



NEW HAMPSHIRE'S ECONOMY, HOUSEHOLD FINANCES, AND STATE REVENUES

PRESENTED BY PHIL SLETTEN, SENIOR POLICY ANALYST

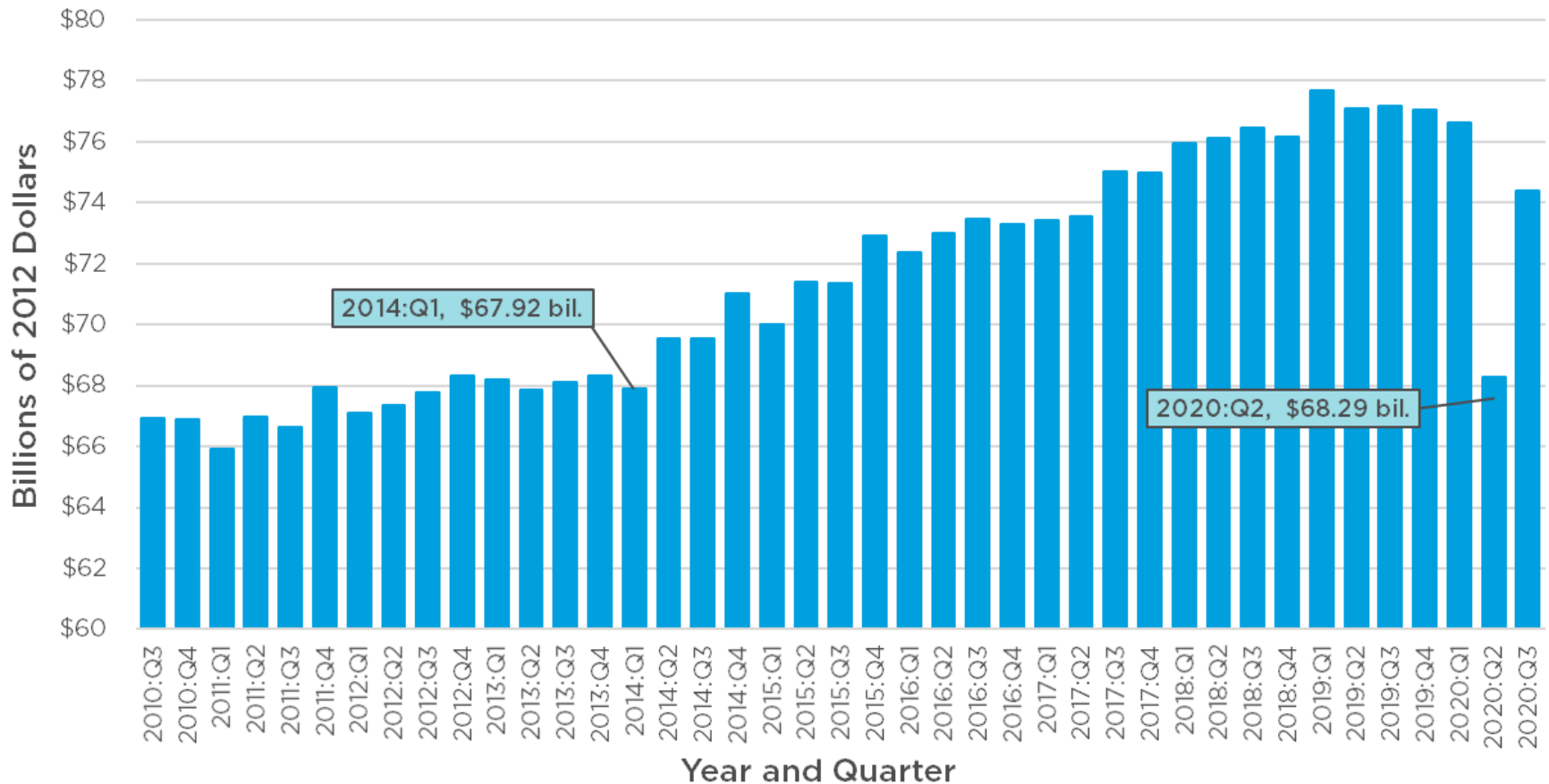
JOINT ECONOMIC BRIEFING

NEW HAMPSHIRE HOUSE OF REPRESENTATIVES AND SENATE
WAYS AND MEANS COMMITTEES

JANUARY 20, 2021

COVID-19 CRISIS: MAJOR IMPACT ON STATE ECONOMY

NEW HAMPSHIRE GROSS STATE PRODUCT, ANNUALIZED

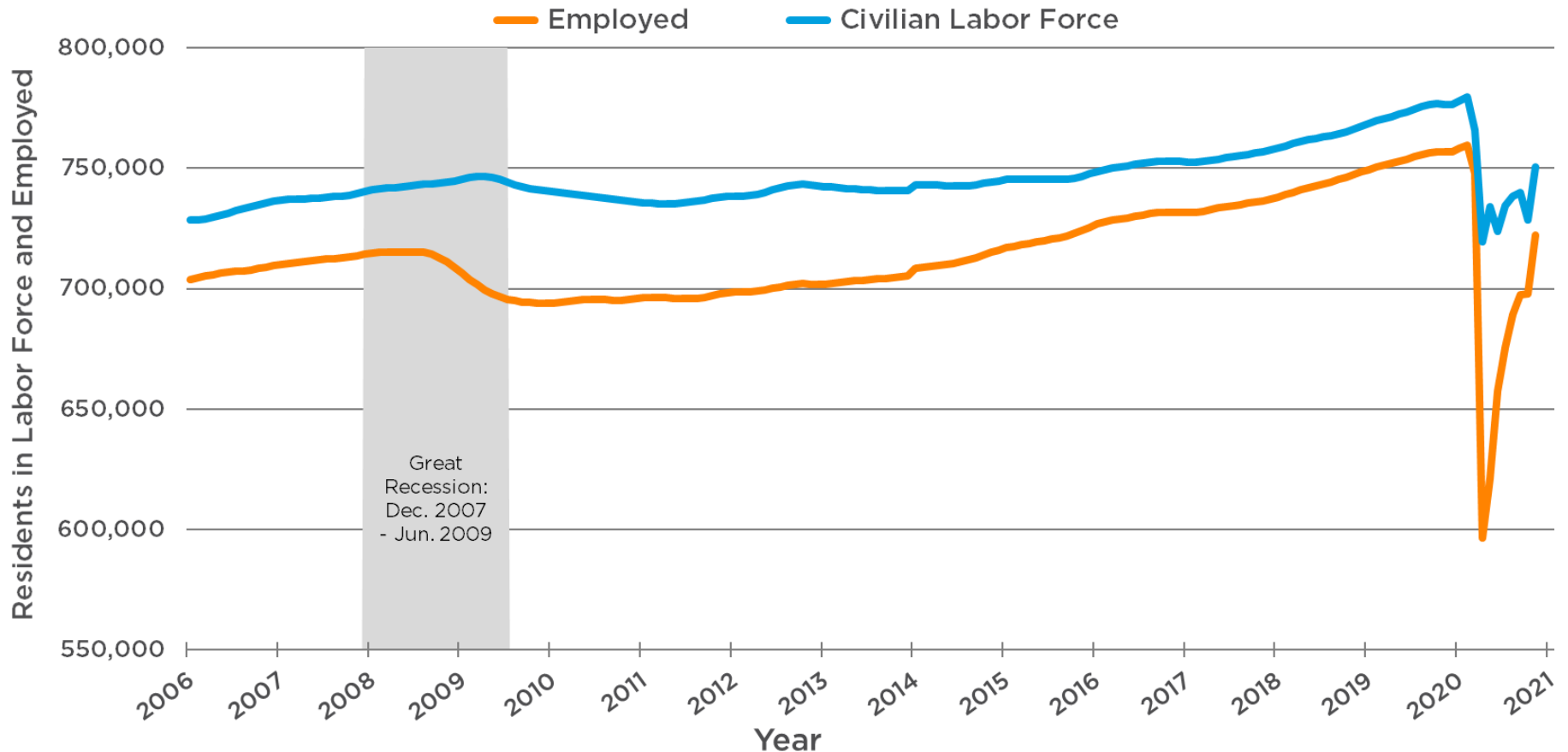


Note: Inflation adjustment for chained 2012 dollars, calculated by the U.S. Bureau of Economic Analysis.

Source: U.S. Bureau of Economic Analysis

COVID-19 CRISIS: HISTORIC SHOCK TO EMPLOYMENT

NEW HAMPSHIRE RESIDENTS, ESTIMATES SEASONALLY ADJUSTED

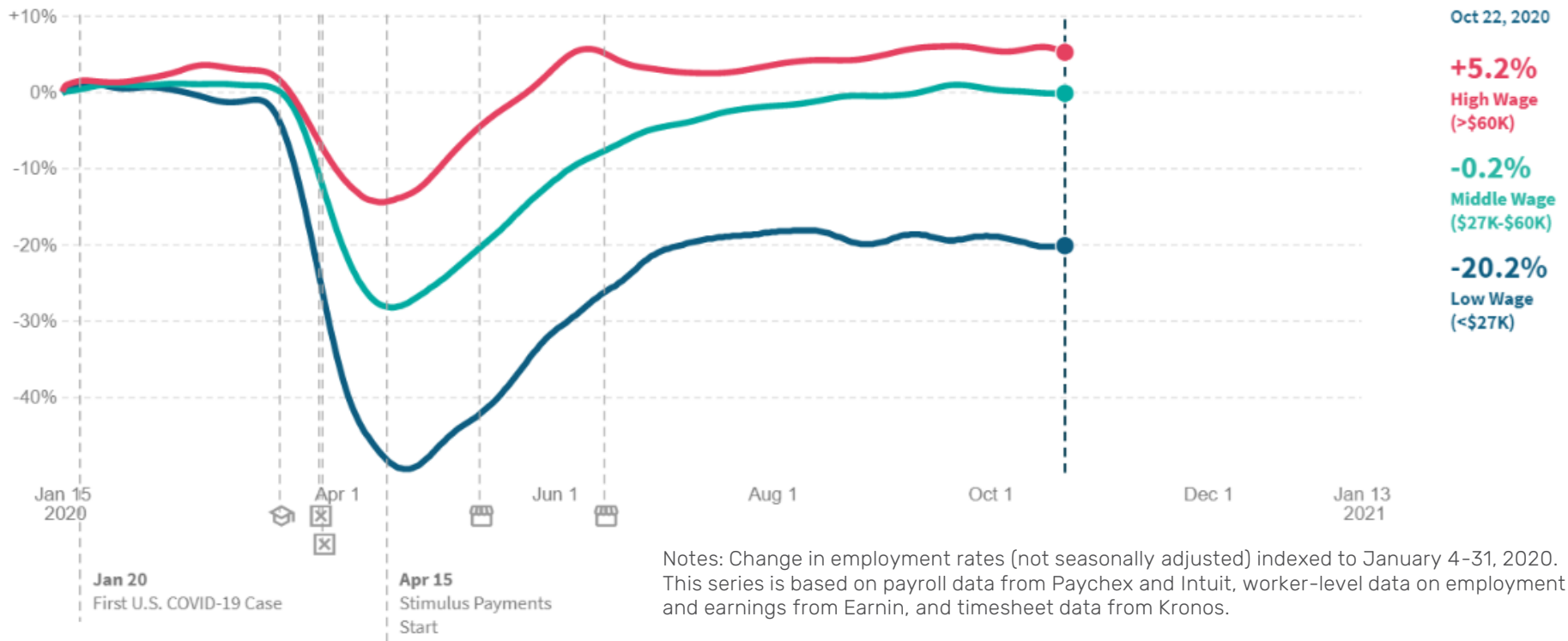


Sources: National Bureau of Economic Research; New Hampshire Employment Security

COVID-19 CRISIS: EMPLOYMENT IMPACTS UNEVEN

PERCENT CHANGE IN EMPLOYMENT

In **New Hampshire**, as of **October 22, 2020**, employment rates among workers in the bottom wage quartile **decreased by 20.2%** compared to January 2020 (not seasonally adjusted).

