HB 374 - AS AMENDED BY THE HOUSE

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HOUSE BILL ***374***

AN ACT relative to local tax cap and budget laws.

SPONSORS: Rep. Pauer, Hills. 36; Rep. Bryer, Rock. 1; Rep. Edwards, Rock. 31; Rep. Kofalt, Hills. 32; Rep. Lascelles, Hills. 14; Rep. Tim Mannion, Hills. 1; Rep. Tom Mannion, Hills. 1; Rep. McFarlane, Graf. 18; Rep. D. McGuire, Merr. 14; Sen. Avard, Dist 12; Sen. McGough, Dist 11; Sen. Murphy, Dist 16; Sen. Sullivan, Dist 18

COMMITTEE: Municipal and County Government

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.

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Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.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

AN ACT relative to local tax cap and budget laws.

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

1 Preparation of Budgets; Local Tax Cap. RSA 32:5-b, I, I-b, and II are repealed and reenacted to read as follows:

I. In a town or district that has adopted this section, the estimated amount of local taxes to be raised for the fiscal year shall include the operating budget and all other warrant articles with a tax impact, certified by the governing body or the budget committee and posted on the warrant for the annual meeting pursuant to RSA 32:5. The estimated amount of local taxes to be raised for the fiscal year shall not exceed the local taxes raised for the prior year, as shown on the same budget and adjusted as provided in paragraph I-a and II, by more than the tax cap authorized when this section was adopted.

I-a. If the local taxes raised for the prior year were reduced by any fund balance brought forward from previous years, the amount of such reduction shall be added back and included in the amount to which the tax cap is applied under paragraph I.

I-b.(a) In a town or district that has adopted this paragraph, a tax cap limiting the base amount to be raised by property taxes to last year's base shall be adjusted to account for inflation and change in population for towns or village districts, or attendance for school districts, according to the following formula: This year's base = (Last year's base) x (1 + CPI) x (This year's population or attendance / Last year's population or attendance).

(b) In this paragraph:

(1) "Attendance" shall mean the average daily membership in residence (ADMR) of the school district, pursuant to RSA 198:38 I-a. “This year's attendance” shall be the annual ADMR reported to the department of education as of October 1 preceding the date of the budget hearing held pursuant to RSA 32:5 I. “Last year’s attendance” shall be the annual ADMR reported to the department of education as of October 1 of the year prior to the annual ADMR reported for “This year’s attendance”.

(2) "Base amount" or "base" shall mean the local taxes raised for the year. “This year's base” shall be the “base” proposed at the annual budget hearing held pursuant to RSA 32:5 I. “Last year’s base” shall be the “base” of the year prior to the “base” reported for “This year’s base”.

(3) The increase for inflation, or CPI (consumer price index) in the formula above, shall be the annual percentage change of an inflation index published by the U.S. Bureau of Labor Statistics as of October 1 or the annual percentage change of the Municipal Cost Index (MCI)

published by American City and County as of October 1, preceding the date of the budget hearing held pursuant to RSA 32:5 I.

(4) "Population" shall mean the annual population figures for the town or district calculated by the department of business and economic affairs, office of planning and development pursuant to RSA 78-A:25, I "This year's population" shall be the "Population" preceding the date of the budget hearing held pursuant to RSA 32:5 I. "Last year's population" shall be the "Population" of the year prior to the "Population" reported for "This year's population".

II. The tax cap shall be either a fixed dollar amount, a fixed percentage, or a multiplication factor applied to the amount of local taxes raised by the town or district for the prior fiscal year as reported to the department of revenue administration as provided in paragraph I-b, subject to adjustment as provided in paragraph I-a.

2 Preparation of Budgets; Adoption of Local Tax Cap; Phrasing of Question. Amend RSA 32:5-c, IV to read as follows:

IV. [~~The~~] ***For a tax cap using a fixed dollar amount or a fixed percentage, the*** wording of the question shall be:

"Shall we adopt the provisions of RSA 32:5-b, and implement a tax cap whereby the governing body (or budget committee) shall not submit a recommended budget that increases the amount to be raised by local taxes, based on the prior fiscal year's actual amount of local taxes raised, by more than _______ (insert either a fixed dollar amount or a fixed percentage)?"

