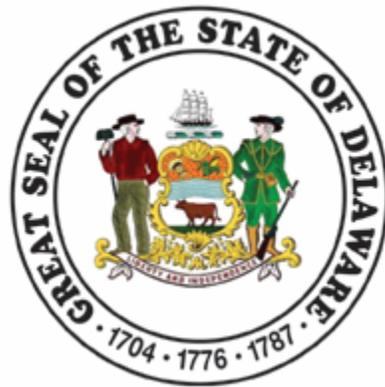


# Delaware

*Office of the Governor*



## **Policy and Financial Overview**

*Fiscal Year 2008*

*Governor Ruth Ann Minner*

# Governor Minner's Vision for Delaware

“In the last six years, we have accomplished many critical initiatives for the citizens of Delaware. Now is not the time to rest, but to continue to strive for excellence in state government.”

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

# Accomplishments

## Improving Public Education

- Full-day Kindergarten
- Reading Resource Teachers
- Math Specialists
- SEED Scholarship Program
- Education reform results
- Educator quality and training

## Health and Self-Sufficiency

- Implementation of Cancer Council Recommendations
- Infant Mortality initiatives
- Increased State Trooper Patrol
- Opening of the Veterans Home
- Foster Care Reform

## Well-Managed State Government

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

## Livable Delaware

- Dedicated revenue for Farmland Preservation
- Established Forestland Preservation Program
- Comprehensive land use planning to manage state investments

## Economic Development

- Attracted and retained 35,000 jobs since 2001
- Developed major partnerships with companies such as DuPont, Invista, Playtex, Bank of America, AAA, ING, Kraft, Air Liquide and M&T Bank
- Leveraged nearly \$60 million in private funding through the New Economy Initiative
- Modernized the Financial Center Development Act

# Governor's Key Financial Principles

- ◆ Preserving core state government services
- ◆ Building a sustainable financial plan
- ◆ Bolstering capital investments with pay-go funding
- ◆ Aggressive cost containment
- ◆ Addressing future liabilities
- ◆ Maintaining reserves

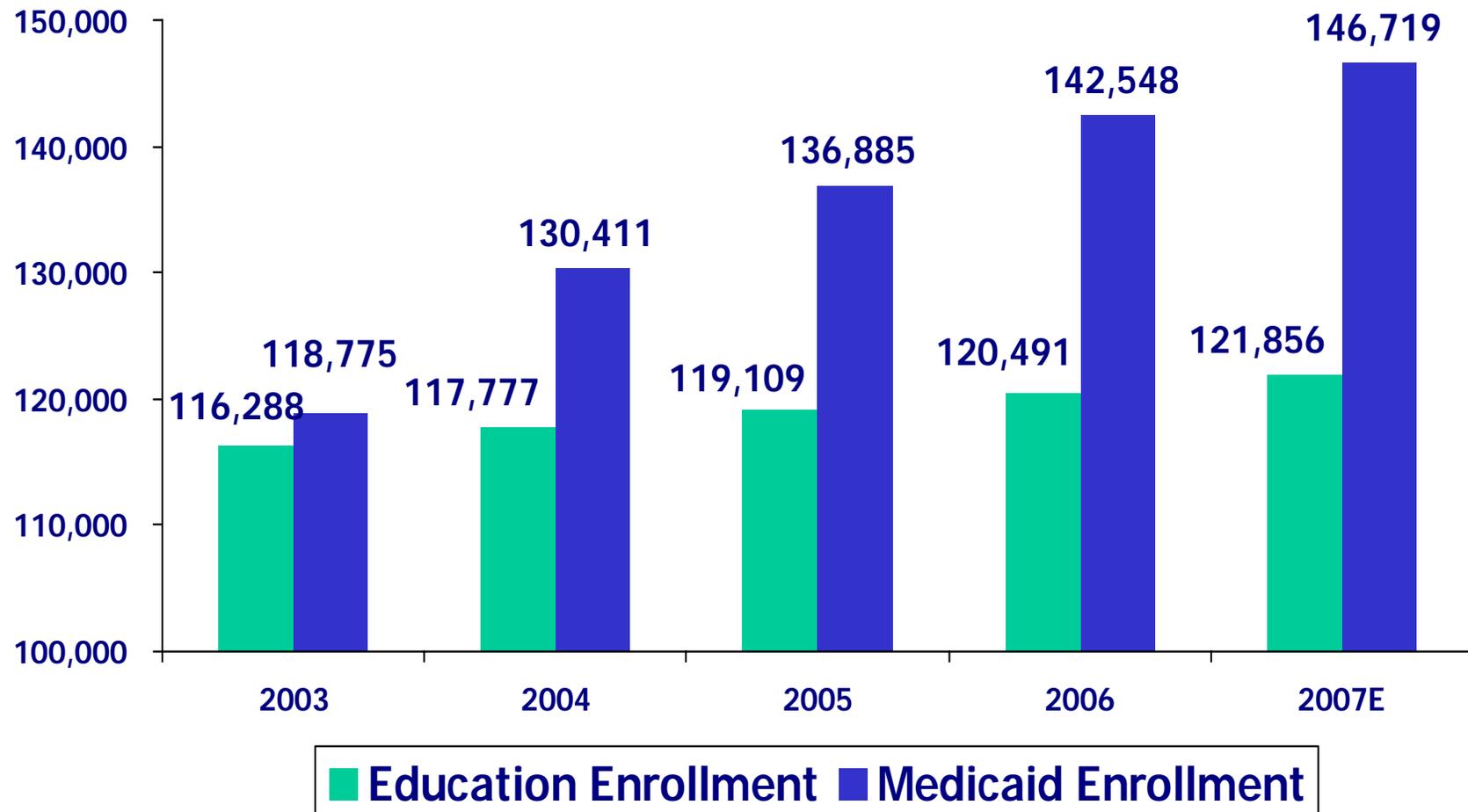


# Managing Expectations within the Changing Financial Picture

- ◆ Rising demand for government services as the state population continues to grow
- ◆ Continued federal budget cuts and cost shifts to Delaware in the areas of education, social services and labor
- ◆ Transportation demands outpace revenue growth
- ◆ Impact of Pennsylvania and potentially Maryland slots

