



**STATE OF NEW HAMPSHIRE
OFFICE OF THE GOVERNOR**

CHRISTOPHER T. SUNUNU
Governor

June 12, 2019

The Honorable Donna Soucy
President
New Hampshire Senate
State House, Room 302
107 North Main Street
Concord, NH 03301

The Honorable Steve Shurtleff
Speaker
New Hampshire House of Representatives
State House, Room 311
107 North Main Street
Concord, NH 03301

Dear President Soucy and Speaker Shurtleff,

As the House of Representatives and the Senate form the Committee of Conference to work on the State Budget for Fiscal Years 2020 and 2021, I want to once again make my position clear. There are areas where I have concerns, areas where our partnerships have made meaningful improvements, and areas where there is great opportunity for compromise. It is my sincere hope that we can get to a place where we can meet our financial obligations and responsibly allocate resources to ensure strong and consistent services. This letter is meant to highlight some areas of compromise, but not all, and provide a suggested roadmap to common ground.

The structural deficits presented in both the House and Senate Budgets are deeply concerning. I have been very clear: the State should not put forward a budget that does not balance within itself. Any budget that depends on the use of one-time revenues for ongoing expenses may create financial gaps in future budgets. This policy could set precedent for state employee layoffs, elimination of services, and broken promises in future budgets. The State has a responsibility to pass a balanced, sustainable budget.

Over the last few years, we have worked hard to increase New Hampshire's economic competitiveness, and the state is seeing the fruits of that work through our booming economy. We should not sacrifice this success by reversing course and raising tax rates. Revenues are booming. The Senate's base revenue estimates for Fiscal Year 2021 are \$141.5 million over the amounts used in our current fiscal year's budget. The business tax reform package we have worked on together is estimated to generate an additional \$30 million in Fiscal Year 2021, and Sports Betting an additional \$10 million. All told, we are expecting almost \$190 million more in revenue in Fiscal Year 2021 than we are receiving now. We do not have a revenue problem and there is no need to raise business tax rates.

It was suggested by a legislator that, 90% of the budget is operational, 5% are areas we can find a compromise, and 5% are areas we will have to agree to disagree. We can't allow that 5% stop us from working together on the other 95%. I agree. Throughout the House and Senate phases of the budget process, my team and I have worked with members of the Legislature to address issues that have been raised. Whether it was addressing the Parole Board Audit, designing a new formula for municipal revenue sharing, or creating a grant program to address lead hazards, we have proven we can work together in a bipartisan matter. Through collaboration, we have repeatedly been able to find reasonable solutions for our citizens.

We have also been able to compromise, to the betterment of the people we serve. I had proposed a different approach to funding the new positions at Child Protective Service Workers (CPSWs) positions at the Division for Children, Youth, and Families (DCYF), which we all agree are critical to protecting our most vulnerable children. We were able to compromise and provide the resources immediately, and fund the support staff that will enable the CPSWs to succeed.

The legislature made it clear that it did not support the specific municipal grants I had proposed in my budget, so we built a new formula for municipal revenue sharing in a bipartisan manner, sending nearly \$40 million to cities and towns across the state using one-time surplus funds.

My budget proposed a new 60-bed secure psychiatric hospital that finally allows the civilly committed population to be transferred out of the Concord Men's Correctional Facility, as well as help alleviate the Emergency Room Boarding Crisis. While the House removed this proposal, the Senate ultimately included a 24-bed facility in their budget which gives me hope a practical compromise can be reached. Additionally, we are working constructively with the Senate to finalize our plan to move the children from New Hampshire Hospital to a more appropriate facility. Through compromise and collaboration, the plan included in the Senate's budget could be a critical part of implementing the state's 10-year mental health plan.

Although my budget had not proposed changes to our education funding formula, I can support the decoupling of kindergarten funding from Keno as well as Senator D'Allesandro's concept to restore Stabilization grants which will help lower property taxes across the state.

During my meetings with Senate Leadership, and testimony from Commissioner Meyers, my Administration has made it clear that if the state gives Medicaid rate increases, the increases must be determined on a service-specific basis, with an analysis of what is provided, and of how our rates compare to other states. The Senate Budget instead plans to spend \$60 million in general funds for flat-rate increases. These are not one time-expenses and become ongoing obligations. We cannot spend this much taxpayer money without a comprehensive process or analysis. I strongly believe that any rate increase should be focused on direct service providers – nurses and those on the front line of our health care system. I cannot support any increases where the bulk goes to administrative costs and executives. While I support some targeted increases, the state's health care experts, not paid professional lobbyist, must inform what those increases are. I look forward to working with you to provide rate increases to our hardworking health care professionals the proper way.

Additionally, there are areas of my budget which the House removed that warrant further consideration. These areas concern our stated shared priorities and present a real opportunity for New Hampshire.

I proposed a student debt assistance program, which would reallocate resources currently going to private and public university endowments, to help retain and attract New Hampshire's next generation of workers. We all agree that the burden of student debt needs to be addressed. We all agree that it is critical to ensure that New Hampshire is an attractive environment for young professionals. We all agree that state funds should go to assist individual and not institutional investment accounts – which was never the intention of the legislature. We share the same goal, and I hope we can work together to implement a groundbreaking student debt assistance program in this budget.

My budget increased funding for student scholarships to help individuals take on less student debt. I proposed \$42 million dollars in capital projects and program development that would have been funded from the state's surplus. I believe that we must reform our funding model for public higher education and that by the State Government, USNH, and private business partnering together to provide funding, design curriculums, and create direct pathways to employment we can achieve better results than simply by

increasing the block grant amount. This is exactly why my administration worked with the leadership at the University of New Hampshire (UNH), Keene State College (KSC), and Plymouth State University (PSU) to develop programs in conjunction with the business community that will provide our next generation of workforce. We all know that we need more nurses; this proposal would double the number of nursing graduates from UNH. We all know that we need to continue to pivot to advanced manufacturing; this proposal would create new programs at KSC with a direct pathway towards employment with local businesses. We all know that the health care industry is changing; this proposal would create new health care programs at PSU, providing a health care workforce pipeline in the region of our state that needs it the most. I hope that we can work together with our public institutions to fund and implement these important programs.

As I have repeatedly stated, with our booming economy and record surpluses in the state, we do not need an income tax, a sales tax, or business tax increases. It is my sincere hope that we can work collaboratively in the next few weeks in order to deliver the results and important investments. We cannot let the 5% of disagreement result in delays in expanded and critical services. There is so much that we agree upon and we must be able to work together in ways that will benefit the citizens of New Hampshire.

Sincerely,



Christopher T. Sununu
Governor

CC: Senator Chuck Morse
Representative Dick Hinch