

CARES UPDATE – June 5, 2008

Good News! After a session that went to midnight last night, the House passed the special budget bill (SSHB1) which included bonding school construction up to \$80m as needed to balance the FY 08 and FY 09 budgets. (We expect the full \$80m will be needed.) It also included a provision for the Pease Development Authority to repay \$10m in a state loan by December 1, 2008, which provides another \$10m. This net \$88m is a big step towards closing the projected FY 08-09 deficit of \$125m and takes pressure off making deep DHHS cuts - but unfortunately, we are not there yet and there is still a projected \$40m deficit remaining for FY 09 (this is a moving target that may go higher).

THANKS for all your help in supporting the BONDING of school construction. It was unusual for CARES to support a specific plan to save money like bonding, so we appreciate your flexibility and support. To be polite, it was a very difficult session last night, and the House Democratic Leadership had to go to extraordinary means to get the bonding approved to protect the DHHS safety net and other basic state services. They especially deserve our thanks - although don't forget to thank the Senate who supported the Governor's bonding plan from the beginning.

The NEXT KEY BUDGET DECISION is the GOVERNOR'S \$40M DEFICIT ELIMINATION PLAN to be presented on JUNE 17 to the FISCAL COMMITTEE

The Governor is scheduled to present his plan to the FISCAL COMMITTEE on Tuesday June 17th to ELIMINATE the REMAINING FY 2009 deficit. We do not know what the Governor is going to propose, but it appears the \$40m budget fix he mentioned last week will consist mostly of reductions in the FY 09 Budget. Unfortunately, if done proportionately, this would make the DHHS share of these cuts almost \$20m in General Funds - or about \$40m in total DHHS program cuts.

Clearly, a CUT of anywhere near \$40M in DHHS total funds (\$20M General Funds) would HURT the people we serve and weaken the safety net. This is especially true because of the higher costs DHHS programs now face that were not included in the current FY 09 budget – such as higher fuel costs and underestimates of Medicaid costs that alone cost millions. This means that the FY09 DHHS budget is already hard pressed to maintain existing services and has little flexibility to absorb more cuts – let alone cuts anywhere near \$20M in General Funds.

The CARES POSITION on JUNE 17th FY09 DEFICIT FIX (adopted in May)

***** NO CUTS to DHHS PROGRAM ELIGIBILITY or DHHS RATES and scheduled RATE INCREASES SHOULD BE MADE to BALANCE the FY 09 Budget.**

RECOMMENDED ACTION

#1 THANK the GOVERNOR & HOUSE MEMBERS for getting the bonding and other revenues/savings passed and avoiding cuts to DHHS in this first stage. The Governor & House - and the Senate - did a great service to the people of NH by holding the special session yesterday and avoiding brutal cuts to DHHS. They did not take the easy path of making the usual (and largely hidden) cuts to DHHS in the form of crippling lower rates or caps for services.

#2 CONTACT FISCAL COMMITTEE Members and the GOVERNOR (before June 17th) and urge them to continue their good work and find more creative ways to balance the FY 09 Budget without cutting DHHS services or rates. These are difficult times that require new and creative solutions to

avoid compromising the DHHS safety net – and especially to avoid quietly balancing the budget on the backs of staff and provider reductions - as has been so often done in the past.