For a tax cap using multiplication factor per RSA 32:5-b, I-b, the wording of the question shall be:

"Shall we adopt the provisions of RSA 32:5-b, and implement a tax cap whereby the governing body (or budget committee) shall not submit a recommended budget that increases the amount to be raised by local taxes (this year's base), that is higher than the prior fiscal year's actual amount of local taxes raised (last year's base), adjusted for inflation using the inflation index ________ (insert index) and the change in _________ (insert population or attendance), in accordance with RSA 32:5-b, I-b?"

3 Towns, Cities, Village Districts, and Unincorporated Places; Municipal Budget Law; Adoption of Local Tax Cap. Amend RSA 32:5-c, V to read as follows:

V. ***The question shall not be subject to amendment by the legislative body.*** Voting on the question shall be by ballot, but the question shall not be placed on the official ballot used to elect officers, except in the case of a legislative body that uses an official ballot form of meeting under RSA 40:13 or under a charter adopted pursuant to RSA 49-D. Polls shall remain open and ballots shall be accepted by the moderator for a period of not less than one hour following the completion of discussion on the question. If a 3/5 majority of those voting on the question vote "yes," RSA 32:5-b shall apply within the local political subdivision beginning with the following fiscal year and for all subsequent years until it is ***changed as provided in paragraph V-a or*** rescinded as provided in paragraph VI.

4 New Paragraph; Towns, Cities, Village Districts, and Unincorporated Places; Municipal Budget Law; Adoption of Local Tax Cap. Amend RSA 32:5-c by inserting after paragraph V the following new paragraph:

V-a. Any local political subdivision which has adopted RSA 32:5-b may consider adoption of a new tax cap, using any method described in RSA 32:5-b II, in the manner described in paragraphs I through V. If the adoption of a new proposed tax cap fails, the existing tax cap shall continue to apply.

5 Towns, Cities, Villages Districts, and Unincorporated Places; Municipal Budget Law; Preparation of Budgets; School District Budget Cap. RSA 32:5-e is repealed and reenacted to read as follows:

32:5-e School District Budget Cap. Upon adoption under RSA 32:5-f, the following shall apply:

I. In a school district that has adopted this section, the total amount raised and appropriated for the fiscal year, including the operating budget and all other warrant articles with a tax impact, as shown on the budget certified by the school board or the budget committee and posted with the warrant for the annual meeting pursuant to RSA 32:5, shall not exceed the current per pupil cost, as defined herein, times the average daily membership in residence (ADMR), pursuant to RSA 198:38, I-a, of the school district as of October 1 of the year immediately preceding the proposed budget year as reported to the department of education times (1+ IF), where IF is an amount for an annual increase for inflation. The first year after the budget cap is adopted, the current per pupil cost shall be the per pupil cost adopted in the warrant article per RSA 32:5-f, IV. In subsequent years, the current per pupil cost shall be the previous year's current per pupil cost times (1+IFP), where IFP is the previous year's IF.

II. The annual increase for inflation (IF) shall be either a fixed percentage, annual percentage change of an inflation index published by the U.S. Bureau of Labor Statistics as of October 1, preceding the date of the budget hearing held pursuant to RSA 32:5, I, or annual percentage change of the Municipal Cost Index (MCI) published by American City and County as of October 1, preceding the date of the budget hearing held pursuant to RSA 32:5, I.

