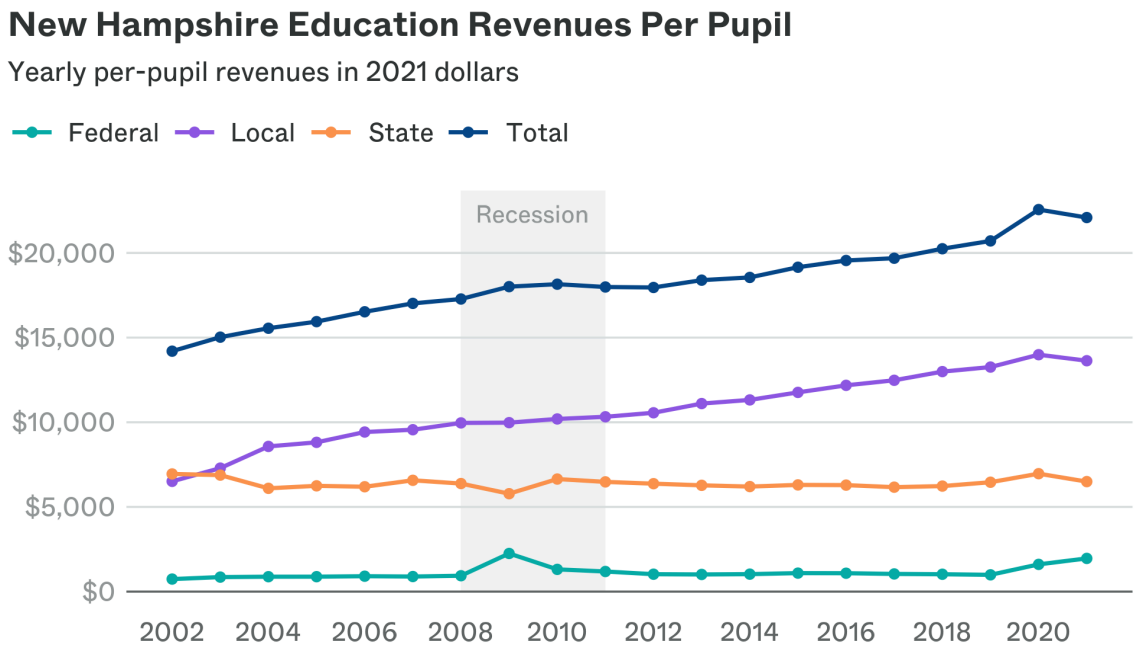
NEW HAMPSHIRE

Lessons from the Great Recession

1. How did the Great Recession affect education spending?

The Great Recession provides some indication of how New Hampshire's education budget may fare during a future recession. State funding per pupil dipped from 2008 to 2009, but this was offset by an increase in federal funding through the American Recovery and Reinvestment Act (ARRA). By 2012, New Hampshire was one of only 16 states with inflation-adjusted state spending per student higher than in 2008.[1] However, inflation-adjusted state funding levels declined for several years after that and have remained stagnant since. The state has increasingly relied on local revenue sources and now has the lowest state share of K–12 education funding across all 50 states.[2] New Hampshire's education funding structure may have protected the education budget from severe cuts during the Great Recession, but it has not guaranteed spending growth or funding equity in the years since.

