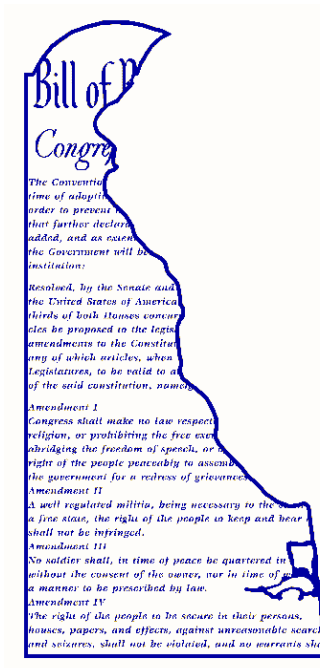


State of Delaware

Office of the Governor



Office of the Budget

Released 1/29/2004

Policy and Financial Overview Fiscal Year 2005

Do not alter without the permission of the Office of the Budget

Governor Minner's Goals for Delaware

- **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**
- **A state government that is well-managed**

Accomplishments

Improving Public Education

- Implementation of education reform & results
- Reading resource teachers
- Teacher quality & training
- School construction & renovation
- Frivolous lawsuit legislation

Economic Development

- Created & retained 11,000 jobs
- Attracted AAA headquarters to Riverfront
- Re-engineering organization to business model

Livable Delaware

- Environmental Right to Know Act
- Above Ground Storage Tank regs
- Comprehensive land use planning program
- Legislation to hold industrial executives personally liable for environmental accidents
- Harsh punishments for repeat offenders of environmental laws
- Farmland preservation

Health and Self-Sufficiency

- Cancer Council
- Foster care initiative
- Community placements
- Maintain cost-effective programs for needy and disabled

Well-Managed State Government

- Balanced budgets---and national recognition of financial plans
- Maintained Triple-A Rating

State of the State Themes and Proposals

Improving Public Education

- Full Day Kindergarten Implementation - \$1.0 million
- Reading Resource Teachers - \$3.9 million
- Classroom textbooks and technology - \$9.0 million
- Delaware Teaching Corps to help fill the critical need for math and science teachers in the middle grades - \$50.0

Creating and Retaining High Quality Jobs

New Economy Initiative \$46.0 million State/Match

- Spur new investments in existing facilities
- Provide seed and venture capital funding for Delaware entrepreneurs
- Support clean energy and fuel cell research
- Invest in research and development

State of the State Themes and Proposals

Improving the Environment

- Reduce the emissions of sulfur dioxide, nitrogen oxide and mercury from Delaware's commercial power plants
- Green Infrastructure Program - \$22.1 million

Fighting Cancer

Double the funding for the Cancer Task Force Council recommendations to \$10.0 million

- Increase screening/early detection of colorectal cancer
- Care coordination for all cancer patients
- Treatment for the uninsured
- Integrated prevention and awareness programs

Key Economic Indicators are Strengthening

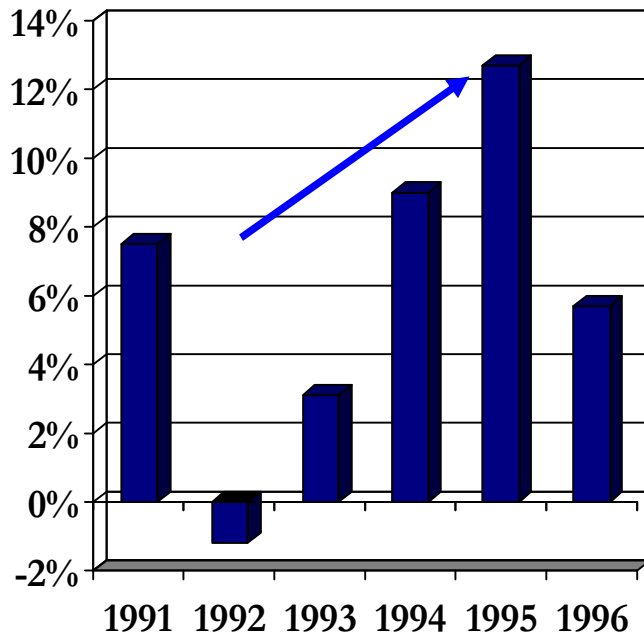
	FY 2003 Actual	FY 2004 Estimated	FY 2005 Estimated	FY 2006 Estimated
Delaware Employment	0.1%	0.5%	2.5%	1.8%
Personal Income	2.6%	4.7%	5.5%	5.5%

