

# Understanding State Aid to Municipalities

## Budget & Finance Workshop 2023







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## Agenda / Topics

		
Why is the State Budget Process so Important	State Aid to Municipalities	Other State Funding Opportunities



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## MUNICIPAL STATE AID AND REVENUE SHARING & THE STATE BUDGET

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

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

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

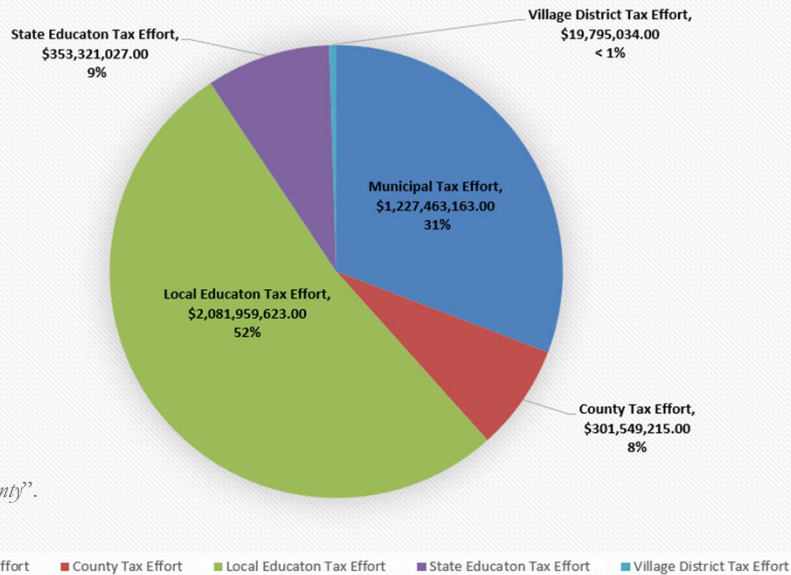
Conversely, increased or additional state aid or revenue sharing will decrease the local tax effort.



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### 2020 Property Tax Assessments



Source: 2020 Total property tax commitment for the municipality as reported on the DRA "Tables by County".

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**Types of State Aid to Cities & Towns**

[https://www.das.nh.gov/accounting/revenue\\_reports.aspx](https://www.das.nh.gov/accounting/revenue_reports.aspx)

## MUNICIPAL REVENUE SHARING and STATE AID SOURCES

**General Funds:**

- Meals and Rooms Tax Revenue Distribution -*New Formula 2021*
- State Revenue Sharing (Suspended 2010-2025)
- State Normal Retirement Contribution (Repealed 2013)
- Railroad Tax Distribution
- State Municipal Aid Grants (One-Time Revenue: Added 2020-21 and 2022)

**Environmental:**

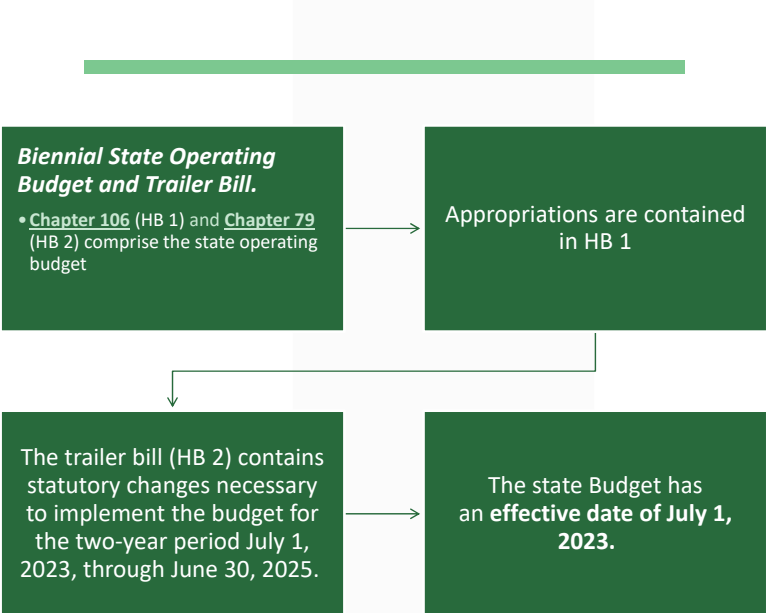
- Flood Control
- Landfill Closure Grants
- Public Water System Grants/Water Supply Land Protection Grants
- Pollution Control Grants – State Aid Grants (SAGs)

**Highway:**

- Highway Block Grants
- Highway Construction Aid
- State Municipal Bridge Aid


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### State Aid to Municipalities through the State Budget Process



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graph TD
    A["Biennial State Operating Budget and Trailer Bill.  
• Chapter 106 (HB 1) and Chapter 79 (HB 2) comprise the state operating budget"] --> B["Appropriations are contained in HB 1"]
    A --> C["The trailer bill (HB 2) contains statutory changes necessary to implement the budget for the two-year period July 1, 2023, through June 30, 2025."]
    B --> D["The state Budget has an effective date of July 1, 2023."]
    C --> D
    
