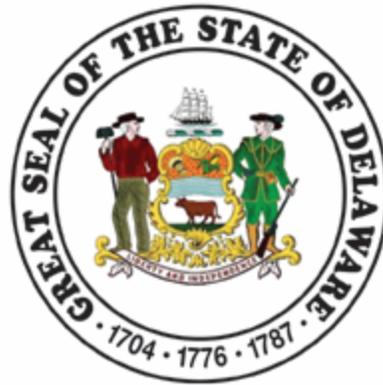


# *Delaware*

*Office of the Governor*



## **Policy and Financial Overview**

*Fiscal Year 2006*

*Governor Ruth Ann Minner*

# Governor Minner's Vision for Delaware

**“We plant seeds that one day will grow. We water seeds already planted, knowing that they hold future promise”:**

- 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*

## Key Economic Indicators are Stable

	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
	<b>Actual</b>	<b>Estim.</b>	<b>Estim.</b>	<b>Estim.</b>
<b>Delaware Employment Growth</b>	<b>0.7%</b>	<b>1.6%</b>	<b>1.4%</b>	<b>1.7%</b>
<b>Personal Income Growth</b>	<b>5.2%</b>	<b>5.7%</b>	<b>5.1%</b>	<b>5.8%</b>

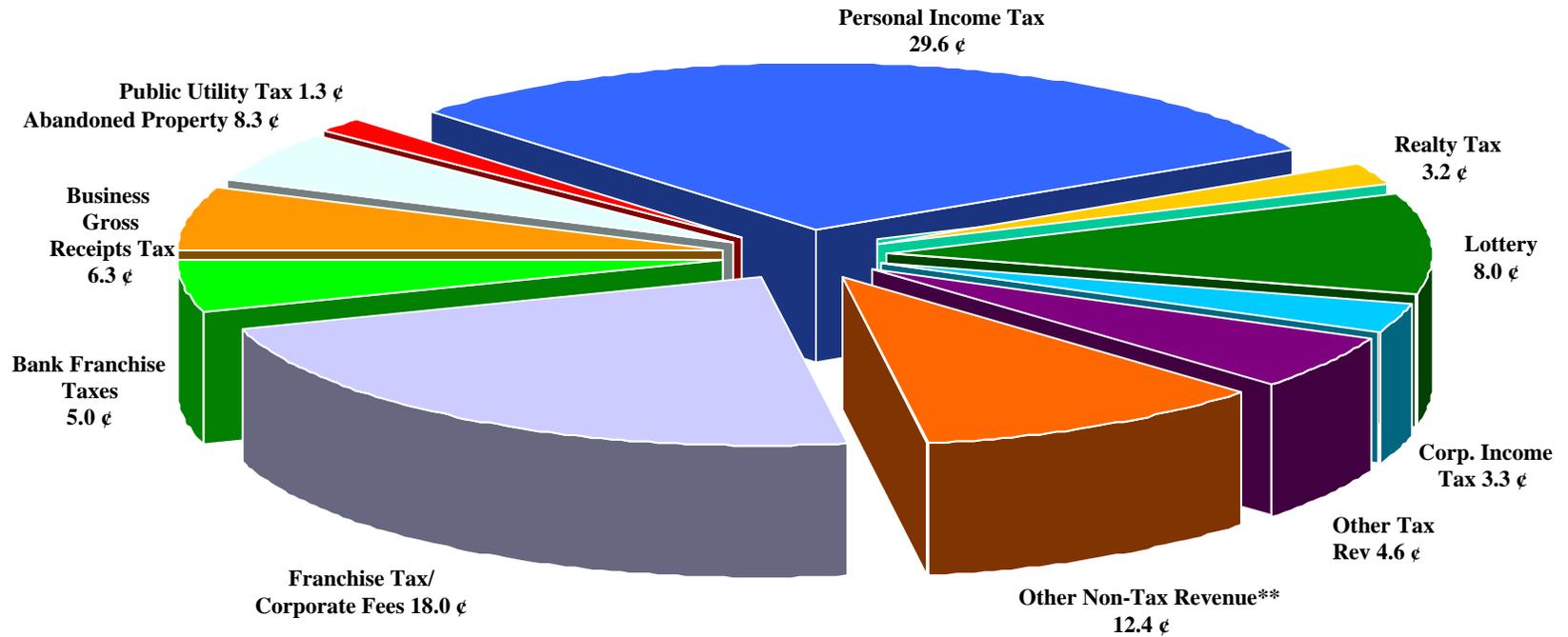


# Minimal Change in DEFAC Estimates

(July Revenue Resolution – December 2004  
DEFAC)

