



2023 Legislative Update

State Aid to Municipalities FAQ

HB 2 (SB 270)

August 15, 2023

Certain provisions in [Chapter 79 \(HB 2, Sections 520 and 521\)](#) provide one-time property tax relief through additional direct payments to cities and towns for immediate infrastructure improvements: an additional \$10 million in municipal highway block grants and \$10 million for the repair and maintenance of municipally-owned bridges. This FAQ explains how this state aid will impact the local budget.

What is the municipal distribution formula for roads and bridges? Every municipality with a municipally-owned bridge will receive a share of the \$10 million allocated for the repair, maintenance, and construction in addition to any state or federal funds committed or available for bridge projects. No 20 percent match is required. **HB 2** will use the highway block grant formula and apply it to both the \$36 million in bridge funding to the \$30 million allocated for roads.

- **Highway Block Grants.** The \$10 million allocated for roads will follow the Department of Transportation “Apportionment A” formula used when calculating the annual highway block grant each municipality receives. Therefore, funds will be distributed among the municipalities based on their population in proportion to the entire state’s population and the other half is disbursed based on a municipality’s Class IV and V road mileage in proportion to the total statewide Class IV and V mileage.
- **Municipally-Owned Bridge Allocation.** The appropriation for bridges will be based on a similar 50/50 formula, where \$5 million will be distributed based on a municipality’s deck area proportional to the total deck area for municipally-owned bridges, and \$5 million will be distribution based on a municipality’s total share of the state population.
- **What can this money be used for?** **HB 2** will provide funding with restricted uses, meaning that it may be used to supplement (not supplant) local budgets; The “supplement not supplant” provision requires that these funds must add to (supplement) and not replace (supplant) local budgeted funds when providing services that repair, maintain, and construct municipal bridges (bridge -aid); repair and maintain class IV and V roads or acquire the equipment necessary to maintain Class IV and V roads (additional highway block grant)including advancing sidewalk construction adjacent to a Class V Road.
 - RSA 32:7, IV, provides that money from a state grant for a specific purpose is non-lapsing;
 - The amount of additional grant will not 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;
 - Cities and towns are encouraged to inquire of their accountant or auditing firm to determine the appropriate fund where the money will be placed until obligated and expended: and,

- It is not recommended these funds be placed in a Capital Reserve Fund. That action requires the vote of the legislative body, and the road and bridge funds are already restricted in their eligible use and may not be redesigned.

- **How can a municipality accept and expend these funds?** The bill allows all three categories of funds to be considered “unanticipated revenue.” Therefore, a municipality may accept and expend the funds under the provisions of **RSA 31:95-b, II-IV**, whether or not a municipality has adopted that statute. For unanticipated money in the amount of \$10,000 or more, RSA 31:95-b requires the governing body to hold a public hearing on the action to be taken, with notice of the time, place and subject of the hearing published at least seven days before the hearing is held. 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.

NHMA will continue to provide updated information and guidance on HB 2 as it becomes available to us.

Questions?

Please contact NHMA at 603.224.7447 or governmentaffairs@nhmunicipal.org