```



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# BUDGET COMPARISON

Governor's Proposed Budget - \$14.9 Billion over 2 years.

## House Budget - \$15.76 Billion over 2 years.

- House budget total increase - \$2.49 billion (18.8 percent) over current State Budget (includes Federal Funds)
- Increase were proposed across all budget categories.

Approximately **\$180 million (1.3 percent)** INCREASE in additional expenditures over the Governor's State Budget proposal, including HB 2 (Trailer Bill) appropriations

House Finance Committee proposes fewer funds to the State's Stabilization Fund (Rainy Day Fund).

Almost 1/3 of the proposed budget is supported by Federal Funds.



## Senate Budget - \$15.17 Billion over 2 years.

- Senate budget total increase - \$1.9 billion (14.3 percent) over current State Budget (includes Federal Funds)
- Both Increase and cuts were made across all budget categories.

Approximately **\$627 million (4 percent)** DECREASE in expenditures over the House State Budget proposal, including HB 2 (Trailer Bill) appropriations

Senate Finance Committee made accounting and reporting changes to "off- budget funds" which lowered the budget – but did not decrease programs or levels of service.

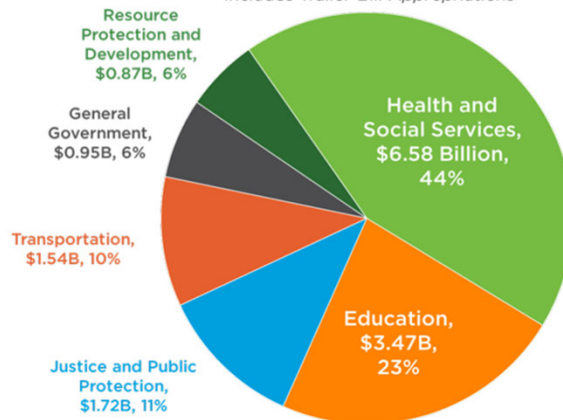
After accounting adjustment- the Senate budget is a net decrease of \$ 86.3 million.

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# ABOUT TWO-THIRDS OF PROPOSAL FOR HEALTH, SOCIAL SERVICES, AND EDUCATION

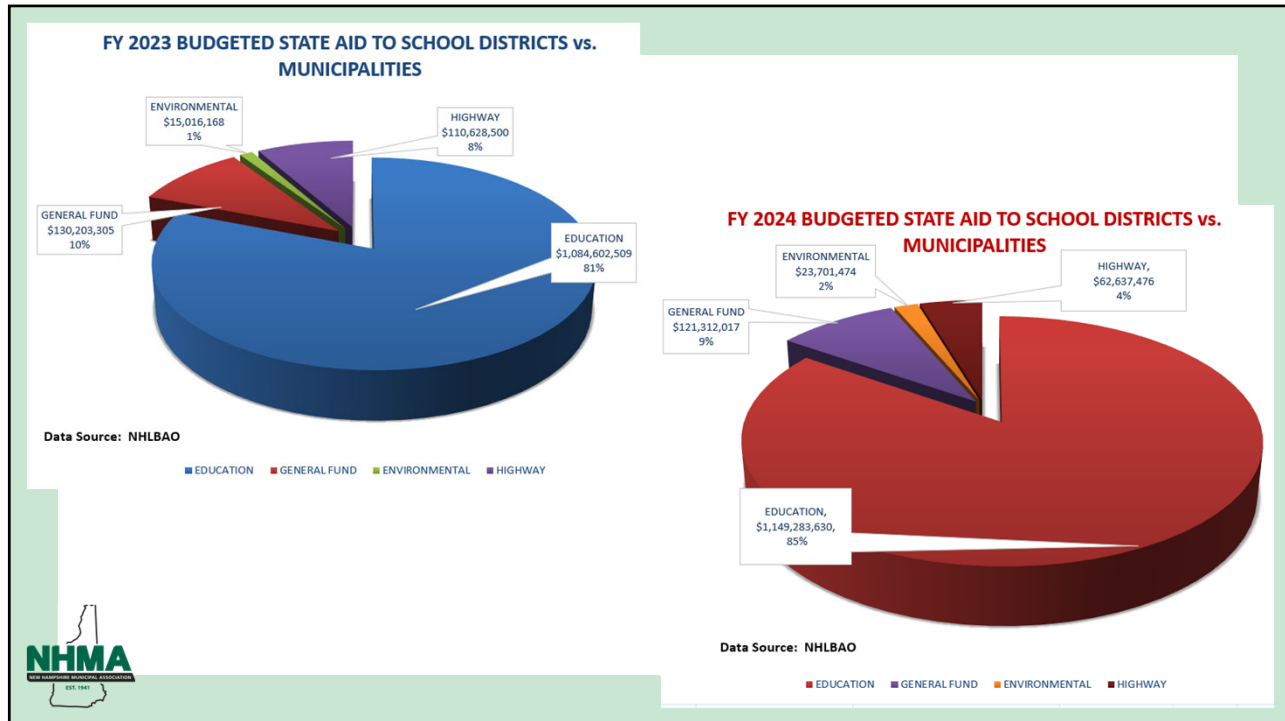
## LEGISLATURE'S STATE BUDGET APPROPRIATIONS BY CATEGORY

State Fiscal Years 2024-25 and Surplus Appropriations, Includes Trailer Bill Appropriations

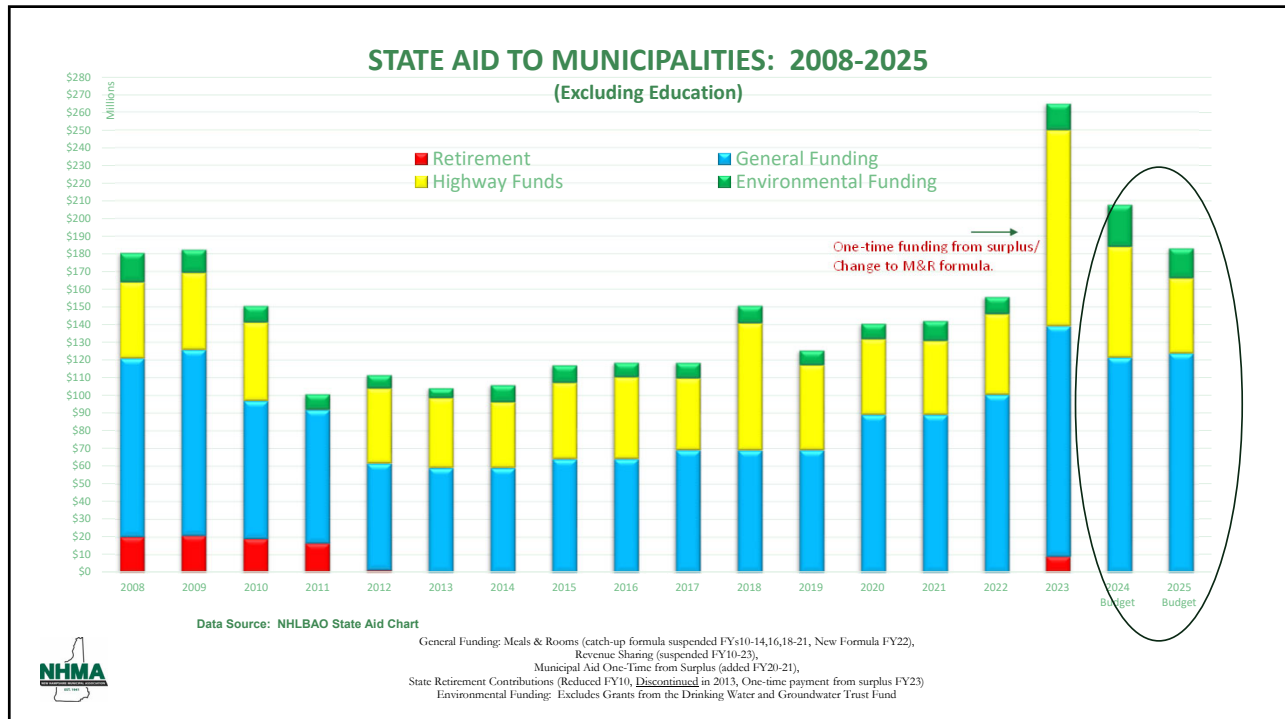


Source: NHFPI

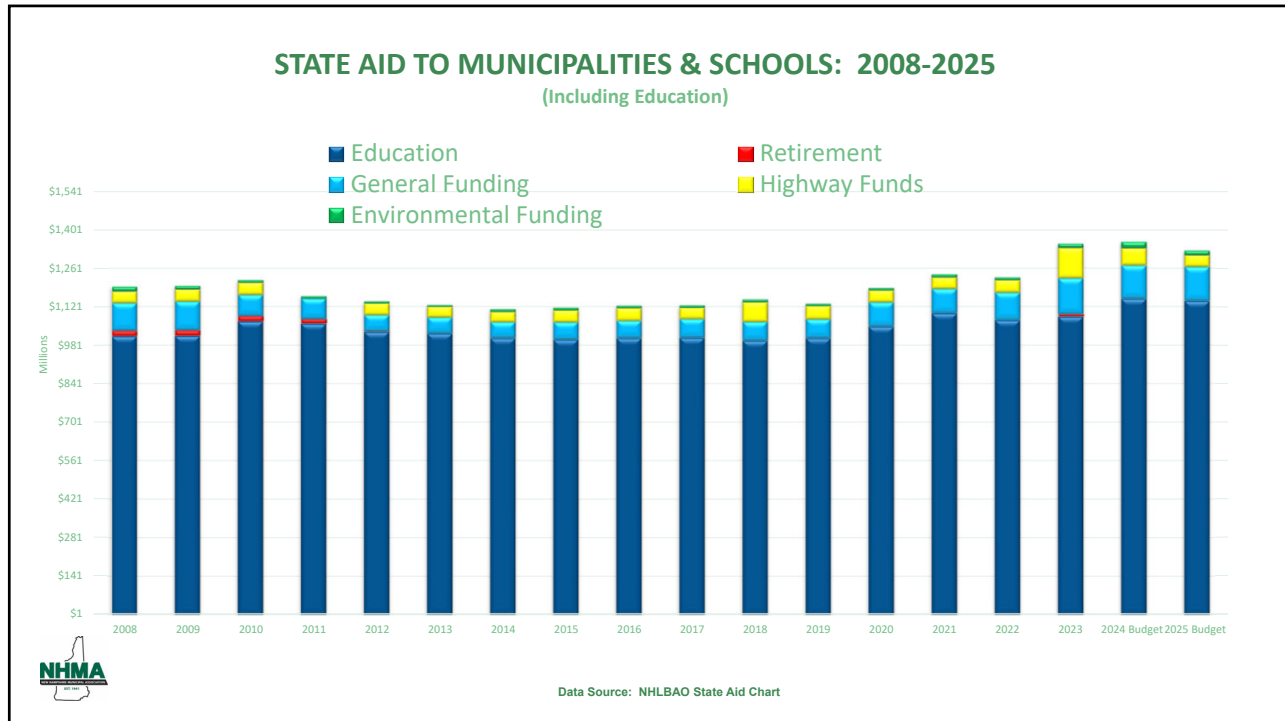
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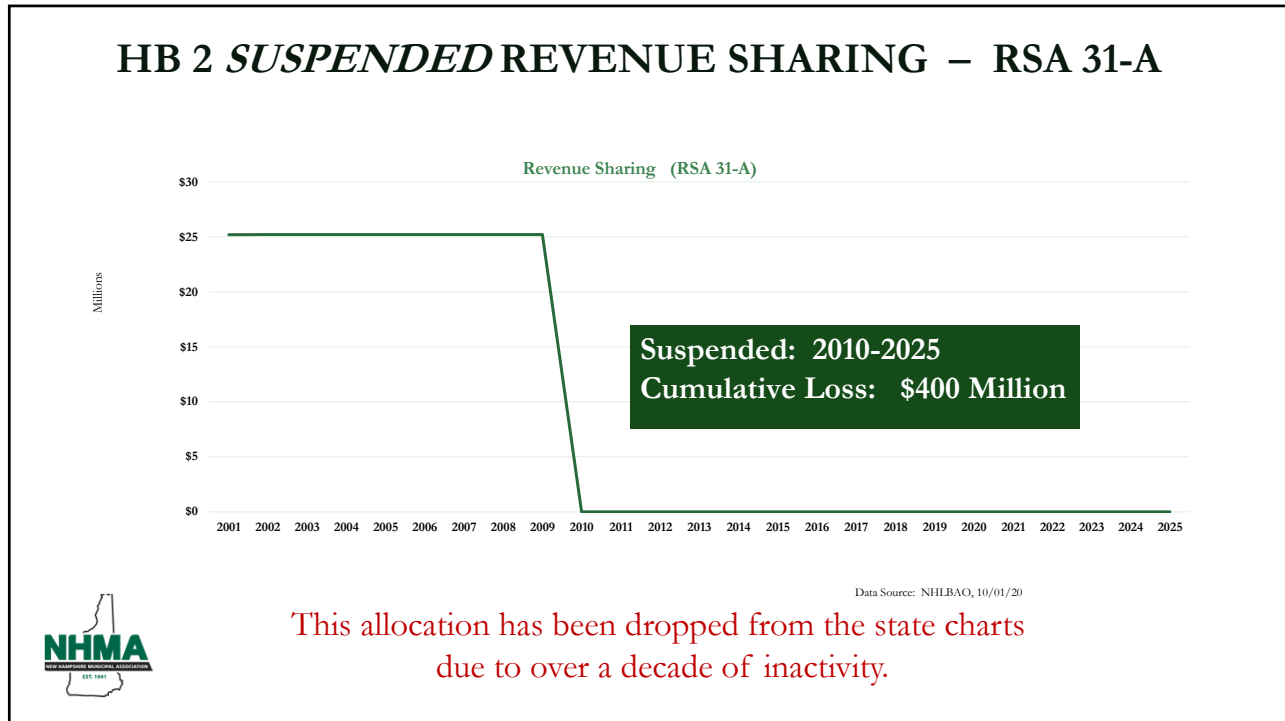
## HB 2

# SUSPEND REVENUE SHARING – RSA 31-A

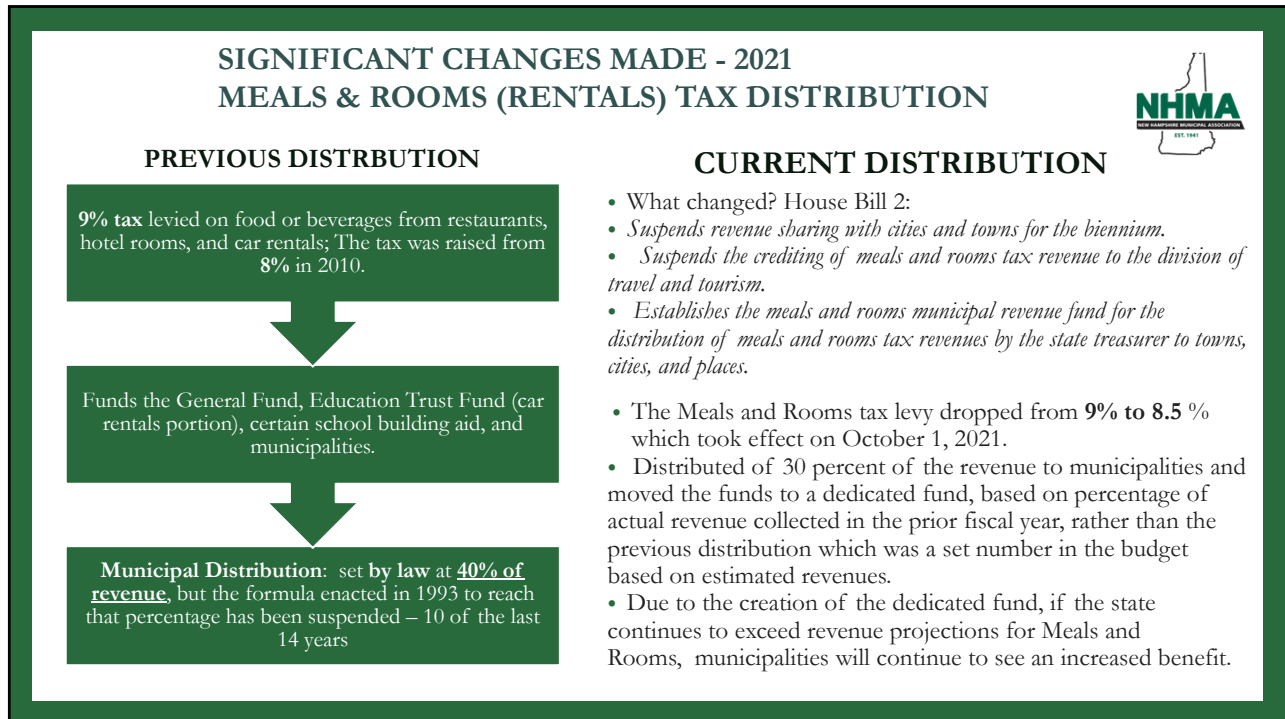
- In 1969, the state reformed how businesses were taxed . . .
- Business Profits Tax (BPT) was implemented, **REPLACING:**
- Antiquated Taxes: **Eliminated**
  - Assessed and Collected by **Municipalities**
  - including tax on machinery, stock in trade, taxes on studhorses, poultry, domestic rabbits, fuel pumps/tanks and other taxes...which were part of the **Property Tax Base** for municipalities, school districts, and counties

