



# Analytics

Published by the Caesar Rodney Institute

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**RELEASE: CRI - Center for Economic Policy and Analysis**

**RE: The Delaware JFC: Clueless?**

**DATE: 5/25/2012**

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The Joint Finance Committee (JFC) of the Delaware legislature has proposed a 1% hike in the salaries of all state employees...including public education, colleges and universities, and retiree pensions. The estimated \$21 million addition to the FY 2013 expenditures (July 1, 2012 to June 30, 2013) flies in the face of the state's fiscal realities.

For the current FY 2012 ending in June, state expenditures will have risen 10.4% over FY 2011. State revenue, however, is projected to come in -5.5% lower than last FY. The gap between expenditures and revenues has been made up primarily by carry over funds from the previous year and borrowing.

This is not a healthy picture.

Over the past seven years total state salaries have risen 3.6% per annum and fringe benefits by 6.4%. Pension payments have soared by 10.3% a year while the funded pension liability has dropped from 103% to 94%. The total unfunded health care liability for state retirees is now close to \$6.0 billion.

Meanwhile, over this same time period Medicaid spending by the state has risen 12% a year and at \$630 million now eats up over 17% of the state budget. Finally, state payments for contractual services have gone up almost 15% a year.

The Delaware Economic and Financial Advisory Council (DEFAC) projects FY 13 revenue to be almost \$3.7 billion, a 10.6% increase. This drops to an 8.9% increase when a one-time \$60 million tax settlement is excluded. The 8.9% includes a very optimistic 57% jump in the net corporate income tax and an extraordinary hike of 81% in revenue from abandoned property.

If the corporate income tax and abandoned property revenue rise only 8.9%, and the one-time \$60 million is excluded, FY 13 revenue will only rise by 1.5%. And DEFAC predicts that FY 14 revenue will come in -2.0% below the optimistic FY 13 projection.

Both the Delaware Office of Management and Budget and the Department of Finance has tried to get the JFC to face reality. The response of JFC co-chair, Rep. Dennis P. Williams, is "you propose and we dispose."

Such a cavalier attitude in face of the dire circumstances the state of Delaware confronts is a recipe for fiscal disaster.

**Dr. John E. Stapleford, Director  
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