



Property Tax and State Aid to Cities & Towns

NHMA BUDGET & FINANCE
WORKSHOP

2024

KATHERINE HECK,
GOVERNMENT FINANCE ADVISOR

Home Rule?



- *All* power comes from legislature.
- Find a law that allows action, either express or necessarily implied.
- Not enough to say “no law says we can’t do it.”
 - *Girard v. Allentown*, 121 N.H. 268 (1981).

Property Taxes

The tax people love to hate!



...the adoption of the town or city budget establishes the foundation upon which property tax bills will be based....

MUNICIPAL STATE AID AND REVENUE SHARING IN RELATIONSHIP TO LOCAL PROPERTY TAXES

Property tax *is* the primary source of local revenue.

Reductions in any state aid program, or the shifting of state costs to municipalities, most often results in increased property taxes.

Conversely, increased or additional state aid or revenue sharing will decrease the local tax effort.

- Education funding received by school districts affects the local school property tax rate, *not* the municipal property tax rate.



Understanding Tax Policy

The four taxes that make up the tax rate
– create the overall total tax rate.



Town/City

County

Local Education

SWEPT

(Village District)



The four rates are added
together to produce the town
or city's overall tax rate.



An increase in assessed value
does not necessary translate
into an increase in property tax.



For an individual homeowner,
the overall tax rate is then
multiplied by the assessed
value of that home and then
divided by 1,000.



New Hampshire
Department of
Revenue
Administration

2023
\$25.57

Tax Rate Breakdown Dunbarton

NOTES:

➤ Municipal Tax
➤ (Village District)

➤ County Tax

➤ Local Education

➤ State Education (SWEPT)

Municipal Tax Rate Calculation				2023	2022
Jurisdiction	Tax Effort	Valuation	Tax Rate		
Municipal	\$1,817,039	\$410,451,695	\$4.42	3.83	
County	\$1,016,295	\$410,451,695	\$2.48	2.53	
Local Education	\$6,916,018	\$410,451,695	\$16.85	15.29	
State Education	\$703,348	\$387,073,295	\$1.82	1.33	
Total	\$10,452,700		\$25.57	22.98	

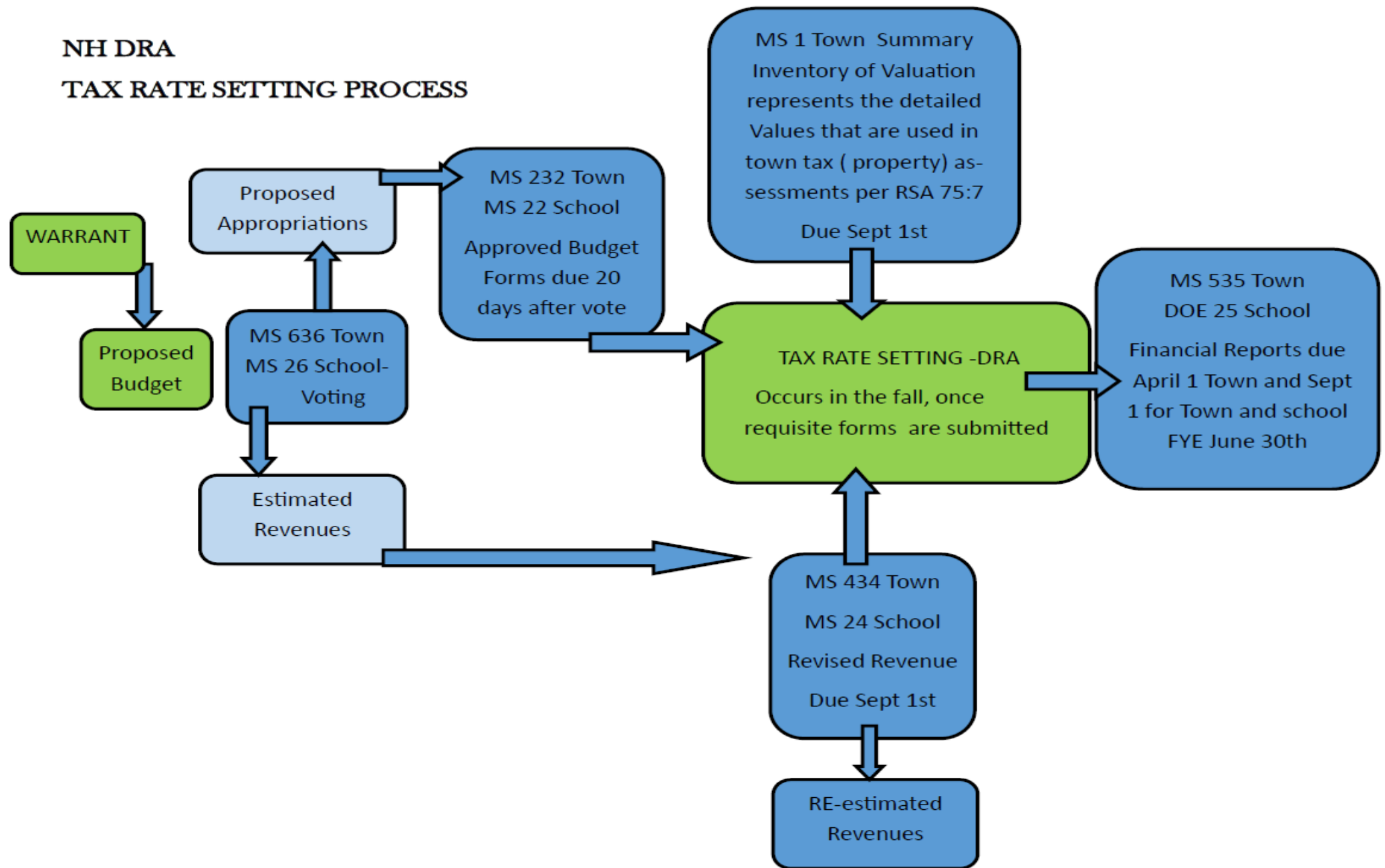
Village Tax Rate Calculation			
Jurisdiction	Tax Effort	Valuation	Tax Rate
Total			

Tax Commitment Calculation	
Total Municipal Tax Effort	\$10,452,700
War Service Credits	(\$60,465)
Village District Tax Effort	
Total Property Tax Commitment	\$10,392,235

Sam Greene
Director of Municipal and Property Division
New Hampshire Department of Revenue Administration

10/19/2023

NH DRA TAX RATE SETTING PROCESS



The Property Tax Process

Appraisal: At least every 5 years

Assessment: As of 'April 1'

Tax Rate Setting: In the Fall

Collection:

Billing, Liening, and Deeding

SCENARIO 1

			TOTAL
MARKET VALUE	\$250,000	\$250,000	\$500,000
ASSESSED VALUE	\$250,000	\$250,000	\$500,000
TAX RATE	\$20/\$1,000 of value	\$20/\$1,000 of value	
TAX BILL	\$5,000	\$5,000	\$10,000

Assessing & Proportionality

SCENARIO 2

			TOTAL
MARKET VALUE	\$225,000	\$225,000	\$450,000
ASSESSED VALUE	\$250,000	\$250,000	\$500,000
TAX RATE	\$20/\$1,000 of value	\$20/\$1,000 of value	
TAX BILL	\$5,000	\$5,000	\$10,000

SCENARIO 3

			TOTAL
MARKET VALUE	\$275,000	\$275,000	\$550,000
ASSESSED VALUE	\$250,000	\$250,000	\$500,000
TAX RATE	\$20/\$1,000 of value	\$20/\$1,000 of value	
TAX BILL	\$5,000	\$5,000	\$10,000

