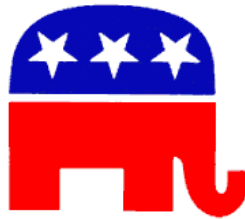


Republican Report

“All of us need to be reminded that the federal government did not create the states, the states created the federal government.” —Ronald Reagan



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February 20, 2009

A message from the Republican Leader.....

I certainly hope that you are enjoying the legislative break week and are getting the opportunity to rest up for what should be a very hectic final few months of this session.

Now that we have had the opportunity to more closely scrutinize the governor's budget proposal it is becoming more and more clear that, indeed, the "devil is in the details." As Rep. Neal Kurk, our Policy Leader on Finance has pointed out, the governor's budget is neither balanced by traditional standards nor is it sustainable into the future. Despite this, it is still our intention to work closely with the governor and Democrats in the legislature to arrive at a budget that is truly balanced.

When you take a closer look at his numbers, it is also clear that through a fiscal shell-game, the governor is attempting to balance the budget on the backs of our cities and towns, which ultimately will affect every taxpayer in this state.

Thanks to the hard work of Rep. Norm Major, our Policy Leader on Ways and Means, we have published within this report some of the governor's proposed budget initiative highlights. A full report is available in our office for those of you who could not make it to our most recent Republican caucus.

Increased Taxes and Fees

The governor has proposed tax and fee increases of **\$126M** for the General Fund and an additional **\$32.8M**

for the Highway Fund. He has proposed to increase our Rooms and Meals Tax by nearly 10%, from 8% to 8.75%, which he anticipates will bring in an additional \$40M. He has proposed to raise the tobacco tax by another \$.35 and expects to realize an additional \$70M in revenue as a result. On April 1, the federal government will also raise the tobacco tax by an additional \$.61. He has also proposed a 10% tax on gambling winnings over \$600, which is expected to raise **\$16M**.

The highway fund expects an additional **\$32M** in revenue through a **\$10 increase** in the fee to register a vehicle and changes to the E-Z Pass system.

Aid to Cities and Towns Cut

What is even more alarming is the fact that is that he is proposing to lower the state's financial burden by increasing the financial burden of the state's municipalities. The governor has cut state aid to cities and towns in three significant areas:

- The state's share of municipal employees' pensions has been cut **from 35% to 30%**.
- State aid for new water and sewer projects will be eliminated.
- State Revenue Sharing will be eliminated, costing cities and towns **\$166M** over the next two years, which includes the disbursement of **\$116M** in Rooms and Meals Tax money.

Under the governor's plan, the revenue sharing money lost to municipalities is expected to be offset by additional federal stimulus money given to local school districts. Is this the "pot of gold" that he referred to in his inaugural address? His belief is that higher municipal taxes will be offset by lower school taxes and, in the end, property taxpayers will be held harmless. As Rep. Kurk also pointed out, even if the taxpayers' total tax bill is unaffected, the spending/taxing balance between schools and towns will

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Republican Caucuses

Tuesday, March 3, 3:30 p.m.

—Representatives Hall

Wednesday, March 4, 8:45 a.m.

—Rooms 305-07, LOB





	<u>2010</u>	<u>2011</u>	<u>Total FY 10/11</u>
Tobacco Tax Increase (\$0.35/pack)	\$35M	\$35M	\$70M
Rooms & Meals Tax Increase (.75%)	\$20	\$20	\$40
Tax on Gambling Winnings (10%/over \$600)	\$8	\$8	\$16
INCREASE TAXES OR FEES (General fund)			<u>\$126M</u>
MV Registration Increase (\$10)	\$12M	\$12M	\$24M
E-Z Pass changes	\$4.4	\$4.4	\$8.8
INCREASE TAXES OR FEES (Highway fund)			<u>\$32.8M</u>
Sale of Concord Liquor Warehouse	\$4M		
Up front payments lease of land	\$27.5	\$27.5	
SALE OR SECURITIZATION OF STATE ASSETS			<u>\$31.5M</u>
Liquor Revenue-gross profit to net profit	-23.9	\$1.5	<u>-\$22.4M</u>
Bonding School Aid (recurring costs)	\$41.8	\$41.5	<u>\$83.3M</u>
Revenue Sharing to Cities and Towns	\$25.1	\$25.2	\$ 50.3
Rooms & meals Tax Distribution	\$55.5	\$60.9	\$116.4
Reduce GF Revenues to Cities & Towns			<u>\$166.7M</u>
Moving GF expenditures to other Funds (Liquor)	\$44	\$46.1	<u>\$ 90.1M</u>
	<u>2009</u>		
GF increase due to Malpractice Fund	\$50M	\$30M	<u>\$60M</u>

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have been tilted dramatically in favor of schools. With lower tax rates, it will be easier for school districts to increase spending. Conversely, with higher tax rates, it will be harder for cities and towns to increase spending. As a result, municipal infrastructure and services will suffer. Lowering the state's financial burden by increasing municipalities financial burden is part of the "shell game" that gives the impression of a "balanced budget." The governor will have you believe that, while he is taking away revenue sharing and the Rooms and Meals money and putting it into the educational foundation, everyone will be held harmless. This is not true because the distribution of the education monies have no correlation to the distribution of the revenue sharing or the Rooms and Meals money because some municipalities will get more and some will get less.

Dependence on One-Time Money

While we are faced with significant decreases in state revenues, the state-funded spending for 2010-2011 re-

mains at about the same level as in 2008-2009. Unfortunately, the governor has chosen to make up a significant part of the difference with one-time money.