III. The legislative body may override the budget cap by the usual procedures applicable to annual school meetings of the legislative body, provided that when a proposed appropriation will cause the total amount raised and appropriated to exceed the budget cap or the total amount already raised and appropriated has exceeded the budget cap, voting on the appropriation question shall be by ballot, but the question shall not be placed on the official ballot used to elect officers, except in the case of a legislative body that uses an official ballot form of meeting under RSA 40:13 or under a charter adopted pursuant to RSA 49-D. If a 3/5 majority, or the supermajority as determined under a charter pursuant to RSA 49-D, of those voting on the question vote "yes," the appropriation is approved. Only votes in the affirmative or negative shall be included in the calculation of the 3/5 majority or the supermajority as determined under a charter pursuant to RSA 49-D.

IV.(a) When using the official ballot form of meeting under RSA 40:13, if the warrant article for the operating budget results in appropriations exceeding the budget cap and receives less than 3/5 majority "yes" vote, the adopted operating budget shall be reduced by appropriations already raised to remain compliant with the budget cap.

(b)(1) School districts shall place the warrant article for the SAU budget at the beginning of school district warrant, immediately after any warrant articles proposing bonds or notes.

(2) For school districts using a traditional meeting and when the outcome of the SAU budget vote is pending on balloting from the other school districts, the higher of the school district's assigned portion of the proposed SAU budget or the school district's assigned portion of the adjusted SAU budget shall be assumed as raised and appropriated for the purpose of determining when the override provisions under paragraph III apply.

6 Towns, Cities, Villages Districts, and Unincorporated Places; Municipal Budget Law; Preparation of Budgets; Adoption of School District Budget Cap. Amend RSA 32:5-f, IV and V to read as follows:

IV. ***If, under RSA 32:5-e, II, a fixed percentage is used for the annual increase for inflation, the*** [~~The~~] wording of the question shall be: "Shall we adopt the provisions of RSA 32:5-e, and implement a budget cap whereby the school board (or budget committee) shall not submit a recommended budget that is higher than _____ dollars per pupil cost times the average daily membership in residence of the school district as of October 1 of the year immediately preceding the proposed budget year plus a _____ percent annual increase for inflation. Requires a 3/5ths majority of the school district." Alternatively, if an annual inflation index is used, the wording of the question shall be: "Shall we adopt the provisions of RSA 32:5-e, and implement a budget cap whereby the school board (or budget committee) shall not submit a recommended budget that is higher than _____ dollars per pupil cost times the average daily membership in residence of the school district as of October 1 of the year immediately preceding the proposed budget year plus an annual increase for inflation using (the index) published by (the U.S. Bureau of Labor Statistics or American City and County) as of [~~January~~] ***October*** 1. Requires a 3/5ths majority of the school district."

V. ***The question shall not be subject to amendment by the legislative body.*** Voting on the question shall be by ballot, but the question shall not be placed on the official ballot used to elect officers, except in the case of a legislative body that uses an official ballot form of meeting under RSA 40:13 or under a charter adopted pursuant to RSA 49-D. Polls shall remain open and ballots shall be accepted by the moderator for a period of not less than one hour following the completion of discussion on the question. If a 3/5 majority of those voting on the question vote "yes," RSA 32:5-e shall apply within the school district beginning with the following fiscal year and for all subsequent years until it is ***changed as provided in paragraph V-a or*** rescinded as provided in paragraph VI.

7 New Paragraph; Towns, Cities, Villages Districts, and Unincorporated Places; Municipal Budget Law; Preparation of Budgets; Adoption of School District Budget Cap. Amend RSA 32:5-f by inserting after paragraph V the following new paragraph:

V-a. Any local political subdivision which has adopted RSA 32:5-e may consider adoption of a new school district budget cap, using any method described in RSA 32:5-e II, in the manner described in paragraphs I through V. If the adoption of a new proposed school district budget cap fails, the existing school district budget cap shall continue to apply.

8 Applicability. RSAs 32:5-b, I-II, 32:5-c, IV-V-a, 32:5-e, I, II, and IV, and 32:5-f, IV-V-a, as amended by sections 1 through 7 of this act, shall apply to local tax caps and school district budget caps adopted prior to the effective date of this act and shall not require local amendment or re-adoption by a town or district.

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