

APPENDIX 1 - A BASIC ENVIRONMENTAL SCAN of NEW HAMPSHIRE'S DEMOGRAPHICS, ECONOMY, and the STRUCTURE of its POLITICAL, BUDGETARY, EDUCATION, and TRANSITION SERVICE SYSTEMS

POPULATION

NH is growing and growing much faster than its neighbors, although growth is slowing. Most growth is from net in-migration. The population is not diverse, but is becoming more so, with most growth of non-white populations in the two largest cities of Manchester and Nashua. NH's population is older than the national average, but younger than its northern New England neighbors.

- Population: 1,288,000 in 2003.
- Population Growth: Highest in New England (13th nationwide) at 1% per year, but slowing from 1.5% per year in 2000. School populations are stable and are projected to decline slowly.
- Diversity: Predominantly "White, not of Hispanic origin" = 94.5% in 2003 compared to 69% nationally. Slowly becoming more diverse - was 97.3% White in 1990.
- Median Age: 38.5 in 2003 compared to 35.9 nationally and 40.2 in Maine and 39.3 in Vermont.
- Geographical Growth: Population growth is concentrated in the southeast and south central part of NH in the regions closest to Boston. Coos County, which comprises the top third of the state by area, is losing population. (This is the common pattern in all three Northern New England States – the far northern areas losing population and jobs and the southern areas gaining both.)
- Urban and Rural: NH has only two cities of 100,000 (Manchester & Nashua) and has no federally designated urban or rural poverty areas. The most populated part of southeast and south central NH is defined by the Census as part of the Boston metropolitan area.

INCOME, EMPLOYMENT, ECONOMY, & POVERTY

NH's per capita and family income ranks high by national standards, even though its average wages are below the national average and its minimum wage is the lowest in New England at \$5.15 per hour. This apparent inconsistency is explained in part by its low unemployment and high labor force participation rates and the absence of inner city poverty areas. The economy has been growing at 6% for the last several years, which is above the national average and ranks NH as the 13th fastest growing state economy. Poverty is low as measured by the Federal Poverty Level, but because NH is a relatively high cost state (which relies on the property tax more than any other state pushing up the cost of basic shelter), the official poverty rate (which does not account for cost of living) underestimates NH's real poverty rate. Overall, employment has been stagnant, but is starting to grow again with increases in service employment offsetting continued declines in manufacturing.

- Per Capita Income: \$34,703 per capita in 2003, which is the 6th highest in the country.
- Median Household Income: \$55,166 in 2003 (also 6th highest) compared to \$37,619 in Maine, \$43,212 in Vermont, and \$52,084 in Massachusetts.
- Poverty Rate: 6.0% in 2001-2003 which is the lowest in the U.S. and is half the national average of 12.1%. As noted, this underestimates poverty in NH because NH is a relatively high cost state and the federal poverty level does not take into consideration differences in basic living costs between states in setting its level. Studies that take into consideration the cost of living show a much higher percentage of NH families living under the stress of poverty. For example, the 2001 Study "Hardships in American" rated NH as the 14th highest state in percentage of families living in stress. NH is also the 5th highest in HUD's housing "unaffordability index" which compares housing costs to wages earned.
- Average Weekly Earnings in Manufacturing: \$594.00 in 2003, which was 31st nationally.

- Employment: Slowly increasing after a decline in 2001. Jobs increased from 672,000 in 2002 to 688,000 in 2003. Manufacturing jobs continue to decline and service jobs to grow.
- Unemployment: 4.3% in 2003, 5th lowest in country.
- Labor Force Participation Rate: 71.5%, 8th highest in country.

NH Projected Job Growth

NH Occupations with the Most Openings Requiring Only Work Experience or On-the-Job Training