	<u>FY 2005</u>	<u>FY 2006</u>
<i>July 1 Revenue Resolution</i>	\$ 2,765.1	\$ 2,876.0
Personal Income Tax	3.7	2.5
Abandoned Property	5.0	25.0
Realty Transfer	15.0	10.0
Gross Receipts	5.0	5.3
Corporate Income Tax	(16.1)	(3.7)
Corporate Franchise	(20.0)	(33.1)
Bank Franchise	1.1	(1.1)
Lottery	(2.4)	(2.2)
Other	(0.8)	3.9
<i>December 2004 DEFAC</i>	\$ 2,755.6	\$ 2,882.6
Increase/(Decrease)	\$ (9.5)	\$ 6.6

# Governor's Recommended FY 2006 Budget



## Revenue Dollar Sources of Funds\*

\*Net of Refunds

\*\*Includes Prior Year Unencumbered Cash

# Revenue Risks Remain

- ◆ Federal budget cuts and tax cuts
- ◆ Federal budget deficits and trade deficit may limit recovery
- ◆ Slots competition from Pennsylvania & Maryland
- ◆ Impact of local business restructuring/re-engineering efforts
- ◆ Abandoned property revenue is inherently volatile

# Limited Budget Growth – National Perspective

*“State and local governments are now recovering from the fiscal crisis, but unfortunately they can only be moved off the critical list into intensive care. Continued spending pressures and the risk of federal policy changes that will strain their finances mean state and local government finances need continued monitoring”*

*“New Year’s Report 2005”*

*Rockefeller Institute*

*“Even after state budgets begin to recover fully, Medicaid cost increases will far outstrip the growth in state revenues into the future.”*

*“Fiscal Survey of States:*

*December 2004”*

*National Association of State  
Budget Officers*

# Budget Challenge – Pent Up Demand

## Starting Point - Operating

Example: 5.5% Budget Growth	\$ 143.0
Total Demand over Fiscal Year 2005	<u>296.0</u>