He took the malpractice insurance fund, which was set up in 1984 and is paid for by members of the medical profession. The fund is handled by a board of trustees outside of the state funds. Over the years, it has built up approximately \$160M. The governor intends to raid that fund of \$50 to help balance the budget this year (2009) and \$30M in each of the next two years to help balance the next budget. According to state statute, any excess monies in this fund should go back to those who paid the rates (i.e. nurses, doctors and hospitals).

The governor has also gone further down the road of bonding operating costs—which is clearly bad public policy. Not only is it specifically prohibited by RSA 9:8-b, but bonding operating expenses puts off to another day, and perhaps to another generation, the obligation to pay for today's benefits. About \$83M of the state's share of



Legislative Update

It has been our intention from the very beginning to oppose only bills that will have a profound social or economic cost to the citizens of New Hampshire—and we have tried to be consistent in that opposition. Here is a list of the bills that leadership has signed-in, testified and/or taken a position on a while in committee.

Commerce

HB 346—relative to real estate developers creating space for drying laundry without electricity or gas. (oppose)

Education

HCR 7—in support of teen dating violence education. (support)

Fish and Game and Marine Resources

HB 559—relative to the composition and duties of, and appointment to, the fish and game commission. (oppose)

Judiciary

HB 304—relative to death with dignity for certain persons suffering from a terminal condition. (oppose)

Labor

HB 231—relative to resolution of collective bargaining disputes. (support)

HB 631-FN-L—relative to public employee collective bargaining negotiations under the public employee labor relations act. (oppose)

Ways and Means

HB 628-FN-A—establishing tangible personal property inventory and use taxes. (oppose)

HB 568-FN-A—relative to the taxation of tobacco products other than cigarettes. (oppose)

HB 567-FN-A—redefining tobacco products, increasing the tax on tobacco products other than cigarettes, and dedicating the increase to a tobacco use prevention and cessation program fund. (oppose)

HB 638-FN-A—increasing the tobacco tax and dedicating certain tobacco tax revenues to the comprehensive cancer plan fund. (oppose)

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local debt service on local school building bonds will no longer be paid from the state’s general fund, but will be paid by borrowing the money. This is like borrowing money to pay your mortgage. It is interesting that the governor never mentioned this in his budget address and without question, he should be held accountable. Once again, it’s the *shell game*. The budget has the appearance of being balanced because he moved \$83M out of the General Fund into the Capital Budget. This is well over half the money available for capital projects within the state. If we bond school building aid in this manner, virtually all of the construction in the state will cease for the next two years.

The governor’s budget also depends on other “*one-time money*.” The sale of the Concord liquor warehouse

will bring about \$4M to the General Fund; the liquor revenue changes, from gross-profit to net profit, means that they will now operate outside of the General Fund. What this will do is remove **\$44M** a year in appropriations from the General Fund in 2010 and **\$46M** in 2011, once again so it will not show up in the General Fund. It becomes an expenditure of the agency fund. So, now you have reduced the General Fund by **\$90M** over the biennium—and the **shell game** continues. Through the bonding of recurring costs, selling or securitizing state assets and raiding the Malpractice Fund, the governor is putting **\$174.8M** of one-time money into the General Fund. It is highly unlikely that stronger state revenues in 2012-2013 will cover both inflationary increases and fill this one-time revenue hole.



House Finance/Ways & Means

BUDGET PUBLIC HEARINGS



SALEM, Monday, March 9, at 6 p.m.

Media Center at Salem High School, 44 Geremonty Drive.

CLAREMONT, Thursday, March 12, at 6 p.m.

River Valley Community College, One College Drive.

WHITEFIELD, Monday, March 16, at 6 p.m.

White Mountains Regional High School Auditorium, 127 Regional Road.

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Democrats Continue to Spend

Meanwhile, the current Democrat-controlled House continues to ignore the problem and turn their backs on every opportunity we have had to save money this session, thus leading us even further down the road toward a broad-based tax. This week, they said “no” to **HB 440**, which would have repealed the state’s authority to bond school building aid costs. They also voted down **HB 521**, which would have saved the state more than **\$140M** by rolling back part of those payments to communities who are collecting money for children who do not need free or reduced lunches.

Time and time again, democrats in the house are ignoring opportunities to save the state money, while supporting a governor who continues to play the fiscal **shell game** by increasing the tax burden on its citizens. Now he has taken it one step further by proposing to take away revenue sharing and eliminate our municipalities’ portion of the Rooms and Meals tax distribution. Our cities and towns are planning on this money and to avoid raising additional taxes, they will now have to reduce spending even further.

I have asked our Republicans on House Finance to come up with some alternative proposals for this year’s budget as well as the 2010-11 budget and they have been working on this since the governor delivered his budget.

We will not be holding a caucus this week because of our legislative break. However, we will resume our Tuesday afternoon caucuses (3:30 p.m.) in Representatives Hall on March 3rd. At the next caucus I plan on having a briefing on the New Hampshire Retirement System and the many bills that have been going through the Executive Departments and Administration committee. Rep. John Cebrowski of Bedford will also offer a primer on how to properly present a bill to the committee.

In the future I plan on bringing other members who have expertise in such areas as retirement, the budget, education, etc. to offer a presentation of the subject matter. However, please keep in mind that your committee work comes first and you should fulfill that commitment before joining us for the caucus. We will also hold our usual morning caucus (8:45 a.m., Rooms 305-307, LOB) prior to the House Session on March 4th.

If you would like to hold a caucus of Republicans on your committee please keep in mind that Room 300-A in the LOB and Room 4 in the State House are available. Please contact our office if you would like to reserve either room.

Thanks again for your hard work. It is pretty easy to see after analyzing the governor’s budget proposal that we face pretty difficult times ahead. It is up to us to hold fast on our core Republican issues and stick to together on the floor of the House. The citizens of New Hampshire are depending on us.

Steve Packard



Check out the Republican Office website at:
www.nhousegop.com

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