

# Republican Review

A Publication of the New Hampshire House Majority Office

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## GOVERNOR'S VETO SENDS FISCAL COMMITTEE INTO ACTION

CONCORD - In a matter of just a few hours after Governor Maggie Hasson vetoed the state budget and forced the state into a Continuing Resolution, the Legislative Fiscal committee was forced to take action to allow a state agency to accept crucial federal funds. "In what could be the first of many actions taken by the Fiscal committee as a result of the governor's actions, I have authorized the addition of a late item to the agenda," said Chairman Neal Kurk (R-Weare).

The committee will be asked to approve the acceptance of \$1,136,400 from the United States Department of Commerce and the National Oceanic and Atmospheric Administration (NOAA) for the purpose of distributing federal fisheries disaster relief funds to northeast multispecies commercial harvesters that were impacted by the federal fisheries disaster declared by the Secretary of Commerce in 2012.

"This is only the beginning of the risk that our governor has created for state agencies as to their ability to obtain federal funds," added Kurk. "Her decision to veto a balanced and well thought out state budget was short sighted at best. While it certainly creates more work for our state agencies, the Legislative Fiscal committee stands ready to work with our agencies in matters such as this to ensure that state government continues to operate in an efficient manner," concluded Kurk.

## HOUSE SPEAKER, MAJORITY LEADER RESPOND TO BUDGET VETO

CONCORD - The following statements were released this Thursday by Speaker Shawn Jasper and House Majority Leader Jack Flanagan in response to Governor Hassan's veto of the state budget.

House Speaker Shawn Jasper:

"Governor Hassan's veto of the state budget certainly comes as no surprise since she threatened to do so long before we had finished the budget process. What is particularly disappointing is that she has chosen to put her own political agenda ahead of the people of New Hampshire who are in most need of our help, as well as the future economy of our state. She has chosen to veto a budget which reduces business taxes over the next five years, affecting companies that provide 95% of the private sector jobs in the state. She has chosen to veto a budget that provides much needed funding in our fight against substance abuse, increases funding for local schools and higher education, invests in our state's continued efforts to improve our infrastructure, ensures public safety, and appropriates more money for health and human services than we have ever budgeted before. In short, this governor has chosen to turn her back on the real people of New Hampshire. I am concerned that her decision today will create a hardship for the men and women of our state who are most in need of our services."

Majority Leader Jack Flanagan:

"Yesterday, we passed a budget New Hampshire could be proud of, that meets the needs of our state without raising taxes. Today, the Governor rejected that budget based on hollow political claims and unfounded speculation. As a result, the people of New Hampshire won't be able to see the benefits of the thoughtful budget plan Republicans put forward and our business community will continue to operate in uncertainty. Republicans proposed a responsible pathway forward for New Hampshire and unfortunately, the Governor ceded to pressure from special interests to turn our budget process into a political fundraising opportunity based on false rhetoric."

**The next House session will be at the call of the Chair.**

### STAT OF THE WEEK: 0 (ZERO)

The number of House Democrats who voted for HB1 or HB2 despite offering an amendment to the continuing resolution that would have funded government at 96% of the level proposed in HB1 & HB2.

"... It's unfair to the people of New Hampshire to say you stanchly oppose a budget and simultaneously offer an amendment that seeks to borrow from it." ~ House Majority Leader Jack Flanagan

## House Republicans Stand United in Support of Fiscally Responsible Budget

CONCORD – The New Hampshire House of Representatives voted 196-161 for HB1 and 196-164 on HB2, the budget “trailer bill”. Of those members voting, 94% of House Republicans supported HB1 and 93% supported HB2. This budget included many provisions in accordance with the House Republican agenda, including:

- Balanced, based on realistic revenue estimates
- Contains no new taxes or fees
- Reduction in business taxes, making NH more competitive
- Increased funding for charter schools
- Rebuilding the Rainy Day Fund, doubling its balance
- Increasing efficiency and transparency of state government
- No extension of Medicaid expansion (NH Health Protection Program)
- No accounting gimmicks and minimizes impacts on local property tax payers

See Budget Talking Points (below) & False Claim Rebuttals pages 4

### Budget Talking Points

Earlier this week, we circulated talking points on the budget to the House Republican Caucus. For the benefit of all of our readers, we wanted to republish those in this edition of the Republican Review.

#### Overall:

House and Senate budget writers have worked diligently to produce a thoughtful and responsible budget that meets the needs of the people of New Hampshire.

This budget includes carefully considered appropriations that will allow our state to take care of those most in need while enabling a stronger economy while promoting job growth through reducing the tax burden on our business community and making New Hampshire more competitive.

This budget maintains important House priorities including increased funding to our state’s charter schools, minimizing impacts on local property taxpayers. Most importantly, it contains no new taxes or fees.

