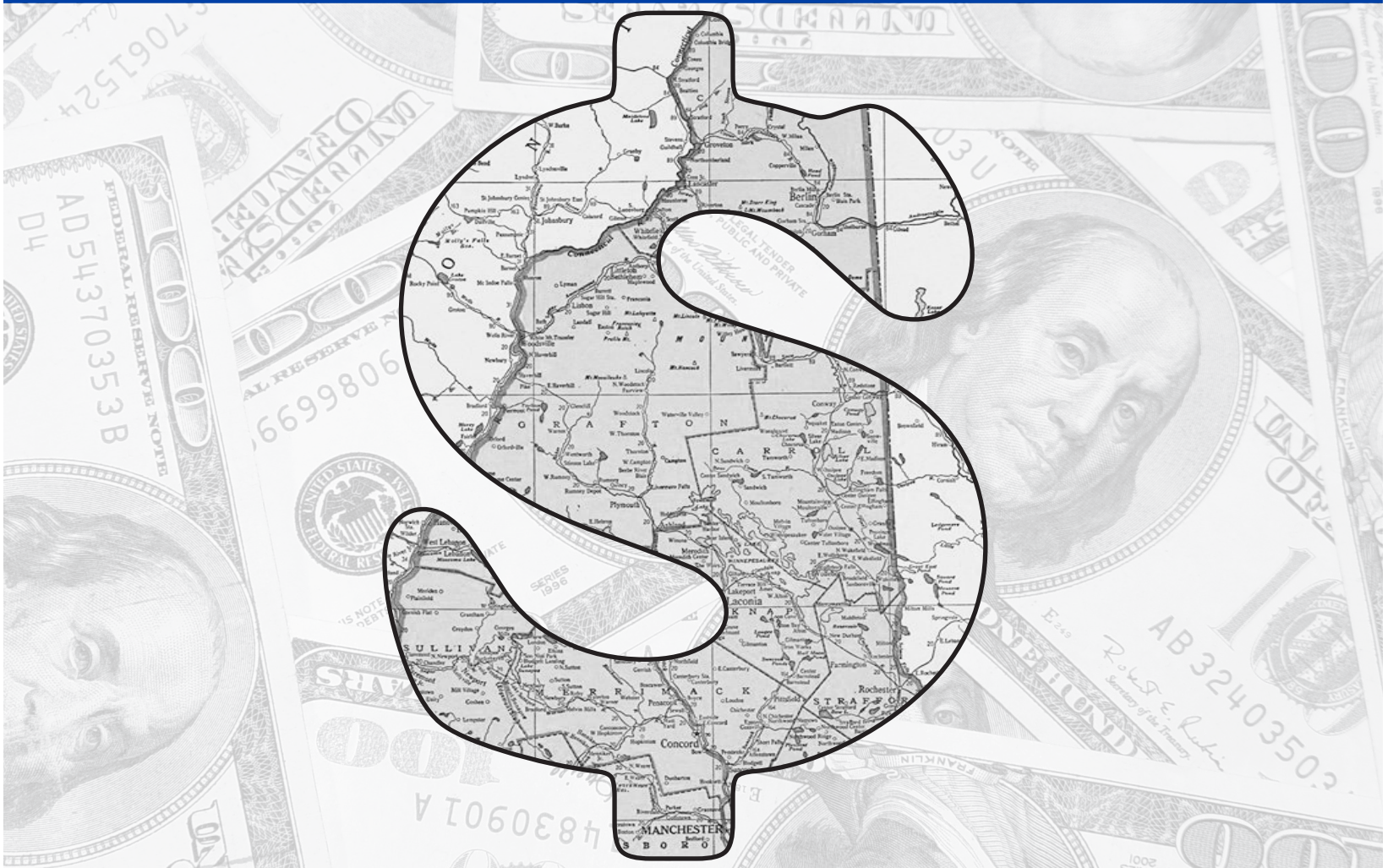


NEW HAMPSHIRE MUNICIPAL ASSOCIATION

State Aid to Municipalities



History & Trends



NEW HAMPSHIRE MUNICIPAL ASSOCIATION

The New Hampshire Municipal Association (NHMA) provides legislative advocacy, a legal advice hotline, and training programs for member municipalities. Originally formed by local officials in 1941 to represent municipal policy concerns before the state legislature, NHMA has more than 75 years of service to New Hampshire's municipalities. As the comprehensive service and action arm of local governments throughout New Hampshire, NHMA responds to thousands of legal inquiries from members every year, and tracks hundreds of bills every legislative session, actively working to advance member-adopted policies. NHMA also provides significant training and educational opportunities for local officials and employees from member municipalities.

OUR MISSION

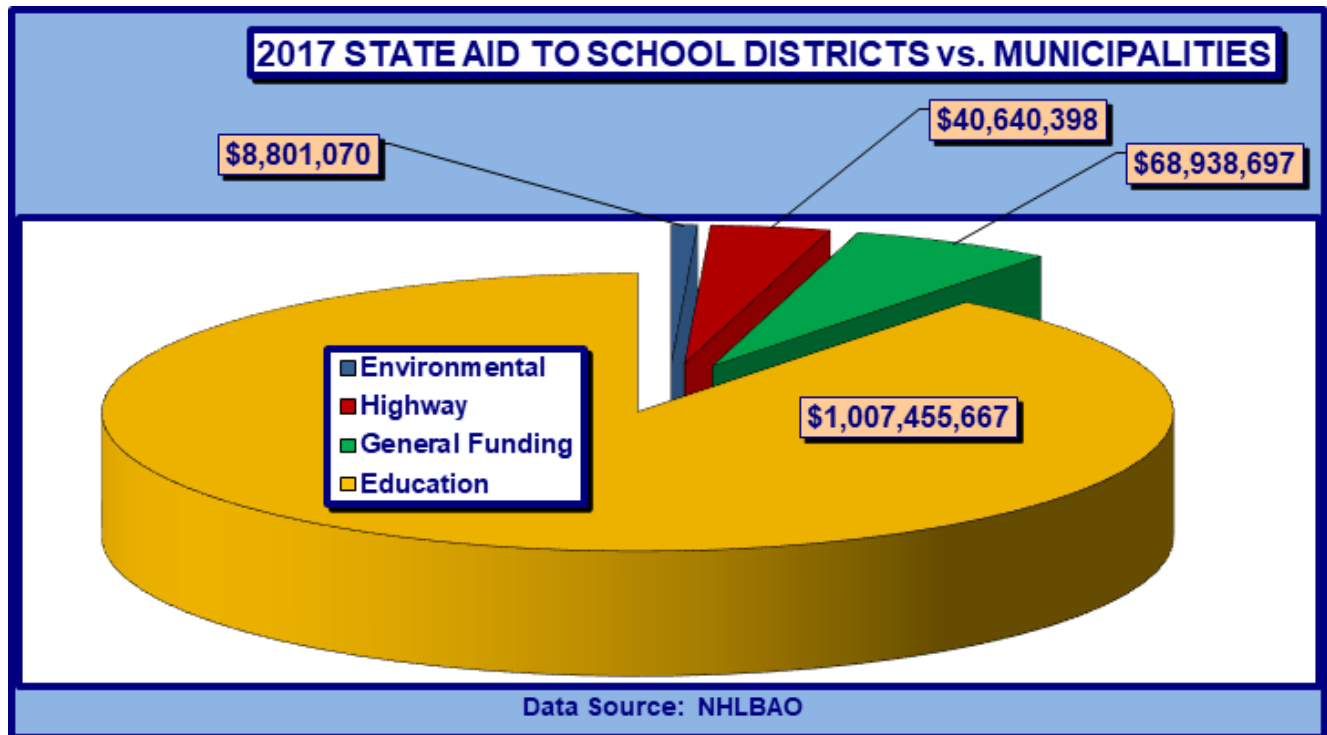
The New Hampshire Municipal Association is a non-profit, non-partisan association working to strengthen New Hampshire cities and towns and their ability to serve the public as a member-funded, member-governed and member-driven association since 1941. We serve as a resource for information, education and legal services. NHMA is a strong, clear voice advocating for New Hampshire municipal interests.

STATE AID TO MUNICIPALITIES State Budget Decisions Affect Local Property Taxes

*Prepared by the New Hampshire Municipal Association
October 2018*

Understanding the various types of aid provided by the State of New Hampshire to municipalities is critical to understanding the effect that state-level budgetary decisions have on local property taxes. With the property tax as the primary source of local revenue, reductions in any state aid program, or the shifting of state costs to municipalities, most often results in increased property taxes. This report explains the state aid programs relied upon by cities and towns as well as recent trends in funding those programs.

A major category of state aid is educational funding to school districts. This is comprised of a number of programs, the most significant of which are adequate education aid to meet the state's constitutional obligation, school building aid and catastrophic aid (special education). Education funding goes directly to school districts, not to cities or towns, except in the nine cities (Berlin, Dover, Franklin, Laconia, Manchester, Nashua, Portsmouth, Rochester and Somersworth) where the school district operates as a department of the city. Education funding received by school districts affects the local school property tax rate, not the municipal property tax rate. The pie chart below shows the amount of education funding provided by the state in 2017 versus the funding provided to cities and towns for municipal needs, which is the focus of this report.



