Governor John Lynch: Ensuring a Balanced Budget

Challenge Faced Across the Nation

- Over 40 states facing FY 2010/11 revenue shortfalls *(Center on Budget and Policy Priorities, Feb. 2010)*
- New Hampshire revenue shortfall below the national average

Challenge in New Hampshire

- Fiscal year 2010 revenues projected to be below 2006 levels
- Recession increased demand for state services, particularly Medicaid, TANF
- Inability to transfer JUA funds
- Potential shortfall: $210 – 220M

Three-Part Solution

- Reductions in general fund spending
- Refinancing and restructuring of debt
- Revenues (federal and state)

- Proposed solution = $220M

Solution Overview

- We are living through one of the toughest economic times in our nation's history.

- With this plan, we are making the hard decisions to cut state spending and ensure a balanced budget, protecting core services, and keeping New Hampshire's taxes among the lowest in the nation.

Solution Overview (cont.)

- $85 million in general fund spending cuts in this proposal for 2010-2011
- Projected general fund spending for this biennium 3% below previous biennium.
- Refinance and restructure debt to take advantage of favorable interest rates, provide relief to the general fund

Solution Overview (cont.)

- Amend 10/11 capital budget to include $25M for USNH deferred maintenance
- USNH makes $25M payment to state in FY10
- Expected increase in federal funds (FMAP)
- 20-cent tobacco tax increase

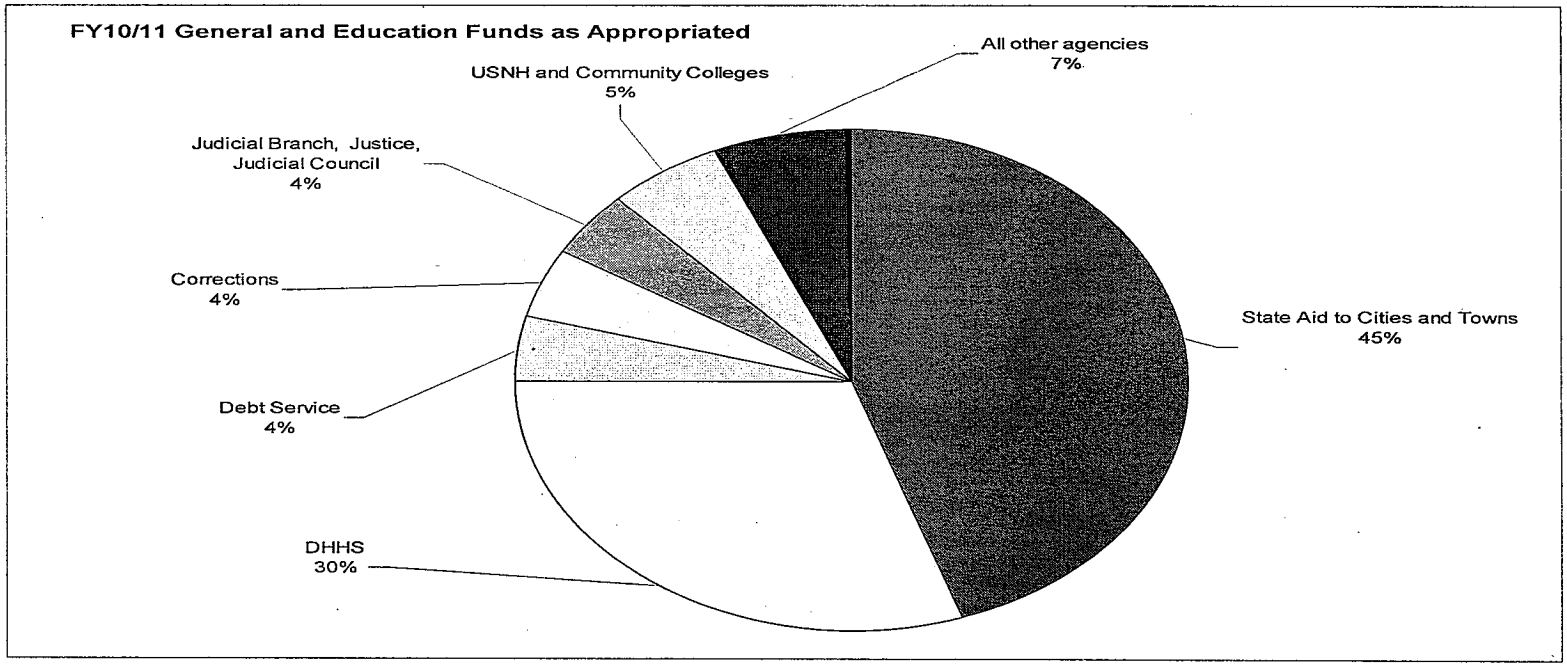
Difficult Choices, Focus on Core Priorities