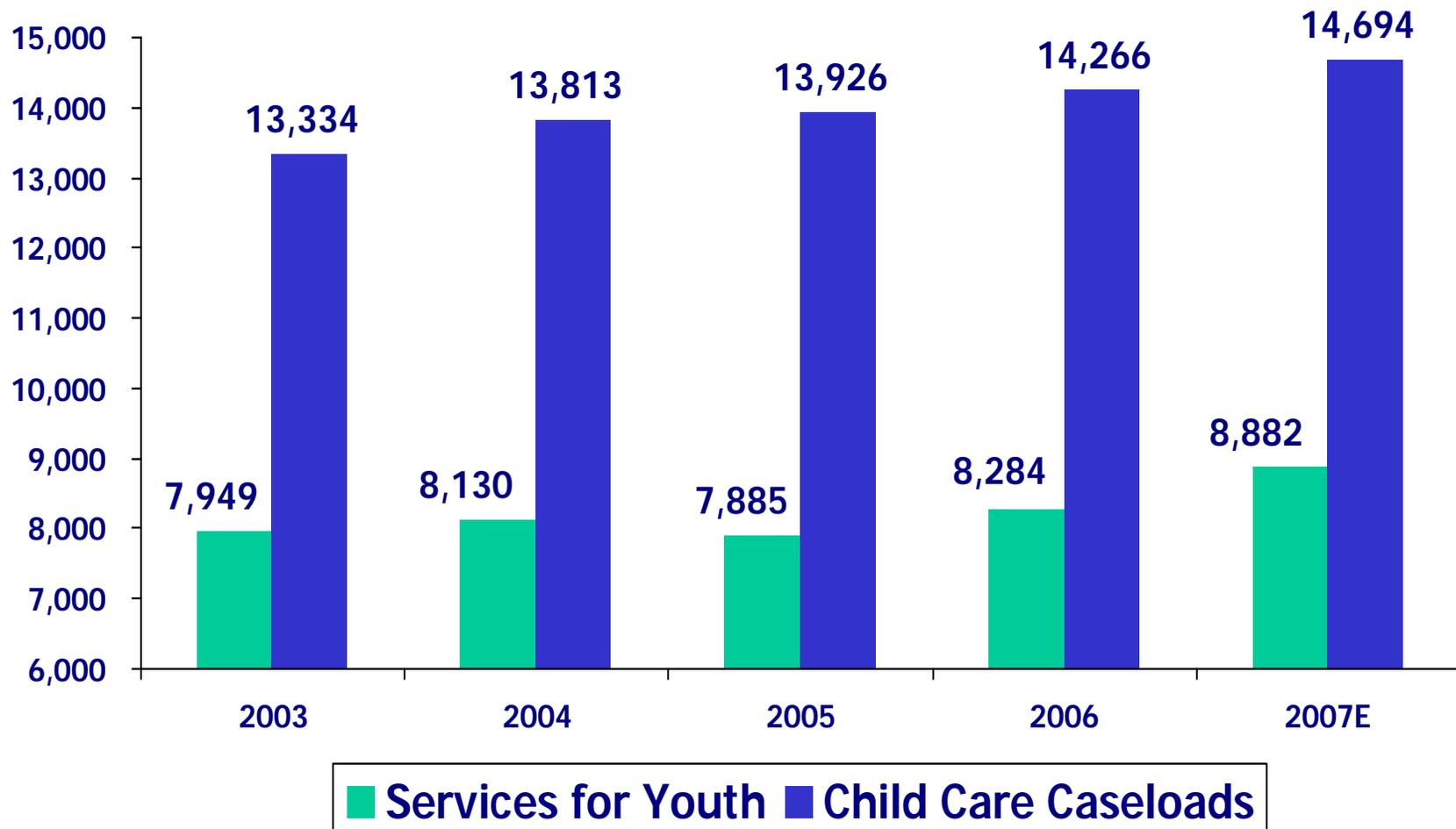
# Increased Demand – Core Services

**Education Enrollment increased 4.8% from 2003 to 2007E**  
**Medicaid Enrollment increased 23.5% from 2003 to 2007E**



# Increased Demand – Social Services

**Services for Youth increased 11.7% from 2003 to 2007E**  
**Child Care Caseload increased 10.2% from 2003 to 2007E**

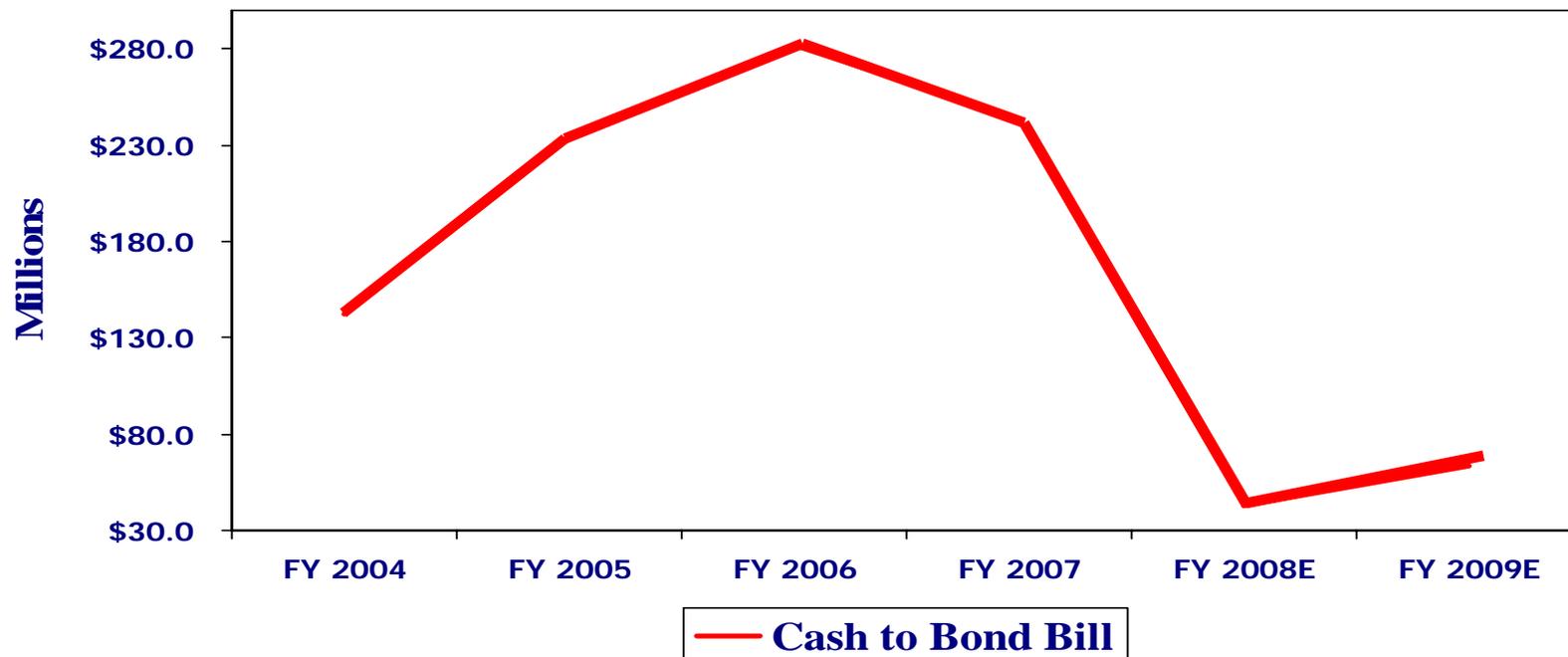


# Putting it into Perspective: The Financial Challenge

## Operating Budget

Total Budget Requests/Issues	\$3,414,819.7
FY 2007 Budget	<u>3,101,864.9</u>
Requests Over FY 2007 Budget	\$312,954.8

