



TOWN OF BARRINGTON

NEW HAMPSHIRE

Office of the Town Administrator

2023 Warrant Article Tax Rate Impact Analysis

April 6, 2023

Background

In 2012, the Select Board began presenting financial warrant articles (primarily capital reserve contributions) as being funded from unassigned fund balance. Use of unassigned fund balance in this way indirectly offsets the tax rate. Unassigned fund balance is essentially taxes which have already been raised (primarily unexpended appropriations or revenue in excess of projections). If a warrant article is funded by unassigned fund balance, then there is no future tax rate impact. Using unassigned fund balance as a funding source has helped to achieve voter support for responsible financial planning.

In 2013, voters approved Article 26 which required an estimated future tax rate impact statement on each financial warrant article (per RSA 32:5, V-b). Warrant articles funded by unassigned fund balance have no future tax rate impact, thus these articles have always been presented with a 'no tax rate impact' statement. Since 2013, the operating budget and other articles have been presented with a tax rate impact as required. Over time (and since 2019), all of the capital reserve warrant articles were presented to voters from unassigned fund balance and with no tax rate impact. Articles presented to voters with no tax rate impact have been widely approved.

The Select Board received feedback from residents and the Advisory Budget Committee (ABC) that this indirect use of unassigned fund balance with a 'no tax rate impact' statement did not adequately and transparently inform voters. In response to that feedback and as an alternative, the Select Board presented all warrant articles in 2023 with the tax rate as a funding source. They plan to directly use unassigned fund balance to reduce the tax rate this fall during tax rate setting. In October/November, the Select Board will review the amount of unassigned fund balance in excess of the 12.5% target and they plan to commit that amount to offset the tax rate. The result of using unassigned fund balance will be the same, but the ABC and others have argued that the approach in 2023 is more open and transparent to voters when they cast their ballot.

Introduction

It is the purpose of this analysis to explore the impact of listing financial warrant articles on the tax rate versus being funded by unassigned fund balance. Town Meeting results from 2019-2023 were compared for warrant articles which have been presented in multiple years. It is important to note that there are many other factors which voters consider when choosing to support a warrant article. Whether a warrant article listed a tax rate impact or not is the focus of this analysis. Additionally, some warrant articles were not presented at each of the last five Town Meetings, so the sample size of voter support varies between warrant articles.



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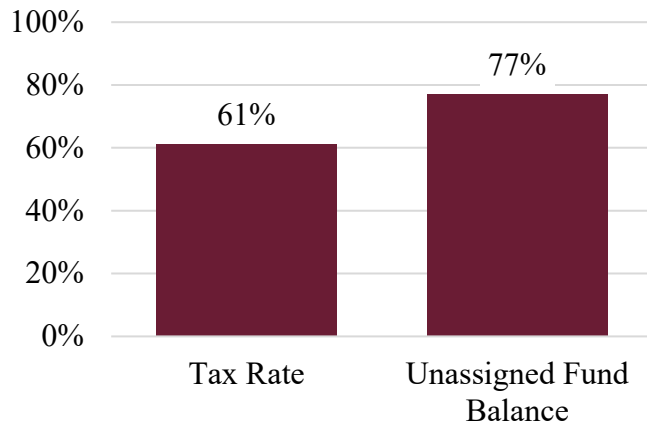
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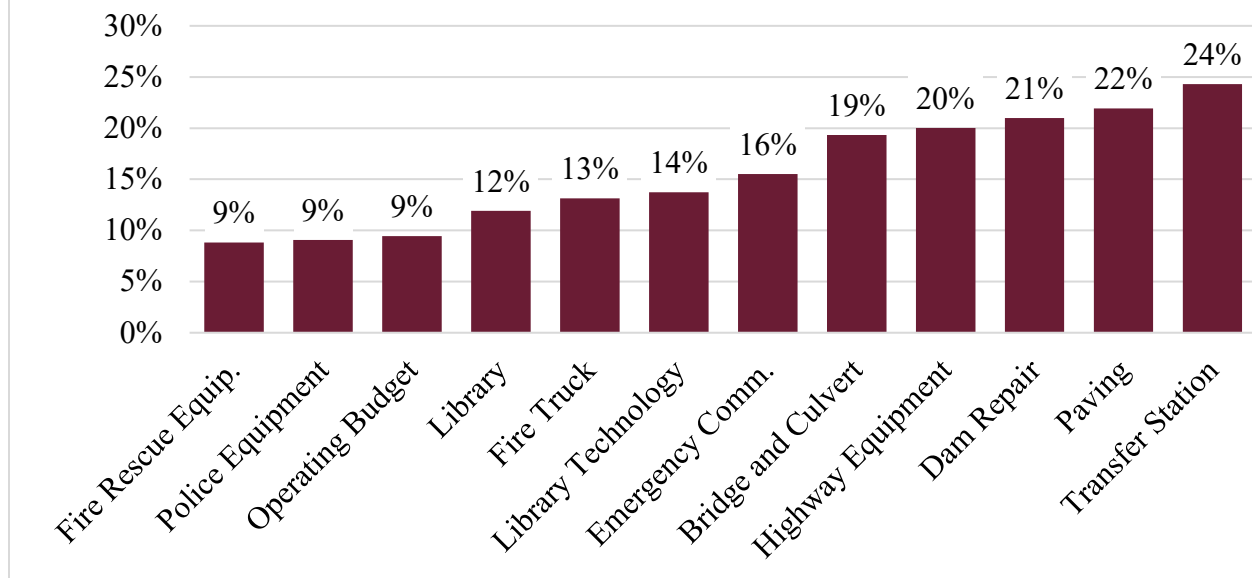
Analysis

