

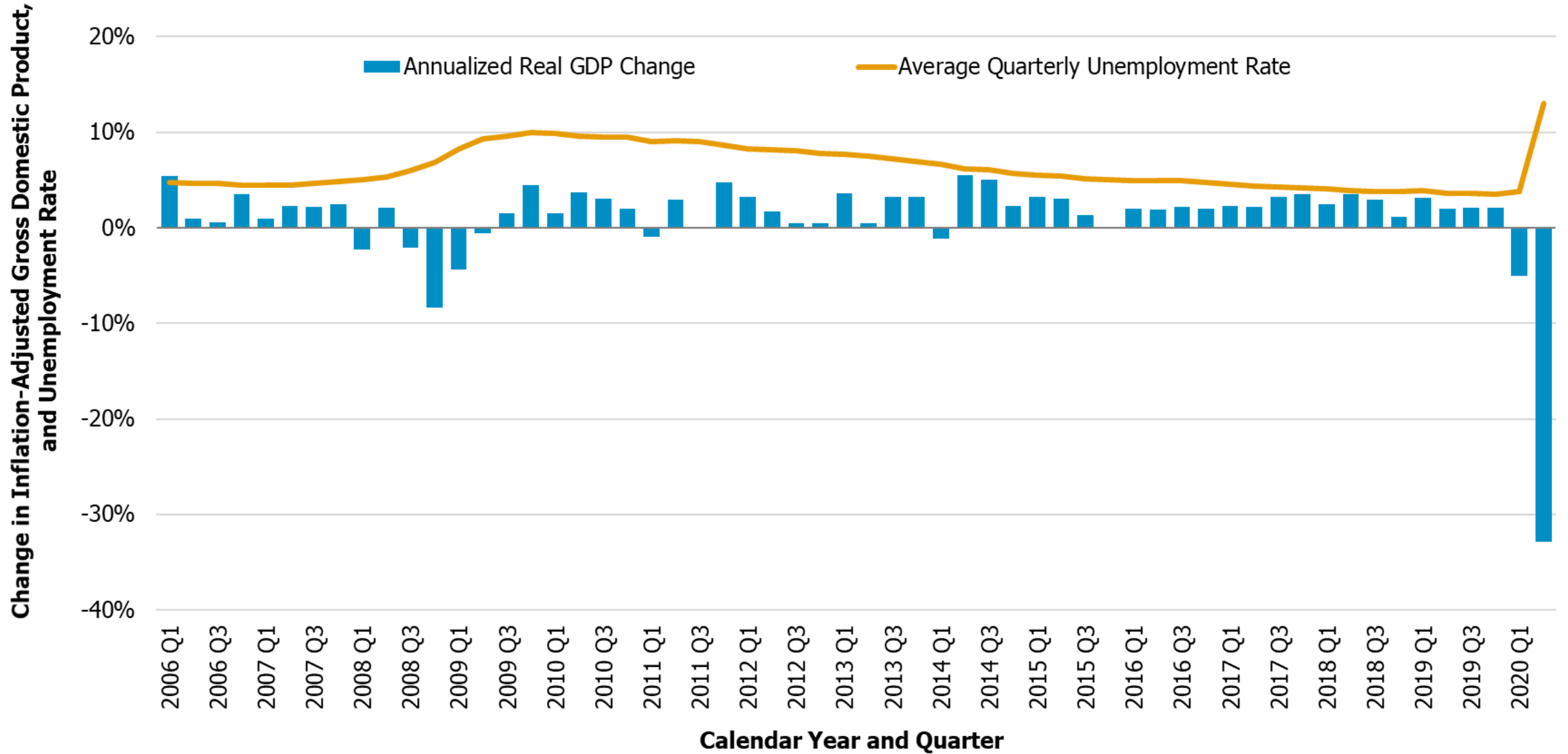
State and Federal Funding in New Hampshire and the Impacts of the COVID-19 Crisis

*Presented by Phil Sletten
New Hampshire Fiscal Policy Institute*

The Mental Health Center of Greater Manchester
Strategic Planning Finance Focus Group Meeting
August 19, 2020

Economic Growth and Unemployment Rate

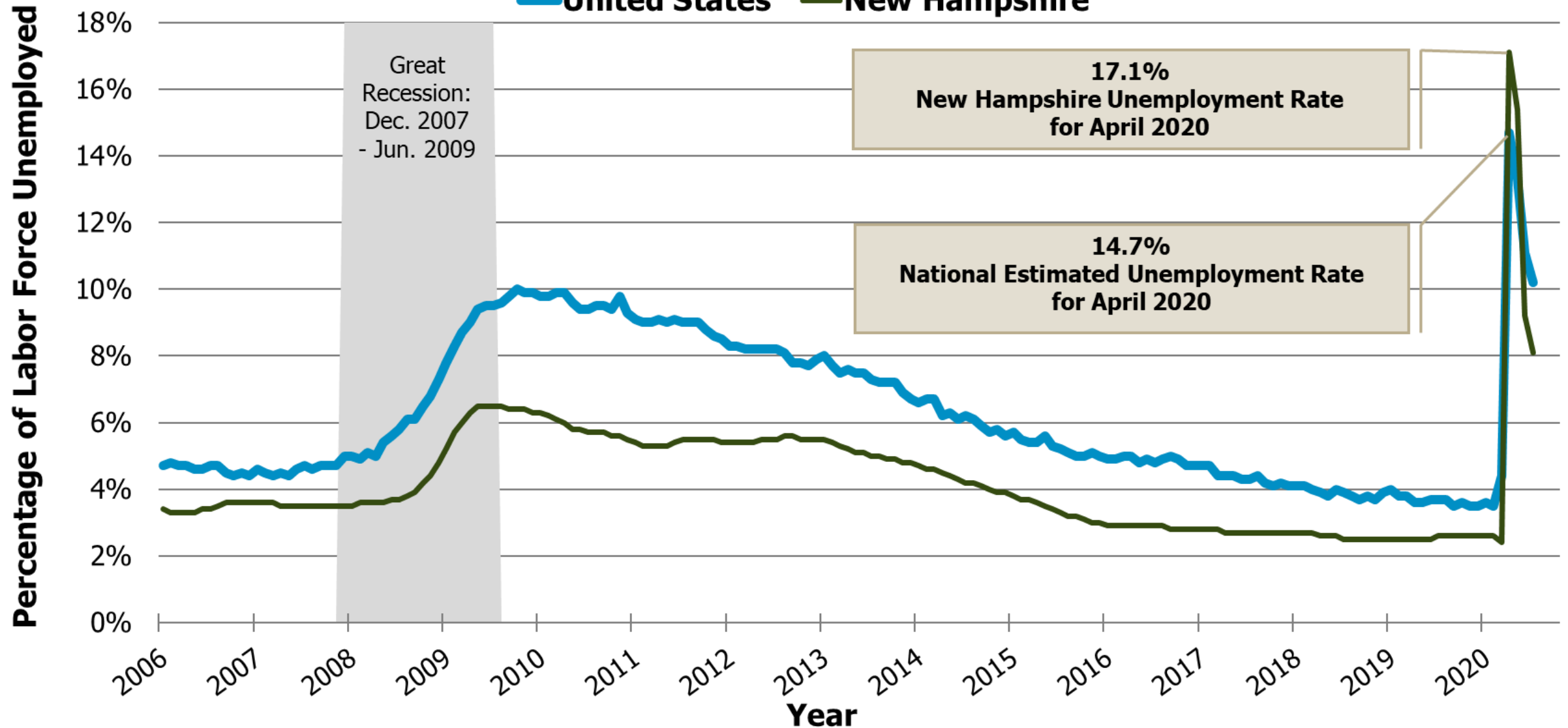
United States, Historical Rates by Quarter