Revenue Risks Remain

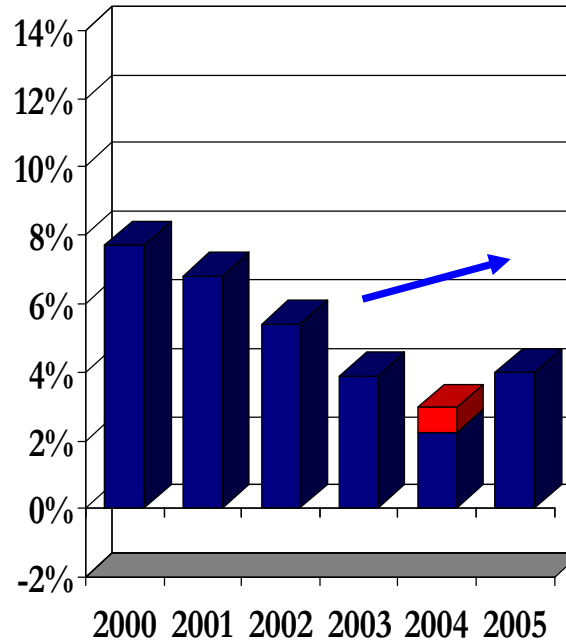
- Recovery is in early stage, revenues dependent on further strengthening
- Federal budget deficits and trade deficit may limit recovery
- Federal budget cuts and tax cuts
- Slots Competition: up to \$130 mm
- Impact of local business restructuring/re-engineering efforts
- Abandoned property revenue is inherently volatile



Limited Recommended Budget Growth Out of a Recession



■ Budget



■ Budget ■ Amended

Limited Budget Growth

“We should not use the recent economic upturn as an excuse to unleash budget growth. Over the last 30 years, the operating budgets enacted after an economic downturn have shown growth from 8 to 11 percent.

That level of growth is not responsible and that will not be acceptable.” - Governor Minner, State of the State, 2004.

