

HOW PUBLIC SERVICES ARE FUNDED IN NEW HAMPSHIRE

PART II

2021 LEGISLATION & GOVERNOR'S BIENNIAL BUDGET:

POSSIBLE IMPACTS TO MUNICIPAL FUNDING



NEW HAMPSHIRE MUNICIPAL ASSOCIATION

EST. 1941

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Governor's FY 2022-23 Biennial Budget:

What is included for towns and cities?



Municipal Aid

- Does not include \$20 million per year, which is in current budget.
- Municipal Aid was appropriated for FY '20 and '23 as “one-time revenue” using budget surplus.

Revenue Sharing

- Does not include \$25.2 million per year required by RSA 31-A.
- HB 2 (budget trailer bill) is expected to again suspend the revenue sharing program.
- First established in 1969 as “Return of Revenues to Cities and Towns” when the state reformed how businesses were taxed, replacing the “stock in trade tax”—an essential part of the local property tax base.
- Was first suspended in 2010 in the aftermath of the Great Recession, and suspended every year since: cumulative loss of \$300 million.

Highway Block Grants

- Reduces town/city distribution amounts due to estimated revenue reductions in highway road toll (gas tax) and state motor vehicle fees.
- Funded at **\$33.6 million** in 2022 (down \$3.1 million from FY 21)
- Funded at **\$35.8 million** in 2021 (down \$2.1 million from FY 21)

Governor's FY 2022-23 Biennial Budget

(cont.)



Municipal Bridge Aid

- Reduces funding by \$1.6 million for FY 22 and 23 to: **\$6 M** each year.
- RSA 260:32-b requires the funding to be \$6.8 million annually.
- Eliminates \$8.1 million of \$10.4 million appropriated in 2018 as “non-lapsing” funds targeted for municipal red list bridge projects (HB 1817).
- \$8.1 million is budgeted to “lapse” to NH DOT operating expenses.

State Aid Grants

- Does not fund the state’s statutory 20% share of costs for wastewater projects beyond those that were approved in FY 20.
- Does not include funding originally appropriated for 11 projects expecting to receive state aid grant payments in FY 21 (\$3.6 m).
- Does not include funding for 110 new eligible wastewater projects.

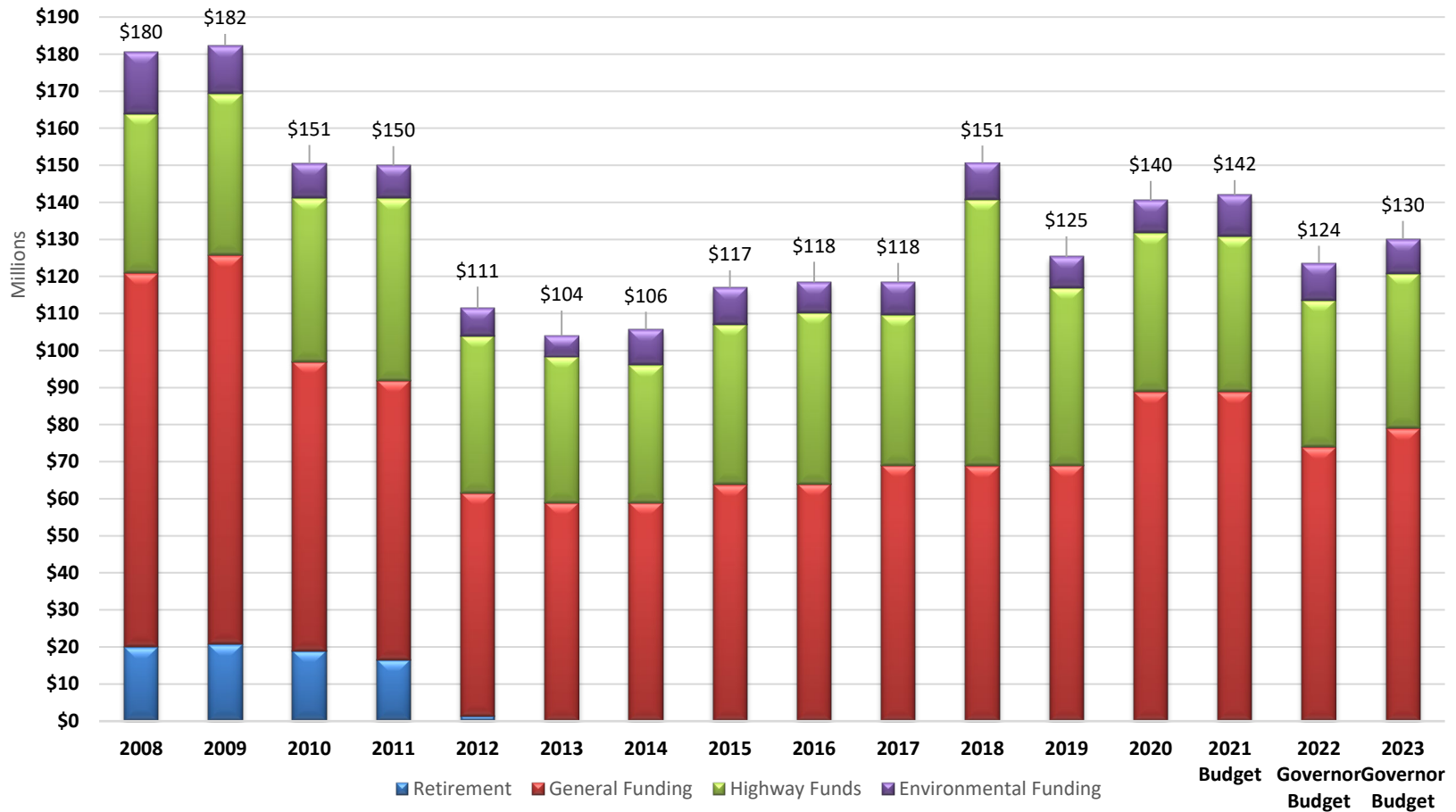
Meals & Rooms Tax (Meals & Rentals Tax)

