

# What is New Hampshire: Government Budgets

Government budgets reflect a set of choices made collectively through democratic processes. Through these budgets, we pool resources as a society to use for purposes that we either cannot or choose not to pay for individually. Examples include education, police, the social safety net, and public parks. Budgets set priorities and show what we value as a society. They are compromises—no one is ever completely pleased with a government budget—and the number of stakeholders involved in the budget process ensures that almost everyone can point to expenditures they believe to be a waste of money or areas they believe are underfunded. Similarly, we have yet to meet a person who thinks our tax system is perfect in the amount it collects, the way taxes are collected, or from whom.

Compared to other states, New Hampshire has chosen to raise less revenue and spend less on public investments and services. State and local government spending make up a smaller share of the state's economy than they do in all but one other state, and spending is low at both the state and local levels. Regarding taxes as a share of the economy, at the state level only two states rank lower than New Hampshire. Because low state taxes are somewhat offset by high local taxes and other revenue sources, however, the state ranks somewhat higher—forty-third—in combined state and local revenue as a share of its economy. Nevertheless, New Hampshire local governments have fewer resources than those in other states despite high local taxes,

largely because they receive less from their state government than do local governments in all but three other states.

Overall levels of state and local spending and revenue, however, do not tell the entire story. There are also important choices, within overall spending and revenue, on what categories of spending to prioritize and what revenue sources to most or least heavily rely on. Localities vary significantly in the fiscal circumstances in which they find themselves.

The choice to be a low-revenue, low-spending state has both positive and negative impacts—as do the choices about what to spend public money on and how to tax. This section of *What is New Hampshire?* does not assess the impact of those choices but describes the major features of the budgets of the governments of the state, including current spending and taxes, recent trends, and some potential challenges we may face moving ahead.

As with all parts of *What is New Hampshire?* we welcome feedback on how this section may be improved. Are there areas of the budget that you'd like us to cover in more detail or other challenges that we should highlight? Please let us know by emailing [Carsey.WINH@unh.edu](mailto:Carsey.WINH@unh.edu).

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*Note: If you are reading this online, supplemental information can be accessed by clicking on the grey boxes. The non-pdf version of this section of What is New Hampshire? has interactive versions of graphs that provide additional information.*

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## New Hampshire Now

Granite Staters rely on their state and local governments to provide infrastructure, social insurance programs, education, fire and police services, and more. The budget choices made at the state and local levels in New Hampshire are highly intertwined, as is true of all states, and of course all states differ in the amount of revenue collected, investments made, and services provided at the state versus the local levels. For example, Hawaii uniquely has a single statewide school district, while K–12 education is a local function in every other state, albeit with varying levels of state support.

Because of the interconnectedness of state and local budgets, we start this section by comparing New Hampshire to other states in combined level of state and local spending and revenue, and then examine the state and local levels individually. Our budget section uses data collected by the U.S. Census Bureau's Annual Surveys of State and Local Government Finances and data provided by the state of New Hampshire. Census data are used when comparing across states or when local governments are included in the analysis, while data from the state of New Hampshire are used only when examining state government in isolation.<sup>1</sup>

As more fully explained in the box on page 2, in this section we measure government spending and revenues as a share of the state's economy and per capita. Spending and revenue relative to the size of the economy are good indicators of the state's choices in providing public services and investments relative to its resources and capacity to provide them. The per capita measure tells us the amount per resident in the state.

### ***Measuring and Comparing Spending and Revenue as a Share of the Economy and Per Capita***

When comparing spending and revenue between states, simply looking at total dollar amounts rarely provides useful insights. The fact that the state and local governments of Texas spend \$254.4 billion and New Hampshire governments spend only \$12.6 billion doesn't tell us that Texas spends extravagantly while New Hampshire is frugal. Texas has a \$1.6 trillion economy and nearly 28 million people, while New Hampshire has a \$78 billion economy and 1.3 million people.<sup>2</sup> For that reason we scale the spending and revenue numbers we use to compare states in two ways: as a share of state gross domestic product (GDP) and per capita.

State GDP is a measure of the size of the economy (see the *What is New Hampshire: Economy* section for a fuller description). Spending and revenue as a share of a state's economy tell us how much a state is choosing to spend and collect relative to what is available to spend and collect. Poor states inevitably spend less in dollars per resident than rich states on many public services because they lack resources, not necessarily because they have decided that lower spending is best for their community. Thus, scaling spending by the size of a state's economy is a better indicator of the policy choices the state is making. Similarly, when comparing revenues to assess the burden that taxes and fees are imposing, share of the economy is the superior metric. Measuring simply by the dollar amount—either per capita or in total—distorts the analysis because two states, one rich and one poor, with the exact same revenue/tax system would look very different by that measure even though identical people or businesses in each state would face identical burdens. Measuring revenues as a share of the economy effectively measures the overall burden on the economic fortunes of people and businesses in the state regardless of the details of the revenue system.

The people of states with higher spending and revenue as a share of GDP are choosing to collect and allocate a higher share of the resources available in the state to public purchases and investments—in education, parks, infrastructure, etc. States with lower spending and revenue as a share of GDP are making the opposite choice. Comparing specific spending categories or revenue sources as a share of GDP gives us an indication of the relative benefits and burdens of those particular spending categories and revenue sources among states.

Comparing state spending and revenue per person is a useful complement to the share-of-GDP measure for comparing government spending levels because it gives us a sense of the relative level of service or investment being provided. A rich state might spend a smaller share of its economy on parks and recreation than a poor state, but with its greater GDP per person it may spend more per person and offer superior parks and recreation. Thus, comparing state revenues and expenditures by both share of GDP and per capita allows for nuanced and meaningful comparisons.

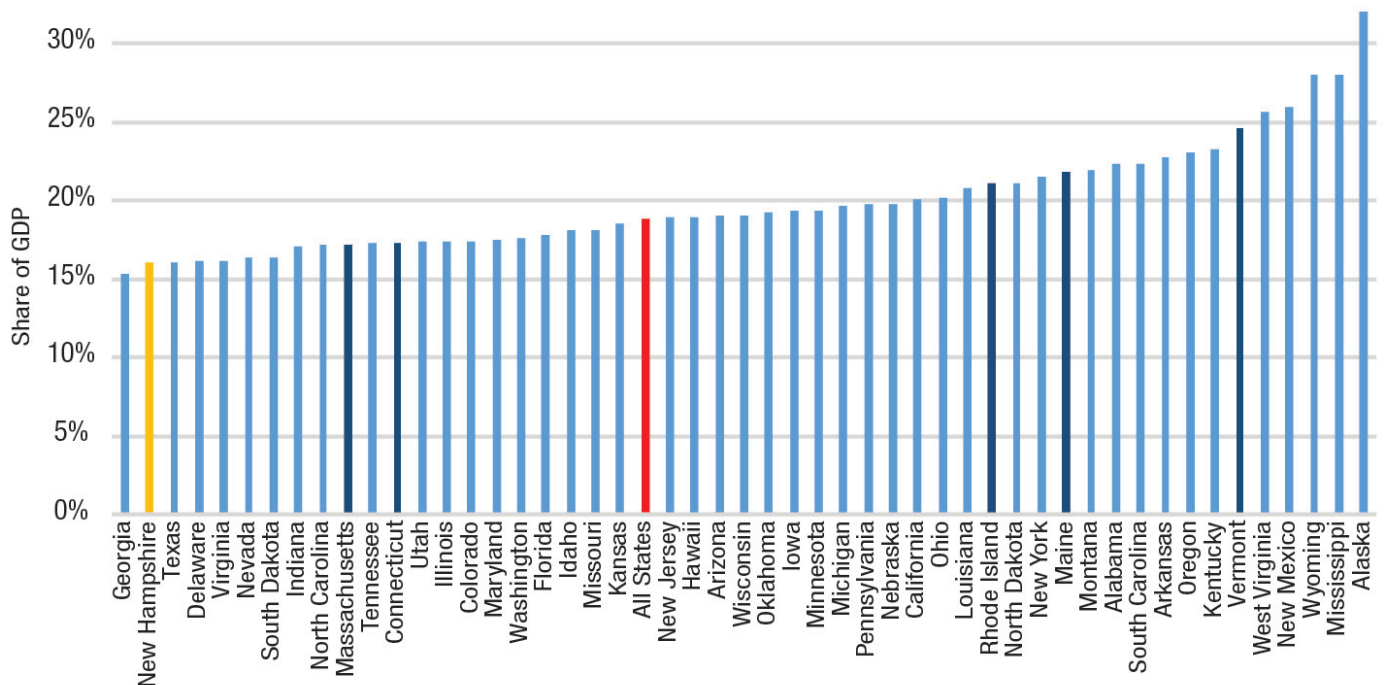
## **State and Local Spending**

In total, New Hampshire state and local governments spent \$12.6 billion in 2016.<sup>3</sup> This amounted to 16.1 percent of the state's economy, placing New Hampshire forty-ninth of the fifty states in spending as a share of GDP, ahead of only Georgia. As a relatively wealthy state, New Hampshire nevertheless ranked thirty-fifth in per capita spending. (Figure 1 shows New Hampshire's expenditures relative to the rest of the United States by percent of GDP and per capita, with comparisons available for different spending categories through a drop-down menu.) New Hampshire ranks below the national median in all types of spending as a share of the state's economy except liquor store expenditures, debt interest payments, and "other" general expenditures.

