**SB 643-FN - AS AMENDED BY THE HOUSE**

03/05/2026 0958s
14May2026... 1812h

2026 SESSION

26-2091
07/05

SENATE BILL ***643-FN***

AN ACT 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 and requiring municipalities to hold a public hearing and conduct a roll call vote when seeking to override a tax or spending cap.

SPONSORS: Sen. Avard, Dist 12; Sen. Lang, Dist 2; Sen. Murphy, Dist 16; Sen. Sullivan, Dist 18; Rep. Barbour, Hills. 35; Rep. Sellers, Graf. 10

COMMITTEE: Election Law and Municipal Affairs

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AMENDED ANALYSIS

This bill:

I. 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.

II. Requires certain municipalities to hold a public hearing and conduct a roll call vote when seeking to override a tax or spending cap and report the results of the roll call on property bills.

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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Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

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STATE OF NEW HAMPSHIRE

*In the Year of Our Lord Two Thousand Twenty-Six*

AN ACT 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 and requiring municipalities to hold a public hearing and conduct a roll call vote when seeking to override a tax or spending cap.

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

1 Statement of Findings. With respect to section 2 of this act, the general court hereby finds that:

I. There is a compelling state interest in promoting transparency, accountability, and citizen participation when municipalities consider overriding locally adopted tax or spending caps.

II. Local tax caps and spending caps, whether adopted under RSA 32, RSA 49-C, or RSA 49-D, reflect the will of the voters to place limits on the growth of local government.

III. In cities and towns governed by elected councils, budgetary and override decisions are made by a governing body acting as the legislative authority, rather than directly by the voters.

IV. Taxpayers are entitled to clear and timely information regarding when and how elected officials vote to override such caps, particularly when such decisions may directly affect property tax rates.

V. Enhanced procedural safeguards, including advance notice, public hearings, and recorded roll call votes, are appropriate when override decisions are made by elected governing bodies.

2 New Section; Towns, Cities, Village Districts, and Unincorporated Places; Municipal Budget Law; Override Procedures. Amend RSA 32 by inserting after section 5-h the following new section:

32:5-i Override Procedures for Local Tax and Spending Caps.

I. Notwithstanding RSA 32:2, this section shall apply only to:

(a) Cities organized under RSA 49-C; and

(b) Towns in which the governing body is an elected town council pursuant to RSA 49-D:3, I or I-a, authorized by charter or statute to adopt the municipal operating budget.

II. This section shall not apply to:

(a) Towns operating under a traditional town meeting form of government pursuant to RSA 39:1;

(b) Towns operating under the official ballot referendum form of town meeting pursuant to RSA 40:13;

(c) Towns operating under a budgetary town meeting pursuant to RSA 49-D:3, II;

(d) Towns operating under an official ballot town meeting pursuant to RSA 49-D:3, II-a;

(e) Towns operating under a representative town meeting pursuant to RSA 49-D:3, III; or

(f) Village districts or other special districts.

III. Before any vote to override a tax or spending cap by a municipality subject to this section may be held, the governing body shall:

(a) Hold a public hearing on the proposed override and provide notice of such hearing in accordance with RSA 32:5, I, and other applicable law, except that such notice shall be provided at least 30 days in advance of the hearing;

(b) Provide at such hearing a public comment period of at least 60 minutes in duration, during which any resident may address the proposed override; and

(c) Record the final vote of the governing body on the proposed override as a roll call vote, with each member's name and vote entered into the official record.

IV. The results of the roll call vote, including the name of each member of the governing body and how such member voted, shall be published on, or included with, the next property tax bill issued by the municipality. Such disclosure shall be presented in a clear and prominent manner.

V. Nothing in this section shall be construed to:

(a) Alter the authority of voters at a town meeting or official ballot referendum to approve or reject a tax or spending cap override;

(b) Impose procedural requirements on deliberative sessions conducted pursuant to RSA 40:13; or

(c) Modify any charter provision governing the adoption of municipal budgets or override votes.

3 New Paragraphs; The State and Its Government; Property Tax Rates; Reports Required. Amend RSA 21-J:34 by inserting after paragraph II the following new paragraphs:

II-a. For political subdivisions that have adopted a local tax cap under RSA 32:5-b, the governing body of the political subdivision shall forward the commissioner's form for compliance with the adopted local tax cap. The form shall include the computation of the local tax cap for that year, proposed appropriations by the governing body and budget committee and estimated revenues going into the annual meeting showing estimated amount of local taxes to be raised, appropriations voted by the annual meeting of the legislative body, and the counts of any ballot votes taken to override the local tax cap.

II-b. For political subdivisions that have adopted a school district budget cap under RSA 32:5-e, or a town budget cap under RSA 32:5-g, the governing body of the political subdivision shall forward the commissioner's form for compliance with the adopted budget cap. The form shall include the computation of the budget cap for that year, proposed appropriations by the governing body and budget committee, appropriations voted by the meeting of the legislative body, and the counts of any ballot votes taken to override the budget cap.