- *“For the first time in more than a decade, HB2 is introduced without a provision to suspend increases in Meals and Rooms Tax revenue sharing to cities and towns in either year of the biennium. Through this budget we are redoubling our commitment to revenue sharing for cities and towns—sending back cash, not costs, to our citizens. ...this budget continues municipal aid grants and expands revenue sharing to reduce the local property tax burden n our citizens.”*
- **“Allows for” up to \$15 million** in additional revenue:
 - **\$5 M** in FY '22; **\$10 M** in FY '23

GOVERNOR'S BUDGET: 2022-2023

STATE AID TO TOWNS & CITIES: 2008-2021

Note: This graph includes the **full** amount of Meals & Rooms Distribution - "**Allowed For**" by Governor's budget (but **NOT** supported by Governor's revenue estimates).



Data Source: NHLBAO State Aid Chart, 10/20/20

Legislation Impacting Municipal Budgets



SB 118 – The Property Tax Relief Act

- Appropriates another 2 years of “municipal aid” at \$20 million* per year for each of FY 2022 and 2023.
- *Requires that 60% of aid be used for property tax rate reduction.
- Senate Finance Committee voted Ought to Pass (OTP), 4-3.

SB 72 – Taxpayer Rescue Act of 2021

- Requires the state to contribute 15% of NH Retirement System employer contributions made by political subdivisions for teachers, police and firefighters.
- Would reduce political subdivision costs by \$53 million in FY 2022
- Bill is in Senate Finance Committee; hearing has been held.

HB 274 – re. state payment of a retirement contribution

- Requires the state to contribute 5% of NH Retirement System employer contributions made by political subdivisions for teachers, police and firefighters – a \$17.66 million cost reduction.
- House voted ITL to kill the bill yesterday, 189-168 (21 vote difference) **Note: ‘24’ Representatives were absent.**

Legislation Impacting Municipal Budgets

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HB 398 – State Aid Grants (SAGS) for Wastewater Treatment

- Appropriates \$5.7 million for FY 22.
- Appropriates \$6.9 million for FY 23.
- Provides funding for wastewater state aid grants to fund the 11 projects slated to be funded in the current biennium,
- Provides funding for 110 new projects identified as eligible;
- Bill is in House Finance Committee; voted 21-0 to retain the bill.