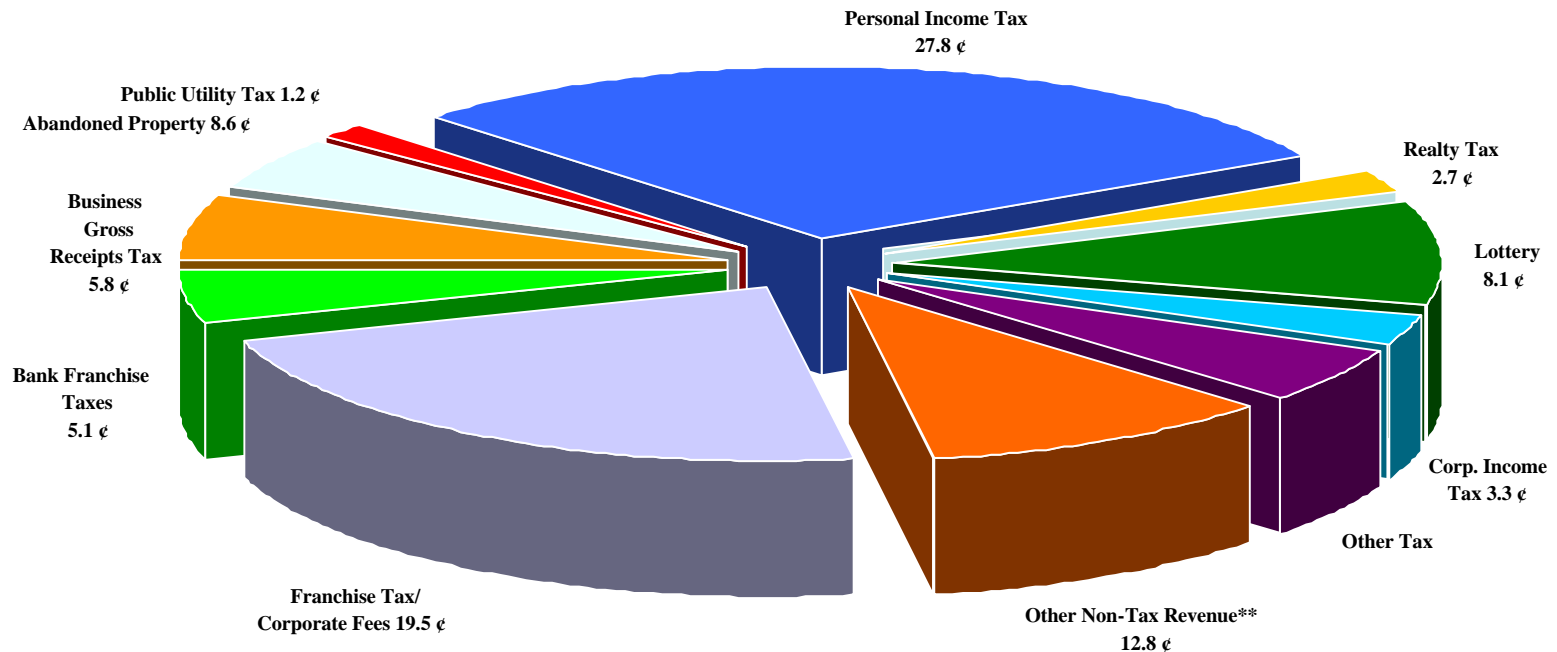
Governor's Recommended Fiscal Year 2005 Financial Package

General Fund Operating Budget	\$2,561.0 M
■ GF Operating Budget Growth 3.97%*	
Bond and Capital Improvements Act	\$592.7 M
■ State Capital Projects	\$319.0 M
■ G.O. Bonds \$ 135.8 M	
■ Cash, Other \$ 183.2 M	
■ Transportation Projects	\$273.7 M
Debt Reduction	\$28.0 M
Grants-In-Aid	\$38.5 M
Cap Escheat Funds- hold at current level.	

*Over FY 2004 Budget amended by pay supplement

Governor's Recommended Fiscal Year 2005 Operating Budget

Revenue Dollar Sources of Funds*



* Net of Refunds

** Includes Prior Year Unencumbered Cash

DEFAC General Fund Revenue

Fiscal Years 2004-2005

<u>Revenue Categories</u>	Forecast FY 2004	Forecast FY 2005
Personal Income Taxes	\$ 878.9	\$ 935.7
Corporation Income Taxes	109.4	128.4
Franchise Taxes	522.3	523.2
Gross Receipts Taxes	157.5	167.0
Hospital Board and Treatment Sales	80.7	79.2
Dividends and Interest	17.0	17.6
Public Utility Taxes	33.0	34.2
Cigarette Taxes	71.0	80.8
Estate Taxes	16.7	9.2
Realty Transfer Taxes	78.0	78.0
Insurance Taxes	53.6	55.3
Abandoned Property	245.0	245.0
Corporate Fees	47.5	50.7
Bank Franchise Taxes	136.1	146.2
Lottery Sales	223.6	232.1
Limited Partnerships & LLC	51.4	56.5
Uniform Commercial Code	13.5	13.8
Other Revenue	<u>100.4</u>	<u>103.8</u>
Total Receipts	\$ 2,835.6	\$ 2,956.7
LESS: Revenue Refunds	<u>(217.0)</u>	<u>(214.1)</u>
TOTAL	\$ 2,618.6	\$ 2,742.6

