



# The State Budget and Residents in the New Hampshire Economy

*AnnMarie French, Executive Director*  
*Phil Sletten, Policy Analyst*

New Hampshire Center for Nonprofits  
2019 Nonprofit Leadership Summit

September 19, 2019

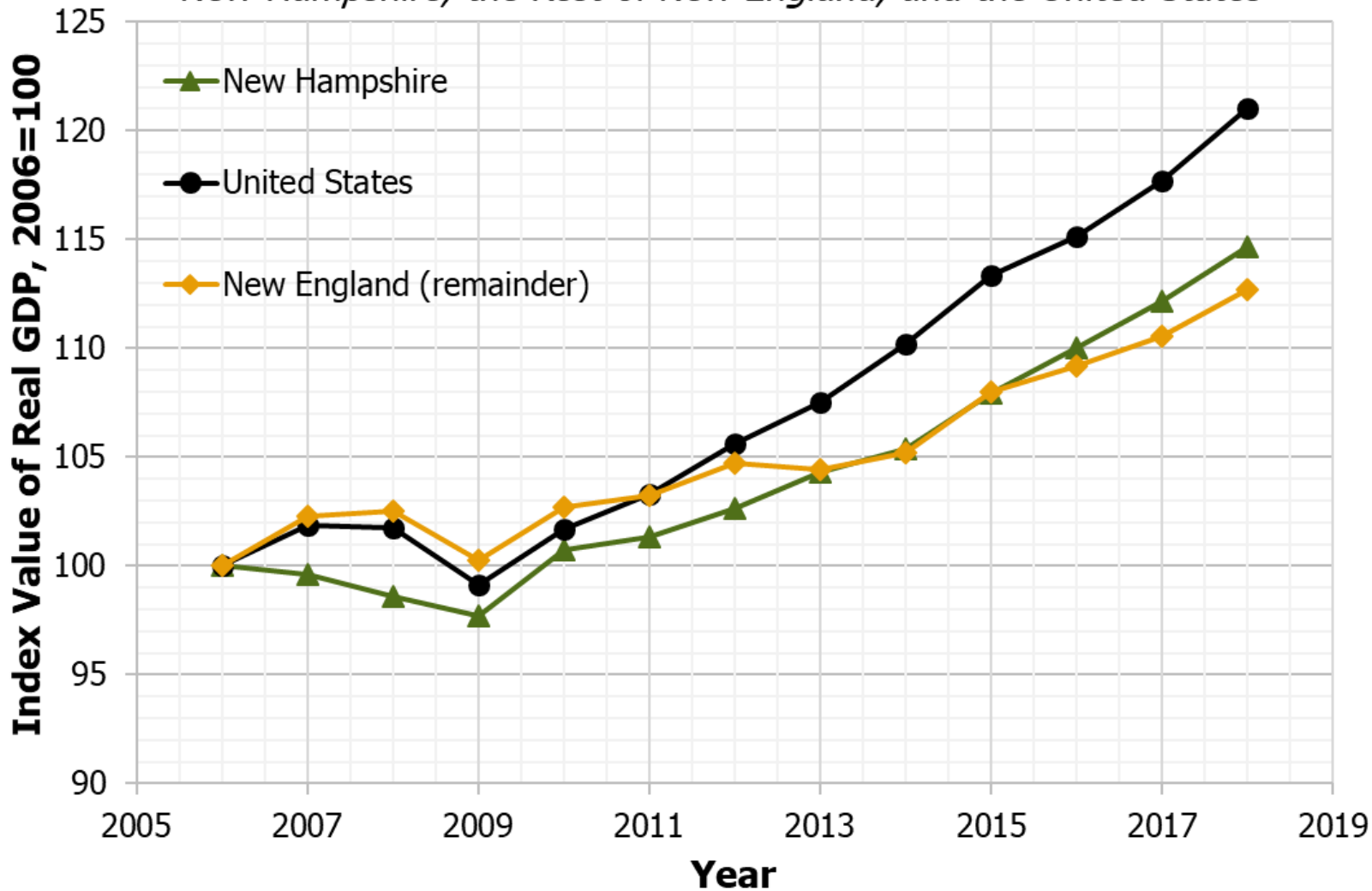
# How Residents are Faring in the New Hampshire Economy

New Hampshire Center for Nonprofits  
2019 Nonprofit Leadership Summit

September 19, 2019

## NH Has a Strong Economy on the Surface

*Changes in Inflation-Adjusted Gross Domestic Product  
New Hampshire, the Rest of New England, and the United States*



Note: Certain detailed 2018 data pending. Inflation adjustment is 2012 chained dollars.

Source: U.S. Bureau of Economic Analysis

## New Hampshire's Numbers (2017):

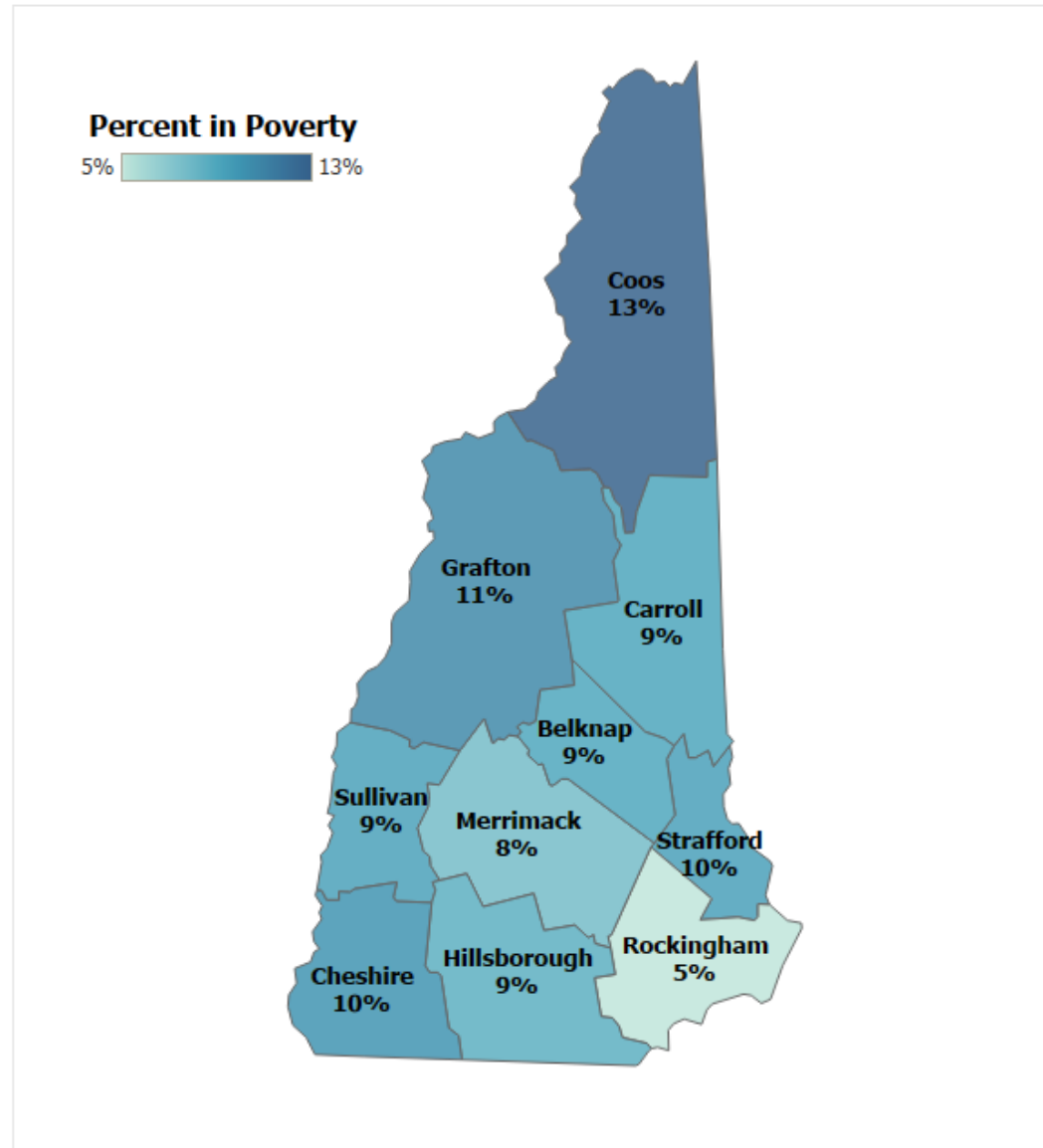
- Estimated Median Household Income: **\$73,381** – among highest 10 in country
- Estimated Poverty Rate: **7.7 percent** – lowest of any state
- Estimated Unemployment Rate: **2.5 percent** in August and holding steady – among lowest state rates

Sources: U.S. Census Bureau, American Community Survey, 2017 One-Year Estimates; New Hampshire Employment Security, News Release, September 17, 2019; U.S. Bureau of Labor Statistics, Unemployment Rates for States, July 2019

# A Different Economic Reality for Many Residents

## Estimated Poverty Rates by County

Source: U.S. Census Bureau, American Community Survey, 2013-2017



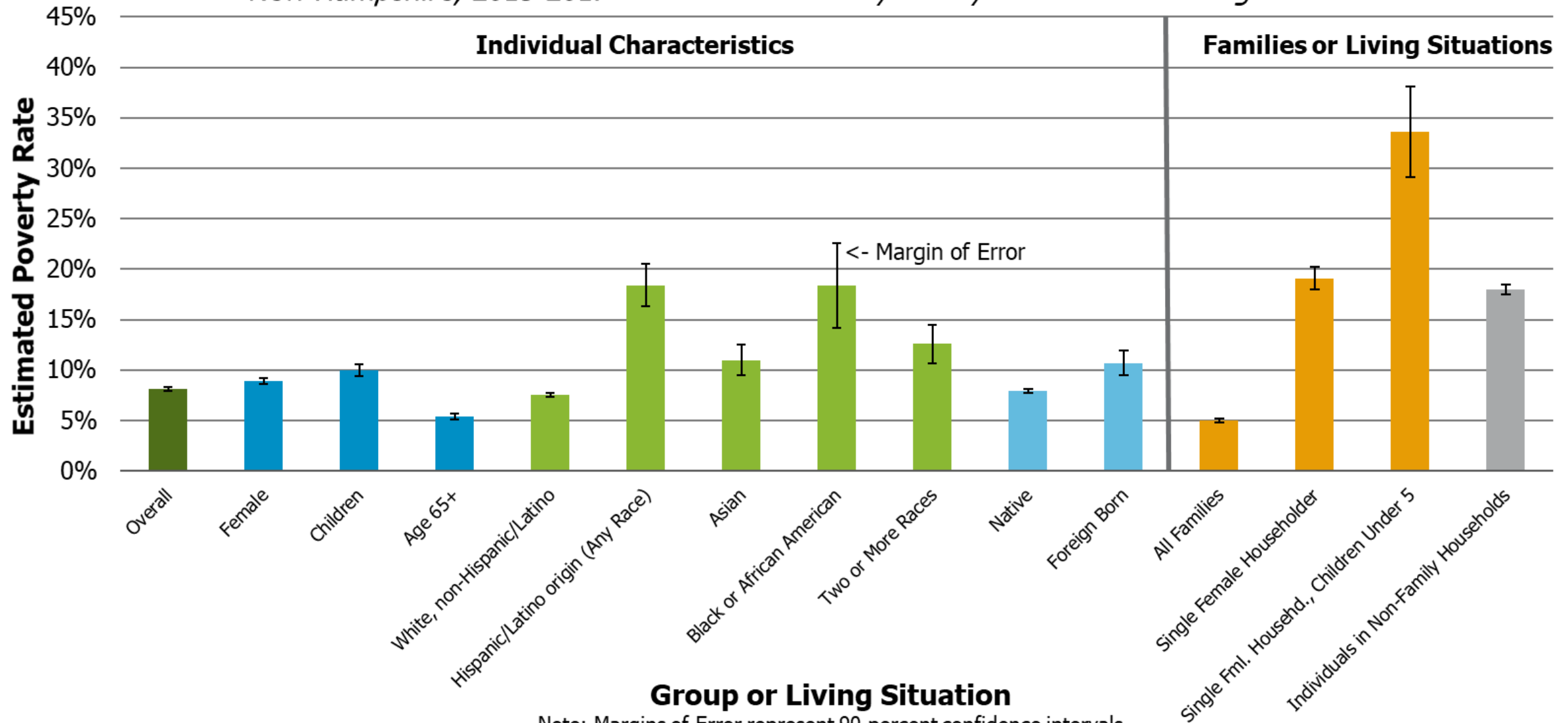
## New Hampshire's Numbers (2017):

- Poverty for a family of three, two adults one child: **\$19,730**
- Estimated Poverty Rate: **7.7 percent** – 100,000 people
- Estimated Child Poverty Rate (Under 18): **10.3 percent** – 26,000 children
- Estimated Poverty Rate, Ages 18-64: **7.4 percent** – 61,000 people
- Estimated Poverty Rate, Ages 65 and Up: **5.8 percent** – 13,000 people

Sources: U.S. Census Bureau, American Community Survey, 2017 One-Year Estimates

# Poverty Rates Are Much Higher for Certain Groups

*New Hampshire, 2013-2017 American Community Survey Estimates with Margins of Error*



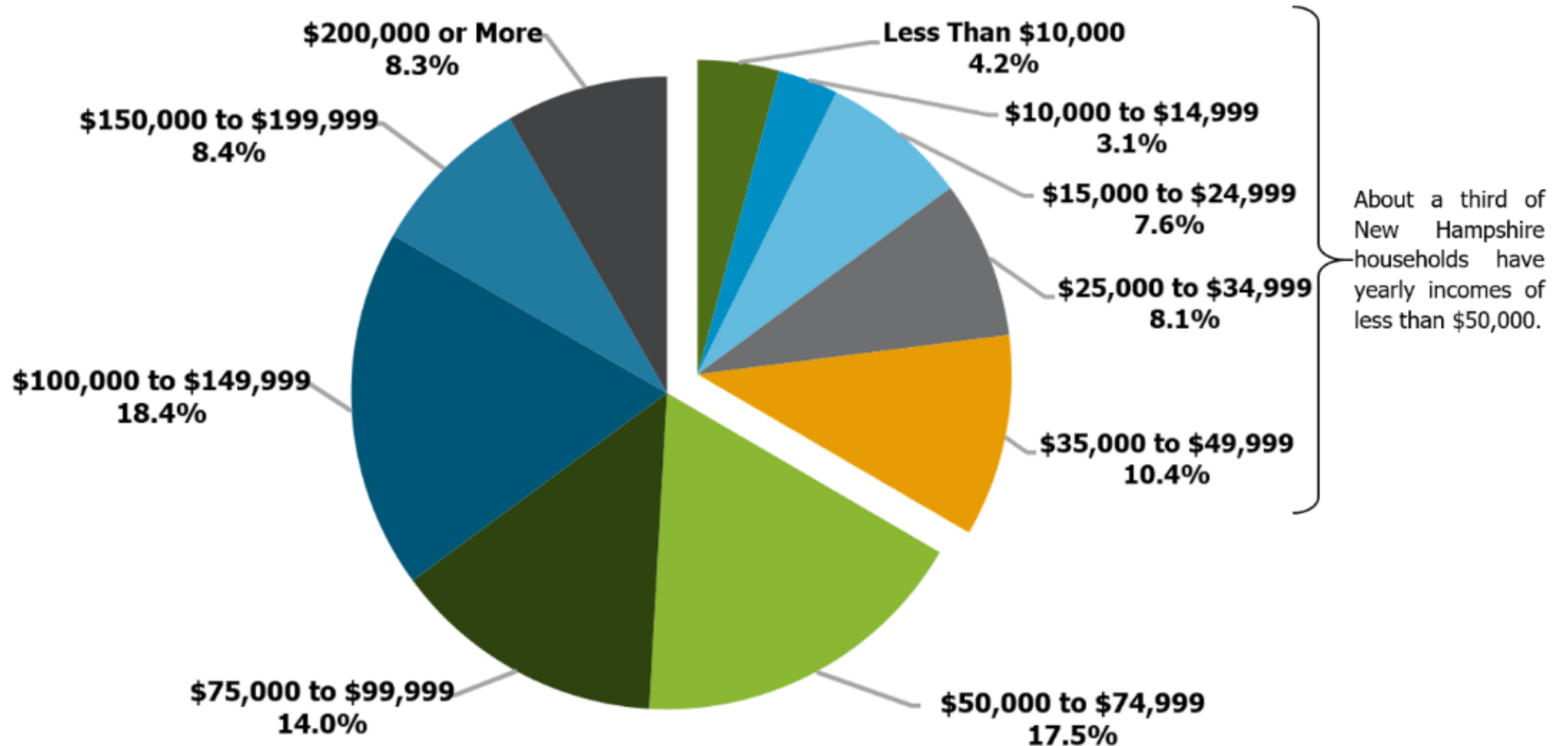
Note: Margins of Error represent 90 percent confidence intervals  
Source: U.S. Census Bureau, American Community Survey Five-Year Estimates, 2013-2017

