 2021

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



## ALL LOCAL TAX REVENUE IN NEW HAMPSHIRE FISCAL YEAR 2021

Note: Apparent double-counting of the Statewide Education Property Tax removed from local revenues.  
Source: U.S. Census Bureau, Survey of State and Local Government Finances



# PROPERTY TAXES KEY TO LOCAL TAX REVENUE IN MANY STATES

## PROPERTY TAX REVENUE AS A PERCENTAGE OF ALL LOCAL TAX REVENUE, FISCAL YEAR 2019

State		Estimated Percentage
Highest	Maine	99%
	Connecticut	99%
	New Jersey	98%
	New Hampshire*	97%
	Rhode Island	97%
<b>United States</b>		<b>72%</b>
Lowest	Arkansas	54%
	North Dakota	53%
	New Mexico	46%
	Alabama	43%
	Delaware	40%

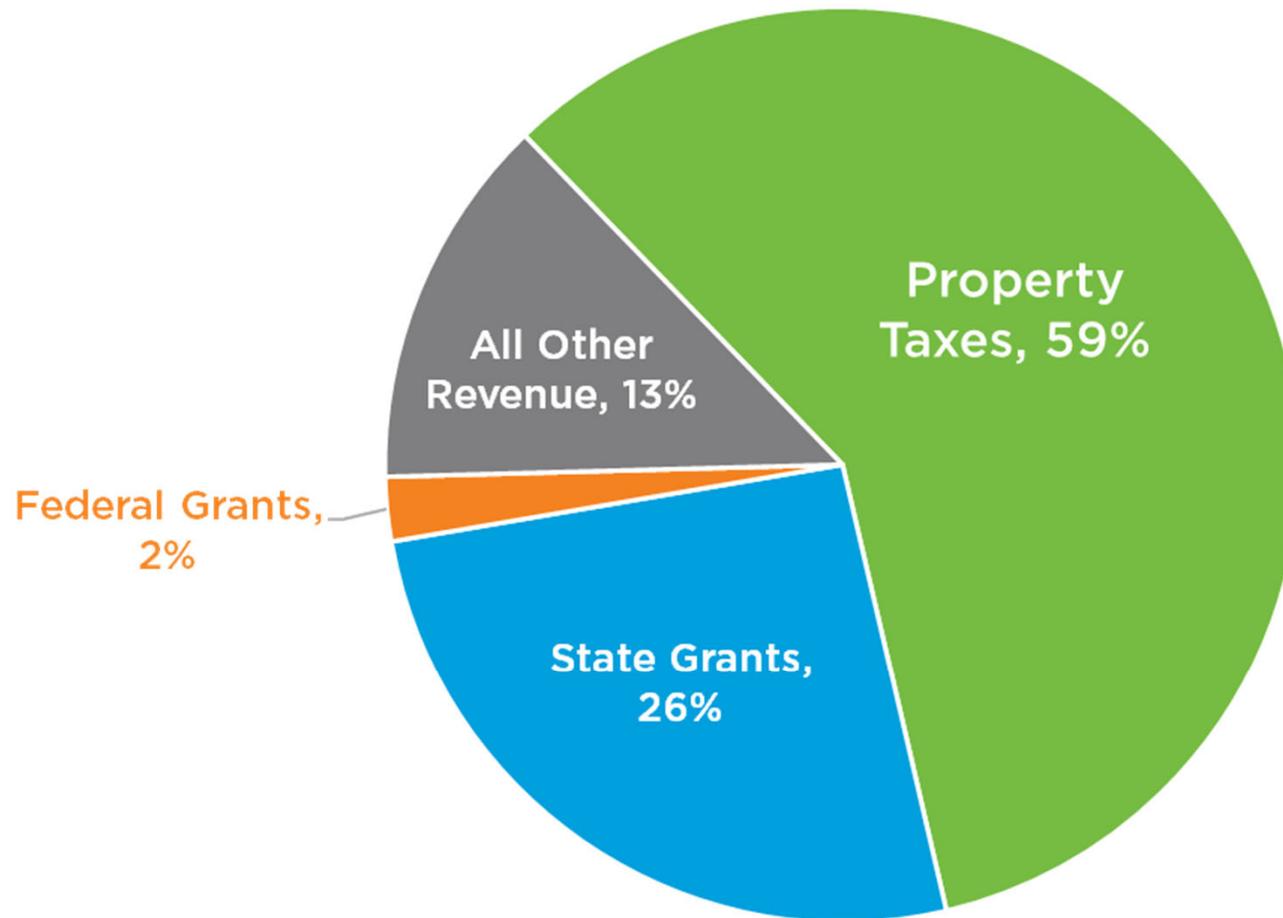
\*Note: Apparent double-counting of Statewide Education Property Tax removed from local property tax revenues in New Hampshire calculations.