## Capital Budget



# Governor's Recommended FY 2008 Financial Package

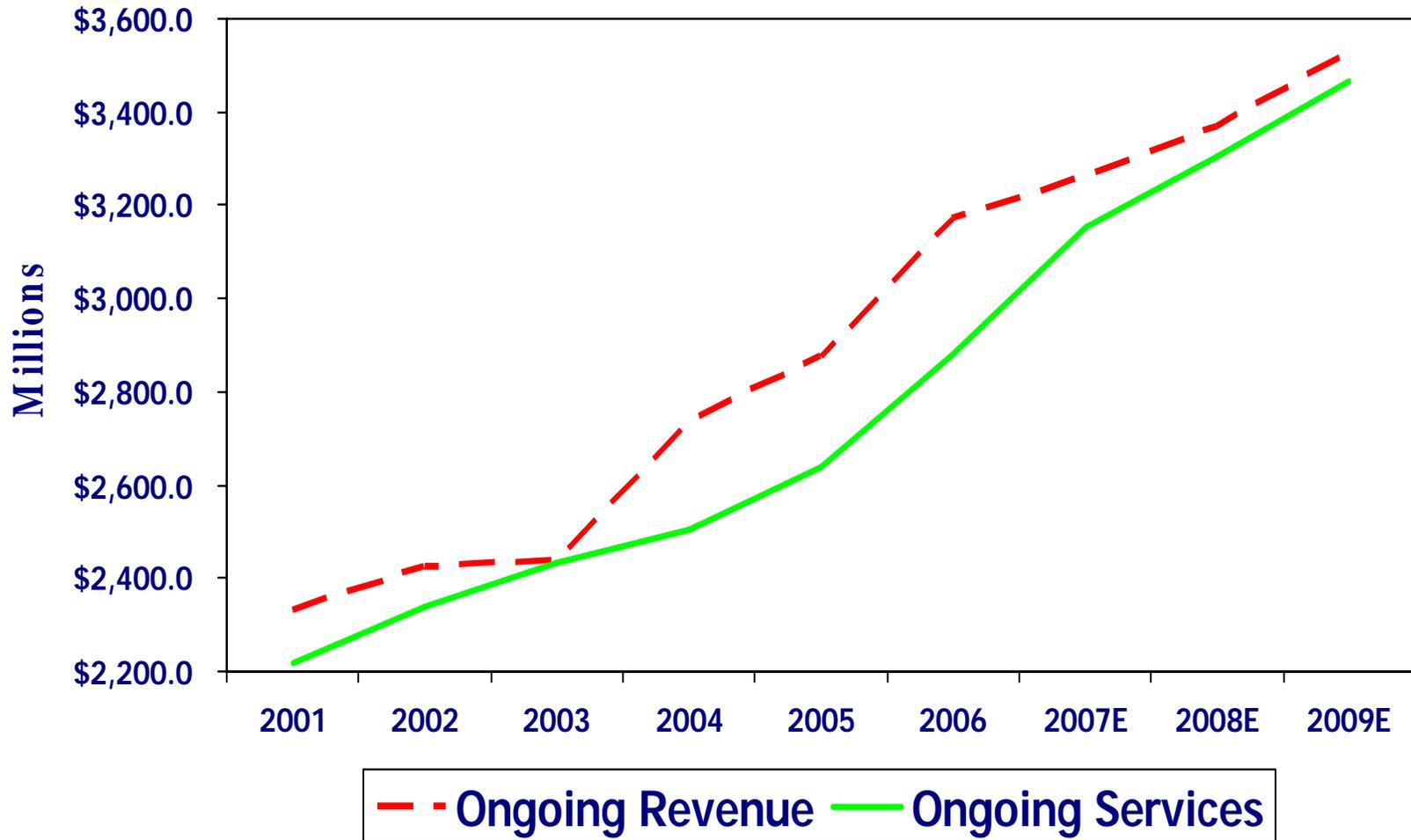
- ◆ **General Fund Operating Budget.....\$3,248.7 M**
  - ◆ GF Operating Budget Growth 4.73%
  
- ◆ **Bond and Capital Improvement Act.....\$554.8 M**
  - ◆ State Capital Projects . . . . . \$224.6 M
    - G.O. Bonds . . . . . \$168.4 M
    - Cash, Other . . . . . \$56.2 M
  - ◆ Transportation Authorizations. . . . . \$330.2 M
  
- ◆ **Grants-In-Aid .....\$54.6 M**

# Highlights of Governor's Financial Plan

*Maintaining financial strength through a responsible budget plan by:*

- ◆ Limiting operating budget growth to 4.73 percent
- ◆ Appropriating only to the 98 percent limit
- ◆ Funding long-term liabilities
  - ◆ Pension
  - ◆ Other Post Employment Benefits (OPEB)
- ◆ Addressing core government service demands
- ◆ Implementing the Governor's vision for Delaware

# The Fiscal Situation is Balanced Through 2009...



# Major “Door Opener” Items

- ◆ Public School Enrollment - \$9.6 million
- ◆ Medicaid - \$38.3 million (all funds)
- ◆ Child Care Caseloads/Rate Annualizations - \$4.6 million
- ◆ Public Ed./DTCC Steps - \$7.9 million
- ◆ Pension Programs - \$6.5 million
- ◆ Other Post Employment Benefits (OPEB) - \$40.1 million



# Improving Schools

- ◆ **Full-day Kindergarten**
  - ◆ \$13.6 million in total funds
  - ◆ \$6.0 million in new funding
  - ◆ Fully implements Full-day Kindergarten in 11 school districts and 8 charter schools
  
- ◆ **Math Specialists**
  - ◆ \$2.7 million in total funds
  - ◆ \$702,300 in new funding
  - ◆ Completes the implementation of a math specialist in every middle school
  
- ◆ **SEED Scholarships**
  - ◆ \$2.4 million in total funds
  - ◆ \$1.0 million in new funding
  - ◆ Funded over 800 students in the first year



# Improving Schools

- ◆ Public school construction and renovation
  - \$98.2 million
- ◆ Investments in Public Education and in support of Vision 2015
  - \$3.9 million
- ◆ Public school transportation
  - \$3.5 million
- ◆ Public Education Fitness Challenge Grants
  - \$250,000



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

## ◆ Delaware Healthy Life Fund

- ◆ Focuses on health needs of Delaware's most at-risk population as well as improving the State's comprehensive system of health services
- ◆ Raises the cigarette tax to curb youth smoking and dedicates the projected increase to the Delaware Healthy Life Fund
  - Uninsured/Underinsured Initiatives - \$5.0 million
  - Delaware Healthy Children Program (CHIPS) Expansion - \$1.1 million
  - Health Disparities - \$1.0 million
  - Delaware Health Information Network (DHIN) - \$3.0 million
  - Nursing Expansion Programs - \$3.2 million
  - Medicaid Buy-In Program - \$223,700
  - Medicaid Caseload Increases - \$28.4 million

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

- ◆ Cancer Council Recommendations - \$16.2 million (all funds)
- ◆ Veterans Home operations - \$9.9 million
- ◆ Infant Mortality Task Force -  
\$4.6 million (all funds) (\$1.9 million new)
- ◆ Juvenile Justice Reform - \$4.0 million
- ◆ 800 MHz Emergency Radio System - \$12.7 million
- ◆ Trooper Expansion - \$465,200 and 6.0 FTEs (all funds)
- ◆ Developmental Disabilities Services - \$4.8 million
- ◆ Pilot Prison Re-Entry Program - \$75,000



