



FUNDING PUBLIC SERVICES IN NEW HAMPSHIRE AT THE STATE AND LOCAL LEVELS

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ROAD MAP THROUGH THE REVENUE SYSTEM

- New Hampshire State Budget and State revenue sources
- Recent trends in New Hampshire State revenues
- Federal pandemic-related aid in New Hampshire
- New Hampshire local government revenue sources
- Impacts of Federal and State decisions on local revenues

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

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

WHY REVENUE IS IMPORTANT



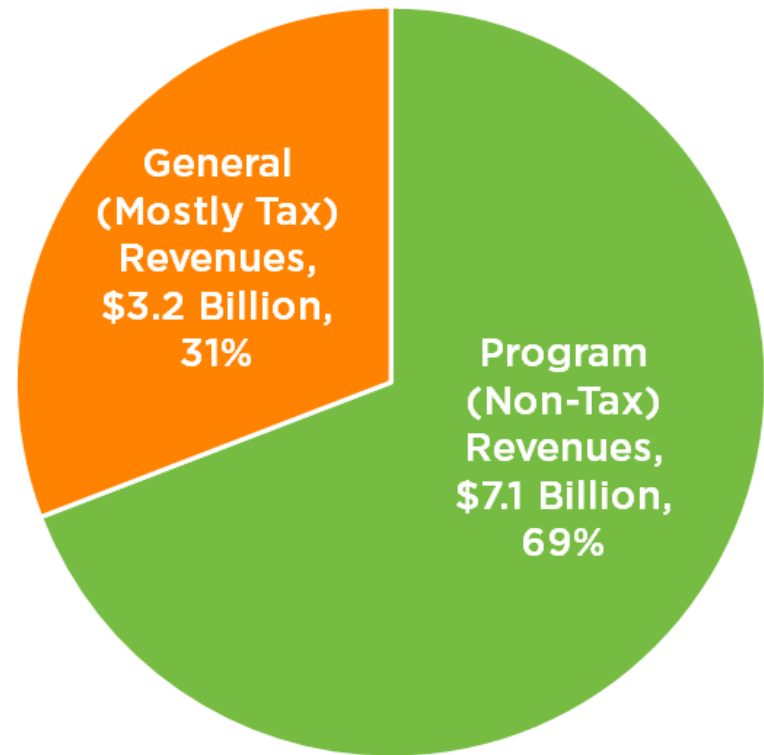
WHY REVENUE IS IMPORTANT

- Pays for services that help make our communities stronger
- Tangible and direct effects
 - 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 by the public

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

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



Source: New Hampshire Annual Comprehensive Financial Report, SFY 2023

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
 - Generally, State tax revenues are relatively flexible, while federal grants to the State and certain State revenue sources have legal restrictions on use, such as being directed to a specific program or purpose
- 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

NEW HAMPSHIRE STATE EXPENDITURES AND THE STATE BUDGET PROCESS

CLASS 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

EXAMPLE OF PAGE FROM MOST RECENT OPERATING BUDGET BILL

HB 0001	02/15/2023	VERSION NO: 01	FISCAL YEAR 2024	FISCAL YEAR 2025	PAGE 651
05 HEALTH AND SOCIAL SERVICES					
95 HEALTH AND HUMAN SVCS DEPT					
90 HHS: PUBLIC HEALTH DIV					
904510 BUREAU OF PREVENTION&WELLNESS					
3222 CDC ORAL HEALTH GRANT					
010 Personal Services-Perm. Classi			64,681		65,117
020 Current Expenses			2,700		2,700
026 Organizational Dues			525		525
030 Equipment New/Replacement			5,000		5,000
037 Technology - Hardware			1,575		1,575
038 Technology - Software			525		525
039 Telecommunications			1,000		1,000
041 Audit Fund Set Aside			460		460
042 Additional Fringe Benefits			5,175		5,209
060 Benefits			14,069		14,164
066 Employee training			1,000		1,000
070 In-State Travel Reimbursement			1,170		1,170
074 Grants for Pub Asst and Relief			300,000		300,000
080 Out-Of State Travel			6,230		6,230
102 Contracts for program services			15,000		15,000
TOTAL			419,110		419,675
ESTIMATED SOURCE OF FUNDS FOR					
CDC ORAL HEALTH GRANT					
FEDERAL FUNDS			419,110		419,675
TOTAL SOURCE OF FUNDS			419,110		419,675

OPERATING BUDGET CAN INCLUDE NOTES, TEXT THAT CHANGES SEVERAL LINES

005 Private Local Funds	140,963,968	143,958,748
007 Agency Income	39,602,554	40,156,990
FEDERAL FUNDS	199,184,816	203,355,434
GENERAL FUND	18,278,616	18,898,616
TOTAL SOURCE OF FUNDS	398,029,954	406,369,788

CLASS NOTES

- 504 The appropriation in Class 504 shall not lapse, shall not be used for any other purpose, and shall not be considered for budget reductions required pursuant to any section of this act or any other budget reduction, including executive orders required of the department of health and human services. To the extent that nursing home rates paid to providers in class 504 - Nursing Home Payments are less than the rates established by the department, prior to applying the budget neutrality factor, any balance remaining at the end of each fiscal year shall be paid out to providers as a lump sum payment within 30 days of year end, proportionally based on Medicaid class 504 payments made to such providers during the fiscal year.

The appropriation in class 504 reflects a caseload assumption of 4,100 in each year of the biennium and includes \$3,200,000 in fiscal year 2018 and \$8,920,000 in fiscal year 2019 to provide rate increases for nursing home services.

- 509 The appropriation in class 509 includes \$224,000 in FY 2019 to provide a rate increase for other nursing services.

ORGANIZATION NOTES

- * Appropriations made under the Choices for Independence Waiver program paid from class 505 mid-level care, class 506 home support services, and class 529 home health care services shall only be transferred in and among such classes, which does not prevent transfers in from other accounts within the department. Payments made from class 505, 506 and 529 shall not be used for any other purpose, and shall not be considered for budget reductions required pursuant to any section of this act or any other budget reduction including executive orders required of the department of health and human services. Such accounts shall not lapse until June 30, 2019.

TRAILER BILL STRUCTURED AS TYPICAL BILL

CHAPTER 79
HB 2-FN-A-LOCAL - FINAL VERSION

23-1064
10/05

STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Twenty Three

AN ACT relative to state fees, funds, revenues, and expenditures.

Be it Enacted by the Senate and House of Representatives in General Court convened:

1 79:1 Department of Information Technology; Divisions Established. Amend RSA 21-R:5 to read as
2 follows:

3 21-R:5 Divisions Established. The commissioner shall establish 4 divisions, ***business relationship***
4 ***management, user experience, infrastructure and operations, and user services***, which shall be in
5 alignment with the department's statewide strategic plan. Each division shall be under the supervision of
6 a division director appointed pursuant to RSA 21-R:3.

7 79:2 Department of Information Technology; Unfunded Positions; Authorization. Notwithstanding any
8 other provision of law to the contrary, the department of information technology may fill unfunded
9 positions during the biennium ending June 30, 2025, provided that the total expenditures for such
10 positions shall not exceed the amount appropriated for personnel services.

11 79:3 Career and Technical Education; Dual and Concurrent Enrollment Program. Amend RSA 188-
12 E:26 to read as follows:

13 188-E:26 Program Established. There is established a dual and concurrent enrollment program in
14 CCSNH. Participation in the program shall be offered to high school and career technical education
15 center students in grades 10 through 12. The program shall provide opportunities for qualified New
16 Hampshire high school students to gain access and support for dual and concurrent enrollment in [~~career~~
17 ~~and technical education courses, STEM (science, technology, engineering, and mathematics) and STEM-~~
18 ~~related]~~ courses that are fundamental and necessary for success in postsecondary education, career path
19 opportunities, and to meet New Hampshire's emerging workforce needs.

20 79:4 Regional Career and Technical Education; Dual and Concurrent Enrollment Program. Amend
21 RSA 188-E:27, II to read as follows:

22 II. A student in the program shall be provided funding for enrollment in no more than [2] ~~4~~ dual or
23 concurrent enrollment courses taken in grade 10, no more than [2] ~~4~~ dual or concurrent enrollment
24 courses taken in grade 11, and no more than [2] ~~4~~ dual or concurrent enrollment courses taken in grade
25 12. A student may take more than [2] ~~4~~ dual or concurrent enrollment courses per year at his or her own
26 expense.

EXAMPLE OF APPROPRIATIONS TEXT IN THE TRAILER BILL

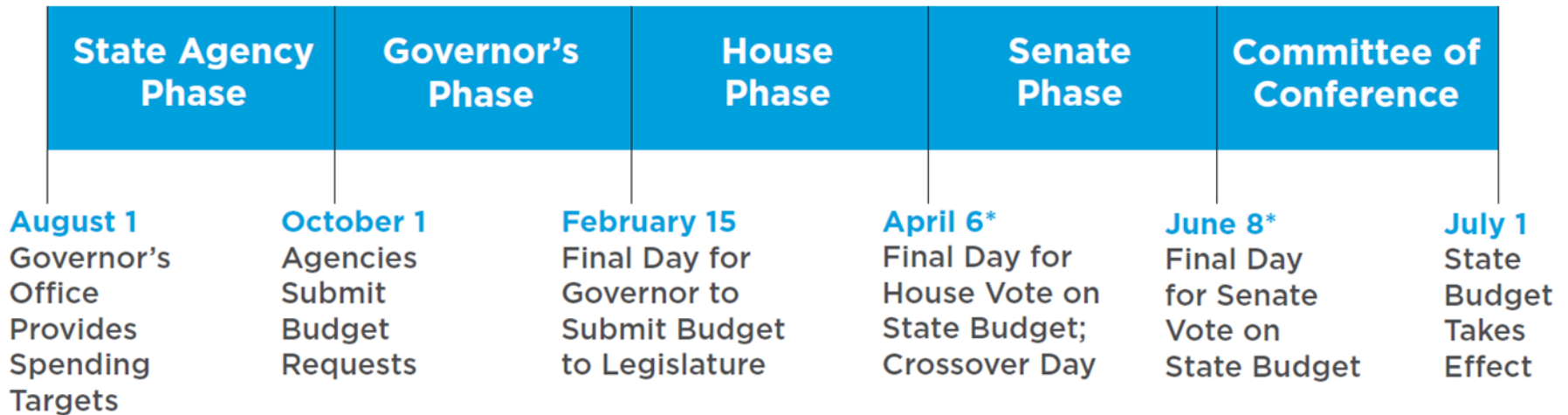
HB 2-FN-A-LOCAL - AS INTRODUCED

- Page 83 -

1 257 Appropriation; Department of Health and Human Services; Medicaid Rate Increases. There
2 is hereby appropriated to the department of health and human services the sums of \$17,000,000 for
3 the fiscal year ending June 30, 2024, and \$17,000,000 for the fiscal year ending June 30, 2025, for
4 the purpose of increasing Medicaid provider rates. The department shall utilize such funds to
5 increase rates pursuant to section 1902 (a)(30)(A) of the Social Security Act, to promote efficiency,
6 economy, and quality of care within New Hampshire's Medicaid program. The governor is
7 authorized to draw a warrant for said sums out of any money in the treasury not otherwise
8 appropriated.

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.

CLASS QUESTION

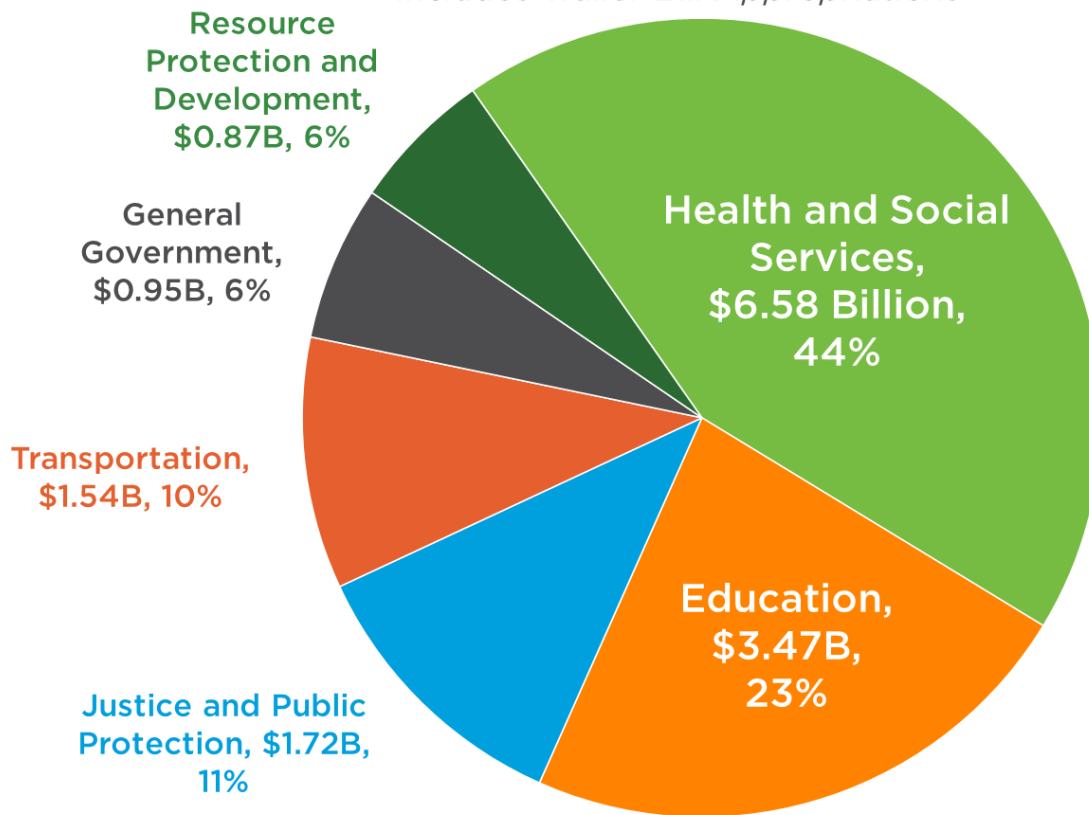
**WHAT PERCENTAGE
OF THE STATE BUDGET
IS APPROPRIATED TO:**

- 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*



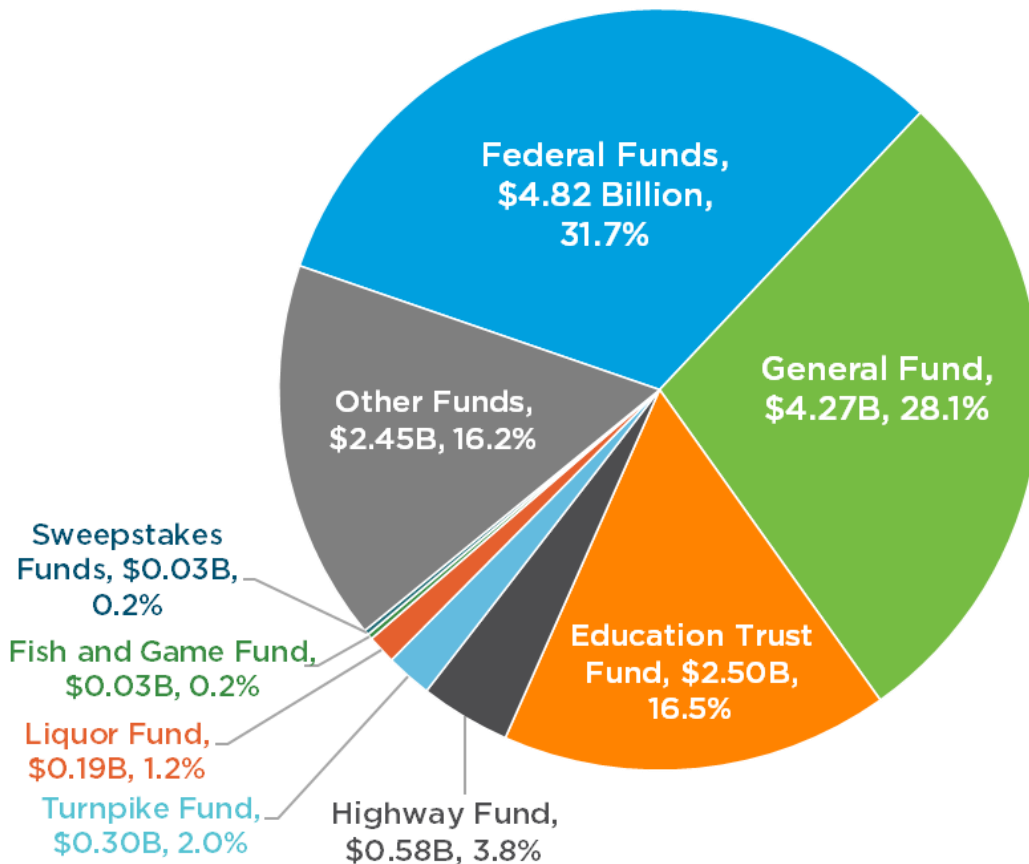
Note: General Government includes HB 2 appropriations for the Affordable Housing Fund, InvestNH, and all State employee pay raises defined by and funded through appropriations made in House Bill 2, as amended by the House.

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 NEW HAMPSHIRE 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, often the most discussed by legislators
- 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 Office of Legislative Budget Assistant, Senate Finance Committee Surplus Statements, June 2023; 2023-2054s; 2023-2092s; 2023-2171s; 2023-2139s

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

FEDERAL FUNDING AND STATE SERVICES

Medicaid

- Approximately \$2.5 billion expenditure in SFY 2023 from all sources, with more than half of the total supported by federal funds
- About 184,000 Granite Staters had access to health care through the program at the end of June 2024, decrease from pandemic highs, yet still higher than 2019

Other Program Areas

- Federal transportation aid, through a wide variety of programs
- Education aid – special education, school meals, professional development
- Water pollution and infrastructure funds, clean and drinking water programs
- Supplemental Nutrition Assistance Program (SNAP), also known as the “New Hampshire Food Stamp Program”
- Women, Infants, and Children Nutrition Program (WIC)
- Temporary Assistance for Needy Families (TANF)
- Low Income Home Energy Assistance Program (State Fuel Assistance Program)
- Veterans’ care aid
- Many other areas

NEW HAMPSHIRE'S STATE REVENUE SYSTEM

CLASS QUESTION

**WHAT ARE THE TEN LARGEST
STATE TAX REVENUE SOURCES?**

LARGEST STATE TAX REVENUE SOURCES

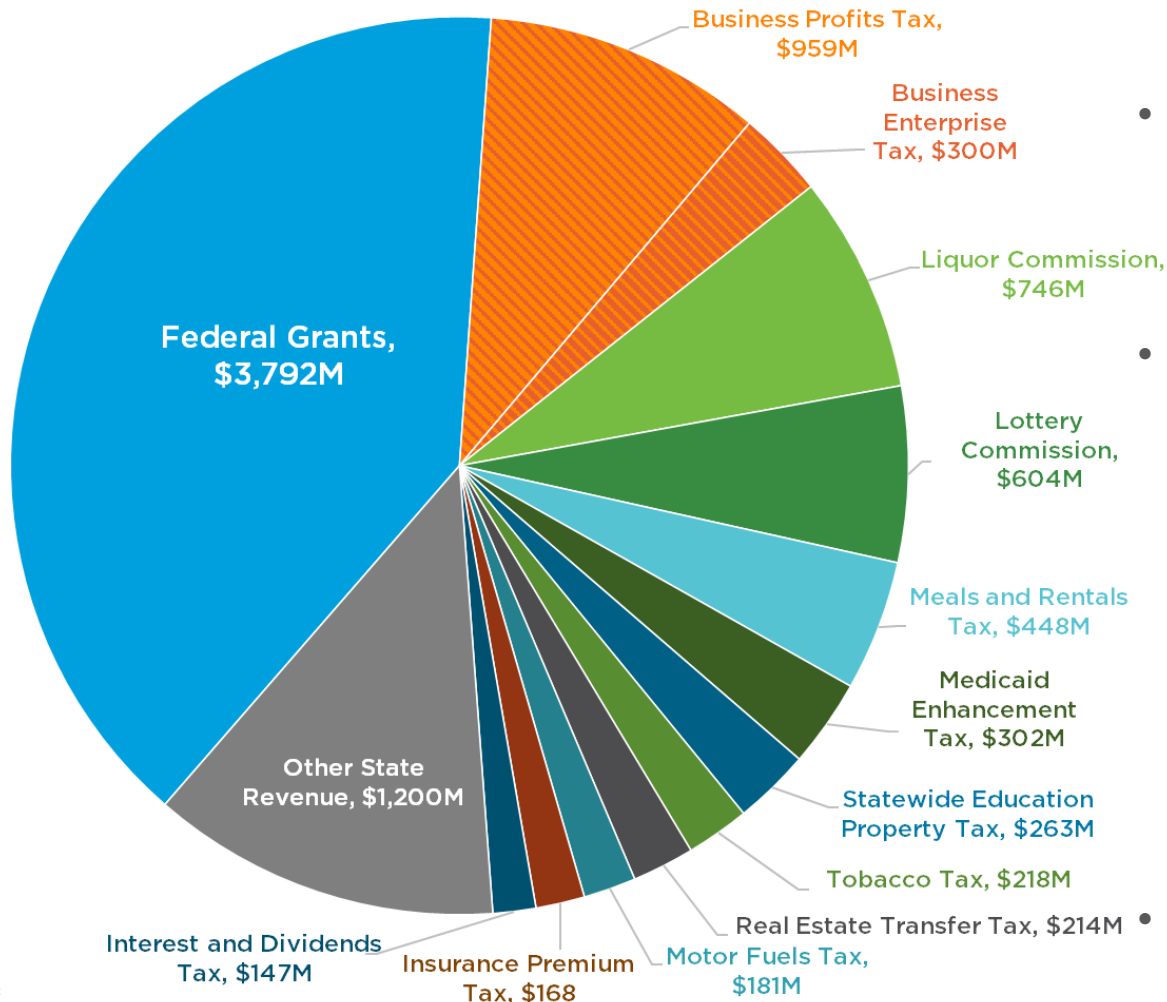
Amounts to All Funds (State Fiscal Year 2023)

1. Business Profits Tax - \$958.8 million (estimate)
2. Meals and Rentals Tax - \$448.5 million
3. Medicaid Enhancement Tax - \$301.9 million
4. Business Enterprise Tax - \$300.1 million (estimate)
5. Statewide Education Property Tax - \$263.1 million
6. Tobacco Tax - \$217.8 million
7. Real Estate Transfer Tax - \$213.6 million
8. Motor Fuels Tax - \$180.6 million
9. Insurance Premium Tax - \$168.3 million
10. Interest and Dividends Tax - \$147.3 million

Sources: New Hampshire Annual Comprehensive Financial Report for the Fiscal Year Ending June 30, 2023; New Hampshire Department of Revenue Administration; New Hampshire Treasury Department; New Hampshire Department of Health and Human Services.