# Many More Households Have Limited Incomes

## New Hampshire Households by Income Group

Source: U.S. Census Bureau, American Community Survey, 2017 Data

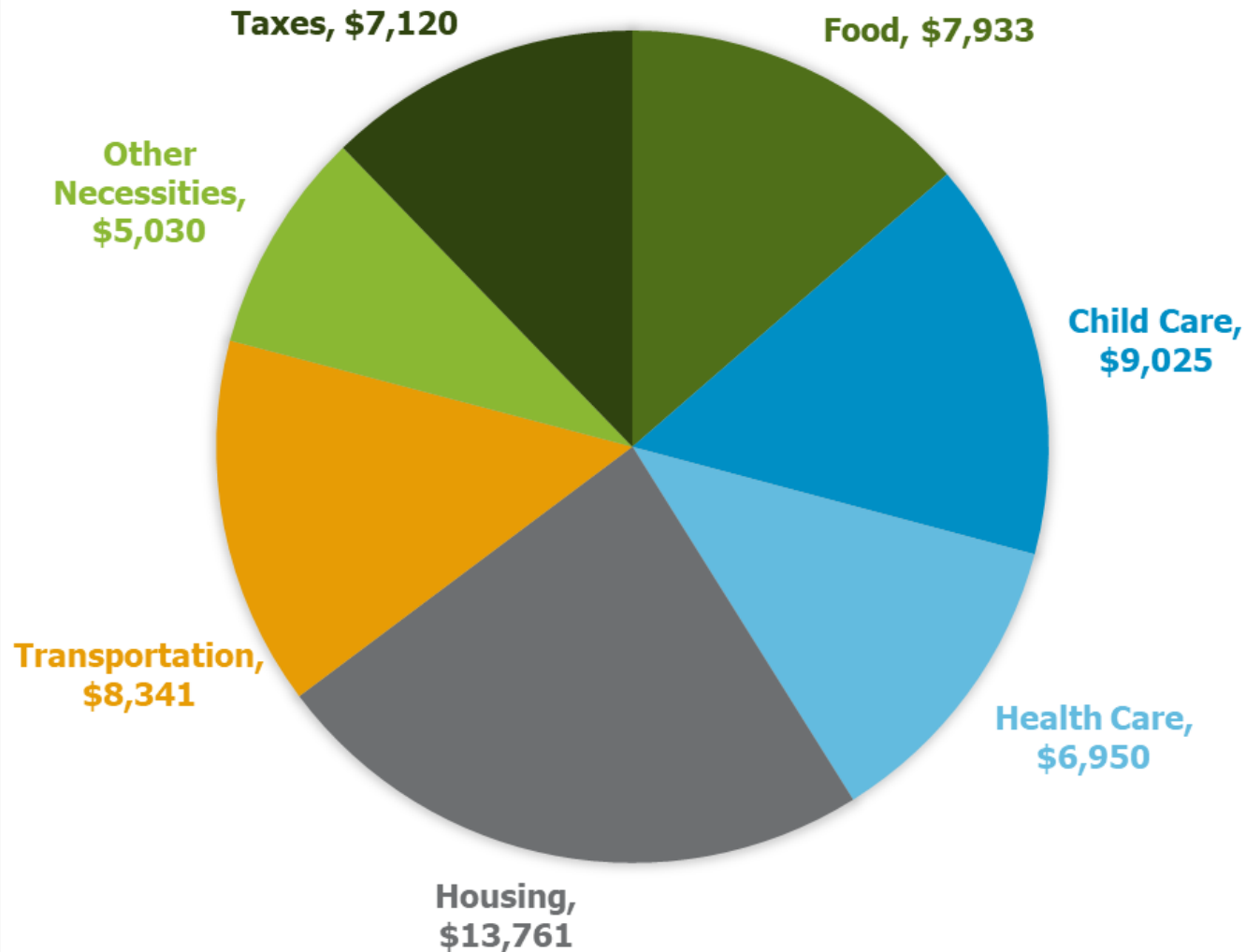
Note: Calculated Yearly Incomes for 528,700 Households; Label Figures are Midpoint Estimates



## Cost of Living Estimate

*New Hampshire, Two Working Adults, One Child: \$58,160*

Source: Massachusetts Institute of Technology,  
Living Wage Calculator, 2018



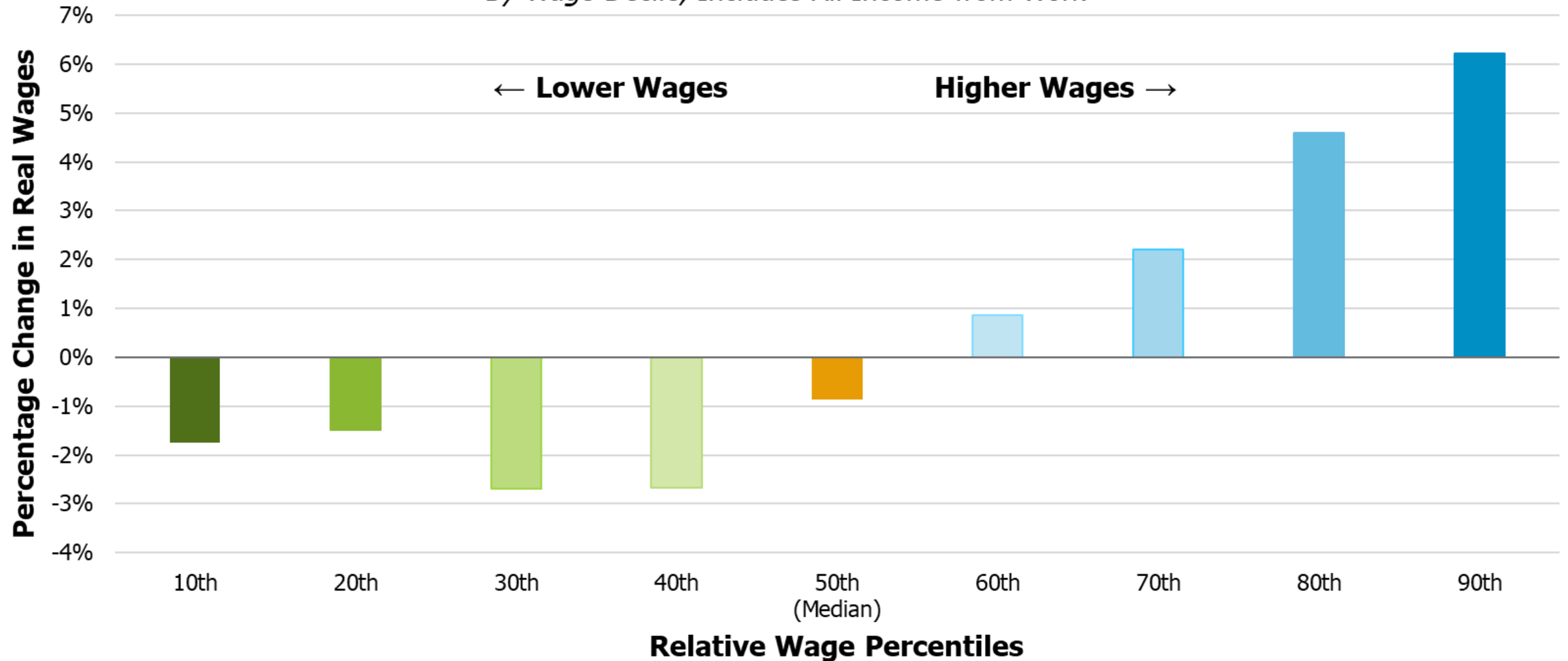
- Poverty Level Income for Two Adults and One Child (2017): **\$19,730**
- Estimated New Hampshire Median Household Income (2017): **\$73,381**
- **About 1 in 5** households have less than **\$35,000** per year in income
- **About 1 in 3** households have less than **\$50,000** per year in income

Source: U.S. Census Bureau, American Community Survey, 2017 One-Year Estimates

# Recovery Has Been Uneven, Not Lifted Everyone Equally

*Changes in Inflation-Adjusted New Hampshire Wages from 2004-2006 to 2016-2018 Averages*

*By Wage Decile, Includes All Income from Work*

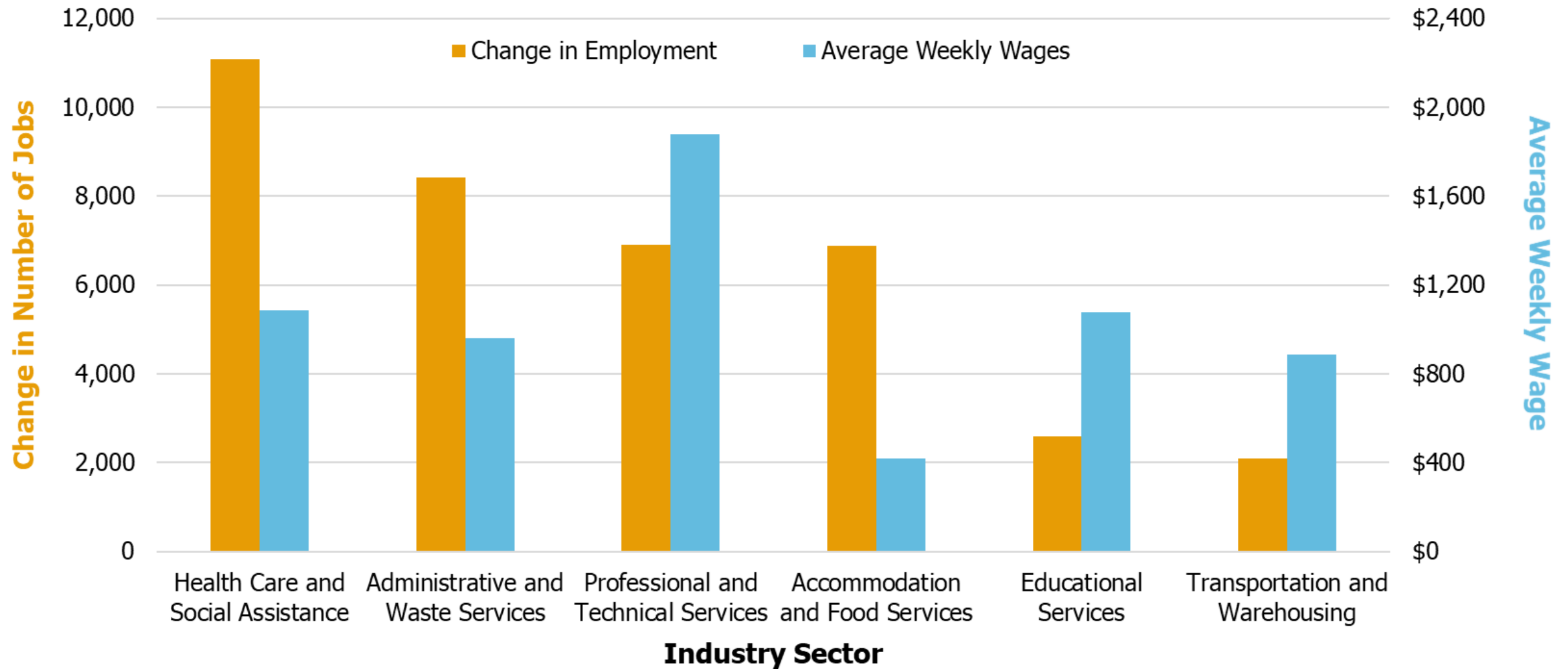


Note: Inflation adjustment using Consumer Price Index-Urban-Research Series (current methods). Includes workers aged 18 to 64 years.  
Source: Economic Policy Institute analysis of Current Population Survey Outgoing Rotation Group data



# Job Growth in New Hampshire by Industry, 2008-2018

*Private Sector Industries, 2018 Average Wages*



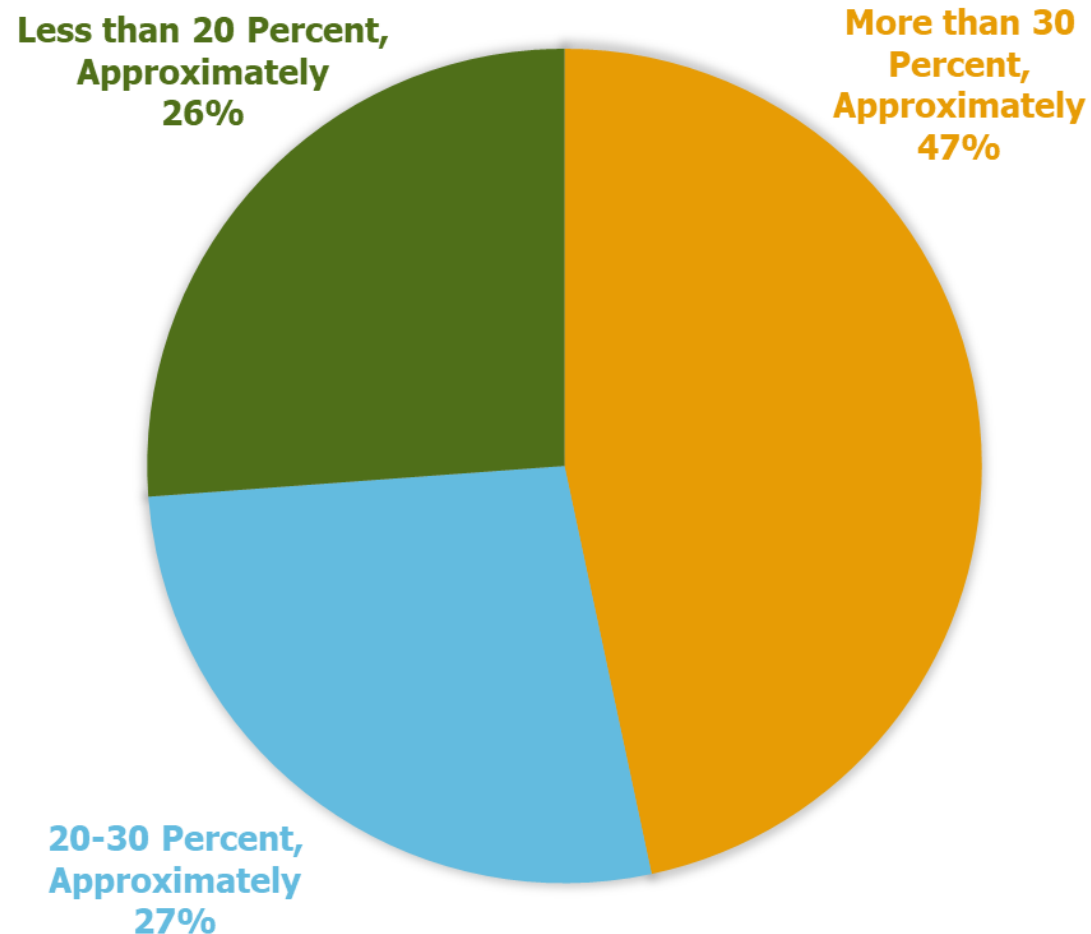
Note: Average weekly wage for 2018 determined by averaging the average quarterly wages. Annualized number of jobs for 2018 determined by averaging each three months of the quarters and averaging the four quarters.

Source: New Hampshire Employment Security, Economic and Labor Market Information Bureau, Covered Employment and Wages

## Rent as Estimated Percent of Household Income

*For All New Hampshire Renter Households,  
Gross Rent Including Utilities*

Source: U.S. Census Bureau, American Community Survey,  
2017 One-Year Estimates



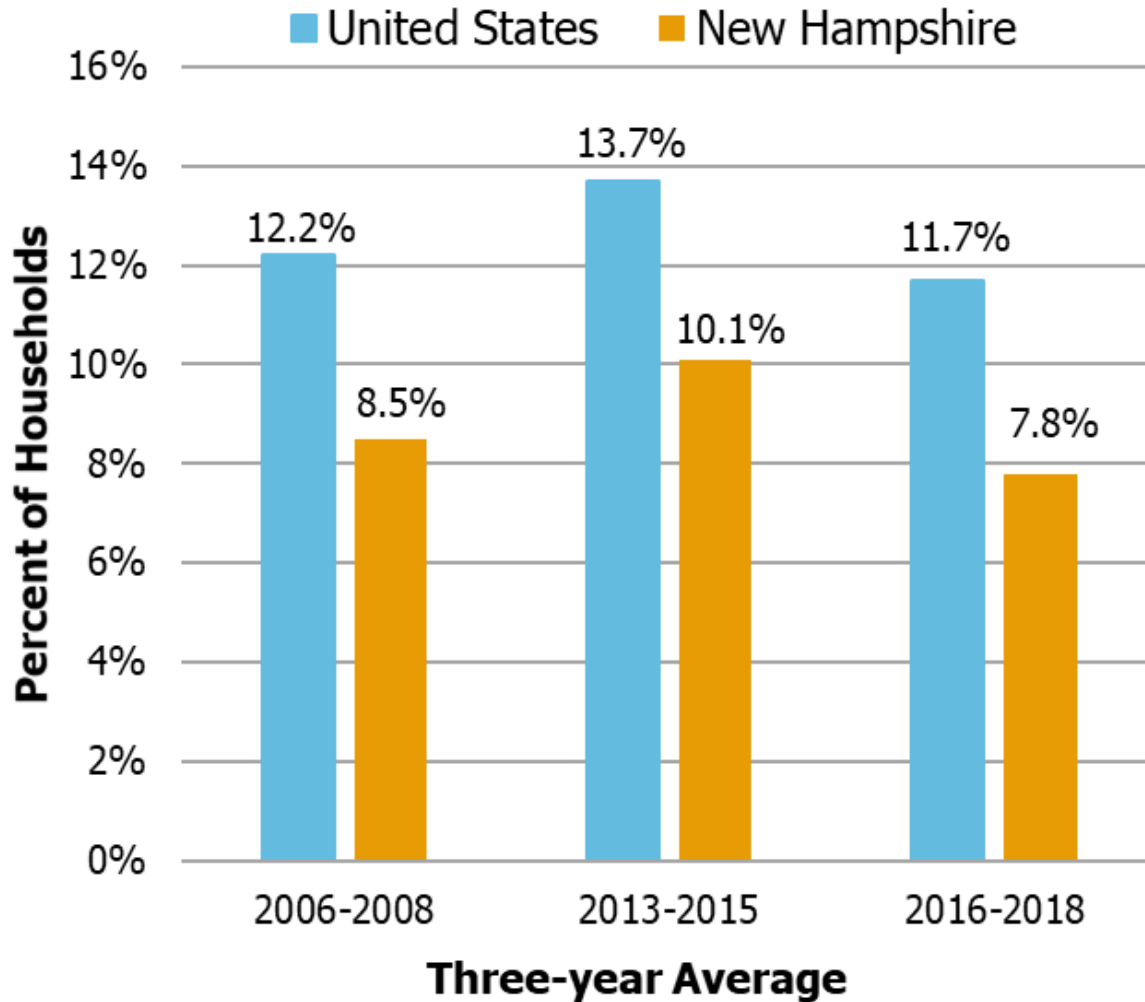
## Housing Cost and Availability in New Hampshire

- Two-bedroom apartment statewide median monthly rent and utilities cost in 2019: **\$1,347**
- Vacancy rate for rental units at less than **one percent** in 2019
- Renter-occupied unit median household income in New Hampshire estimated at **\$41,868** in 2017