# Creating and Retaining High Quality Jobs

- ◆ Strategic Fund - \$12.0 million
- ◆ New Economy Initiative Year 4 - \$5.0 million
- ◆ Diamond State Port Corporation - \$3.0 million
- ◆ Riverfront Development Corporation - \$2.0 million
- ◆ Fraunhofer Vaccine Development - \$1.0 million
- ◆ Crop Insurance - \$600,000



# Improving the Environment

- ◆ Continued support through dedicated revenue to:
  - ◆ Farmland Preservation - \$10.0 million
  - ◆ Open Space - \$10.0 million
- ◆ Dam Emergency Planning Fund - \$1.0 million
- ◆ Forestland Preservation Program - \$1.0 million
- ◆ Beach Preservation - \$5.0 million

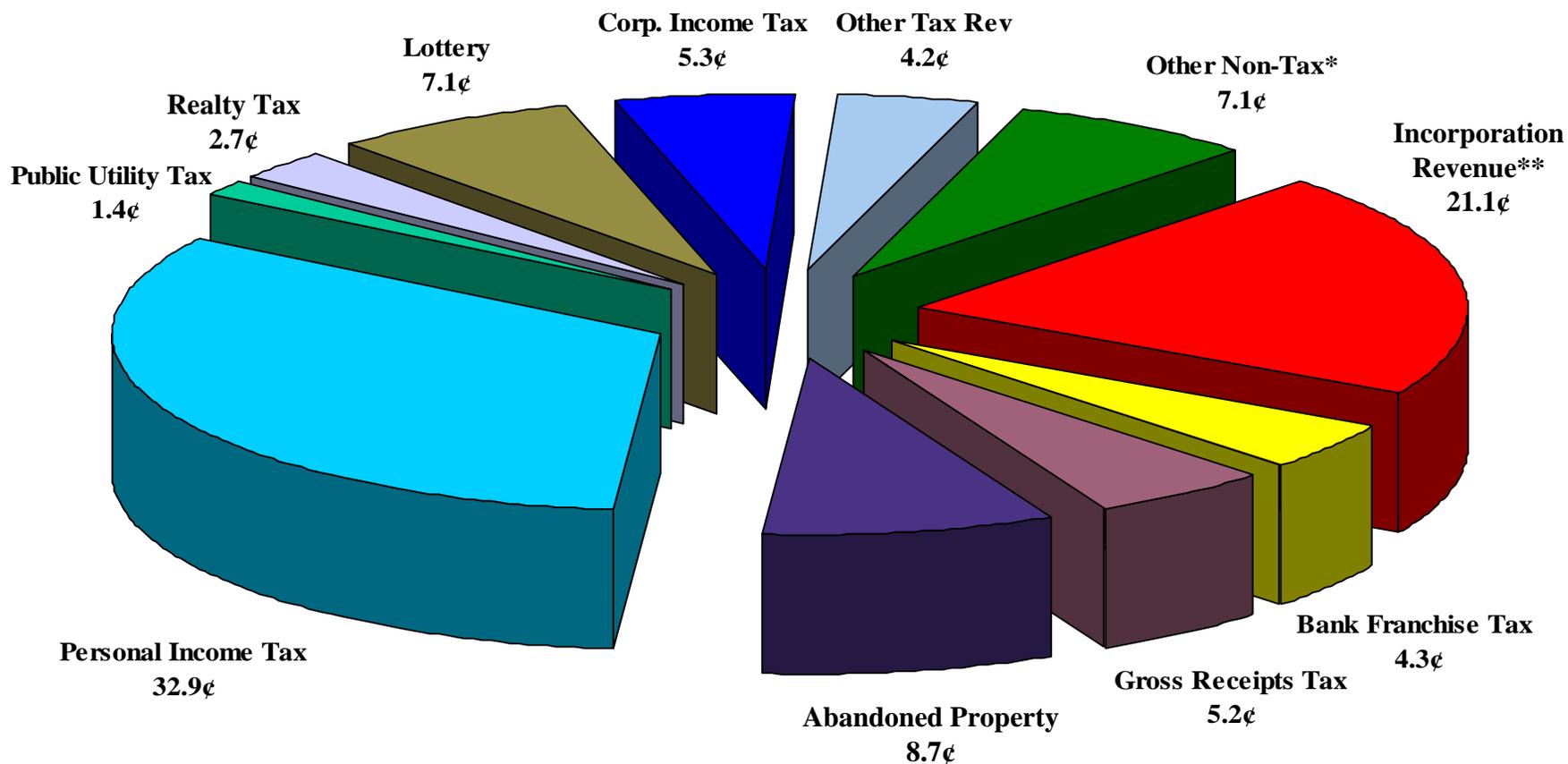


# A Well-Managed State Government

- ◆ Funding long term liabilities today - Other Post Employment Benefits (OPEB)
- ◆ Shared Savings Initiative for all state employees
- ◆ Controlling healthcare costs through innovative wellness programs and program efficiencies
- ◆ Energy purchasing agreements
- ◆ New on-line recruitment system
- ◆ New statewide financial system (ERP)



