



The Basic Law of BUDGETING



A Guide for Towns, Village Districts and School Districts
2022

ABOUT THIS PUBLICATION

This publication is intended for use in conjunction with the New Hampshire Municipal Association's (NHMA) Budget and Finance Workshops and as a reference throughout the year. We hope you find this survey of the Municipal Budget Law helpful as you carry out your duties as a municipal official. Other NHMA publications are available to provide more in-depth information on town meeting and other municipal law issues, including the *Town Meeting and School Meeting Handbook* and *Knowing the Territory: A Survey of Municipal Law for New Hampshire Local Officials*.

NHMA's Legal Services attorneys focus on the laws of towns, cities, and village districts, but the scope of their legal advice does not include school-specific issues. However, we recognize that in a town with an official budget committee, that committee also serves the local school district. Therefore, with the help of Attorney William J. Phillips of the New Hampshire School Boards Association, we have included some school-specific information, including information relevant to cooperative school districts, and we note that in many cases school budgeting laws are similar to town, city, and/or village district budgeting laws. For school tips, look for this icon throughout the book:



This edition also features a glossary to help you understand the “language” of budgeting law. The information presented is not intended as legal advice and is not a substitute for consulting your municipal attorney or calling on NHMA's Legal Services attorneys. Local officials in New Hampshire Municipal Association-member municipalities may contact NHMA's Legal Services attorneys with questions and to receive general legal assistance. Attorneys are available by phone at 603-224-7447 or by email at legalinquiries@nhmunicipal.org.

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INTRODUCTION TO THE MUNICIPAL BUDGET LAW

The information in this survey, in general, applies to the budget process in all towns, village districts and school districts governed by the Municipal Budget Law, RSA chapter 32. All principles covered here also apply to those towns and districts that have adopted the official ballot referendum system under RSA 40:13 (SB 2), except for some special considerations under SB 2 that are covered in Chapter 8. In general, the word “meeting” is used to mean action by the legislative body under either the traditional town meeting or the official ballot referendum system. The special provisions of municipal charters and cities are not covered in this publication.

RSA Chapter 32 Applies to All Annual Meeting Forms of Government

The Municipal Budget Law governs in every town, village district and school district with an annual meeting form of government, including those with the official ballot referendum form of meeting (SB 2). The first half of the chapter, RSA 32:1 – :13, applies to all such towns and districts. *See* RSA 32:2, Application. RSA 32:14 – :24 apply only in the towns and districts that have established an official budget committee by vote of the legislative body under RSA 32:14. RSA 32:5-b applies only to those towns and districts which have adopted that section pursuant to RSA 32:5-c.

Advisory Committees

The Municipal Budget Law explicitly recognizes unofficial or advisory budget and finance committees that exist in many municipalities. The law does not require any town or district without an official budget committee to have one. RSA 32:24. In this publication, the term “budget committee” means an official Municipal Budget Law budget committee adopted according to RSA 32:14, not an advisory finance/ budget committee. The role of the budget committee is covered in Chapter 7.

Removal from Office

RSA 32:12 states that anyone who violates the provisions of the Municipal Budget Law may be removed from office by the superior court upon petition. This rule has been upheld in case law. For example, the New Hampshire Supreme Court held that a police chief who overspent his budget was properly dismissed under a “for cause” dismissal standard. *Blake v. Pittsfield*, 124 N.H. 555 (1984).

If the town has an official budget committee, the budget committee can file the removal petition. RSA 32:23. Removal is not automatic. In a case involving the Merrimack Village District, a superior court judge ruled that where an over expenditure of the budget’s bottom line occurred as a result of good faith ignorance and did not cause harm to the district, the court has discretion not to order removal. The New Hampshire Supreme Court summarily affirmed this ruling.

Biennial Budgeting

Cities and towns can budget on a two-year cycle under the provisions of RSA 32:25. The idea is to reduce the amount of time local officials spend preparing budgets. The law must be adopted by vote of the legislative body. If adopted, the following year the legislative body enacts a budget for two distinct 12-month fiscal years or a single 24-month fiscal period. Each year’s budget has the same legal effect as a normal annual

budget, but the governing body can carry over appropriations from the first budget year to the second.

