



The 2021 Budget Address Governor Christopher T. Sununu Thursday, February 11, 2021 at 12:00 p.m.

Well, good afternoon. Thank you for joining us today. Well, like all things this last year, this Budget Address clearly looks a little different. Usually, I'd be speaking in Representatives Hall joined by a joint convention of the Legislature. Well, this year, as you can see, we're doing it virtually.

So, Mr. Speaker, Mr. Senate President, Honorable Members of the House and Senate, and the Executive Council, our Commissioners, our Department Heads who all have joined us today, thank you. My fellow citizens, who are tuning in online or on TV, welcome.

Today, I stand before you, Members of the House and the Senate, to present my proposed budget for fiscal years 2022 and 2023. But before we get into the details of this budget, I think it's important to take a step back and see where we've coming from.

Before COVID that came crashing through our door in March, New Hampshire's economy was stronger and better than ever. We had some of the highest wages, the lowest poverty rate, and our propriate business climate was creating jobs at an unprecedented rate.

Then, our entire world turned upside-down. Emergency Orders were issued to help stop the spread and keep people safe, and while mask-wearing and social distancing, frankly they became part of our everyday life. As COVID tore through our Country, States faced very uncertain times.

Back in the spring, we anticipated revenue shortfalls at the State level of up to \$350 million. So we took action. I called on Commissioners to institute cost-saving measures. We focused on smart management, instituting hiring freezes, halting nonessential spending. We did this while ensuring that Agencies had what they needed to provide critical services to Granite Staters during the height of the pandemic.

And then, we started reopening our economy. And we did it in smart, strategic ways. We got businesses back up-and-running. We issued commonsense guidance that kept people safe, while ensuring that businesses could thrive. We sent hundreds of millions of dollars to thousands of small businesses across the State to help weather the storm. And they did. Our strategy was all about balance: keeping the spread of COVID, keeping it low, and our economy and the economic opportunity we had strong.

And with our economic recovery came growth in our State revenues. This summer and fall, we saw a thriving tourism industry. We expanded outdoor dining. We made flexibilities to our guidance all while keeping people safe. And through the strategic reopening of our economy, we ensured that vital programs at the State level wouldn't be gutted. And those essential services, they're going to be maintained.

Because of good management, which frankly New Hampshire set the gold standard, our budget shortfall to end the biennium is now projected to be less than \$50 million. Unlike other States across the Country, which are now raising taxes on businesses, taxing out-of-state workers, or enacting these draconian budget cuts that we hear about just to cover those massive deficits, here, in New Hampshire, we managed to mitigate the worst financial impacts of the pandemic without raising taxes.

Better yet, today, in New Hampshire, we still have one of the strongest economies in America with some of the highest wages in the Country and one of the lowest unemployment rates, and frankly the lowest poverty rate. We focused on the essentials. And we didn't let the politics of the negativity of 2020, we didn't let that us -- that let us distract us, frankly, from smart management and accountability to our citizens.

The result of these efforts have really led us to allow a customer-service mindset to be put forth. And we kind of emphasize that in this budget today. So this budget, most importantly, is a fiscally responsibly budget that is balanced, and lives within our means. It has no new taxes, no new fees, no increased taxes, no increased fees, nothing. In fact this budget lowers taxes for just about everyone.

We're downshifting cash to municipalities, not cost. It's a budget that ignores politics. It has no empty promises. And this budget makes smart, strategic target investments without having to balance it on the backs of our essential workers. And it focuses on core everyday services that prioritize people of our State.

So let's talk some details. For decades, you've seen your local property tax bills increase. And I can assure you here, at the State level, we've never taken our eye off the ball. While we can't pass legislation to directly cut your property taxes, we can provide financial assistance to cities and towns.

In my first four years, we sent back over \$100 million to cities and towns to help fix roads, repair red-listed bridges, and frankly just make our schools safer. We invested over \$100 million in clean drinking water projects. And we zeroed-out everyday fees, like the Merrimack tolls.

When we had extra money at the State level, we downshifted cash, not cost, to those municipalities. And this allowed local Leaders to target key areas of investment without tapping into the local taxpayers. One principle has guarded our approach: flexibility. Local communities know best. And at the State level, providing flexibility to those cities and towns has guided our approach.

This last year was tough, but we didn't lose sight. We're keeping our commitment to cities and towns by providing millions in additional revenue sharing. After years of inaction at the State level, my budget makes a change and increases the amount of money the State sends back to cities and towns from our Meals and Rooms Tax. The result is that, for the first time in more than a decade, the State's providing an increase in revenue sharing and allows for up to \$15 million more in additional money for cities and towns, an over-15% increase that goes directly to benefit our property taxpayers.

