

STATE OF DELAWARE



EXECUTIVE DEPARTMENT
DOVER

**EXECUTIVE ORDER
NUMBER TWENTY-ONE**

TO: HEADS OF ALL STATE DEPARTMENTS AND AGENCIES

**RE: IMPLEMENTING KEY RECOMMENDATIONS OF THE ADVISORY PANEL
TO DEFAC TO STUDY POTENTIAL FISCAL CONTROLS AND BUDGET
SMOOTHING MECHANISMS**

WHEREAS, the 149th Delaware General Assembly enacted and the Governor of Delaware signed House Joint Resolution 8 creating an Advisory Panel to the Delaware Economic and Financial Advisory Council (“DEFAC”) to Study Potential Fiscal Controls and Budget Smoothing Mechanisms (“Advisory Panel”); and

WHEREAS, the Advisory Panel convened and recommended (1) redefining the State’s appropriation method and building on current fiscal controls, (2) repurposing the Budget Reserve Account into a Budget Stabilization Fund, and (3) reforming the Personal Income Tax to broaden the tax base; and

WHEREAS, a bipartisan commitment to balanced budgets and sound financial planning has fostered Delaware’s reputation for fiscal prudence and budgetary restraint which are further bolstered by the State’s constitutional limitations on state government expenditures as well as its Budget Reserve Account and statutory limits on State indebtedness; and

WHEREAS, this bipartisan commitment has been strengthened and reinforced by the availability of credible, nonpartisan and expert projections of the State’s revenues and expenditures and of important national and state economic trends by DEFAC; and

WHEREAS, DEFAC has, since 1977, provided a sound basis upon which to make determinations regarding the State’s operating and capital budgets; and

WHEREAS, DEFAC’s expertise should be used to advise the Governor and General Assembly on an objective, sustainable growth rate for budgetary appropriations to inform ongoing adjustments to the State’s revenue and expenditure portfolios.

NOW, THEREFORE, I JOHN C. CARNEY, by virtue of the authority vested in me as Governor of the State of Delaware, do hereby **DECLARE** and **ORDER** the following:

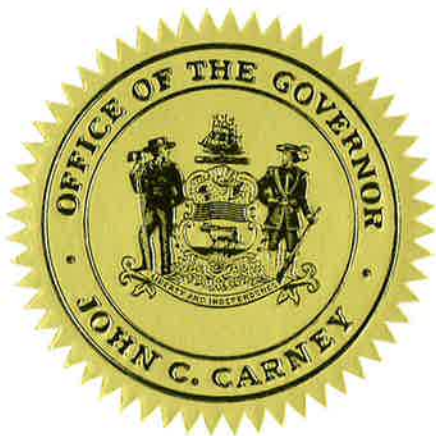
1. The Director of the Office of Management and Budget shall:
 - a. Recognize for reporting and budget planning purposes only within the General Fund, a Budget Stabilization Fund (“Stabilization Fund”).
 - b. Allocate to the Stabilization Fund, as part of the preparation of the Governor’s proposed budget to the General Assembly, the unencumbered General Funds forecasted at the end of a fiscal year in excess of the 2 percent set-aside as determined by the 98 percent appropriation limit set forth in Article VIII, § 6 of the Delaware Constitution.
 - c. Provide to DEFAC, commencing with its September 2018 meeting, an unencumbered General Fund balance forecast at the end of a fiscal year at the time General Fund appropriations were enacted for the operating budget, bond and capital improvements act and grants in aid and identify said amount that is in excess of the 2 percent set-aside as determined by the 98 percent appropriation limit set forth in the Delaware Constitution.
 - d. Provide the Secretary of Finance with the amount to be allocated to the Stabilization Fund for inclusion by the Secretary of Finance in the monthly financial report submitted to the Governor and General Assembly, commencing with the report for September 2018.
 - e. Provide the Governor the amounts recommended to be allocated to, and/or withdrawn from, the Stabilization Fund in the ensuing fiscal year when presenting the Governor’s proposed budget pursuant to 29 *Del. C.* § 6335.
2. DEFAC shall:
 - a. Calculate an advisory “Benchmark Index” consisting of equal weightings of the 3-year average of: (i) Delaware personal income growth and (ii) Delaware population growth and inflation reflecting the pool of goods and services purchased by government (as represented by the “Implicit Price Deflator for State & Local Government Purchases”).
 - b. Calculate an advisory “Benchmark Appropriation” for any given fiscal year as the sum of (i) the product of (x) the Benchmark Index as defined above for such fiscal year and (y) the sum of the previous fiscal year’s budget act and appropriations for grants in aid, plus (ii) an amount not to exceed 1 percent of the previous fiscal year’s budget act, but only to the extent that such amount is directed as a supplemental appropriation to the bond and capital improvements act for such fiscal year.
 - c. Calculate the difference between the advisory Benchmark Appropriation and the 98 percent appropriation limit set forth in the Delaware Constitution and 29 *Del. C.* §6533 and determine, for planning purposes in connection with the preparation of a budget

recommended by the Governor and subsequently enacted by the General Assembly, amounts that are:

- (i) positive variances that would be deemed "extraordinary revenues" available for appropriation to a Stabilization Fund and/or appropriation for non-recurring expenditures and/or reductions in long-term liabilities; or
 - (ii) negative variances that would be deemed "shortfalls".
- d. Submit to the Governor and General Assembly each December and May, in a form approved by the Secretary of Finance, a report conveying the calculations and information listed in subparagraphs 2a, 2b and 2c of this Executive Order.
- e. Advise the Governor and General Assembly on any other information that may be necessary for the ongoing evaluation of the Advisory Panel's recommendations and periodically review and make any recommendations, no less frequently than every five (5) years, regarding the components and weightings of the Benchmark Index.

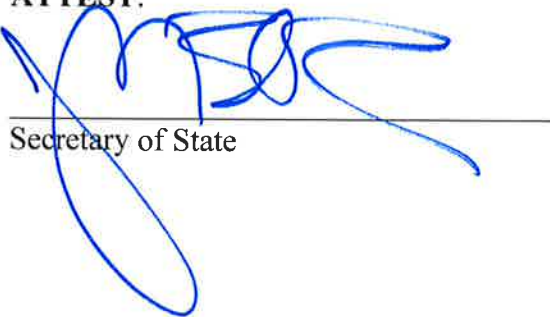
This Executive Order shall take effect immediately.

APPROVED this 30th day of June 2018.





John C. Carney
Governor

ATTEST:


Secretary of State