Key Concepts

Some officials, particularly those new to municipal budgeting, find the Municipal Budget Law to be a complicated set of unrelated rules. The key to understanding the municipal budget process centers on seven fundamental budgeting and finance concepts. This survey highlights those seven concepts.

GLOSSARY OF TERMS

Appropriate: To set apart from the public revenue of a municipality a certain sum for a specified purpose and to authorize the expenditure of that sum for that purpose.

Appropriation: An amount of money appropriated for a specified purpose by the legislative body.

Agents to expend: A public body or public official, usually the select board, given the authority to expend funds without further legislative body approval.

Bottom line: The total amount of all appropriations for the fiscal year.

Budget: A statement of recommended appropriations and anticipated revenues submitted to the legislative body by the budget committee, or the governing body if there is no budget committee, as an attachment to, and as part of the warrant for, an annual or special meeting.

Contracts for Default Budget Purposes: As used in RSA 40:13, contracts previously approved, in the amount so approved, by the legislative body in either the operating budget authorized for the previous year or in a separate warrant article for a previous year.

Default budget: The amount of the same appropriations as contained in the operating budget authorized for the previous year, reduced and increased, as the case may be, by debt service, contracts, and other obligations previously incurred or mandated by law, and by reduced one-time expenditures contained in the operating budget and by salaries and benefits of positions that have been eliminated in the proposed budget.

Capital improvement: A high cost improvement with a useful life of several years, such as infrastructure projects, land acquisition, buildings, or engineering studies for any of those projects, as well as vehicles or highway maintenance equipment in some municipalities.

Capital improvements program: A planning tool used to aid the mayor or select board and the budget committee in considering the annual budget. The program must classify projects according to the urgency and need for realization, recommend a time sequence for their implementation, be based on information submitted by the departments and agencies of the municipality, and take into account public facility needs indicated by the prospective development shown in the master plan of the municipality or as permitted by other municipal land use controls. The program may also contain the estimated cost of each project and indicate probable operating and maintenance costs and probable revenues, if any, as well as existing sources of funds or the need for additional sources of funds for the implementation and operation of each project.

Capital reserve fund: A savings account established to fund a particular capital project or projects.

Emergency (under RSA 31:5): A sudden or unexpected situation or occurrence, or combination of occurrences, of a serious and urgent nature, that demands prompt, or immediate action, including an immediate expenditure of money. This definition, however, does not establish a requirement that an emergency involves a crisis in every set of circumstances.

Encumbered funds: Funds that a municipality has a legal obligation to pay, created by contract or otherwise, to any person for the expenditure of that amount.

Escape clause: See nonappropriation clause.

Fiscal year: For towns, January 1st to December 31st (RSA 31:94), unless the town has adopted the optional July 1st to June 30th fiscal year in accordance with RSA 31:94-a – :94-e; for school districts, the fiscal year begins on July 1st (RSA 194:15).

Fixed charges: Includes appropriations for principal and all interest and principal payments on bonds and notes, except tax anticipation notes, as well as mandatory assessments imposed on town by the county, state, or federal governments.

Fund balance: An account on the town's balance sheet, accounting for lapsed appropriations, assets, and liabilities; may be retained, used to reduce the tax rate, or appropriated by the legislative body.

Gross basis budgeting: The requirement that all anticipated revenue from all sources, not just tax money, must be shown as offsetting revenues to the amounts appropriated for specific purposes in the annual budget.

Lapse: The time at which an appropriation may no longer be spent, typically at “year's end” unless the appropriation is nonlapsing.

Line Item: A purpose for which money may be spent in the budget.

Nonappropriation clause: A provision in a contract that terminates the agreement automatically without penalty to the municipality if the requisite annual appropriation is not made. Commonly referred to as an “escape clause.”

Official budget committee: A budget committee adopted by the legislative body according to RSA 32:14 with the duties and authority set forth in RSA Chapter 32.

One-Time Expenditures: Expenditures not included in the default budget because they are appropriations not likely to recur in the succeeding budget, as determined by the governing body, unless the town meeting votes to delegate determination of the default budget to the budget committee.

Operating budget: The “budget,” exclusive of “special warrant articles,” as defined in RSA 32:3, VI, and exclusive of other appropriations voted separately.

