

# *The Democrats' Four Year Assault*



*On*

*The*

*New Hampshire*

*Advantage*

2007

2010

In the December of 2006, Democrats took control of the New Hampshire House of Representatives for the first time since 1911. Thanks to their over-spending, increased taxation, and extreme social agenda, what followed over the next four year period was a serious erosion of what had become known as the *New Hampshire Advantage*—an economic “edge” that our state has enjoyed over other states in the northeast region over the years thanks to low taxes, smaller government, local control and a business-friendly environment.



This document contains an in-depth, chronological look at this four year assault by New Hampshire Democrats. Because of their fiscal mismanagement the Granite State now finds itself in the worst economic shape in history. From over-inflated revenue estimates to a 25% increase in spending, and 100 tax and fee increases, Democrats have clearly been pushing the Granite State toward a broad based tax—which would mean the end of to our *advantage*. This “4 Year Assault on the New Hampshire Advantage” follows their every move from day one when they began by ignoring a process by which our legislature had governed for hundreds of years.....to the state’s first \$10B budget. Hopefully you will find the information following helpful in your campaign, from talking to your constituents to writing letters and op-ed pieces for your local news media.

### February, 2007 (A hint of things to come)

While the Democrats talked of “*transparency in government*” soon after the election, their actions proved that they planned to act quite differently. Changes in the way the House was allowed to review revenue estimates would threaten the system of checks and balances and prevent the legislature from playing its proper role in shaping the state budget. In each of the three previous budget cycles, the House Ways & Means committee had prepared estimates of expected state revenues for the upcoming two year budget cycle before the governor presented his/her budget. This gave important guidance on spending levels to the budget writers on the House Finance committee. But Democrats quickly changed this process and the Ways & Means committee would receive revenue estimates after the governor had delivered the budget. With agency heads already committed to the governor’s revenue numbers, an independent legislative estimate was now impossible to produce. In the end, there was a less reliable check on revenues estimated by the governor to balance the budget. It was the first of many examples of a lack of an open, free -flow of information.

### February 16, 2007—Governor Lynch delivers his Budget Address

Governor Lynch’s two year budget proposal—resulting in the state’s first \$10B budget—**increased overall spending by 9.5%** and General Fund spending by **14.1%**! He relied on an overinflated revenue stream of \$4.9B at a time when agency estimates were counting on a revenues of \$4.6B—a difference of \$276M in anticipated revenue, including \$93M from an increase in the tobacco tax. Democrats called it a budget that “addresses our state’s priorities without new taxes.” At the same time they were preaching, “no new taxes,” they:

- **Raised the cigarette tax by 35%**
- **Increased the annual fee to register a car or light truck by 20%**
- **Included a \$30 scratch ticket that hadn’t even received a hearing yet.**

### March 8, 2007

Democrats spent tens of millions of dollars in just a day and a half, while passing a new tax on real estate (*\$40 per page recorded of a deed mortgage*) that would adversely affect those of our citizens trying to achieve the American dream of owning their own home. They continued to increase spending above and beyond the governor’s already excessive 14.1% budget increase. While Democrats managed to find money to preserve barns, purchase Temple Mountain and create more bureaucracy, at the same time they turned their backs on a promise, and moral obligation, to provide services to developmentally disabled citizens by voting down a floor amendment that would have fully funded—and completely eliminated—the developmental disabilities waiting list during the biennium.





### March 15, 2007

House Republican leadership testified against legislation that contained a multitude of new taxes that would continue to chip away at our tax advantage, including a **luxury sales and use tax** on motor vehicles costing \$30,000 or more and any item costing \$10,000 or more; a **payroll tax** on businesses with payrolls exceeding \$10,000 per week; and the reinstatement of an **inheritance tax** that Republicans had successfully fought to abolish six years ago. This bill was retained through the summer and we were able to kill the legislation in January, 2008. But State House Democrats continued their assault on the New Hampshire Advantage taxing anything that wasn't already taxed and trying to increase those that were.

### April 5, 2007

Democrats in the House turned their backs on the state's struggling ski industry, retail merchants and restaurants when they passed legislation increasing the required number of paid hours for an employee called into work from two to three—costing tourism based companies millions of dollars. As an example, it would cost the state's ski industry more than \$1M in pay to employees who could not work their shift due to weather conditions outside of their control.

### April 11, 2007

House Republicans were asked to vote on what amounted to the largest state budget in New Hampshire history—the first \$10 Billion Budget! That represented a **17.5% increase** in General Funds, more than 3% higher than the governor's, and far in excess of the 3% annual rate of inflation, easily surpassing the average budget increase over the previous two decades. Democrats on House Finance **increased spending by \$94M** over the governor's proposal. As a result, New Hampshire was now faced with a budget whose rate of growth was not only unsustainable, but could not possibly be supported by citizens already forced to pay for **\$223M in increased taxes and fees**.

### **Anti Business Taxes Increased in the Budget (HB2)**

**Cigarette tax**—Increased from \$.80 a pack to \$1.25 (*15% more than governor's proposal*). Cutting our competitive advantage with Massachusetts in half.

**Cost to the taxpayer: \$145.3 Million**

**Real Estate transfer tax**—Increased from \$15 per \$1000 of property value to \$15.60.(highest in nation)

**Cost to the taxpayer: \$11.9 Million**

**Truck registration fee**—Increase annual fee for heavy trucks by \$200.

**Motor vehicle registration**—Increase annual fee from \$25.20 to \$31.20 for cars & light trucks (25%).

**Cost to the taxpayer: \$18.6 Million**

**Environmental laboratory fees**—Increases charges for various water quality tests.

**Cost to taxpayer: \$1.2 Million**

**Shoreland protection fee**—New charge for permits to build/fill within shoreland area near a lake or pond.

**Cost to taxpayer: \$1.2 Million**

**Wetlands fee**—Doubles the per square foot fee that builders pay for a permit to create or fill in wetlands.

**Cost to taxpayer: \$1.4 Million**

**Terrain alteration fee**—Doubles fees for state inspection of development that alters the landscape.

**Cost to the taxpayer: \$700,000**

**Communications tax exemption** *repealed which will raise phone bills by an average \$10 per year.*

Republicans stood united in opposition to the Democrat majority's *tax and spend* budget which included **\$223M in tax and fee increases** which translated to an **increase of \$273.49 for each man, woman and child** living in New Hampshire. 97% of the Republican Caucus held firm to their fiscal conservative values and their 2006 campaign promises of fiscal responsibility.





- Republican House members brought forth several floor amendments in an attempt cut or eliminate several taxes contained in the *Trailer Bill*. (HB2)
- Republicans attempted to eliminate the Democrat-proposed increase in the cigarette tax but the move was blocked by the Democrats.
- Republicans attempted to eliminate the 4% increase in the Real Estate Transfer tax, already the highest in the nation, but the motion was defeated by the Democrats.