Sources: New Hampshire Housing Finance Authority, *2019 New Hampshire Residential Rental Cost Survey*; U.S. Census Bureau, American Community Survey, 2017 One-Year Estimates

## Food Insecurity

*Households by Time Period and Geography*



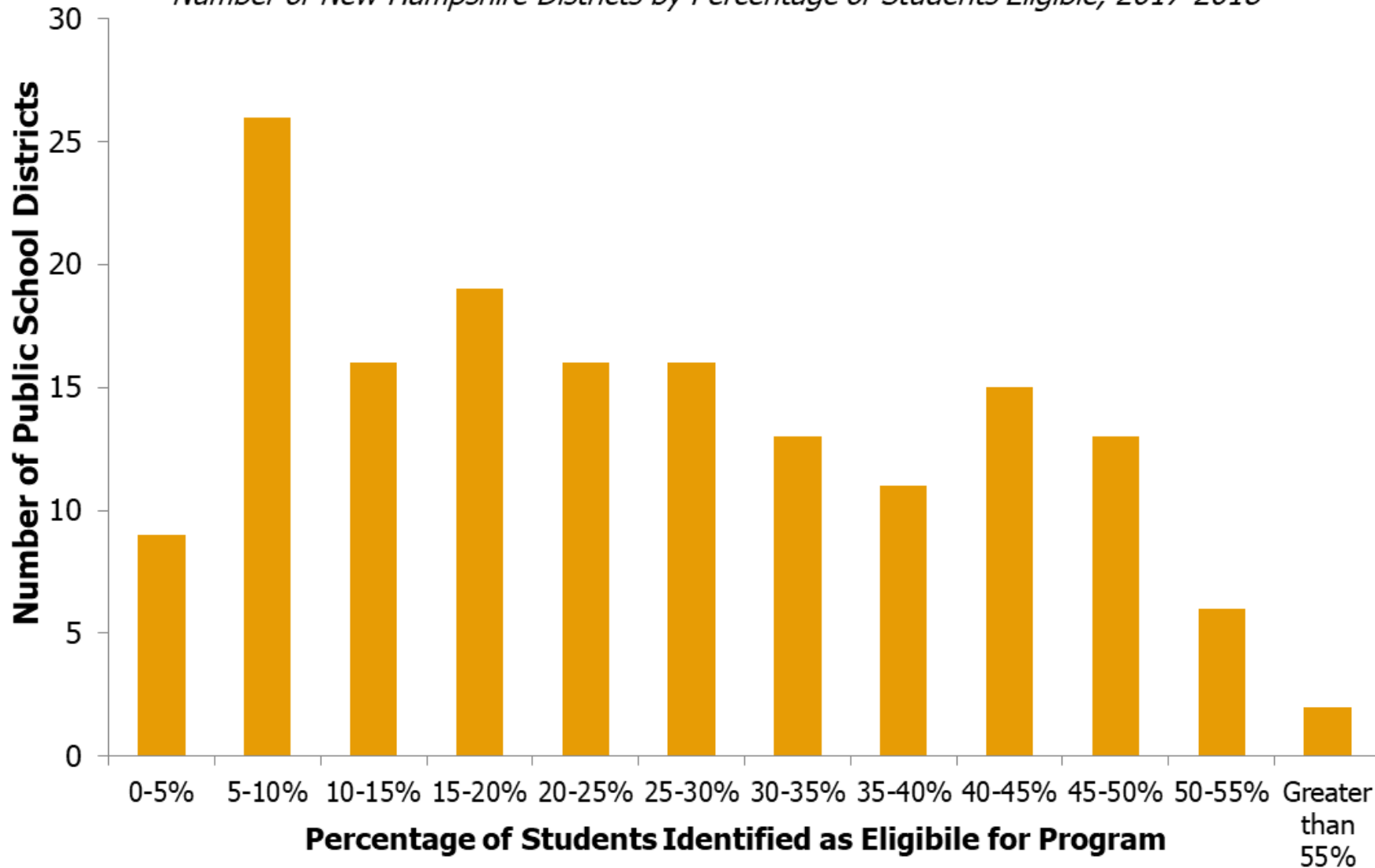
Source: U.S. Department of Agriculture, *Household Food Security in the United States in 2018*

- Approximately **42,000 New Hampshire households** estimated to have been food insecure within the past year, based on 2016-2018 data
- The Food Stamp Program, also known as the Supplemental Nutrition Assistance Program (SNAP), provides food assistance to about **74,000 individuals**, about 38.7 percent children and 9.2 percent over age 64

Sources: U.S. Department of Agriculture, *Household Food Security in the United States in 2018*; New Hampshire Department of Health and Human Services, *SNAP (Food Stamps) Snapshot Report*, August 2019

## Free and Reduced-Price School Lunch Eligibility by District

*Number of New Hampshire Districts by Percentage of Students Eligible, 2017-2018*



Note: Districts exactly at bin-edges included in lower bins. All districts had at least one eligible student.

Source: New Hampshire Department of Education, Free/Reduced School Lunch Eligibility by District, 2017 - 2018

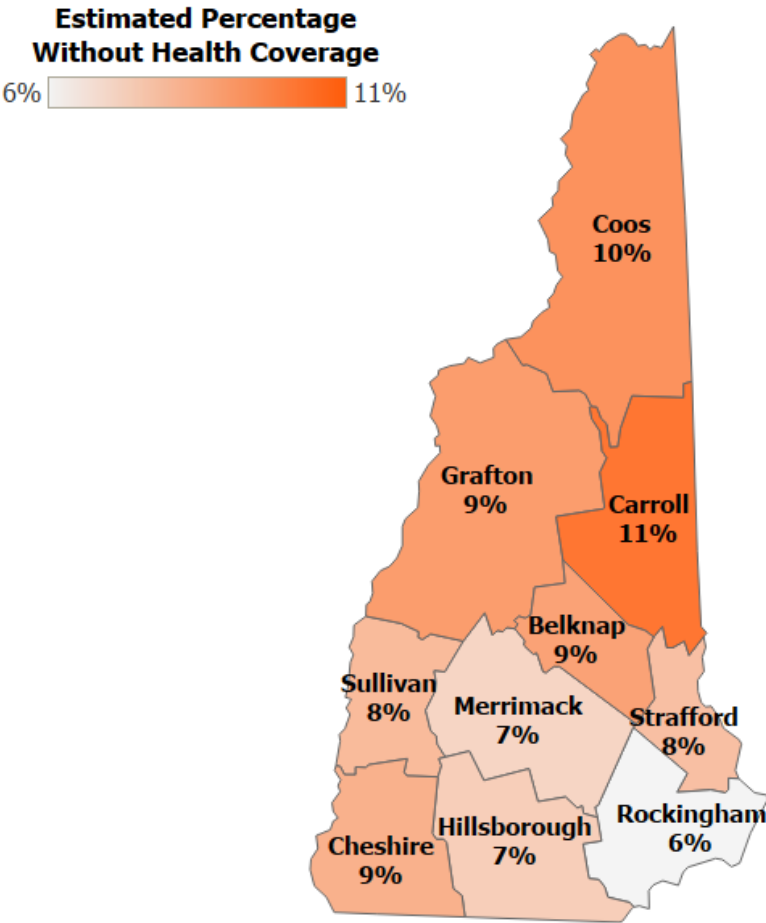
- **27.2 percent of students**, or 42,981 students, were eligible for the free- and reduced-price school lunch program in October 2018
- Approximately **three in four public school students** live in cities or towns with below the state's average for taxable property wealth per student

Source: New Hampshire Department of Education

# Percentage of Population Without Health Coverage

*New Hampshire Counties*

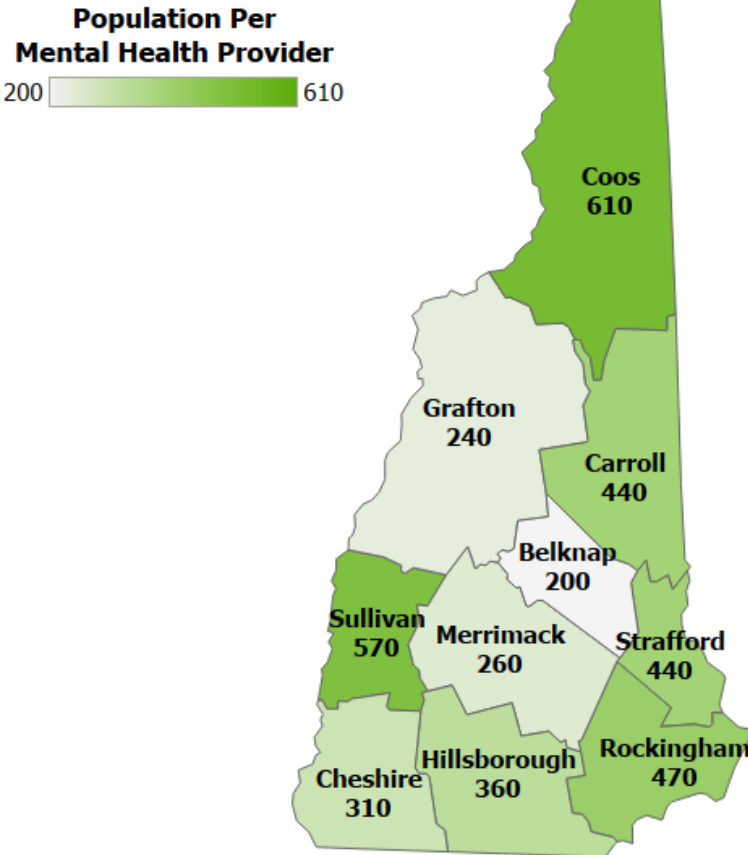
Source: U.S. Census Bureau, American Community Survey, 2013-2017



# Number of Residents Per Mental Health Provider

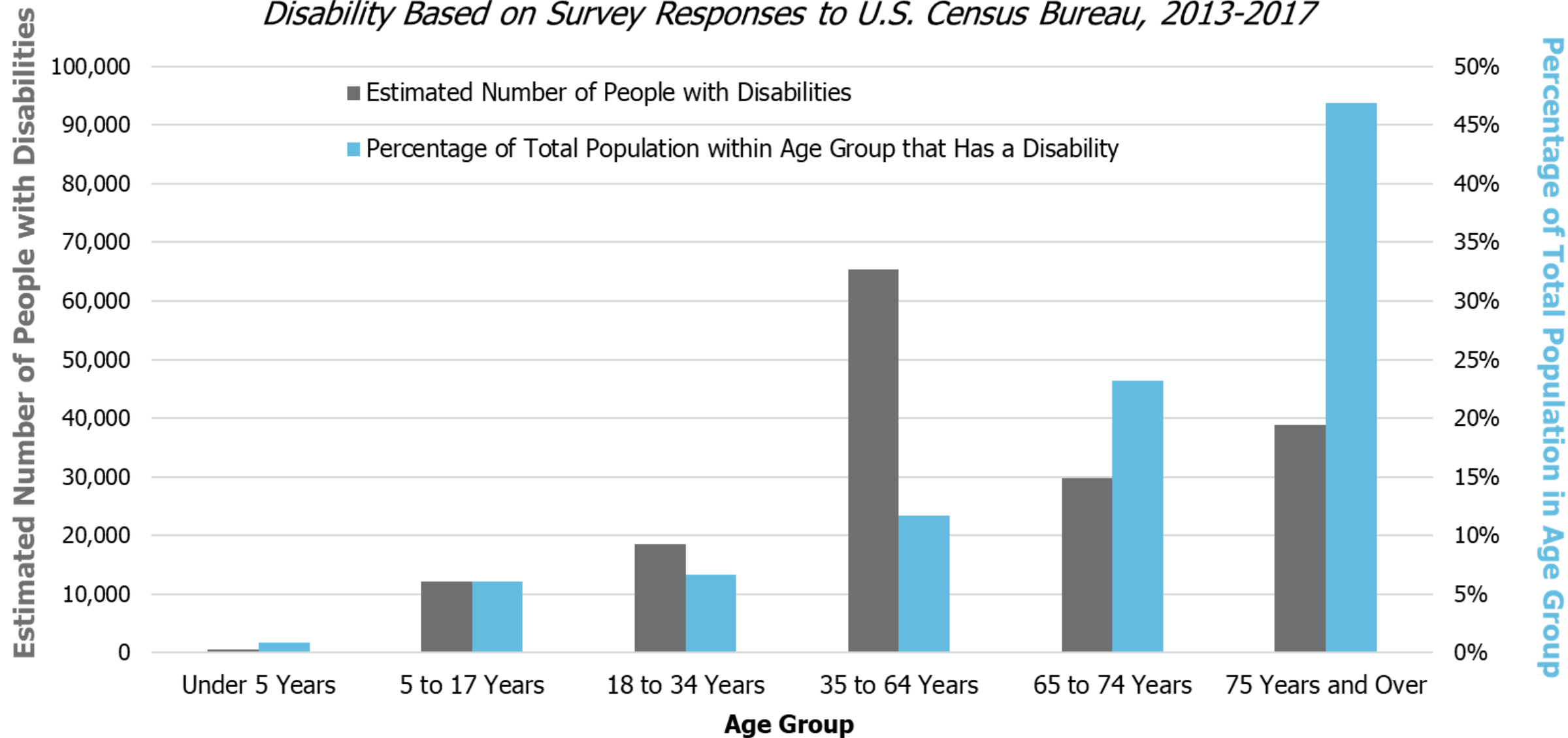
*New Hampshire Counties*

Source: University of Wisconsin Population Health Institute, using U.S. Center for Medicare and Medicaid Services data, 2018



# New Hampshire Individuals with Disabilities by Age Group

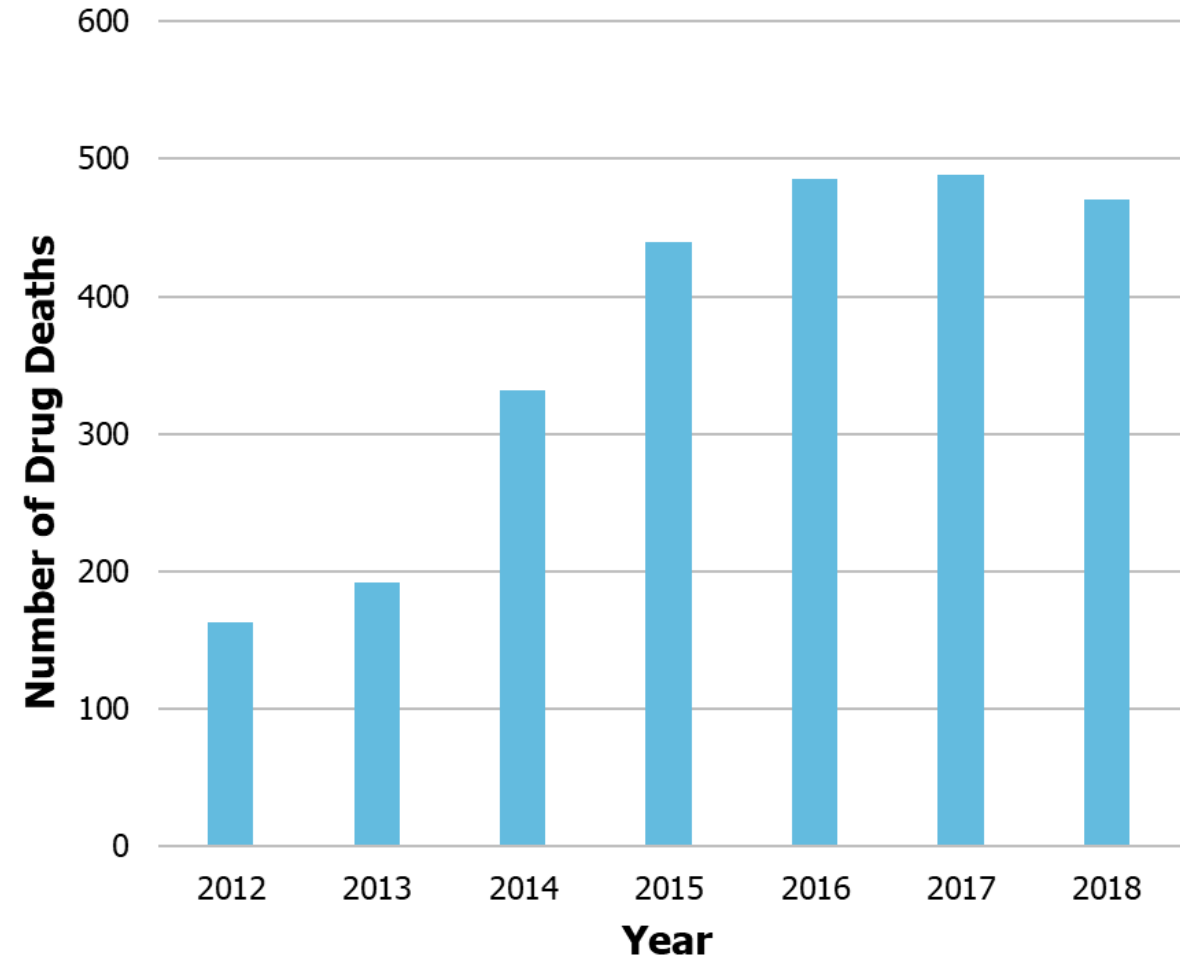
*Disability Based on Survey Responses to U.S. Census Bureau, 2013-2017*



Source: U.S. Census Bureau, American Community Survey Five-Year Estimates, 2013-2017

