

## New Hampshire Department of Revenue Administration

### Fiscal Note Quick Guide

25-0565.0

**HB 769**, relative to the base annual cost per pupil of providing the opportunity for an adequate education and statewide education property tax rate.

Education Funding

**This bill increases the base cost of providing the opportunity for an adequate education and changes the statewide education property tax rate.**

The proposed legislation would amend portions of RSA 198:40-a to increase the base adequacy cost from \$4,100 to \$7,356.01 for the biennium beginning July 1, 2025.

It would also amend RSA 76:3 to change the rate of the education property tax from an amount set by the Commissioner of DRA to “\$2.50 per \$1,000” beginning July 1, 2025, and would delete language specifying the fiscal year to which the rate applies.

The proposed legislation would be effective July 1, 2025.

DRA assumes that the proposed legislation, insofar as it amends RSA 76:3, would be applicable beginning with tax year 2026 (commencing April 1, 2026, and ending March 31, 2027) as the education property tax warrants for tax year 2025 were issued on September 27, 2024.

DRA also assumes that by “\$2.50 per \$1,000” the rate is meant to be set at \$2.50 per \$1,000 *of equalized property valuation* and suggests that this language be added to the proposed legislation for clarity.

Implementation of the proposed legislation would involve a simple change in how warrant amounts are calculated and would not result in any costs that could not be absorbed within DRA’s ordinary operating budget.

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, 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 does not change this methodology.

The proposed legislation will result in an indeterminable increase in both state and local revenues which DRA is unable to predict due to a lack of knowledge concerning property values in future years. However, DRA is able to calculate what the impact of the proposed rate change would have been had the proposed rate been in effect for tax year 2025.

The total state-wide equalized property value not including utilities and railroads as of 4/1/2023 (used for setting tax rates for tax year 2025) was \$324,568,603,527. Using this valuation, the

Commissioner set the SWEPT rate at \$1.120 per \$1,000 of equalized value in order to generate the statutorily required \$363,000,000. Had the tax rate been \$2.50 per \$1,000 of equalized value as in the proposed legislation, the SWEPT revenue generated would be \$811,421,509, or an increase of approximately \$448 million (124%). This additional revenue would be recognized by the state and would also be locally retained if the proposed rate change were in effect for the 2025 tax year and similar increases may be expected in future years if the proposed legislation becomes law.