## April 11, 2007: *A Perfect Storm is Brewing*

*“It is my fear that by adopting the Democrats’ inflated revenue estimates, we are setting the state up for the Perfect Storm.”*  
—Rep. Norm Major (R-Plaistow)

*“I’m hoping that their figures are not right because I don’t want to see our country go to into a recession”*—Rep. Susan Almy (D-Lebanon) Chair of House Ways & Means, House Floor, April 11, 2007

Despite warnings from former Ways and Means Chair Norm Major that a *Perfect Storm* was brewing, the Democrat controlled House accepted inflated revenue projections, that were overly optimistic and unsustainable, in support of the state’s first \$10B budget. Democrats would need hundreds of millions of dollars to support their **17.5% increase** in spending and, at \$100.3M, their revenue projections were much higher than economic forecasts would support

### Republican projections differed significantly from those of the Democrats in five major areas:

**Business Profits Tax and Business Enterprise Tax**—Despite economic forecasts that business corporate profits had peaked in 2006 and were falling with no recovery in sight for at least five years, Democrats created a budget that relied on a **6% increase** in these revenues for each year of the biennium. There was a **\$53.1M discrepancy** between the Democrats projection and the Republican fact-based numbers.

**Interest & Dividends Tax**—Economic forecasters were predicting a decline in profits and a cooling of the economy. Democrats ignored this and irresponsibly projected a 10% increase in each year of the biennium—**\$15.7 more** in revenue than the Republican fact-based numbers.

**Tobacco Tax**—Democrats relied on a \$.45 increase in the state’s cigarette tax—\$.17 higher than their own governor’s proposal. The \$9.10 per carton advantage that we enjoyed over Massachusetts would be cut in half under the Democrats’ proposal, reducing gross sales and further eroding the New Hampshire Advantage. The negative effect of the tax increase on the sales of other products, including lottery tickets, could amount to additional revenue losses in the tens of millions of dollars. Compared to the Democrats’ tax increase, Republican estimates resulted in a **\$9M** difference in revenue projections.

**Insurance Premium Tax**—Republicans, in conjunction with the state insurance commissioner, provided estimates that resulted in an **\$8.2M** discrepancy with the Democrats’ projection.

**Real Estate Transfer Tax**—With sales down 18% from the previous year and prices continuing to fall, many economists predicted that the fragile market could be pushed even lower by the crisis in the sub-prime mortgage market. Democrats were irresponsible in projecting increases in revenue from the Real Estate Transfer Tax when the latest indicators showed a steady decline in New Hampshire. Based on projections of flat revenue in 2008 and only 3% in 2009, Republican revenue projections were **\$14.3M** less than what the Democrats were projecting.

**May 16, 2007**—By a vote of 207-131, House Democrats led the charge in passing legislation which would assess \$.025 per gallon tax on milk sold or transferred for retail sale in New Hampshire (HB 830)—clearly a regressive sales tax that would affect New Hampshire families!.

For the second time during the session, House Democrats turned their backs on the developmentally disabled when they voted down a proposed amendment that would have fully funded and completely eliminated the Developmental Disability (DD) Waitlist in the two year session.





## June 27, 2007—FINAL VOTE ON THE BUDGET

98% of the Republican Caucus rejected the Democrats' budget (HB1 and HB2).

### In this bill:

- The tobacco tax **increased** by \$.28
- The wild turkey fee was **increased** from \$5 to \$15 for residents and \$5 to \$40 for nonresidents.
- The nonresident fee for a moose permit was **increased** to \$450.
- The credit against the insurance premium tax for payments made by insurance companies to the workers compensation fund was repealed.
- The communication tax exemption on the first \$12 of residential phone services was repealed, causing an **increase** in everyone's telephone bill.
- Added a new \$25 filing fee for court proceedings.
- Residents would experience a registration **increase** of at least \$2.60 per month for automobiles.
- The motorcycle registration fee was **increased** by 25%.
- Fees for reviewing terrain alteration were **increased** from \$500 to \$1250; the shoreline structure application fee from \$100 to \$200 plus an impact fee **increase**; and the impact dredge and fill projects application fee goes from \$100 to \$200.
- A **new \$25 tax** would be assessed on each deed recording, not to exceed \$100 per party.
- Revenue estimates adopted by the Democrats were overinflated by approximately \$39M on business tax revenue and \$23M on the interest & dividends revenue.

## August 30, 2007—The Spending Spree Continues!

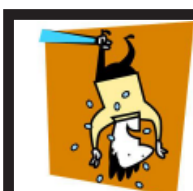
With the citizens of New Hampshire already starting to feel the sting of the increased taxes and spending bills passed by Democrats, the General Court's Joint Facilities Committee agreed—in a strictly partisan vote—to approve pay raises and increased benefits for the 145 members of the legislative staff over the next biennium—The final price tag for the New Hampshire taxpayer: \$900,000 over the biennium. This money clearly could have been used to help defray the 17.5% increase in overall budget spending.

**October, 2007**—Rep. Marjorie Smith (D-Durham), Chair of the House Finance Committee told members of the House Ways & Means Committee to *“look to the sky when you do revenue estimates because we need more money.”*



- After only three months of a 24-month budget cycle, it became apparent that the Democrats' inflated revenue projections were much higher than the economy was able to support. The shortfall had already reached \$21.5M and, without corrections, the budget could be off by at least \$50M—setting up the state for economic disaster.
- Business taxes for FY08, projected by the Democrats to grow by 7.7%, had actually decreased during the first quarter by 9.5% compared to the first quarter of the previous year. Revenues for the first quarter were down \$12.5M (-9.5%).
- Business Profits Taxes, related to corporate profit taxes, represents approximately 57% of the state's business taxes. Those taxes came in \$13M below projections in September and \$6.7M lower than September 2006.

**December 7, 2007**—Republican concerns were realized when state revenues for the month of November came in, the business taxes year-to-date were \$7M—4.2%, lower than the previous year's actual numbers.



## *Tax and Fee increases in 2007: 22*





## Year Two of the Democrats' Assault Begins



**January 15, 2008**—Appearing before the House Finance committee, Gov. Lynch proved once again that he was “*out of touch*” with the real financial crisis facing the state. He told the committee that the budget was “put together with sound revenue projections.” As early as April, 2007, Rep. Norm Major predicted that, “Democrats would need hundreds of millions of dollars to support their 17.5% increase in spending.” Gov. Lynch also claimed that when the budget was originally crafted, economic forecasters were not predicting the severity of the situation that the nation was currently facing.

In reality there were a number of economic indicators there were identified as early as the spring of 2007 that supported the Republican belief that revenue streams would continue to falter, setting the stage for a financial crisis in New Hampshire. The governor made the decision to ignore his own department heads’ prediction of a revenue shortfall of anywhere between \$140 and \$195M—instead he **increased** General Fund spending by a whopping 17.5%!



### UNDER PERFORMING KEY REVENUES (1/08)

- **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 \$.6M (-2.2%)

While Gov. Lynch claimed that the first six months of the fiscal year saw revenues close to the Democrats’ projected levels, he was ignoring \$18M in onetime money, \$5M in funds not dispersed, and \$5.7M due to the timing of January securities receipts. At the same time Rep. Major was projecting the deficit at the end of the biennium could be as high as \$165M. Democrats were taxing and spending the State of New Hamp-

shire into a financial crisis that easily could have been avoided.

**February 22, 2008**—It becomes apparent that the *Perfect Storm* predicted by Rep. Norm Major had arrived!

- The deficit that was portrayed to be \$50M just a week prior by the governor had almost grown overnight to \$138M. The credit problems with the housing market had a negative “domino” effect on the entire economy.
- People could no longer refinance; houses were not appreciating; home owners were not taking out equity loans and spending money that would keep the economy going; and not only were mortgages and commercial loans being defaulted, but so too were credit cards and auto loans.
- We were now eight months into a 24-month cycle. Many of the onetime purchases had already been processed and it was too late to cut or defer them.