An excerpt of the state aid schedule prepared by the New Hampshire Legislative Budget Assistant’s Office (NHLBAO) is presented on page 20, and shows the three major categories of state aid to cities and towns:

Environmental

- Flood Control
- Landfill Closure Grants
- Public Water System Grants
- Pollution Control Grants
- Water Supply Land Protection Grants

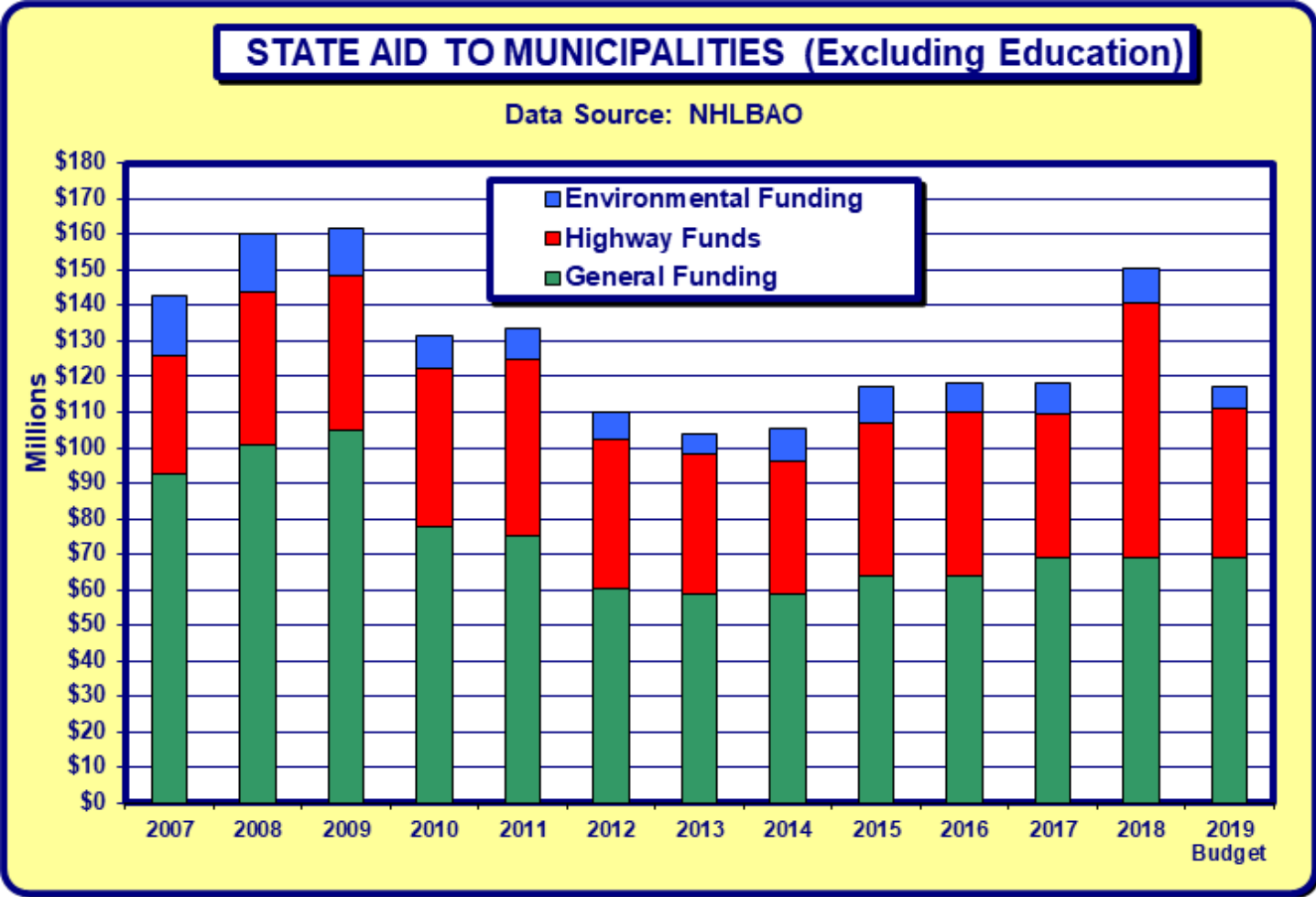
General Funds

- Meals and Rooms Distribution
- State Revenue Sharing (Suspended 2010-2019)
- State Retirement Normal Contribution (Repealed 2013)
- Railroad Tax

Highway Funds

- Highway Block Grants
- Highway Construction Aid
- Municipal Bridge Aid

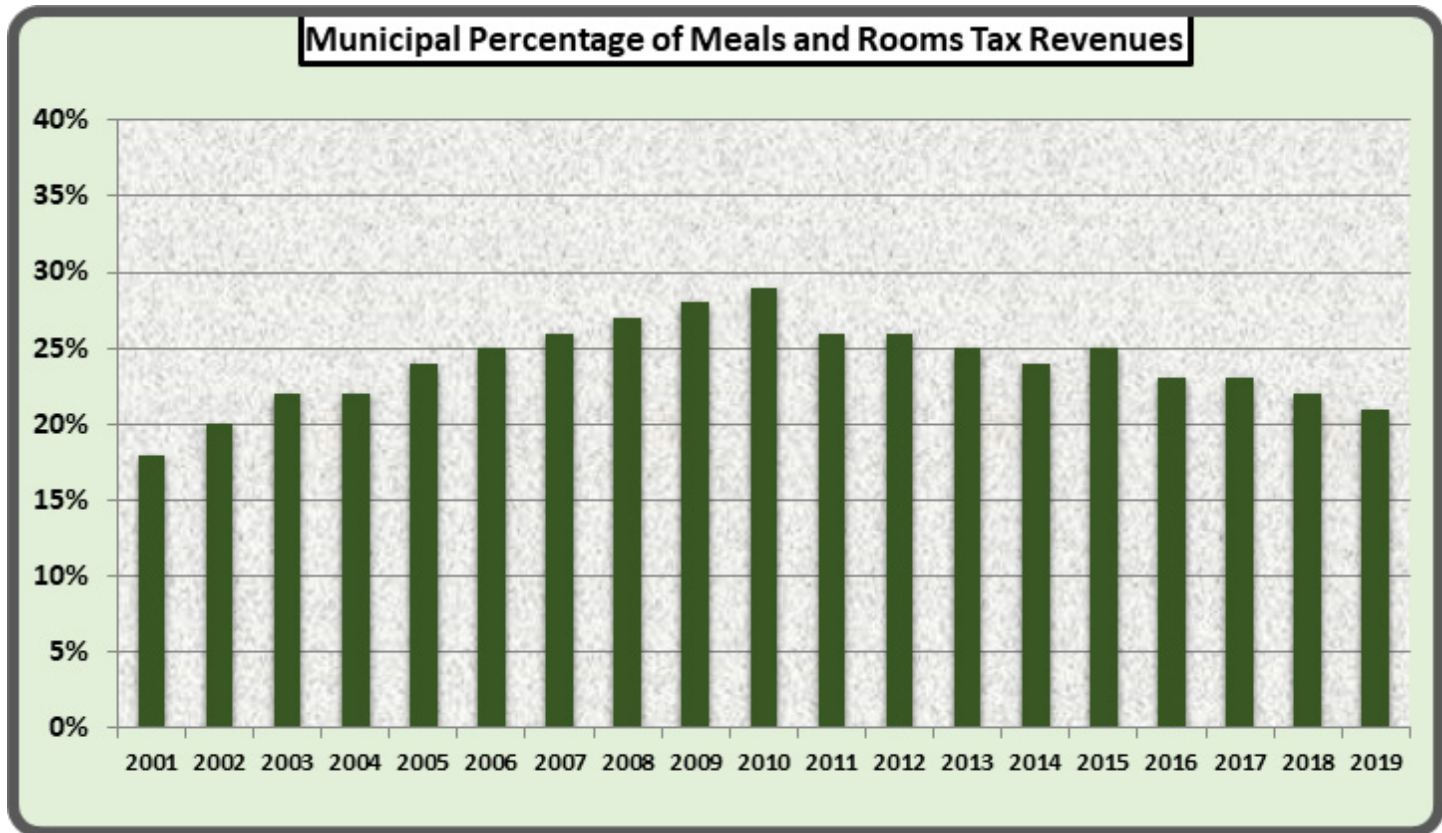
As illustrated in the following graph and explained in further detail in this report, state aid to municipalities significantly decreased in 2010-2014 as the state struggled to balance its own budget following the 2008-2009 recession. The use of one-time state revenues or state surplus accounts for the increase in 2018.