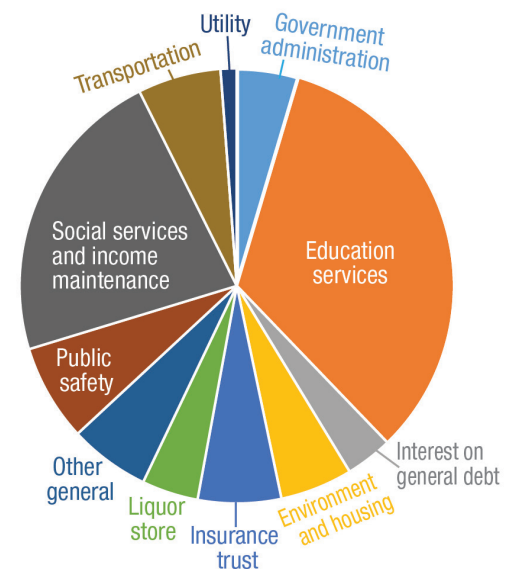
Overall, New Hampshire spends less as a share of its economy than the other New England states, in large part due to lower spending on social services/income maintenance and public transportation combined with just average education spending.

### **New England Spending Profile**

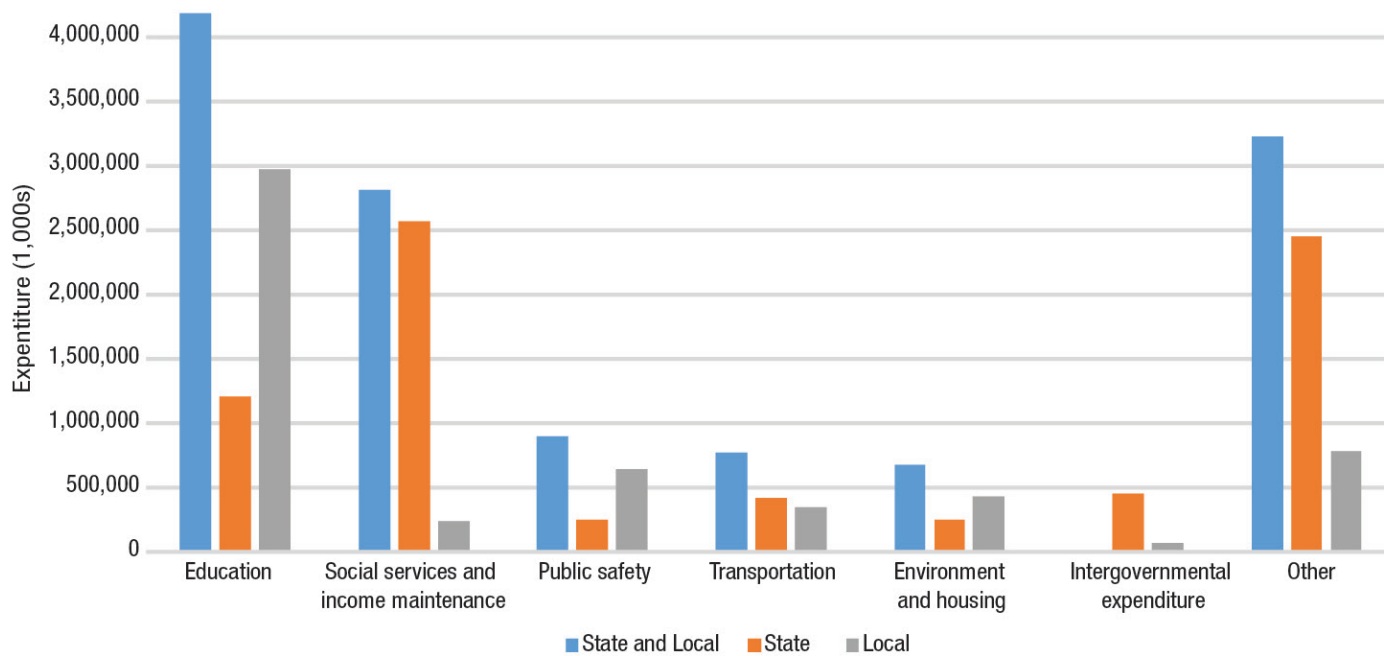
Figure 2 shows how much New Hampshire state and local governments combined spend in each category, while Figure 3 shows separately the levels of spending at the combined, state, and local levels. The largest two categories for New Hampshire's overall state and local spending are education and social services/income maintenance (which includes health spending), which accounted for a combined 55.5 percent of total spending in New Hampshire in 2016.

**FIGURE 1. COMBINED STATE AND LOCAL EXPENDITURES BY CATEGORY AS A SHARE OF STATE ECONOMY, 2016****NEW HAMPSHIRE STATE AND LOCAL EXPENDITURES BY CATEGORY AND RANK AMONG STATES**

Category	Share of NH GDP	Rank	Per Capita	Rank
Total	16.1%	49th	\$9,430	35th
Education services	5.3%	30th	\$3,134	23rd
Environment and housing	0.9%	47th	\$512	34th
Governmental administration	0.7%	33rd	\$432	24th
Insurance trust	1.0%	48th	\$585	46th
Interest on the general debt	0.6%	17th	\$326	14th
Liquor store	0.7%	1st	\$396	1st
Other general	1.0%	11th	\$570	9th
Public safety	1.1%	35th	\$675	23rd
Social services & income maintenance	3.6%	46th	\$2,105	43rd
Transportation	1.0%	36th	\$584	35th
Utility	0.2%	50th	\$112	50th

**FIGURE 2. NEW HAMPSHIRE STATE AND LOCAL EXPENDITURES BY CATEGORY, 2016**

Source: U.S. Census Bureau, 2016 Annual Surveys of State and Local Government Finances; Bureau of Economic Analysis. Calculations are the work of the authors.

**FIGURE 3. NEW HAMPSHIRE EXPENDITURES BY CATEGORY AND LEVEL OF GOVERNMENT, 2016**

**Source:** U.S. Census Bureau, 2016 Annual Surveys of State and Local Government Finances; Bureau of Economic Analysis. Calculations are the work of the authors.

**Note:** The category of "Other" includes governmental administration (.7% of GDP), interest on the general debt (.6% of GDP), liquor store (.7% of GDP), utility (.2% of GDP), and insurance trust expenditures (1.0% of GDP), and other general expenditures not classified elsewhere (1.0% of GDP).

Overall, 58 percent of government spending in New Hampshire is by the state government and 42 percent is by local governments (counting as state spending the state aid to local governments that local governments directly spend). The largest single area of spending is education, which makes up 32 percent of the total and is primarily the domain of local governments, although the state has some K-12 costs and spends in higher education. Social services/income maintenance, the second largest category, is primarily the domain of state government.

#### *Intergovernmental Expenses In the Census of Government*

Figure 3 shows combined state and local spending, state spending alone, and local spending alone for various spending categories. Spending at the state level that passes to local governments (and vice versa) is included in the state "intergovernmental" category, not in the category which the expense relates to. For example, state assistance to school districts is not included in the state column under education but instead is included in the state intergovernmental column. To continue with this example, the local column in education includes *all* local spending on education *including* the spending of funds school districts receive from the state. The state and local combined column also includes this spending as education spending.<sup>4</sup>

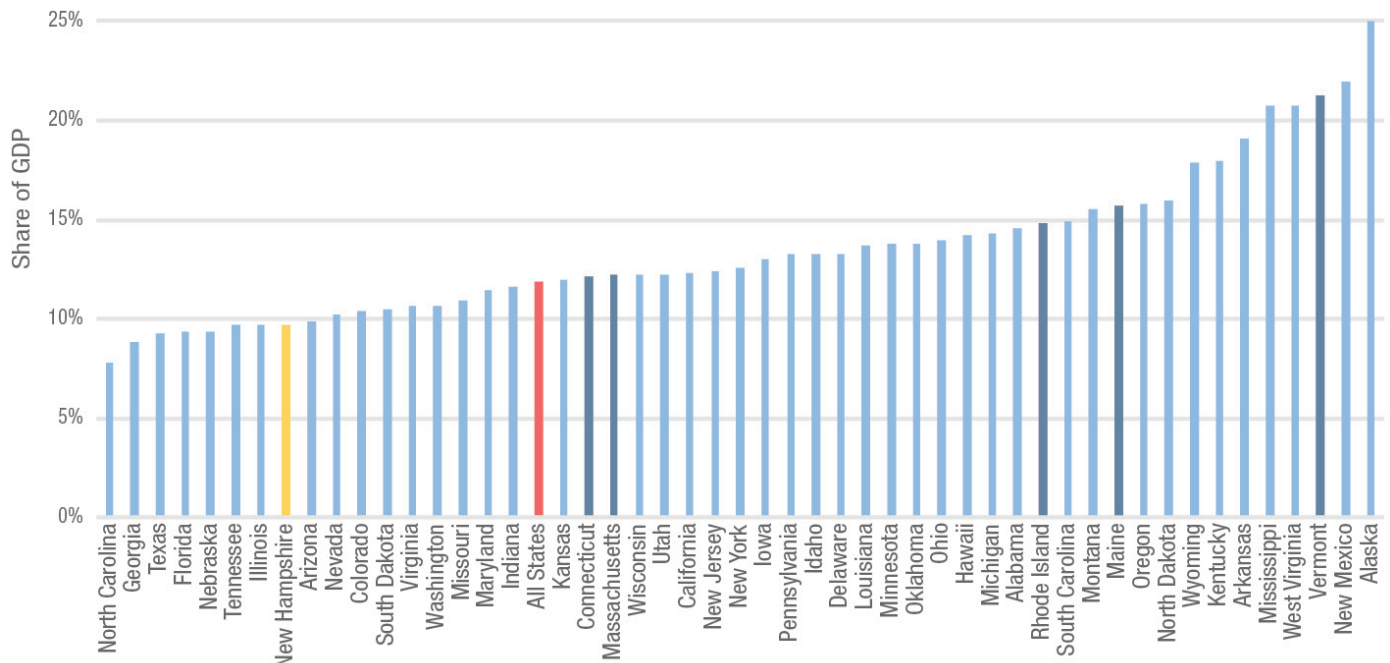
## New Hampshire State Government Spending

New Hampshire's state government spent \$7.6 billion in 2016, which was 9.7 percent of the state economy. The state ranks in the bottom ten, and lowest in New England, in both its state spending as a share of the economy and per-person spending. (Figure 4 compares all fifty states along both metrics, with specific spending categories available through the drop-down menu.) The state spends less than most states in the largest spending categories. Of particular note is the state's low level of aid to local governments: intergovernmental spending in New Hampshire is lower than in all but three states (one of which is Hawaii, where the state runs the schools) and less than a quarter of the national average as a share of GDP.

