NH INSIGHTS · PUBLISHED ARTICLE

# Is Local Spending Really Out of Control?

Scott Shepard · August 1, 2026

> Figures are linked to the public image files used in the original NH Insights article; this print-friendly PDF preserves the text but does not embed those images.

*The broadest statewide evidence suggests the answer is no—but the full story is more complicated.*

When New Hampshire property taxes rise, the explanation often seems obvious.

Local governments and school districts must simply be spending too much.

It's an understandable conclusion. Tax bills have climbed steadily, and homeowners understandably want to know why.

But before we conclude that local spending has spiraled out of control, it's worth asking a different question:

**What do the best statewide spending data actually show?**

According to the U.S. Census Bureau—the nation's most comprehensive source of state and local government finance—New Hampshire's local direct general spending per resident was **slightly lower in 2022 than it was in 2011 after adjusting for inflation.**

That finding surprises many people.

It does **not** mean the government became cheaper.

It does **not** mean every town managed its finances well.

It does **not** mean your property taxes didn't increase.

It simply means the broadest statewide measure of actual local government spending does not support the idea that New Hampshire experienced a broad spending explosion.

## Broad Statewide Spending

Figure 1: View original chart or image online

Immediately, we see something important.

**Actual statewide spending and property taxes did not move together.**

That means something else must have been happening.

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## Taxes and Spending Are Not the Same Thing

A property-tax bill is not a spending report.

It is the amount that must be raised from property owners after accounting for every other available source of revenue, including state aid, federal grants, motor vehicle revenue, permits, fees, investment income, tuition, and fund balance.

If outside revenue falls while spending stays the same, property taxes increase.

Likewise, spending can increase without increasing property taxes if grants or other revenues cover the additional cost.

Property taxes tell us **how the government is financed.**

They do not directly tell us **how much the government spent.**

That distinction helps explain why homeowners experienced rising tax bills even though statewide spending did not broadly explode.

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## School Spending Increased—but So Did the Cost of Serving Fewer Students

Education tells a similar story.

Total statewide school spending increased modestly after inflation.

At the same time, enrollment declined dramatically.

The result was a much higher expenditure per student.

### School Finance

Figure 2: View original chart or image online

At first glance, a 23% increase per student appears alarming.

But schools do not operate like factories where costs fall immediately as enrollment declines.

Buildings still require maintenance.

Bus routes still run.

Technology systems remain.

Debt payments continue.

Many costs are fixed—or “step-fixed”—meaning they change only after enrollment falls enough to eliminate an entire classroom, building, or route.

That is especially true in rural communities.

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## State Support Also Changed

Another important part of the picture is state aid.

Although aid increased in nominal dollars, it generally failed to keep pace with inflation and the number of residents and students being served.

### Real State Aid

Figure 3: View original chart or image online

In practical terms, local communities became increasingly responsible for financing services that had previously been supported to a greater degree by the state.

That naturally placed greater pressure on local property taxes.

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## Did Public Payrolls Drive the Increase?

Another common explanation is that public employees received unusually generous raises or that local governments dramatically expanded staffing.

The statewide evidence does not support either claim.

National Bureau of Labor Statistics data show that public-sector compensation increased at almost exactly the same rate as private-sector compensation.

Meanwhile, statewide government payroll employment actually declined.

### Workforce Trends

Figure 4: View original chart or image online

This does **not** mean every municipality behaved the same way.

Some added employees.

Others reduced staffing.

But statewide there is little evidence that expanding payrolls or unusually large raises were the primary drivers of higher property taxes.

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## What Probably Happened?

No single statistic explains New Hampshire's rising property taxes.

Instead, the evidence points toward several overlapping pressures.

State aid lost purchasing power.

Schools spread many fixed costs across fewer students.

Benefit costs continued rising.

Special Programs became a larger share of school budgets.

Communities replaced aging infrastructure.

Deferred maintenance accumulated.

Local voters made different choices about service levels.

The available statewide data cannot tell us exactly how much each factor contributed.

But they clearly suggest a more complicated explanation than simply "local governments spent out of control."

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## The Missing Piece

New Hampshire still lacks one thing that could dramatically improve this conversation: a single statewide financial dashboard.

Taxpayers should be able to see, for every municipality and school district:

- actual expenditures;
- staffing trends;
- compensation;
- state and federal aid;
- debt;
- capital spending;
- enrollment;
- property-tax commitments; and
- public outcomes.

Without that transparency, debates about taxes too often become debates over assumptions.

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## Conclusion

Property taxes increased.

School spending per student increased.

Those facts deserve scrutiny.

But the broadest statewide evidence does **not** support the claim that New Hampshire experienced a general explosion in local government spending.

Instead, the evidence points toward a more complicated combination of declining real state support, fixed costs spread across fewer students, rising benefit costs, infrastructure replacement, deferred maintenance, and local policy choices.

That does not mean every budget was efficient.

Nor does it mean taxpayers should simply accept higher taxes.

It means we need better evidence before assigning blame.

And that begins with measuring spending—not just taxes—and giving every taxpayer access to the data needed to understand both.

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