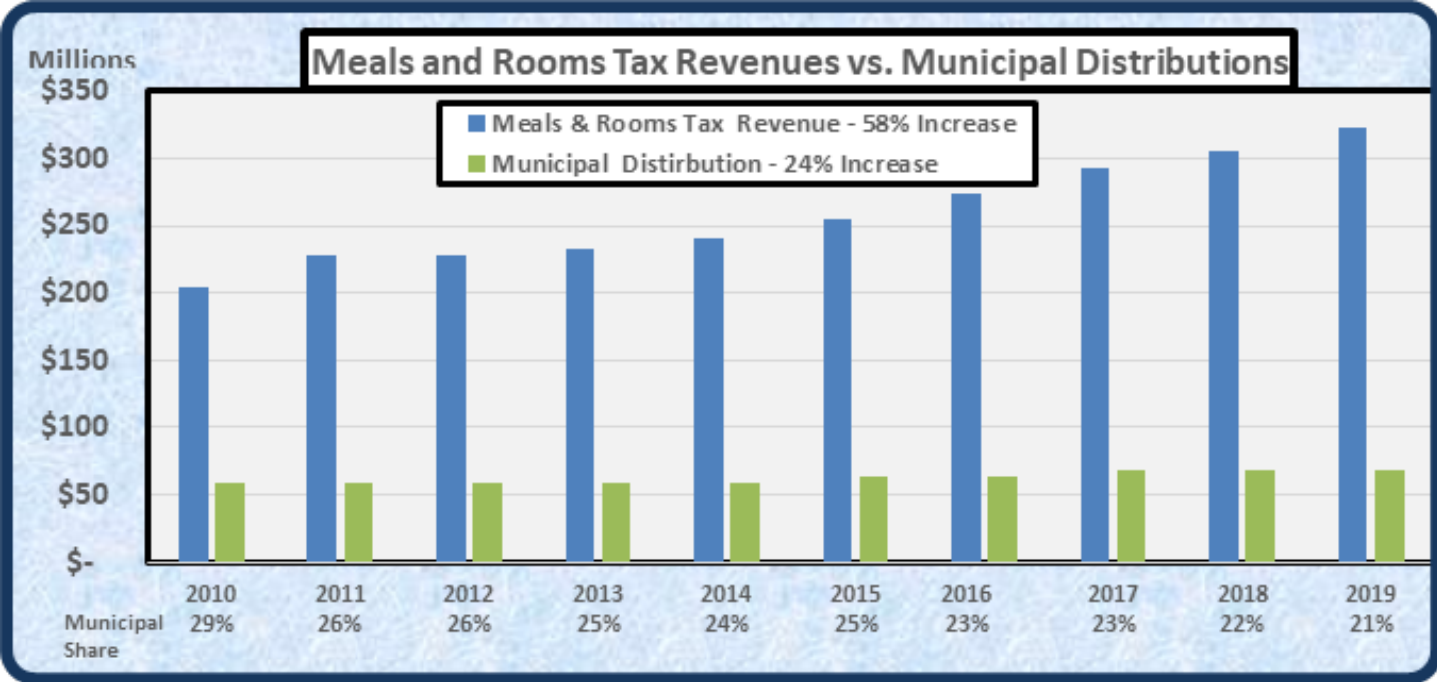
Meals and Rooms Tax Distribution

History. When the meals and rooms tax was first enacted in 1967, the intent was to share the revenue with municipalities, with the state retaining 60% of the revenues generated from the tax and municipalities receiving 40%. The legislature decreased the municipal share several times (in 1977 and 1981) virtually freezing the funding below the 1976 level. It was not until 1993 that the meals and rooms tax statute was amended to provide a catch-up formula to reach the statutorily intended 60/40 split. The formula provided that 75% of the year-over-year increase in revenue from the meals and rooms tax, but not more than \$5 million in any one year, would be added to the previous year's municipal distribution. The municipal share is distributed to cities and towns based on annual population estimates provided by the New Hampshire Office of Strategic Initiatives.

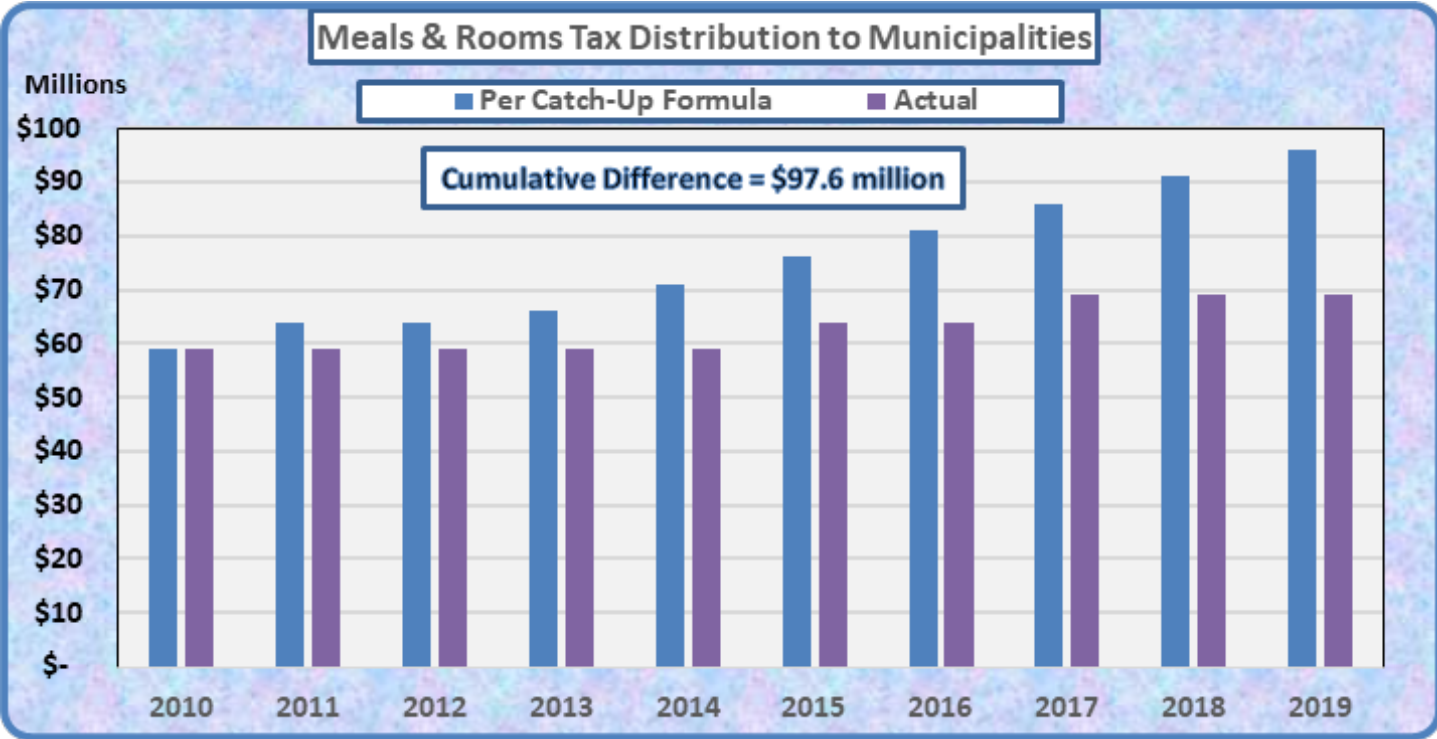
Trends. In 2001, the state/municipal share was 82%/18%. As the meals and rooms tax revenues gradually increased, so did the municipal share of those revenues due to the catch-up formula described above. In 2010 the state/municipal apportionment reached 71%/29%, which was based on the actual tax revenues received in the prior state fiscal year. However, the catch-up formula was suspended in fiscal years 2010 through 2014, 2016, 2018 and 2019 while revenue from the tax continued to increase, often well in excess of the prior year. As a result, the municipal share dropped from the high of 29% in fiscal year 2010 to 21% in fiscal year 2019.



As illustrated in the following graph, from 2010 to 2019, the meals and rooms tax revenues grew by 58% from approximately \$204 million to just over \$322 million (an unaudited figure at the time of this publication). During this same period, the municipal share increased by only 24%, from \$58.8 million to \$68.8 million due to the suspension of the catch-up formula for eight of the past ten years.



Had the catch-up formula continued rather than being suspended for eight years, the December 2018 (state fiscal year 2019) distribution to cities and towns would be approximately \$96 million, or 30% of the meals and rooms tax revenues received the prior year, rather than \$68.8 million (21%). Cumulatively, the suspension of the catch-up formula has resulted in a loss to municipalities of approximately \$98 million from state fiscal years 2010-2019.



Revenue Sharing

History. In 1969, reform of the way in which the state taxed businesses led to the implementation of the Business Profits Tax (BPT). This necessitated the elimination of antiquated taxes which were more reflective of an agricultural economy of the past. These taxes were assessed and collected by municipalities and were part of the property tax base for municipalities, school districts and counties (including the tax on stock in trade, taxes on studhorses, poultry, domestic rabbits, fuel pumps/tanks and other taxes). The initial intent of the revenue sharing statute, RSA 31-A, was stated as follows:

In consideration of the removal of certain classes of property from taxation, which would otherwise have the effect of reducing the tax base of cities and towns of the state, it is hereby declared to be the policy of the state to return a certain portion of the general revenues of the state to the cities and towns for their unrestricted use...Chapter 5, Laws of 1970.

On March 31, 1970, in testimony on House Bill 1, then New Hampshire Attorney General Warren Rudman responded to concerns that future legislators may choose not to honor this commitment to municipalities to fund revenue sharing, stating:

...this bill creates a new chapter in the statutes of the state of New Hampshire which is specifically entitled "Return of Revenue to Cities and Towns". And it says "there is hereby appropriated for each fiscal year a sum sufficient to make the payments provided for by this section." Now the charge has been leveled that future legislators might choose not to honor this pledge...It seems quite doubtful to me that once this bill is passed that any legislator would go back on its pledge to return revenue to cities and towns that originally belonged to those cities and towns. And I might also add, in passing, that I could hardly see a Governor signing a bill which would deprive cities and towns of the revenue which they once had."

