

# Effectively Working With Your Budget Committee

*NHGFOA May, 2023*

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# Today's Presentation Agenda

Official vs. Advisory Budget Committee

Role of the Budget Committee

Focus on interactions with the budget committee, governing body, & voters

How to collaborate on the effective creation of budget materials

# The Town Meeting

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Approves/Disapproves all appropriations

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Votes to create and fund common municipal funds

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Citizen authority to propose appropriations by petition

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May amend separate articles to reduce or zero out appropriations

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May amend budget to reduce (or increase) total bottom line appropriation

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Can zero out line item appropriations in DRA budget form

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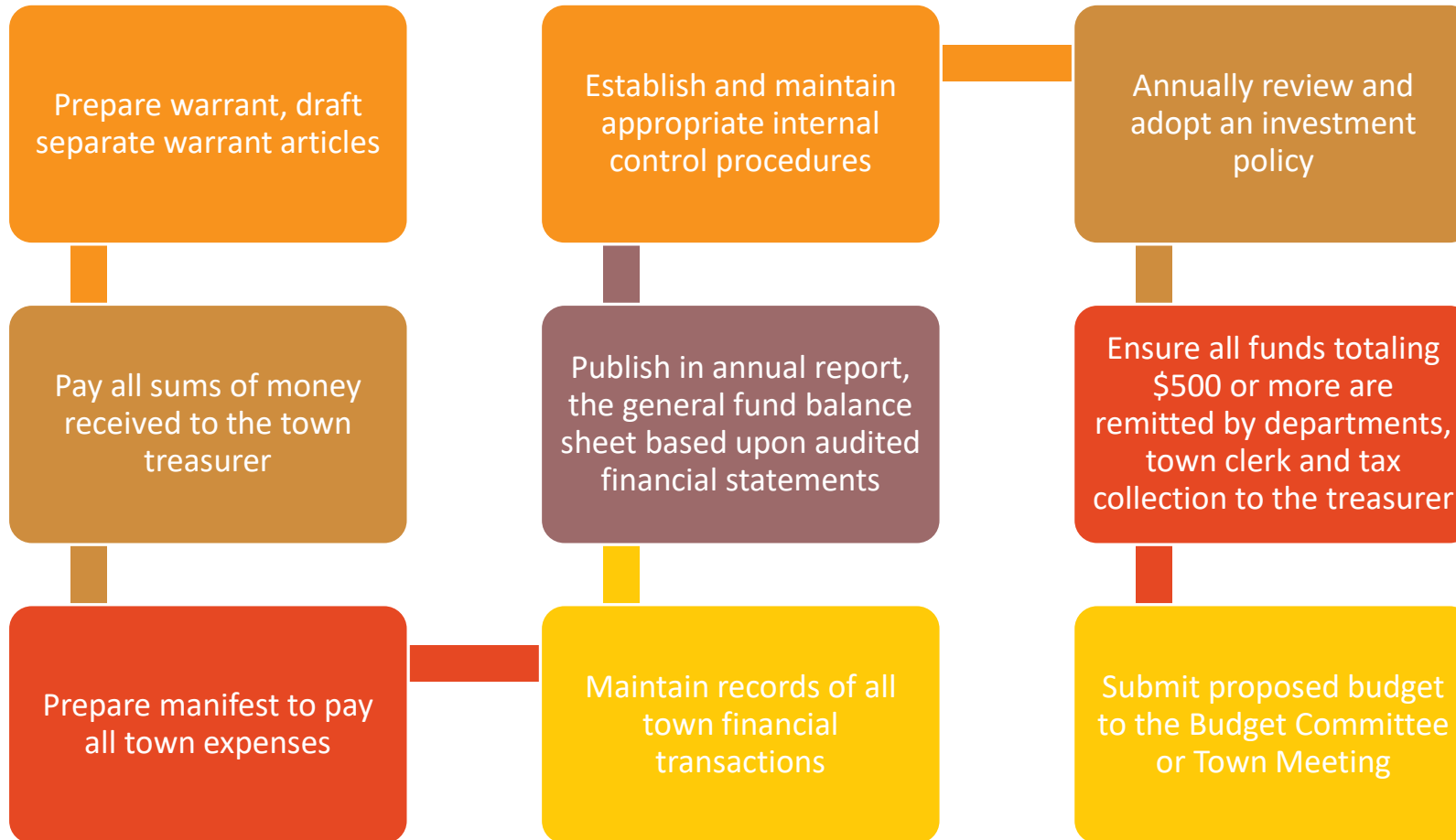
# The Annual Meeting Process: Key Players



