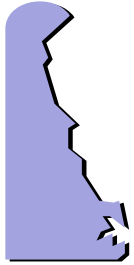


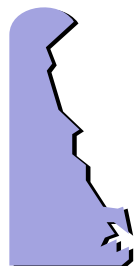
DEFAC Advisory Panel on Fiscal Controls and Budget Smoothing

October 20, 2017



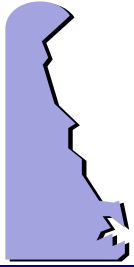
Charge of Commission

- Review the May 2015 Revenue Report and undertake further analysis as necessary
- Report on
 - the State's adherence to the 98% appropriation limit
 - the use of the Budget Reserve Account
 - the need for reasonable restrictions on the use of budget surpluses, and
 - the benefits of a budget stabilization fund
 - other matters as deemed appropriate
- Identify Constitutional, statutory, and regulatory changes necessary



Recent Revenue Studies

- **Structural Evaluation of Delaware's Revenue Portfolio (2015)**
- **Unclaimed Property Task Force (2014)**
- **Lottery Commission (2014—2015)**

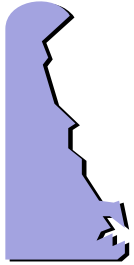


Recent Expenditure Studies

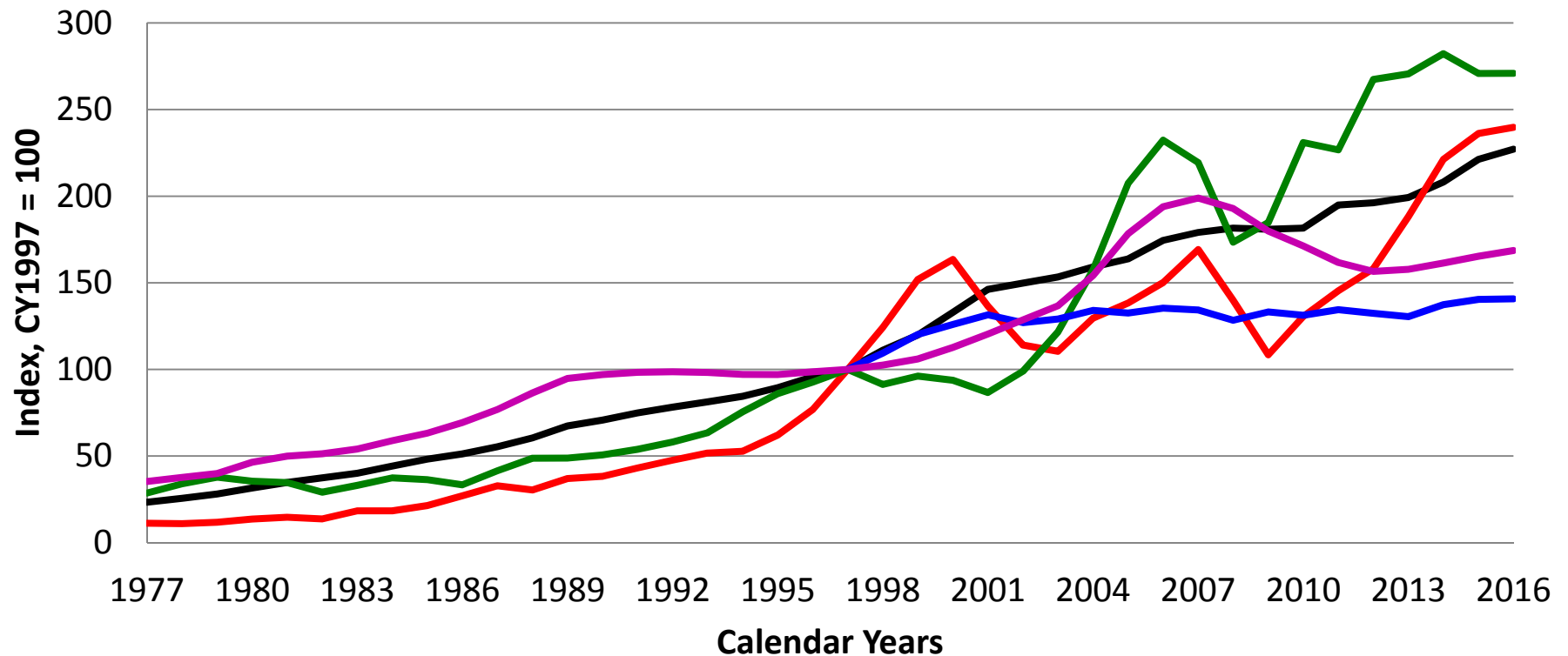
- **Expenditure Review Committee (2016)**
- **Government Efficiency and Accountability Review (GEAR) Board**
- **School District Consolidation**
- **Health Care Benchmark**