Purpose: A goal or aim to be accomplished through the expenditure of public funds. In addition, as used in RSA 32:8 and RSA 32:10, I(e), concerning the limitation on expenditures, a line on the budget form posted with the warrant, or form submitted to the department of revenue administration, or an appropriation contained in a special warrant article, shall be considered a single “purpose.”

Public purpose: As applied to appropriations, any purpose for which a municipality may act if such appropriation is not prohibited by the laws or the New Hampshire Constitution.

Raise: To collect or procure a supply of money for use; the source from which an appropriation is made.

Revolving fund: A fund established pursuant to RSA 31:95-h, into which fees and charges for certain services and facilities may be deposited and from which expenses for those services and facilities may be expended by a board or body designated by the legislative body at the time the fund is created.

Sanbornizing: A term of art derived from the case of *Appeal of the Sanborn Regional School Board*, 133 N.H. 513 (1990), meaning sufficient disclosure to the legislative body of the cost items in a collective bargaining agreement, such that the multi-year costs of the agreement become binding on the municipality.

Separate warrant article: An article containing an appropriation that is set apart from the operating budget.

Special revenue fund: A nonlapsing fund established pursuant to RSA 31:95-c, restricting revenues from specific sources to be expended for specific purposes by the legislative body.

Special warrant article: Any article in the warrant for an annual or special meeting which proposes an appropriation by the meeting and which (a) is submitted by petition; (b) calls for an appropriation of an amount to be raised by the issuance of bonds or notes pursuant to RSA 33; (c) calls for an appropriation to or from a separate fund created pursuant to statute, including but not limited to a capital reserve fund under RSA 35, or trust fund under RSA 31:19-a; (d) is designated in the warrant, by the governing body, as a special warrant article, or as a nonlapsing or nontransferable appropriation; or (e) calls for an appropriation of an amount for a capital project under RSA 32:7-a.

Surplus: *See* fund balance.

Tax year: April 1st – March 31st.

Ten percent rule: In towns and districts with an official budget committee, the total amount appropriated, including amounts appropriated in separate and special warrant articles, cannot exceed the total recommended by the budget committee by more than 10 percent. The 10 percent calculation is computed on the total amount recommended by the budget committee, less that part of any appropriation item which constitutes “fixed charges.”

Town-funded trust fund: A “savings account” established pursuant to RSA 31:19-a for the maintenance and operation of the town and for any other valid public purpose.

Unanticipated revenue: Revenue from an unexpected source, i.e., a source of money the municipality did not anticipate it would receive any funds from.

Year’s end: The end of the fiscal year.

CHAPTER TEN

CAPITAL IMPROVEMENTS PLANS: AN IMPORTANT FINANCIAL PLANNING TOOL

A capital improvement plan (CIP) is a living document used as a community planning and fiscal management tool for the purpose of coordinating the location, timing, and funding for capital improvements over a multi-year period. Although it is a tool many larger communities have been using for years, a CIP can be useful and valuable for even very small communities. Essentially, it is a prioritized list of anticipated large expenses, including, but not limited to capital expenses related physical plant and facilities, equipment, feasibility, architectural and engineering studies and infrastructure needs. The threshold of what a “large expense” is and the details of what is needed may vary from municipality to municipality, but the process, the governing law and its usefulness are the same across the state. The goal is to develop a CIP plan that provides a working blueprint for sustaining and improving a municipality’s infrastructure needed to maintain desired levels of government services.

A. Why do we need a capital improvements program?

CIPs are not required by law, but there are a host of reasons a municipality should prepare one and keep it up to date. Here are a few:

- A plan helps bridge the gap between the long-term planning process and the development of the annual operating budget.
- A plan systematically anticipates needs rather than just reacting to unanticipated problems (thus preventing surprises among government officials and the voting public).
- Planning ahead allows time to get the necessary resources in place bit-by-bit rather than all at once, avoiding spikes in the tax rate.
- This advance planning leaves time to identify alternate sources of funding (federal and state grants, long and short term debt, or pay-as-you-go).
- A well developed CIP can help evaluate competing demands for resources and identify the most economical means of financing a project.
- The plan informs and educates both decision makers and the public about the anticipated investments in the municipality. A plan prepared cooperatively among officials, employees and the public increases the “buy-in” so voters understand why items in the plan are important.
- “Shovel-ready” or prepared plans can help a community be ready to participate in federal or state grant programs when they arise.
- Good plans create a blueprint linking fiscal capacity with the need to promote economic development through investments in infrastructure.