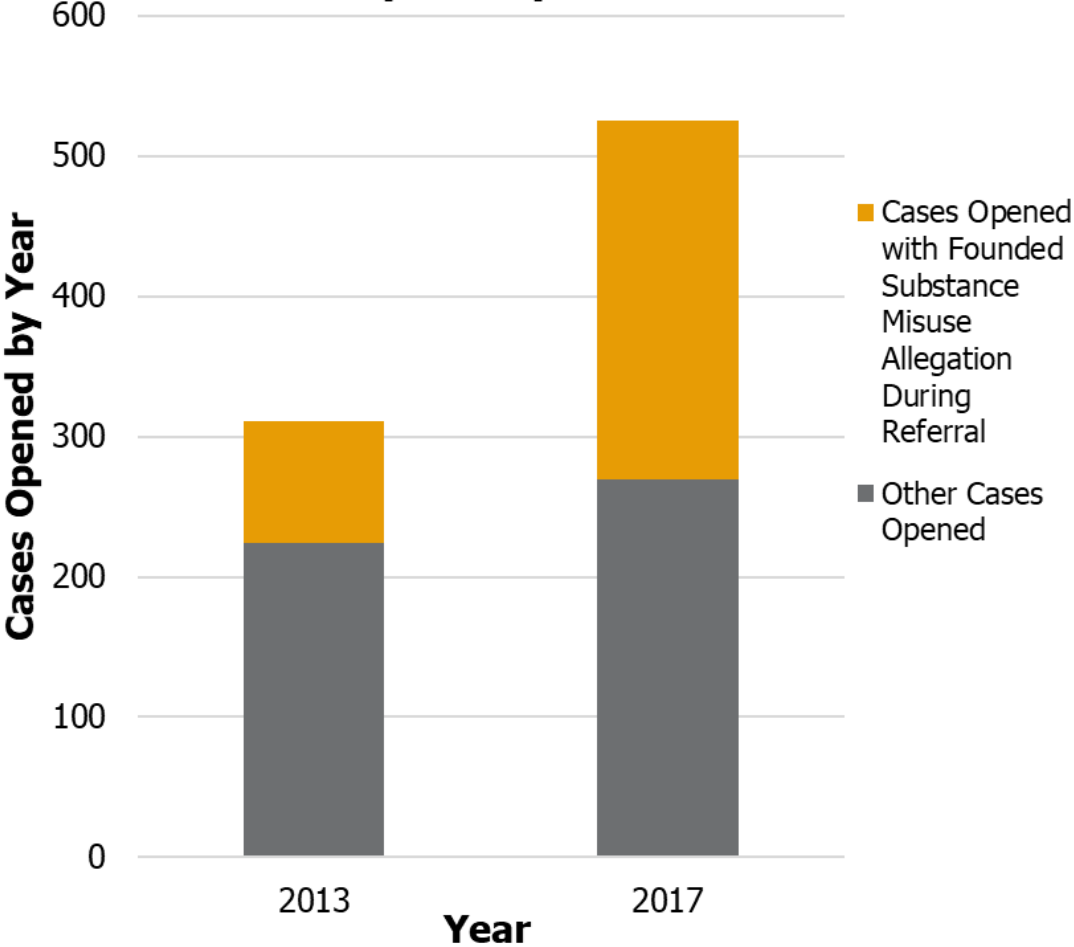
# Substance Misuse in New Hampshire

**Drug Deaths in New Hampshire**



Source: NH Department of Justice, Office of Chief Medical Examiner, Drug Death Data as of May 28, 2019

**New Hampshire Division of Children, Youth, and Families Cases Opened per Year**



Source: Governor's Commission on Alcohol and Other Drugs, Mid-Year Report, March 2019

# Final Thoughts

- New Hampshire's economy is doing well overall, but not all residents are thriving.
- New Hampshire has a workforce challenge, and many of the factors discussed here contribute to this challenge.
- New Hampshire's population is aging, and we need to create an environment that will encourage more families and young people to make New Hampshire their home.
- We should work to ensure that:
  - Housing is accessible and affordable to residents of all incomes
  - Young people are healthy and able to thrive
  - Care is provided for a growing population of older adults and other residents
  - New Hampshire has the resources available to meet our state's needs
- The State Budget is our primary vehicle for public investment at the state level.
- Decisions at the state level impact the local level, and the fiscal capacity of communities to respond varies greatly.
- As we focus on the State Budget for the next two years, we should consider the longer-term impacts of budget decisions and work to lay a strong foundation for a prosperous future.



# New Hampshire's State Budget: What You Need to Know

New Hampshire Center for Nonprofits  
2019 Nonprofit Leadership Summit

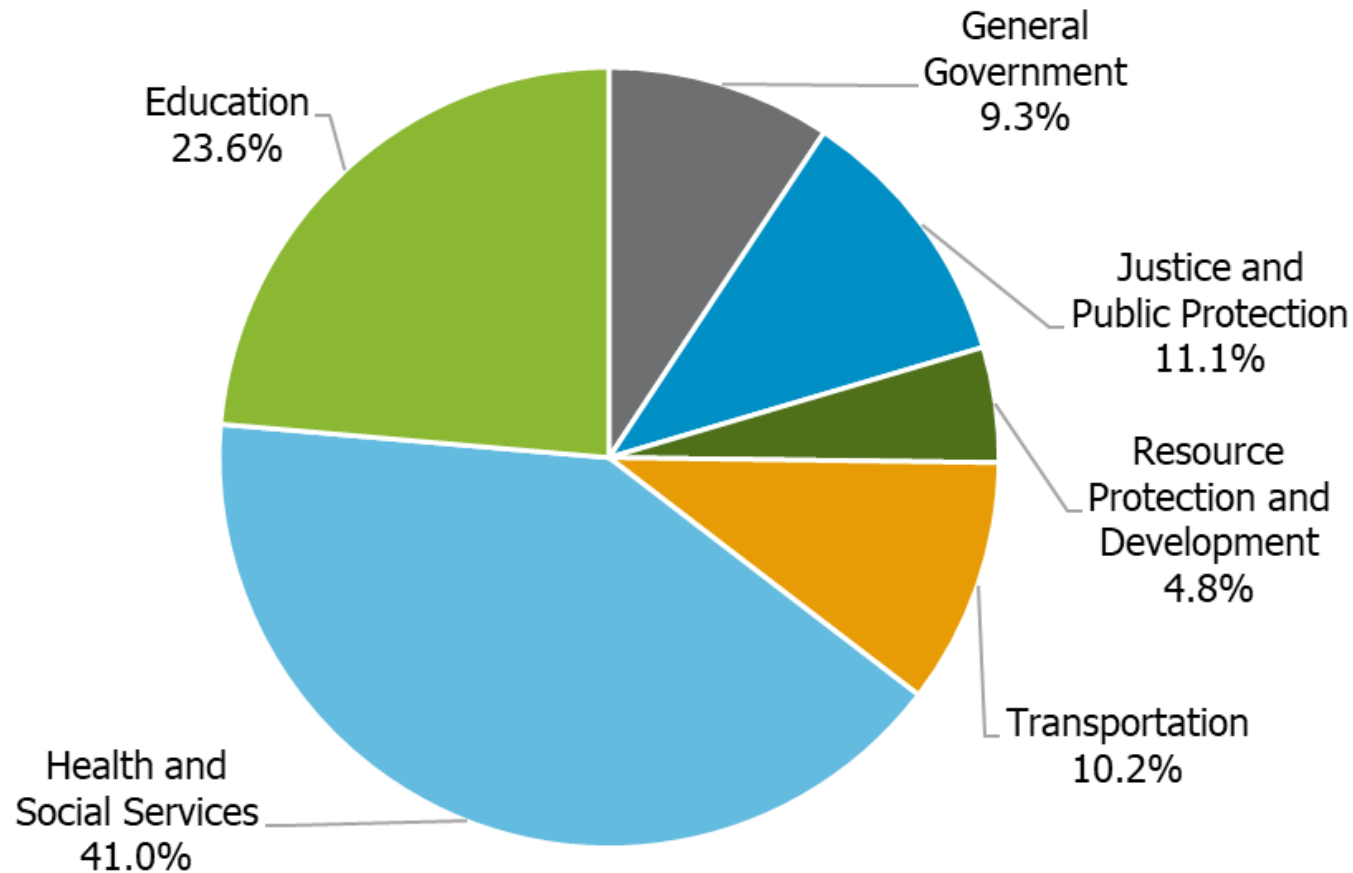
September 19, 2019

# What the State Budget Funds

## State Budget Appropriations by Category

*New Hampshire, State Fiscal Year 2019*

Source: Chapter 155, Laws of 2017, Section 1.07



- Two-Year State Operating Budget
- Covers two State Fiscal Years, beginning July 1
- Includes most (but not all) State expenditures, last budget was approximately \$11.85 billion
- Comprised of two pieces of legislation, typically HB 1 (Operating Budget Bill) and HB 2 (Trailer Bill)

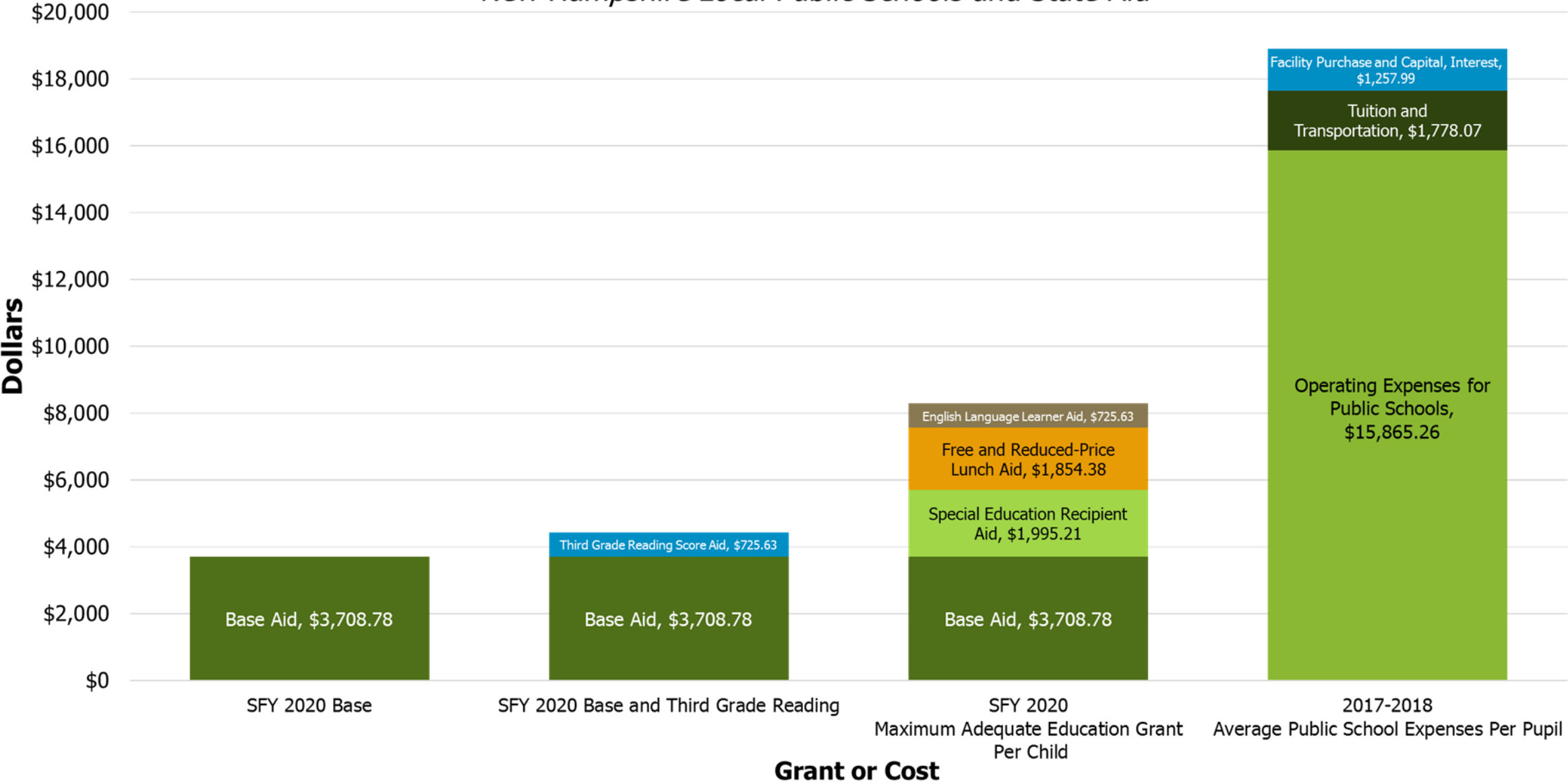
Sources: New Hampshire Fiscal Policy Institute, *Building the Budget*, February 9, 2017, and *Measuring the Size of New Hampshire's State Budget*, September 11, 2017; Chapter 155, Laws of 2017, Section 1.07

# Key Investments in Current State Budget Discussions

- Local public education funding
- Medicaid reimbursement rates
- Mental health infrastructure (hospital facility and community space)
- Developmental disability services and waitlist funding
- Adult dental benefits in Medicaid
- Substance misuse – State and federal funding
- Affordable Housing Fund – ongoing appropriations
- Homeless and rental assistance
- Child services and protection (also addressed in separate bills)
- Higher education funding (University and Community College systems)
- Job training program
- Aid to local governments
- Department of Transportation fleet replacement, Highway Fund increases
- “Rainy Day Fund” appropriations

# Adequate Education Aid and School Costs Per Student

*New Hampshire Local Public Schools and State Aid*

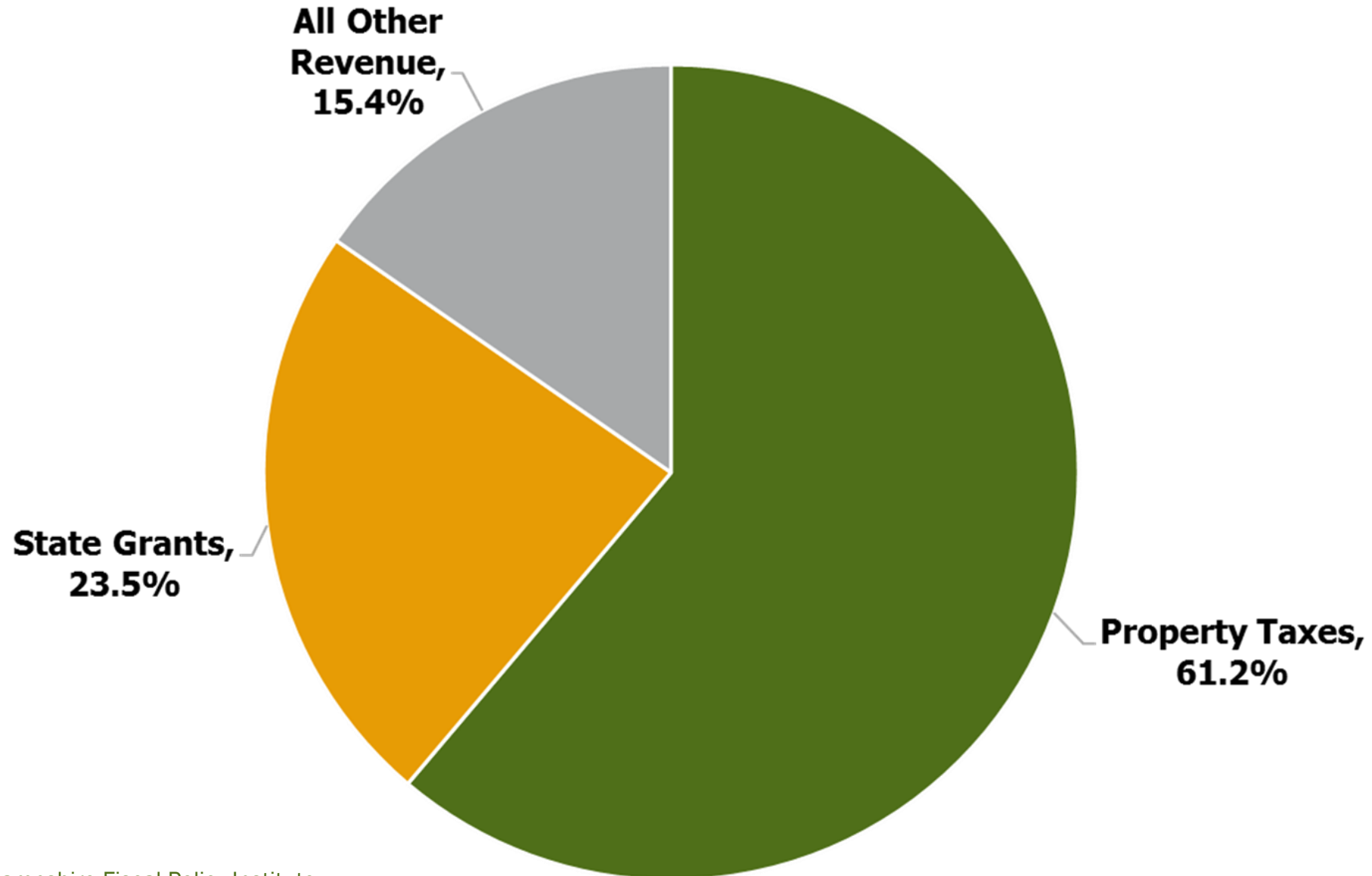


Sources: Office of Legislative Budget Assistant, Fiscal Issue Brief, Calculating Education Grants, January 2019; New Hampshire Department of Education, State Average Cost Per Pupil and Total Expenditures 2017-2018, December 17, 2018.