► Anytown, NH

2 Similar Properties – Located in Same Neighborhood

\$10,000 – TOTAL TAXES NEEDED

ASSESSMENT:

- • Property A \$ 250,000
- • Property B \$ 250,000

TOTAL ASSESSED VALUE: \$ 500,000

SCENARIO # 1

► SET THE TAX RATE: \$10,000 ÷ **\$500,000** = **\$20.00/\$1,000**
► (tax needed) (assessed value) (Small Town Tax Rate)

TAX AMOUNTS BILLED:

- • Property A: \$ 250,000 x **\$20** tax rate = **\$ 5,000** property taxes
- • Property B: \$ 250,000 X **\$20** tax rate = **\$ 5,000** property taxes

TOTAL TAXES BILLED

\$10,000 Total Taxes

ASSESSMENT:

- Property A \$ 275,000
- Property B \$ 275,000

TOTAL ASSESSED VALUE: \$ 550,000

SCENARIO # 2

SET THE TAX RATE: \$10,000 ÷ **\$550,000** = **\$18.18/\$1,000**
(tax needed) (assessed value) (Small Town Tax Rate)

TAX AMOUNTS BILLED:

- Property A: **\$ 275,000** x **\$18.18** tax rate = **\$ 5,000** property taxes
- Property B: **\$ 275,000** X **\$18.18** tax rate = **\$ 5,000** property taxes

TOTAL TAXES BILLED

\$10,000 Total Taxes

The Equalization Process



- Equalization necessary for shared taxes
- County, Co-op School, Statewide Education
- DRA adjustment reflects proportionality to other municipalities

DRA 2023 EQUALIZATION SURVEY

NH DEPARTMENT OF REVENUE ADMINISTRATION
MUNICIPAL AND PROPERTY DIVISION
2023 Equalization Survey Including Utilities and Railroad

Municipality	GRAFTON COUNTY				
	Modified Local Assessed Valuation	DRA Inventory Adjustment	Equalized Assessed Valuation	Equalized Payments in Lieu of Taxes*	Equalized Railroad Tax
Alexandria	299,368,820	107,243,991	406,612,811	378,310	0
Ashland	442,367,158	11,336,577	453,703,735	908,145	0
Bath	150,124,412	42,729,980	192,854,392	6,003,876	0
Benton	54,353,895	(2,322,224)	52,031,671	691,980	0
Bethlehem	518,239,991	66,505,684	584,745,675	1,994,852	2,275
Bridgewater	465,422,300	362,524,958	827,947,258	0	0
Bristol	561,884,570	474,761,869	1,036,646,439	2,709,819	0
Campton	457,917,695	566,233,987	1,024,151,682	878,720	0
Canaan	460,179,721	166,727,027	626,906,748	6,912	0
Dorchester	46,073,987	26,863,326	72,937,313	32,638	0
Easton	77,783,741	48,695,906	126,479,647	390,316	0
Ellsworth	19,479,979	11,434,768	30,914,747	377,210	0
Enfield	619,097,591	459,376,550	1,078,474,141	0	0
Franconia	425,542,281	199,283,854	624,826,135	942,373	0
Grafton	142,818,832	88,213,895	231,032,727	0	0

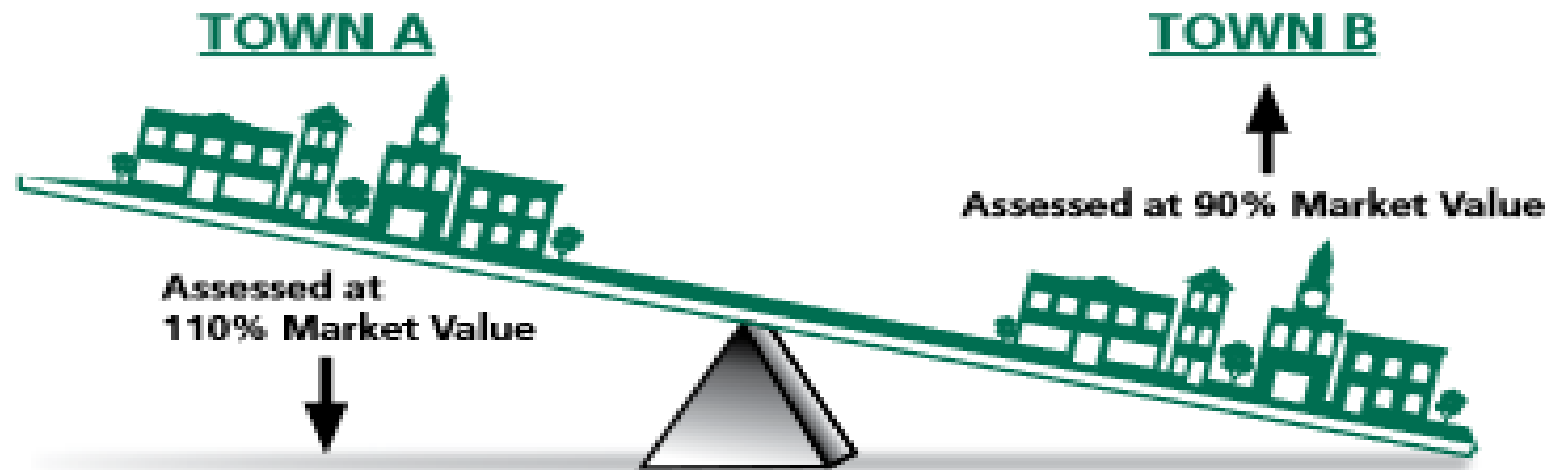
governmentaffairs@nhmunicipal.org /603.224.1441/ www.nhmunicipal.org

<https://www.revenue.nh.gov/sites/g/files/ehbemt736/files/documents/2023-equalization-survey-including-utilities.pdf>



Equalized Property Values

Before DRA Equalization Adjustment



After DRA Equalization Adjustment



Does adding value to the property tax base bring in more tax revenue?

Example 1



TOTAL

MARKET VALUE	\$250,000	\$300,000	\$550,000
ASSESSED VALUE	\$250,000	\$300,000	\$550,000
TAX RATE	\$18.18/\$1,000 of value	\$18.18/\$1,000 of value	
TAX BILL	\$4,545	\$5,455	\$10,000

Example 2



TOTAL

MARKET VALUE	\$250,000	\$250,000	\$250,000	\$750,000
ASSESSED VALUE	\$250,000	\$250,000	\$250,000	\$750,000
TAX RATE	\$13.33/\$1,000 of value	\$13.33/\$1,000 of value	\$13.33/\$1,000 of value	
TAX BILL	\$3,333	\$3,333	\$3,333	\$10,000

