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HOUSE RECORD

First Year of the 164th General Court

Calendar and Journal of the 2015 Session

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Concord, N.H.

Thursday, February 12, 2015

No. 17

HOUSE JOURNAL No. 5 (Cont.)

Wednesday, February 11, 2015

Rep. Chandler moved that the House adjourn.
Adopted.

HOUSE JOURNAL No. 6

Thursday, February 12, 2015

The House assembled at 1:00 p.m., the hour to which it stood adjourned, and was called to order by the Speaker.

Prayer was offered by the House Clerk, Paul C. Smith.

Most Holy and glorious Lord God, You have told us that whenever there are two or three gathered together in Thy name, Thou will be in the midst of them and bless them. In Thy name, we have gathered today to hear the Governor's budget address. Grant that the address be brief, but powerful. Grant that the members take heed of her words. Grant that Your actions guide us all in our daily work. In Your name we pray. Amen.

Representative David Luneau, member from Hopkinton, led the Pledge of Allegiance.

The National Anthem was sung by Christine Charman, wife of Rep. Fothergill.

LEAVES OF ABSENCE

Reps. Ronald Belanger, Booras, Darrow, Gould, Gladys Johnsen, McClarren, Milz, O'Hearne, Parkhurst, Kris Roberts, Russell, Sanders and Sterling, the day, illness.

Reps. Avellani, Berrien, Chirichiello, Andrew Christie, Converse, Crawford, Flanders, Friel, Gagne, Gargas, Haefner, Hatch, Hennessey, Hess, Higgins, Hodgdon, Kellogg, Ley, Mangipudi, Martin, McBeath, McLean, Nigrello, Nordgren, Michael O'Brien, O'Neil, Oligny, Pierce, Piper, Proulx, Frederick Rice, Rideout, Carol Roberts, Sad, Seaworth, Silva, Simpson, Gregory Smith, Steven Smith, Suzanne Smith, Sytek, Takesian, True, Alan Turcotte, Vose, Robert Walsh, Thomas Walsh, Weber, Welch and White, the day, important business.

Rep. Marjorie Smith, the day, illness in the family.

Rep. Frazer, the day, death in the family.

INTRODUCTION OF GUESTS

Leadership New Hampshire participants, guest of the Speaker.

RESOLUTION

Reps. Flanagan and Shurtleff moved that the House notify the Honorable Senate that it is ready to meet in Joint Convention for the purpose of hearing the Budget Address by her Excellency, Governor Margaret Wood Hassan.

Adopted.

SENATE MESSAGE

The Senate is ready to meet with the Honorable House of Representatives in Joint Convention for the purpose of hearing the budget address by her Excellency, the Governor Margaret Wood Hassan.

INTRODUCTION OF SENATE

The Acting Sergeant-at-Arms introduced the Honorable Senate and Senate President, Chuck Morse of Salem.

JOINT CONVENTION
(Speaker Jasper presiding)

The Acting Sergeant-at-Arms introduced the following special guests: Administrative Judge of the Circuit Court, the Honorable Edwin W. Kelly. Associate Justices of the New Hampshire Supreme Court, the Honorable James P. Bassett, the Honorable Robert J. Lynn and the Honorable Carol Ann Conboy. Senior Associate Justice of the New Hampshire Supreme Court, the Honorable Gary E. Hicks. Chief Justice of the New Hampshire Supreme Court, the Honorable Linda Stewart Dalianis. Executive Councilor for District 2, the Honorable Colin Van Ostern. Executive Councilor for District 4, the Honorable Christopher C. Pappas.

The Acting Sergeant-at-Arms introduced the Governor, her Excellency, Margaret Wood Hassan.

BUDGET ADDRESS

Her Excellency, Governor Margaret Wood Hassan, addressed the Joint Convention.

