

New Hampshire Department of Revenue Administration

Fiscal Note Quick Guide

25-0791.1

HB 772, *establishing a foundation opportunity budget program for funding public education.*

Education Funding

This bill modifies the determination and funding for an opportunity for a constitutionally adequate education by establishing foundation opportunity budgets and state foundation opportunity grants.

Section 8 of the proposed legislation modifies the way the DRA calculates the school district portion of each municipality's tax rate effective July 1, 2025. DRA is not certain what is meant by a "separate increment to the school district tax rate to raise funds for a participating municipality's foundation opportunity budget local share if the municipality's computed school tax rate, without consideration of the municipality's foundation opportunity budget local share is equal to or greater than the rate calculated pursuant to RSA 198:41-a, II."

DRA assumes that the reference to RSA 198:41-a, II is a reference to Section 6 of the proposed legislation and not to Section 15, which uses the same new section reference. However, RSA 198:41-a, II in Section 6 does not call for calculation of a rate, it calls for calculation of a "local share."

Section 6 then provides that municipal appropriation would be the lesser of either a) \$5.38 per \$1,000 of equalized assessed valuation or b) 90 % of a municipality's annual foundation opportunity budget calculated by DOE pursuant to Sections 4 and 5 of the proposed legislation and further adjusted so that it is phased in during a transition period. However, the budget called for in Section 4 is done by school district and the grant calculated in Section 5 is by municipality and it is unclear which would apply to Section 6.

Section 6 would also appear to require DRA to calculate a uniform statewide tax rate that would generate 52% of all annual foundation opportunity budgets statewide and reduce the appropriation in b) to the uniform "rate" if needed before comparing a) and b) to determine the "local share" (an appropriation).

With the interchanging use of rates and appropriations, and of school districts and municipalities, DRA has been unable to interpret the language of Section 8 to determine an intended calculation that it could perform in implementing the statute. DRA suggests that these provisions be clarified with careful consideration given to the use of these terms and further clarification of what is meant by an increment, when it is made and when it is not.

DRA would further note that assuming there are no circular references in the calculation once clarified, calculation of the school district portion of the municipal tax rate using the conditional logic currently contained in Section 6 would require a great deal of reprogramming of its

Municipal Tax Rate Setting Portal (MTRSP) at an indeterminable cost which DRA believes would not be less than \$300,000. Additionally, given the statute's effective date of July 1, 2025, DRA assumes that it would apply to the setting of rates in September of 2025, applicable to tax year 2026. There will not be sufficient time available to make and test the needed changes to calculate such rates and then to implement them, such that DRA suggests that the effective date of Section 8 of the proposed legislation be changed to July 1, 2026.

Section 14 of the proposed legislation would amend RSA 76:3 to require the Commissioner to annually inflation-adjust the amount of revenue to be generated by the statewide education property tax (SWEPT) beginning July 1, 2025, applicable beginning with tax year 2026 (commencing April 1, 2026, and ending March 31, 2027).

Sections 20 and 22 of the proposed legislation would require municipalities to collect the statewide education property tax (SWEPT) and remit the SWEPT in full to the DRA for deposit into the ETF in quarterly installments.

The DRA believes that these changes will require development of forms and modification of the DRA's Revenue Information Management System (RIMS) and Granite Tax Connect portal (GTC), which is utilized by taxpayers to submit payments to DRA at an indeterminable cost which DRA believes would not be less than \$300,000.

Section 20 is effective July 1, 2025. The DRA interprets this proposed effective date as first impacting property taxes assessed on April 1, 2026; however, the DRA would recommend the addition of an applicability date that coincides with the start of the property tax taxable period (April 1) to avoid confusion regarding the intended timing of the application of this section.

Section 21 of the proposed legislation modifies the language required to be included on each property owner's tax bill.

Section 24 modifies RSA 198:57 to increase the income limitations for the receipt of Low- and Moderate-Income Homeowners Property Tax Relief (L&M) awards as well as the maximum amount of tax relief available to an awardee as follows:

- The total household income that may qualify for an L&M award is \$65,000 for single applicants and \$77,500 for married applicants or applicants that file as heads of household.
- For purposes of calculating the maximum award available, the maximum homestead value is \$165,000.
- For purposes of calculating the total award each recipient receives the existing income brackets for single applicants are the following:
 - Income of less than or equal to \$27,000 will result in an award of 100% of the requested amount.
 - Income of more than \$27,000 but less than or equal to \$65,000 will result in an award that is a percentage that is reduced from 95% by 5% for each \$2,000 of household income above \$27,000.
 - Income of more than \$65,000 will result in an award of 0% of the requested amount.
- For purposes of calculating the total award each recipient receives the existing income brackets for married applicants and applicants that file as heads of household is the following:

- Income of less than or equal to \$39,500 will result in an award of 100% of the requested amount.
- Income of more than \$39,500 but less than or equal to \$77,500 will result in an award that is a percentage that is reduced from 95% by 5% for each \$2,000 of household income above \$39,500.
- Income of more than \$77,500 will result in an award of 0% of the requested amount.
- For both single applicants and applicants who are married or that file as heads of household, the maximum award will be capped at \$1,100.
- Total relief under the L&M program will be capped at \$30 million.

