



# SB2 Default Budget Legal Definition

## **NH RSA 40:13 Use of Official Ballot**

*IX. (b) "Default budget" as used in this subdivision means 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 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. For the purposes of this paragraph, one-time expenditures shall be appropriations not likely to recur in the succeeding budget, and eliminated positions shall not include vacant positions under recruitment or positions redefined in the proposed operating budget, as determined by the governing body, unless the provisions of RSA 40:14-b are adopted, of the local political subdivision. In calculating the default budget amount, the governing body shall follow the statutory formula which may result in a higher or lower amount than the proposed operating budget.*



# SB2 Default Budget Legal Definition

- ❑ Essentially, the default budget freezes the budget at the previous year’s level except for amounts which the town is legally obligated to pay, or which were one-time expenses.
- ❑ Several amendments to RSA 40:13 were adopted in 2018 that expound upon the definition of and requirements for calculating the “default budget.” 2018 NH Laws Chapter 313 and 2018 NH Laws Chapter 241.
- ❑ Chapter 313 adds language to the existing definition in RSA 40:13, IX(b). Now, not only must last year’s budget be reduced by one-time expenditures, it must also be reduced “*by salaries and benefits of positions that have been eliminated in the proposed budget.*”
- ❑ The amendment further clarifies that “*eliminated positions shall not include vacant positions under recruitment or positions redefined in the proposed operating budget*”.



# SB2 Default Budget Legal Definition

- ❑ In calculating the default budget amount, the governing body shall follow the statutory formula which may result in a higher or lower amount than the proposed operating budget.
- ❑ The term “contracts” per RSA 40:13 IX (c) means “***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.***”
- ❑ The Superior Court found that annual salary increases included in an employment contract, entered into between a town employee and the select board, could not be included in future years’ default budgets. The judge determined that because the appropriations in the contract were not previously approved by the voters, these amounts did not constitute “***contracts previously incurred by law.***”



# SB2 Default Budget Calculation

- Employee raises should not be included in the default budget unless they are required by a legally binding and previously ratified contract obligating the municipality to fill particular positions or employ particular people at certain wages.
- While the per-unit cost for certain commodities may increase from one year to the next (such as the cost per kilowatt-hour of electricity or the cost per ton of asphalt), the default budget includes the “amount” of the money appropriated for that purpose the previous year, not the amount that will be required for the same number of units in the coming year.
- The default budget is limited not only to the same amount of the appropriations in the previous year’s operating budget, but also to those purposes for which appropriations were made in the previous year’s operating budget. If the previous year’s operating budget had no appropriation for DRA Account #4152 - Revaluation of Property, that line cannot be added into the default budget.



# SB2 Default Budget Disclosure

- RSA 40:13 XI. (a) The default budget shall be disclosed and presented for questions and discussion at the first budget hearing held pursuant to RSA 32:5. The governing body, unless the provisions of RSA 40:14-b are adopted, shall complete a default budget form (MS-DTB) created by the DRA to demonstrate how the default budget amount was calculated.*

*The line item details for changes under subparagraph (2) shall be available for inspection by voters. The form and associated calculations shall, at a minimum, include the following:*

- (1) Appropriations contained in the previous year's operating budget;*
- (2) Reductions and increases to the previous year's operating budget including identification of specific items that constitute a change by account code, and the reasons for each change;*
- (3) One-time expenditures as defined under subparagraph IX(b); and*
- (4) Reductions for eliminated positions and benefit expenditures as defined under subparagraph IX(b).*



# SB2 Default Budget Disclosure

- RSA 40:13 XI. (b) This amount shall not be amended by the legislative body. However, this amount may be adjusted by the governing body, acting on relevant new information at any time before the ballots are printed, provided the governing body, completes an amended default budget form.
- RSA 40:13 XI. (c) The wording of the second session ballot question concerning the operating budget shall be as follows: "*Shall the Town of Brentwood raise and appropriate as an operating budget, not including appropriations by special warrant articles and other appropriations voted separately, the amounts set forth on the budget posted with the warrant or as amended by vote of the first session, for the purposes set forth therein, totaling \$ \_\_\_\_\_? Should this article be defeated, the default budget shall be \$ \_\_\_\_\_, which is the same as last year, with certain adjustments required by previous action of the (local political subdivision) or by law; or the governing body may hold one special meeting, in accordance with RSA 40:13, X and XVI, to take up the issue of a revised operating budget only.*"