Unemployment Rates

New Hampshire and the United States, Seasonally Adjusted

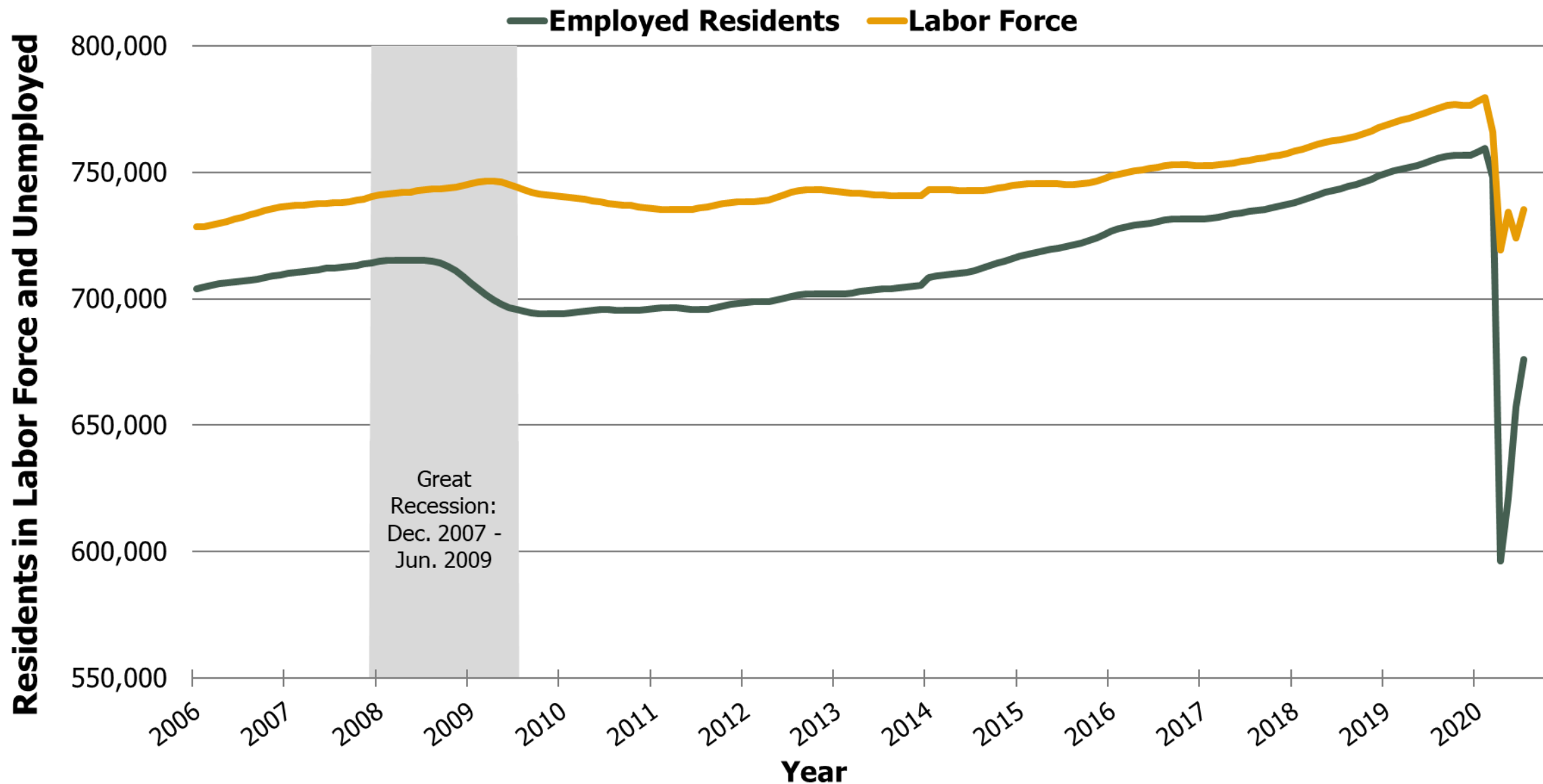
— United States — New Hampshire



Sources: U.S. Bureau of Labor Statistics; New Hampshire Employment Security

Employment and Unemployment in New Hampshire

Seasonally Adjusted

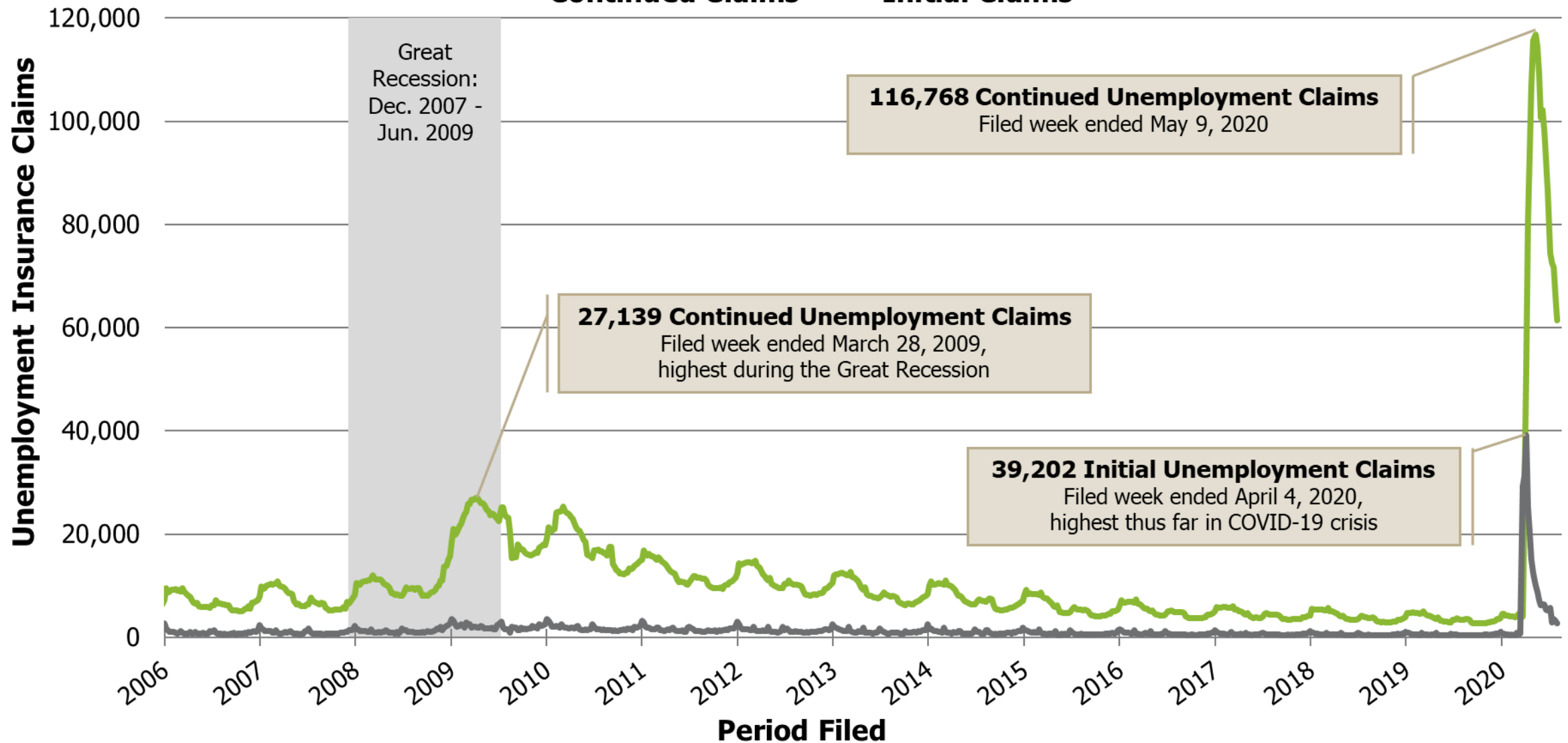


Sources: U.S. Bureau of Labor Statistics; New Hampshire Employment Security

Initial and Continued Unemployment Claims

For Unemployment Insurance in New Hampshire, Not Seasonally Adjusted

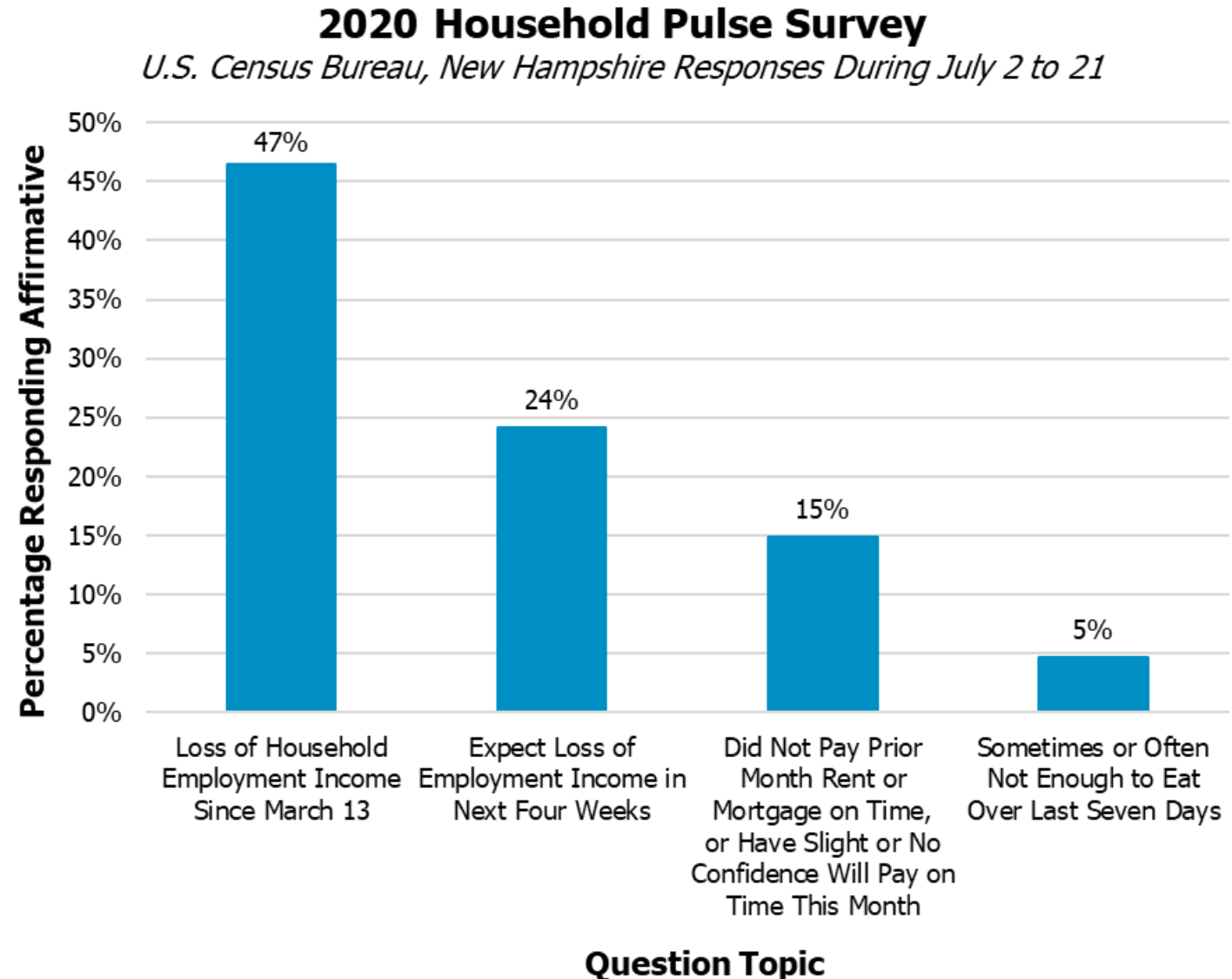
— Continued Claims — Initial Claims



Source: U.S. Department of Labor, Employment and Training Administration

Widespread Loss of Income

- Chair of the U.S. Federal Reserve Jerome Powell, May 13, 2020: “Among people who were working in February, almost 40 percent of those in households making less than \$40,000 a year had lost a job in March.”
- Loss of income severe enough to affect food security:
 - 22 percent of respondents nationally ran out of food and did not have enough money to buy more in last 30 days (NORC at the University of Chicago, May 4-10, 2020 survey)
 - Two in five households nationally that included children under 12 years old and the mothers of those children ran out of food and could not afford more at some point since the pandemic began (Brookings Institution, April 2020 survey)

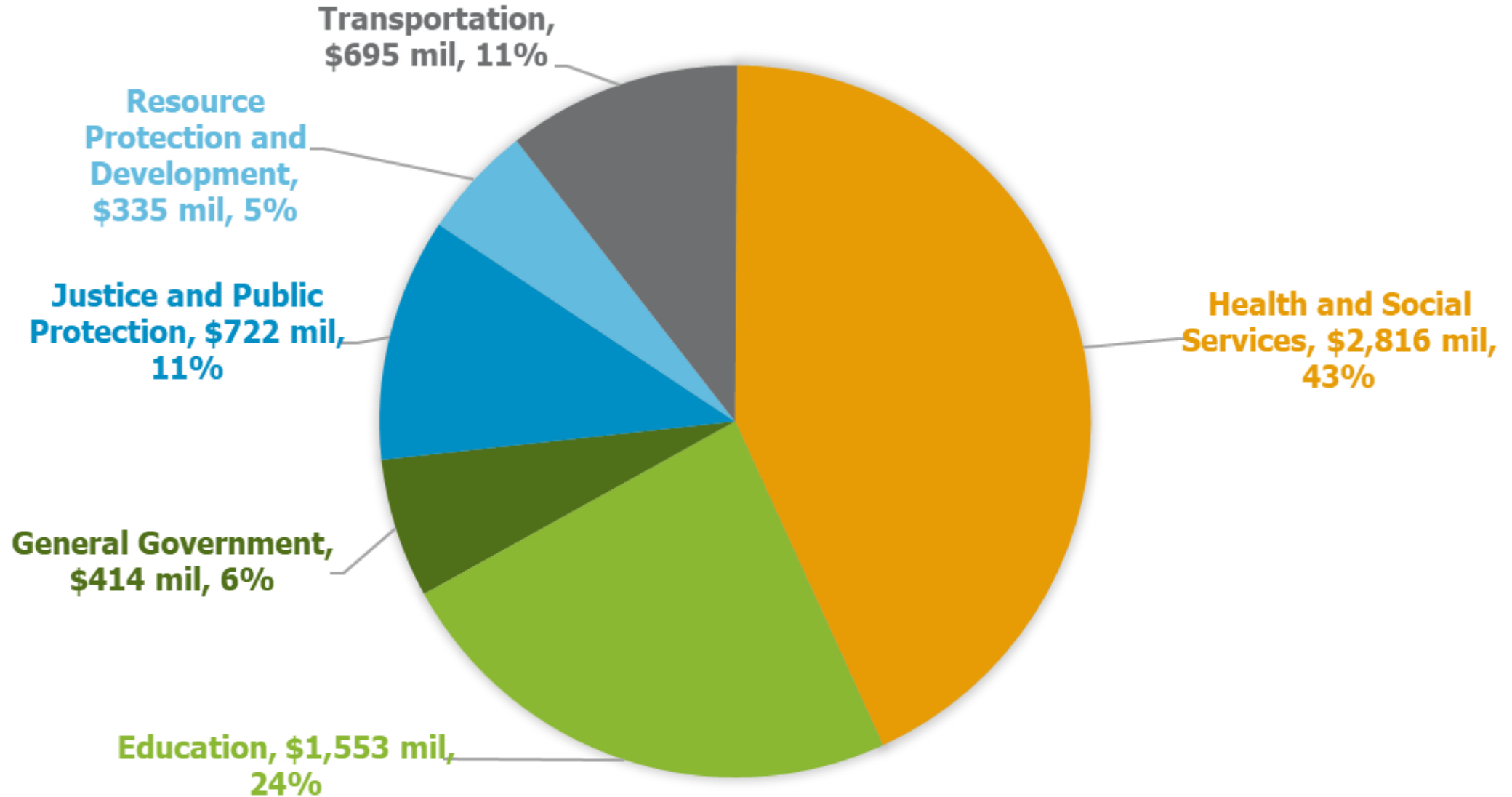


Source: U.S. Census Bureau, 2020 Household Pulse Survey, accessed August 10, 2020