This budget provides much needed funding in our fight against substance abuse, increases funding for local schools and higher education, invests in our state’s continued efforts to improve our infrastructure, ensure adequate public safety, and appropriates more money for health and human services than any previous budget in our state’s history.

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.

New Hampshire’s taxpayers deserve an honest, transparent, and fiscally responsible budget that promotes efficiency and accountability, and is built on realistic revenue estimates. We are confident this budget leads us in that direction.

#### Fiscal Responsibility:

The Committee of Conference produced a budget that relies on sound revenue estimates ensuring we only spend money we can reasonably rely on receiving. The budget will also more than double the size of the state’s rainy day fund, which will help our state’s fiscal security and bond rating. Very importantly, this budget does not contain any new taxes or fees. It relies on revenue from existing sources and the increased revenue we expect as a result of an improving economy. It also protects local property taxpayers from downshifting or costs or unfunded mandates.

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**Reducing Business Taxes to Help Spur Economic Growth:**

This budget contains a plan to lower the state's business profits tax by 11.4% over the next 3 years. New Hampshire has come of this highest corporate tax rates in the nation. In order to compete for jobs, we must be more business friendly. Lowering our BPT rate by 11.4% will help us be more competitive in attracting new business and help our current businesses stay in New Hampshire to grow and create more jobs.

**Health and Human Services:**

This budget provides much needed increase in funding for substance abuse treatment, services for the developmentally disabled, mental health and elder care services, including meals on wheels and Servicelink. In fact, this budget spends more on health and human services than any prior state budget. Funds were made available for emergency shelters and an additional \$1 million was appropriated to fund 10 additional beds at the New Hampshire hospital.

**Education:**

This budget fully funds our Community College system, allowing them to keep tuition affordable. It also increases funding to the University System by 5.8% for a total of \$162 million. Communities affected by a cap in education adequacy funding will experience a boost in funding for their local schools, with the cap being removed in FY 2018. Education stabilization grants will continue at 96% of current levels, ensuring no school district will see a dramatic reduction in funding.

This budget also increases charter school funding by \$1000 per student, ensuring these institutions continue to provide an innovative alternative for parents looking for education solutions that fit the unique needs of their children.

**Public Safety and Infrastructure:**

This budget funds priorities in the Department of Safety and Department of transportation that will ensure our efforts to improve roads and bridges continue, and our citizens can feel safe that our State Police had the resources they need to keep crime low. This budget ensures municipal block grants from road toll revenue continue, and DMV substations remain open for business. Very importantly this budget abides by state law that states that gas tax revenue be used for our roads and bridges and not diverted to other areas of government.

**Travel and Tourism:**

This budget provides \$4.2 million per year in funding for travel and tourism promotion, ensuring one of our state's biggest industries continues to be an economic benefit. An additional \$5 million in revenue from the meals and rooms tax, which is highly dependent on our tourism industry, will be distributed to cities and towns, which is good for local property taxpayers.

**Efficiency and Accountability:**

This budget takes steps to make government more efficient by merging offices, sharing resources and asking agencies to find ways to do more with the same amount of resources.

This budget also takes steps to demand more accountability from government agencies. For example, this budget allows for more oversight of the liquor commission by requiring legislative review of transfers over \$75k in their budget. It also adds legislative appointees to the university system board to increase oversight of their expenditures and operations to answer the best decisions are being made to improve the quality of education they provide.

## Rebutting False Claims About the Republican Budget

### **CLAIM: Business tax cuts “aren’t paid for”**

RESPONSE: This is a code word for wanting to raise other taxes. What good is a tax cut if you end up increasing another tax? Would these folks prefer spending reductions to “pay for” the reduction in revenue they predict? Unlikely. Our Republican budget writers in the House and Senate have decades of experience in building budgets and making sure we are not setting ourselves up to fail. Democratic budget writers don’t have a very good track record of success when it comes to balanced budgets (e.g. \$800m structural deficit coming out of FY10-11). There is a reasonable belief that the tax cuts included in the budget will encourage economic growth that, over time, will offset any reduction in revenue, if any. The last time business taxes were addressed in this manner by a legislature was 20 years ago. It’s time to make New Hampshire more competitive, and encourage economic growth.

### **CLAIM: Business tax cuts will create a “\$90 million hole in future budgets”**

RESPONSE: This budget deals with FY16 and FY17 only. The \$90m number is based on a claim that there will be a significant reduction in revenue, which many experts don’t believe, extrapolated well into the future to create a larger number and create more drama for their position. The truth is, if any law creates unfavorable results, it can be changed. When the law change is as important as business tax cuts to make NH more competitive, it deserves the benefit of seeing if it works. If for some reason a future legislature wants to raise taxes, someone can file a bill to do so - although we wouldn’t recommend it.