# Delaware FY 2008 Revenue Forecast

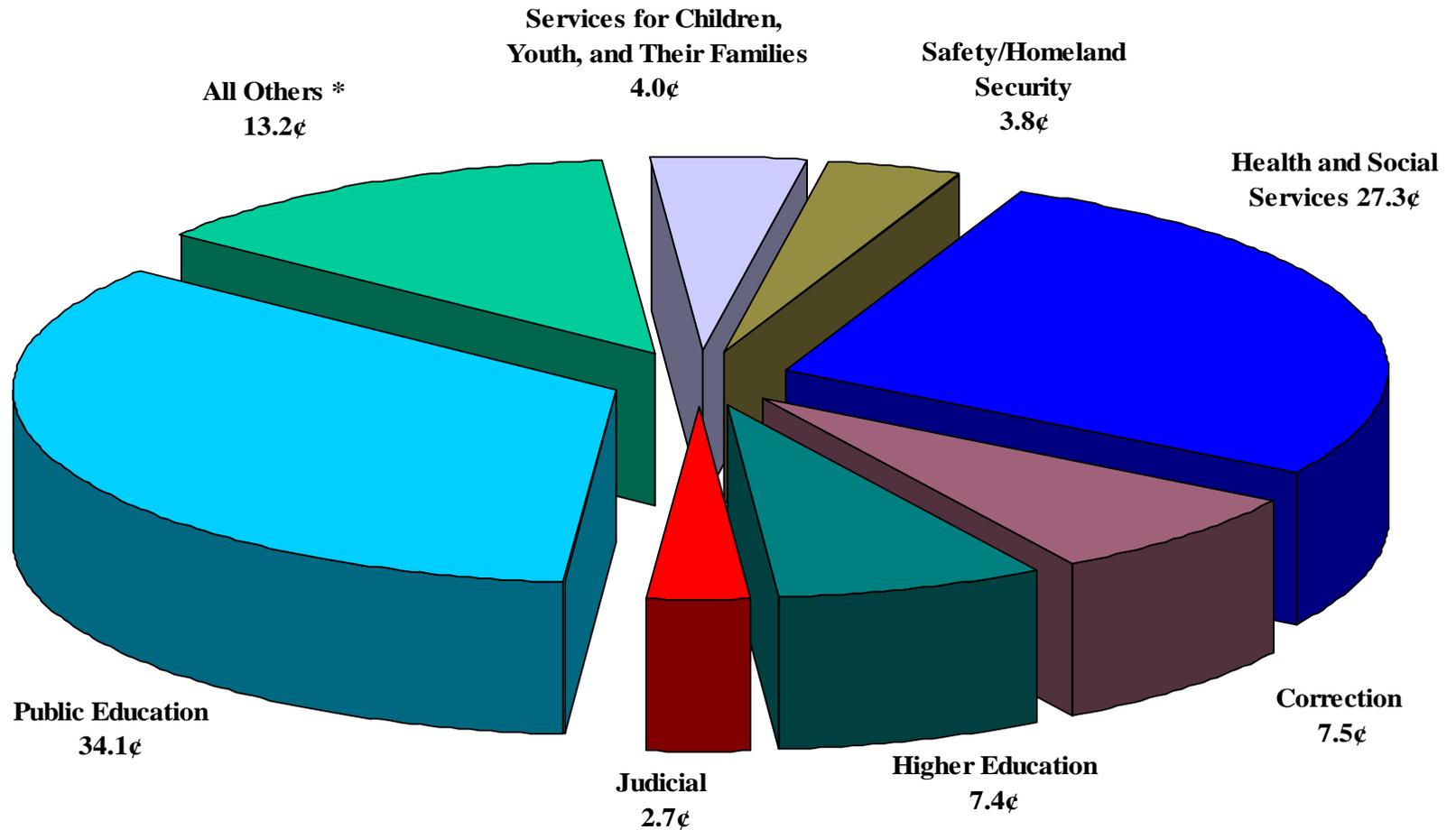


Revenue Dollar  
Source of Funds  
(Net of Refunds)

\*Includes Prior Year Unencumbered Cash Balance

\*\*Includes Corporate Franchise Taxes, Business Entity Fees,  
and Limited Partnerships & Limited Liability Corporations

# Governor's Recommended FY 2008 Operating Budget



Budget Dollar  
General Fund Appropriations

\*Includes One-Time Items

# Fiscal Year 2008 General Fund Operating Budget

<u>Agency</u>	<u>FY 2008</u>	<u>% Growth</u> *
Legislative	\$ 14,973.8	0.00%
Judicial	89,074.4	1.12%
Executive	143,100.1	5.10% **
Technology & Information	39,022.3	4.10%
Other Elective	57,686.5	61.28% ***
Legal	43,640.1	4.26%
State	34,827.8	43.79% ****
Finance	20,828.9	0.76%
Health & Social Services	888,788.3	3.06%
Children, Youth & Their Families	128,903.2	2.74%
Correction	242,993.0	1.47%

\*As adjusted by FY 2007 contingencies

\*\*\*Includes new statewide debt service

\*\*Includes Statewide Contingencies & Salary Policy

\*\*\*\*Includes appropriations for Veterans Home

# Fiscal Year 2008 General Fund Operating Budget

<u>Agency</u>	<u>FY 2008</u>	<u>% Growth</u> *
Natural Resources	43,088.6	-0.82% **
Safety & Homeland Security	121,731.1	4.37%
Labor	7,286.3	-2.19% ***
Agriculture	8,753.1	6.75%
Elections	4,055.6	0.31%
Fire Prevention Commission	4,775.3	-3.73% ****
National Guard	4,807.3	2.88%
Exceptional Citizens	176.6	0.30%
Higher Education	241,584.4	2.49%
Public Education	1,108,620.6	5.50%
<b>Total Operating Budget</b>	<b>\$3,248,717.3</b>	<b>4.73%</b>

\*As adjusted by FY 2007 contingencies

\*\*\*Reflects structural move of Commission for Women to Department of State

\*\*Reflects 50% reallocation of Dog Control

\*\*\*\*Reflects debt service adjustments

# Transportation Challenges

- ◆ Cost of transportation construction and the increased demand on the transportation system due to growth in the State
- ◆ Decreasing resources available for capital projects (minimal increases since 1995) coupled with increasing costs
- ◆ Several major projects to be completed



# Cost of transportation construction and the increased demand on the transportation system

## Cost of Transportation Construction

Item	Percent Change*
Fuel	183.8%
Hot Mix	140.5%
Steel	64.7%
Land	46.0%
Concrete	24.2%
Equipment Operator	36.9%

## Increased Transportation Demand

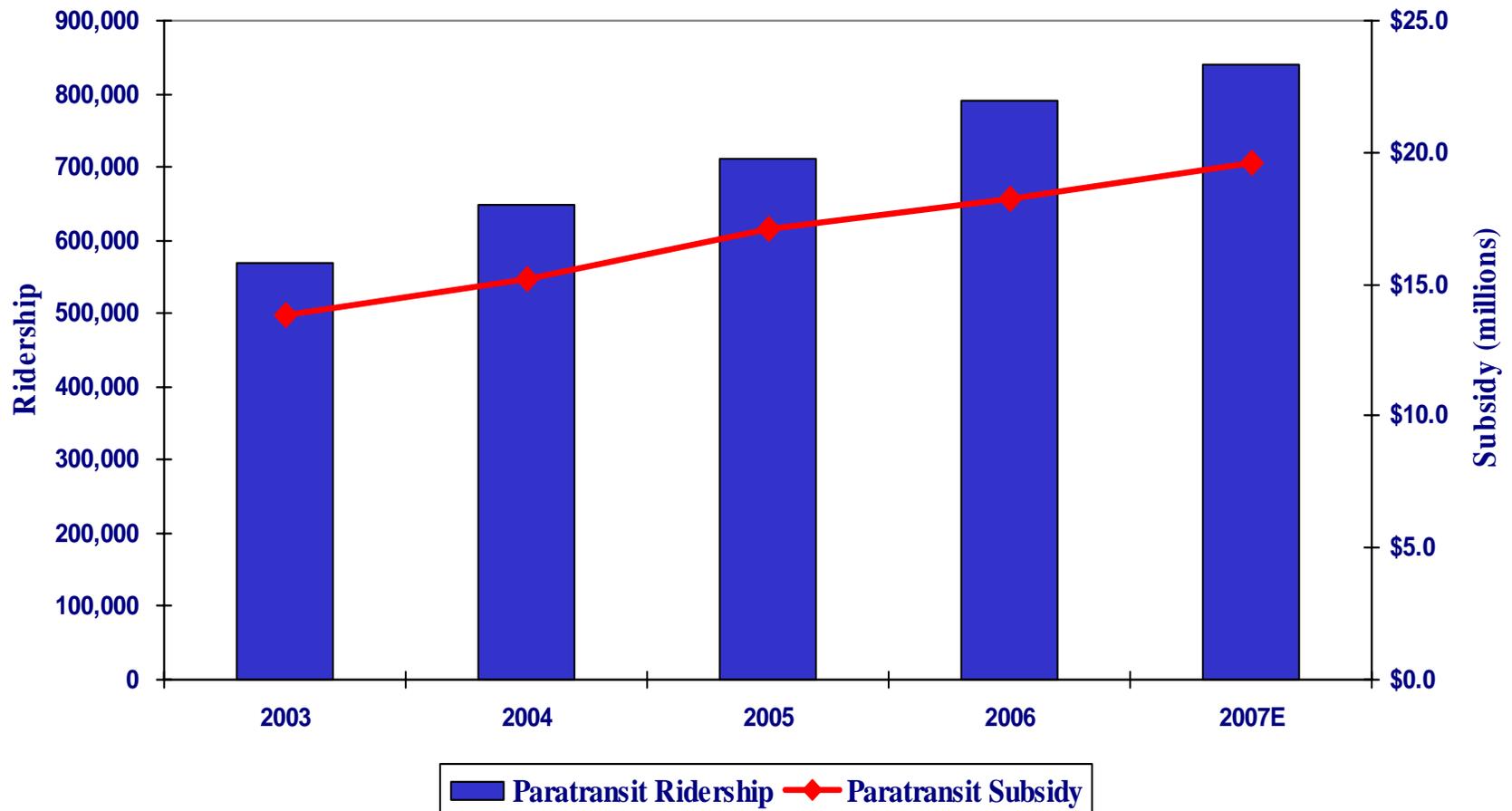
Item	Percent Change*
Transit Services Hours	33.3%
Transit Service Miles	33.0%
Vehicle Registrations	17.3%
Licensed Drivers	10.0%
Population	8.7%