### NEW HAMPSHIRE STATE-LEVEL EXPENDITURES BY CATEGORY AND RANK AMONG STATES

Category	Share of NH GDP	Rank	Per Capita	Rank
Total	9.7%	43rd	\$5,702	42nd
Education services	1.5%	40th	\$906	39th
Environment and housing	0.3%	20th	\$188	17th
Governmental administration	0.3%	25th	\$205	22nd
Intergovernmental transfers	0.6%	47th	\$345	49th
Insurance trust	1.0%	46th	\$571	46th
Interest on the general debt	0.4%	4th	\$246	5th
Liquor store	0.7%	1st	\$396	1st
Other general	0.7%	6th	\$411	5th
Public safety	0.3%	40th	\$188	33rd
Social services & income maintenance	3.3%	40th	\$1,922	37th
Transportation	0.5%	35th	\$318	34th
Utility	0.0%	28th	\$5	27th

**FIGURE 4. STATE-LEVEL EXPENDITURES AS A PERCENT OF STATE ECONOMY, 2016**



**Source:** U.S. Census Bureau, 2016 Annual Surveys of State and Local Government Finances; Bureau of Economic Analysis. Calculations are the work of the authors.

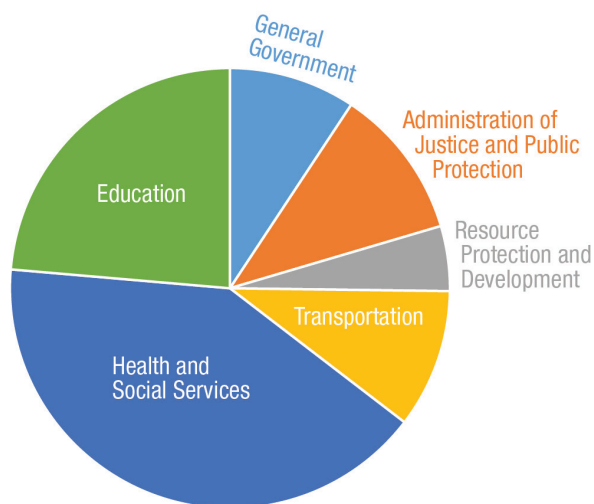
New Hampshire's state government uses somewhat different classifications of spending than does the Census Bureau, as seen in Figure 5. We use New Hampshire's categories here as more recent data are available and the categories are more familiar to those who follow the state budget.

Health and social services make up the largest portion of the state budget, at 41 percent of total spending in fiscal year 2019. Within that category, roughly two-thirds goes to health care, including Medicaid and efforts to combat the opioid crisis. While this spending is included in the state budget, much of the funding for this category comes from the federal government; federal Medicaid dollars totaled almost 60 percent of New Hampshire's Medicaid spending in 2016, for instance.<sup>5</sup>

Education is the next largest category, at 23.6 percent of the state budget, but unlike health and social services federal dollars play less of a role in education funding. Moreover, some of the funding in this category—\$363 million that the state government spent in support of K–12 education in FY19—came from the Statewide Education Property Tax (SWEPT), which is collected and spent at the local level but which New Hampshire counts as state revenue.<sup>6</sup> The state of New Hampshire supports higher education as well, although at a lower rate than any other state,<sup>7</sup> and most K–12 funding comes from localities.

Transportation is also a significant portion of state spending, at 10.2 percent. Administration of justice and public protection, which includes the state court system and police force, accounts for 8.8 percent of the state budget, but local governments spend more on public safety than does the state.

**FIGURE 5. NEW HAMPSHIRE STATE BUDGET EXPENDITURES BY STATE CATEGORY, FY19**

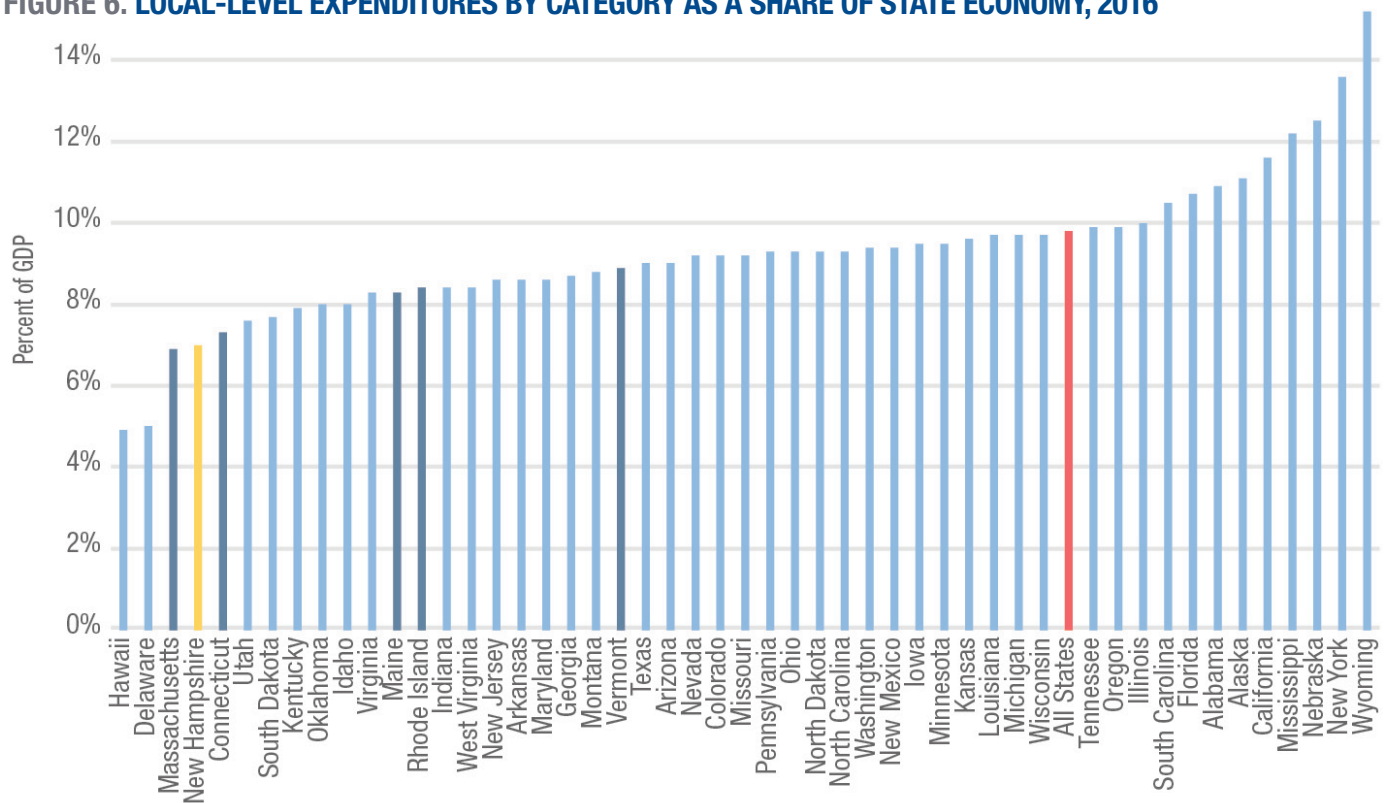


Source: New Hampshire Department of Administrative Services

### *New Hampshire Spending Categories*

The state government divides spending into six major categories:<sup>8</sup>

- **General government** comprises the costs of running most administrative and non-direct-service government functions, including the executive and legislative branches. General government spending represents the costs of having and organizing a functioning state government.
- **Administration of justice and public protection** is spending to ensure that the criminal justice system is functioning, that New Hampshire residents can receive unemployment insurance when they are laid off, and that our labor laws are fairly enforced. The Liquor Commission, which runs the state-owned liquor stores, falls within this category.
- **Resource protection and development** includes the state's economic development agencies as well as its natural resource departments. Spending in this category is used to develop New Hampshire's economy as well as maintain its natural and cultural resources for economic growth and quality of life.
- **Transportation** includes spending on roads, bridges, and dams; plowing in the winter; and any other services falling under the purview of the New Hampshire Transportation Department.
- **Health and social services** includes state spending on Medicaid, New Hampshire's efforts to combat the opioid crisis, services provided to veterans, and other social services.
- **Education** covers all levels of education spending, including the K–12 system, the Education Department, and the Community College and University Systems of New Hampshire as well as the Lottery Commission (whose profits are earmarked for state education funding) and training for police.

**FIGURE 6. LOCAL-LEVEL EXPENDITURES BY CATEGORY AS A SHARE OF STATE ECONOMY, 2016**

Source: U.S. Census Bureau, 2016 Annual Surveys of State and Local Government Finances; Bureau of Economic Analysis. Calculations are the work of the authors.