When enacted in 1970, RSA 31-A included a provision by which the funding of revenue sharing would increase by 10% each year. This 10% provision was short-lived, however, and was amended to 5% the following year with further reductions in subsequent years. In 1983, RSA 31-A was again amended to incorporate other revenue sharing formulae then in existence (such as the interest and dividend tax and the savings bank tax), thereby consolidating all such funding to municipalities under one statute.

Trends. Total revenue sharing in 1999 was \$47 million. In 2000, as part of the statutory changes made to fund the state's adequate education obligations, \$22 million of revenue sharing that had been allocated to school districts became part of the adequate education aid funding. This left the balance of \$25 million annually as general revenue sharing for municipalities and counties, which remained constant through fiscal year 2009. Since 2010, revenue sharing has been suspended resulting in a loss to municipalities and counties of \$25 million per year, or \$250 million cumulatively from fiscal year 2010-2019. The impact of this loss varies among municipalities, with deferred maintenance, use of reserves or fund balance, budget reductions and/or property tax increases among the common reactions to the loss of revenue sharing funds from the state.

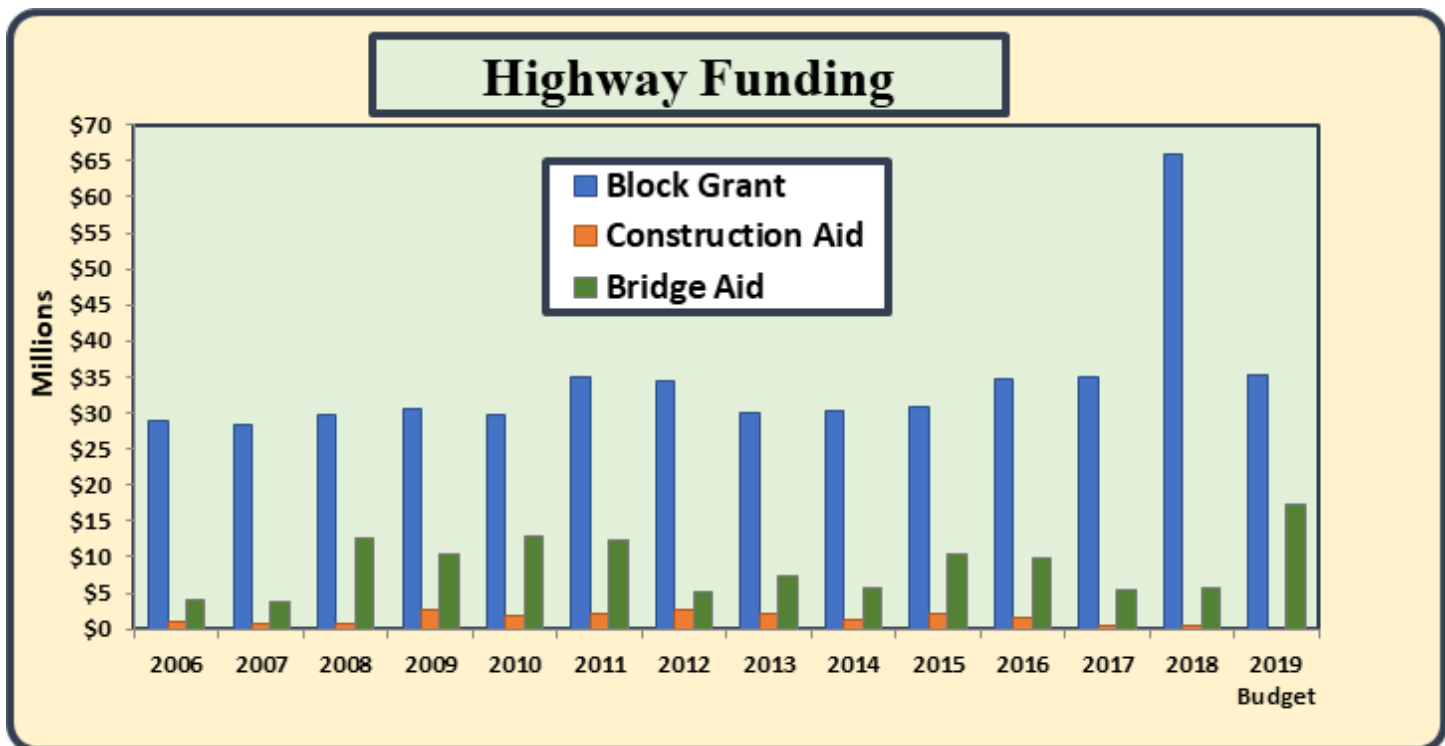
Highway Block Grants

History. Twelve percent (12%) of the total road toll (gas tax) revenue and state motor vehicle fees collected in the preceding state fiscal year are distributed to municipalities through a highway aid formula based on road mileage and population. This money comes from the state highway fund, not the state general fund, and provides funding to maintain and improve Class IV and Class V municipal roads and highways. Supplemental funds totaling \$400,000 are distributed pursuant to a statute that provides additional funds to those municipalities with higher local roadway mileages and lower property valuations.

Trends. From fiscal years 2006 through 2010 the total amount of annual highway block grants varied from \$28.5 to \$30.5 million. In 2009 the legislature enacted a temporary 2-year state motor vehicle registration fee surcharge which increased both the amount of revenue in the state highway fund as well as the 12% share to municipalities in fiscal years 2011 and 2012, resulting in approximately \$5 million more each year. This highly unpopular surcharge was repealed and block grant funding to municipalities returned to approximately \$30 million per year from 2013 through 2015.

In 2014 the legislature raised the road toll for the first time in 23 years, increasing the rate by approximately 4 cents from 18 to 22 cents per gallon of gasoline effective July 1, 2014. This increase raised an additional \$33 million per year in highway funding of which 12%, or an additional \$4 million per year went to municipalities. This is reflected in the highway block grant increase in state fiscal year 2016.

Following a principle of “using one-time revenue for one-time expenses,” in 2017 the state appropriated an additional \$30 million for municipal highways from anticipated general fund surplus from the biennium ending June 30, 2017. This money was in addition to the annual highway block grants funded from the state highway fund, was apportioned to municipalities based on the same formula as highway block grants and was available for the same municipal highway purposes as the block grants. This additional funding is reflected in fiscal year 2018 and accounts for the significant increase that year in the following graph.



State Bridge Aid

History. The State Bridge Aid program under RSA 234 provides that funding for construction or reconstruction of municipally owned bridges shall be borne 80% by the state and 20% by the municipality, subject to the available level of funding each year. In 2015, 338 (20%) of the municipally-owned bridges were classified as “red listed” meaning the bridge was in poor condition, critically deficient and/or functionally obsolete. In 2017 under Senate Bill 38, the definition of red list bridges was modified to be “a bridge with a primary element in poor or worse condition (National Bridge Inventory rating of 4 or less).” Previously the red list also included bridges with posted weight limits (e.g. “Weight Limit 15 Tons”) regardless of condition. This statutory change resulted in the removal of 71 bridges from the Municipal Red List. As of December 30, 2017, there were 252 municipal red list bridges out of 1,688. Below is the progress chart from the New Hampshire Department of Transportation’s Municipally-Owned Red List Bridges Report dated March 14, 2018.

New Hampshire Department of Transportation

2017 MUNICIPALLY-OWNED RED LIST PROGRESS CHART

Year	Year Start Total	Number Added	Number Removed	Year End Total
2004	397	5	29	373
2005	373	2	10	365
2006	365	33	34	364
2007	364	34	27	371
2008	371	21	33	359
2009	359	30	22	367
2010	367	25	32	360
2011	360	27	33	354
2012	354	26	27	353
2013	353	15	23	345
2014	345	20	27	338
2015	338	27	33	332
2016	332	15	29	318
2017	324/253*	16	17	252
2018	252			

*The Municipal Red list has been modified to comply with the amendment made to RSA 234:25-a Red List Bridges. This resulted in the removal of 71 bridges from the 2017 Municipal Red List.

Trends. Historically, State Bridge Aid had been budgeted at approximately \$6.8 million annually which resulted in about a 10-year waiting list for state aid. Part of the revenue from the 2014 increase in the road toll discussed above was intended to double the amount of funding appropriated for municipal bridge aid, helping to reduce the 10-year waiting period to a more reasonable timeframe. The increase in State Bridge Aid in fiscal year 2015 reflects funding from the road toll increase which allowed the replacement or repair of more bridges than typically done in a year. However, this funding increase was short-lived with the fiscal year 2016-2017 budget appropriations dropping back down to the historic level of \$6.8 million per year – with all of the appropriation coming from the 4-cent road toll increase, which was supposed to supplement, not supplant, the bridge aid provided through the highway fund.

In 2016, the state 10-year transportation improvement program was amended to provide an additional \$2.5 million in municipal bridge aid for fiscal year 2017. Funding for this additional appropriation came from surplus funds in the Department of Transportation’s winter maintenance budget due to the mild winter. For 2018, an additional \$6.8 million was appropriated for municipal bridge aid, coming from the anticipated June 2017 state general fund surplus similar to the additional highway block grant funding explained above. For 2019 an additional \$10.4 million was appropriated for municipally-owned “high traffic volume” bridge projects. This influx of additional state funding for municipal bridges over the past several years has helped to reduce the waiting period for all municipalities on the list for state bridge aid.

