

Mortgaging the Future

Debt and the New Hampshire Budget

Grant Bosse

Lead Investigator

Josiah Bartlett Center for Public Policy

Debt and the NH Budget

Debt can be a good thing.

Too much debt is a bad thing.

How does NH borrow?

- Capital Budget

- Building Aid Program

- Last Year's Gimmicks

- Red Flags

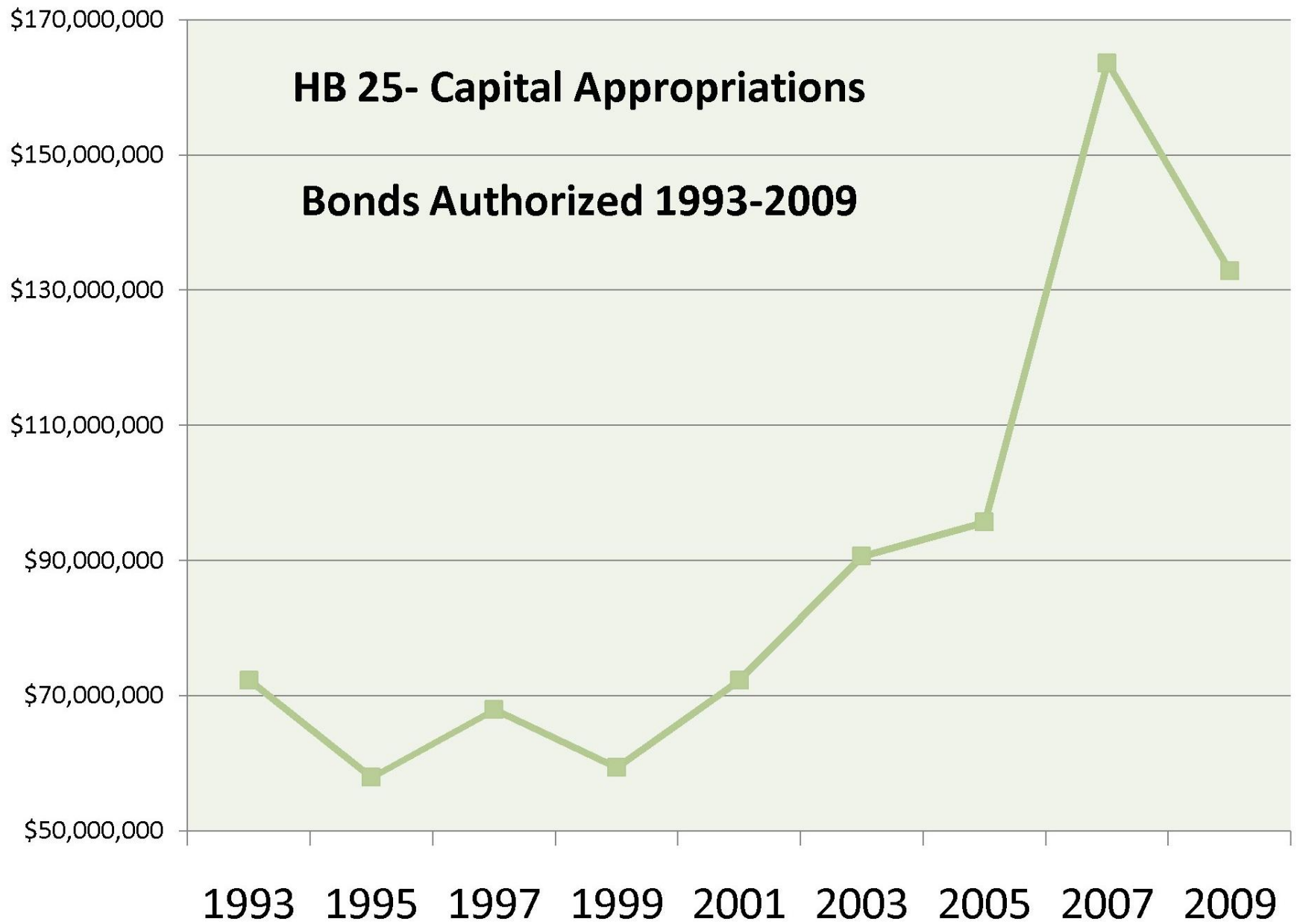
- Rising Debt Levels

The Capital Budget