Setting the Tax Rate

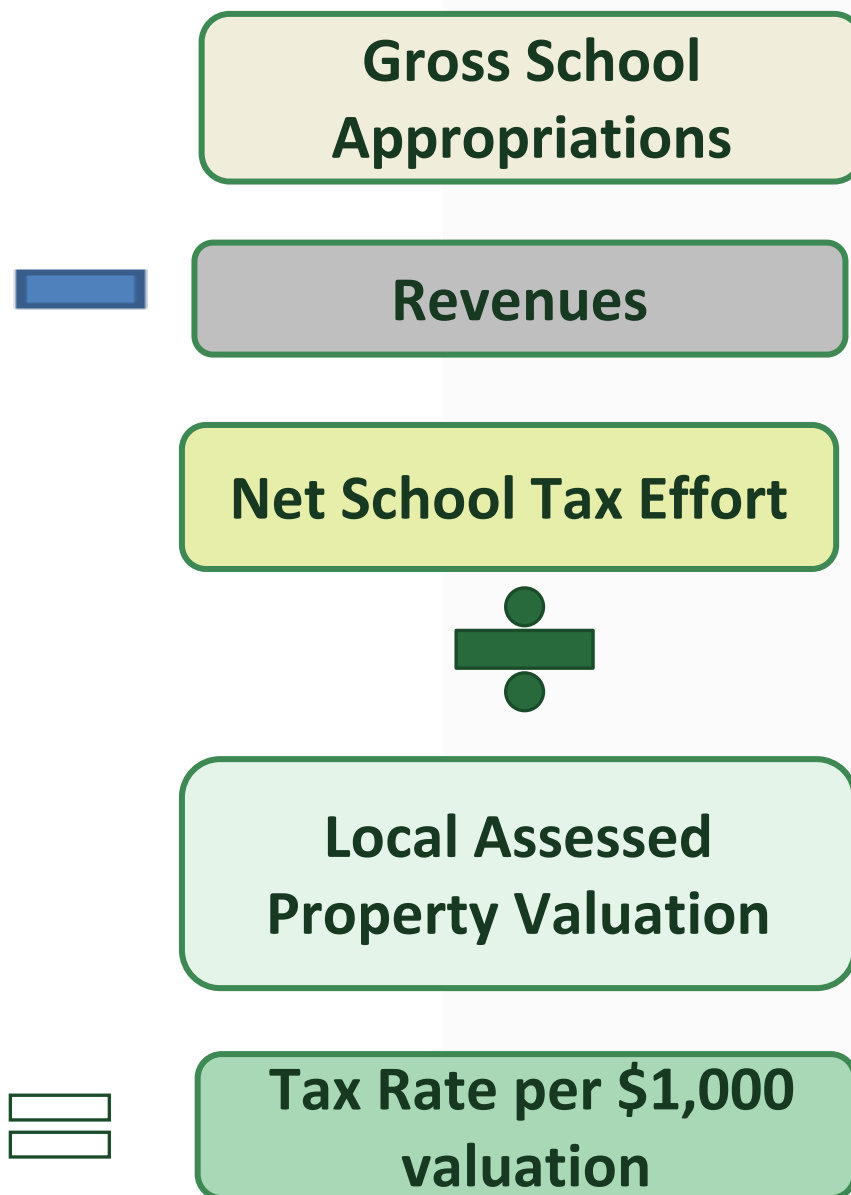
Voted Appropriations
minus All Other Revenue
divided by Local Assessed
Property Value *equals*
Rate

Multiply the rate
by 1,000, to get
the property tax
rate per \$1,000 of
property value.

Municipal Tax Rate

	Gross Appropriations		\$20,207,555
-	Revenues	-	\$8,024,656
+	Overlay (5% Max)	+	\$4,406
+	Veterans Credits	+	\$438,750
=	Net Municipal Tax Effort	=	\$12,626,055
	÷		÷
	Local Assessed Property Valuation		\$1,411,324,700
=	Tax Rate per \$1,000 Valuation	=	\$8.95

School Tax Rate



State Education Taxes

\$363,000,000



% Proportion to Total State
Equalized Val.



Net State Education
Tax Effort



Local Assessed Val.



State Education Tax Rate
per \$1,000

County Taxes

Anytown

Gross Appropriations

\$27,744,315

Revenues

\$14,780,875

Total County Tax

\$12,963,440

% Proportion to Total
County Eq.Value

15.3907%

Net County Tax Effort

\$1,995,162

Local Assessed Val.

\$1,711,107,085

County Tax Rate per
\$1,000

\$1.17

Federal- State-Municipal *Partnership*



HB1/HB2 – FY 24/25

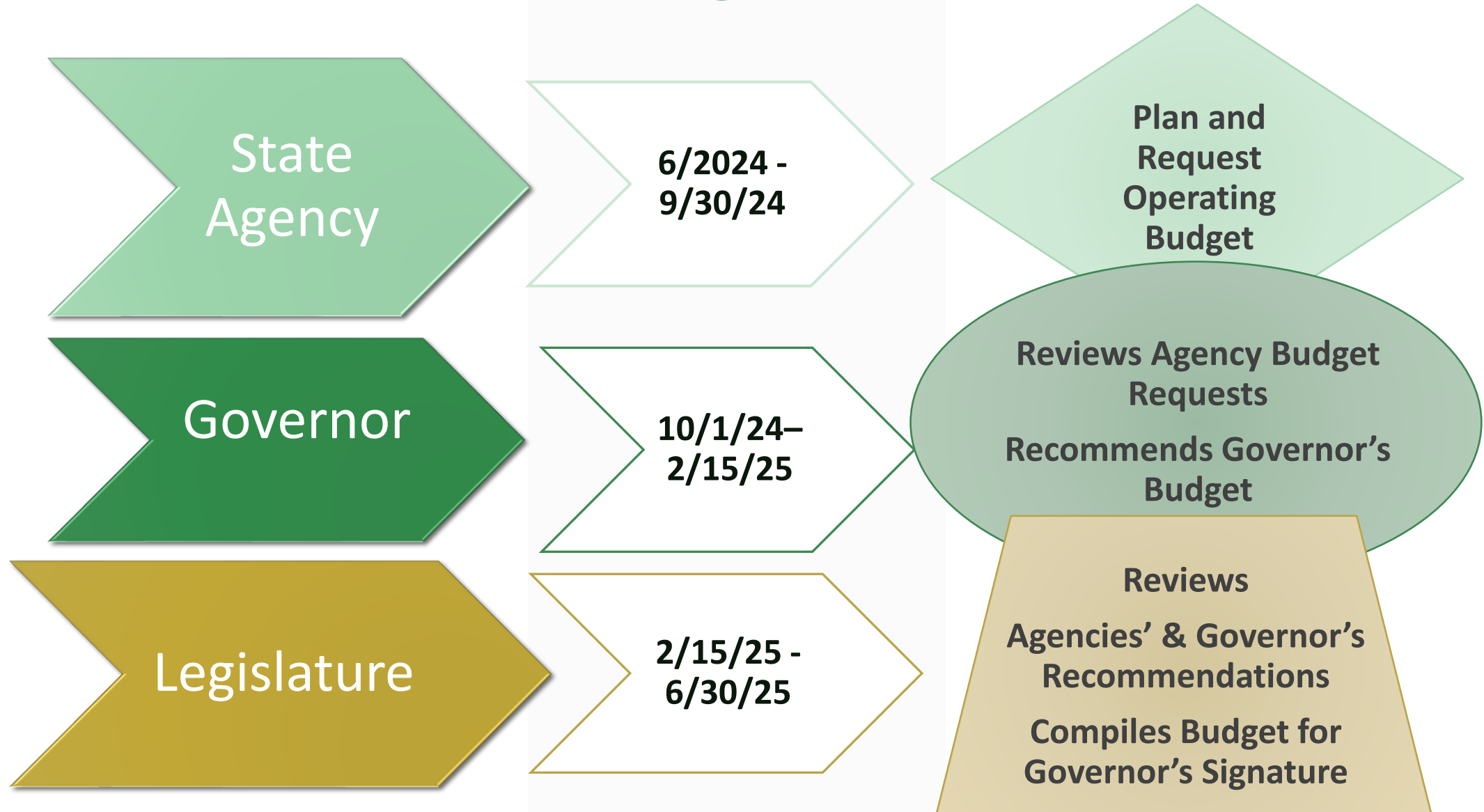


Current State Budget

Biennial State Operating Budget and Trailer Bill.