Delaware's Macro Economy

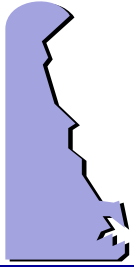
Budgetary “Means” and “Needs”



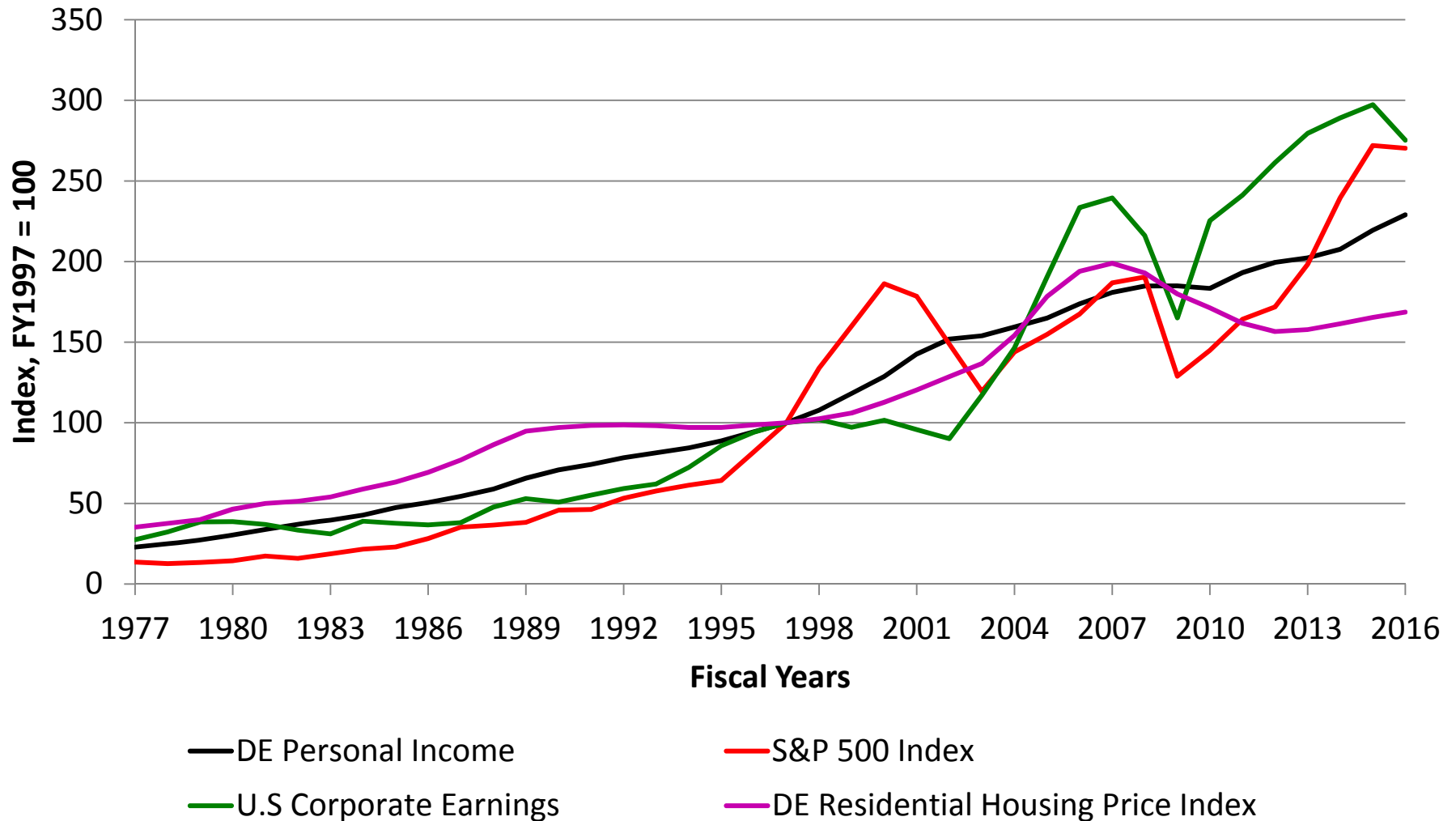
Natural tax bases in one chart

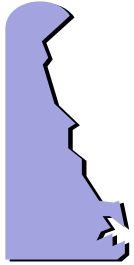


- DE Personal Income
- U.S Corporate Earnings
- DE Residential Housing Price Index
- S&P 500 Index
- DE Gross State Product

