

Republican Review

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SPECIAL STATE BUDGET EDITION

Senate, House Finance Propose Strong Budget for NH

Major priorities include full funding for special services, reduced business taxes

CONCORD – The Senate and House Finance Conferees Thursday voted to approve an \$11.3 billion spending plan that focuses on the needs of New Hampshire citizens, and supports small businesses and the economy without raising or adding any new taxes.

“We have been working for more than three months to find solutions that address the Senate’s priorities while living within our means and without raising or adding any new taxes,” said Senate Finance Chair Jeanie Forrester (R-Meredith). “This budget successfully achieves these goals in a balanced plan that will result in a stronger future for New Hampshire.”

“Through the work of both the House and Senate, we have produced a budget that fully funds services essential to our most vulnerable citizens, including services for the developmentally disabled, at-home health care, and even increased funding to \$42 million in drug and alcohol prevention and treatment as well as provide a modest tax reduction for our state’s small businesses. Small businesses employ 95% of the private sector workforce and by making this reduction, we provide a foundation for them to grow, creating more quality jobs for New Hampshire people and providing a solid economic foundation from which our state can thrive into the future.”

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HB 550: Paving the Way for Future Biz Growth Without Big Tax Hit

CONCORD – The Senate and House Conferees approved a tax law modification plan on Wednesday that would make New Hampshire friendlier to start-up companies and companies experiencing rapid growth through sale of shares.

HB 550 was amended in the Senate to include a provision that when a business has a net increase in basis, that growth in value will not be subject to the business profits tax (BPT).

According to the Union Leader, if approved by the full House and Senate next week, HB550 would allow a “company to avoid a huge tax hit from the increase in its value when it goes public and issues stock as planned in the near future.”

Currently, that increase in value is subject to the BPT. If a company’s worth rises by \$100 million, they would be subject to a \$8.5 million tax bill. In today’s business world, not every company that goes public would have access to \$8.5 million in assets to satisfy that requirement.

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The next House session will be WEDNESDAY June 24 at 10am. There will be a Republican caucus at 9am on June 24 in Reps Hall.

STAT OF THE WEEK

12

The number of years since a New Hampshire Governor last vetoed a state budget bill.

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Joint House-Senate Statement on Committee of Conference Budget

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“Helping people and helping businesses do not need to be mutually exclusive priorities and the legislative budget has established a fair middle ground that fully supports both major statewide initiatives. I continue to believe that this thoughtful, conservative, yet compassionate budget which will serve the state’s needs,” continued Forrester. “Governor Maggie Hassan’s budget proposal included \$129 million in new taxes that would hurt New Hampshire’s citizens. We have worked with the Governor on many issues to come to a place where we can agree. The threat of a veto comes because of her unwillingness to work with the legislature to find common ground on certain issues,” said Forrester.

“Republicans were elected with a mandate from the voters to keep spending in check, and to keep taxes low while maintaining vital services,” said House Finance Chairman Neal Kurk (R-Weare). “We’ve achieved these goals in this budget. But the governor would rather increase taxes on the people of New Hampshire than support a balanced, fiscally responsible budget like the one approved by the committee of conference today. Since the House first presented its budget in March, we’ve had the opportunity to review our updated revenue stream. As a result, we were pleased to be able to restore and, in some cases, increase funding to important programs and services, including developmentally disabled, elderly services, alcohol and drug abuse prevention, education, public safety and infrastructure, while restoring the state’s Rainy Day Fund to protect the state’s bond rating. The House and Senate made an important decision not to include an extension of Medicaid Expansion in any version of the budget. Review of data, costs, and the federal government’s commitment to its share of funding will be considered in the next legislative session, separately from the budget,” added Kurk.

“Business tax rates in New Hampshire are some of the highest in the nation and have slowed job growth and diminished New Hampshire’s competitiveness for small businesses. I am proud of this budget because it considers our state’s small businesses, which are the foundation for providing services to those in need,” said Senate President Chuck Morse (R-Salem). “In this responsible plan, tax rates for small businesses will be reduced for the first time in 20 years. Reductions to the Business Profits Tax and Business Enterprise Tax would be phased in starting in 2017 and DRA estimates this would reduce tax revenues by \$21 million over the biennium, which is fully accounted for in this balanced budget,” Morse added.