**Difference**                      **\$ (153.0)**

## Starting Point - Capital

G.O. Bond Limit	\$ 140.5
Total Non-Transportation Requests	<u>430.7</u>

**Difference**                      **\$ (290.2)**



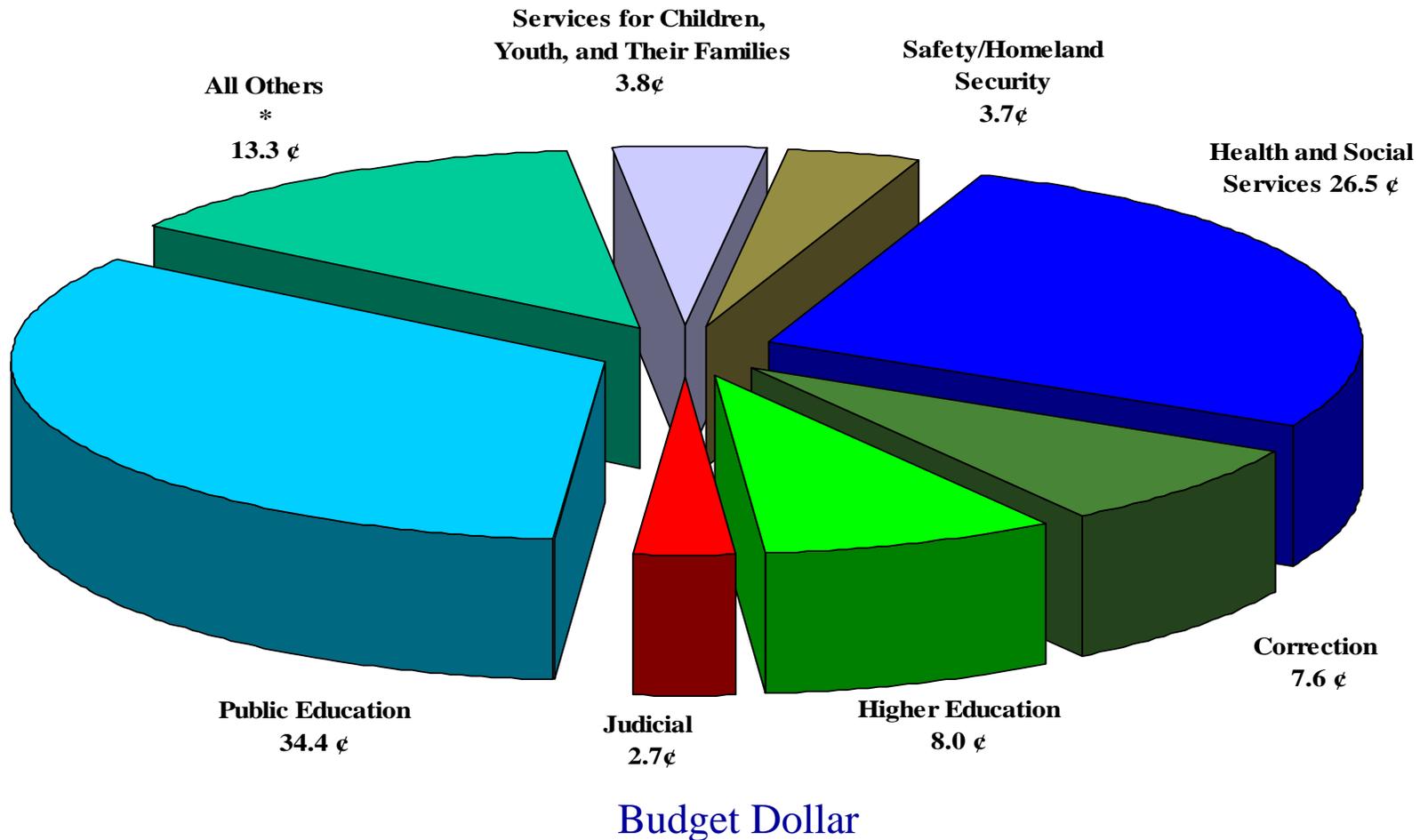
# Governor's Recommended FY 2006 Financial Package

- ◆ **General Fund Operating Budget . . . . . \$2,744.2 M**
  - ◆ GF Operating Budget Growth 5.5%\*
  
- ◆ **Bond and Capital Improvement Act. . . . \$631.1 M**
  - ◆ State Capital Projects . . . . . \$297.8 M
    - G.O. Bonds . . . . . \$140.5 M
    - Cash, Other . . . . . \$157.3 M
  - ◆ Transportation Projects . . . . . \$333.3 M
  
- ◆ **Grants-In-Aid . . . . . \$41.3 M**
  
- ◆ **Livable Delaware Infrastructure Fund\*\* \$38.5 M**

\*Assumes Local School Bond Initiative

\*\*First year dedicated to capital projects in the Bond and Capital  
Improvements Act

# Governor's Recommended FY 2006 Operating Budget



Budget Dollar  
General Fund Appropriations

\*Includes One-Time Items

# Governor's FY 2006 Recommended Budget Highlights

## Major “*Door Opener*” items:

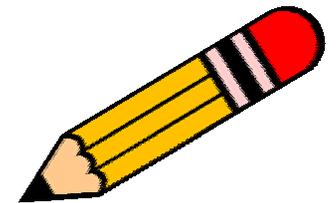
- ◆ Salary Policy - \$31,740.7
- ◆ Employee Health - \$11,300.0
- ◆ Public ED/DTCC Steps - \$5,682.9
- ◆ Pension - \$14,646.9
- ◆ Debt Service - \$9,577.6 \*
- ◆ Public Education Enrollment - \$8,536.8
- ◆ Medicaid - \$45,850.0



\* Gross figure not including Local School  
Bond Initiative

# Improving Schools

- ◆ Complete education reform with educator accountability - \$4.8 million
- ◆ Expand Delaware Teacher Corps - \$200.0
- ◆ Math specialists in middle schools - \$1.3 million
- ◆ Full-Day Kindergarten - \$3.0 million (Operating), \$30.8 million (Capital)
- ◆ Guarantee an Associates degree at Delaware Technical and Community College for hard working Delaware high school students - \$1.0 million
- ◆ Public School Transportation - \$2.5 million
- ◆ Adult Education - \$300.0