The State Budget by Category

New Hampshire, State Fiscal Year 2021

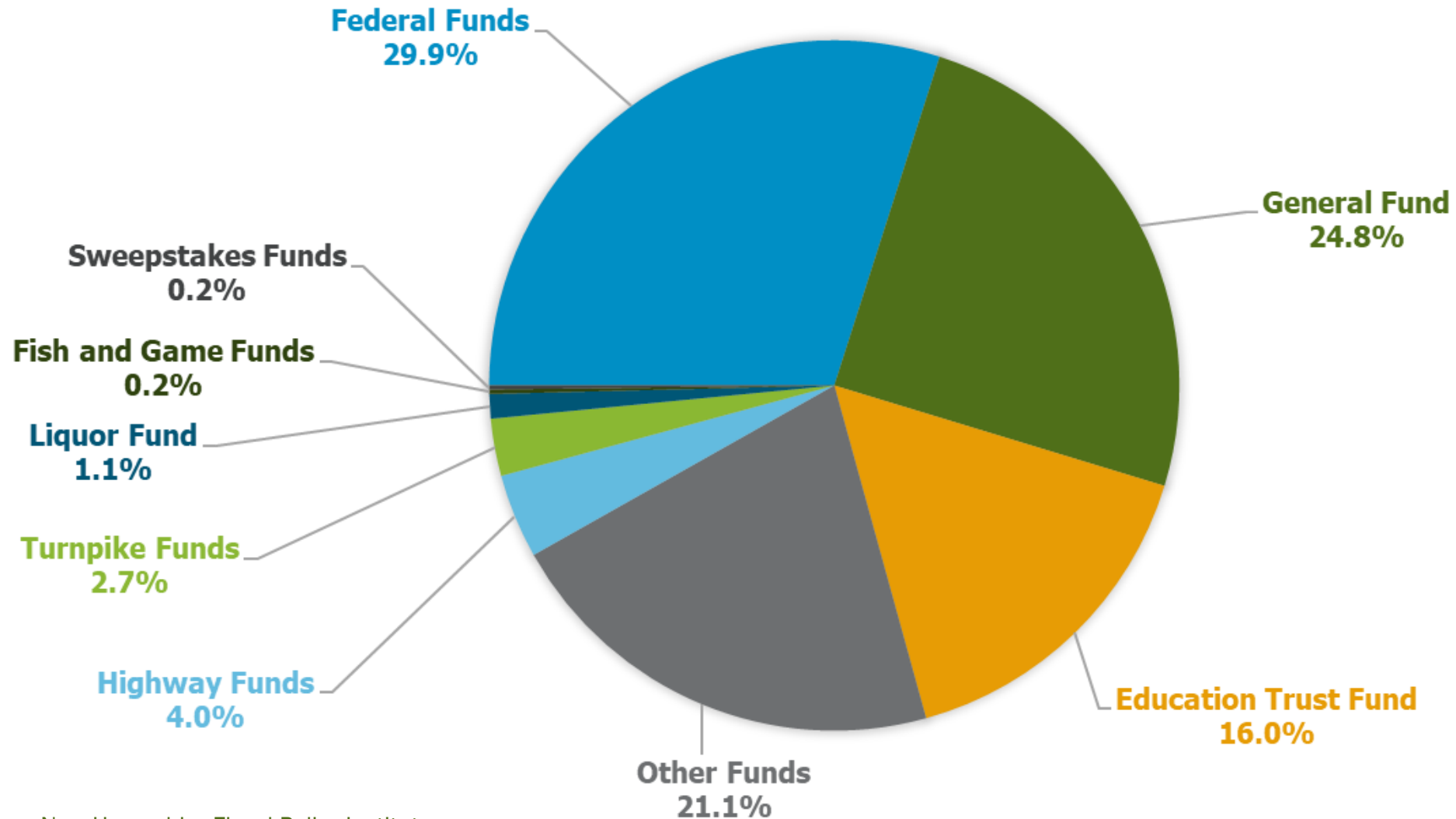
Source: Chapter 345, Laws of 2019



The State Budget Funds

New Hampshire, SFY 2021

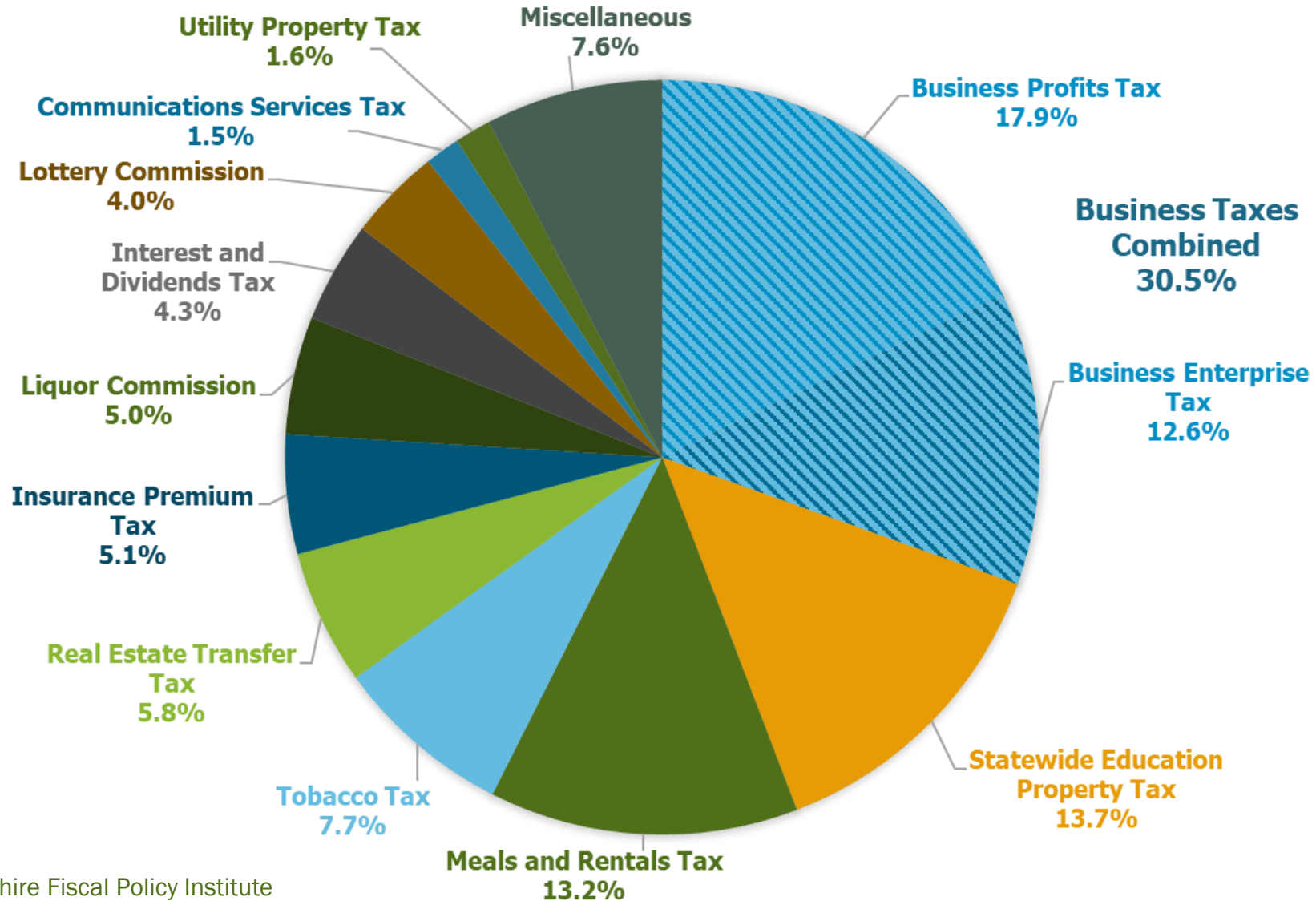
Source: Chapter 345, Laws of 2019



General and Education Trust Fund Revenue

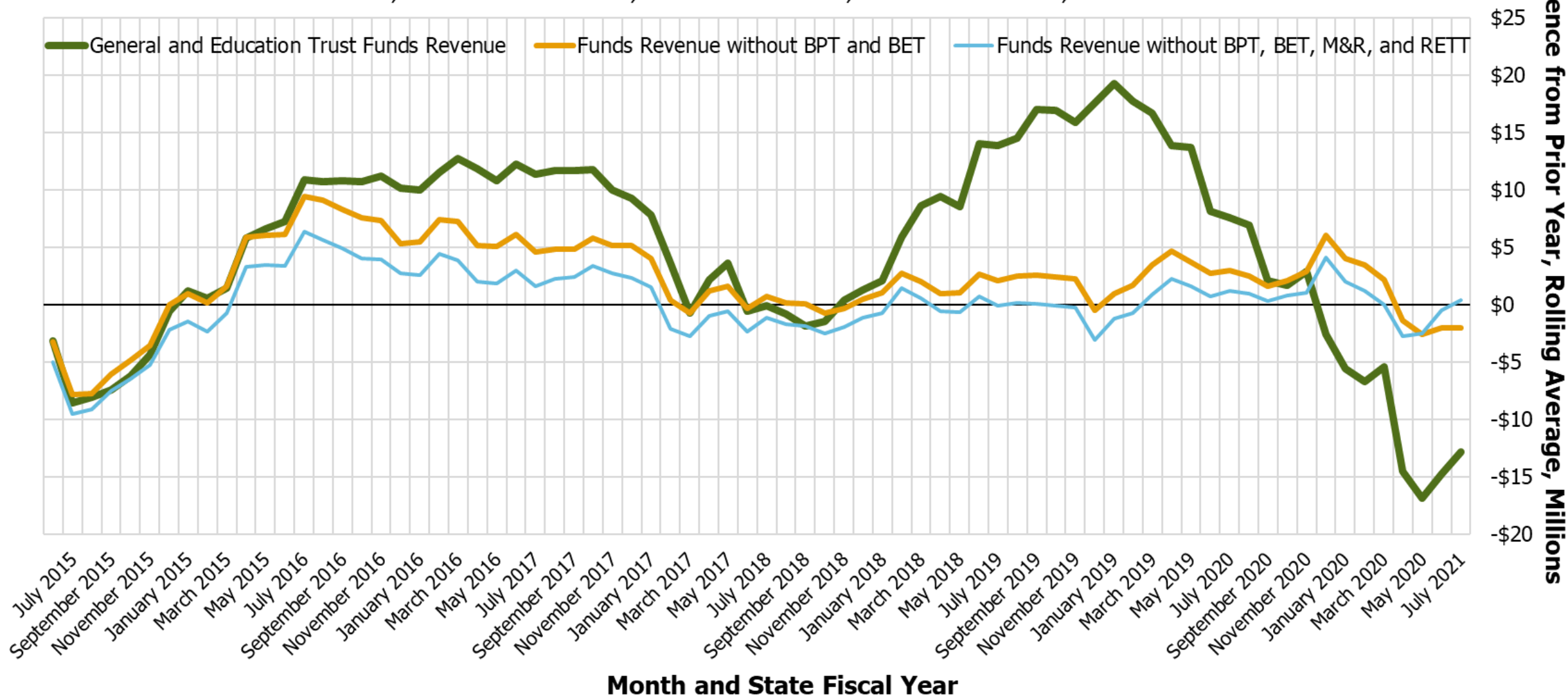
SFY 2019 State-Generated Revenue

Source: NH Comprehensive Annual Financial Report, SFY 2019



Differences in General and Education Trust Funds Monthly Cash Receipts

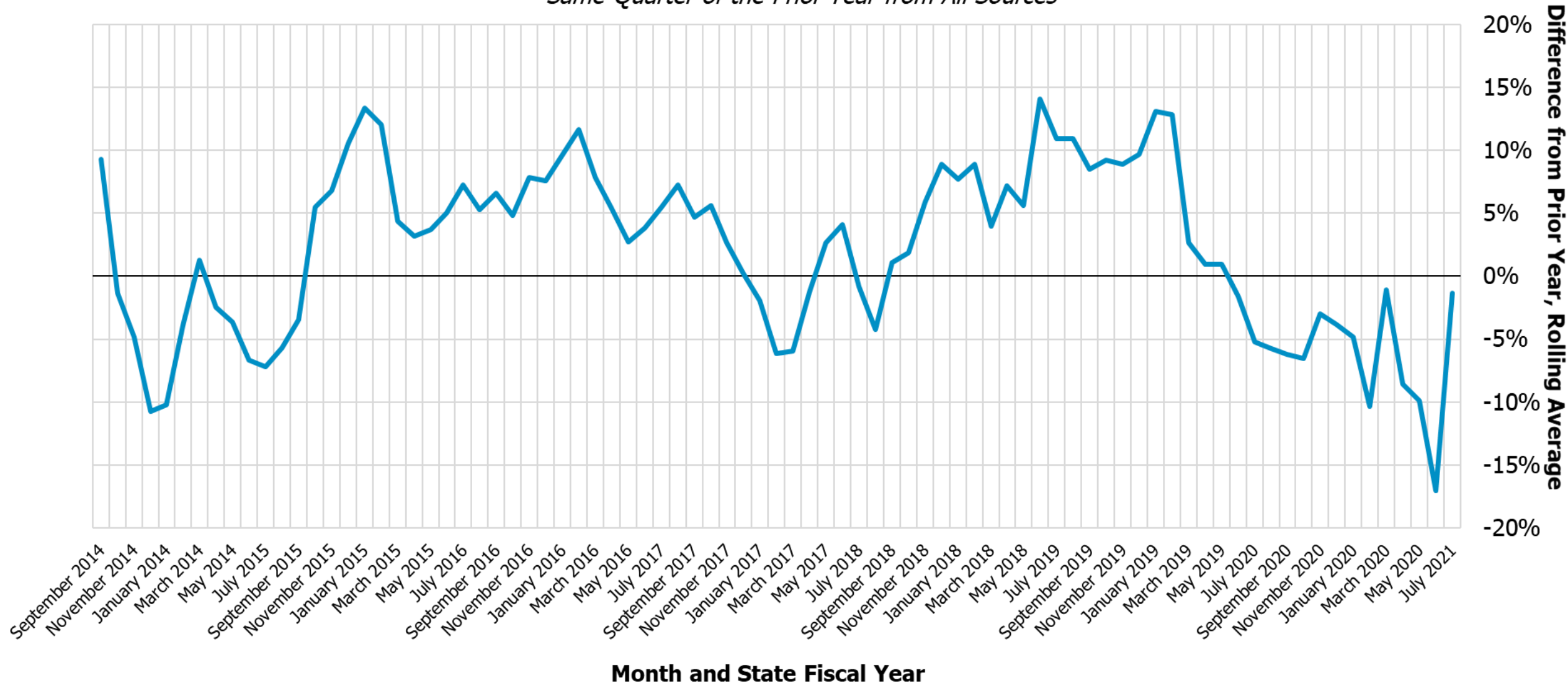
Twelve-Month Rolling Averages of Monthly Cash Receipts to the General and Education Trust Funds Relative to Prior Year