Now, as the only Governor in the last 20 years to come up through New Hampshire, the public school system, I know very, very directly how great that system is. And it's why we're so committed to supporting it. Over the last four years, New Hampshire has been innovative in how we create educational opportunities for our kids. We're not satisfied with the old way of doing things. We never should be. We challenge ourselves to think differently and build new pathways to get better results for the students, because, in the end, that's all that matters: better results for the students. It's about outcomes.

Now, four years ago today, I stood before you for the first time and I proposed to finally fully fund kindergarten. We did it. Later, we proposed New Hampshire Career Academies, effectively allowing students to get their Associate's degree, their high school Diploma, and a guaranteed job interview all at the same time and at no cost to the student or the taxpayer. We did it.

And while the State used to talk about early childhood development, almost as if it was something to study, New Hampshire has now captured tens of millions of dollars to develop and implement real cutting-edge opportunities for our youngest kids, getting them on the right track, when it counts. And after politics threatened a \$46 million Federal Grant to invest in our students at public charter schools, we finally moved forward and we're making that opportunity. It's a reality now for thousands of students

who have been stuck on waitlists. In just the past four years, we've shown that anything is possible when it comes to getting better outcomes for our kids.

But let's talk about our funding in public schools today. First, we're keeping our financial commitment to education by ensuring that we invest in our kids. Despite the pandemic and the slight revenue shortfalls, we're not letting up. We're not cutting education spending. My budget ensures that we spend more money per child on public education than ever before.

My budget also includes some of this -- using some of the surplus funds from our Education Trust Fund to build better classrooms. It invests \$30 million back to cities and towns in one-time Grants for capital projects, like school-building aid, investments into energy-efficient projects or alternative-fuel buses, other key areas of need.

And finally, when this pandemic hit, Washington made some changes to the free and reduced lunch process. And it put our New Hampshire school districts at a financial disadvantage. It was potentially shortchanging them from State funding. So we're stepping in at the State level and we're changing our metrics to ensure no district gets left behind, because of the Federal actions.

Now, all these opportunities we're creating for our kids, they can't be fully achieved if they're just sitting at home, remote learning. The Federal Government, on top of all the State dollars that we're investing, the Federal Government has provided an additional \$250 million in support to help schools transition through the pandemic. That's more financial opportunity than schools ever imagined.

We can all appreciate the importance and the value of having in-person school learning. Back in the spring, when so much was unknown, we transitioned to remote learning. This fall, we offered school districts the flexibility to choose a path that was best-suited for their district. And while many chose to return in-person, some districts have remained near fully remote. Our kids need to be back in school. The CDC says that kids can be back in school. And access to a vaccine is not required for kids to return to school safety. We've proven that.

We will continue to make investments from the State. And at a local level, our school districts need to keep opening those doors. It's not just about education. It's about the overall health and wellbeing of our students.

There are uncertain times for sure. And this pandemic has exacerbated our mental-health crisis, especially for kids. When I became Governor, I often said the mental-health crisis was New Hampshire's unspoken crisis. It had been neglected for years. But we changed that.

This budget continues levels of funding for our mental-health programs, because, frankly, we all know that too much is at stake to let up. Our 10-Year Mental-Health Plan continues to be fully funded, with funding for additional designated receiving facility beds to solve the ER boarding crisis, to more local Mobile Crisis Teams, and more.

The onset of the pandemic brought new challenges that we frankly could not have foreseen a year ago, especially for our most vulnerable citizens. The isolation kids have been facing after a year of remote learning, the pitfalls of keeping up with schoolwork while at home, there are so many adverse effects. And we can and must work to change that.

A few weeks ago, I met a pretty impressive young man. I met a 5th Grader. His name is Charlie Olsen of Auburn, New Hampshire. He's New Hampshire's Kid Governor. I know that I got to know Charlie and his -- he might be calling right now. I got to know Charlie and his platform addressing childhood depression, social isolation, the stigma of those challenges. And thanks, in part, to Charlie and his advocacy, we're committing \$3 million to fund a suite of opportunities for kids. It's very exciting:

additional School Counselors; peer-to-peer and buddy support programs; communication outreach directly to kids, so they know exactly where to go and what to do, when they're feeling low.

And we're not stopping there. My budget commits millions more to create new mental-health support programs for our seniors and our Veterans, as well. These vulnerable populations, they face the brunt of the COVID-19 pandemic the hardest. And we need to focus our efforts where the struggle is greatest.