\*Percent change between 2000 and 2006

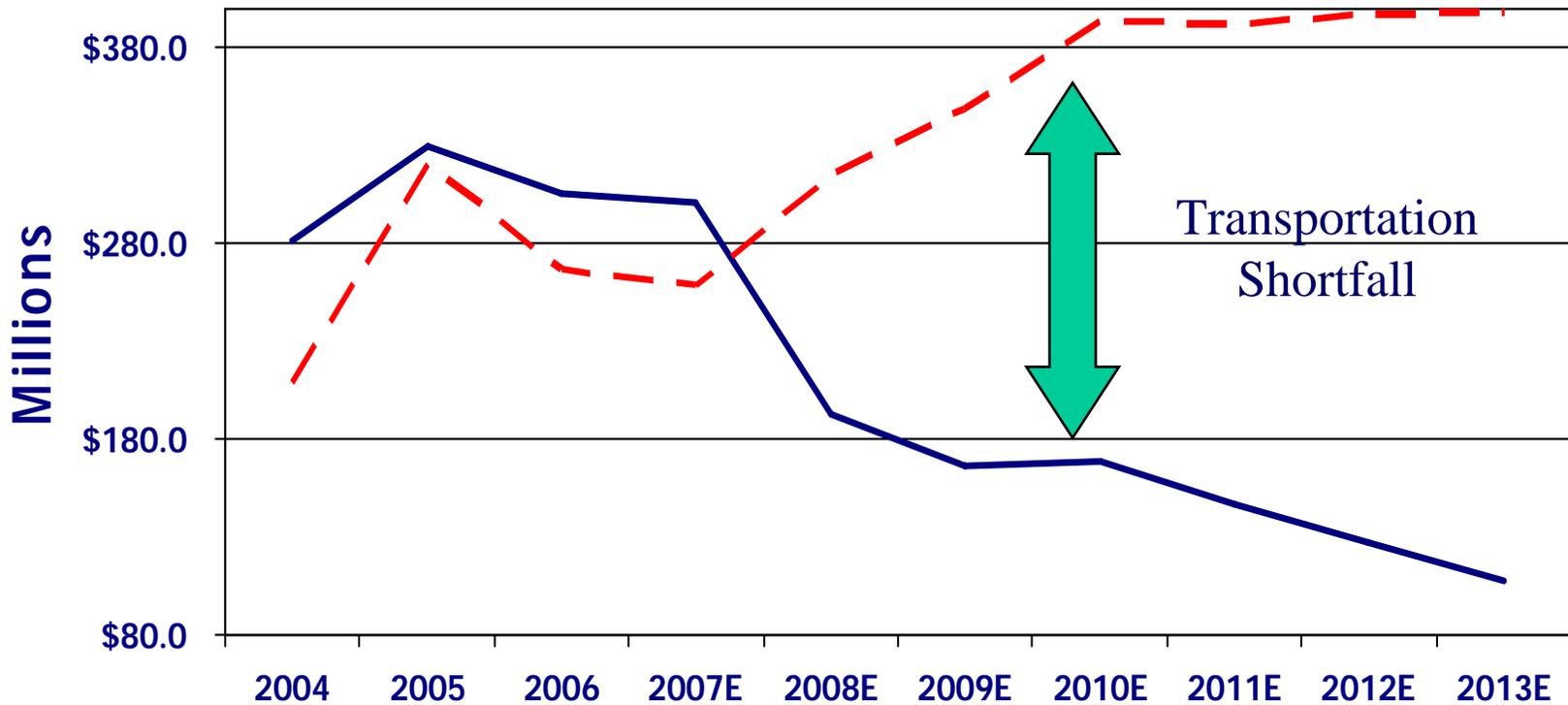
# Cost of transportation construction and the increased demand on the transportation system

## Increased Transportation Demand – Paratransit

The State subsidy for Paratransit will have risen 42% since 2003 to an estimated \$20.0 million in 2007