NEW HAMPSHIRE STATE REVENUES

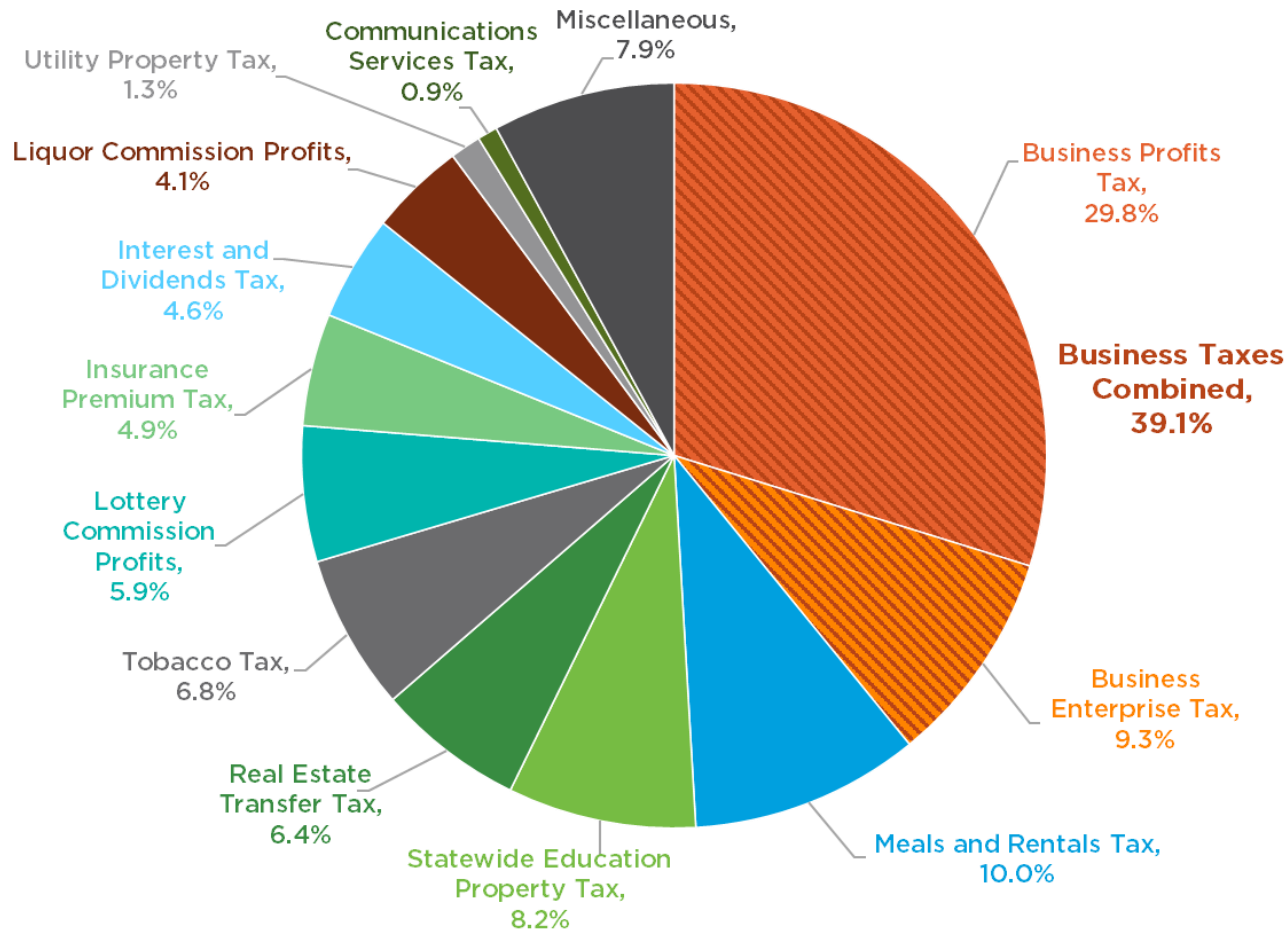
STATE REVENUE SOURCES, GOVERNMENTAL AND ENTERPRISE FUNDS, STATE FISCAL YEAR 2023



- Federal transfers significant, typical among U.S. states
- 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 large portion of funds go to support internal operations
- Business Profits Tax is the largest State tax revenue source

GENERAL AND EDUCATION TRUST FUNDS SHARE MANY REVENUE SOURCES

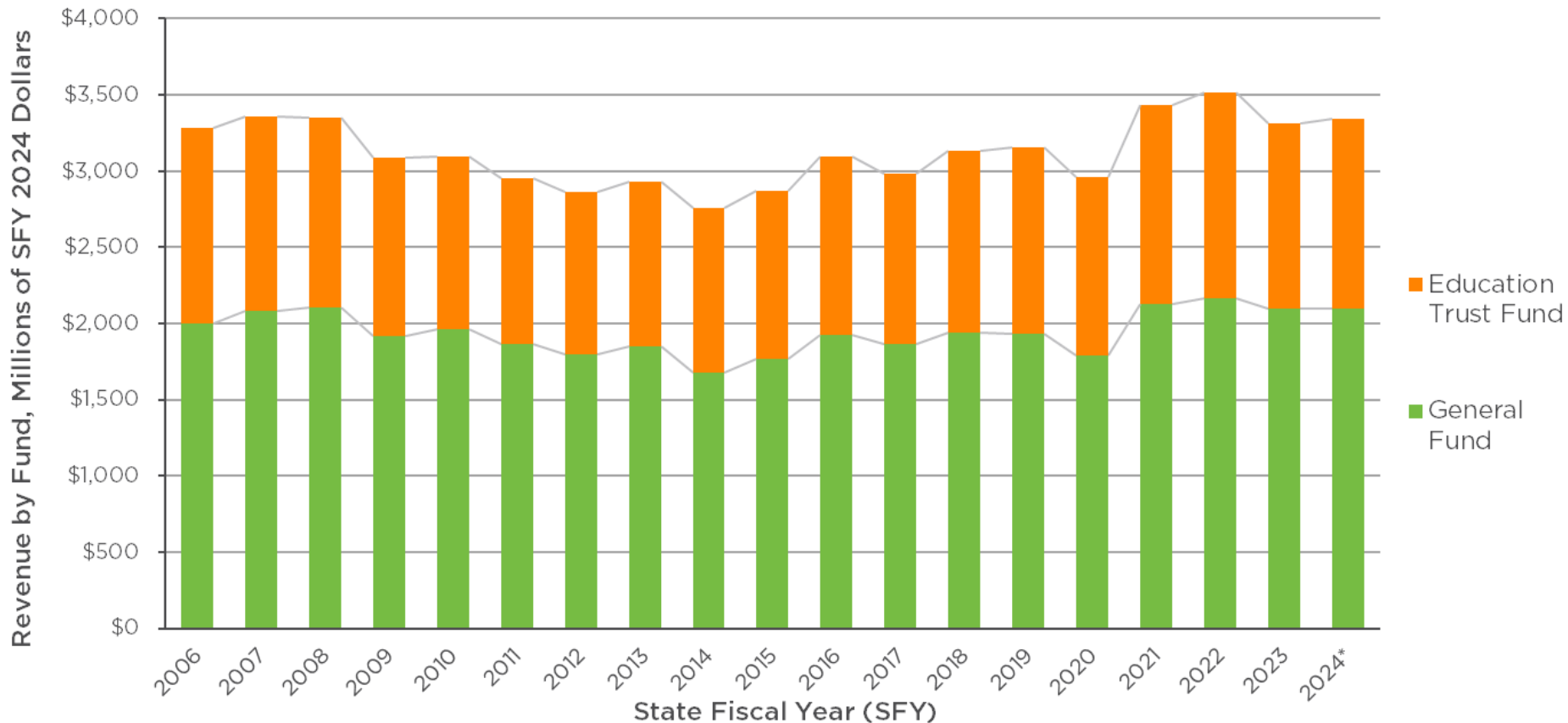
GENERAL AND EDUCATION TRUST FUNDS
COMBINED REVENUE IN STATE FISCAL YEAR 2023



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

INFLATION-ADJUSTED REVENUE SHOWS POST-PANDEMIC BOOST, THEN LEVELING

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 2014-2023; New Hampshire Department of Administrative Services Monthly Revenue Focus, June SFY 2024; U.S. Bureau of Labor Statistics Consumer Price Index-Urban, Northeast

THE TWO PRIMARY BUSINESS TAXES

Business Profits Tax

- Tax based on net business profits after adjustments (BET) and apportionment
- Tax base likely about \$10.2 billion in Tax Year 2021
- 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 (59%) and the Education Trust Fund (41%)

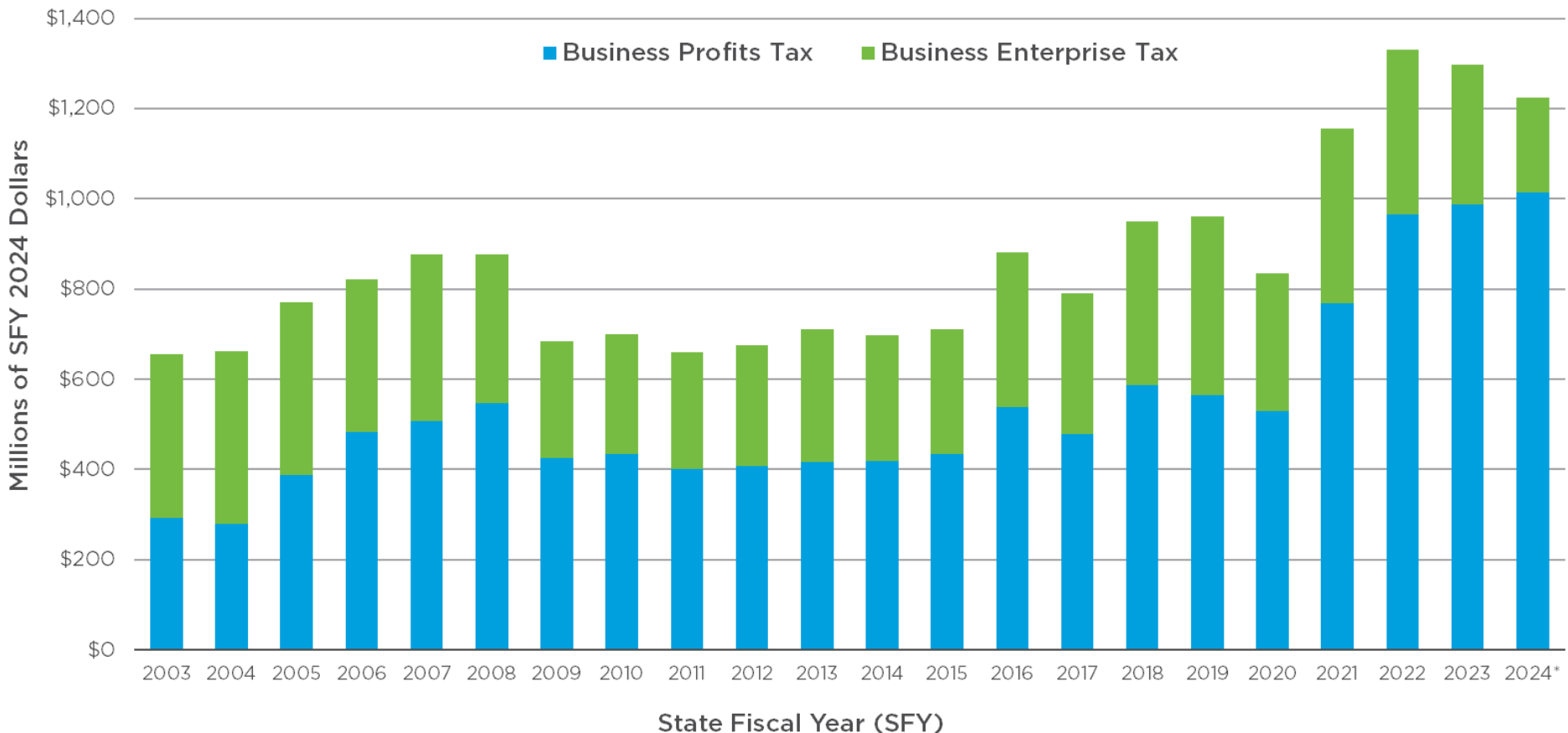
Business Enterprise Tax

- Unique among state business taxes, based on compensation and interest paid or accrued and dividends paid, adjustments, and apportionment
- Broader tax base, likely about \$40.0 billion in Tax Year 2021
- Recent rate reductions
 - 2001-2015: 0.750%, 2016-17: 0.720%, 2018: 0.675%, 2019-21: 0.600%, 2022: 0.550%
- Supports the General Fund (59%) and the Education Trust Fund (41%)

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 2024; U.S. Bureau of Labor Statistics, CPI-U, Northeast

HIGH NATIONAL CORPORATE PROFITS LIKELY BOOSTING STATE REVENUES

U.S. CORPORATE PROFITS BY QUARTER

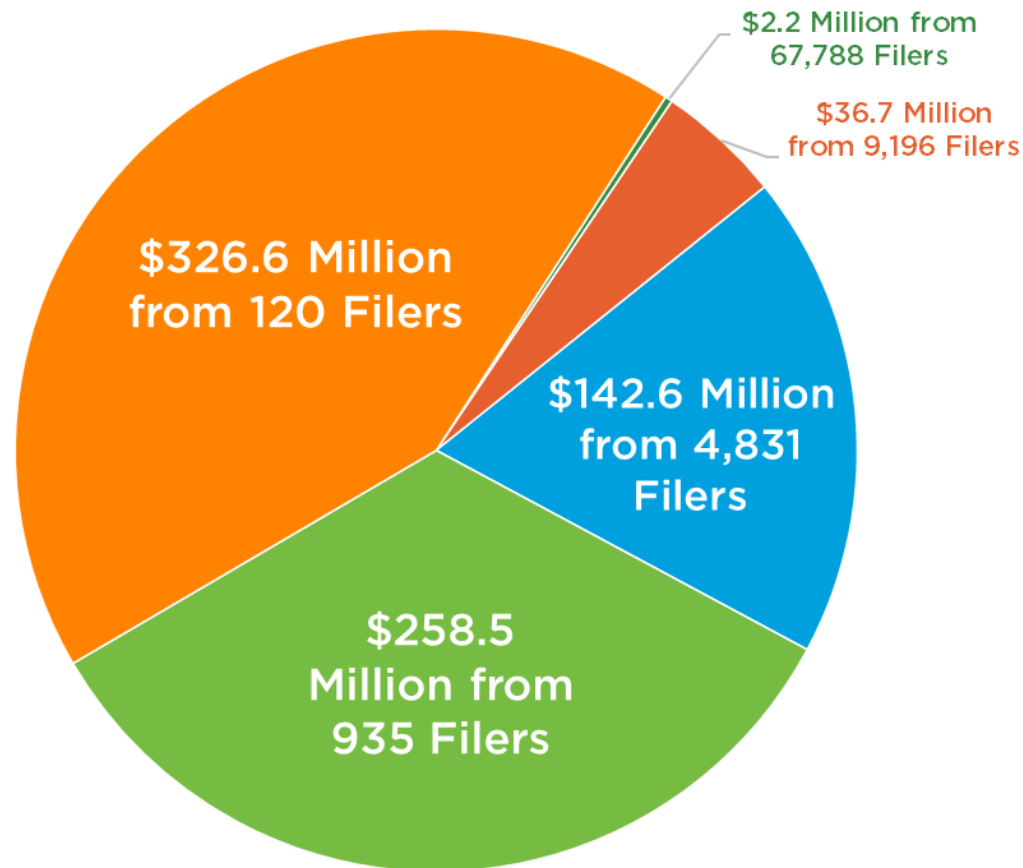
*Corporate Profits Adjusted for Inventory Valuation and Capital Consumption,
Annual Rate, Seasonally Adjusted*