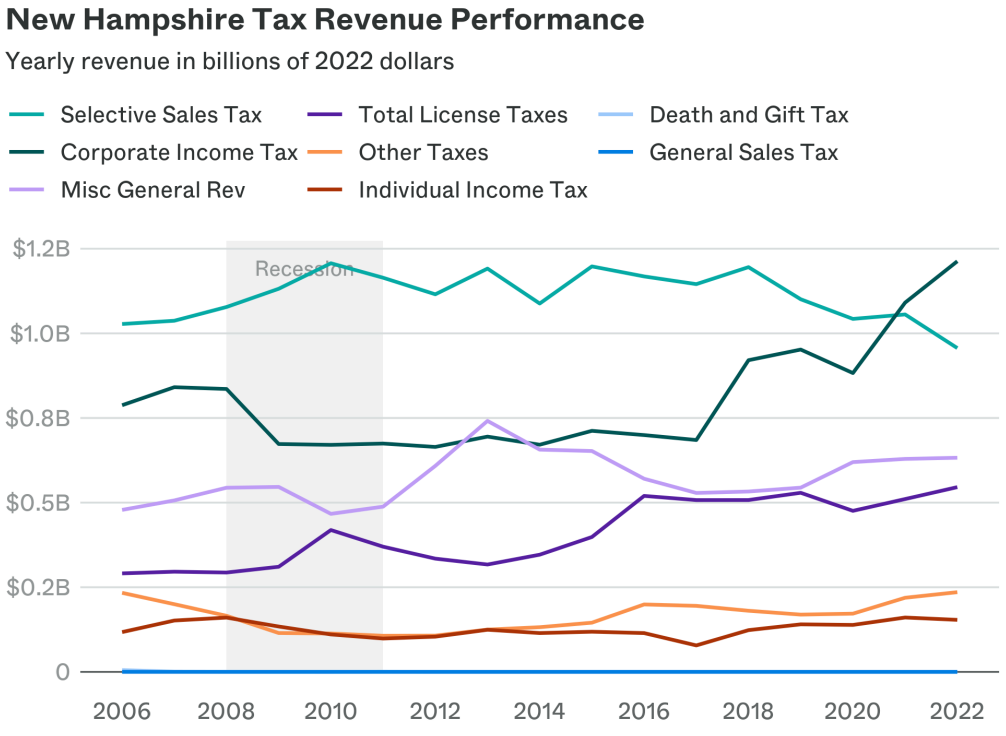


Source: National Center for Education Statistics.

2. How did the state's revenue base perform during the Great Recession?

The selective sales taxes and corporate income tax are the primary sources of New Hampshire's education revenue. Data from Urban Institute's State and Local Finance Database[3] indicate that in the immediate aftermath of the Great Recession, New Hampshire saw a sharp decline in corporate income taxes and "other" taxes (a category that includes lottery profits). Both stabilized but remained significantly lower than their pre-recession peak until roughly a decade later, in spite of tax code changes that expanded the business tax base. Selective sales taxes actually saw an initial increase, because New Hampshire increased its cigarette and hotel excise taxes and enacted a new gambling tax.[4] These revenues saw fluctuations during the decade after the recession, but remained above pre-recession levels. Additional tax changes that offset revenue losses included increased insurance and vehicle fees, reflected in the growth in total license taxes.

It took roughly seven years for New Hampshire's tax revenues to fully recover from the Great Recession, longer than the national average state recovery time of 4.5 years.[5] A future recession may be driven by different economic factors. But this analysis does raise concerns that corporate income tax revenues could struggle to recover in the event of an economic downturn, an issue magnified by the state's growing reliance on this revenue stream.[6] The manufacturing industry was a main driver of losses in corporate income tax revenues, and this industry could be particularly exposed to the impacts of federal trade policy if tariffs raise input costs or lead to retaliatory tariffs.[7]



Source: Urban Institute.

Notes

1. Phil Oliff and Michael Leachman, *New School Year Brings Steep Cuts in State Funding for Schools* (Center on Budget and Policy Priorities, October 7, 2011), https://www.cbpp.org/research/new-school-year-brings-steep-cuts-in-state-funding-for-schools.
2. Steven Porter, "New Hampshire Still Ranks Last in State-Level Share of K–12 Education Funding," *Boston Globe*, April 29, 2025, https://www.bostonglobe.com/2025/04/29/metro/nh-state-local-share-education-funding-nea/.
3. State and Local Finance Initiative, "State and Local Finance Data: Exploring the Census of Governments," Urban Institute, https://state-local-finance-data.taxpolicycenter.org/pages.cfm.
4. This tax is different from the lottery profits currently dedicated to the Education Trust Fund. This was a 10 percent tax on gambling winnings that was repealed after less than two years. For more details on tax changes, see Nicholas Johnson, Catherine Collins, and Ashali Singham, *State Tax Changes in Response to the Recession* (Center on Budget and Policy Priorities, March 8, 2010), https://www.cbpp.org/sites/default/files/atoms/files/3-8-10sfp.pdf.
5. Barb Rosewicz, Justin Theal, and Alexandre Fall, "Decade After Recession, Tax Revenue Higher in 45 States," Pew, January 9, 2020, https://pew.org/39AxqhJ.
6. New Hampshire Fiscal Policy Institute, "How Business Taxes Impact NH's Budget—and You," May 12, 2025, https://nhfpi.org/resource/how-business-taxes-impact-nhs-budget-and-you/.
7. Majority Staff of the Joint Economic Committee, "Economic Overview and Outlook: New Hampshire," United States Congress, Joint Economic Committee, June 2010, https://www.jec.senate.gov/public/_cache/files/aa5a4dbf-22b3-4762-9ada-f80d5bccfc45/nh---6.21.pdf; Phil Sletten, "Headwinds Hit the New Hampshire Economy," New Hampshire Fiscal Policy Institute, August 27, 2025, https://nhfpi.org/resource/headwinds-hit-the-new-hampshire-economy/; and David Allen, "Tariffs Have Local Manufacturers Concerned," *Monadnock Ledger-Transcript*, March 31, 2025, https://ledgertranscript.com/2025/03/31/tariffs-locally-60250545/.