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Budget cuts will be 'painful'

State's revenue picture has gotten even bleaker

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State revenues are continuing to slide, leaving budget officials and legislators to grapple with a \$62.4 million shortfall for the fiscal year that ends June 30.

That is in addition to a combined \$74.7 million in spending reductions and a shifting of so-called "special funds" to the general fund budget already undertaken by the state.

The extra shortfall for the current fiscal year means that painful cuts will have to be made between now and June 30, said Jennifer "JJ" Davis, director of the state Office of Management and Budget.

"Underscore 'painful,' " Davis said after the Delaware Economic and Financial Advisory Council met Monday to share its updated revenue estimates for this fiscal year and the year ahead.

She said she is looking for cuts totaling about \$100 million between now and June 30, which would erase the shortfall, allow a cushion for possible further revenue reductions and enable the state to carry some cash into the coming fiscal year.

Davis said some capital projects where construction hasn't yet begun could be delayed.

Exactly how that plays out will be up to the General Assembly, and Davis said budget officials will be working with the Joint Bond Bill Committee next week to look for solutions. For instance, a school construction project could be completed a year later than planned. Or the planned Kent County Courthouse addition could be put off.

The decline in revenue for the coming year, Davis said, is likely to lead to a larger discussion of what services are necessary and how much taxpayers are willing to pay for them.

That is a conversation that Fairthorne Republican Rep. Deborah D. Hudson is ready to have -- and her side of the conversation isn't likely to include tax or fee increases.

"Do we owe an education to half-day kindergarten through 12th grade, or do we owe for full-day kindergarten through college?" asked Hudson, who chairs the House Revenue and Finance Committee.

Gov. Ruth Ann Minner has made full-day kindergarten and the SEED college scholarship program priorities.

And if Hudson had her way, she said, "I'd put for-sale signs in front of the state's two golf courses."

Delaware bought the former Garrisons Lake golf course, near Smyrna, and the Deerfield course, near Newark, in 2004 and 2005, respectively.

DEFAC on Monday also further pared its revenue estimate for the coming fiscal year by an additional \$12.7 million, on top of the \$200.5 million reduction it made last month.

The additional \$12.7 million reduction to projected revenues for next fiscal year means legislators will have to further reduce planned spending, raise taxes and fees or both.

Cabinet officials already have been told to cut their fiscal 2009 budgets by 8 percent, and the loss of another \$12.7 million only adds to that challenge.

"'09 I think really becomes where the rubber meets the road," Davis said after DEFAC's meeting Monday afternoon at Buena Vista, south of New Castle.

The gloomy projections largely were prompted by a \$29 million decline in abandoned-property revenue and a combined \$10 million hit to corporate and personal income tax revenue.

Along with spending cuts, the state has tried to close this year's gap by shifting funds to the general fund budget. For example, about \$24 million was shifted from the state Department of Transportation's share of abandoned-property revenues to the general fund.

All told, nearly \$46.6 million has been shifted from special funds.

Other savings included almost \$3.96 million by delaying or deauthorizing various projects, and \$13.3 million by shifting money from the bond bill to the general fund.

But coming up with at least \$62.4 million and possibly up to \$100 million in cuts for the current fiscal year is likely to translate into cuts that will be seen by the average resident.

Sen. Nancy W. Cook, D-Kenton, said coping with the reductions for this fiscal year and next is "an overall discussion that the General Assembly is going to have to have."

Cook, who co-chairs the budget-writing Joint Finance Committee, said it is "easy to talk about cutting your way out of it" but harder to achieve.

Cook said she does not see a need for layoffs -- discharging workers carries its own set of costs and reduces income tax revenue as well -- but that some positions could be lost through attrition.

Raising taxes, though, is tough in an election year, and the House Republicans have gone on record as opposing any increase this year.
