

Senate Election Law and Municipal Affairs Committee

Jessica Bourque 271-2104

HB 1505-FN, requiring municipalities, towns, and cities to submit documentation to the department of revenue administration proving they are in compliance with local budget and tax caps.

Hearing Date: March 24, 2026

Time Opened: 9:24 a.m.

Time Closed: 9:52 a.m.

Members of the Committee Present: Senators Gray, Lang, Perkins Kwoka and Long

Members of the Committee Absent: Senator Rochefort

Bill Analysis: This bill requires municipalities, towns, and cities to submit documentation to the department of revenue administration proving they are in compliance with local budget and tax caps.

Sponsors:

Rep. Pauer

Rep. Ammon

Rep. Girard

Rep. Granger

Rep. Kofalt

Rep. Lascelles

Rep. McFarlane

Rep. D. McGuire

Rep. Sweeney

Rep. Vose

Sen. Avard

Sen. Gannon

Sen. Murphy

Who supports the bill: Rep. Diane Pauer, Eric Pauer, Aubrey Freedman, Curtis Howland, Timothy Finney, Pamela Harders, Julie Smith, Pierre DuPont, Bradley Louth, Jay Schechter, Nancy Dulac, Hon. Linda Rea Camarota, Linda Mead, Julie Laboe, Daniel Richardson, Adam Gilman, Susan Homola, Debbie Gragg, Cassandra Vorisek-Creto, Al Creto, Kherri-Dean Hummer, Nancy Parry, Donna Preve, David Werner, Elizabeth Hamel, Mark Hamel, Valerie Pauer, Jacqueline Wachowski, John Wachowski, Dorothy O'Gara, Kim Scott Donahue, Mary Cyr, Patrick Donahue, Barbara Ryan, Jennifer Reardon, Nancy Donahue, Chris Adams, Courtney Deschenes

Who opposes the bill: Rep. Peter Bixby, Cory Stone, Janet Robertson, B Widger, Linda Burnap, Amy Erickson, Debra Merrick, Deborah Fexis, Abigail Mather, Richard DeMark, Susan Fanburg, Cassandra Curtis, Lois Cote, Hannah Meiselman, Ruth O'Neal, Katherine Pawley,

Summary of testimony presented:

Representative Diane Pauer, Hillsborough-District 36, Prime Sponsor

- HB 1505 does three things:
 - Requires towns and school districts that have adopted tax and budget caps to submit information using MS forms to the Department of Revenue Administration (DRA) annually.
 - Ensures that voter adopted caps are applied consistently across the state.
 - Grants DRA enforcement authority if the caps are not followed.
- Proportions will be adjusted under the cap if needed when proposed spending extends the cap.
- Fiscal impact is a one-time cost of \$75,000 for the DRA to update its tax rate system portal.
- There would be a negligible local cost that would be insignificant since municipalities already have to submit the required forms.

Senator Long asked whether this requires towns to remain under the cap once paperwork is submitted.

Rep. Pauer confirmed that it is correct. She explained that political subdivisions currently submit MS forms to the DRA to set the tax rate. She mentioned that the bill will provide additional information for DRA to review to determine whether the statute is being followed.

Senator Gray asked about the specifics of the problem this bill aims to address.

Rep. Pauer responded that many problems exist. She explained that one issue lies with towns and school districts with local tax caps that are not adhering to the law. When voters pass a tax cap that is ignored, that creates a problem.

Senator Gray asked whether the problem observed in one or two municipalities is sufficient to increase the challenges all municipalities will face.

Rep. Pauer responded that the reason for addressing this issue is the seriousness of voters adopting a tax cap that is not enforced.

Senator Gray said those who do not follow the law should be voted out or the Attorney General should be involved.

Rep. Pauer said that the idea that it would be up to the community to pursue legal action is unreasonable and stated that the DRA currently collects information on tax rates and that it would only make sense to allow them to enforce tax caps.