**March 6, 2008**—Democrats bring forth yet another new tax on cigars that would adversely effect sales along the New Hampshire border—the very same stores which had already been hurt by two huge cigarette tax increases in the previous two budgets. Despite opposition by 94% of the Republican caucus, this bill was passed and eventually signed into law (7/1/2008) by Governor Lynch.

**March 21, 2008**—The attack on the pocketbooks of New Hampshire citizens by Democrats in the House continued in earnest as no fewer than five bills dealing with increased fees and taxes were overwhelmingly supported by the Democrats.

- Republicans attempted to repeal the court civil filing fee surcharge that increased the total fee to \$175—blocked by the Democrats.
- Democrats (95%) were successful in killing a Republican bill aimed at repealing a fee charged by the registry of deeds.
- At a time when the price of heating oil and gasoline was skyrocketing, the Democrats attempted to raise taxes on both.
- The Democrats also passed a bill that would establish fees for hazardous materials facilities and employees that would be levied on the backs of our small business owners.



**April 11, 2008**—The governor’s agency heads, appearing before the House Ways & Means committee to update revenue estimates, conveyed numbers that were not much different from what Rep. Major had projected the previous week when he warned that the state was facing a shortfall of as much as \$240M over the biennium. Just a month prior, those same agency heads projected a deficit of somewhere between \$151M and \$204M. The very next week they increased those projections to between \$222M and \$267M—a jump of more than a quarter billion dollars! Democrats were slowly discovering that artificially increasing revenue projections to accommodate their 17.5% spending increase in the budget had been a recipe for the largest financial crisis in state’s history. Their “spend like crazy and then inflate the revenue projections” method has put New Hampshire on the doorstep of a \$260M shortfall



### **May 1, 2008—Spending Spree Continues**

Despite facing a budget deficit of more than \$250M, Democrats on the House Finance committee amended and passed legislation (SB539) that would add more than \$130M in additional spending to the cost of an adequate education. This legislation was expensive, ineffective and blatantly unconstitutional. It violated every aspect of the Claremont Decision (2-13). It provided an arbitrary cap on state aid, preventing any town from receiving more than 115% of their current state aid over the next biennium. This would mark the fifth time that the original bill, presented by Democrats on the Adequate Education Costing Committee, had been amended and each “fix” was worse than the previous one. It would establish 40 new donor towns while purportedly “holding them harmless” for two years. The cost of this bill is \$939M for each year with no provision for paying the additional \$130M burden that the bill imposed on state taxpayers.

Legislation relative to kindergarten aid (SB530) was also unconstitutional. In funding the new kindergarten mandate, Democrats failed to pay for the entire cost imposed on the 12 school districts which had not voluntarily chosen to offer public kindergarten—a clear violation of Article 28-a of our state constitution. This bill ordered 12 school districts over a four-year period to construct kindergarten facilities. Forcing the state and municipalities to begin significant construction while spending millions of dollars during this economic environment is fiscally irresponsible. It would increase education spending by \$20M with no anticipated increase in kindergarten attendance. In the end, 96% of Democrats in the House supported this measure while it was opposed by 95% of the Republican caucus!

## **The Assault: The First Two Years**

# **S**pending

- ✓ **Democrats presented the state with the first \$10B budget in history.**
- ✓ **General Fund appropriations increased by \$475M, to \$3.19B, a jump of 17.5%  
—THE LARGEST SPENDING INCREASE IN MORE THAN 20 YEARS!**
- ✓ **The previous two Republican budgets actually decreased spending relative to inflation.**

In an attempt to pay for their exorbitant spending, Democrats **raised 35 new taxes and fees**, including a second increase in the tobacco tax in just two years. They also found new targets for their taxes: charitable games of chance, cigars, registry of deed filings, court filings, electric bills, diesel fuel and gas. House Democrats even voted to impose a new tax on milk and suggested fines for accidentally releasing helium balloons. Since their tax and fee increases fell short of neutralizing their spending, instead of immediately reducing spending, they authorized \$80M of borrowing to delay the problem—*Like using your Mastercard to pay off your Visa bill!*



# H

## healthcare

- ✓ Mandated coverage of bariatric bypass surgery for the obese.
- ✓ Mandated insurance coverage for divorced spouses.
- ✓ Mandated insurance coverage for all dependents until the age of 26.



Insurance mandates drive the cost of health care insurance higher for everyone but the Democrats passed not one...not two...but three special interest bills.

# E

## ducation

- The Democrats' education funding plan was a collection of bad ideas.
- ✓ The richest towns in the state would get more aid.
  - ✓ The poorest towns in the state would get less aid.
  - ✓ The plan would bring back donor towns.

Democrats defined an adequate education at a cost of \$948M—but offered no way to pay for it. They refused to tell the voters where they would get the money or what taxes would be raised to pay for it until AFTER the upcoming election.

# D

## emocrats' Social Agenda:

- ✓ New Hampshire became the first state to ever repeal parental notification of abortion protection for minors.
- ✓ Passed a law giving partners in same-sex civil unions the same “rights, responsibilities and obligations” as heterosexual couples in marriages.
- ✓ Despite the financial crisis within the state retirement system, Democrats voted to count Peace Corps Service as part of taxpayer paid State Retirement Benefits.
- ✓ Democrats eliminated a secret ballot on union votes and passed a bill that would tie the hands of our cities, towns and counties in union contract negotiations.

**October 2, 2008—Rep. Major (R-Plaistow) warns of a \$380M Revenue Shortfall**

*“Dealing with the revenue issues of FY2008 (raiding the \$61M 2007 surplus, \$10M in bonding and the FY08 shortfall), coupled with the FY2009 shortfall of approximately \$200M and bonding payments for current expenses in the amount of \$40M, we are looking at over \$360M in revenue shortfall in this budget cycle. If the economy stalls, then the next budget cycle could be faced with an approximate \$580M revenue shortfall.”*



## *Tax and Fee increases in 2008: 13*

## Year Three of the Democrats' Assault Begins

**January 22, 2009**—House Finance unanimously (25-0) passes HB30, requiring operating budget reductions for fiscal year 2009 but it does not go far enough. The legislation reduces the current deficit by \$16.25M, leaving a deficit at \$65M.





**February 11, 2009**—Senate and House Republicans laid out their expectations for Governor Lynch’s budget address, calling for realistic revenue projections, no tax increases and more efficiencies. “The governor recently had the opportunity to get us back on the path to fiscal sanity, but instead he chose a band-aid approach—a good first step that cut \$16.5M, but one that clearly doesn’t go far enough.”



—House Republican Leader Sherm Packard (R-Londonderry)

Leadership called upon the governor to implement many of the recommendations from the 2003 Commission to Assess the Operating Efficiency of State Government—that made 53 specific recommendations projecting a \$78M savings in the first year.

**February 12, 2009**—

**L**ynch Budget Address: The governor added an **additional tax burden** onto the backs of NH taxpayers of \$126M into the General Fund and \$32.8M into the Highway Fund over the biennium.