- Regular attention to capital assets increases the likelihood of proper maintenance to extend the life of existing assets.
- A CIP is a legal prerequisite for some other land use tools, such as growth management under RSA 674:22 or impact fees under RSA 674:21, V.

B. Where does the CIP fit into local government?

A CIP is a planning tool. Under the law, “[t]he sole purpose and effect of the capital improvements program shall be to aid the mayor or selectmen and the budget committee in their consideration of the annual budget.” RSA 674:5. The final CIP must be submitted to the governing body and the budget committee “for consideration as part of the annual budget.” RSA 674:8. The projects identified in the CIP are not mandatory; the CIP is simply a set of recommendations and an outline for achieving them. However, the list of reasons above shows that a CIP goes a long way toward helping that budget meet the real needs of the community at a time, in a way, and for a price that makes sense.

It is also important to note that a CIP has no effect on applications before the planning board or zoning board of adjustment other than as a guide for off-site exactions, and to the extent it is used to guide the development of growth management ordinances or impact fee ordinances. *Zukis v. Fitzwilliam*, 135 N.H. 384 (1992).

The overall purpose is to help communities make good planning choices for the future based on goals and resources. In doing so, the CIP integrates many other facets of local government. The CIP is tied to the goals of the master plan. It puts the operating budget and the capital budget in perspective. A good CIP is based on the existing fixed asset inventory and presents a replacement and renewal schedule that makes sense. It also requires cooperation among department heads, the governing body, town/city manager, and planning officials. A capital improvements program acts as a bridge between the planning process and the budget process. With all the information gathered during the CIP process, municipal officials can help voters make informed decisions about appropriations and policies.

It is also important to note that, without a CIP in place, a municipality is not permitted to enact a growth management ordinance under RSA 674:22, I. This makes sense because a growth management ordinance is only valid to the extent it accurately balances the municipality’s need for restrictions on growth and a projection of what is deemed to be “normal growth.” *Rancourt v. Barnstead*, 129 N.H. 45 (1986). In other words, how can a town know what a growth management ordinance needs to accomplish if it hasn’t considered what reasonable projected growth is and what infrastructure is required to support it? The CIP also provides information about the municipality’s need for additional services to accommodate growth and a reasonable timetable for developing those services.

The other major ordinance that may be adopted only after a CIP is adopted is an impact fee ordinance under RSA 674:21, V. Impact fees may be assessed for a lot of things, including and limited to water treatment and distribution facilities; wastewater treatment and disposal facilities; sanitary sewers; storm water, drainage and flood control facilities; municipal road systems and rights-of-way; municipal office facilities; public school facilities; the municipality’s proportional share of capital facilities of a cooperative or regional school district of which the municipality is a member; public safety facilities; solid waste collection, transfer, recycling, processing, and disposal facilities; public library facilities; and public recreational facilities not including public open space. A town may still levy exactions for off-site improvements under RSA 674:21, V(j) without an impact fee ordinance, but they are limited to the cost of improvements located outside the subject property and include only any necessary highway, drainage, and sewer and water upgrades pertinent to that development.

Although school districts are, for the most part, separate political entities which adopt their own budgets, a town or city CIP can also look at school-related projects. This information is useful in a variety of ways. It provides perspective on the overall financing burden of capital improvements that taxpayers will be bearing because, of course, the same taxpayers are paying both municipal and school taxes. It may make sense to stagger some school and municipal projects to avoid spikes in the tax rate. It may also make sense to schedule school and municipal projects in a certain order to create efficiency. For example, if a town needs to repair a road and the school district needs to rebuild a school, add sewer connections, and change the location of its curb cuts on the same road, it may make sense for the road improvement to wait until the school project is completed. In addition, school capital projects are part of the underlying rationale for both growth management and impact fee ordinances.

C. Where do we begin?

Before a capital improvements program can be prepared, (a) the municipality must have established a planning board under RSA 673:1, and (b) the planning board must have created and adopted a master plan under RSA 674:1. When considering how this fits with a CIP, it is helpful to remember that a master plan is intended to delineate the best and most appropriate future development of the area to guide the planning board in its work, so the community can achieve smart growth, sound planning, and wise resource protection. RSA 674:2, I. After those two prerequisites are met, the legislative body (town meeting, town council or city council/aldermen) may authorize the creation, adoption and amendment of a capital improvements program. RSA 674:5. In a town meeting town, this is done by approval of an article on the warrant.

