

DATA DELAWARE: Monday, July 8, 2019
SUBJECT: *Budget truths REVEALED, secrets told (Part 1 Podcast transcript)*

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Dace Blaskovitz: Welcome back to Money and Politics in Delaware, second half of the show. It's time to do to politics. Welcome back Greg Lavelle.

Greg Lavelle: Happy to be here.

Dace Blaskovitz: Yeah, how about that? So happy you had to think about it, and in the way of introduction, Greg Lavelle is a regular to the program. We're big fans of the guy, former legislator at a couple of different levels within the state of Delaware. With that said, Greg Lavelle, we get first time listeners, give us 30 seconds about you and or 30 seconds about your business.

Greg Lavelle: Sure. Happy to be here. Lifelong Delawarean, live in northern New Castle County. Served in the House and the Senate in the legislature for a total of 18 years, almost so long that I was part of the problem. I work for a small financial consulting company in Newark, Delaware, and actually I've been there for 30-plus years, and my wife and I work together, so that's a little tidbit that not a lot of people know, but somehow it works.

Dace Blaskovitz: You ready to go?

Greg Lavelle: I'm ready to go.

Dace Blaskovitz: All right, and you're still married?

Greg Lavelle: Still married, yep. That's why I refer to her as my wife.

Dace Blaskovitz: And with the big giggles, I'm going to leave this, we did a pre-interview, we have an outline, but since we started with smiles, I'm going to tell a real brief story to the audience and then you come in and clean it up. As I understand it, there is an opinion out there, perhaps it's yours, Greg Lavell, that one reason the \$15 minimum wage did not pass Dover was because there is some percentage of state employees that do not make \$30,000 a year. As a refresher, \$15 an hour translates simply or simplicity to a \$30,000 a year. Therefore, the legislators looked around and said, "If we pass this, we got to give everybody a raise, but if we give everybody a raise, or those folks, then by default the budget's going to get squeezed and our pet projects may get squeezed, so we're going to walk away from it." That's just one opinion. What's Greg Lavelle say, sarcasm aside?

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- Greg Lavelle: Yeah. No, I think there's a lot of truth to that, and all of what you stated is true, so the state would experience what private employers talk about. You have to raise everybody's wages and then the guy who was making \$30 when somebody else was making \$26 says, "Wait a minute, now I've got to make \$34." So it would've had a significant impact on state employees, so I think that is definitely one of the reasons it did not move along. In addition to that, and we hear it all the time for private organizations that provide services for the state government, they don't pay their people 15 bucks an hour. They'd like to, they're doing their best, so that also becomes another budgetary issue. So there's a couple things going on there that came together to make that not happen.
- Dace Blaskovitz: That kind of sets the tone for how we're going to do today's interview, it's tangled and a bad flavor in your mouth. All right. Our pre-interview, if I understood it, the capital budget and the budget that just passed, and by the way, we're taping on Wednesday because of the holiday, airing on Saturday in case anything crazy happens, but the capital budget moved from \$400 million to \$800 million? Did I get that tidbit correct?
- Greg Lavelle: You did. It is a great time to be the governor, it is a great time to be in the state legislature, and they all have the Delaware taxpayer to thank for that. The capital budget, the bond bill this year was \$863 million, and that's a combination of about \$425 or so, \$400 plus million in road improvements through gas taxes and things like that, but also the state's bonding authority and also the fact that we call it cash to the bond bill, there was \$184 million of cash sent from the general fund to the bond bill to come up with this \$863 million capital project. Everybody got something, and some people got two things, and that's up from the 2016 bond bill of \$456 million, so if you are building projects in this state, if you're a contractor, you're going to have some good work for the next few years, because last year's was also in excess of \$800 million.
- Greg Lavelle: Lots going on there, some of it deferred maintenance on state buildings, the school construction is always a big one, as I said, roads, road improvements and those things, and then tons of money sent out to the universities, nonprofits, and all those types of things. It's a great year to be in the legislature and again, the governor and the legislature have the Delaware taxpayer and a strong national economy to thank for that.
- Dace Blaskovitz: And by the way, do they all have Trump tee shirts when they show up for work?
- Greg Lavelle: No, I think they were actually outlawed in the assembly. It was epilogue in the bond bill, we'll talk about that later.

