

Comparing Expenditure Levels Among New England States: Is New Hampshire's Low Spending a Matter of Choice or Lucky Circumstances?

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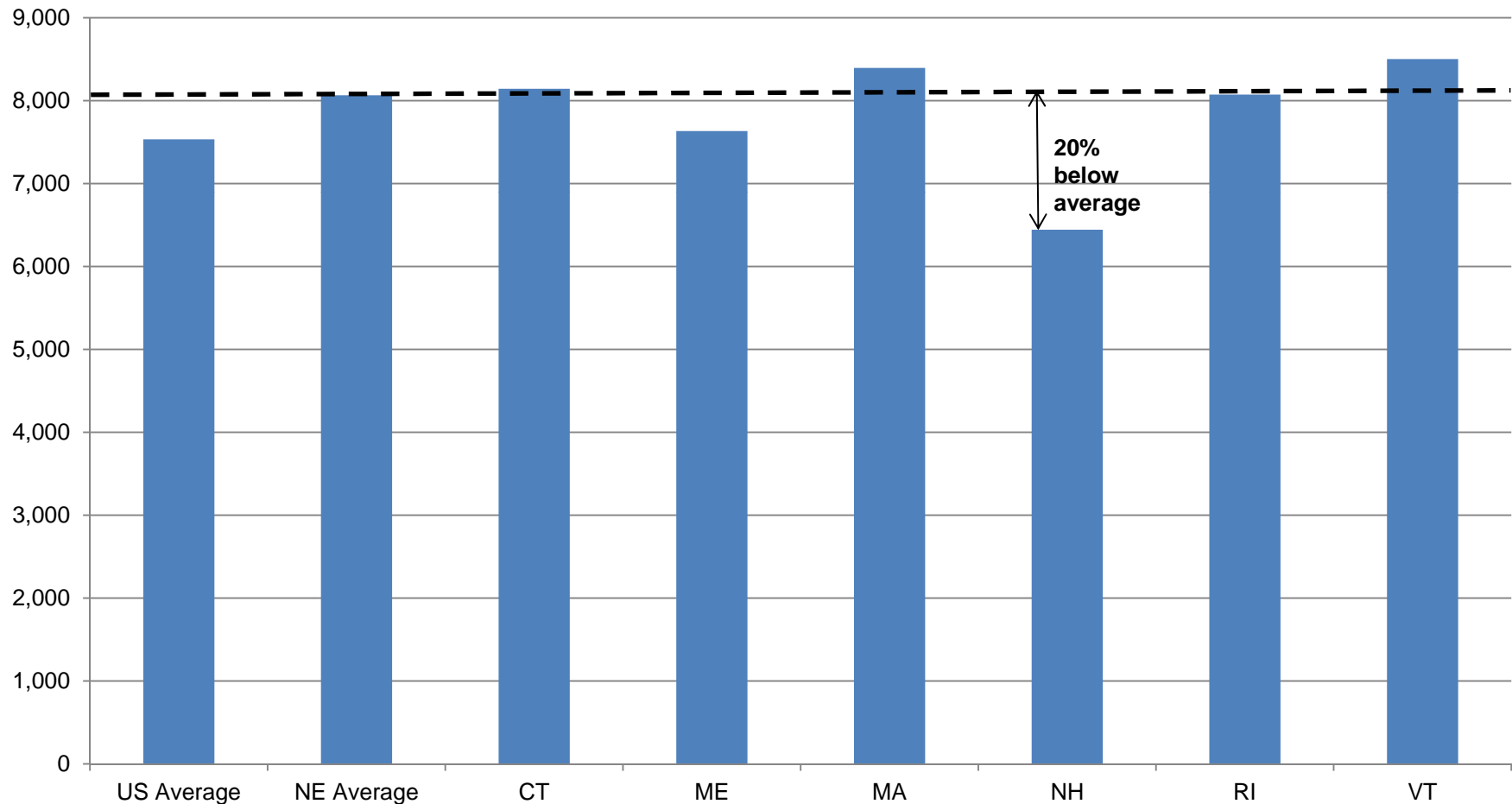


Presentation overview

- Compare New Hampshire's actual expenditures with expenditures in other New England states
- Present the choices versus circumstances framework
- Examine the role of circumstances by calculating expenditure need
- Conclude

New Hampshire's overall spending levels are low relative to the region and the nation