# New Legislation HB1575

HB1575			
Bill Details			
<b>Title:</b> relative to the determination of the default budget by the budget committee.			
<b>Sponsors:</b> <i>(Prime)</i> Boehm (R), Rice (R), Lascelles (R)			
LSR Number: 26-2888		General Status: PASSED	
House:	Committee: Municipal and County Government	Due Out: 3/5/2026	Status: PASSED/ADOPTED WITH AMENDMENT
Senate:	Committee: Election Law and Municipal Affairs	Floor Date: 4/23/2026	Status: PASSED/ADOPTED

❑ This bill makes the budget committee responsible for the determination of the default budget in any local political subdivision which has adopted the official ballot referenda form of meeting pursuant to RSA 40:14 (SB2) and has also adopted a municipal budget committee pursuant to RSA 32:14.

Current Law	HB 1575 Amended
Select board prepares default budget unless town votes otherwise	Budget committee determines default budget
Budget committee may review/comment	Budget committee gains primary authority
Local option under RSA 40:14-b	Statewide requirement



# SB2 Default Budget – NHMA Highlights

## ***When does the default budget go into effect?***

If the proposed operating budget does not pass, and if the governing body does not choose to call a special meeting to consider a revised operating budget (or if such a vote fails), then the default budget is deemed to have been adopted.

## ***How does this statutory definition for “default budget” work as applied to our municipal budget?***

The default budget freezes the budget at the previous year’s level except for amounts which the town is legally obligated to pay or which were one-time expenses. This means that employee raises should not be included unless they are required by a legally binding and previously ratified contract obligating the municipality to fill particular positions or employ particular people at certain wages.

## ***What about the increased costs the town must pay for such things as electricity or bituminous concrete for fixing town roads?***

While the per-unit cost for certain commodities may increase from one year to the next (such as the cost per kilowatt-hour of electricity or the cost per ton of asphalt), the default budget includes the “amount” of the money appropriated for that purpose the previous year, not the amount that will be required for the same number of units in the coming year.



# SB2 Default Budget – NHMA Highlights

## **❑ *What would be an example of a “one-time expenditure” that would not be included in the default budget calculation?***

If the town had to buy a piece of equipment that was not likely to be needing replacement on a regular basis, that would be a “one-time expenditure” not likely to reoccur in a succeeding budget. For instance, police cruisers must be replaced on a regular basis and the scheduled purchase of new police cruiser in any municipal budget would not be a one-time expenditure. On the other hand, the purchase of a new backup electrical power generator for town hall would not likely be a reoccurring capital expense and would be categorized as a one-time expenditure. The same would be true about a one-time exterior improvement to town hall, such as installing handicap access ramps.

## **❑ *What are “contracts, and other obligations previously incurred or mandated by law” that are included in the default budget?***

The annual cost of any multi-year contracts that had been approved by a prior town meeting would be included in the default budget, such as a collective bargaining agreement. The same would be true of any other multi-year contracts where the full, multi-year cost of the agreement was discussed and disclosed at the town meeting where the agreement was approved. Other obligations mandated by law that would be included in the default budget would be such things as workers’ compensation insurance (mandated by RSA Ch 281-A), or payments to the NH Retirement System for employees.



# SB2 Default Budget – NHMA Highlights

## ***Are there any appropriations that must be included in the default budget?***

If an SB2 town approves a multi-year appropriation for a capital project under RSA 32:7-a, for each year after the first year, the amount designated for that year as provided in the original warrant article is included in the default budget and deemed appropriated without further vote by the legislative body.

## ***When and how is the default budget presented to the town meeting?***

The default budget must be disclosed at the first public hearing on the budget held under RSA 32:5. The governing body must complete the default budget form (MS-DT) created by DRA. The purpose of the default budget form is to demonstrate how the default budget amount was calculated. The calculations must include appropriations contained in the previous year's operating budget; reductions and increases to the previous year's operating budget due to changes in debt service, contracts or other obligations; one-time expenditures as defined in RSA 40:13, IX(b); and capital project default amounts. The governing body must post certified copies of the default budget form or any amended default budget form with the proposed operating budget and warrant. RSA 32:5, VII(b).

## ***When does the default budget go into effect?***

If the proposed operating budget does not pass, and if the governing body does not choose to call a special meeting to consider a revised operating budget (or if such a vote fails), then the default budget is deemed to have been adopted.