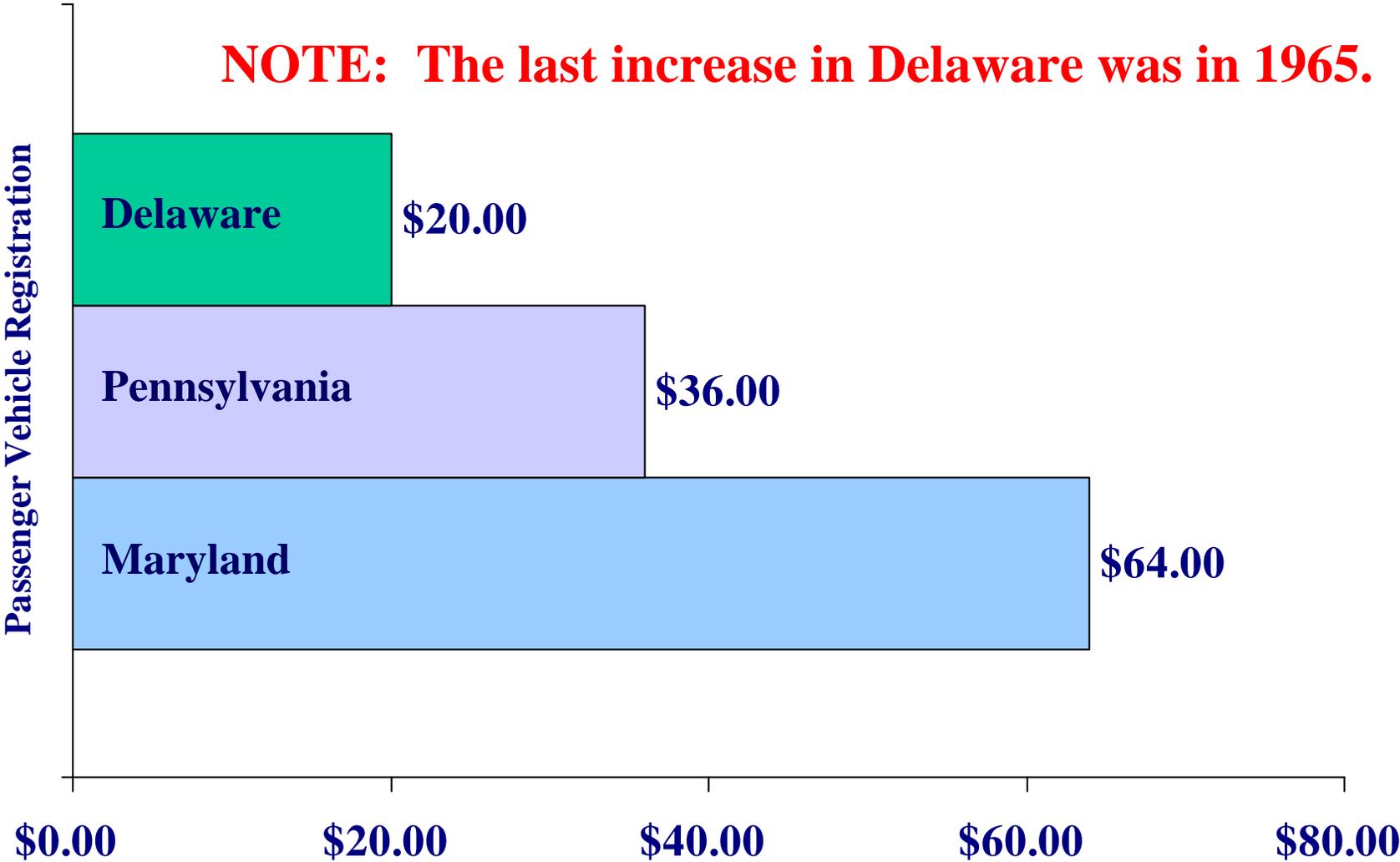
# Decreasing resources available for capital projects coupled with increased costs



# Minimal Increases In Revenue

## Passenger Vehicle Annual Registration Comparison

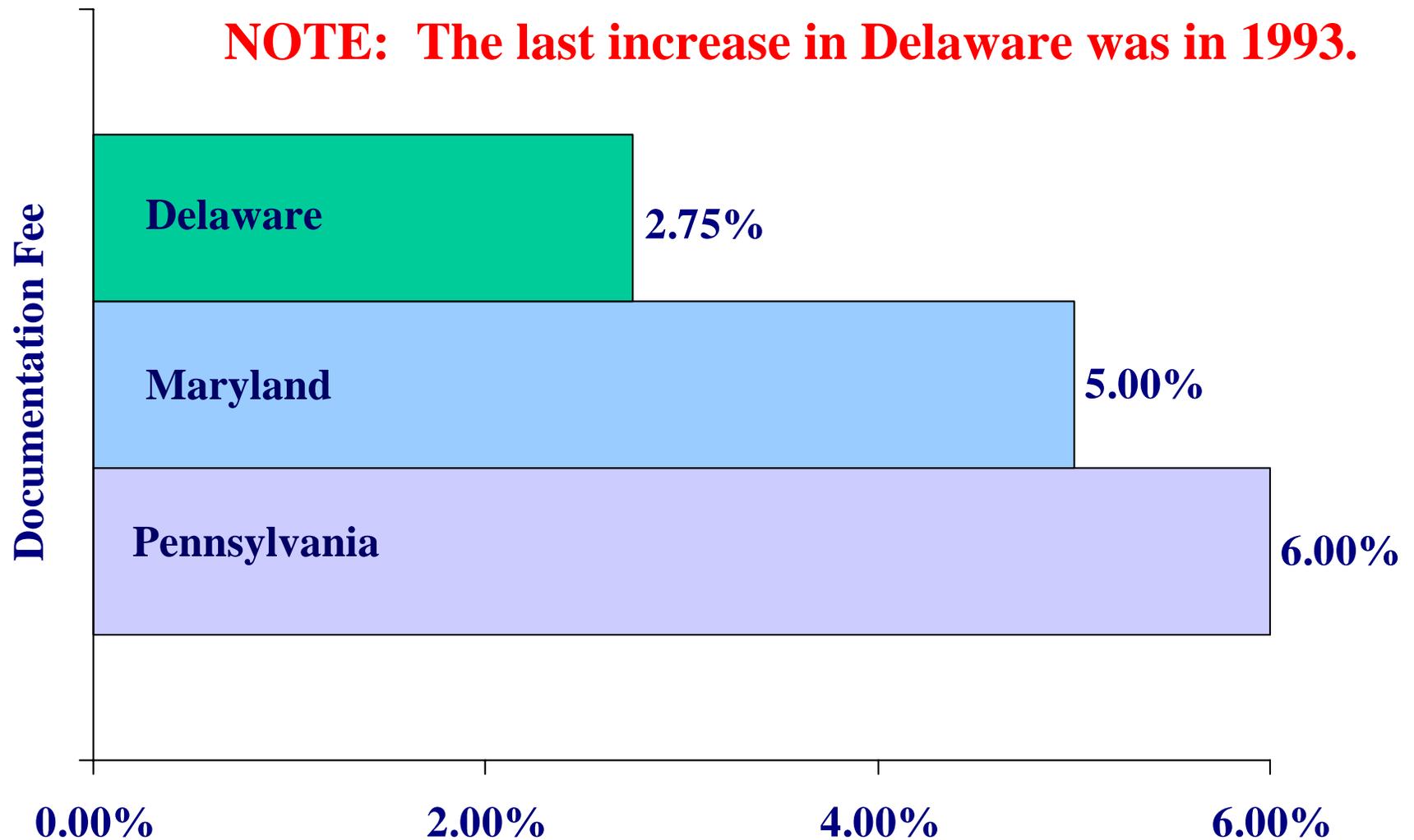
**NOTE: The last increase in Delaware was in 1965.**