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Dace Blaskovitz: All right, I'm going to call you out. I'm gonna put you on the spot. I say with a big smile in our pre interview, you talked about the budget smoothing policy and then with a smile, the budget smoothing policy tricks. It's teed up for you to tell the story.

Greg Lavelle: Sure. The budget smoothing the back in Miss Governor's first year, we didn't get the budget passed in time. we left the Markell administration, we, the state of Delaware. And this gets into DEFAC because I know you talk about DEFAC a lot with Bob Byrd and others. There was this projections, no one projected a \$400 million budget deficit until the governor switched, and suddenly you had this disaster. An idea that grew out of that, and it had been around in the past is, don't spend all the money when everyone's drunk and happy, try to curtail your spending, set aside money for a rainy day. That's called budget smooth. A lot of work was done and you come up with an index and say, okay what should we spend in the particular year? This year's index would have been 3.8% growth in the general fund.

Greg Lavelle: The governor embraced this in theory. Now he proposed a budget that grew 3.8% so he left nothing for the General Assembly in terms of them allowing to do the priority. So I view that he didn't really embrace it, he just kind of played along. The budget general fund, there's lots of different funds here, but the general fund budget grew this year, \$4.4-\$4.5 billion. So that was a little bit above the 3.8 and that's the general assembly going in there. Also set aside a \$78 million on top of \$47 million from last year. Now they're sitting on about 125 plus million dollars for the smoothing account in case things do go down. So we'll see what DFAC says. DFAC comes and goes. They're not always right. They're doing projections for goodness sakes. But the budget tricks this year beyond the one we introduce the 3.8, end up at 4.4, this is the second year in a row, Dace, that the General Assembly has passed a supplemental bill.

Greg Lavelle: This bill is \$62 million and the argument is made that this one time spending, one time spending is actually supposed to be in the bond bill, not in a supplemental budget bill and the supplemental bill is about 1.5%, so really the growth and spending was closer to 6% not 4.4%. Within that \$62 million appropriation, which a lot of it's one time, but if you continue to spend one time money, time and time and time again, it's not one time money, is money for school improvement and so we know that, and that's \$37 million, 37 and a half million dollars and that's not going to be one time money. So little budget tricks, but again, everybody's fat and happy. Lots of money to spend and it's getting spent.

Dace Blaskovitz: Alrighty. Next. Again, going back to our pre interview, there were three, I think two things we wanted to chat about. A policy change, higher education fund. What's that story?

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Greg Lavelle: Yeah, so there was a significant change in policy this year. A fund was created last year called the Higher Education Economic Development Fund, and that was the growth, again there was a lot of money last year as well. The way that the universities, the three, Del Tech, Delaware State and University of Delaware had been funded for their capital projects last, you know, times have been tough. Speaking of the seven or eight years prior to this, we used to send no money to the bond bill, no cash to the bond bill. So you would have, and I'll just pick a number, say there's \$10 million available, it'd be divided by three. They would each get 3.3 million. All of them, let's say, well that's no way to fund anything. So Del Tech got some extra money this year, this fund was set up last year. The theory is that you would come and apply for specific projects, maybe say, hey, we're going to invest here and it's going to create jobs or this, that, or the other thing.

Greg Lavelle: The big policy changes this year, Dace, is that Wesley College who is having a very difficult financial times is now eligible to participate in this fund, as is Wilmington College, Delaware College of Art and Design, Widener, as I understand it. So essentially the other, the other higher ed institutions in Delaware.

Dace Blaskovitz: And on that one, let me do this. So when we come back, I share with the audience, we're going to finish up policy change with higher education then we look, I believe it's referred to as section 58 and then there's an adversity study. Also, I would like to come back if, excuse me, if time allows and redo Senate Bill 8 which a former legislator, Lavelle, warned us about, we will be right back.