- Legislative Body
- Governing Body
- Budget Committee

# Governing Body – Budget Role

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# Budget Committee

- Review current year's expenditures
- Review proposals, request information
- Prepare budget
- Schedule and hold budget hearings
- Forward final proposed budget to governing body
- Complete 10% Sheet
- Approve Emergency Expenditure Requests
- **Does not control spending**





# Status of Ex-Officio Budget Committee Members

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The membership of an elected municipal budget committee is prescribed by RSA 32:15 and shall include one member ***each*** from the select board, school board and village district located in town.

These Ex-Officio members serve as full voting members of a municipal budget committee – this is not optional, it is mandatory.

Budget Committees cannot by procedural rule make these Ex-Officio representatives non-voting members: *Town of Hudson and Hudson School District v. Hudson Budget Committee* – Hillsborough County Superior Court- Case No. 2022-CV-00223, 8/15/22

# Budget Development

Department heads prepare estimated expenditures and revenue projections and submit to governing body. RSA 32:4. (library trustees may directly submit their proposed budget to budget committee – RSA 202-A:11, II)

Towns with Town Manager – the manager provides the governing body with an estimate of the probable expenditures of the town for the ensuing fiscal year, along with an estimate of revenues. RSA 37:6, V

Select Board reviews information provided under RSA 32:4 and RSA 37:6, V and submits their budget recommendations to the budget committee (if there is one).

Budget Committee prepares the budget as provided in RSA 32:5, and if authorized under RSA 40:14-b, a default budget under RSA 40:13. RSA 32:16, I.



# Appropriating Money

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- ✓ Legislative Act, RSA 32:6
  - ✓ Warrant article
  - ✓ Operating budget
- ✓ Raise + Appropriate
- ✓ Create “guiding values”:
  - ✓ Legislative body authorizes
  - ✓ Annual basis (exceptions)
  - ✓ Governing body spends





New Hampshire  
Department of  
Revenue Administration

2022  
MS-737

Appropriations

Account	Purpose	Article	Actual	Appropriations	Selectmen's	Selectmen's	Budget	Budget
			Expenditures for period ending 12/31/2021	for period ending 12/31/2021	Appropriations for period ending 12/31/2022 (Recommended)	Appropriations for period ending 12/31/2022 (Not Recommended)	Committee's Appropriations for period ending 12/31/2022 (Recommended)	Committee's Appropriations for period ending 12/31/2022 (Not Recommended)
General Government								
4130-4139	Executive		\$0	\$0	\$0	\$0	\$0	\$0
4140-4149	Election, Registration, and Vital Statistics		\$0	\$0	\$0	\$0	\$0	\$0
4150-4151	Financial Administration		\$0	\$0	\$0	\$0	\$0	\$0
4152	Revaluation of Property		\$0	\$0	\$0	\$0	\$0	\$0
4153	Legal Expense		\$0	\$0	\$0	\$0	\$0	\$0
4155-4159	Personnel Administration		\$0	\$0	\$0	\$0	\$0	\$0
4191-4193	Planning and Zoning		\$0	\$0	\$0	\$0	\$0	\$0
4194	General Government Buildings		\$0	\$0	\$0	\$0	\$0	\$0
4195	Cemeteries		\$0	\$0	\$0	\$0	\$0	\$0
4196	Insurance		\$0	\$0	\$0	\$0	\$0	\$0
4197	Advertising and Regional Association		\$0	\$0	\$0	\$0	\$0	\$0
4199	Other General Government		\$0	\$0	\$0	\$0	\$0	\$0
General Government Subtotal			\$0	\$0	\$0	\$0	\$0	\$0
Public Safety								
4210-4214	Police		\$0	\$0	\$0	\$0	\$0	\$0
4215-4219	Ambulance		\$0	\$0	\$0	\$0	\$0	\$0
4220-4229	Fire		\$0	\$0	\$0	\$0	\$0	\$0
4240-4249	Building Inspection		\$0	\$0	\$0	\$0	\$0	\$0
4290-4298	Emergency Management		\$0	\$0	\$0	\$0	\$0	\$0
4299	Other (Including Communications)		\$0	\$0	\$0	\$0	\$0	\$0
Public Safety Subtotal			\$0	\$0	\$0	\$0	\$0	\$0
Airport/Aviation Center								
4301-4309	Airport Operations		\$0	\$0	\$0	\$0	\$0	\$0
Airport/Aviation Center Subtotal			\$0	\$0	\$0	\$0	\$0	\$0

