

DELAWARE Budget Report Card



DELAWARE'S DECISION IN 2018 to release its first five-year general fund expenditure estimate helped the state raise its three-year average grade in budget forecasting to a top A for 2017 through 2019 from B in the previous three-year period. While Delaware had already produced long-term revenue estimates, it forecast expenditures for only one year before the change. Having long-term revenue and expenditure estimates makes it easier to plot budgets for several years.

The state received a C average in legacy costs, which cover public worker pensions and other postemployment benefits (OPEB), principally health care. The public worker pension was 85 percent funded as of 2018, 15 percentage points above the total for all states. Delaware's grade was held down by OPEB underfunding. As of June 30, 2018, the state and other participating public employers had a net OPEB liability of \$8.2 billion—almost twice the size of the general fund as of fiscal 2019.

Delaware scored a B average in reserve funds. While the size of its Budget Reserve Account lacks a tie to historical revenue volatility, state rainy day fund policies otherwise align with best practices cited in the recent Volcker Alliance working paper, *Rainy Day Fund Strategies: A Call to Action*.

SOUTH ATLANTIC STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19


	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Delaware	A	A	C	B	B
Florida	A	B	C	B	B
Georgia	C	A	A	B	B
Maryland	A	C	B	C	B
North Carolina	A	B	C	B	B
South Carolina	A	A	D	B	C
Virginia	A	C	C	A	C
West Virginia	B	B	B	B	B
US AVERAGE	B	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: The Balancing Act* at VolckerAlliance.org.


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BUDGET FORECASTING				
	2017	2018	2019	
	CATEGORY GRADE	B	A	A
	Consensus Revenue Forecasts	✓	✓	✓
	Multiyear Expenditure Forecasts	X	✓	✓
	Multiyear Revenue Forecasts	✓	✓	✓
	Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE		A	3-YEAR TREND ↗	

BUDGET MANEUVERS				
	2017	2018	2019	
	CATEGORY GRADE	A	A	A
	Deferring Recurring Expenditures	✓	✓	✓
	Revenue and Cost Shifting	✓	✓	✓
	Funding Recurring Expenditures with Debt	✓	✓	✓
	Using Asset Sales and Upfront Revenues	✓	✓	✓
3-YEAR AVERAGE		A	3-YEAR TREND —	

LEGACY COSTS				
	2017	2018	2019	
	CATEGORY GRADE	C	C	C
	Public Employee OPEB Funding	X	X	X
	Public Employee Pension Funding	✓	✓	✓
	Public Employee Pension Funded Ratio*	83%	85%	85%
3-YEAR AVERAGE		C	3-YEAR TREND —	

RESERVE FUNDS				
	2017	2018	2019	
	CATEGORY GRADE	B	B	B
	Positive Reserve or General Fund Balance	✓	✓	✓
	Reserve Funds Disbursement Policy	✓	✓	✓
	Reserve Funds Replenishment Policy	✓	✓	✓
	Reserves Tied to Revenue Volatility	X	X	X
3-YEAR AVERAGE		B	3-YEAR TREND —	

TRANSPARENCY				
	2017	2018	2019	
	CATEGORY GRADE	B	B	B
	Consolidated Budget Website	✓	✓	✓
	Provides Debt Tables	✓	✓	✓
	Discloses Deferred Infrastructure Replacement Costs	X	X	X
	Discloses Tax Expenditures	✓	✓	✓
3-YEAR AVERAGE		B	3-YEAR TREND —	

KEY

✓	Followed best practice
X	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; 2018 data also used for 2019.

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