Note: Actual expenditure of this additional municipal bridge aid lags from the time of appropriation since state bridge aid is administered as a reimbursement program. This means that municipalities incur 100 percent of the bridge repair/replacement costs, then seek reimbursement from the state periodically during or following construction. Hence the actual expenditures reported in fiscal year 2018 are significantly lower than the total amount of state bridge aid appropriated that year.

The following NH Department of Transportation map shows the location of municipal red-listed bridges in early 2017.

Municipal Bridge Conditions

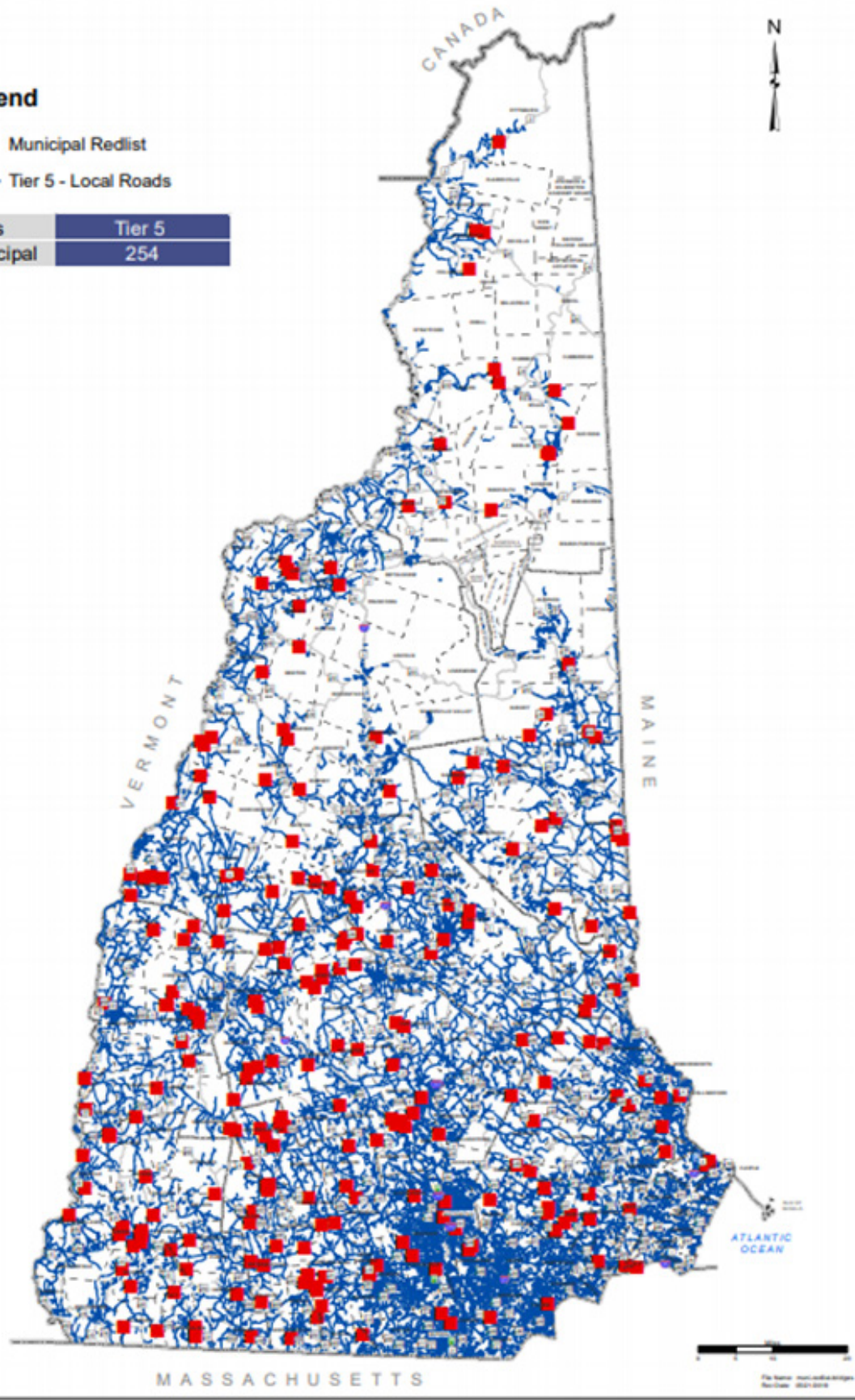
2017 Red List



Legend

- Municipal Redlist
- Tier 5 - Local Roads

Facts	Tier 5
Municipal	254



Environmental Grants

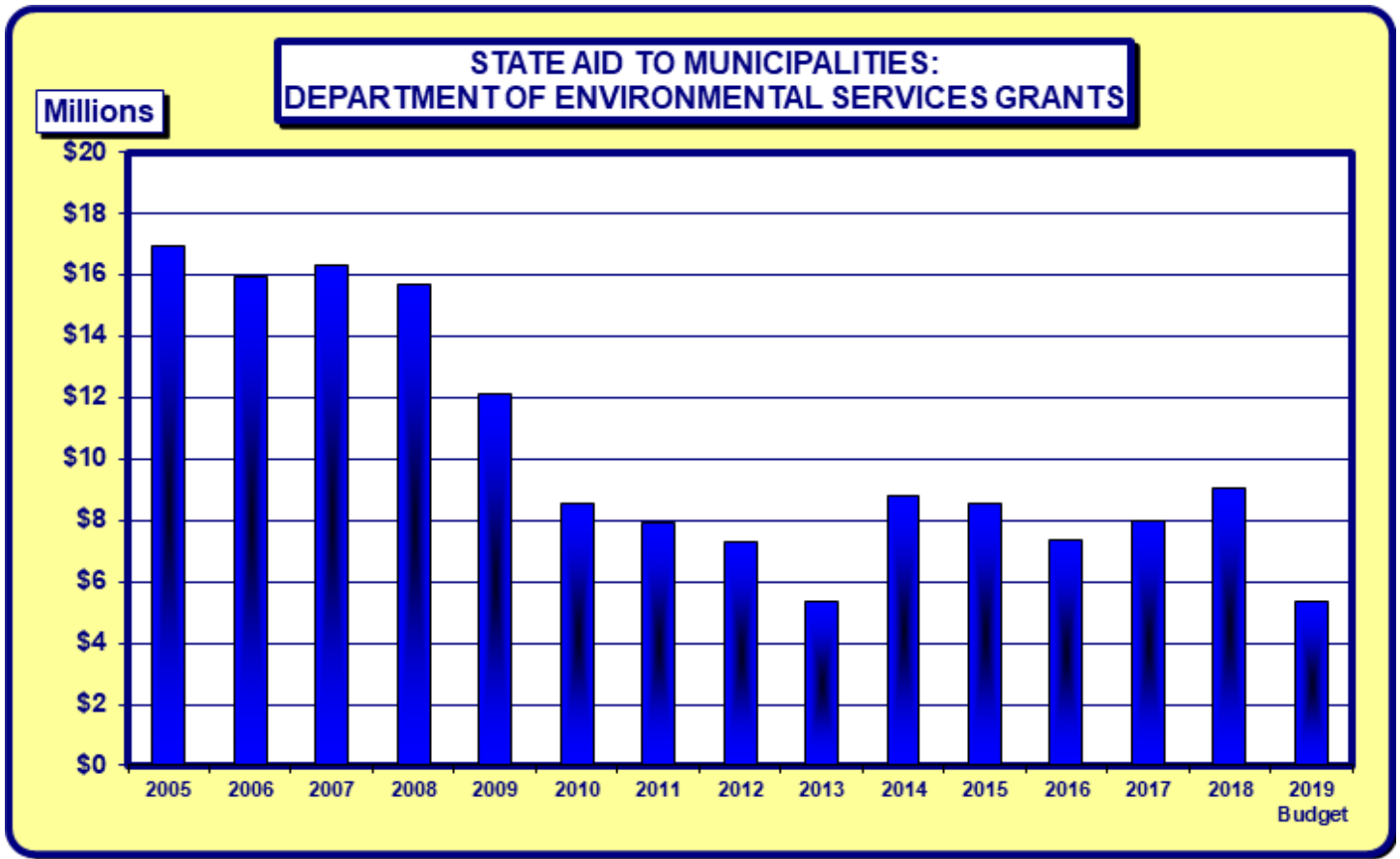
History. Municipalities received grants from the NH Department of Environmental Services for the construction, improvement and expansion of municipal wastewater and public drinking water facilities, and also for assistance with the cost of landfill closures. Under these programs, municipalities finance the full cost of the project up-front, complete construction and then apply for payment of the state share, which is 20% to 30% of the eligible project costs, usually paid by the state over the amortization period of the municipal financing (bonding or borrowing from the state revolving loan fund).

In 2016 the state created the NH Drinking Water and Groundwater Trust Fund to provide for the protection, preservation and enhancement of the drinking water and groundwater resources of the state. This trust was initially funded with \$276 million from a 2016 lawsuit against Exxon-Mobil involving the gasoline additive MtBE. Authorized expenditures from the trust include competitive cost-sharing grants and low interest loans to municipalities and municipally-owned water utilities, with administration of the trust fund vested in an eighteen-member commission comprised of state and local officials, as well as business and public members.