Occupation		Wages as of November 2003					
#		Employment	Job				Exper-
		2002	Openings	Entry level	Average	Median	enced
1	Retail salespersons	25,450	1,520	\$7.26	\$11.24	\$9.13	\$13.23
2	Cashiers, except gaming	20,560	1,430	\$7.03	\$8.56	\$8.33	\$9.33
3	Waiters and waitresses	12,170	910	\$5.92	\$7.54	\$6.44	\$8.35
4	Combined food preparation and serving workers, including fast food	10,760	770	\$6.75	\$8.25	\$8.10	\$9.01
5	First-line supervisors/managers of retail sales workers	10,480	380	\$10.14	\$16.60	\$14.71	\$19.82
6	Sales representatives, wholesale and manufacturing, except technical and scientific products	7,200	340	\$12.37	\$24.97	\$21.70	\$31.27
7	Stock clerks and order fillers	8,410	330	\$7.61	\$10.59	\$10.05	\$12.08
8	Teacher assistants	7,800	330	\$14,456	\$19,944	\$20,022	\$22,689
9	Customer service representatives	7,890	310	\$9.57	\$13.80	\$13.09	\$15.92
10	Janitors and cleaners, except maids and housekeeping cleaners	8,370	310	\$7.76	\$10.46	\$10.18	\$11.81
11	Receptionists and information clerks	5,040	280	\$8.48	\$10.72	\$10.61	\$11.85
12	Truck drivers, heavy and tractor-trailer	7,620	280	\$12.19	\$15.81	\$15.55	\$17.62
13	Office clerks, general	7,910	270	\$8.07	\$12.34	\$12.05	\$14.17
14	Nursing aides, orderlies, and attendants	6,340	260	\$9.51	\$11.32	\$11.11	\$12.23
15	Bookkeeping, accounting, and auditing clerks	9,930	250	\$9.43	\$13.56	\$13.14	\$15.62
16	Sales representatives, wholesale and manufacturing, technical and scientific products	4,550	230	\$16.79	\$33.90	\$31.01	\$42.46
17	First-line supervisors/managers of office and administrative support workers	7,100	220	\$13.15	\$19.00	\$18.09	\$21.92
18	Laborers and freight, stock, and material movers, hand	5,360	210	\$8.02	\$10.62	\$10.24	\$11.92
19	Cooks, restaurant	3,780	200	\$8.91	\$10.89	\$10.80	\$11.88
20	Counter attendants, cafeteria, food concession, and coffee shop	2,290	200	\$6.61	\$8.51	\$8.19	\$9.45
21	Landscaping and groundskeeping workers	4,510	200	\$8.69	\$11.67	\$11.00	\$13.17
22	Executive secretaries and administrative assistants	6,590	180	\$11.98	\$16.33	\$15.64	\$18.50
23	Maids and housekeeping cleaners	5,000	180	\$7.68	\$9.30	\$9.23	\$10.10
24	Maintenance and repair workers, general	4,720	180	\$10.49	\$15.14	\$14.63	\$17.47
25	Social and human service assistants	2,450	180	\$7.18	\$9.94	\$9.94	\$11.32
	Arithmetic Average (not including 8 & 22)			\$8.90	\$12.49	\$11.82	\$14.26
	State Average for all occupations			\$8.46	\$17.27	\$13.61	\$21.68
	Top Five			\$7.42	\$10.44	\$9.34	\$11.95

POLITICAL STRUCTURE

State Level Structure - NH's political structure – although similar in many respects to its neighboring states – is different from them and much different than most other states. This affects how services are provided and funded and how policy decisions affecting citizens with disabilities are made and can be

positively impacted. Overall, the NH political structure at the State level encourages fiscal restraint, limited government, and resistance to change. To be effective in this environment, disability advocates have to be especially skilled at developing local support for people with disabilities, tracking the policymaking process very carefully, and rapidly providing the right information at the right time. Key structural characteristics include:

- (1) All elected state officials are elected every two years (House, Senate, Governor, Executive Council) and House and Senate members are essentially unpaid volunteers earning only \$100 per year. The average age of legislators is high because many are retired.
- (2) The House of Representatives is huge and has 400 members, one for every 3,250 residents. In fact, the NH House is the third largest democratically elected body in the world. (The opportunities afforded here enabled Carol Stamatakis and Gordon Allen from the DDC to both serve three terms in the House.)
- (3) In spite of its size (with 21 Committees with 20 legislators each in the House), the Legislature has little support in making policy and laws. By default, this puts lobbyists, advocates, and State departments in the position of providing much of the information legislators use. Only a handful of House members even have offices and most Senators share offices and the basic budget for the House and Senate is under \$6m – about the same as the IOD.
- (4) The Legislative process is quite open. There is no limit on the bills Legislators can submit (about 1,000-1,300 per session) and every bill has a hearing and a vote by the full body, and no bill can be officially killed in committee.
- (5) There is a five member Executive Council that is required to approve (by vote) all state contracts above \$5,000 (which the Governor has to propose at the twice-per-month meetings) and almost all gubernatorial appointments. This requires the Governor to go through a time consuming and additional approval process for what are normally routine executive decisions in most other states - and to complicate matters, the Council that in 8 of the last 10 years has been dominated by a different party than the Governor.
- (6) The Governor has a very small staff and his office budget is only \$1.5m, which is about the size of the DRC budget. This puts limits on what the Governor can do. Also, NH has a system of strong and independent department heads with fixed terms (usually 4 years, which is longer than the Governor), who cannot be removed by the Governor before their terms end. In addition, the Executive Council has to approve the appointment of all department heads recommended by the Governor. This means that Governors do not necessarily have firm control of the executive branch, a situation currently experienced by Governor Lynch in his relationship to the Commissioner of Health and Human Services.
- (7) Back in the 1970's, Governor Meldrin Thomson was elected by taking a pledge to veto any broad-based taxes, and since that time this has been a fixture in NH politics - and except for Governor Shaheen's last term (2000), no Governor has been elected (from either party) who has not taken "The Pledge." This includes current Democratic Governor Lynch, and means that every Governor who takes office is on record as opposing a sales or income tax - or any broad-based tax to pay for developmental or other essential services and supports.
- (8) For years, fiscally conservative Republicans with a vocal Republican-Libertarian contingent (who do not see a strong state role for many health and human services) have dominated the legislature, although in the last 10 years, a Democrat has held the Governor's Office for eight years.

Local Political Structure and the Importance of City and Towns - It is hard to overestimate how important local government is in NH. NH is divided up into 234 separate cities and towns, each with their own elected governing bodies (selectmen for towns and alderman for cities, usually elected for three-year terms in non-partisan elections) and individual boards for schools, planning, zoning, water & sewer, conservation, and parks & recreation. The cities and towns have considerable powers and like

the political structure at the state level, the local structure encourages frugality. NH residents relate very strongly to their cities and towns and maintaining “local control” of their communities and services is a very strong “motherhood” value permeating all NH politics. Key local characteristics include:

- (1) Cities, towns, and local school districts (not counties) are responsible for providing most local services including public education, roads, voting, police, fire, recreation, libraries, parks, water and sewer, trash, and local welfare.
- (2) In most towns, budgets and local policies and regulations must be approved at an annual Town Meeting by a vote of the residents who attend. This encourages fiscal scrutiny (often at the “micro” level) and constraint, especially since most items are funded by the local property tax.
- (3) For most school districts, annual budgets and items such as teacher’s contracts and new programs and facilities are now voted on by local ballot annually (an option passed 10 years ago), although some districts still use a town meeting vote.
- (4) A 2/3rds vote is required for most capital items such as new buildings and major renovations or additions.
- (5) There are 10 counties and they are not important providers of services compared to cities and towns and the state. Also, they are not governed by their own independent body and instead are governed by a “delegation” consisting of all the House members who reside in the county. This is especially unwieldy for the larger counties where the delegation or board is over 100 people.
- (6) The main source of revenue for cities and towns is the property tax, and since they are such important service providers, this makes NH the most property tax dependent state in the country and in fact, municipal property taxes actually exceed State General Fund revenues.

STATE BUDGET LIMITS and STRUCTURAL DEFICITS

Frugality, fiscal restraint, using federal money, an anti-tax tradition of no broad-based taxes, and a distrust of State “bureaucracy” have long been the hallmarks of the NH State budget that funds virtually all the developmental services for citizens with developmental disabilities aged 0-3 and 21 and older. This creates challenges for advocacy and efforts to increase systems capacity and effectiveness, since as a practical matter, progress is limited when there is not enough funding to reliably fund essential developmental and educational services. And while there are differences of opinion between the Governor and the Legislature over revenue projections, the current budget situation is very tight with projections of revenue shortfalls of up to 10% of State General Funds to fund the FY 06-07 maintenance budget. Key characteristics include:

- (1) NH is the only state without either a broad-based sales or income tax and relies on a wide variety of smaller taxes that do not generate revenue increases that keep up with basic state needs (see sheet).
- (2) NH is reluctant to increase rates of existing taxes and recently eliminated the estate tax.
- (3) The State has relied greatly on the “Medicaid Scam” taxes to balance its budget and avoid raising taxes for the last dozen years (over \$2 billion) and these loopholes are now being closed.
- (4) The State drained all its reserved funds to balance the current budget to avoid raising taxes.
- (5) State spending has not keeping pace with the growth in the economy and population. For example, there are fewer state employees than there were 15 years ago and State

revenues as a percentage of Gross State Product have been declining for the last 20 years and outside of Alaska, this percentage is the lowest in the country.