Source: U.S. Census Bureau, 2019 Annual Survey of State and Local Government Finances

# PROPERTY TAX RECEIPTS MAJORITY OF LOCAL REVENUE IN NEW HAMPSHIRE

## LOCAL GOVERNMENT REVENUE SOURCES NEW HAMPSHIRE, FISCAL YEAR 2021

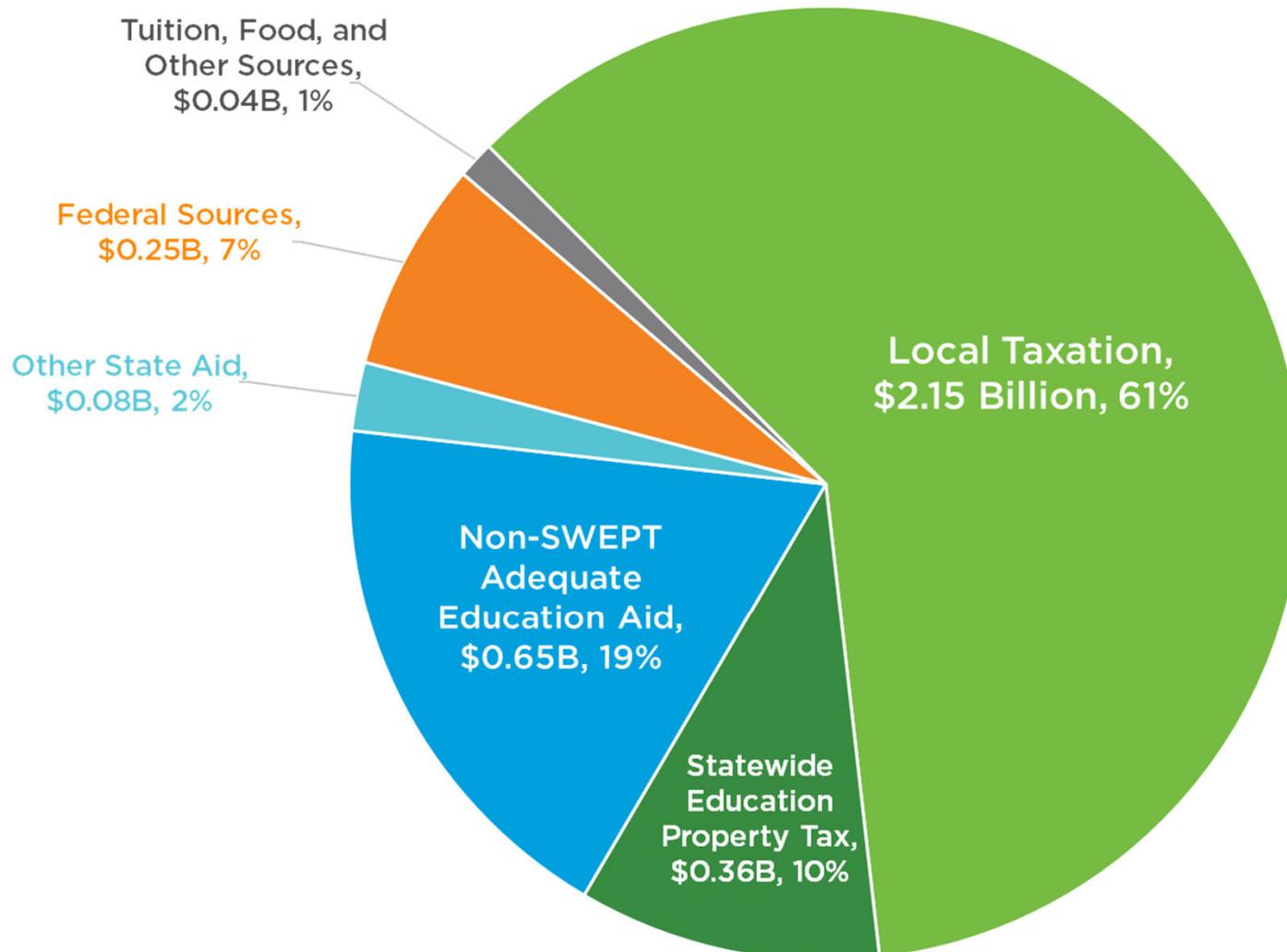
Source: U.S. Census Bureau, Survey of State and Local Government Finances