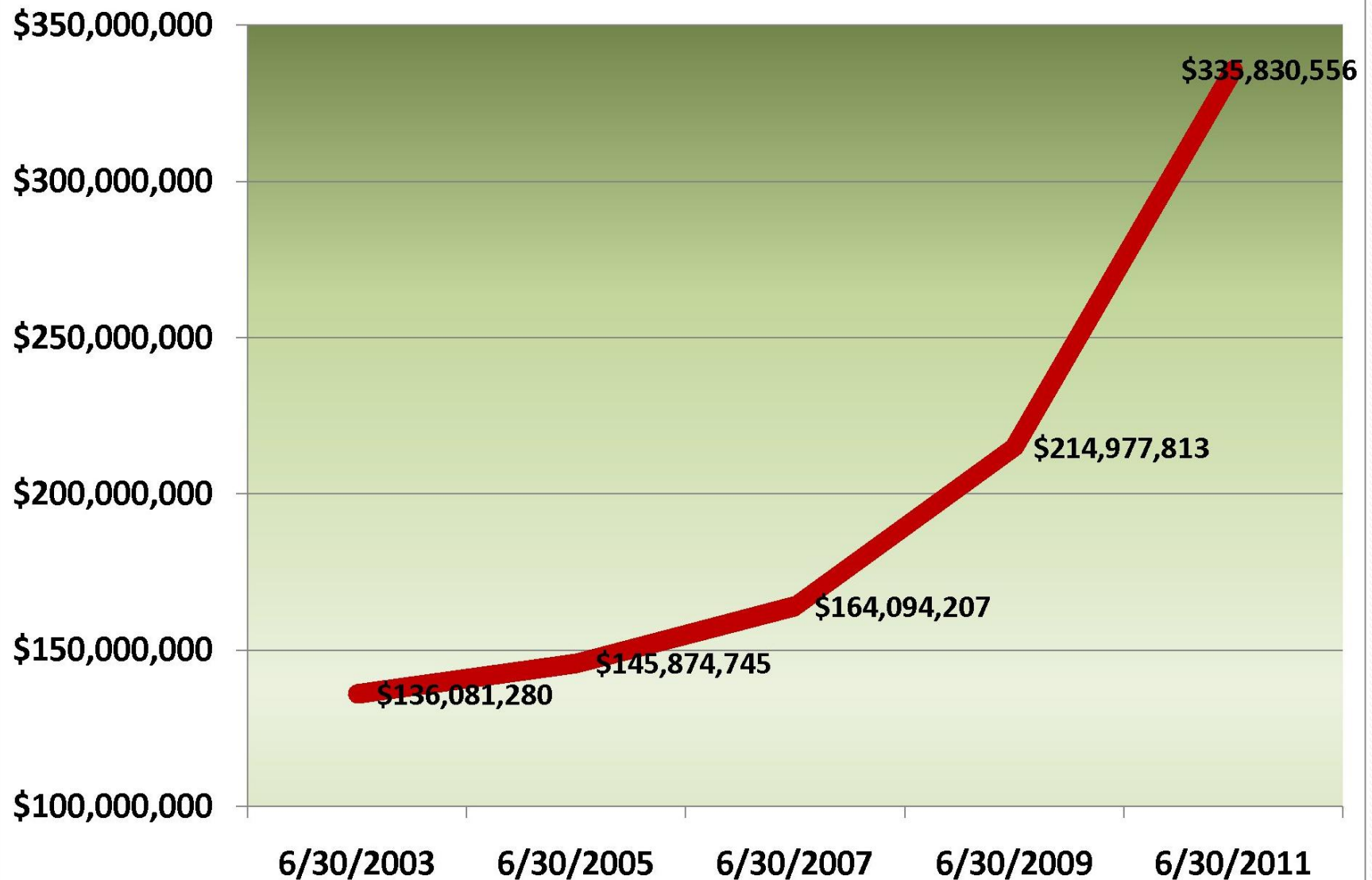
- Second Year of the Biennium- HB 25
- Starts in House Public Works Committee
 - Court Houses
 - Parking Garages
 - Capital Improvements and Repairs
- **Long-Term Projects** that will be around long after the current budget is over.
- Prohibited from borrowing to pay for **Operating Expenses**.
- The Legislature defines **Operating Expenses**.