*In consideration of the removal of certain classes of property from taxation, which would otherwise have the effect of reducing the tax base of cities and towns of the state, it is hereby declared to be the policy of the state to return a certain portion of the general revenues of the state to the cities and towns for their unrestricted use...Chapter 5, Laws of 1970.*

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## Changes to Meals and Rooms Revenue Sharing Benefit Municipalities

**Dedicated Fund Performance FY 24/25-  
\$121.1 million in FY 24 & \$123.5 million in FY 25**

FY 19 - FY 21  
Meals and Rooms  
Tax Distribution –  
**\$68.8 million per  
year** (distributed based on  
population estimates).

FY 22 ESTIMATED  
The *ESTIMATED* Meals and Rooms Tax Distribution – **\$92.5 Million**

**FY 22 ACTUAL - Under the New Dedicated Fund**  
✓ **\$100.5 million** was distributed based on population estimates.

✓ **A 45% +/- Increase over 2021 Distribution**

FY 23 ESTIMATED  
The *ESTIMATED* Meals and Rooms Tax Distribution – **\$95.6 Million**

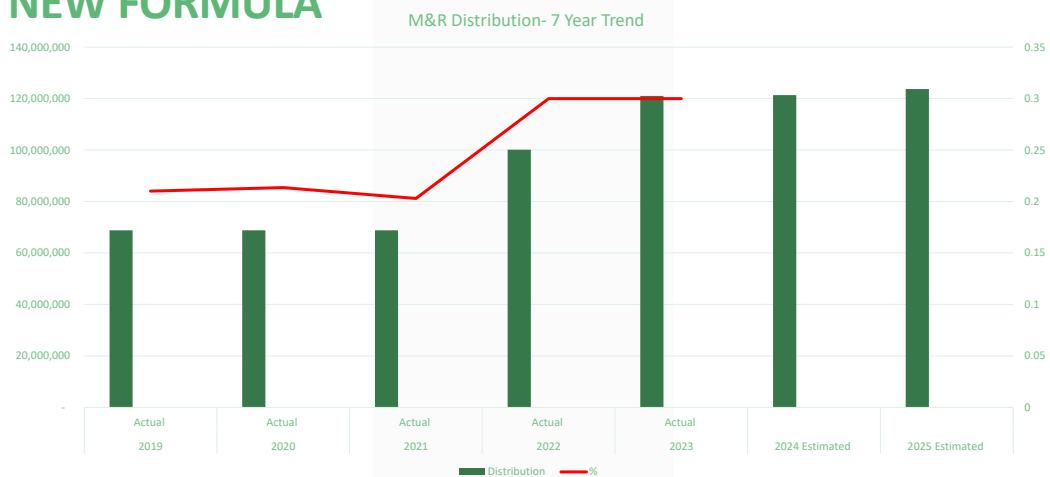
**FY 23 ACTUAL- Under the New Dedicated Fund**  
✓ **\$121.5 million** was distributed based on population estimates.

✓ **A 75% +/- Increase over 2021 Distribution**



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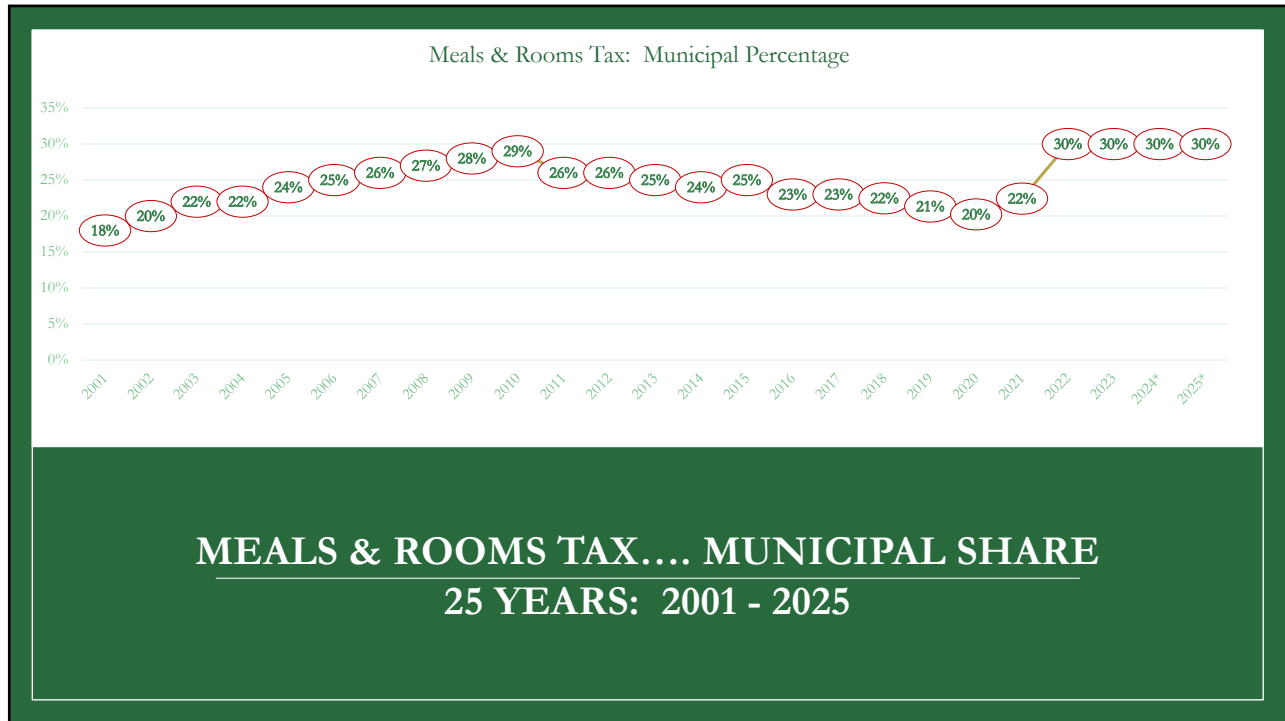
## MEALS AND ROOMS DISTRIBUTION 7 YEAR TREND NEW FORMULA



\* 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.

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## HB1/HB2 - FY 24/25 Budget

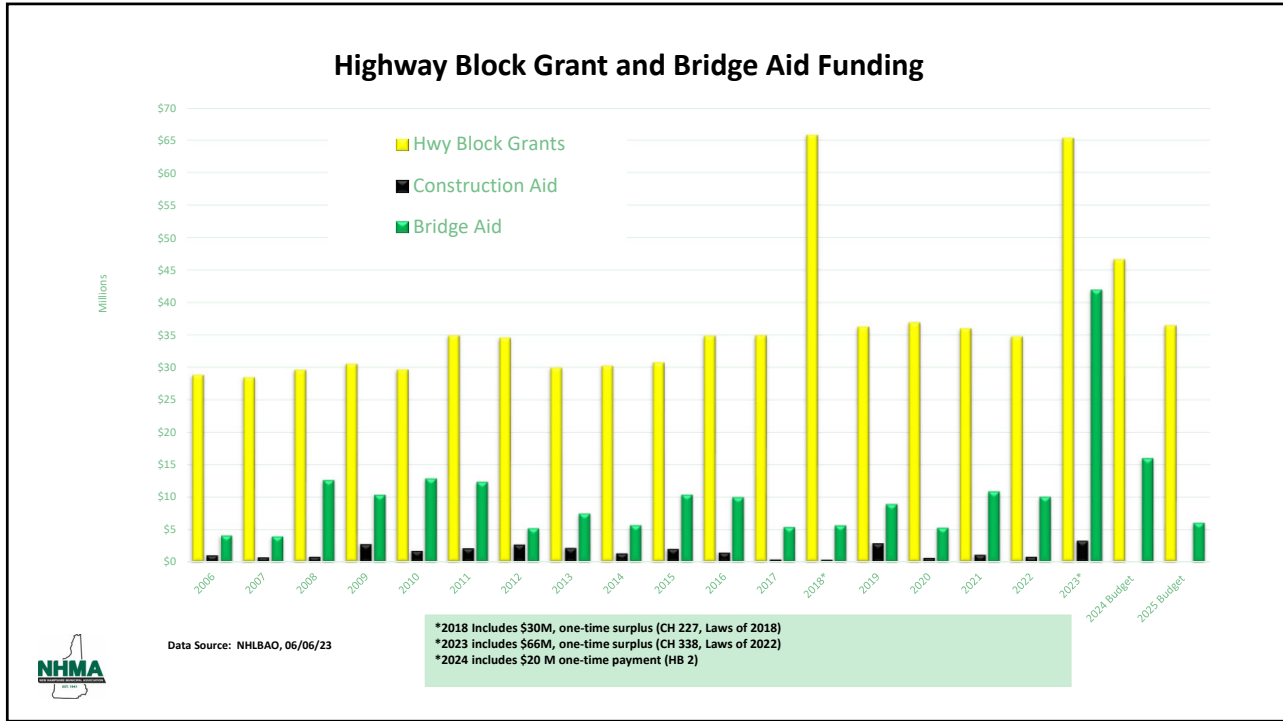
### Highway Block Grants

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

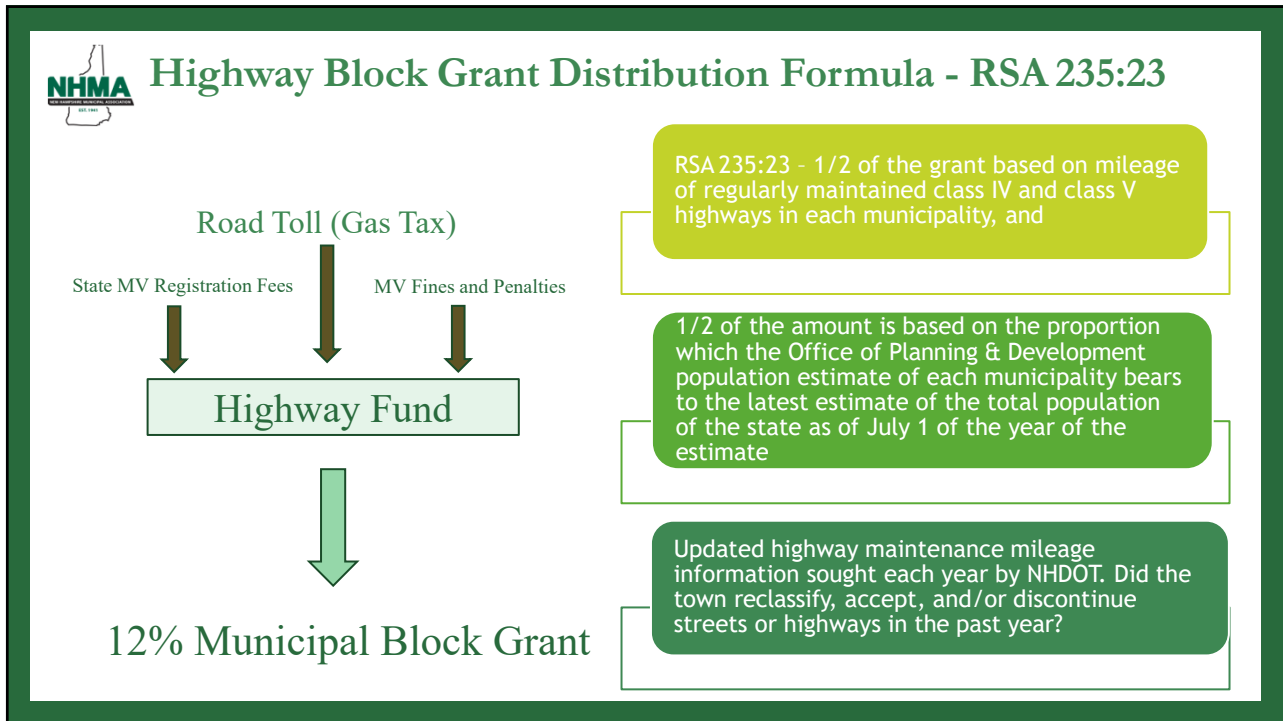
- An additional one-time payment of **\$10 million** for highway block grants for municipal road maintenance and repair and **\$10 million** for municipally owned bridges.
- Chapter 87 (HB 412) reestablishes a commission to study revenue alternatives to the road toll for the funding of improvements to 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.

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## Highway Block Grant - Eligible Uses - RSA 235:25



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## Municipal Bridge Aid

### Red-Listed Bridge Program

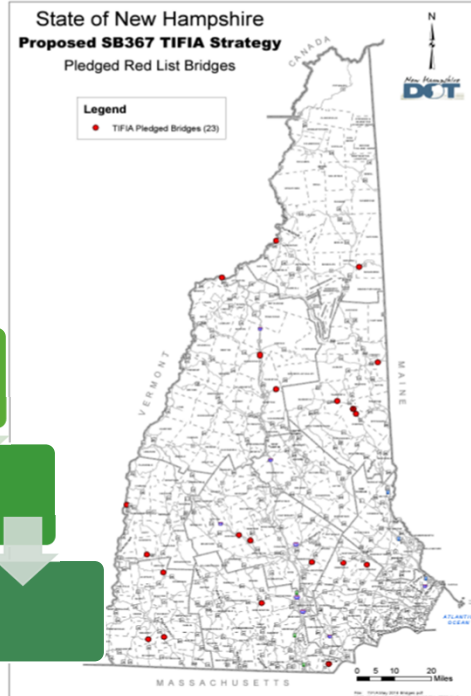
- \$6.8 million/year