Senator Lang referenced page 3 of the bill. He then asked about the confusion surrounding how warrant articles are published and the order in which they are addressed once the tax cap is reached. For example, if an operating budget exceeds the tax cap and several articles are passed by 3/5th vote, then, under his interpretation, the Commissioner of DRA would need to reduce the operating budget to meet the cap.

Rep. Pauer said she does not share that interpretation and replied that tax caps can be increased as long as the vote requirement is achieved. She is open to an amendment to fix the issue raised by Senator Lang.

Eric Pauer, School District Governance Association of NH

- Supports this bill.
- Several towns with tax caps have exceeded those caps.
- The key issue is that residents and officials often do not understand how tax caps operate.
- Currently, DRA can offer guidance but does not have enforcement authority.
- Tax caps are often subject to interpretation rather than consistent application.
- Referenced prior legislation, including HB 200, which added a supermajority override for local tax caps, HB 383, and SB 105 regarding the town budget cap.
- Cited examples of the Brookline School District, the Town of Milton, and the Newfound Regional School District.
 - In Brookline, an 8% tax cap was exceeded through proposed warrant articles, causing the cap to be exceeded, and there was nothing that could be done because there is no DRA enforcement.
 - Stated that Milton also proposed appropriations above its tax cap limits.
 - The Newfound Regional School District had its last warrant article go over the cap, but it still passed, even though it only received 51 or 52% yes votes, even though there should have been a 3/5th vote.
- Increasing DRA involvement would improve consistency and oversight.
- The bill will assist local officials, such as selectmen, in reviewing and applying tax caps.
- Override mechanisms would remain available if applied correctly under the law.

Aubrey Freedman, Bridgewater

- Supports this bill.
- Stated that current tax cap laws are not being enforced consistently.
- DRA needs improved data and should be granted the authority to enforce tax caps.
- Referenced the House Minority report, mentioning that DRA stated it was unaware of any errors and questioned how such a conclusion could be reached without adequate data.
- The \$75,000 cost of the bill would be justified by its long-term benefits.

Jennifer Ramsey & Bruce Kneuer, NH Dept. of Revenue Administration

Senator Lang referred to page 3, starting at line 20, regarding "Enforcement of Local Caps," and asked whether a budget and three warrant articles, and with the last article exceeding the tax cap, would require a 3/5th majority. He also questioned how this rule would apply to the 3/5th rule and whether a 3/5th vote would also be necessary for the entire budget and the warrant article. According to his interpretation, only reductions could be made to the operating budget and the first warrant article.

Ms. Ramsey responded that she understands the sponsor's intent and the issue raised by Senator Lang. She suggested an additional line could be added to address those concerns.

Senator Long asked what level of confidence DRA will have in shifting to enforcement authority.

Mr. Kneuer stated that the Municipal Bureau is accustomed to enforcement responsibilities and that this would be an additional component of their work.

Senator Long noted that municipalities are required to submit tax caps and raised concern over which warrant articles would be removed to meet the cap.

Mr. Kneuer stated that under existing law, a 10% threshold applies. If proposed appropriations exceed that threshold, disallowed articles are addressed in order, with some flexibility to adjust based on public health and safety considerations. However, the final article in the sequence is typically the one removed. He noted that this process applies to the governing body's role in managing appropriations.

Senator Perkins Kwoka asked if there is a history of complaints.

Mr. Kneuer responded that, aside from a few emails and the testimony in this hearing, the bureau has not received many complaints.

Senator Gray asked why an individual who believes the town is not following the law wouldn't seek relief from the Superior Court.

Ms. Ramsey stated that voters can address issues through elections, but that this matter could also be addressed by the Superior Court.

Senator Lang asked whether there were any additional issues in the rest of the bill that had not been discussed so far.

Ms. Ramsey stated that an additional \$75,000 should be included as an appropriation in the 2027 fiscal note.