### NEW HAMPSHIRE LOCAL-LEVEL EXPENDITURES BY CATEGORY AND RANK AMONG STATES

Category	Share of NH GDP	Rank	Per Capita	Rank
Total	7.0%	47th	\$4,130	38th
Education services	3.8%	24th	\$2,229	19th
Environment and housing	0.6%	49th	\$324	48th
Governmental administration	0.4%	32nd	\$227	27th
Intergovernmental transfers	0.1%	4th	\$57	4th
Insurance trust	0.0%	36th	\$15	35th
Interest on the general debt	0.1%	43rd	\$79	39th
Liquor store	n/a	n/a	n/a	n/a
Other general	0.3%	42nd	\$159	36th
Public safety	0.8%	27th	\$487	20th
Social services & income maintenance	0.3%	38th	\$183	39th
Transportation	0.5%	33rd	\$265	26th
Utility	0.2%	50th	\$107	50th

Source: U.S. Census Bureau, 2016 Annual Surveys of State and Local Government Finances; Bureau of Economic Analysis. Calculations are the work of the authors.

### *New Hampshire's Budget Process*

The New Hampshire state budget is passed every two years and covers a biennium that runs from July 1 in the first calendar year to June 30 two years hence (July 1, 2017 through June 30, 2019, for example). The process that creates these budgets consists of three stages that begin at about the midpoint of a biennium.<sup>9</sup>

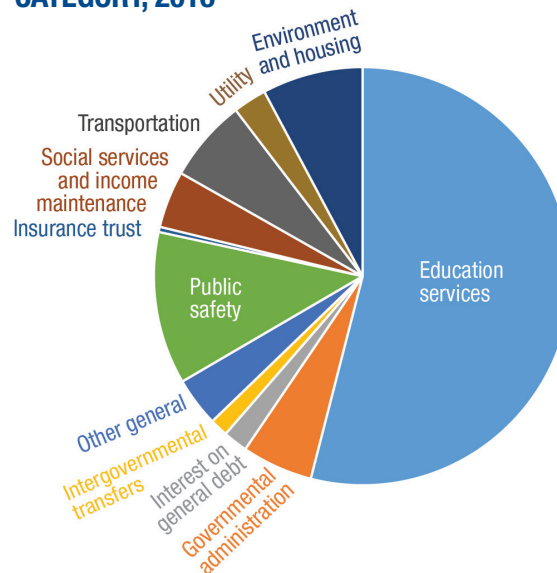
The first budget stage is the agency phase, in which state agencies submit requests for funding. In the next phase, the governor's phase, the governor reviews requests and creates a comprehensive budget proposal. That proposal moves to the legislature, where the House and the Senate each create their own versions of the budget.

If the two chambers' budgets differ, the budget goes to a conference committee, where a consolidated budget is created prior to presenting it to the governor for signature. A key part of the budget process is reconciling the different revenue projections that can come from the executive and legislative branches. Revenue projections for both the status quo and proposed revenue changes are developed separately by the governor's office as well as each legislative chamber.

### **New Hampshire Local Government Spending**

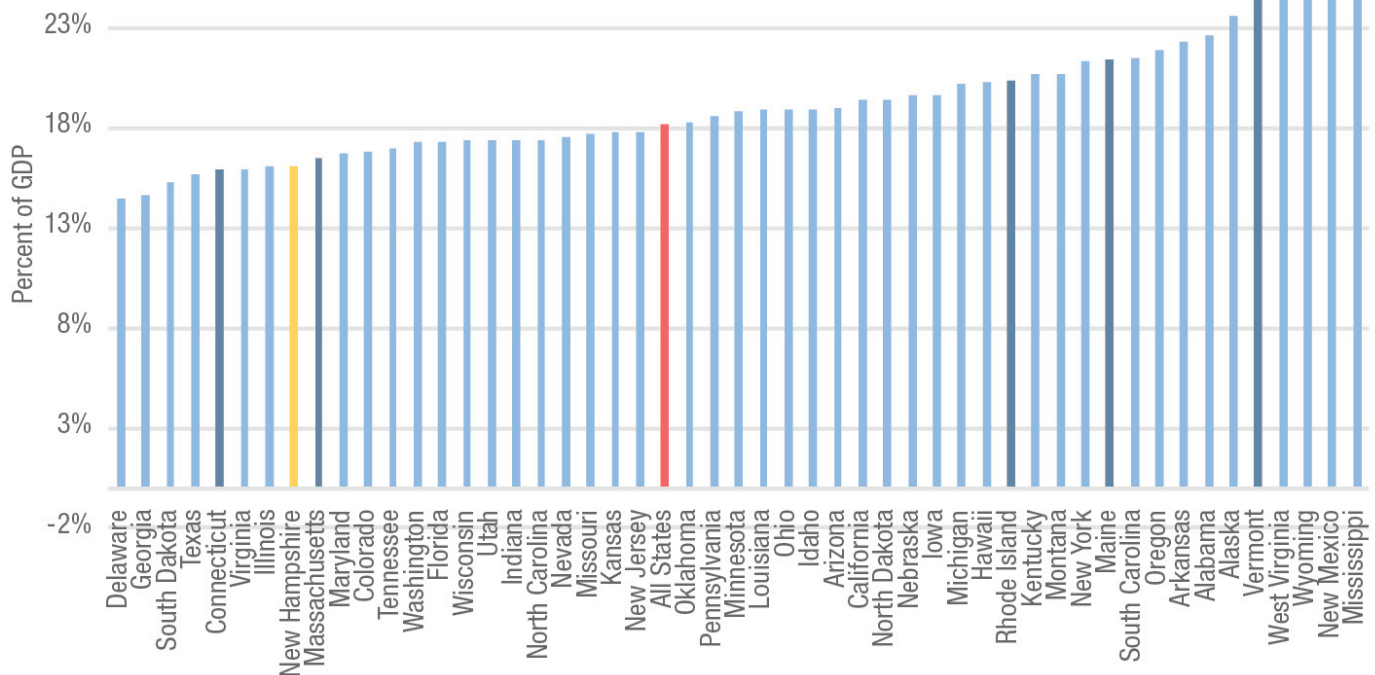
At the local level, New Hampshire again spends less than most other states as a percent of state GDP (7 percent, ranking forty-seventh); in New England it is second lowest, after Massachusetts. On a per capita basis New Hampshire spent the second least among New England states after Maine. Figure 6 compares New Hampshire to the other states in local spending in total and by category.

**FIGURE 7. NEW HAMPSHIRE LOCAL-LEVEL EXPENDITURES BY CATEGORY, 2016**



**Source:** U.S. Census Bureau, 2016 Annual Surveys of State and Local Government Finances; Bureau of Economic Analysis. Calculations are the work of the authors.

At the local level, the greatest expenditure by far is for education, which accounted for 54.1 percent of local spending in New Hampshire in 2016. It is also the one major area where, statewide, local governments spend more than the national average. New Hampshire's municipalities take a large role in providing funds for public safety, a category that reflects spending on services provided locally such as police, fire, local welfare, and emergency medical services. Housing and environmental expenditures are also primarily the responsibility of New Hampshire local governments.

**FIGURE 8. STATE AND LOCAL REVENUE BY CATEGORY AS A SHARE OF STATE ECONOMY, 2016**

Source: U.S. Census Bureau, 2016 Annual Surveys of State and Local Government Finances; Bureau of Economic Analysis. Calculations are the work of the authors.

## State and Local Revenue

New Hampshire ranks forty-third among the fifty states in total state and local revenue—inclusive of taxes, fees, federal aid, and other sources. It has marginally more revenue as a percent of GDP than Connecticut and slightly less than Massachusetts. Because of relatively high local taxes, New Hampshire ranks higher in

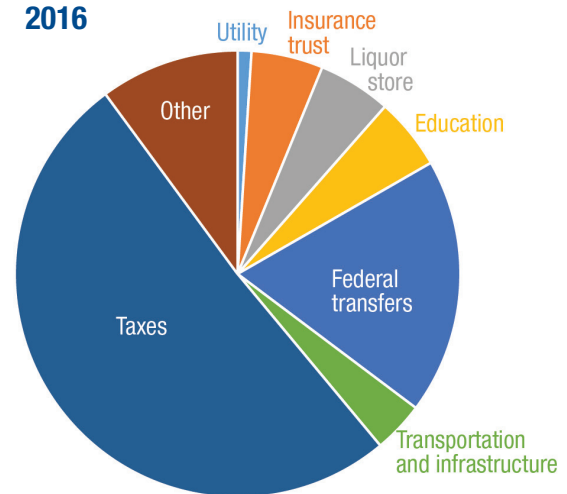
### NEW HAMPSHIRE STATE AND LOCAL COMBINED REVENUE AND RANK AMONG U.S. STATES

Revenue Category	Share of NH GDP	Rank
Total	16.1%	43rd
Education	0.8%	27th
Federal transfers	3.0%	42nd
Hospitals	0.0%	47th
Insurance trust	0.8%	35th
Liquor store	0.9%	1st
Other	1.6%	24th
Taxes	8.2%	31st
Transportation & infrastructure	0.6%	40th
Utility	0.2%	50th