FY 2005 Operating Budget

FY 2005 Governor's Recommended Budget	2,560,966.8	3.97%
<u>Statewide Adjustments</u>		
Salary Policy	(30,013.3)	
Health Insurance Increases	(17,000.0)	
Pension Increases	(11,391.6)	
Debt Service	(20,833.0)	
	<hr/>	
FY 2005 Governor's Recommended Operating Budget (without salary,health,pension,debt)	2,481,728.9	0.76%

*Percentage growth reflects adjusted FY 2004 Operating Budget for pay bonus

Fiscal Year 2005 Operating Budget

	<u>FY 2005</u>	<u>% Growth</u>
Legislative	12,179.0	1.25%
Judicial	68,187.7	2.87%
Executive	98,482.5	1.69% *
Technology and Information	32,972.5	6.33% **
Other Elective	65,137.7	0.46% ***
Legal	30,553.6	6.81%
State	14,784.9	0.72%
Finance	17,937.9	4.54%
Administrative Services	43,891.3	1.98%
Health and Social Services	662,158.9	1.33% ****
DSCY&TF	96,594.7	2.63%
Correction	194,122.0	2.53%
DNREC	35,737.4	0.49%
Safety/Homeland Security	92,233.5	1.36%
Labor	6,198.6	1.18%
Agriculture	6,726.8	1.94%
Elections	3,447.1	4.20%
Fire Prevention Commission	3,923.2	0.65%
National Guard	3,650.5	2.81%
Exceptional Citizens	116.7	2.64%
Higher Education	205,498.5	2.41%
Public Education	866,431.8	6.10%
TOTAL OPERATING BUDGET	2,560,966.8	3.97%

* Adjusted for salary, pension, health insurance

** Adjusted for Statewide technology issues

*** Adjusted for debt service

**** Adjusted for Medicaid State

Governor's Fiscal Year 2005 Recommended Budget Highlights

Major "Door Opener" items:

- Salary Policy - \$30.0 million
- Employee Health - \$17.0 million
- Public Ed/DTCC Steps - \$5.1 million
- Pension - \$11.4 million
- Debt Service - \$20.8 million
- Public Ed Enrollment - \$6.6 million
- Medicaid - \$24.9 million
- Women's Treatment Facility - \$3.0 million



Governor's Fiscal Year 2005 Recommended Budget Highlights

Driving Down Mandated Costs

- Employee Health Costs – Prescription Drug Increase FY 2003:
 - National 18.5%
 - Delaware 7.2%
- FY 2005 Continue our success through:
 - Enhanced contract management
 - Innovative Pharmacy programs
 - Disease management and wellness promotion



Governor's Fiscal Year 2005 Recommended Budget Highlights

Improving Public Education

- Full Day Kindergarten Implementation Fund - \$1.0 million (Fed Fiscal Relief)
- Reading Resource Teachers - \$3.9 million (Operating Budget)
- Capital projects in Appoquinimink, Brandywine, Caesar Rodney, Cape Henlopen, Christina, Indian River, NCC Vo-Tech, Polytech and Red Clay School Districts - \$119.3 million (Capital Budget)
- Classroom textbooks and technology - \$9.0 million (Fed Fiscal Relief)
- Eliminate waiting list in Adult Education/Work Force Training - \$300.0 (Operating Budget)
- Delaware Teaching Corps - \$50.0 (Operating Budget)

Governor's Fiscal Year 2005

Recommended Budget Highlights

Promoting Health, Safety and Self-Sufficiency

- Fighting Cancer - \$10.0 million (Fed Fiscal Relief)
- Housing Development Fund Supplement - \$6.0 million (Fed Fiscal Relief)
- Expansion of Federally Qualified Health Centers (FQHC) - \$1.0 million (Fed Fiscal Relief)
- Developmental Disabilities placements - \$1.1 million (Operating Budget)
- Service provider partner inflation - \$3.4 million (Operating Budget)
- Community Based Treatment Programs - \$500.0 (Operating Budget)
- Veterans Home - \$2.6 million (Capital Budget)
- Correctional Officer Task Force - \$1.0 million (Operating Budget)
- Capitol Police Task Force - \$100.0 (Operating Budget)

