

SPECIAL WEEKEND EDITION
DATA DELAWARE: Saturday, April 25, 2020
SUBJECT: Byrd explains Delaware's finances! (PART 2)

DISCLAIMER: This transcript is produced from Data Delaware podcast electronically; the conversion is being offered on a best-efforts basis.

Dace Blaskovitz:

Welcome back to Money And Politics in Delaware. We're having fun, we're having it with Byrdie, Bob Byrd, professional lobbyist, big time politician or political influencer. I'll give him that compliment. And a past chair, a DEFAC and a current member of DEFAC. And for our regular listeners, you know Bobby, very much to his credit comes on the air immediately after each meeting. So Bobby, we tape on Friday, air on Saturday, met on Monday. So how good/ bad is it? What does the state of Delaware revenues look like according to Bob Byrd?

Bob Byrd:

Well first of all, let me say that DEFAC met on Monday and we will meet again on May 18th which would be our next scheduled meeting. We set numbers, we took votes on numbers, but there's a lot of uncertainty in these numbers. I don't think anybody, and we agree that nobody really knows what's going to happen here. One of the things that the federal government did in the legislation they passed was moved the tax filing deadline from April 15th to July 15th so that means that that's a three month gap in there when we should have been getting a lot of our state revenue because the income tax filings were going to be due on April the 15th. They're now not going to be due until July 15th so you've got a three month lag in here in when the personal income tax comes in and in the personal income tax there's withholding's, there's final payments and both of those are off.

Bob Byrd:

So a lot of these numbers are off. Now having said all that, we estimated that this fiscal year the revenues would be off about \$450 million roughly. I forget exactly what the number is, but that's close. And next year the revenues would be off \$250 million. So that means that as they put the budget together for next year, we're indicating that the revenues are going to be down by some \$750 million. That's the bad news. The good news is that we ended last fiscal year with about a \$950 million surplus, so they kind of offset, not quite, but it's close so they can do some things with the smoothing dollars that they put in, they've got a rainy day fund. I mean there's enough cash laying around that they can probably come to some agreement and probably do a budget close to what the governor recommended with the revenues that were estimated.

Bob Byrd:

Now having said that, we also were pretty conservative in estimating our revenue and if the economy gets started again in the next month to six weeks, I think we'll get more revenue than we have currently been estimating. So all in all, I think it's a manageable situation, but they're going to have to be very creative in order to get it done.

Dace Blaskovitz:

Bobby, let me challenge you just a minute in a good way.

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Bob Byrd:

Sure.

Dace Blaskovitz:

Think your word choice was, "Last year's cash surplus." Are you suggesting almost a Billion, "B" as in "boy," dollars of taxpayer money, Dover did not spend?

Bob Byrd:

That's correct. That's correct. Now there are some things that you need to take into consideration when you say that. That accounts the dollars that go into the rainy day fund, which is \$250 million, somewhere in that regard. There's the money that they set aside for budget smoothing, which was about another \$130 million and you also have to take into consideration what we call encumbrances, which is money that was appropriated in prior years, but not spent that in some of those things is you've got to take into consideration, but the actual budget surplus when you took what we spent and what the revenues were at the end of the year was \$950 million.

Dace Blaskovitz:

Alright. There's \$1.2 billion that came from the fed. What happened to it? Where's it at, Bob Byrd?

Bob Byrd:

There's a lot of people that don't know where the \$1.2 billion is. There was an article in this morning's paper from the governor in New Jersey that said he doesn't think a lot of it can be spent because it doesn't meet the criteria that they set it up for. What they said was, "You can spend these dollars on things that are affiliated with, were part of the expenditures should you have to make as far as the virus is concerned." Well, what's that mean? That's a very finite definition of what you can use these dollars for. So I think the dollars have come in, they're there, they can be used, but you're going to have to justify all that. It's not like you could take that \$1.2 billion and put it into the state coffers and spend it for whatever you want to spend it. There are a lot of strings on it.

Dace Blaskovitz:

Alright, the governor has, if I remember right, three who oversee it. One in particular, if I remember right, is not even a state of Delaware employee. I think we had Greg Lavelle last week that pointed out by definition that person would not be FOIA covered. I'm not being accusatory, but seems like it'd be awfully right for your word choice shenanigans, if you were the radio listeners, that's not the case.

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Bob Byrd:

You're speaking of the three that the governor appointed. His chief of staff, his secretary of health and social services, and Kurt Foreman who was the state's economic development person in conjunction works for a private corporation, which is a corporation that's made up half state and half business funds that was set up a couple of years ago and they were the three people that were appointed by the governor to work with the other Northeastern governors to figure out how to get the economy started again once this thing comes back. I'm not sure that those three have anything to do with \$1.2 billion that came in. The \$1.2 billion I think it's in another pot and I don't think those folks are really going to have the ability to spend that money. But if they are, two of them are state employees, so you're going to be able to FOIA whatever you want to FOIA. You can ask for whatever it is and then the state has to either agree with it and get the information that you are FOIA or say, "No, we're not going to do that." And that turns into a court case.

Dace Blaskovitz:

Bobby, on our side and we only got two and a half minutes left and all of our conversation today is going to climax into a basic question. In two and a half minutes, Bob Byrd, the ultimate insider, your thoughts on the budget?

Bob Byrd:

My thoughts on the budget. I think we'll to a conclusion and we'll have a budget by June 30th. I think the bigger question out there is how we come back and how we get our economy started again, when you start to lift some of these restrictions and when you open it up, and I can tell you from a lot of the work that I'm doing right now on behalf of my clients is figuring out how to do that and figuring out what restrictions need to be put in place. We represent the casino industry, we're looking at a lot of options there of restrictions that we can put on the casino industry, but they will get it reopened again. Number of my other clients are also looking at things that they're going to have to do and changes they're going to have to make in the way they do business in order to comply with the new rules and regs that are going to come down as a part of this, as we reopened our economy and that that's a really big deal.

Bob Byrd:

Obviously everybody wants to get it open as soon as they can, but you've also got to be mindful of the virus being out there and those kinds of issues as well. It's a very difficult decision to make and I think the governor has a number of folks working on it and I know the legislature is also giving it some thought. So, that's a really big deal that Delaware has to deal with.

Dace Blaskovitz:

In 30 seconds, is Dover smart enough to understand the longer they don't open, the more revenue they lose? And the answer to your question becomes even more challenging, 20 seconds.

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Bob Byrd:

Absolutely. The one good thing I can say is that Delaware doesn't have a sales tax, so we're not worried about losing sales tax revenue as a result of the economy not being open. That's the good news. The bad news is we rely on personal income tax, and if people aren't working, we're not collecting personal income tax.

Dace Blaskovitz:

His name is Bob Byrd. Bob Byrd again, thank you. We'll see you next week for more Money And Politics in Delaware.