DELAWARE Budget Report Card

DELAWARE'S REVENUE RECOVERY trailed those of many other states in the later years of the recovery from the Great Recession. In fiscal 2019, for example, revenues rose by 4.5 percent versus the national average of 6.3 percent. Unlike some neighbors, however, Delaware was not tempted into using budget maneuvers to achieve balance. As a result, it was one of seventeen states to win a top A average in the category from fiscal 2015 through 2019.

Its avoidance of maneuvers was buttressed by the addition in 2018 of multiyear expenditure forecasts to budget documents, giving it a B average in budget forecasting. Its lowest average grade was a C in legacy costs, which include public worker pensions and other postemployment benefits (OPEB), primarily health care. The mark reflected the state's practice of funding OPEB annually on a pay-as-you-go basis and not according to an actuarially determined amount. In contrast, Delaware's pension was consistently funded in line with actuarial recommendations.

Delaware posted B averages in reserve funds and transparency. Its policies for using and replenishing the Budget Reserve Account helped the fund grow by small amounts in each year from 2015 through 2019, when it totaled $240 million, equivalent to 5.5 percent of general fund expenditures. Its shortcoming was a failure to link the fund to historical revenue volatility, an element also missing in twenty-nine other states. The transparency grade resulted from Delaware's failure to report deferred infrastructure maintenance costs in budget documents, a shortcoming shared by forty-four other states.

SOUTH ATLANTIC STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Delaware	B	A	C	B	B
Florida	A	B	C	B	B
Georgia	C	A	B	B	B
Maryland	A	C	C	C	B
North Carolina	A	B	C	B	B
South Carolina	A	A	D	B	C
Virginia	A	C	D	A	C
West Virginia	B	B	B	B	B
US AVERAGE	C	B	C	B	B

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preparing for the Storm* at VolckerAlliance.org.

DELAWARE Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	A	A					
Consensus Revenue Forecasts	✓	✓	✓	✓	✓				●	●
Multiyear Expenditure Forecasts	✗	✗	✗	✓	✓	●	●	●		
Multiyear Revenue Forecasts	✓	✓	✓	✓	✓					
Revenue Growth Projections	✓	✓	✓	✓	✓					
5-YEAR AVERAGE B										

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	A	A	A	A					
Deferring Recurring Expenditures	✓	✓	✓	✓	✓	●	●	●	●	●
Revenue and Cost Shifting	✓	✓	✓	✓	✓					
Funding Recurring Expenditures with Debt	✓	✓	✓	✓	✓					
Using Asset Sales and Up-Front Revenues	✓	✓	✓	✓	✓					
5-YEAR AVERAGE A										

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	C	C	C	C					
Public Employee OPEB Funding	✗	✗	✗	✗	✗					
Public Employee Pension Funding	✓	✓	✓	✓	✓	●	●	●	●	●
Public Employee Pension Funded Ratio*	89%	81%	83%	85%	83%					
5-YEAR AVERAGE C										

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓					
Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓	●	●	●	●	●
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓					
Reserves Tied to Revenue Volatility	✗	✗	✗	✗	✗					
5-YEAR AVERAGE B										

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Consolidated Budget Website	✓	✓	✓	✓	✓					
Provides Debt Tables	✓	✓	✓	✓	✓	●	●	●	●	●
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗	✗	✗					
Discloses Tax Expenditures	✓	✓	✓	✓	✓					
5-YEAR AVERAGE B										

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.
* **SOURCE** Bloomberg.