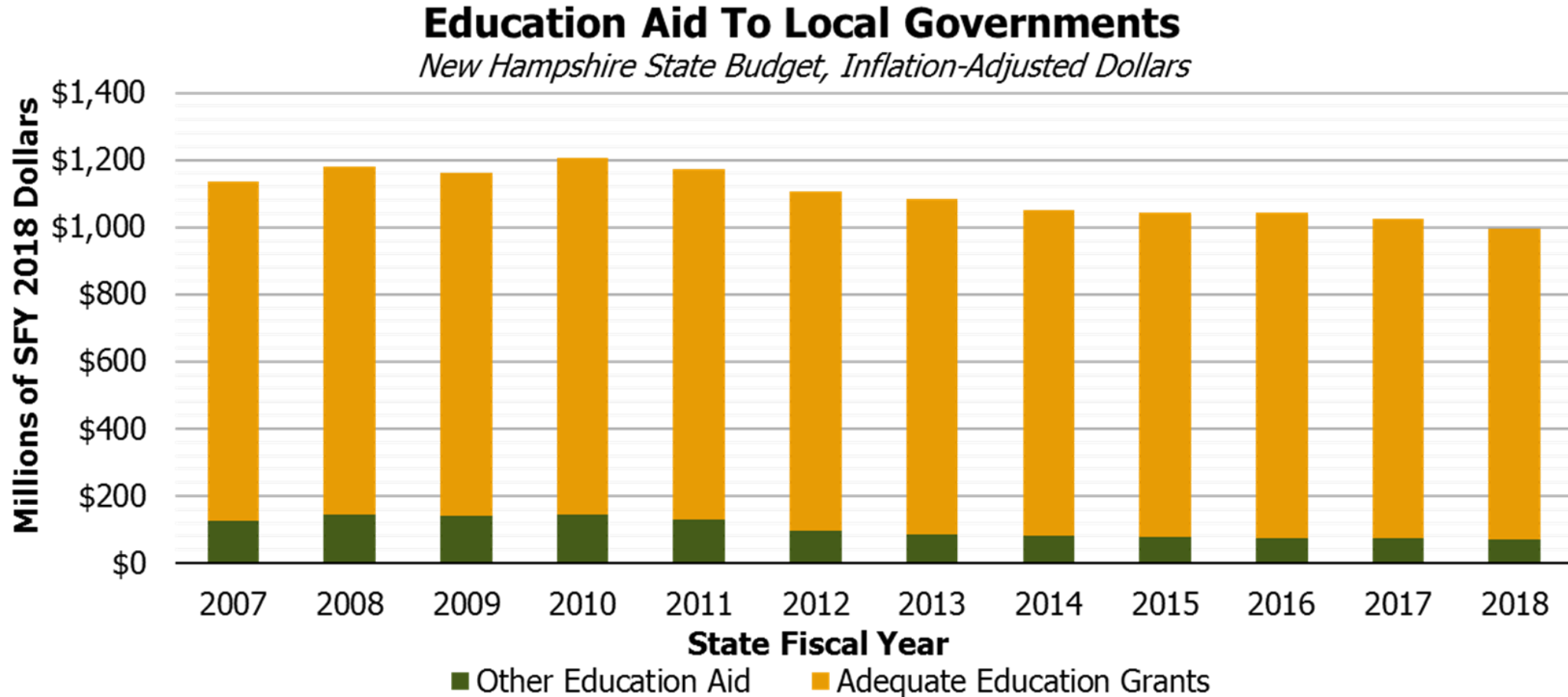
# Local Government Revenue Sources

*New Hampshire, Fiscal Year 2016*

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



# Local Education Aid from the State Declining in Aggregate

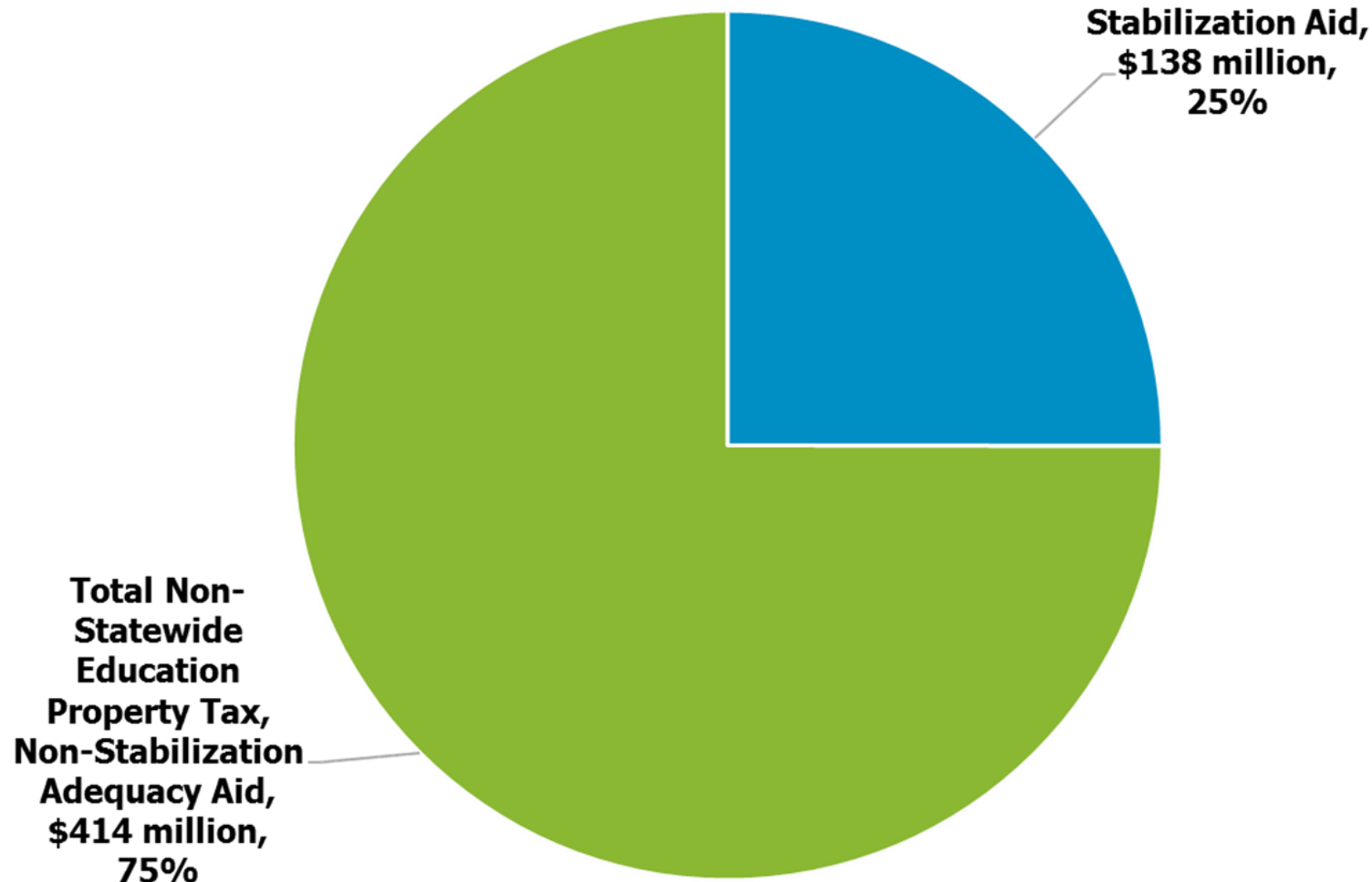


Note: Does not include certain school building aid dispensed from the temporary Public School Infrastructure Fund.  
Sources: Office of Legislative Budget Assistant, *Schedule of State Aid to Cities, Towns, and School Districts*, October 12, 2018; U.S. Bureau of Labor Statistics, Consumer Price Index-Northeast, State Fiscal Year Adjustment from NHFPI Calculations

# State Stabilization and Adequate Education Aid

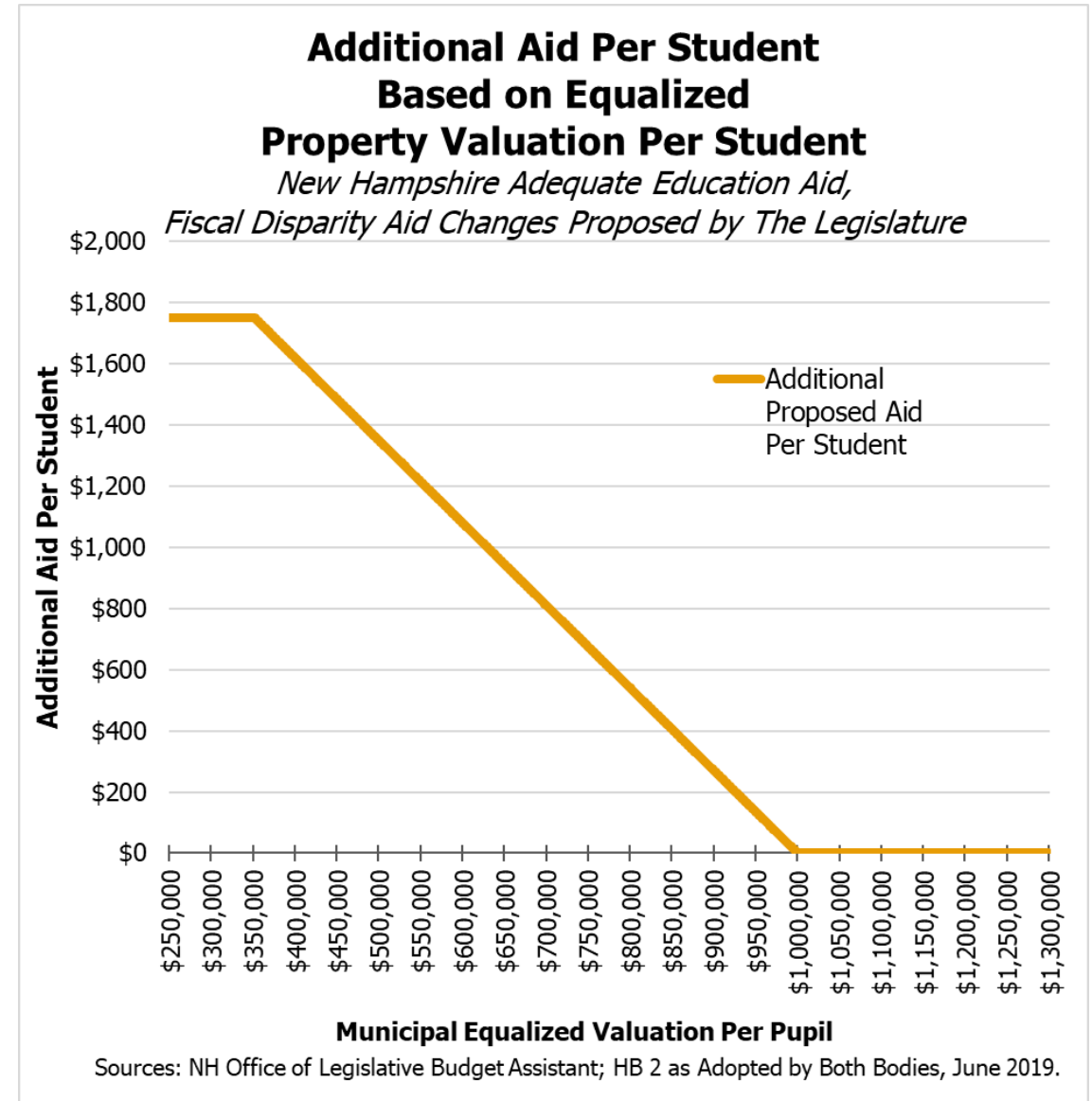
*Not Including Statewide Education Property Tax, State Fiscal Year 2019*

Source: New Hampshire Department of Education, Adequacy Aid Updated Memo, October 1, 2018



# Education Funding in Legislature's June Budget Proposal

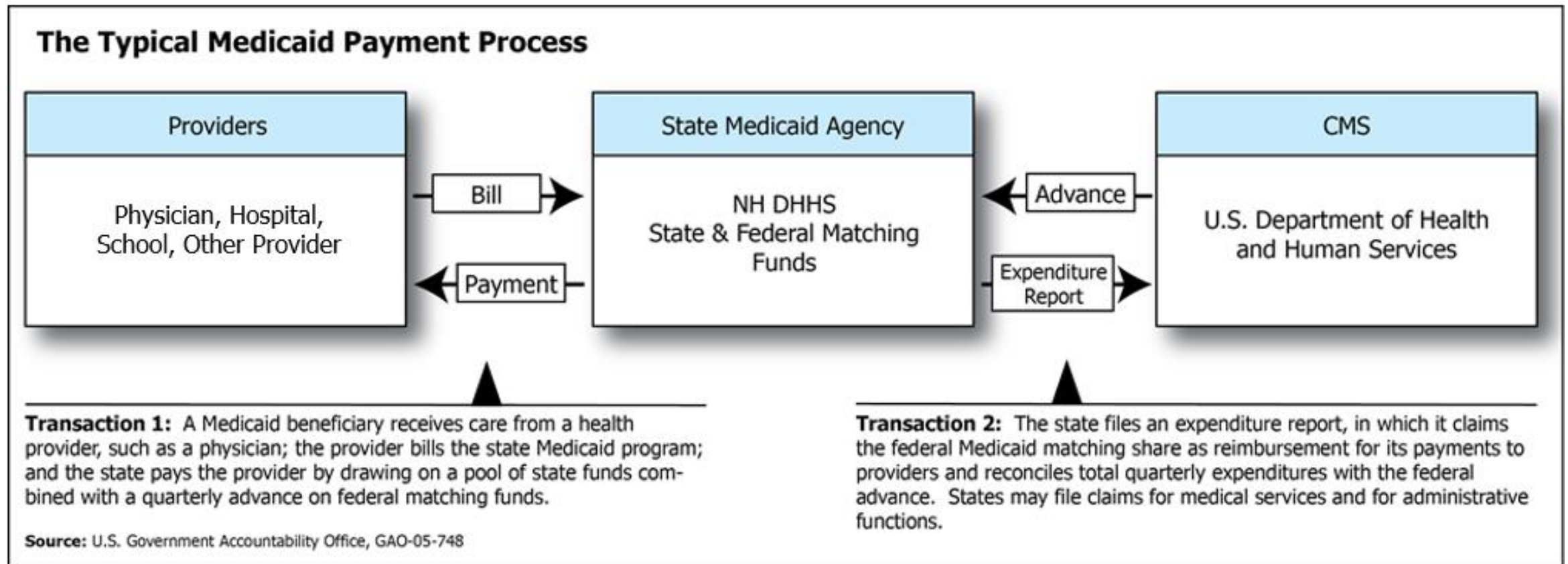
- Adopt fiscal disparity aid to send more per-student aid to support students from municipalities with lower taxable property value per student, up to \$1,750 per student
- Additional aid of up to \$350 for students eligible for free or reduced-price meals based on concentration within school
- Restore stabilization grants to their original (State Fiscal Year 2012-2016) levels during the budget biennium
- Boosts kindergarten grants to the full level of aid provided to grades 1-12 students for full-day kindergarten
- Total proposal would add \$138.1 million in aid for biennium relative to current policy