Combined state & local direct expenditures per capita, FY 2007



New Hampshire spends less than *most* other New England states in *most* areas of government, but particularly in public welfare (i.e. Medicaid)

Combined state & local spending per capita by category (FY 2007)

	CT	ME	MA	NH	RI	VT	NE Average	NH \$ "Gap"	NH % "Gap"	NH Rank
K-12	2,282	1,663	1,862	1,822	1,960	2,118	1,961	(139)	-7%	5
Higher ed	605	571	571	582	534	1,147	603	(21)	-3%	3
Public welfare	1,366	1,867	1,896	1,176	1,897	1,941	1,700	(524)	-31%	6
Hospitals	368	95	212	43	89	29	207	(164)	-79%	5
Health	196	383	162	106	162	251	189	(83)	-44%	6
Highways	349	552	350	475	343	704	395	80	20%	3
Police	260	176	281	225	309	228	261	(36)	-14%	5
Corrections	189	151	198	124	208	183	185	(61)	-33%	6
Environ & housing	513	595	603	430	484	557	554	(123)	-22%	6
Gov administration	481	387	393	352	559	390	422	(70)	-17%	6
Interest	418	256	611	352	428	308	481	(129)	-27%	4
Other	1,112	937	1,254	754	1,099	645	1,106	(352)	-32%	5
Total	8,142	7,632	8,395	6,442	8,072	8,500	8,064	(1,621)	-20%	6

Source: US Census Bureau.

Note: "Gap" represents difference between New Hampshire and the regional average.