- √ He proposed to increase our Rooms and Meals Tax by nearly 10%
- √ He proposed to raise the tobacco tax by another \$.35 per pack.
- √ He proposed a 10% tax on gambling winnings over \$600.
- √ He proposed a \$10 increase in the fee to register a vehicle and changes to the E-Z Pass system.

### **Aid to Cities and Towns Cut:**

Gov. Lynch also proposed to lower the state’s financial burden by increasing the financial burden of the state’s municipalities by cutting aid to cities and towns in three significant areas:

- √ The state’s share of municipal employees’ pensions was cut **from 35% to 30%**.
- √ State aid for new water and sewer projects would be **eliminated**.
- √ State Revenue Sharing would be eliminated, costing cities and towns **\$166M** over the next two years, which includes the disbursement of **\$116M** in Rooms and Meals Tax money.

### **One-Time Money:**

**The governor also chose to make up a significant part of the difference in state revenue through the use of one-time money.**

The sale of the Concord liquor warehouse (\$4M). The liquor revenue would change from gross-profit to net profit, meaning that they would now operate outside of the General Fund. This would remove \$44M a year in appropriations from the General Fund in 2010 and \$46M in 2011—thus reducing the General Fund by \$90M. Through the bonding of recurring costs, selling or securitizing state assets and raiding the Malpractice Fund (JUA), the governor put \$174.8M in one-time money into the General Fund. It is highly unlikely that stronger state revenues in 2012/13 will cover both inflationary increases and fill this one-time revenue hole.

**May 4, 2009**—Gov. Lynch’s revenue projections **\$137.7M above those of the House (HR6)**.

Revenue estimates for FY2010 were \$62.M lower than those of Gov. Lynch. For FY2011, the governor’s numbers were \$73.1M higher. The economy continues its downturn even further since the governor presented his projections. The governor and State House Democrats continue to be “out of touch” with the real financial crisis facing the State.

**March 13, 2009**—More taxes!

In the previous biennium, Democrats in the legislature passed along 35 tax and fee increases.....and in 2009 the onslaught on the New Hampshire Advantage continued. Thus far, House Democrats have voted to pass no less than eight bills that included increased taxes and fees. They have targeted everything from boating fees to fees for attraction signs, from establishing a recreational saltwater fishing license fee to increasing the gasoline tax (at a time when the government is also looking to increase the gas tax.).A week prior, no less than 11 (tax) amendments were introduced (HB 638) to increase the tobacco tax.



### March 19, 2009—Democrats Retain Tax Bills in Ways & Means.

In a “horrible abuse of the system,” Democrats on House Ways and Means voted to retain tax bills without sending them to the house floor. A Capital Gains tax (HB664), along with several other retained bills, should have gone to the floor as stand-alone-bills and received the full debate that they were due. This process of taking a package of new tax bills and retaining them bypasses the normal legislative process. These tax bills did not go to the floor to get properly vetted, instead they were buried in HB2—so much for the Democrats’ promise of “*transparency in government!*”



### March 25, 2009—House Democrats Turn Their Backs on the NH Retirement System

In a close vote supported by an overwhelming majority of Democrats (97%), House Democrats turned their backs on an attempt by Republicans to strengthen the state’s retirement system by limiting an employee’s pension to no more than 100% of their base pay. The legislation would have rectified a situation where an employee retiring with a base pay of \$60,000 could conceivably receive a pension a twice that amount. It is time for Democrats to start thinking about the future of New Hampshire. If we don’t change the way we do business with regard to the Retirement System, it will be broken beyond repair in the not too distant future.



### March 26, 2009—The “Bathroom Bill.”

Democrats continued to push their extreme social agenda by passing the “Bathroom Bill.” This legislation would have allowed men who identify themselves as women, even if they are men to use any bathroom that they want to. This would have opened the door to any potential sexual predator to stalk women in the bathrooms. Nearly 90% of all Democrats voting in the House supported this measure. While debating this issue for hours, Democrats ignored the budget crisis.

### April 6, 2009—House Republicans Offer Alternative State Budget

In response to a state budget proposal from House Democrats that would cost the taxpayers of New Hampshire \$133M in additional property taxes, House Republicans offered an alternative budget at a press conference in Concord. Unlike the Democrat-proposed budget, Republicans presented a balanced budget that asks the state to live within its means, with a modest 2.6% budget cut over the biennium. The budget proposed by Democrats **would cost every man, woman and child in this state \$300.**

### April 9, 2009—Republicans stand together in opposition to increased taxes and spending.

In 14 crucial roll call votes dealing with tax and fee increases (HB1 & HB2), House Republicans remained united 98% of the time, including 6 votes that garnered 100% Republican support! Despite being faced with the worst recession in recent memory, House Democrats continued to ignore the economic crisis. Instead they voted to unfairly raise numerous taxes and created several new ones. Their answer to the recession was to impose a capital gains “income” tax that would remove \$75M from the state’s economy; impose an increase in the Rooms and Meals tax that would remove \$39M from the economy; increase the tax on tobacco removing another \$57M from the economy; impose a new estate (“death”) tax, removing \$10M from our economy; create a new tax on gambling, taking \$16M out of the economy; nearly double the gasoline tax which, over the biennium, would remove \$76M from the economy; fail to fund school building aid, impose an \$83M local property tax increase; and fail to fund municipal revenue sharing that would result in a \$50M loss by local property tax payers. If you add up all of their moves to raise taxes and downshift the financial burden to the local municipalities, Democrats would be removing more than \$350M out of the New Hampshire economy!

**June 3, 2009**—Less than two years after making civil unions legal Democrats legalized same-sex marriage in NH.

**June 19, 2009**—Conferees agreed on an **\$11.6B budget** that would raise a multitude of taxes and fees, relies on \$500,000 in one-time money and sends New Hampshire further down the road toward a broad based tax. Democrats in Concord have now **increased spending** by nearly 25% over the last two bienniums!



## June 23, 2009—House Republicans Offer Cost-Saving Budget Alternatives

Republicans intended to offer a continuing resolution to keep state government going at a fiscally responsible level, had the massive spending and taxing increases contained in case HB1 & HB2 failed to pass the House. No less than a dozen fees were increased, with the implementation of several tax plans including a new LLC Income Tax, increasing the Meals & Rooms tax, increasing the Tobacco tax for the fourth time in five years and adding a new tax on gambling winnings. Perhaps the most devastating aspect of the budget was that it included \$600M in one-time money that simply will not be there when the legislature crafts the next budget in two years.



**“At a time when budgets across the country have seen an average 2% decrease in their state spending, the Democrat majority in Concord has increased state spending by an unconscionable 7.7%.”**

—House Republican Leader Sherman Packard (R-Londonderry)

In response to the Democrats’ spending spree, House Republicans offered **\$181.9M** in specific cuts. Some were accepted, but most were **ignored**:

	Biennial Savings
Accept House position on retirement	\$21M
OADAP reduced to governor’s level	2M
USNH required to pay their own debt service	39M
Reduce House out-of-state travel expenses to 05/06 levels	170K
Reduce legislative organizational dues to \$100K per year	230K
Eliminate LCHIP funding	4.5M
Rollback the 5.5% state employee raise from 1/1/09	15M
General Fund 7% across-the-board cuts (excluding debt service, direct care & safety services)	<u>100M</u>
	<b>181.9M</b>

Democrats relied upon **\$131M in downshifting** in their budget—a move that would severely impact local property taxes. They accomplished this by:

- Eliminating municipal revenue sharing so that our cities and towns would receive (\$50M) less over the biennium.
- Reducing the state’s payments (\$27M) that cities, towns and school districts make on behalf of their employees.
- Suspending public waste water grants, downshifting another \$10M.
- Underfunding catastrophic aid for another \$26M.
- Cutting tuition and transportation aid for another \$2M.
- Freezing the municipal share of the Rooms and Meals tax at 2008 levels, downshifting another \$15M.