Level funding from 2016 to 2034 based on 2014 legislative policy to raise the Road Toll by 4.2 cents per gallon.

As of 2022 14% of municipally owned bridges are classified as “red listed.”

RSA 234 consists of an 80% rate of all qualifying costs that are found in compliance with the process, which includes costs incurred for design, construction, and construction engineering.

Reimbursement will occur after approval of the finalized plans and specifications and submittal of “municipality-paid” invoices.



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## Additional Road and Bridge Funding Approved in 2023



### 2022 Legislative Session

- **SB 401** - Using state general fund surplus generated in fiscal year 2022:
  - \$36 million in municipal bridge aid;
  - \$30 million in municipal highway block grants;
  - \$1 million toward the body worn and dashboard camera fund.\*

### 2023 Legislative Session

- **HB 2 (SB 270)** – **Additional budget request:**
  - \$10 million in municipal bridge aid;
  - \$10 million in municipal highway block grants;

**Contact your state senators and representatives to share how critical this funding is to your community.**

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## One-Time State Aid Payments – Guidance

**RSA 31:95-b, II-IV** - Categorized as “unanticipated revenue,” governing body must hold a public hearing for amounts of \$10,000 or more, to accept and expend the funds.

- 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.

**RSA 32:7, IV** provides that money from a state grant for a specific purpose is non-lapsing;

- This additional grant is reported as “Highway Block Grant Revenue” on the municipalities 2023 MS-434 Report of Revised Estimated Revenue;

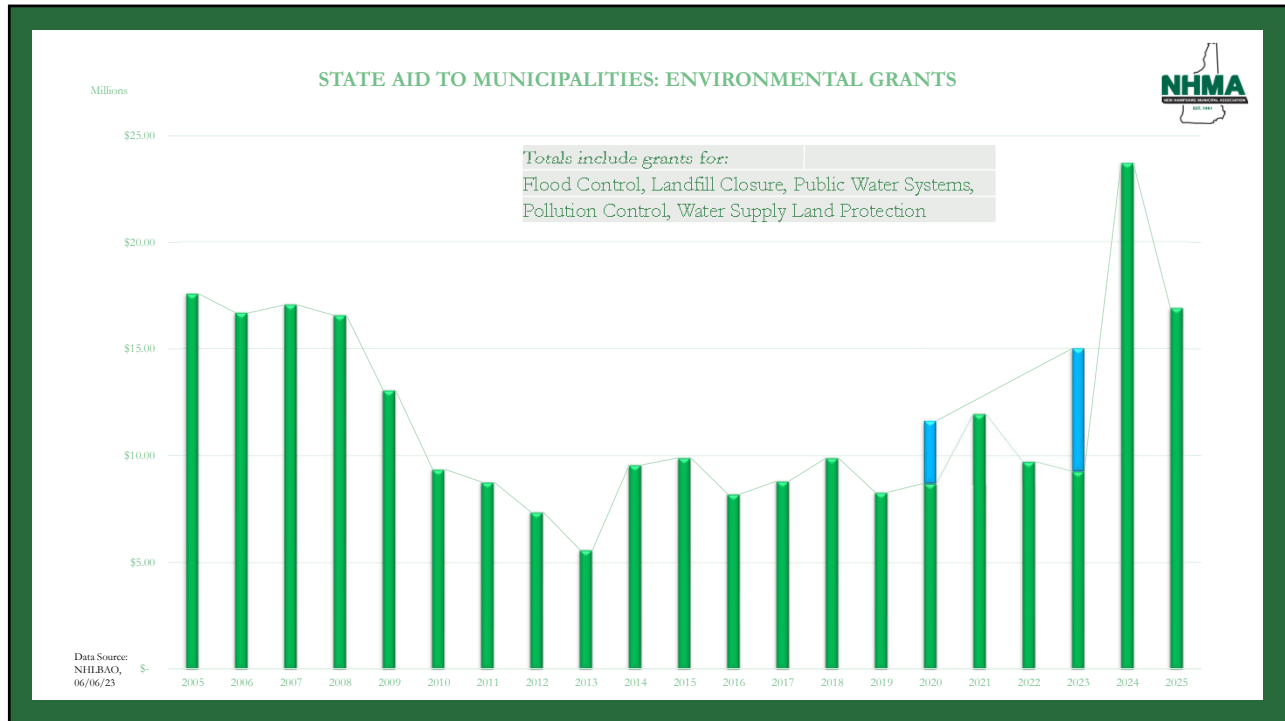
As dedicated state grant funds with a specific purpose outlined in the law, the additional funds will not become part of the unassigned fund balance;

Not recommended to place into a capital reserve Fund: funds are already restricted in their eligible use and may not be redesigned at any point in time;

Should be spent to follow the intent of the legislation, for immediate repair and maintenance and to reduce taxation.




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## HB 2 Highlights