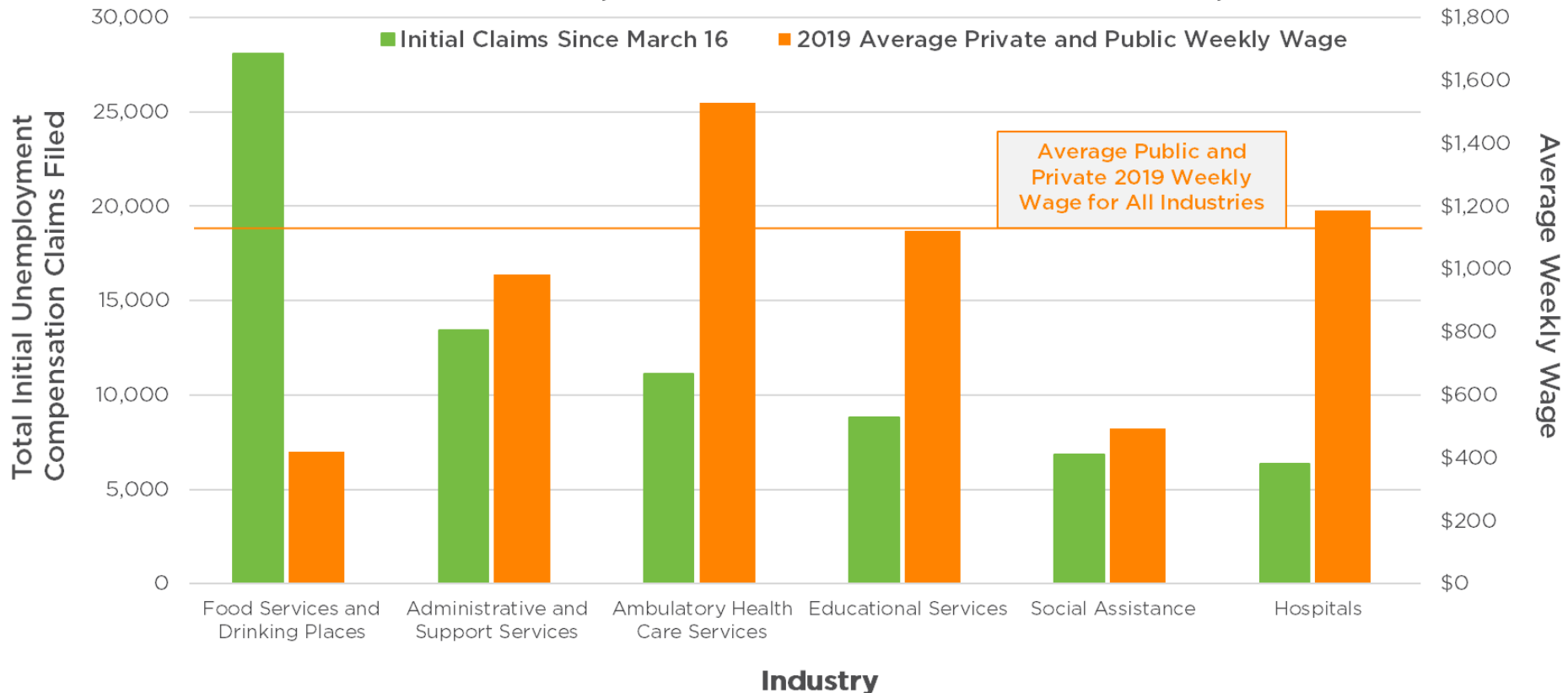


Notes: Change in employment rates (not seasonally adjusted) indexed to January 4-31, 2020. This series is based on payroll data from Paychex and Intuit, worker-level data on employment and earnings from Earnin, and timesheet data from Kronos.

Source: Opportunity Insights Economic Tracker; Chetty, Friedman, Hendren, Stepner, and the Opportunity Insights Team, November 2020, accessed at tracktherecovery.org, a project of Harvard University, Brown University, and The Bill and Melinda Gates Foundation.

COVID-19 CRISIS: SIGNIFICANT DROP IN LOW WAGE SECTORS

INITIAL UNEMPLOYMENT CLAIMS AND WAGES BY INDUSTRY
IN NEW HAMPSHIRE, FROM MARCH 16 TO DECEMBER 26, 2020



Sources: New Hampshire Employment Security, *COVID-19 Unemployment Update*, January 7, 2021 and New Hampshire Employment Security, Economic and Labor Market Information Bureau, Covered Employment and Wages

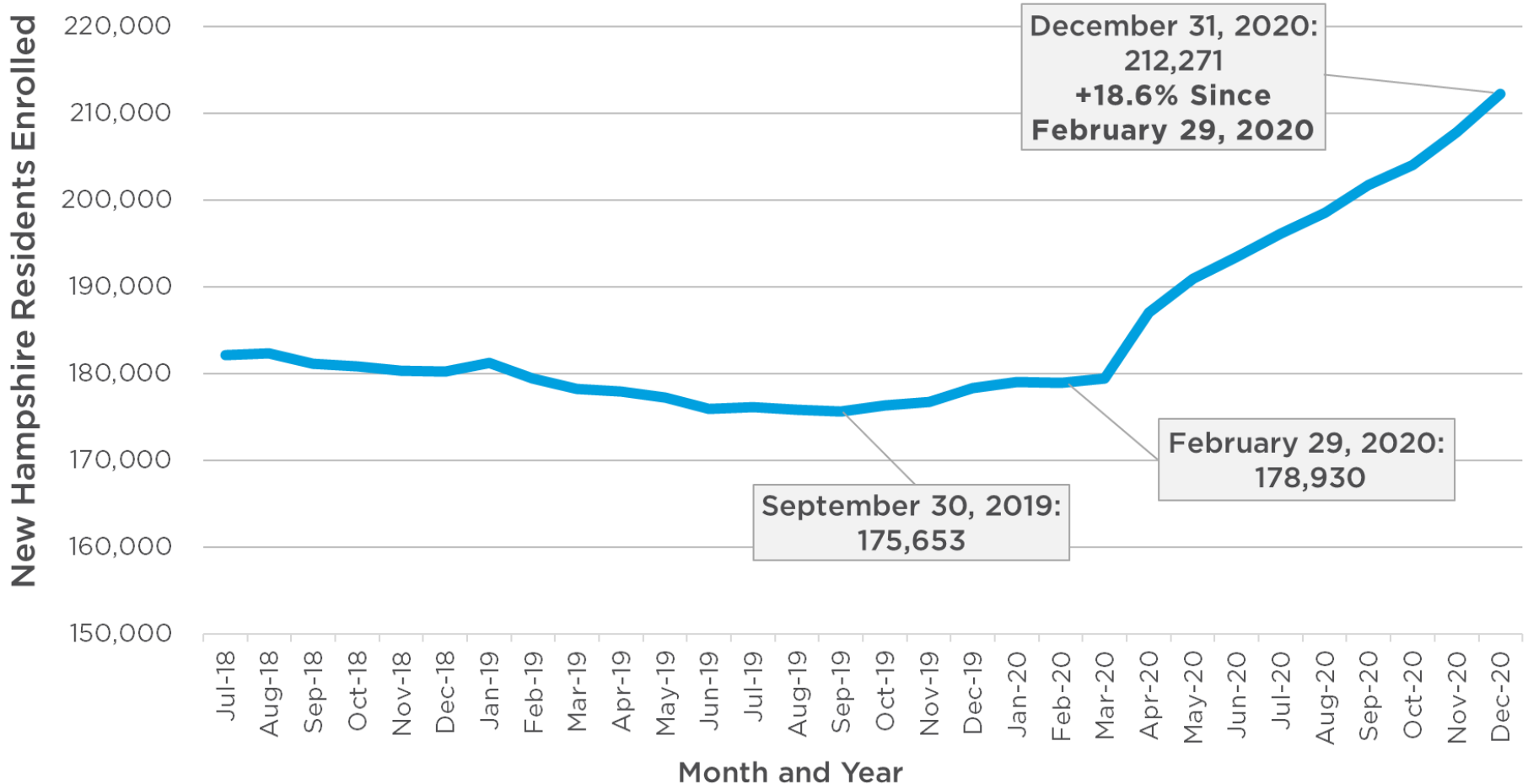
COVID-19 CRISIS: HOUSEHOLDS LOSE EMPLOYMENT INCOME

U.S. Census Bureau surveys of New Hampshire adults show about:

- 47 percent of households lost employment income between March 13 and the July 2-21 survey (the last survey that asked this question)
- 32 percent of respondents indicated it had been somewhat or very difficult to pay for usual household expenses during the prior seven days (December 9-21 survey)
- 25 percent of respondents expected a loss of household employment income in the next four weeks (December 9-21 survey)
- 11 percent of households sometimes or often did not have enough food to eat in the prior seven days (December 9-21 survey)

Source: U.S. Census Bureau, *Household Pulse Survey*

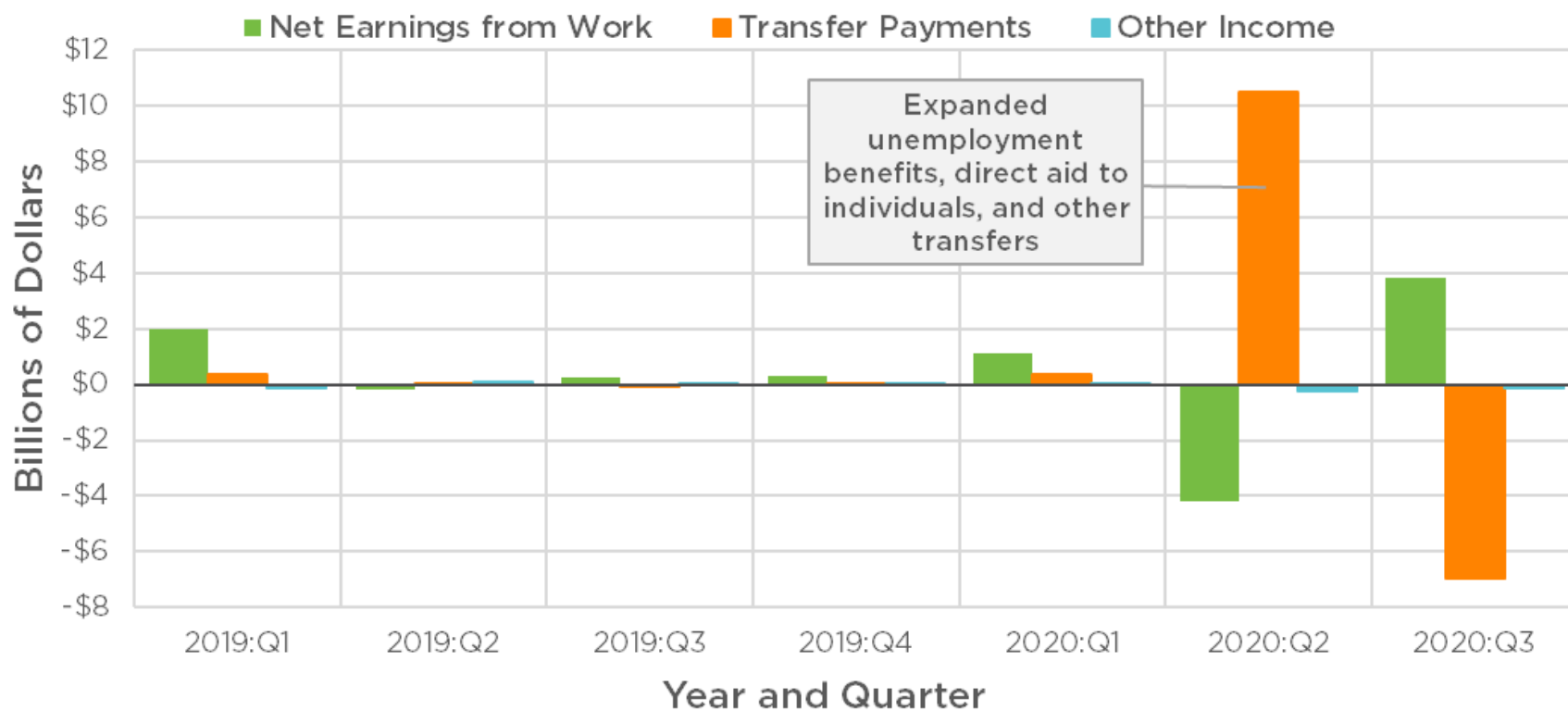
COVID-19 CRISIS: MEDICAID ENROLLMENT INCREASE