LARGE FILERS KEY TO BPT TAX BASE

NEW HAMPSHIRE BUSINESS PROFITS TAX PAID AND NUMBER OF FILERS

Tax Year 2021

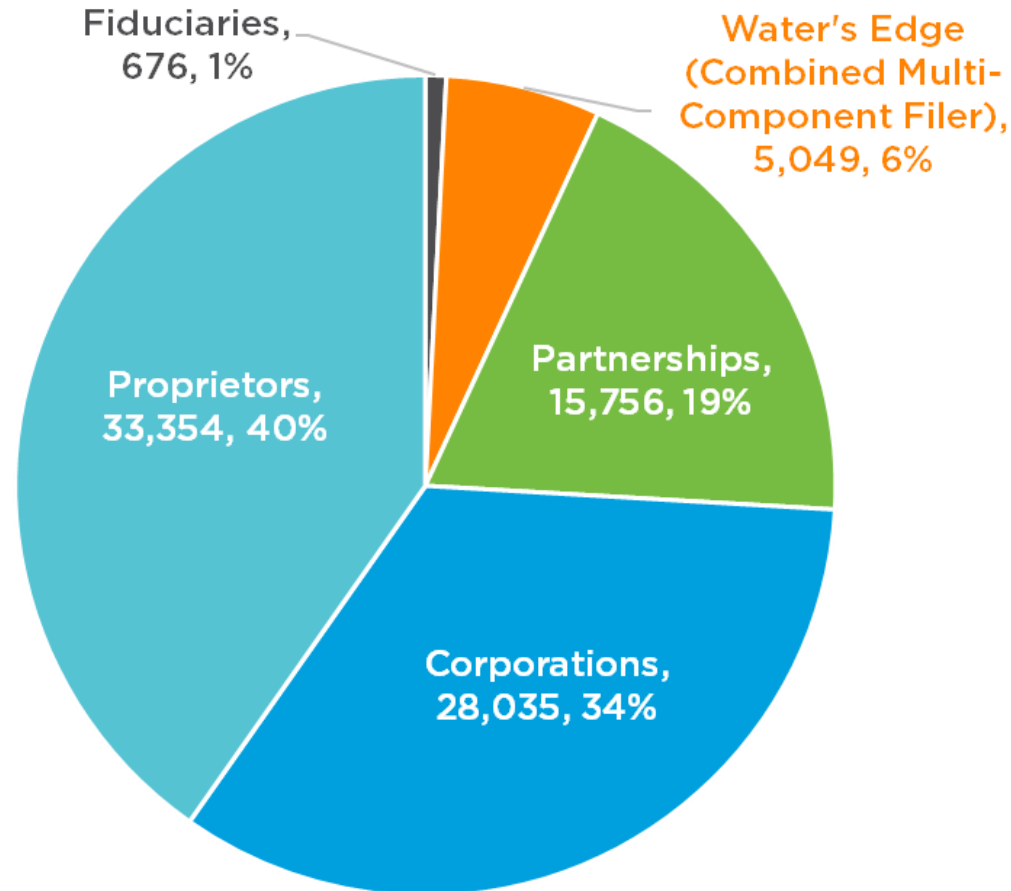


Source: New Hampshire Department of Revenue Administration,
2023 Annual Report

BUSINESS TYPES IN THE BPT BASE

BUSINESS PROFITS TAX FILERS BY TYPE

Tax Year 2021

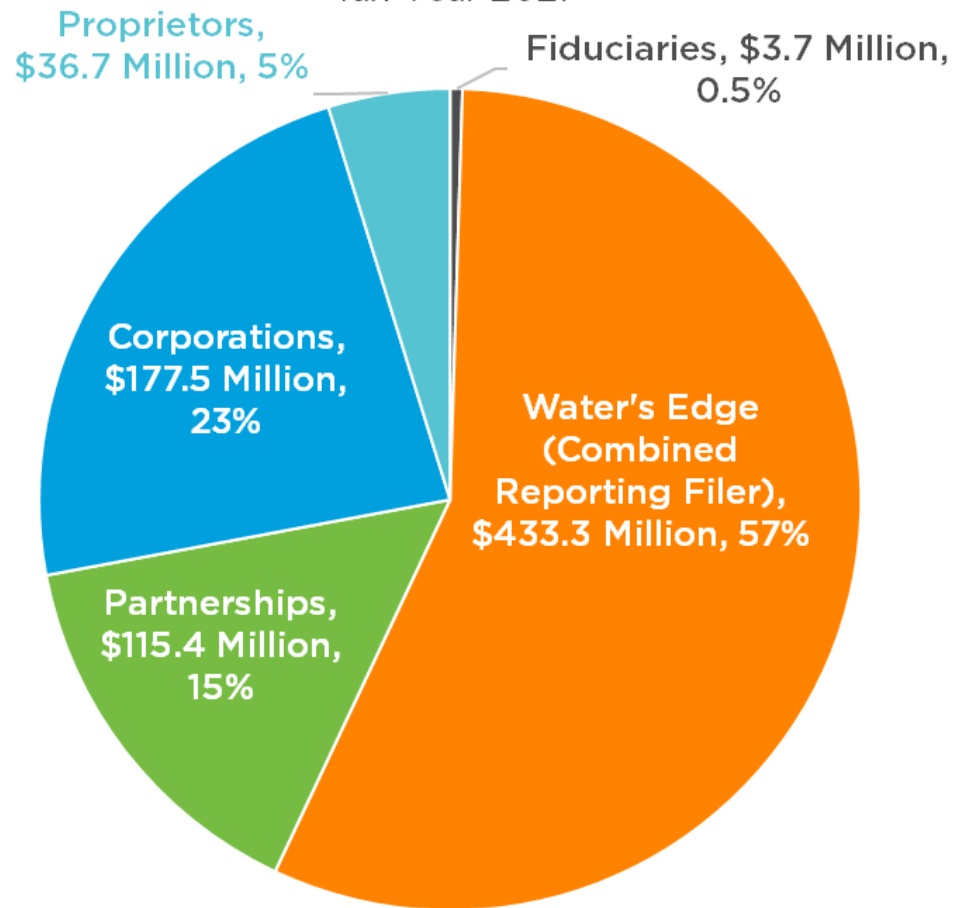


Source: New Hampshire Department of Revenue Administration, 2023 Annual Report

MORE THAN HALF OF BPT REVENUES FROM COMPLEX, COMBINED REPORTING FILERS

BUSINESS PROFITS TAX FILERS BY LIABILITY

Tax Year 2021

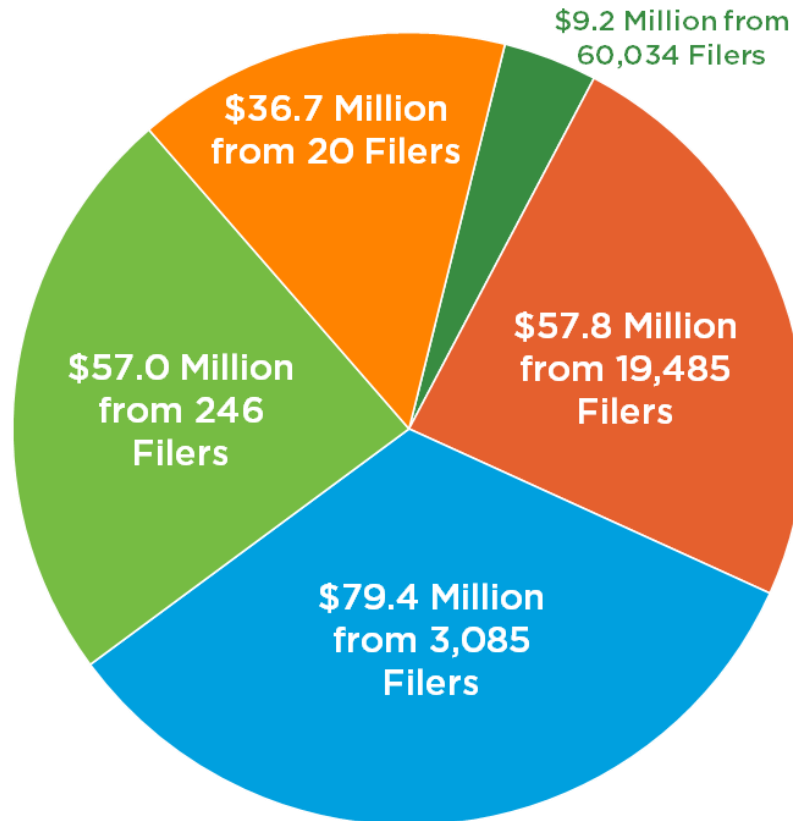


Source: New Hampshire Department of Revenue Administration, 2023 Annual Report

LARGER FILERS IMPORTANT TO BET REVENUES, BUT RELATIVELY BROAD BASE

NEW HAMPSHIRE BUSINESS ENTERPRISE TAX PAID AND NUMBER OF FILERS

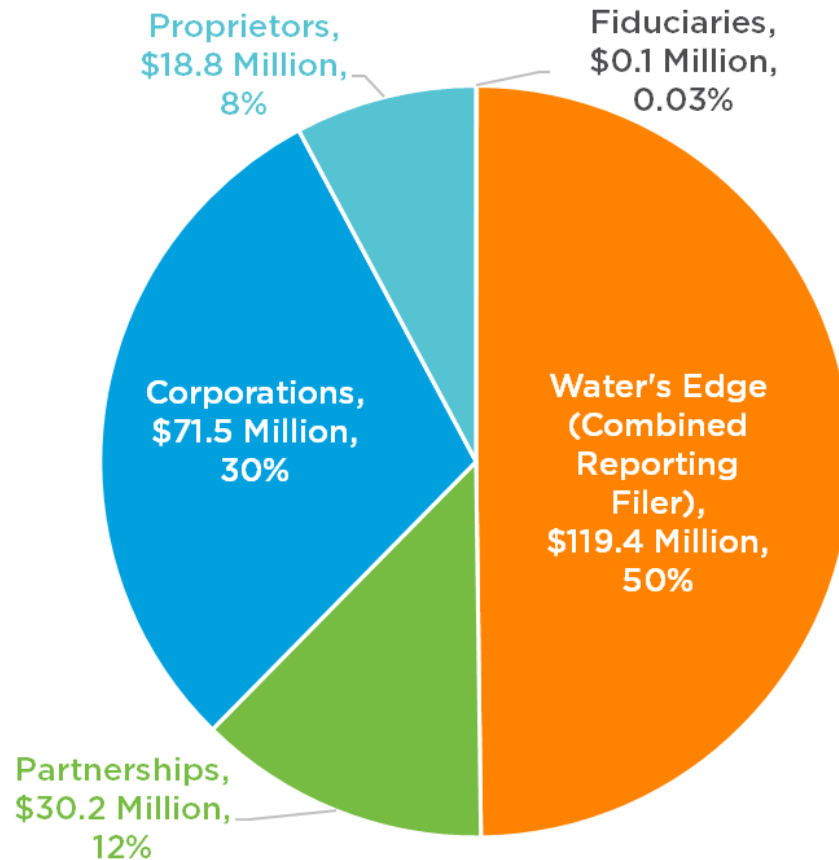
Tax Year 2021



COMPLEX, MULTI-COMPONENT FILERS PAID ABOUT HALF OF BET REVENUE COLLECTED

BUSINESS ENTERPRISE TAX FILERS BY TYPE AND TOTAL REVENUE COLLECTED

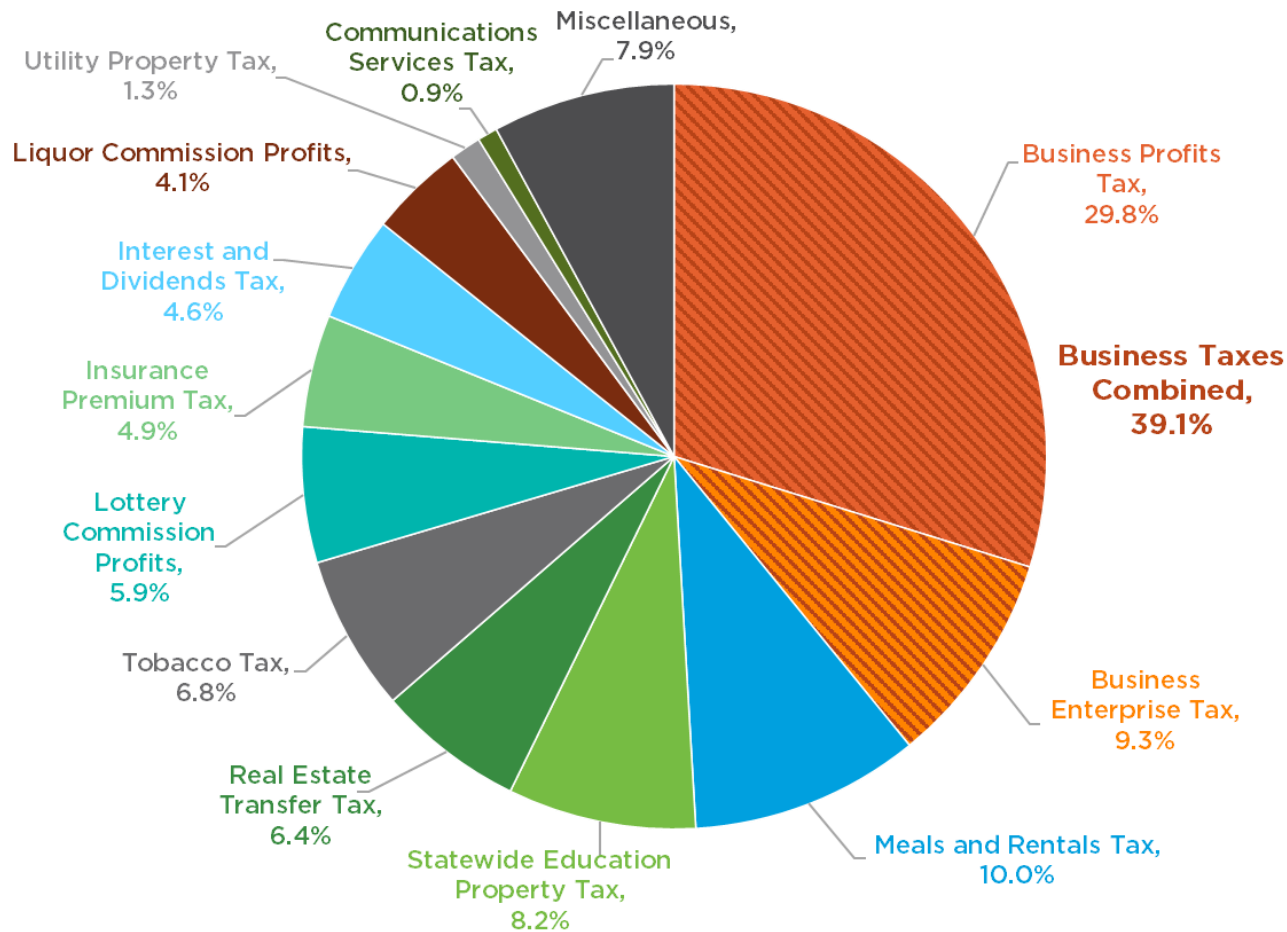
Tax Year 2021



Source: New Hampshire Department of Revenue Administration, 2023 Annual Report

REVIEW: GENERAL AND EDUCATION TRUST FUNDS TRUST FUNDS REVENUE SOURCES

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



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

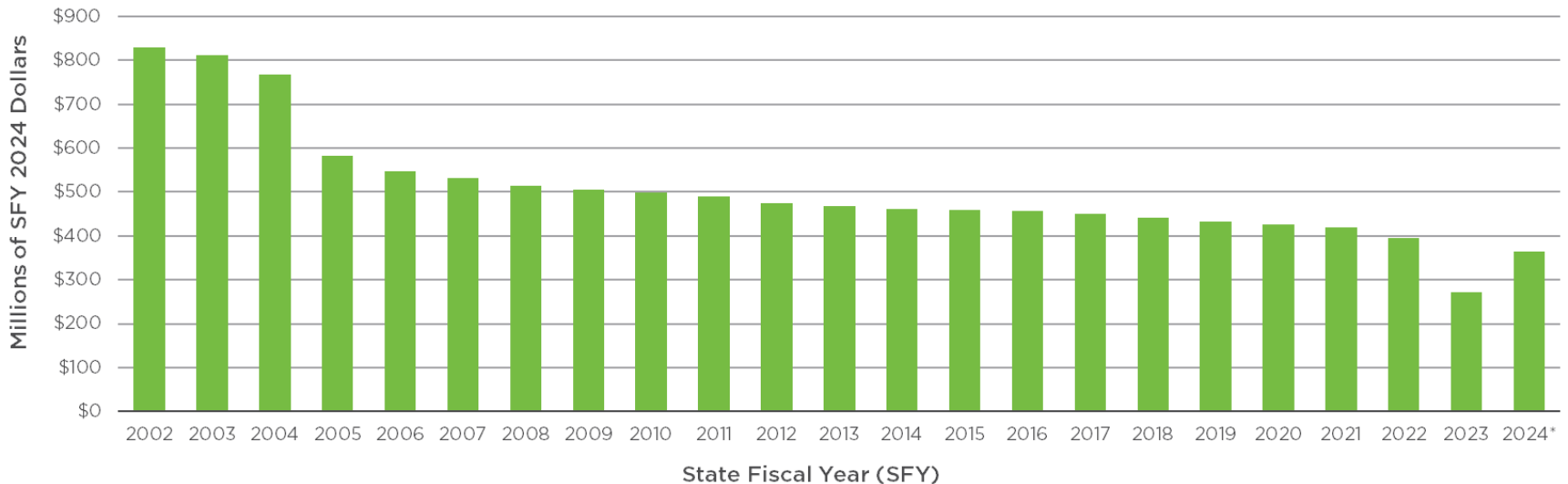
CLASS QUESTION

WHAT DO YOU KNOW ABOUT
THE STATEWIDE EDUCATION
PROPERTY TAX (SWEPT)?

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

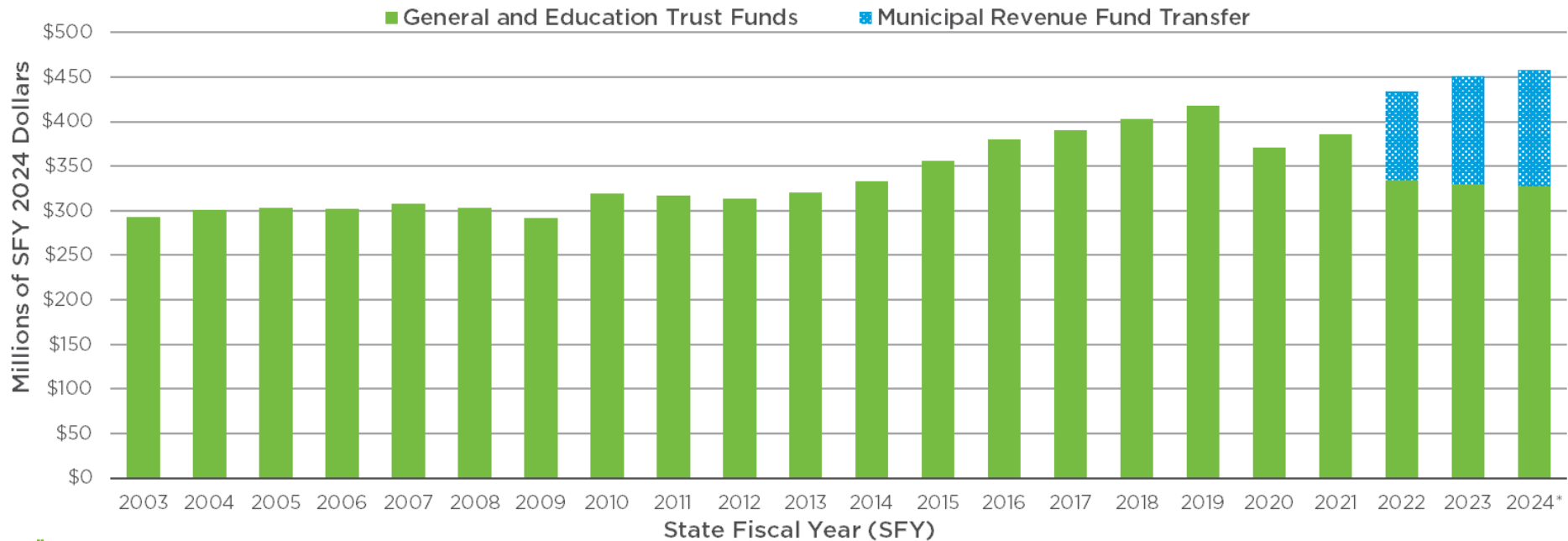
STATEWIDE EDUCATION PROPERTY TAX
NEW HAMPSHIRE EDUCATION TRUST FUND INFLATION-ADJUSTED REVENUE



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)

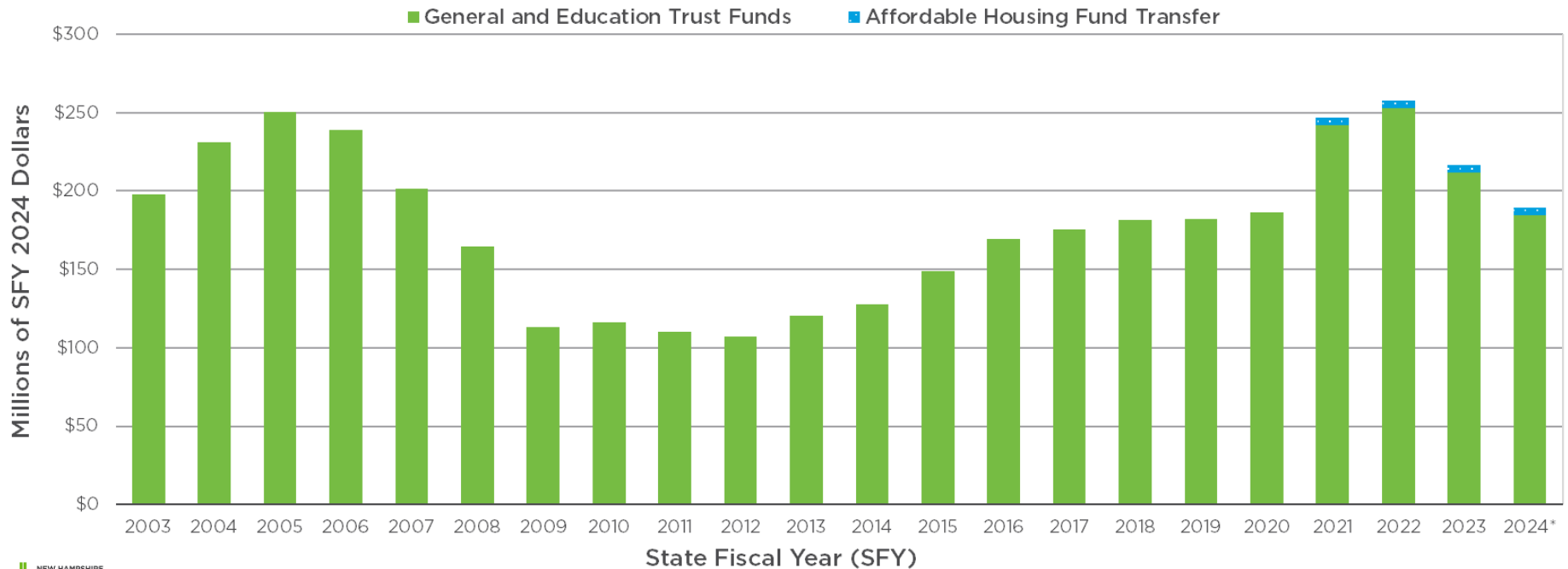
**NEW HAMPSHIRE MEALS AND RENTALS TAX
INFLATION-ADJUSTED REVENUE**



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 Education Trust Fund, rest to General Fund, with \$5 million each year to the Affordable Housing Fund

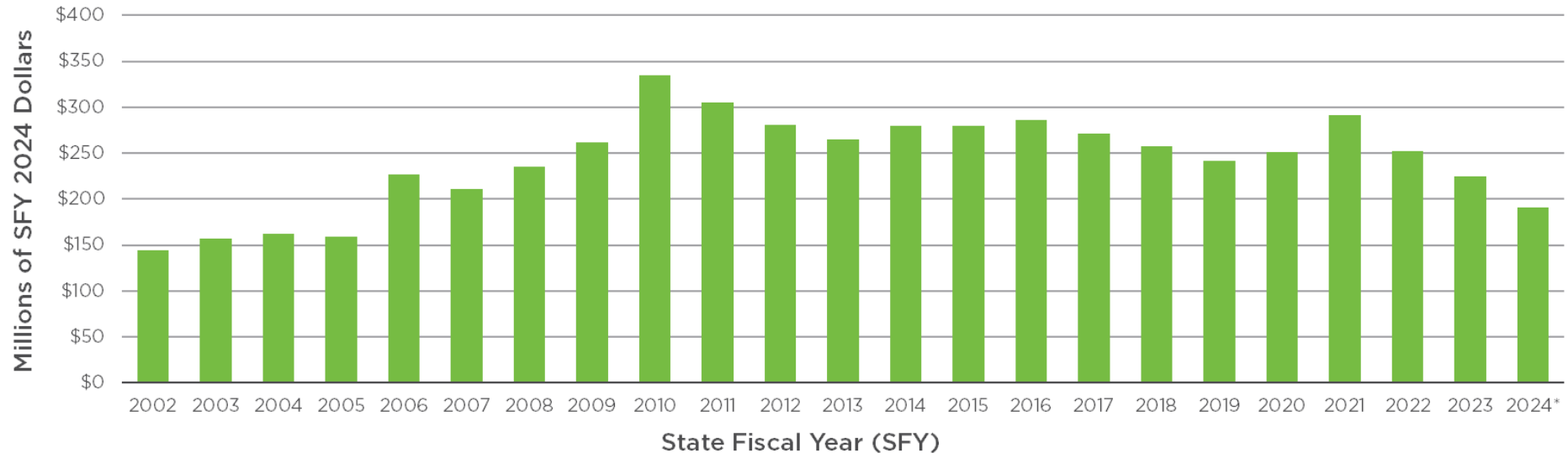
NEW HAMPSHIRE REAL ESTATE TRANSFER TAX
INFLATION-ADJUSTED REVENUE



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



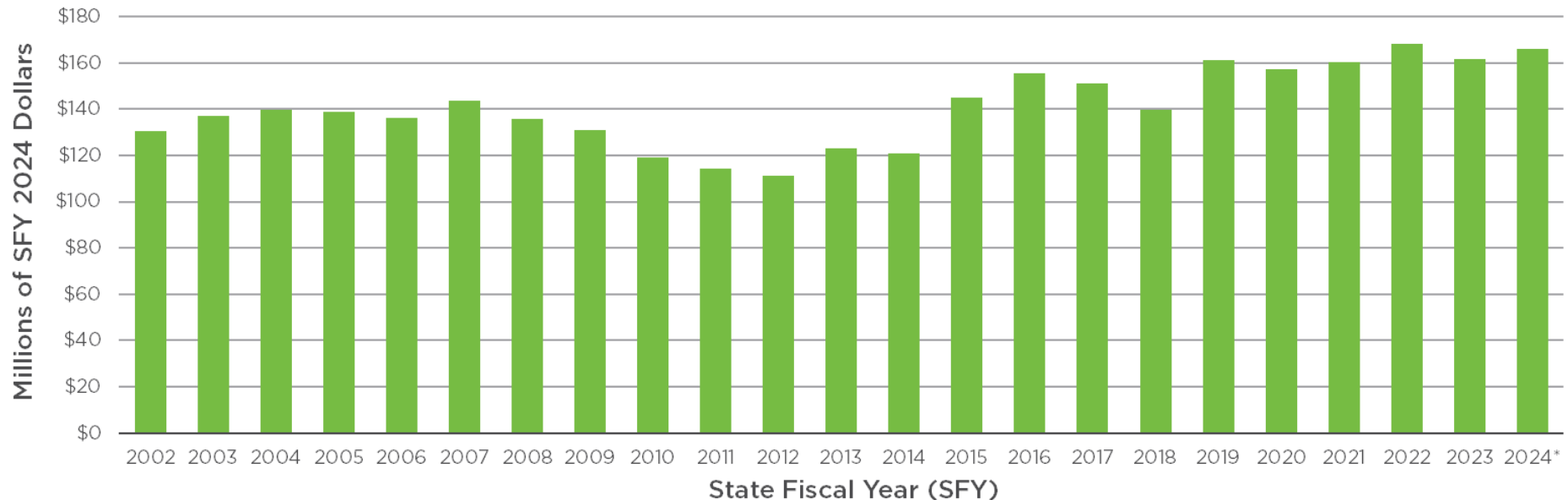
*Note: Preliminary data based on unaudited cash receipts.

Sources: New Hampshire Annual Comprehensive Financial Reports; Department of Administrative Services Monthly Revenue Focus, June SFY 2024; 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



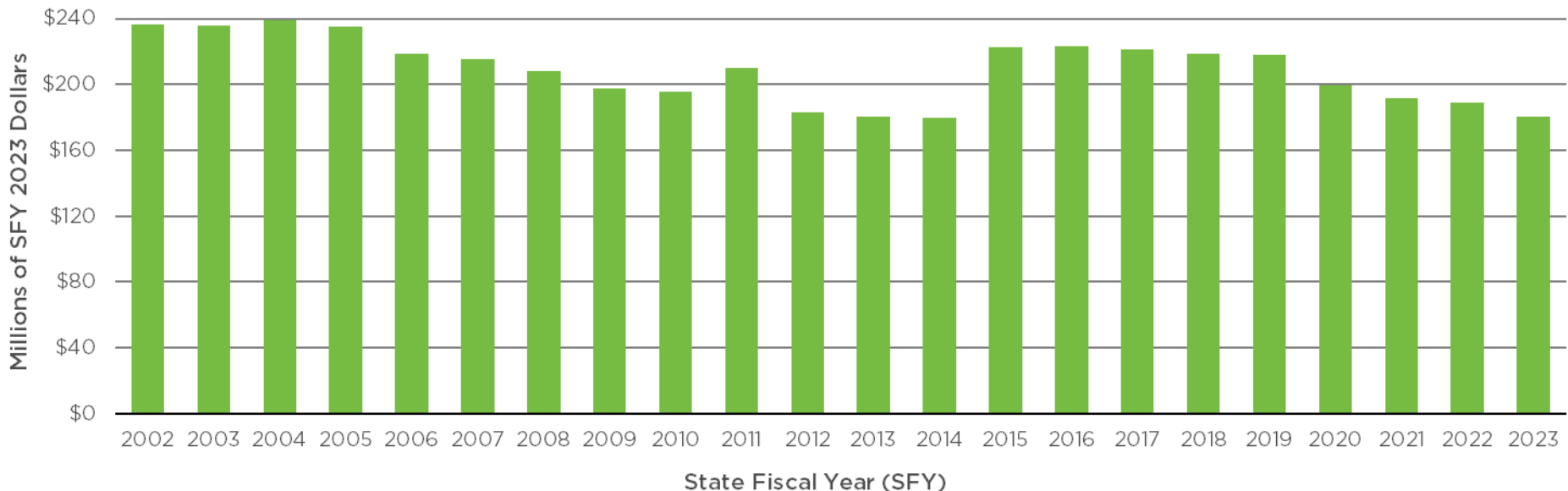
*Note: Preliminary data based on unaudited cash receipts.

Sources: New Hampshire Annual Comprehensive Financial Reports; Department of Administrative Services Monthly Revenue Focus, June SFY 2024; 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 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

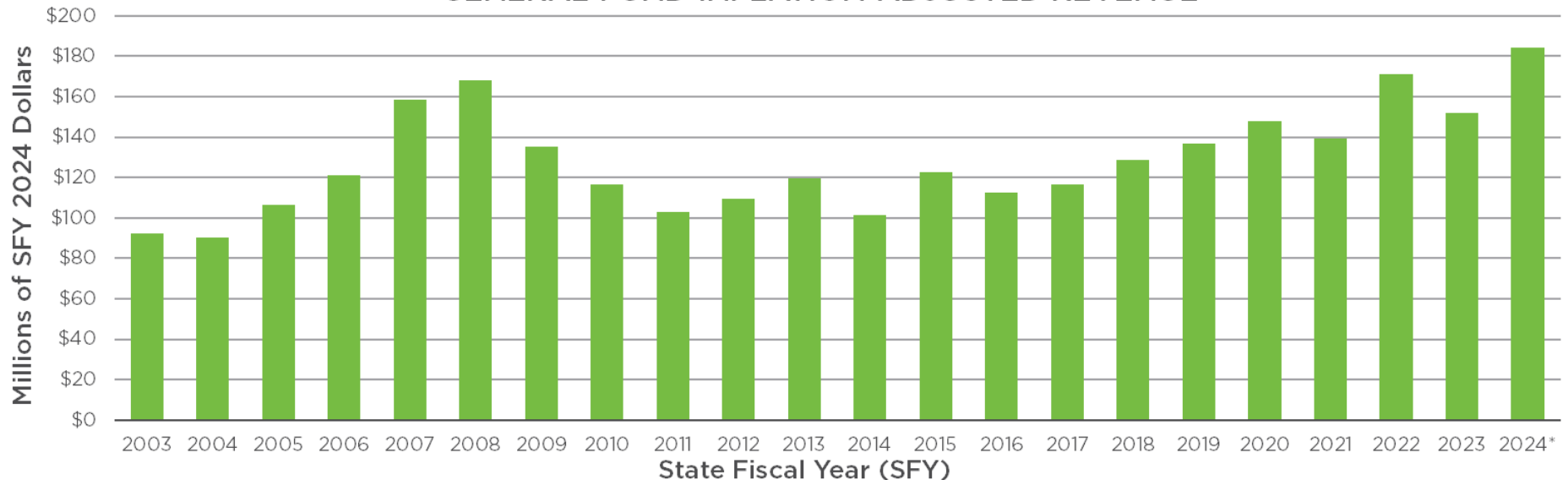


Sources: New Hampshire Annual Comprehensive Financial Reports; U.S. Bureau of Labor Statistics, Consumer Price Index-Urban, Northeast

INTEREST AND DIVIDENDS TAX

- 3 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.