### **CLAIM: Health care for 40,000 NH citizens will be cancelled**

RESPONSE: A renewal/extension of the New Hampshire Health Protection Plan - a.k.a. Medicaid expansion - is not included in the budget. Neither is a “cancellation”. The program is in current law sunsets on December 31, 2016 - a full year and a half from now. People receiving health care coverage through the program will continue to receive care on July 1 just as they will today. It’s likely there will be a bill introduced in the 2016 session to deal with whether or not the program should be extended, and the legislature can review data to make an informed decision at that time, separate from the budget.

### **CLAIM: The budget is not balanced, and it contains accounting gimmicks, etc.**

RESPONSE: This budget carries forward an anticipated surplus from the current fiscal year. This is not an uncommon practice. In fact, the Governor’s budget also carries forward money from FY15, there is just a disagreement in the amount. See also “Business tax cuts aren’t paid for” above.

### **CLAIM: This budget doesn’t adequately fund substance abuse treatment, social services, infrastructure, safety, higher education, etc.**

Republican budget writers realize the importance of making sure our priorities are adequately funded while living within our means. This budget spends more money on health and human services than any other prior budget (\$4.4 billion), up over \$300m in total funds over the next 2 years. These services include substance abuse treatment, elderly services and services for the developmentally disabled, mental health and emergency shelters. In this budget we also see an increase of \$30m for the Department of Safety and \$83m for the Department of Transportation over current levels. The University System sees a 6% increase in state aid for a total of \$162m. Local education aid for many communities will see an increase. Funding for the Veterans’ Home is increased by \$3m. We are proud to ensure funding for vital services is there. Suggestions that this budget is heartless or contains draconian cuts are ridiculous. We were able to fund our priorities with no new taxes or fees.

### **CLAIM: Not including the state employee pay increase proposal in the budget is unfair.**

Most of our state employees received 6% cost of living increase in the last budget. In addition, many also received contractual yearly step increases of up to 5%. Those step increases will continue under the proposed budget, but at this time, there is not enough money to fund a cost of living increase without raising taxes or finding cuts in other areas of government to pay for it.



## BUDGET VETO CONSEQUENCE: NATIONAL COMPETITION

The following press release is a real was issued hours after Gov. Hassan's veto was announced.

### **Governor Abbott Invites New Hampshire Businesses To Seek New Opportunities In Texas**

*Governor Greg Abbott today released a statement on New Hampshire Governor Maggie Hassan's decision to veto the state budget, which passed both houses of the New Hampshire legislature Wednesday and included significant reductions in the state's business profits tax and business enterprise tax, extending over \$1 billion in tax cuts to New Hampshire job creators.*

*"Texas is wide open for New Hampshire businesses looking to escape the restrictive tax burdens solidified by Governor Hassan's unfortunate veto of the state budget," said Governor Abbott. "Fortunately for those businesses, the Lone Star State offers a chance to thrive in an economic environment free of overregulation and over-taxation that limits their success. In Texas, we are cutting the burdensome business franchise tax by 25 percent, freeing businesses to invest more in new jobs, higher wages and stimulating the Texas economy. And with Texas already offering one of the lowest overall tax burdens in the nation, with no corporate income tax, no individual income tax and no property tax at the state level, I welcome the opportunity to meet with any company considering a move to our great state to explore all that Texas offers."*

*RIGHT: Legislative leaders met with the press Wednesday morning to lay the ground work for the day and provide further information on the impact of a budget veto by Gov. Hassan.*

*BELOW: Speaker Jasper & Senate President Morse meet with HHS advocate group representatives Tuesday at the State House to answer questions, address concerns and rebut false claims about the budget made by State House Democrats.*



## House, Senate Dems Buck Gov, Vote to Override Veto on Beer Label Bill

In what could be “labeled” a strange an unnecessary veto of HB122, relative to advertising of liquor or beverages, Governor Hassan was rebuked by 39 House Democrats and 4 Senate Democrats leading to a successful legislative veto override, the first of the year.

HB122 sought to modify liquor labeling laws that prohibited depictions of minors on the label or packaging. Many saw this prohibition as unnecessary, and examples of depictions of minors on labels provided to lawmakers clearly were not trying to appeal to minors, which was the purpose of the outdated law. The bill allows the Liquor Commission to make a determination about whether or not a label is, “*reasonably likely to induce minors to drink.*”

The is another feather in the cap of recent legislatures who have made small but meaningful law changes to help the growing beer industry in New Hampshire.

Veto overrides require a 2/3 majority vote of members present on the day of the vote.