# Uniform Chart of Accounts and Sub- Accounts

By Statute and Rule the DRA establishes a uniform chart of accounts, a standard numbering and classification system for accounting by cities and towns. RSA 21-J:13, IV; NH Admin Code Rev 1701.11

Effective 2021, Municipal Budget Law **REQUIRES** the governing body to provide to the budget committee sub-account information, defined as “an optional level of accounting, one or more levels below the account level,” which, if used, must support the numbering classification system established by the DRA

Any detail included in sub-accounts must be made available for public inspection at the town’s budget hearing and must be included in the information provided to the budget committee

The new law also requires the governing body to provide information to the budget committee in a format acceptable to the budget committee, but states that this requirement may be satisfied “by providing the assistance of a knowledgeable staff person who will attend the budget committee meetings with access to and the ability to provide the required information.”

# Procedural Requirements for Valid Appropriations (Budget Creation)

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- ✓ Public budget hearing
- ✓ Disclosure of purpose and amounts at hearing (including sub-account information)
- ✓ Disclosure of default budget at first budget hearing
- ✓ Budgeting on gross basis
- ✓ Recommendations
- ✓ Warrant Notice
- ✓ Listing of all appropriations and separate warrant articles on posted budget



## Gross Basis Budgeting RSA 32:5, III



# Recommendations & Numeric Tallies

## RSA 32:5, V & V-a

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### Recommendations:

- Required on special articles, 32:5, V
- Required on collective bargaining cost items, 32:19
- Defects/deficiencies don't affect validity of appropriations, 32:5, V

### Numeric tallies:

- 32:5, V-a

### Olson v. Grafton:

- recommendations on non-money articles allowed by governing body



# Whose Budget Is It?

- Budget = recommended “plan” for spending
- Only the voters adopt a budget!
- Budget cuts & *Brentwood School District v. Brentwood Budget Committee* case



# DEFAULT BUDGET

## RSA 40:13, IX, X & XI

- ▶ If operating budget rejected by voters, then the default budget is adopted
- ▶ Governing body can accept default budget or call a special town meeting to consider adoption of a revised operating budget
- ▶ Default budget prepared by governing body or budget committee if town meeting chooses