HB 412 – State Aid Grants (SAGS) for Public Water Supply

- Appropriates \$500,000 for each of FY 2022 -2023 for public water supply state aid grants.
- State has not appropriated funds for these SAGs since 2008.
- There are approximately 15 projects on the current waiting list.
- Bill is in House Finance Committee; voted 21-0 to retain the bill.

SB 127 – Omnibus Bill, Parts VII and VIII, State Aid Grants (SAGs) for Wastewater Treatment and Public Water Supply

- Parts VII and VIII are identical to SAG bills (HB 398 and HB 412 detailed above)
- Bill is in Senate Finance Committee; hearing has been held.

Legislation Impacting Municipal Budgets

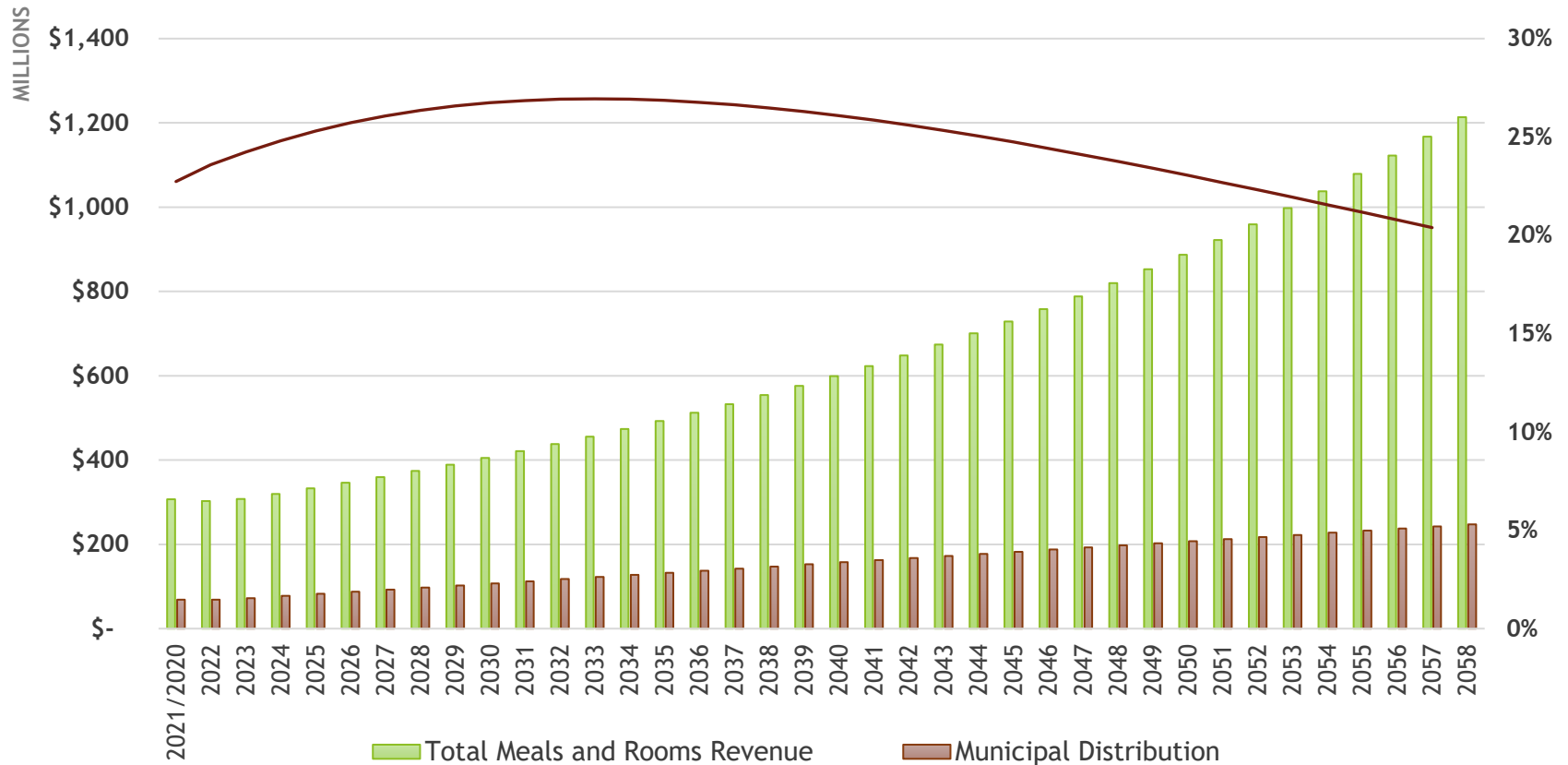
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SB 99 – relative to the meals and rooms/rentals tax