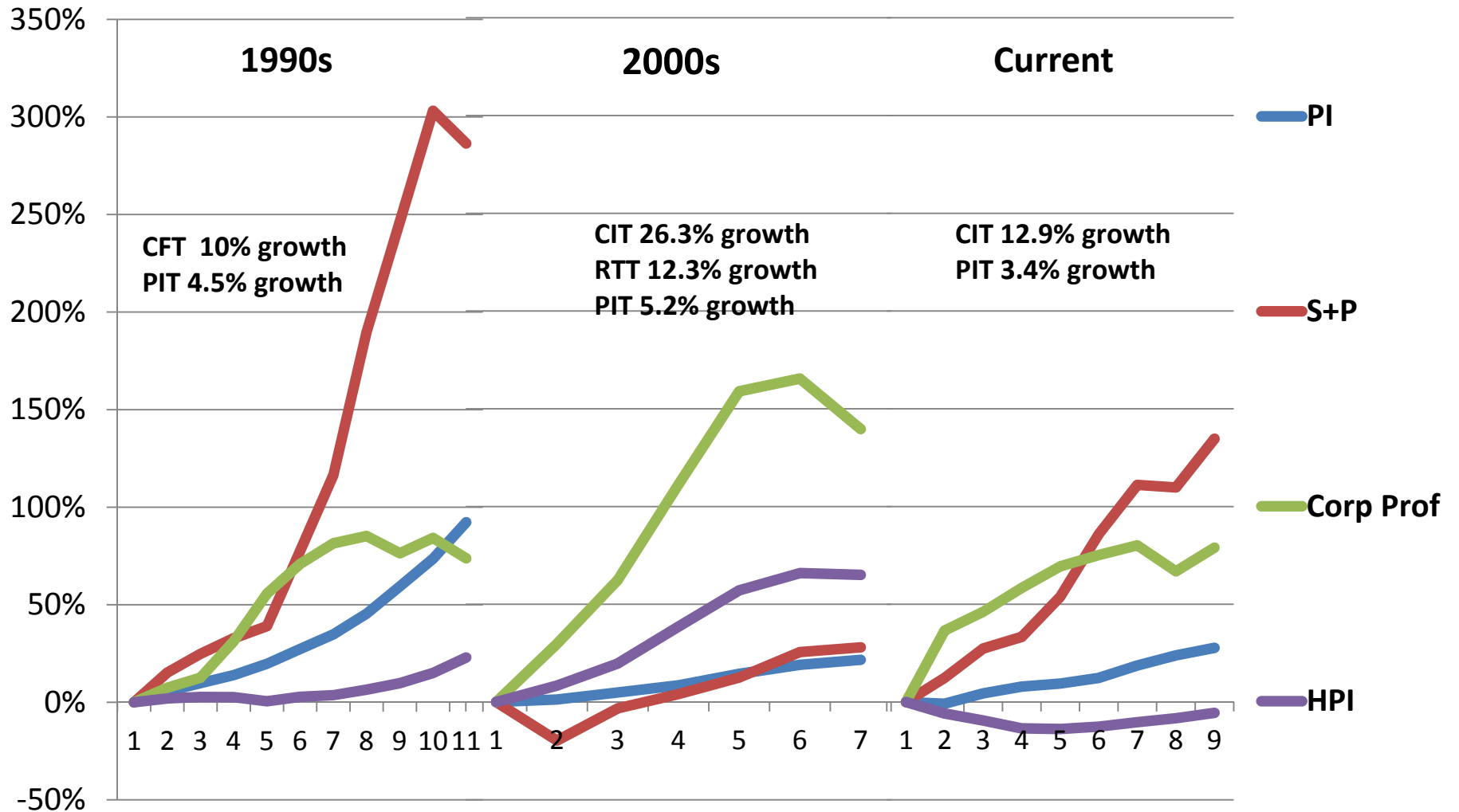


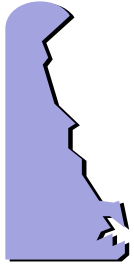
Natural tax bases are highly correlated despite volatility