from All Sources; Less Business Taxes; and Less Business, Meals and Rentals, and Real Estate Transfer Taxes



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

Differences in General and Education Trust Funds Monthly Cash Receipts

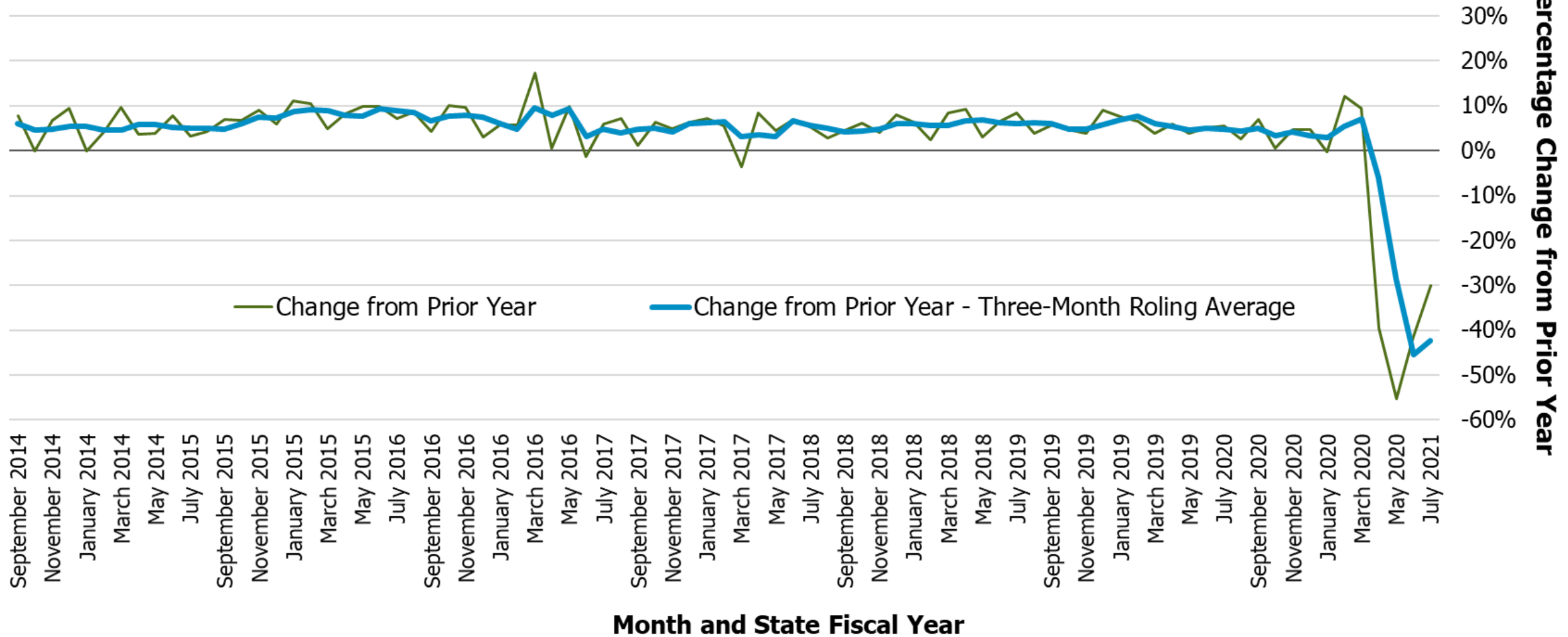
Three-Month Rolling Averages of Monthly Cash Receipts to the General and Education Trust Funds Relative to the Same Quarter of the Prior Year from All Sources



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

Meals and Rentals Tax Revenue Changes

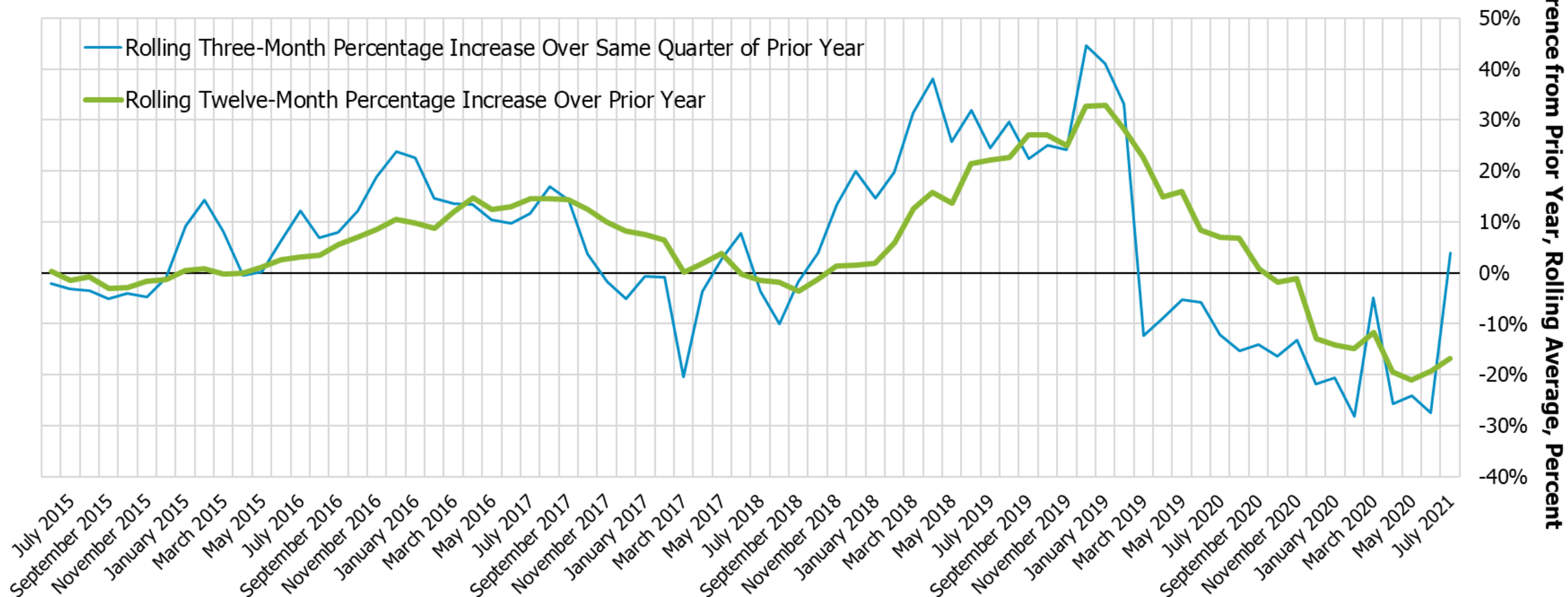
*Change in Receipts from Same Month of Prior Year,
New Hampshire General and Education Trust Funds Receipts*