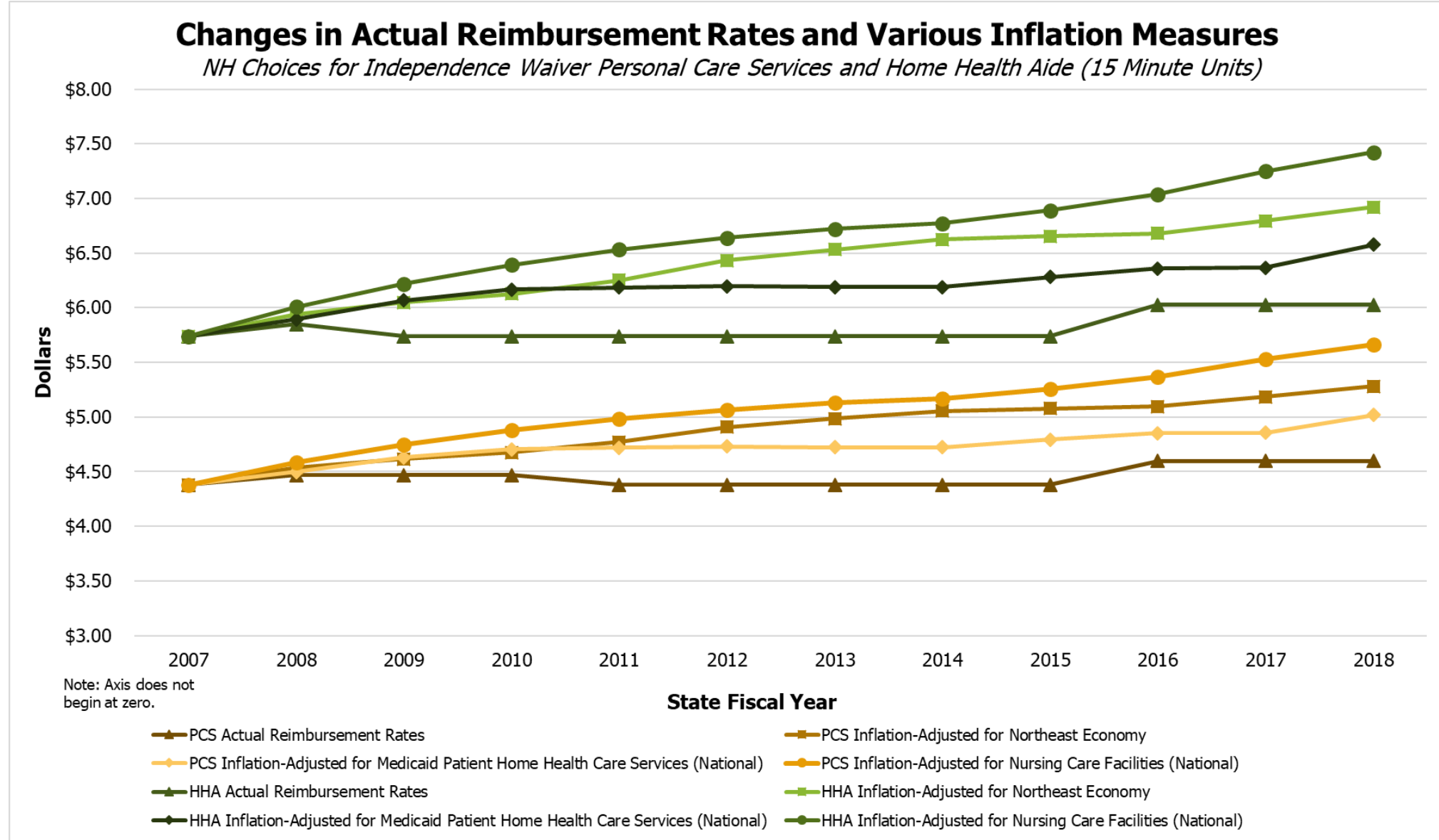


# Medicaid Reimbursement Rates and the State Budget

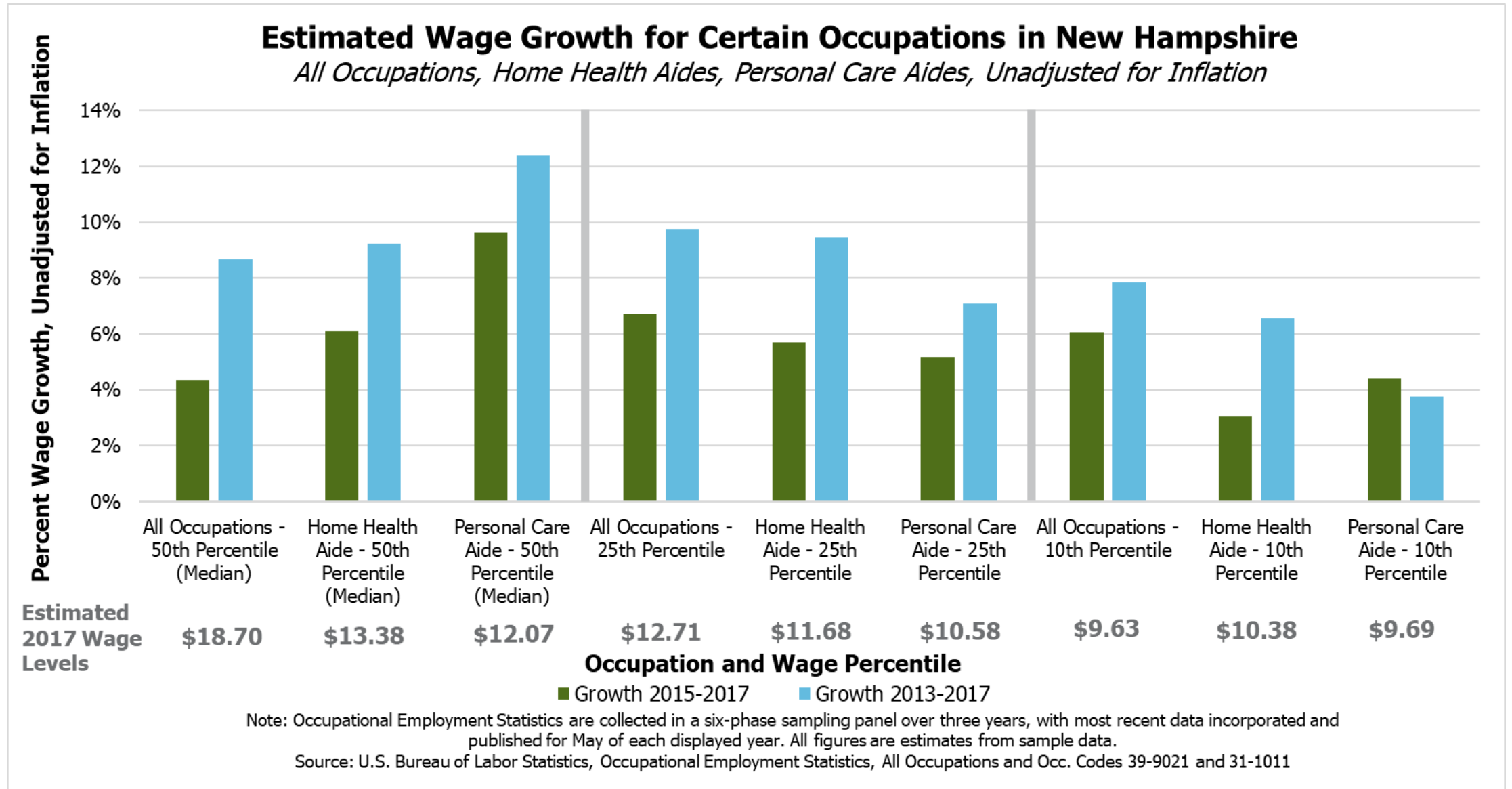
- Payment for Medicaid-eligible and -approved service provided
- Medicaid a State-federal fiscal partnership to provide health coverage for those with limited resources



# Medicaid Reimbursement Rates and the Workforce



# Medicaid Reimbursement Rates and the Workforce



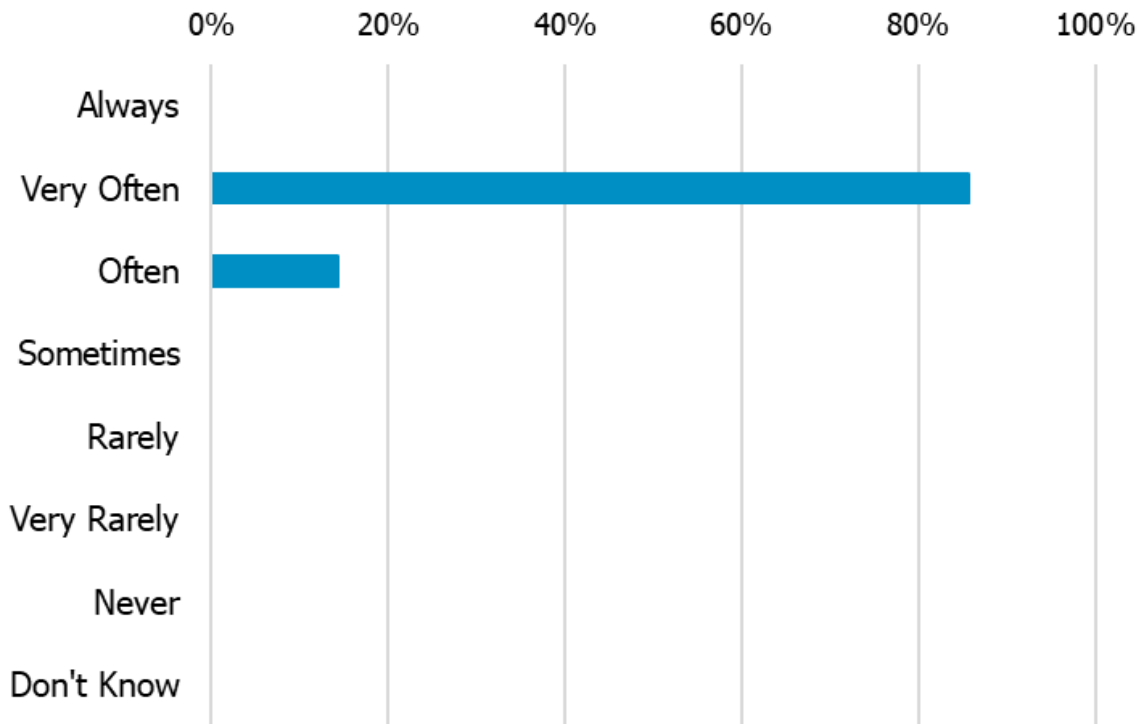
# Medicaid Rates and the Legislature's June State Budget Proposal

## Workforce Shortages Limiting Services

*NH Choices for Independence Waiver*

*Seven Case Management Agencies Were Asked:*

*"How often are authorized CFI waiver services not received in full due to unfilled positions or a shortage of workforce availability?"*



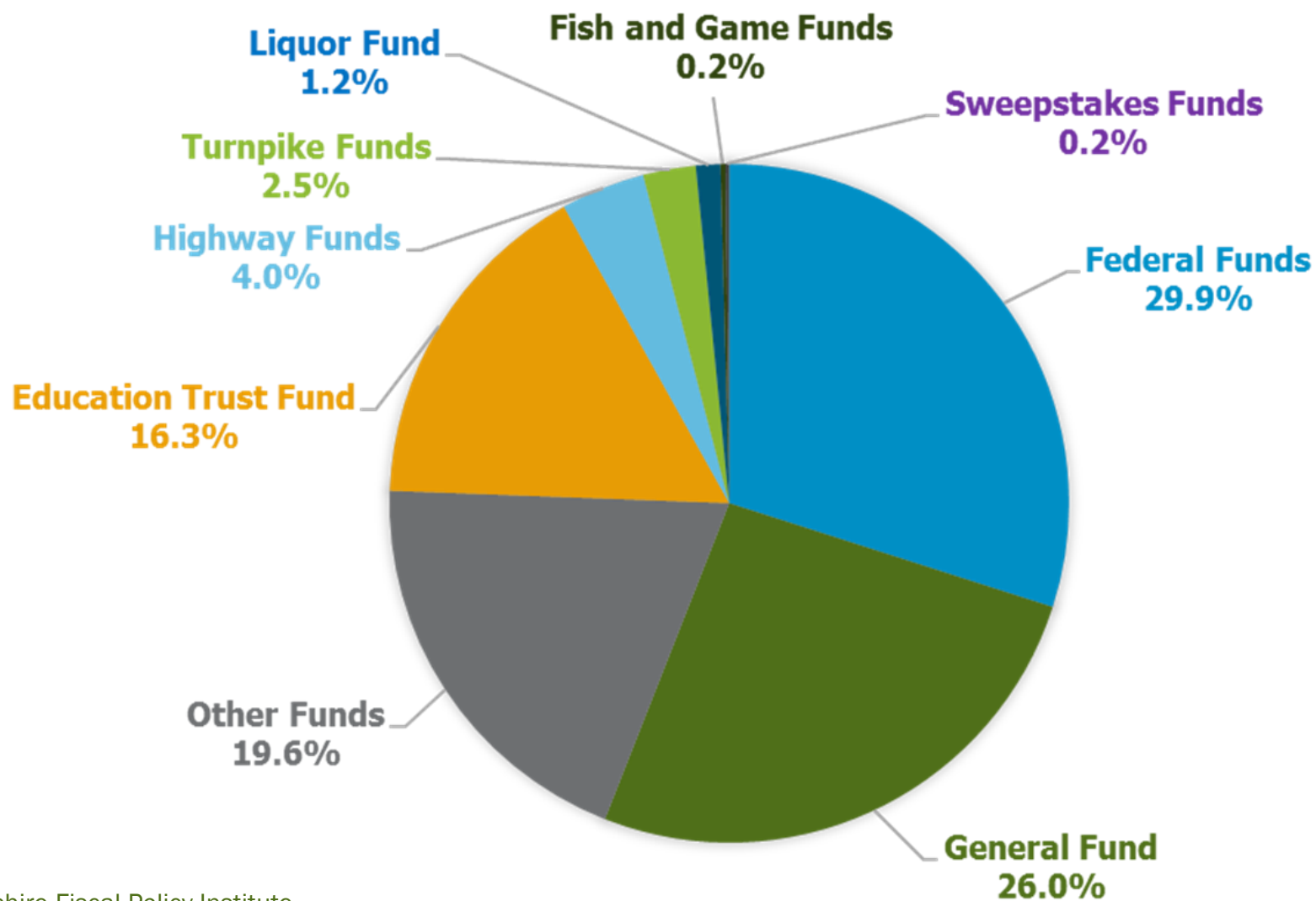
Source: NHFPI Survey of CFI Medicaid Waiver Case Management Agencies, Jan. 2019

- Legislature proposed a nearly universal Medicaid reimbursement rate increase of 3.1 percent in each year of the budget biennium, totaling \$60 million in State appropriations
- Additional \$8 million in State funds appropriated for mental health and substance use disorder inpatient and outpatient services
- Executive Branch has expressed preference for more targeted rate increases and a process for determining those increases
- State funding typically matched at 50 percent or higher with federal dollars

