

2025 NHMA Budget and Finance Workshop

State Aid to Municipalities and Property Taxes

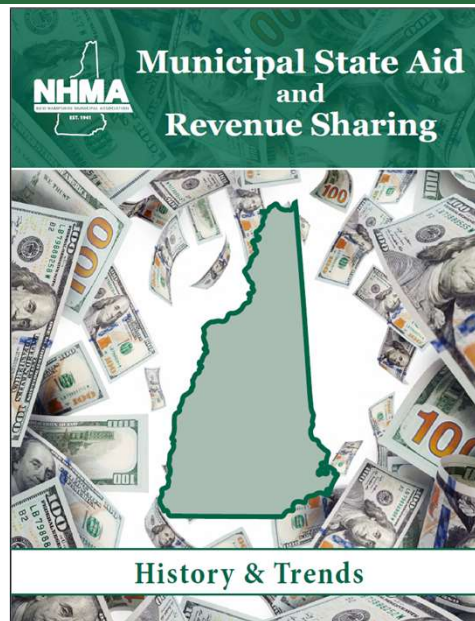
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Government Finance Specialist



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State Aid to Municipalities



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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 can decrease the local tax effort.

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



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The State Budget and all *proposed* Legislation must:



Pass the House



Pass the Senate

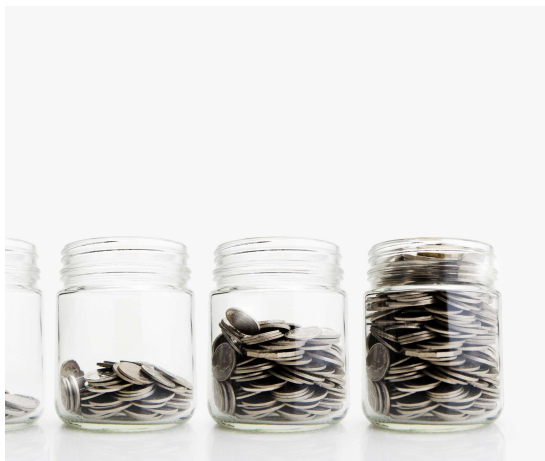
Signed
BY 

Signed by the Governor



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State Budget Highlights



- \$15.9 billion two-year budget was adopted in June 2025
- This budget preserves most recent gains in municipal state aid despite fiscal pressures
- Proposals to reduce the 30% municipal share of Meals and Rooms tax was defeated
- State Aid Grants (SAG) for municipal wastewater infrastructure was reduced from \$15M in the prior budget to \$2.5M

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Solid Waste Surcharges



- Starting January 1, 2026 customers who dispose of solid waste at a permitted New Hampshire solid waste landfill, waste-to-energy-facility or incinerator pay a disposal surcharge of \$3.50 per ton of solid waste
- Municipalities who have proof of payment will receive full rebate through a quarterly application process
- Fees to be used to fund DES waste programs and infrastructure grants

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PFAS Mitigation



- DES to establish application and compensation process for PFAS-affected water systems
- Reimbursement based on net infrastructure costs after other funding sources



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NH Retirement System



- Pension benefit increases for select first responders
- NHMA advocacy led to \$262M state funding commitment through 2034; only \$42M guaranteed for FY 26–27—future shortfalls could burden municipalities



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NH Retirement System

Employer Rates for Fiscal Years 2026 and 2027

Political Subdivision Employer Contribution Rates for July 1, 2025 - June 30, 2027

The rates below apply to counties, cities and towns, school districts and all other participating political subdivisions except the State of New Hampshire.