<b>\$27.9 million</b> appropriation to fund wastewater state aid grants (SAG) <b>RSA 486</b> for municipalities, with an additional <b>\$15 million</b> per year in FY 26 and FY 27.	<b>\$2 million</b> in funding for PFAS remediation to the PFAS remediation loan fund.	<b>\$1 million</b> to the cyanobacteria mitigation grant and loan fund.
<b>\$10.6 million</b> for public water system grants.	<b>\$830,000</b> each year to reimburse municipalities involved in flood control compacts.	<b>\$420,000</b> for landfill closure grants.
<b>\$1 million</b> appropriation to the Solid Waste Management Fund for a matching grant program for solid waste-related activities	<b>\$183,000</b> for railroad tax distributions under RSA 82:21 and RSA 288:69.	<b>\$5 million</b> each year for the Land and Community Heritage Investment Program (LCHIP).



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### Housing Initiatives.

- **\$10 million** for InvestNH, allowing both municipalities and housing developers to access grants.
- **\$30 million** for the Affordable Housing Fund.
- **\$5 million** for a new Housing Champion Program, including a housing production municipal grant program and a housing infrastructure municipal grant and loan program.
- **\$10 million** for funding to increase rates for shelter programs and to assist cities and towns with housing expenses for homeless people.

### Medicaid and Health Care.

- **\$134 million** increase for Medicaid reimbursements, and a **seven-year reauthorization** for New Hampshire's Medicaid Granite State Advantage.
- **\$1.4 million** for Medicaid post-partum coverage.
- **\$5.8 million** increase for Ambulance provider reimbursements rates for certain services.

### Education Aid.

- Increases state aid to local school districts totaling **\$81,837,936** more in FY 24 than FY 22 and **\$74,133,440** more in FY 25 than FY 22 and provides targeted aid to schools in need. A municipality-by-municipality breakdown of education funding can be found [here](#).
- **\$100 million** in building aid with **\$49 million** for new projects.
- **\$10 million** for the Public School Infrastructure Fund for safe schools.



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## Additional HB 2 Highlights

**\$1 million** for establishing a law enforcement, professional firefighter and EMT career development, recruitment and retention program.

**\$15 million in funding to address childcare** availability state-wide.

17 Bills were proposed around the New Hampshire Retirement System (NHRS)