Often, mental-health issues, we know that they could be accompanied and cooccurring issues related to substance misuse. For too long, New Hampshire was ground zero in the opioid epidemic. Overdoses were spiking. Deaths were up. And frankly, Leaders in New Hampshire struggled to come up with a comprehensive solution.

That all changed a few years ago. In 2017, we challenged ourselves to rebuilt a support system from the ground-up that wasn't stuck in the old way of doing things, but a new model that would allow local access to a full suite of recovery and treatment services. And whether you live in Manchester or Colebrook, every citizen deserves equal access to care. We called it The Doorway: a hub-and-spoke style program that provided one-stop statewide access to services for those struggling with substance-use disorders. And it's working.

Last year, while the rate of drug overdose deaths has continued to rise across New England and the Country, we saw a decrease here in New Hampshire. According to the CDC, between 2019 and 2020, overdoses in the United States increased nearly 23%, increasing numbers all across New England. But here, in New Hampshire, we bucked the national trend and we saw overdose deaths decrease by nearly 5%. In the face of COVID, our Doorway system quickly pivoted and it adopted effective telehealth practices benefiting all those who have faced challenges during this public health crisis.

We still have a long way to go. But my commitment is to keep expanding rural access, investing in our system, and ensuring that the hundreds of people that walk through that doorway each and every month, that they have a chance to make the turnaround that they're seeking.

One of the lessons that the pandemic taught us is that you never know when it's going to rain. And when it rains, it pours. Because of our strong economy in 2018 and 2019, our State's Rainy Day Fund, our savings account, effectively, it was in strong shape when we entered the crisis. And during the pandemic, we managed our spending. We brought forth a robust economic recovery. We utilized the Rainy Day Fund as intended to help cover any remaining budget shortfalls.

But one thing always bothered me about our Rainy Day Fund. It has a cap. A cap on our savings account, it frankly just never made sense to me. Why would you so tightly limit responsible savings and long-term planning?

So, under this budget, I'm proposing expanding our Rainy Day account to up to 10% of revenue raised over a given biennium, double what we can save. It would better allow the State to plan for the long-term and be ready to weather the next storm, avoiding tax increases and economic downturns.

Now, while it's important to prepare and plan for that next crisis, there's still important programs and initiatives that need to move forward. They need to be enacted now. Student debt relief: last year, I introduced an innovative student debt relief plan that would have provided nearly \$10 million at no expense to the taxpayer for student debt relief, as long as those graduates stay and work in New Hampshire.

The Democrats removed this from my final budget but I am not giving up. This budget reintroduces the program and focuses on graduates who pursue careers in the much-needed fields of

healthcare, biotechnology, social work, other related fields. This historic investment in New Hampshire's workforce will attract both job creators and talent to the Granite State.

Paid family medical leave: it can and must be done without an income tax. This pandemic has highlighted how vital a program like this can be. And this budget introduces legislation for a voluntary paid family medical leave plan that expands access, benefiting all State Employees, which will lower premiums for private companies and individuals, if they want to buy into this incredibly important program.

A new Department of Energy: we don't have one. This budget establishes a new Department of Energy, which will streamline government, eliminate the redundancies, and frankly refocus on its core mission. The Department will combine many of the current functions of the Public Utilities Commission with the Office of Strategic Initiatives and ensures that a unified approach to energy policy, while keeping core regulatory functions separate from the programmatic and policy elements.

This budget also funds the Office of Offshore Wind Industry Development for the first time in history. Our commitment to funding this Office will allow New Hampshire to continue to take steps to harness the massive potential for renewable energy production off the coast of New Hampshire.

And it's important we don't give up on all the progress we've made in protecting our victims of domestic and sexual violence. And this budget has committed to maintaining those investments to protect and support those victims.

For the third budget in a row, we're again increasing funding for the developmentally disabled services to ensure that these important programs are there for those who rely on them the most. Investment in vulnerable populations, it has shown that it can pay dividends when done right.

In 2017, we began rebuilding a very broken Child Protection System. It was a mess. But new management and new programs have yielded terrific results. In New Hampshire, now more kids leave foster care than enter it. Our investment in Child Protection Workers has now dropped the overwhelming caseload of 90 per Worker just a few years ago down to about 12. Across the board, we're making progress. And this budget keeps those successes moving forward.

This budget prioritizes healthcare and those on the frontlines caring for our loved ones. Despite the budgetary challenges, this budget continues the 3.1% Medicaid rate increases that my Administration implemented earlier this year.

And we all know Law Enforcement accountability has been a hot topic this past year. This budget continues the commitment I made last summer to bring greater accountability to our system by funding the Public Integrity Unit within the Attorney General's Office. It's an independent, statewide office that reviews complaints of misconduct.

