

How the Town Tax Rate is Calculated

The official fiscal year for New Hampton is from January 1st to December 31st. However, the budget process actually begins in September when the Board of Selectmen (BOS) requests that the Department Heads provide their estimated budgets for the following fiscal year. Over the next 4 months, the BOS will work with the Department Heads to arrive at the final budget to be presented at a Public Hearing, Deliberative Session, and finally to be voted on at Annual Town Meeting. Since New Hampton is an SB-2 town, the Town Meeting is a voting session by ballot only, though the deliberative session which precedes it (and which may result in warrant articles being drastically changed) is by voice or hand vote of those present. Careful consideration must be given to the preparation of the budget since it is the basis of the Town's financial program for the coming year.

The Municipal Budget Law, RSA 32.1 is intended to, "establish uniformity in the manner of appropriating and spending public funds". There are several key concepts that must be understood and followed in order to follow the procedures required by RSA 32.1

These key concepts are:

- Appropriation
- Gross Budget Budgeting
- Warrant Notice and Permissible Amendments
- No spending without an appropriation
- Lapse of appropriations

The basis for appropriations are the estimated needs or requirements for the operation of the Town. The previous year's expenditures, inflation, equipment replacement and maintenance, and fuel and utility costs are all used to estimate the needed appropriations for the upcoming year. There are two common types of appropriations that are presented to the voters. The first is the Towns Operating Budget. This is a listing by Department of the funds estimated to be required for the next year's operations. The second is a Warrant Article where the appropriation is for a specific purpose and could be a one time expense such as a fire engine, back hoe, or computer system. Warrant Articles that could repeat in subsequent years are road paving, gravel road repair etc. It is important to note that funds cannot be expended unless they have been appropriated at the Town Meeting.

The other side of the balance sheet for the Budget is the estimate of revenues for the upcoming fiscal year. Revenues come from Federal and State grants, Motor Vehicle Permit fees, withdrawals from Expendable Trust Funds, unexpended appropriations from the previous year, and unanticipated revenues. The difference between the total appropriations and revenues is the amount that must be raised by taxation. The Board of Selectmen, in preparing the budget to present to Town Meeting, consider potential increases in tax base to better inform the townspeople of the actual impact to the tax rate.

The Gross Budgeting Key Concept requires that all appropriations must be shown at their fully expected cost and any revenues to be used to offset the expense shown. For example, if the town votes for a new fire truck at \$100,000 and intends to pay for it with \$80,000 of tax money and \$20,000 from selling the old fire truck, the total amount of \$100,000 must be appropriated disclosing both sources of revenue. No appropriation is valid unless the purpose appears in the warrant.

All appropriations will lapse at the fiscal year end unless the warrant article has specified that the appropriation is a non-lapsing appropriation or has been encumbered, i.e., a contract for service(s) that has been obligated by signed contract and is not to be completed until into the next fiscal year.

Within a specified time after the Town Meeting, the approved Operating Budget, Warrant Articles and expected revenues are submitted to the New Hampshire Department of Revenue of Administration (DRA). In September or October of the fiscal year, the DRA will review the town's actual revenues and expenditures and compare them to the approved budget. The DRA, after review and approval, then will take the expenditures minus the revenues, adds in an "overlay" (for estimated abatements and refunds) to determine the Net Appropriations. The DRA then takes the total tax base (total assessed taxable value in the town) and divides it into the net appropriations to arrive at the town tax rate portion of the tax bill. The DRA then applies the same formula to the School, County and State net appropriations to determine each of their portions of the tax rate. The total of the Town, School, County and State portions is the tax rate for New Hampton. Note that any significant increases in appropriations or a reduction in revenue by any one, any combination, or all of these agencies (town, state, school, or county) can increase the tax rate dramatically. The DRA then issues the tax rate that will be used on your second issue tax bill.

There is a belief that an increase in assessed values of property in a given year provides the Board of Selectmen more money to spend. As you can see from the process outlined above, the Selectmen can only expend the appropriations that have been approved. Any increase in tax base is divided into the voted appropriations and would in fact reduce the rate.