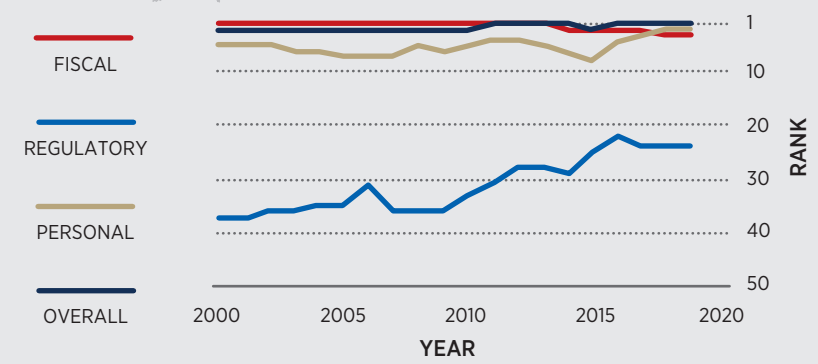


NEW HAMPSHIRE

2019 RANK
1st



PARTY CONTROL

	<div><div></div>R</div>	<div><div></div>D</div>	2021	2019	2017
GOVERNOR			Sununu	Sununu	Sununu
SENATE					
HOUSE OF REP.					

POLICY RECOMMENDATIONS

Fiscal: Local governments need to get a handle on school spending and taxes. State government may be able to help by moving town meetings and local elections to coincide with state elections, boosting turnout and diluting the political power of insiders.

Regulatory: Pass a right-to-work law that is consistent with free association, as described in the text.

Personal: Legalize more forms of private gambling that pay out at a higher ratio than the state lottery and therefore, even for anti-gambling advocates, should be considered less exploitative.

ANALYSIS

In the fifth edition of the index, Florida had overtaken New Hampshire as the freest state. This time, New Hampshire has regained the crown as the freest state in the Union. In the more distant past, New Hampshire had a huge lead over the rest of the country on fiscal policy, a lead that partly dissipated between 2000 and 2008 because of big increases in local property taxes, which were in turn driven by growth in education spending. It has rebounded quite a bit in absolute terms but has been eclipsed by Florida and Tennessee on the fiscal front. New Hampshire grabs the top spot overall because it does well in both economic freedom (third) and personal freedom (second), something that is also true of Florida but is not the case for Tennessee. It could be a challenge for rivals to catch New Hampshire next time because of policy changes in 2021 in a pro-freedom direction, including tax cuts and the passage of the education freedom accounts program. The “New Hampshire Advantage” could get even stronger within New England. The three states of northern New England pose a stark contrast in economic policies and, for most of the late 20th and early 21st centuries, economic outcomes.

New Hampshire’s overall tax burden is well below the national average at 8.1 percent. The state government taxes less than any other state but Alaska. We show a decline in state taxes as a share of adjusted personal income from a high of 3.8 percent in FY 2002 to 3.0 percent today. Meanwhile, local taxes have risen from 3.7 percent of income in FY 2001 to 5.1 percent in FY 2019 (which is down from a high of 5.6 percent in FY 2012). New Hampshire is, therefore, a highly fiscally decentralized state. Granite Staters have quite a wide choice in local government, with 2.8 competing jurisdictions per every 100 square miles. Government debt (12.7 percent), consumption (7.9 percent), and employment (10.1 percent) are all much lower

than average, and in all these categories we see improvements since 2010, especially on the debt side. However, cash and security assets are below average and have been dropping.

New Hampshire’s regulatory outlook is not so sunny. However, it is still an above-average state and improving relative to its past when a decade ago it ranked in the mid-30s. The Granite State’s primary sin is exclusionary zoning. Both measures suggest that New Hampshire is among the more regulated states, although one measure shows improvement since 2005 relative to other states. Part of the problem might be the absence of a regulatory takings law. However, the eminent domain law is strong. The state has a renewable portfolio standard. On labor-market freedom, New Hampshire is below average primarily because of the absence of a right-to-work law and of any exceptions to the workers’ compensation mandate. New Hampshire has no state-level minimum wage. Health insurance mandates are low, but the state mandates direct access to specialists, hobbling managed care. A telecommunications deregulation bill was passed in 2011/12, but the state has not yet adopted statewide video franchising. The state is above average on occupational freedom solely because the health professions enjoy broad scope of practice; the extent of licensing grew significantly during the 2000s and continued in the past half decade. Insurance freedom is generally better than average, except for some rate classification prohibitions. The hospital certificate-of-need law was abolished in 2011/12, but that only became effective in 2016. Household goods movers are still licensed. There are no price-gouging or sales-below-cost laws. New Hampshire is one of the least cronyist states. The state’s civil liability system is far above the national average; punitive damages were abolished long ago.

New Hampshire is quite personally free. Incarceration rates are low but rose sig-

nificantly around 2011, only to get better again during the past few years. Drug arrest rates are also low but had moved up during 2011–2016 before falling again. Nondrug victimless crime arrests are down substantially after being only about average for years. The state enacted a significant asset forfeiture reform in 2016 and is among the top states. Tobacco freedom is below average, as taxes are fairly high, and smoking bans are extensive. The state now has a limited anti-vaping law. Educational freedom is extensive in the Granite State. A liberal tax-credit scholarship law was enacted in 2012 and a local-option voucher law in 2018, raising the state significantly above average on educational freedom even though compulsory schooling lasts 12 years, and private schools require state approval. A 2021 expanded ESA will help the state improve its ranking in this category. Because New Hampshire has only charitable gambling, it scores well below average in the gambling freedom category. Its ranking should improve because of the 2020 legalization of sports betting. Cannabis freedom is above average, helped by the 2017 decriminalization law but dragged down by an inability to fully legalize. Alcohol freedom is about average; the state monopolizes liquor retail and wine wholesale, but the effective tax rate is extremely low. Wine (but not spirits) is in grocery stores. It is one of the two best states in the country for gun rights. The constitutional carry bill enacted in 2017 helped here. New Hampshire has neither a seat belt law nor a motorcycle helmet law.