

Economic Analysis

Sullivan's economic history was that of a typical northern New England hill town. Most of the community was engaged in farming and a smaller portion of the population worked in a few manufacturing enterprises located in East Sullivan and along Otter Brook. By the beginning of the 20th century, the woodworking mills were gone and many of the farming enterprises were disappearing. By the second half of the 20th century, most of the population was working outside of town although there were some who established businesses within the community. That pattern continues to this day and is unlikely to change in the future.

Sullivan has always benefited from its close proximity to Keene. During the 19th century, the city provided markets for agricultural and manufactured products. After the transition to a more suburban community in the 20th century, Sullivan people found work in the various offices and factories in Keene. Others found work in other communities in the Monadnock Region.

The 2015 Master Plan included a statistic from the 2010 census that noted that about one-third for our population was engaged in occupations classified as "managerial, business, science and arts." Another 20% were employed in "production, transportations, sales, or office work." 10% were listed as self-employed. Interestingly, these statistics do not measure those involved in health care or social services. These sorts of statistics, of course, are somewhat vague and open to some subjective interpretation, but it is probable that if we had the same set of statistics for the 2020 Census, they would reach a similar conclusion. Suffice it to say that the people of our community are employed in many different skills, professions, and types of self-employment.

For the most part, Sullivan's work force is employed outside the town as there is no large employer within the community. Since the last Master Plan, there has been a small rise in people who have "work-from-home" jobs. This has been facilitated by the introduction of broad-band, fiber-optic cable systems. Some of that was from our main communications utility (Consolidated Communications), however they did not cover the entire town. The 2021 Town Meeting agreed to a bond arrangement with a company called Fibercast. That company agreed to "wire" the rest of the town with fiber-optic thus making broad band available town-wide. This may or may not encourage growth in "work-from-home" employment or self-employment in the future.

Income

Per capita income (PCI) in Sullivan (as of 2019) was \$37,445. That places our town slightly below the state PCI (\$39,634) and above the Cheshire County PCI (\$31,912). That figure, however, represents a 50% increase of the amount recorded for the year 2000 (\$37,445 v. \$19,617). That increase compares to a 40% increase state-wide and 35% for the county for the same time period.

The median household income in Sullivan is \$83,750. 17% of individuals are living within 150% of poverty, defined as an income of \$37,290 for a family of 3. That figure is large unchanged since the last master plan was written in 2015.

Education Levels

Statistics for Sullivan's workforce education show that around 90% of our population have a high school diploma or higher education. 26% of our population hold a bachelor's degree or better. The 90% figure coincides with the state and county average of around 93%. However, the number of advanced degrees is lower (34% for the state and 37% for the county).

Town Expenditures and Revenues

Budgeting in Sullivan follows the rules set out in the NH Municipal Budget Law. Individual town departments construct their budgets annually and submit them to the Board of Selectmen. The Selectmen present a draft budget to the Budget Committee which holds hearings with the departments. The Budget Committee then holds a public hearing to receive input from the community. Using all of that information, the Budget Committee proceeds to construct a budget that considers needs for our town government as well as how those needs will be met given our revenue income structure. The result is the final budget that is presented to the Annual Town Meeting. Each article includes the amount recommended by the Budget Committee. Of course, the budgets for each department are subject to amendments from the Annual Meeting which has the final say on appropriations.

Expenditures are driven by many different factors including the cost of fuel, electricity, communication services, IT, salaries, office supplies, etc. The cost of major purchases is often aided by the use of capital improvement funds which allow the town to set aside certain amounts of money into funds that do not lapse at the end of the fiscal year. These act as "saving accounts" toward major purchases such as highway equipment, fire department equipment, repairs to town buildings, etc.

In the budget year 2024, all expenses paid by the Town amounted to \$2,660,465 (as reported in the 2024 MS-535 form). That includes the projected expenditure (to be raised from property taxes) by the Sullivan School District for their equivalent budget year (2024-2025) as well as taxes to the county and state. As we will see below, not all of these expenses are met through property taxes.