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

COVID-19 CRISIS: FEDERAL ACTION PROVIDES KEY BOOST

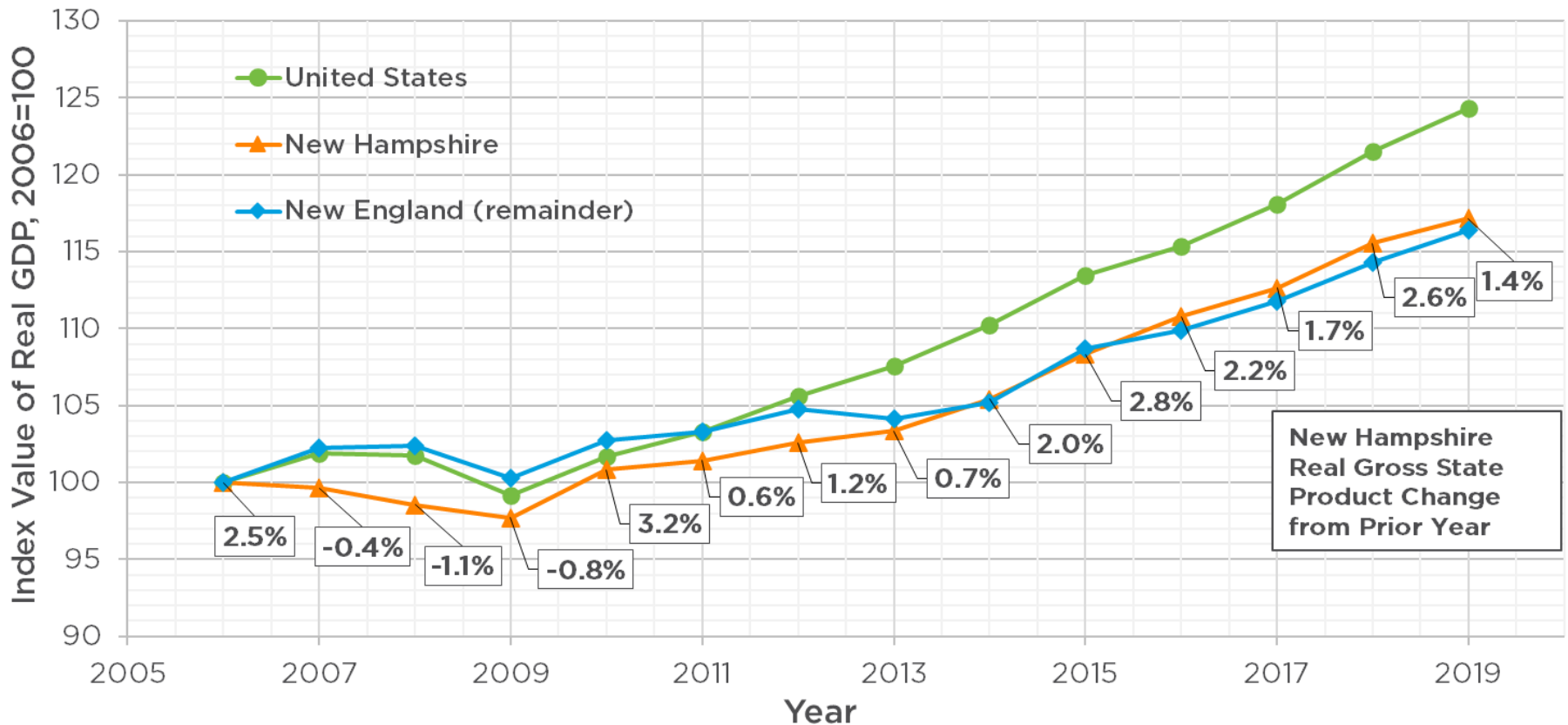
CHANGE IN PERSONAL INCOME FROM PRIOR QUARTER,
NEW HAMPSHIRE, ANNUALIZED



Notes: Net earnings adjusted for place of residence. "Transfer Payments" can include private sector transfers. "Other Income" includes, interest, dividends, and rent as defined by the U.S. Bureau of Economic Analysis. Figures not adjusted for inflation.
Source: U.S. Bureau of Economic Analysis

BEFORE THE CRISIS: ECONOMY HAD GROWN OVERALL

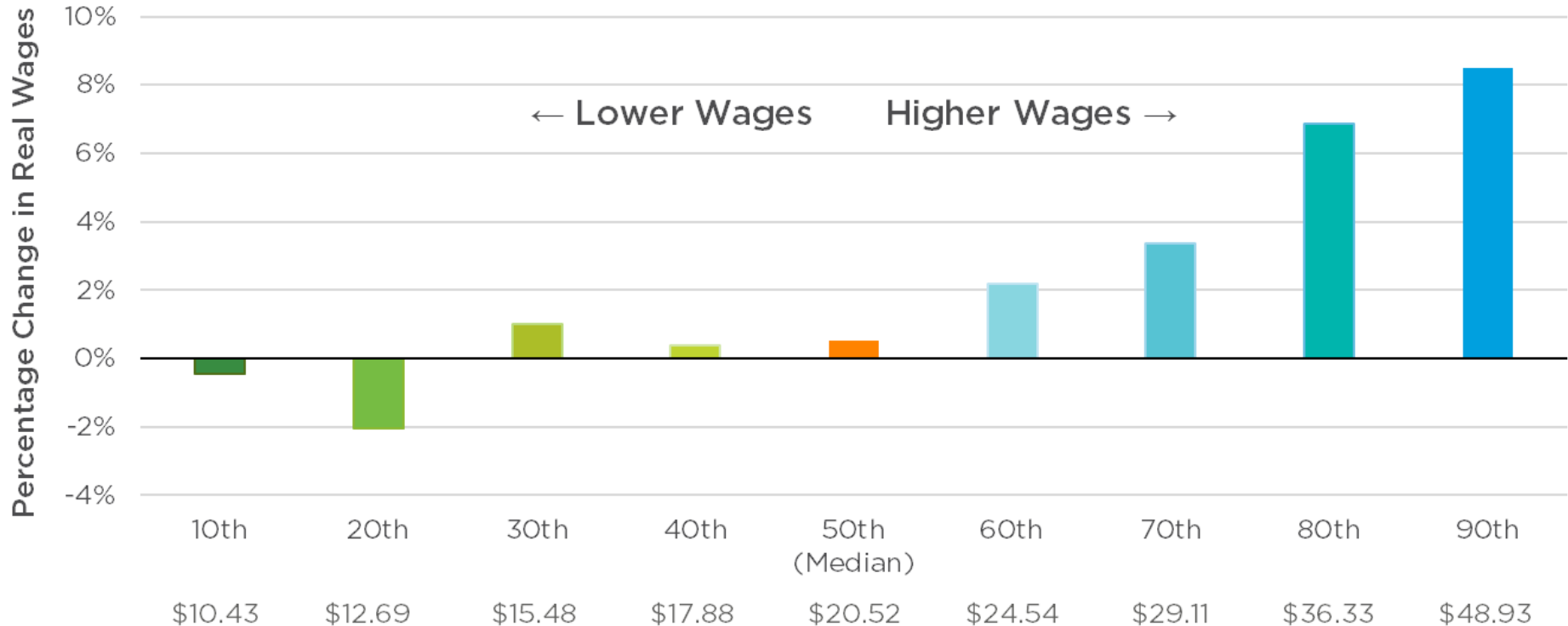
CHANGES IN INFLATION-ADJUSTED GROSS DOMESTIC PRODUCT



Note: Inflation adjustment is 2012 chained dollars.
Source: U.S. Bureau of Economic Analysis

BEFORE THE CRISIS: REAL WAGES HAD NOT GROWN FOR MANY

CHANGE FROM 2004-2006 TO 2017-2019 AVERAGES BY WAGE DECILE



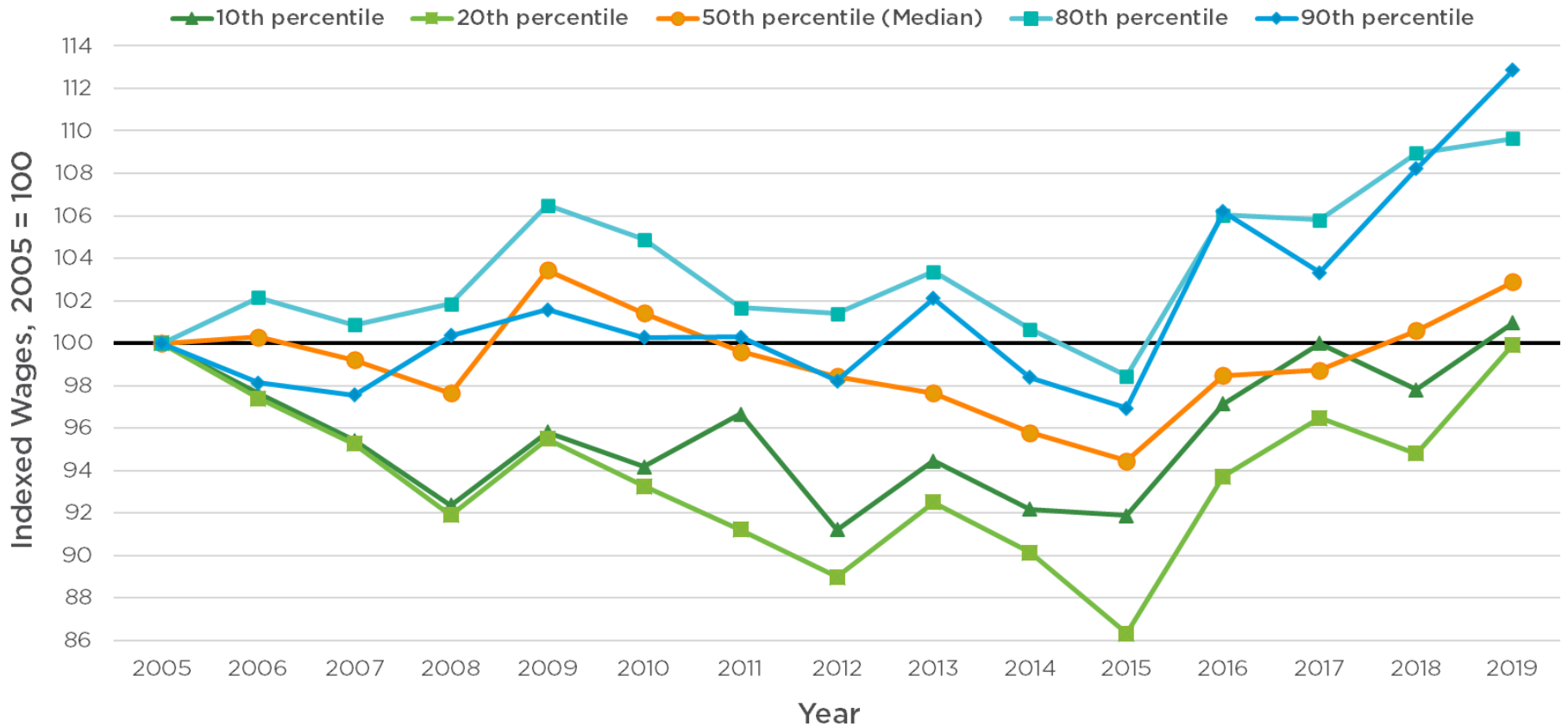
Relative Wage Percentiles and
Corresponding 2017-2019 Hourly Wage Estimates

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

BEFORE THE CRISIS: LESS PURCHASING POWER IN LOW WAGES

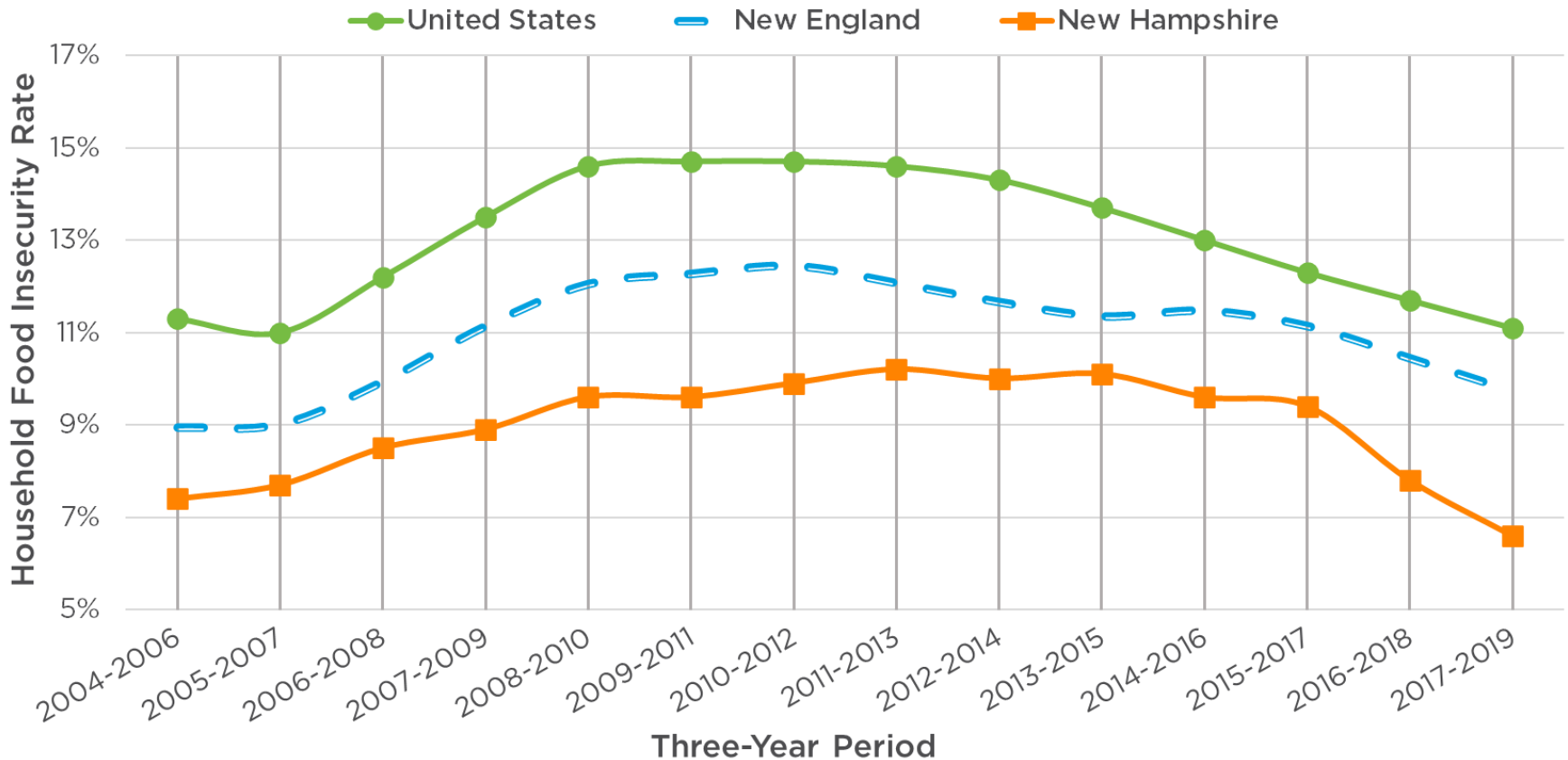
INFLATION-ADJUSTED WAGES IN NEW HAMPSHIRE