“It seems the Governor’s priorities have changed from supporting a well-balanced plan to supporting narrow special interests aimed at her seeking higher office. Governor Hassan needs to refocus her attention to the citizens of New Hampshire and doing what is best for them,” said Morse. “A veto of this budget that both supports the most vulnerable citizens in our state and works to build a stronger business economy that creates good jobs would hurt the state of New Hampshire and I hope Governor Hassan will seriously consider the budget before her and reconsider this unreasonable and dramatic conclusion,” Morse continued.

“We were elected and sent to the State House to represent the people of New Hampshire and not the governor or her special interests,” said Speaker Shawn Jasper (R-Hudson). “This budget spends millions of dollars over and above the current budget and yet the governor continues to talk about ‘cuts’. We cannot and will not tax our way to prosperity on the backs of the citizens of New Hampshire. The budget process is about compromise and give and take. Thus far the legislature has done all the giving and yet the governor still wants more,” said Jasper. “It is time we took back the New Hampshire Advantage that, until recent years, we had enjoyed within the region. Through strategic business tax cuts in this budget, we will once again be able to hang out the ‘open for business’ sign in New Hampshire. In the long run it will attract new business and result in more jobs for the people of our state,” added Jasper.

For the benefit of our readers who may not always read the House Calendar, we decided to reprint the very informative and thorough report from budget conference committee Chairman Neal Kurk as published in the House Calendar.

HB 1-A, making appropriations for the expenses of certain departments of the state for fiscal years ending June 30, 2016 and June 30, 2017.

This bill is the state's budget for the next two fiscal years. The committee of conference believes it achieves two important objectives: it meets the state's responsibilities to provide important public services at responsible levels to its citizens, and it provides encouragement for businesses to start and grow here and offer the state's citizens an increasing number of good jobs.

The budget is balanced using house-estimated revenues from current revenue sources: there are no new or increased taxes or fees in this budget. It appropriates \$11.352 billion in total funds for the next biennium, up 5% from the \$10.797 billion appropriated in the current biennium. Included in that total are \$2.843 billion in general (tax-generated) funds, up 7% from the \$2.657 billion appropriated in the current biennium.

No dedicated funds were "raided" in the process. For the first time in nine years, the so-called "rainy day" fund is increased, more than doubling from its current \$9.3 million level to over \$24 million. This should reassure investors, help sustain the state's relatively high bond rating and keep its interest costs low.

Some highlights of the budget: education stabilization grants will be provided in FY 17 at 96% of their current level, up from 90% in the House-passed budget. The limit, or "cap," on adequacy aid to growing school districts has been increased from its current 108% to 160% and the number of towns subject to it will decrease from 44 to 10. The cap is removed entirely in FY 18. Starting in FY 17, charter schools will receive an additional \$1,000 per pupil in state adequacy aid adjusted annually for inflation. The community college system is fully funded and should be able to freeze its tuition for the next biennium; the university system is level funded at \$81 million per year.

Health and human services received higher funding in this budget than in any prior one - \$4.449 billion, up 8% from the \$4.106 billion in the current budget. Funding has been restored for elderly services, including meals on wheels, services for veterans, the developmentally disabled (including family support and early intervention), and the mentally ill, the latter at levels that meet the requirements of a legal settlement. The 40,000 people served by the expanded Medicaid program will continue to receive their 100%-federally-funded health coverage through December 31, 2016, as provided for in current law. No provisions were made in the budget for the program to continue beyond that termination date. Provisions were made for the Sununu Youth Services Center to reduce its excessively high per-child operating costs.

Funding for substance abuse prevention and treatment has been increased by 49.5%, from \$28.3 million in the current biennium to \$42.3 million in the next, to help deal with the steady increase in the number of individuals affected. The increased funding will support a new substance abuse benefit that has been added to the traditional Medicaid program. A 5% rate increase was granted to providers of long-term care in the community, including personal care aides, home health aides, home nursing services and homemaker services.

Transportation department services are funded at \$1.172 billion, up 8% from the \$1.089 billion in the current budget, more than sufficient to maintain and improve state roads and bridges and provide their winter maintenance without personnel reductions. Low-interest-rate funding from the federal Transportation Infrastructure Finance Innovation Act helped make this possible. Of the \$9 million made available for new equipment, \$5 million of long-lived items, such as graders and boom cranes, will be bonded.

The department of safety saw a 9% increase in its budget, largely through the substitution of general for highway funds. The department's budget is now in compliance with the statutory limit on the percentage of gas tax revenue that can be used to support it. The fish and game fund received a \$1.2 million infusion from the general fund.

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HB1 Report (continued from page 3)

Municipalities will receive the larger highway block grants anticipated from the recent 4.2c increase in the gas tax as well as state aid grants. They will also receive larger amounts from a \$5 million increase in their rooms and meals tax distribution in FY 17 for a total of \$132.6 million over the biennium. Grants for clean water and landfill closure projects are preserved.