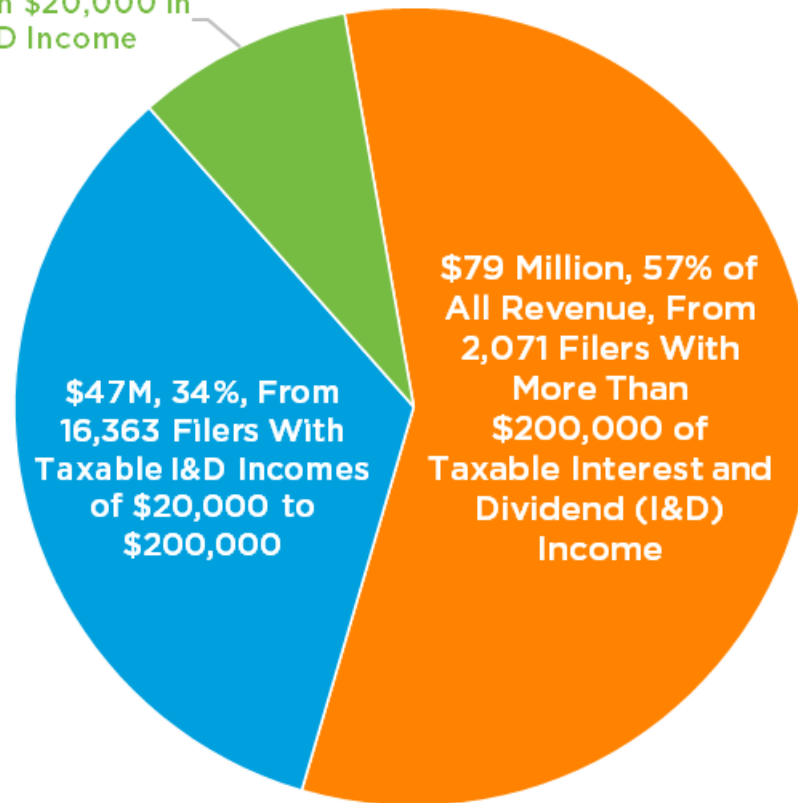
Sources: New Hampshire Annual Comprehensive Financial Reports; Department of Administrative Services Monthly Revenue Focus, June SFY 2024; U.S. Bureau of Labor Statistics, CPI-U, Northeast

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 2021, Only Taxable Interest, Dividend, and Distribution Income Included

\$12M, 9%, From 52,825 Filers
With Less Than \$20,000 in
Taxable I&D Income



SIGNIFICANT WEALTH OFTEN 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 2021 WITH A 5 PERCENT TAX RATE

Interest and Dividends Tax Paid (After Any Exemptions, Assumed \$2,400 in Wealth Estimate Calculations)	Taxable Interest and Dividend Income	Wealth Amount Generating Income with 12 Percent Annual Return	Wealth Amount Generating Income with 5 Percent Annual Return	Wealth Amount Generating Income with 1.24 Percent Annual Return (S&P 500 2021 Dividend Average)
\$250,000	\$5,000,000	\$41,686,667	\$100,048,000	\$403,419,355
\$100,000	\$2,000,000	\$16,686,667	\$40,048,000	\$161,483,871
\$50,000	\$1,000,000	\$8,353,333	\$20,048,000	\$80,838,710
\$10,000	\$200,000	\$1,686,667	\$4,048,000	\$16,322,581
\$1,000	\$20,000	\$186,667	\$448,000	\$1,806,452
\$500	\$10,000	\$103,333	\$248,000	\$1,000,000
\$1	\$20	\$20,167	\$48,400	\$195,161
\$0*	\$0*	Up To \$20,000	Up To \$48,000	Up To \$193,548

*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, 2023 Annual Report; New York University Professor Aswath Damodaran, Damodaran Online, accessed January 2024

OTHER KEY STATE TAXES

Medicaid Enhancement Tax

- 5.4 percent of charges hospitals make for services
- \$301.9 million in SFY 2023, leverages federal dollars
- Revenues to Uncompensated Care and Medicaid Fund

Utility Property Tax

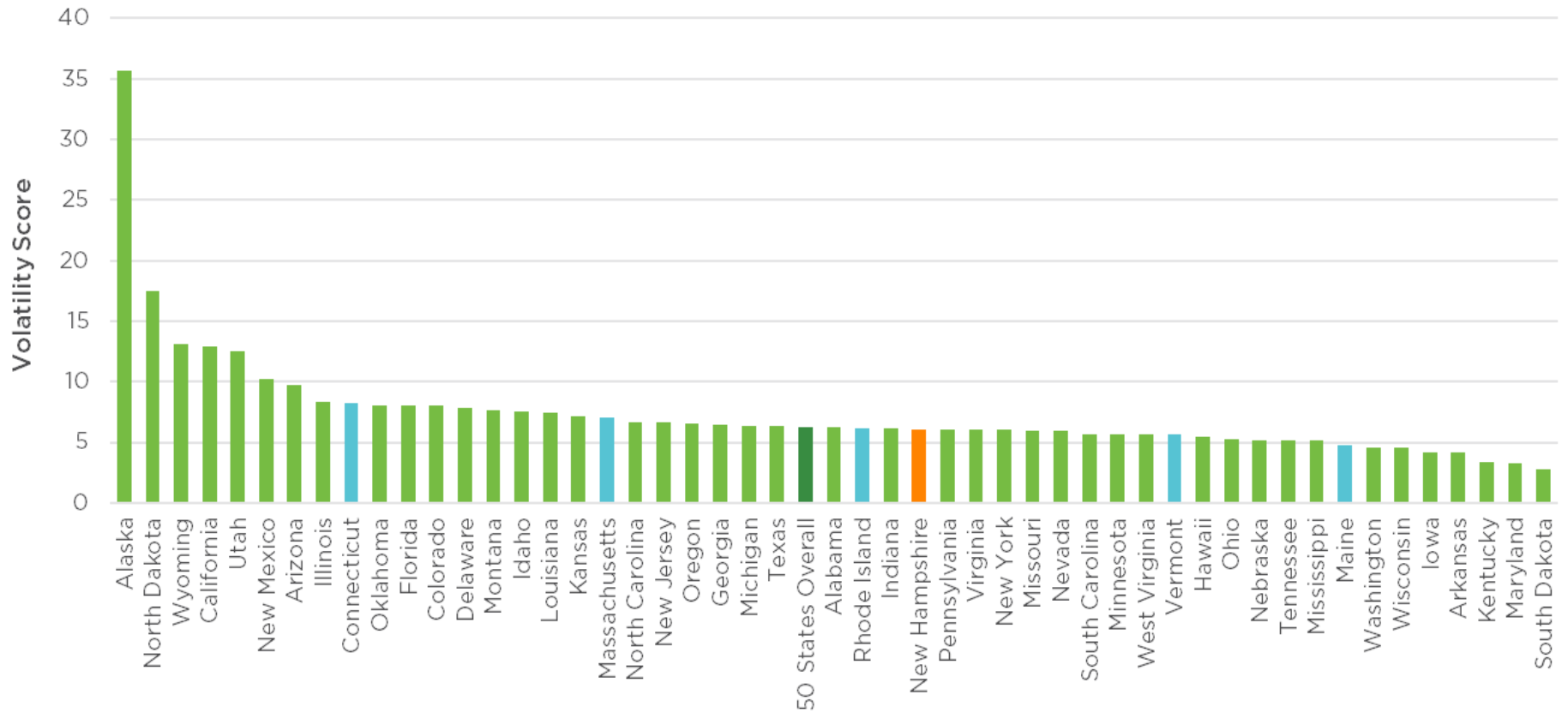
- \$6.60 per \$1,000 levied on machinery, real estate, structures for commercial electricity, natural gas, or petroleum distribution, and certain water and sewer infrastructure
- Relatively stable revenue source, \$42.9 million in SFY 2023

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, \$28.1 million in SFY 2023

NEW HAMPSHIRE TAX REVENUES SLIGHTLY BELOW AVERAGE VOLATILITY

STATE TAX REVENUE VOLATILITY, FISCAL YEARS 2002-2021



Geography

Source: The Pew Charitable Trusts, State Tax Revenue Uncertainties Climb Amid the Pandemic, January 19, 2023

DISCUSSION QUESTIONS

WHAT ARE THE CONSEQUENCES
OF REVENUE VOLATILITY?

HOW DO YOU EXPERIENCE, OR
ADJUST FOR, REVENUE
VOLATILITY IN YOUR
JURISDICTION?

CLASS QUESTION

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

LARGEST NON-TAX REVENUE SOURCES

To All Funds (State Fiscal Year 2023)

- Federal Grants - \$3,791.9 million
(includes federal transfers to the State's Governmental and Enterprise Funds)
- Liquor Commission Sales and Services - \$746.1 million
(\$165.0 million in operating profits for other State uses)
- Lottery Commission Revenues - \$603.8 million
(\$189.5 million in profits for Education Trust Fund)
- Turnpike Tolling - \$142.6 million
- Unemployment Compensation Fund - \$78.2 million

Sources: New Hampshire Annual Comprehensive Financial Report for the Fiscal Year Ending June 30, 2023; New Hampshire Liquor Commission 2023 Annual Comprehensive Financial Report; New Hampshire Lottery Commission Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2023.

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
- Funds its own operations, the Alcohol Abuse Prevention and Treatment Fund, non-federal share of 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

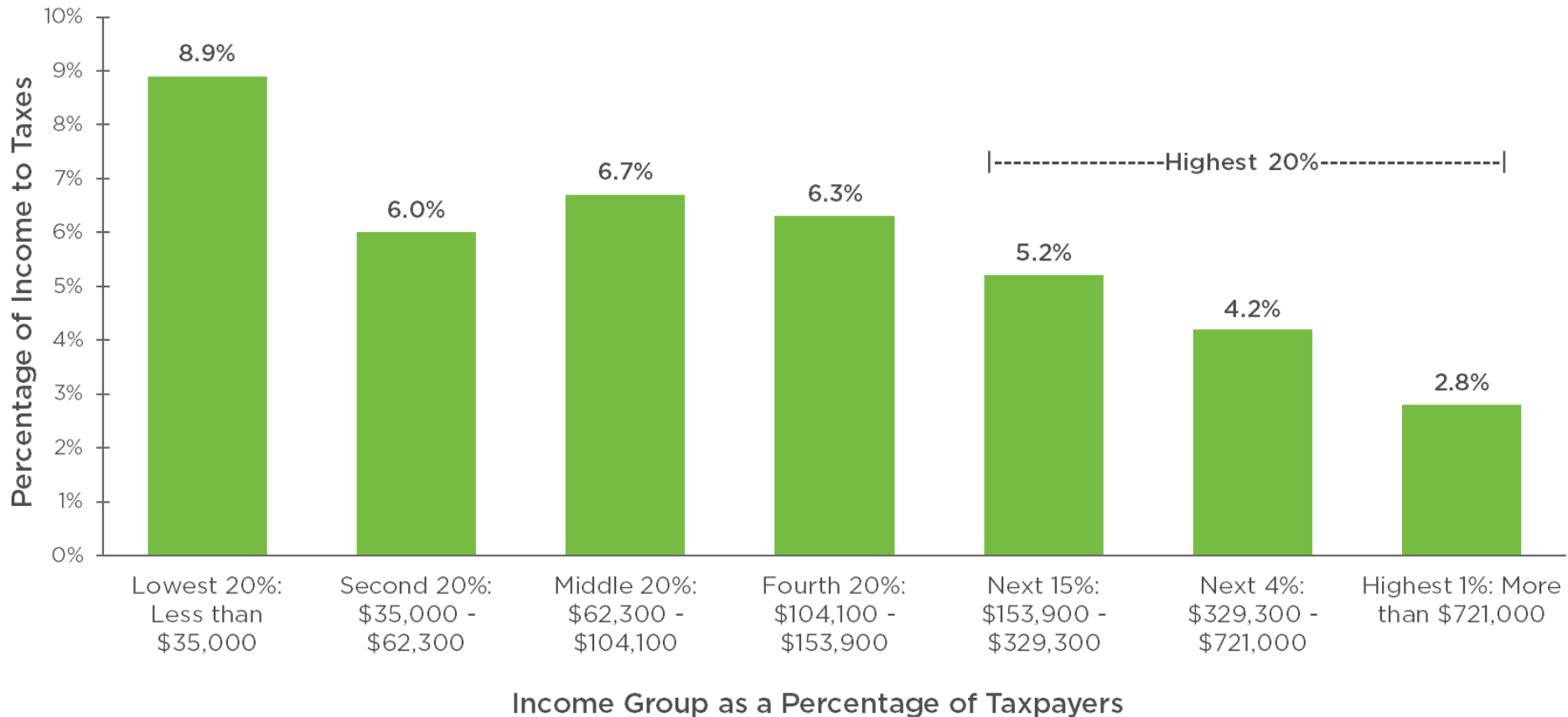
STATE REVENUE SYSTEM: STRENGTHS AND WEAKNESSES

- 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

EFFECTIVE STATE AND LOCAL TAX RATE HIGHER FOR LOWER-INCOME HOUSEHOLDS

STATE AND LOCAL TAXES AS A SHARE OF NEW HAMPSHIRE FAMILY INCOME

*Effective Tax Rate as a Share of Income by Income Group, 2024 Tax Laws Based on 2023 Income Levels**



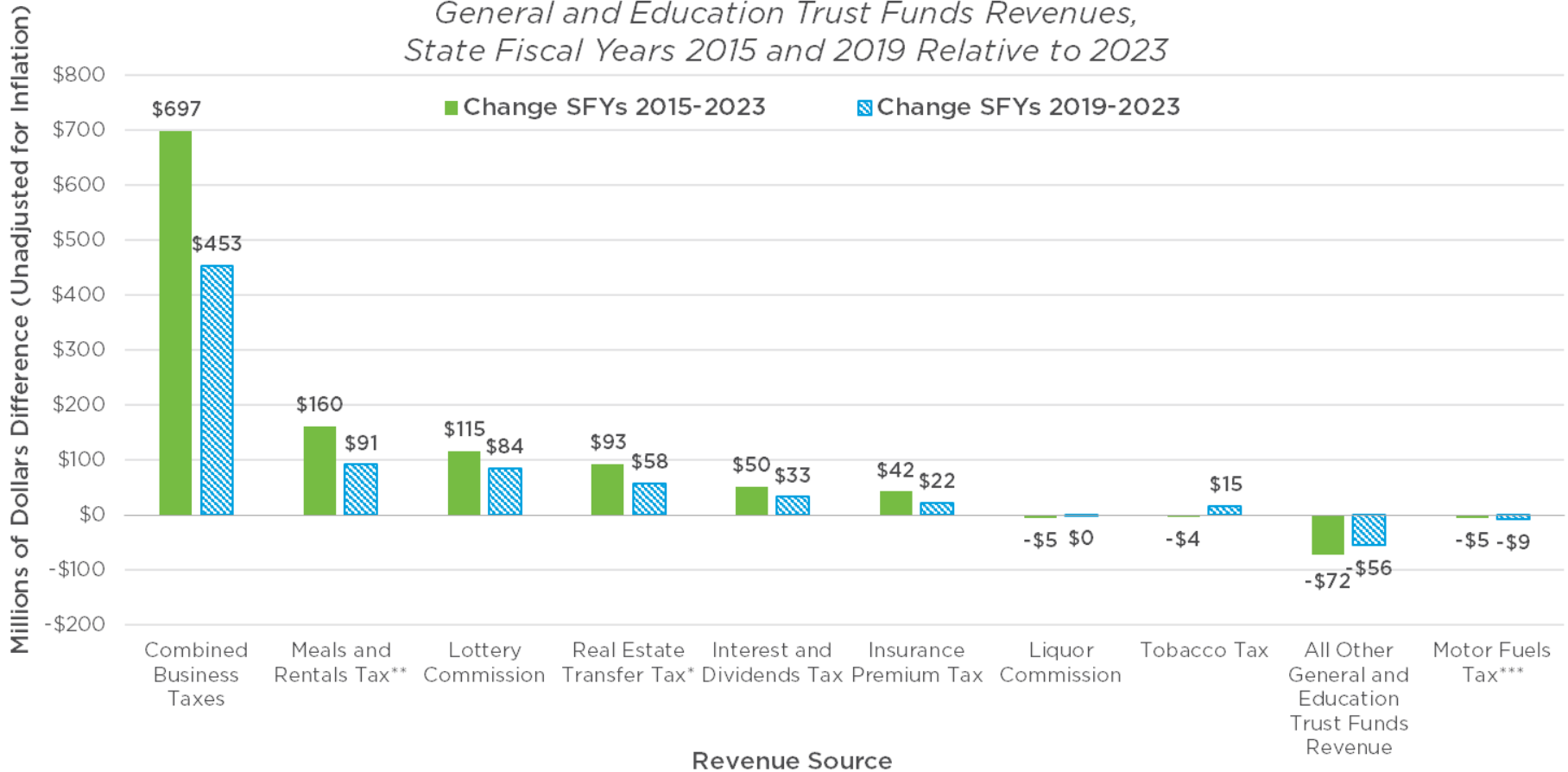
*Note: Does not include taxpayers who are age 65 and older or tax units with negative incomes. Dependent filers are included with claiming filer.
Source: Institute on Taxation and Economic Policy, *Who Pays?* Seventh Edition, January 2024

CURRENT STATUS OF KEY STATE REVENUES

COMBINED BUSINESS TAXES, MEALS AND RENTALS TAXES LED LONG-TERM GROWTH

DIFFERENCES IN REVENUE BY SOURCE

General and Education Trust Funds Revenues,
State Fiscal Years 2015 and 2019 Relative to 2023



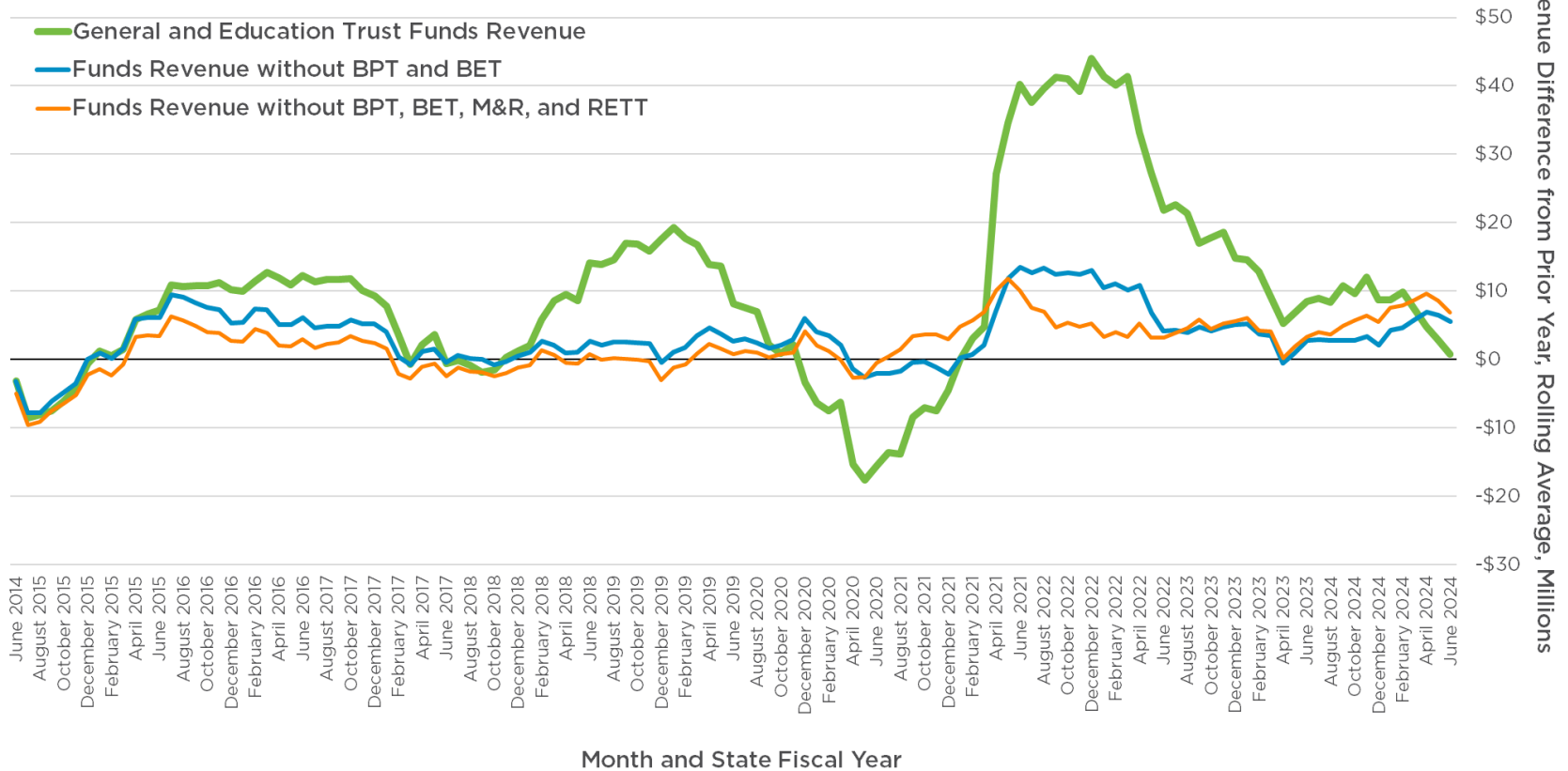
Notes: *Includes \$5M annual transfer to Affordable Housing Fund, starting SFY 2021. **Includes Municipal Revenue Fund transfer, starting SFY 2022. ***Not a General or Education Trust Funds revenue source.

Sources: New Hampshire Annual Comprehensive Financial Reports, SFYs 2015, 2016, 2017, 2019, 2022, and 2023; New Hampshire Department of Revenue Administration, 2023 Annual Report

REVENUE GROWTH MUCH LOWER AFTER BURST FOLLOWING PANDEMIC'S START

DIFFERENCES OVER TIME IN NEW HAMPSHIRE GENERAL AND EDUCATION TRUST FUNDS MONTHLY CASH RECEIPTS

Twelve-Month Rolling Averages of Monthly Cash Receipts to the General and Education Trust Funds Relative to Prior Year from All Sources Without Statewide Education Property Tax; Less Business Profits and Business Enterprise Taxes; and Less Business, Meals and Rentals, and Real Estate Transfer Taxes

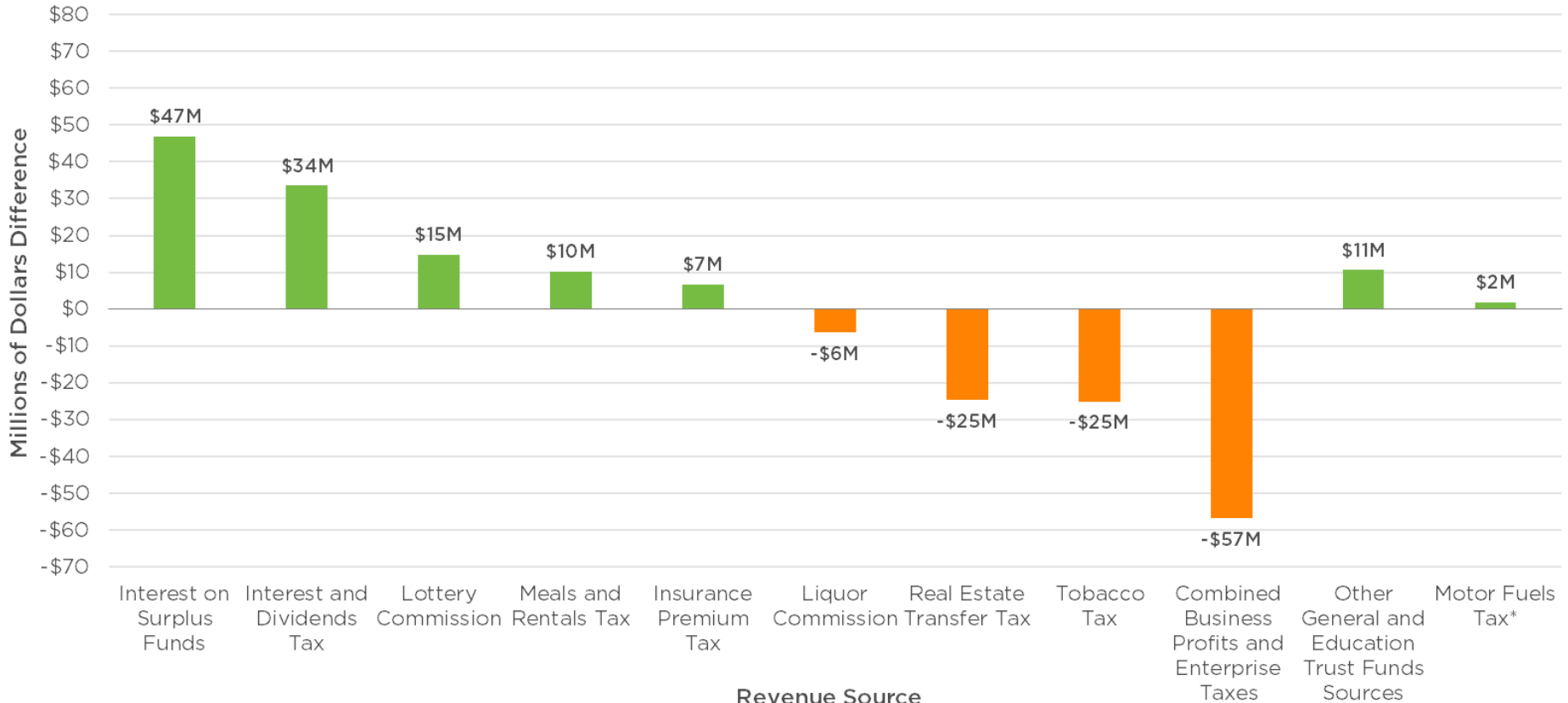


Note: Medicaid Enhancement Tax excluded from historical data. Statewide Education Property Tax excluded due to tax targeting a certain amount collected.
Sources: New Hampshire Department of Administrative Services, Monthly Revenue Focus Reports