# MOST LOCAL PUBLIC SCHOOL DISTRICT REVENUE PRODUCED BY PROPERTY TAXES

## AGGREGATE SCHOOL DISTRICT REVENUE 2020-2021

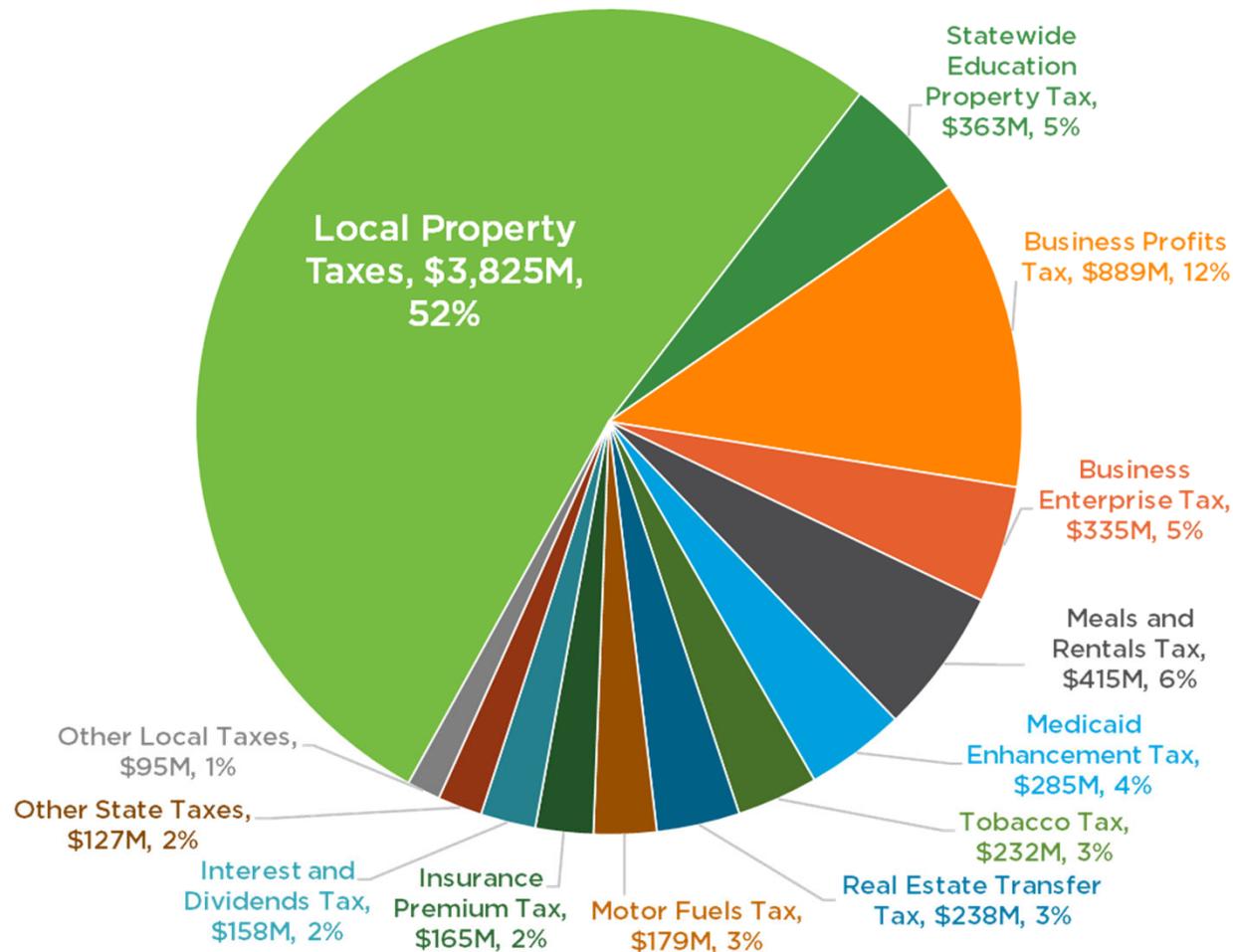
Source: New Hampshire Department of Education, December 27, 2021



# 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")

# DOLLARS PAID PER PERSON IN PROPERTY TAXES RELATIVELY HIGH

## STATE AND LOCAL PROPERTY TAX REVENUE PER CAPITA, FISCAL YEAR 2019 REVENUES AND APRIL 2020 CENSUS COUNTS

State		Estimated Amount
Highest	New Jersey	\$3,357
	Connecticut	\$3,179
	New York	\$3,033
	New Hampshire*	\$2,910
	Vermont	\$2,755
<b>United States</b>		<b>\$1,743</b>
Lowest	New Mexico	\$877
	Oklahoma	\$825
	Tennessee	\$822
	Arkansas	\$789
	Alabama	\$599

\*Note: Apparent double-counting of Statewide Education Property Tax removed from local property tax revenues in New Hampshire calculations.