HB 25- Capital Appropriations

Bonds Authorized 1993-2009



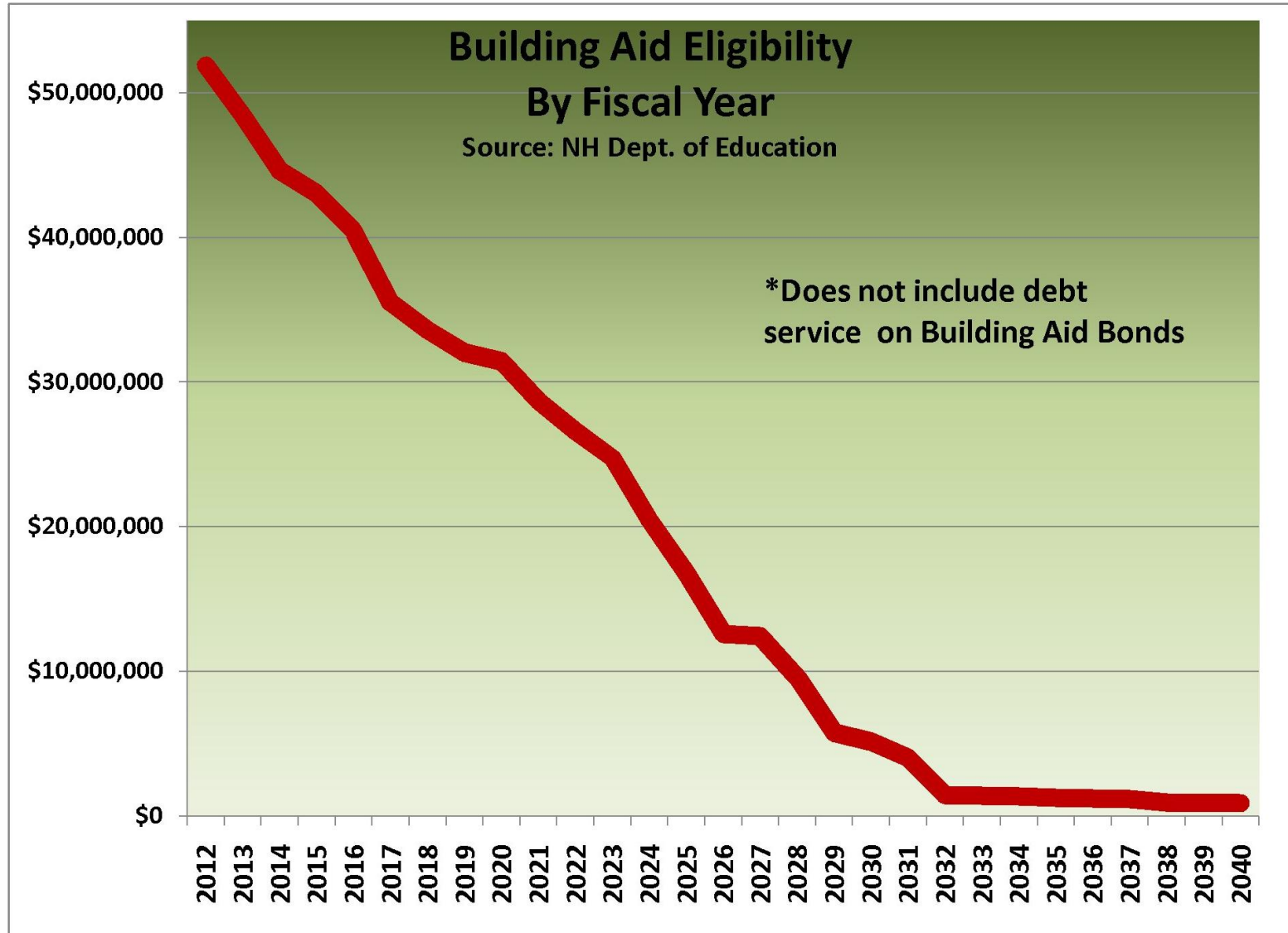
Bonds Authorized by Biennium



Building Aid Program

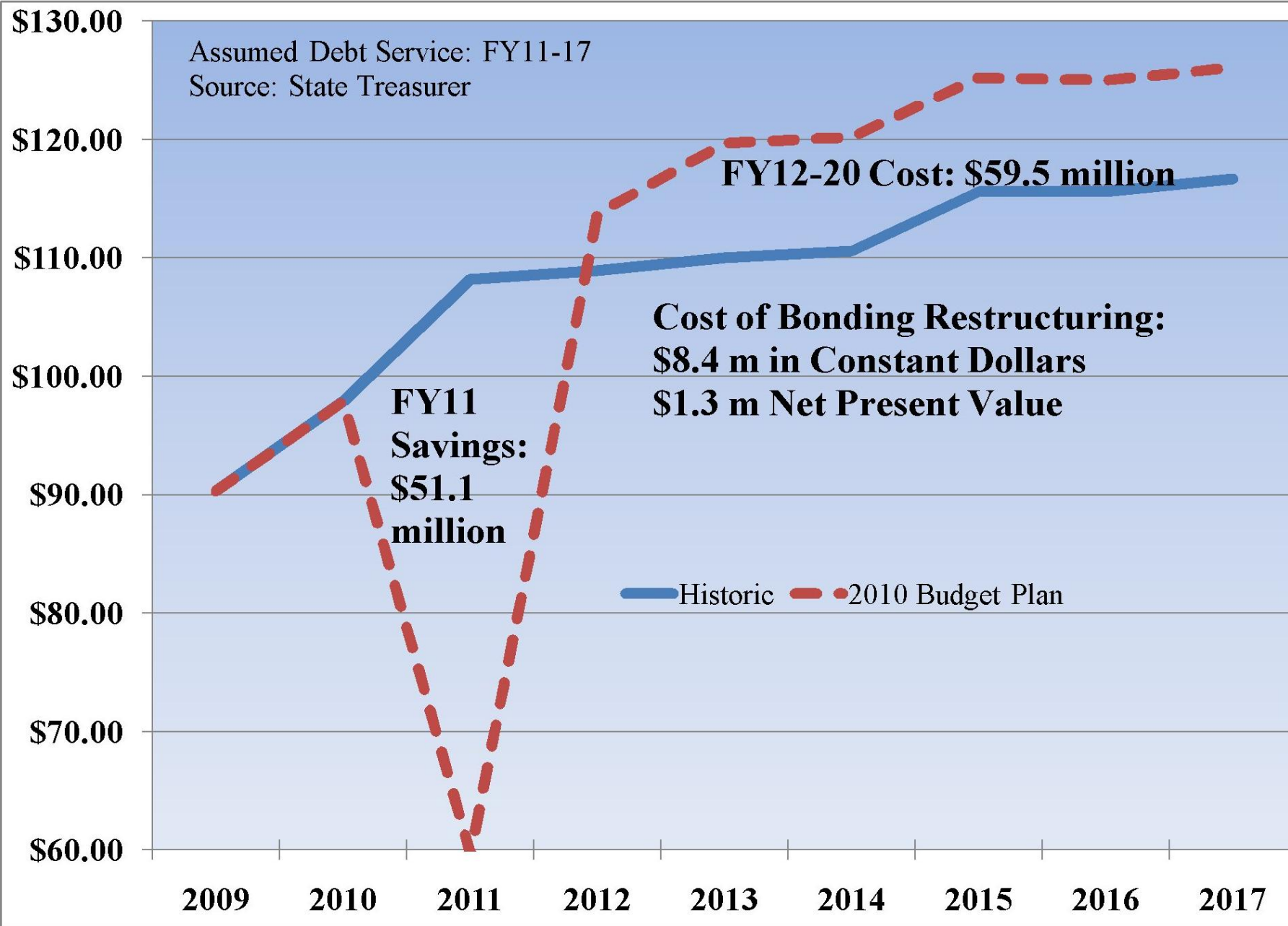
- State provides 40% subsidy for new school construction.
- \$45 million annually from General Fund.
- 2007- Building Aid shifted from General Fund to Bonding Authorization.
- Borrowing jumped 50%.
- “It’s not sustainable.” – Catherine Provencher
- New Building Aid projects currently suspended.
- Existing Building Aid obligations remain.

Building Aid: The Long Tail



Borrowing our way to balance: The 2010 Budget Fix

- Refunding Bonds
 - \$6 million
 - Routinely issued by Treasurer to get better rates.
- Bonding FY 11 Debt Service
 - \$51 million (\$39 million in General Funds)
 - Putting the Amex payment on the Visa card.
- University System of New Hampshire
 - \$25 million
 - Interest free loan instead of budget cuts at USNH.