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

BEFORE THE CRISIS: FOOD INSECURITY ELEVATED LONGER

ESTIMATED HOUSEHOLD FOOD INSECURITY

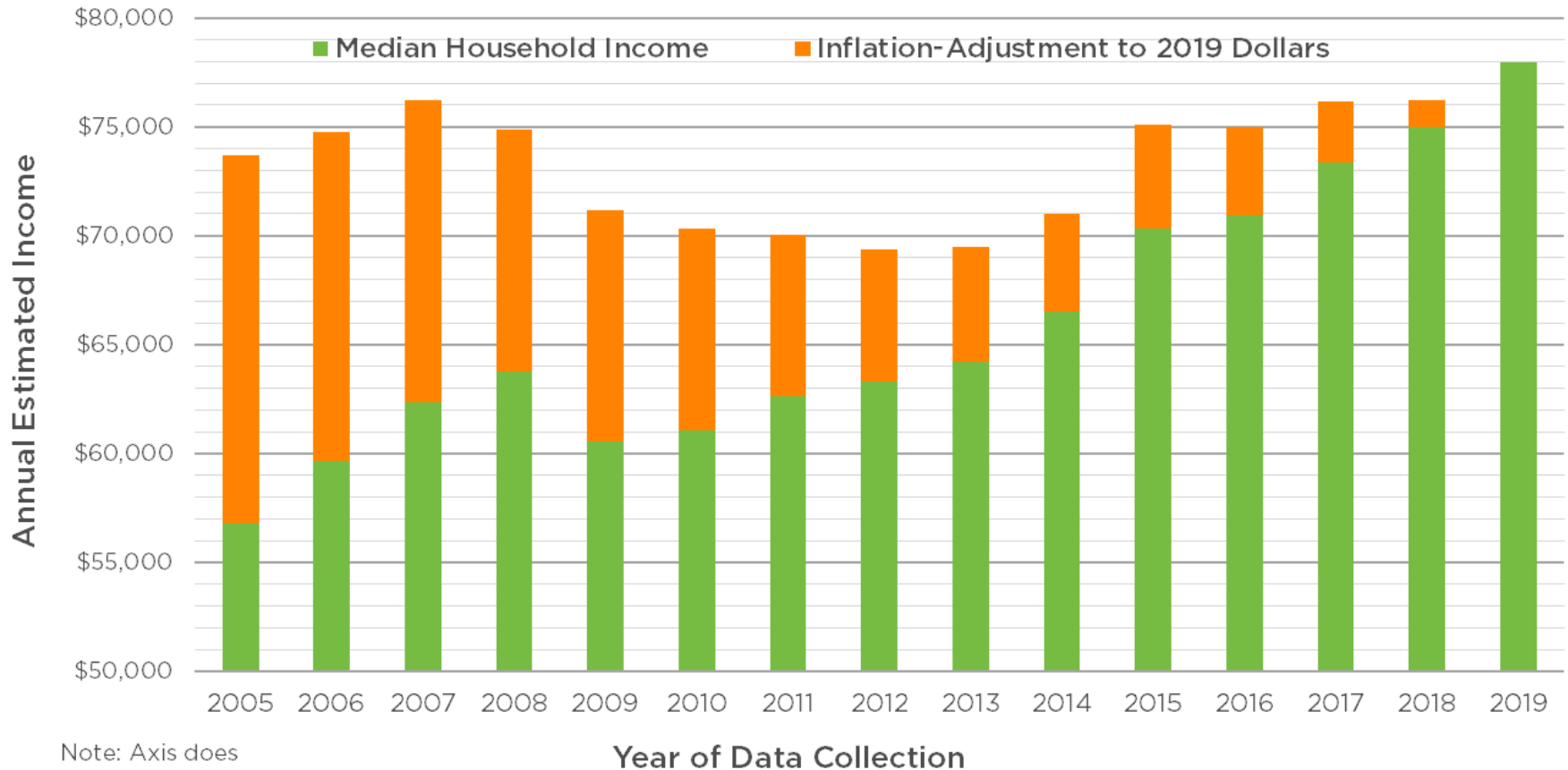


Source: U.S. Department of Agriculture Economic Research Service, Household Food Insecurity in the United States

Notes: Each period of data represents an average of three years of data comprised. Household food insecurity estimates for New England were calculated using weighted averages based on state level data provided by the U.S. Department of Agriculture Economic Research Service.

BEFORE THE CRISIS: HOUSEHOLD INCOME GROWTH DELAYED

MEDIAN HOUSEHOLD INCOME IN NEW HAMPSHIRE

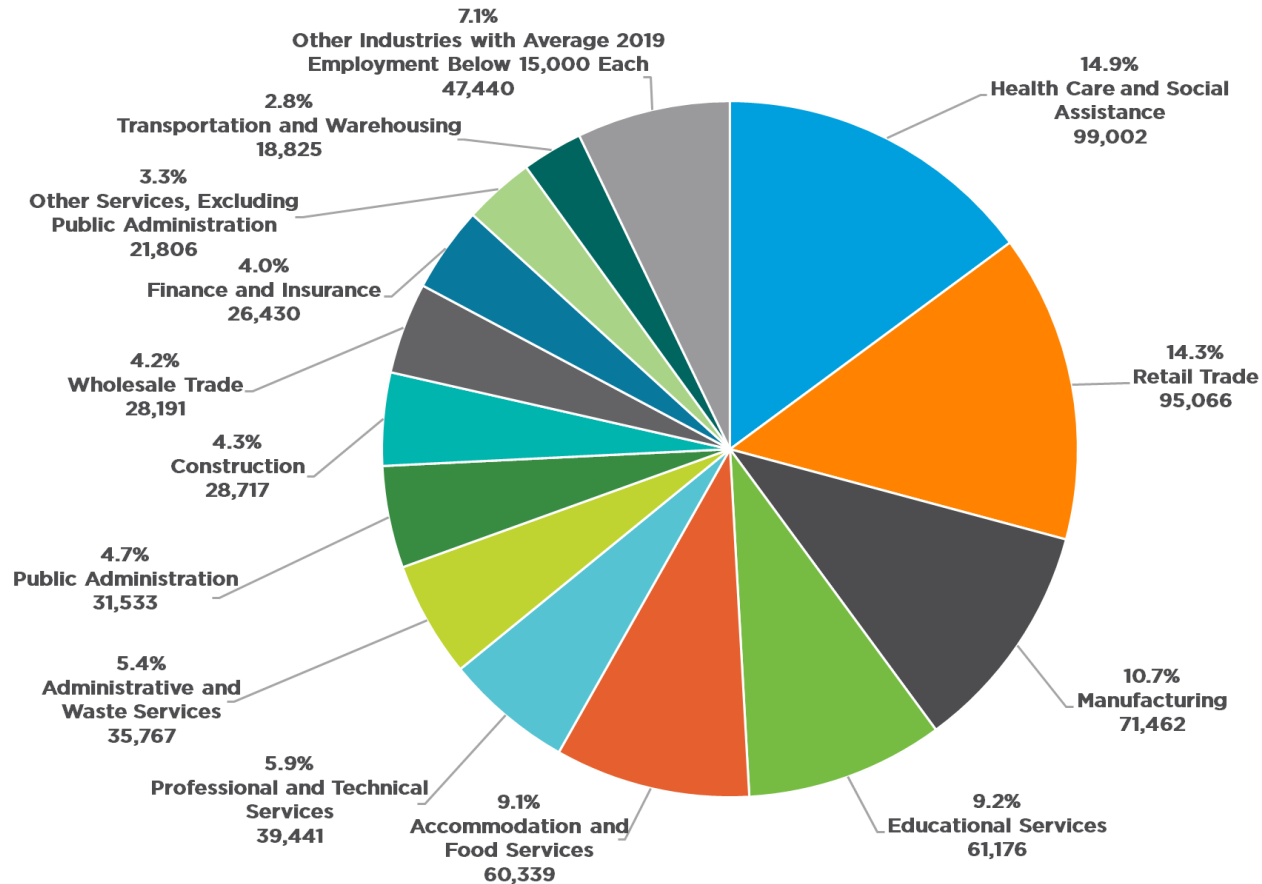


Note: Axis does not begin at zero.

Sources: U.S. Census Bureau, American Community Survey One-Year Estimates; U.S. Bureau of Labor Statistics, Consumer Price Index-Urban, Northeast Region

BEFORE THE CRISIS: LARGE INDUSTRIES WITH LOWER WAGES

NEW HAMPSHIRE EMPLOYMENT BY INDUSTRY, 2019



Notes: Includes public and private sector employment. Average employment for 2019 determined by averaging the average quarterly public and private industry unemployment, total Average Employment for 2019 was 665,154.

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

BEFORE THE CRISIS: LIMITED SAVINGS IN MANY HOUSEHOLDS

October 2019 survey for the U.S. Federal Reserve:

- 37 percent of U.S. adults indicated they would not pay for an unexpected \$400 expense with cash, savings, or a credit card to be paid in full at the end of the month
- 15 percent of U.S. adults indicated they were not able to pay their bills in full in October 2019
- Of those who could pay their bills in full in October 2019, 16 percent indicated that they would not be able to pay bills in full if there had been an unexpected \$400 expense
- Similar July 2020 survey found people more likely to use liquid cash for unexpected expenses, likely due to federal Economic Impact Payments and enhanced unemployment benefits

Source: Board of Governors of the Federal Reserve System, *Report on the Economic Well-Being of U.S. Households (SHED)*, May 2020 and July 2020