- ▶ Chapter 106 (HB 1) and Chapter 79 (HB2) comprise the state operating budget
- ▶ Appropriations are contained in (HB1)
- ▶ The trailer bill (HB2) contains statutory changes necessary to implement the budget for the two-year period
July 1, 2023, through June 30, 2025.
- ▶ The current state budget had an **effective date of July 1, 2023.**
- ▶ The FY 24/25 budget process has begun and will be decided in the upcoming legislative session with an effective date of **July 1, 2025.**

State Biennium Budget Process FY 25/26



The State Budget and all *proposed* Legislation must:



Pass the House



Pass the Senate

Signed
BY 

Governor before July 1, 2025.

FY 24/FY 25 MUNICIPAL REVENUE SHARING and STATE AID SOURCES

General Funds:

Meals and Rooms Tax Revenue Distribution —→ Revenue Estimates indicate level funding at \$121 Million
State Revenue Sharing (Suspended 2010-2021) —→ Suspended in Governor's Proposal & House Finance
State Normal Retirement Contribution (Repealed 2013) —→ Tabled in 2023/Killed in 2024
Railroad Tax Distribution
State Municipal Aid Grants (One-Time Surplus: Added 2020-2021) —→ **None Passed this session**

Environmental:

Flood Control
Landfill Closure Grants
Public Water System Grants
Pollution Control Grants – State Aid Grants (SAGs) —→ \$27.9 million in state surplus (**SB 230** and **HB 311**,) funding for the State Aid Grant (SAG) program for qualified wastewater projects.
Water Supply Land Protection Grants

Highway:

Highway Block Grants
Highway Construction Aid
State Municipal Bridge Aid } **SB 270**- \$20 Million in One-time funding for Roads and Bridges received in 2023.

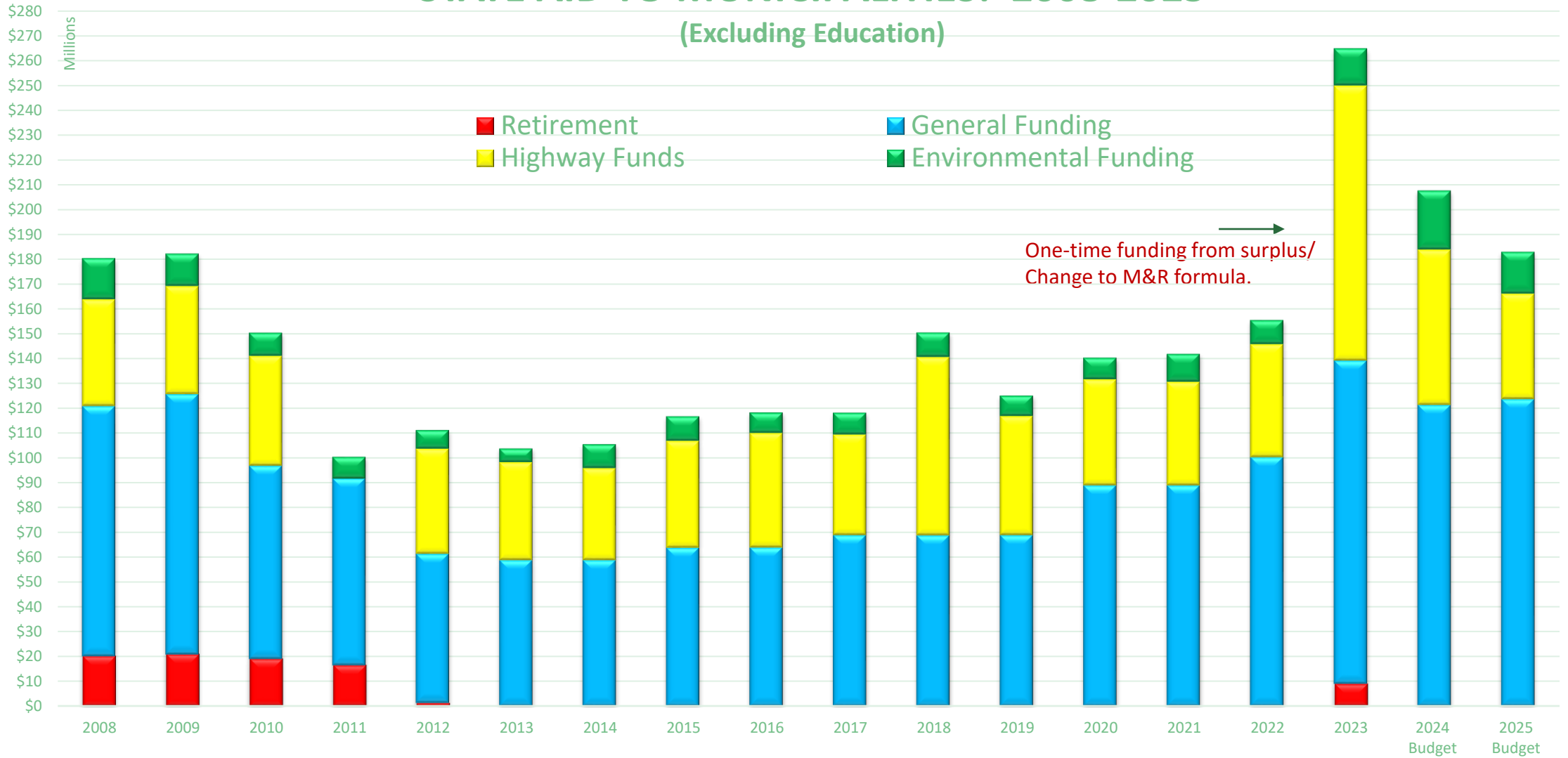


NHMA's advocacy tool, **Municipal State Aid and Revenue Sharing (History & Trends) Booklet** is now available for download.

governmentsaffairs@nhmunicipal.org / 603.224.7447 / www.nhmunicipal.org

STATE AID TO MUNICIPALITIES: 2008-2025

(Excluding Education)