Source: U.S. Census Bureau, 2019 Annual Survey of State and Local Government Finances

# PROPERTY TAXES IN NEW HAMPSHIRE A LARGE SHARE OF TAX REVENUE

## PROPERTY TAX REVENUE AS A PERCENTAGE OF ALL STATE AND LOCAL TAX REVENUE, FISCAL YEAR 2019

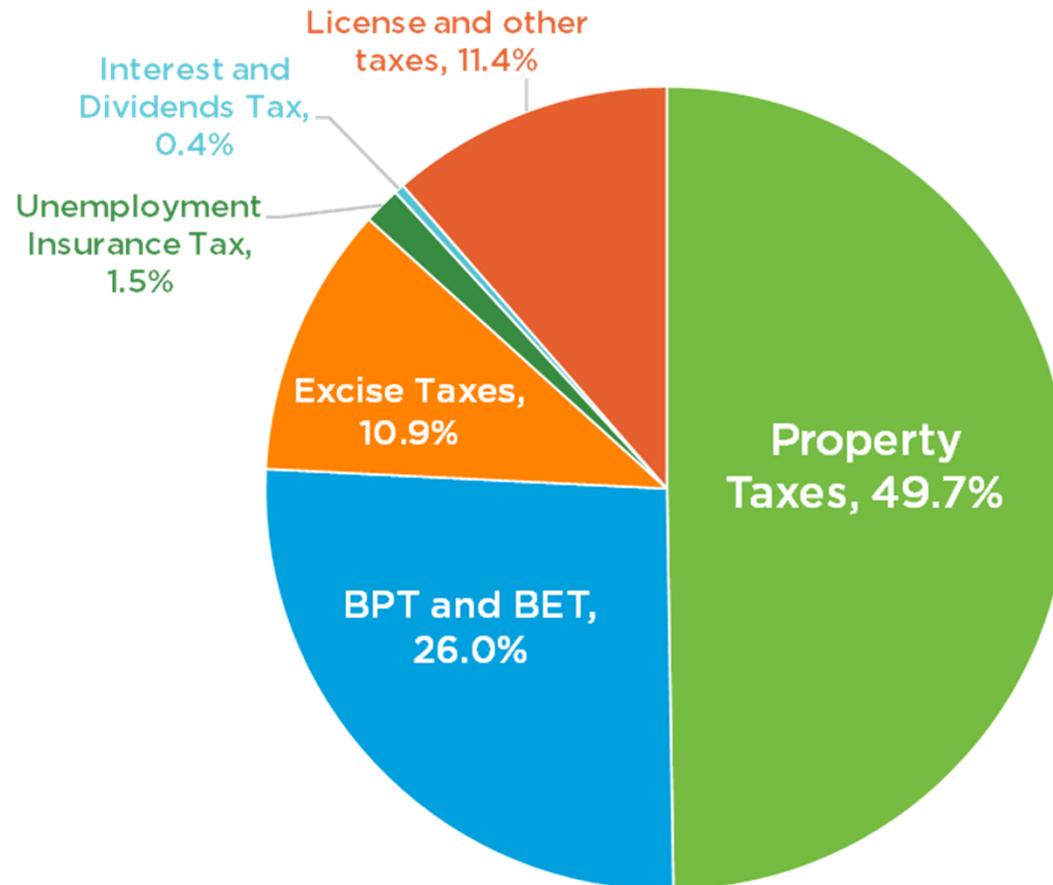
State		Estimated Percentage
Highest	New Hampshire*	57%
	Texas	45%
	New Jersey	44%
	Maine	44%
	Alaska	43%
<b>United States</b>		<b>31%</b>
Lowest	New Mexico	18%
	Washington	18%
	Louisiana	17%
	Arkansas	17%
	Alabama	16%

\*Note: Apparent double-counting of Statewide Education Property Tax removed from local property tax revenues in New Hampshire calculations.

Source: U.S. Census Bureau, 2019 Annual 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 2021