Factors that drive spending: choices versus circumstances

- Choices: factors within the government's direct near-term control
 - Examples: whether or not to provide a certain service or the comprehensiveness or quality of that service
- Circumstances: factors outside the government's direct near-term control
 - Examples: number of children, poverty rate, road miles, input costs

New Hampshire's lowest-in-the-region poverty rate implies less underlying need for Medicaid and other safety-net programs

Selected characteristics of New England states, FY 2007

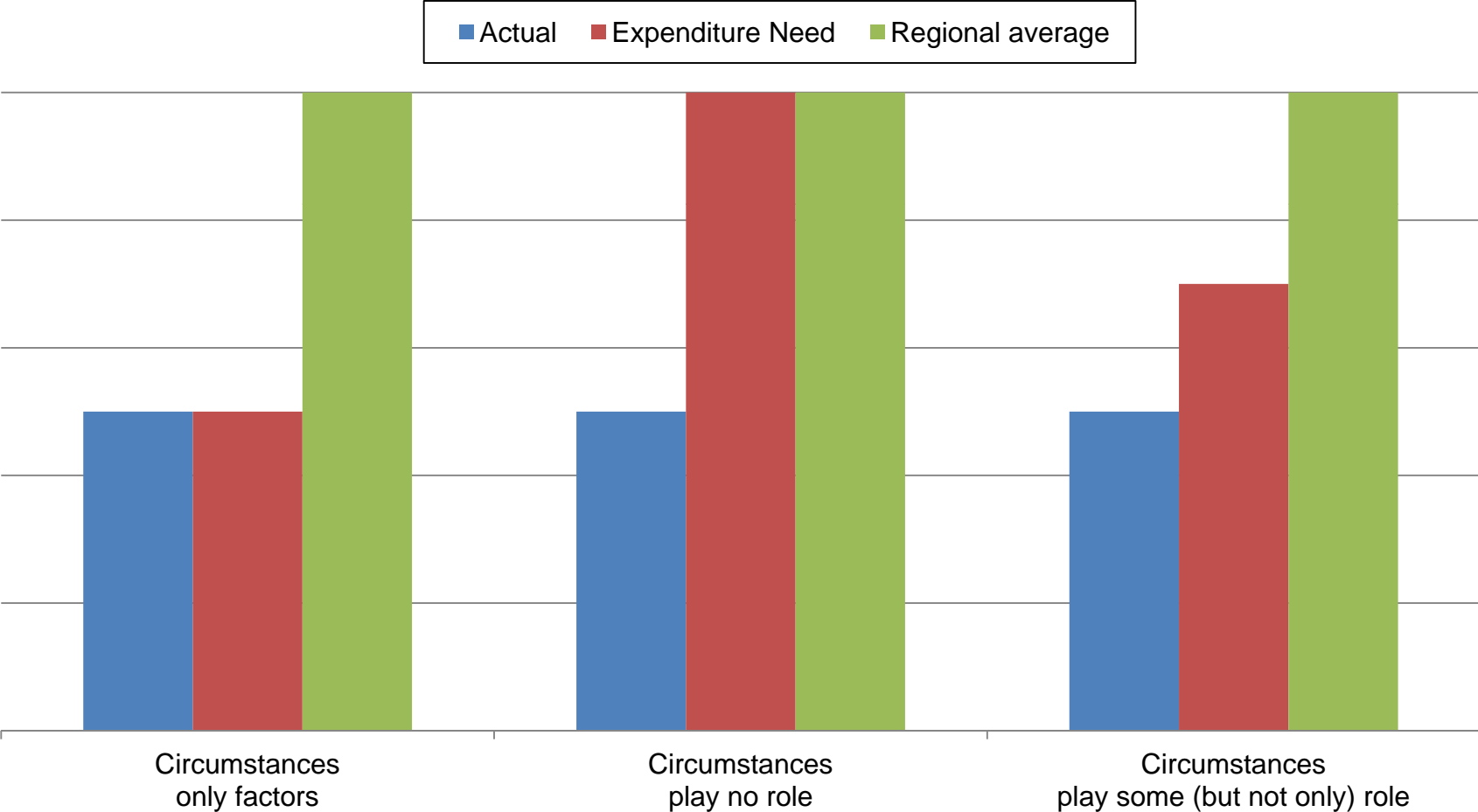
	CT	ME	MA	NH	RI	VT	NH Rank
Population	3,486,898	1,316,136	6,482,837	1,314,619	1,057,603	620,223	4
Land area (square miles)	4,843	30,854	7,801	8,952	1,034	9,217	3
Population density (per square mile)	720	43	831	147	1,023	67	4
Median household income (\$)	65,976	48,568	60,038	67,508	55,639	51,809	1
% below poverty line	7.9%	12.2%	9.6%	7.3%	11.2%	9.9%	6
% minority	25.4%	4.4%	20.1%	6.4%	20.6%	4.5%	4
% under age 18	23.4%	21.2%	22.4%	22.6%	22.1%	21.3%	2
% aged 65 or over	13.5%	14.7%	13.3%	12.5%	13.9%	13.4%	6