Red Flags

- Bond Rating
 - AA and stable
 - Relatively conservative history of borrowing
 - Exceptional work from Treasurer Catherine Provencher.
- Debt Service Ratio
 - Above 7⁰% and going to 8⁰%
 - Debt service ratios over 10⁰% will hurt bond rating.

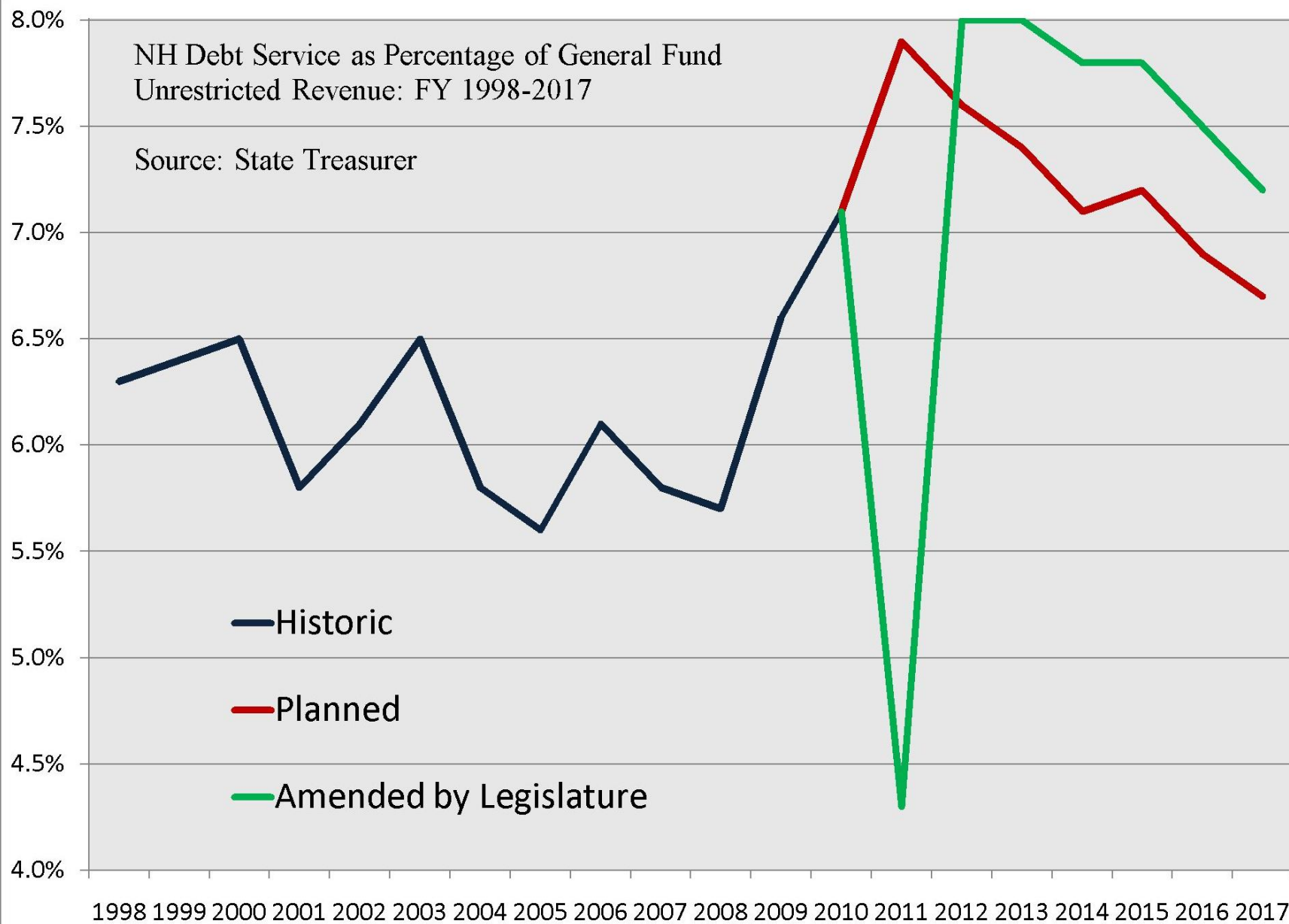
We're not California...