- Since 2010 over 100 legislative changes have been enacted around RSA 100.

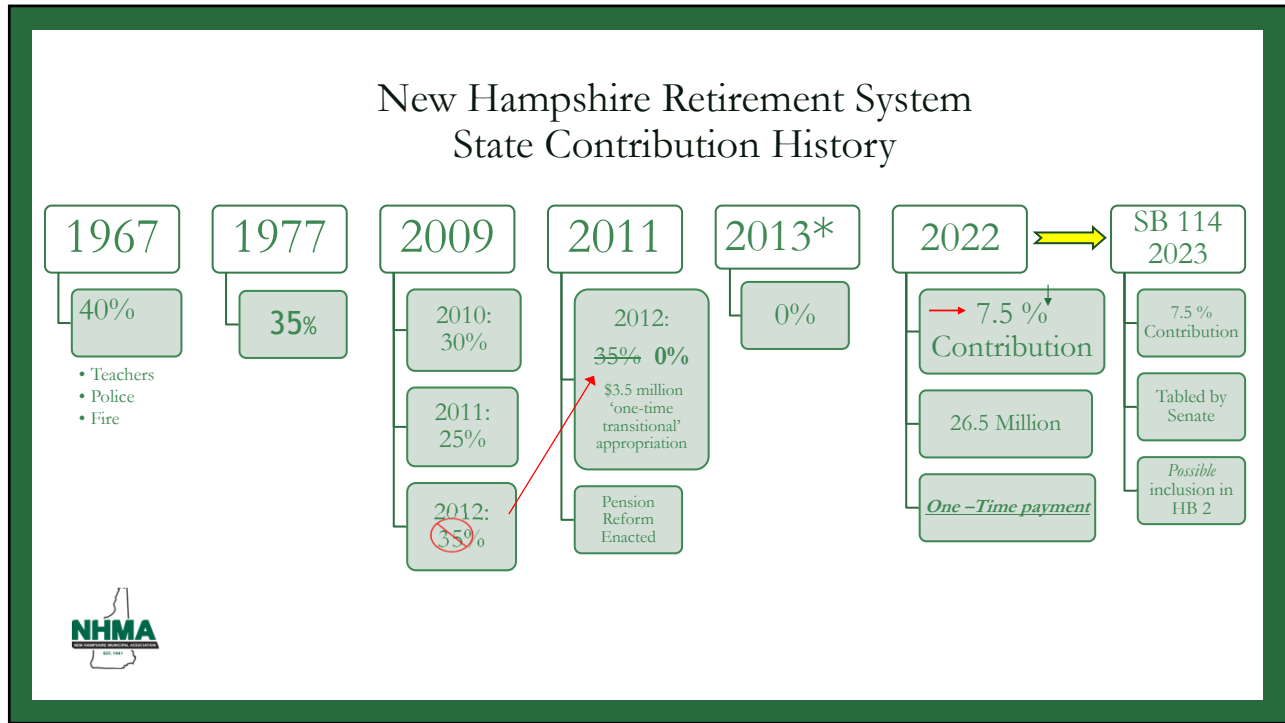
HB 2 modifies the New Hampshire Retirement System pension recalculation for the Group I (Employee and Teacher) annuity for members who retire on or after July 1, 2023.

Provides a \$500 state-funded cost of living stipend for NHRS members who retired on or before July 1, 2018, with at least 20 years of creditable service and whose annual retirement benefit as of June 30, 2023, is not greater than \$40,000

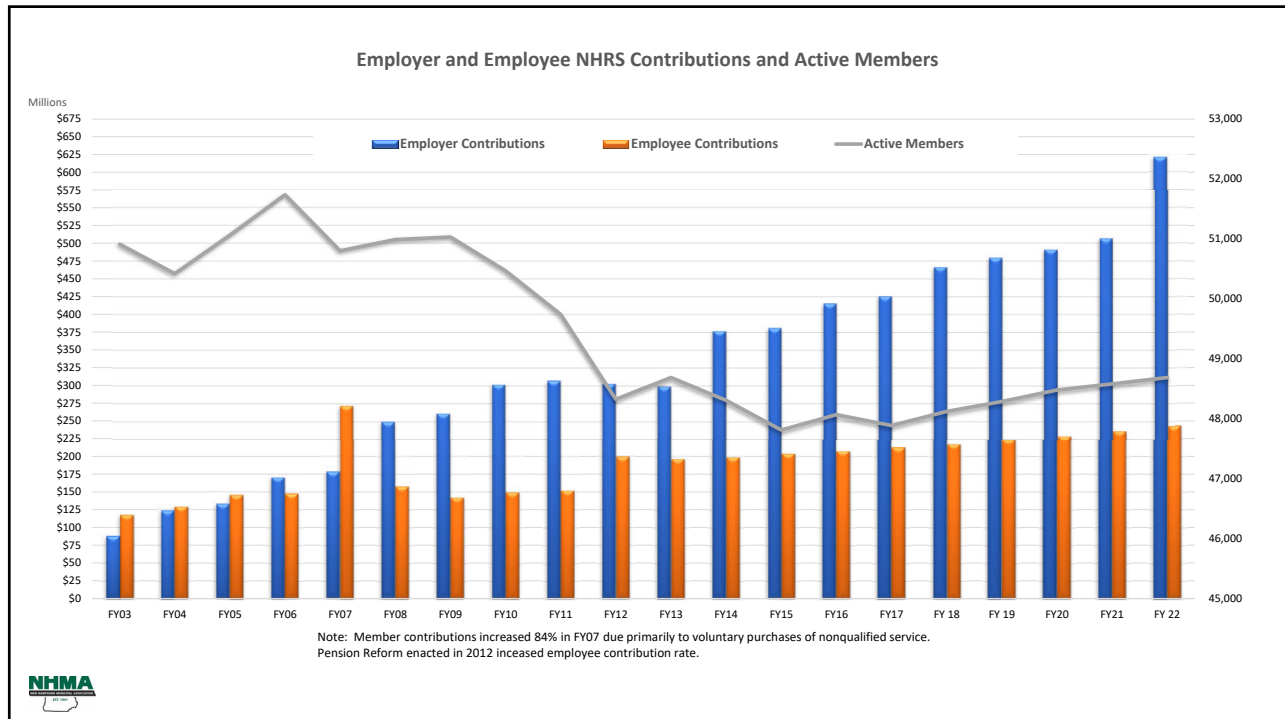
Establishes a commission to study New Hampshire Retirement System (NHRS) benefits and the retention of public employees.



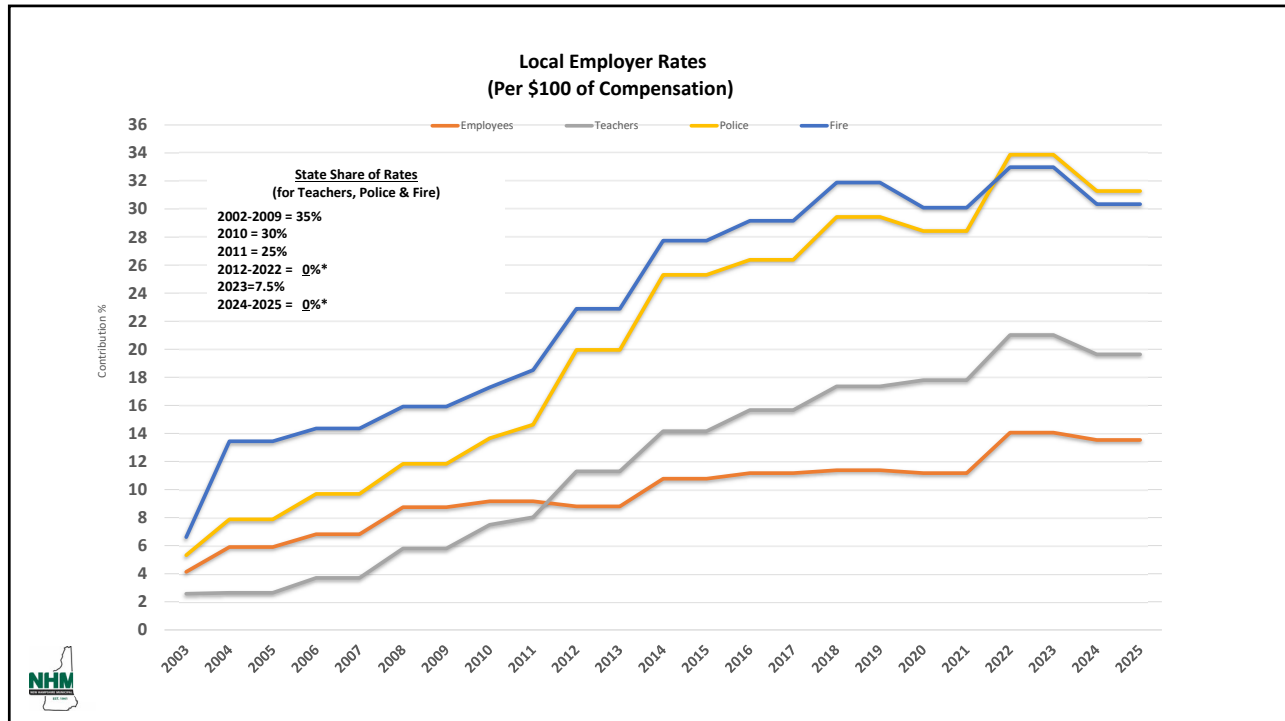
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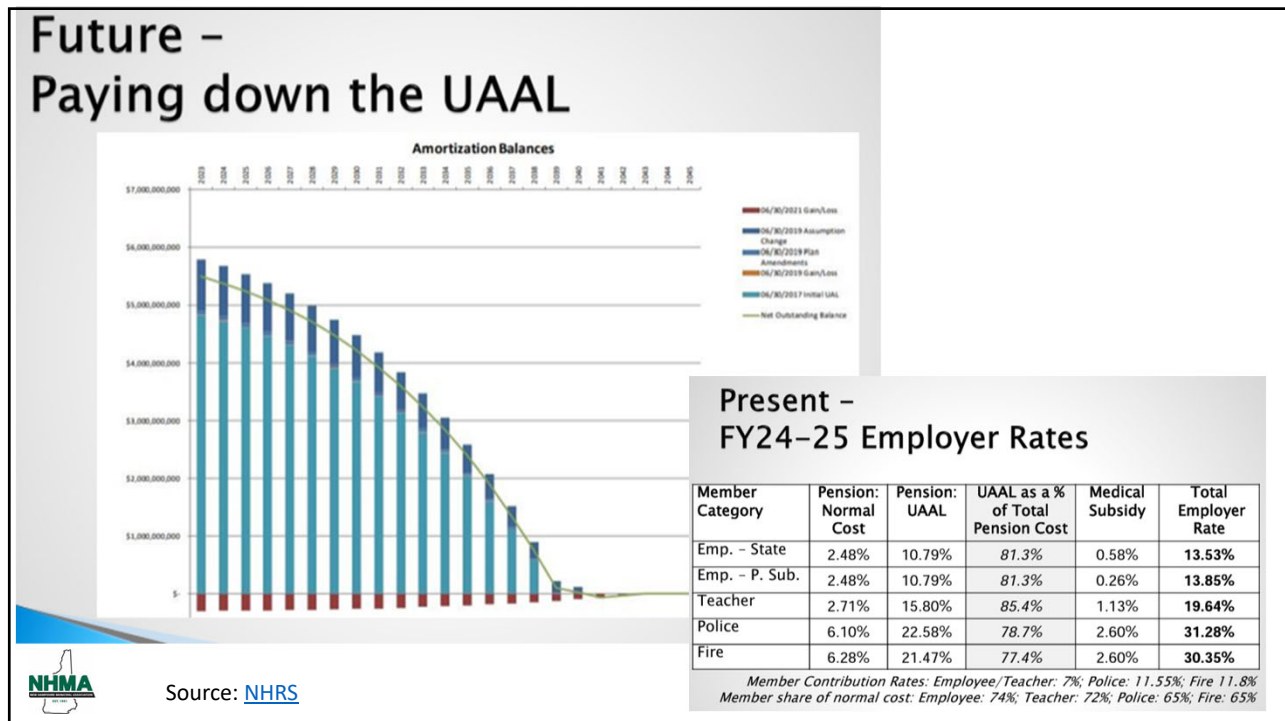
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Governor's budget proposed the removal of 34 licenses currently required by the state and eliminating 14 regulatory boards- Most of the overhaul was repealed by the House.

- Requires that local and state law enforcement agencies provide federal immigration checkpoint information on their website.
- Adds \$1 million in competitive grants funding to the Body-worn and Dashboard Camera Fund continue the program.
- **Establishes the State and Local Cybersecurity Grant Program with \$1.2 million for FY 24 and \$1.6 million for FY 25 for the state match to a federal grants and which will provide direct grant assistance to cities and towns.**
- **\$400,000** for the state-attorney general to prosecute cybercrime.

Proposed elimination of the Second Injury Fund (SIF) after September 1, 2024- Restored by House Finance

- The SIF serves to equalize the compensation costs that an employer must pay for impaired and non-impaired workers, removing a potential cost barrier to the employment of impaired workers.



## Additional HB 2 Highlights

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## State Surplus Related Legislation

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.**



### FY 24/25 Budget Proposal:

- Adds \$63.6 million to the Rainy-Day Fund (Stabilization Fund)

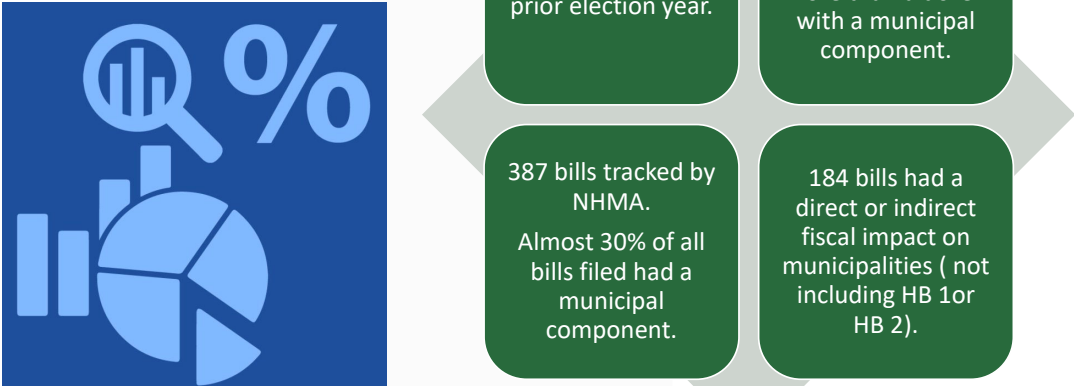
*The Senate Ways and Means Estimated Revenues at \$ 184.3 million higher the house forecast.*