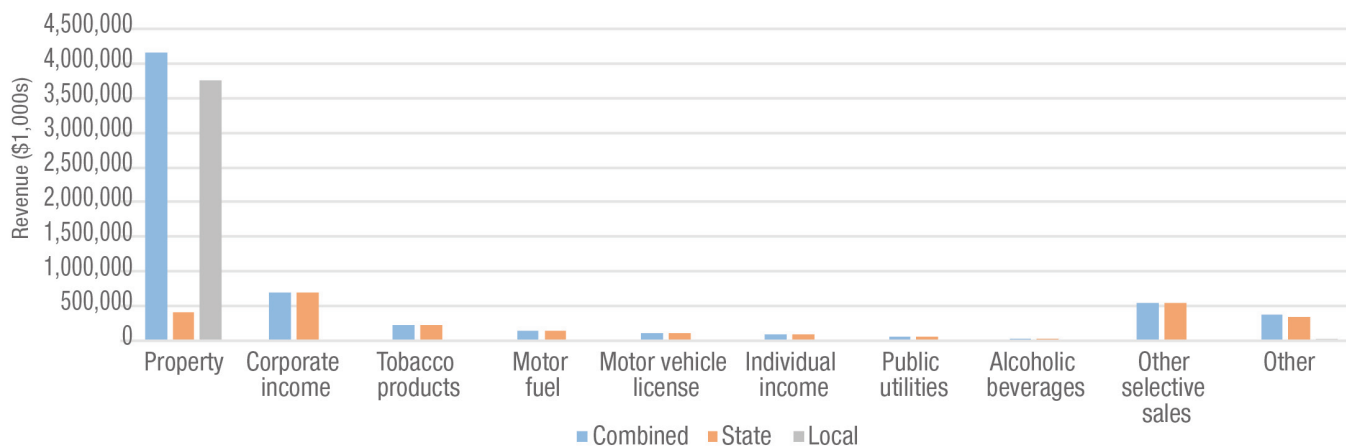
taxes—thirty-first—than it ranks in total revenue. State and local governments in New Hampshire, however, raise less in taxes than those in any other New England state (though just 0.3 percent of GDP less than Massachusetts).<sup>10</sup>

In total, New Hampshire raises just over half of its combined state and local revenue via taxes and gets another 18.5 percent of its revenues from the federal government. At 5.3 percent, liquor store revenues are a significant portion of state revenue; in fact, New Hampshire derives a greater portion of its revenue from liquor sales than does any other state.

Figure 10 shows the amount of taxes derived at the state, local, and combined levels from various sources. Property taxes raised at the local level are by far the largest source of taxes in New Hampshire, followed by corporate taxes, “other selective sales” taxes (which include the meal and rooms tax), and “other” taxes, all of which are almost exclusively raised at the state level.

**FIGURE 9. NEW HAMPSHIRE STATE AND LOCAL REVENUES BY CATEGORY, 2016**

**New England State Revenue Profile**

**FIGURE 10. NEW HAMPSHIRE STATE AND LOCAL TAXES BY CATEGORY, 2016**

Source: U.S. Census Bureau, 2016 Annual Surveys of State and Local Government Finances; Bureau of Economic Analysis. Calculations are the work of the authors.

## State Government Revenue

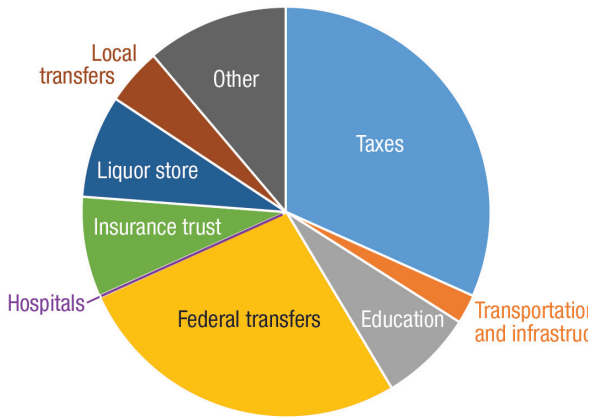
New Hampshire's state-level revenues, at \$8.3 billion in 2016, were 10th least among the states as a share of the state's economy. New Hampshire's low level of state revenue is driven by its low state-level taxes, which are third lowest in the nation as a share of state GDP—just 3.4 percent—behind only Alaska and Texas. Much of the state's low tax burden relative to other states is due to the fact that New Hampshire does not have a broad-based personal income or sales tax—a distinction we shares only with Alaska.

In lieu of broad-based state taxes, the state government of New Hampshire derives revenue<sup>11</sup> from a variety of targeted taxes and fees (most notably business taxes and a statewide property tax) as well as transfers from the federal government (the second largest source of revenue) and local governments.<sup>12</sup> Figure 12 allows for comparison of New Hampshire's revenues by category to other states.

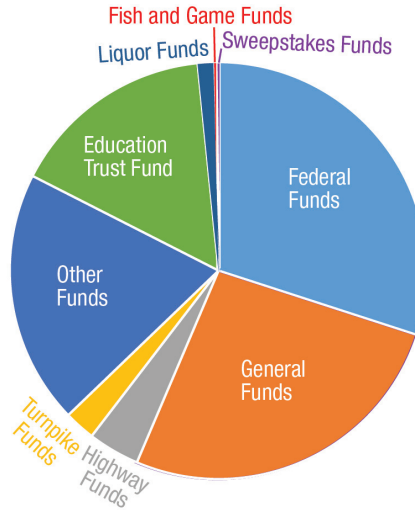
State-level revenue in New Hampshire flows into a set of “funds” that are dedicated to specific purposes (Figure 13). The General Fund, which accounted for 26.4 percent of revenue in the FY19 state budget, is what most people think of when they think of the legislative budget; most general tax revenue flows into it and it is available for whatever purposes the legislature and governor choose. It funds state-level government agencies and pays for most of the general administration of government, construction and updating of government buildings, New Hampshire's share of health spending, and higher education, among other things. The General Fund receives the bulk of its revenue from the meal and rooms tax, the insurance tax, the real estate transfer tax, the tax on tobacco, and the state's two corporate taxes, the Business Profits Tax and the Business Enterprise Tax.<sup>13</sup>

Another key fund is the Education Trust Fund, which is 16 percent of the FY19 budget and is dedicated to public primary and secondary education spending. The fund receives revenue from the SWEPT as well as “incremental portions of existing business and tobacco taxes, sweepstakes funds, and tobacco settlement funds.”<sup>14</sup> It was established to fund the Adequate Education Grants provided to local school districts across New Hampshire.<sup>15</sup>

The majority of the remaining 58 percent of revenue is put into restricted funds that have specific purposes. The biggest of these is funding from the federal government, which accounts for almost a third of the New Hampshire state budget. New Hampshire is not unique in this regard, as most states receive around a third of their revenue from federal dollars for such purposes as Medicaid, transportation, education, opioid misuse treatment and prevention, and others spelled out in federal law.

**FIGURE 11. STATE-LEVEL REVENUE BY CATEGORY, 2016**

**Source:** U.S. Census Bureau, 2016 Annual Surveys of State and Local Government Finances; Bureau of Economic Analysis. Calculations are the work of the authors.

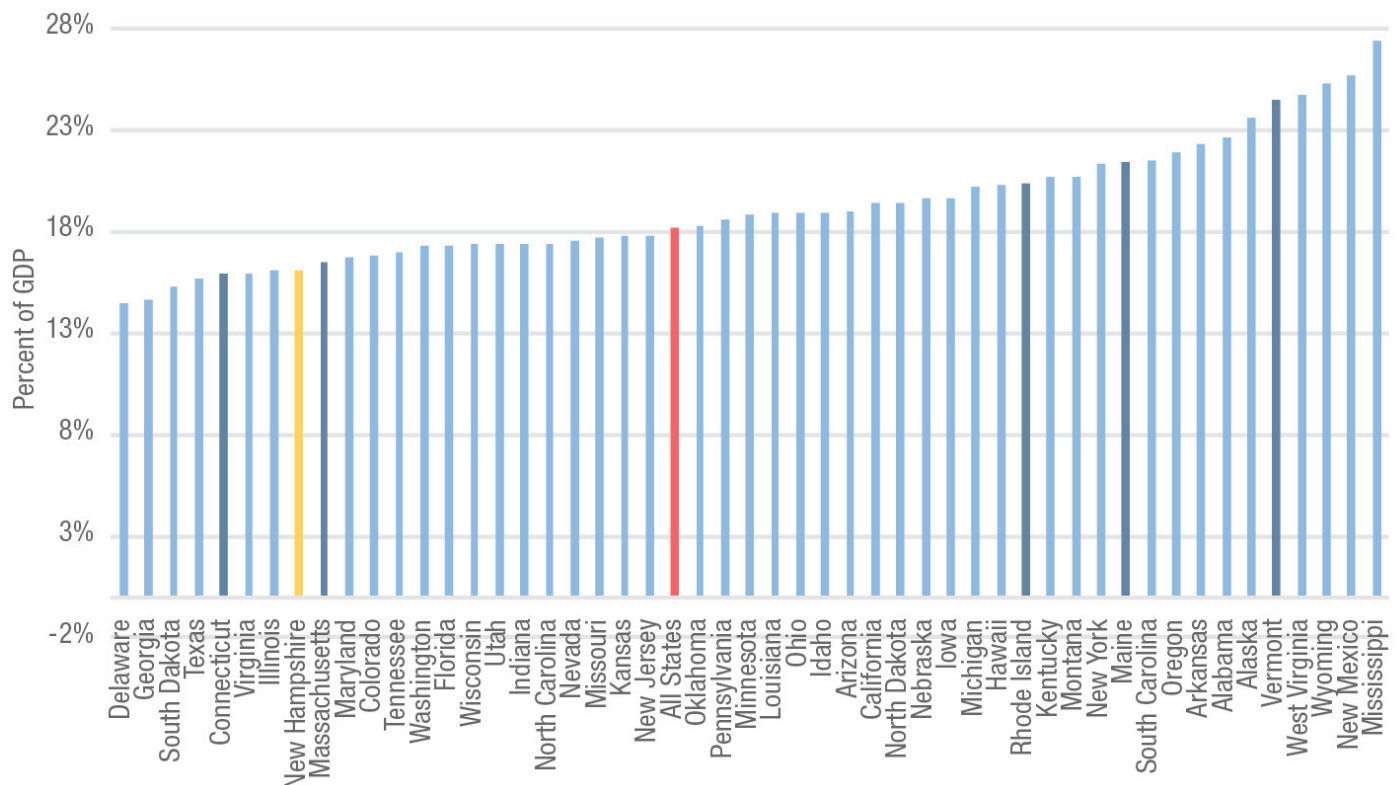
**FIGURE 13. NEW HAMPSHIRE REVENUE BY FUND, FY19**