**September 21, 2009**—House Republicans wasted little time in setting the tone for the next legislative session. They delivered six bills that would repeal taxes and return money to the cities and towns while at the same time cutting the overspending that has been the mantra of the Democrats since they took control of the New Hampshire House.

Republican sponsored legislation would:

- Restore revenue sharing to cities and towns.
- Repeal the \$30 surcharge on motor vehicle registrations
- Repeal the “campground” tax that was added on to the Rooms and Meals Tax.
- Repeal the LLC Income Tax.
- Repeal the freeze on the municipalities share of the Rooms & Meals Tax.





**October 20, 2009—Republicans expose the Democrats’ *Income Tax Summit* for what it was—** a hidden attempt to introduce the concept of broad based taxes into any conversation about dealing with the huge deficit that they created with their overspending. Scott Hodge of the Tax Foundation reinforced the Republican philosophy on taxes when he told the seminar, “my message to you today is simple, don’t mess up a good thing. New Hampshire’s tax burden is low and your tax climate ranks very high nationally. These are advantages that you certainly want to protect at all costs.” Jonathan Williams, Director of the Tax and Fiscal Policy Task Force of the American Legislative Exchange Council added, “The top performing states keep taxes, spending and regulatory burdens low, while the biggest losers tend to share similar policies of high tax rates, unsustainable spending and regulation.”

**October 27, 2009—Republicans respond to Democrats’ “Income Tax Summit” with a session to “Stop the Spending.”**—With the future of the New Hampshire Advantage and our quality of life at stake, House Republicans announced plans to hold a public forum to discuss ways to cut spending and the positive impact any cuts would have on future state budgets. Ironically, the Democrats’ summit did not get to the root of the problem, which is spending. Any future discussions should be about holding the line on spending, not where to raise taxes. According to Rep. Norm Major, New Hampshire continues to lead the way in a number of categories both nationally and here in New England because of the quality of life that we enjoy. Said Major:

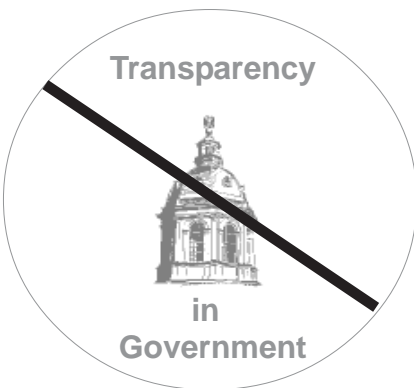
*“The current tax structure is a diversified portfolio of taxes and fees that does not include a broad based tax. As a result, when the economy goes into a downturn, as we currently are experiencing, New Hampshire does not witness such a large swing in our revenue stream, as do those states that rely heavily on broad based taxes. We simply don’t have a revenue problem, we have a spending problem and that’s what we should be looking at.”*

**December 16, 2009—**House Republican leaders joined with fellow lawmakers and hundreds New Hampshire small business owners in speaking out against a tax on Limited Liability Corporations (LLC) passed last session by State House Democrats. Not only did Democrats set a dangerous precedent by creating a new tax policy without holding a public hearing, but they targeted the state’s small business owners at a time when they can least afford it. Small business is the backbone of the New Hampshire economy and this new tax will amount to a **13.5% tax** on the income of the state’s business owners.



## *Tax and Fee increases in 2009: 44*

### *Year Four of the Democrats’ Assault Begins*



**January 20, 2010—**If the first few days of the new House session were an indication, Democrats had long since forgotten their pledge of “transparency in government” that they touted when they first took control of the legislature three years ago. In a private closed-door session, Speaker Terie Norelli brought together House Democrats on both the Joint Legislative Committee on Administrative Rules and the Ways & Means committee for a *private* briefing on the LLC tax with Revenue Commissioner Kevin Clougherty. This back door meeting was just another example of a series of moves made by House Democrats in the last three years to ignore the process. They added the LLC tax in the middle of the night, without a public hearing, and were now trying to pervert the process with secret, one-sided briefings and preferential treatment





**January 21, 2010—Lynch State of the State Address = More of the same**

Much like his speech of 2008, Gov. Lynch’s address was loaded with “feel good” programs and initiatives that looked great on paper and made for good “sound bites,” but did not address the real problems of our state. Nowhere in his address did he mention the impending JUA decision and its impact on the budget; the controversial LLC tax and its negative affect on NH businesses; or the downshifting of millions of dollars to the state through Obamacare. In short, he failed to deal with the real problems that we face—a growing deficit; a Democrat controlled legislature that has overspent and overestimated revenue figures; and a budget that is way out of balance.

***Lynch speak.....***

*“I will not support any bills that require additional spending this year.”*  
—Gov. Lynch, 2008 State of the State

**Reality:** Over the past three years Gov. Lynch sat back and watched his own party increase spending by 25%!

*“Our state’s unemployment rate is one of the lowest in the country, and more than 30% below the national average.”* —Gov. Lynch, 2010 State of the State

**Reality:** Since the governor presented his other “jobs initiative” in 2008, more than 20,000 additional people had lost their jobs. His approach clearly did not work and he needed to return his focus to creating jobs the right way—by assisting small business, not by continuing to over tax them.

*“2009, the worst year of the recession, we balanced the budget. And we will do the same this year.”*  
—Gov. Lynch, 2010 State of the State

**Reality:** Democrats utilized more than \$400M in one time money—funds that will not be there when legislators sit down to craft the next budget. Combined with the \$231M in onetime money used in the 08-09 budget, the State of New Hampshire will be forced to fill a huge gap in the next budget—and the likely answer from Democrats will be to raise taxes and fees even further!

*“To keep taxes low, we cut spending in nearly every state agency.”*  
—Gov. Lynch, 2010 State of the State

**Reality:** While state budgets across the county saw an average **2% decrease** in their state spending, Gov. Lynch and the New Hampshire Democrats **increased state spending by more than 7%**.

*“We have shared goals in New Hampshire: lower health care costs, better health care quality and more insured citizens. Here in New Hampshire, we aren’t waiting for Washington to act.”*  
—Gov. Lynch, 2010 State of the State

**Reality:** This comes from the same governor who REFUSED to join with State House Republican leadership in signing a letter to our congressional delegation asking them to oppose the Obama Health Care Plan because of its disastrous impact in the future, downshifting federal costs to our state budgets.

**February 3, 2010—Democrats turn their backs on an opportunity to minimize the downshifting of expenses to our municipalities.**

25 Democrats joined with every Republican in voting to return meals and rooms revenues to our cities and towns (HB1128) , but 169 Democrats opposed the move.. Later in the day, Republicans attempted to restore \$25M in revenue sharing to the taxpayers (HB1274), but Democrats prevailed in stopping that measure 191-172. These were two golden opportunities for the majority party to correct their wrongs—and they failed their constituents miserably.