COMBINED BUSINESS TAX AND REAL ESTATE TRANSFER TAX REVENUES DOWN

DIFFERENCES FROM LAST YEAR'S REVENUE BY SOURCE

General and Education Trust Funds Revenues Excluding Statewide Education Property Tax, New Hampshire State Fiscal Year 2024 Relative to State Fiscal Year 2023, Cash Basis

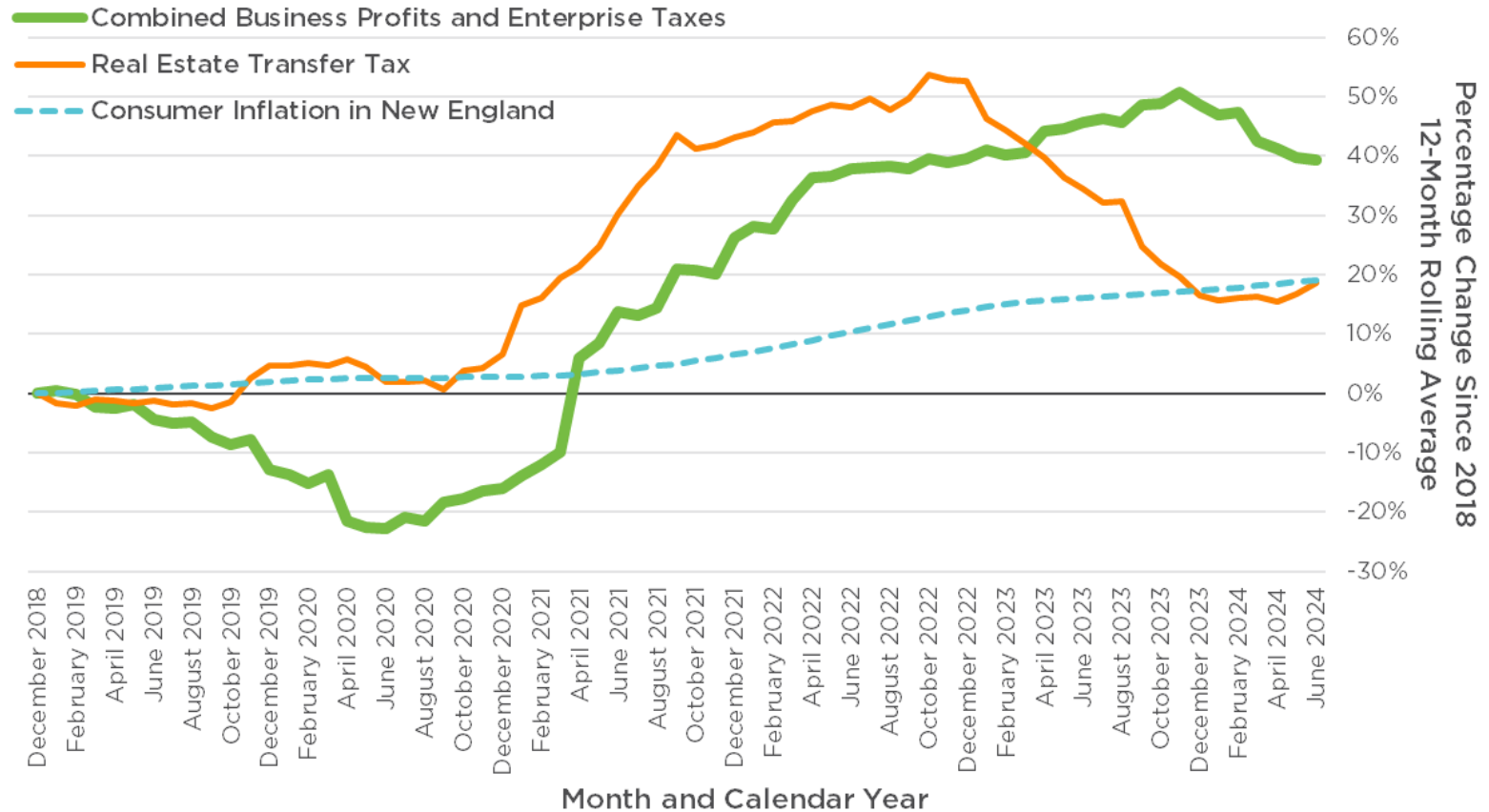


*Note: Motor Fuels Tax is not a General or Education Trust Funds revenue source.
Sources: New Hampshire Department of Administrative Services, Monthly Revenue Focus, June FY 2024

KEY REVENUE SOURCES BELOW THEIR RECENT HIGH POINTS

PERCENTAGE CHANGE IN MONTHLY CASH RECEIPTS FROM KEY NEW HAMPSHIRE TAXES AND COMPARISON TO INFLATION

12-Month Rolling Average Relative to Calendar Year 2018



Note: Inflation measure is the Consumer Price Index-Urban for New England consumers.

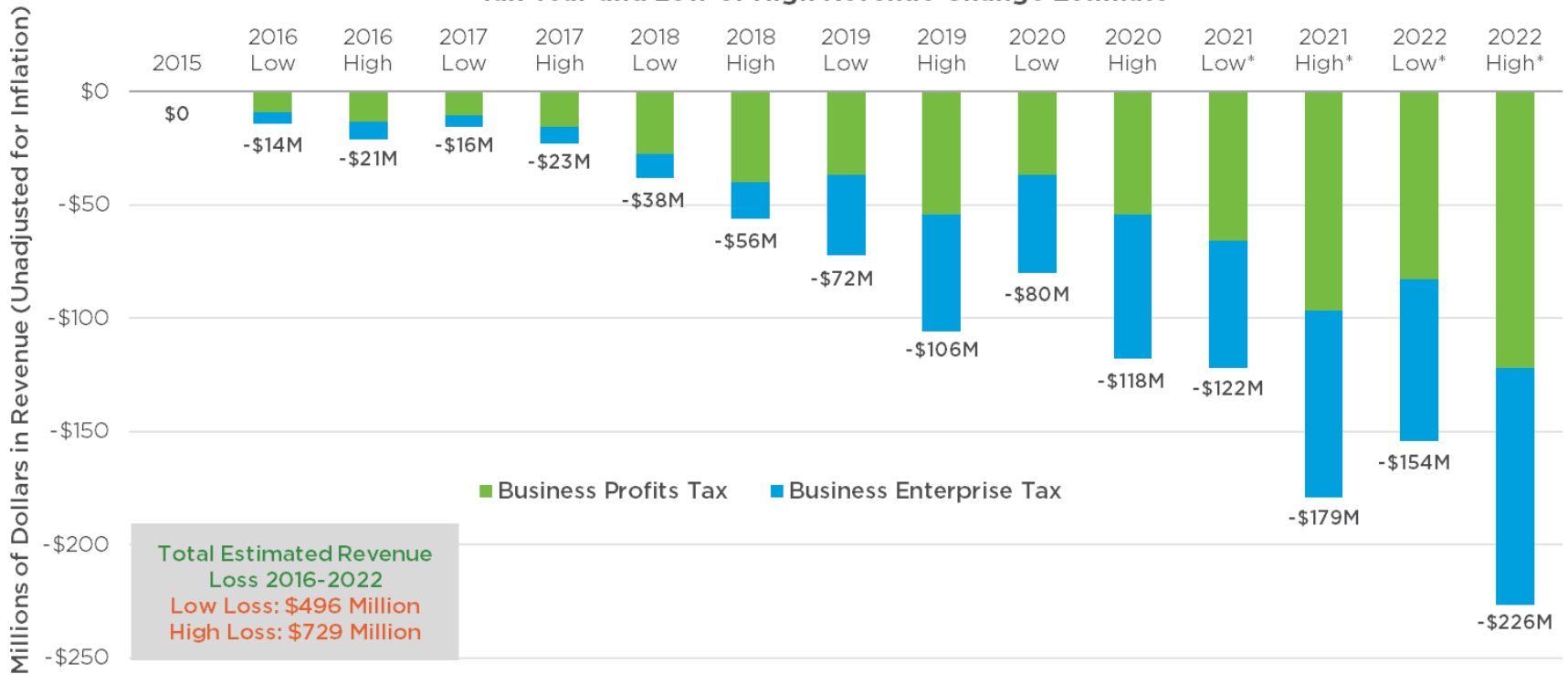
Sources: New Hampshire Department of Administrative Services, Monthly Revenue Focus Reports; U.S. Bureau of Labor Statistics

RECENT TAX CHANGES HAVE REDUCED AMOUNT OF REVENUE THE STATE COLLECTS

ESTIMATED REVENUE CHANGES ASSOCIATED WITH BUSINESS PROFITS TAX AND BUSINESS ENTERPRISE TAX RATE CHANGES SINCE TAX YEAR 2015

Low and High Revenue Loss Estimates Based on Research Indicating Varying Economic Responses to State Corporate Tax Rate Changes, Recouping 0% and 32% of Lost Revenues

Tax Year and Low or High Revenue Change Estimate



Note: *Tax Years 2021 and 2022 tax bases derived from available information and projections. Tax Years 2015 through 2020 based on Tax Year data reported by the New Hampshire Department of Revenue Administration. Revenue changes only include estimated effects of tax rate changes, not including policy changes impacting the scope of the tax base (such as filing threshold adjustments or changes to apportionment).

For data sources, methodology, and supporting research, see NHFPI's August 2023 Issue Brief, State Business Tax Rate Reductions Led to Between \$496 Million and \$729 Million Less for Public Services.

KEY POTENTIAL COSTS, REVENUE CHALLENGES IN NEXT STATE BUDGET

- Key one-time federal aid associated with legislation enacted in response to the COVID-19 pandemic expiring
- State's current cash holdings generate revenue from interest that is likely not going to continue for multiple years into the future
- Interest and Dividends Tax repeal, eliminating revenue source that generated \$184.1 million in cash-basis revenue during SFY 2024
- Lawsuits and legal settlements related to reported abuses at the Youth Development Center and State-contracted juvenile services
- Potential new expenditures needed in response to education funding lawsuits and any subsequent education funding changes
- Funding a new State prison for men
- Rising costs of public services overall to support existing expenditures in \$15.17 billion State Budget

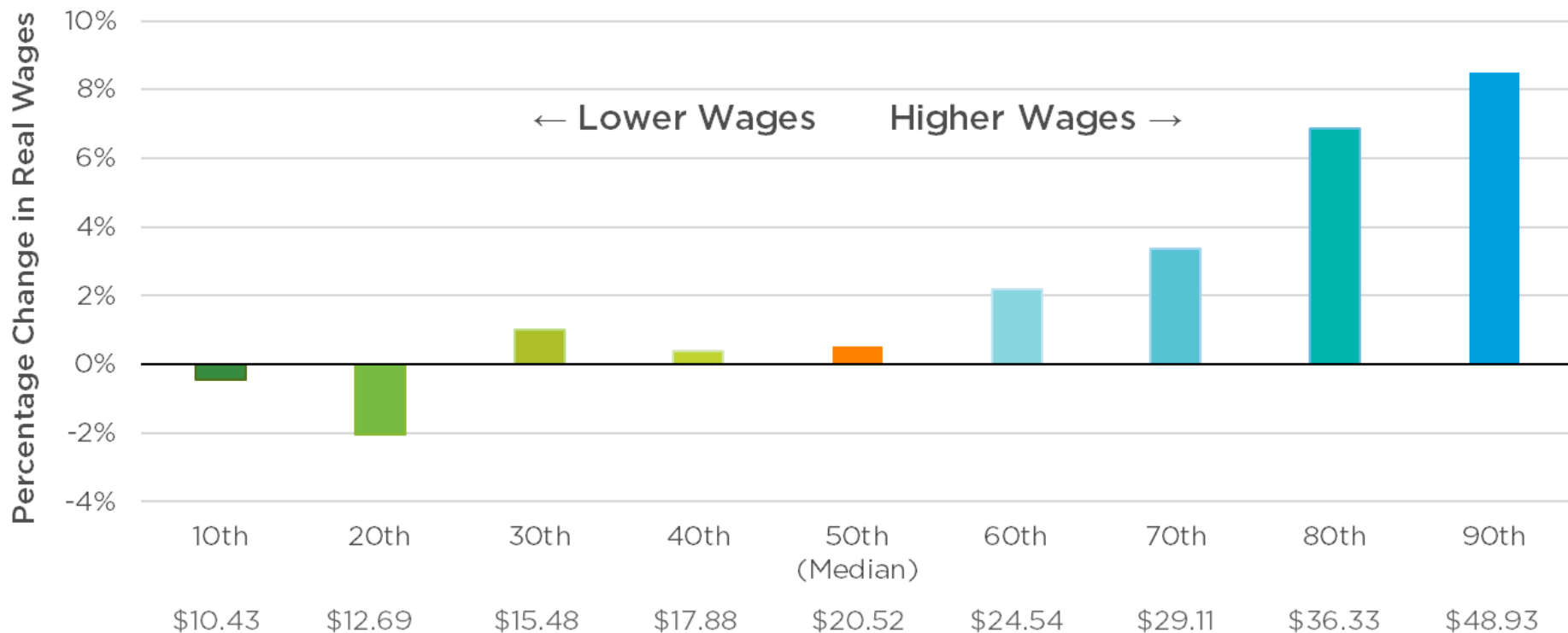
DISCUSSION QUESTION

WHAT UPCOMING BUDGET
CHALLENGES DO YOU SEE IN
YOUR JURISDICTION?

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



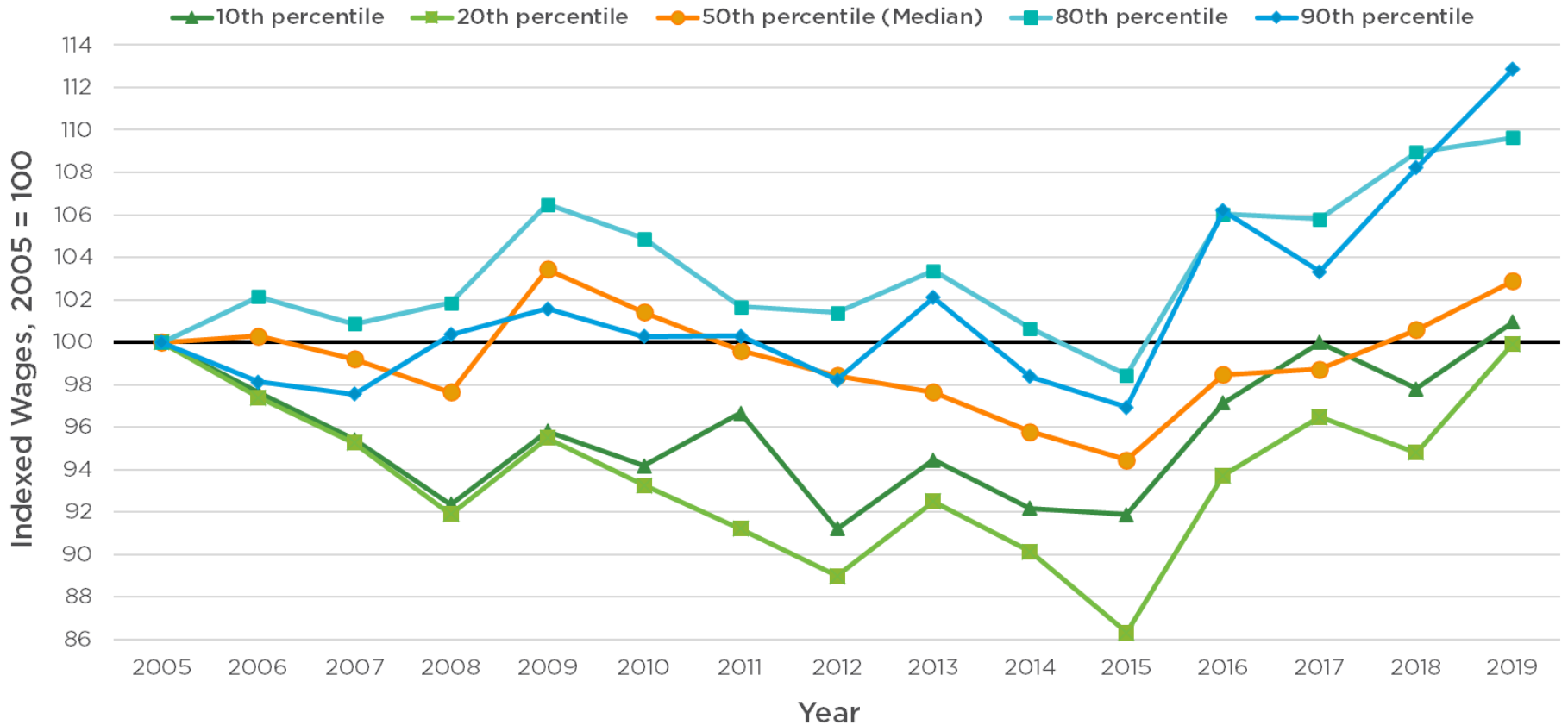
Relative Wage Percentiles and Corresponding 2017-2019 Hourly Wage Estimates

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

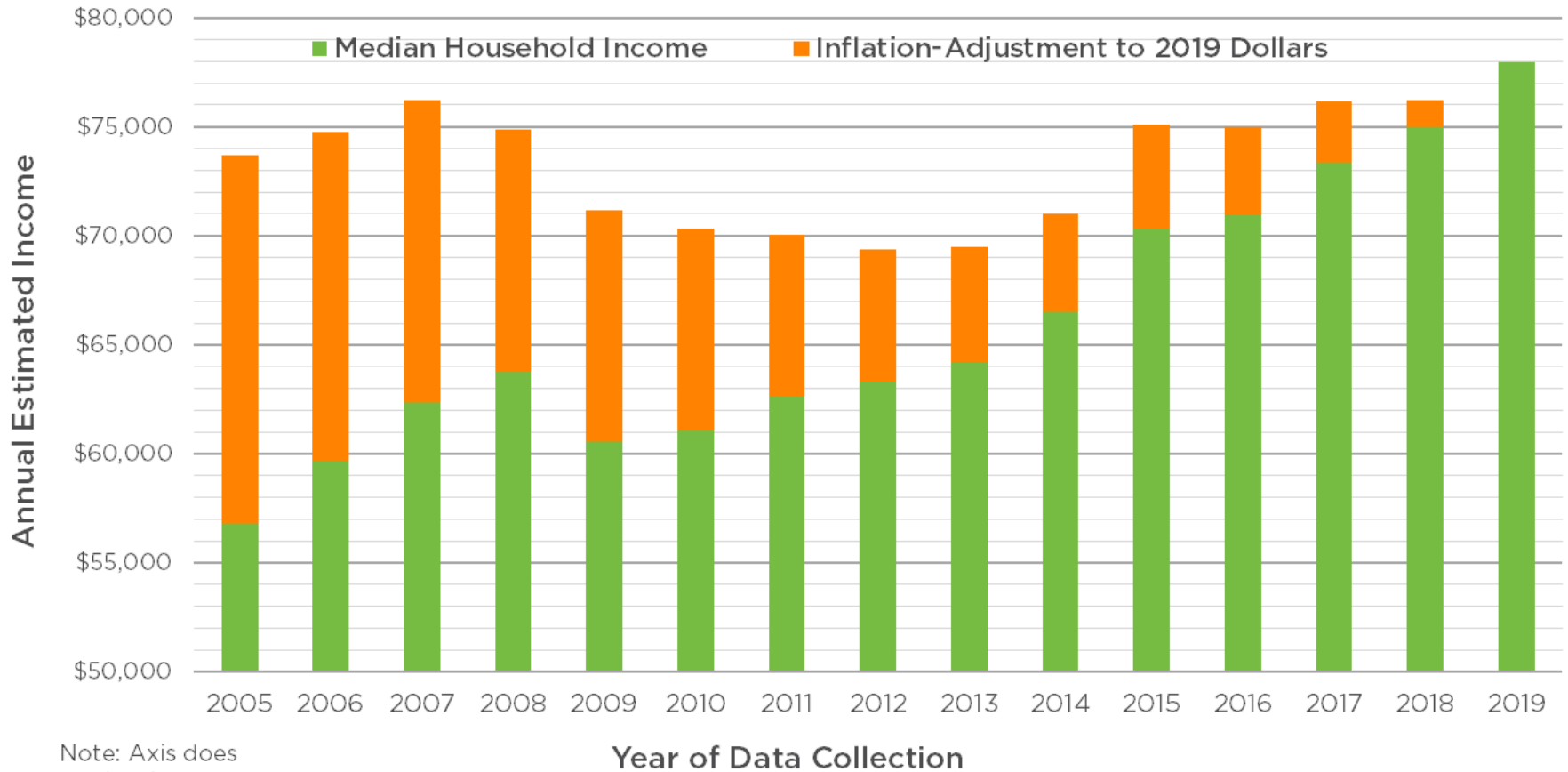
INFLATION-ADJUSTED WAGES IN NEW HAMPSHIRE



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



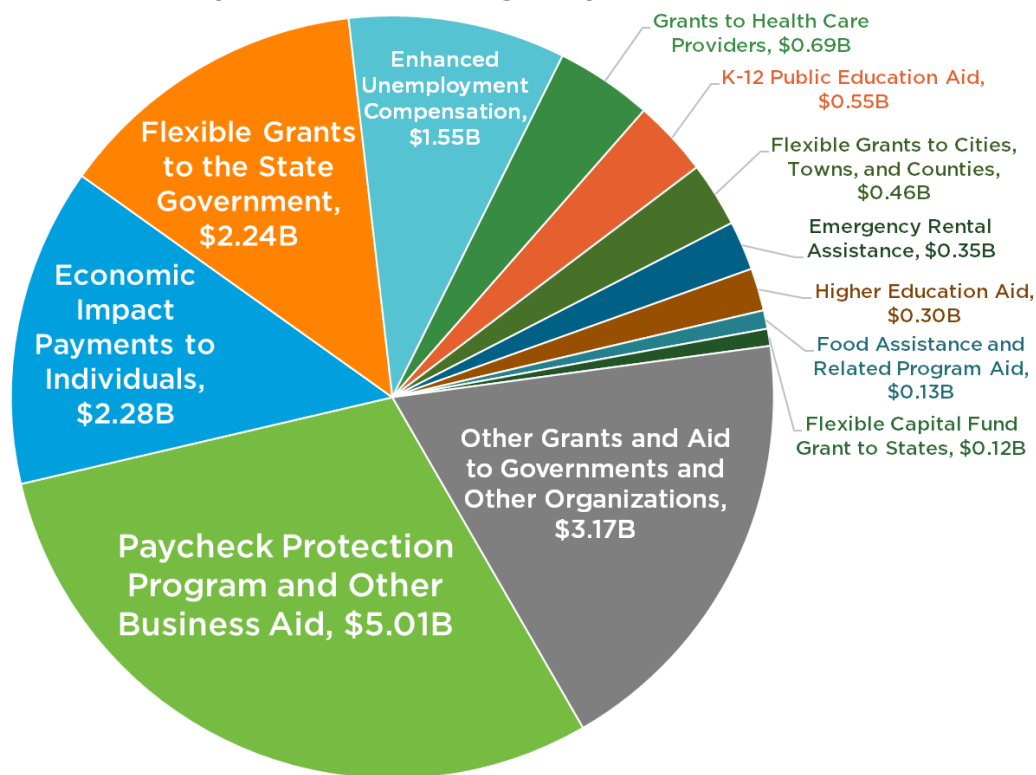
Note: Axis does not begin at zero.