## Health, Safety and Self-Sufficiency for Every Delaware Family

- ◆ Cancer Council recommendations Year 3 - \$10.0 million
- ◆ Infant Mortality Task Force - \$100.0 Contingency
- ◆ Delaware Intelligence Analysis Center - \$250.0
- ◆ State Trooper Initiative - \$469.0
- ◆ Family Court Judges - \$363.3
- ◆ Service Provider inflation - \$1.9 million
- ◆ 800 MHz - \$19.0 million
- ◆ Correctional Officer compensation and task force issues - \$4.3 million

# Improving the Environment

## ◆ Livable Delaware Infrastructure Fund: \$38.5 million total:

- ◆ Farmland Preservation \$8.9 million
- ◆ Water/Wastewater \$17.3 million
- ◆ Green Infrastructure \$4.9 million
- ◆ Advanced Planning Fund \$500.0
- ◆ Beach Preservation \$6.9 million (a total of \$10.0 million is dedicated to Beach Preservation)



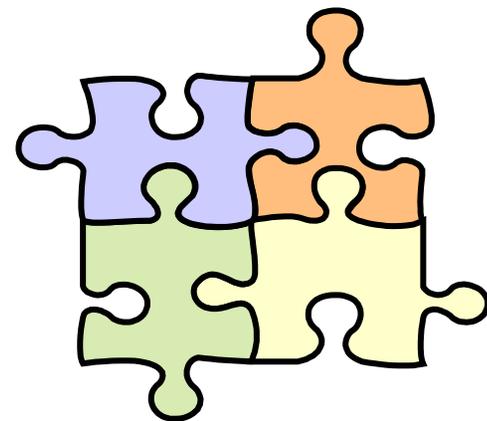
## ◆ Conservation Cost-Share \$3.2 million

# Creating and Retaining High Quality Jobs

- ◆ New Economy Initiative Year 2 - \$12.0 million
- ◆ Strategic Fund - \$10.0 million
- ◆ Diamond State Port Corporation - \$10.0 million
- ◆ Riverfront Development Corporation - \$5.0 million

# Well Managed State Government

- ◆ Maintain AAA bond rating
- ◆ Office of Management and Budget
- ◆ Cap on Abandoned Property Revenue
- ◆ Cash to pay for one-time capital projects



# Fiscal Year 2006 General Fund Operating Budget

<u>Agency</u>	<u>FY</u> <u>2006</u>	<u>%</u> <u>Growth</u> #
Legislative	13,211.3	0.0%
Judicial	73,474.0	1.6%
Executive	149,725.4	(4.2%) *
Technology & Information	33,835.7	3.1%
Other Elective	35,238.6	0.0% **
Legal	33,757.3	3.5% *
State	16,999.4	2.2%
Finance	18,490.4	(1.5%) *
Administrative Services	-	-
Health & Social Services	728,738.2	8.5%
Children, Youth & Their Families	104,866.9	4.2%

\*Adjusted for proposed merger of Department of Administrative Services and State Personnel Office into the Office of Management and Budget and Department of State