**February 11, 2010—Gov. Lynch Blinks!**

Gov. Lynch finally realized what Republicans in the State House have been trying to tell him all along— **we don't have a revenue problem, we have a spending problem.** The governor called his department heads together and asked them to make across-the-board cuts totalling \$140M—a 2% cut through the rest of fiscal year 2010 and 8% in cuts through 2011. Just a short time ago, Democrats lambasted Republican leadership for recommending 10% budget cuts. The irony is that these cuts would have been unnecessary had the governor been able to rein in members of his own Democrat controlled legislature while they were busy increasing the General Fund spending by 25% over the previous three years. Republicans had been talking about cutting spending for nearly four years and now that New Hampshire was facing a \$250M deficit, the governor decided it was time to take action. Had these cuts been enacted seven months earlier, the state would have realized \$200M in savings—that's \$60M more than the governor was asking for in cuts from his department heads!

**Democrat Spin-Doctors:** “Republicans offered no cuts to make up for any lost revenue.”

**Reality:** Democrats should have taken the time to read legislation sponsored by House Republican Leadership (HB 1664/ HB 1672), which offered very specific cuts, with an impact on the appropriations resulting in a net gain of nearly \$28M!

**Democrats Continue Their Assault on the New Hampshire business community.**

House Democrats approved, and passed along to the Senate, a number of anti-business bills that are helping to erode the New Hampshire Advantage:

**HB 561**—requiring insurance for hearing evaluations, hearing aids and dispensing and fitting of hearing aids.

This would add significant costs exposure to New Hampshire business.

**SB 193**—further limiting credit availability by unnecessarily eliminating the few remaining companies providing short-term loans as small lenders.

**HB 1588**—Democrats refused to change the effective date of the expiration of the motor vehicle registration fee increase and surcharge, which continues to hurt the unemployed and underemployed in our state.

**HB 1522**—Democrats defeated an attempt to authorize cities and towns to adopt charter provisions establishing limitations on the growth of budgets and taxes.

**HB 681**—Democrats passed yet another fee—the administrative fee paid to the State of New Hampshire relative to assessments for aquatic resource compensatory mitigation was increased by 300%!

**March 24, 2010—Democrats block legislation that would cut spending and lower taxes.**

Two crucial budget bills that House Republican leadership filed at the beginning of the session that would cut spending while holding the line on any new fees, taxes or increases were blocked by the Democrats. **HB 1672**, which restored revenue sharing to our municipalities and repealed the LLC Income Tax, the Campground Tax and the increase in the motor vehicle registration fee was killed in a strictly partisan vote (198-163). Republicans had already successfully killed the campground tax and had restored \$5M in Rooms and Meals revenue sharing to our cities and towns. But the Democrats blocked any attempt to restore the \$25M in revenue sharing or undo the vehicle registration fee increase. This left only the LLC Income tax remaining in **HB 1672**. The Democrats also blocked Republican attempts to kill the LLC Income tax when they sent **HB 1661** to Interim Study, despite assurances that they would help us overturn the committee recommendation. In doing so, House Democrats tipped their hands—they had the opportunity to undo the Lynch LLC Income Tax that they had enacted the previous year, without the benefit of a public hearing.

**Appropriations & Expenditures**

<b>HB 1664</b> -Appropriation & Expenditure impact	\$(77,042,277)
<b>HB 1672</b> -Appropriation impact	\$ 30,966,147
<u>Net Impact on Appropriations</u>	<u>\$(46,076,130)</u>



## Democrats reject spending cuts



Despite the fact the **HB1664**, making appropriations reductions in the operating budget for fiscal year 2011 was unanimously passed by House Finance, Democrats on the floor of the House voted to place the legislation on the table. This bill, submitted by House Republican leadership, would have **cut approximately \$47** from the General Fund in FY 2011:

- **Decreases** state contributions towards Municipal Normal Contributions from 25% to 20% for one year.
- **Increases**, for one year, the percentage that employees, teachers and permanent police and firefighters contribute to their pensions.
- Administrative Services and the SEA will work to develop a plan to achieve **\$1M of savings** in the retirees' health insurance plan.
- **Reduce** LCHIP appropriations by \$1M
- Dept. of Cultural Resources must **reduce spending** by \$540,000.

### *Once again the Democrats said “NO” to potential spending cuts!*

**April 8, 2010**—Gov. Lynch finally unveiled his long awaited plan to cut spending. In doing so, he clearly shifted the burden of the growing deficit to the next biennium through a series of budget maneuvers (“kicking the can down the road”):

- Amending the 2010/11 capital budget to include bonding of \$25M for University System of New Hampshire (USNH) deferred maintenance. In return USNH would make a \$25M payment to the state for FY10. By bonding operating costs, the governor is once again trying to use one credit card to pay off another.
- A **20 cent increase** in the tobacco tax—the fifth such increase in six years. At the end of the day, tobacco taxes in New Hampshire would be a mere two cents less than those in neighboring Maine. (\$2.00 vs. \$1.98).
- Only \$25M in cuts to the Department of Health and Human Services—this despite the fact that Commissioner Toumpas offered the governor more than \$80M in cuts.
- Shifting \$80M in federal stimulus money for education from FY11 to FY10 to balance this year's budget.

**April 21, 2010**—**The Democrats' “Straw Vote Caper.”**—After rejecting \$47M in spending cuts recommended by House Republicans just a month prior, Democrats instead returned to the table with numerous tax and fee increases in an attempt to help Gov. Lynch fill his \$220M budget hole. Democrats looked to raise taxes even further through a series of amendments tacked on to SB 450, legislation that revised the state 10-year transportation improvement plan. Despite the fact that many of the nearly 20 tax and fee hikes were complicated in nature, the majority looked to dispatch with them quickly by passing them out of the House Ways & Means committee using “straw” vote, a tactic that they had used the year before. Republicans on the committee were told that the “straw” vote was merely to see if the issue should be studied further. In reality, once the results were passed on to the House Finance committee, they were portrayed as a “recommendation” by the House Ways & Means committee. Taxes included in the amendments to SB450:

- Tobacco tax (\$.20 increase to \$1.98)
- Pet shop license increase (75% increase)
- Tax on tobacco products other than cigarettes
- Tobacco “floor” tax
- Capital Gains Tax
- Insurance Premium Tax (returned to 2%)
- Estate Tax
- Beer Tax Increase
- Gas tax increase





### **Revenues continue to spiral downward!**

Revenues for the month of April—one of the biggest revenue months of the fiscal year—were off by \$44.5M, or 15.7% down from *the plan*. Revenues for the year-to-date were down \$100.7M. The Interest & Dividends tax, another barometer of the strength of the state's economy, was down \$11M or 27% from the plan. For the year-to-date, the Interest & Dividends tax was down \$21.5M. Business taxes for the month of April were off by \$12.3M, down 25%.

### **Lynch Continues to Rely on Bonding**

Traditionally, New Hampshire's bonding ratio has fallen somewhere in the range of 5.9% to 6.5%. But under the management style of Gov. Lynch, it has grown to somewhere in the vicinity of 7.5%. If the governor's bonding proposals before the legislature were passed, New Hampshire would reach the 8% level—meaning that eight cents out of every dollar would be going toward debt reduction, dangerously close to where the bond agencies will sit up and take notice. **SB450** also contained bonding of operating costs. Under the "Lynch Shell Game," the University System of New Hampshire (USNH)—where he served as chairman of the board of trustees—would bond \$25M. Here's how it works: the state borrows \$25M and USNH then cuts the State of New Hampshire a check for \$25M out of their maintenance fund. The money is then used for operating expenses and the state would pick up the debt service, approximately \$8-9M over ten years. The bonding of money for short term debt just makes no fiscal sense.