**Source:** New Hampshire Department of Administrative Services.

**NEW HAMPSHIRE STATE-LEVEL REVENUE AND RANK AMONG U.S. STATES**

Revenue Category	Share of NH GDP	Rank
Total	10.6%	40th
Education	0.8%	20th
Federal transfers	2.8%	40th
Hospitals	0.0%	39th
Insurance trust	0.8%	33rd
Liquor store	0.9%	1st
Local transfers	0.5%	2nd
Other	1.2%	14th
Taxes	3.4%	48th
Transportation & infrastructure	0.2%	10th
Utility	0.0%	T-Last

**Source:** U.S. Census Bureau, 2016 Annual Surveys of State and Local Government Finances; Bureau of Economic Analysis. Calculations are the work of the authors.

**FIGURE 12. STATE AND LOCAL REVENUE BY CATEGORY AS A SHARE OF STATE ECONOMY, 2016**

**Source:** U.S. Census Bureau, 2016 Annual Surveys of State and Local Government Finances; Bureau of Economic Analysis. Calculations are the work of the authors.

## Local Government Revenue

At the local level, New Hampshire has low revenue relative to other states. Figure 14 shows total local revenue by state, and specific categories can be selected. Overall, New Hampshire local governments derive more revenue as a share of the overall state economy than local governments in Massachusetts and Connecticut, but the state still ranks forty-third overall. This low ranking is due to low levels

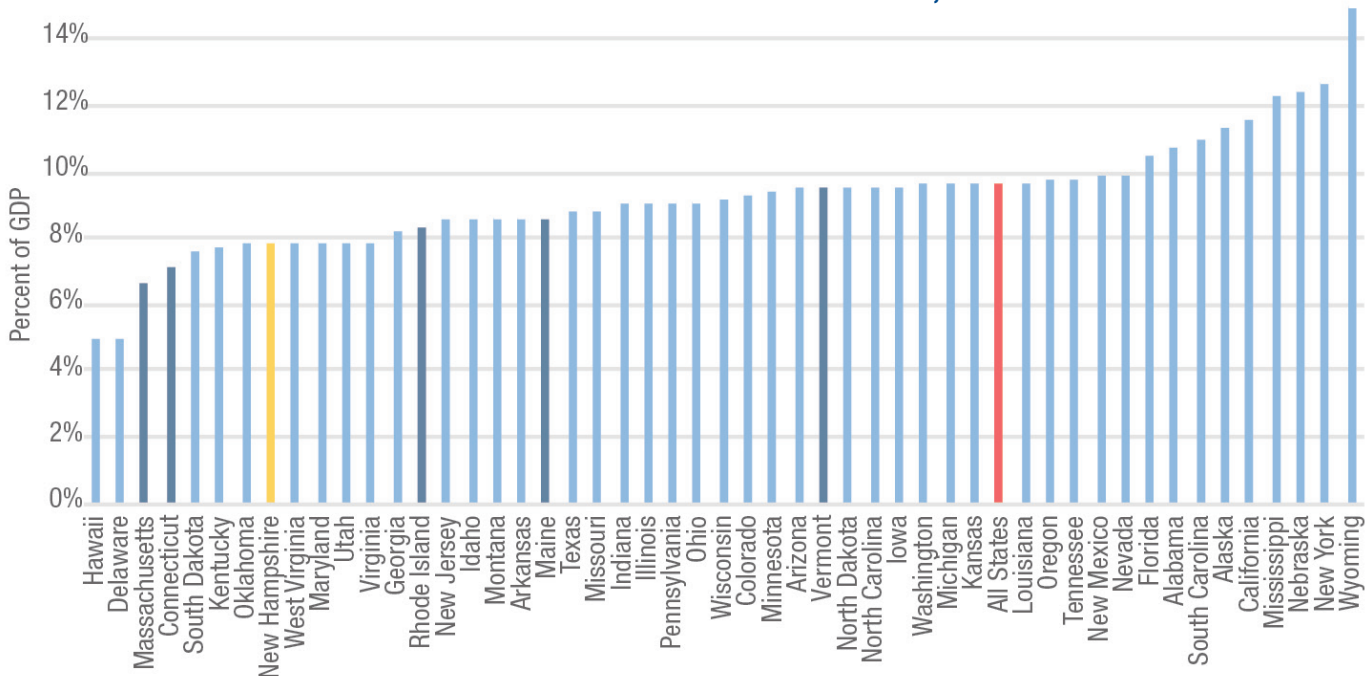
of state aid: although 25.3 percent of local government revenue in New Hampshire comes from intergovernmental sources (almost all from the state government), the amount is far less aid than is received by localities in other states. The national average is 3.2 percent of GDP, but in New Hampshire it is 1.9 percent.

New Hampshire local governments offset this to some degree with higher taxes. At 4.8 percent of GDP, local taxes are the third highest in the nation and first among New England

states.<sup>16</sup> New Hampshire's high local taxes are almost exclusively in the form of property taxes, which are the only significant tax option available to local governments.<sup>17</sup> In terms of property taxes alone, New Hampshire is the second highest as a percent of GDP among the states.

In total, New Hampshire localities get the vast majority of their revenue from property taxes and the state government. Figure 15 shows the breakdown of revenue by localities in New Hampshire by category.

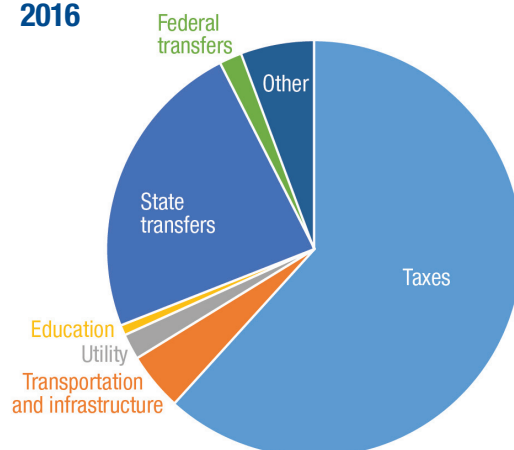
**FIGURE 14. LOCAL REVENUE BY CATEGORY AS A SHARE OF STATE ECONOMY, 2016**



**NEW HAMPSHIRE LOCAL-LEVEL REVENUE AND RANK AMONG U.S. STATES**

Revenue Category	Share of NH GDP	Rank
Total	7.8%	43rd
Education	0.1%	41st
Federal transfers	0.1%	49th
Hospitals	0.0%	T-Last
Insurance trust	0.0%	T-Last
Liquor store	n/a	n/a
Other	0.2%	42nd
State transfers	1.8%	47th
Taxes	4.8%	3rd
Transportation & infrastructure	0.4%	48th
Utility	0.2%	50th

**FIGURE 15. NEW HAMPSHIRE LOCAL REVENUES BY CATEGORY, 2016**



Source: U.S. Census Bureau, 2016 Annual Surveys of State and Local Government Finances; Bureau of Economic Analysis. Calculations are the work of the authors.

## Summary of Spending and Revenue in New Hampshire

The choices New Hampshire has made reflect a variety of circumstances. One is that as a relatively well-off state, and a state that lacks a major urban center, it is able to avoid some of the income security, health, and infrastructure costs that other states face. It also, of course, has a tradition of being a small-government state opposed to the imposition of broad-based income or sales taxes.<sup>18</sup>

In short, the state government in New Hampshire taxes and spends at low levels relative to other states. Local governments in New Hampshire, meanwhile, are also low spending but have a high tax burden (driven by property taxes) relative to other states. It is important to note that the level of spending throughout the state is not uniform, with wealthier communities and those with large amounts of commercial property having greater resources. In states with higher levels of taxation and spending at the state level, some of the differences in capacity among communities are offset by state assistance. Some of that is available in New Hampshire, but less than in most other states, meaning that those local discrepancies—in education and health spending, in particular—are more pronounced.