The following list reflects the percentage of expenses broken down by budget area:

- Sullivan School District (including payment for the State Education Tax), 51%.
- Highways, 17.5%
- County Government, 8%
- General Government (the "selectmen's budget" includes administrative costs, legal, building maintenance, insurance, etc.), 7.8%
- Public Safety (fire, police, etc.), 4.5%
- Capital outlay (expenses covered by capital funds), 4%
- Paid to capital funds, 2.6%
- Health and welfare, 1.8%
- Library and recreation, .08%
- Debt service, .01%

- Conservation, .001%

Keep in mind that this is a “snap shot” for one year. The actual expenditures will vary from year, but the major sources of expenditures (schools and highways) have not changed since the town was incorporated in 1787.

The major source of revenue for our town is the property tax charged to land owners based on the valuation of their property. In addition, the town takes in money from such things as car registrations, timber taxes, change of use taxes, fees, and permits.

However, there are other income sources as well. The Federal government may offer grants or emergency funds. These are usually one-time expenses for specific projects. Federal money may also be channeled through the state in form of grants. The state sends our town a portion of the money collected by the state-wide rooms and meals tax. They also provide an annual “block grant” to support highway improvement projects. Finally, the state collects an “education tax” also based on property valuation in town. This tax is intended to equalize the amount of money spent on education by towns across the state. Since Sullivan is a “receiving town” (as opposed to a “donor town”) most of that money remains in Sullivan and is used for the school district expenses.

According to the MS-535 for 2024, the town took in \$2,656,608 from all of those sources. The following list reflects the percentage of expenses broken down by income area:

- Property tax (including interest and penalties), 82%
- Motor vehicle permits, 5.4%
- Income from capital funds, 3%
- Highway block grant, 2.8%
- Rooms and meals tax distribution, 2.4%
- Federal grants (one-time), 1.75%
- Miscellaneous revenues, 1.45%
- Miscellaneous income, 0.5%
- Interest from investments, 0.5%
- Income from departments, 0.4%
- Change of use from current use and yield tax, 0.3%
- Income from permits and fees, 0.1%

Like the percentages for expenses, the figures represent a snap-shot for revenue. However, the largest percentage of revenue remains (far and away) the property tax.

The property tax is a regressive tax since those with middle or low incomes pay a higher percentage of their incomes toward their property tax than do those in the higher income brackets. Those in the State administration and the State Legislature have seldom considered any serious proposals to address this imbalance and there is no reason to expect that to change in the near future.

Sullivan’s property tax income derives almost exclusively from residences. There are some businesses in town but their impact on property tax income is minimal. Sullivan

has virtually no “summer residents” and no lake front properties which help other towns to spread the burden of the tax.

In light of these factors, Town and School District administrators will have to continue their policies of coping with the inevitable growth in expenses while considering the impact on those who pay property taxes. This includes careful monitoring of expenses through the fiscal year while still meeting our obligations. It also places an obligation on the town to conduct revaluations in a timely manner to ensure an equitable distribution of the burden.

Another factor to consider is growing the tax base. This is usually done by increasing dwellings and/or by encouraging commercial and industrial development. Currently, the Community Planning Ordinance allows for commercial and industrial development by variance from the Zoning Board of Adjustment and with a site plan review by the Planning Board. This allows such development and has long been part of our plans. Yet, Sullivan’s non-residential development has only happened on a small scale and has virtually no impact on revenues.

Sullivan’s topography greatly limits any large scale commercial or industrial growth. There is simply not enough flat land in town for such development. Commercial development also requires a large population base to be support its market—something our low population cannot provide. Thus, commercial development in Sullivan would have to be situated on a highway to attract customers from all over. The only location in town that fits that description is Route 9 (a Class I, limited access highway). Development along the highway south of East Sullivan is impossible due to the topography. North of East Sullivan is difficult due to the structure of the highway and several wetlands. Such a development would involve a major investment by the developer and involve numerous and expensive engineering and traffic studies.

The other aspect of growing the tax base is increasing residential housing. That is more practical than expanding commercial or industrial development in Sullivan, but new housing brings increased demand for services—especially schools. Since the property tax is a shared burden, the increased costs would be reflected in a higher tax rate. The lower amount of revenue generated by a house with a low valuation is compensated by those homes with a higher valuation. However, the more expensive our services become, the higher the tax rate will rise. Eventually, that pattern will force lower income and lower middle-income people out of our community. That, in turn, will upset a population balance that has existed in our town since World War II.

All of this means that the community through its Planning Board and Community Planning Ordinance must ensure that any future residential development achieves a balance that permits both expensive and moderately priced homes.