

**BUDGET RESET**

**GOVERNOR CARNEY**



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**[www.de.gov/budgetreset](http://www.de.gov/budgetreset)**

# WHY DELAWARE NEEDS A **BUDGET RESET**

**Expected  
Revenue**

**\$3,906,100,000**

**Expected  
Expenses**

**\$4,291,727,700**

**Budget  
Shortfall**

**\$385,627,700**



*March DEFAC  
Available Revenue for  
FY 2018 Appropriation*



*FY 2017 Level of  
Appropriations plus  
Cost Drivers*



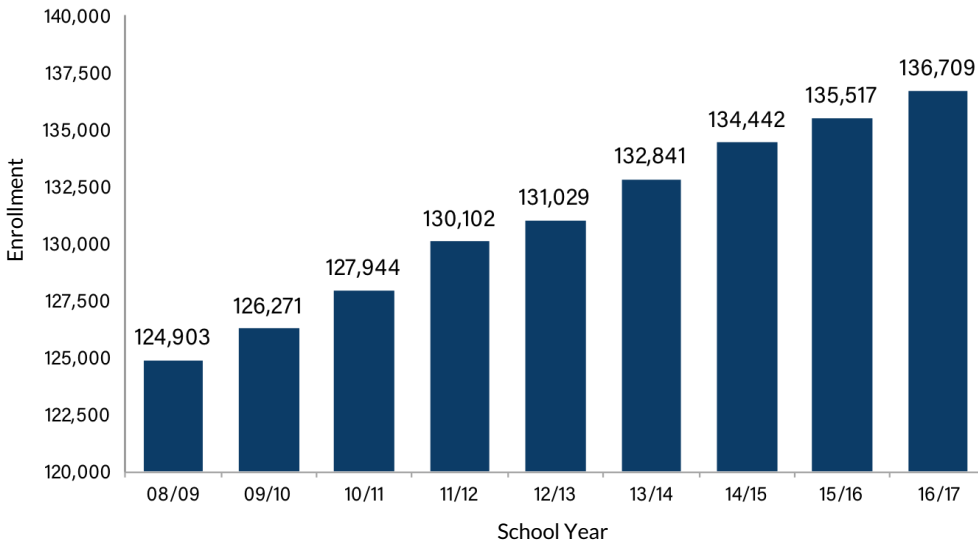
*Post April DEFAC, budget  
shortfall now at  
\$394.7 million*



