



## 2022 Legislative Update

### State Aid to Municipalities FAQ

#### SB 401 and HB 1221

Revised July 26, 2022

The 2022 legislative session resulted in significant revenue sharing and state aid to local governments in a non-budget year. With the state reporting a record surplus of funds this fiscal year, [SB 401](#) and [HB 1221](#) are intended to provide one-time property tax relief through additional direct payments to cities and towns. This FAQ explains how SB 401 and HB 1221 will impact the local budget.

#### SB 401

**SB 401** will provide additional and immediate infrastructure resources to cities and towns. Using state general fund surplus generated in fiscal year 2022, this law appropriates \$36 million for the repair and maintenance of municipally-owned bridges, \$30 million in additional municipal highway block grants, and \$1 million toward the body worn and dashboard camera fund.

**What is the municipal distribution formula for roads and bridges?** Every municipality with a municipally-owned bridge will receive a share of the \$36 million allocated for the repair, maintenance, and construction in addition to any state or federal funds committed or available for bridge projects. No 20 percent match is required. **SB 401** will use the highway block grant formula and apply it to both the \$36 million in bridge funding to the \$30 million allocated for roads.

- **Highway Block Grants.** The \$30 million allocated for roads will follow the Department of Transportation “Apportionment A” formula used when calculating the annual highway block grant each municipality receives. Therefore, funds will be distributed among the municipalities based on their population in proportion to the entire state’s population and the other half is disbursed based on a municipality’s Class IV and V road mileage in proportion to the total statewide Class IV and V mileage. The additional funds will be distributed in a lump sum by mid-August. Each municipality will receive their allocation in the same manner as their Quarter 1 payment. The distribution amount for each municipality can be found [HERE](#).
- **Municipally-Owned Bridge Allocation.** The appropriation for bridges will be based on a similar 50/50 formula, where \$18 million will be distributed based on a municipality’s deck area proportional to the total deck area for municipally-owned bridges, and \$18 million will be distribution based on a municipality’s total share of the state population. The bridge payment is anticipated to be a lump sum payment which we can expect closer to year end. The distribution amount for each municipality can be found [HERE](#).
- **What can this money be used for?** **SB 401** will provide funding with restricted uses, meaning that it may be used to supplement (not supplant) local budgets; The “supplement not supplant” provision requires that these funds must add to (supplement) and not replace (supplant) local budgeted funds when providing services that

repair, maintain, and construct municipal bridges (bridge -aid); repair and maintain class IV and V roads or acquire the equipment necessary to maintain Class IV and V roads (additional highway block grant).

**Body & Dash Cameras.** Municipalities can apply for this grant and be reimbursed up to \$50,000 for the purchase of body-worn or dashboard cameras, software maintenance for the cameras, and maintenance and storage of data related to the cameras. **SB 401** would appropriate \$1 million dollars toward this fund.

- **How can a municipality accept and expend these funds?** The bill allows all three categories of funds to be considered “unanticipated revenue.” Therefore, a municipality may accept and expend the funds under the provisions of **RSA 31:95-b, II-IV**, whether or not a municipality has adopted that statute. For unanticipated money in the amount of \$10,000 or more, RSA 31:95-b requires the governing body to hold a public hearing on the action to be taken, with notice of the time, place and subject of the hearing published at least seven days before the hearing is held. For unanticipated money less than \$10,000, the governing body must post notice of the funds in the agenda and include notice in the minutes of the public meeting at which the money is discussed.

## **HB 1221**

**HB 1221** will provide a *one-time* payment by the state equal to 7.5 percent (estimated \$27 million) of the New Hampshire Retirement System (NHRS) employer contribution costs for Group I teachers and Group II police and firefighters in state fiscal year 2023. These state payments will be issued to each town or city as a reimbursement. Each city and town is expected to budget and pay 100 percent of their NHRS employer costs, and the state will issue a reimbursement equaling 7.5 percent of eligible Group I and Group II employer contribution costs. NHRS actuaries will calculate the reimbursement amount due to each municipal employer and provide the final information to the state treasurer in October. Now that this bill has been signed into law, NHMA recommends that municipalities report these funds as revenue on the MS 434 to be recorded as part of the tax rate certification process. In the alternative, a municipality may choose to accept and expend these funds as unanticipated revenue under RSA 31:95-b **only if the legislative body has previously adopted the authority in that statute.** A town that has *not* adopted RSA 31:95-b would be required to hold a special town meeting to accept and expend these funds as unanticipated revenue. NHMA does not recommend using the special town meeting process for these funds. Cities should consult their city charter and code for local provisions regarding acceptance of unanticipated revenue; if it is unclear if a city has adopted RSA 31:95-b, we recommend the council or board of aldermen do so.

NHMA will continue to provide updated information and guidance on SB 401 and HB 1221 as it becomes available to us.

## **Questions?**

Please contact NHMA at 603.224.7447 or [governmentaffairs@nhmunicipal.org](mailto:governmentaffairs@nhmunicipal.org)