

HB 1824-FN - AS INTRODUCED

2026 SESSION

26-3105.0
12/09

HOUSE BILL **1824-FN**

AN ACT relative to school district financial distress.

SPONSORS: Rep. Damon, Sull. 8; Rep. Girard, Sull. 6; Rep. Ames, Ches. 13; Rep. E. Kelly, Merr. 8; Rep. Cloutier, Sull. 6; Rep. Ebel, Merr. 7; Rep. Caplan, Merr. 8; Rep. Bricchi, Merr. 15

COMMITTEE: Education Funding

ANALYSIS

This bill:

I. Authorizes the commissioner of the department of education, with the affirmation of the joint legislative fiscal committee, to enter into loan agreements with financially insolvent school districts.

II. Authorizes municipalities to provide financially insolvent school districts with assistance from existing municipal funds and increases the maximum percentage of funding available to such school districts through a contingency fund.

III. Establishes the school district adequacy revolving loan fund to assist school districts with cash flow in anticipation of adequacy payments.

Explanation: Matter added to current law appears in ***bold italics***.
Matter removed from current law appears ~~[in brackets and struck through.]~~
Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Twenty-Six

AN ACT relative to school district financial distress.

Be it Enacted by the Senate and House of Representatives in General Court convened:

1 1 New Sections; School District Financial Distress; State Assistance; Municipal Assistance.
2 Amend RSA 198 by inserting after section 20-d the following new sections:

3 198:20-e School District Financial Distress; State Assistance. This section provides for the
4 financial recovery of school districts that are in financial insolvency.

5 I. For the purposes of this section:

6 (a) "Department" means department of education.

7 (b) "Commissioner" means the commissioner of the department of education.

8 (c) "Financial insolvency" means a school district whose annual expenditures have
9 exceeded their available funding for the fiscal year, including but not limited to funds made available
10 by the state pursuant to RSA 198 and funds from a contingency fund as defined in RSA 198:4-b.

11 (d) "School district" means any public school district or cooperative school district.

12 II. Where a school district is considered to be financially insolvent, the commissioner shall
13 develop a recovery plan, which shall include a proposed loan agreement, to be submitted to the joint
14 legislative fiscal committee as described in paragraph IV.

15 III. The commissioner, when authorized by the joint legislative fiscal committee in
16 accordance with paragraph IV, may enter into loan agreements with school districts. These
17 agreements may include covenants and provisions for protecting and enforcing rights that in the
18 discretion of the commissioner may be considered reasonable and proper and not in violation of law.
19 The maximum term of the loan agreement shall be 5 years and any interest rate for said loan shall
20 be determined by any index or other method specified in the loan agreement.

21 IV. The commissioner shall notify the joint legislative fiscal committee, established in RSA
22 14:30-a, when a school district is considered to be financially insolvent. Within 30 days of providing
23 this notification, the commissioner shall submit to the joint legislative fiscal committee a copy of
24 their recovery plan for said school district. The commissioner's recovery plan shall include at a
25 minimum the terms of a loan agreement, including the principal, interest rate, and any covenants or
26 provisions for protecting and enforcing rights. Upon receipt of the recovery plan, the joint legislative
27 committee shall hold a public meeting, in accordance with RSA 91-A, relative to the authorization of
28 the commissioner entering into a loan agreement with a financially insolvent school district. After a
29 period for public comment, the joint legislative fiscal committee shall vote as to whether the
30 commissioner shall be authorized to enter into such loan agreement as submitted to the committee
31 by the commissioner.

1 (a) A majority of members of the joint legislative fiscal committee shall constitute a
2 quorum.

3 (b) A majority of members of the joint legislative fiscal committee voting in the
4 affirmative to approve the loan agreement as submitted by the commissioner shall authorize the
5 commissioner to enter into the loan agreement in accordance with paragraph III.

6 (c) A majority of members of the joint legislative fiscal committee voting in the negative
7 to approve the loan agreement as submitted by the commissioner shall constitute a denial of the
8 recovery plan as proposed by the commissioner. Upon denial of a recovery plan, the commissioner
9 may resubmit a new recovery plan to the committee pursuant to the provisions of this section.

10 V. State aid relative to special education, as defined in RSA 186-C:18 is exempt from the
11 provisions of this section.

12 198:20-f School District Financial Distress; Municipal Assistance. Any municipality in which a
13 financially insolvent school district is located, as defined in 198:20-e, I may provide emergency
14 assistance from existing municipal funds to said school district. If a municipality elects to provide
15 emergency assistance, moneys provided to the school district shall include any repayment terms and
16 oversight requirements relative to the emergency assistance provided.

17 2 Contingency Fund; Fiscal Year Net Assessment; Percentage Increase. Amend the introductory
18 paragraph of RSA 198:4-b, II to read as follows:

19 II. Notwithstanding any other provision of law, a school district by a vote of the legislative
20 body may authorize, indefinitely until specific rescission, the school district to retain any unused
21 portion of the year-end unassigned general funds, from the preceding fiscal year in subsequent fiscal
22 years, provided that the total amount of year-end unassigned general funds does not exceed, in any
23 fiscal year, [5] **10** percent of the current fiscal year's net assessment under RSA 198:5.

24 3 New Subdivision. School District Stabilization Funding. Amend RSA 194 by inserting after
25 section 61 the following new subdivision:

26 School District Stabilization Funding

27 194:62 Declaration of Intent. The intent of this subdivision is to provide a targeted, temporary
28 fiscal stabilization mechanism through the establishment of a school district adequacy revolving loan
29 fund to assist districts with cash flow in anticipation of adequacy payments.