Mr. Speaker, Mr. Senate President, Madam Chief Justice, Honorable members of the House, Senate and Executive Council, my fellow citizens. Today, I present to you a fiscally responsible, balanced budget - with no income or sales tax. This is a budget that helps expand opportunity for middle class families, supports job-creating businesses, encourages innovation, and aims to attract and retain more young people here in New Hampshire. It is a budget that continues re-thinking and re-shaping how state government works to make us more effective and efficient and to stretch our citizens' tax dollars as far as possible. It is a budget that is honest about how we will use our limited resources, beginning to move away from misleading budgeting gimmicks. And it is a budget that does not include a major new revenue source, while also recognizing that we cannot afford to further erode the revenue sources that we have. Our country's economy continues to strengthen - and in many respects, New Hampshire remains ahead of the curve. In December, our unemployment rate dropped to four percent, the seventh lowest in the country and the lowest in New England. Our median household income in 2013 was the highest in the nation, and our private sector has recovered all of the jobs lost in the recession. Once again, we were ranked the best state in the nation based on more than a dozen measures of quality of life. And another recent report ranked New Hampshire as the best state to live and the best state to earn a living. Despite the many encouraging signs that indicate that our economy is moving in the right direction, we know that we remain at the beginning of our work to ensure that all of our citizens are included in our shared success and prosperity. Today, we stand at a critical juncture. We lead the nation in many measures, and our economic potential is strong, but respected economists and public policy experts say there are warning signs ahead: our population is aging and in-migration is slowing. Our ability to address these trends as quickly as we might like is impeded by a number of challenges in recent years - the recession, tax law changes and resulting loss in revenue, and lawsuits that needed to be addressed in order for us to move forward. Given these challenges, this is a tight budget that reflects difficult choices. This is a common-sense budget that invests to stem troublesome demographic trends and build a brighter economic future with more opportunity to climb the ladder of success. A future where innovative businesses are creating more good jobs, where more of our young people are staying and thriving, and where young families and workers are once again choosing New Hampshire. This future will not simply happen by chance. Seizing New Hampshire's full economic potential will require bipartisan problem-solving, innovative thinking, and fiscally responsible, strategic investments in our shared priorities. Two years ago, we recognized these imperatives, coming together to pass the most bipartisan budget in more than a decade. It was a budget that strengthened the foundation of our innovation economy, investing in critical priorities for our middle class families, our businesses, and our young people - without a sales or an income tax. Our bipartisan budget restored funding for higher education, allowing us to freeze tuition at our university system, and lower it at our community colleges. It reinvigorated our commitment to economic development, and it made significant progress on the priorities that are critical for improving the health and well-being of our people and communities, helping maintain our status as one of the safest, healthiest and most livable states in the nation. In addition, through fiscally responsible, bipartisan efforts over the past two years we were able to restore our credit outlook to stable by ending costly lawsuits that threatened our state's finances and bond rating. As you know, we have also faced a number of budgetary challenges over the past two years, from paying for mandated but unspecified back-of-the-budget cuts, to additional appropriations approved by the legislature, to the rising number of children receiving traditional Medicaid coverage, to concerns about the failure of revenue from business taxes and the interest and dividends tax to meet plan. We have made tough decisions to confront these challenges head-on, and thanks to prudent management, combined with proposed legislation, we are in a position to finish Fiscal Year 2015 in the black. Last May, I issued a preventive and preemptive freeze on generally funded hiring, equipment, purchasing and out-of-state travel, and that freeze remains in effect today. I also issued an Executive Order last November reducing Executive Branch expenditures by 18 million dollars, and I worked with the Department of Health and Human Services to put in place a plan to keep that department's budget balanced in the face of new costs, new demands and across-the-board cuts required by the legislature. As you know, I also recommended a one-time tax amnesty program that would