# New Hampshire's State Budget Funds

*New Hampshire, SFY 2018*

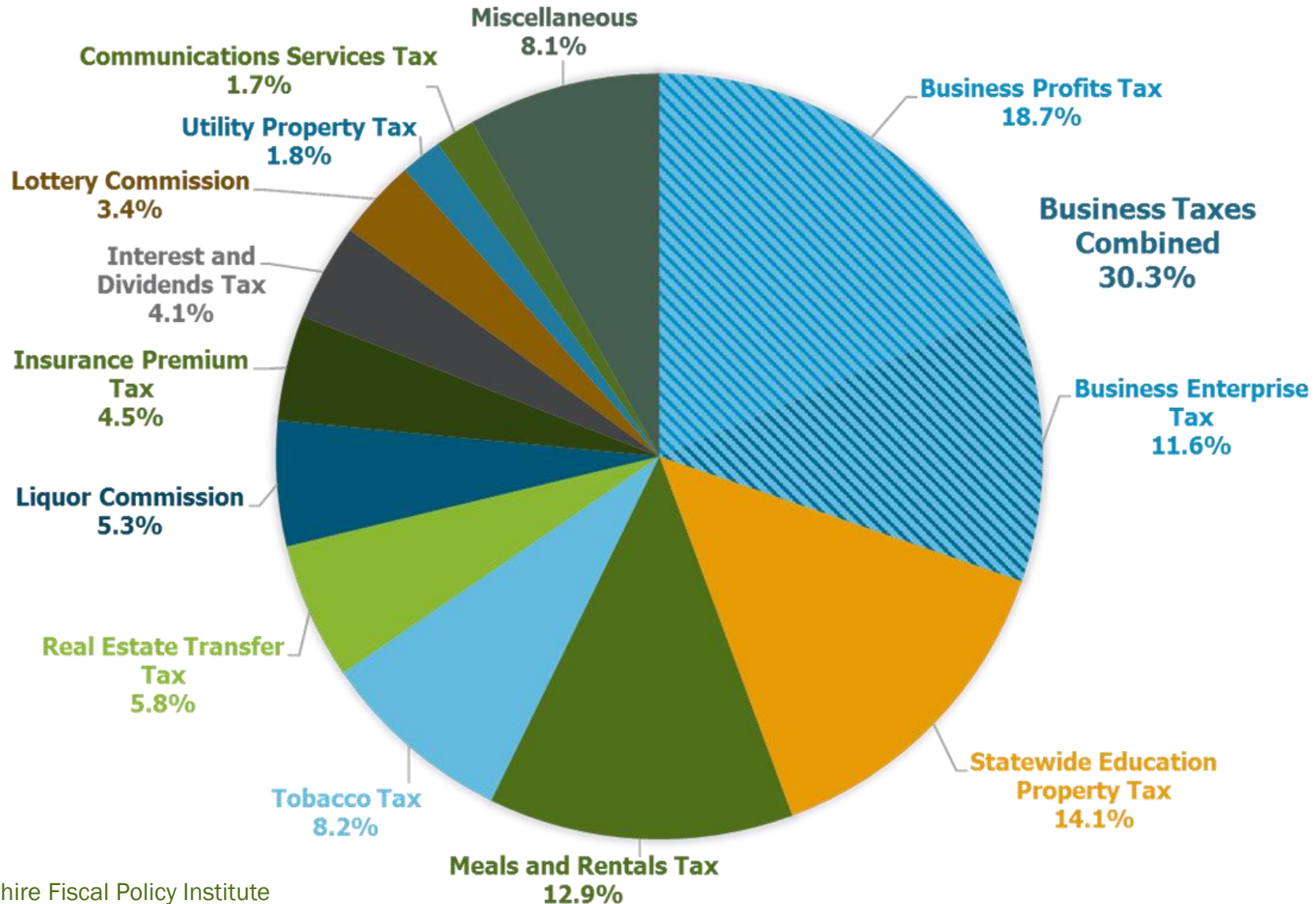
Source: Chapter 155, Laws of 2017



# The General Fund and the Education Trust Fund

## *SFY 2018 State-Generated Revenue*

Source: NH Comprehensive Annual Financial Report, SFY 2018

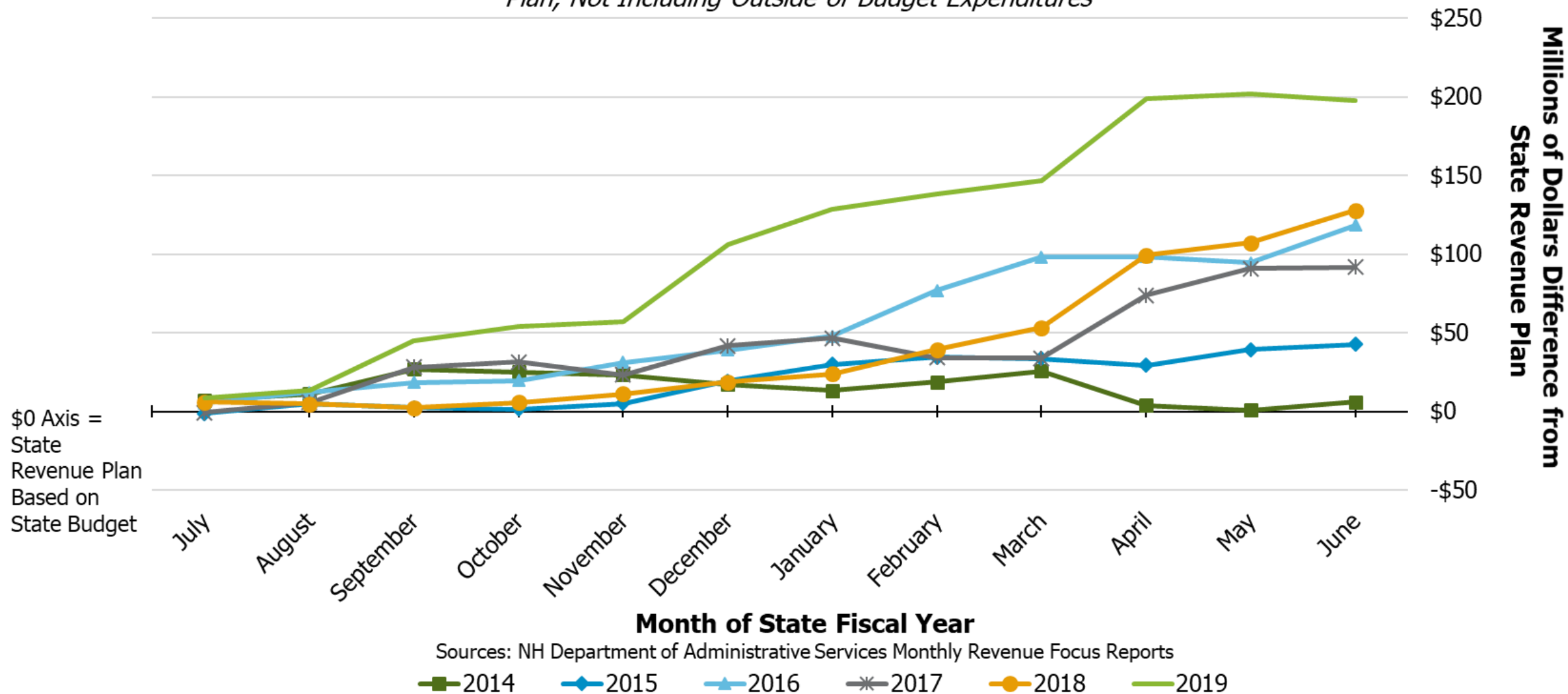




# Surplus Revenue Over State Budget Plans

## General and Education Trust Fund Revenue Surplus

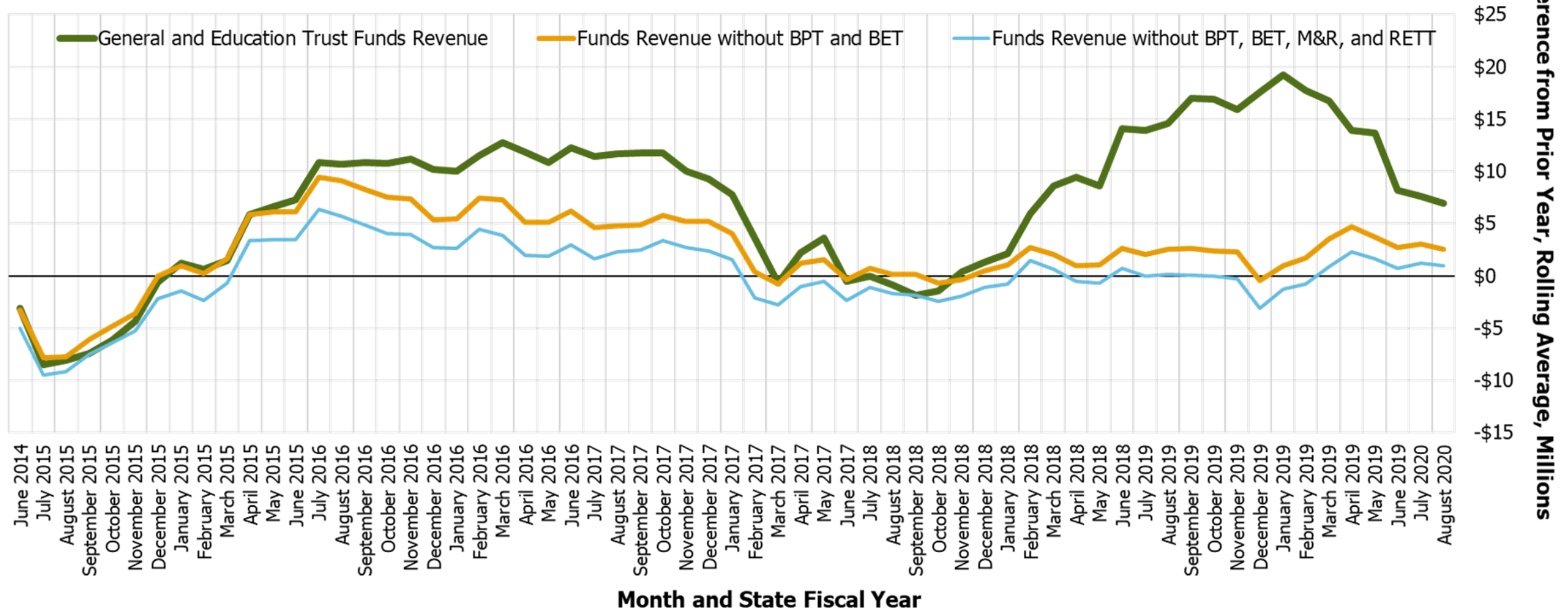
*Unaudited Cash Basis Aggregate Revenue Surplus by Month for Each State Fiscal Year Relative to State Budget Plan, Not Including Outside-of-Budget Expenditures*



# Surplus Revenue Driven by State's Two Primary Business Taxes

## Differences in 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; Less Business Taxes; and Less Business, Real Estate Transfer, and Meals and Rentals Taxes*



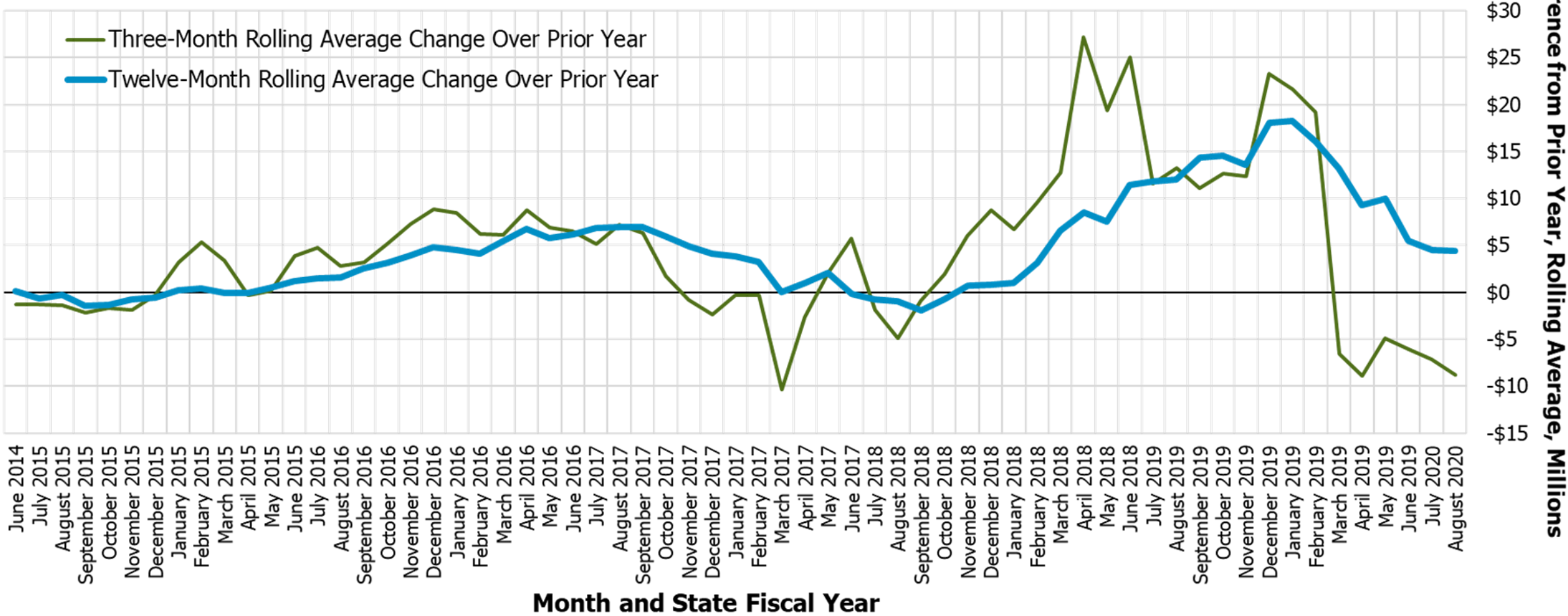
Sources: NH Department of Administrative Services Monthly Revenue Focus Reports  
Note: Medicaid Enhancement Tax excluded from historical data.



# Revenue from Business Taxes Slipping in Recent Receipts

## Average Differences in Business Taxes Monthly Cash Receipts

*Averages of Monthly Cash Receipts to the General and Education Trust Funds Relative to Prior Year from the Business Profits and Business Enterprise Taxes, Unadjusted for Inflation*



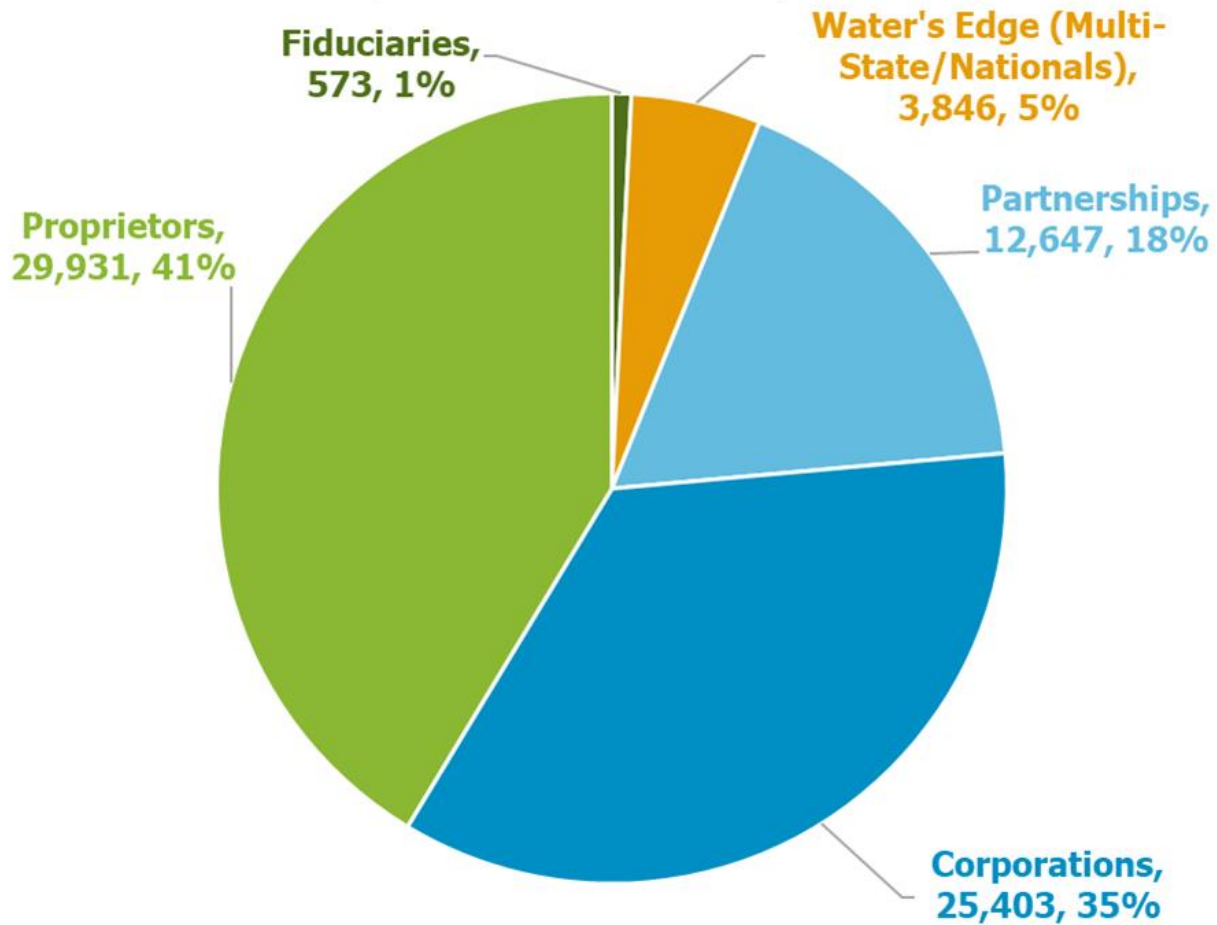
Sources: NH Department of Administrative Services Monthly Revenue Focus Reports

# Repatriation Effects Following Federal Tax Overhaul May Fade

## Business Profits Tax Filers by Type

*Draft Data, Tax Year 2016*

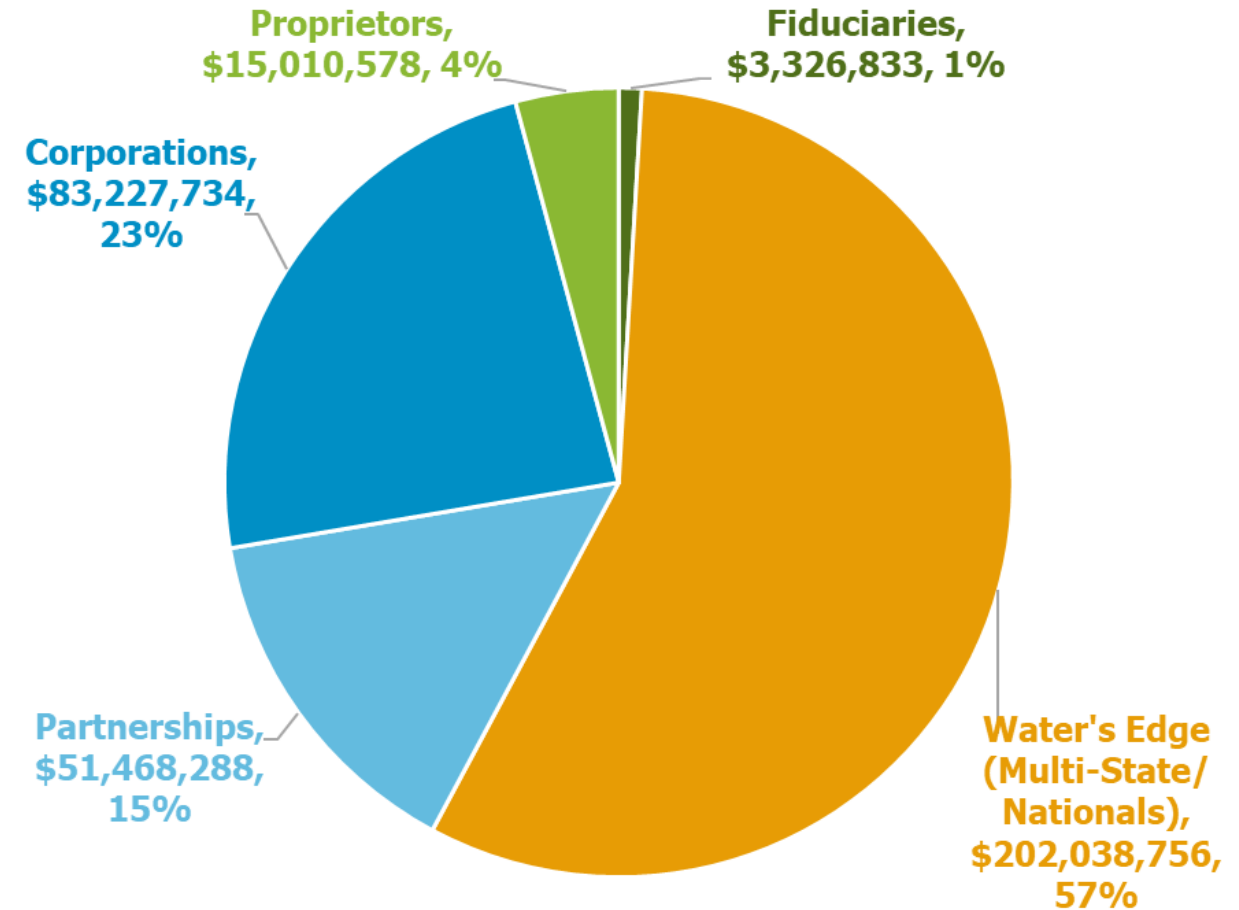
Source: NH Department of Revenue Administration, 2018 Annual Report



## Business Profits Tax Filers by Liability

*Draft Data, Tax Year 2016*

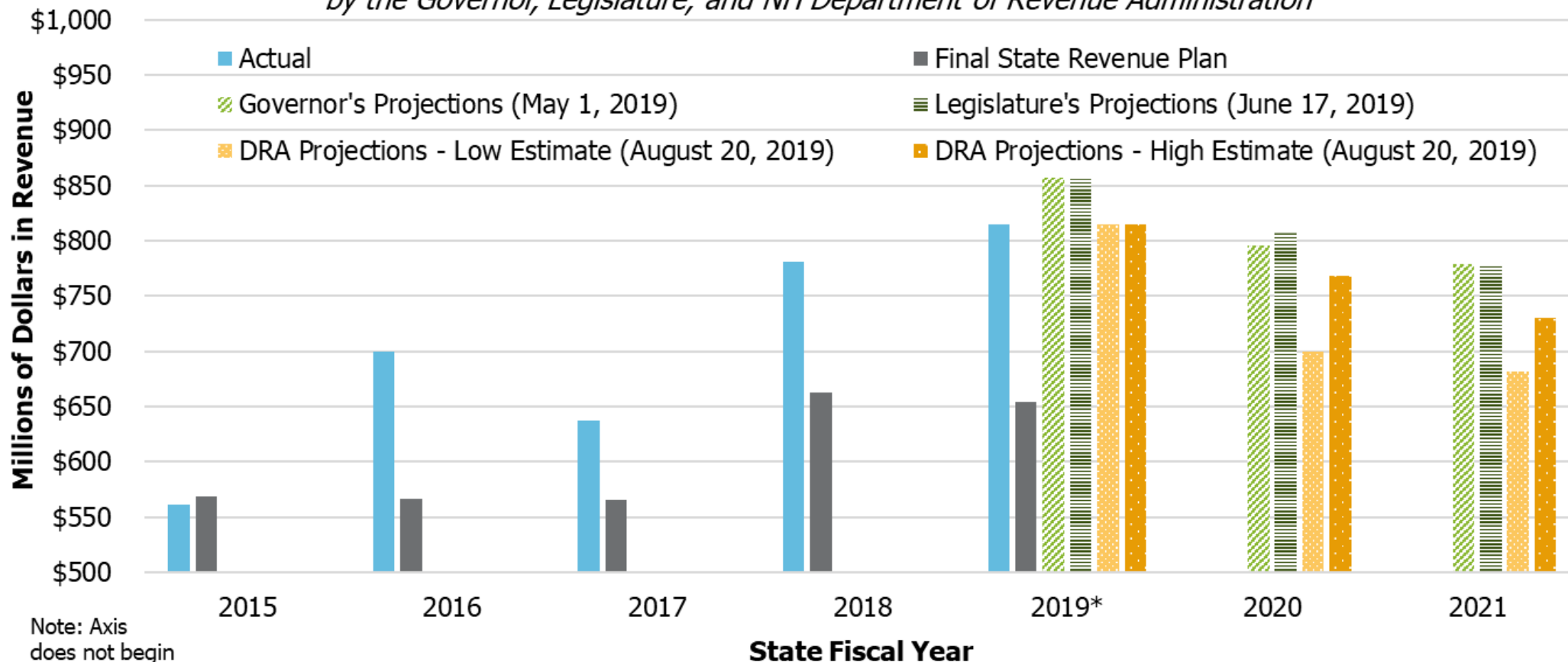
Source: NH Department of Revenue Administration, 2018 Annual Report



