

LEGISLATIVE BULLETIN

State Budget Hearings on Monday

On Monday, March 13, at 2:00 p.m. in Representatives Hall, the [House Finance Committee](#) will hold a public hearing on [HB 1](#) and [HB 2](#). **HB 1**, the state budget bill, contains proposed appropriations for the state budget for fiscal years 2024 and 2025. **HB 2**, the budget trailer bill, contains the statutory changes relative to state fees, funds, revenues, and expenditures needed to enact **HB 1**.

We wrote about some of the budget’s highlights in [Bulletin # 10](#), and updated the information contained in our publication [State Aid to Municipalities: History and Trends](#) to reflect the current budget and legislative decisions that have impacted municipalities. This publication includes the overall state aid to municipalities, the environmental grants (for water and wastewater projects), the meals and rooms tax distribution percentages, total highway funding, and the graph showing the increases in employers’ pension contribution rates. **For a more in depth look at HB 2 and a review of the history and trends of municipal state aid, local officials can join us for a webinar on Monday, March 20 at noon. [Register here!](#)**

Local officials can attend the budget hearings or submit written testimony to the committee [through the portal](#) or by [sending an email](#). Note that, traditionally, hearings on the state are longer than other bill hearings.

House Kills Anti-Lobbying Bill!

After a debate that centered almost entirely on NHMA and the value that NHMA provides to our members *and* legislators, the House voted to kill [HB 51](#) in a 224-148 roll call vote yesterday. We are thankful to the many legislators who voted Inexpedient to Legislate and we look forward to continuing to work toward demonstrating our value to all legislators.

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Inside this issue:

Immunity Bill Tabled	2
Health Officer Bill Advances	2
Retirement Bills	2
Hearing Schedule	4
NHMA Events	4

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Yesterday's outcome would not have been possible without the behind-the-scenes efforts of our members, and we are grateful for the conversations that all of you have had with your legislators to explain the problems with this bill. We encourage you to make one more outreach effort and thank your legislators who voted to kill this bill in the [roll call vote](#) yesterday.

House Tables Immunity Bill

In a decisive vote, the House voted to table [HB 647](#), the governmental immunity bill, 333-37. Although it is conceivable that the House *could* take the bill off the table and act on it prior to crossover, it is more likely that we will see this perennial bill return next session.

We are grateful to all the legislators who voted to table this bill and our many members who reached out and had conversations with their legislators to explain the significant problems with this bill.

House Passes Health Officer Bill

The House voted to pass [HB 154](#), the health officer bill that we wrote about [last week](#), in a 192-180 roll call vote. As pointed out during the hearing, the bill would reduce the speed at which local health officers can enact local ordinances to respond to local emergencies and concerns. The bill now heads to the Senate, where we will again oppose it and ask local officials to speak up about why this change would not benefit our communities.

Retirement Bills Create More Local Budget Burdens

This week, both the Senate and the House took actions to move forward bills that would increase NH Retirement System (NHRS) costs for cities and towns.

Yesterday, the Senate unanimously voted to pass [SB 205](#), which grants a 1.5 percent cost-of-living adjustment (COLA) to all New Hampshire Retirement System retirees on the first \$50,000 of their pension benefit if they retired on or before July 1, 2018, or any beneficiary of such member who is receiving a pension benefit. The COLA would take effect beginning July 1, 2024. The fiscal impact of this policy is an estimated increase to the actuarial accrued liability (UAAL) of \$119.3 million which would be paid by increasing future employer contribution rates over the next 20 years. (The estimated impact on Group I and Group II employer contribution rates is as follows: Employees-0.23%; Teachers-0.34%; Police-0.54%; Fire-0.53%.)

NHMA has no objection to COLAs when paid by the state, but we oppose additional assessments on local government employers. Unless the state is willing to fully fund the upfront cost of this proposal, this mandated increase in retirement costs will downshift to local budgets and need to be paid for by local taxpayers. NHMA expressed this concern to the Senate in testimony.

In fact, in 2018, the [2017 Decennial Retirement Commission issued a report](#) which addressed the fiscal impact of COLAs on the health of the retirement system. The commission's report stated as follows (page 11):

Recommendation: Authorize a one-time payment of \$500 per retiree, in 2018, and whenever funding is available.

Summary: A compounded cost-of-living allowance (COLA) is prohibitively expensive. A one-time temporary supplemental allowance creates no future obligations and can be funded in the normal budget process. \$500 is an amount that is large enough to be helpful, while still low enough that the total cost (approximately \$8 million) is reasonable to consider in the context of other demands for funding.