4 Towns, Cities, Village Districts, and Unincorporated Places; Preparation of Budgets; Local Tax Cap. Amend RSA 32:5-b, III(a) to read as follows:

(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 tax cap under this section 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 tax cap under this section***, including reductions for any appropriations already raised. In this paragraph, "appropriations already raised" shall include approved appropriations in warrant articles appearing on the ballot before the warrant article in question***.

5 New Subparagraph; Towns, Cities, Village Districts, and Unincorporated Places; Preparation of Budgets; Local Tax Cap. Amend RSA 32:5-b, III by inserting after subparagraph (b) the following new subparagraph:

(c) For the purposes of determining when the amount of local taxes raised by the town or district exceed the local tax cap under this section, the amount of appropriations of the operating budget counting towards the tax cap shall be reduced by the estimated revenues reported to the department of revenue administration in the posted budget pursuant to RSA 32:5. In addition, the amount of appropriations in any warrant article that also includes anticipated revenue from a state or federal agency shall be reduced by the anticipated revenues for purposes of determining when the amount of local taxes raised by the town or district exceed the tax cap under this section.

6 Towns, Cities, Village Districts, and Unincorporated Places; Preparation of Budgets; School District Budget Cap. Amend RSA 32:5-e, I to read as follows:

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~~] ***by*** 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)~~] ***(1+IF)***, where [~~IFP~~] ***IF*** is the [~~previous~~] ***current*** year's [~~IF~~] ***annual increase for inflation***

7 Towns, Cities, Village Districts, and Unincorporated Places; Preparation of Budgets; School District Budget Cap. Amend RSA 32:5-e, IV(a) to read as follows:

(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***, including reductions for any appropriations already raised. In this paragraph, "appropriations already raised" shall include approved appropriations in warrant articles appearing on the ballot before the warrant article in question***.

8 Towns, Cities, Village Districts, and Unincorporated Places; Preparation of Budgets; Town Budget Cap. Amend RSA 32:5-g, I to read as follows:

I. In a town 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 select 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 resident expenditure, as defined in subparagraph (a), times the current town population, as defined in subparagraph (b)[~~, times (1+ IF), where IF is an amount for an annual increase for inflation~~].

(a) The first year after the budget cap is adopted, the current per resident expenditure shall be the per resident expenditure adopted in the warrant article under RSA 32:5-h, IV. In subsequent years, the current per resident expenditure shall be the previous year's current per resident expenditure times [~~(1+IFP)~~] ***(1+IF)***, where [~~IFP~~] ***IF*** is the [~~previous~~] ***current*** year's [~~IF~~] ***annual increase for inflation***.

(b) The current town population shall be the most recent figure calculated by the department of business and economic affairs, office of planning and development, pursuant to RSA 78-A:25, I.

9 Towns, Cities, Village Districts, and Unincorporated Places; Preparation of Budgets; Town Budget Caps. Amend RSA 32:5-g, IV to read as follows:

IV. 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***, including reductions for any appropriations already raised. In this paragraph, "appropriations already raised" shall include approved appropriations in warrant articles appearing on the ballot before the warrant article in question***.

10 New Section; Enforcement of Local Caps. Amend RSA 32 by inserting after section 5-h the following new section:

32:5-i Enforcement of Local Caps.

I. If, during the review of reports required by RSA 21-J:34, II-a or II-b, and pursuant to RSA 21-J:35, II, the commissioner of revenue administration determines that the budget certified by the governing body or the budget committee, which includes the operating budget and all other warrant articles with a tax impact and posted with the warrant for the annual meeting pursuant to RSA

32:5, exceeds the adopted local tax cap, the adopted school district budget cap, or the adopted town budget cap, the commissioner shall reduce the appropriation of the certified budget by the amount the certified budget exceeds the cap, pursuant to RSA 21-J:34, III. Appropriations in warrant articles having received the required supermajority ballot vote by the legislative body to override the cap using the procedures in RSA 32:5-b, III for a local tax cap, RSA 32:5-e, III for a school district budget cap, or RSA 32:5-g, III for a town budget cap shall not be eliminated or reduced.

II. During the review of reports pursuant to RSA 21-J:34, II, if the commissioner of revenue administration determines that the required supermajority ballot vote by the legislative body for an appropriation in a warrant article to override the cap was not satisfied, or that there was a procedural failure in overriding the cap, that appropriation shall be deleted pursuant to RSA 21-J:34, III.

11 Municipal Budget Law; Preparation of Budgets; Local Tax Cap. Amend RSA 32:5-b, I-b(b)(1) to read as follows:

(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~~] ***by*** 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~~] ***by*** the department of education as of October 1 of the year prior to the annual ADMR reported for "This year's attendance".