allow taxpayers who may have fallen behind to catch up with reduced penalties, helping them get out from under the weight of these debts. And I have recommended another piece of legislation to make additional reductions and changes to ensure that we end Fiscal Year 2015 with a balanced budget. The good news is that, moving forward, our consensus revenue estimating panel projects that the economic recovery – combined with stronger revenues in some areas, such as the insurance premium tax thanks to health care expansion – means that we should end this year close to our original revenue plan despite the significant year-to-date shortfall in revenue from business taxes and the interest and dividends tax. As we take the responsible actions needed to close out this budget in balance and look toward the future, I hope that we can continue to build on our bipartisan progress of the last two years. The simple fiscal reality is that our progress won't be as fast as some of us would like, and we won't be able to do everything. But we can still overcome our challenges, together, if we recognize that the needs of families and businesses are changing, and that we too must adapt our approach to meet those needs. The young people and innovative businesses we hope to attract and keep here in New Hampshire appreciate our low-tax environment, which we must maintain. They are also looking for good schools, affordable higher education, modern transportation options, workforce opportunities, and safe, healthy communities, and they will not sacrifice these priorities that they care about... the priorities that will drive our economic growth for decades to come. We can no longer govern by lawsuit, waiting for the force of a court order to address the challenges facing our state, and we no longer need to simply be reactive to the economic crisis. Now that the crisis is over, we must commit to addressing things that we put off – with good reason – during the recession. We must be frugal – that is who we are as Granite Staters – but we should not be penny-wise and pound-foolish. While this budget is frugal, it keeps us moving forward. This budget reflects the priorities I hear from Granite Staters and businesses as I travel across the state. And as with every budget, it required difficult choices to ensure that we protect our shared priorities while living within our means and maintaining one of the lowest tax burdens in the nation. In preparing this budget, we cut more than one billion dollars from total agency budget requests and more than 500 million dollars from agency general fund requests over the biennium. We also begin to transition away from the budgeting gimmicks that have been used for far too long, misleading the public about what we can truly afford to do. This budget does not include back-of-the-budget cuts, a practice that requires department heads to cut programs and services that the legislature supposedly funded, and in this budget, we begin to decrease so-called “lapse” estimates. The “lapse” estimate started out as a recognition that agencies can't spend every penny in every line item of their budgets, and that there would naturally be some money leftover at the end of the year. Unfortunately, these lapse estimates have been inflated so much in recent years that they have become another unspecified budget cut. Both back-of-the-budget cuts and inflated lapses are practices that allow us to promise more than we can deliver, while hiding behind our state agencies as they make reductions. In my budget, I have been specific and transparent in what I have chosen to fund – and in what I recognize that we simply can't afford at this time. The legislature should do the same. In this budget, many state agencies are budgeted at or below their Fiscal Year 2015 budget appropriation. To hold the line on spending, this budget implements some of the recommendations of the Innovation Commission, including increasing flexibility for state managers, expanding our efforts to centralize key services, consolidating some function areas, and creating the position of a Chief Operating Officer. The Chief Operating Officer's sole job will be to work across state agencies to drive process and efficiency improvements. To help the Chief Operating Officer achieve that goal, we have also created an innovation fund, allowing agencies – with the approval of Governor and Council – to move forward with efficiency projects that can provide solid returns on investment. We also invested in greater centralization of basic services, adding two more purchasing agents to the Department of Administrative Services and a contract attorney to the Department of Justice, who will work with agencies to make sure that we are leveraging all of our buying power to get the best deal for taxpayers. And we are recommending clearer authority for the Department of Information Technology to set standards, particularly around cybersecurity. We are also combining, eliminating or reducing the frequency of dozens of reports that agencies are required to produce – few of which are read. The Department of Resources and Economic Development alone, for example, is required to produce 44 separate reports annually. With this budget, we are not only going to streamline the production of reports, we are also going to allow agencies to submit reports electronically. As the Innovation Commission noted, our state government structure has been fundamentally the same for 30 years – even as revenues, budgets and needs have changed. Our budget recognizes the need to begin modernizing the structure of state government in order to improve efficiency and services for our citizens. We can no longer afford numerous one-, two- or three-person agencies. That's why this budget creates the Office of Professional Licensure, to provide staff and support to all of our professional boards, merging the Joint Board, the Health and Human Services boards, the Real Estate Commission, and several other small boards. The dedicated volunteers who serve on these important boards will continue their critical role of setting the rules for their professions and ensuring that those rules are followed, while the office and its director will oversee the administrative functions, including ensuring that more services of the boards are available online. This budget also merges the Racing and Charitable Gaming Commission into the Lottery