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

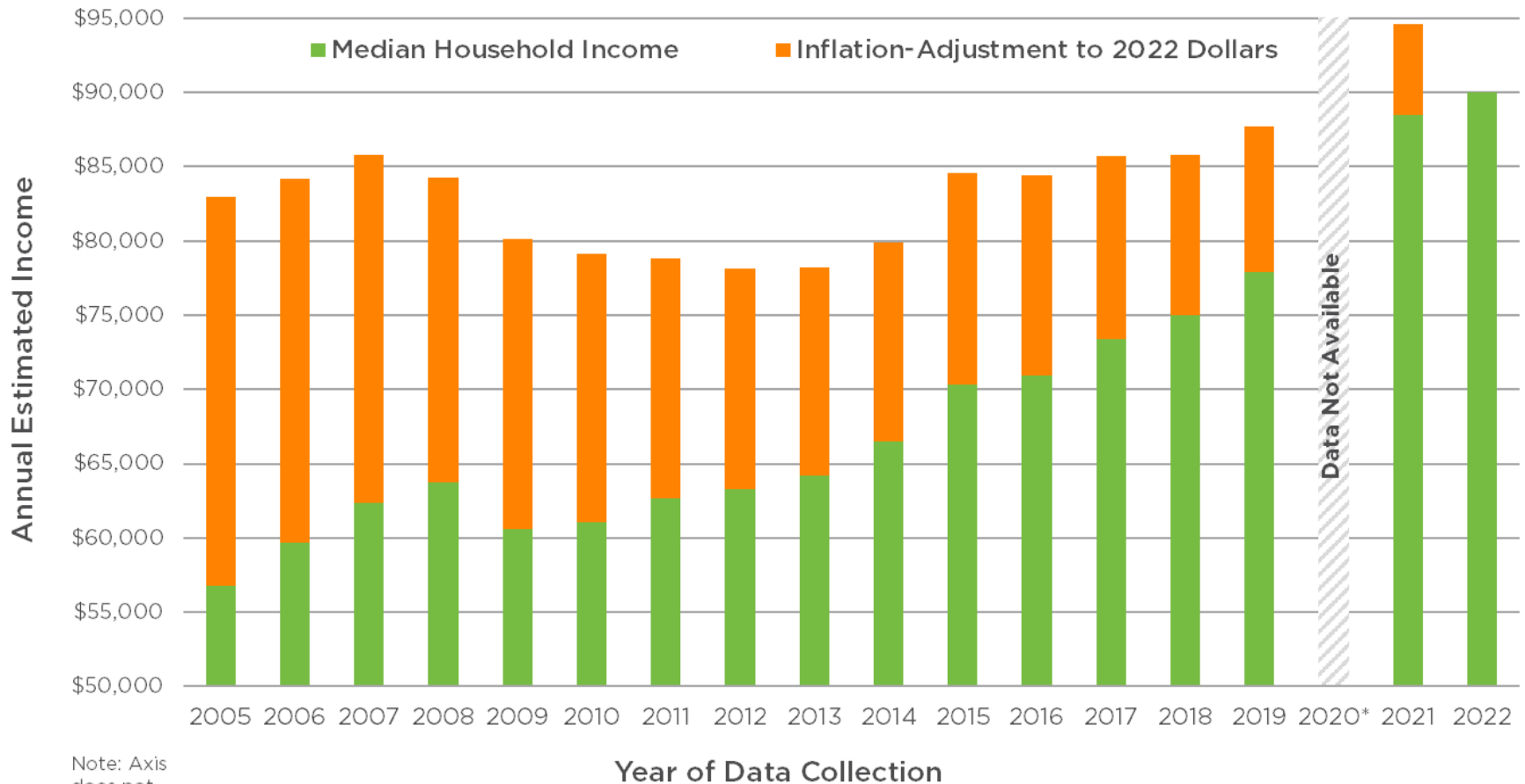
Note: Sums may include small amounts of double-counting due to summation mismatches. Totals presented are derivations. Small amounts of aid to individuals are also included in the "Other Grants and Aid" section, including aid for funeral expenses.

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

FASTER INCOME RECOVERY THAN LAST RECESSION, INFLATION IMPACTED 2022

MEDIAN HOUSEHOLD INCOME IN NEW HAMPSHIRE

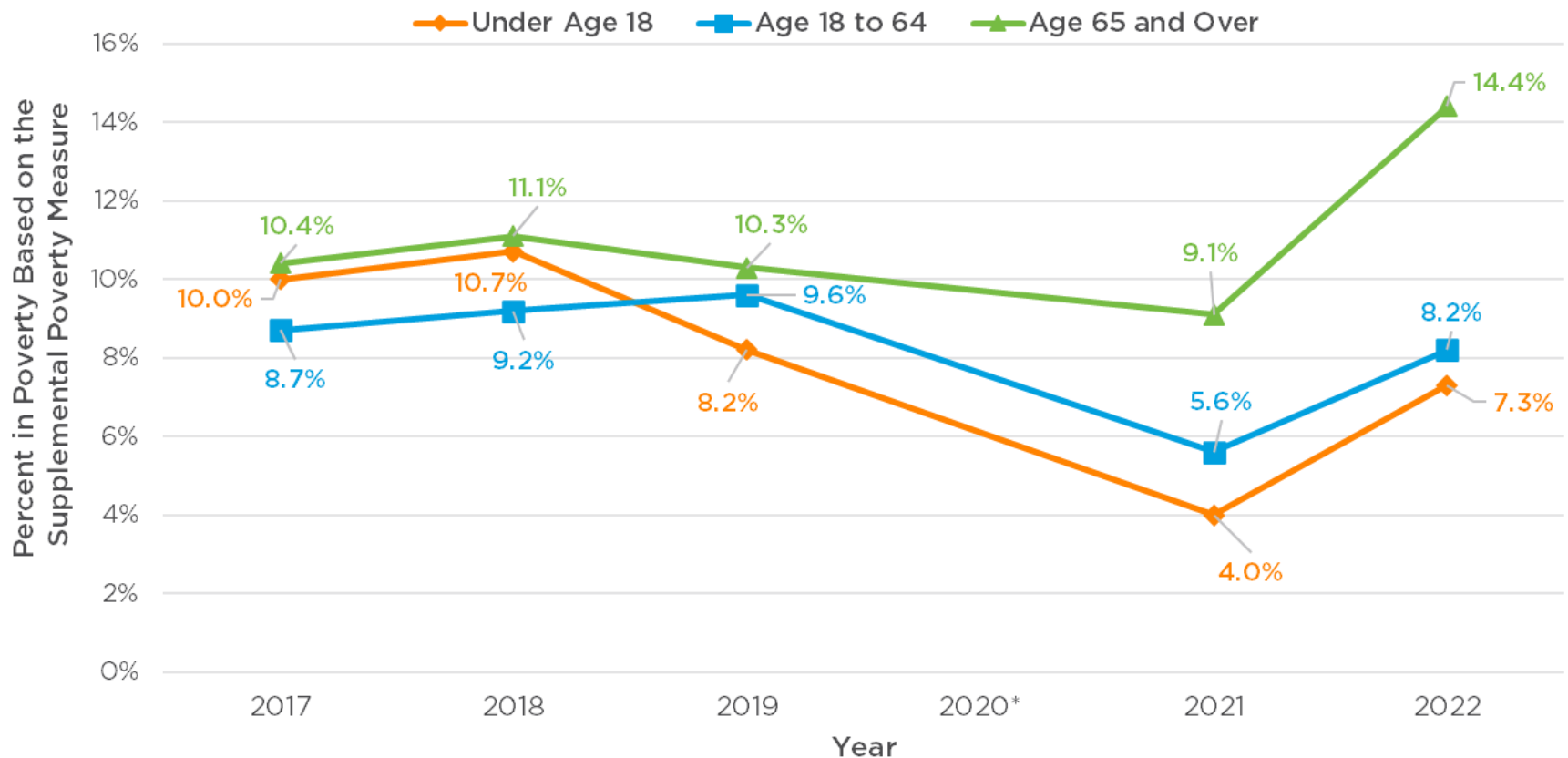


Note: Axis does not begin at zero.

*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

AID TO HOUSEHOLDS, INCLUDING CHILD TAX CREDIT, MEANINGFULLY REDUCED POVERTY

SUPPLEMENTAL POVERTY MEASURE POVERTY RATES BY AGE GROUP IN NEW HAMPSHIRE



*Note: These data were not available for 2020 due to disruptions associated with the pandemic.

Source: U.S. Census Bureau, Strategies to Counter 2021-Specific Challenges in Producing the Supplemental Poverty Measure in the American Community Survey, State by Age SPM Rates Table

CLASS QUESTION

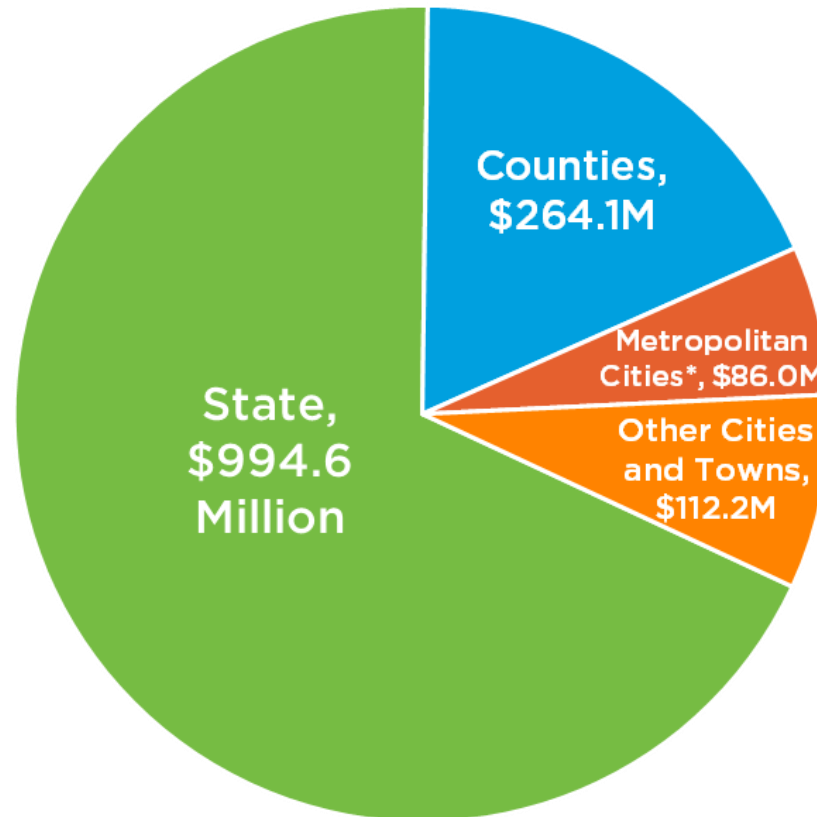
**DID YOUR JURISDICTION RECEIVE
ONE-TIME FUNDING FROM THE
FEDERAL GOVERNMENT SINCE
MARCH 2020?**

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



*"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.

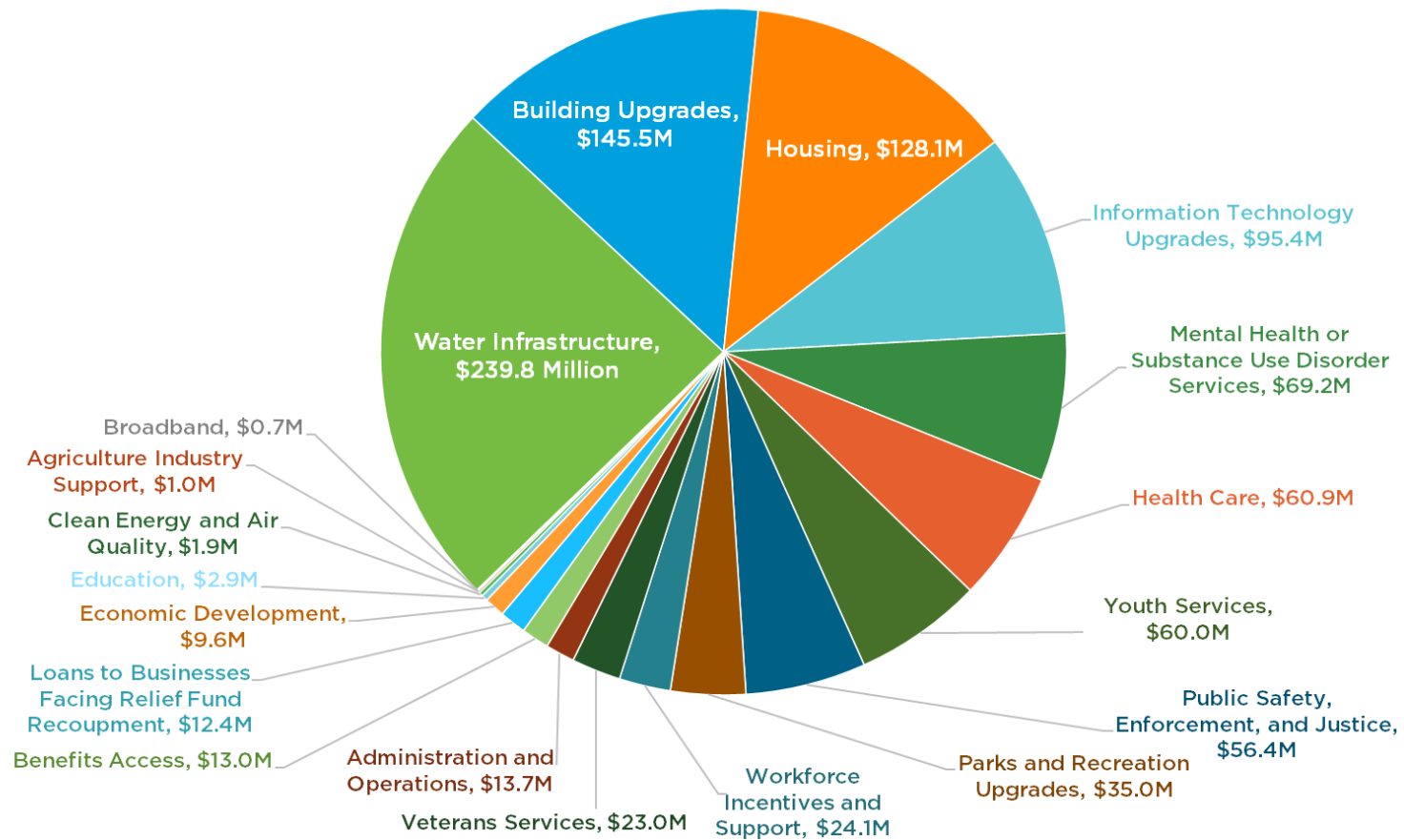
Source: U.S. Department of the Treasury

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

INITIAL ALLOCATIONS OF STATE USES FOR THESE FUNDS VARY IN PURPOSE

NEW HAMPSHIRE'S CORONAVIRUS STATE FISCAL RECOVERY FUND ALLOCATIONS, AS OF SEPTEMBER 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 - September 2023

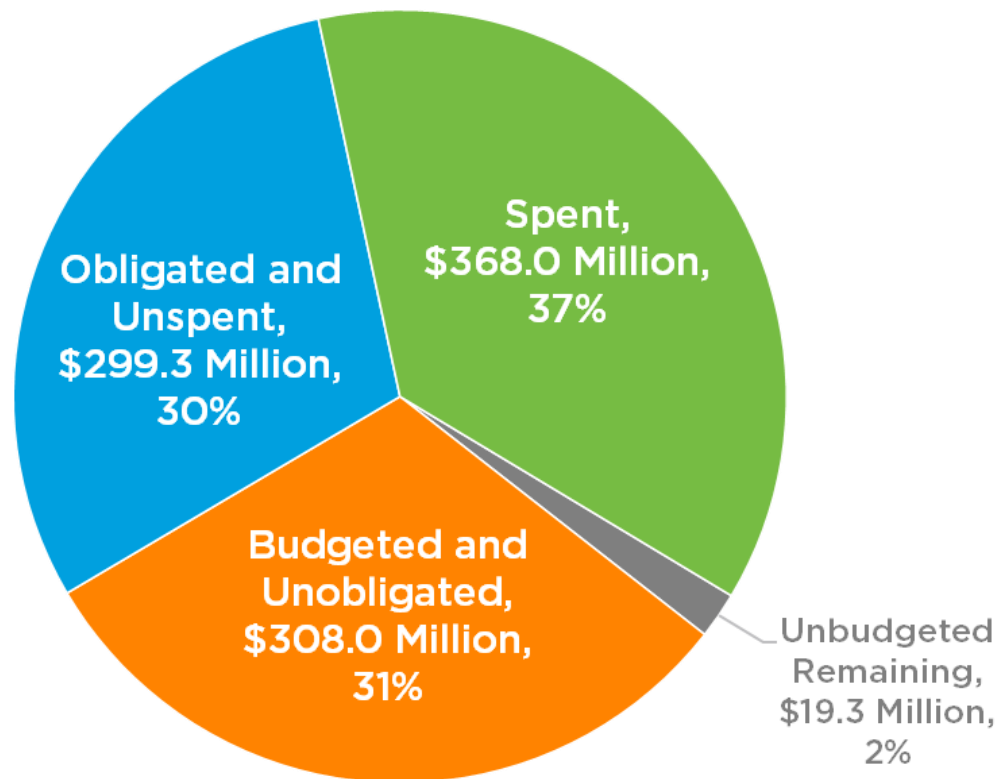
FUNDS MUST BE OBLIGATED BY END OF 2024

- Coronavirus State and Local Fiscal Recovery Funds not obligated by December 31, 2024 must be given back to federal government
- “[O]bligation means ‘an order placed for property and services and entering into contracts, subawards, and similar transactions that require payment.’”
- Contracts or awards to nonprofits appear to qualify
- All CSLFRF must be spent by December 31, 2026, or be returned to the federal government
- New Hampshire has begun a reallocation process, started with Governor’s Office for Emergency Relief and Recovery (GOFERR) reallocating funds it administered directly to other projects, through the Joint Legislative Fiscal Committee and the Executive Council
- GOFERR website offers details on project funding levels, obligations, and expenditures thus far

Source: U.S. Treasury Department, Coronavirus State and Local Fiscal Recovery Funds Frequently Asked Questions, March 5, 2024

ABOUT \$327 MILLION IN STATE FUNDS REQUIRED FURTHER ACTION AS OF MARCH

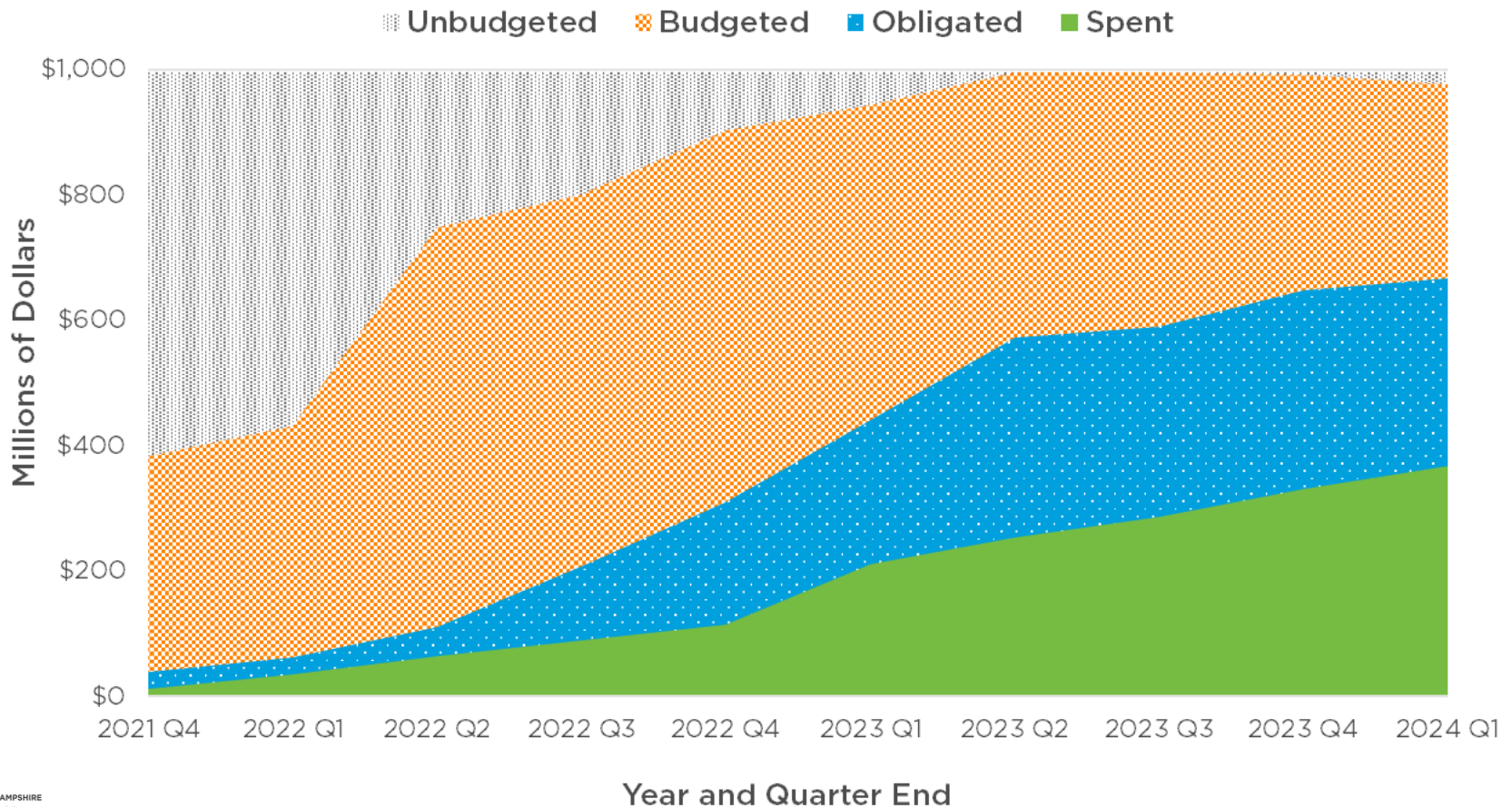
AMERICAN RESCUE PLAN ACT CORONAVIRUS
STATE FISCAL RECOVERY FUND EXPENDITURES
IN NEW HAMPSHIRE
As of March 31, 2024



Source: New Hampshire Governor's Office for Emergency Relief and Recovery

STATE MAY NEED TO QUICKEN PACE OF OBLIGATIONS TO MEET DEADLINE

NEW HAMPSHIRE CORONAVIRUS STATE FISCAL RECOVERY FUND APPROPRIATIONS, OBLIGATIONS, AND EXPENDITURES



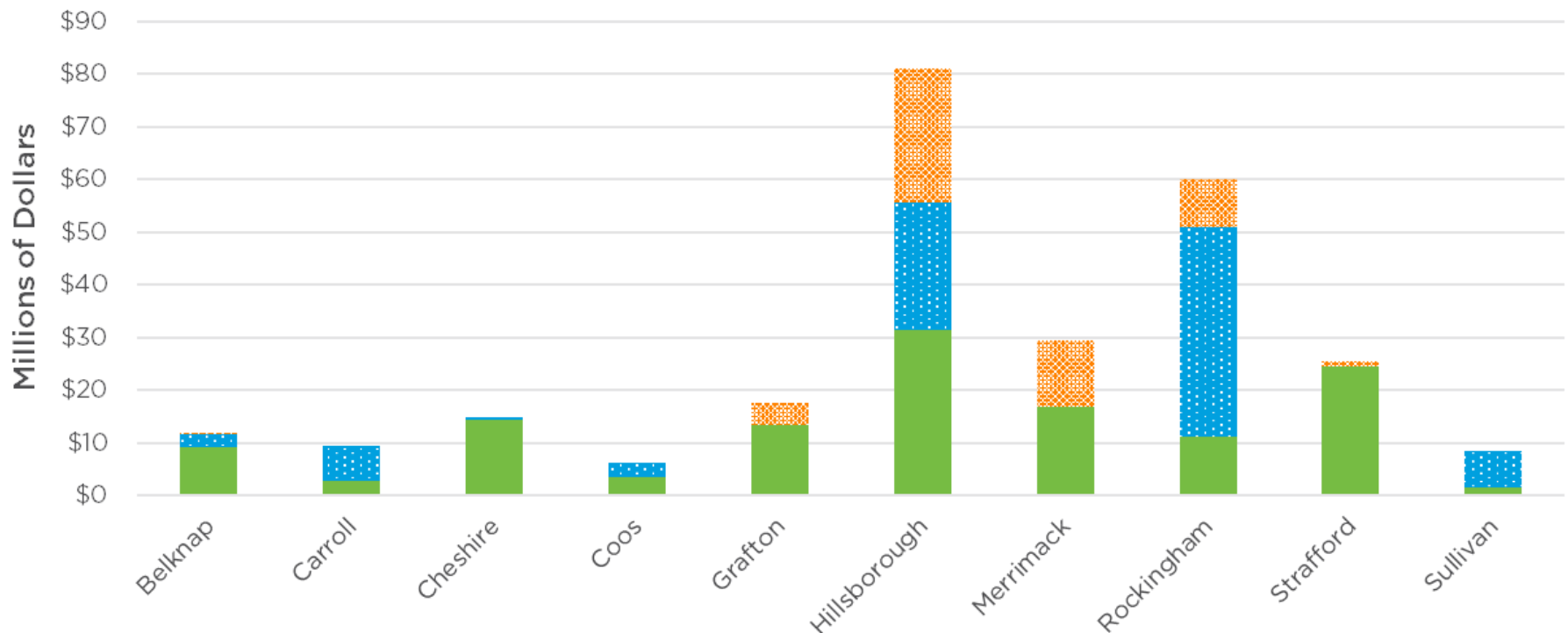
Sources: U.S. Treasury Department; New Hampshire Governor's Office for Emergency Relief and Recovery

NEW HAMPSHIRE COUNTIES HAD ABOUT \$52 MILLION UNOBLIGATED IN MARCH 2024

CORONAVIRUS LOCAL FISCAL RECOVERY FUNDS AND NEW HAMPSHIRE COUNTIES

Obligation and Expenditure Data as of March 31, 2024

■ Spent ■ Obligated and Unspent ■ Unobligated Funds



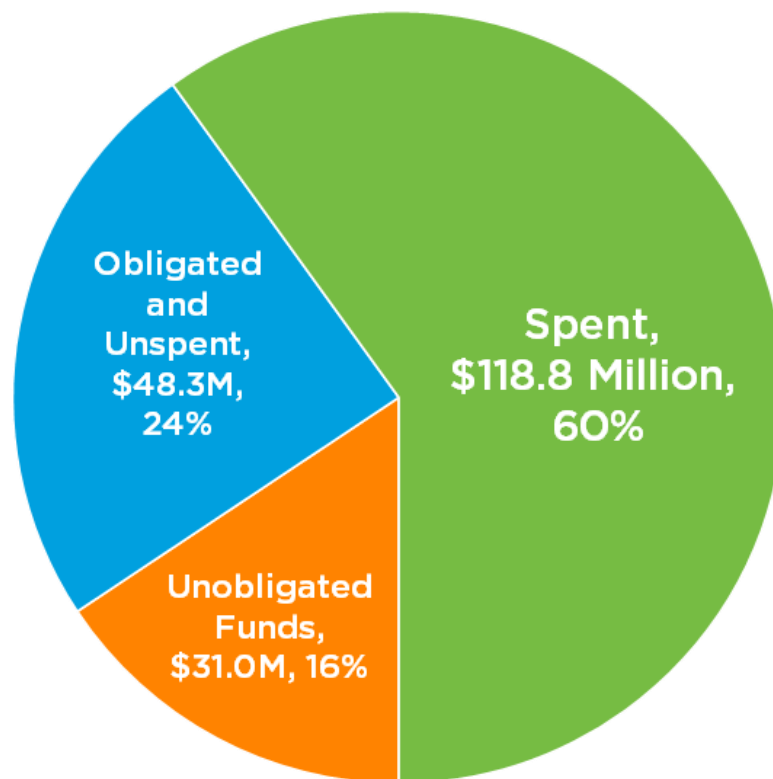
New Hampshire County

Source: U.S. Treasury Department

NEW HAMPSHIRE CITIES AND TOWNS REPORTED \$31 MILLION UNOBLIGATED

TOTAL NEW HAMPSHIRE CITY AND TOWN CORONAVIRUS LOCAL FISCAL RECOVERY FUND STATUS

Obligation and Expenditure Data as of March 31, 2024



Source: U.S. Treasury Department

CLASS QUESTIONS

HAS YOUR JURISDICTION
BUDGETED ALL THE AMERICAN
RESCUE PLAN ACT FUNDS IT
RECEIVED?