Sources: NH Department of Administrative Services Monthly Revenue Focus Reports

Percentage 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*

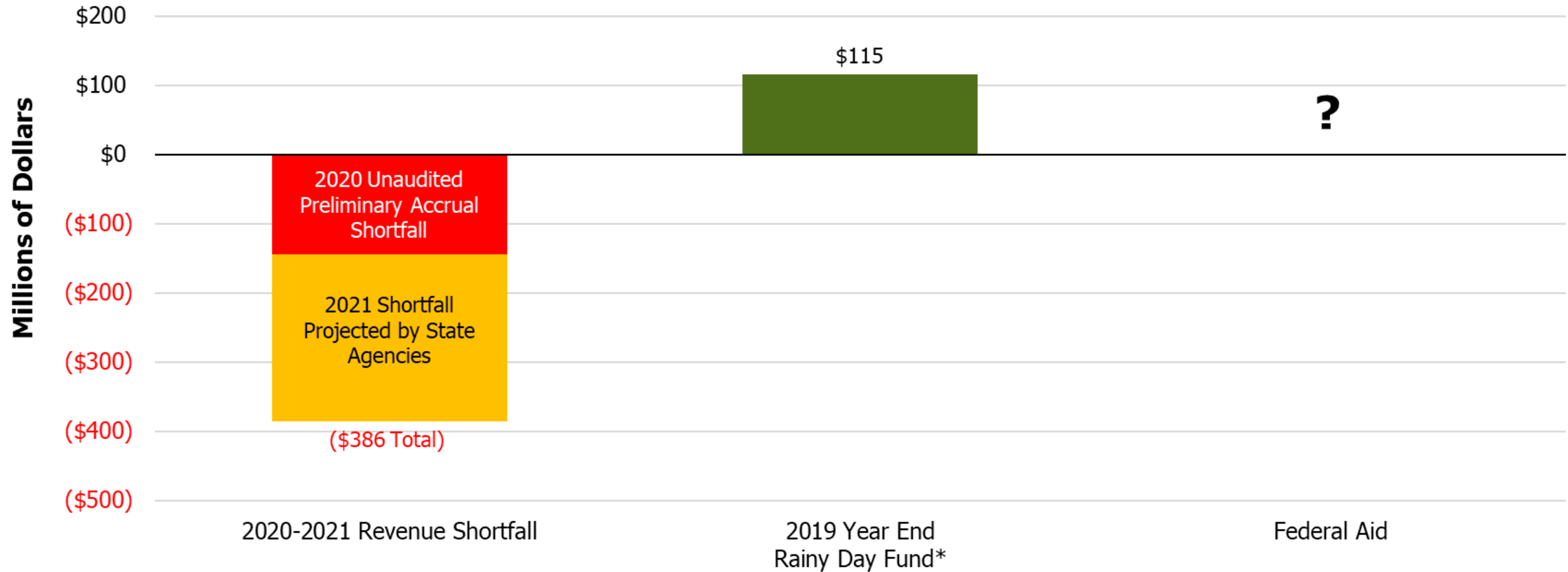


Month and State Fiscal Year

Sources: New Hampshire Department of Administrative Services Monthly Revenue Focus Reports

New Hampshire State Budget Shortfalls and Assets

*Selected Deficits, Most Recent Projection, and Rainy Day Fund Balance
for the General and Education Trust Funds, by State Fiscal Year*



Asset or Change from State Budget Plan

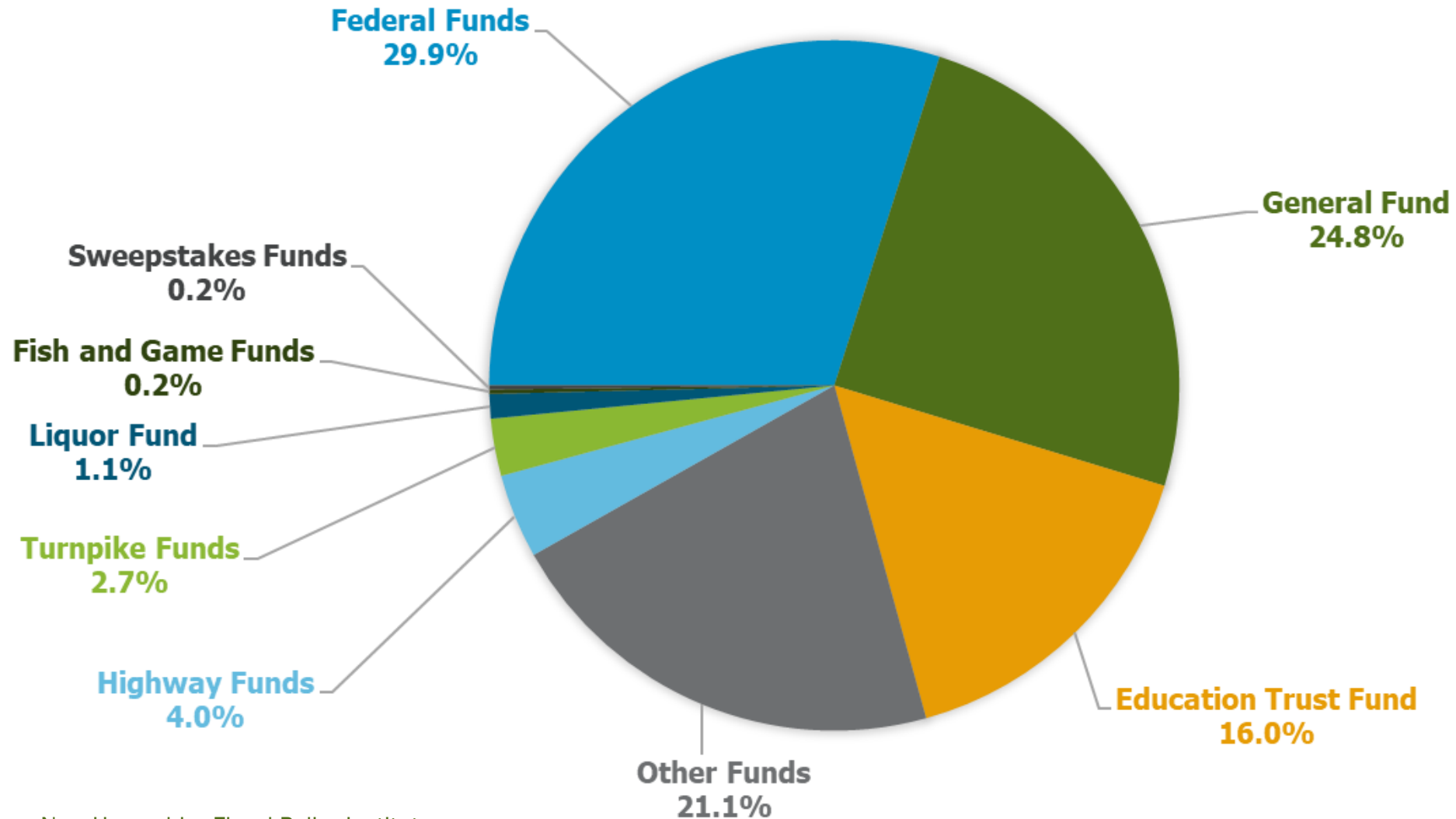
Notes: *Rainy Day Fund refers to the Revenue Stabilization Reserve Account.

Sources: Estimates provided by the Governor's Office, July 24, 2020; NH Comprehensive Annual Financial Report, SFY 2019; NH Dept. of Administrative Services, Preliminary Accrual SFY 2020.