Commission, allowing for greater efficiency, effectiveness and better enforcement. And in a similar step, it also moves the Highway Safety Agency into the Department of Safety six months into the first year of the biennium. Combined, these steps will help streamline state government and help provide even higher quality customer service for our people and our businesses. While we take steps to innovate and improve how state government operates, we know that we must continue making progress on what our families, young people and businesses need for success in the 21st century economy. What I hear more than anything else from our businesses, both big and small, is the need for an even stronger workforce pipeline. That's why this budget builds on the important steps we've taken to begin holding down the cost of higher education, increasing funding over the biennium by 13 million dollars at the university system and by six-and-a-half million dollars at our community colleges compared to Fiscal Year 2015. With this renewed commitment to our colleges and universities, we believe that the leadership of both systems should work as hard as possible to hold down the cost of tuition. In fact, the community college system has already indicated that with this increase, they will be able to lower in-state tuition again in 2016 and 2017. In the past year, we have begun a pilot program through the Bureau of Adult Education to help adults get any remedial education they need before they get to the community college system. This helps adult students save their Pell Grant allotment, and helps us make sure that we are using our higher education dollars as effectively as possible. We are expanding that pilot program to all of our community colleges by the end of the biennium. Investing in the future of young Granite Staters doesn't begin or end with higher education, and this budget takes steps to ensure that we are providing our students with a rigorous public education at every step of the way. We know that early childhood education, including full-day kindergarten, is a fundamental aspect of long-term success and that access to education during these critical years of learning shouldn't be determined by a parent's income. While the money isn't available to bring full-day kindergarten statewide all at once, we can take steps to move forward, including developing a better understanding of the capacity of each district to expand to full-day. This budget includes a study to evaluate the facility needs of local districts to make full-day kindergarten a reality. Adequate facilities are essential for students to learn, and this budget continues funding for the projects that we have already committed to, but unfortunately there are not sufficient funds to support new school building projects at this time. As we prepare our students for success in the 21st century, developing skills in the STEM fields of Science, Technology, Engineering and Math is more important than ever in today's global economy, helping lead to better paying and more stable careers. Earlier this year, our STEM Task Force issued its recommendations on how to better prepare our students in these critical fields, and this budget funds a new STEM specialist at the Department of Education to help our schools modernize STEM education. In addition, this budget will help encourage innovation by providing an additional 19 million dollars in charter school funding over the biennium to allow for growth in the charter school population and to allow for new charter schools. And to support students across the state, we are increasing the cap on adequacy distribution growth to local districts to 115 percent. In addition to a highly skilled workforce, we know that our businesses need a healthy workforce in order to grow and to thrive. Last year, we came together across party lines to pass a historic health care expansion plan. New Hampshire's business community, as well as our hospitals and health care providers, support this bipartisan plan because it reduces health care cost-shifting onto our families and businesses, strengthens the health of our workforce, and boosts our economy. Because of our expansion plan, nearly 34,000 hard-working Granite Staters now have the health and economic security that comes with quality, affordable health coverage. And next year, these individuals will move to private coverage through the state's health insurance marketplace, helping increase competition that will improve affordability and increase choices for all of New Hampshire citizens. Across the nation, more and more states are moving forward with health care expansion, and states without it will see higher costs and find it harder to compete. This budget provides for the reauthorization of our expansion plan and includes the funds needed to cover New Hampshire's share in the next biennium, maintaining our commitment to our people and businesses, and to the future of our economy. Our budget also recognizes the savings we will see in the next two years from our work on health care expansion, including estimated reduced costs for uncompensated care and the ability to move people formerly served by several special programs to the marketplace or to the health protection program. And those savings don't even include the long-term savings that come from a more productive and healthier workforce. In addition, our budget also recognizes a significant increase in insurance premium tax revenue from the health protection program and the marketplace. Allowing expansion to sunset would result in reduced savings and reduced revenues. Allowing expansion to sunset would result in increased cost-shifting onto all of our people and businesses. And allowing expansion to sunset would cause significant harm to the health and financial security of the thousands of men and women receiving coverage. We must maintain our commitment to our bipartisan health care expansion plan. In order to continue strengthening our health care system and to maximize our health care dollars, this budget also moves forward with implementing the "so-called" Step 2 of Medicaid managed care. For me, for the individuals and for the families we serve, the most important thing is doing Step 2 right. Our driving force should be better services. That's why this budget includes stable rates and stable funding for both years of the biennium,