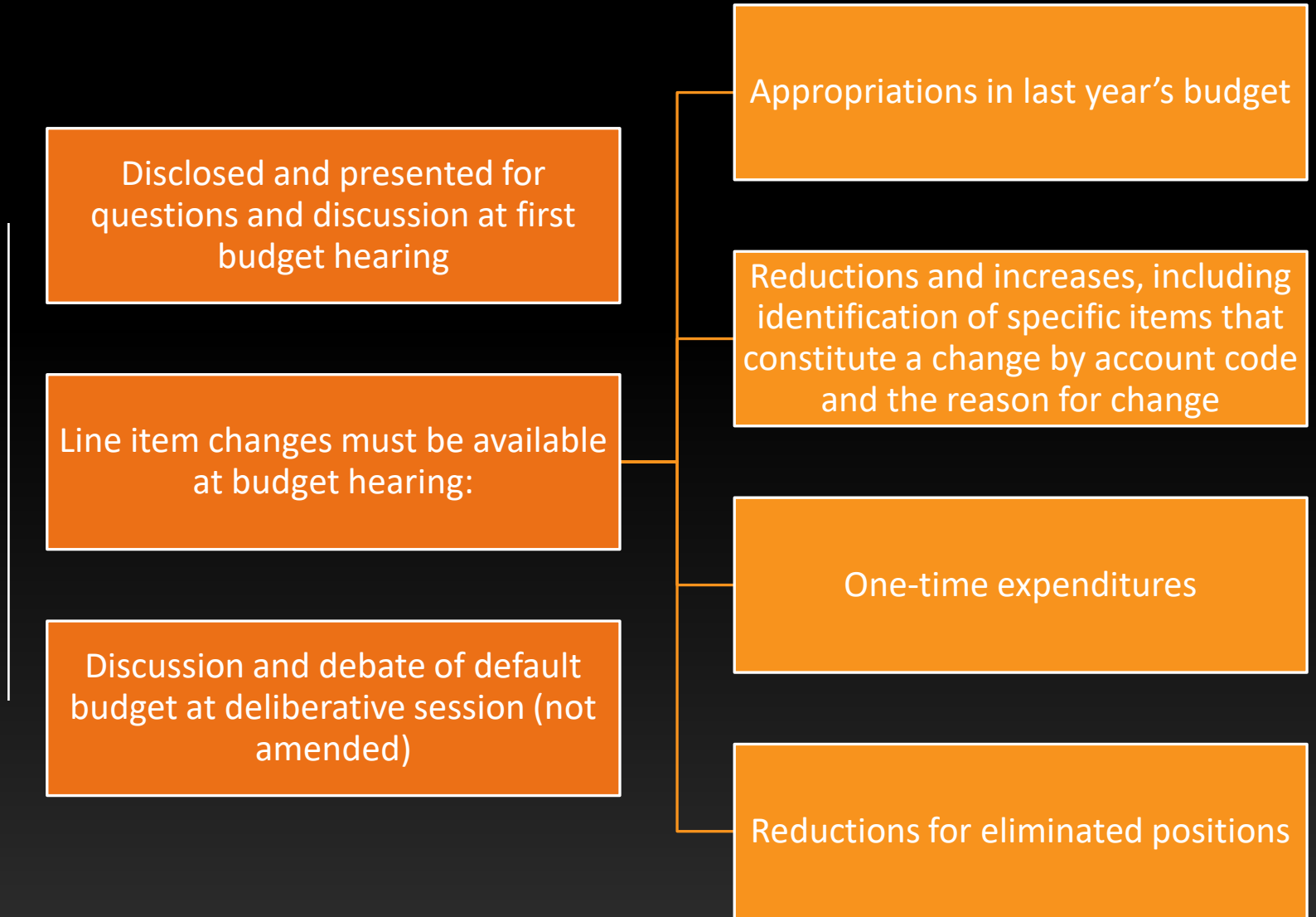
## SB 2 & The Default Budget: RSA 40:13

As long as statutory formula is used, default budget may be higher or lower than last year's budget

Default budget is 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
- reduced by one-time expenditures contained in the operating budget and by ***salaries and benefits of positions that have been eliminated in the proposed budget.***
- RSA 40:13, IX(b)