12 Municipal Budget Law; Application. Amend RSA 32:2 to read as follows:

32:2 Application. RSA 32:1-13, shall apply to all towns, school districts, cooperative school districts, village districts, municipal economic development and revitalization districts created under RSA 162-K, and any other municipal entities, including those created pursuant to RSA 53-A or 53-B, which adopt their budgets at an annual meeting of their voters, except RSA 32:5-b[~~,~~] which shall apply only in those towns or districts adopting that section pursuant to RSA 32:5-c, ***except RSA 32:5-e which shall apply only in those school districts adopting that section pursuant to RSA 32:5-f, and except RSA 32:5-g which shall apply only in those towns adopting that section pursuant to RSA 32:5-h***. RSA 32:14-23, concerning budget committees, shall apply only in those towns or districts adopting that subdivision pursuant to RSA 32:14, I, and shall apply automatically in school districts or village districts located wholly within towns adopting that subdivision.

13 Municipal Budget Law; Preparation of Budgets; Adoption of School District Budget Cap. Amend RSA 32:5-f, IV to read as follows:

IV. If, under RSA 32:5-e, II, a fixed percentage is used for the annual increase for inflation, 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 ***with*** a _____ percent annual increase ***on the per pupil cost*** for inflation. Requires a 3/5ths majority [~~of the school district~~] ***to adopt***."

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~~] ***with*** an annual increase ***on the per pupil cost*** for inflation using (the index) published by (the U.S. Bureau of Labor Statistics or American City and County) as of October 1. Requires a 3/5ths majority [~~of the school district~~] ***to adopt***."

14 Municipal Budget Law; Preparation of Budgets; Adoption of Town Budget Cap. Amend RSA 32:5-h, IV to read as follows:

IV. If, under RSA 32:5-g, II, a fixed percentage is used for the annual increase for inflation, the wording of the question shall be:

"Shall we adopt the provisions of RSA 32:5-g, and implement a budget cap whereby the select board (or budget committee) shall not submit a recommended budget that is higher than _____ dollars per resident expenditure times the current town population***,*** [~~plus~~] ***with*** a _____ percent annual increase ***on the per resident expenditure*** for inflation. Requires a 3/5ths majority [~~of the town~~] ***to adopt***."

Alternatively, if an annual inflation index is used, the wording of the question shall be:

"Shall we adopt the provisions of RSA 32:5-g, and implement a budget cap whereby the select board (or budget committee) shall not submit a recommended budget that is higher than _____ dollars per resident expenditure times the current town population***,*** [~~plus~~] ***with*** an annual increase ***on the per resident expenditure*** for inflation using (the index) published by (the United States Bureau of Labor Statistics or American City and County) as of October 1. Requires a 3/5ths majority [~~of the town~~] ***to adopt***."

15 Applicability. RSA 21-J:34, RSA 32:5-b, RSA 32:5-e, RSA 32:5-g, and RSA 32:2, as amended by this act, shall apply to the local tax caps, school district budget caps, and town budget caps adopted prior to the effective date of this act and shall not require local amendment or re-adoption by towns or districts.

16 Effective Date.

I. Section 10 of this act shall take effect on April 1, 2027.

II. The remainder of this act shall take effect 60 days after its passage.

LBA
26-2091
05/18/2026

**SB 643-FN- FISCAL NOTE**

AS AMENDED BY THE HOUSE (AMENDMENT #2026-1812h)

AN ACT 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 and requiring municipalities to hold a public hearing and conduct a roll call vote when seeking to override a tax or spending cap.

**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 |
| *Revenue Fund(s)* | None | | | |
| **Expenditures*** | $0 | $75,000 | $0 | $0 |
| *Funding Source(s)* | General Fund | | | |
| **Appropriations*** | $0 | $0 | $0 | $0 |
| *Funding Source(s)* | 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** |
| **County Revenue** | $0 | $0 | $0 | $0 |
| **County Expenditures** | $0 | $0 | $0 | $0 |
| **Local Revenue** | $0 | $0 | $0 | $0 |
| **Local Expenditures** | $0 | IndeterminableIncrease (under $10,000 per municipality) | | |

**METHODOLOGY:**

This bill requires local governments to submit documentation to the Department of Revenue Administration (DRA) to prove compliance with local budget and tax caps. It clarifies how appropriations already raised are calculated and requires that any budget exceeding the cap without the required 3/5 majority vote be reduced accordingly. The bill also empowers DRA to enforce compliance by adjusting certified budgets that exceed caps.

The DRA states that this bill would require an estimated $75,000 in increased General Fund expenditures to update forms and electronic systems for rate setting. While DRA can absorb other administrative costs, local governments may have reduced property tax rates and budgets if DRA identifies and corrects cap violations during the rate-setting process.

The New Hampshire Municipal Association (NHMA) states this bill introduces new reporting obligations for municipalities, which are expected to result in additional administrative costs estimated at under $10,000 per municipality annually, though the exact amount is indeterminable.

**AGENCIES CONTACTED:**

Department of Revenue Administration and New Hampshire Municipal Association