

Senate Election Law and Municipal Affairs Committee

Jessica Bourque 271-2104

HB 374, relative to local tax cap and budget laws.

Hearing Date:April 22, 2025

Time Opened:10:57 a.m.

Time Closed:11:12 a.m.

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

Members of the Committee Absent: None

Bill Analysis:This bill clarifies references to the procedure for adopting a local tax and budget cap and clarifies warrant language for adopting such a cap and budget.

Sponsors:

Rep. Pauer

Rep. Bryer

Rep. Edwards

Rep. Kofalt

Rep. Lascelles

Rep. Tim Mannion

Rep. Tom Mannion

Rep. McFarlane

Rep. D. McGuire

Sen. Avard

Sen. McGough

Sen. Murphy

Sen. Sullivan

Who supports the bill: Rep. Diane Pauer, Eric Pauer

Who opposes the bill: Rep. Eleana Colby, Rep. Stephanie Grund, Rep. Timothy Horrigan, Rep. Tracy Bricchi, Brian Hawkins, Barrett Christina, Jeanne Tospey, Betsy Neville

Summary of testimony presented:

Representative Diane Pauer, Prime Sponsor, Hillsborough-District 36

- This bill makes corrections and clarifications to SB 383 of 2024, which was signed into law last year.
- Some issues were identified when towns and school districts began implementing the new local tax cap and the new school district budget cap laws this past annual meeting season.
- The goal of HB 374 is to ensure that all towns and school districts clearly understand how the budget and tax caps are proposed and adopted.
- Adds and corrects important statute references, including the population and average daily membership.

- Adds missing statutory warrant article language and clarifies that an existing tax cap can be modified by adopting a new tax cap.
- Changes the date that the annual inflation index is used from January 1st to October 1st in order for the data point to be available for the budget season.
- Prepared a chart of side-by-side comparisons for current law and the changes made.

Senator Perkins Kwoka asked how she sees this working with cuts to the state budget and increased costs being passed down to our cities and towns from the state.

- This bill is not new legislation.
- This is basically a housekeeping bill.
- This bill has nothing to do with whether or not you are in favor of local tax caps. It only makes edits and clarifications to the existing statutes.

Representative Stephanie Grund, Hillsborough-District 34

- Has multiple concerns about the discussion of implementing tax caps.
- Understands the original intent was to enable.
- Concerned about the effect of bonds if using the Consumer Price Index (CPI) or municipal cost index. If a bond is approved by voters, in the first year, it is interest only, the second year, it is full payment, which would exceed the tax cap.
- The second year is calculated into the tax cap calculation, which will likely exceed the tax cap.
- The bill says a school district shall place the warrant article for the SAU budget at the beginning of the school district warrant article. Essentially dictating the order of warrant articles.
- Asked why section 5 states that the question is not subject to amendment by the legislative body, and why this is different from other warrant articles.
- The bill takes away the simple majority that was previously acceptable and replaces it with the 3/5ths requirement.

Representative Eleana Marie Colby, Merrimack-District 9

- This bill, as amended, would allow a governing body to choose an inflation index from either the U.S. Bureau of Labor Statistics through the CPI or the municipal cost index published by American City and County for the official ballot question regarding a tax cap. However, it prohibits the legislative body from amending the question, which is the part that concerns her the most.
- She believes that strips communities of the fundamental right to determine the best index for their community.
- To date the indexes, provide up to 2 percentage points of variation.

- The Northeast Consumer Index is not listed as an option. Which is vital and more accurately depicts the increased cost of living, working, and operating in the Northeast. For example, the CPI is listed at 2.4% and the Northeast region CPI is listed at 3.4%.
- It's unacceptable to infringe on the people's rights to amend a warrant article during their town meeting, especially if it affects a town financially.
- Once a local tax cap is adopted, it will require a 3/5th super majority vote to override. Which means that if a community discovers a flaw in its governing body's choice of index, it is shackled by it and needs a super majority to fix the issues.
- If the issues cannot be fixed, even one percentage point difference could cost hundreds of thousands of dollars, leading to fewer services, limited infrastructure repair, or the loss of safety personnel.
- Restrictions placed on the legislative body are a disservice with expensive repercussions and fly in the face of the democratic process and local sovereignty.

Senator Perkins Kwoka asked if, given the failures to fully fund special education at both the state and local levels, having more expensive tax caps would hamstring the town's ability to respond to what comes down from the state level.

- Rep. Colby responded that federal changes are being made that trickle down to the state and believes that municipalities should maintain the ability to control as much as possible to insulate their residents from the chaos and moving parts.
- Any tax cap or changing the requirements to a super majority could be detrimental.

Senator Perkins Kwoka asked if anything came up in the House hearing about why RSA 32:5-b isn't working as it is and needs to be amended by this bill?

- Representative Colby said that she is not aware of that coming up in the House hearing.

Brodie Deshaies, NH Municipal Association

- Was neutral on the bill. But now opposes due to the following sentence that was added on line 30, page 2, "The question shall not be subject to amendment by the legislative body".
- They believe these decisions should be left to the legislative body as they historically have been.
- The legislative body should be able to amend warrant articles at either town meetings or deliberative sessions.
- Generally, NHMA agrees with retaining control and letting the legislative body make the ultimate decisions.

Senator Gray asked what page Mr. Deshaies quoted line 30 from?

- Mr. Deshaies responded on line 30 on page 2.
- The same language was added on page 4 but that is about school districts so he didn't want to speak on behalf of the school districts because NHMA represents the municipalities.

Eric Pauer, Brookline Planning Board

- This bill is based on SB 383, which was passed last year and which Senator Murphy sponsored.
- SB 383 added a new method for local tax caps.
- After reviewing and implementing SB 383, discrepancies with the references and definitions were found.
- Using a January 1st index doesn't make sense because budgeting season starts earlier, so this bill sets it to October 1st to make it more practical.
- The inflation index can be the Municipal Cost Index or any index published by the U.S. Bureau of Labor Statistics.
- As far as the question of the removal of the language, "shall not be subject to amendment by the legislative body," that turned out to be a big challenge this year. In one instance (possibly in Bedford), tax caps were changed from an inflation-based index to a fixed-based tax cap with a ridiculous number. It should not be happening that way.
- Articles with a tax cap or budget cap should be handled similarly to a bond warrant article.
- This is to clean up the law on local tax caps and school budget caps so they can work unambiguously for the citizens of NH.

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Date Hearing Report completed: April 25, 2025