- Repeals the catch-up formula which caps the annual increase on M&R revenue to municipalities,
- Requires that 40% of net M&R revenues be distributed annually.
- Municipal Catch-up Formula: intended to ‘catch up’ the municipal distribution to the statutory 40%. Calculated:
 - Previous year’s distribution amount,
 - Plus 75% of year-over-year increase in total revenue
 - Up to \$5 million maximum (annual cap)
- Catch-up Formula was suspended in 10 of past 12 years.
- SB 99 would nearly double the current distribution amount.
 - \$53.9 million would have been added to current distribution amount, which totaled \$68.8 million (same level as 2017)
- Bill is in Senate Finance Committee; hearing has been held.

Meals & Rooms Catch-Up Formula Projection 75% of Annual Year-Over-Year Revenue Increase, Capped at \$5 Million



Assumes a 4% annual increase, based on 10 year historical

Meals & Rooms Tax - “allows for” up to \$15 million increase (Governor’s Budget)

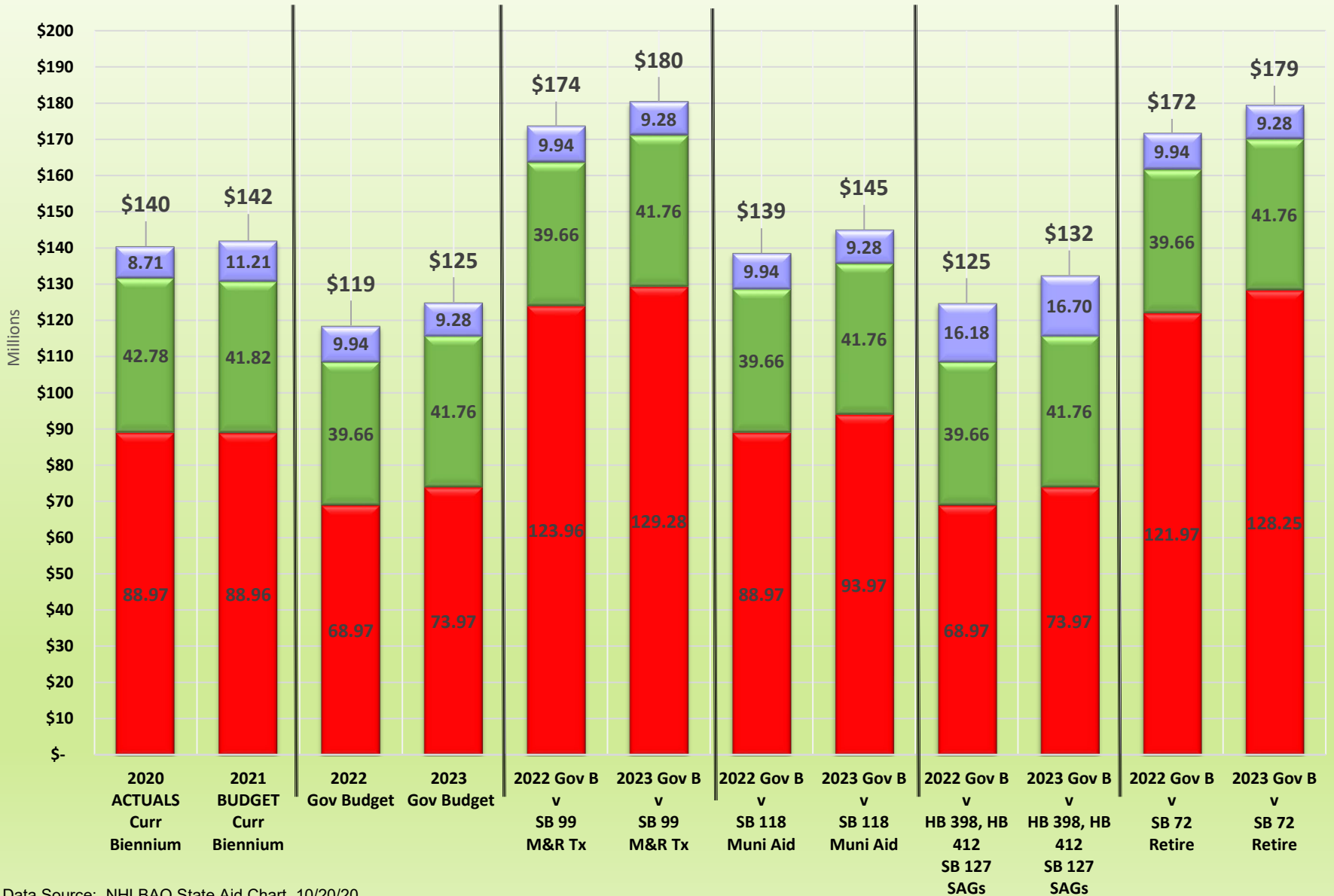
What the Governor did in this budget that is different from the past 10 years:

- **NOT suspend** the catch-up formula for either FY 2022 or FY 2023.

	Millions	
<u>2021 Distribution:</u>	<u>\$68.8</u>	
Catch-up Formula – <u>NOT Suspended</u>	* * *	<i>in Governor’s Budget:</i>
<u>2022 Distribution:</u>		
Previous Year Distribution	\$68.8	
Plus 75% Revenue Increase	\$ 0.0	- FY '21 revenue projected to be \$3.5 million BELOW FY '20 revenue)
Capped at \$5 Million	n/a	
<i>Total Distribution</i>	<u>\$68.8</u>	Additional Revenue Sharing FY '22: \$0 million, <u>Not</u> \$5 million
<u>2023 Distribution:</u>		
Previous Year Distribution	\$68.8	
Plus 75% Revenue Increase	\$9.9	- FY '22 revenue projected to be \$13.2 million ABOVE FY '21 revenue)
Capped at \$5 Million:	\$5.0	
<i>Total Distribution</i>	<u>\$73.8</u>	Additional Revenue Sharing FY '23: \$5 million, <u>Not</u> \$10 million
		TOTAL Additional Revenue Sharing: \$5 million, <u>Not</u> \$15 million

COMPARISONS: Governor Budget vs. Legislation Impacting Revenue Sharing & State Aid

■ General Funding
 ■ Highway Funds
 ■ Environmental Funding
 ■ Total \$ Amount



Data Source: NHLBAO State Aid Chart, 10/20/20

Complimentary Events this Spring!



The Workings of a Planning Board

Tuesday, March 23, 2021

12:00 noon - to 2:00 pm

[REGISTRATION OPEN!](#)



2021 Labor Law Workshop for Municipalities

Wednesday, March 24, 2021

9:00 am - 12:00 noon

WEBEX Workshop hosted by USDOL/NHDOL

[REGISTRATION OPEN!](#)



2021 Local Officials Workshops

Tuesday, April 6, 2021

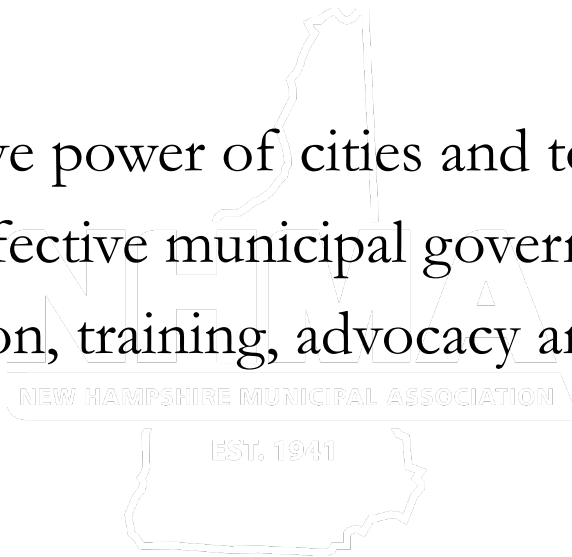
Tuesday, May 18, 2021

9:00 am - 4:00 pm

[REGISTRATION OPEN!](#)

THANK YOU for attending our webinar today!

Through the collective power of cities and towns, NHMA promotes effective municipal government by providing education, training, advocacy and legal services.



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