

GOVERNOR'S POLICY OVERVIEW

Governor Minner's Fiscal Year 2004 Recommended Budget reflects a time of national economic distress, international turmoil, and increasing demands on state services. Nearly every state in the nation is struggling to deal with major deficits in Fiscal Year 2003 combined with soft revenues and significant spending pressures for Fiscal Year 2004. Delaware is feeling the same external pressures, but has been managing them aggressively and effectively. One indication of this is the recent reaffirmation of the State's AAA bond ratings.

The Governor's budget addresses a structural problem of \$300 million with a comprehensive strategy that employs the elimination or reduction of programs, positions, and discretionary funds, the retooling and re-engineering of existing government programs for greater efficiency and effectiveness, driving down mandated costs, and, as a last resort, increasing selected revenues.

This budget reflects the Governor's continuing commitment to the financial principles that underlie Delaware's AAA bond ratings and tradition of fiscal responsibility: it aligns ongoing revenues with ongoing appropriations; the Governor's Recommended Budget does not raid the State's emergency reserve fund; it avoids one-time fixes; and it preserves the essential state services of education, economic development, public safety, health care and children's services.

The proposed Fiscal Year 2004 operating budget totals \$2,432.7 million, an increase of 1.69 percent over the Fiscal Year 2003 operating budget.

Even with few new initiatives, this budget will address the goals to which this Administration is committed:

- ◆ Schools that set high standards and prepare children for college, work, and life;
- ◆ A Livable Delaware that strengthens communities and preserves quality of life;
- ◆ Health, safety and self-sufficiency for every Delaware family;
- ◆ Economic development that nurtures and maintains high quality jobs; and
- ◆ A state government that is well-managed.

SCHOOLS THAT SET HIGH STANDARDS AND PREPARE CHILDREN FOR COLLEGE, WORK AND LIFE

- ◆ The Governor's Recommended Bond and Capital Improvements Act includes \$77,600.8 for public education projects. These projects include completing the funding for current building and renovation projects in the Colonial and Woodbridge districts as well as special school projects in the Christina and Caesar Rodney districts.
- ◆ The Governor is recommending \$2,000.0 in the Educator Accountability contingency for the accountability initiatives.
- ◆ The Governor is recommending \$5,300.0 in the Department of Education for projected unit growth of 90 Division I, II and III units in the 2003-2004 school year. An additional \$891.5 is recommended for the Academic Excellence Grant to cover projected increases in units and unit costs.

A LIVABLE DELAWARE THAT STRENGTHENS COMMUNITIES AND PRESERVES QUALITY OF LIFE

- ◆ Recommended by the Governor is one-time funding of \$600.0 for Crop Insurance that will be used to provide cost share assistance to farmers.
- ◆ The Governor's Recommended Bond and Capital Improvements Act includes \$2,345.0 for the Conservation Cost Share Program, an important tool in protecting and improving environmentally sensitive areas such as the Inland Bays. Through the use of best management practices, the program prevents urban and agricultural non-point source pollution from reaching surface and subsurface waters, reduces soil erosion and provides wildlife habitat.
- ◆ To continue efforts to clean water the Governor's recommended Bond and Capital Improvements Act contain \$1,300.0 for the Clean Water State Revolving Fund. These funds will be used to match available federal

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funds to help replace failing septic systems and improve water quality.

HEALTH SAFETY AND SELF-SUFFICIENCY FOR EVERY DELAWARE FAMILY

- ◆ The Governor is recommending for the Department of Health and Social Services the use of almost \$5,000.0 ASF from the Tobacco Settlement Fund for new cancer initiatives recommended by the Delaware Advisory Council on Cancer Incidence and Mortality. This funding will implement the first-year recommendations for improving cancer prevention, diagnosis and treatment.
- ◆ The Governor is recommending \$547.1 ASF for a New Nurse Development project. This partnership with Delaware Technical and Community College will address the critical nursing shortage in Delaware by training and making available an additional 150 nurses for work in Delaware's health care industry.
- ◆ In support of continuing the improvement of Foster Care, the Governor recommends an increase of \$130.0 in the Department of Services to Children, Youth and their Families to annualize increased foster care board rates from Fiscal Year 2003 and an additional \$390.1 for foster care board rates to support 100 more children.
- ◆ The Governor is recommending an additional \$18,500.0 for Medicaid Non-State to cover projected inflation and volume increases.

ECONOMIC DEVELOPMENT THAT NURTURES AND MAINTAINS HIGH QUALITY JOBS

- ◆ The Governor's Recommended Bond and Capital Improvements Act recommends \$10,000.0 for the Delaware Economic Development Office's Strategic Fund. The Strategic Fund promotes economic development by serving as a flexible funding mechanism used for retaining and enhancing the State's existing job base as well as the recruitment of new employers.
- ◆ The Governor is recommending \$1,500.0 in the Recommended Bond and Capital

Improvements Act for the Riverfront Development Corporation to continue the progress made in developing the Wilmington riverfront as both a tourist attraction and the impetus for job creation.

A STATE GOVERNMENT THAT IS WELL-MANAGED

- ◆ The Governor recommends enhancing the State's ability to meet man-made and natural emergencies by creating a new Department of Safety and Homeland Security that consolidates those State entities whose function is public safety or emergency response into one agency. A feature of this reorganization is the moving of the Division of Motor Vehicles into the Department of Transportation. This move will free up almost \$10,000.0 in General Funds for reallocation or deficit reduction; align revenue generation with revenue use; help foster greater coordination of Clean Air attainment issues; and will enable the respective cabinet secretaries to full focus on agency core functions.
- ◆ The Governor is committed to a budget that lives within the State's means: to do this the Governor is recommending statewide base budget reductions totaling almost (\$40,000.0) and switching over (\$20,000.0) to non-General Fund funding sources.
- ◆ To continue to provide quality health care and pension benefits for State employees the Governor is recommending an additional \$6,500.0 to address an increase in the cost of employee health insurance. An additional \$17,524.7 is recommended to maintain retiree health and pension benefits.
- ◆ To improve service delivery to agencies, constituents and improve turn around time for web information updates, the Governor recommends moving the management and hosting of the State's web portal (www.delaware.gov) from an outside vendor to the Department of State, Division of Corporations (for a saving of (\$600.0) ASF).
- ◆ The Governor recommends an increase of \$400.0 ASF and 6.0 ASF FTEs for the

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Department of Finance, Division of Revenue in Delinquent Collections to expand delinquent collections and enforcement efforts.

- ◆ The Governor's Fiscal Year 2004 Recommended Budget includes a number of revenue enhancements to close a structural gap. Although DEFAC revenue projections anticipate some growth in current revenues, the projections for Fiscal Year 2004 and Fiscal Year 2005 are significantly below the level of expenditures in Fiscal Year 2003. The Governor believes that a structural problem needs to be corrected with ongoing expenditure reductions and revenue actions and should not be solved with on-time actions and tapping of reserves.