ensuring that implementation is based only on a timeline and principles that work for recipients, families, providers, and all other stakeholders. And to further ensure that our most vulnerable have the services that they need, our budget proposal maintains funding for services for people who experience developmental disabilities, people with acquired brain disorder, those needing long-term care, and other 'waiver' services. It also funds what has historically been called the waitlist, but that term suggests that we don't have a moral and legal obligation to provide these services. We do – which is why we have renamed that budget line, now calling it transitional services, which will fund care for the estimated 600 people who will become eligible over the next two years. We must also continue our work to ensure that our veterans and their families, who have sacrificed bravely in defense of our freedoms, receive the full care and support that they deserve. This budget adds a Veterans Services Officer to the State Office of Veterans Services and it will allow us to open 25 additional beds at the State Veterans Home. In addition, our capital budget includes funding for an additional unit at the State Veterans Home that will be dedicated to care for veterans with Alzheimer's or other dementias. As we work to improve health care for all of our citizens, we must continue our efforts to address our strained mental health system, which remains a pressing challenge facing our families, health care providers, police officers, and communities across the state. This budget funds the new crisis unit at New Hampshire Hospital to help relieve overcrowded hospital emergency rooms. And by including the funds necessary to maintain our commitment to our landmark mental health settlement, this budget will help alleviate the strain on our state's mental health system and ensure that we are providing appropriate care at the right place and time, before the point of crisis. Substance misuse – which at times co-occurs with mental illness – also remains a serious public health and safety challenge facing our state. In 2014, we had more than 280 drug overdose deaths – an unprecedented number – with many of those caused by heroin or related drugs. To address the rising rate of heroin and opioid overdoses, we have worked to train our first responders in the safe and effective use of Narcan, an emergency treatment for someone who has overdosed. We recently announced rules to create a new license that would allow all trained police officers the option to carry and administer Narcan. While increasing the safe and effective use of Narcan will help us save lives, we know that we must also strengthen our prevention and treatment efforts. Our bipartisan health care expansion plan provides coverage for treatment for substance and alcohol abuse, and this budget adds funds in the second year of the biennium to extend the full substance use disorder benefit to traditional Medicaid. This budget further builds on our efforts to address the substance misuse challenge facing our state, tripling funding over the biennium to the Governor's Commission on Alcohol and Drug Abuse Prevention, Treatment, and Recovery. These steps together will help ensure that our state remains among the healthiest in the nation, while promoting a healthy, highly skilled workforce that is prepared for success in the innovation economy. And there are other basic requirements that must be met in order for our workers and businesses to thrive and grow, and to ensure that we are attracting and keeping the young people here who will drive our future economic growth. We know that a modern, safe transportation infrastructure is critical to the success of our people and businesses. The bipartisan transportation funding plan that we passed last year is advancing critical road and bridge projects and helping to finish the long-overdue expansion of Interstate 93. But we still have work to do to ensure the full range of modern transportation options that our people and businesses need. The business community is calling on us to take action on commuter rail because it will improve access to the entire region and provide new transportation and housing opportunities that 21st century workers and families are looking for. Commuter rail will build on our many advantages and help set the stage for a new generation of economic growth by keeping more of our young people right here in the Granite State. That's why, as recommended by the Capital Corridor Rail Study, our capital budget includes four million dollars for the environmental and engineering assessment that this vital project requires to move forward. Finding consensus to make commuter rail a reality will require buy-in from local communities, the federal government and from Massachusetts, as well as robust public-private partnerships. I know that we can work together to move this project forward, and the environmental and engineering assessment is an important next step. We must also maintain a healthy and thriving port that can drive economic growth for years to come. Our capital budget provides funds to Pease for the Port Authority to secure additional federal dollars needed to expand the turning basin in the Piscataqua River, making it easier for larger ships to operate and bring their goods and services to our state. While improving our transportation infrastructure is crucial, it is just one of the ways that we can help promote economic development, and this budget takes other important steps to support growing businesses. We need to keep more of our young people here in New Hampshire, but we also need to once again encourage more young people from other states to choose New Hampshire. That's why this budget will allow the Department of Resources and Economic Development to develop a workforce recruitment strategy that will help serve our existing businesses and attract more job-creating companies to our state. We are also providing additional support for the Small Business Development Center, which helps small businesses get off the ground. And to build on the work of our Live Free and Start initiative, which is focused on making it easier for innovative businesses to start up and grow, this budget also adds two-hundred-and-fifty thousand dollars for education and acceleration programs at our business incubators – like Alpha Loft's Accelerate