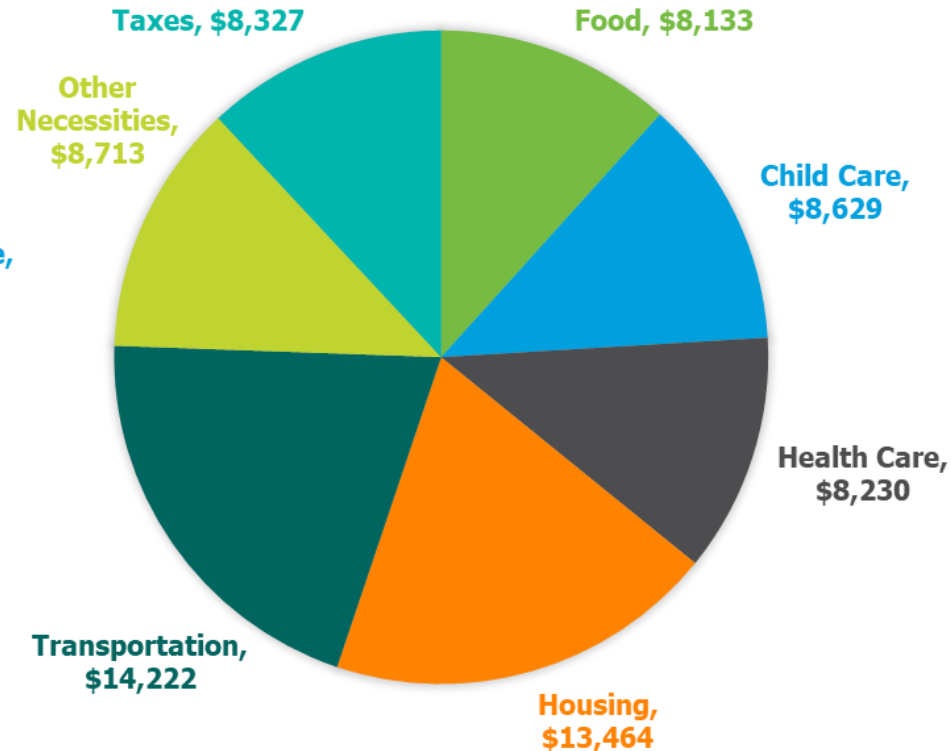
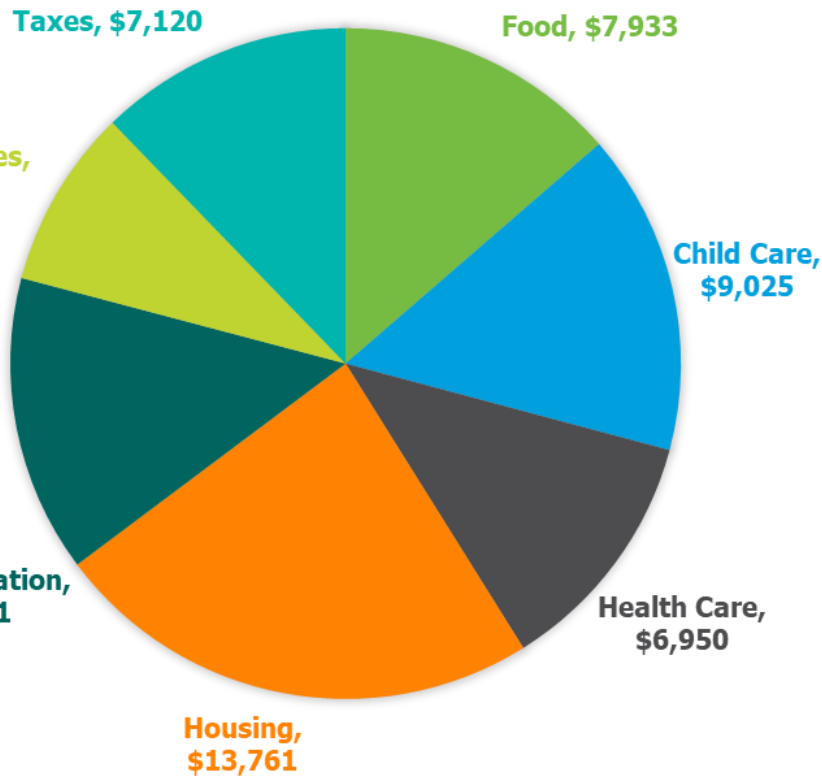
BEFORE THE CRISIS: HOUSEHOLDS FACED SIGNIFICANT COSTS

MASSACHUSETTS INSTITUTE OF
TECHNOLOGY LIVING WAGE CALCULATOR
NEW HAMPSHIRE, 2018

TWO WORKING ADULTS, ONE CHILD: \$58,160

ECONOMIC POLICY INSTITUTE
FAMILY BUDGET CALCULATOR
MERRIMACK COUNTY, NEW HAMPSHIRE, 2018

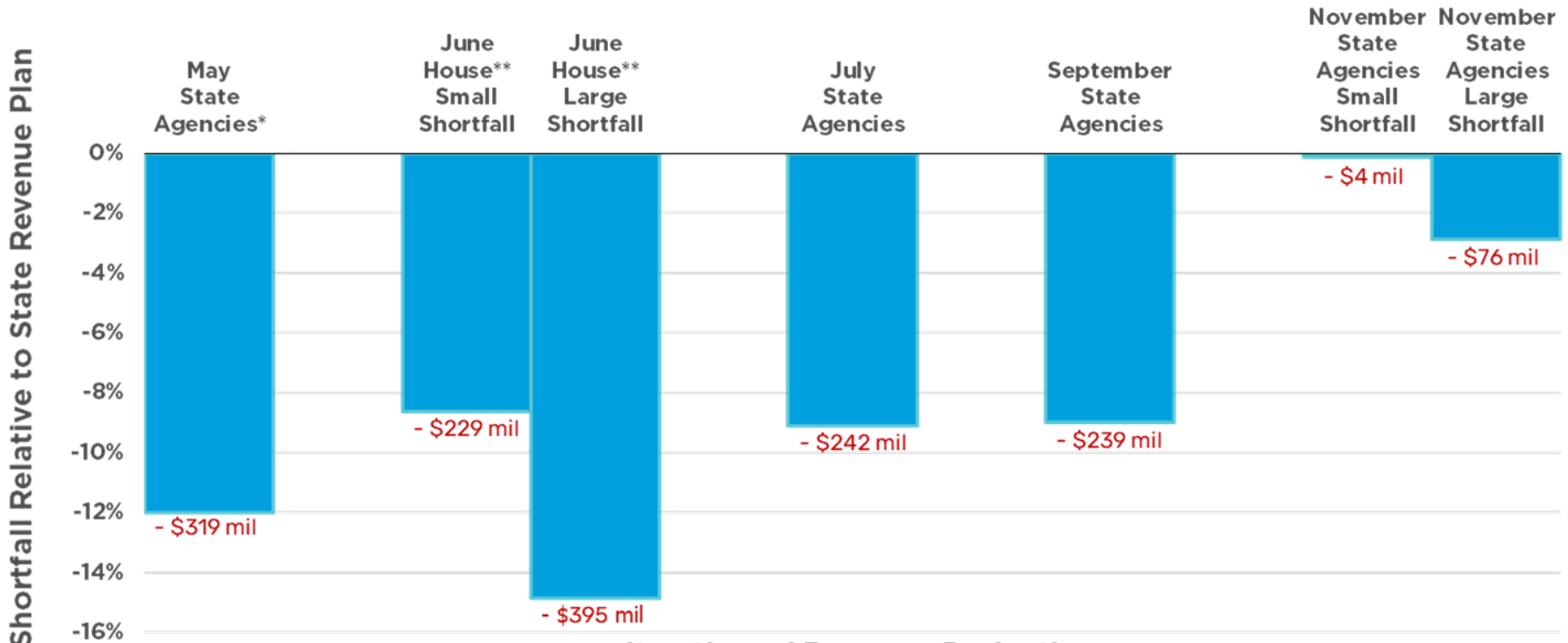
TWO ADULTS, ONE CHILD: \$69,718



THE ECONOMY GOING FORWARD: KEY QUESTIONS

- Will workers be able to rejoin the workforce efficiently?
- Will there be sufficient training or educational opportunities to prepare people to enter a post-pandemic economy?
- Will employment income losses lead to a more “regular” recession, or will recovery happen more quickly?
- Will wages grow meaningfully for low-income workers?
- Will there be additional federal action to support the economy and the ability of residents to make ends meet?
- What role will the state play in supporting the recovery?
- What happens to the international economy and trade?
- What happens to commercial property, tourism, other areas?

STATE REVENUES: AN IMPROVING FORECAST



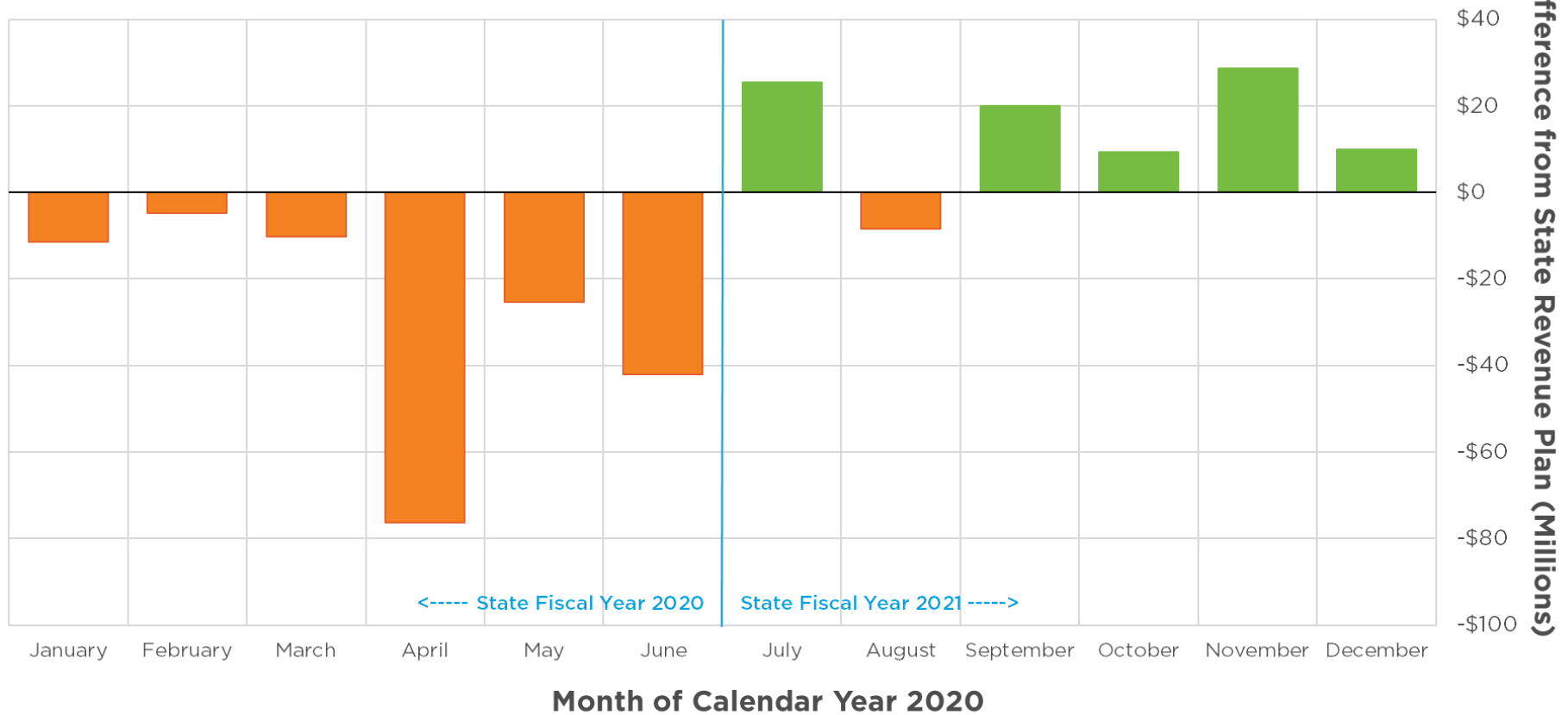
Iteration of Revenue Projection New Hampshire General and Education Trust Funds

Notes: *Of the agencies providing estimates, only one agency provided a range, while all others provided point estimates; the average of the estimate totals is provided here. **Estimates from the House Ways and Means Committee.

