DEFAC/Budget for Compensation Commission
12/28/20

- Delaware was well positioned to meet economic and revenue challenges from the pandemic.

- Since 2019 Delaware has prudently kept surplus revenue out of the base budget and instead programming to one-time cash in the bond bill.

- The Governor, following the recommendations of a DEFAC study group in 2018 has committed by Executive Order to maintaining budget growth within a benchmark calculation based on personal income, population, and the Consumer Price Index.

- In addition, beginning in 2019 the Governor proposed, and the General Assembly adopted a Budget Stabilization Fund. This fund was established in order to "smooth" variations in volatile revenue collections and provide some measure of budget stability.

- The fund has been used over the past three fiscal years as intended. Over a two fiscal year period (FY19 – FY20) surplus revenues in the amount of $126 million were deposited to this Fund. For FY21 and as a result of revenue downturns caused by the pandemic, half of the accumulated balance was used to support appropriations and avoid drastic budget reductions.

- The strategy to adhere to the benchmark and direct surplus revenues to the Budget Stabilization Fund will be important to follow as **DEFAC FY22 revenue estimates are forecast to be 3% less than FY21**. Specifically, DEFAC estimates are expected to grow 8.3% in FY 21 ($4.90 billion), but then decline 2.7% ($4.76 billion) in FY 22.

- Sufficient resources are forecast to be able to fund the FY22 budget at the calculated benchmark level (3.5%). However, the Governor's budget is expected to continue our current strategy by allocating surplus funds to one-time cash in the bond bill and to building back the level of the Budget Stabilization fund.