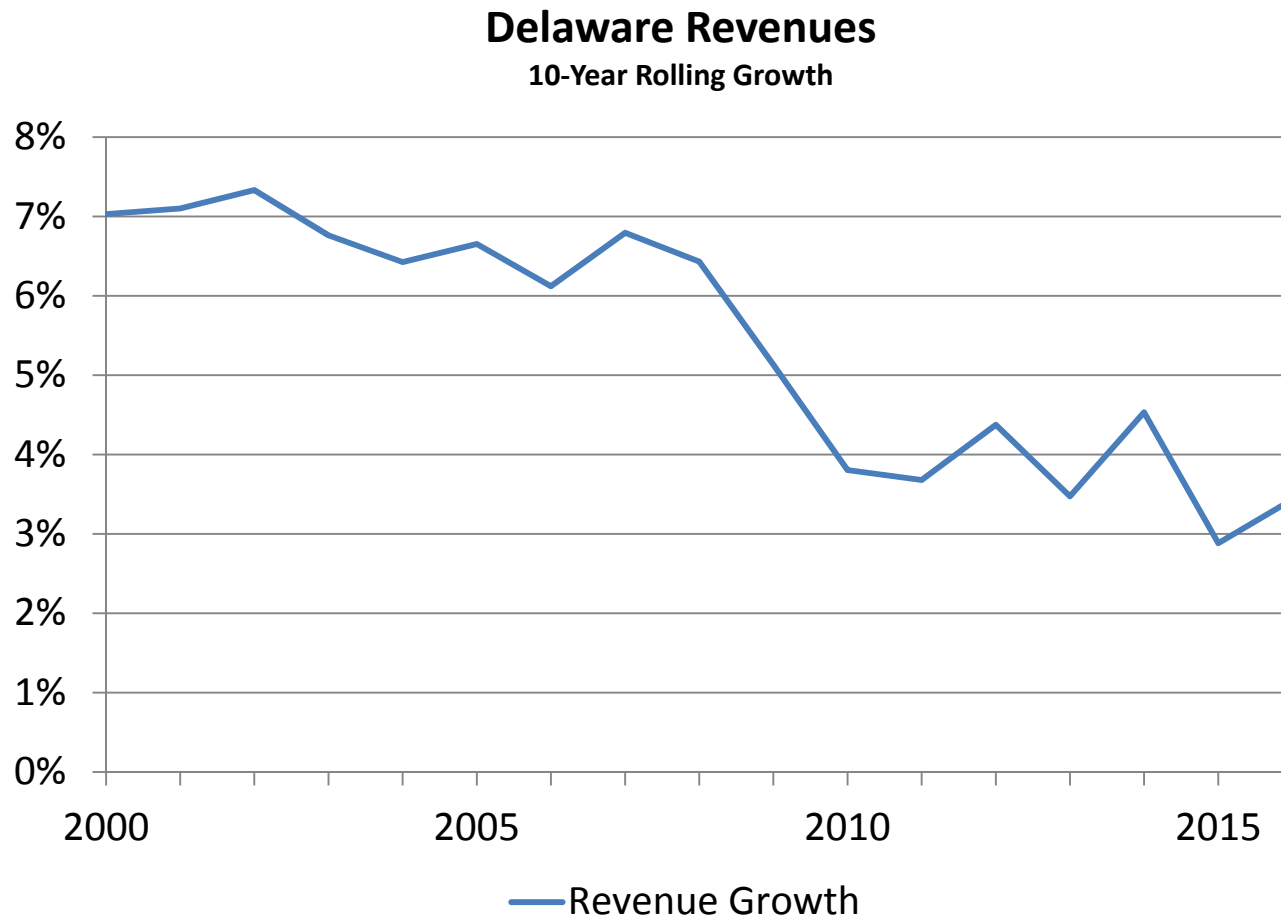


Different Bases for Different Business Cycles

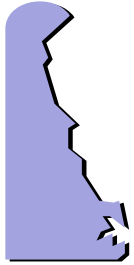




State of Delaware Needs vs. Revenues 2000-2016

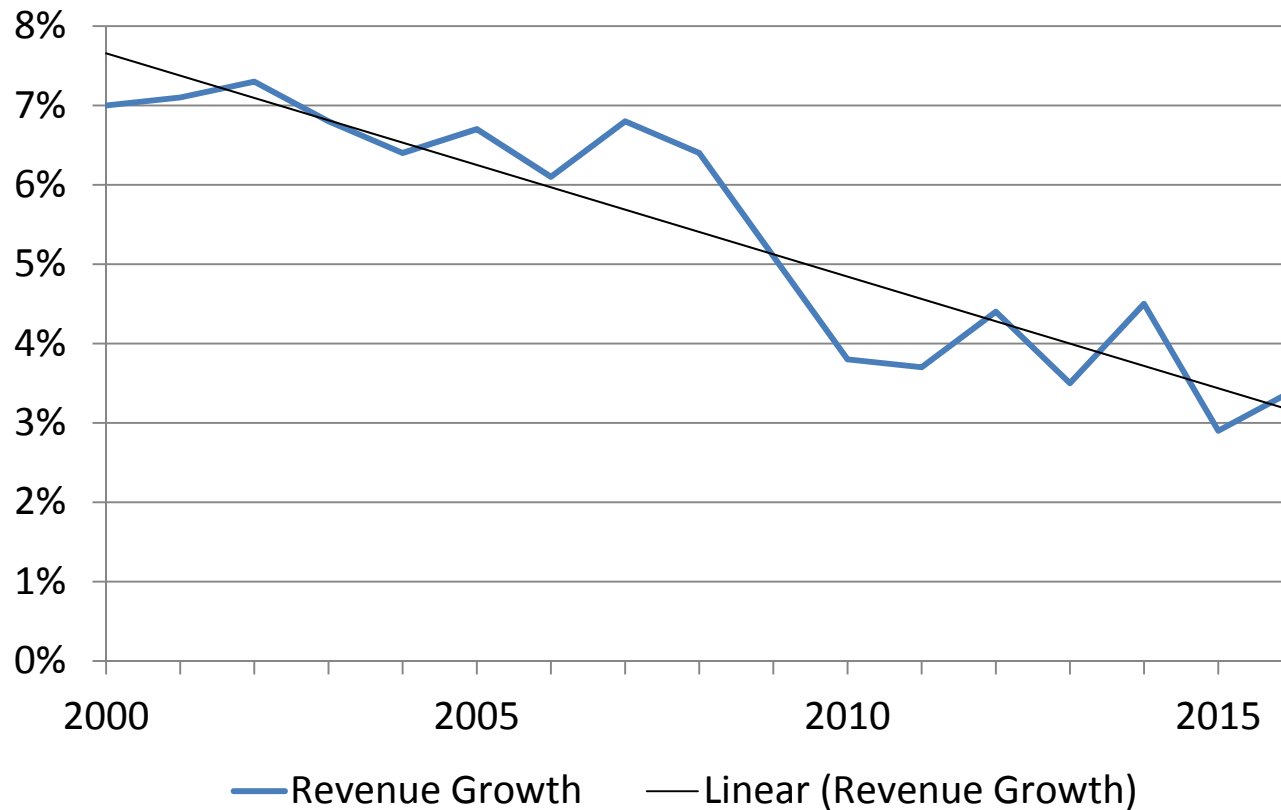


Revenues as published in Delaware Fiscal Notebook

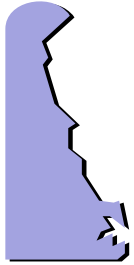


State of Delaware Needs vs. Revenues 2000-2016

Revenues (Trend)
10-Year Rolling Growth

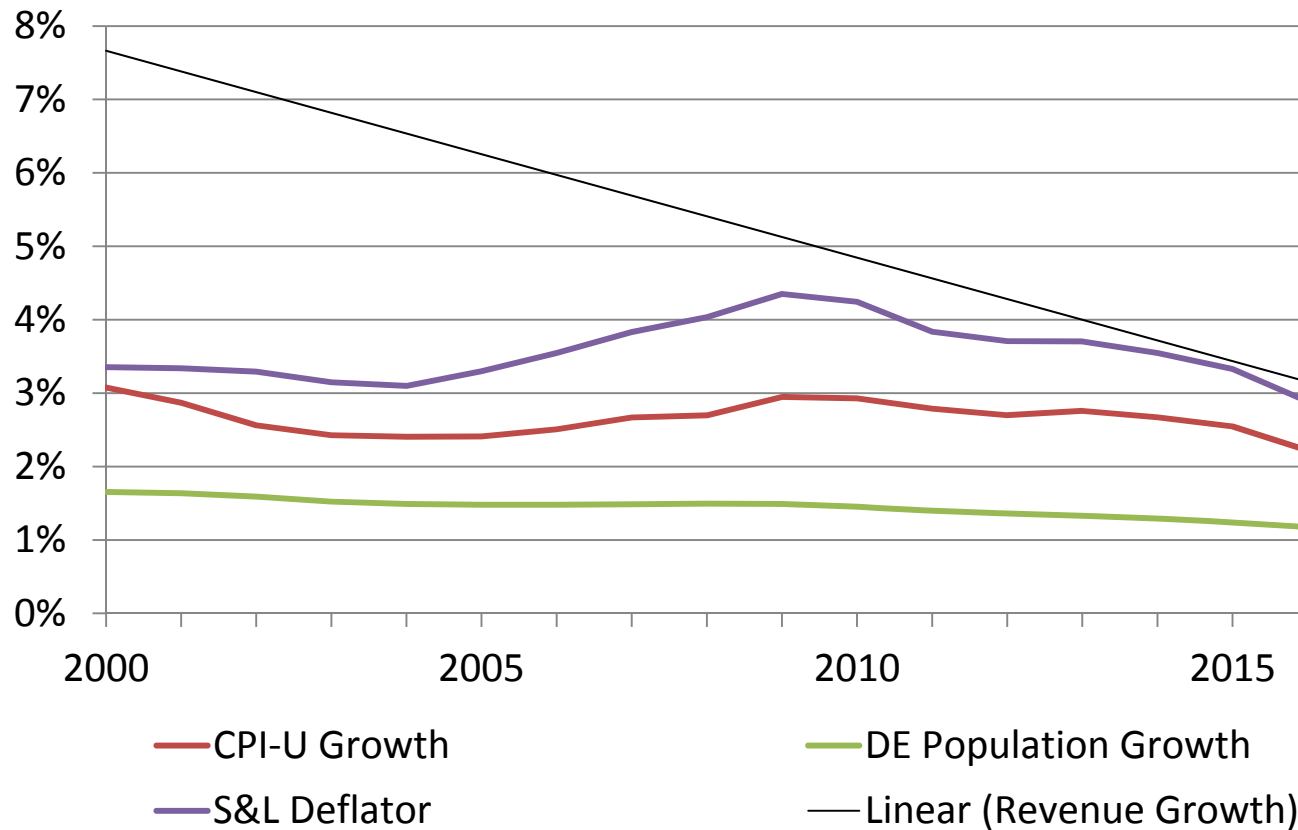


Revenues as published in Delaware Fiscal Notebook

