

Compilation Plan Would Close Bulk of \$800 Million Budget Hole

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Supporters of a new plan that draws ideas from multiple sources say it could form the core of addressing the state's estimated \$800 million budgetary shortfall.

State House Minority Leader Richard Cathcart (R-Middletown) and State House Minority Whip Dan Short (R-Seaford) detailed the plan in a letter sent to Gov. Jack Markell and members of the Joint Finance Committee – the group of 12 lawmakers currently crafting the next budget.

“With respect to our budgetary challenges, we’ve been repeatedly told that ‘everything is on the table,’” Rep. Cathcart stated in the letter. “It’s time we put that pledge to the test.”

Reps. Short and Cathcart said they put the plan together using ideas from wherever they found them. “Some of the suggestions originated with us, many came from the governor, still others came from legislators, groups and private citizens,” Rep. Short said. “By drawing from a diverse set of sources, we believe this is a plan that gets us a long way towards solving our budget crisis.”

The suggestions included in the plan were selected based on:

- Maximizing existing resources
- Reducing costs
- Cutting the size of the state government to position Delaware for the future
- Minimizing the impact to taxpayers, state employees and teachers

The plan cites \$227.1 million that is already available to meet the FY 2010 shortfall. This includes revenue the state has received via the Federal Recovery Act (stimulus money) as well as money the state will get via sports-betting, table games and the redistribution of net slot machine proceeds.

There are also nearly \$335 million in cost-cutting and revenue-generating suggestions for FY 2010. Taken together, the plan would close \$562 million of the \$800 million shortfall.

Additionally, there are suggestions that would save an another \$206.5 million annually, starting as early as FY 2011. “These are ideas that would save state taxpayers a huge amount of money, but would realistically take at least a year to implement,” Rep. Short said. “However, we need to undertake these initiatives now so we can start the process of positioning Delaware for an uncertain future.”

The suggestions for the future include reforming a state purchasing system that a recent News Journal article detailed is costing taxpayers tens-of-millions of dollars annually in needless expenses. “I was shocked by some of the conditions the News

Journal described,” Rep. Cathcart said. “As a former Director of the State Division of Purchasing, it was disappointing to read that a system I helped set up to reduce costs through centralized purchasing and mandated use of state contracts has largely been abandoned. That was in the early to mid-1980s and it looks like we’ve returned to the same bad buying habits we had then.”

Notably absent from the plan is any mention of a proposed eight percent pay cut for state employees. “As the recent rally held by state employees in Dover proved, that proposal is opposed by many in the General Assembly, including by me,” Rep. Cathcart said.

“My main problem with the proposed pay cut was that even after the economy recovers, state workers would be in a hole that would take them years to climb out of,” Rep. Short said. “Just as importantly, reducing salary would likely have an adverse impact on the pension calculations of those workers on the cusp of retirement. Although an unintended consequence of the governor’s proposal, it’s unfair to penalize people at the end of their career of service. We need to look at approaches that will not unduly impact teachers and state employees.”

Among the more interesting proposals is a suggestion to trim the state work force by 4,000 over the next four to six years via attrition, returning the work force to 27,500 – about its size in 2000.

According to the State Pension Office, at least 200 state workers and teachers leave state service each month. Assuming 75-percent of these workers are essential employees that must be replaced, the state could still reduce its work force by 600 workers via attrition in FY 2010 alone. “We believe this is a conservative estimate,” Rep. Cathcart said. “In fact, we anticipate the pace of this draw down will naturally accelerate in future years as the performance reviews that Gov. Markell has ordered are completed and agencies are reorganized for greater efficiency.”

The plan includes two tax increases, which are modified versions of suggestions Gov. Markell made as part of a package of six tax hikes. The state personal income tax would be raised by one-percent for those making over \$60,000 and one-half-of-one-percent for those making less. The plan would also raise the corporate franchise tax. “We kept the tax increases to an absolute minimum in this plan and, with the idea that state revenues will rebound as the economy strengthens, both of these changes would expire or ‘sunset’ after three years,” Rep. Cathcart said.

Both Reps. Cathcart and Short said the plan isn’t intended as a final solution, but has the potential to jump start talks by providing a base on which to build.

“This plan would bridge more than three-quarters of our budget gap, drawing from ideas of Republicans and Democrats alike,” Rep. Cathcart said. “Not all of the people in my caucus are happy about all the items in this plan, just as I’m sure the governor and other lawmakers will have issues with some aspects. I’m not thrilled with some of it, but that’s kind of the point. Everyone is going to need to concede some ground to get to the place where we collectively need to be.”

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