# Business Tax Revenue Projected to Decline

## Revenue from the Two Primary Business Taxes

*New Hampshire Business Profits Tax and Business Enterprise Tax Revenues, Actual and Projected by the Governor, Legislature, and NH Department of Revenue Administration*

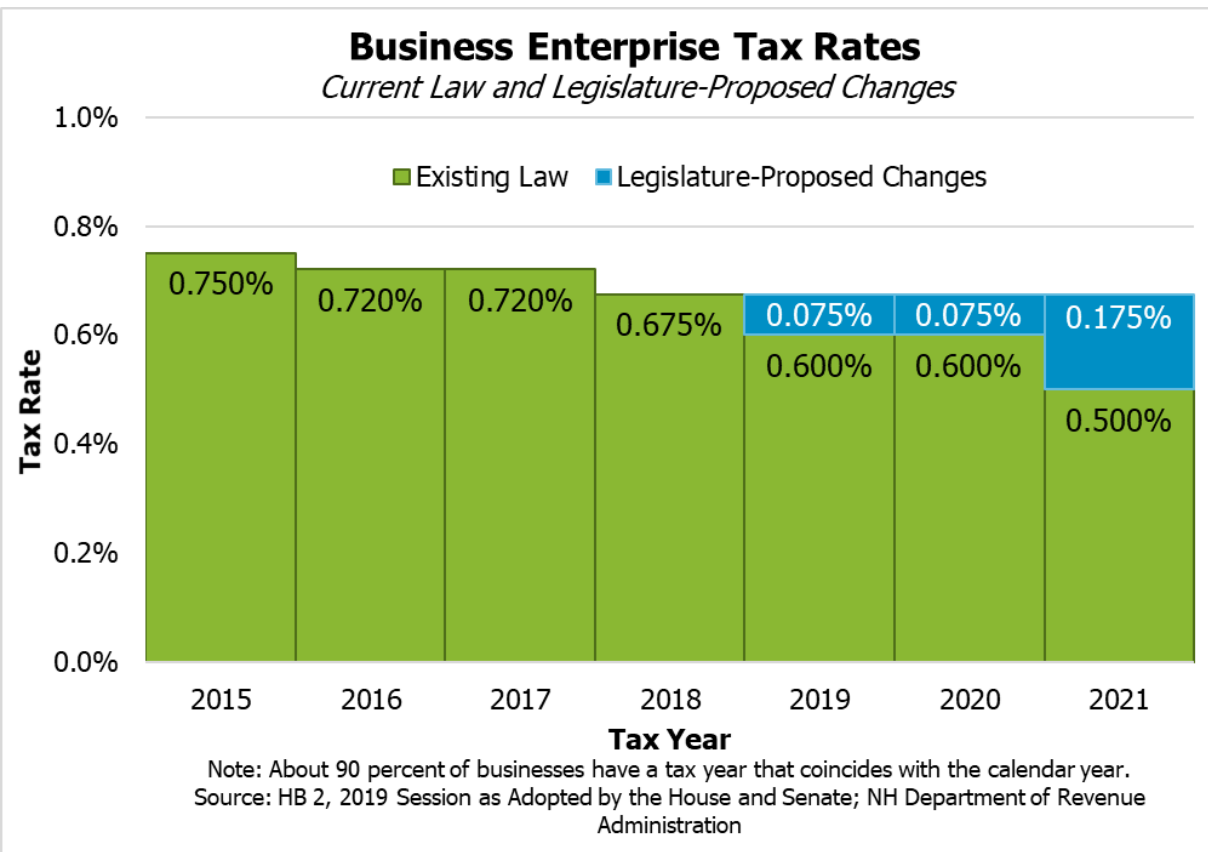
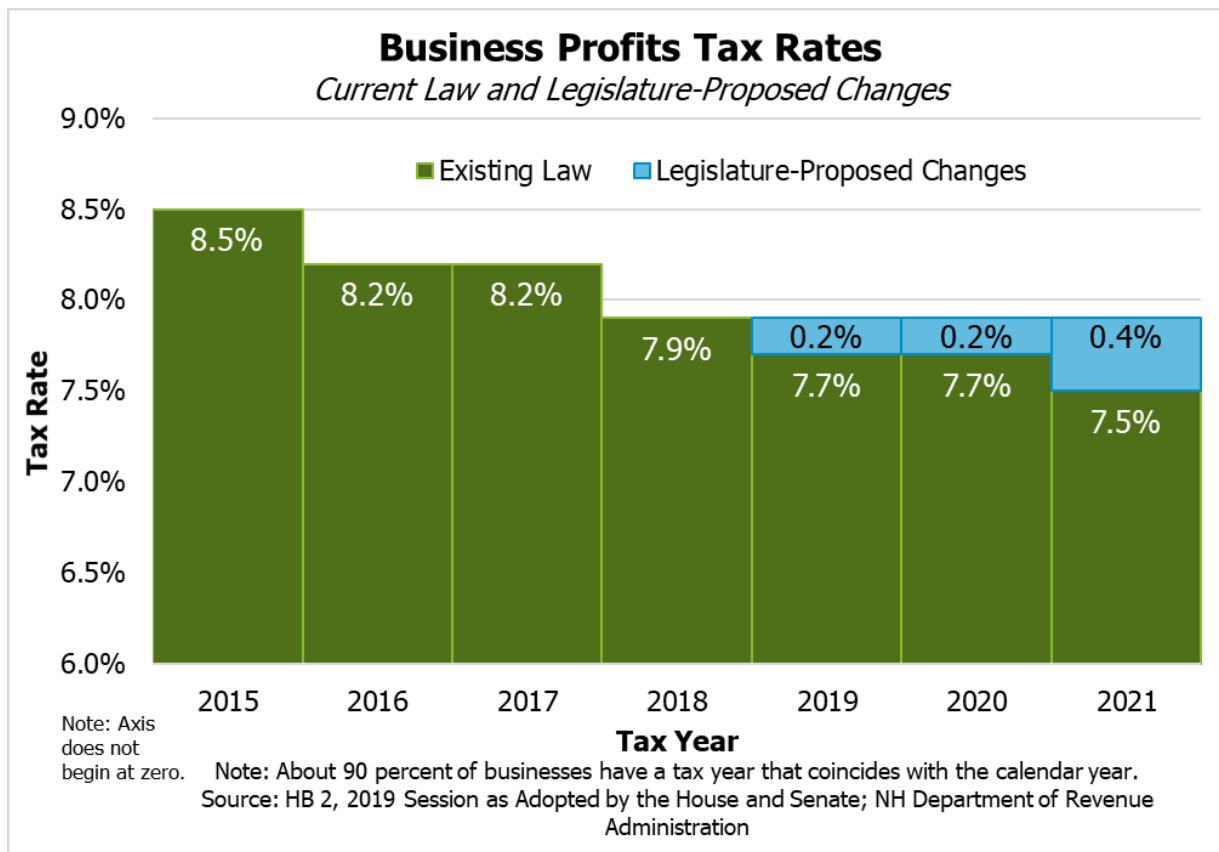


\*Note: 2019 actuals drawn from preliminary accrual, while all others are final audited figures.

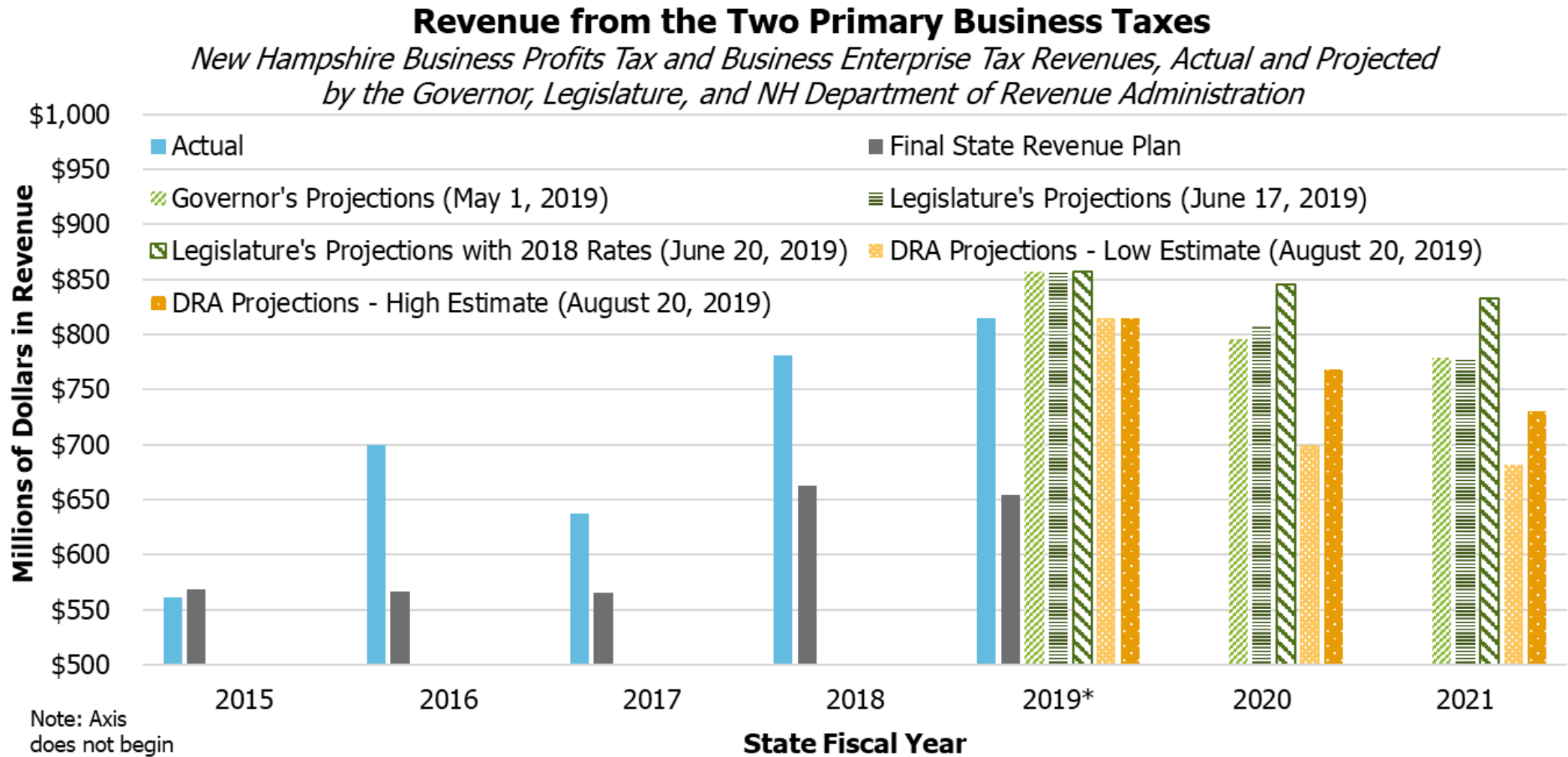
Sources: NH Office of Legislative Budget Assistant; NH Department of Revenue Administration; NH Department of Administrative Services, State Revenue Plans, June SFY 2019 Preliminary Accrual, and State of New Hampshire Comprehensive Annual Financial Reports.

# Declines in Projections Due in Part to Tax Rate Reductions

- Legislature's budget proposed keeping tax rates at 2018 levels throughout the State Budget biennium, rather than the two rate reductions planned for each tax
- The Legislature estimated revenues would be \$93.1 million higher relative to current policy



# Business Tax Revenue Projected to Decline



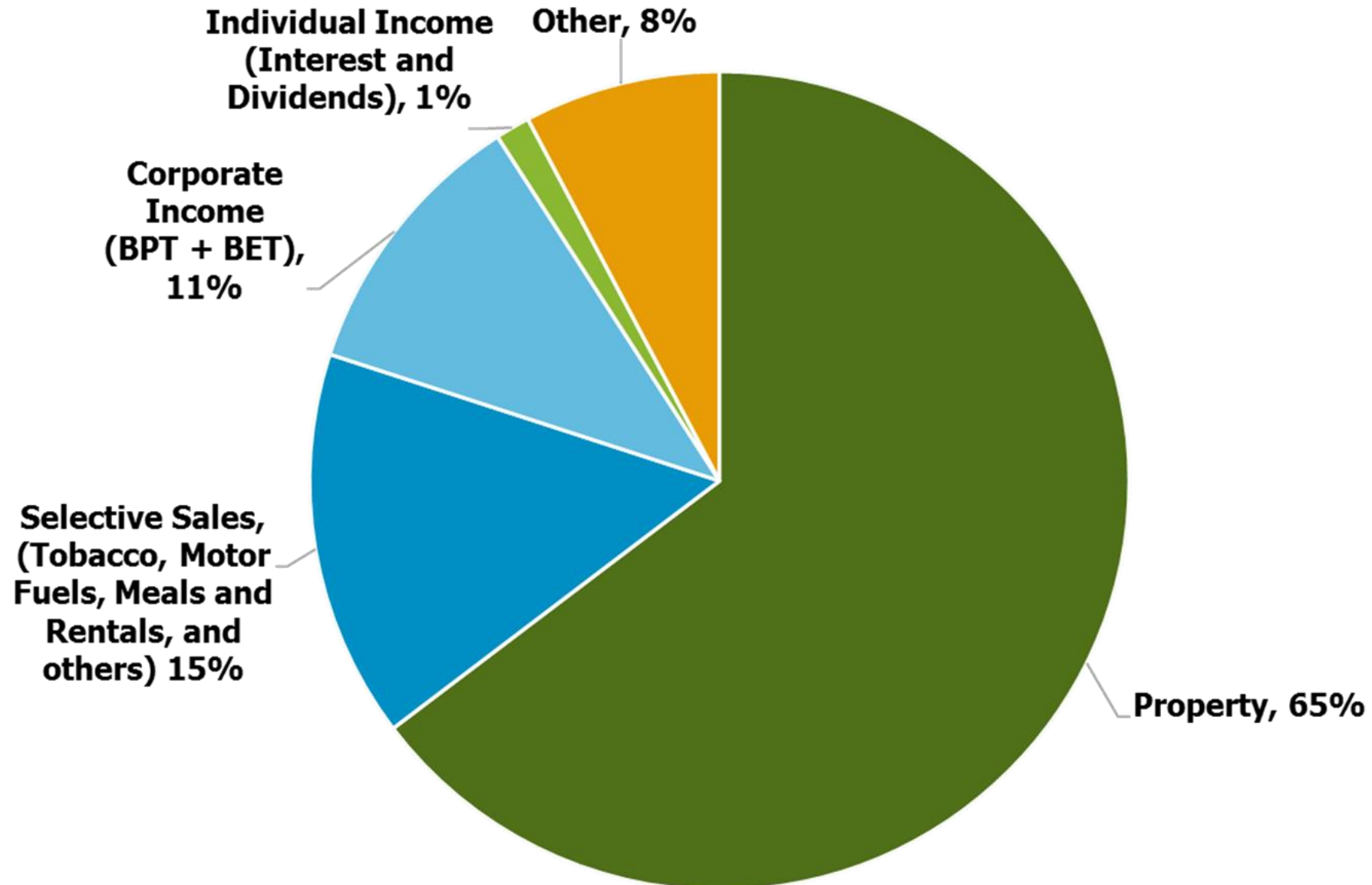
\*Note: 2019 actuals drawn from preliminary accrual, while all others are final audited figures.  
Sources: NH Office of Legislative Budget Assistant; NH Department of Revenue Administration; NH Department of Administrative Services, State Revenue Plans, June SFY 2019 Preliminary Accrual, and State of New Hampshire Comprehensive Annual Financial Reports.



# State and Local Government Tax Revenue

*New Hampshire, Fiscal Year 2016*

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



# Key Investments in Current State Budget Discussions

- Local public education funding
- Medicaid reimbursement rates
- Mental health infrastructure (hospital facility and community space)
- Developmental disability services and waitlist funding
- Adult dental benefits in Medicaid
- Substance misuse – State and federal funding
- Affordable Housing Fund – ongoing appropriations
- Homeless and rental assistance
- Child services and protection (also addressed in separate bills)
- Higher education funding (University and Community College systems)
- Job training program
- Aid to local governments
- Department of Transportation fleet replacement, Highway Fund increases
- “Rainy Day Fund” appropriations

## The Next Steps

- Currently, State operations are funded at State Fiscal Year 2019 levels, with some modifications, through September 30
- Operating under a three month “continuing resolution” from July 1 to September 30
- Need a new State Budget or another “continuing resolution” by October 1 to avoid potential shutdowns of State services
- Legislature likely to meet September 25 to approve new spending authority



## Additional Resources

- *Revenue in Review:* <http://nhfpi.org/research/state-tax/revenue-review-overview-new-hampshire-tax-system-major-revenue-sources.html>
- *Building the Budget:* <http://nhfpi.org/research/state-budget/building-budget-new-hampshires-state-budget-process-recent-funding-trends.html>
- Issue Brief: Funding the State Budget - Recent Trends in Business Taxes and Other Revenue Sources: <http://nhfpi.org/research/state-tax/funding-the-state-budget-recent-trends-in-business-taxes-and-other-revenue-sources.html>
- Issue Brief: Business Tax Revenue and the State Budget: <http://nhfpi.org/research/state-tax/business-tax-revenue-and-the-state-budget.html>
- NHFPI NH State Budget page: <http://nhfpi.org/resources/nh-state-budget>
- NHFPI Common Cents blog: <http://nhfpi.org/commoncents>
- NHFPI Annual Conference: Friday, February 21, 2020, Grappone Conference Center



## **New Hampshire Fiscal Policy Institute**

Address: 64 North Main Street  
2<sup>nd</sup> Floor  
Concord, NH 03301

Phone: 603-856-8337

Website: [www.nhfpi.org](http://www.nhfpi.org)

Email: [info@nhfpi.org](mailto:info@nhfpi.org)

Twitter: @NHFPI

Facebook: NewHampshireFiscalPolicyInstitute