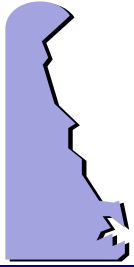


State of Delaware Needs vs. Revenues 2000-2016

Trend (Revenues) vs. Needs
10-Year Rolling Growth

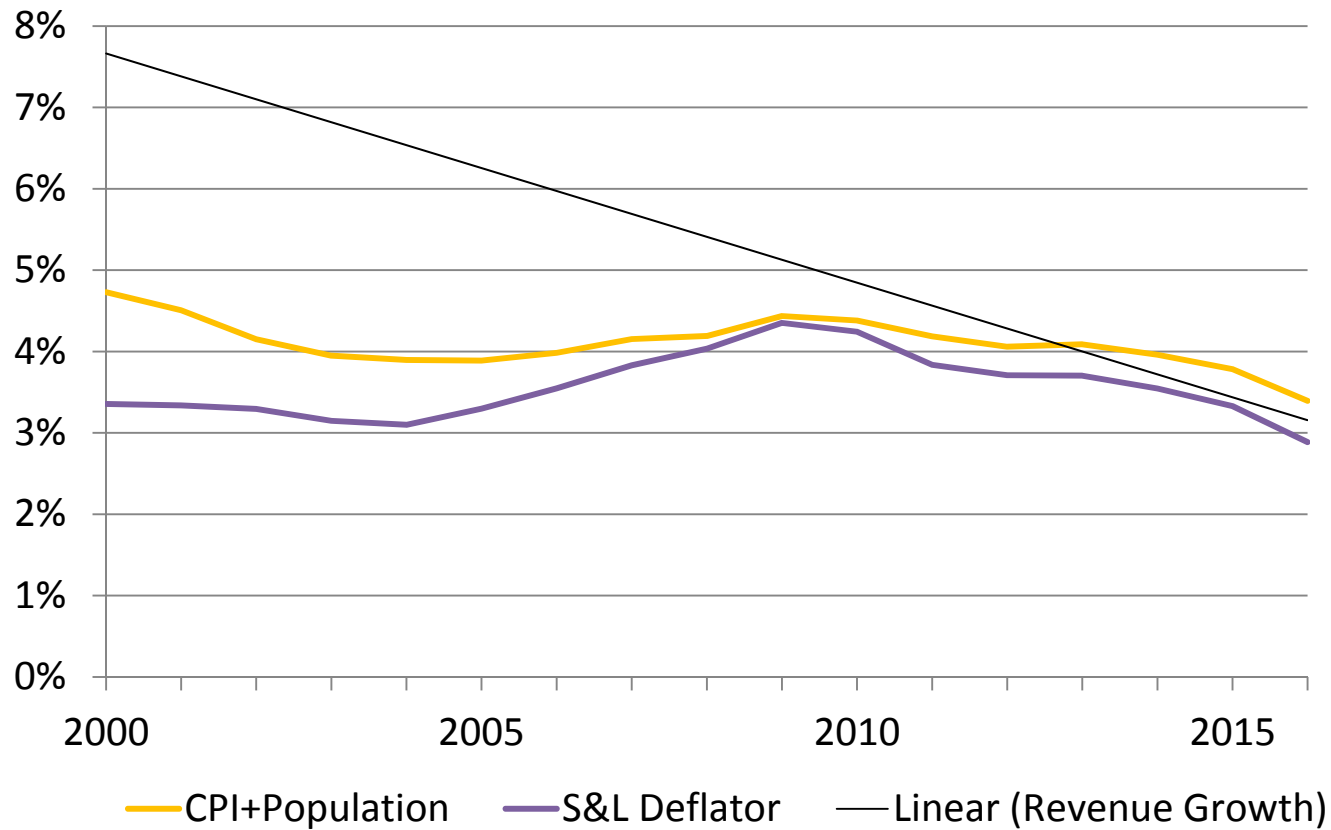


Sources: BEA, BLS, DOF

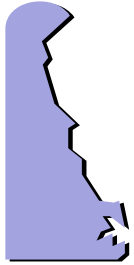


State of Delaware Needs vs. Revenues 2000-2016

Trend (Revenues) vs. Needs
10-Year Rolling Growth



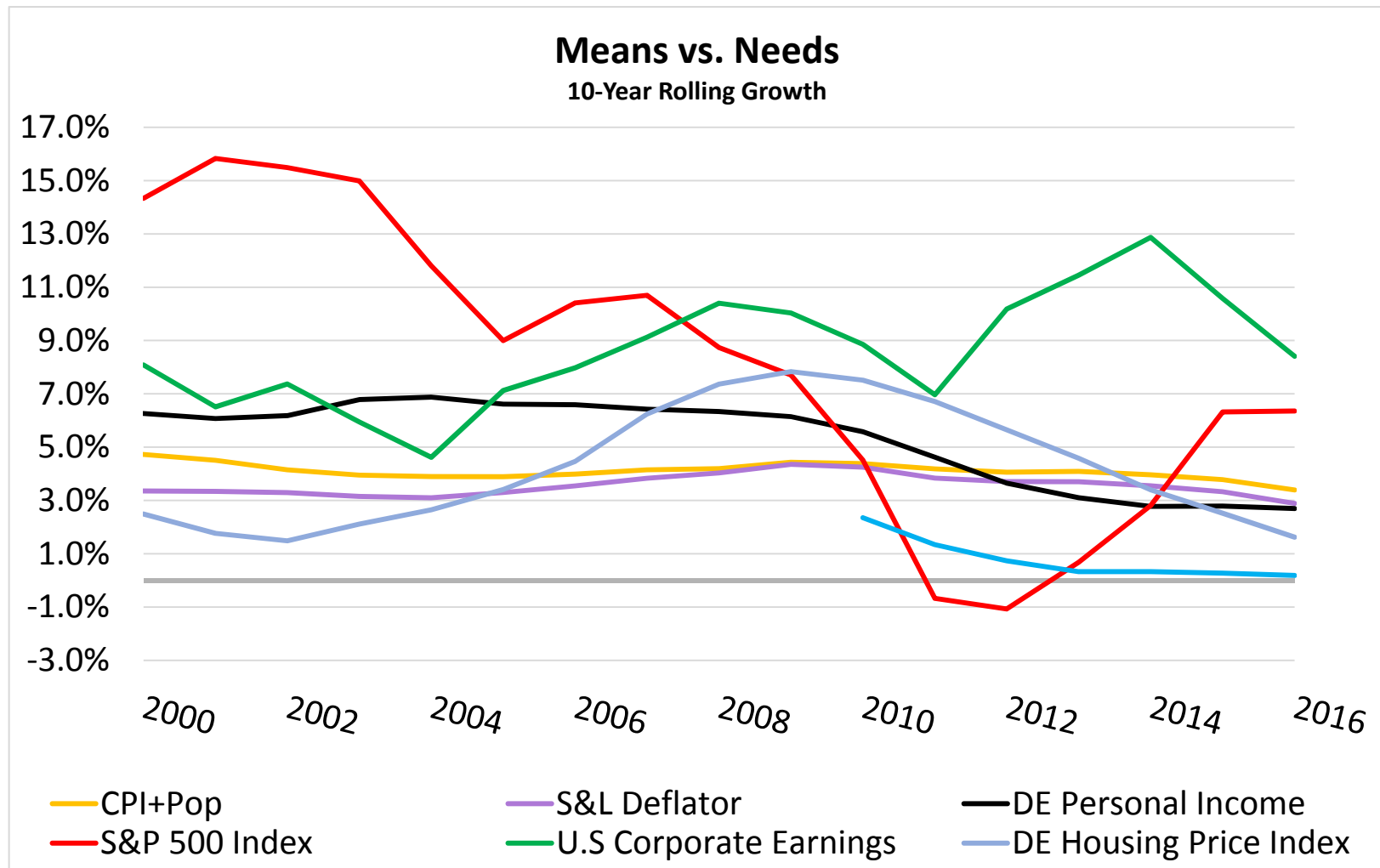
Sources: BEA, BLS, DOF



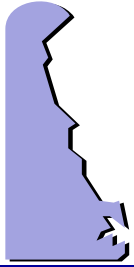
State of Delaware