Source: New Hampshire Office of Legislative Budget Assistant, Revenue Estimate Worksheet, November 18, 2020

STATE REVENUES: ACTUAL FISCAL YEAR RECEIPTS AHEAD

REVENUE TO THE NEW HAMPSHIRE GENERAL AND EDUCATION TRUST FUNDS

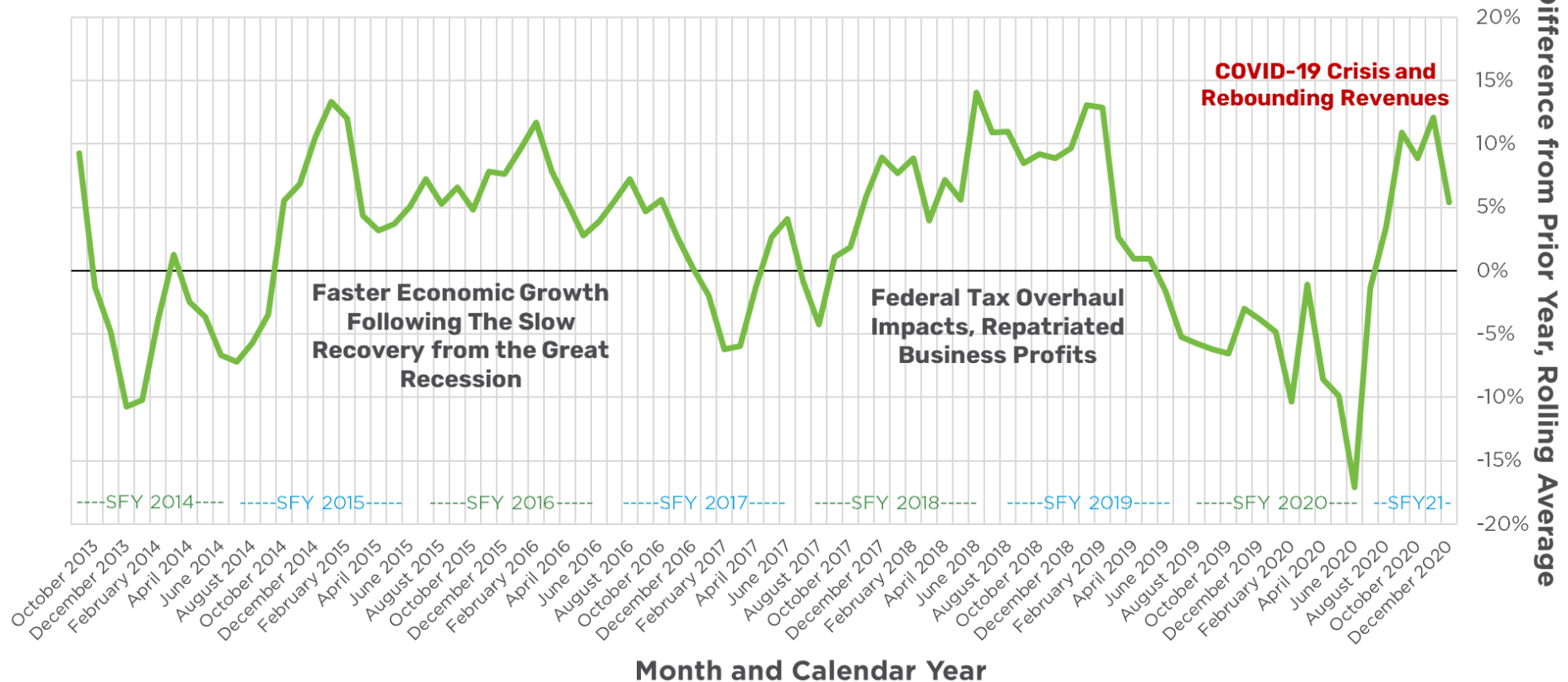


Note: Revenue from all sources, shown on a cash basis.

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

STATE REVENUES: DECLINE AND REBOUND IN CONTEXT

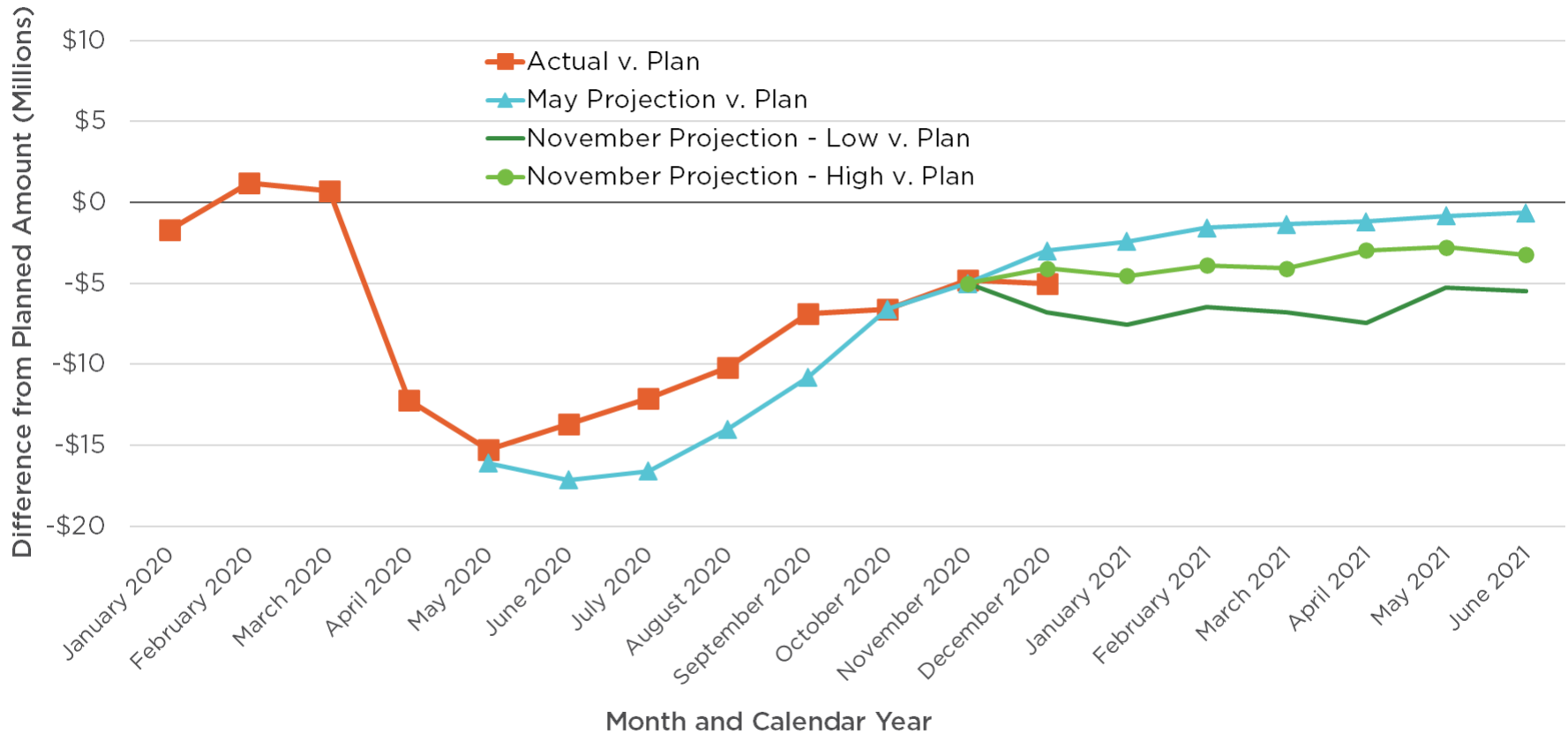
ANNUAL CHANGE IN THREE-MONTH ROLLING AVERAGES OF
NEW HAMPSHIRE GENERAL AND EDUCATION TRUST FUNDS REVENUE



Note: Medicaid Enhancement Tax excluded from historical data. Analysis of revenues on a cash basis.
Sources: New Hampshire Department of Administrative Services Monthly Revenue Focus Reports

STATE REVENUES: MEALS AND RENTALS UP, BUT STILL LOW

NEW HAMPSHIRE MEALS AND RENTALS TAX ACTUAL AND PROJECTED MONTHLY CASH RECEIPTS

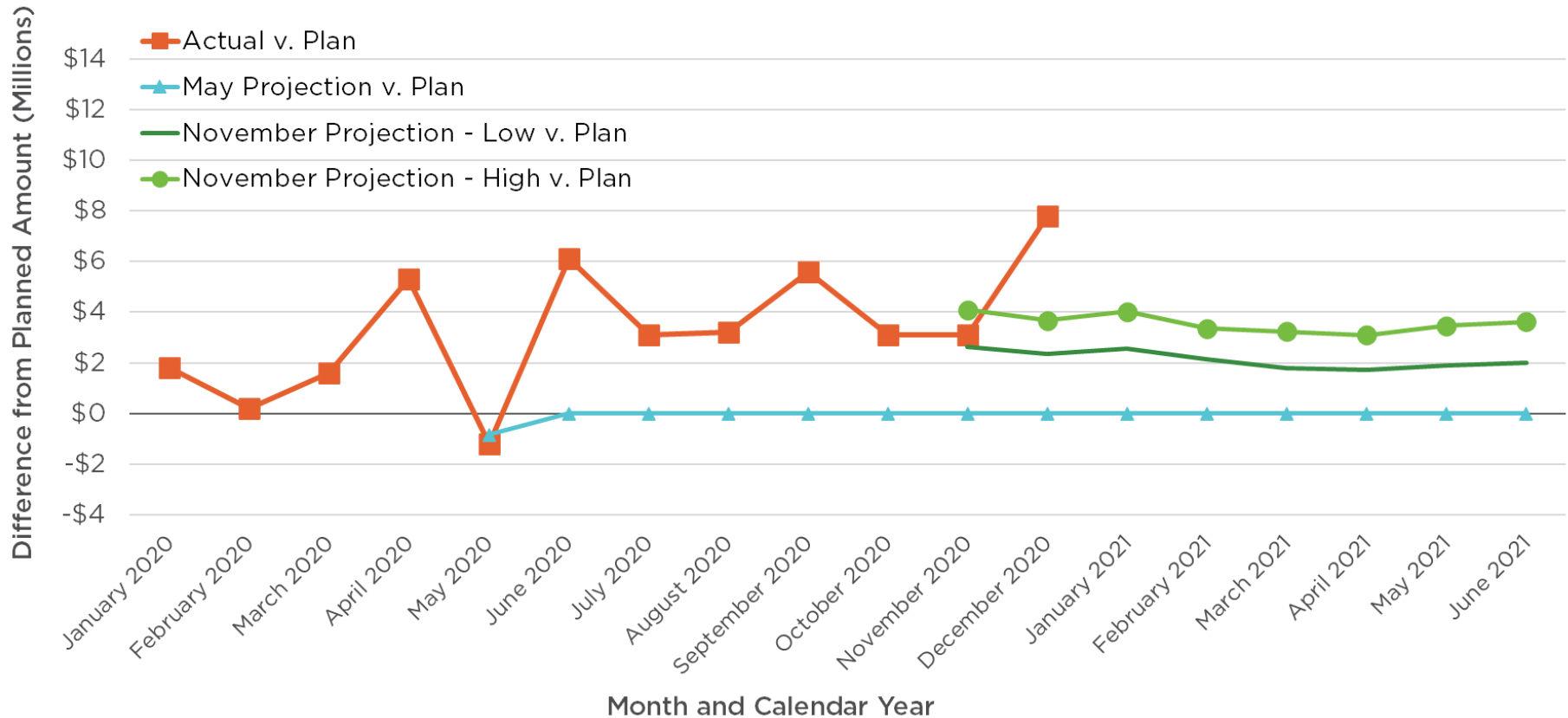


Note: Projected revenue calculations based on Department of Revenue Administration projections and Department of Administrative Services State Revenue Plan. Only includes actual and projected revenue to the General and Education Trust Funds.

Sources: New Hampshire Department of Revenue Administration; New Hampshire Department of Administrative Services

STATE REVENUES: CIGARETTE SALES MUCH HIGHER

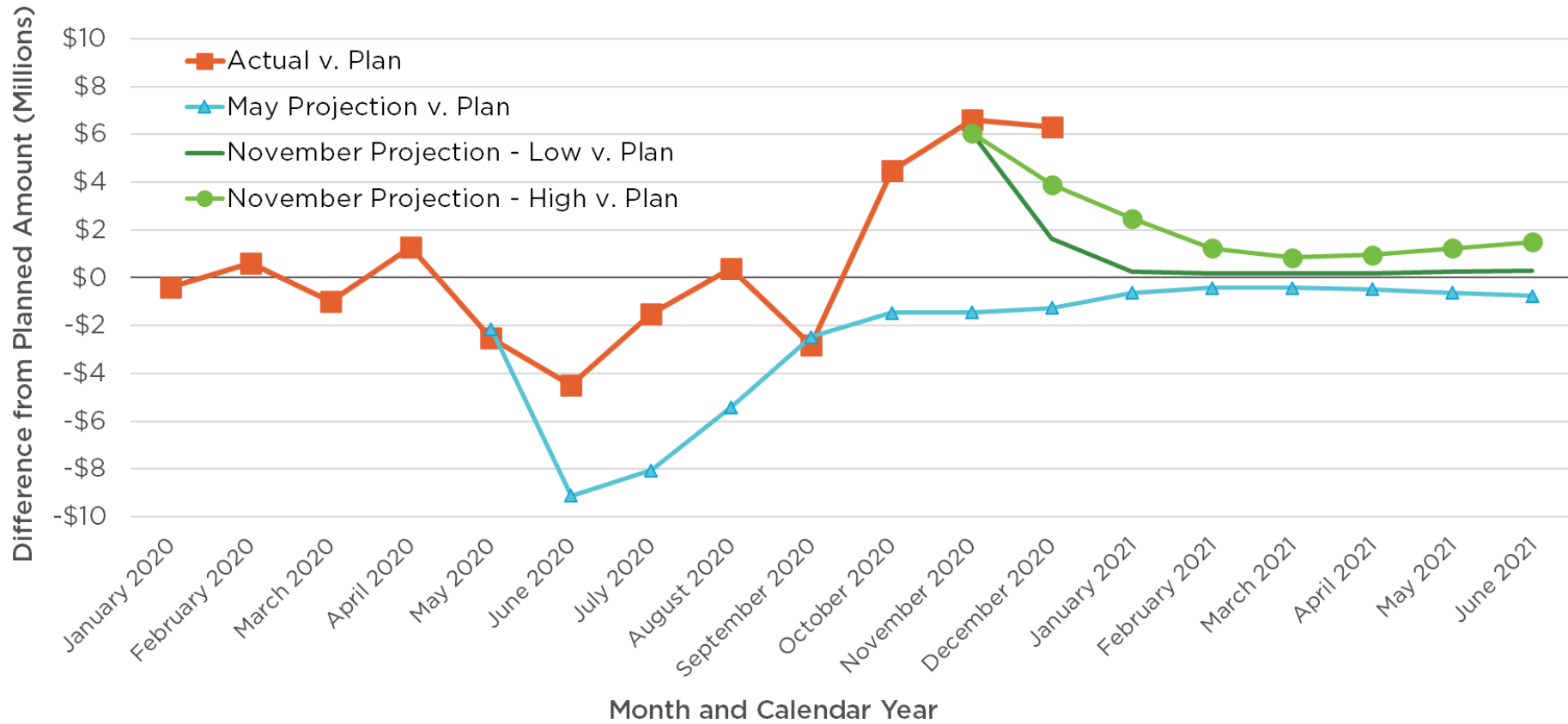
NEW HAMPSHIRE TOBACCO TAX ACTUAL AND PROJECTED MONTHLY CASH RECEIPTS



Note: Projected revenue calculations based on Department of Revenue Administration projections and Department of Administrative Services State Revenue Plan. Sources: New Hampshire Department of Revenue Administration; New Hampshire Department of Administrative Services; Office of Legislative Budget Assistant.