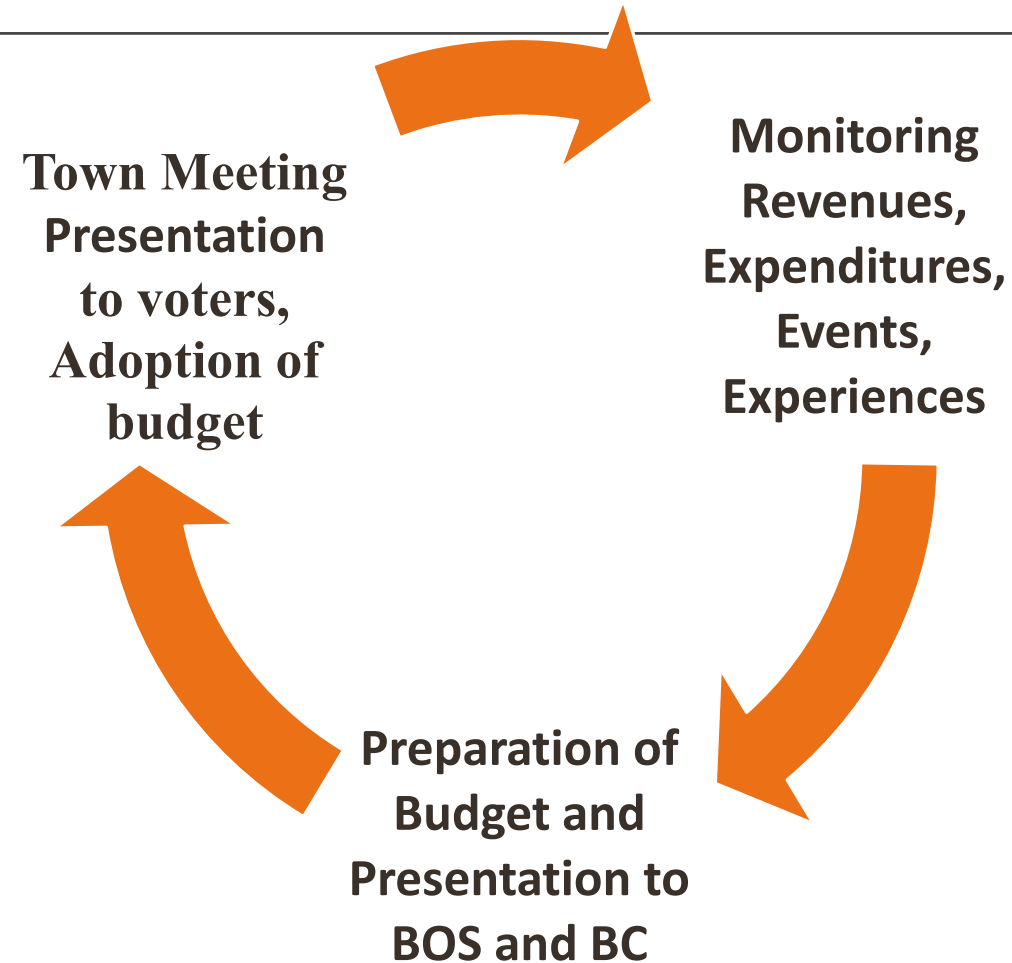
# Default Budget Procedure





# ***The Budget Cycle is Continuous***

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## Necessary Knowledge

Driven by the budget law, RSA 32, and the form of government adopted in your municipality




Work backward from the town meeting date:

Final Budget  
posting date

Budgetary public  
hearing(s)

Department  
budgets to BOS/BC



Cities – work backward from City Council  
adoption date

# The Budget Committee



Next step: official or advisory budget committee (towns)



Informal meetings/formal hearings



Consider your budget committee and plan accordingly

What sways them?  
What worries them?  
Who will offer the presentation, departments or the governing body?

### The parties are set forth in RSA 32:15

- 3-12 members at large, 3 year terms
- Ex officio members of governing bodies
- No full time employees

### The mission is in RSA 32:16

- Prepare the budget for submission to the voters
- Confer with governing bodies and departments
- Conduct the public hearings
- Forward budget documents for inclusion in the warrant

# The Statutory Scheme

# The Potential Benefits



Members are a source of innovation and creativity to improve efficiency and services



If convinced a proposal is meritorious, an additional advocate for a project or purchase



A place where hard questions may be asked and proposals modified to become most credible



Where members are trained to accomplish tasks as future elected officials, such as selectmen



A check and balance upon either governing body or legislative body excesses





Can the budget committee change the amount of an appropriation requested by a department?

