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Budget is done, but sniping isn't

Markell trades barbs with Republicans over cuts, taxes

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DOVER -- A bleary-eyed Gov. Jack Markell signed a package of tax increases, spending reductions and an employee furlough plan into law just before sunrise Wednesday, but not before blasting Republicans for what he called their lack of "bipartisan cooperation" in helping resolve the historic revenue shortfall.

Markell said he was "disappointed" the House did not approve his proposal to raise taxes on alcohol. And that, along with what the Democratic governor contended was the failure of the Republicans to step up to the plate to make tough choices in this extraordinary budget year, inspired some acerbic comments about the minority party.

"I think putting two cents a can on the beer ... was an appropriate place to go," Markell said, placing the blame on House Republicans for killing the bill.

"When it came to making those tough cuts on the Joint Finance Committee, it was the Democrats" who stepped up to the plate, Markell said, "not a single Republican."

"That's not the story I got from Joe Booth and Joe Miro," said Rep. Gregory F. Lavelle, R-Sharples, referring to Georgetown Republican Booth and Foxfire Republican Miro, both of whom sit on the budget-writing JFC.

Those two members did in fact cast votes for many cuts during the budget-writing process.

"Our guys in the House pushed for cuts," Lavelle said. "Maybe the governor was a little grouchy."

House Republicans voted as a bloc against the revenue bills, but one or two changed their vote from no to yes, providing the needed three-fifths majority to pass them.

The no votes, Lavelle said, were "a reflection of the deep concern that we have that this economic downturn has not finished, that we cannot go back and continue to tax, tax, tax."

When the alcohol tax bill came up, a Democrat, Newark Rep. John Kowalko, voted against it -- and the Republicans were not willing to rescue the measure. Because House Democrats need at least one Republican vote to pass tax measures, the bill failed.

The failure of that bill, which would have raised \$4.8 million, forced the Bond Bill Committee back into session, where it voted to cut that amount from school construction to bring the budget back into balance.

Kowalko said he refused to support the alcohol tax increase out of concern for jobs, not because he was standing up for big brewers or liquor distributors.

Kowalko said he had spoken with a restaurateur friend who told him that if the tax went up, he might be forced to terminate health benefits for his employees. In addition, Kowalko said, more than 1,100 Teamsters jobs depend on Delaware's alcohol business, and he did not want to endanger those jobs, either.

Kowalko wanted to boost the corporate franchise tax on the 1,500 richest companies incorporated here, which would have raised \$7.2 million -- more than enough to replace the amount raised from the alcohol tax bill. But Kowalko's proposal did not gain any traction.

Despite enormous political pressure from Democrats in both chambers to change his vote, Kowalko refused and the alcohol tax bill died.

As a result, the Bond Bill Committee trimmed \$200,000 from the Cedar Lane Elementary School project in the Appoquinimink district; \$198,500 from the Smyrna Intermediate School project; \$682,900 from W.B. Simpson Elementary School in the Caesar Rodney district; \$709,300 from Milford Elementary School; and deferred funding for one year to Colwyck Elementary School in the Colonial district.

Having to cut school construction to make up the shortfall, Kowalko said, was "the fulfillment of the obstinacy of the administration to consider" his corporate tax measure.

The \$3.09 billion operating budget that was passed and signed into law on the first day of the new fiscal year is 8.1 percent smaller than the one that preceded it. The budget for fiscal 2009 was \$3.36 billion.

The new budget relies on a 45-cent tax increase for each pack of cigarettes sold in Delaware, a 1 percent income-tax increase on taxable income over \$60,000, and increases in the corporate franchise tax, the gross receipts tax and the public utility tax.

Those measures alone are projected to raise \$181.7 million in 2010 and \$222.7 million in 2011. All told, the tax and fee increases are expected to raise \$206 million in 2010.

In addition to the tax and fee increases, the budget relies on an employee furlough plan in which state employees' pay will be reduced by 2.5 percent, but they will receive five days off in return.

Individual agencies must determine how to implement the furloughs so that no overtime is necessary to account for workers' absence.

In addition, each of the state's bargaining units were given the flexibility to implement the plan in a way that works best for their members.

"That is what they're going to have to work out," Markell said.

All plans must be reviewed by the Office of Management and Budget.

The plan, which affects about 18,000 state workers and 13,500 public education employees, will save about \$28.5 million. The pay cut will not affect workers' retirement calculations.

Public education will handle the furloughs by shortening the academic year from 185 days to 182 days, but the total number of instructional hours to students will not be affected, according to House Minority Leader Richard C. Cathcart, R-Middletown.

Gail Haberkost, an administrative secretary for a New Castle County school district, said state employees are having to shoulder too much of the burden to balance the budget.

"We've already taken a huge pay cut," Haberkost said, noting that there have been no local-fund raises for three years and that there was no state raise last year.

Although the 2.5 percent cut is less than the 8 percent cut originally proposed by Markell -- 10 percent if increased health-insurance costs are included -- Haberkost said that "zero would have been the only [appropriate] thing to do."

The bond bill, which pays for school construction and other capital projects, topped out at \$284.5 million for the fiscal year that began Wednesday.

It contains \$211.6 million in capital projects and \$72.9 million in transportation authorizations.

The annual grant-in-aid bill, which helps fund community groups, fire companies and senior centers, totaled \$35.4 million this year. That is almost a 22 percent drop from the previous fiscal year.