It is important to note that the reference to “whenever funding is available” was made in relation to state funding, not debits against the UAAL, which would be borne by employers, a.k.a. local taxpayers. (We note also that there was an unfunded COLA passed in 2019, which we opposed because it increased the then-existing \$5 billion NHRS unfunded liability by a 19.6 percent aggregate increase.) The current bill is similar in that it would increase rates and work against the current plan to pay down the unfunded liability to decrease employer rates and, thus, local taxation.

The Senate also passed **SB 57** and then immediately laid it on the table. This bill would change the time of the one percent NHRS pension reduction from age 65 to the member’s full retirement age under Social Security (up to age 67 depending on year of birth). It is estimated that this policy change will increase the actuarial accrued liability by \$45 million and in turn increase the employer contribution rates for Group I members only. (Estimated increase in rates: Teachers–0.30%; Employees–0.21%).

Meanwhile, in the House, the **Executive Departments and Administration Committee** voted to recommend two concerning bills that will impact NHRS participating employers:

- **HB 461** would require municipal employers to obtain an analysis from NHRS when eliminating or transferring a Group II position from full-time to part-time. Additionally, it would impose a costly requirement on the employer to continue to make contributions to the NHRS based on the highest compensation paid for the position in the prior five years and would impose a penalty equal to 2 percent of such contribution on the employer. Both the contribution and penalty are required in perpetuity unless the position is restored to full-time status. Although NHRS actuaries are unable to estimate the fiscal impact of this proposal, there would be a significant cost to any municipality that changed its staffing structure to better suit the needs of its citizens.
- **HB 559** would establish a new, defined contribution retirement state retirement plan for new state employee members of the retirement system who begin service on or after July 1, 2024. These employees would be known as “Group III” and, because the creation of Group III would prevent new employees from entering into the current retirement system, this bill will have an estimated impact on the existing retirement system for political subdivisions of approximately \$29.5 million beginning in 2026. That cost would increase in future years as more positions transition to Group III.

Note that the House previously passed **HB 250** and **HB 436**, which have been retained in the **House Finance Committee** to be considered for inclusion in HB 2:

- **HB 250** would increase the Group II accidental death benefit under RSA 100-A:8, II(b) from 50 percent to 100 percent of member’s annual rate of earnable compensation at the date of the member’s passing. NHRS estimates an increase in the actuarial accrued liability of \$4 million based on the proposed change. (Estimated increase in rates beginning in fiscal year 2026: Police–0.29%; Fire–0.32%.)

- **HB 436**, as amended, would adjust the transition provisions for Group II, Tier B members adopted in 2011 for a 10-year period until 2033, and require the state to appropriate \$25 million from the general fund each year to fund the cost of the benefits. **HB 436**, as amended, would adjust the transition provisions for Group II, Tier B members adopted in 2011 for a 10-year period until 2033, and require the state to appropriate \$25 million in general fund appropriations each year to fund the cost of the benefits. Although the bill requires the state to fund the cost, it will still add \$13.8 million to the UAAL, resulting in an impact on municipal rates across both Group I and Group II employers. (The estimated impact on Group I and Group II employer contribution rates is as follows: Employees–0.06%; Teachers–0.14%; Police–2.62%; Fire–2.72%.)

We note that the changes proposed to the retirement system are particularly troubling because they would greatly outweigh any cost savings created by **HB 50**, which proposes to pay \$50 million toward the UAAL (See [Bulletin #7](#)). We urge our members to consider the impact that retirement costs have on municipal, school, and county budgets—and ultimately on the property taxpayers who fund those budgets. **Please contact your representatives and advocate for the state to restore its promise of a contribution to the retirement system and to fund, through the state budget, any policy changes that would add new costs to the retirement system.** It is imperative that mandated increases in retirement costs be funded by state dollars, rather than local tax dollars.

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	
Mar. 15	Webinar: Cybersecurity for Government Leaders – 12:00 – 1:00
Mar. 20	Webinar: Municipal Aid and the State Budget – 12:00 – 1:00
Mar. 29	Webinar: Transportation Safety – 12:00 – 1:00
Mar. 30	Webinar: How to Handle a First Amendment Audit – 12:00 – 1:00
Apr. 5	Webinar: Succeeding at Tax Deeding – 12:00 – 1:00
Apr. 6	Local Officials Workshop (hybrid) – 9:00 – 4:00
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. For more information, please call NHMA’s Workshop registration line: (603) 230-3350.	