Municipalities may authorize either the planning board or a special CIP committee to work on the CIP. If the warrant article is silent on this issue, it is assumed that the planning board will do it. Alternatively, the article may provide for a CIP committee appointed by the governing body (select board, town/city council). The committee must include at least one member of the planning board and may (but isn't required to) include other members of the planning board and other local officials. It is important to note that the planning board cannot grant itself the authority to prepare a CIP; the authorization must come from the legislative body.

Once authority has been given to prepare a CIP, the planning board or committee—and any subcommittees—must realize that they are “public bodies” subject to all of the requirements of RSA chapter 91-A, New Hampshire’s Right to Know law. This means that all meetings require at least 24 hours’ notice posted in at least two public places, the public must be permitted to attend the meetings, and minutes must be kept of all meetings. RSA 91-A:2. In addition, virtually all documents given to or created by the planning board or committee in the process of preparing the CIP will be “governmental records” which must be disclosed to the public upon reasonable request. RSA 91-A:4.

D. What is a “capital improvement”?

In the most general sense, a capital improvement is something that has a high cost and a useful life of several years, in contrast with regular operations and maintenance, which generally have a lower cost and occur on a more frequent basis. Typically, capital improvements will include infrastructure projects, land acquisition, buildings, or engineering studies for any of those projects, and may include vehicles or highway maintenance equipment in some municipalities. One useful starting point is the list of improvements for which impact fees may be assessed; the list in RSA 674:21, V is a good place to look for ideas.

Each community must define for itself what qualifies as “high cost” and a “useful life of several years.” The specific definition in each community will be slightly different based on the population, capital needs, and available budget. There is no single “right” way to define this. Smaller towns may have a different definition than larger towns or cities. For example, the City of Franklin sets its capital improvement threshold at \$25,000 with a useful life of seven or more years. Expenditures that do not meet both the cost and useful life threshold are not included in the capital improvements plan; instead, they are included as a part of the city’s operating budget. In a smaller community like Plymouth, (population 6,500), the threshold is \$10,000 with a useful life of five years. An even smaller community may define it as any project having a useful life of at least 3 years and requiring a gross expenditure of more than \$5,000.

An expenditure that seems very large to one community and that occurs only rarely (and thus should be part of a capital improvements program) may be considered part of the ordinary operating budget in a much larger community. If a city has a large fleet of vehicles and expects to replace three or four of them every year, vehicle replacement may simply be a line in the operating budget. For a small town, however, the replacement of a vehicle may occur only once every few years, and the expenditure may be significant. This is something that may belong in a capital improvements program so it can be planned and saved for appropriately.

E. What goes into a capital improvements program?

According to RSA 674:5 and :6, there are required elements and optional elements. A CIP “shall” do the following:

- Address capital improvement projects over a period of at least six years. It can be a longer period, of course, and 6 – 10 years is typical in many municipalities.
- Classify projects according to the urgency and need for implementation.
- Include a timetable for implementation of projects.
- Take into account public facility needs that are indicated by the development shown in the master plan or which are permitted under the municipality’s zoning ordinances and regulations.

A CIP “may” include the following:

- The estimated cost of each project or capital purchase.
- The estimated operation and maintenance costs.
- The anticipated project timeline.
- The estimated revenues (if any) from each project.
- Suggested funding sources.
- Project or capital purchase prioritization.

Some larger communities prefer to have the CIP concentrate solely on what is needed and when, and to have the budget committee, administrator/manager, and governing body concentrate on the cost and funding mechanisms. Again, there is no single “right” answer here.

Each community should make choices for their future needs based on their specific goals and available resources..

1. HOW DOES THE PROCESS WORK?

First of all, it is critical to recognize that the planning board or CIP committee does not operate in a vacuum. The law grants quite a bit of authority to the planning board or CIP committee. It is true that under RSA 674:6, the CIP is based on information submitted by the departments and agencies of the municipality. All town or city departments, agencies, officials, and any affected school board are required to provide to the planning board or CIP committee, upon its request, a statement of all capital projects proposed to be undertaken during the CIP period. RSA 674:7, II.