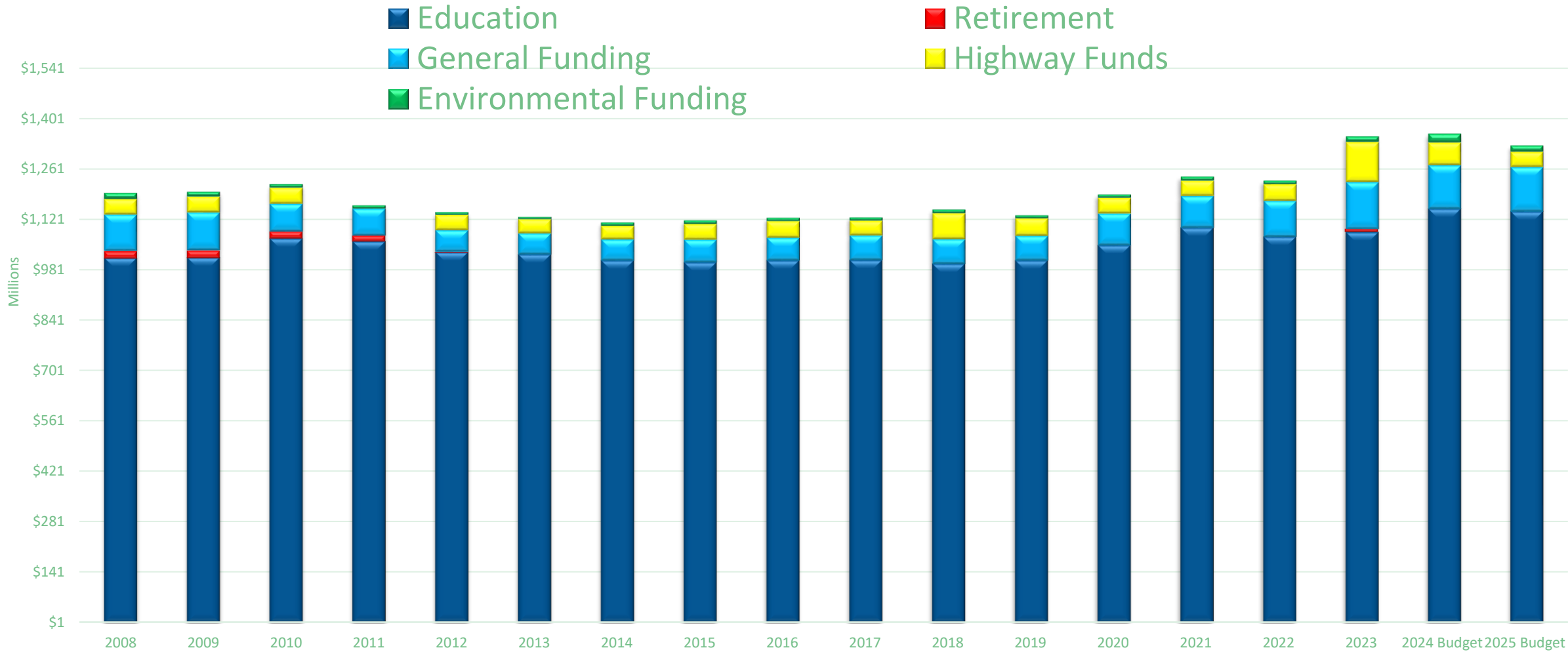
Data Source: NHLBAO State Aid Chart



General Funding: Meals & Rooms (catch-up formula suspended FYs10-14,16,18-21, New Formula FY22),
Revenue Sharing (suspended FY10-23),
Municipal Aid One-Time from Surplus (added FY20-21),
State Retirement Contributions (Reduced FY10, Discontinued in 2013, One-time payment from surplus FY23)
Environmental Funding: Excludes Grants from the Drinking Water and Groundwater Trust Fund

STATE AID TO MUNICIPALITIES & SCHOOLS: 2008-2025

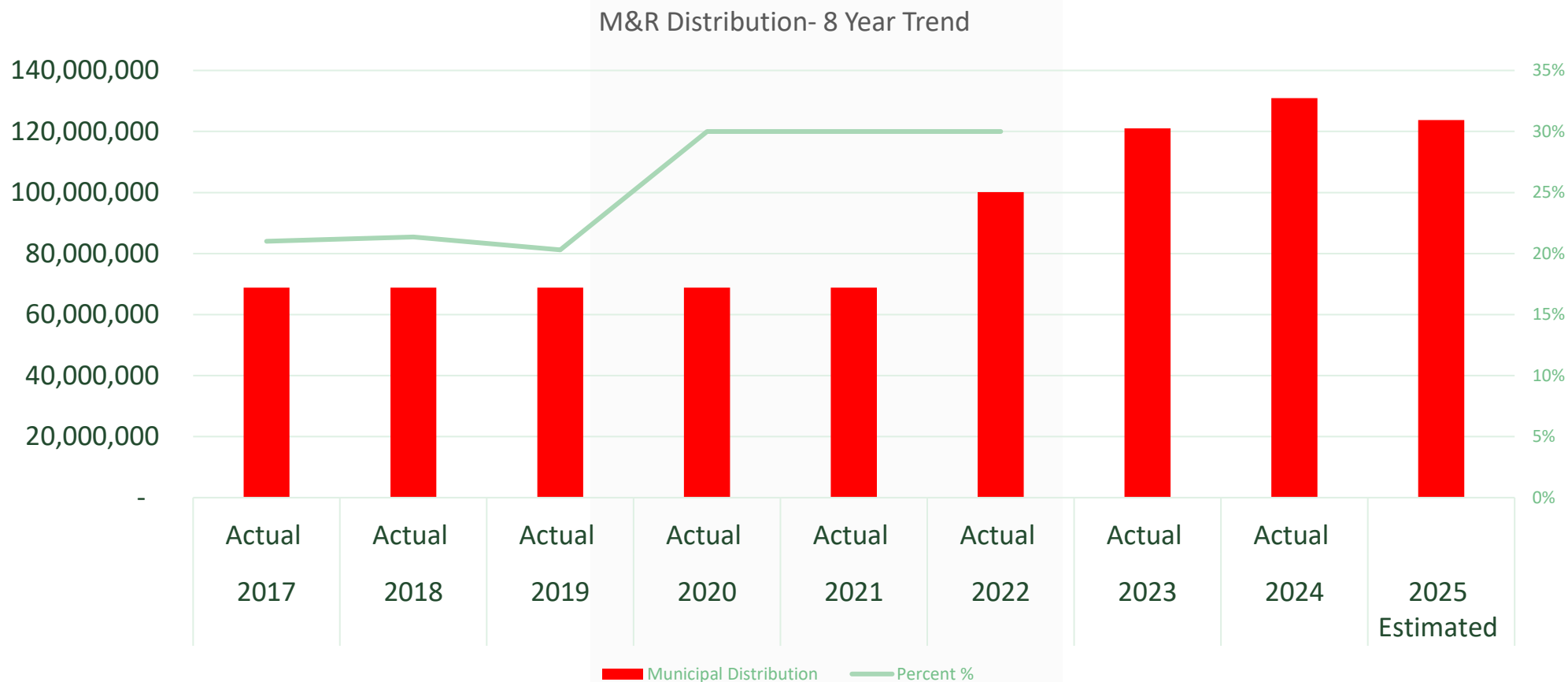
(Including Education)



Data Source: NHLBAO State Aid Chart

MEALS AND ROOMS DISTRIBUTION 9 YEAR TREND

NEW FORMULA - https://www.das.nh.gov/accounting/revenue_reports.aspx



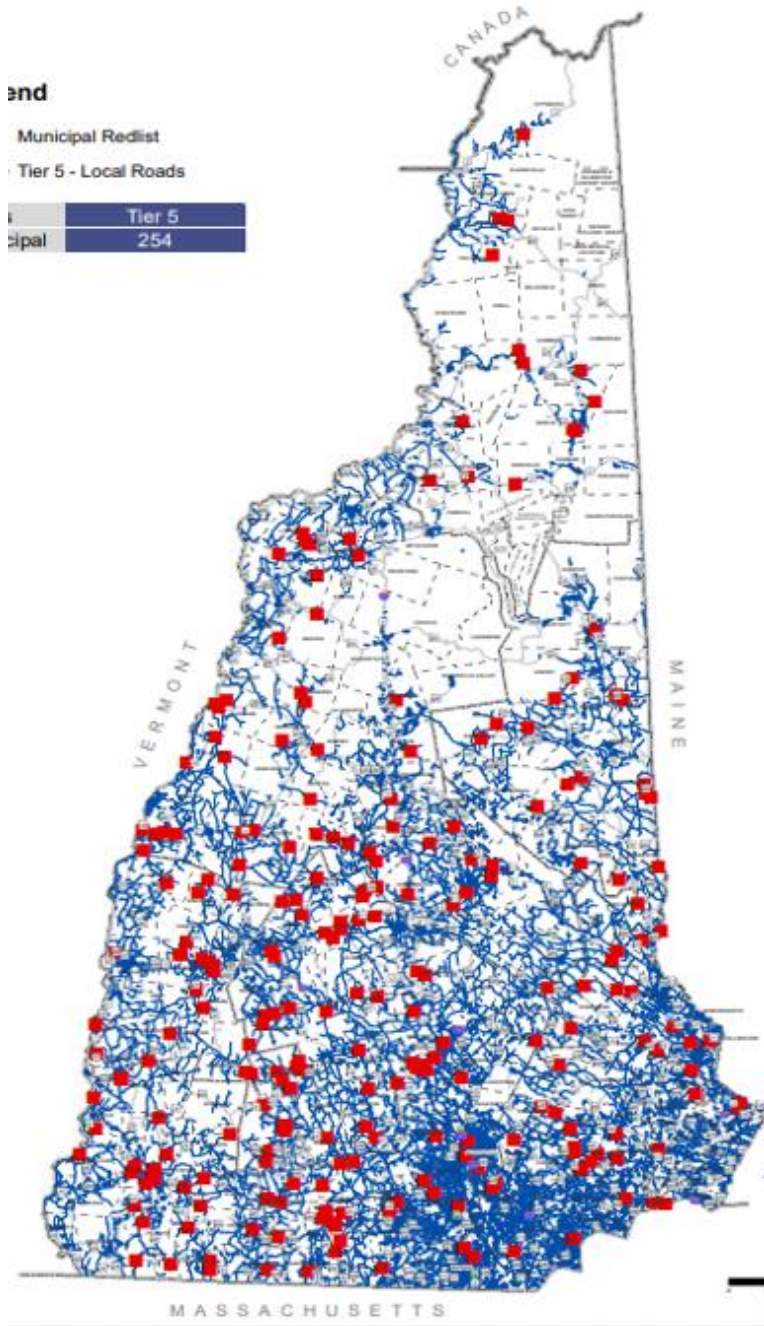
* 2021 [Chapter 91 \(HB 2\)](#) created a new treasury “dedicated fund” to which 30 percent of total meals and rooms tax revenue will be deposited for distribution to towns and cities.