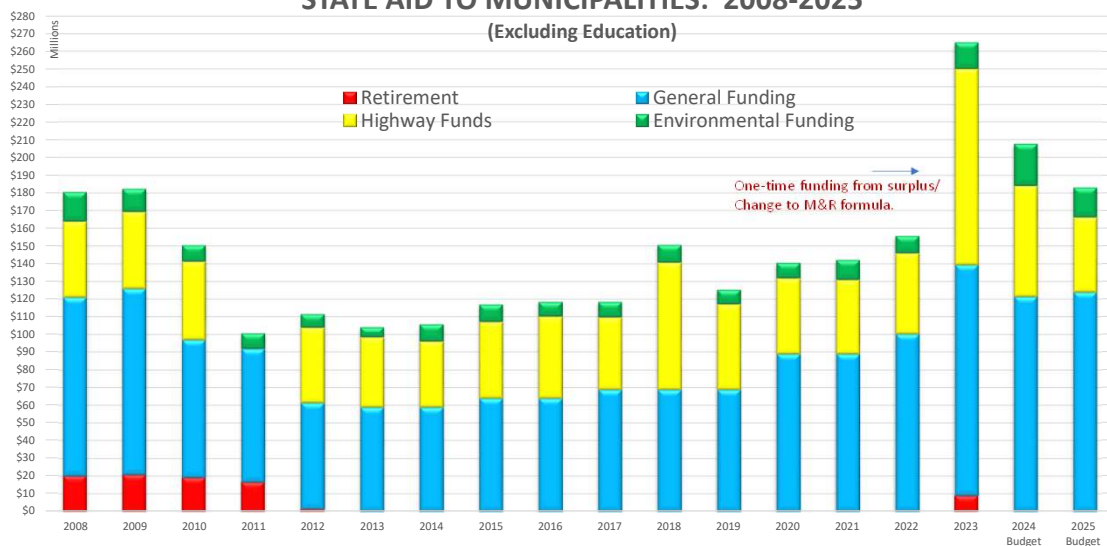
	Pension Percentage	Medical Subsidy Percentage	Total Employer Percentage
GROUP I			
Employees	12.53%	0.22%	12.75%
Teachers	18.28%	0.95%	19.23%
GROUP II			
Police	28.72%	2.23%	30.95%
Fire	26.92%	2.23%	29.15%

- Because of better returns on investments than expected, the NHRS rates went down for the 2026/2027 fiscal years
- After the rates were set, 2024 legislative session passed changes to NHRS which require a higher contribution rate. The NHRS rates for the 2028/2029 years will most likely increase



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STATE AID TO MUNICIPALITIES: 2008-2025 (Excluding Education)