- (6) Funding for Developmental Services has increased over the last 10 years, but like most programs in the State budget, has not kept up with the growth in the economy (see chart).
- (7) Many analysts feel the State is facing a “structural deficit” because for the last 10 years, existing taxes are not generating enough revenues to maintain basic programs provided under current law, and deficits have only been avoided in the past by using sources such as Mediscam and tobacco settlement funds.

STRUCTURE and FUNDING of PUBLIC EDUCATION

Public education in NH is also very decentralized and locally-controlled because it is the responsibility of each of its 234 cities and towns, and also because the State Board and Department of Education have historically been reluctant to interfere at the local level – especially to enforce mandates. (For example, when local districts do not meet “State Minimum Standards,” they are routinely waived year-after-year, and many school have not met requirements for 10 years or more.)

The actual number of school districts is 153 because many towns have banded together to form cooperative districts. Each of these is governed by an elected school board and except in a few cities, their annual budgets and contracts must be approved either at an annual school district meeting of voters or by an annual ballot vote, and if these fail, the budget essentially reverts to the last year. This process tends to limit what school districts can spend and has built up resentment on “mandatory” special education spending in many districts, especially when coupled with the fact that NH property tax rates are the highest in the nation and many communities have strong taxpayer associations dedicated to cutting property taxes.

Over 70% of the \$2 billion in funding for NH schools comes from the local school property tax, and it is the largest component of the local property tax bill. Because of this reliance on the local property tax, NH has long experienced very large disparities between spending per student and the property tax rate to support schools between districts. This is because in many of the 234 cities and towns there is not a good match between the taxable property available to support resident students and the number of resident students to be educated. In fact, statewide there is a negative relationship between school spending per student and the school tax rate, which means on average, the higher the school property tax rate, the less spent per student (see charts). This has created great frustration.

Claremont School Funding Decision - Largely because of these tax disparities and inequities in educational opportunities and quality they cause, the NH Supreme Court ruled in 1997 in its Claremont II ruling that the NH method of financing schools was unconstitutional. This has been a very contentious matter ever since (including among other things, an attack on the Supreme Court and numerous attempts to change the Constitution), and it has dominated state budget and education policy discussions for the past 8 years. The Legislature did pass a State “Adequacy Aid” bill in response that did reduce disparities, but it was based on a per student distribution that was less than half of actual costs and many did not meet the constitutional mandate to guarantee an adequate education for all students. Since that time, the state aid formula has been changed almost annually largely to reduce the amount of state aid required so as to avoid the new State taxes the old formulas would require. Unfortunately, with the changes enacted two years ago, the weights that provided more funding for special needs students (which the DDC, DRC, AND IOD had helped enact) were eliminated at the last minute. The result is that after 8 years, disparities are again increasing and approaching what they were before 1997. In addition, with the changes that will likely enacted this

year, NH will regain its ranking as the state most dependent on the local property tax to fund education and the state which contributes the least to aid local school districts. These disparities translate into similar disparities in special education programs and outcomes between districts around the state as shown by a number of studies by the IOD, DRC, and in the statewide mapping of transition resources conducted by the NHDDC in 2004.

Catastrophic Special Education Aid Program - The state does provide a \$20m “catastrophic cost” aid program to local districts for high cost special needs students which caps their costs at about \$40,000. So far, monitoring of these programs (especially for the appropriateness of out-of-district placements) has not been rigorous, in part because of the under funding and budget cuts experienced by the State Department of Education, especially in the last budget – which included an attempt to use IDEA money to supplant State funds for general education – an attempt was thwarted largely through the efforts of the DRC.

STRUCTURE of the STATE DEVELOPMENTAL SERVICES SYSTEM for ADULTS and CHILDREN AGED BIRTH to 3

The NH Department of Health and Human Services (DHHS) is responsible for providing all major state-provided health and human services, including community developmental services. This includes the Medicaid program and all Medicaid waivers (including the Home and Community-Based Care DD and Acquired Brain Injury Waivers) and all elderly, mental health, child and family, juvenile justice, TANF, public health, and alcohol and drug programs. With the approval of the Joint Legislative Fiscal Committee, DHHS has considerable flexibility to move funds from program to program to fill gaps which helps it adjust to changing conditions but leaves no program safe from unexpected cuts to fill budget shortfalls.