HB1/HB2 - FY 24/25 Budget

Highway Block Grants

- \$34.3 Million FY22 \$32.5 Million FY24
- \$35.4 Million FY23 \$32.3 Million FY25
- ***Budget ESTIMATED decrease of \$4.9 Million in the next budget cycle.**

- 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.
- Chapter 87 (HB 412) reestablishes a commission to study revenue alternatives to the road toll for the funding of improvements to the state's highways and bridges and their resulting improvements. E.D. June 20, 2023.
- HB 2 adds an annual registration of \$100, and plug-in hybrid vehicles, as defined in RSA 236:132, V a surcharged of \$50, to be deposited in the highway fund.
- **Municipal Bridge Aid - \$6 million/year -2016 to 2034.**
 - Waiting list based on priority need and acceptance of aid.



HIGHWAY BLOCK GRANT ACTUAL DISTRIBUTIONS- *slightly higher than estimates*

<https://www.dot.nh.gov/sites/g/files/ehbemt811/files/inline-documents/block-grant-aid-description.pdf>

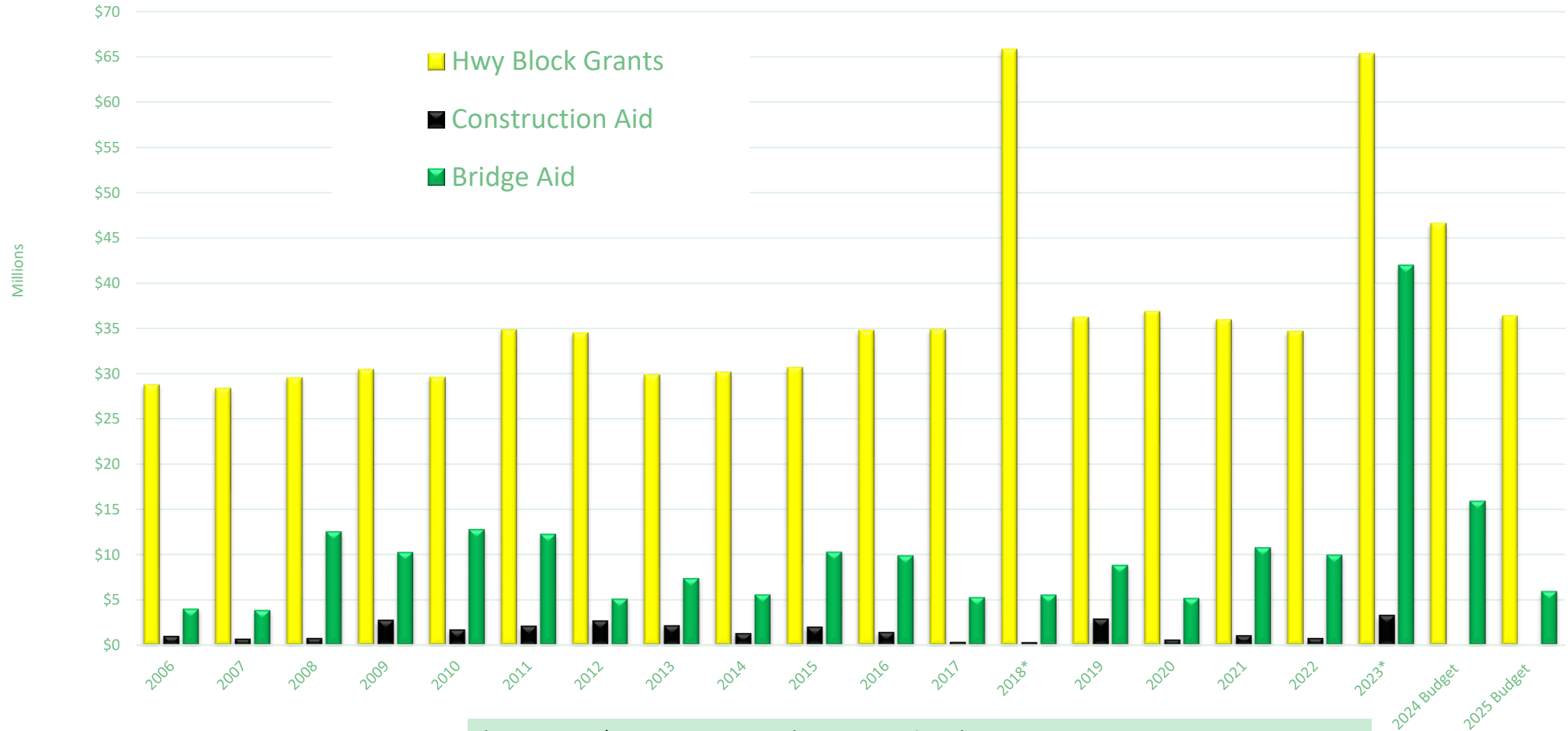
The total amount of funding distributed statewide annually over the last five state fiscal years is:

FY 2021 \$35,009,311
FY 2022 \$34,877,596
FY 2023 \$36,074,084
FY 2024 \$35,849,326
FY 2025 \$36,803,388 (FY2025 estimated)

HIGHWAY BLOCK GRANT AID TO TOWNS AND CITIES FOR
FISCAL YEAR ENDING JUNE 30, 2025

Supporting Numbers

Highway Block Grant and Bridge Aid Funding



Data Source: NHLBAO, 06/06/23

*2018 Includes \$30M, one-time surplus (CH 227, Laws of 2018)
*2023 includes \$66M, one-time surplus (CH 338, Laws of 2022)
*2024 includes \$20 M one-time payment (HB 2)

FY23/FY 24 HB 2 Highlights

\$27.9 million appropriation to fund wastewater state aid grants (SAG) for municipalities, with an additional **\$15 million** per year in FY 26 and FY 27.

\$2 million in funding for PFAS remediation to the PFAS remediation loan fund.

\$1 million to the cyanobacteria mitigation grant and loan fund.

\$10.6 million for public water system grants.

\$830,000 each year to reimburse municipalities involved in flood control compacts.

\$420,000 for landfill closure grants.