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

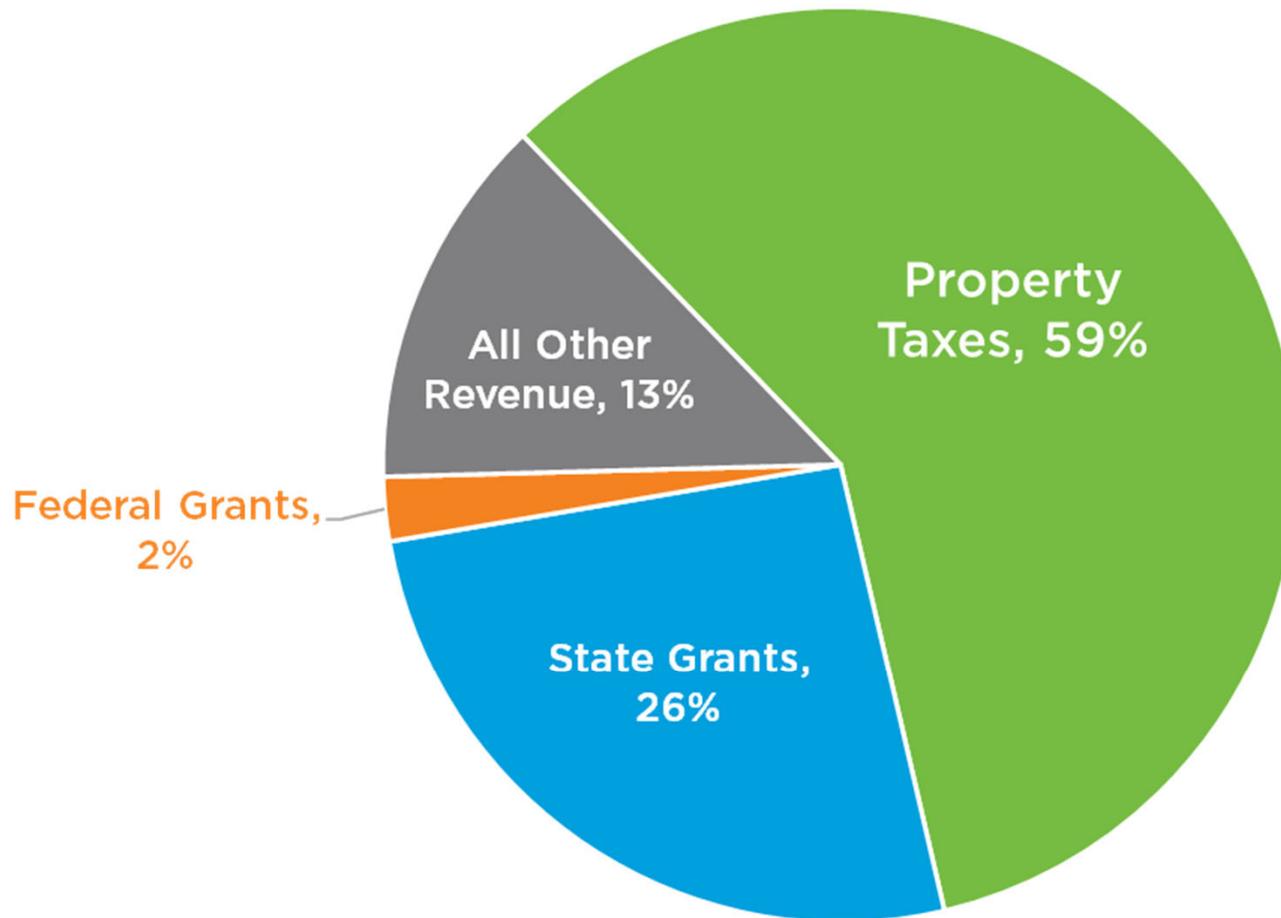
Source: Council on State Taxation, *Total State and Local Business Taxes*, December 2022

# INTERACTIONS BETWEEN STATE AND LOCAL BUDGETS AND REVENUES

# STATE AID ABOUT A QUARTER OF REVENUE TO LOCAL GOVERNMENTS

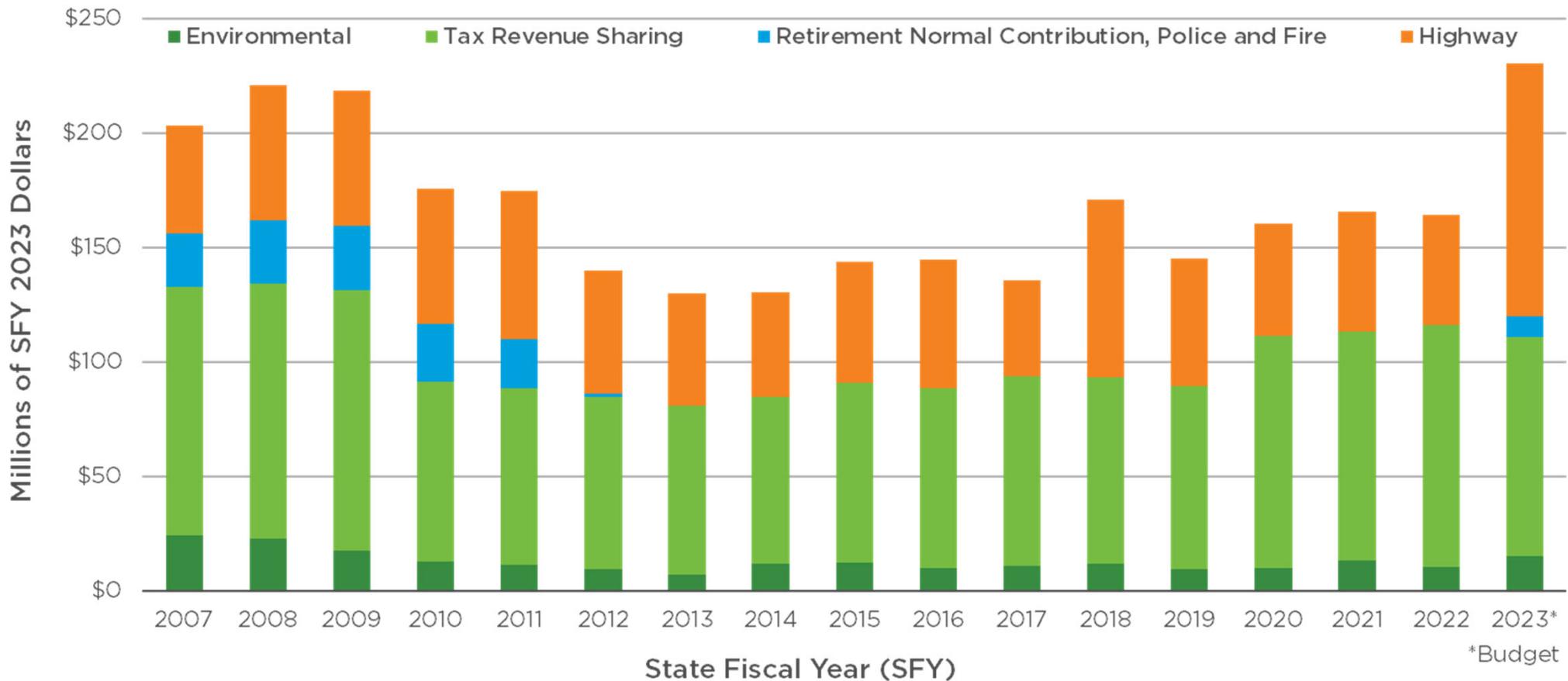
## LOCAL GOVERNMENT REVENUE SOURCES NEW HAMPSHIRE, FISCAL YEAR 2021