STATE REVENUES: REAL ESTATE SALES REBOUNDED

NEW HAMPSHIRE REAL ESTATE TRANSFER TAX ACTUAL AND PROJECTED MONTHLY CASH RECEIPTS

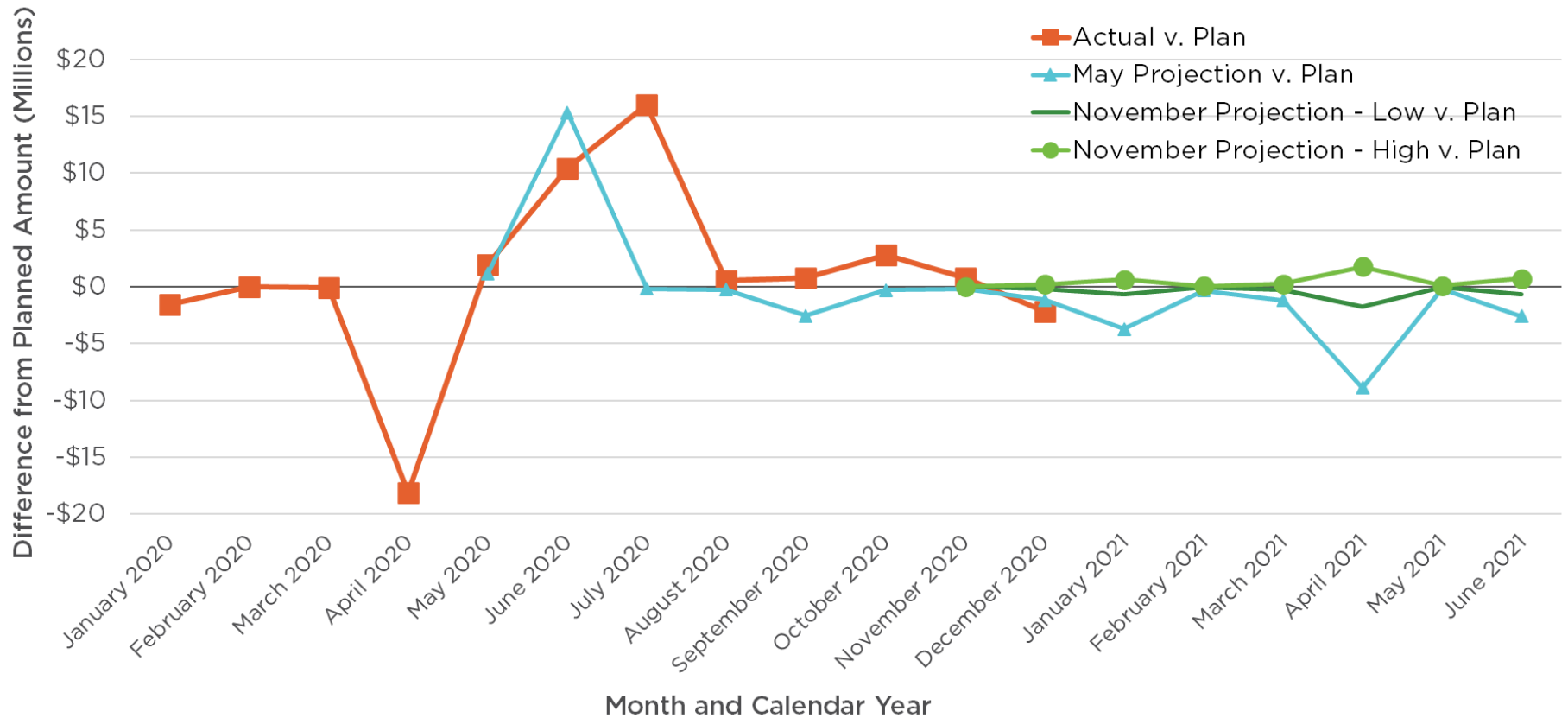


Note: Projected revenue calculations based on Department of Revenue Administration projections and Department of Administrative Services State Revenue Plan. Only includes actual and projected revenue to the General and Education Trust Funds.

Sources: New Hampshire Department of Revenue Administration; New Hampshire Department of Administrative Services

STATE REVENUES: ASSET INCOMES ABOVE EXPECTATIONS

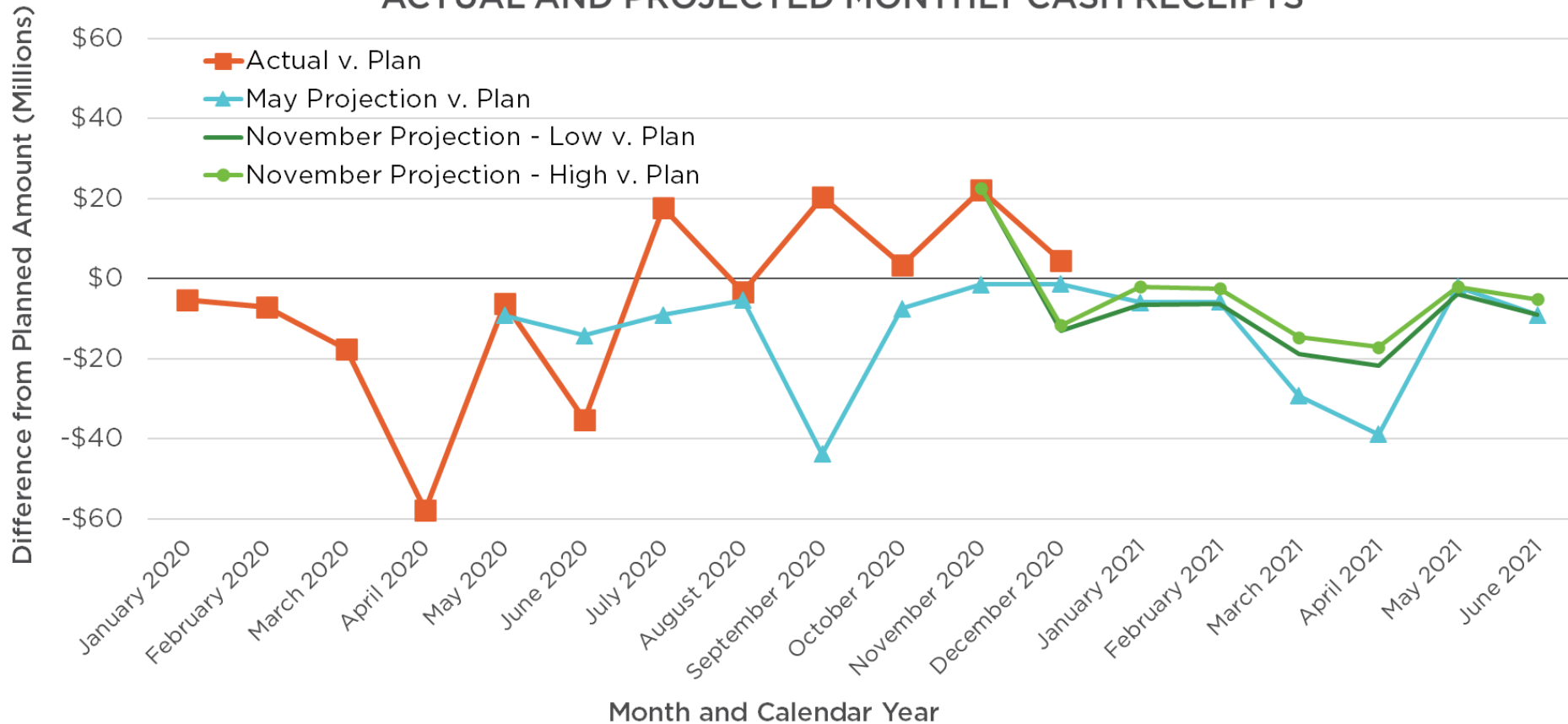
NEW HAMPSHIRE INTEREST AND DIVIDENDS TAX ACTUAL AND PROJECTED MONTHLY CASH RECEIPTS



Note: Projected revenue calculations based on Department of Revenue Administration projections and Department of Administrative Services State Revenue Plan.
Sources: New Hampshire Department of Revenue Administration; New Hampshire Department of Administrative Services; Office of Legislative Budget Assistant.

STATE REVENUES: BUSINESS TAX RECEIPTS ADD TO SURPLUS

NEW HAMPSHIRE BUSINESS PROFITS AND BUSINESS ENTERPRISE TAXES ACTUAL AND PROJECTED MONTHLY CASH RECEIPTS



Note: Projected revenue calculations based on Department of Revenue Administration projections and Department of Administrative Services State Revenue Plan.
Sources: New Hampshire Department of Revenue Administration; New Hampshire Department of Administrative Services

STATE REVENUES: LARGE ENTITIES KEY TO BPT

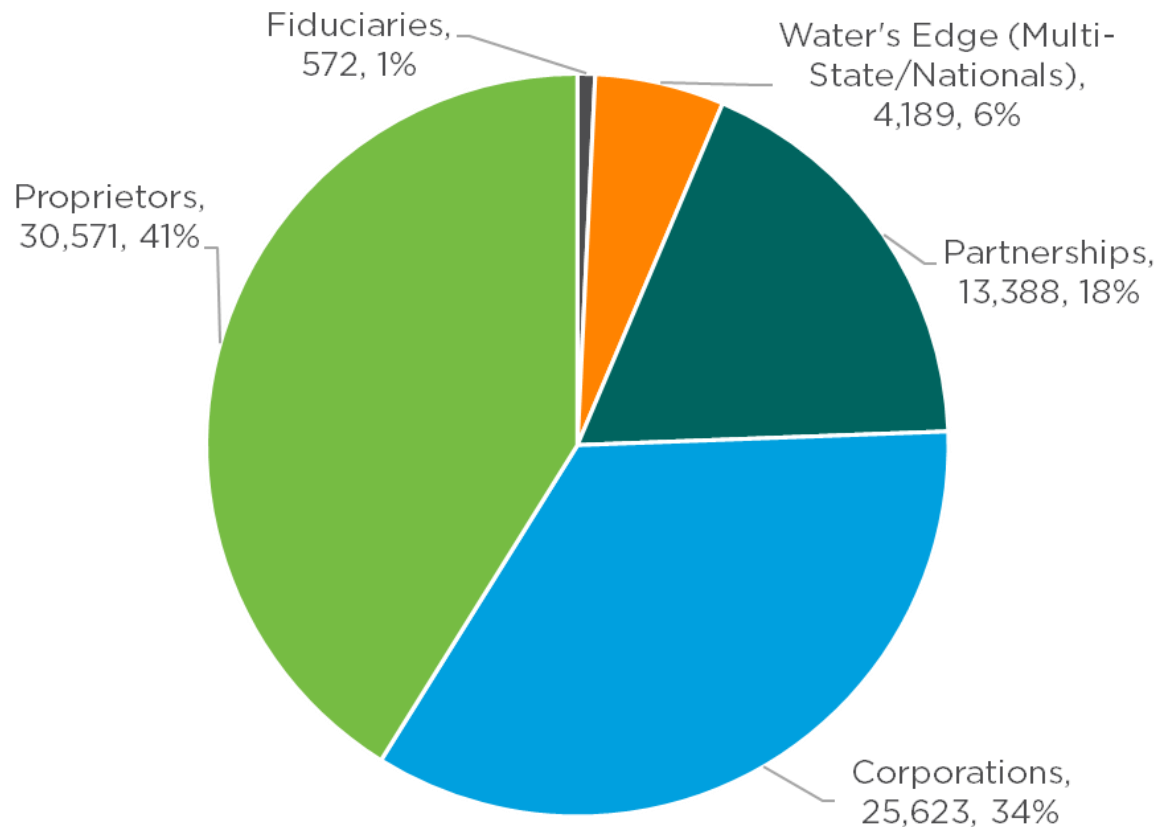
NEW HAMPSHIRE BUSINESS PROFITS TAX FILERS BY INCOME AND TAX PAID, TAX YEAR 2018

Taxable New Hampshire Business Profits of At Least:	Percentage of Filers	Percentage of Total Tax Revenue Paid
\$12,658,228	0.10%	49.10%
\$1,265,823	0.82%	78.28%
\$632,911	1.45%	84.54%
\$126,582	4.70%	94.32%
\$12,658	14.51%	99.59%
\$6,329	16.93%	99.85%
\$13	23.52%	100.00%
\$0	100.00%	100.00%
Total Filers/Revenue	74,343	\$520,738,272

