

LEGISLATIVE BULLETIN

Debt Ceiling Deal: What It Means for Cities and Towns

With days to spare, Congress passed the [Fiscal Responsibility Act of 2023 \(H.R. 3746\)](#). On Wednesday, the U.S. House of Representatives passed the bill on a vote of 314-117. This vote was followed by passage by the U.S. on Thursday on a vote of 63-36. (The President has stated that he will sign the bill as soon as it reaches him.) The deal brokered between the President and House Speaker would raise the federal debt ceiling and fund the government for the next two years. The deal offers concessions to both sides of the aisle—including clawbacks of unobligated funds in several COVID-era bills—and will avoid default if signed by the President by the June 5 deadline.

Under the deal, the American Rescue Plan Act (ARPA) State and Local Fiscal Recovery Funds (SLFRF) will not be subject to clawbacks. The clawback language contained in the bill applies to funds unobligated at the federal level, not at the direct recipient level. However, some unspent Covid relief funds at the federal level that will impact municipalities include the Education Stabilization Fund and the Public Health and Social Services Emergency Fund, although the impact is minimal. Additionally, federal aid programs like the Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance for Needy Families (TANF) would both see increased work requirements under the deal.

No Legalized Cannabis, Yet

As we reported [last week](#), one of the big items still being debated at the State House is cannabis legalization and sale. This week, the House Commerce Committee voted not to recommend non-germane amendment [2023-1892h](#) to [SB 98](#), creating a state-run retail cannabis program. Meanwhile, House Health, Human Services and Elderly Affairs has reviewed Senate [Amendment 2023-1930s](#) to [HB 611](#), forming a study commission charged with figuring out how the state will legalize and sell cannabis, and expressed a desire for a study committee, not a commission. (Note that a study committee is made up of legislators only,

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while a study commission consists of legislators *plus* a variety of stakeholders.) It is expected that the House will vote to non-concur and request a committee of conference on **HB 611**.

All that being said, rumors are swirling about House floor amendments relative to legalization of cannabis. If rumors are to be believed, it is possible that we will see additional attempts by the House to find a solution that works for a majority of its membership and complies with what Governor Sununu suggested several weeks ago.

Senate Budget Proposal – What’s In, What’s Out, What’s the Same?

On Thursday the Senate Finance Committee completed work on **HB 1** and **HB 2**, the biennial state operating budget and the trailer bill that enacts the statutory changes necessary to implement the budget. **HB 1** was approved unanimously by the Senate Finance Committee while **HB 2** was recommended on a partisan vote of 5-2. The committee’s budget proposal will go to the full Senate next Wednesday, June 7, for debate, consideration of amendments, and ultimate adoption of a “Senate version” of the budget. Since there are differences between the Senate version and the House version of the budget reflecting different revenue and spending priorities, a committee of conference charged with reconciling and/or compromising the differences is extremely likely. This committee of conference will have until June 22 to agree on a final version of the budget, which will then go back to both chambers for approval on June 29. If both chambers agree, the bill will then head to the governor for consideration.

From a municipal perspective, here is what’s in, what’s out, and what’s the same in the Senate Finance Committee’s proposed budget as compared to the House version adopted in early April:

Operating budget: The Senate Finance Committee approved its proposed \$14.47 billion operating budget, compared to the House approved \$15.76 billion spending plan.

Meals & Rooms Tax Distribution: Both the Senate Finance Committee and the House versions include meals and rooms tax funding at an estimated \$121.1 million in FY 24 with a potential increase to \$123.5 million in FY 25. It is of note that since this is now a dedicated fund and no longer a general fund expenditure per RSA 78-A:23, IV, Treasury has warrant authority to make statutory payments, so the municipal distribution will no longer be included as a line in the budget.

Highway Block Grant: Based on more recent highway fund revenue estimates, the Senate Finance Committee budgeted \$32.56 million in FY 24 and \$32.35 million in FY 25. Exact amounts per year will be based on RSA 235:23 which requires 12 percent of the gross road toll revenue (2.7 cents) and motor vehicle fees collected in the preceding fiscal year to be distributed to municipalities. The Senate Finance Committee also adopted an amendment to HB 2 to establish an annual registration surcharge on electric (\$100) and plug-in hybrid (\$50) vehicles, with proceeds credited to the highway fund.

The Senate Finance Committee also incorporated the language of **SB 270** (tabled by the Senate) into **HB 2** which appropriates an additional one-time payment of \$10 million for highway block grants for municipal road maintenance and repair and \$10 million for municipally owned bridges.

State Aid Environmental Grants for Wastewater: Both bodies included a \$27.9 million appropriation to fund wastewater state aid grants (SAG) for municipalities, and the Senate Finance Committee proposed an additional \$15 million per year in FY 26 and FY 27.