Governor's Fiscal Year 2005 Recommended Budget Highlights

Improving our Environment

- Green Infrastructure - \$22.1 million (Capital Budget)
- Water Supply/Flood Mitigation - \$15.0 million (Capital Budget)
- Conservation Cost-Share - \$2.3 million (Capital Budget)
- Clean Water Revolving Fund - \$1.3 million (Capital Budget)
- Dams/Water Control Structures - \$1.0 million (Capital Budget)
- Beach Preservation - \$1.0 million (Capital Budget)

Governor's Fiscal Year 2005 Recommended Budget Highlights

Creating and Retaining High Quality Jobs

New Economy Initiative \$46.0 million (\$30.5 million state & \$15.5 million match)

- Delaware Competitiveness Fund - \$12.5 million (Capital Budget)
- Clean Energy Research - \$200.0 (Capital Budget)
- Clean Energy Manufacturing - \$800.0 (Capital Budget)
- EPSCoR- \$1.5 million (Capital Budget)
- Entrepreneurial Seed Funds - \$2.5 million (Capital Budget)
- Venture Capital Funds - \$3.0 million (Capital Budget)
- Strategic Fund - \$10.0 million (Capital Budget)

Additional Economic Development Initiatives

- Riverfront Development Corporation - \$9.0 million (Capital Budget)
- Diamond State Port Corporation - \$15.0 million (Capital Budget)

Governor's Fiscal Year 2005 Recommended Budget Highlights

Re-engineer Government

Programs

- Department of Technology and Information
- DELJIS
- Department of Natural Resources/Environmental Control
- Delaware Economic Development Office