Trends. The amount of the environmental grants from the state general fund began declining in 2008 with funding in 2013 less than 32% of the funding in 2005 (\$5.6 million vs. \$17.6 million). As part of the 2010-2013 budget reductions, the state only funded its obligations for grants approved through 2008. This left municipalities to pick up the anticipated state share (\$53 million) for 127 previously approved and completed infrastructure projects - projects which were “sold” to property taxpayers based on financial commitments from the state. These projects were placed on the Department of Environmental Services “Delayed and Deferred” list. As part of the fiscal year 2014/2015 biennial budget, funding was restored for all projects on this Delayed and Deferred list.

Also as part of the fiscal year 2014/2015 biennial state budget, a moratorium was placed on funding any new environmental infrastructure projects that did not have local financing authorization by December 31, 2008. In 2016 and 2017 funding was eventually provided for eight and nineteen additional projects, respectively, that had received local financing approval prior to the December 2008 moratorium. However, as of the end of 2016, there were nearly 50 wastewater projects that would qualify for state aid of \$90 million over the next ten years if the moratorium was lifted.

While this future state funding for wastewater projects remains uncertain, funding for drinking water projects appears available. The NH Drinking Water and Groundwater Trust Fund Commission awarded \$34.7 million in grants and loans for 21 projects in 2017, and \$24 million for 19 projects in 2018. Actual expenditures for these projects will be reflected in fiscal year 2019 and beyond. Since a significant portion of these awards were for low interest loans that will be paid back into the trust fund over time, it is planned that trust fund assets will be available to fund similar projects for at least the next two decades.



Flood Control. The state also provides money for flood control reimbursements to those municipalities in interstate flood control compacts. Under these compacts and state law, municipalities receive a payment-in-lieu-of-taxes (PILOT) for taxable land that was taken to help mitigate downstream flooding from both the Merrimack and Connecticut rivers. Up until fiscal year 2012, municipalities were reimbursed by the State of New Hampshire for the full amount of the PILOT, even if the other states in the compacts (Massachusetts and Connecticut) did not make their payments under the terms of the compact. In 2012 and 2013, the state only paid the New Hampshire share (approximately 30%) of the PILOT to municipalities when the other states did not make payments. However, in 2014 funding of \$542,672 was provided to compensate municipalities for the PILOT shortfall in fiscal year 2012 and was paid to municipalities in state fiscal year 2015. Similarly, \$163,285 was appropriated in 2016 to partially compensate for the shortfall in 2013. The 2014 - 2019 state budgets include full funding of the PILOT, and require payments to municipalities regardless of payments, or lack thereof, from other states.

New Hampshire Retirement System

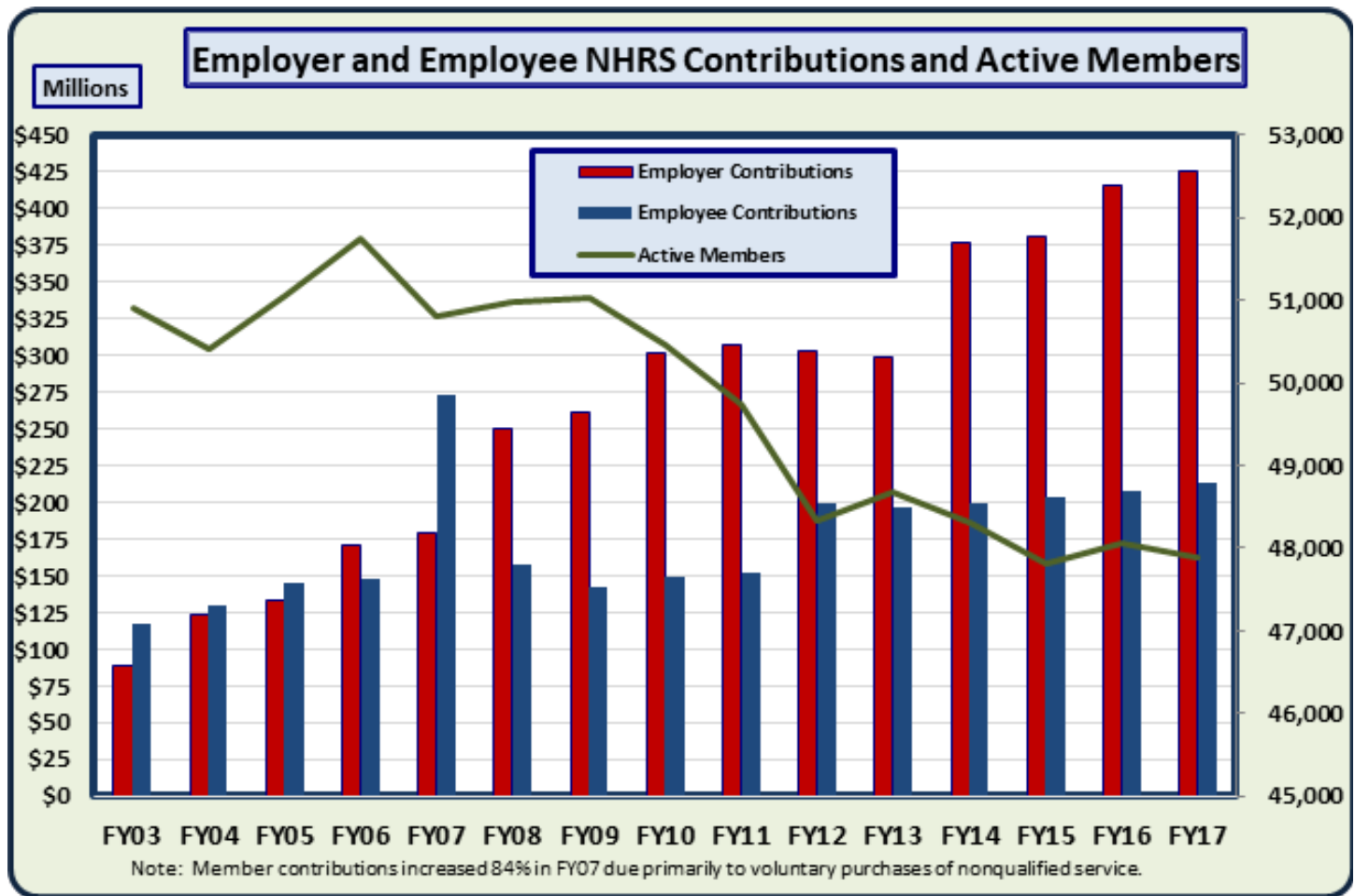
History. The New Hampshire Retirement System (NHRS) was established in 1967 to consolidate and replace four separate pension plan systems: the New Hampshire Teachers Retirement System, the New Hampshire State Employees Retirement System, the New Hampshire Policemen's Retirement System, and the New Hampshire Permanent Firemen's Retirement System. NHRS is a public employee retirement system that administers one cost-sharing, multiple-employer pension plan providing a defined benefit annuity based upon a statutory formula, disability, and survivor benefits, for all full-time state employees, public school teachers and administration, permanent police officers, and permanent firefighters. Full-time employees of political subdivisions (such as county, municipal or school district employees) are also eligible to become members of the NHRS if the local governing body elects to participate, which most have. NHRS also administers cost-sharing multiple-employer healthcare plans, known as Other Post-Employment Benefit (OPEB) plans, which provide a medical insurance subsidy to qualified retired members. As of June 30, 2017, there were 47,886 active members of the NHRS and 35,694 retired members (including beneficiaries).

Trends. Funding for the NHRS comes from three sources: investment earnings, employee contributions, and employer contributions. Investment earnings fluctuate from year to year, with annual returns in the past 20 years reaching as high as 23% and as low as -18%. Over the long term, investment earnings provide anywhere from two thirds to three quarters of the funds needed to pay for pension benefits. For projection purposes, an "assumed rate" of investment return is adopted by the NHRS Board of Trustees. This assumed rate had been as high as 9.5%, was lowered to 8.5%, then to 7.75% in 2011, and again lowered to the current rate of 7.25% for use in projecting future investment earnings. Lowering the assumed rate of future investment earnings results in higher employer contributions as explained below.

Employee and Employer Contribution Rates. The employee contribution rates are set by statute and were 5% of compensation for Group I (employees and teachers) and 9.3% of compensation for Group II (police and firefighters) until June 30, 2011. Legislation enacted in 2011 changed the employee contribution rates to 7% for employees and teachers, 11.55% for police and 11.8% for firefighters effective July 1, 2011.