### **May 11, 2010—House Republican Leadership Rejects Additional Taxes, Bonding and Downshifting**

Calling it a "further assault on the New Hampshire Advantage," House Republican Leaders called upon members of their caucus to oppose SB450 when it came up for a vote on May, 12. The Democratic party—the party of "Yes We can" —had quickly turned into the party of "No we won't." Republicans brought forth an alternative budget the previous year that spent \$200M less than the Democrats' budget, and they rejected it. This year, Republicans offered \$77M in proposed cuts, and the Democrats rejected nearly all of them. SB450 contained \$25M in additional taxes, continued the practice of bonding operating costs, and downshifted an additional \$20M to New Hampshire municipalities. Finance Democrats also voted to borrow \$64M to pay for the state's operating expenses and refinanced an additional \$40M of the debt service due in FY11. As a result of the "Lynch Philosophy" of bonding operating expenses, the next legislature is already looking at \$45M for interest on bond payments alone. The vote of the House Finance Committee on SB450 was 13-12 (OTP), with all 11 Republicans voting against the legislation. On the floor of the house, all 162 Republicans voted against the measure but the Democrats prevailed 182-173.

### **May 14, 2010: Voters in New Hampshire in November will have a clear cut choice.**

The choice will be between the "tax and spend" Democrats, who have put the State into a huge deficit hole, and the more fiscally responsible Republicans who have unsuccessfully tried to rein in spending, cut taxes and protect this assault on what has come to be known as "The New Hampshire Advantage."

In passing SB 450, Democrats raised fees and taxes by \$25M, borrowed \$65M to pay for the state's operating expenses; cut \$20M in aid to our municipalities and school districts; all while turning their backs on \$70M in cuts proposed by Republicans. Despite the fact that members of the senate then rejected SB450 when it returned from the House, we will still be able to use the SB 450 House votes against our Democrat opponents in November. In total, Democrats have created or raised 100 taxes or fees since they gained control of the legislature in 2006.

House Republicans stayed together on every key budgetary issue that we faced in SB 450. On the final vote of OTP/AM, Republicans were unanimous in saying "no" to taxes, spending, bonding and downshifting, while 95% of the Democrat majority supported these measures.





## Key FISCAL Votes on SB 450

### AMENDMENT TO REMOVE:

	Republicans <u>FOR</u> (antitax)	Democrats <u>AGAINST</u> (Pro Tax)
<b>Tax on other tobacco products</b> increase to		
\$1.78 equivalent and floor tax (\$2.7M)	99%	96%
<b>Estate Tax</b> over \$2M (up to \$20M)	98%	96%
<b>Insurance Premium Tax</b> back to 2% (\$16M)	99%	93%
<b>LLC Tax</b> repeal from interest & dividends (\$15M)	99%	96%
<b>Local Rooms and Meals Tax</b> option	98%	94%
<b>Bonding</b> for operating costs. (\$6.7M in debt)	100%	92%
<b>VOTE ON MINORITY AMENDMENT</b>	<b>96%</b>	<b>98%</b>



While Republicans were attempting to remove the tax on “other” tobacco products, thus saving the taxpayers of New Hampshire \$2.7M, the Democrats overwhelmingly (96%) said “no!” While Republicans tried to remove the Estate Tax, which could cost our citizens as much as \$20M, Democrats (96%) dug their heels in and, once again, said “no.”

Republicans attempted to keep the reduction in the Insurance Premium Tax and save jobs in this state but the majority party (93%) once again ignored the small businesses community and voted “no.”

While Republicans were 100% together in trying to remove the bonding of operating costs from SB450, the Democrats (92%) voted to continue this fiscally irresponsible policy that, together with the three bonds already authorized, would add \$45M in bond interest payments in the next budget alone.

**When it comes time for your campaign, please remember that every one of these key votes by our “tax and spend” opponents are available at the House Republican Office. The attendance records of Democrat incumbents are also available.**

### **May 21, 2010—House Democrats Ignore Revenue Warnings....Again!**

Ignoring their mistake of three years ago when overexuberant revenue estimates led to a huge state budget deficit, House Democrats once again chose to base their budget on revenues that were totally unrealistic, given the current state of the economy.

According to Rep. Major, the Democrats over-inflated estimates on three major taxes would result in an additional \$57M shortfall, increasing the budget deficit to \$360M—an increase of 19%.

Democrats were estimating \$503M in business taxes for 2011, \$40M higher than Major’s estimates and a 13% increase overall. This comes despite the fact that all businesses filing with money in April this year were down 10.5%. When it came to Meals & Rooms taxes, the Democrats actually increased the tax rate by 12.5% while revenues had only seen an 8.3% increase. Reasonable growth in this economy is no more than 3%, but Democrats anticipated a growth of \$10M in Meals and Rooms, or a 7.3% increase. Said Major, “This state has never realized a 7% increase in growth in this tax and we certainly cannot anticipate that happening in this economy.” Finally, Democrats projected a \$9.7M increase in lottery revenue in 2011, or 14.3%, when normal increases fall in the 3% to 5% range.





The end result will be another \$57.7M tacked on to the budget deficit because House Democrats once again want to increase spending to match their inflated estimates, just as they have done for four years. When their spending fell short of the revenue, they resorted to raising 100 taxes and fees.



**May 21, 2010**—As they did three years prior, Democrats chose to ignore the “rationally optimistic” revenue projections of Rep. Norm Major. Based on the Democrats’ revenue figures, we were looking at a deficit of \$303.4M. At a time when the numbers of New Hampshire businesses filing money during the month of April were down by 10.5%, Democrats estimated a **13% increase** in revenue (\$503M)—\$40M higher than Rep. Major’s more cautious estimates.

Revenue estimates for the Meals & Rooms taxes were **8.7% off plan**, but the majority insists that growth in 2011 will hit **7.3%**! Reasonable growth in the economy is no more than Rep. Major’s estimate of 3%, but the Democrats are counting on \$10M more than what we have witnessed in past growth, for a total of \$245M. Through legislation they have increased the tax rate by 12.5% while revenues have increased by only 8.3%. People may still choose to dine out, but they will be buying less expensive meals.

When you add these two taxes together, along with the lottery estimates, the budget shortfall grows by an additional **\$57.7M**, bringing it to somewhere in the neighborhood of **\$360M!** It is pretty clear that the goal of the majority party is to leave us with such a tremendous budget deficit that only a broad based tax will be the answer.



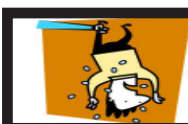
**May 28, 2010**—State House Democrats continued their game of “Kick the Can” further down the road as they continued to push the budgetary problems off on to the next legislature. The conferees on the Democrats’ budget bill began their session by agreeing to an arbitrary number of \$295M—\$60M below the number Rep. Norm Major would have presented on the House floor, had he been allowed the courtesy. Once the conferees set the number at \$295M, they then began to cobble together a \$180M mishmash of budget cuts and revenue increases. When that was not enough to close the budget gap, they then agreed to borrow money and looked at selling state properties in the amount of \$115M— non-sustainable funding sources. The State should not be borrowing or relying on onetime money to provide state services that it simply can’t afford. State government needs to restructure and downsize so that it can live within its means.