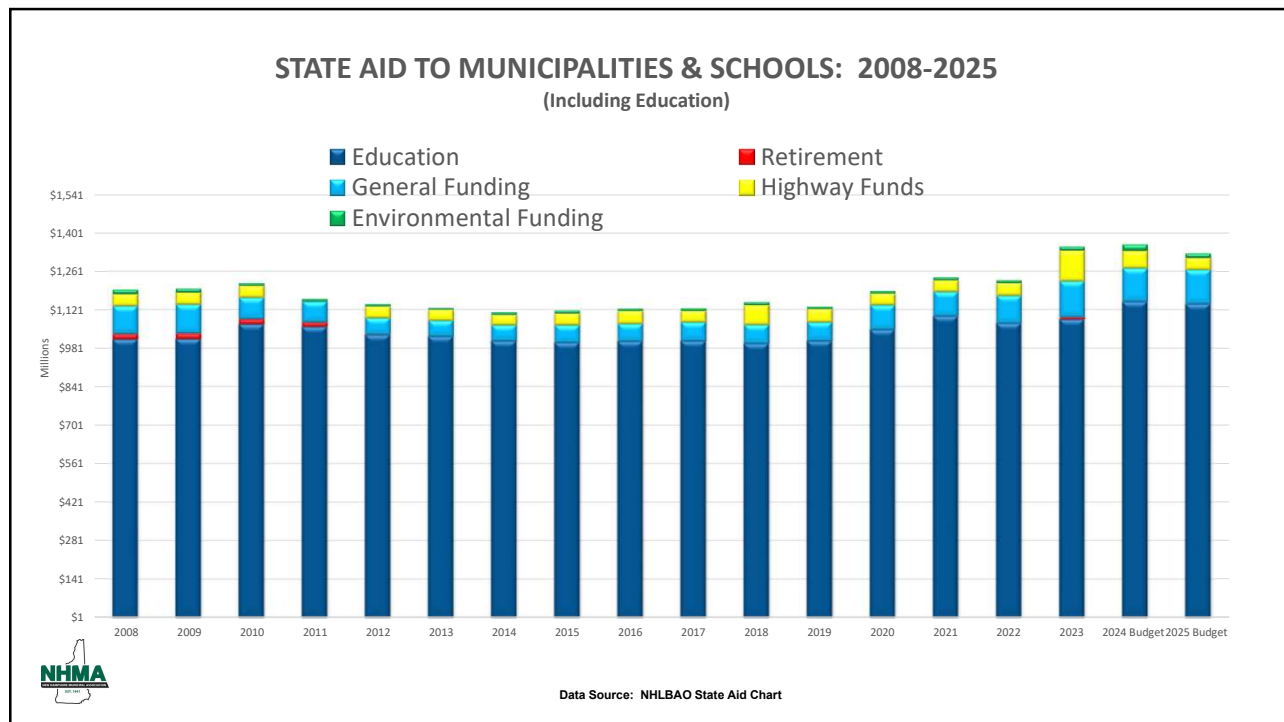


Data Source: NHLBAO State Aid Chart

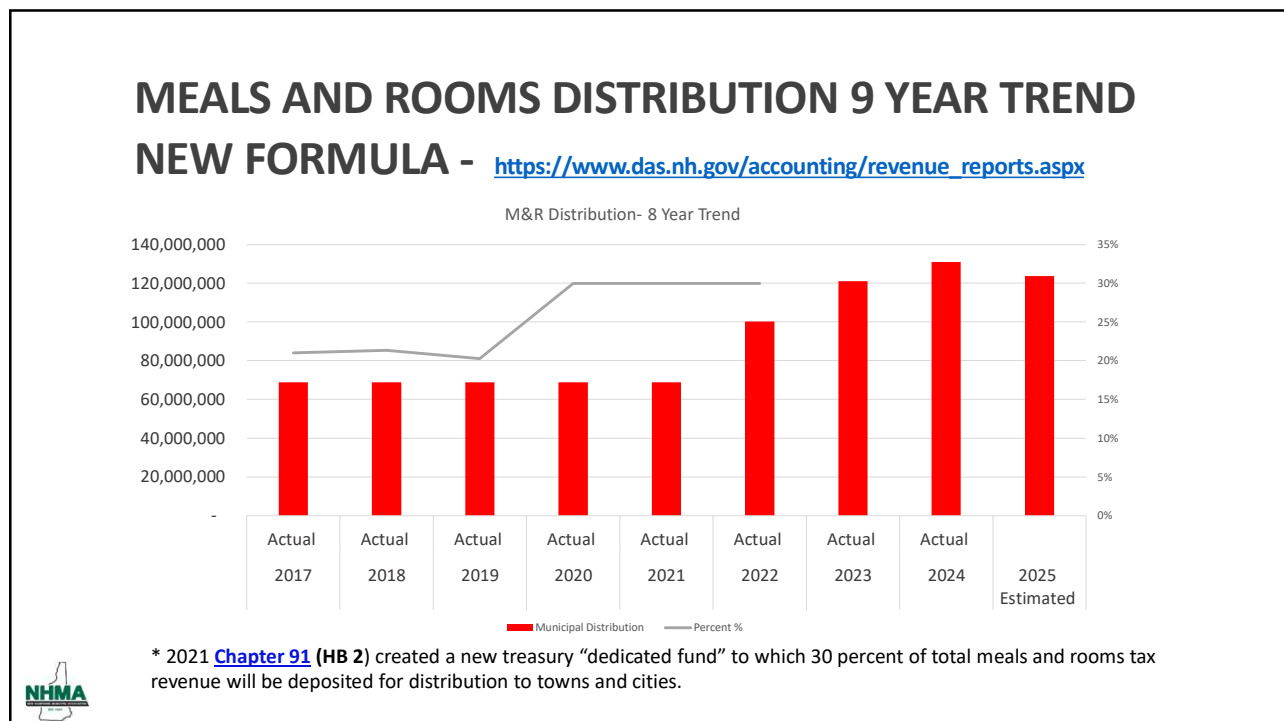


General Funding: Meals & Rooms (catch-up formula suspended FYs10-14,16,18-21, New Formula FY22),
Revenue Sharing (suspended FY10-23),
Municipal Aid One-Time from Surplus (added FY20-21),
State Retirement Contributions (Reduced FY10, ~~Discontinued~~ in 2013, One-time payment from surplus FY23)
Environmental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