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



# STATE AID TO MUNICIPALITIES DECLINED AFTER 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 1, 2021; U.S. Bureau of Labor Statistics, Consumer Price Index-Northeast, State Fiscal Year Adjustment from NHFPI Calculations

# KEY CHANGES IN NON-EDUCATION FUNDING FOR LOCAL GOVERNMENTS

- Meals and Rentals Tax distribution to municipalities set at 30 percent of revenue in law in last State Budget, previously 40 percent, but formula to reach that percentage had been suspended most years in the last decade
- Meals and Rentals Tax distribution based on per capita payments, differs from the SFYs 2020-2021 State Budget \$20 million per year aid, which were distributed based on the number of resident students and the number of free and reduced-price meal eligible students in residence
- Traditional revenue sharing program has been suspended since 2010
- Since SFY 2013, State contribution to local teacher, police, and firefighter retirement costs has been suspended; 35 percent in SFY 2009 and earlier; one-time appropriation for 7.5 percent of costs for SFY 2023
- Environmental grants for drinking water and wastewater facilities and landfills have declined in aggregate; recent State Budgets have included small increases or one-time boosts in funding
- Highway and bridge aid funding has fluctuated over time, recently an influx of one-time funds in several different one-time appropriations; legislation last year appropriated \$66 million for road and bridge maintenance, for example

