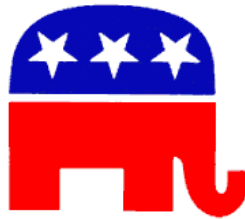


# Republican Report

“Collecting more taxes than absolutely necessary is legalized robbery.” —Calvin Coolidge



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

On January 15, Governor Lynch, appearing before the House Finance committee, claimed that the current budget was “*put together with sound revenue projections.*” He believes that the state will be short “about” \$50M in revenues, forcing a cut in spending of about 5.7 percent.

Apparently the governor hasn’t been listening for the past year to people like Norm Major, who knows the state budget as well as anyone. As far back as last spring, Rep. Major was warning of a “Perfect Storm” should the Democrat-controlled House accept the inflated revenue projections in support of the state’s first \$10 billion budget—projections that were overly optimistic and unsustainable.

The problem began as early as February when changes in the way the House was allowed to review revenue estimates threatened the system of checks and balances and prevented the legislature from playing its proper role in shaping the state budget.

When the revenue projections were presented, Rep. Major called them, “irrationally exuberant and far too high.” He predicted that Democrats would need hundreds of millions of dollars to support their spending and revenue projections that were much higher than economic forecasts would support.

Now the governor is telling the legislature that when the budget was originally crafted, “economic forecast-

ers were not predicting the severity of the situation that the nation is currently facing.” Once again, has he not been listening?

Last spring, Rep. Major identified a number of economic indicators that supported the theory that revenue streams would continue to falter, setting the state up for a financial crisis.

Fast forward to today. The governor is telling us that the first six months of the fiscal year have seen revenues come in close to their projected levels, while ignoring \$18M in onetime money, \$5M in funds not dispersed, and \$5.7M due to the timing of January securities receipts. According to Rep. Major, projecting the current deficit out to the end of the biennium could result in a deficit as high as \$165M. In fact, while appearing before the House Ways & Means committee, agency department heads predicted that we will be facing a revenue shortfall of anywhere between \$140M and \$195M!

Last winter we urged the passage of a reasonable budget and one that was based on accurate revenue projections and economic forecasts, but we were ignored. Now we will have to wait and see whether the governor intends to increase taxes and fees or propose major cuts in spending to correct a problem which could have been prevented.

Ultimately it will be the taxpayer of this State who will have to suffer and it is our job to let them know what has

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### House Session Days

- January 23rd
- January 30th
- February 6th

(all sessions-10:00 a.m.)

**Republican Caucus**  
9 a.m., Rms 305-07, LOB



### UNDER PERFORMING KEY REVENUES

- **Business Taxes**—down \$13.3M (-5%)  
(\*below plan w/o one-time money)
- **Tobacco Tax**—down \$7.7M (-7.9%)
- **Liquor Sales**—down \$1.6M (-2.1%)
- **Real Estate Transfer Tax**—down \$8.6M (-11.1%)
- **Transfers from Lottery**—down \$2.7M (-7.6%)
- **Meals and Rooms Taxes**—down \$2.1M (-1.7%)
- **Interest and Dividends Taxes**—down \$0.6M (-2.2%)

## Message

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been happening at the State House. In November the message will be clear that, “*Democrats have taxed and spent the State of New Hampshire into a financial crisis that could have been avoided.*” Our office is ready to supply you with the necessary facts and figures to help you get the word out to your constituents. We need to start getting the message out sooner rather later. I hope to see you all at our next caucus at 9 a.m. on January 23.

*Mike*

### REVENUE ISSUES

There are several key factors that will continue to impact the state budget through the balance of the current biennium:

- It took **\$28M** of the projected **\$61M** surplus to balance the budget. The Democrats would like to use the remaining **\$33M** to help balance their budget—however, current law dictates that **\$30M should go to the Rainy Day fund.**
- As a result of a 2004 audit, the U.S. Dept. of H&HS is demanding a **\$35M refund** from the State. They have demanded an audit for 2005-06 which could result in an additional \$70M over the biennium.
- Democrats continued their spending spree when they gave a huge raise to legislative staff—based on an NCSL study, without any policy input or a public hearing. This will add **\$2M** to the deficit.

### *Legislative Update*

During the past week, leadership has signed-in, testified and taken a position on a number of bills being heard in committee. Here is a complete list of those bills:

#### Children & Family Law

HB 1137—requiring persons under 18 years of age to wear ski helmets (**opposed**).

#### Environment & Agriculture

HB 1429—relative to private landfills (**opposed**).

HB 1594—relative to hazardous material reporting requirements and establishing fees for hazardous materials facilities and employees (**opposed**).

HB 1621—relative to requiring a refundable deposit on beverage containers (**opposed**).

#### Executive Departments & Administration

CACR 27—relating to the election of a state auditor. Providing that the state auditor shall be elected to a term of 4 years and shall be responsible for auditing the accounts of the treasurer (**opposed**).

HB1552—relative to establishing a single liquor commissioner (**opposed**).

#### Finance

HB 584—including 17-year olds in the juvenile justice system (**opposed**).

HB 1612—relative to county and state obligations for costs for nursing care and services, and for court orders for children services (**opposed**).

#### Health, Human Services & Elderly Affairs

HB 1586—relative to housing assistance for recipients of Temporary Assistance to Needy Families (TANF) (**oppose**).

#### Labor

HB 1342—relative to travel pay for certain employees. (**opposed**).

HB 1344—relative to negotiations between public employers and employees (**opposed**).

#### Resources, Recreation & Development

HB 1579—relative to setback requirements from wetlands (**opposed**).

#### Science, Technology & Energy

HB 1584—establishing a fund to cover the costs of recycling electronic waste (**opposed**).

#### Ways & Means

HB 1373—establishing an income tax (**opposed**).

HB 1426—relative to motor fuel import fees (**opposed**).

HB 1427—relative to the fuel oil import fee (**opposed**).

HB 1593—establishing a flat rate education income tax and relative to the statewide enhanced education tax and certain other taxes (**opposed**).