



May 3, 2021

Honorable Gary Daniels, Chair
Senate Finance Committee
State House Room Senate Chambers
Concord, New Hampshire 03301

Via Electronic Mail Only

Re: NHMA Testimony on HB 1 and HB 2

Dear Chairman Daniels and Members of the Senate Finance Committee:

Thank you for the opportunity to express New Hampshire Municipal Association (NHMA) members' concerns with HB 1-A and HB 2-FN-A-L, as approved by the House. NHMA is a nonprofit, non-partisan membership association representing all 234 cities and towns in the state. Our mission is to improve the ability of New Hampshire cities and towns to serve the public, which we do in part through the advocacy of member-driven legislative policy positions.

History of the State-Municipal Partnership

For decades, the state has been a partner with municipalities in different “revenue sharing” and “cost sharing” programs that are critical to the economic health and well-being of both our communities and the state. As explained in [NHMA's Municipal State Aid and Revenue Sharing publication](#), these have included programs that fund infrastructure improvements for roads and bridges and for water and wastewater facilities; make contributions to the cost of public safety personnel and teachers; and provide general property tax relief to offset public service expenses unique to each municipality and revenue to compensate for the loss of part of the local property tax base when the state reformed how businesses were taxed.

In 2010, to weather the state's recovery from the recession, there were significant reductions in every one of these municipal state aid programs. Although the economy rebounded in the last few years, the level of state aid did not. In fact, in 2020, before the pandemic, total municipal aid and revenue sharing was \$41.9 million below the 2009 level (see attached chart). These long, ongoing aid reductions are of a magnitude that could not be offset by local spending cuts; consequently, they have inevitably led to increased property taxes.

NEW HAMPSHIRE MUNICIPAL ASSOCIATION

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Proposed FY 22/23 Budget

Funding for municipal programs remains suspended, frozen, reduced, or eliminated in the proposed budget. **In fact, this budget further reduces state aid by approximately \$40.6 million over the current biennium.** This, unfortunately, leaves local property taxpayers to continue shouldering the financial burden of providing essential public services that benefit the broader economic health of the state. We know legislators are hearing from constituents about this burden, with many representatives and senators expressing the desire to provide property tax relief. However, even though the state has fared much better in this COVID-19 pandemic than originally projected and will receive substantial federal funds to replace lost revenues, the current version of the FY 22/23 biennial budget does not provide needed relief.

Using current Department of Revenue Administration's "high" meals and rooms tax revenue projections, which would provide a \$15 million increase in the municipal distribution, HB 1-A provides total state aid to municipalities in fiscal years 2022 and 2023 at only 66.8% of the level provided during the FY 08/09 biennium when the recession hit. The attached chart illustrates the significant reductions municipalities—and their taxpayers—have seen in state support. With Governor Sununu declaring, "We're keeping our commitment to cities and towns by providing millions in additional revenue sharing...after years of inaction..." and citing the economic recovery and current growth in state revenues, we believe the time has come for the state to renew its commitment to the state-municipal partnership.

We urge you to consider the following changes to the House approved budget:

- Amend Section 41 by eliminating the suspension of RSA 31-A and restore the statutory revenue sharing to provide municipal aid (reference made to SB 118).
- Amend Section 100 of HB 2 to include an increased distribution of meals and rooms tax revenue to return the percentage of municipal distribution to 40 percent as intended and set forth in RSA 78-A:26, or as proposed by SB 99. ARPA funds may be used to replace decreased state revenue, and this provides an excellent opportunity to provide relief for both the state and municipalities.
- Provide funding that reflects a commitment to transportation infrastructure improvements.
- Amend HB 2 to increase the budgeted distribution of municipal bridge aid if significant additional federal funds are received under the APRA allowing such infrastructure investment. Current funding allows only 5-6 bridges to be completed per year, while 223 municipal bridges remain on the Municipal Red Bridge list posted on March 21, 2021.
- Eliminate Section 32 of HB 2 and restore the state aid grant funding for all wastewater projects previously approved by the governor and executive council; amend HB 1 to restore this \$15.6 million in funding.
- Amend Section 60 of HB 2 to include the state aid grant funding put forth in SB 127, Parts VII and VIII for water and wastewater facilities, and lift the December 31, 2019, moratorium.
- Amend HB 2 to restore a percentage of employer retirement contributions for teachers, police, and firefighters, as proposed by SB 72.