The State Budget Funds

New Hampshire, SFY 2021

Source: Chapter 345, Laws of 2019

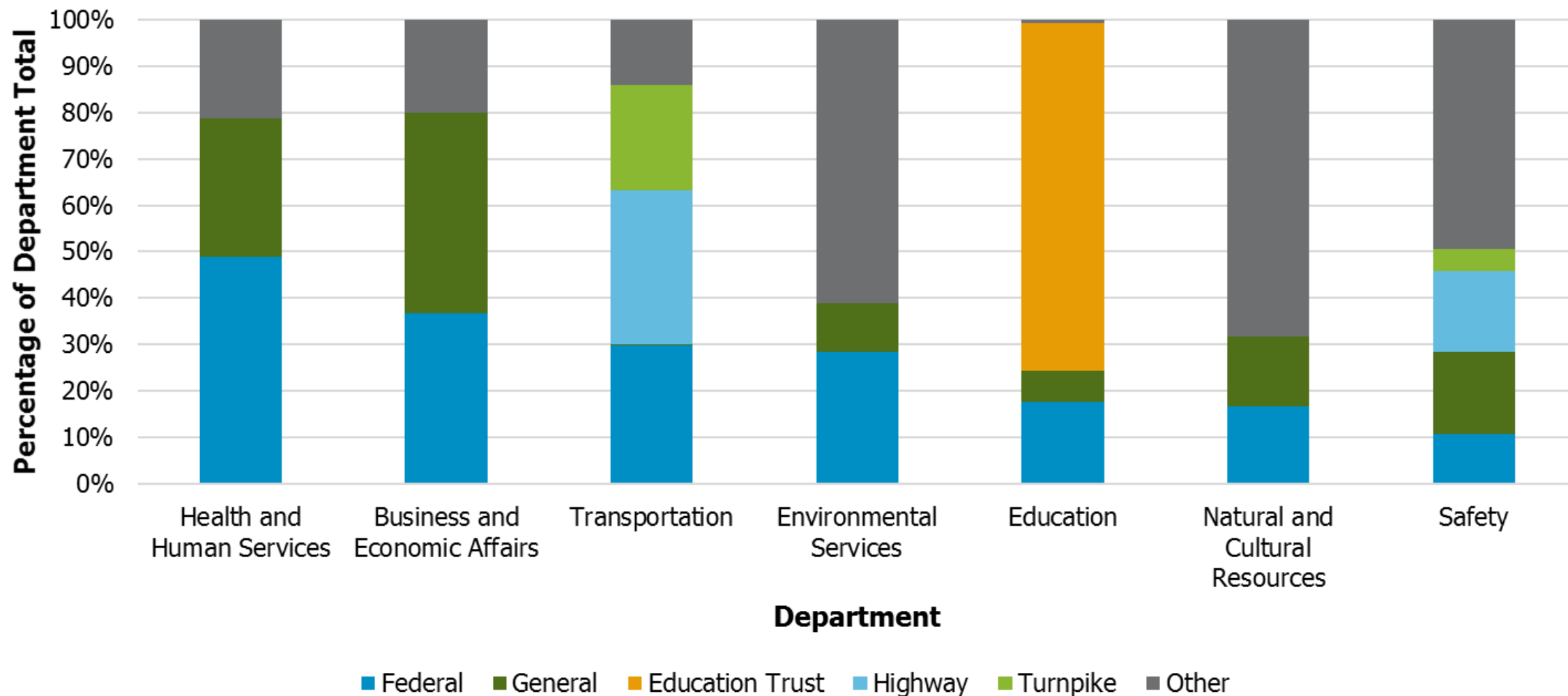


Federal Funds in the State Budget

Funds Supporting Selected Departments

New Hampshire State Budget, SFY 2018

Source: Chapter 155, Laws of 2017



State Revenue – Federal Funds

Medicaid

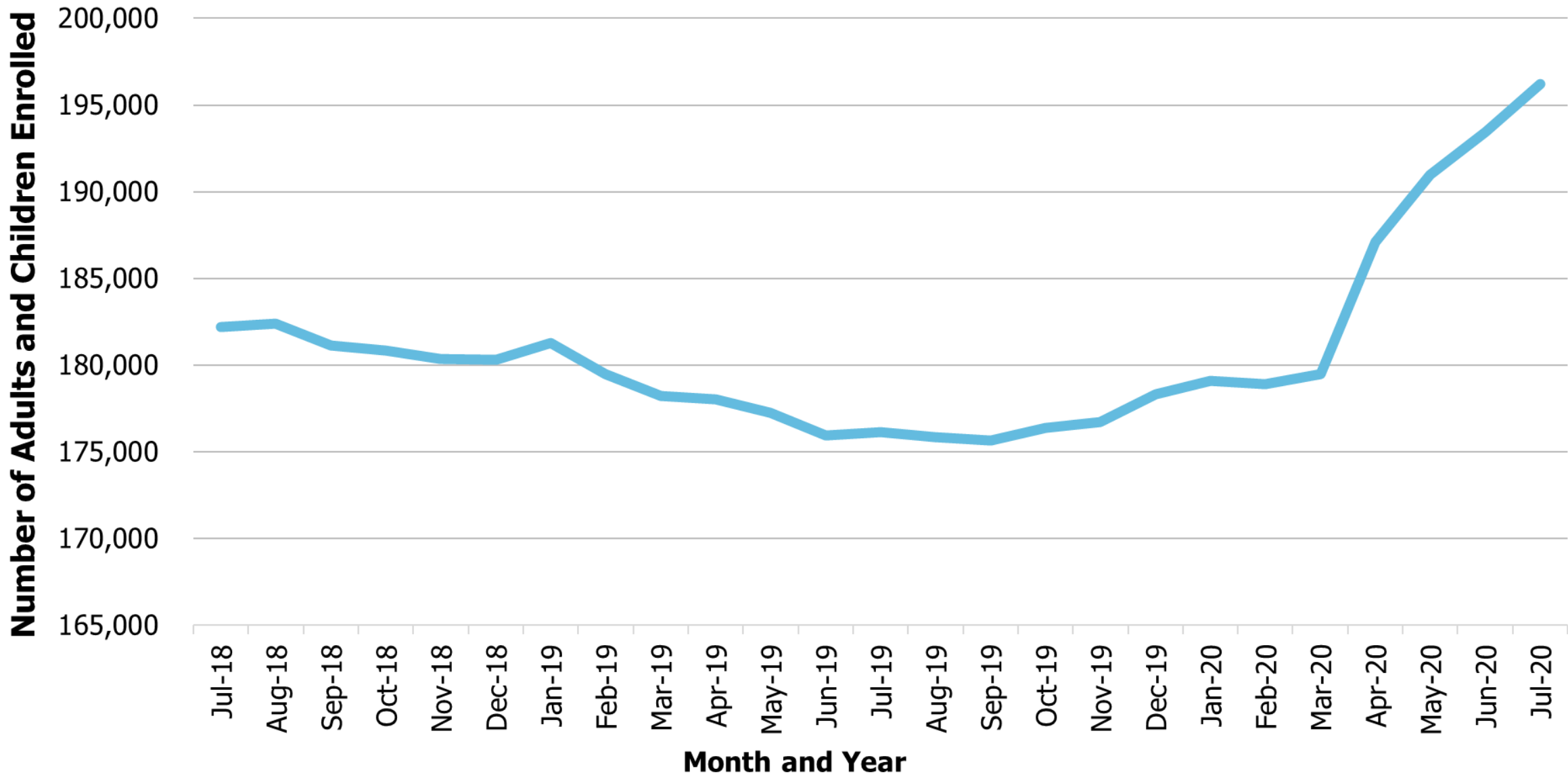
- A significant portion of General Fund revenue supports State matching funds for Medicaid, typically a 50%-50% match, more favorable in certain programs
- In all funds (State on-budget, State off-budget, federal), about \$2.1 billion in SFY 2020 was Medicaid, relative to a \$6.4 billion State Budget for SFY 2020
- About 196,000 people have access to health services through the program

Other Program Areas

- Federal transportation aid
- Education aid – special education, school lunch program, professional development
- Water pollution and infrastructure funds, clean and drinking water programs
- Food Stamps/SNAP; Women, Infants, and Children Nutrition Program
- Temporary Assistance for Needy Families
- Low Income Home Energy Assistance Program, funds State Fuel Assistance Program

Total Medicaid Enrollment in New Hampshire

Total Number of People Enrolled



Source: New Hampshire Department of Health and Human Services, Monthly Caseload Reports

Federal Assistance

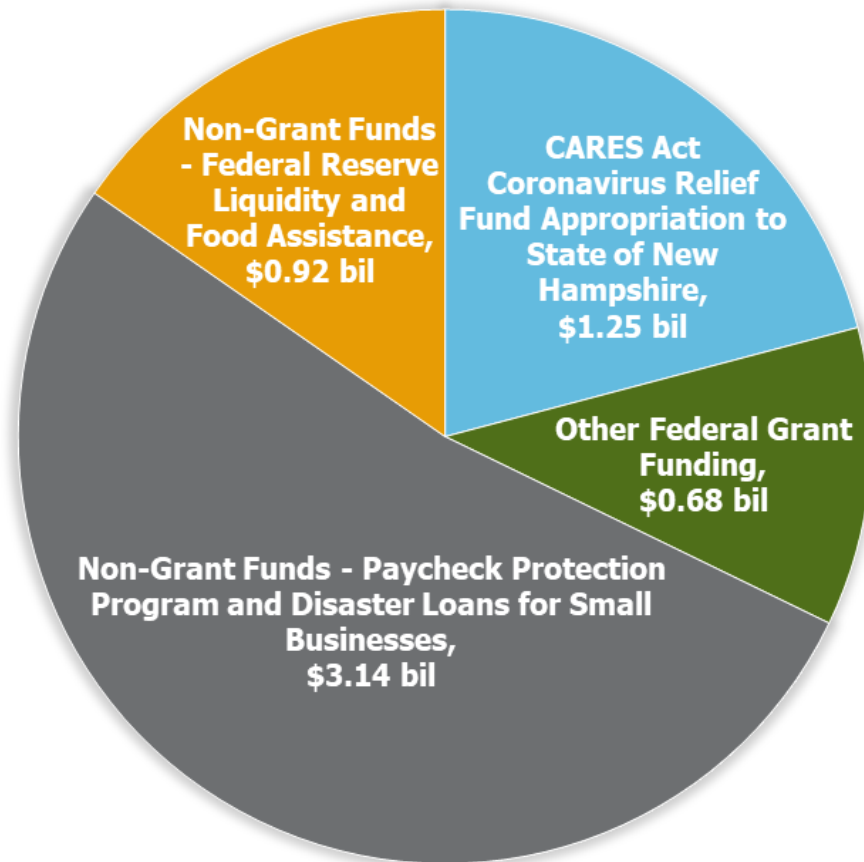
Enhanced Medicaid Match

- Medicaid is a state-federal fiscal partnership to provide health coverage to children, parents, pregnant women, older adults in long-term care settings, individuals with disabilities, and other individuals with low incomes
- Federal Medical Assistance Percentage (FMAP) is the portion of costs paid by the federal government, 50% federal-50% state funds for most programs
- FMAP increased by 6.2 percentage points in the Families First Coronavirus Response Act for duration of federal public health emergency; efficient way to support states and enable use of General Fund revenues for other services
- Counting state and non-state funds, Medicaid was an approximately \$2.1 billion program in New Hampshire in State Fiscal Year 2020 (NH Office of Legislative Budget Assistant)

Federal Funding Related to COVID-19 to Organizations in New Hampshire

*Received by State, Local Governments, and
Private For-Profit and Non-Profit Entities,
Data as of August 13, 2020*

Source: New Hampshire Office of Legislative Budget Assistant, Aug. 13, 2020



Note: CARES Act refers to the federal Coronavirus Aid, Relief, and Economic Security Act. Not all data current as of August 13, 2020 in source document.

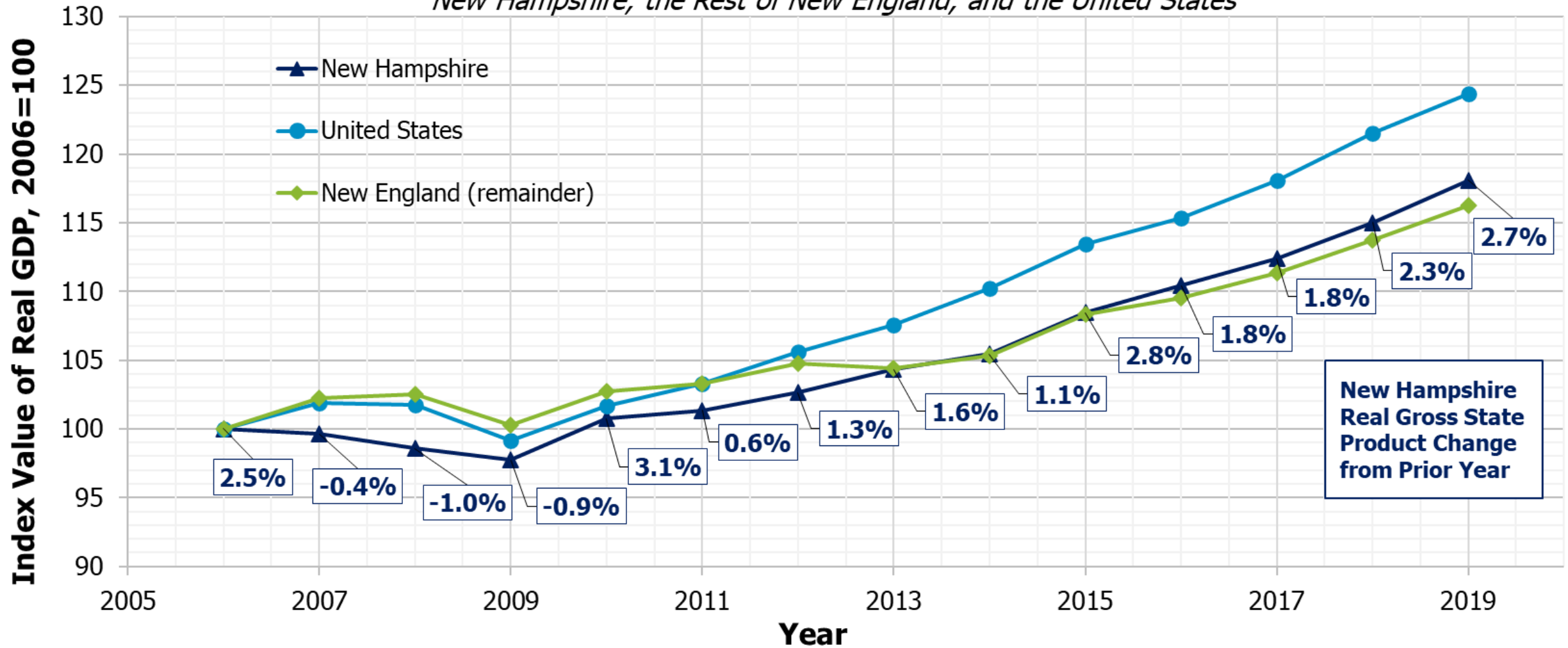
Federal Assistance

Flexible Direct Aid to States

- Current CARES Act Coronavirus Relief Fund federal grants (\$1.25 billion for NH) cannot be used to pay for previously-budgeted expenses, must be spent by Dec. 30, 2020
- Has been deployed to a wide variety of places, including:
 - Healthcare System Relief Fund (\$100 million, grants for providers, including long-term care)
 - Long Term Care Stabilization Program (funding to support Medicaid direct care workers)
 - NH Frontline Protective Worker Stipend (\$500,000, including child protection and social workers)
 - Aid to the New Hampshire Food Bank (up to \$5 million)
 - Aid to nonprofits (\$60 million)
 - Housing relief and assistance for individuals (up to \$35 million)
 - Child care programs support (up to \$25 million)
 - Main Street Relief Fund (\$400 million, support for small businesses)
 - Aid to State agencies, including \$179.6 million to the NH Department of Health and Human Services