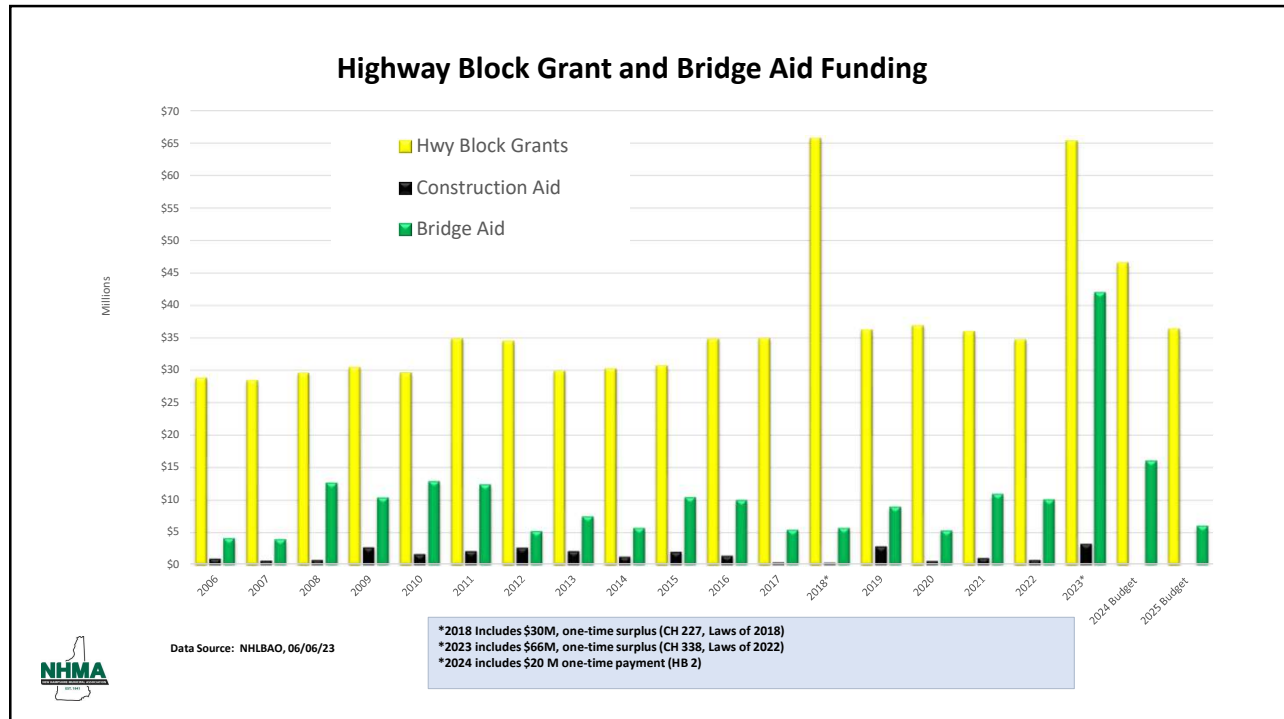
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Property Taxes

The tax people love to hate!