The American Rescue Plan: An Opportunity

The federal American Rescue Plan Act (ARPA) is an important factor in this biennium state budgeting process. We encourage the Senate to work with towns and cities and the NHMA, the state water and wastewater associations, the Drinking Water and Groundwater Advisory Commission, executive and legislative leaders, and the Department of Environmental Services to take advantage of a very timely and unique opportunity to meet the critical clean drinking water and water pollution needs of New Hampshire. We believe ARPA (plus the potential American Jobs Plan) provides an excellent opportunity for our local and state governments to work together to maximize the deployment of these federal funds and make significant investments in water and sewer infrastructure. **This includes the opportunity to fulfill the state's commitment to fund the state aid grants for towns, cities, and village districts, who, in good faith, budgeted for and completed projects in "partnership with the state"—even through the pandemic when other parts of the economy were shut down, ensuring the preservation of public health, economic stability, and jobs.**

Although the U.S. Treasury Guidance, which is not yet available, will include specific information about how these federal funds can be spent, we urge Senate Finance to work with the Senate and House leadership to seek collaboration among all stakeholders with the goal of developing a plan to use the funds targeted for the state, municipalities, and village districts for these purposes. We believe such a plan can be strategically deployed to maximize the fulfillment of existing water and sewer funding programs designed to encourage and support the economic viability of completing needed infrastructure projects throughout the state. By proactively and collectively addressing this statewide infrastructure need now, we will not miss a valuable opportunity to achieve several very positive and mutually beneficial goals, such as:

- Replace aging infrastructure and build new infrastructure targeted for the removal of identified drinking water contaminants to preserve the natural resources necessary to support our state's business and economic development to ensure we can continue to promote our high rankings in health for generations to come. Clean drinking water and water pollution control are certainly one of our highest health priorities.
- Lift the moratorium on state aid grant projects completed after December 31, 2019.
- Fully fund the state aid grant programs set forth in RSAs 486 and 486-a, which will
 - Restore the public and municipal trust in the state in meeting its statutory obligation.
 - Strengthen the valuable state and local partnership to achieve this mutual requirement.
 - Encourage and provide economic incentive for approval of local projects, benefitting both individual communities and larger regional targeted areas.
 - Provide and ensure funding sources which can be utilized **before** a project needs to utilize the finite monies in the Drinking Water and Groundwater Trust Fund.
- Maximize the use of this available public investment which will in turn, attract new investment and return general fund revenues to the state such as increased meals and rooms tax, business profits tax, and real estate transfer tax.

The goal of ARPA funds is to expedite recovery and revitalize the economy as we move past the COVID-19 pandemic. On behalf of New Hampshire's cities and towns, we stand ready to assist and

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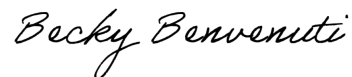
provide whatever necessary resources we can to help the budget process meet New Hampshire's water and sewer infrastructure needs.

On behalf of our member cities and towns, we urge the Senate Finance Committee to recommend a biennial budget that *restores the partnership between the state and its municipalities*. As you are aware, local budgets are funded primarily through property taxes; as a result, every state budget that does not restore revenue sharing or include funding for state-created programs puts further strain on taxpayers. We urge the committee to support a collaboration which builds upon the state and local partnership to maximize the deployment of new federal funds, and we urge the committee to appropriate funds to municipalities so they can continue to deliver public services critical to the economic vitality and quality of life in the State of New Hampshire.

Thank you for your consideration of our members' concerns. Please do not hesitate to contact us if you have any questions or if we can provide further information.