Source: US Census Bureau. Includes some calculations by author.

Gauging the role of circumstances: Expenditure need

- Expenditure need represents the amount a state would need to spend to provide a standard level of services given its underlying need and input costs—not necessarily what a state *should* spend
- The expenditure need calculation relies on:
 - **Workload measures:** socioeconomic, demographic, and/or geographic characteristics not directly influenced by government in the near term
 - An **input cost index** that accounts for differences in both the labor and non-labor costs of providing the same service across different states

Comparing a state's expenditure need to its actual spending and the regional average can provide insight on the role of circumstances



New Hampshire has lower than average expenditure need—telling us that circumstances are playing some role

Combined state & local expenditure need per capita by category, FY 2007

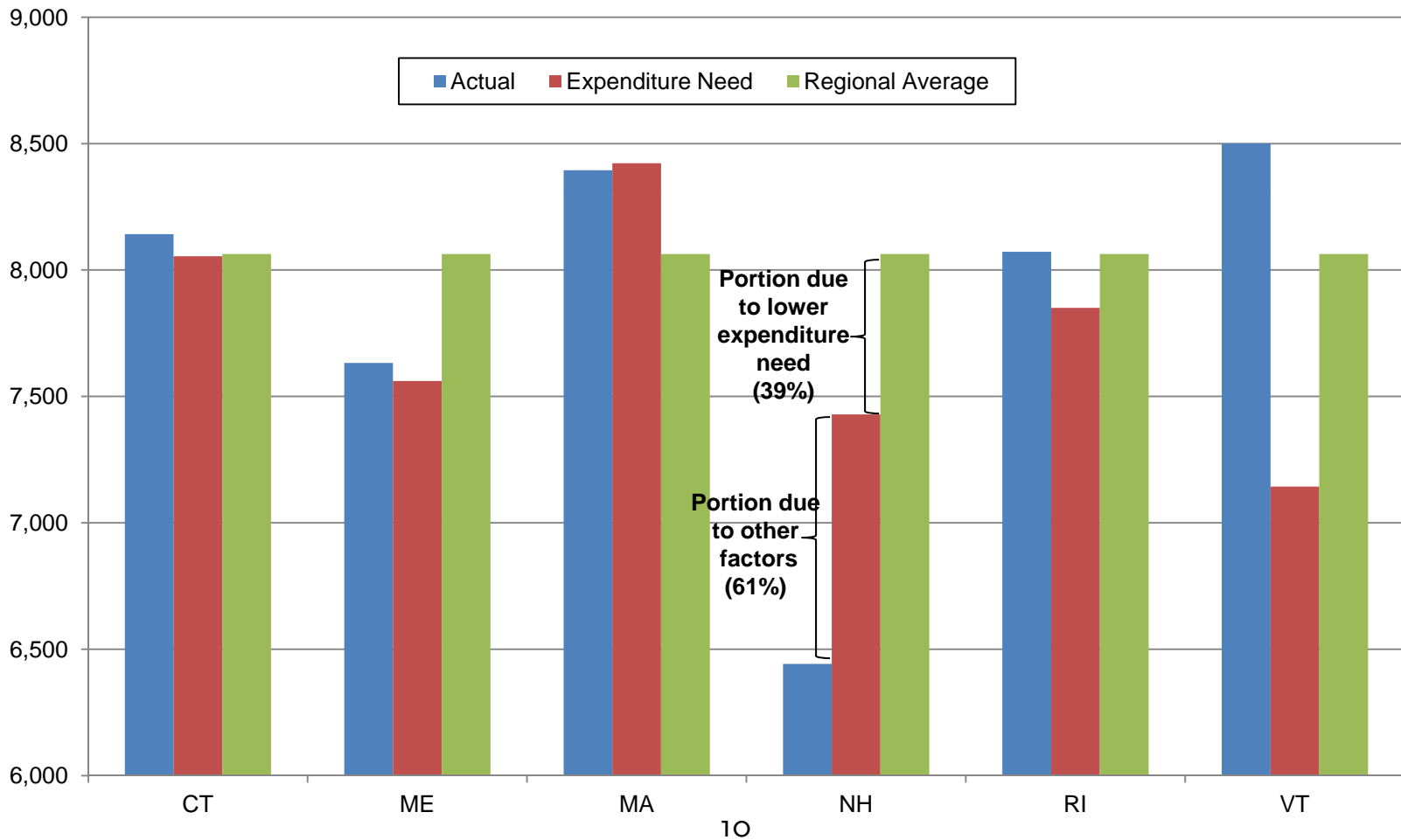
	CT	ME	MA	NH	RI	VT	NE Average	NH \$ "Gap"	NH % "Gap"	NH Rank
K-12	2,160	1,619	2,000	1,911	1,760	1,609	1,961	-50	-3%	3
Higher ed	608	475	640	567	589	560	603	-36	-6%	4
Public welfare	1,399	1,981	1,879	1,293	1,951	1,348	1,700	-407	-24%	6
Hospitals	193	216	215	204	206	187	207	-3	-1%	4
Health	176	200	196	187	189	174	189	-2	-1%	4
Highways	392	479	364	450	319	573	395	55	14%	3
Police	292	178	284	199	230	205	261	-62	-24%	5
Corrections	204	132	201	141	167	152	185	-44	-24%	5
Environ & housing	568	486	574	532	525	501	554	-22	-4%	3
Gov administration	444	351	441	404	390	361	422	-19	-4%	3
Interest	481	481	481	481	481	481	481	0	0%	NA
Other	1,139	964	1,147	1,062	1,045	994	1,106	-45	-4%	3
Total	8,054	7,561	8,422	7,429	7,850	7,143	8,064	-635	-8%	5

Source: Author's calculations, various sources.

Note: "Gap" represents difference between New Hampshire and the regional average.