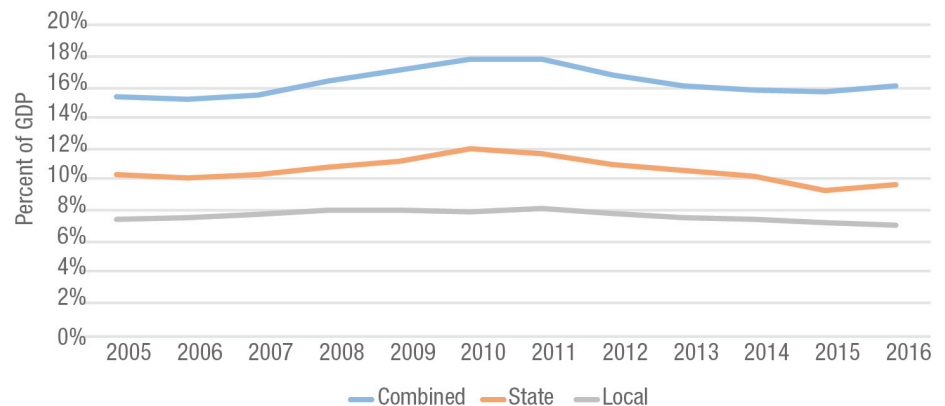
## New Hampshire Trends

Figure 16 shows expenditures in New Hampshire between 2005 and 2016 as a share of the state economy. Individual lines show spending at the state, local, and combined levels. Spending rose steadily through the recession, but as stimulus dollars receded and the economy began to grow, spending as a share of the economy shrank overall between 2012 and 2016.

Figure 17 shows the amount of state government spending between 1997 and 2018 by the six major budget categories that make up the vast majority

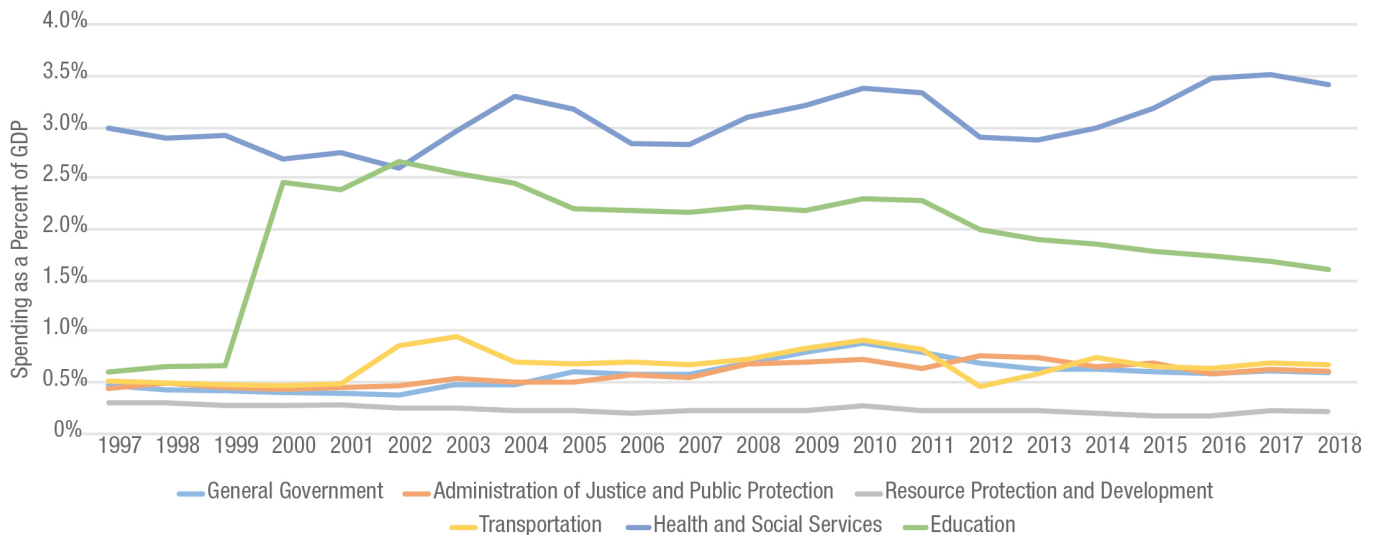
of spending by our state government.<sup>19</sup> Transportation, general government, and administration of justice and public protection each account for between 8 and 10 percent of the state budget, but they are dwarfed by the two largest categories, health/social services and education, which have accounted for at least two-thirds of every New Hampshire state budget since 1993. State education spending changed dramatically following the Claremont court case in the late 1990s,<sup>20</sup> though health and social services spending has continued to be the largest category of spending in New Hampshire over time.

**FIGURE 16. NEW HAMPSHIRE EXPENDITURES AS A SHARE OF THE STATE ECONOMY BY CATEGORY, 2005–2016**



Source: U.S. Census Bureau: Bureau of Economic Analysis.

**FIGURE 17. NEW HAMPSHIRE STATE SPENDING BY CATEGORY, 1997–2018**

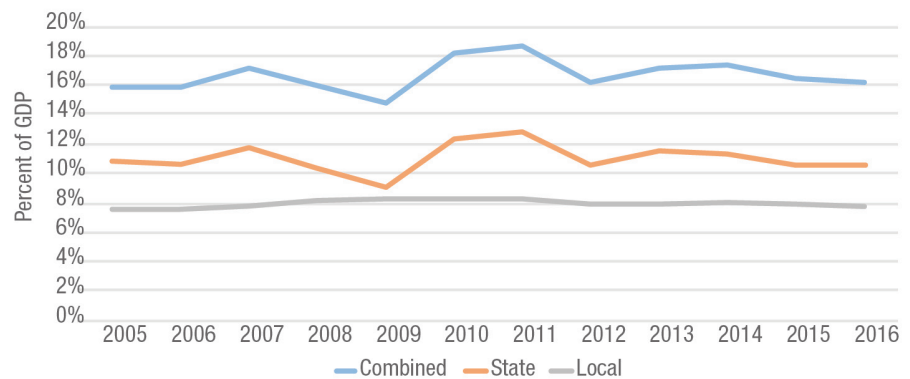


Source: New Hampshire Department of Administrative Services.

(Figure 18 shows New Hampshire's revenues between 2005 and 2016, and can be toggled between total revenue and taxes, each with the option to select by category.) Individual lines show the revenue raised as a share of GDP at the local, state, and combined levels. Revenues declined as a share of the economy during the first years of the recession, then grew as the economy shrank and stimulus money arrived. As the economy has grown the past few years the proportion of total revenue raised has shrunk, despite revenue increases in absolute dollar terms. Notably, the share of state money flowing to local governments has shrunk since 2013.

Taxes in New Hampshire accounted for roughly half—between 43.3 percent and 55.2 percent—of state and local revenue between 2005 and 2016. Taxes shrunk relative to total state revenue during the Great Recession but generally trended upward after 2011. Property taxes are by far the largest single tax source in the state, accounting for about two-thirds of the total tax burden in New Hampshire

**FIGURE 18. NEW HAMPSHIRE REVENUE AND TAXES AS A SHARE OF THE STATE ECONOMY, 2005–2016**



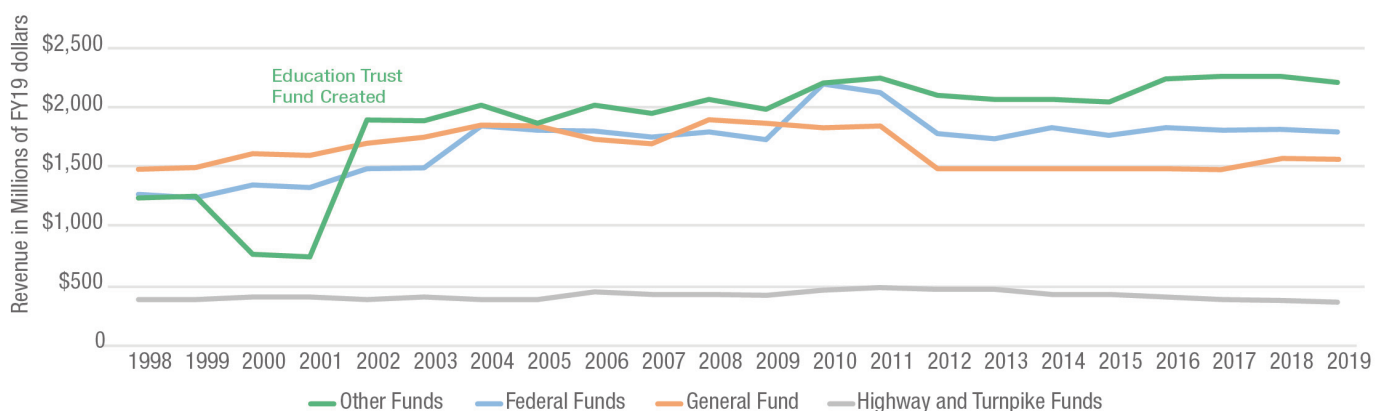
Source: U.S. Census Bureau: Bureau of Economic Analysis.

and about a third of combined state and local revenues. These proportions have remained fairly fixed over time, although state-level taxes have dropped slightly over the past decade while local-level taxes have increased by roughly the same amount, an increase driven by rising property taxes.

Figure 19 shows the amount of the New Hampshire's state revenue flowing into each state fund between fiscal years 1998 and 2018, adjusted for FY19 dollars. Prior to the early

2000s, the General Fund was the largest pool of state revenue, but when the Education Trust Fund was created "other" dedicated spending funds became the destination for a larger portion of state revenues. For the past decade, federal funds have consistently been a larger share of New Hampshire's overall revenue than General Fund revenue. Overall, the past 20 years have seen the share of unrestricted General Fund revenue fall relative to dedicated funds.

**FIGURE 19. NEW HAMPSHIRE STATE REVENUE BY FUND, FY98–FY19**



Source: New Hampshire Department of Administrative Services

## New Hampshire Challenges

Choices about revenue, expenditures, and the budget do not exist in a vacuum, and broader social and economic trends across the state will lead to budgetary considerations moving forward. Over the past biennium, revenues have increased in total dollars and have outperformed projections due to higher-than-expected revenues from the Business Enterprise Tax and the Business Profits Tax, which are owed in turn to faster-than-predicted economic expansion starting in 2015 and one-time impacts from recent federal tax law changes.<sup>21</sup> Business tax rates were reduced in 2016 and 2018, and more rate reductions are scheduled in 2019 and 2021, which will translate to less revenue to work with than if rates were to stay constant. Overall economic performance affects both revenues and the requirements placed on the spending side of the budget, but there are other, longer-term factors, discussed next, that will impact revenues and expenditures in New Hampshire in the years ahead.