Community Developmental Services are provided through the Bureau of Developmental Services (BDS). BDS is part of the Division of Community Based Care Services, which also includes elderly and adult and behavioral health services. Up until 2003, BDS was a self-standing division, but was reorganized in early 2004 to be a bureau. The only major developmental services program BDS does not operate (aside from the school districts) is the Katie Beckett Program for children with severe disabilities, which is operated by the Office of Medicaid. Also, the Office of Medicaid provides all strictly medical services.

The total 2005 BDS budget is \$174.4m. This is made up of \$75.2m in State Funds and \$99.1m in federal funds. The largest and most important program is Community Developmental Services (\$145.4m with \$73.8m in State funds and \$71.5 in federal funds), which serves 11,000 individuals through 12 Area Agencies. These 12 Area Agencies are nonprofit organizations under local control and under contract with BDS to provide a full range of services largely under Medicaid waivers to specific geographical areas. The key characteristics of NH’s community system include:

- (1) A full range of services is provided by the Area Agencies, all in community settings. These include case management, employment and day programs, residential programs, Medicaid administration, family support, transition and benefits planning, quality assurance, and early supports and services for those aged 0-3.
- (2) No funds are spent on institutional services by BDS, although there are a few medically fragile individuals with developmental disabilities in nursing homes. Sheltered workshops have been almost all phased out, although eight remain.
- (3) Area Agencies are independent nonprofits and at least one third of their boards are made up of individuals with disabilities or their families.

- (4) Because of local control and history, Area Agencies vary greatly in the services they provide themselves, although all are responsible for maintaining the safety net for individuals with developmental disabilities in their areas. Two also provide community mental health services, and some provide all the services themselves whereas others contract out everything except Case Management, quality assurance, and contract administration.
- (5) Each Area Agency has Family Advisory Council that advises the Area Agencies, especially on Family Support Services, and all provide some support for self-advocacy groups.
- (6) 80% of the individuals served live with their families.
- (7) 1600 individuals receive residential programs and after a decade-long trend of closing group homes and the elimination of funding for ICF/MRs in 1995, 82% of these are served in foster homes or their own homes.
- (8) The Area Agencies essentially provide a single point of entry for all adults and children aged 0-3 with developmental disabilities, including coordination with the regular Medicaid program for medical care.
- (9) Area Agency budgets are negotiated annually based on the individual budgets of the individuals they serve. They are paid quarterly and have a degree of flexibility to move funds to meet shifting needs within their areas, which has helped them cope with under funding and the lack of cost adjustments.
- (10) Three Medicaid home and community-based care waiver are utilized: The DD Waiver (\$129m serving 2,900), the Acquired Brain Injury Waiver (\$11m serving 1250), and the In-Home Support Waiver (\$4m serving 200).
- (11) There have been no rate increases for Area Agencies since 1994, average wages of direct care staff have risen little, employee benefits have been steadily reduced, and vacancies and turnover of direct care staff average 33%.
- (12) The average cost for individuals on the DD waiver has remained constant for the last 4 years (actually a small decrease) and was \$42,064 in 2004, and increases in Community Developmental Service's budgets have not kept up with the growth of the economy and costs.
- (13) Because of increases in the FY 04-05 budget to reduce the Priority 1 Wait List, it was reduced from 417 in June 2003 to a low of 196 in June of 2004. It has since risen to approximately 260.
- (14) BDS has an office budget of less than \$1.5m (about the size of the DRC's) and employs less than 30 persons since most of the administration is done by the Area Agencies, which average 9.4 % in management costs.
- (15) BDS (and the Division of Developmental Services before it) have a long history of directors who believe in community-based and family directed services, inclusion, independence, and working with advocates. These include most recently Dennis Powers who was an Area Agency Director (now director of CSNI, the association of Area Agencies) and Sue Fox who was also an Area Agency Director (now Director of the Real Choices Project with the IOD). Before he became Commissioner of DHHS, Don Shumway was the Division of Developmental Services director after having served as the Director of the DD Council and playing a large role in designing and setting up the Area Agency system and closing down the Laconia State School and replacing it with a community services system.

Other Bureau of Developmental Services (BDS) Programs - BDS also administers the Medicaid to Schools program serving 6000 students (\$23m in federal funds), a secure home for criminal offenders in Laconia, and the Partners in Health program that supports almost 1000 children and adolescents with chronic health conditions, many of whom also have developmental disabilities.