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Frederick The Great



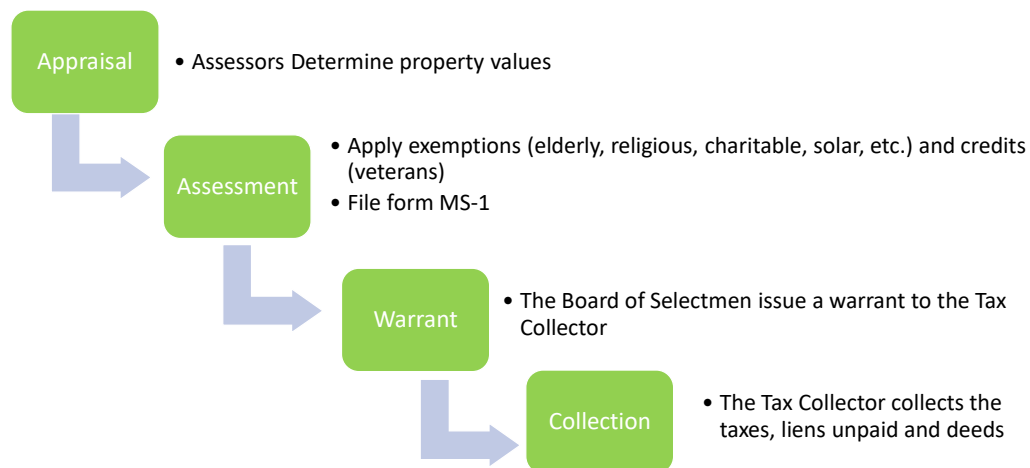
No government can exist without taxation. The money must necessarily be levied on the people; and the grand art consists of levying so as not to oppress.



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The Property Tax Process



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Property Tax Calculation



Tax Rate Calculation		Tax Rate Calculation Example	
	MS-232-R Gross Appropriation	\$21,645,008	
-	MS-434-R Revenues	7,768,984	-
-	Fund Balance Use	1,119,393	-
+	Overlay (5% Max)	30,871	+
+	Veterans Credits	308,625	+
=	Net Municipal Tax Effort	13,096,127	=
÷	MS-1 Assessed Property Valuation	3,911,869,779	÷
×	1,000	1,000	×
=	Tax Rate per \$1,000 Valuation	\$ 3.35	=

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The Property Tax Process



- \$500,000 assessed value
- Divide it by \$1,000 and multiply by the tax rate (per 1,000 valuation) of \$3.35
- Town taxes owed = \$1,675

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Thomas Jefferson

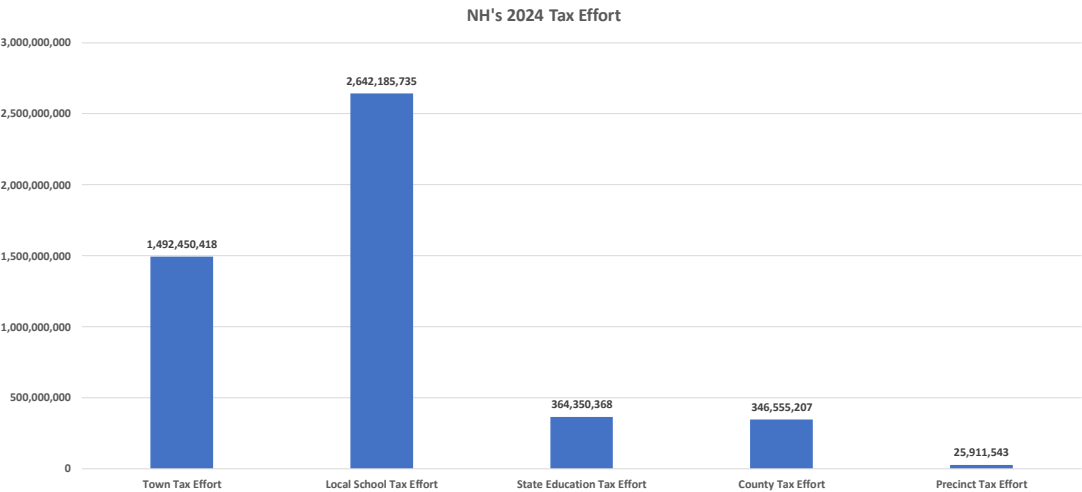


Excessive taxation...
will carry reason &
reflection to every
man's door, and
particularly in the hour
of election.