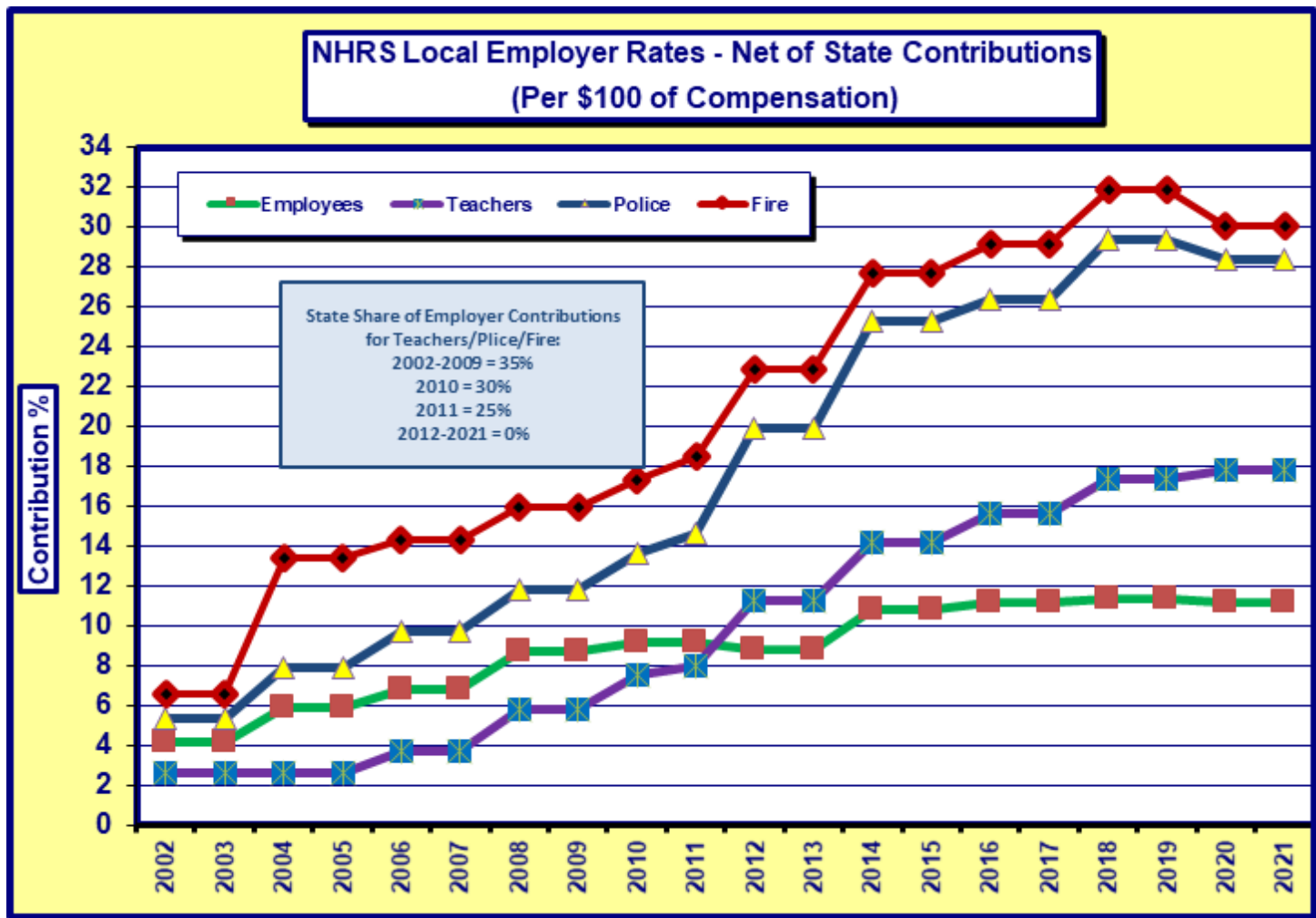
While employee rates are set by statute and have changed only once in the past 20 years, employer rates are adjusted every two years based upon an actuarial valuation to ensure adequate funding for future pension liabilities. Through these biennial rate adjustments, employers not only contribute toward their current employees' retirement, but also bear the full financial burden of any funding shortfalls in the system, whether those shortfalls are the result of poor investment returns, insufficient funding in the past, losses from actuarial assumptions regarding member demographics (such as when employees will retire, their age at retirement, how long they will live after retirement, and their earnable compensation), or increases in liabilities from statutory changes to the plan design. As previously mentioned, lowering the assumed rate of future investment returns has a direct impact on future employer rates since it is the employer rates that fluctuate biennially to insure the system is adequately funded.

The following graph shows the fifteen-year history of annual employer and employee contributions along with the number of active employees participating in the system.



State Contribution for Teachers, Police and Firefighters. The State of New Hampshire had funded a portion of the normal retirement costs for teachers, police and firefighters, a practice that dated back to 1940 under the predecessor retirement systems. Since 1977, the state contribution had been set by statute at 35% of the cost, with municipalities, counties and school districts paying 65% of the cost for teachers, police and firefighters. (Municipalities, counties and schools paid 100% of the cost for all other employees enrolled in the NHRS.)

The state contribution rate was lowered to 30% in 2010, to 25% in 2011, to \$3.5 million in 2012 and then eliminated in 2013. This resulted in local governments paying 100% of the retirement costs for teachers, police and firefighters in 2013 and beyond. The following graph illustrates the local government employer contribution rates for every \$100 of compensation from 2002 through 2021.



The significant increases in the rates from 2010 to 2015 are primarily the result of

- elimination of the state contribution,
- reductions in the assumed rate of return, and
- investment losses from the 2008-2009 recession.

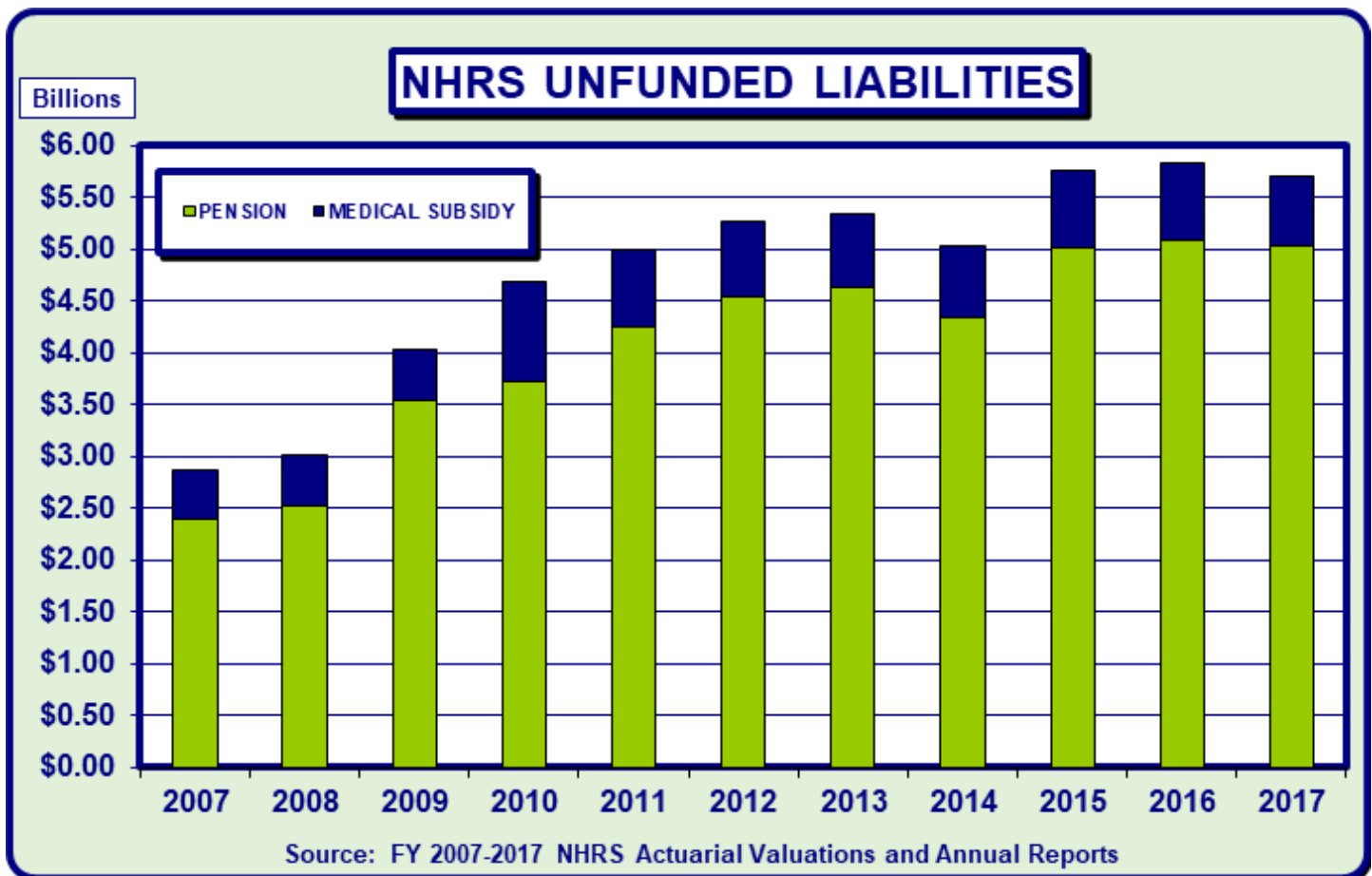
Funding Status. A primary measure of the health of a public pension system is the funding ratio, which indicates the extent to which assets are available to cover current and future benefits. While a funding ratio of 100% or greater (meaning there are sufficient assets to fund all liabilities) is desirable, all the benefits are not immediately due and payable, but generally stretch over a 25- to 30-year horizon. Therefore, a more realistic benchmark is a funding ratio of 80%. As reported in the NHRS Comprehensive Annual Financial Report, the funded ratio for the pension plan as of June 30, 2017 was 61.8%, with just over \$8 billion in assets and \$5 billion in unfunded actuarial accrued liabilities.

