

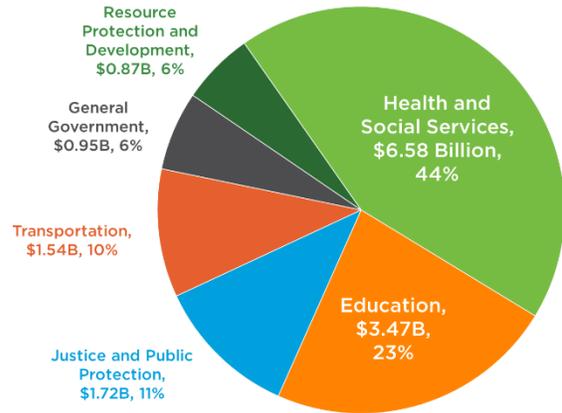
OVERVIEW OF FISCAL POLICY IN NEW HAMPSHIRE

State Budget Categories

- Six broad categories of expenditures
- Health and Social Services is the largest, with significant support from federal dollars (about half of the Department of Health and Human Services budget is funded with federal transfers)
- Education is the next largest, with the majority of appropriations supporting State aid to local public school districts
- Not all expenditures are in the State Budget, as appropriations are made through the Capital Budget, other bills, and temporary authorizations

STATE BUDGET LEGISLATION APPROPRIATIONS

State Fiscal Years (SFY) 2024-25 and SFY 2023 Surplus Appropriations, Includes Trailer Bill Appropriations



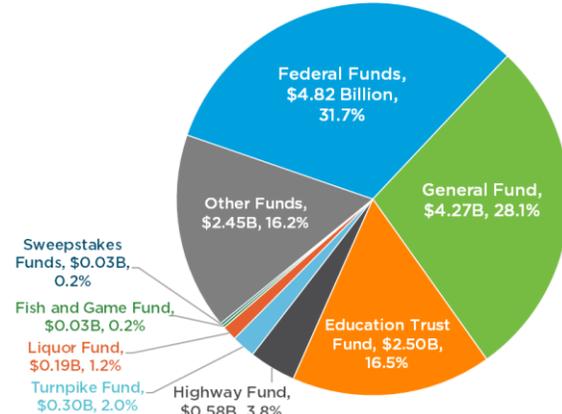
Note: General Government includes HB 2 appropriations for the Affordable Housing Fund, InvestNH, and all State employee pay raises defined by and funded through appropriations made in House Bill 2, as amended by the House.
Sources: New Hampshire Office of Legislative Budget Assistant, Compare House Finance 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; 2023-219s

State Budget Funds

- About 32 percent of the State Budget is funded with federal funds, which does not include other federal funds supporting operations outside the State Budget (such as certain transportation projects, expanded Medicaid, many capital expenditures)
- The General Fund and the Education Trust Fund share many revenue sources, and the General Fund fills any shortfall in the Education Trust Fund
- Turnpike toll revenues support the Turnpike Fund, and motor fuels tax revenues support the Highway Fund, both of which have restricted uses
- Liquor Fund supports certain Liquor Commission administrative operations; profits from the Liquor Commission support other state funds

NEW HAMPSHIRE STATE BUDGET, STATE FISCAL YEARS 2024-2025

Includes Operating Budget and Trailer Bill Appropriations

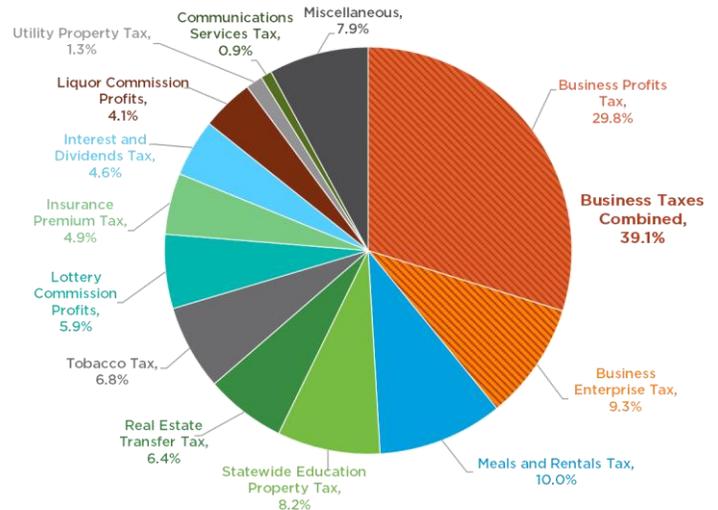


Sources: New Hampshire Department of Administrative Services, Governor's Operating Budget for SFYs 2024-2025; Office of Legislative Budget Assistant, Compare House Finance to Governor, March 28, 2023 and Surplus Statements, March 29, 2023; 2023-1247h

General & Education Trust Funds Revenue

- Largest State tax revenue source is the Business Profits Tax, which is often filed and collected with the Business Enterprise Tax (fourth largest); together, these two taxes accounted for more than one in three dollars of General and Education Trust Funds revenue in State Fiscal Year 2023
- Statewide Education Property Tax revenue is raised and retained locally; State does not collect the revenue but requires locals to administer the tax
- Lottery Commission profits support education
- General and Education Trust Funds do not receive revenue from certain key sources, such as the Medicaid Enhancement Tax

