

New Hampshire Department of Revenue Administration

Fiscal Note Quick Guide

25-0778.1

HB 739, *relative to excess funds paid to municipalities for the use of school districts.*

Education Funding

This bill requires municipalities to remit any excess statewide education property tax to the state for deposit in the general fund.

The description in the Analysis section of the LSR states that the excess SWEPT is to be deposited into the General Fund, while the proposed legislation states the deposit shall be made into the Education Trust Fund (ETF.)

Section 1 of the proposed legislation would amend RSA 198, adding a new RSA 198:47-a that would require excess statewide education property tax (SWEPT) be remitted to DRA by municipalities for delivery to the treasurer and deposit to ETF on or before March 15 of the tax year in which the excess occurs.

“Excess SWEPT” is not defined, except to the extent that it excludes any income derived from investments by municipalities. DRA assumes the term means the amount of revenue to be collected by a municipality pursuant to the warrant issued pursuant to RSA 76:8 that is in excess of the cost of an opportunity for an adequate education as defined in RSA 198:40-a. DRA assumes that the Department of Education (DOE) would complete its calculations under RSA 198:40-a in sufficient time for DRA to issue warrants under 76:8 that contain the language required by Section 3.

Section 2 of the proposed legislation amends RSA 198: 41, I(b) (concerning education grants) to exclude the amount of excess SWEPT not retained from the grant calculation.

Section 3 of the proposed legislation amends RSA 76:8, II to require DRA to include language on the SWEPT warrant consistent with Section 1.

Section 4 of the proposed legislation amends RSA 198:39 (governing the ETF) to permit the treasurer to make the deposit contemplated in Section 1.

The proposed legislation would be effective on July 1, 2025. DRA assumes this to mean that municipalities would remit excess SWEPT to DRA annually beginning with property tax year 2026, beginning on April 1, 2026, no later than March 15, 2027.

The DRA believes it could implement the proposed legislation without any new positions. However, there would be an indeterminable cost associated with implementing the electronic filing and payment mechanism within DRA’s Revenue Information System (RIMS) and the Granite Tax Connect portal (GTC) the estimated cost of which is \$300,000.

Under current law, each municipality collects SWEPT on behalf of the state totaling approximately \$363 million and retains the SWEPT locally to fund the State's portion of education funding. Although, the SWEPT is locally retained, the total amount of SWEPT collected by the municipalities is still recognized by the State as revenue to the Education Trust Fund (ETF.) The proposed legislation would change this methodology, so that excess SWEPT revenue is deposited to the ETF as state revenue beginning in FY 2027.

The DRA is unable to calculate the precise fiscal impact of this change because it does not yet have DOE's adequacy calculations for FY 2027 and forward. However, for FY 2026, had the proposed legislation been in effect, DOE's adequacy calculations indicate that approximately \$28.6 million in excess SWEPT would have been deposited to the ETF and not locally retained. The impact would be a decrease in revenue to municipalities who are required to transmit excess SWEPT to DRA.