# Common Questions

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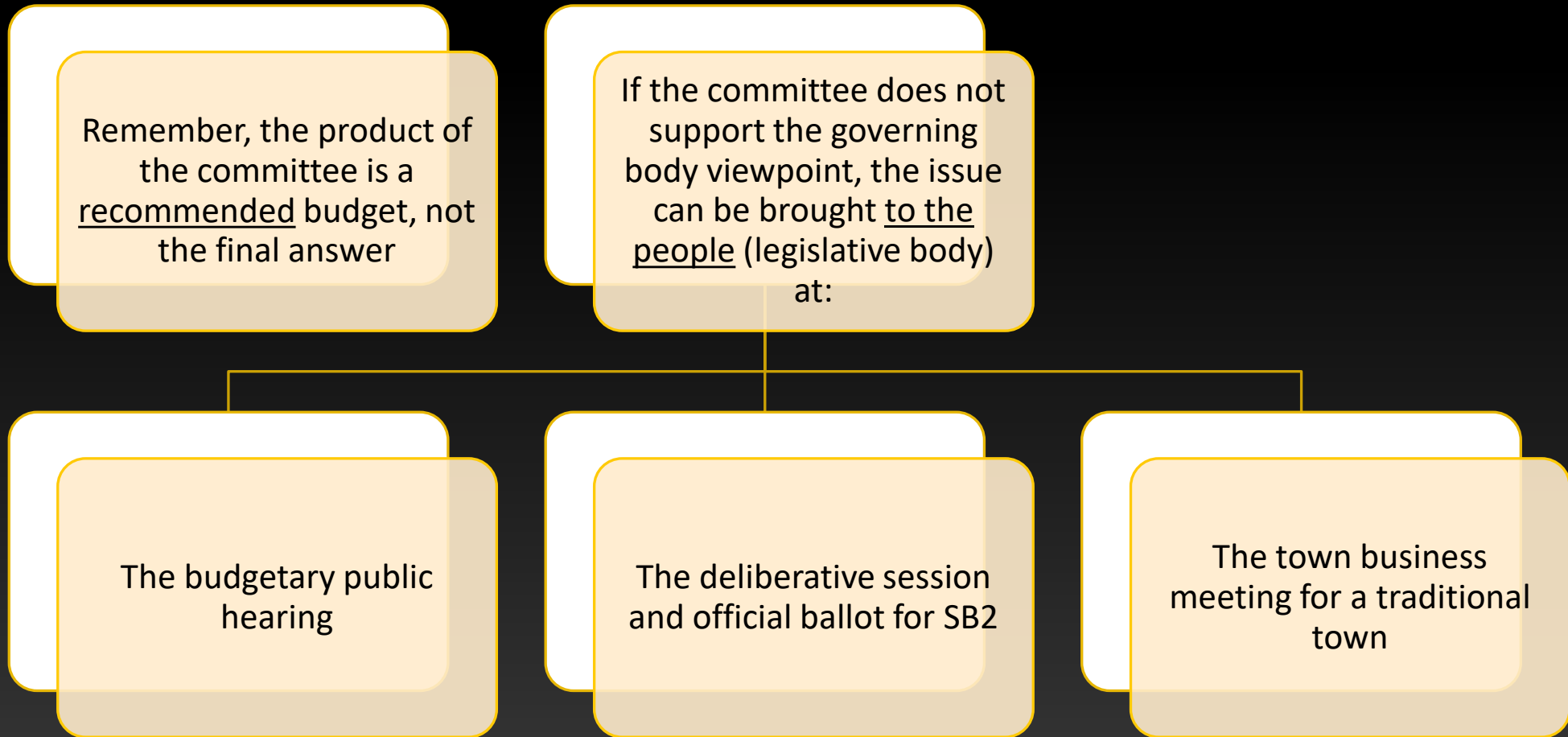
- ☐ Can the budget committee impose percentages upon departments that limit increases?
- ☐ Can the budget committee cut a departmental proposed budget?
- ☐ Can the governing body cut the library budget, or can the budget committee cut this budget?
- ☐ Can the budget committee force a department to cease providing a service?
- ☐ Can the budget committee force a change in employee benefits?



# The Budget Committee

## Open Question: Are there options if agreement is not reached?

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# Duty of Cooperation

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Required by RSA 32:16 and 17, but no definition beyond “pertinent information”

At least as broad as a Right to Know Law request



Does not appear to require a department or board to perform multiple “what if” analyses

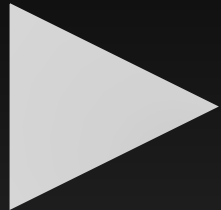


Does not appear to allow a department or board to keep formulae or computations in a spreadsheet hidden or confidential.

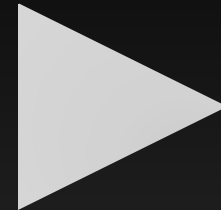
# Ex Officio Members

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Must these members support the proposal of the governing body when votes are taken, or are they free to vote as individuals?



What happens if the designated member must be absent from a meeting?



What happens if the sending board wishes to remove the person they have appointed?

- Unclear, but may not be able to do so. See *Silva v. Botsch*, 120 NH 600 (1980)



# Budget Preparation

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Whose numbers  
go on the  
warrant?