Section 24 of the proposed legislation would additionally expand L&M to permit rebate of local as well as statewide education tax and would change the residency date for eligibility purposes to “April 1 of the date of the final tax bill” as defined in RSA 76:1-a. DRA assumes this is meant to be April 1 and suggests use of the language in the statute as it currently exists for purposes of clarity.

Section 25 of the proposed legislation amends RSA 198:57 by inserting new paragraphs IX and X stating that the DRA will adjust the L&M program for inflation annually using the Consumer Price Index for All Urban Consumers, Northeast Region using the calendar year ending 12-months prior to the beginning of the program year.

Section 26 of the proposed legislation creates a committee to study, with the assistance of the Commissioner of the DRA, several aspects of the L&M program.

Sections 2-9 of the proposed legislation shall take effect July 1, 2025, sections 10-13 shall take effect on July 1, 2028, and the remainder shall take effect on July 1, 2025.

The remainder of the proposed legislation makes numerous changes to laws relating to the calculation of the cost and funding the cost of an adequate education, school district data reporting to the Department of Education, local education improvement plans, and the funding of public charter schools. These changes are outside of the purview of the Department of Revenue Administration (DRA), but may have a state, county or municipal revenue impact. In this fiscal note, the DRA has limited its analysis to certain sections of the proposed legislation that do fall within the DRA’s purview. We have analyzed the fiscal impact of these sections in isolation and have not considered the fiscal impact of the proposed bill in its entirety.

Section 8 of the proposed legislation modifies the way the DRA calculates the school district portion of each municipality’s tax rate effective July 1, 2025, and would therefore impact tax rates set in the fall of 2026. The DRA believes that these changes will require modification to the DRA’s Municipal Tax Rate Setting Portal (MTRSP). These MTRSP changes would have an indeterminable one-time cost, that would likely be incurred in FY 2026.

Under current law, each municipality collects the SWEPT-on behalf of the state totaling \$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 ETF. Section 20 of the proposed legislation would instead require the municipality to collect the SWEPT and remit the SWEPT in

full to the DRA for actual deposit into the ETF on a quarterly basis. It would also increase the \$363 million annually beginning in FY 2026 by an indeterminate amount which DRA is unable to calculate because DRA is unable to predict what levels of inflation may be in the coming years. The DRA interprets this proposed effective date as first impacting property taxes assessed on April 1, 2026, and collected via the quarterly payments beginning in late summer of 2026. The proposed legislation would therefore begin impacting ETF revenue in FY 2027.

The DRA believes that it could administer section 20 of the proposed legislation without any new positions. However, there would be an indeterminate cost associated with developing forms and modifying systems as described including implementing the electronic filing and payment mechanism that would be required to facilitate payment of the SWEPT over to DRA. Therefore, the DRA estimates a cost of \$300,000 to be incurred in FY 2026.

The DRA is unable to determine the fiscal impact of Sections 25 and 26 of the proposed legislation because it does not have all the data needed to calculate the fiscal impact. The proposed legislation would increase the maximum qualifying household income, decrease the maximum qualifying homestead value, and adjust the income brackets for award determination, all with respect to the amount of tax relief available to the claimant. Additionally, the proposed legislation would impose a cap on payments of \$30 million in aggregate and \$1,100 per claimant. The DRA is not sure how these changes will impact the number of claimants, or the relief amounts which on average and in the aggregate have not yet come near to the capped amounts. These changes are to be effective July 1, 2025. The DRA interprets this proposed effective date as first impacting property taxes assessed on April 1, 2026. The application period for this taxable period will begin on May 1, 2027. The DRA also notes that the changes to the L&M program in the proposed legislation may not take into consideration changes to RSA 198:57 that were made during the 2021 legislative session in HB 486.

DRA believes that the expansion of the L&M program to include the rebate of local as well as statewide education property tax would result in an indeterminate increase in state expenditures. By way of estimation, DRA believes such expenditure might at least double, when analyzed as follows. Looking at data available from DOE for tax year 2020, SWEPT revenue was \$363 million and local education tax revenue was \$2,141 million. In the 2021 claim year (during which rebates were awarded for SWEPT payments in tax year 2020), L&M rebates of \$1.4 million were awarded to 5,821 claimants, for an average of \$241 per claimant. Since the eligibility criteria in the proposed legislation is the same for both state and local education property taxes, and since local education property taxes were several times greater than SWEPT, it is reasonable to assume that the same claimants who received SWEPT rebates would have received an identical local education property tax rebate had the proposed legislation's expansion to local taxes been in place during tax year 2020. While it is not possible to know exactly how much additional local tax revenue might be eligible for rebate, it is reasonable to assume that the expansion of the L&M program to include local education property tax would at least double the amount of rebates paid.