# EXAMPLES OF CHANGES IN LOCAL AID

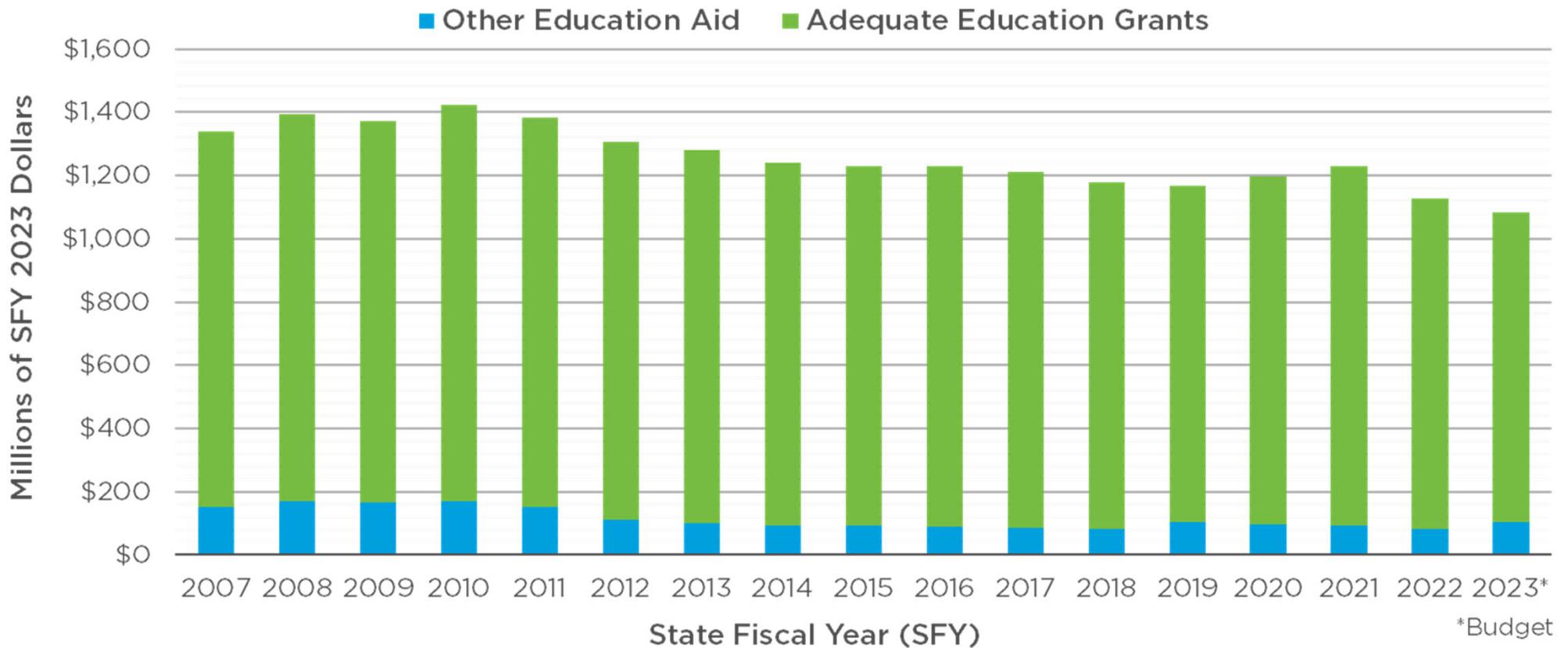
## DIFFERENCES IN KEY STATE AID FOR SELECTED MUNICIPALITIES, STATE BUDGETS FOR SFYs 2022-2023 vs. SFYs 2020-2021

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

# EDUCATION AID PRIMARILY TIED TO STUDENT 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 1, 2021; U.S. Bureau of Labor Statistics, Consumer Price Index-Northeast, State Fiscal Year Adjustment from NHFPI Calculations

# EDUCATION FUNDING FORMULA REVISION

State Fiscal Year 2024 Formula Aid Type	Prior Law	Revised Formula
Base Per Pupil	\$3,866.18	\$4,100
Free and Reduced-Price Meal Eligibility	\$1,933.08	\$2,300
Special Education	\$2,079.89	\$2,100
English Language Learner	\$756.43	\$800
Third Grade Reading Proficiency	\$756.43	Eliminated
Relief Aid based on concentration of Free and Reduced-Price Meal Eligibility	Between \$150 and \$600 per student	Eliminated
Extraordinary Needs Grant based on Property Value per Free and Reduced-Price Meal Eligible Pupil	Up to \$650 per eligible student, based on taxable property value	Maximum grant rises to \$8,500, \$11,500 in SFY 2025, adjusts upward 2 percent annually with other key formula components
Fiscal Capacity Disparity Aid based on local property values per pupil	None (existed in prior iterations of formula)	None
Stabilization Grants based on historical change to formula	Total of \$157 million to communities that would have faced shortfall in SFY 2012	Eliminated
Hold Harmless Grants	None	Ensures no funding reduction, reduced by 20 percent of original value in each subsequent biennium
<b>Estimated Total Aid</b>	<b>\$962 million</b>	<b>\$1,041 million</b>

Sources: New Hampshire Office of Legislative Budget Assistant, Comparison - Adequacy Grants, April 6, 2023, and Town-by-Town Compare 2030s, May 26, 2023