# WHAT'S DRIVING GROWTH?

# EDUCATION

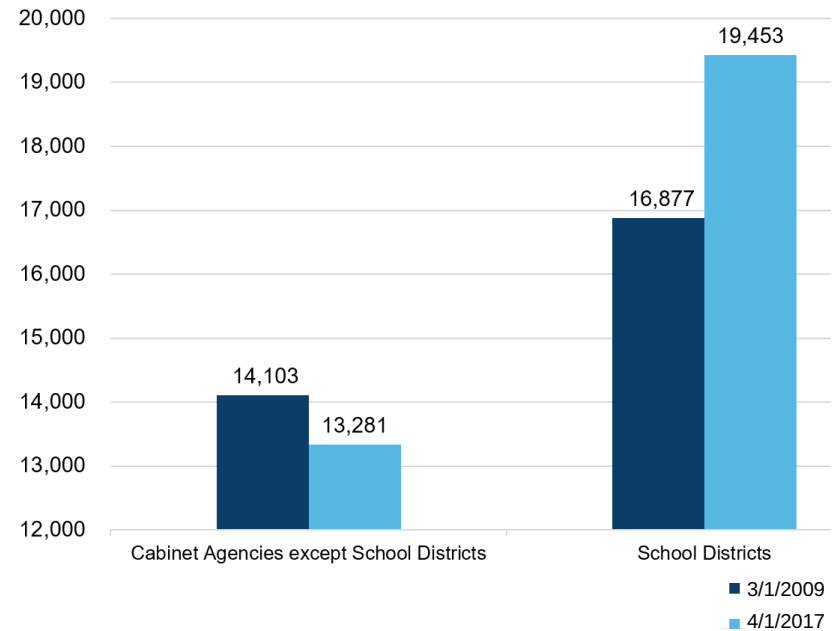
## STUDENT ENROLLMENT



2008-2009 School Year: 124,903

2016-2017 School year: 136,709

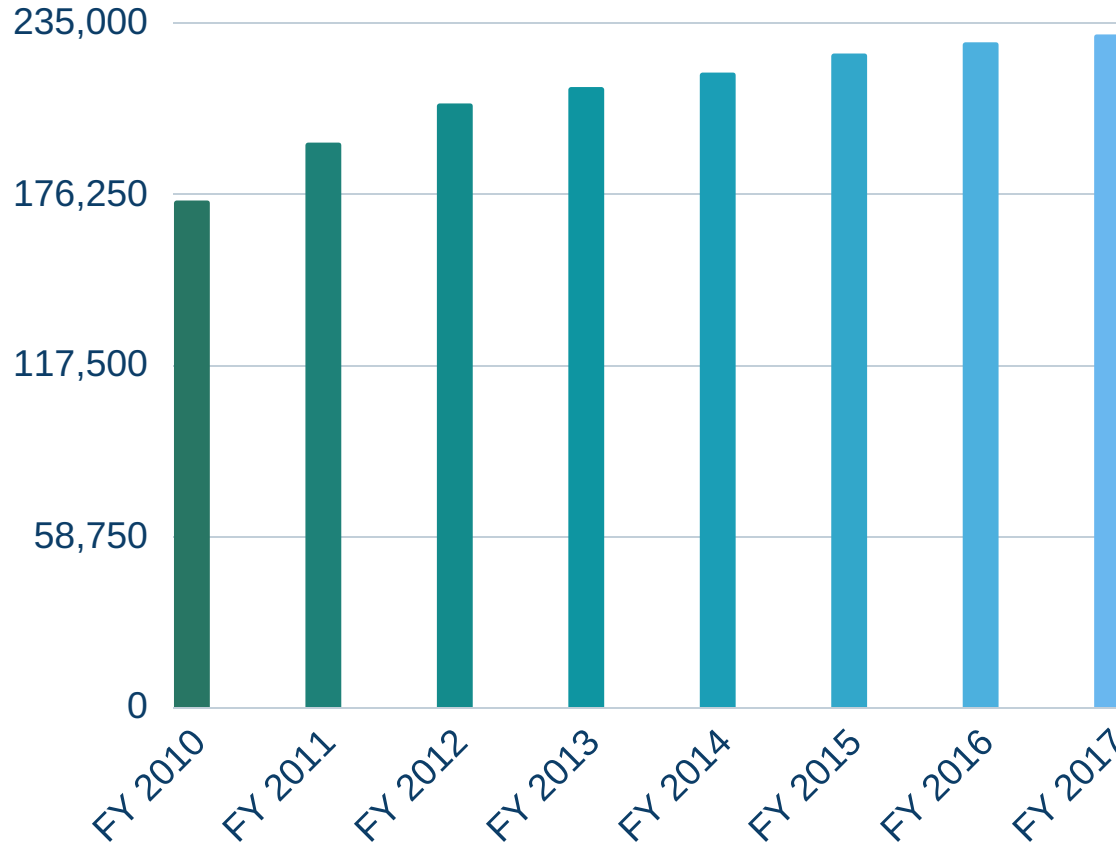
## EMPLOYEE COUNT



Executive branch employment is down since 2009, but school district personnel has steadily grown with student enrollment, driving up costs.

# WHAT'S DRIVING GROWTH? MEDICAID

MONTHLY AVERAGE OF  
MEDICAID RECIPIENTS



AVERAGE MONTHLY COSTS  
PER MEDICAID RECIPIENT

**2009: \$617.00**

**2016: \$655.66**



# SOLVING THE BUDGET SHORTFALL

## GOVERNOR CARNEY'S PRINCIPLES

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**MAKING DELAWARE MORE COMPETITIVE, WHILE PROMOTING ECONOMIC GROWTH.**



**USING A BALANCED APPROACH THAT CUTS SPENDING AND RAISES REVENUE THROUGH SHARED SACRIFICE.**



**BUILDING A LONG-TERM, SUSTAINABLE FINANCIAL PLAN.**



**CONTAINING COSTS THROUGH CONTINUOUS IMPROVEMENT, WHILE INVESTING IN KEY PUBLIC SERVICES.**

# SOLVING THE BUDGET SHORTFALL

# SHARED SACRIFICE

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4.5% total reduction to state agency discretionary funds.

*List of reductions available at [de.gov/budgetreset](https://de.gov/budgetreset)*

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## Major Proposals

### Education

- Reduce school district funding while allowing districts additional flexibility to raise local property taxes.

### Health Care

- Begin to address high cost of employee health care and eliminate double state share for state employees.

### Open Space/Farmland Preservation

- Eliminate funding until resources become available.

### Making Government More Efficient

- Long-term commitment to study cost savings through Government Efficiency and Accountability Review Board (GEAR).

# SOLVING THE BUDGET SHORTFALL

# REVENUE PLAN

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- ✓ MORE RESPONSIVE TO ECONOMY
  - ✓ REMAIN COMPETITIVE
  - ✓ REDUCE VOLATILITY
  - ✓ EQUITABLY DISTRIBUTE COSTS
- 

## CORPORATE FRANCHISE TAX PROPOSAL

- Adjust tax levels for corporations and fees to reflect inflation.

## PERSONAL INCOME TAX PROPOSAL

- Raise rates across-the-board, while eliminating itemized deductions.
- Increase standard deduction to \$5,000 per individual.

## TOBACCO & RELATED PRODUCTS TAX PROPOSAL

- Increase tax on harmful tobacco products and tax e-cigarettes.

*Draws upon recommendations of the bipartisan  
"DEFAC Advisory Council on Revenues."*

# BUDGET RESET TIMELINE

## January

- Governor Markell submitted recommended budget (HB 25) to the General Assembly before Governor Carney took office.
- Governor Carney began meeting with constituents at Community Conversations to discuss the budget shortfall.

## February - March

- **Joint Finance Committee (JFC) Hearings and Bond Bill Hearings:** Committee members consider Governor Markell's recommended budget and hold hearing to discuss budget items with agencies and advocates.
- **March 23:** Governor Carney released his budget framework.

## April - May

- **Mark-up:** JFC reviews budget proposals.
- **Bond and Capital Improvement Act aka "Bond Bill":** The bill that allocates money for capital projects throughout the state, such as school renovation and building maintenance.

## June 30

- The budget passes the General Assembly and is signed by Governor Carney as the new fiscal year begins on July 1.