Means Measures vs. Needs Measures

2000-2016

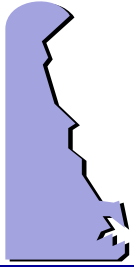


Sources: BEA, BLS, DOF



Definitions of Source Data

- **Delaware Personal Income (BEA)-**
 - Wages, benefits, proprietor, rental, interest, dividends, transfers
- **S & P 500 Index (S&P)-**
 - market capitalizations of 500 large common stock listed on the NYSE or NASDAQ
- **U.S. Corporate Earnings (BEA)-**
 - profits before tax (PBT) and of two adjustments—the inventory valuation adjustment (IVA) and the capital consumption adjustment (CCAdj)
- **Delaware Gross State Product (BEA)-**
 - Value of final sales of goods in manufacturing, mining, retailer, and wholesale
- **Annual Residential Housing Price Index (FHFA)-**
 - calibrated using appraisal values and sales prices for mortgages bought or guaranteed by Fannie Mae and Freddie Mac.



Terms

- Consumer Price Index-Urban (CPI-U) – Measure of inflation, represented here as a blend between the Philadelphia and Baltimore regions for a more representative Delaware price index. Data is available via the Bureau of Labor Statistics (BLS)
- Population – Estimate is provided via the Census for the State of Delaware annually.
- S&L Deflator – The State and Local Price Deflator (or Implicit Price Deflator) is a subset of goods that are more reflective of State and Local Government purchases. This is NOT regional nor Delaware specific, and is a blend across all 50 states. Readily available via the BEA.