- Expedites government restructuring initiatives to provide relief to 2010-11 budget
- Defers and suspends important initiatives and programs until economy recovers
- Cuts will not be painless, and services to some citizens will be impacted

Difficult Choices, Focus on Core Priorities (cont.)

- Includes 30-35 layoffs, majority related to restructuring/closure of programs
- Continues freezes to hiring, out-of-state travel and equipment purchases
- Statewide general fund vacancy rate is in low teens with some departments over 20%

Difficult Choices, Focus on Core Priorities (cont.)



- Aid to communities represents nearly half of the state budget
- About one percent reduction in aid to cities and towns from retirement funding, meals and rooms payment, and other education aid programs
- Meets commitment to fund adequacy

Difficult Choices, Focus on Core Priorities (cont.)

- Allows Health and Human Services to meet increasing demand for Medicaid, TANF
- Maintains funding for DD and ABD waitlist
- Provides $1M in additional funding for child care

Revenue Changes

- Pays for repeal of extension of meals and rentals to campgrounds
- Pays for repeal of the interest and dividends tax extension in FY2011
- 20 cent tobacco increase

Revenue Changes (cont.)

- Establishes a Commission to study New Hampshire's business taxes to ensure fairness
- Directs the Lottery Commission to issue a report by November 2010 on ways to modernize its product offerings and assess the feasibility of Fantasy Sports Leagues.

FY10 – 11 Potential Shortfall: $216M

	FY10	FY11
Revenue	($80.0M)	($31.7M)
JUA	($22.5M)	($22.5M)
SFSF	($9.2M)	($9.2M)
DHHS internal shortfall	($11.0M)	($6.2M)
Repeal campground/I&D	($1.0M)	($17.5M)
Misc.	($13.1M)	$7.8M
Total shortfall	**($136.8M)**	**($79.3M)**

NOTE: Misc includes timing issues for $25M personnel reduction, unbudgeted appropriations

NOTE: DHHS internal shortfall assumes all previous DHHS recommendations move forward

FY10 – 11 Solutions: $220M

	FY10	FY11
Move SFSF	$80.0M	($80.0M)
Reductions	$14.3M	$69.7M
FMAP	$10.7M	$33.7M
Tobacco increase	$2M	$10M
Ded. fund sweep	$2M	
Nat'l health savings		$8.3M
Debt Refunding/ Restructuring	$3M	$42M
USNH	$25M	
Total solutions	**$137.0M**	**$83.7M**

Solutions: Reductions/FMAP Health Care Savings

- See reduction summaries

- Federal Funds
  - Move $80 million in education state fiscal stabilization revenues into 2010
  - $14.4M in relief on Medicare Part D clawback payments
  - $30.0M 6-month extension passed by House and Senate

- National Health Reform Savings:
  - $8.3 million in estimated savings in the state's Retiree Health Care program in FY2011 as a result of national health care.

FY10 – 11 Debt Restructuring/Refunding

Restructuring and refunding

- Debt refunding takes advantage of lower rates of borrowing
- Debt restructuring maintains original maturity of bonds and changes scheduling of debt service
- Issuing $45M of restructuring bonds would decrease debt service by $39M in FY11
- Maintains New Hampshire's traditional strong debt-to-revenue, debt-to-personal income ratios
- On a net present value basis, the restructuring is cost neutral

FY10 – 11 USNH

- Amend capital budget for FY 10/11 to include an additional $25 million for USNH deferred maintenance.

- On or before June 30, 2010 USNH will make a $25 million payment to the state from operating funds set aside for addressing deferred maintenance, which the state will use to offset $38M in general fund debt service for USNH.

Next Steps

- On Monday, April 12th, the Fiscal Committee will take up the FY10 reductions included in this proposal.

- On Thursday, April 15th, the House and Senate will hold a joint hearing on an amendment to SB 450, which will include the legislative components of this proposal.

Questions