Listing warrant articles with a tax rate impact in 2023 reduced overall voter support by 16% (see right) compared to when the articles were funded through unassigned fund balance. The specific impact for repeating warrant articles ranged from a 9% reduction in support to 24% (see below). Importantly, only one of the fourteen appropriation warrant articles failed. The thirteen remaining articles passed, but by a smaller margin (an average of 16% less support).

Average Voter Support by Funding Source



Reduction in Voter Support with Tax Rate Funding Source



The chart above shows that fire and police equipment were affected least by having a tax rate funding source instead of unassigned fund balance. 2023 was the only year of the past five where the operating budget was presented with a tax rate increase (in prior years, non-property tax revenue offset budget increases); support for the operating budget dropped by 9% as a result. The 19% and 20% reduction in support for the bridge/culvert and highway equipment was likely impacted by the sizeable increase in appropriation amount in addition to being funded by the tax rate instead of unassigned fund balance.

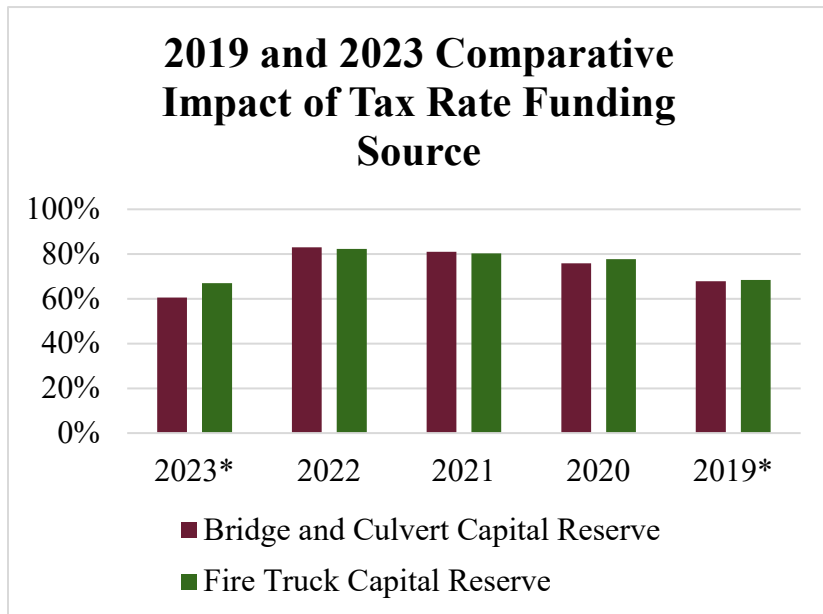


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In 2019 there was not enough available unassigned fund balance to fund all warrant article requests. As a result, the Select Board presented the Bridge and Culvert Capital Reserve and Fire Truck Capital Reserve with a tax rate impact while all other warrant articles were funded by unassigned fund balance. This gives an opportunity to compare 2019 and 2023 for these articles in particular. The accompanying chart



shows that in 2019 each article passed with 68% support which was 12% less than years when those articles were funded by unassigned fund balance. In 2023 the articles passed with 61% and 67% support which is a 19% and 13% reduction from when those articles were funded by unassigned fund balance. The bridge and culvert article could have experienced a larger reduction in support because the appropriation amount increased by \$50,000 in 2023. The impact of a tax rate funding source in 2019 and 2023 is quite similar.

Having articles funded by the tax rate versus unassigned fund balance may also have an impact on voter support for other warrant articles. In 2021, when all warrant articles were listed without a tax rate impact, the Police collective bargaining agreement (CBA) cost items received 70% support. In 2023, when all articles were listed with a tax rate impact, the CBA cost items received 67% support. Increases to the service-connected total disability credit were presented in each of the last five years and increases to the all veterans' credit were presented in each of the last three years. The average support for these credit increases in years where all warrant articles were listed without a tax rate impact was 75%. In 2023, the credits received 70% and 74% support.

Conclusion

Listing the cost of financial warrant articles in terms of tax rate impact serves an important and transparent role in informing voters. Although voter support was reduced (compared to years when articles were funded by unassigned fund balance), the vast majority of warrant articles still passed by an average of 11% margin. The Select Board should consider this analysis when deciding what funding source to use for future financial warrant articles.