New Hampshire. These accelerator programs provide intense support, mentorship and investment to help participating companies grow faster and put them in a better position to seek additional long-term funding through angel investors and venture capitalists. This budget also recognizes that as our second largest industry, travel and tourism is integral to our economy, so it provides for an increase in travel and tourism promotion that will benefit workers and businesses across the state. Also understanding that local agriculture and our state's working landscape are critical to our economy, culture and way of life, this budget more than doubles agriculture promotion. We also know that workers at our growing businesses need access to affordable housing in the communities where they work, so our capital budget proposal includes two million dollars for the Housing Finance Authority, which will help create at least 100 and as many as 250 non-age-restricted new homes, with priority for veterans. Our families, workers and businesses also need us to continue to focus on building a more affordable energy future. As we are experiencing this winter, high energy costs remain a burden on our people and our businesses. In order to reduce costs, we need to increase the supply of natural gas and diversify our energy resources. As we consider debates about new transmission and new natural gas pipelines, we cannot do it in isolation or with the expectation that they will solve all of our problems. Any proposed project must deliver real benefits to our ratepayers, while also incorporating the views of local communities and protecting our natural resources. And a successful long-term strategy – as recommended by the hundreds of stakeholders who helped develop our state's energy plan – must include stepping up our energy efficiency efforts and supporting small home- and business-based renewable energy projects. The Regional Greenhouse Gas Initiative and the Renewable Energy Fund are critical to encouraging energy efficiency and diversification through our growing clean energy sector. This budget uses those funds to expand efficiency and renewable energy projects, which will help reduce costs for ratepayers, create jobs and decrease harmful emissions that lead to climate change. Our budget also seeks to maintain the natural, historic and cultural resources that make our state such a special place to live, work and visit by maintaining our commitment to the Land and Community Heritage Investment Program. And this budget provides important funding for municipalities, funding existing water treatment projects for communities and increasing meals and rooms distributions by five million dollars in the second year of the biennium. Another crucial component of New Hampshire's high quality of life is the safety of our communities, and we should be proud that our state has long been recognized as one of the safest states in the nation. But improving public safety must always be an ongoing effort. We took an important step forward in our last budget by putting more troopers on the road, and this budget continues those efforts by providing for three additional troopers to keep our roads safe and two additional State Police detectives to help combat the opioid crisis. This budget also continues to fund our cold case unit, continues to fund drug task force teams and maintains the restoration of the Children in Need of Services program. But to truly address the public safety needs of our state, we must also renew our focus on the corrections system. In the last capital budget, we came together to finally fund the construction of a new women's prison, which is set to open in late 2016. The new women's prison will be an important step forward for the safety of our communities, and our capital budget allows us to complete the construction of this critical facility. But there are other challenges in our corrections system as well. For too long, we have required corrections workers to work mandatory overtime because of staff shortages, straining our corrections officers to their limits. Through enhanced recruiting efforts and a new program to re-certify probation and parole officers who have previously worked as corrections officers, the Department of Corrections has made progress in addressing its staffing challenges, and we must continue that progress. That's why this budget recognizes our responsibility to adequately fund the Department of Corrections, allowing the department to fill positions and staff the new women's prison. To fund the priorities that are essential to safe, healthy communities and a thriving economy, this budget relies on realistic, conservative revenue growth as recommended by the nonpartisan experts on the Consensus Revenue Estimating Panel. Indications are that the next two years will be strong years for the economy, but we maintain conservative revenue projections of 2.7 percent baseline revenue growth in the first year of the biennium and 1.9 percent in the second. We know that the business community needs a skilled and healthy workforce, a solid transportation infrastructure and lower energy costs. We know that our families are counting on safe communities, good schools and a high quality of life. And we know that young people want affordable higher education and modern transportation options. These are priorities that must be met if we want to overcome the trends that are holding our economy back, if we want to expand opportunity and build a more innovative economic future. And meeting these priorities will require a fiscally responsible approach that recognizes the importance of ensuring sufficient revenue to make strategic investments in strengthening our economy. Adjusted for inflation, the Fiscal Year 2016 general and education trust fund budget is at least 250 million dollars less than what Governor Benson and a Republican legislature spent in 2004. We face lost revenue from the Medicaid Enhancement Tax, as well as other lost revenues over the years, while fees have held steady even as costs have increased. We also continue to see significant shortfalls in year-to-date revenues from business taxes and the interest and dividends tax. Therefore, in order to invest in the priorities that are critical to our middle class families, young people and innovative businesses, this budget makes modest adjustments to ensure that we have the revenue