## Demographic Changes

New Hampshire has one of the highest median ages in the nation, and as the state population continues to age overall health care costs will rise. Property tax revenue will also be affected: many localities have tax exemptions for residents over a certain age, and these places' revenues and their ability to provide services at the local level may decrease when greater proportions of the population age into these exemptions.<sup>22</sup> New Hampshire's reliance on property taxes also disproportionately impacts low-income homeowners and older adults living on fixed incomes. Policymakers will need to anticipate how [these changes](#) will influence both revenue and expenditures over the next decade and beyond.

## Education Funding

The funding of New Hampshire's school districts largely at the local level through property taxes<sup>23</sup> has led to disparities across the state, as property-poor communities struggle to pay the full cost of educating their students. The state has provided some relief to districts and towns via stabilization aid grants, but those funds have shrunk in recent years. The topic of how best to fund an adequate education in New Hampshire is one that has been hotly debated since the 1990s, and the argument shows no sign of letting up. Ongoing court cases will undoubtedly influence how the state decides to fund education, but balancing an already-high property tax burden with providing an education to New Hampshire's children is an issue that will shape the budget in the years to come.

## The Opioid Crisis

New Hampshire is receiving at least \$45 million from the federal government across fiscal years 2019 and 2020 to combat the opioid crisis.<sup>24</sup> Following the current grant, however, there is no guarantee that funding will be available. The state will need to make decisions about how much it is willing to appropriate and what programs and policy options are best suited to deal with substance use disorders over time.<sup>25</sup>

## Conclusion

New Hampshire is a low-revenue, low-expenditure state. Its revenue structure is distinctive in that the state lacks a broad-based personal income or sales tax, and its biggest single source of revenue is local property taxes. The prime areas of spending—mainly education, health, and social services—are fairly similar to other states. As the state ages and New Hampshire tackles issues of health care, education, and economic growth, Granite Staters will be faced with choices about how to raise revenue and provide services moving forward.

*Note: The Census Bureau's data may contain high levels of sampling error. Potential non-sampling error may reflect, according to the Census Bureau, "errors in coverage of the universe of governments, nonresponse, differences in the interpretation of questions, mistakes in the recording and coding of data, and other errors in collection, processing, and tabulation of the data. Although no direct measures of non-sampling error are available, steps have been taken in all survey processes to minimize their influence." More information can be found at <https://www.census.gov/programs-surveys/gov-finances/technical-documentation.html>.*

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**To Learn More**

More detailed data and full state budgets can be found at the state of New Hampshire's websites <https://www.nh.gov/transparentnh/> and <https://das.nh.gov/budget/>. For other information about the state budget, consult the New Hampshire Fiscal Policy Institute, which has compiled a set of excellent resources, including: *Building the Budget: New Hampshire's State Budget Process and Recent Funding Trends* as well as *Measuring the Size of New Hampshire's State Budget*. For further reading around New Hampshire's state spending, the Boston Federal Reserve's *How Does New Hampshire Do It? An Analysis of Spending and Revenues in the Absence of a Broad-Based Income or Sales Tax* provides insightful analysis of New Hampshire compared to the rest of New England.

For more information on any of the Census Bureau's categories of state and local government finances, see <http://www.census.gov/govs/classification>.

**Endnotes**

1. State-level data from the Census Bureau are a complete survey of state governments, but note that local-level data are drawn from samples and are therefore subject to margins of error.
2. As of 2016, the most recent year for which the Census Bureau's State and Local Government Finances data are available.
3. Note that combined state and local spending measures net out intergovernmental transfers to keep spending from being double counted, whereas state and local spending individually reflects spending done at those levels including intergovernmental transfers from the state or local level.
4. Intergovernmental expenditures can be for education or social services, for example, but are not counted in those categories if spending is classified as an intergovernmental transfer.
5. Kaiser Family Foundation, "Federal and State Share of Medicaid Spending," 2019, <https://www.kff.org/medicaid/state-indicator/federalstate-share-of-spending/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D>.
6. Reaching Higher NH, "State Education Property Tax: Locally raised, locally kept," 2019, <http://reachinghighernh.org/2019/02/01/state-education-property-tax-locally-raised-locally-kept/>. Note that the Census Bureau counts SWEPT as local spending, given that it is collected locally and distributed to local districts.
7. State Higher Education Executive Officers Association, "State Higher Education Finance: FY 2017," 2018, <https://htv-prod-media.s3.amazonaws.com/files/sheeo-shef-fy2017-final-1527806131.pdf>.
8. New Hampshire Department of Administrative Services and Department of Information Technology, "How Government Finances Work," 2013. <https://www.nh.gov/transparentnh/how-government-finances-work/>.
9. New Hampshire Fiscal Policy Institute, "Building the Budget: New Hampshire's State Budget Process and Recent Funding Trends," 2017, [http://nhfpi.org/wp-content/uploads/2017/03/NHFPI\\_Building-The-Budget\\_February2017.pdf](http://nhfpi.org/wp-content/uploads/2017/03/NHFPI_Building-The-Budget_February2017.pdf).
10. The reason the rankings on revenue do not match spending is because of timing issues, including debt.
11. New Hampshire Fiscal Policy Institute, "Funding the State Budget and Other Public Services," 2019, [http://nhfpi.org/wp-content/uploads/2019/02/Funding-the-State-Budget-and-Other-Public-Services\\_Web\\_Version.pdf](http://nhfpi.org/wp-content/uploads/2019/02/Funding-the-State-Budget-and-Other-Public-Services_Web_Version.pdf).
12. New Hampshire Fiscal Policy Institute, "Revenue in Review: An Overview of New Hampshire's Tax System and Major Revenue Sources," 2017, [http://nhfpi.org/wp-content/uploads/2017/05/Revenue-in-Review\\_Overview-of-New-Hampshire-Tax-System-and-Major-Revenue-Sources.pdf](http://nhfpi.org/wp-content/uploads/2017/05/Revenue-in-Review_Overview-of-New-Hampshire-Tax-System-and-Major-Revenue-Sources.pdf).
13. New Hampshire Fiscal Policy Institute, "New Hampshire Revenue Sources and Recent Trends," 2019, [http://nhfpi.org/wp-content/uploads/2019/02/NHFPI\\_New-Hampshire-Funding-Sources-and-Recent-Trends.pdf](http://nhfpi.org/wp-content/uploads/2019/02/NHFPI_New-Hampshire-Funding-Sources-and-Recent-Trends.pdf); New Hampshire Department of Administrative Services and Department of Information Technology, "Where the Money Comes From," 2019, <https://www.nh.gov/transparentnh/where-the-money-comes-from/index.htm>.
14. New Hampshire Department of Administrative Services and Department of Information Technology, "Education Trust Fund," 2013, <https://www.nh.gov/transparentnh/glossary/education-trust-fund.htm>.

15. New Hampshire Fiscal Policy Institute, “Building the Budget: New Hampshire’s State Budget Process and Recent Funding Trends,” 2017, [http://nhfpi.org/wp-content/uploads/2017/03/NHFPI\\_Building-The-Budget\\_February2017.pdf](http://nhfpi.org/wp-content/uploads/2017/03/NHFPI_Building-The-Budget_February2017.pdf).
16. Maine, Rhode Island, and Connecticut are all in the top seven states in local taxes as a percentage of state GDP.
17. Property taxes account for 4.7 percent of state GDP.
18. Jennifer Weiner, “How Does New Hampshire Do It? An Analysis of Spending and Revenues in the Absence of a Broad-based Income or Sales Tax,” Federal Reserve Bank of Boston, New England Public Policy Center, 2011, <https://www.bostonfed.org/publications/new-england-public-policy-center-research-report/2011/how-does-new-hampshire-do-it-an-analysis-of-spending-and-revenues-in-the-absence-of-a-broad-based-income-or-sales-tax.aspx>.
19. Not included are the turnpike system, liquor and lottery commissions, spending from interest expenses, the Drinking Water State Revolving Fund, and the unemployment compensation trust fund.
20. For more information refer to: *Claremont Sch. Dist. v. Governor* (Claremont I), 635 A.2d 1375 (N.H. 1993); *Claremont Sch. Dist. v. Governor* (Claremont II), 703 A.2d 1353 (N.H. 1997).
21. New Hampshire Fiscal Policy Institute, “Fund the State Budget: Recent Trends in Business taxes and Other Revenue Sources,” 2019, <http://nhfpi.org/research/state-tax/funding-the-state-budget-recent-trends-in-business-taxes-and-other-revenue-sources.html>.
22. State of New Hampshire Department of Revenue Administration, “2017 Exemptions & Veterans’ Credit Report,” 2017, <https://www.revenue.nh.gov/mun-prop/property/equalization-2017/documents/etc-alpha.pdf>.
23. New Hampshire Department of Education, “Financial Reports,” 2019, <https://www.education.nh.gov/data/financial.htm>.
24. New Hampshire Department of Health and Human Services, “State Opioid Response Grant,” 2019, <https://www.dhhs.nh.gov/dcbcs/bdas/sor.htm>
25. New Hampshire Department of Health and Human Services, “The Doorway,” 2019, <https://www.thedoorway.nh.gov/>.