New Hampshire's Relative Economic Growth Since Recession

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

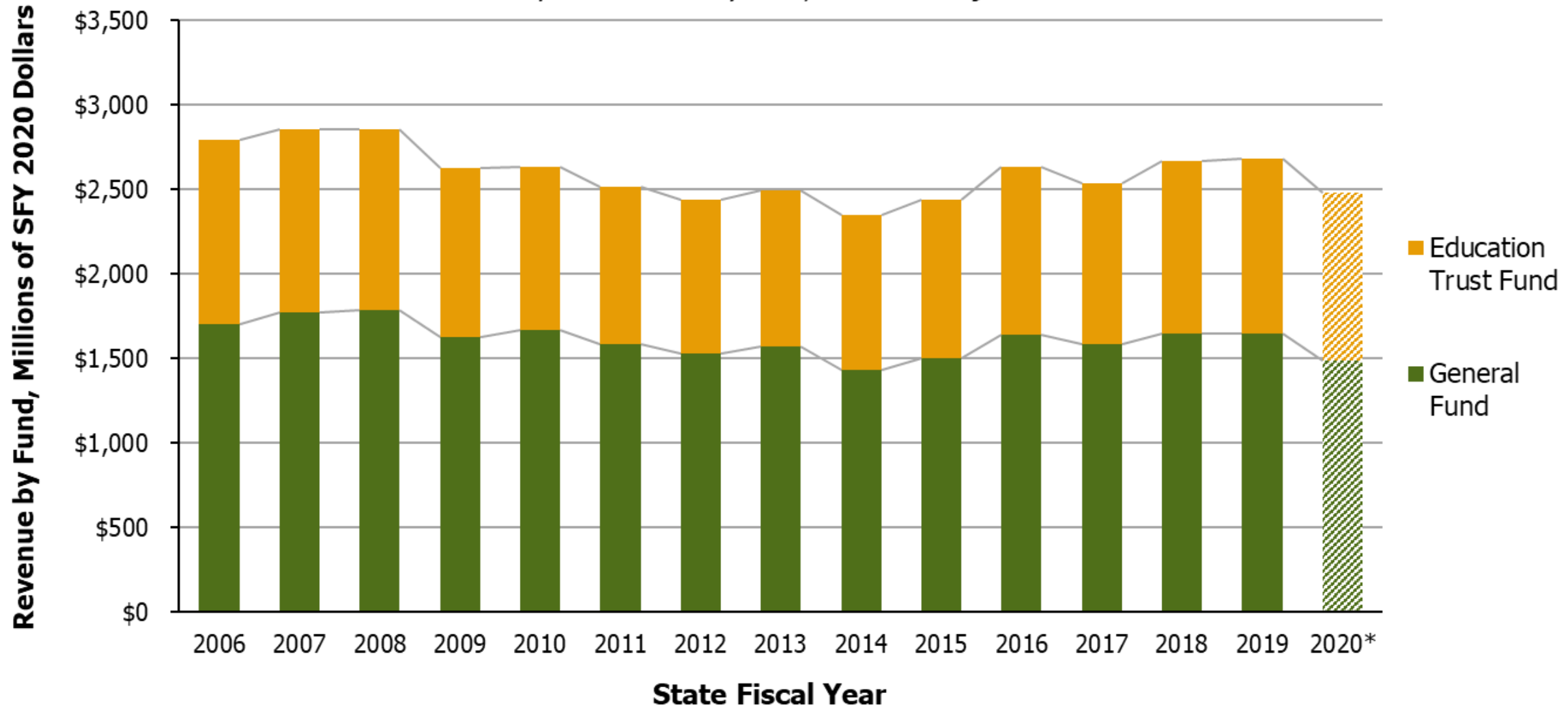


Note: Certain detailed 2018 and 2019 data pending. Inflation adjustment is 2012 chained dollars.

Source: U.S. Bureau of Economic Analysis

General and Education Trust Fund Revenue

New Hampshire Funds by Year, Inflation-Adjusted Dollars



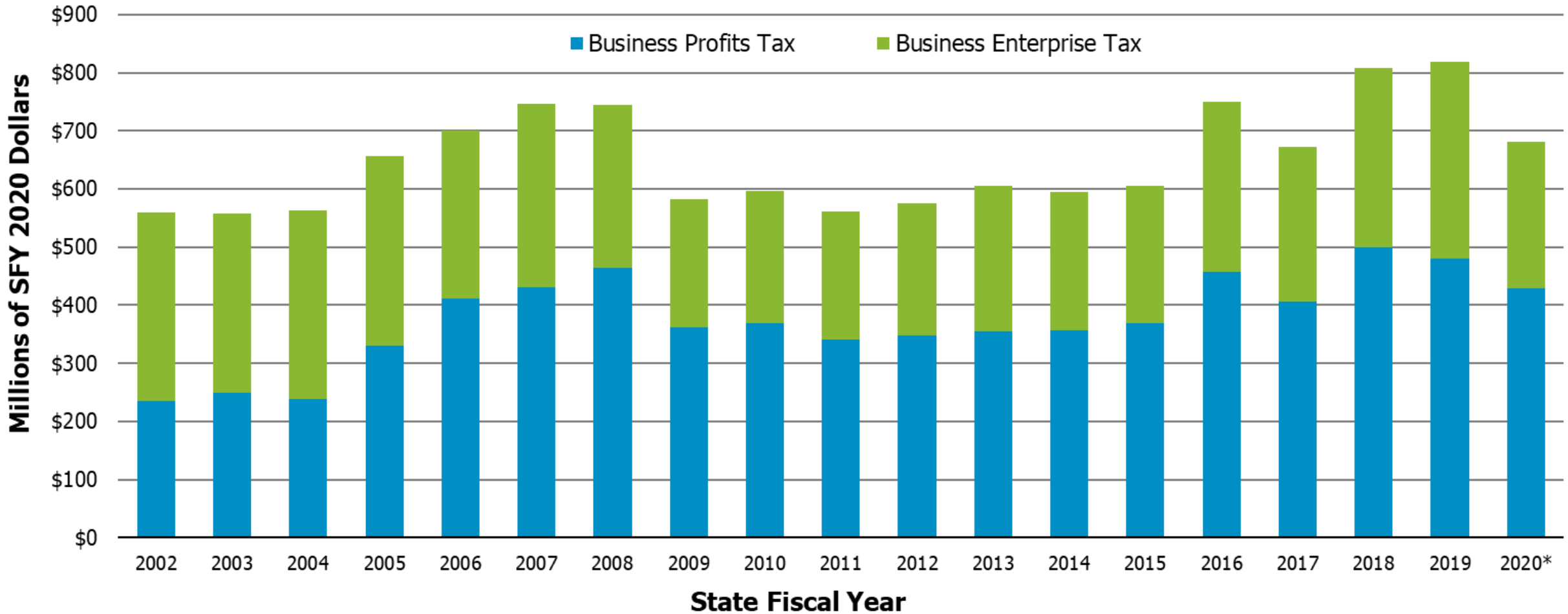
*Note: Unaudited Preliminary Accrual for SFY 2020; final audit to be completed December 2020.

Sources: NH Comprehensive Annual Financial Reports, SFYs 2014-2019; NH Department of Administrative Services SFY 2020 Preliminary Accrual;

U.S. Bureau of Labor Statistics Consumer Price Index-Urban, Northeast

State Revenue – Two Primary Business Taxes

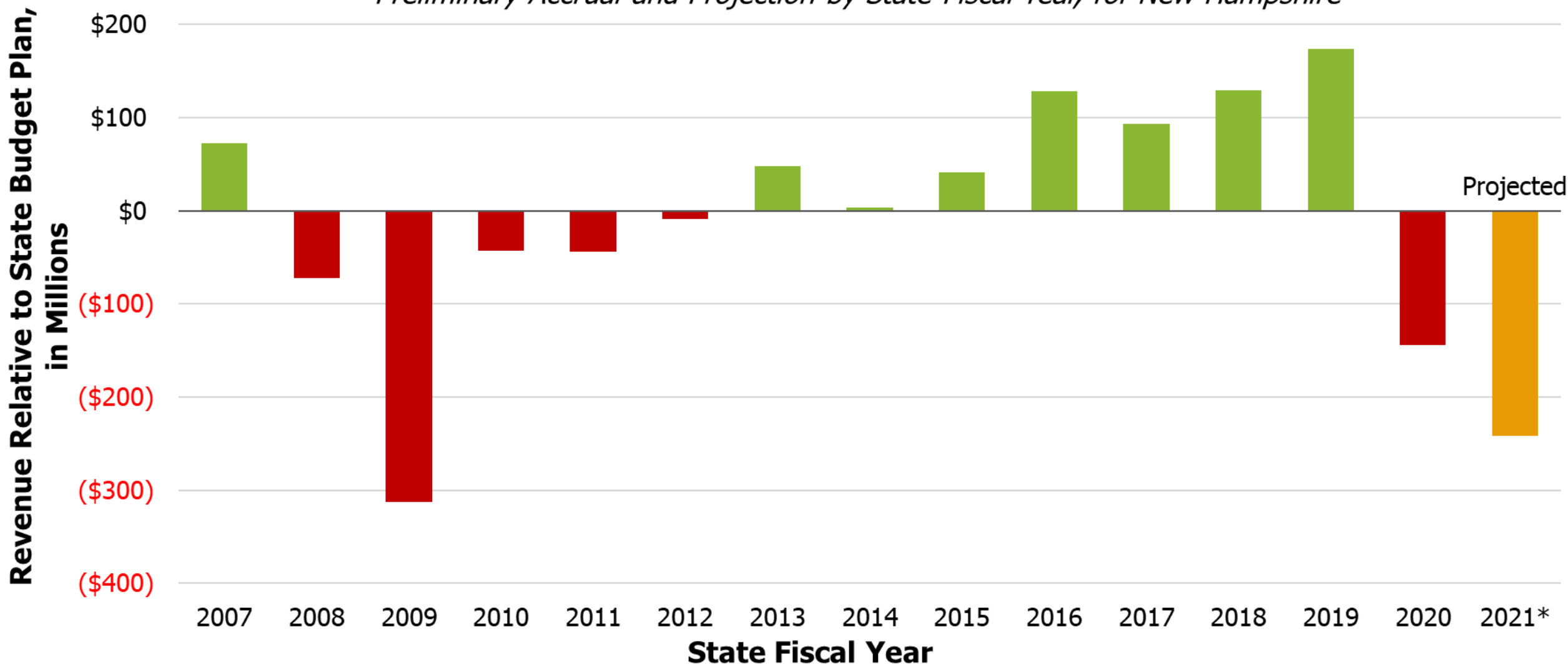
Business Profits Tax and Business Enterprise Tax *New Hampshire General and Education Trust Fund Inflation-Adjusted Revenue*



Sources: NH Comprehensive Annual Financial Reports; NH Dept. of Administrative Services SFY 2020 Preliminary Accrual. U.S. Bureau of Labor Statistics, CPI-U, Northeast
Notes: * 2020 figures are unaudited preliminary accrual figures. Final sorting between these two taxes not reported fully in the Comprehensive Annual Financial Reports.