needed to make strategic investments and help build a more innovative economic future. We know that our youth smoking rate is too high, and cigarette taxes have proven to be one of the most effective ways to prevent youth smoking. This budget raises the cigarette tax by 21 cents. That will still keep our cigarette tax below our surrounding states. It also provides tax parity for other related products, including smokeless tobacco, cigars and e-cigarettes. Another measure to ensure that we can invest in our shared priorities is to allow the operation of Keno and self-service lottery terminals in certain establishments, with licensing enforced by the Lottery Commission. Six of the ten most lucrative Keno locations in Massachusetts are located within five miles of the New Hampshire border. Allowing Keno and self-service lottery terminals would help bring that revenue back home to invest in our priorities. Representative Lynn Ober has sponsored Keno legislation in the House, which I hope will gain the support of the legislature. This budget also funds auditor positions at the Department of Revenue Administration that have been left vacant for far too long and closes off-shore tax loopholes. And in order to restore fairness in our tax system, this budget increases the safe harbor for the reasonable compensation deduction by 25,000 dollars to 100,000 dollars, while also restoring the requirement that existed until two years ago that filers should be able to show a reasonable basis for that deduction – just as with every other tax deduction. This measure will restore our business tax base to the original estimates for Fiscal Year 2015. In addition to our General Fund challenges, we are also facing significant funding issues with the Highway Fund, which supports the important efforts to maintain and plow our roads and bridges and keep our roads safe. While last year's bipartisan transportation plan is making critical investments in capital improvements, we cannot ignore the day-to-day efforts that keep our highways and bridges open and safe for the commuters, visitors and businesses that drive our economic growth. For nearly the last decade, the Highway Fund has been operating on one-time revenues and reserves. Those sources have run dry. If we take no further action, we will be left with the untenable choice of leaving our roads unplowed, cutting state police, or leaving our local communities with little or no state aid. I know that nobody in this room wants to jeopardize those priorities, so this budget increases vehicle registration fees, ensuring that we can fully address the challenges facing the Highway Fund and keep our roads safe. At the same time, we must also change the way we fund another critical state agency, the Fish and Game Department, in order to ensure that it remains solvent and can continue providing services to protect our fish, wildlife and marine resources, as well as search and rescue and other important law enforcement responsibilities. The study commission to improve the sustainability of the Fish and Game Department – which included legislators from both parties – recommended authorizing the Fish and Game Commission to set license fees, and that authority is included in this budget, along with the first increase in the boat access fee since 1993. If we want to maintain the Fish and Game Department that Granite Staters and tourists rely on, we must make the difficult decisions now on how to fund it, and that's exactly what this budget does. The revenue changes included in this budget will not diminish New Hampshire's standing as having one of the lowest tax burdens in the nation, and my commitment to veto a sales or income tax remains firm. We have a small, responsive state government that reflects the fiscal responsibility that our people are known for and that they demand. But the people of New Hampshire are also known for their common sense and their desire to solve problems. They understand that we can't just wish for a new generation of innovative economic growth while refusing to make responsible strategic investments to make it a reality. This budget increases investment in only a few key areas, recognizing that there is more that we would like to do, but cannot given the revenue challenges that we face. It begins to move us away from governing by crisis and litigation, to stability. The work that state government does must be done efficiently, thoughtfully and frugally, and we must never forget how important it is to the lives of our people. I would like to thank our dedicated department heads and business managers who helped develop this budget plan and all of our hard-working state employees, who continue to serve our citizens well and do more with less despite ever-tightening budgets. Our hard-working state employees and the critical services that they provide have a positive impact on the lives of New Hampshire's citizens each and every day. During the blizzard on January 27, one of our DOT workers was approached by a gentleman who asked if he worked for the Department of Transportation. The worker replied yes, only to find that this man simply wanted to say, "thank you." The man explained that his wife has breast cancer and needs to make regular trips from the Lakes Region to Dartmouth Hitchcock for treatment, no matter the weather. He added that because of the tireless efforts of our state's DOT workers to keep our roads clear and safe, his wife has always been able to get to the hospital for treatment, even during the harshest days of New Hampshire's winter. This story is just one example of how the daily functions of state government help ensure that our people can do the things they that want and need to do in their lives – whether it is keeping our roads safe, maintaining and promoting recreational opportunities, responding to the needs of the business community, or any of the other countless examples of how a state must work for its people and businesses. We must never lose sight of the real difference that dedicated public servants and the services that they provide make in the lives of our citizens. We must also never lose sight of our responsibility to our people or of how investing in the foundation of our innovation economy will reap real economic benefits for years to come. What we have done in this budget is make the strategic investments that we can afford to help make New Hampshire more efficient,

