

HIGHLIGHTS OF GOVERNOR SUNUNU'S BUDGET ADDRESS

Taxes: Friendly to the taxpayer

- This budget is balanced without a sales or income tax, does not create any new taxes or increase fees
- Continues the existing round of scheduled business tax relief that have grown the New Hampshire economy
- No income tax, no payroll tax or tax of any kind for a paid leave program
- No capital gains tax, as the legislature is proposing
- This budget does not downshift any costs to municipalities or local taxpayers

Spending: Apples to Apples Comparison

- ***Crafted Conservatively:*** This budget process commenced by holding state agencies to .5% growth in making their efficiency spending requests. In constructing the budget, this administration has made strategic, fiscally responsible investments with an eye toward saving money in the long-term.
- ***Some dollars left behind:*** This budget avoids spending every available dollar to ensure that if an unexpected or out of our control event occurs, taxpayers are not left to carry the burden.
- ***General and Education Trust Fund:*** The Education Trust Fund has never functioned as it was originally intended, and in almost every biennium the General Fund is required to bail it out. Combining these funds came at the request of various state agencies and will improve New Hampshire's financial transparency and reporting.
- ***Federal Funds:*** The state is receiving a higher than usual infusion of federal funding for various programs across state government. Notably, the Medicaid to Schools Program, legally required DSH payments and Medicaid payments across various classes and programs. Again, these funds must be distinguished from Governor Sununu is putting forward for spending.
- ***Bottom line:*** The state has some higher than usual non-discretionary spending items to account for over this biennium. This includes the DSH Settlement, State Employee Contract, federal cuts to Children's Health Insurance Program (CHIP)

spending, etc. Taking these issues into account, as well as separating federal money, one-time spending and designating lottery into a dedicated revenue, this budget spends 1% (or \$2.6 million) less in state funds than the previous budget in FY2020 and only 1% more in state funds in FY2021.

The reason for the increase of 1% in FY2021 is due to reduced federal funding of the CHIP that the state must now make-up.

Revenues: Reasonable and Conservative

- ***One-time Funds:*** The state currently has \$247 million in one-time funds due in large part to repatriation resulting from the Tax Cuts and Jobs Act of 2017 (the “Trump Tax Cuts”). Governor Sununu’s budget does not spend any of those funds on any on-going expenses. Further, those funds are distinguished and accounted for separately than the rest of General Fund Spending.
- ***Estimates:*** Governor is optimistic on business tax revenues, but all other revenues are conservative. In previous budget, Governor’s revenue estimates were most accurate.
- ***Economic Growth:*** Thanks to the Tax Cuts and Jobs Act of 2017, this budget enjoys a stronger revenue base while also acknowledging that a portion of our business tax growth has been anomalous.
- ***Legalized sports betting:*** We are responsibly expanding some revenue through the legalization of sports betting. However, we are not accounting for any potential revenue from it in FY2020, and not nearly what it is estimated to generate in 2021.

Conservative wins:

- ***Business tax cuts:*** Continues the existing round of scheduled business tax cuts that have grown the New Hampshire economy.
- ***Charter Schools:*** Funding for Charter Schools is stabilized and enhanced in this budget, thereby expanding support for Charter Schools and allowing for a beneficial alternative learning environment for students.
- ***Streamlining veteran’s services:*** will continue the work that began with an executive order last year, and will put all veterans’ services — from the state office of veterans services to the veteran’s council, all under one roof overseen by the Adjutant Generals Office. By doing this, the state is able to eliminate a bureau and an agency which will save money. By streamlining our resources, we can improve services, all for one reason: Better care for our veterans.

- ***Streamlines Agencies:*** This budget administratively attaches various small agencies to larger departments in order to leverage the economies of scale of existing state human resource and financial staff. This will enable the attached agencies to focus on their core mission. The Human Rights Commission will be attached to the Department of Justice; the Boxing and Wrestling Commission will be attached to the Department of State; the state share for the Community Development Finance Authority's CDBG program is budgeted in the State Treasury.
- ***Rainy Day Fund:*** This budget commits \$15 million from the current biennium surplus to the rainy day fund and estimates an additional \$12.3 million to the rainy day fund at the close of Fiscal Year 2021. These important investments into our rainy day fund will bring its balance to an all-time high of \$137.3 million. It is critical that we ensure a healthy reserve balance for a future time when we will need the monies to bridge budget deficits during an economic downturn.
- ***Pension Reform:*** The State of New Hampshire is long overdue for an honest conversation regarding reforms to the pension system for state employees. This budget proposes to begin that conversation with proposed reforms to the Judicial Retirement System. These reforms will ensure the long term solvency of the judicial retirement plan, replacing annual increases in costs with gradual decreases that take annual costs from \$6,669,046 in 2018 to \$4,526,850 in 2038. The goal is to make this a model for broader reforms to the New Hampshire Retirement System.
- ***HHS Program Auditors:*** Governor Sununu's budget proposes to hire two auditors in HHS whose full time job will be to audit service providers to ensure that individuals receiving services are actually eligible to receive them. This will not only bring integrity to state programs but it is anticipated that these positions will pay for themselves in a matter of months.
- ***Association Health Plans:*** This budget will authorize association health plans, which will ensure that Granite Staters have more choices at a lower cost when purchasing health insurance.

Strategic Investments: One-time funds to head off growth in government

- ***Targeted School Building Aid:*** In this budget, we will be appropriating \$63.7 million in one-time surplus monies to property poor school districts, in a "pay as you go" manner for Targeted School Building Aid critical infrastructure grants (school building aid) which will ensure that the quality of our schools remains the best in the nation.

- **Special Education:** For the first time in 10 years, we are increasing funding for special education aid to \$26.5 million - the highest levels since 2012.
- **Paid Family Leave:** This budget includes legislation to enact enable the Twin State Voluntary Leave Plan. This plan will leverage the state employee base of New Hampshire and Vermont to provide a voluntary paid family leave plan to any business or individual in New Hampshire and Vermont who chooses to opt in without imposing a statewide income or payroll tax.
- **Mental Health:** This budget takes major steps towards implementing the Ten-Year Mental Health Plan. Chief among these is our plan to move the civilly committed population out of the Secure Psychiatric Unit (SPU), build substantial new Designated Receiving Facility (DRF) capacity, and move mental health services currently provided to kids out of New Hampshire Hospital to a more appropriate treatment setting. In total, we will invest \$40 million to build a new 60 bed forensic facility on the grounds of New Hampshire Hospital, build 40 new transitional beds around the state to provide patients with a pathway back into the community, and obtain new, more child and adolescent focused appropriate space for the kids currently being treated at New Hampshire Hospital. These efforts will result in 108 new DRF beds that will enable us to eliminate the Emergency Department (ED) waitlist with room to spare.
- **Work Requirement:** During the last session, we created the Granite Workforce program to provide job training and employment assistance to the most marginalized members of our workforce. This budget provides additional funding for these important services and will further efforts to eliminate barriers for citizens in need of assistance. These funds will also serve as a critical component of the State's efforts to ensure that individuals enrolled in the Granite Advantage Healthcare Program are able to comply with the new work and community engagement requirement.