The party that had become the one of “No We Won’t” continued to ignore legitimate budget cuts—cuts that would have helped close the gap. Republicans proposed saving \$10M from the University System of New Hampshire in 2011 by making them pay their own debt service; proposed allocating \$5M each year from the Greenhouse Gas Emissions Reduction Fund (RGGI); reducing the retiree health insurance subsidies; increasing state and local employees’ pension contributions; and further program changes in Health and Human Services, all of which added up to more than \$80M in additional cuts to closet he budget gap—once again the Democrats emphatically said, “NO!”

**June 9, 2010**—The bill that the House and Senate Democrats finally agreed upon (HB 1-FN-A) was NOT a serious solution to a very serious problem facing New Hampshire. The Democrats had clearly come to grips with the fact that they will not be in power in 2011 and are using their “smoke and mirrors” legislation to delay the problem even further while walking away. They began by arbitrarily setting the deficit number at \$295M when, in reality, we are looking at a \$360M problem.

As part of the \$295M, the Democrats relied upon:

<b>\$69M</b> in onetime money (dedicated funds, lapses etc. )	<b>23.5%</b>
<b>\$60M</b> in “gimmicks” (monetization)	<b>20.3%</b>
<b>\$65M</b> in bonding (including \$25M to USNH)	<b>22%</b>
<b>\$4M</b> in increased fees and taxes (tobacco, pet shops & vital records)	<b>1.3%</b>



## *Tax and Fee increases in 2010: 21*





**The legislation passed by the Democrats also:**



- **Deleted** the reduction of the insurance premium tax to one percent which would take effect January 1, 2011 for all lines of business written pursuant to certain insurance laws.
- **Allowed** certain nonjudicial court system employees who elected not to join the state retirement system upon the establishment of the unified court system, but remained in the Manchester employees' contributory retirement system, to be permitted upon retirement to be paid for accrued, unused sick time and receive credit for such paid time in the Manchester retirement system.  
(added to placate only 1 employee)

When you take into consideration the additional spending, and then add in any cuts that were made, the bottom line results in \$56M in actual cuts, or only **18.9% of the \$295M!**

At the end of the day, Republicans voted **NO** to draining the Rainy Day Fund; **NO** to bonding; **NO** to gimmicks; **NO** to increased taxes; and voted **NO** to the use of one-time money!

Speaker Norelli has often referred to Republicans in the House as "obstructionists." These comments are rather shocking considering the fact that Republicans offered **\$200M in cuts** to the budget last year, which were rejected. When Republicans offered over **\$70M in cuts** to the most recent budget bill, they were turned away. Under the leadership of Speaker Norelli the Democrats have failed to balance their budget, they have failed to govern, and they have failed to even work with own governor. The only way in which Republicans have been obstructionists is in the manner in which they tried to protect the interests of the institution and the voters of New Hampshire while the Democrats were making a mockery of the process and protocol.

Through the two previous budget cycles Democrats have given New Hampshire its first \$10 billion budget; created or increased 100 taxes and fees; downshifted millions of dollars to our municipalities, mortgaged the future of our state; and damaged the New Hampshire Advantage. They tried to include a job-killing LLC Income Tax that slammed the small business community in our state. Fortunately, led by State House Republicans and following months of public outrage and polls, the Democrats finally repealed this business and job-killing tax. But if they really had cared about the small business owners of New Hampshire, wouldn't they have shelved the idea of the tax when it was first brought up?

## *Tax and Fee Increases (2007-2010)*

	<b>Number</b>		<b>Breakdown</b>
<i>2007</i>	<i>22</i>	<b>Business</b>	<b>19</b>
		<b>Motor Vehicle</b>	<b>18</b>
<i>2008</i>	<i>13</i>	<b>Environment</b>	<b>15</b>
		<b>Courts</b>	<b>9</b>
<i>2009</i>	<i>44</i>	<b>Real Estate</b>	<b>8</b>
		<b>Tobacco</b>	<b>7</b>
<i>2010</i>	<i>21</i>	<b>HHS</b>	<b>6</b>
		<b>Fish &amp; Game</b>	<b>5</b>
<b>Total</b>	<b>100</b>	<b>Boating</b>	<b>5</b>
		<b>Rooms &amp; Meals</b>	<b>4</b>
		<b>Other</b>	<b>4</b>



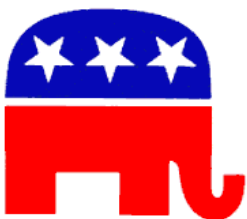
Even after four years of taxing and spending, the Democrats continue to deny the fact that we have a spending problem in New Hampshire and not a revenue problem. But facts don't lie—according to the nonpartisan Legislative Budget Assistant's information sheets, in their very first term in power, Democrats increased state general fund spending by 17.5%. Their current budget wasn't much better, the Democrats advocated stealing money from doctors, increased more taxes and fees and still increased general fund spending at a time when nearly every state in the country cut spending by an average of 2%. At the end of the session, after ridiculing Republicans whenever they suggested cutting state spending, they acquiesced to Governor Lynch who also woke up and realized the need for cuts.

During the upcoming campaign you will hear Democrats boast that they balanced a budget that maintained aid to cities and towns. But not only did they suspend revenue aid to cities and towns, they stole money from rooms and meals revenue sharing with cities and towns as well. Speaker Norelli claims that the Democrats have solved the education funding problem. But in reality, she and her colleagues brought back donor towns and the likelihood of further funding lawsuits against our state.

During the campaign, ask your constituents this, “ Since the Democrats took control in Concord four years ago, has your life been better? Have you seen a raise in your paycheck of 17.5%? Has your household spending increased by 25%? Are you happy with a projected half billion dollar deficit the state faces because of their irresponsible budgeting? Are you happy that your property taxes will go up because the Democrats downshifted costs to your cities, towns and school districts? Are you really feeling safe in the state's economic climate?

During the campaign season, Democrats will tell the voters that they cut General Fund spending—when in fact they increased spending by \$600M over four years while revenues declined by \$100M. A number of spending items that had been paid out of the General Fund were moved off-line, allowing the Democrats to make the General Fund appear smaller. As an example, in the previous budget, Liquor Commission spending was taken from the General Fund. This year, the Democrats created the Liquor Fund—we are still spending the \$90M, but the governor and his Democrats are trying to count it as a spending cut. They made a habit of borrowing money for items that the state used to pay for—counting them as “spending cuts.” By moving expenditures off-line, Democrats could use their accounting gimmicks try and give the impression that they had cut spending. Once again, facts don't lie—over the last two budgets, total spending, including federal funds and dedicated funds, rose from \$9.3B to \$11.5B!

For the past four years, Republicans have tried time and again to protect and enhance the New Hampshire Advantage while Democrats, through their taxing and spending, have helped to chip away at an economic advantage that we have enjoyed for many years within the region. Hopefully the voters have been paying attention and Republicans will return as the majority party at the State House in 2011—and hopefully the data included in this document will help you educate your constituents.



*Compiled and produced by the House Republican Office  
State House, Room 307*