The increase in revenue projections allowed the Senate to add tabled legislation and incorporate bills an appropriation into the budget.


*We hope to see legislation that will benefit cities and towns from FY 24 surplus.*

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## Bill Data 2023



- 1,187 LSRs filed – More than any prior election year.
- More than 50 LSRs withdrawn or 4.2% of all bills filed – more than a dozen with a municipal component.
- 387 bills tracked by NHMA. Almost 30% of all bills filed had a municipal component.
- 184 bills had a direct or indirect fiscal impact on municipalities ( not including HB 1 or HB 2).

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## Stay Informed & Get Involved

The Legislative Bulletin is NHMA's primary means of communicating legislative information to member towns and cities.


- Sent via email and posted on the [NHMA website](#).
- Using [NHMA's Online Bill Tracker](#).
- Watching Senate and House Committee hearings and Full Sessions.
  - [NH Senate Livestream](#)
  - [NH House Livestream](#)

It also serves as a communication vehicle for action needed from your municipality, including:

- Requests for letters or calls in support or opposition.
  - In person testimony.
  - *If you would like to speak on a bill, you do need to sign up in-person on the day of the hearing at the noticed time and location.*
  - If you do not wish to speak on the legislation but would like to have your position registered in the official record of the bill you may do so.
- [Register Position for Senate Bills/Hearings](#)
- [Register Position for House Bills/Hearings](#)

**How to Participate in New Hampshire Legislative Hearings:**

- For the NH HOUSE, a link to sign in and register a position or to submit a PDF of written testimony, can be found here:
  - [NH House of Representatives Upload Testimony](#)
  - [Submit emailed/written testimony to House committees](#)
- For NH Senate bills, a copy of your written testimony may be emailed to the committees.
  - If you do not wish to speak on the legislation would like to have your position registered in the official record of the bill you may do so using the following links:
    - [Submit emailed/written testimony to Senate committees](#)



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# NHMA Bill Tracker: FastDemocracy