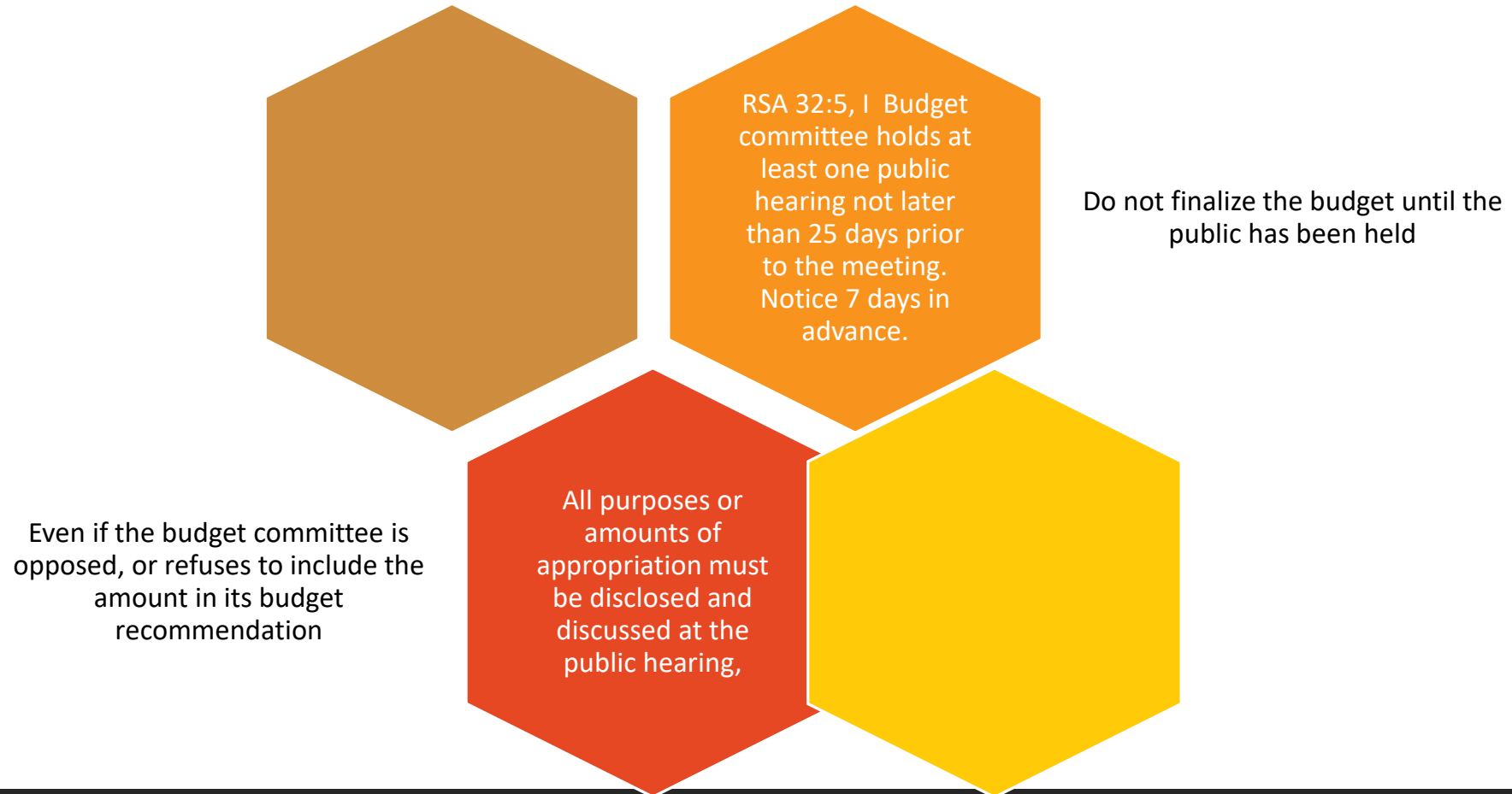
- The Budget Committee, operating budget only. see RSA 32:16
- The DRA form MS737 which clearly shows both the selectmen's proposal and the budget committee proposal

When are the  
numbers  
finalized?

- After the budgetary public hearing (RSA 32:5)
- After the budget committee determines its final recommendations on the numbers to be presented

# Public Hearing

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All questions are fair at the budgetary public hearing

Before the meeting:

Handouts from budget committee sessions with simplified messages

Post on website

Press releases

Discuss at other public meetings/hearings

## Permissible Forms of Advocacy



Does the Budget Committee make a recommendation on a proposed warrant article that does not involve an appropriation?