\$1 million appropriation to the Solid Waste Management Fund for a matching grant program for solid waste-related activities

\$183,000 for railroad tax distributions under RSA 82:21 and RSA 288:69.

\$5 million each year for the Land and Community Heritage Investment Program (LCHIP).

August 13, 2024

FROM: NHRS Board of Trustees
Jan Goodwin, Executive Director

TO: Political Subdivisions, including Municipalities, School and Village Districts, Counties,
and others

SUBJECT: **EMPLOYER CONTRIBUTION RATES – POLITICAL SUBDIVISIONS
EFFECTIVE JULY 1, 2025 – JUNE 30, 2027**

Pursuant to RSA 100-A:16, III, and the actuarial valuation of June 30, 2023, the New Hampshire Retirement System Board of Trustees at its August 13, 2024, meeting certified the following political subdivision employer rates of contribution payable to the retirement system beginning **July 1, 2025**, and ending **June 30, 2027**. Employers shall ensure that these rates are implemented for Earnable Compensation paid on and after July 1, 2025.

**POLITICAL SUBDIVISION EMPLOYER CONTRIBUTION RATES
EFFECTIVE JULY 1, 2025 – JUNE 30, 2027**

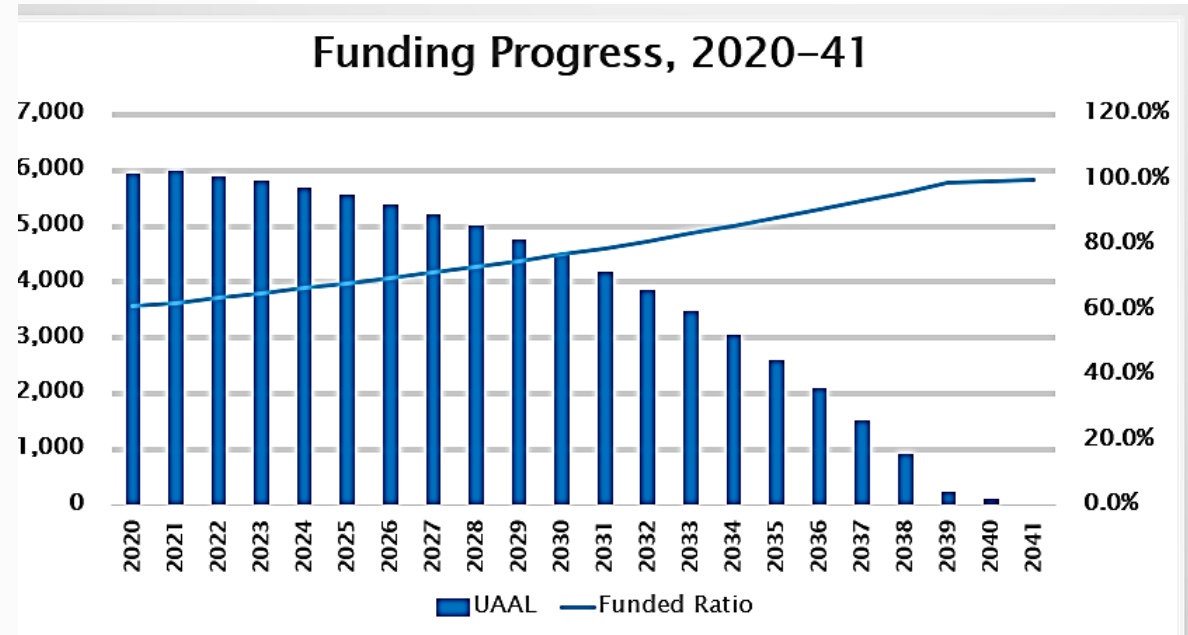
	<u>Pension Percentage</u>	<u>Medical Subsidy Percentage</u>	<u>Total Employer Percentage</u>
<u>GROUP I</u>			
Employees	12.53%	0.22%	12.75%
Teachers	18.28%	0.95%	19.23%
<u>GROUP II</u>			
Police	28.72%	2.23%	30.95%
Fire	26.92%	2.23%	29.15%

The employer contribution rates must be applied to the covered payroll for each respective membership classification.

Please refer any questions regarding this memo to: public_relations@nhrs.org

NHRS Legislative Cost Impact

- Legislative decisions and the costs associated with policies passed at the legislature around RSA 100-A and NHRS may have a direct impact on the local taxpayer.
- Since 2018, eleven bills have become law impacting municipal employer rates.
- Any increase to the unfunded accrued actuarial liability (UAAL) and any "normal costs" associated with a policy change are paid for by the employer (i.e., the state, cities, towns, and counties) and are all funded with tax dollars.
 - \$5.04 billion UAAL to be paid off through 2039.
 - The UAAL accounts for more than 75 percent of current employer rates.



- Despite the state paying over \$96 million in upfront costs to lessen the property tax burden of these policy changes, \$153 million has been added to the UAAL and combined with “normal costs” this has resulted in \$14 million in additional annual costs on the employer, which will not sunset until 2044.
- The 2018-2023 law changes cumulative costs through 2044 is an estimated \$278 million for municipal employers and \$ 68 million for the state that will be downshifted to local property taxpayers.**

State Aid Overview

LBA -FY 2023 State Aid (PDF)

LBA

10/2022

SCHEDULE OF STATE AID TO CITIES, TOWNS, AND SCHOOL DISTRICTS

AID BY CATEGORY		FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>
ENVIRONMENTAL						
15	Flood Control	844,871	789,328	887,000	745,437	887,000
16	Landfill Closure Grants	476,036	388,936	395,824	375,092	368,194
17	Public Water System Grants	701,865	651,960	624,048	550,334	545,225
18	State Aid Grants - Pollution Control	6,257,397	6,876,737	9,307,838	8,060,411	13,215,749
	Environmental Total	8,280,169	8,706,960	11,214,710	9,731,303	15,016,168
OTHER GEN. FUNDS						
19	Meals & Rooms Distribution	68,805,057	68,805,057	68,805,057	100,143,752	95,610,000
20	Railroad Tax - RSA 82:31	84,793	88,370	84,793	82,715	88,370
21	Railroad Tax - RSA 228:69	71,635	75,993	73,000	86,739	80,000
22	Municipal Aid	-	20,000,000	20,000,000		
23	Retirement Normal Contribution	-	-	-	-	27,150,000
	less: Teacher Normal Contribution	-	-	-	-	18,140,000
	Net Police & Fire Normal Contribution	-	-	-	-	9,010,000
	Other General Funds Total	68,961,486	88,969,420	88,962,850	100,313,206	104,788,370
HIGHWAY FUNDS						
24	Highway Block Grants	36,287,968	36,911,575	36,425,092	34,741,082	65,378,500
25	Highway Construction Aid	2,853,055	618,339	-	787,900	3,250,000
26	Municipal Bridge Aid	8,896,334	5,247,887	6,800,000	10,034,391	3,250,000
	Highway Funds Total	48,037,357	42,777,801	43,225,092	45,563,373	110,628,500

State Surplus Update

FY 23

From January to June 2022, the Legislature spent **\$261.7 million** — or 60% — of the **\$430.1 million** surplus. **Almost \$150 million was made available to municipalities in the 2022 Legislative Session.**



FY24/25 Budget

Added \$63.6 million to the Rainy-Day Fund

(Stabilization Fund)

- *\$184.3 million higher the house forecast.*
- The increase in revenue projections allowed the Senate to add tabled legislation and incorporate bills and one-time appropriations into the two- year budget.