30 194:63 School District Adequacy Revolving Loan Fund. There is hereby established in the
31 department of treasury a fund to be known as the school district adequacy revolving loan fund,
32 which shall be kept separate and distinct from all other funds. Moneys in the fund shall be
33 nonlapsing and shall be continually appropriated to the treasury, and shall be used to provide loans
34 to school districts affected by fiscal insolvency.

35 194:64 Outstanding Loan Amount. At no time shall the total outstanding amount of loans made
36 under this subdivision exceed 75 percent of total adequacy funding to be distributed to a school
37 district, pursuant to RSA 198:41, in any given year.

1 194:65 Certification of Disclosure. Notwithstanding any other provision of law to the contrary,
2 the school district adequacy revolving loan fund shall be considered an allowable use of the
3 education trust fund pursuant to RSA 198:39. Moneys may be appropriated from the education trust
4 fund to the school district adequacy revolving loan fund, with such funds then being loaned to the
5 designated school district. Prior to a school district drawing upon the adequacy revolving loan fund,
6 the governing body of a school district shall authorize such use of the fund by an affirmative vote of a
7 majority of its members present and voting. Additionally, prior to drawing any funds from the
8 revolving loan fund, the school board and superintendent shall file with the department of education
9 a certification disclosing any activity in the preceding 2 fiscal years relative to reimbursement
10 anticipation notes issued pursuant to RSA 198:20-d. The governor is authorized to draw a warrant
11 from the education trust fund to be placed in the school district adequacy revolving loan fund within
12 a fiscal year not to exceed the sum of the following:

13 I. Seventy-five percent of total adequacy funding to be distributed to a school district
14 pursuant to RSA 198:41 within the fiscal year of the warrant; and

15 II. Seventy-five percent of the total adequacy funding estimated by the department of
16 education to be distributed on September 1 of the following fiscal year pursuant RSA 198:41, IV and
17 RSA 198:42, I.

18 194:66 Loan Terms and Interest. Loans issued from the school district adequacy revolving loan
19 fund shall bear interest at a rate established by the state treasurer, which shall be based on the
20 state's current cost of borrowing. A quorum of a school district's governing body, the commissioner of
21 the department of education, and the state treasurer shall all agree to the terms of the loan. When
22 an adequacy payment is due to be distributed pursuant to RSA 198:42:

23 I. The portion of the adequacy payment equivalent to the outstanding principal and interest
24 balance of the revolving loan shall first be credited against such balance; and

25 II. Any remaining adequacy payment shall then be distributed to the relevant school
26 district.

27 194:67 Excess Loan Funds and Loan Repayment. On 5 years from the date when funds were
28 initially distributed to a school district, any funds borrowed from the school district adequacy
29 revolving loan fund shall automatically transfer to the education trust fund. All funds borrowed
30 from the school district adequacy revolving loan fund shall be repaid by the relevant school district
31 no later than 5 years from the date when the funds were initially distributed. Notwithstanding any
32 other provision of law, the relevant school district shall not issue or borrow funds pursuant to RSA
33 198:20-d prior to 5 years from the date when funds from the school district adequacy revolving loan
34 fund were initially distributed to a school district.

35 4 New Subparagraph; Application of Receipts; School District Adequacy Revolving Loan Fund.
36 Amend RSA 6:12, I(b) by inserting after subparagraph (410) the following new subparagraph:

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1 (411) Moneys deposited in the school district adequacy revolving loan fund as
2 established in RSA 194:63.

3 5 Effective Date. This act shall take effect 60 days after its passage.

HB 1824-FN- FISCAL NOTE
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AN ACT relative to school district financial distress.

FISCAL IMPACT: This bill does not provide funding, nor does it authorize new positions.

Estimated State Impact				
	FY 2026	FY 2027	FY 2028	FY 2029
Revenue	\$0	\$0	\$0	\$0
<i>Revenue Fund(s)</i>	None			
Expenditures*	\$0	\$320,000	\$318,000	\$334,000
<i>Funding Source(s)</i>	General Fund			
Appropriations*	\$0	\$0	\$0	\$0
<i>Funding Source(s)</i>	None			

*Expenditure = Cost of bill

*Appropriation = Authorized funding to cover cost of bill

Estimated Political Subdivision Impact				
	FY 2026	FY 2027	FY 2028	FY 2029
Local Revenue	\$0	\$0	Indeterminable	
Local Expenditures	\$0	\$0	Indeterminable	

METHODOLOGY:

This bill establishes a process for assisting financially insolvent school districts. The bill authorizes the Commissioner of the Department of Education, with approval from the Joint Legislative Fiscal Committee, to develop recovery plans and enter into loan agreements (up to 5 years) with such districts. It also allows municipalities to provide emergency financial assistance and increases the allowable school district contingency fund balance from 5% to 10% of the current fiscal year's net assessment.

To develop and monitor insolvent school districts, enact and implement recovery plans, and oversee the adequacy revolving loan fund, the Department states it would need two positions (SOC 13-09, starting step 9), with total estimated costs of \$320,000 in FY 2027, \$318,000 in FY 2028, and \$334,000 in FY 2029. This bill provides neither authorization nor funding for new positions.

The Department states that to the extent school districts expand their authority to retain fund balance, district local revenue may increase due to higher cash reserve holdings receiving interest. This would increase by an indeterminable amount starting as early as FY 2028. Furthermore, to the extent districts access the adequacy revolving fund, district interest expenditures may increase.

AGENCIES CONTACTED:

Department of Education