However, although the law gives the planning board or CIP committee authority to gather information, this authority means little if the planning board or CIP committee does not act in a way that fosters cooperation and coordination with everyone else in municipal government. To be effective, the process should involve the governing body and the chief administrative officer (town/city manager). The process is actually somewhat similar to the way an official budget committee prepares a budget: information is gathered from all corners of municipal government and put together in a proposal for the town or city to consider. And just as with budgeting, the development of a CIP works well only when all of the parties cooperate with one another.

The planning board may have the responsibility to prepare the plan, but it cannot do so without the assistance of almost every other municipal official. “Who is in charge?” is not the most important issue here.

2. ORGANIZATION

The first issue is organization. The planning board or committee should have an initial meeting to consult with the town administrator, town or city manager, the governing body and the budget committee to discuss the process and the timetable. RSA 674:7. The goal here is to have fewer surprises and more cooperation among all officials and employees. Working together, this group should establish a timeline for preparation of the CIP. The timeline should be two things: reasonable and well-publicized. It is important for the planning board or committee to recognize that the officials and employees from whom they are trying to get information each have a lot of other things on their plate. The further in advance they know the information is needed, the easier it should be for them to prepare the information in a timely way.

The other general preparation task is to establish policies. This should be done as part of the initial meeting(s) suggested above, and should address:

- A definition of what a “capital improvement” is for your community (threshold expense and useful life).
- How will items be prioritized?
- Points of contact—how will the planning board or committee communicate with other officials and employees about this project?
- What general categories of information will be requested from the town administrator or manager, city manager, department heads, and governing body? Is there any specific format to be followed or any particular information that will be requested? The board or committee should be able to communicate what it is they are looking for.

3. TIMELINES

After the initial meetings, the planning board or committee should establish a timeline for its activities based on the feedback from the initial meetings.

This internal timeline should include:

- A period to assess the current fiscal and capital asset situation and to review the master plan. If there are many departments or too much information, the planning board or committee might consider creating subcommittees to each review a certain portion of the information (perhaps a specific department) and report back to the larger group.
- A discussion period during which the planning board or committee can discuss issues with the town/city manager or administrator, ask and answer questions, and gather additional information.
- A plan for exactly who will draft the CIP and when.
- A timetable for drafting, revising, and adopting the CIP.

4. ASSESSING THE CURRENT SITUATION

It is difficult to plan where you are going if you don't know where you are. Thus, the planning board or committee should look at three important areas relating to the current situation. The first is a capital asset inventory. It may already exist in larger communities, but smaller towns may need to put one together for the first time. The list should include everything the municipality has that falls within the established threshold of what is a "capital asset." (One place you might consider checking is the list of insured properties and equipment.) Once a list is established, it is important to note the deficits. Department heads are particularly helpful in pointing out the "holes" in the existing inventory.

The second issue is a fiscal analysis to assess fiscal capacity. The planning board or committee should obtain or create a comprehensive list of all the trust funds, capital reserve funds, special revenue funds, and other funds (and the balances in each fund). Other important information includes the most recent tax rate, fixed costs going forward (such as bond payments or other debt service), and the past, present and future expected revenues, expenditures and debt (i.e., what can the municipality afford?).

The third area of importance is the current status of previously approved projects. What are the cost estimates and funding sources for projects which are currently underway and when are they expected to be completed? What impact do those projects have on the fiscal analysis and asset inventory once they are finished?

The CIP may include the following information:

- A list of the capital projects, equipment, and major studies.
- A ranking of projects based on a prioritization matrix reflecting the entity's long-term goals and objectives.
- A financing plan for each expenditure.
- A timetable for the construction or completion of the project
- A project justification and explanation for the project expenditures

5. REVIEWING THE MASTER PLAN

A review of the recommendations of the master plan in relation to the capital improvements program being considered is a required step in the preparation of a CIP. RSA 674:7. This review may reveal indicators of long-term capital needs to improve existing services so that they match community standards and to accommodate reasonable growth. Local zoning ordinances and land use regulations should also be reviewed as part of this step to see how proposed capital projects may fit.