## Business Friendly HB550 Heads to Governor Hassan’s Desk

In today’s 21st century economy, we should be mindful that you can go from a start-up in a garage to a billion dollar company in short order. We should not be inhibiting these innovators from looking at New Hampshire as an option. We need to attract them and keep the here. That’s why a bi-partisan majority of House members, and a Republican majority in the Senate supported HB550, as amended, which will reach the Governor’s desk shortly.

HB550 sought to clarify tax laws in New Hampshire that, most agreed, was unfair and disproportionate taxation on companies who see a rapid increase in value - a step up in basis - as the result of a public offering of stock or similar event.

Most recently, we were made aware of a New Hampshire based national business that was looking into the prospect of an IPO, but realized that the capital they generate would be subject to New Hampshire’s higher-than-Massachusetts corporate taxes. As a result, they could see a tax bill in the tens of millions of dollars, something that they may not have immediate access to, if they don’t have the right mix of reserves, assets or other means to satisfy the liability. The company is seriously considering a move to another state to avoid that hit, and NH would lose jobs as a result.

Some may try and make you believe this is a one time fix for one specific entity. It’s not. This bill applies to any company in this type of situation. “If the legislature had to make policy decisions in a vacuum, we would never be able to address the real needs of the state. We’ve been made aware of a problem, and HB550 aims to make the statutory adjustment for the benefit of all entities in New Hampshire, current and future,” said Majority Whip Dick Hinch (R-Merrimack). “DRA has reported that over 200 companies have been affected by this tax provision in the last 5 years. Had we examined this 5 years ago, these companies would have had the same opportunities we are looking at creating today for everyone moving forward.”

Next, what is the cost of doing nothing? A few major things come to mind aside from loss of jobs. Some opponents of this bill may like you to believe that there will be a dramatic drop off in revenue. But let’s be realistic. When a company leaves, we also have the loss of revenue they do pay - BPT, BET, property taxes, etc. Those existing revenue streams dry up. That’s a second example of doing nothing - a decrease in our regular revenue.

Rep. Hinch said, “Unfortunately, when companies do leave New Hampshire, we don’t have a form for them to fill out asking why. There is no survey collected. There is no line on their last tax form asking them what we could have done better to keep them here. We don’t know what we’ve lost, we don’t know what we could lose by doing nothing. That’s the last consequence of doing nothing: Uncertainty. The uncertainty of knowing that there will remain on the books a now well publicized tax implication, but **NOT** knowing how that is going to affect our current job-creators’ decisions and what might have been a prospective job creators’ decisions.”

HB550 is a business friendly bill. If Governor Hassan vetoes the bill, she will be directly responsible for the lost jobs.

## SENATE, HOUSE ADOPT CONTINUING RESOLUTION

CONCORD – The New Hampshire House of Representatives and Senate passed a Continuing Resolution to ensure continuity in government at the FY 2015 level in the event the Governor Hassan vetoes the legislative budget.

Senate President Chuck Morse (R-Salem) and House Speaker Shawn Jasper (R-Hudson) released a joint statement regarding the passage of the Continuing Resolution.

“We are proud of the budget that was agreed to by both the House and Senate and believe that this balanced plan that both increases funding to vital social services while effectively reducing business taxes in support of increased job growth in the state of New Hampshire is good for the citizens of our state.”

### MESSAGE FROM THE SPEAKER

With the House now in recess, I want to express my sincere appreciation for your diligence, attentiveness, and civility over the last six months. We have much to be proud of, and our constituents have been well-served.

With your cooperation, and with the assistance of such a skilled and dedicated staff, we were able to carry out our responsibilities in a positive and productive manner. Thank you for your extra efforts and for your service to New Hampshire. Over the next few months, I hope you can return to your personal lives and take some time to relax with family and friends.

### IN MEMORIAM

Earlier this week, Rep. Robbie Parsons (R-Milton) passed away after a long battle with cancer.

Robbie was in his third term in the NH House and served on the Judiciary Committee.

Up until this last month, Robbie was still attending House sessions making sure that his constituents were well represented in Concord.

Our thoughts and prayers are with the Parsons family at this time. We will miss Rep. Parsons' passion for the issues and dedication to his constituents and the State of New Hampshire.

We will pass along information on services when they become available.

### REP. DICK HINCH ON NH1'S NEWSMAKERS

Catch Majority Whip Dick Hinch on Newsmakers talking about the Governor's budget veto with hosts Paul Steinhauser and Kevin Landrigan. It airs this Sunday (6/28) at 11:30am on NH1. It's also replayed Sunday night on NH1 at 10:30pm.

### TWEET OF THE WEEK

Sen Jeanie Forrester (@SenForrester):

*@GovernorHassan and Democrats chorus about "unbalanced" budget/gimmicks makes less science, less sense than NFL's Wells Report #nhpolitics*



*Architectural detail in Representatives Hall as photographed from the House Gallery*