

New Hampshire Department of Revenue Administration

Fiscal Note Quick Guide

24-2249.0

HB 1586, *establishing a foundation opportunity budget program for funding public education.*

House Education

Establishing a foundation opportunity budget program for funding public education

1. This proposed bill establishes foundation opportunity budgets for each school district and state foundation opportunity grants for municipalities. This bill also proposes amendments relative to the setting of school district tax rates, the administration of the state education tax (SWEPT) and the calculation of the Low and Moderate Income Homeowners Property Tax Relief (L&M) program. This fiscal note quick guide shall be limited to the amendments relative to the school district tax rates (Sections 5, 6, and 8), SWEPT (Sections 14, 18, and 20), and the L&M program (Sections 19, 22, and 23).
2. Proposal relative to the amendments to the school district tax rates (Sections 5, 6, and 8).
 - a. In Section 5, the proposed legislation establishes State Foundation Opportunity Grants in place of the current Education Grants. The Department of Education shall calculate estimates of the grants and continue to provide information to the DRA no later than October 1 of each year for tax rate setting purposes.
 - b. Section 6 of the bill establishes a minimum foundation budget contribution, as calculated by the Department of Education, for each municipality for the support of public schools in the municipality and in any regional school district to which the municipality belongs. Each cooperative school district shall identify the minimum foundation budget contribution for each of its participating municipalities as part of its RSA 198:4-a report of appropriations voted; provided that no addition to the school district's tax rate for any participating municipality shall be required if the school district's tax rate is equal to or greater than the rate required for the municipality's minimum foundation budget contribution. The DRA assumes it will calculate each municipality's tax rate to raise moneys at least equal to the rate required for the municipality's minimum foundation budget contribution.
 - c. Section 8 of the proposed legislation modifies the manner in which the DRA calculates the school district portion of each municipality's tax rate effective July 1, 2025. The DRA believes that these changes will require modifications to the DRA's Municipal Tax Rate Setting Portal (MTRSP), which is utilized by municipalities to input data necessary for the DRA to set property tax rates. These MTRSP changes would have an indeterminable one-time cost, that would likely be incurred in FY2026. The maximum school district tax rate computed shall

raise moneys at least equal to the municipality's adjusted annual minimum foundation equity budget.

- d. The DRA does not have sufficient information and is unable to determine the impact to the tax rates for municipalities and school districts relative to the amendments to the calculation of the State Foundation Opportunity Grants, the minimum foundation budget contribution, or the updated method of computation of the school tax rate. With the assumption that the DRA receives the information on the grants from the Department of Education by October 1 of each year and the information on the minimum contribution from the school districts, the DRA does not anticipate an impact to the tax rate setting process.
 - e. The proposed legislation relative to school district tax rates shall be effective July 1, 2025.
3. Proposal relative to the amendments to SWEPT (Sections 14, 18, and 20).
- a. Section 14 amends the start date from July 1, 2005 to July 1, 2025 in regard to when the DRA shall set the SWEPT rate at a level sufficient to generate revenue of \$363 million. This amendment does not address fiscal year 2024. Clarifying language should be inserted. DRA assumes that it shall still set the SWEPT at a level sufficient to generate revenue of \$363 million for the fiscal year starting July 1, 2024. At present, 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 18 would instead require the municipality to collect the SWEPT and remit the SWEPT in full to the DRA for deposit into the ETF, after deducting a 3% municipal processing fee. Section 20 modifies RSA 198:39 permit the deposit of SWEPT into the ETF.
 - b. DRA assumes that the municipalities would only remit the collected SWEPT money to the DRA electronically once a year, on a date that would be prescribed by the legislature.
 - c. DRA assumes that municipalities would be successful in collecting the determined SWEPT amount for remittance to the DRA.
 - d. The 3% retained by the municipalities would result in a reduction in ETF revenue of \$10.9 million. The DRA is unable to determine the success rate of the municipalities in the collection of the SWEPT from local property owners. The ability of the municipalities to collect and remit the SWEPT to the DRA directly impacts the amount that would be transferred by the DRA to the ETF. Section 18 is effective July 1, 2024. The DRA interprets this proposed effective date as first impacting property taxes assessed on April 1, 2025 and collected via the final property tax bill in the fall of 2025. The proposed legislation would therefore

begin impacting ETF revenue in FY 2026. The DRA recommends 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. The DRA also proposes that additional language be added to clarify the timing of the remittance of the collected SWEPT to the DRA. The DRA interprets to mean that it will first apply to property taxes assessed on April 1, 2025.

4. Proposal relative to the amendments to the L&M program (Sections 19, 22, and 23).
 - a. Section 19 requires information about the L&M program to be printed on each municipal property tax bill and provides additional requirements on the minimum amount of information that would be sufficient and the font size to be used.
 - b. Under Section 22, the eligibility for the L&M relief claimant is amended from a person who resided in a qualifying homestead on April 1 of the year for which the claim is made to a person who resided in a qualifying homestead on the date of the final tax bill as defined in RSA 76:1-a for the year for which the claim is made. The proposed legislation increases the income limitations for L&M awards as well as the maximum amount of tax relief available to an awardee.
 - c. There appears to be an error in Section 22 in the determination of the household income brackets for the applicable percentage to determine the amount of L&M relief available to the claimant for both single, and head of household or a married person. There is a gap between the income level qualifying for the 100% claim and when the phase out begins. Using the Single person claimant as an example, the claim is allowed at 100% for income less than \$20,000 and the 5% reduction starts from household income above \$20,000. Household income level at \$20,000 is not captured. Additionally, the phase out of the allowable claim reaches the 0% before the final household income bracket.
 - d. Section 23 requires that around May 1 of each year, the DRA shall mail the current year forms necessary to apply for the property tax relief program to each homeowner who received property tax relief in the prior year.
 - e. The DRA is unable to determine the fiscal impact of the amendments to the L&M program calculations because we do not have all the data needed to calculate the fiscal impact. The proposed legislation increasing the maximum qualifying household income potentially increases the number of claimants that would qualify for the relief. The reduction in the multiplier to the current local equalization ratio potentially reduces the amount of relief per claim but the expansion of the income thresholds for award determination potentially increases the total awarded relief. The DRA assumes there will both an increase in claimants and an increase in relief amounts, which will result in an indeterminable increase to state expenditures in an amount up to \$25 million, which is the

program cap. The DRA would require additional appropriations of an indeterminable amount to pay these additional claims beginning in FY 2026.

- f. To effectuate the calculations for the aggregate payout limitation of \$25 million per fiscal year as stated in Section 22, payouts cannot commence until the final application is received by June 30. Current law RSA 198:57, VI(b) allows the DRA to accept L&M relief late applications through November 1 under certain situations and RSA 198:61 requires the DRA to certify payout amounts to the State Treasurer within 120 days for payments to be made. Therefore, additional language may be needed to effectuate this change.
5. The DRA believes that we could administer the proposed legislation without any new positions. However, there would be an estimated cost of \$300,000 associated with implementing the electronic filing and payment mechanism that would be required to facilitate payment of the SWEPT over to DRA. In addition, the proposed mailings of the L&M forms to homeowners who received property tax relief in the prior year would also result in an increase to DRA administrative costs.