Circumstances account for almost 40 percent of the overall gap between New Hampshire's actual per capita spending and the regional average

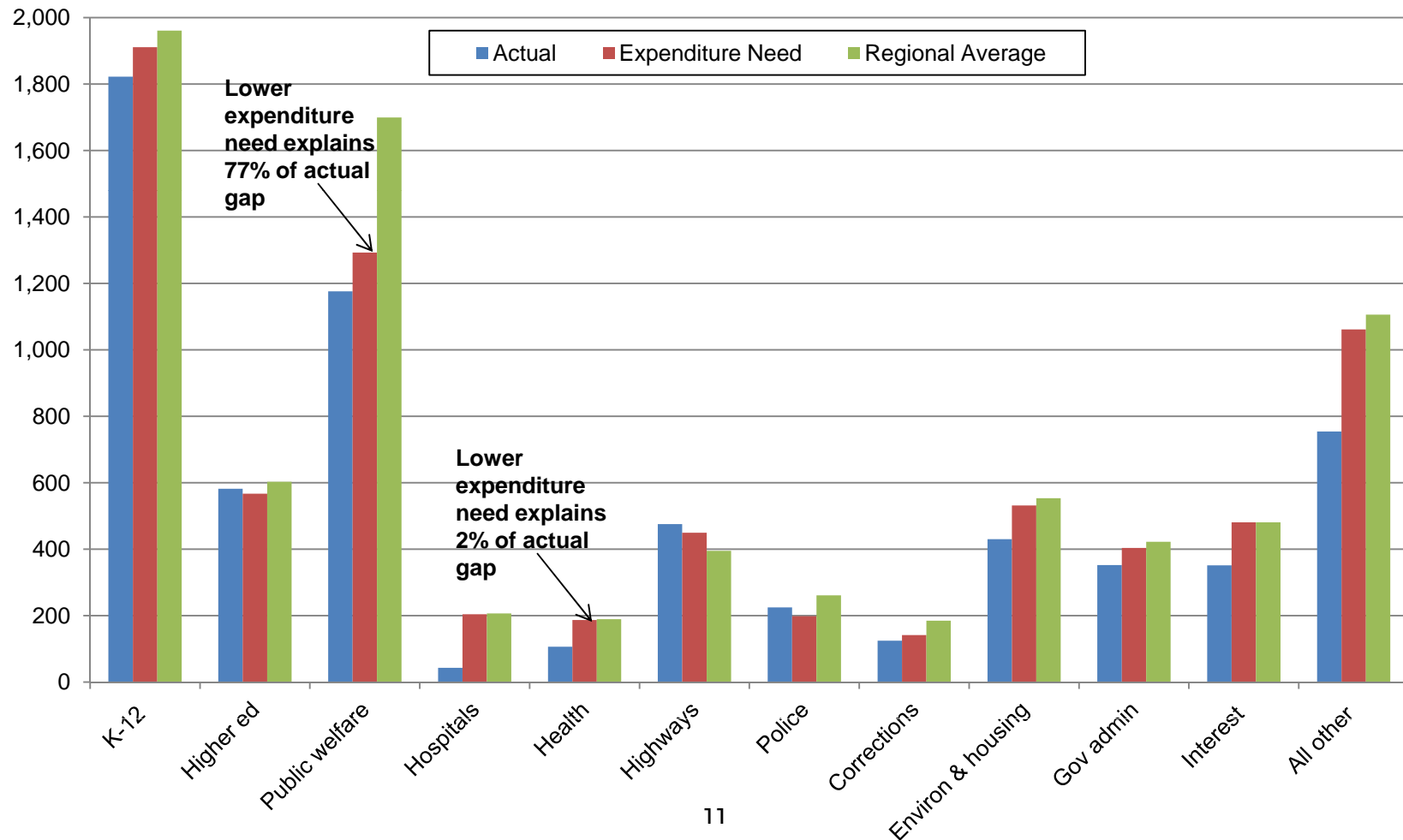
Combined state & local expenditure need per capita, by state, FY 2007



Source: Author's calculations, various sources.

But the portion of the gap that can be explained by circumstances varies by category of spending

New Hampshire combined state & local expenditure need per capita, by category, FY 2007



Other factors: Why actual spending might differ from calculated expenditure need

- Differences in service levels (i.e. differences in policy **choices**)
- Differences in **efficiency**
- “Measurement” factors
 - Expenditure need calculation might not capture all circumstances that vary across states and affect spending levels

Conclusions

- Government expenditure levels are influenced by both policy choices and underlying circumstances
 - New Hampshire’s circumstances—such as its low poverty rate—account for nearly 40 percent of the overall “gap” between the state’s total per capita spending and the regional average
 - States with more challenging circumstances may have difficulties replicating New Hampshire’s lower spending without significant reductions in service levels