

February 2011 Legislative Update from Matthew Houde, NH Senate – District 5

Governor Lynch proposed his budget last week, and while it is only the first step in the budget process it is clear that it will be another challenging budget cycle. Frankly, the Governor's budget set the stage for the painful decisions that lay ahead. And with the revenue projections expected to be lower from the House, it could get worse. I believe, however, that it is still too early to provide concrete information on which programs will ultimately see reductions, what amounts municipalities and/or school districts will receive, and which – if any – of the proposed tax or fee repeals will be realized. The Governor's budget has now been sent to the House Finance Committee - and the Senate Finance Committee will work on it as well before it becomes law. Much could happen in the interim.

Governor Lynch's budget lays out a number of choices that – absent additional revenue – may be necessary to prioritize in order to balance the budget. The Governor's highest priorities, as reflected in his budget, include: keeping taxes low; fully funding education aid; public safety; and providing health care to the most vulnerable citizens. With a fixed amount of funds, these priorities cannot be realized without cuts to other important programs. The proposed cuts, of which there are many, include redirecting funding for uncompensated care (hospitals use this funding to defray costs of care they provide to uninsured) in order to fund “optional” Medicaid services such as wheelchairs and prescription medications. And while fully funding education adequacy, it reduces the amount the state would contribute toward school building aid (pro-rated at 40% in 2012 and fully funded in 2013). It also would reduce state employee positions by 10% - many of which are currently vacant but would include approximately 250 layoffs. I should also note that – other than suspension of debt repayment for unemployment benefits - states are not expecting federal assistance like the stimulus received last cycle. So the budget will need to make up for (or reduce spending in light of) the absence of those one-time funds.

I believe the Legislature is committed to avoiding “downshifting” to local cities and towns. That being said, downshifting can happen in many – often indirect - ways: for example, the level of cuts that would be necessary to state services currently provided in order to completely avoid downshifting would decimate social services in such a way that welfare offices would undoubtedly be strained. And a reduction in the retirement contribution made by the state has a direct correlation to the amount a municipality and/or employee must make up. As such, I think there are lots of things to watch as the budget process continues to unfold.

I'll return to other bills making their way through the legislative process next month, but wanted to concentrate on the budget since it is such a central issue of concern. Please feel free to contact me on the budget or any other matter.

Regards,
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