- New Hampshire's conservative debt policies have left in better shape than most states, even with increased reliance on debt.
- Net Tax Supported Debt as % of State GDP
 - 38. New Hampshire- 1.47%, Mean- 2.78%
- Per Capita Tax Supported Debt
 - 37. New Hampshire- \$665, Mean- \$1,297
- Tax Supported Debt as % of Personal Income
 - 37. New Hampshire- 1.6%, Mean – 3.2%

Source- Moody's

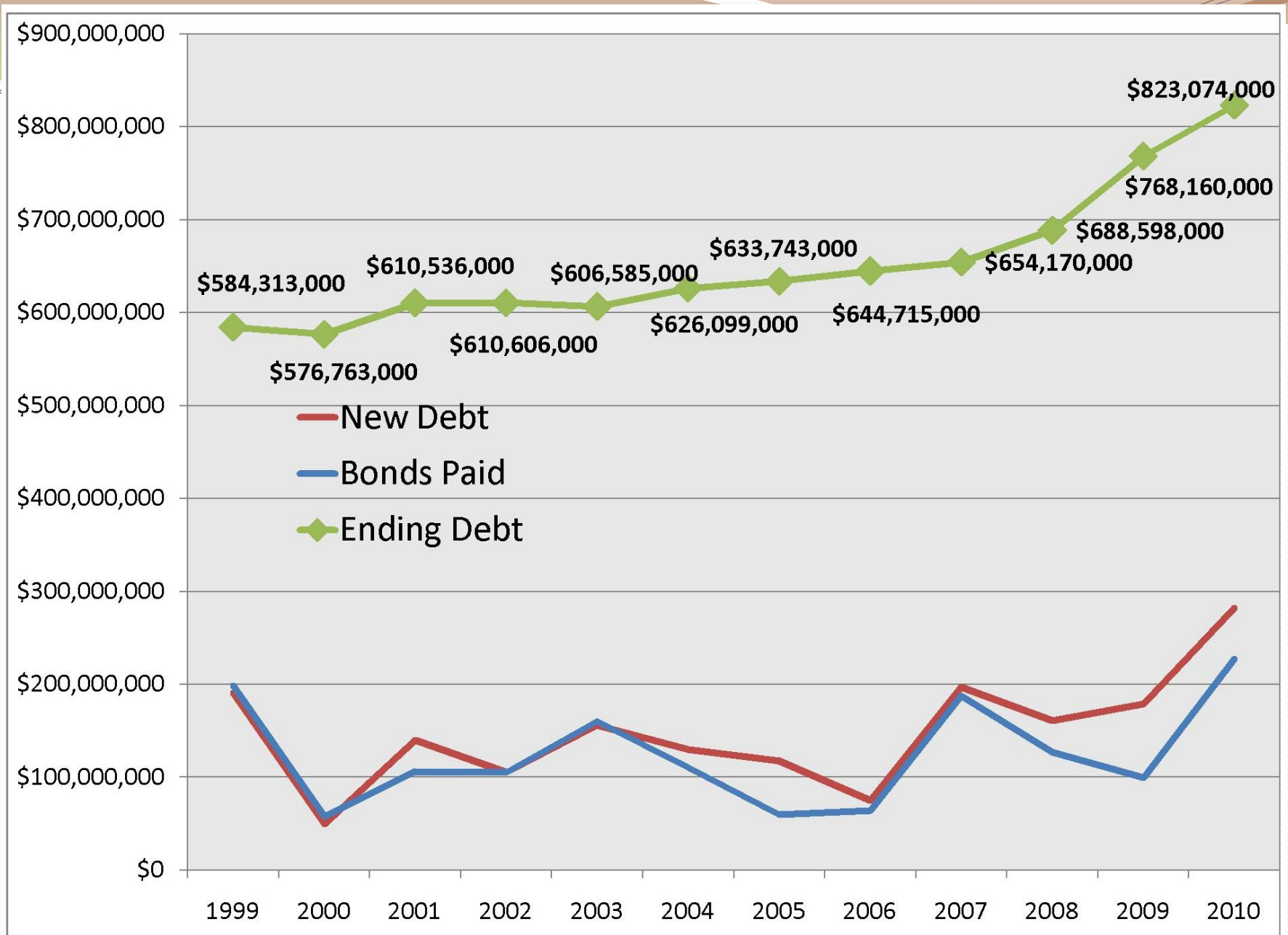
NH Debt Service as Percentage of General Fund
Unrestricted Revenue: FY 1998-2017

