Senate Education Finance Committee

Karen Davis 271-7875

HB 1610, allowing school districts to annually retain year-end unassigned general funds.

Hearing Date: April 1, 2026

Time Opened: 1:38 p.m. **Time Closed**: 2:12 p.m.

Members of the Committee Present: Senators Murphy, Carson, Ward, Rosenwald and Altschiller

Members of the Committee Absent: Senator Innis

Bill Analysis: This bill allows school districts to retain year-end unassigned general funds on an annual basis.

Sponsors:
Rep. Sellers Rep. DeRoy Rep. Pauer
Rep. Franz

Who supports the bill: Rep. Dan McGuire, Rep. Daniel Popovici-Muller, Aubrey Freedman, Cory Stone, Abigail Mather, Curtis Howland, Julie Smith, Brad Louth, Leo Plante, Eric Pauer, Pamela Harders, Russell Hodgkins, Thomas Humphreys

Who opposes the bill: Barrett Christina (NH School Boards Association), Priscilla Dube, Curtis Hamilton, Leigh Hutchinson

Who is neutral on the bill: Adam Denoncour, Department of Revenue Administration (DRA); Mark Manganiello, Department of Education (DOE)

Summary of testimony presented in support:

- **Representative Dan McGuire** - Epsom (Introduced the bill on behalf of Prime Sponsor, Rep. John Sellers)

Rep. McGuire stated that there were a couple of ways school boards could access uncommitted funds during the fiscal year. Most funds in a budget were allocated for specific items such as salaries. He explained that there were two kinds of uncommitted funds – a contingency fund and an unassigned fund balance. This was the section of law (RSA 198:4-b) that would be changed by this bill.

Section one was about contingency funds. DRA currently allows school boards to include a line item for contingency funds. Residents would then vote on the whole budget. If this bill passed, the word "only" would cause a vote on each contingency fund expenditure.

Section two was about the unassigned fund balance. When money was unspent, it was available to be used in the following fiscal year or be returned to the taxpayers, lowering the tax rate. The amount of money retained was up to the school board or select board up to a certain limit. However, current law allowed that money to be spent for any purpose simply by holding a public hearing.

Rep. Sellers was motivated to draft this bill because he thought his district overspent on cafeteria tables and he wanted their spending to be more controlled. This bill would reactivate another part of law (RSA 32:11) that already stated that an unassigned fund balance could only be spent on emergencies. Currently, school boards could add spending after a public hearing and that spending would become an ongoing obligation even though the voters had not approved it. That was what this bill was about, Rep. McGuire stated.

Q: Sen. Cindy Rosenwald – She asked how this bill would apply to a city such as Nashua that did not have a separate school district.

A: Rep. McGuire - He replied that Nashua had a board of alderman, some of whom served on a budget committee. In communities with separate school districts, Rep. Sellers wanted an annual vote on how they spend their unassigned fund balance.

- **Aubrey Freedman**, Bridgewater

Mr. Freedman stated that he brought up this issue to Rep. Sellers. He has attended school board meetings in his district and he noticed that unassigned funds were labeled “indefinitely until rescinded”. That was a red flag to him. He also stated that school boards usually rubber stamp everything and that special contingency funds should be set up in all school districts.

- **Rep. Daniel Popovici-Muller**, Windham, NH

Rep. Popovici-Muller felt that it was essential to give more control to the local taxpayer, and he expressed support that this bill would lead to an annual authorization by voters for education-related expenses.

Summary of testimony presented in opposition:

- **Barrett Christina**, Executive Director, NH School Boards Association

Mr. Christina said that the current version of RSA 198:4-b was adopted in 2020 in a bipartisan manner. Changes were made at that time to give voters more control over their school district's budget.

He contended that not all unanticipated expenditures were emergencies. For example, he cited SchoolCare which had sent notices to dozens of school districts that they were going to be hit with additional health expenses.

School district budgets were determined at the start of the school year; however fuel costs have risen recently. The only alternative for some would be to cut staff and services. He did not believe that this bill was necessary and that it could serve as a detriment to programming for kids.

Neutral Information Presented:

- **Adam Denoncour**, Director of Municipal and Property Division, DRA

Mr. Denoncour stated that his comments would be focused on sections two and three of the bill. Specifically, the removal of all the existing options in section two and the effective date in section three. He said that depending on when this bill was signed, these authorities could be rescinded during tax rate setting. Some school districts which had existing adoptions, they would be allowed to retain fund balances based on their currently adopted authority. If that was a concern about the effective date, he suggested that it could be amended to the tax rate of 2027.

- **Mark Maganiello**, Bureau of School Finance, DOE

Mr. Manganiello addressed Section Two, Lines 16 and 17 which cited RSA 32:11, emergency expenditures and overexpenditures. In his five years at DOE, he said that he worked with a few school districts who had applied in writing for 32:11 overexpenditures. The first questions they asked was if the district had retained fund balance authority and whether money was put into it. He estimated that the department received one of these letters every other year.

Q: Sen. Debra Altschiller – Looking at the procedure for 32:11, she stated that the emergency expenditures were not specially defined. Were they locally determined?

A: Mr. Manganiello - He replied that it could be subjective and that there was a lot of grey area. There could be a debate over whether a district had high special education costs. If there was a good faith application, DOE would authorize it.

Q: Sen Altschiller- How would the school board know that transportation costs were rising exponentially? Would that qualify as a 32:11 overexpenditure?

A: Mr. Manganiello - He stated that most school districts had a little bit of slack in their budgets. If they overran their entire budget and they identified a revenue source, he would send that to the Commissioner to request his or her approval.

KJD
Date Hearing Report completed: April 8, 2026