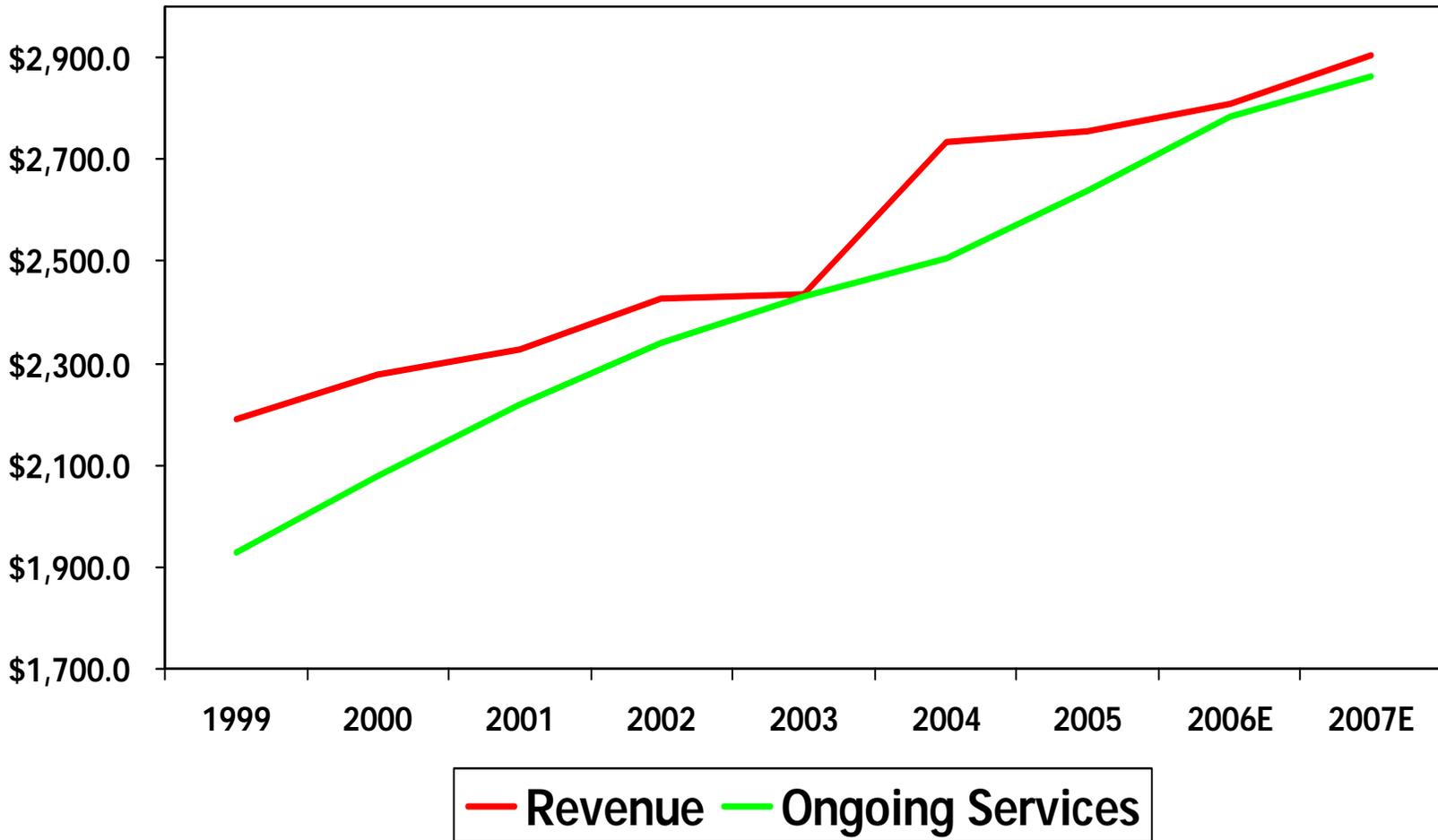
\*\* Adjusted for School Debt Initiative

# Adjusted for FY 2005 Personnel Costs Contingency

# Fiscal Year 2006 General Fund Operating Budget

<u>Agency</u>	<u>FY 2006</u>	<u>Growth</u> <sup>%</sup> #
Correction	208,969.1	3.4%
Natural Resources	37,383.9	(0.9%)
Safety & Homeland Security	101,481.8	6.4%
Labor	6,492.7	(3.3%)
Agriculture	7,019.7	0.0%
Elections	3,574.5	(0.1%)
Fire Prevention Commission	4,138.4	(0.4%)
National Guard	3,872.1	2.5%
Exceptional Citizens	125.2	0.0%
Higher Education	219,352.1	3.9%
Public Education	943,414.1	6.4%
<b>Total Operating Budget</b>	<b>\$2,744,161.2</b>	

# The Fiscal Situation is Balanced Through 2007.....



## What others are saying...

- ◆ Number one location in the nation for biotechnology businesses - Battelle Technology Partnership Practice and SSTI State Bioscience Initiatives 2004 report
- ◆ Third lowest tax burden – Tax Foundation
- ◆ Wilmington & Dover ranked highly for economic vitality (#10 & #12) – Business Outlook
- ◆ Triple A bond rating – Standard & Poors, Moody's, Fitch
- ◆ Top 3 states for financial stewardship – USA Today

## Summary

- ✓ Through years of responsible financial stewardship Delaware finances are stable as evidenced by our recent reaffirmation of Triple A bond ratings.
- ✓ Outside influences including MD/PA slots and potential federal tax policy changes/budget reductions remain concerns and must be diligently monitored.
- ✓ Targeted investments in priority areas while remaining fiscally prudent will assure stability through the planning period.