Economic Development, Fiscal Responsibility Must Go Hand in Hand for Delaware

A STRATEGIC APPROACH to attracting and retaining quality jobs. A nurturing environment for entrepreneurs. Collaboration and cooperation between the public and private sectors. It is a new era for economic development in Delaware, one that the business community has long sought and will work tirelessly to promote.

With the election behind us and a new General Assembly session ahead of us, however, we must all remember that our collective effort to rebuild Delaware's economy is far from done and our success is far from assured. It is vital that we keep the attraction and retention of cutting-edge jobs at the forefront of our efforts – while also ensuring that the long-term economic picture in Delaware remains viable.

First, let's look at our recent successes.

The Carney Administration, with the business community's support, worked with the General Assembly to create the Delaware Prosperity Partnership. The Partnership is off to a great start, hiring an experienced chief executive in Kurt Foreman, bringing on quality experts with deep experience in economic development, and providing the incentives and tools needed to bring employers to Delaware. The Partnership goes so far as to provide an **interactive search tool** (delaware.zoomprospector.com) for businesses to find land or industrial, office or flex space throughout Delaware.

Significantly, the DPP joined the State Chamber of Commerce in sponsoring an important economic development conference (www.dscc.com/developingdelaware) in October that focused on how to ensure Delaware is on the radar screen of national business site selectors by shortening how long it takes for businesses to receive project or expansion approvals from the state, counties and municipalities. Policymakers should build on this discussion by making these concepts a reality.

Next, lawmakers passed the Angel Investor Tax Credit to assist those who want to support entrepreneurs – risk-takers who just may create the next Uber, Amazon or DuPont right here in Delaware. The Angel Investor Tax Credit is worth up to 25 percent of the investment in certain Delaware-based companies that employ fewer than 25 people and engage in proprietary innovation in high technology, agriculture, manufacturing or other fields. More information on investor and business qualifications is also available at www.business.delaware.gov/incentives.

These are good first steps that are pointing Delaware in the right direction. But we must be relentless in improving the state's climate for business and job creation, and that's particularly true when it comes to long-term state finances.

The General Assembly missed a key opportunity during the 2018 session to put the state's fiscal house in order when it failed to pass legislation to pave the way for a bipartisan-supported constitutional amendment to smooth out the highs and lows of revenue projections and limit annual state spending growth. Governor Carney issued an Executive Order to create a benchmark budgeting mechanism and a Budget Stabilization Fund for budget planning to help the State of Delaware take a more sustainable, long-term approach to annual budgeting.

Why is this fiscal discipline needed?

State personnel costs pose a significant burden for taxpayers, as the taxpayer contributions to the Delaware State Employees' Pension Plan continue their relentless increase and the cost of providing health coverage to state employees is projected to reach $1 billion by 2020. Coupled with growing Medicaid expenses, health care costs comprise more than 25 percent of the state budget – and cost more than $2 billion a year, including federal funding.

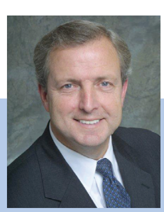
These existing numbers and growth rates are simply unsustainable for a state the size of Delaware – and the General Assembly cannot add to the long-term burden borne by taxpayers without growing the economy.

State lawmakers must remain laser-focused on controlling the state's fiscal destiny by exercising restraint in state spending and focusing on long-term economic growth. That is why we strongly urged the enactment of a bipartisan constitutional amendment to smooth out the highs and lows of revenue projections and more prudently control state spending.

The amendment – which would have limited year-to-year spending growth based on a series of economic indicators – would provide a much needed way to lock in fiscal restraint, much like past initiatives such as the Rainy Day Fund.

Delaware's overall fiscal picture remains clouded by shaky revenue sources and ever-ballooning health, education and public employee expenses – and adding permanent new spending is a recipe for short-term political gain and long-term financial ruin. The Roundtable is committed to working with state leaders and taxpayers to ensure a stronger, more secure fiscal approach that is built on long-term economic growth and restraint in state spending.

State leaders are taking a significantly more strategic and collaborative approach to attracting, retaining and growing businesses at home. Now, they need to apply that forward thinking to keeping the state's finances manageable for taxpayers for generations to come. ■



Robert Perkins is the Executive Director of the Delaware Business Roundtable.