



THE COMMITTEE OF 100

FYI

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Delaware Needs To Go On A Fiscal Diet

Delaware needs to go on a fiscal diet. We've packed on some pounds over the past 20 years and we are now discovering that we have more government than we have stable revenues to support. The estimated \$67 Million shortfall forecasted last month by DEFAC for next year's budget is only the beginning of what will become a widening gap over time unless we change.

We can't fix the problem just with spending cuts and we shouldn't fix it just with more taxes.

As John Sweeney detailed recently in these pages, we have been extraordinarily successful in 'exporting' our revenue burden to out-of-staters. Highway tolls, casino receipts, incorporation fees, and abandoned property (escheat) collections combine to provide over 40% of the State's revenue. We've been spoiled by that free money and we all know that if you're not the one paying the bills, you've got no reason to be frugal. And now we are seeing some of those revenue sources weaken or become more volatile.

Complicating the revenue situation is the fact that we have been using the wrong kinds of revenue for the wrong kinds of spending. The prime examples of this have been the growing reliance on escheat revenue for general operating expenses and the use of Transportation Trust Fund revenues for DelDOT operations. In both cases, a significant portion of those revenues should be reserved for one-time and capital projects.

Can we untangle the revenue mess and deal with the shortfall at the same time? It won't be easy and it won't happen overnight, but we have to start now, before the problem becomes a crisis. The DEFAC Revenue Advisory Committee released an in-depth review of Delaware's revenue and have proposed greater reliance on broad-based revenues that more closely track the condition of our economy. In short, we need to pick up more of the tab for the services we enjoy and limit our spending to a level that a reasonable revenue portfolio can support. We hope the General Assembly will consider the following suggestions:

No more rabbits out of the hat. 'Found' revenues should go to capital projects or a budget reserve account, not to balance the current budget.

Kick our escheat addiction. Significantly reduce over time how much of this revenue we use for the General Fund and set aside the rest for capital projects and budget reserves. If we start now we may be able to complete the transition without a crisis.

Spend transportation user fees on transportation projects. Gradually move a significant portion of DelDOT operating expenses back to the General Fund to help restore, along with new revenues, the buying power of the Transportation Trust Fund for capital projects.

We need to be investing in our future – schools, technology, transportation, clean water and energy. This is the spending that can spur economic growth and bring jobs and prosperity back to Delaware.

Cordially,



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