The cap on county-paid long-term care services was raised by the usual percentage each year, while the 25% reduction in bed-tax payments to county and private nursing homes in the house budget was eliminated. Municipalities entitled to flood control payments will receive them from the state should they otherwise remain unpaid or partially paid. An additional superior court judge was authorized for the judicial branch.

Travel and tourism promotion is level-funded for the next biennium. Solid support is provided for the Innovation Research Center, the Small Business Development Center and the Office of International Commerce. Thirty-five unfunded positions in the department of corrections were funded. There is no funding for the operation of the new women's prison, which is not expected to open before the end of the next biennium. The liquor commission is required to meet its revenue estimates or suffer a 5% decrease in its next year's appropriation. Retired state employees' health insurance premiums are not increased.

Importantly, the budget reduces business taxes over the next five years. This affects companies that provide 95% of the private sector jobs in the state. The Business Profits Tax will drop from 8.5% to 7.9%, and the Business Enterprise Tax will drop from .75% to .675%. The anticipated revenue loss for the next biennium has been reflected in adjusted revenue estimates.

A \$5 million increase in the research and development tax credit will begin in FY 18. Over time, these changes should make New Hampshire more business friendly and more competitive with the other New England states whose taxes are lower.

No agreement was reached on the implementation of Keno, and it is not included in the budget, nor was funding for the state employees' labor contract. Despite that, over half of the state's employees will receive roughly 4% step increases during the next biennium under the continuing "evergreen" provisions of the current contract.

HB550 (continued from page 1)

Over the last 5 years, DRA reports that over 200 New Hampshire companies have been subject to this tax provision, which has resulted in about \$22 million of revenue for the state. Recent news suggests businesses currently in New Hampshire that are looking at the prospect of an increase in value that would be subject to this tax are seriously considering moving to another state in order to avoid this tax hit.

The House Republican agenda includes a section on business taxes and regulations that reads, in part, "We will promote policies to retain existing businesses and help them grow, as well as attract new businesses, and help our private sector create new and better paying jobs."

Majority Whip Dick Hinch said, "HB550 is a tool for us to keep a campaign promise, make New Hampshire more business friendly, encourage economic growth, and keep jobs in New Hampshire."

Budget Veto/Continuing Resolution Frequently Asked Questions

What happens if Governor Hassan vetoes HB1 & HB2?

In order for state government to receive the funding it needs to operate on July 1, 2015, the start of the new fiscal year, there needs to be statutory language in place that prescribes what agencies have to spend. If no budget bill is passed that contains a new budget for the biennium, there would need to be a continuing resolution passed.

What is a Continuing Resolution?

A continuing resolution is a bill that would contain a "temporary" spending plan for a specific period of time while negotiations continue on the full biennium budget.

When was the last time one was passed? What was in it?

In 2003, after Gov. Benson vetoed the state budget bills, the House and Senate passed HJR 3, "making temporary appropriations for the expenses and encumbrances of the state of New Hampshire." The bill extended funding levels of FY 2003 for 3 months into FY2004.

What if there are special exceptions or emergencies that need funding modifications of prior levels?

HJR3 contained language that if an emergency arose, the Governor could authorize an appropriation with an affirmative vote of the Executive Council. It's safe to assume that if a resolution is adopted this year, it would contain similar language for emergencies, as well as special instructions to meet the requirements of any legal settlements in effect.

Excerpts of Senate President Morse's Committee of Conference Closing Remarks

Our budget is smart budget and it's sensible. I'm proud of the hard work that we were able to do to provide even higher levels of funding in the Department of Health and Human Services. We have strengthened our commitment to funding mental health services and ensured that as part of our managed care process, we consider the concerns of the developmentally disabled community. And our budget continues to fully fund the DD wait list. "

In the midst of a heroin and opioid crisis, I'm proud that under Senator Forrester's leadership our budget funds alcohol and substance abuse at significantly higher levels than we are doing today. I'm proud of her work in this area and proud of all of us for our commitment to this major problem facing our state.

Our budget takes advantage of a new innovative federally financing technique brought to us by the Assistant Commissioner of Transportation in order to leverage State dollars in maintaining our roads and bridges.