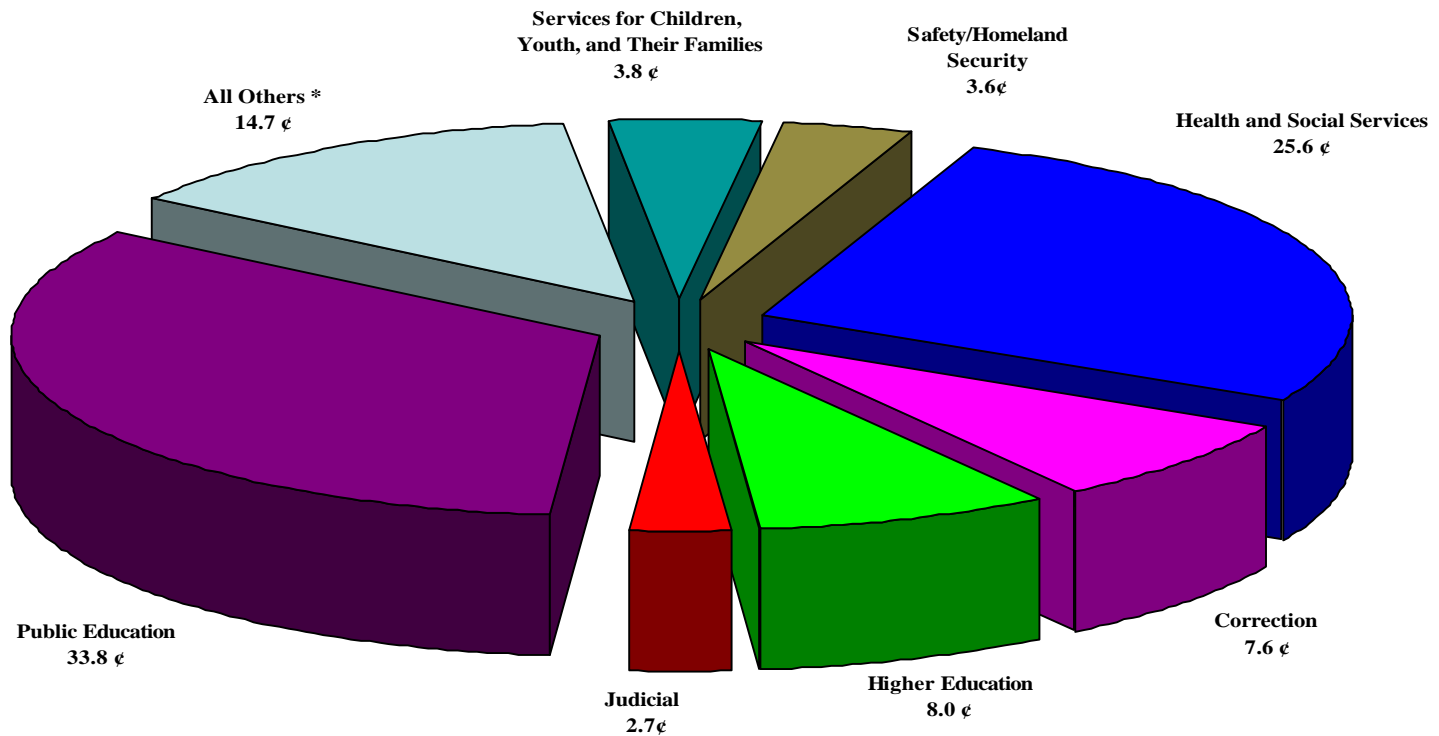
Federal Fiscal Relief Funds

\$50.0 million

- Innovative Technology Fund - \$19.0 million
- Cancer Council Recommendations - \$10.0 million
- Public Education Textbooks and Technology - \$9.0 million
- Housing Development Fund - \$6.0 million
- State Park Water Quality Initiative - \$3.0 million
- Full Day Kindergarten Implementation Fund - \$1.0 million
- Federally Qualified Health Centers - \$1.0 million
- Advanced Planning Fund - \$1.0 million

Governor's Recommended Fiscal Year 2005 Operating Budget

Budget Dollar General Fund Appropriations



* Includes One-Time Items

Governor's FY 2005 Recommended Capital Budget

Improving Education		
Public Libraries	\$	3,586,700
Public Education - Construction/Renovation		119,290,900
Higher Education		19,000,000
Protecting Delaware's Environment		
Flood Mitigation/Water Supply		15,000,000
Green Infrastructure/Farmland Preservation		31,000,000
Conservation Cost Share Program		2,345,000
Beach Preservation		1,000,000
Water Pollution Control/Wastewater		11,000,000
Dams/Water Control Structures		1,000,000
Economic Development and Job Creation		
New Economy Initiative		30,500,000
Riverfront Development Corporation		9,000,000
Diamond State Port Corporation		15,000,000
Investments in State Infrastructure		
Department of Transportation		273,736,800
Veterans Home		2,570,000
Kent County Courthouse Facilities		10,398,600
New Health Facilities (DPC, Stockley)		7,272,500
New DNG STARC Headquarters		2,100,000
Doxsee Site Improvements		2,100,000

National Recognition for Delaware

- **Tax Foundation: 3rd lowest tax burden**
- **USA Today: Top 3 states for Financial stewardship**
- **Beacon Hill Institute: #1 for Competitiveness**
- **Development Report Card: “A” rating for Performance and Development Capacity**
- **Governing Magazine: Rated Delaware as the top state for having a fair, adequate and well-run revenue system**

Summary

- **Governor Minner has stayed true to the financial principles that have served Delaware well and have maintained our Triple – A bond rating**

- **A cautiously optimistic revenue outlook combined with continued fiscal discipline has allowed the Governor to make targeted investments in:**
 - **Improving Public Education**
 - **Creating and Retaining High Quality Jobs**
 - **Improving the Environment**
 - **Fighting Cancer**

- **For FY 2005, the Governor is recommending a sustainable financial plan – 3.97% operating budget growth**

- **A “New Era of Opportunity” can be realized if we stay the course**

End of Presentation