PFAS Response Fund: The Senate Finance Committee incorporated the language of [SB 138](#) (tabled by the Senate) into **HB 2** and appropriated \$2 million in funding for PFAS remediation to the PFAS remediation loan fund.

Cyanobacteria Mitigation Grant and Loan Fund: The Senate Finance Committee appropriated \$1 million to the cyanobacteria mitigation grant and loan fund, where the House version of the budget had established the fund, with \$1 dollar appropriated to the fund as a placeholder.

Flood Control: Both bodies included funds to reimburse municipalities involved in flood control compacts at \$830,000 each year.

Housing Initiatives: The Senate Finance Committee reduced the House approved InvestNH program appropriation from \$15 million to \$10 million and returned to the language of the governor’s proposal, which would allow both municipalities and housing developers to access grants.

The Senate Finance Committee also incorporated the language of [SB 145](#) (tabled by the Senate) into **HB 2**. This language would establish a New Hampshire housing champion designation program, include a housing production municipal grant program, and include a housing infrastructure municipal grant and loan program and proposes a \$5 million appropriation.

Addressing Homelessness: The Senate Finance Committee appropriated \$10 million for funding related to increasing rates for shelter programs and assisting cities and towns with housing expenses for homeless people.

New Hampshire Retirement System (NHRS): The Senate Finance Committee amended HB 2 and removed the House approved one-time \$50 million payment to reduce the New Hampshire Retirement System (NHRS) unfunded actuarial accrued liability (UAAL), which would have saved municipal employers \$105 million over the 20 years of the amortization schedule.

The Senate Finance Committee removed the House approved funding for a \$250 million proposal to roll back some of the 2011 pension reform through FY 2033 with \$50 million in appropriations during next biennium for retirement contributions for approximately 1,800 Group II police and fire employees who were not vested prior to 2012 but would have been prior to 2013. The proposal would have required the state to pay the municipal cost estimated at \$3.2 million per year for the next 10 years, leaving local taxpayers to fund the remaining 10 years of this 20-year policy change. This proposal was replaced with the establishment of a Retirement Benefits Commission to explore how NHRS can be used as a tool to aid in the retention and recruitment of government employees across both groups to consider all 48,000 active members.

The Senate Finance Committee added language from [SB 57](#) (tabled by the Senate) into HB 2, which changes the time of the 10 percent NHRS pension reduction from age 65 to the Group I member’s full retirement age under Social Security (up to age 67 depending on year of birth). This proposal would be funded in employer rates by local taxpayers in FY 2026 and FY 2027—and beyond. The cost estimate of this proposal is \$5.7 million beginning in FY 26.

Land and Community Heritage Investment Program (LCHIP): Both bodies included a \$5 million appropriation each year for the Land and Community Heritage Investment Program (LCHIP).

Cybersecurity Grant Program: Both bodies included funding for the State and Local Cybersecurity Grant Program at \$1.2 million for FY 24 and \$1.6 million for FY 25 for the state match to a federal cybersecurity grant, which will provide direct grant assistance to cities and towns.

Online election Portal: The Senate Finance Committee added a \$663,000 appropriation in FY 23 for the Department of State to implement the online election information portal. [SB 70](#) establishes an election information portal but did not have an appropriation to the Department of State.

Medicaid Reimbursements: The Senate Finance Committee increased Medicaid reimbursements by more than \$160 million and proposed to reauthorize the state’s expanded Medicaid Granite State Advantage program for the next seven years.

Stay tuned for future updates. The next act of the budget is about to begin!

Hearing Schedule

Please [click here](#) to find a list of hearings next week on bills that NHMA is tracking. Please note that the linked PDF only covers hearings scheduled for the next week. For the most up-to-date information on when bills are scheduled for a hearing, please use our [live bill tracker](#).

2023 NHMA UPCOMING MEMBER EVENTS	
June 5	Webinar: Federal Funding Opportunities & Coaching – 12:00 p.m.
June 5	Webinar: Developing and Adopting Effective Financial Policies – 5:30 p.m.
June 6	Code Enforcement Workshop (Hybrid) – 9:00 a.m.
June 8	Municipal Trustees Workshop (Hybrid) – 9:00 a.m.
June 12	Webinar: Introduction to Internal Controls, Segregation of Duties, Fraud and Risk – 5:30 p.m.
June 13	Webinar: The Right-to-Know Law and Public Meetings – 12:00 p.m.
June 15	2023 The Art of Welfare Workshop (Hybrid) – 9:00 a.m.
<p>Please visit www.nhmunicipal.org for the most up-to-date information regarding our upcoming events. Click on the Events & Training tab to view the calendar.</p> <p>For more information, please call NHMA’s Workshop registration line: (603) 230-3350.</p>	