And finally, for the first time in 20 years we are implementing a modest reduction in business taxes, and for the first time ever we are reducing the business enterprise tax. This smart and sensible approach sends a strong message to our businesses in New Hampshire and those around us that we hear you. We want you to grow, we want you to add jobs and we want you to pay the employees you have today even more. We know from our friends, our families and our neighbors who are still struggling to find jobs what the recent PEW center study tells us. New Hampshire is the 10 worst in creating jobs, post-recession. Our business taxes rank 48th in the country for their competitiveness. We are sending a bold and strong message that New Hampshire is open for business by phasing in modest reductions.

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Sen. Morse Closing Remarks (continued from page 5)

Our budget is proof that you can take care of the state's neediest, and take bold steps to improve our economy at the same time – they are not mutually exclusive. To those entrepreneur and small business owners and their families and employees they support, we hear you. We appreciate what you do to contribute to our economy. You are our friends, neighbors, our colleagues -- you are not our enemy.

Our budget also doubles the rainy day fund. We all know the state's treasurers have consistently encouraged us to do more in this area. I'm incredibly proud of the fact that we are taking steps to improve our state's credit rating by adding money to the rainy day fund for the first time in 9 years.

I'm very proud of the hard work we've all done, but I'm very disturbed by the recent news I've heard from the Governor about her intent to veto this budget. This rhetoric is short sighted, narrow minded, and risky.

When this process began Governor Hassan brought us a budget that included \$129 million dollars in new taxes and fees. Our budget doesn't increase the burden on New Hampshire families. During her time in the Senate, the Governor showed us all that she didn't understand how to budget sensibly. When she was the majority leader of the Senate, under her direction, a budget passed with 82 taxes and fees relied upon gimmicks like bonding school building aid and recognizing speculative savings that never materialized like the selling of certain state property. As I sit before you today this budget contains no gimmicks. No funding was double counted in 15, as verified by the LBA. Even though updated estimates suggested the business taxes cost more than we had budgeted, we recognized this. And we've taken moves to fully fund business taxes while also taking care of the state's neediest.

Any risky political rhetoric about families losing health insurance is completely misleading. As a result of our actions today families receiving insurance under the health protection program, will continue to do so. I've said continually through this process we will have a spirited debate about this issue next year when we have a true sense of where uncompensated care is and what the impacts of our health care costs truly are. I look forward to that debate with all of you and I will not shrink from it. The misleading and political talk about this needs to stop today. It is much too premature to discuss reauthorization when the plan has not even yet been fully implemented.

We strongly considered other notable requests, like a pay raise for our state employees. We strongly considered this but it's true we're not able to accomplish everything we would have liked. We know that the current budget includes three pay raises and that 69 percent of state employees will continue to receive step increases. We value our employees and fought to protect our retired state employees by ensuring they did not pay more than they can afford for health insurance. The truth is - budgets are difficult and tough choices have to be made. Detractors would have you believe that you can fund everything asked of you without consequence, but that is simply false.

Our budget is proof that you can take care of the state's neediest citizens and send an aggressive message to grow jobs. Our budget provides and protects for our neediest among us. Our budget funds education, roads and bridges, snow plowing, grows our economy and does not increase the burden on our struggling families.

Make no mistake, if Governor Hassan veto's our smart and sensible budget it's only because of narrow special interests and her ambitions for higher office. We stand before you today not concerned about higher office but meeting the needs of our state and growing our economy.

Senate President, House Speaker Announce Plan to Keep NH Government Open

(6/19/2015) Concord, NH – In light of Governor Hassan’s recent statements and in preparation for a possible veto, the House Speaker and Senate President have announced plans to keep government open.

Senate President Chuck Morse (R-Salem) and NH House Speaker Shawn Jasper (R-Hudson) released a joint statement regarding a continuing resolution.

“We are disturbed by Governor Hassan’s recent announcement of her intent to veto the proposed budget that effectively addresses our shared priorities.

“However, in order to ensure that State Government remains open and that the same services and operations that were in place on June 30 will be available July 1, we intend to introduce a continuing resolution. We hope this measure isn’t necessary, but want to be confident that our state will not be negatively affected by the Governor’s short sighted and risky decision to veto the budget.”



PHOTO: Speaker Shawn Jasper and Committee of Conference Chairman Neal Kurk held a press availability in the Speaker’s office on Thursday to discuss the prospect of a gubernatorial veto of HB1 & HB2, where Speaker Jasper said,

“We were not elected to represent the Governor.”

IMPORTANT DATES

June 24	House Session
June 25	Last day to act on Com. of Conf. Reports
July 1	First day of fiscal year 2016
July 7	Rockingham District 20 Special Election
Sept 2	First day to file LSRs for 2016

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