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2024 Property Tax Effort



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Top and Bottom Total Tax Efforts

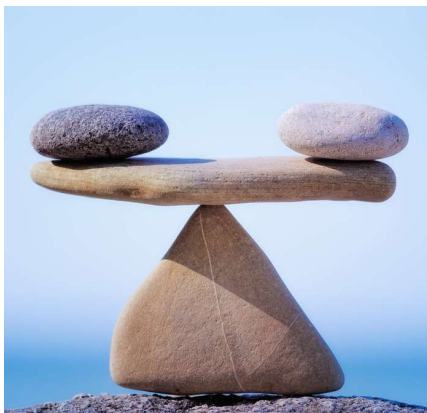
Top 5 Tax Effort	
Nashua	243,502,706
Manchester	239,812,743
Concord	139,987,897
Dover	109,648,503
Salem	107,336,316
Bottom 5 Tax Effort	
Ellsworth	271,051
Benton	405,249
Windsor	465,739
Roxbury	635,180
Chatham	655,366
Top and Bottom Tax Effort for Unincorporated Places	
Hales Location	170,180
Success	(22,013)



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The Equalization Process



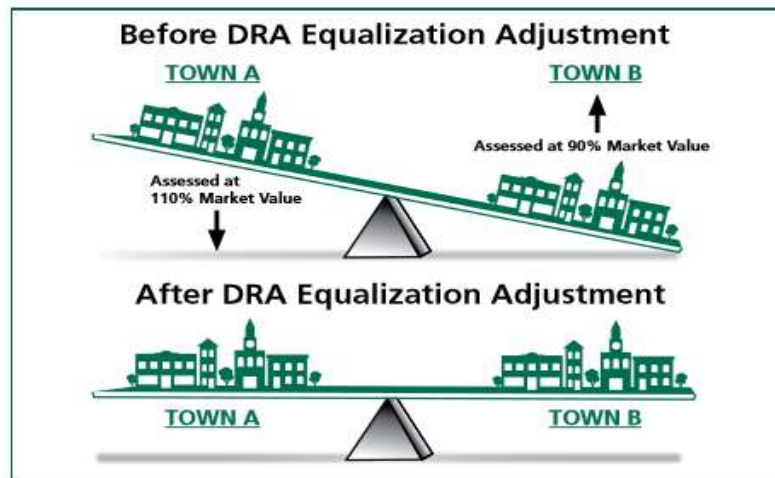
- Equalization necessary for calculating shared taxes
- County, Co-op Schools, Multi-town precinct
- DRA adjustment reflects proportionality to other municipalities



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Equalized Property Values

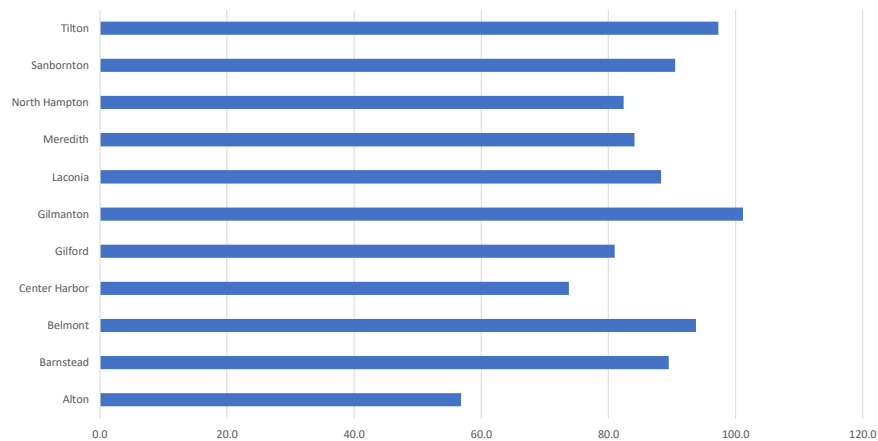


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Equalized Property Values

Belknap County



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The Three-Finger Rule

What will an
appropriation
cost on the tax
rate?



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The Three-Finger Rule

Local Assessed Value = \$3,911,869,779



Appropriations	Tax Rate Impact
\$3,911,869	\$1.00
\$391,187	\$0.10
\$39,119	\$0.01



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Estimated Impact on the Tax Rate

Divide the appropriation by the assessed value of the town X \$1,000 for rate per \$1,000 of valuation

\$750,000 Fire Truck / \$3,911,869,779

X \$1,000 = \$0.19

\$1,000,000 Collective Bargaining Agreement (CBA) Cost Item

\$1,000,000 CBA / \$3,911,869,779

X \$1,000 = \$0.26



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Calvin Coolidge



Collecting more taxes than is absolutely necessary is legalized robbery.



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