# STATE EDUCATION FUNDING IN NH SMALLER PORTION THAN IN OTHER STATES

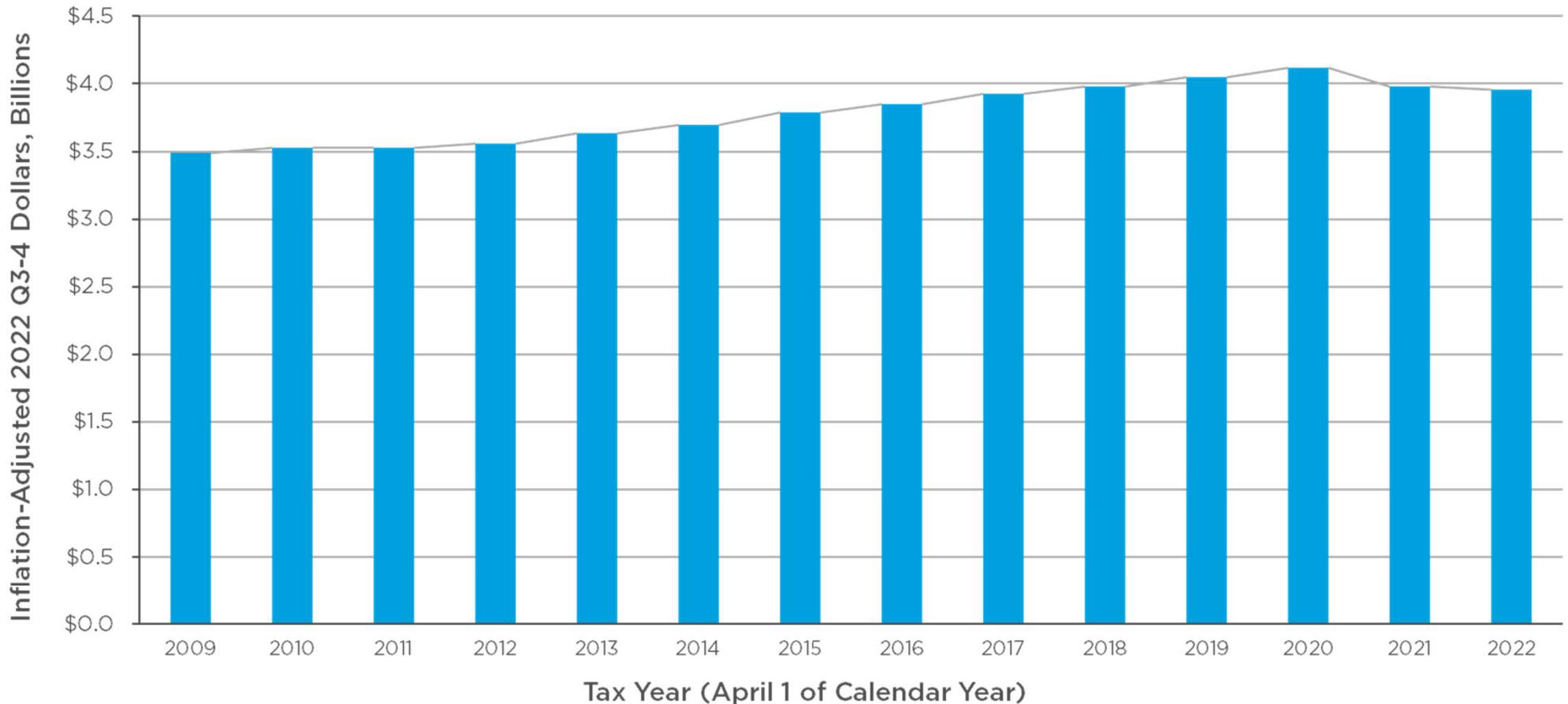
## STATE FUNDING FOR ELEMENTARY AND SECONDARY LOCAL PUBLIC EDUCATION AS A PERCENTAGE OF ALL REVENUE TO THESE SCHOOLS, FISCAL YEAR 2021

State or Nation	Percentage Funding for Local Public Education from State Sources	Estimated Rank Among 50 States
Vermont	88%	1
Hawaii	88%	2
Arkansas	71%	3
New Mexico	70%	4
Washington	68%	5
<b>United States</b>	<b>45%</b>	<b>--</b>
Connecticut	36%	46
Texas	34%	47
Nebraska	32%	48
South Dakota	32%	49
New Hampshire	31%	50

Source: U.S. Census Bureau, 2021 Annual Survey of School System Finances

# FEDERAL AND STATE AID MAY HAVE HELPED EASE PROPERTY TAX INCREASES

## NEW HAMPSHIRE TOTAL LOCAL PROPERTY TAX COMMITMENT TAX YEAR, INFLATION-ADJUSTED DOLLARS



Note: Inflation-adjustment based on the second half of same numbered calendar year  
Sources: New Hampshire Department of Revenue Administration;  
U.S. Bureau of Labor Statistics Consumer Price Index-Urban, Northeast

## KEY TAKEAWAYS

- New Hampshire State government has a wide array of revenue sources, has been fortunate during the pandemic
- However, State revenues increasingly dependent on behavior of corporate profits, could be more volatile in the future
- 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, recent one-time aid has provided additional assistance
- Federal response to the pandemic and the rebound in the economy have made resources available for public services and have helped build a more equitable recovery

# ADDITIONAL RESOURCES

- Blog: Senate Modifies State Budget Proposal, House Concurs with Senate Changes and Sends Budget to Governor – June 9, 2023  
<https://nhfpi.org/blog/senate-modifies-state-budget-proposal-house-concurs-with-senate-changes-and-sends-budget-to-governor/>
- 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/>
- Resource Page: The American Rescue Plan Act and New Hampshire: Recent and Updated Resources  
<https://nhfpi.org/resource/the-american-rescue-plan-act-and-new-hampshire-recent-and-updated-resources/>



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