GENERAL AND EDUCATION TRUST FUNDS COMBINED REVENUE IN STATE FISCAL YEAR 2023

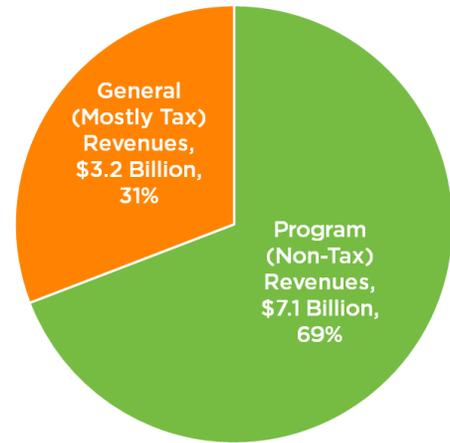


Source: New Hampshire Annual Comprehensive Financial Report, State Fiscal Year 2023

State Revenues

- Considering all State revenues, more than two out of every three dollars were sourced from non-tax revenue sources, such as federal grants (including pandemic aid), tolls, liquor and lottery revenues, and fees, in SFY 2023
- New Hampshire's level of reliance on federal grants is not atypical; most states draw significant revenue from federal programs, particularly Medicaid
- Generally, State revenues are relatively diverse, and New Hampshire's State tax revenues are less volatile overall than tax revenues in about half of U.S. states

STATE GENERAL AND PROGRAM REVENUES FOR NEW HAMPSHIRE, STATE FISCAL YEAR 2023

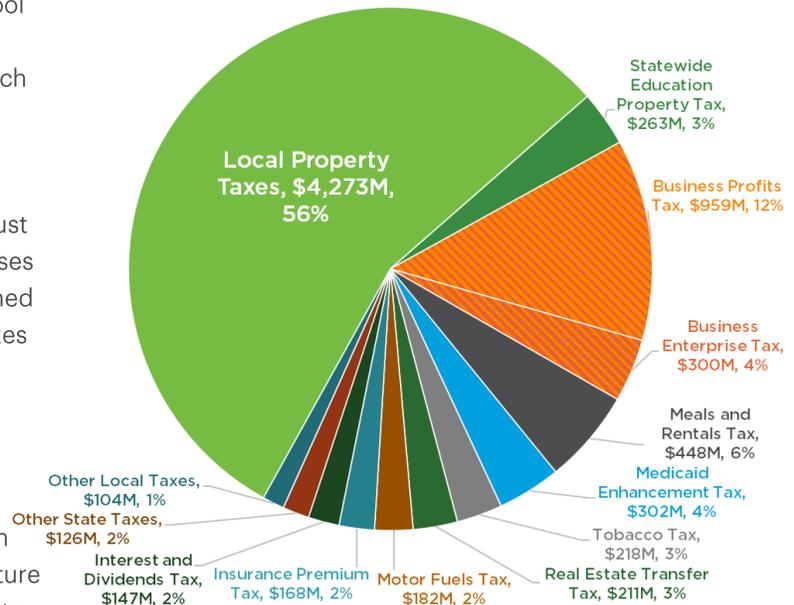


Source: New Hampshire Annual Comprehensive Financial Report, SFY 2023

State and Local Tax Revenues

- Considering all tax revenue for the State government and local governments, including municipalities, school districts, and counties, the majority of tax dollars collected are through property taxes, nearly all of which are local property taxes with revenue retained locally
- Local governments have no other major tax revenue option, so increased costs or reduced revenues from other sources (such as reduced State aid) typically must be met with funding decreases or property tax increases
- New Hampshire has the largest percentage of combined state and local tax revenue sourced from property taxes of any state

STATE AND LOCAL TAXES IN NEW HAMPSHIRE State Fiscal Year or Tax Year 2023

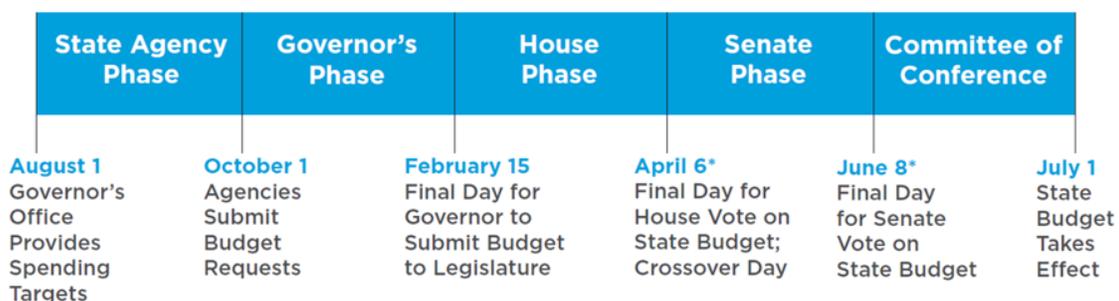


Sources: New Hampshire Annual Comprehensive Financial Report, State Fiscal Year 2023; New Hampshire Department of Revenue Administration, 2023 Annual Report and Completed Public Tax Rates 2023; U.S. Census Bureau, Survey of State and Local Government Finances, 2021; Joint Legislative Fiscal Committee, FIS 23-311

Building the State Budget

- State agencies build budget proposals first, which can inform the Governor's budget proposal to the Legislature
- The House and Senate create their versions of the State Budget, reconcile those in Committee of Conference

STATE BUDGET PROCESS TIMELINE



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