HAS IT OBLIGATED OR SPENT
THESE FUNDS AHEAD OF THE
COMING DEADLINES?

COMPARING STATE AND LOCAL GOVERNMENT TAX REVENUES

CLASS QUESTION

**DOES THE STATE GOVERNMENT IN
NEW HAMPSHIRE RAISE MORE
TAX REVENUE THAN LOCAL
GOVERNMENTS?**

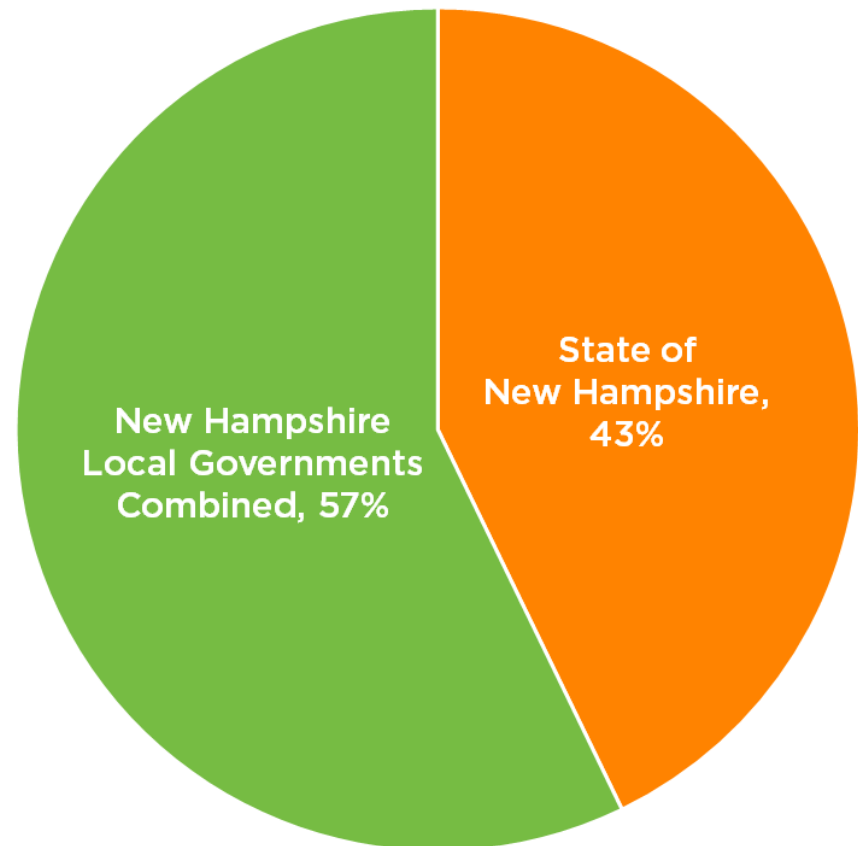
LOCAL GOVERNMENTS COLLECT MORE TAX REVENUE THAN THE STATE

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



STATE TAXES IN NEW HAMPSHIRE RELATIVELY LOW, INCLUDING IN NORTHEAST

STATE TAX REVENUE PER CAPITA, FISCAL YEAR 2021 REVENUES AND JULY 2021 POPULATION ESTIMATES

	State	Estimated Amount
Highest	Vermont	\$6,342
	California	\$6,341
	Connecticut	\$6,090
	Minnesota	\$5,567
	Hawaii	\$5,560
United States		\$3,802
Lowest	South Dakota	\$2,399
	New Hampshire*	\$2,316
	Florida	\$2,259
	Texas	\$2,212
	Alaska	\$1,435

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

Source: U.S. Census Bureau, 2021 Annual Survey of State and Local Government Finances, Population Estimates Program

TOTAL STATE AND LOCAL TAXES IN NEW HAMPSHIRE ARE NEAR NATIONAL MEDIAN

TOTAL STATE AND LOCAL TAX REVENUE PER CAPITA, FISCAL YEAR 2021 REVENUES AND AND JULY 2021 POPULATION ESTIMATES

State		Estimated Amount
Highest	New York	\$10,331
	Connecticut	\$9,424
	California	\$9,217
	New Jersey	\$8,305
	Massachusetts	\$8,107
United States		\$6,334
<i>New Hampshire* - Ranked 25th</i>		<i>\$5,409</i>
Lowest	South Carolina	\$4,413
	Florida	\$4,381
	Tennessee	\$4,259
	Alabama	\$4,237
	Alaska	\$4,189

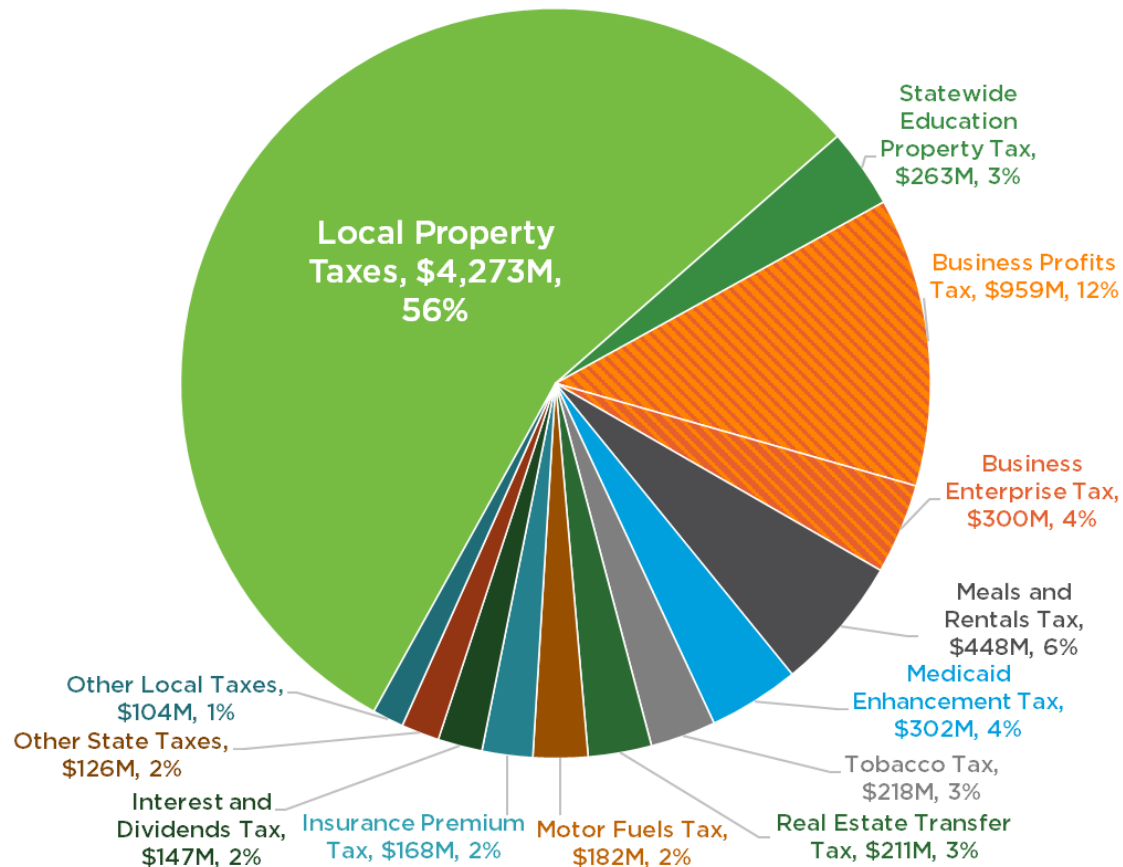
*Note: Apparent double-counting of Statewide Education Property Tax removed from local property tax revenues in New Hampshire calculations.

Source: U.S. Census Bureau, 2021 Annual Survey of State and Local Government Finances, Population Estimates Program

PROPERTY TAXES MORE THAN HALF OF STATE AND LOCAL TAX REVENUES

STATE AND LOCAL TAXES IN NEW HAMPSHIRE

State Fiscal Year or Tax Year 2023

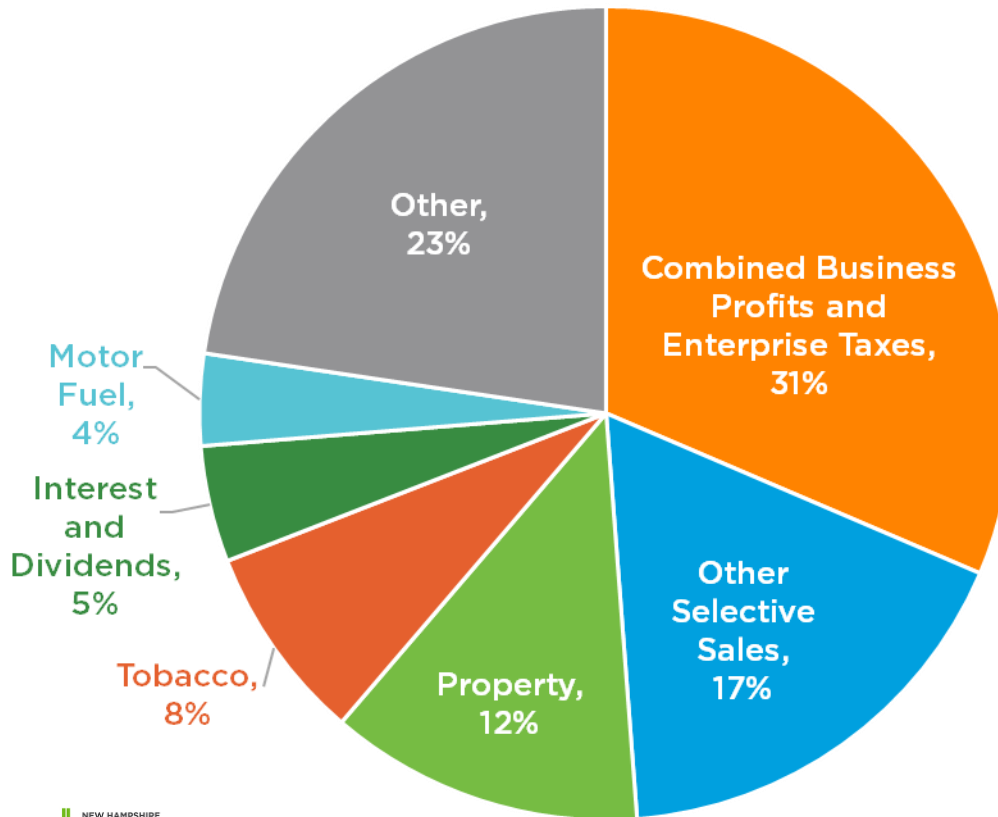


Sources: New Hampshire Annual Comprehensive Financial Report, State Fiscal Year 2023; New Hampshire Department of Revenue Administration, 2023 Annual Report and Completed Public Tax Rates 2023; U.S. Census Bureau, Survey of State and Local Government Finances, 2021; Joint Legislative Fiscal Committee,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

FEWER LOCAL TAX REVENUE SOURCES

ALL STATE TAX REVENUE IN NEW HAMPSHIRE FISCAL YEAR 2021

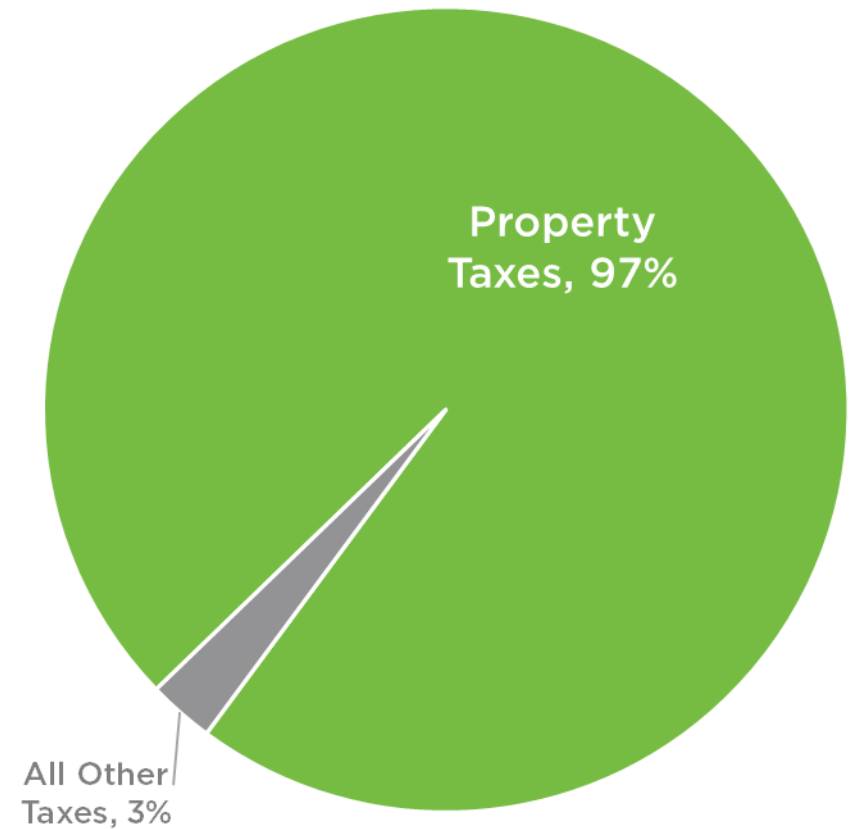
Source: U.S. Census Bureau, Survey of State and Local Government Finances



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 2021

State		Estimated Percentage
Highest	Maine	99%
	New Jersey	98%
	Connecticut	98%
	New Hampshire*	97%
	Rhode Island	97%
United States		73%
Lowest	New Mexico	54%
	Maryland	53%
	Louisiana	44%
	Arkansas	41%
	Alabama	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, 2021 Annual Survey of State and Local Government Finances

DOLLARS PAID PER PERSON IN PROPERTY TAXES HIGH RELATIVE TO NATIONAL LEVEL

STATE AND LOCAL PROPERTY TAX REVENUE PER CAPITA, FISCAL YEAR 2021 REVENUES AND JULY 2021 POPULATION ESTIMATES

State		Estimated Amount
Highest	New Jersey	\$3,538
	New York	\$3,343
	Connecticut	\$3,276
	New Hampshire*	\$3,046
	Vermont	\$2,992
United States		\$1,898
Lowest	New Mexico	\$936
	Tennessee	\$926
	Oklahoma	\$918
	Arkansas	\$834
	Alabama	\$659

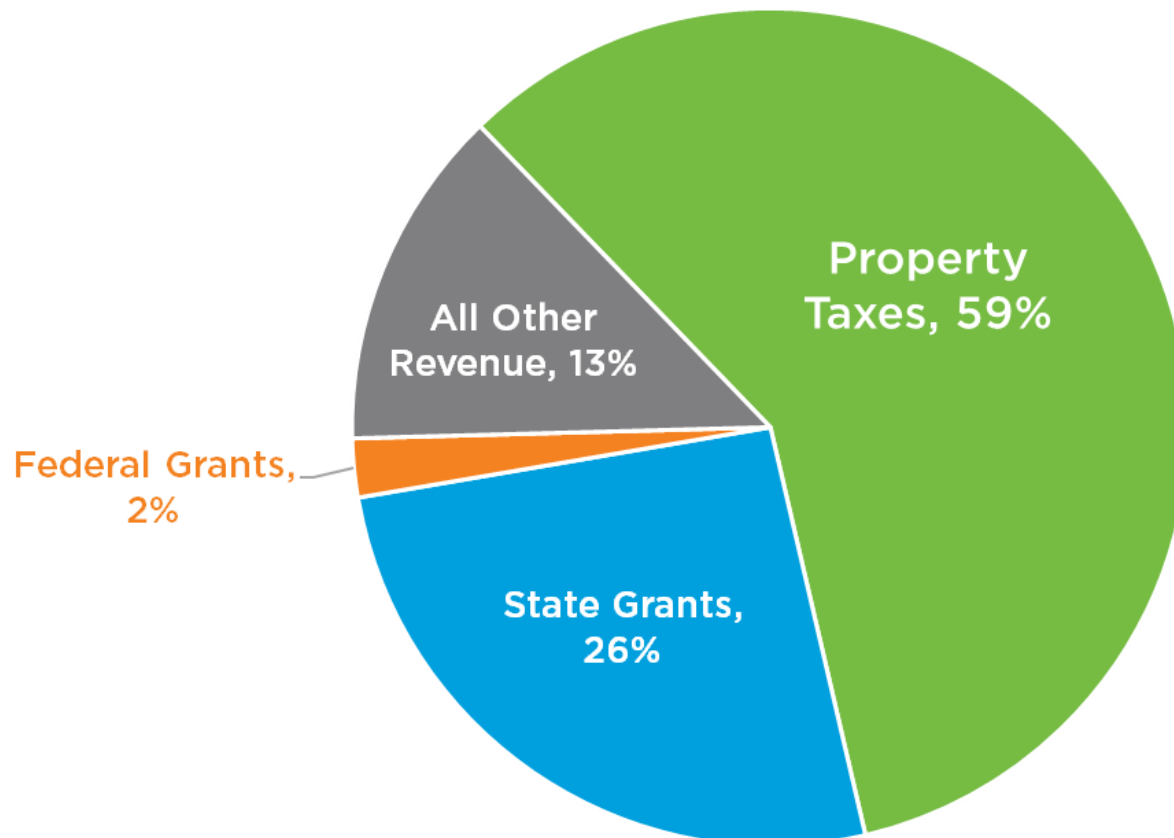
*Note: Apparent double-counting of Statewide Education Property Tax removed from local property tax revenues in New Hampshire calculations.

Source: U.S. Census Bureau, 2021 Annual Survey of State and Local Government Finances, Population Estimates Program

PROPERTY TAX RECEIPTS MAJORITY OF LOCAL REVENUE IN NEW HAMPSHIRE

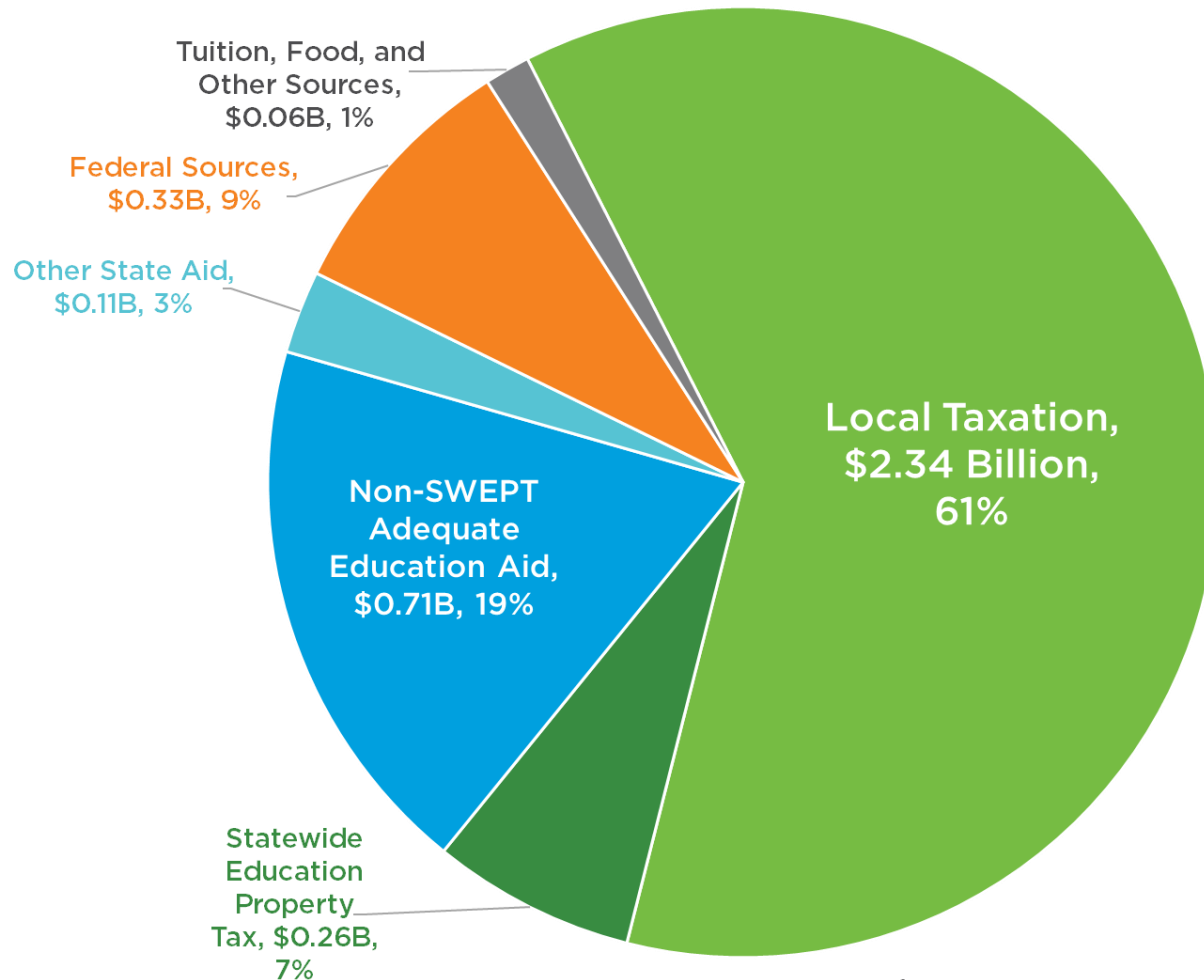
LOCAL GOVERNMENT REVENUE SOURCES NEW HAMPSHIRE, FISCAL YEAR 2021

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 2022-2023



Source: New Hampshire Department of Education

TAXABLE PROPERTY VALUES PER PERSON CAN VARY SIGNIFICANTLY BY MUNICIPALITY

SELECTED EQUALIZED VALUATION PER CAPITA COMMUNITIES	
Municipality	Equalized Valuation Per Capita - 2022
Newington (State's Highest with Over 100 Residents)	\$1,562,479
Bow	\$238,116
Merrimack (Median Municipality Statewide)	\$211,375
Dunbarton	\$197,721
Hopkinton	\$194,576
Webster	\$191,363
Weare	\$167,354
Warner	\$164,977
Concord	\$152,429
Hillsborough	\$150,159
Henniker	\$120,497
Boscawen	\$111,510
Berlin (State's Lowest)	\$83,964

Source: U.S. Census Bureau; New Hampshire Department of Revenue Administration

DISCUSSION QUESTIONS

WHAT FACTORS CAN IMPACT
TAXABLE PROPERTY VALUES
WITHIN A COMMUNITY?