# Recommendations

## RSA 32:5, V, V-a, V-b

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Made by budget committee and governing body, also applies to advisory budget committees

Only on “special warrant articles”, see definition in RSA 32:3, VI

Tally is printed in the warrant by the article, without names of who is for or against


Body takes a vote in a public meeting and records a numerical tally of result

Same concept for estimated tax impact of an article

# Disagreements

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Do not expect the governing body and budget committee to achieve 100% agreement. However, over 95% agreement is likely



Disagreement should not be the focus of the recommendations, public hearings, or town meeting



Disagreement should serve to highlight and inform the choices the voters are asked to make

# Tax & Spending Caps and 10% Limitation

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- ▶ Tax & Spending Caps, RSA 32:5-b; 32:5-c.
  - ▶ Limitation on annual increase
  - ▶ Adopted by voters
  - ▶ Fixed percentage or fixed dollar amount
  - ▶ Proposed amount to be raised by taxes can't exceed prior year by more than cap
  - ▶ Voters can exceed cap through amendments at town meeting
- ▶ 10% Limitation in Official Budget Committee towns
  - ▶ Can't appropriate more than 10% more than budget committee's total recommended appropriations
  - ▶ Certain exclusions from total



## The 10% Rule

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RSA 32:18 limits the appropriation voted to no more than 10% above budget committee recommendation

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A significant check and balance on spending by governing body, or legislative body or both

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Forces governing body to improve the quality of its presentation and justification for spending

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Prevents tyranny by the budget committee by allowing legislative body freedom to change

# Exceptions

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## Fixed charges not counted, RSA 32:18

- Bonds and Notes, interest and principal
- Charges imposed by other governments

## Bond requests recommended by governing body, RSA 32:18-a

- Prevents non-recommendation by budget committee from keeping issue from the voters

## Collective bargaining agreements, RSA 32:19

- As with bonds, assures the voters consider the matter



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**Supplemental Schedule**

<b>1. Total Recommended by Budget Committee</b>	<b>\$0</b>
<b>Less Exclusions:</b>	
2. Principal: Long-Term Bonds & Notes	\$0
3. Interest: Long-Term Bonds & Notes	\$0
4. Capital outlays funded from Long-Term Bonds & Notes	\$0
5. Mandatory Assessments	\$0
6. Total Exclusions <i>(Sum of Lines 2 through 5 above)</i>	\$0
<b>7. Amount Recommended, Less Exclusions <i>(Line 1 less Line 6)</i></b>	<b>\$0</b>
8. 10% of Amount Recommended, Less Exclusions <i>(Line 7 x 10%)</i>	\$0
<b>Collective Bargaining Cost Items:</b>	
9. Recommended Cost Items (Prior to Meeting)	\$0
10. Voted Cost Items (Voted at Meeting)	\$0
11. Amount voted over recommended amount (Difference of Lines 9 and 10)	\$0
<b>12. Bond Override (RSA 32:18-a), Amount Voted</b>	<b>\$0</b>
<b>Maximum Allowable Appropriations Voted at Meeting: <i>(Line 1 + Line 8 + Line 11 + Line 12)</i></b>	<b>\$0</b>

# Shepherding the Budget

## Open Question- What are the Final Steps?

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Final step:

- Town Meeting

The tasks:

- Pre-meeting education and advocacy
- Presentation, discussion and questions at deliberative session or town meeting

SB2:

- Additional challenge is to get voters out to both deliberative session and election day to hear and consider the proposals.

# The Voters Make the Decisions

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This audience (voters) is different

Will have less time consider the details

- Diverse levels of experience
- Diverse interests and priorities
- Some are already with you, some already against
  - Your target is the third group – the ones you can educate
- In the end, it is their collective will that must be determined and implemented

# Voters' Guides – Tricky Area

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Who should prepare such a guide?

Must the selectmen use the town's bulk mailing permit to allow budget committee to communicate by mail?

Where is the line where taxpayer's dollars are used to advocate for one group against the interests of another group?

What if the material is simply inaccurate, or intentionally misleading?

# Shepherding the Budget

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At the meeting/deliberative session:

- Variety of tools (narrative, charts, pictures, etc.) to capture interest
- If using non-tax money, highlight that!
- How will spending money now save money later?
- Estimated tax impact
- Bring your best attitude and use it!

SB 2 towns – between deliberative session and election day

- Be available to answer questions
- Post clarifying information on website
- Talk with people in town
- Remind that if they don't cast an official ballot, their viewpoint will not be counted





# The Aftermath

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Then....time to start again!

Lessons learned for next year:

- Do you need to emphasize different things?
- Present differently?
- Did you anticipate the important questions and have persuasive and complete answers?

How to keep the budget committee informed during the remainder of the year, without suggesting they may veto an action

# Questions?



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