Several factors have contributed over the years to this low funding ratio including:

- significant investment losses in 2008 and 2009,
- the practice of “gain-sharing” which diverted over \$900 million from the corpus of the pension trust to fund additional benefits such as cost-of-living adjustments and medical subsidies (a practice which has been terminated), and
- an actuarial valuation methodology prior to 2007 which masked the true financial condition of the system, resulting in artificially low employer rates during the years it was in effect.

Regardless of these so-called “sins of the past” and despite increases in annual employer contributions from \$88 million in 2003 to \$425 million in 2017, the unfunded pension and OPEB liabilities continued to grow, resulting in significant biennial increases in employer rates. As of June 30, 2017, the unfunded liability for the pension plan was \$5 billion, with another \$700 million for the medical subsidy, and accounted for approximately 75% of the required employer contributions. Since 2010, many statutory changes to the NHRS laws have occurred to mitigate these unsustainable rate increases to employers. The reductions in the police and fire employer rates for fiscal years 2020-2021 reflect both the impacts of these changes as well as investment earnings exceeding the assumed rate of return for five of the past eight years. The more significant statutory changes included:

- change in the actuarial methodology to shed a truer light on the financial status of the system;
- elimination of the “gain-sharing” provision;
- increases in the employee contribution rates as noted above;
- increases in the retirement age and years of service;
- repeal of the automatic medical subsidy escalator;
- changes to the definition of “earnable compensation” that allowed for pension spiking;
- changes in the composition and qualifications of NHRS Board members;
- establishment of an independent investment committee; and
- adoption of a 30-year amortization schedule to pay off the unfunded liabilities.



The following opinion piece appeared in several New Hampshire newspapers in September 2018

A Clear Way to Provide Municipal Property Tax Relief

By SCOTT MYERS

As we move forward to the general election, we must remember that state leaders can provide municipal property tax relief through their work on the next state biennium budget, and I am asking that they make municipal property tax relief a priority.

Local officials and others are well aware of the state's approach in being fiscally conservative and cautious with revenue projections and spending. The same budgetary challenges are also found at the municipal level as community leaders struggle to find ways to provide needed services and at the same time try not to overburden residents with property tax increases.

State leaders are to be credited over the past several years for looking to live within our means and not always raising fees and taxes. They have also replenished the state's "rainy day fund" with year-end surpluses and distributed one-time revenue to cities and towns for road improvement projects.

While the one-time distribution of road funds was greatly appreciated, what if there was an opportunity for the state to provide ongoing property tax relief at the local level on a predictable, sustainable basis while not having to raise a fee or implement a new tax? At this point I'm sure you're saying that this must be smoke and mirrors or some kind of gimmick, but it's not. In fact, the mechanism is already in place in state law: It is the Meals and Rooms Tax distribution.

When the Meals and Rooms Tax was first enacted by the state in 1967, the policy was to share the revenue with municipalities, with the state retaining 60 percent and municipalities receiving 40 percent. Over many decades, legislative changes reduced the municipal share so that the dollar amount being distributed locally has never reached the 40 percent level. I am requesting that state officials take the necessary incremental steps to restore the municipal distribution to the intended level and without any risk to the state budget.

The Meals and Rooms Tax is a strong source of revenue for the state. In 1993 the Meals and Rooms statute was amended to provide a municipal "catch-up" formula where 75 percent of the year-over-year increase – but not more than \$5 million – is added to the prior year municipal share in order to work toward the 60/40 split. This provided a good remedy as the additional funds were to be distributed only if revenues increased. It worked for the municipalities and protected the state.

In 2001, the state/municipal share was at 82 percent/18 percent, nowhere near the intended 60/40 split. As Meals and Rooms Tax revenue increased over that decade, the catch-up formula resulted in a 71 percent/29 percent split in 2010.

We are all well aware of the serious financial crisis that faced the state and the nation beginning around 2008. It was an extremely painful time for many, many people as well as businesses and government at all levels, and it has taken many years for the economy to recover. It was understandable that during this time the municipal distribution of Meals and Rooms under the catch-up provision was frozen by the Legislature. However, it is still frozen today even though revenue from this source has been extremely strong for the past five years now. The current municipal share has fallen back to only 21 percent.

In terms of dollars, municipalities are receiving \$68.8 million of the roughly \$322 million being collected. The \$5 million bump under the catch-up provision would increase that amount so that \$73.8 million would be distributed. The following cities would receive an additional first year increase: Concord (\$160,000), Dover (\$115,000), Keene (\$87,000), Portsmouth (\$81,000) and Laconia (\$62,000). The following towns would also receive additional funds: Derry (\$124,000), Goffstown (\$67,000), Hampton (\$57,000), Gilford (\$27,000) and Lancaster (\$13,000). Similar increases based on population would occur in every municipality across the state. Imagine the positive impact on local budgets if increases such as these were to occur over a several-year period. The compounding effect would be significant.

As local residents and officials speak with candidates for statewide office this fall, I hope one of the topics discussed will be restoring the catch-up provision for both years of the state's fiscal 2020/2021 budget. The revenue has been increasing year-over-year as the economy grows, the state is protected in that it doesn't have to distribute the money if it doesn't materialize, and municipalities have a more predictable and recurring source of revenue for budgeting purposes.

If state officials want to support local property tax relief, I can't think of a better approach than this. No new taxes, no increase in fees, the provision is already in current law and the state is protected. Why shouldn't this have broad bipartisan support?

Scott Myers has been serving as Laconia City Manager since 2011. He also served four terms as the Mayor of the City of Dover from 2004 to 2011.

Data Source: NHLBAO

SCHEDULE OF STATE AID TO CITIES AND TOWNS

AID BY CATEGORY	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Budget
ENVIRONMENTAL											
1 Flood Control	912,884	811,515	811,515	221,952	221,952	787,898	1,330,570 *	811,407	811,407	844,871	866,250
2 Landfill Closure Grants	1,287,790	981,070	891,703	927,658	899,812	1,080,206	886,850	792,116	776,245	658,248	476,036
3 Public Water System Grants	1,281,908	1,101,762	1,149,844	1,184,996	1,131,619	1,170,678	1,073,438	876,821	797,661	791,421	701,865
4 State Aid Grants - Pollution Control	9,003,767	6,463,893	5,902,524	5,199,986	3,327,666	6,519,873	6,610,139	5,711,222	6,415,757	7,598,939	4,205,815
5 Water Supply Land Protection Grants	571,655	-	-	-	-	-	-	-	-	-	-
Environmental Total	13,058,004	9,358,240	8,755,586	7,534,592	5,581,049	9,558,655	9,900,997	8,191,566	8,801,070	9,893,479	6,249,966
GENERAL FUNDS											
6 Meals & Rooms Distribution	58,805,057	58,805,057	58,805,057	58,805,057	58,805,057	58,805,057	63,805,057	63,805,057	68,805,057	68,805,057	68,805,057
7 Railroad Tax - RSA 82:31**	145,903	98,006	58,379	36,671	36,671	35,822	60,037	132,187	60,803	61,392	60,803
8 Railroad Tax - RSA 228:69	34,372	45,319	47,920	48,735	51,849	55,032	58,931	63,694	72,837	67,680	73,000
9 Revenue Sharing	25,216,054	-	-	-	-	-	-	-	-	-	-
10 Retirement Normal Contribution (Police and Fire)	20,753,467	18,984,579	16,459,192	1,301,294	-	-	-	-	-	-	-
General Funds Total	104,955,453	77,932,961	75,370,548	60,191,757	58,893,577	58,895,911	63,924,025	64,000,938	68,938,697	68,934,129	68,938,860
HIGHWAY FUNDS											
11 Highway Block Grants	30,512,000	29,665,000	34,897,125	34,538,280	29,918,270	30,233,035	30,743,994	34,843,581	34,931,513	65,839,183	35,349,278
12 Highway Construction Aid	2,738,625	1,699,338	2,098,821	2,663,100	2,140,210	1,298,657	2,005,862	1,424,102	368,872	331,891	-
13 Municipal Bridge Aid	10,317,139	12,861,369	12,335,804	5,153,521	7,428,375	5,637,087	10,361,515	9,953,415	5,340,013	5,614,946	6,800,000 ***
Highway Funds Total	43,567,764	44,225,707	49,331,750	42,354,901	39,486,855	37,168,779	43,111,371	46,221,098	40,640,398	71,786,020	42,149,278
GRAND TOTAL	161,581,221	131,516,908	133,457,884	110,081,250	103,961,481	105,623,345	116,936,393	118,413,602	118,380,165	150,613,628	117,338,104

Notes: * Chapter 276:185, Laws of 2015 reimbursed towns in FY 2015 for the Massachusetts share of the Merrimack River flood control compact and the Connecticut River flood control compact for FY 2013.

** Line 7 Railroad Tax amounts for FY 2013 through FY 2015 are estimated based on FY 2012 actual expenditure.

*** Does not include \$10,400,000 appropriated under Chapter 162, Laws of 2018 for "high-traffic" volume bridge projects.

Questions regarding this report may be directed to NHMA at 603.224.7447 or governmentaffairs@nhmunicipal.org.



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