WHAT MIGHT THESE
DIFFERENCES MEAN FOR LOCAL
FINANCES AND RESIDENTS?

PROPERTY TAXES IN NEW HAMPSHIRE A MAJORITY OF NON-FEDERAL TAXES

PROPERTY TAX REVENUE AS A PERCENTAGE OF ALL STATE AND LOCAL TAX REVENUE, FISCAL YEAR 2021

State		Estimated Percentage
Highest	New Hampshire*	56%
	Alaska	56%
	Texas	46%
	New Jersey	43%
	Maine	42%
United States		30%
Lowest	Louisiana	21%
	New Mexico	18%
	Arkansas	17%
	Delaware	16%
	Alabama	16%

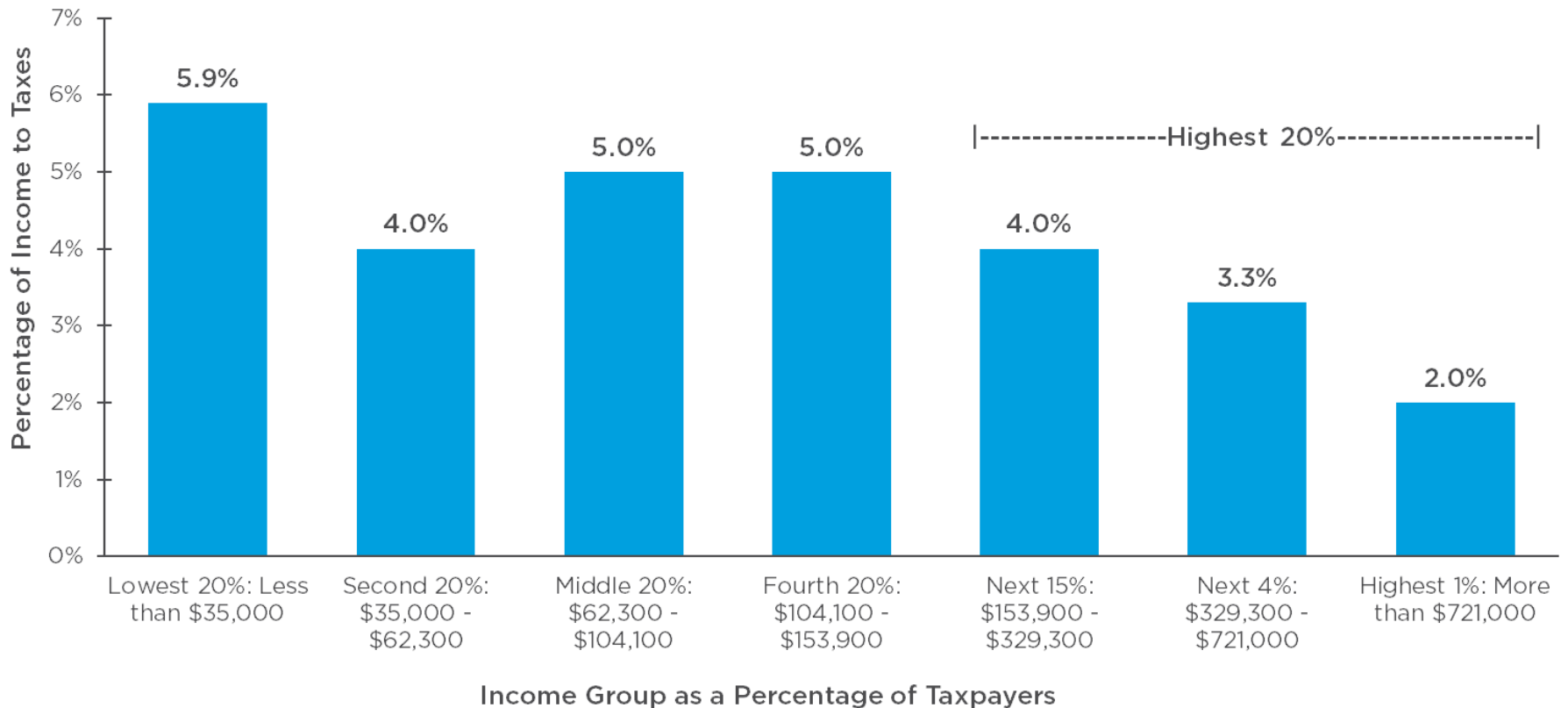
*Note: Apparent double-counting of Statewide Education Property Tax removed from local property tax revenues in New Hampshire calculations.

Source: U.S. Census Bureau, 2021 Annual Survey of State and Local Government Finances

EFFECTIVE PROPERTY TAX RATES ON LOWER-INCOME HOUSEHOLDS ARE HIGHER

NEW HAMPSHIRE STATE AND LOCAL PROPERTY TAXES AS A SHARE OF FAMILY INCOME

Effective Tax Rate as a Share of Income by Income Group, 2024 Tax Laws Based on 2023 Income Levels*

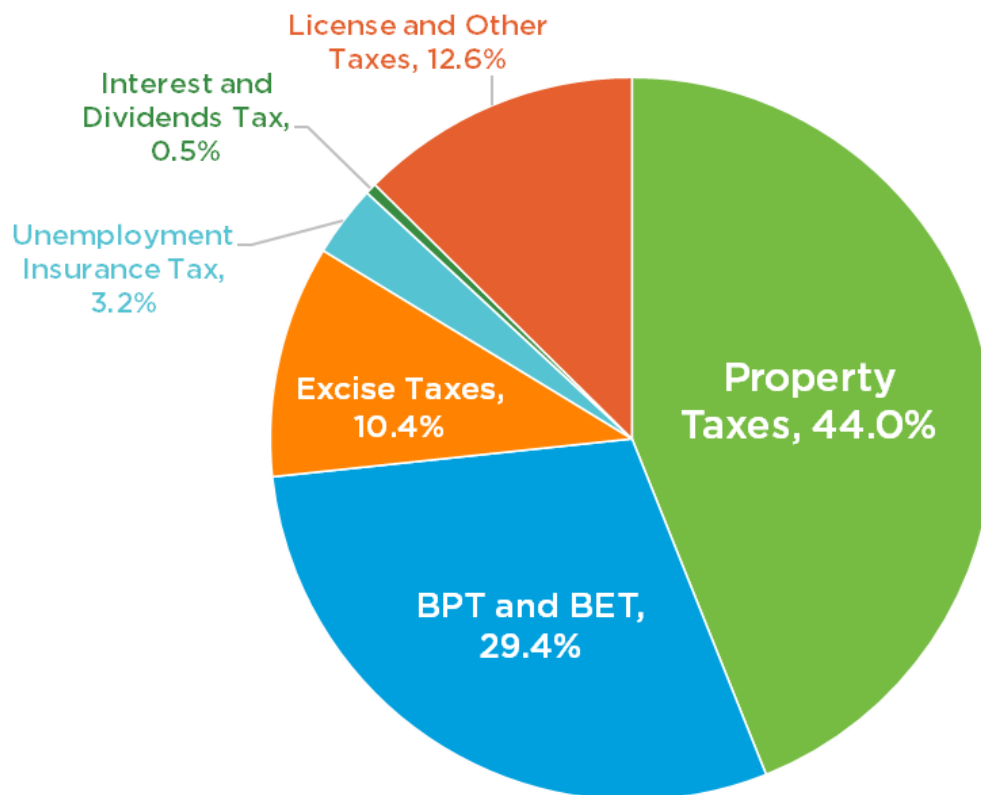


*Note: Does not include taxpayers who are age 65 and older or tax units with negative incomes. Dependent filers are included with claiming filer.

Source: Institute on Taxation and Economic Policy, Who Pays? Seventh Edition, January 2024

NEARLY HALF OF STATE AND LOCAL TAXES PAID BY BUSINESSES ARE PROPERTY TAXES

TAXES PAID BY BUSINESSES, NEW HAMPSHIRE STATE AND LOCAL TAXES, FISCAL YEAR 2022



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

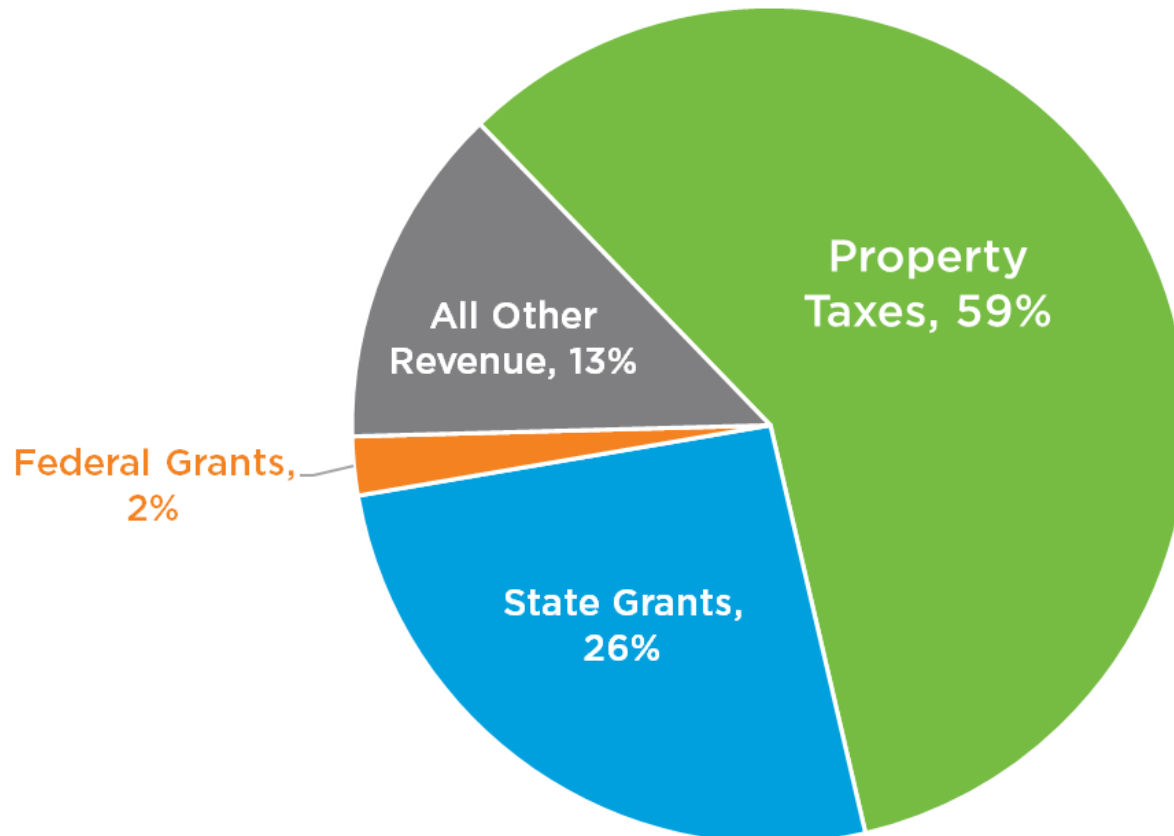
Source: Council on State Taxation, *Total State and Local Business Taxes*, December 2023

INTERACTIONS BETWEEN STATE AND LOCAL BUDGETS AND REVENUES

STATE AID ABOUT A QUARTER OF REVENUE TO LOCAL GOVERNMENTS

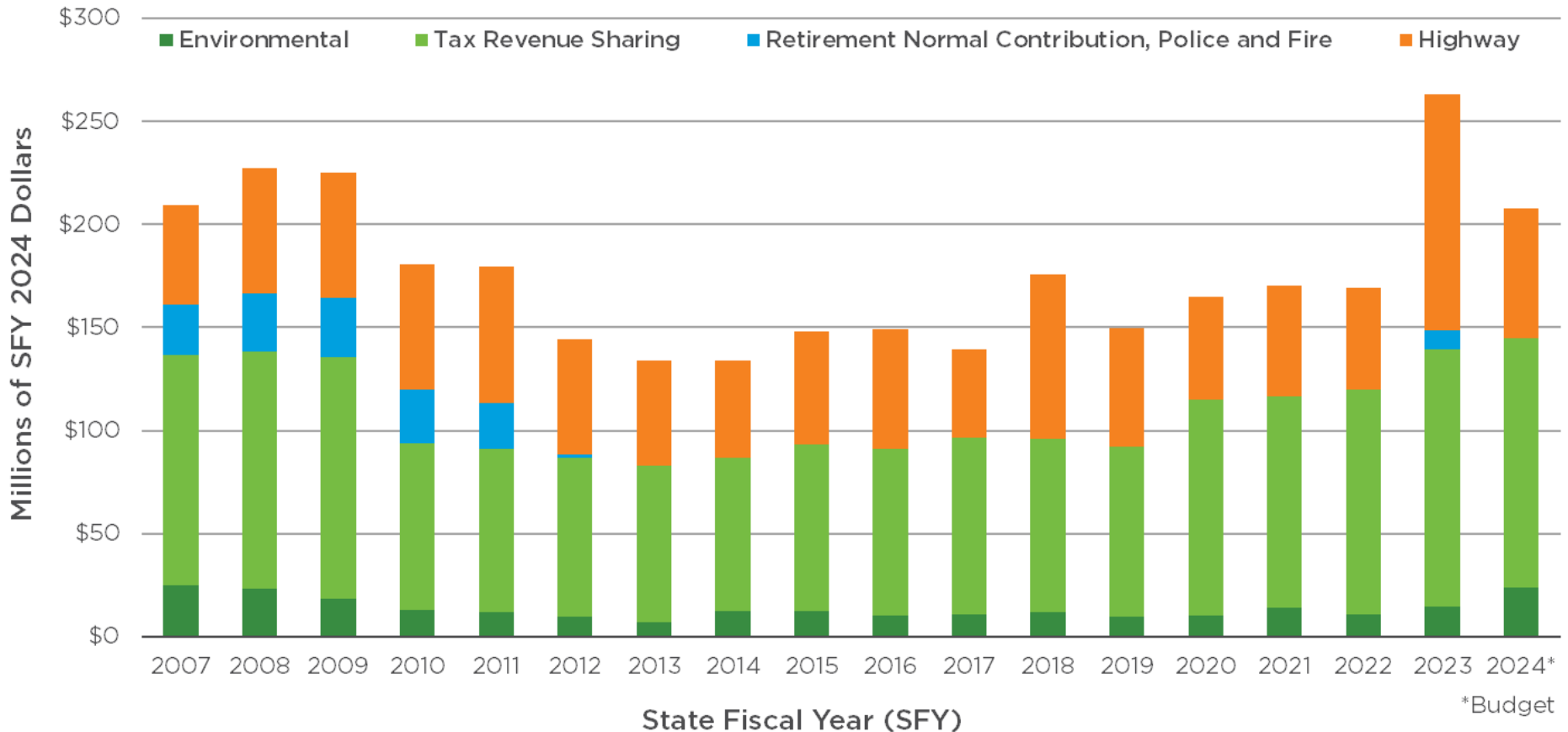
LOCAL GOVERNMENT REVENUE SOURCES NEW HAMPSHIRE, FISCAL YEAR 2021

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



STATE AID TO MUNICIPALITIES DECLINED AFTER 2007-2009 RECESSION

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

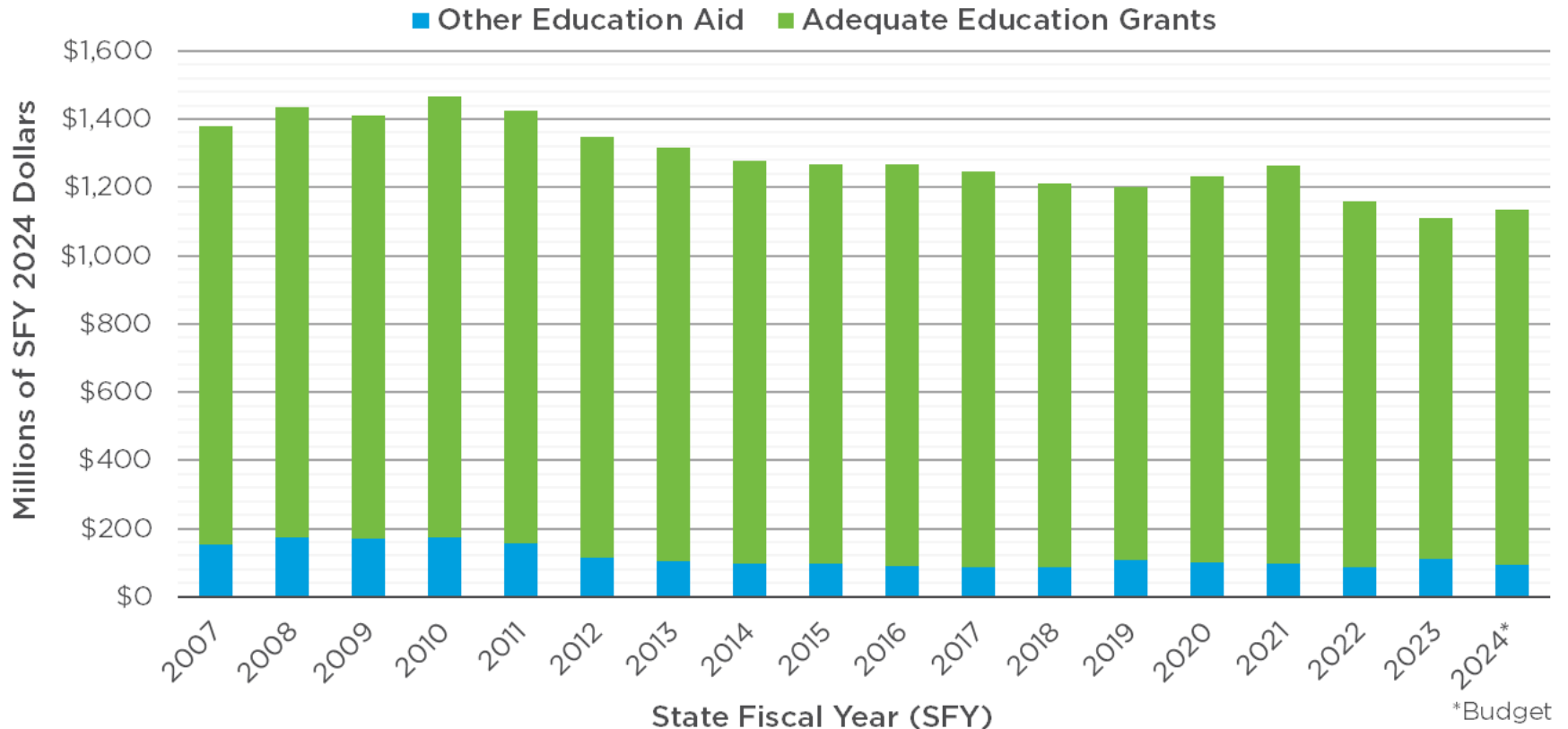


KEY CHANGES IN NON-EDUCATION FUNDING FOR LOCAL GOVERNMENTS

- 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 until SFY 2024; 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 in 2022 appropriated \$66 million for road and bridge maintenance, for example

EDUCATION FUNDING PRIMARILY DRIVEN BY STUDENT ENROLLMENT, TARGETED AID

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



*Budget

Sources: New Hampshire Office of Legislative Budget Assistant, *State Aid to Cities, Towns, and School Districts*, October 1, 2023; U.S. Bureau of Labor Statistics, Consumer Price Index-Northeast, State Fiscal Year Adjustment from NHFPI Calculations

STATE EDUCATION FUNDING IN NH SMALLER PORTION THAN IN OTHER STATES

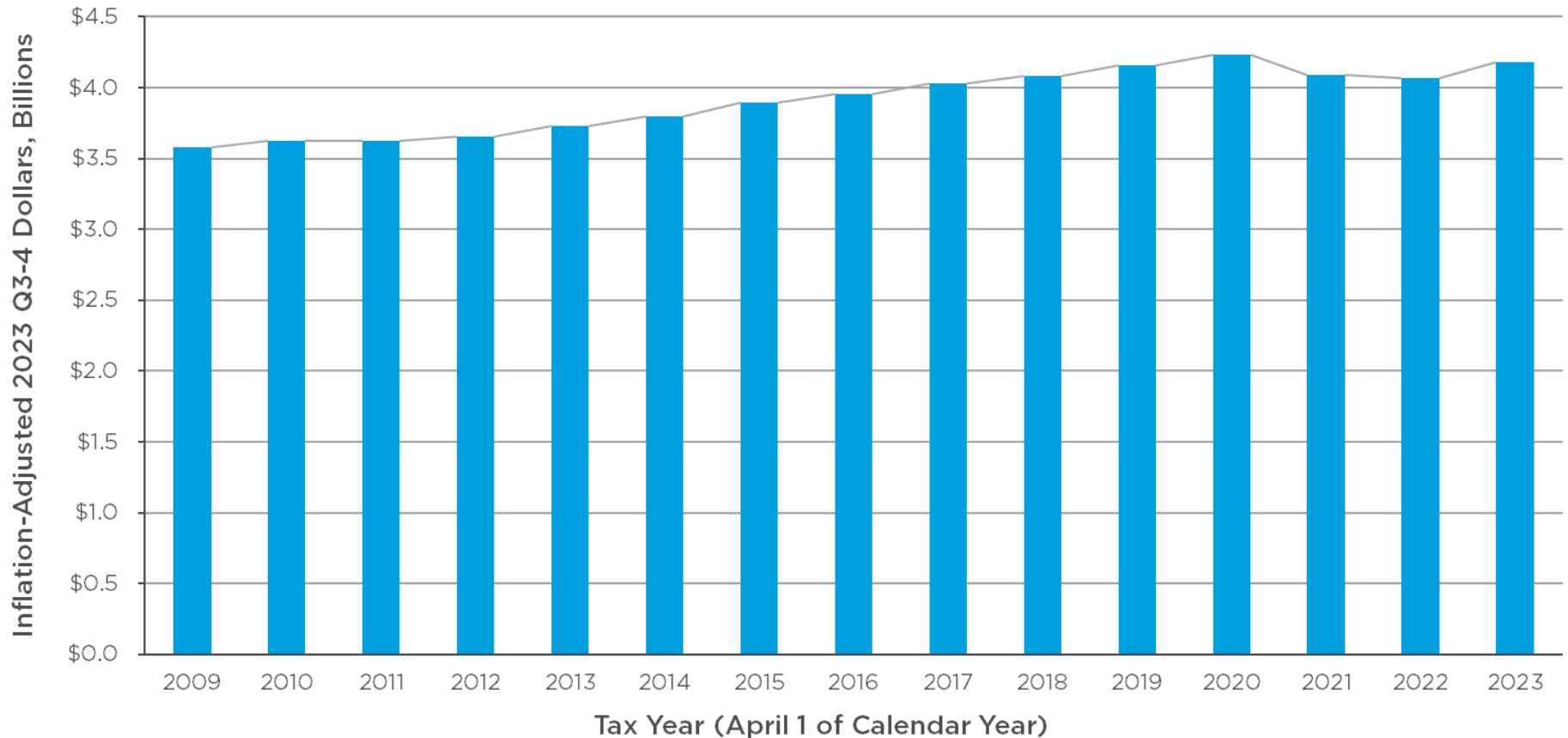
STATE FUNDING FOR ELEMENTARY AND SECONDARY LOCAL PUBLIC EDUCATION AS A PERCENTAGE OF ALL REVENUE TO THESE SCHOOLS, FISCAL YEAR 2021

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
United States	45%	--
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

DISCUSSION QUESTION

**WHAT ARE YOUR KEY
TAKEAWAYS FROM THIS
PRESENTATION?**

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
- Federal response to the pandemic and the rebound in the economy have made resources available for public services
- Slowing State revenue growth and key potential expenditures could complicate next State Budget, including local aid

ADDITIONAL RESOURCES

- Blog: State Revenues Add to Surplus, But Suggest Potential Trouble Ahead: Seven Takeaways from April Revenue Figures – May 6, 2024
<https://nhfpi.org/blog/state-revenues-add-to-surplus-but-suggest-potential-trouble-ahead-seven-takeaways-from-april-revenue-figures/>
- 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/>
- 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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