

News Journal

Estimated printed pages: 2

April 18, 2009

Section: Local

Edition: Final

Page: B1

State's revenue decline finally easing

J.L. MILLER

Staff

By J.L. MILLER
The News Journal

WILMINGTON -- There was good news and bad news Friday on Delaware's economy and the revenue the state will need to plug the holes in the budgets for this year and the next.

The good news is that the precipitous decline in state revenue appears to be slowing, according to preliminary figures reviewed Friday by the revenue subcommittee of the Delaware Economic and Financial Advisory Council.

"The bad news is the forecast is for the worst recession since the '30s, deep and long," David Gregor, an analyst with the state Finance Department, told the DEFAC subcommittee.

"The general gist of things is the current forecast is looking more reasonable. The rate of decline seems to be slowing just a bit," Gregor said.

DEFAC, which sets the revenue estimates the General Assembly must use to write the state budget, will set the official estimates Monday.

According to the preliminary figures, overall revenue for the current fiscal year is expected to increase by \$8.6 million over last month's estimate, thanks largely to a \$39 million increase in corporate income tax payments.

But estimated revenue for the coming fiscal year, which begins July 1, is expected to decline by \$28.5 million from the previous month's estimate.

Delaware will collect some \$22 million less in personal income tax payments for the current fiscal year than the panel had forecast a month ago. That category is expected to fall by \$21.5 million in the next fiscal year.

When unemployment rises, personal income tax revenues decline. On Friday, the state Department of Labor announced that the unemployment rate in Delaware went from 7.3 to 7.7 percent between February and March.

Insurance tax receipts for the current year took a hit from the previous month's estimates, falling by an estimated \$9 million. They are expected to decline by \$4.3 million next year.

Most other revenue sources remained relatively stable from the previous month's estimates, including the real estate transfer tax, a possible indication that the housing market is stabilizing.

The General Assembly and Gov. Jack Markell still must slash roughly \$600 million from next year's budget to bring it into balance. Markell has proposed an 8 percent across-the-board state pay cut and sports gambling to generate much of the savings.

Contact J.L. Miller at 678-4271 or jlmler@delawareonline.com.