more competitive and more successful economically. There are additional investments that we may want to make – lifting the moratorium on new school building aid and increasing the R&D tax credit, for example – but the revenue isn't there to responsibly do those things in this budget. As we work to finalize this budget together, it will as always require difficult choices and shared sacrifices. And it will require finding new approaches and building on the ideas and perspectives of Democrats, Republicans and Independents to reach new solutions. Over the last two years, we have proven that by working across party lines we can make significant progress. By investing in a strong workforce, the health and safety of our communities, economic development and innovation in state government, we will strengthen what makes our state special and ensure that all of our people can share in our high quality of life. The budget I present to you today is a fiscally responsible, balanced budget. I stand ready to work with any member of either party who is willing to bring constructive, long-term ideas to the table so we can continue investing in critical priorities. Together, we can expand middle class opportunity, support job-creating businesses, encourage innovation and keep our economy moving in the right direction. Together, New Hampshire will thrive. Thank you.

Rep. Flanagan and Sen. Bradley moved that the Joint Convention arise.

Adopted.

The Joint Convention adjourned.

HOUSE SESSION

The Speaker reconvened the House session.

RESOLUTION

Rep. Hinch offered the following: RESOLVED, that the House now adjourn from the early session, that the business of the late session be in order at the present time.

Adopted.

RECESS MOTION

Rep. Chandler moved that the House stand in recess for the purposes of the introduction of bills and receiving Senate messages.

Adopted.

The House recessed at 2:20 p.m.

RECESS

(Speaker Jasper in the Chair)

REFERRAL DECLINED

Rep. Major, Chairman of the Committee on Ways and Means, under the provisions of House Rule 46 (f), declined the referral of **HB 344**, relative to membership on advisory boards for municipal economic development and revitalization districts and relative to the financing plan of such districts.

RECESS