Source: State Treasurer

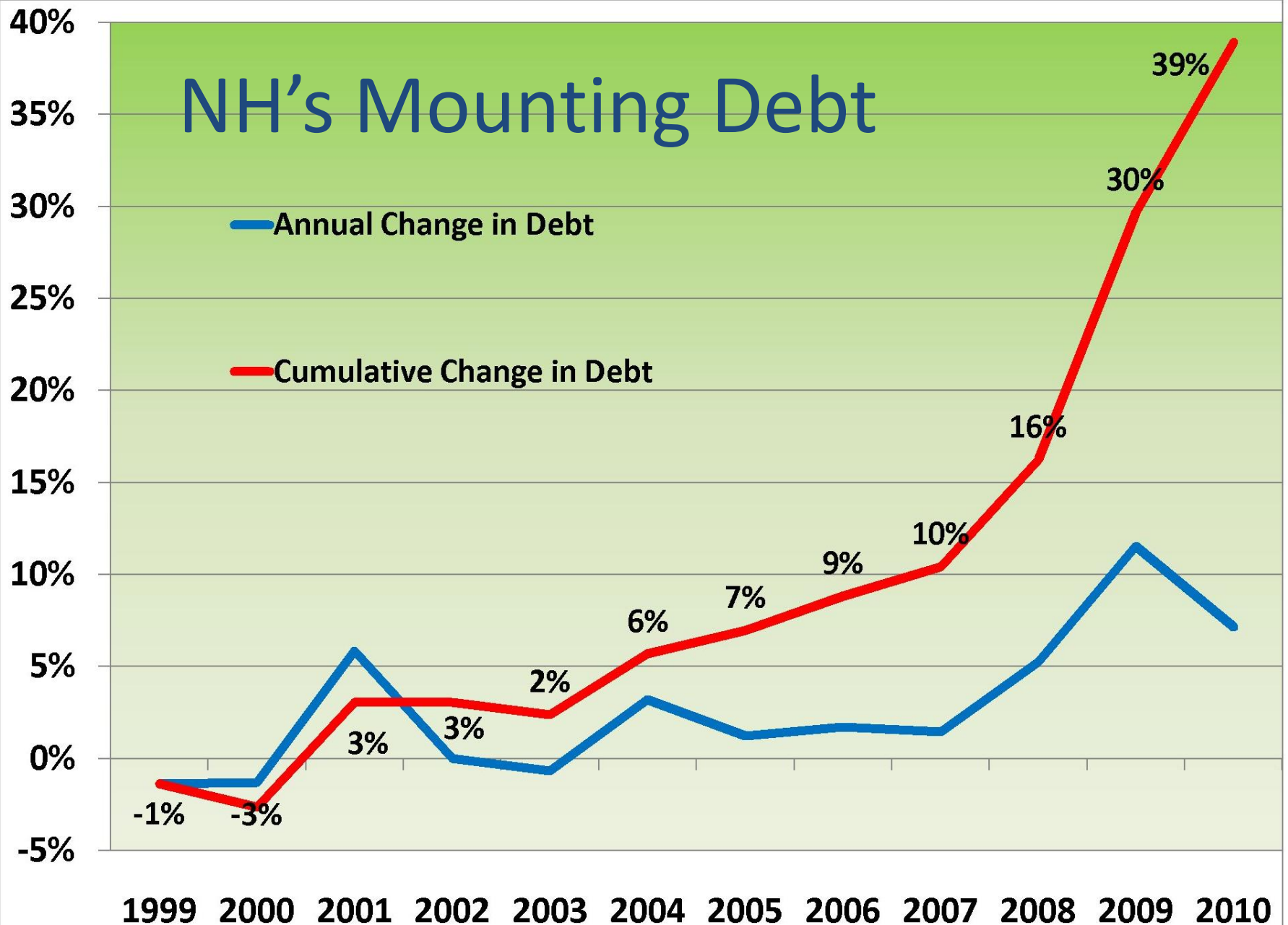


Rising Debt Levels

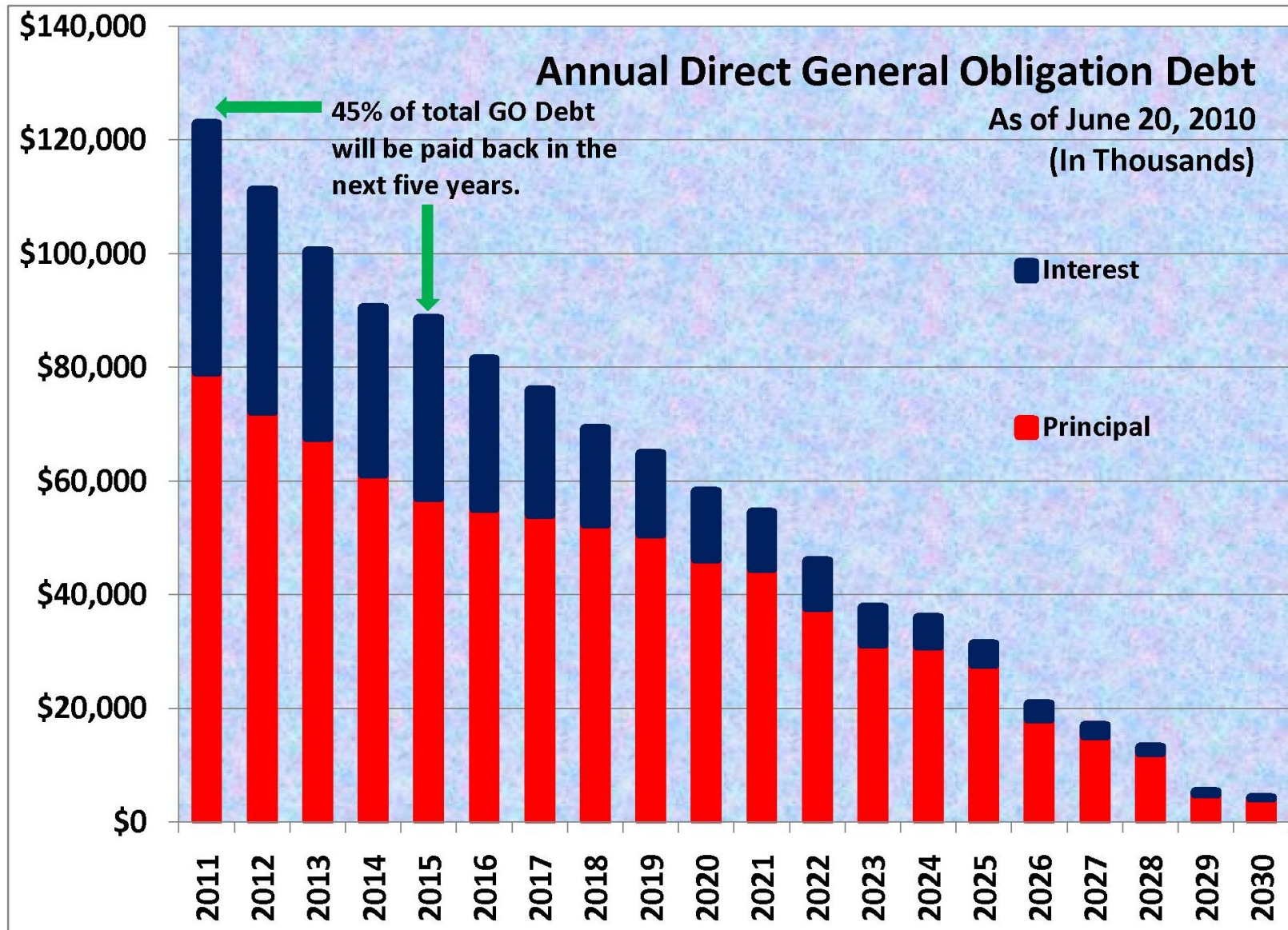
- Borrowing more each year than we are paying back.
- Total Debt has increased 30% in the last five years.
- Getting closer to the 10% Red Flag.



NH's Mounting Debt



NH Debt is Front-Loaded





Questions?

NewHampshireWatchdog.org

GrantBosse@JBartlett.org

**THE JOSIAH
BARTLETT
Center for
PUBLIC
POLICY**