6. EVALUATING PROJECT REQUESTS

Under RSA 674:7, the planning board or CIP committee is required to confer with the governing body, the chief fiscal officer or budget committee, the school board, and other municipal officials and agencies. These officials are required to provide a statement of all capital projects they propose during the term of the CIP. Information provided should, ideally, include justifications, estimates of project costs, estimates of future operation and maintenance costs for each project, the relationship of this project to other (existing and proposed) projects, implementation schedules and the degree of urgency for each one. It is also important to obtain information regarding the replacement, repair or renovation of existing capital assets. The planning board or committee should also consider the estimated tax impact of proposed projects.

How well will the total annualized tax impacts of capital spending fit within the municipality's overall fiscal goals and the urgency of the needs?

As information is gathered, the planning board or committee should review it and respond to the official, board or employee who provided it as appropriate with recommendations, questions or comments. RSA 674:7. While some municipalities prefer to have the town administrator or manager help with the financial and tax impact end of things, in others, the planning board or committee handles all of it. If the administrator or manager is part of the committee, this can all be made much more seamless. In any case, the planning board or committee should engage in a thorough discussion with all of the officials and employees it needs to in order for the CIP to address the municipality's needs.

7. FUNDING

The most straightforward way to pay for municipal projects is through a one-year appropriation, but that is certainly not the only way. Regular appropriations into capital reserve funds targeted for specific projects are, essentially, savings accounts for future projects. They prevent spikes and dips in the property tax rate and can be much easier for taxpayers to handle than a sudden, very large expense in one year. Municipalities may also borrow to pay for capital projects, either by borrowing directly from a bank or, more commonly, by issuing bonds. Borrowing spreads the expense out after the project rather than before. Another funding source is impact fees. They may be assessed and collected from those receiving approval from the planning board for development projects and used to fund capital projects, although they must be refunded if they are not spent or encumbered for the purpose for which they were collected within six years after collection. RSA 674:21, V. This means that they should be targeted toward projects that are projected to occur within that timeframe.

It is often possible for a municipality to pay for much of a project with grant money from the state or federal government, and occasionally from private sources. Most grants require some matching portion of the funds to be provided by the municipality, but they can still significantly reduce the tax impact. Taxes may also be targeted toward capital improvements through a tax increment financing district under RSA Chapter 162-K.

Most importantly, all of these methods may be used in combination with one another. A mix of funding sources is often the best way to move projects forward without undue pressure on taxpayers.

F. Drafting, Revising, and Adopting the CIP

There is no statutory procedure for the planning board or committee to follow to adopt the final product. The New Hampshire Office of Planning & Development (OPD) recommends using the same process that a planning board would use to adopt a master plan under RSA 675:6. Under that procedure, the board/

committee holds at least one public hearing with ten days posted and published public notice (exclusive of posting and hearing days). If substantive changes are made after the first hearing, a second hearing may be held with the same notice. In any case, the planning board or committee should take a formal vote at a public meeting to adopt the final version. A copy should be sent to NH OPD for filing. RSA 675:9.

The planning board or committee must present the CIP to the mayor or select board and the budget committee, if one exists, for consideration as part of the annual budget. RSA 674:8. Although only the plan for the current year must be presented each year, it does not make sense to present proposals in a vacuum. Providing the entire CIP will allow those preparing the budget to put the recommendations in context and make them more useful.

G. Next Steps: Begin Again!

To be effective, a CIP cannot simply be prepared, put on the shelf, and forgotten. It must be an ongoing project. The best CIPs are reviewed and amended on a regular basis (every 1 – 3 years) and kept up to date. Priorities, needs, and opportunities will change over time, and the CIP needs to change as well. The original authority by the legislative body is sufficient for the planning board or committee to continue work past the first year, although additional appropriations may be required in subsequent years to fund the review and amendment process. Each time the CIP is amended, it should be filed with NH OPD and shared once again with the mayor or select board and budget committee.

A great CIP is worth the time and effort that goes into it. It is a versatile management tool that can help municipalities make better choices and plan for future needs in a way the community can afford. By coordinating strategic planning, financial capacity, and physical development the plan can serve as a compass pointing toward future goals realized.

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 continuous service to the state's municipalities. As the service and action arm of local governments throughout New Hampshire, NHMA staff respond to thousands of legal inquiries from members every year, and track 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. We know local government! Learn more at www.nhmunicipal.org.

OUR MISSION

Through the collective power of cities and towns, NHMA promotes effective municipal government by providing education, training, advocacy and legal services.



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