It invests into our new programs at Police Standards and Training -- in the Police Standards and Training Academy. And it creates a \$1 million matching fund for local Law Enforcement Agencies to make the investments they desperately need, like body and dashboard cameras. These transformative, sweeping changes came directly from our LEACT Commission. And it builds on the unanimous recommendations of that group. Here, in New Hampshire, we made sure the important awareness raised last summer wasn't only listened to, but followed through on.

And as some may have already heard, this budget moves forward on an opportunity that can wait no longer. My budget proposed a fully unified and merged New Hampshire College and University System, bringing 11 separate system together as one. This is the future of higher education. This evolution is not to benefit any one system, or any singular college, but to every student across the State.

Over the past five years, the entire Country, it's begun to slowly move to more flexible systems with better online learning opportunities for students. And the COVID pandemic simply accelerated the inevitable. And our systems need to adapt in kind.

Going forward, there is clear data showing that student enrollments within both systems -- the Community College and current University System -- they're facing sharp decline in the coming years. We also see the challenges and the inefficiencies in maintaining 11 systems, rather than one, integrated, collaborative approach to public higher education.

The last year, it's a perfect example. Each system had to address the challenges of the pandemic individually, without the opportunity to jointly leverage resources, as the institutions worked to mitigate the impacts of COVID-19. These challenges are not unique to New Hampshire and will be faced by higher education institutions across our nation.

While the pandemic has been a challenge, it also presents us with an opportunity. This merger will enable a combined system to innovate in a coordinated way. And my budget proposal takes the first steps by merging the two Boards of Trustees. While each university and college, they'll still maintain their own campus, their own brand. But this change will help open doors for our students and avoid each separate campus from wasting time and money, and frankly just competing with each other.

And think of the practical opportunities for our students. Why shouldn't a student at Nashua Community College also be able to do a research and development project at the University of New Hampshire? Or why shouldn't a Plymouth State student be able to take summer nursing classes at Manchester Community College?

Allowing students the ease of creating their own pathway in education will be the defining characteristic of this modernized, 21st century system. It's a system that provides a seamless, transparent pathway from senior year of high school to Associate's degrees and Bachelor's and Master's degrees, to post-graduate and professional education, all offered with maximum flexibility. We have worked hard at the State level to provide innovative choices for our K-12 students. And it's time we provide the same opportunities for higher education.

And one final big item to close out this Budget Address, you've heard me talk a lot about it. And we're here today to really act on it. And that's tax cuts for everyone. Whether you are a small business just starting out, a family of four looking to enjoy a meal out, or are retired and enjoying life in the Granite State, we're providing equitable, across-the-board tax relief for the people of our State.

This budget begins by reducing the Meals and Rooms Tax from 9% to 8.5%, its lowest level in over a decade, and while it, at the same time, increases the amount that each city and town will receive back from this revenue stream. This budget cuts the Interest and Dividends Tax and it begins to phase it out entirely over the next five years.

This budget lowers the Business Enterprise Tax from 0.6% to 0.55%. And here's a big one. My budget increases the filing threshold for -- sorry, the filing threshold to an enterprise value tax base of \$250,000. What does that mean? It means that tens of thousands of small businesses with an enterprise value under \$250,000, they no longer have to pay this tax at all. And this change will streamline tax filings for our small businesses and, frankly, encourage new startup businesses to be created right here in the Granite State.

These commonsense tax reductions will allow our small businesses to reinvest their dollars into their Employees and their communities. And as a result of these changes, more than 90% of the revenue raised by the Business Enterprise Tax, it will now go directly to the Education Trust Fund.

I mentioned it earlier and I will say it again. This is truly a New Hampshire budget. After such a tumultuous and uncertain year, now is not the time to be raising taxes on the people of our State and our small businesses. And that's why we're cutting them. It can and must be done for our communities and the small businesses that power our economy.

The budget I'm presenting to the Legislature today, it's built on the fundamental philosophy of just making things better for our citizens. Here, in New Hampshire, we don't settle for bad systems. When things aren't working, we don't push harder in the same direction. We have the courage to change direction. We don't settle. We innovate. We problem-solve. And we get the job done.

We must move past old systems and build new ones that fit the citizens' needs, not the Government's. And when we can't rely on Washington, D.C., we will strike out on our own. But only we have the power to enact that change. We can talk about it or we can do it. We must remain unified in our approach and work together to pass a budget that funds our essential services and puts people first. Let's get to work. Let's get this done, and remind everyone why New Hampshire is the gold standard for the rest of the Country. Thank you.