Respectfully,

Margaret M.L. Byrnes
Executive Director



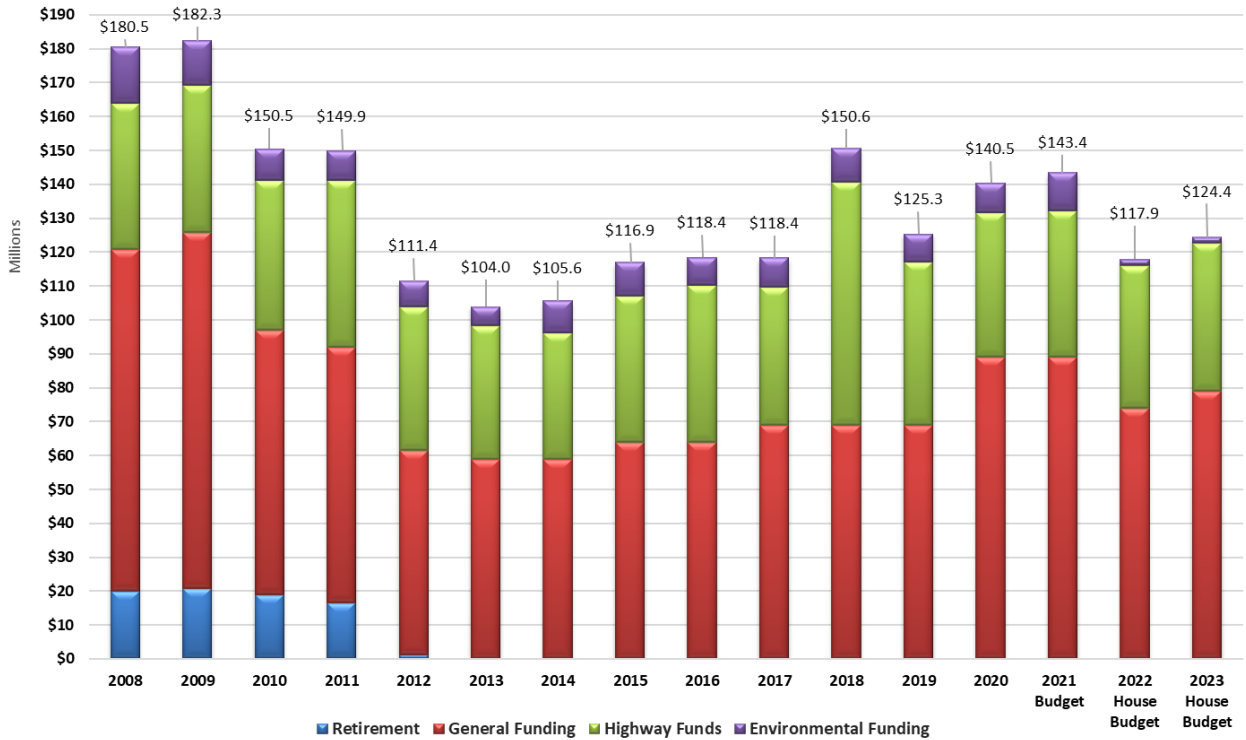
Becky I. Benvenuti
Government Finance Advisor

Attachment (next page)

cc: Honorable Members of the Senate Finance Committee
The Honorable Chuck Morse, Senate President
The Honorable Sherman Packard, House Speaker
Matthew Mailloux, Budget Director
NHMA Board of Directors

STATE AID TO TOWNS & CITIES: 2008-2021
HB 1, HB 2 (House Finance Budget): 2022-2023

Note: This graph includes the full amount of Meals & Rooms Distribution "Allowed For" by HB 1 operating budget, which is dependent upon FY 2021 revenue being at least \$5 million greater than FY 2020 revenue.



Data Sources: NHLBAO State Aid Charts, 10/20/20 and 4/05/21;
 HB1, HB2 - House Finance Operating Budget and Budget Trailer Bill, 3/31/21
 DRA 4/19/21 Revenue Projections