The New Hampshire Municipal Association (NHMA) represents the interests of cities and towns before the New Hampshire General Court (House and Senate) and various state agencies based on its member-adopted [principles and policies](#). The New Hampshire legislative session happens each year between the months of January and June. Each legislative cycle, NHMA tracks state actions that could significantly affect New Hampshire's 234 municipalities.

In addition to the weekly Legislative Bulletin, NHMA provides members access to FastDemocracy, an online bill tracking platform, for efficient, real-time updates to legislative activity of interest to members. Members do not need to create a FastDemocracy account to access this information, but they are able to create an account if they wish.

Click on the subgroups below to see information on bills from either the previous, or current legislative cycle within each category, and view the NHMA's stance on the measures. Subscribe to the bill list(s) to receive daily or weekly email updates, including new bill actions and upcoming hearings.

- ALL BILLS
- ECONOMIC DEVELOPMENT
- EDUCATION FUNDING
- ELECTIONS
- ENERGY AND ENVIRONMENT
- INFORMATION TECHNOLOGY
- LABOR
- LAND USE
- LOCAL AUTHORITY
- PROPERTY TAX
- RETIREMENT
- RIGHT-TO-KNOW
- STATE AID
- SUBSTANCE USE
- TRANSPORTATION

FAST DEMOCRACY:  
REVISIONS THIS SUMMER



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## Check Out Our Bill Tables



Subscribe to this bill list

251-282 of 282 1 2 3 4 5 6

<p> NH 2023 LSR 2023-0830</p> <p>relative to New Hampshire workforce training programs.</p> <p> David Watters</p> <p><a href="#">Track Bill</a></p>
<p> NH 2023 LSR 2023-0832</p> <p>relative to the payment of salaried employees.</p> <p> Keith Murphy</p> <p><a href="#">Track Bill</a></p>
<p> NH 2023 LSR 2023-0833</p> <p>establishing a first responder career development, recruitment, and retention program.</p> <p> David Watters</p> <p><a href="#">Track Bill</a></p>
<p> NH 2023 LSR 2023-0836</p> <p>relative to the definition of "way" in driving or operating under the influence of drugs or liquor.</p> <p> Regina Birdsall</p> <p><a href="#">Track Bill</a></p>

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## NHMA's Legislative Policy Process

WE NEED YOU TO VOLUNTEER!



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## Questions?



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*Thank you!*

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