Source: New Hampshire Department of Revenue Administration, 2020 Annual Report

STATE REVENUES: LARGE ENTITIES KEY TO BPT

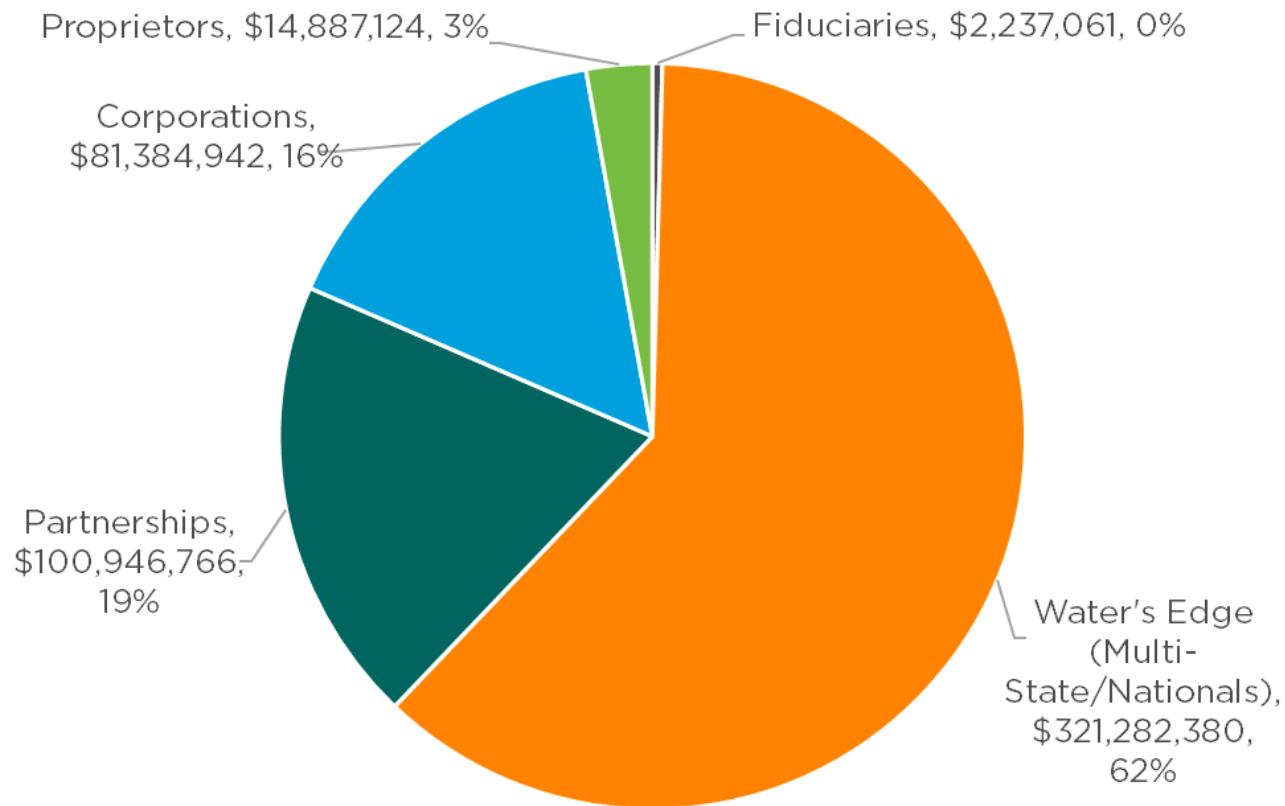
BUSINESS PROFITS TAX FILERS BY TYPE
DRAFT DATA, TAX YEAR 2018



Source: New Hampshire Department of Revenue Administration, 2018 Annual Report

STATE REVENUES: LARGE ENTITIES KEY TO BPT

BUSINESS PROFITS TAX FILERS BY LIABILITY
DRAFT DATA, TAX YEAR 2018



Source: New Hampshire Department of Revenue Administration, 2018 Annual Report

STATE REVENUES: BROADER BASE FOR BET

NEW HAMPSHIRE BUSINESS ENTERPRISE TAX FILERS BY INCOME AND TAX PAID, TAX YEAR 2018

Taxable Enterprise Value Tax Base* of At Least:	Percentage of Filers	Percentage of Total Tax Revenue Paid
\$148,148,148	0.02%	17.34%
\$14,814,814	0.36%	43.06%
\$7,407,407	0.81%	53.00%
\$1,481,481	4.04%	74.03%
\$148,148	27.47%	96.56%
\$74,074	38.05%	99.11%
\$148	51.80%	100.00%
\$0	100.00%	100.00%
Total Filers/Revenue	74,343	\$230,544,164

*Note: Taxable enterprise value tax base determined by amount of compensation and interest paid or accrued, dividends paid, and adjustments for interstate liabilities and certain dividends.

Source: New Hampshire Department of Revenue Administration, 2020 Annual Report

STATE REVENUES: HIGH-INCOME INDIVIDUALS KEY TO I&D TAX

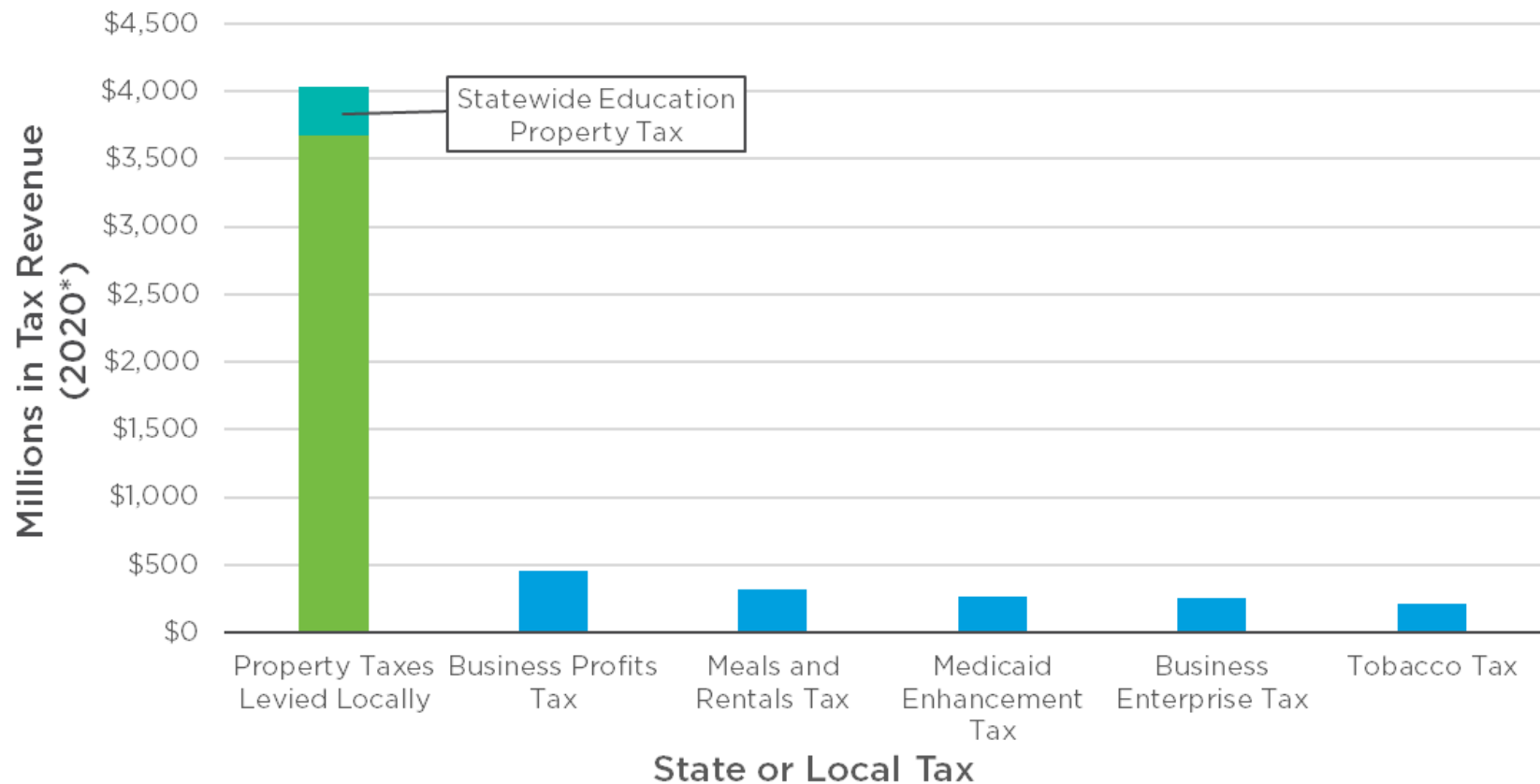
NEW HAMPSHIRE INTEREST AND DIVIDENDS TAX FILERS BY INCOME AND TAX PAID, TAX YEAR 2018

Taxable Interest and Dividend Income of At Least:	Percentage of Filers	Percentage of Total Tax Revenue Paid
\$5,000,000	0.02%	6.69%
\$2,000,000	0.12%	15.93%
\$1,000,000	0.32%	24.10%
\$200,000	2.40%	48.99%
\$20,000	25.07%	89.04%
\$10,000	38.54%	95.09%
\$20	79.69%	100.00%
\$0	100.00%	100.00%
Total Filers/Revenue	66,284	\$105,888,793

Source: New Hampshire Department of Revenue Administration, 2020 Annual Report

STATE AND LOCAL REVENUES: PROPERTY TAXES A KEY CONSIDERATION

LARGEST STATE AND LOCAL TAXES IN NEW HAMPSHIRE



*Note: Tax Year 2020 commitments used for property taxes. All other data for State Fiscal Year 2020.
Sources: New Hampshire Comprehensive Annual Financial Report, State Fiscal Year 2020; New Hampshire Department of Revenue Administration, 2020 Annual Report and 2020 Tax Rates.

REVENUES AND THE ECONOMY: QUESTIONS FOR THE FUTURE

- Will a more “regular” recession happen, and will it lead to a general slowdown in revenues?
- Will the sectors performing well continue to match New Hampshire’s state revenue sources?
- Does slower wage growth limit state revenues, as happened during the last recession?
- Do long-term international trade impacts affect Business Profits Tax revenues?
- Do restaurants, other activity recover in commercial areas?
- What happens to both residential and commercial property values, and what are the implications for pressure on local property tax revenues?

TAKEAWAYS

- Impact of the COVID-19 crisis was swift and massive
- Effects most severe on those with the fewest resources
- Stark, sectoral differences relative to a “regular” recession
- Federal assistance had a large, positive impact on the economy in 2020
- Tax revenues from businesses, tobacco products, real estate sales have done surprisingly well, but uneven impacts of the crisis clear in revenue streams
- Key state revenue sources rely on larger businesses, higher income earners, property markets and values
- Risk that uneven, slow wage growth and industry impacts hinder a robust, equitable, and sustainable recovery



ADDRESS: 100 North Main Street, Suite 400, Concord, NH 03301

PHONE: 603.856.8337

WEBSITE: www.nhfpi.org

EMAIL: info@nhfpi.org

TWITTER: @NHFPI

FACEBOOK: NewHampshireFiscalPolicyInstitute