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Bitter Cold.....Bitter News

The 2009 legislative session is underway and while the newly sworn in State Senators and Representatives are ever earnest in their endeavors, even the most optimistic legislator agrees that the fiscal challenge facing New Hampshire state government, as represented by some cold, hard numbers, is as dire as it is cold today.

Earlier this week, Governor John Lynch testified before the House Finance Committee asking for another \$16 m in cuts to the current budget, which ends on June 30, 2009. Given the trend of current revenues and expenditures, these additional cuts will still leave the state's budget out of balance by approximately \$60 million at the close of the fiscal year. While this is not good news for the state, even more gripping predictions suggest that the succeeding two-year budget for fiscal years 2010-2011 will be even more difficult to balance.

To date the Governor and Legislature have harvested most of the low hanging fruit that has been available to them in order to reduce the projected deficit this year from \$250 million to \$75 million, notwithstanding the recently proposed cut of \$16 million. Together, they have bonded some state costs that were traditionally general fund expenditures, raised selected taxes and fees, and they

have made some cuts while also instituting some new approaches to the delivery of state services and restructuring some of the relationships it has with the private sector. There is one more source of revenue for the state to reach for in addressing the current shortfall and that is the state's "Rainy Day" fund. However, accessing that source before a deficit is officially declared at the conclusion of fiscal year is nearly impossible so perhaps that \$90+ million will be tapped at a later date in this debate. All of these changes, while difficult for those involved, have not brought on any extreme protest from the constituencies that have been affected by these changes.

With \$60+ million still to go in order to balance the current budget in fiscal year '09 and projections for as much as a \$500 million delta in the development of the next two year budget, the pressure to accede to new revenues will be great. Already, state employees were successful in blocking attempts to delay their scheduled pay raise and questions are already being asked in the State House as to whether the legislated promise of an additional \$50 million per year in state aid to education will come to pass in the next budget or whether that largesse will be postponed to a later, more flush fiscal year. But either one of these mentioned items and other potential budget savings will not close the gap. As such, at some point during the budget debate in the next six months, new revenue will be on the table for discussion.

As we know, income and sales taxes are off the table from the Governor's perspective. The House and Senate will likely follow that lead. However other taxes that will be under consideration include a resurrection of the estate and legacy tax, another run at the entertainment tax, and an almost certain rate hike proposal in the tobacco tax. Beyond these tax measures and almost promising to alleviate the legislators' burden of increasing taxes, is the pro-gambling community's effort to bring some form of expanded gambling to New Hampshire. At the end of the day, the gambling proposal that has the greatest likelihood of being enacted is a slot machine bill at one or more of the pari-mutuel facilities in New Hampshire. But others such as a casino in Berlin or slots at the Grand Hotels or a

state run casino at the Pease Development Authority on the Seacoast will all receive due consideration.

While fiscal speculation will continue to run rampant for the next several weeks, the next driving force in this fiscal debate will be the Governor's budget address during the second week of February. From his proposal that day, the Legislature will take hold of it, hold public hearings on the Governor's initiatives and very likely make changes to it so stay tuned. *Capitol Insight* will be reporting on this issue frequently over the next several months.

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CHAMBER INSIGHT:

The list that keeps on growing...

While the legislature has only been in session for a week, the Chamber already has a list of over 150 pieces of legislation of interest to the business community. That list will only keep growing as several hundred more bills are released over the next few weeks.

In the meantime, the Chamber's Government Affairs Committee (GAC) will be busy prioritizing and trimming this list down to handful of critical issues on which the Chamber can focus its resources. Here are a few key issues already on the committee's radar:

- **HB 412** – *An act relative to the research and development tax credit*. This bill increases the cap on the amount of research and development tax credits from \$1 million to \$2 million.
- **HB 197** – *An act relative to apportionment of damages in civil actions*. This bill is a new version of HB 134 from 2007 session. That bill was ultimately vetoed by Governor Lynch and opposed by nearly the every business entity in the state. The bill seeks to limit the courts ability to apportion damages only to parties named in a particular case. As in 2007, the Chamber is concerned this issue could lead to

defendants being held liable for damages that are grossly disproportionate to their amount of blame.

- **Taxes, taxes, and more taxes** – As mentioned above, with the state budget under pressure the legislature is expected to consider a variety of new and increased taxes. The GAC will closely monitor all activity in this area and has made opposing an increase to the Business Enterprise Tax one of its top priorities.
- **NH WARN Act** – Legislation creating a NH version of the federal WARN is still in draft form. The WARN (Worker Adjustment and Retraining Notice) is designed to protecting workers by requiring employers to provide notice of mass layoffs or plant closings.

Capitol Insight will bring you the Chamber's positions on these proposals and many more as the legislative session progresses. Stay tuned, it's going to be wild ride...

A new local flavor...

The Chamber is adding a new local flavor to its advocacy efforts. The *Local Affairs Subcommittee* will monitor important business issues happening in the City of Manchester. The committee will be responsible for making policy recommendations on local issues to the GAC and the Chamber's Board of Directors.

There is no shortage of issues for the committee to monitor with the City facing a tough budget year and several high profile development projects in the pipeline such as Hackett Hill Business Park, and the City's multi modal transportation center.

The subcommittee is on the lookout for new volunteers who live or work in Manchester and follow City Hall issues. If you are interested in getting involved, please email michaels@manchester-chamber.org.

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