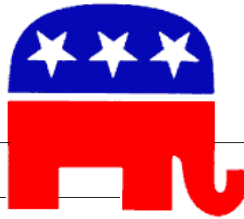


# Republican Report

*"If a tax cut increases government revenues, you haven't cut taxes enough"*

—Milton Friedman



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## *A message from the Republican Leader....*

For the past few weeks, every attempt that we have made to get a look at revenue estimates has been derailed—a move that has certainly put us behind the eight ball when it comes to dealing with the budget. When we did finally get a look at the governor's budget on Thursday, the first question that came to mind was, "Where's the money coming from to pay for his increases in additional General Fund spending?" His two year budget increases overall spending by 9.5 percent and spending of state general funds is up by 15 percent.

What revenue stream is the governor planning on tapping into that will provide us

### ***BUDGET BOTTOM LINE***

**Increase** in overall spending: **9.5%**  
**Increase** in General Fund spending: **15%**  
Governor's anticipated revenue: **\$4.9B**  
Agencies' anticipated revenue: \$4.6B  
**Revenue difference**—\$276M (includes proposed Tobacco Tax increase of \$.28 per pack.

with enough money to pay for the increase in spending? It appears that once again the governor is relying on rosy revenue estimates to foist upon the legislature the state's first \$10M budget. We certainly cannot live with expanded gambling or a broad based tax and that appears to be the direction in which we are headed.

His biennial budget depends on a revenue

stream of \$4.9 billion while the agencies' estimates count on a revenue stream of \$4.6 billion. That's a difference of \$276M in expected revenue, including \$93M anticipated from the increase in the tobacco tax.

The governor also claims to have cut agency budget requests by \$290M when, in reality, they had requested an additional \$560M. In essence, the \$290M cut becomes a \$270M **increase!**

The governor called it a budget that, "addresses our state's priorities without new taxes," and yet he is willing to raise the cigarette tax by 35 percent while increasing the annual fee to register a car or light truck by 20 percent with other enhancements (yet to come)—once again balancing the budget on the backs of a selected group of citizens.

You cannot depend on revenue from laws that have not yet been passed. Not only is he attempting to balance a budget with a cigarette tax increase that has not been approved by the legislature, but also with a \$30 scratch ticket that hasn't even received a hearing in front of the Ways & Means committee, let alone been voted on by the full House. He has also counted on \$10M in revenue from the courts, which by law he cannot do. Thanks to legislation passed last session, the court fees are due to decrease on July first, which eliminates \$5M each year from the revenue stream.

How is the governor *addressing priorities* when he is willing to provide funding (\$535,000) to help purchase Temple Mountain and add it to the state park system, while at the same time both

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our park system and the Fish & Game department are in crisis? Meanwhile, the governor remains steadfast in his refusal to even look at the potential revenue stream that the leasing of Cannon Mountain would provide to the park system.

By instituting an auction for our moose hunting permits, the governor seems intent on selling NH wildlife to the highest bidders—wildlife that is managed for all people—not just the wealthy. What else will we sell to the highest bidder in an attempt to balance a budget? By adding an additional 50 moose hunting permits are we not taking game control out of the hands of the people who know the program best—the Fish & Game biologists who manage the program?

In his first inaugural address, the governor said, “I will present a school-funding plan and I will work with all of you for a fair and lasting solution.” On Thursday he presented a major change in the way we fund education—a change that will drop the increase that school districts were counting on for September while offering a five percent increase to each district and flat funding the following year. But, where is his plan? Is the governor going to present an Education bill or is this an attempt to change education funding through HB 2 (Trailer Bill)—something that has never been done before. The question remains: will the legislature be able to give his education bill the appropriate hearing before a legislative committee?

The governor still believes in targeting aid and wants to propose a constitutional amendment. Rep. Neal Kurk already has such a plan that does what the governor wants but apparently Gov. Lynch does not want to set up a new plan until after a constitutional amendment....so do we operate under a plan that is unconstitutional until 2009? Where will



***Important Dates  
to Remember***

**Tues., Feb. 20—Republican Chat, 4:00 PM, Upham-Walker House.**

**Wed., Feb. 21—Republican Caucus, 9:00 AM, Rooms 306-308, LOB, House Session, 10:00 AM.**

**Thurs., Feb. 22—Last day to report House bills going to a second committee.**

the money come from? It sounds more and more like the recipe for a broad based tax.

In the meantime, there appears to be an attempt to retain all education funding bills, preventing them from going to Finance and then on to the floor for debate. There are 8 to 12 education funding bills that must all go to a second committee and time is running out.

It is pretty clear that with the governor’s increased spending, combined with inflated revenue estimates, we could soon be facing a financial crisis. The democrats co-opted our “limited spending and no new taxes” philosophy during the election, yet their actions to date indicate that those were hollow promises.

We will have plenty of time to show the differences between how we governed in the past and how they will govern in the future. In the meantime, it is important that we continue to try and do what’s best for NH.

I encourage you all to attend our caucus on Wednesday at 9:00 AM. I also urge you at anytime to come and talk with Republican leadership about your ideas and input. Please note that our Republican Chat this Thursday will start at **4PM**, due to hearing schedules. Thanks again for your hard work. Have a great weekend!

*Mike*