General and Education Trust Funds Revenue Relative to Budget

Preliminary Accrual and Projection by State Fiscal Year, for New Hampshire

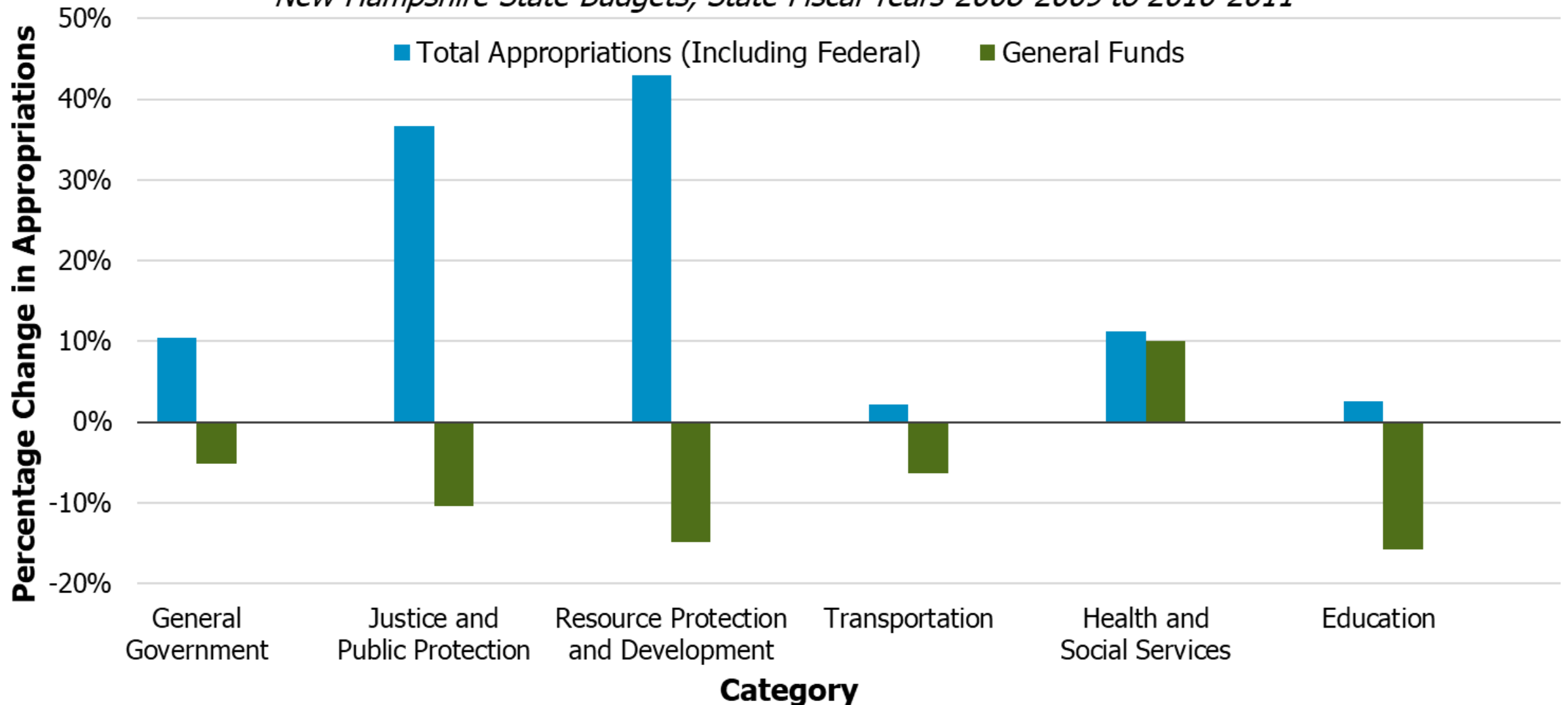


*Note: Projection for State Fiscal Year 2021.

Sources: Estimates provided by the Governor's Office, July 24, 2020; NH Dept. of Administrative Services, Preliminary Accruals, SFYs 2007-2020.

Percentage Changes in Appropriations Following the Great Recession

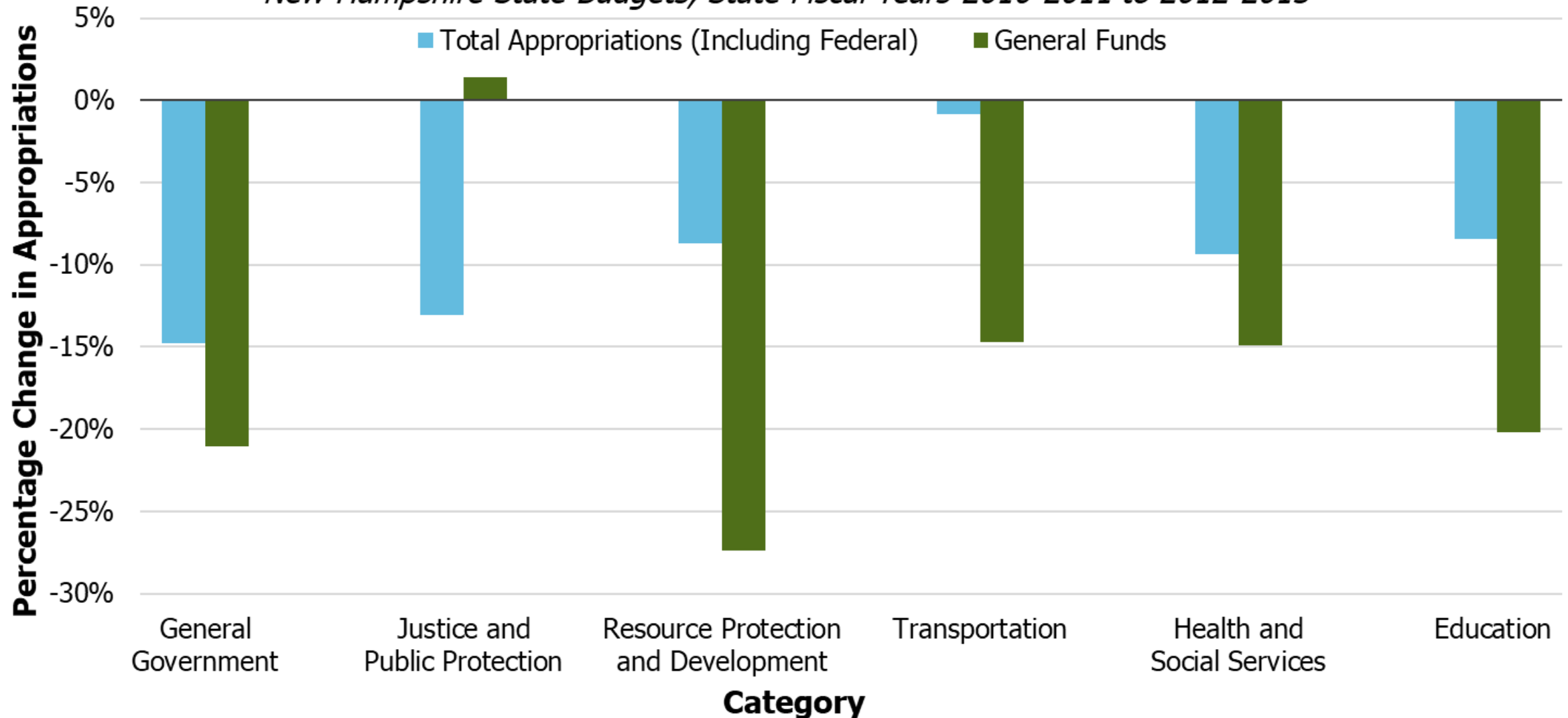
New Hampshire State Budgets, State Fiscal Years 2008-2009 to 2010-2011



Note: Appropriations do not include trailer bill appropriations, back of the budget changes, or other changes to appropriations outside of the Primary Budget (Section 1 of the State Budget).

Percentage Changes in Appropriations Following the Great Recession

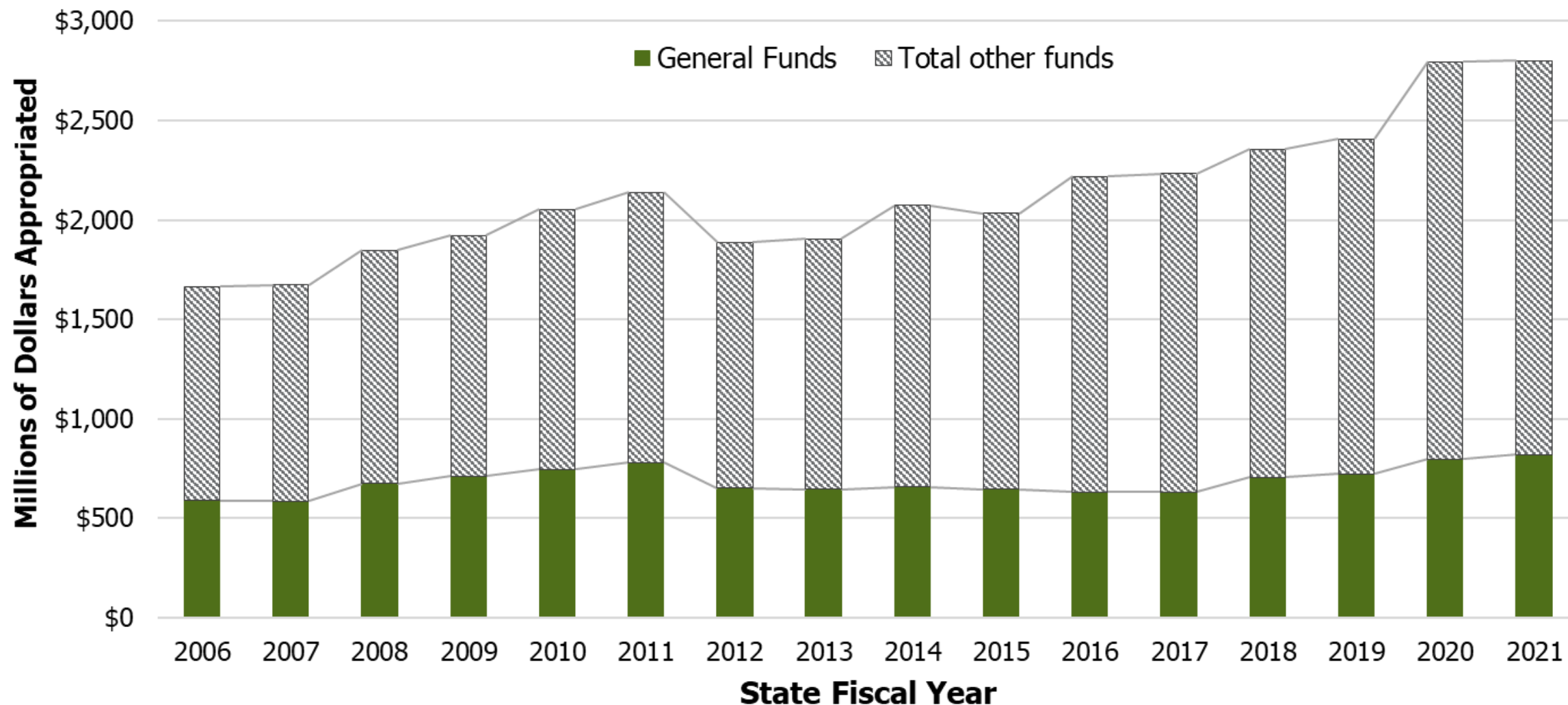
New Hampshire State Budgets, State Fiscal Years 2010-2011 to 2012-2013



Note: Appropriations do not include trailer bill appropriations, back of the budget changes, or other changes to appropriations outside of the Primary Budget (Section 1 of the State Budget).

New Hampshire Department of Health and Human Services Operating Budget

Unadjusted for Inflation, Primary Budget, Not Including Off-Budget Changes



Note: Appropriations do not include trailer bill appropriations, back of the budget changes, or other changes to appropriations outside of the Primary Budget (Section 1 of the State Budget).

Future Federal Assistance?

Form of Assistance Key

- More flexibility for existing Coronavirus Relief Funds?
- Increase in FMAP large enough to offset previously-budgeted costs?
- Aid for education that can be used to offset existing costs?
- Direct, unrestricted aid to states?
- Timing, with budget shortfall growing over time?

New Hampshire State Budget Timeline

- New two-year State Budget starting July 1, 2021
- Not legal barrier to ending current State Budget with a deficit, but next State Budget must incorporate that deficit and balance



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