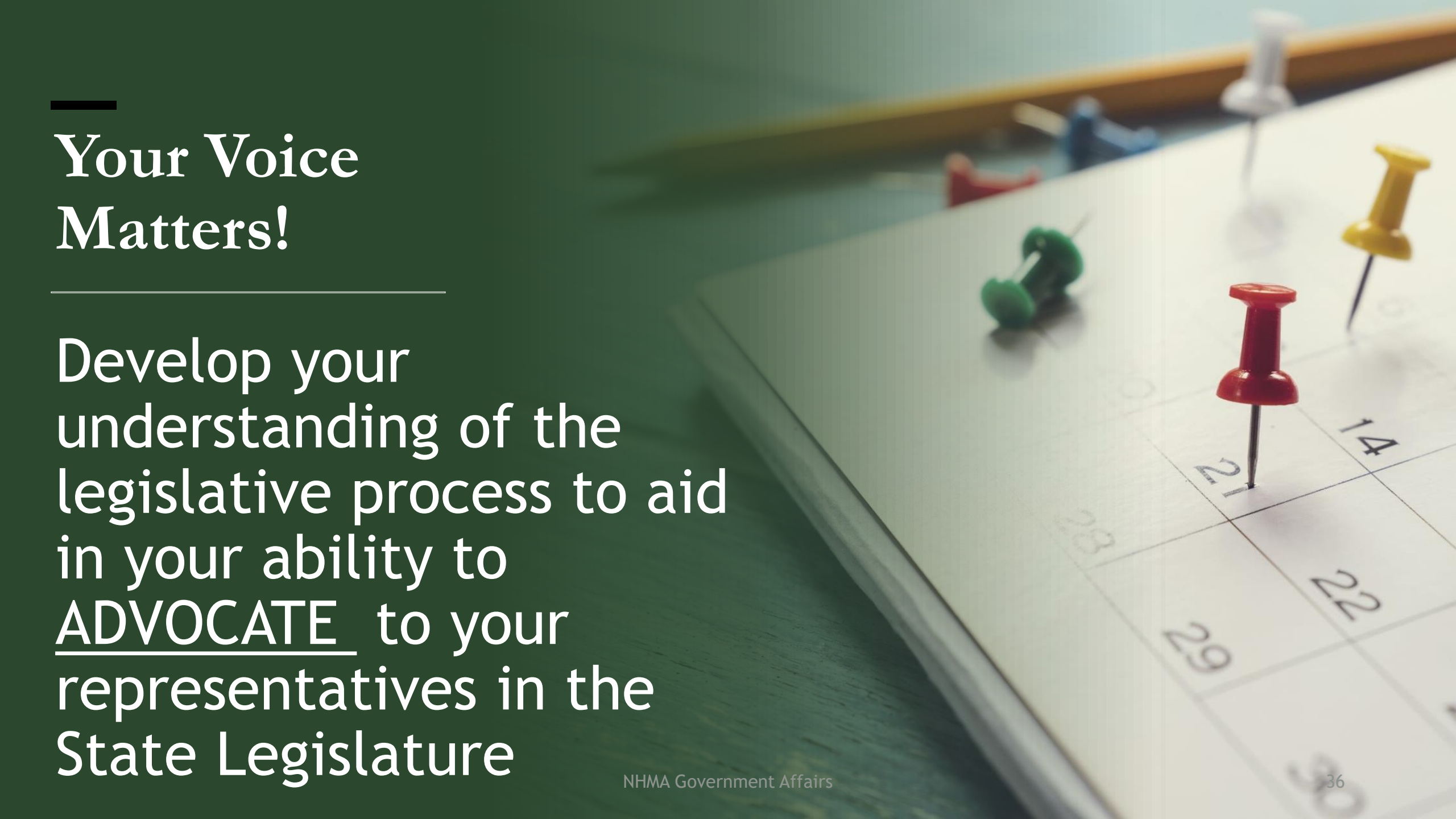
FY 24

*NH state revenue surplus for the 2024 fiscal year is estimated to be **\$146.5 million**. This is a healthy amount, but smaller than the surpluses from the previous four years.*

Business taxes, which are the state's largest revenue source, were \$29.1 million below estimates

Interest on surplus funds: Interest on surplus funds was \$80.8 million, which is 212.6% higher than estimated.

Dozens of bills containing a state appropriation are competing for these limited dollars in a non-budget year.

A close-up, slightly blurred photograph of a calendar page with several colorful pushpins (green, red, yellow, white) pinned to it. The calendar shows dates like 14, 21, 22, 26, and 28. The image is used as a background for the text.

Your Voice Matters!

Develop your understanding of the legislative process to aid in your ability to ADVOCATE to your representatives in the State Legislature

Do you know who represents you?

If you don't, do you know how to find out?

Go to <https://www.gencourt.state.nh.us/house/>

Your Senator? [Contact a Senator](#)

your Representative? [Who's My Legislator?](#)

WHO'S MY NEW HAMPSHIRE STATE SENATOR?

Select your town from the dropdown:

Select a Town -->

ROSTER

Select a Member -->

Roster Downloads

[Text Delimited](#)

[Excel Microsoft 2003](#)

[Excel Microsoft 365](#)

Districts

[Districts Map \(pdf\)](#)

[Districts List \(pdf\)](#)

SEARCH BY SEAT

Choose the section/seat number from the dropdown below.

Select a Seat -->

DISCOVER A TOWN OR CITY'S REPRESENTATIVE

Select a town

Select a Town -->

Or use map below to find which Member's represent a town



What do you know about your Legislators?

What cities/towns make up their district or seat?

Where is their contact information?

- https://www.gencourt.state.nh.us/senate/members/senate_roster.aspx
- <https://www.gencourt.state.nh.us/house/members>

What issues are their primary concern?

What is their voting record?

- <https://www.gencourt.state.nh.us/nhgccrollcalls>

IF YOU CALLED THEIR OFFICE,

AND GAVE YOUR NAME/MUNICIPALITY - WOULD THEY TAKE YOUR CALL?

THIS IS THE KIND OF RELATIONSHIP YOU NEED TO DEVELOP

Don't
Forget to
Attend or
follow All
Relevant
Hearings
and Votes!



A bill's first real public appearance is at a committee hearing in the chamber where the prime sponsor sits.



If the bill passes that chamber, it still must go through a committee hearing on the other side!



That means, if all goes well, you'll have to talk about it twice!

Why Do You Want to Advocate?

✓ Because You
Want to
Accomplish a
Goal

- To protect a local-interest
- To educate and provide public awareness
- To promote a cause via public/private events

What is Legislative Advocacy?

Working with lawmakers to gain support for your cause

Who is an Advocate?

Anyone who is willing to:

- Speak up
- Help their municipality to provide better service
- Challenge government systems when they don't work
- Work for laws, budgets and policies that do work
- Be a voice for your organization with policy makers

YOU are an ADVOCATE!

KNOW YOUR ISSUE!!!



In order to effectively present your issue, you must have knowledge of both sides of the discussion; if there wasn't an opposing view, there wouldn't be a problem



Obtain credible information



Understand public perceptions vs reality

Keys to Effective Advocacy

- Stick to your issue
- Know your issue
- Be prepared to listen
- Compromise can bring you some of what you want if you cannot have it all.
- Be patient.
- Sometimes it takes more than one legislative session, so bills can come back, and they do!



Questions?



Thank you!

Katherine Heck, Government Finance Advisor, NHMA

Phone: 603-224-7447

governmentaffairs@nhmunicipal.org

www.nhmunicipal.org

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Concord, NH 03301

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603.224.7447

The New Hampshire Municipal Association is a nonprofit, non-partisan association working to strengthen New Hampshire cities and towns and their ability to serve the public as a member-funded, member-governed and member-driven association since 1941. We serve as a resource for information, education and legal services.

NHMA is a strong, clear voice advocating for New Hampshire municipal interests.