# Minimal Increases In Revenue

## Documentation Fee Comparison

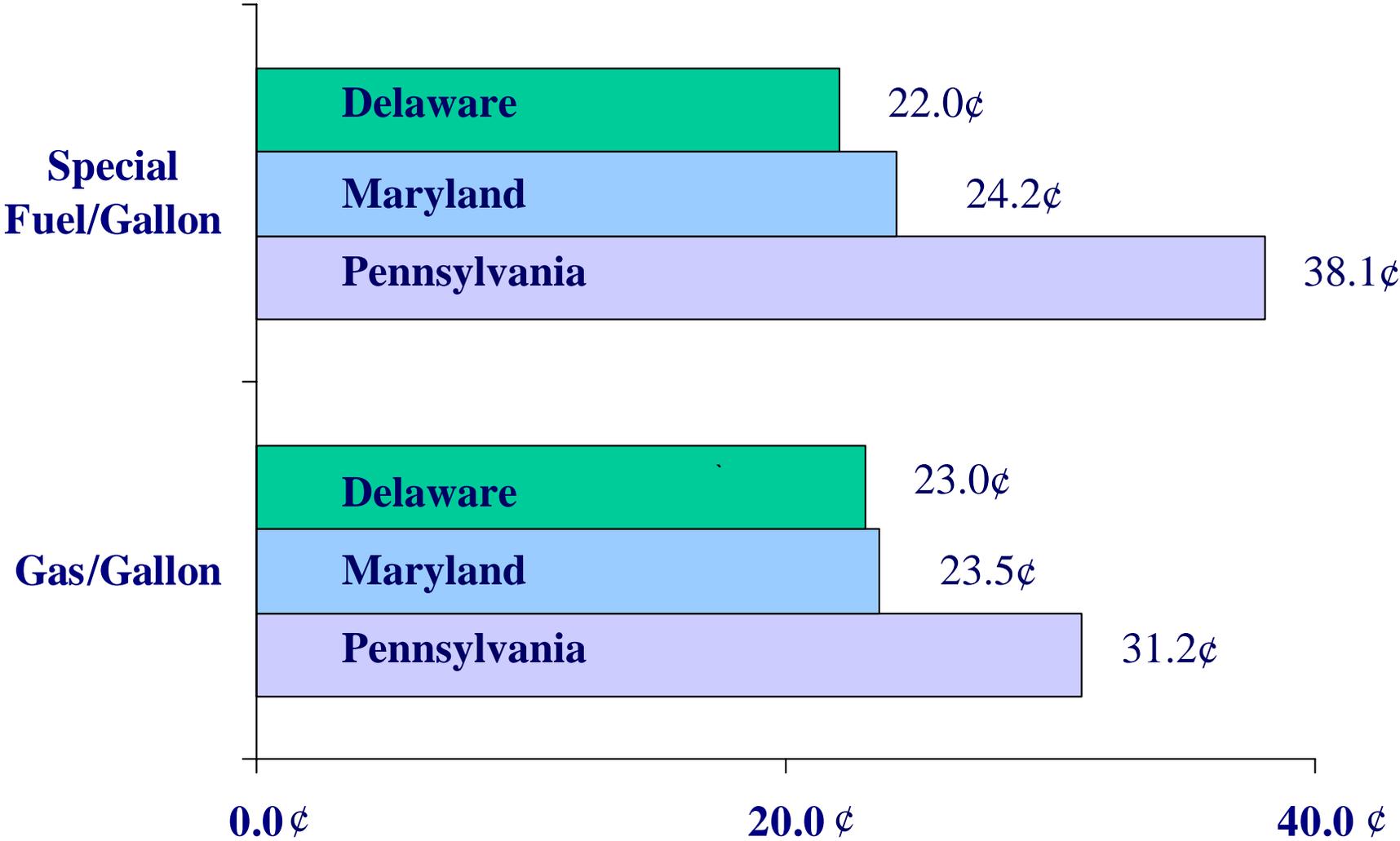
**NOTE: The last increase in Delaware was in 1993.**



# Minimal Increases In Revenue

## Motor Fuel Tax Comparison

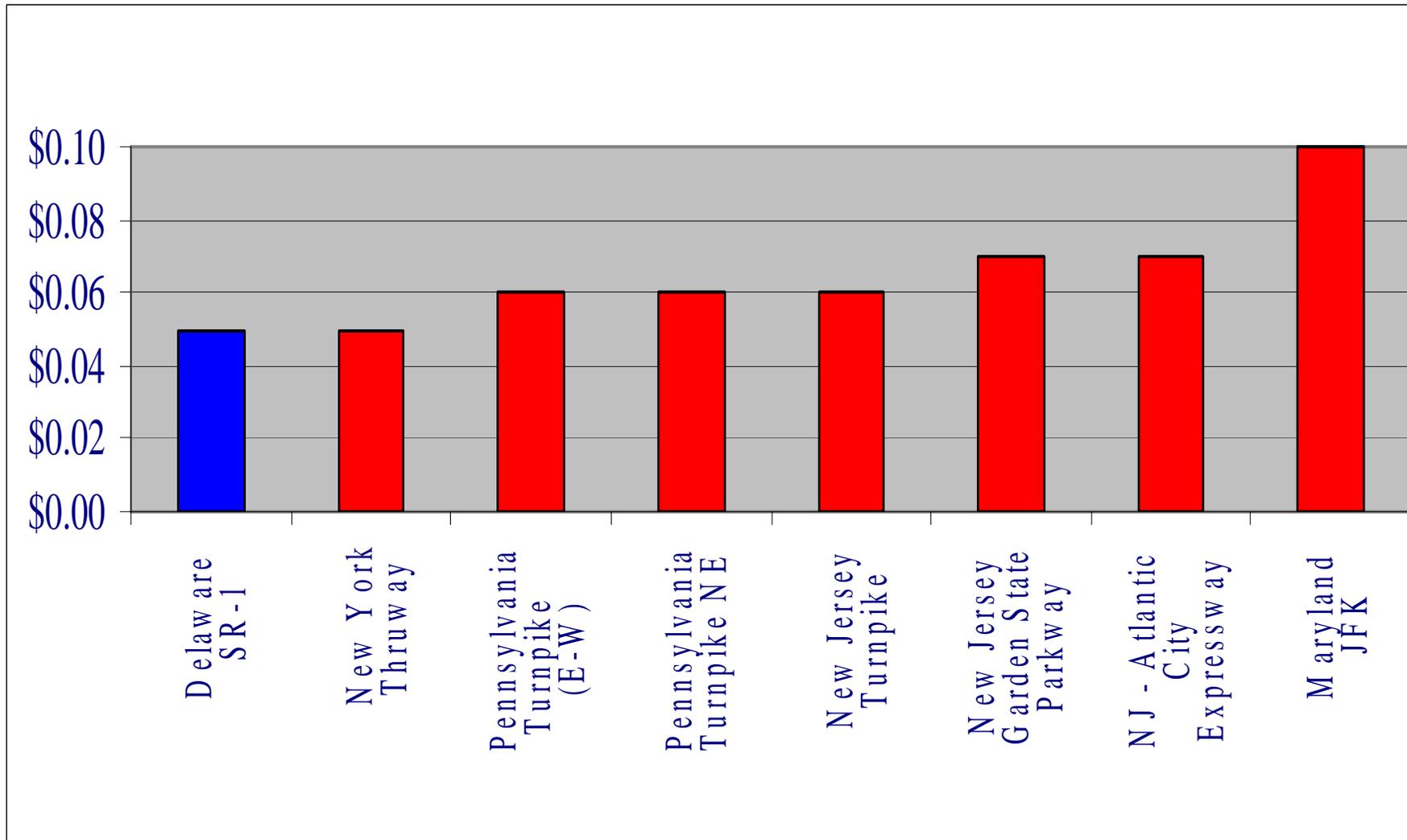
**NOTE: The last increase in Delaware was in 1995.**



# Toll Comparisons

## Cost per mile

**NOTE: SR 1 tolls have never been increased.**



## Overcoming the Transportation Challenges: Milestones Already Accomplished

- ◆ January 2005 – Governor submits FY 2006 Capital Budget reduced by \$200.0 million to align revenues with expenditures.
- ◆ June 2005 – Governor signs Executive Order 69 to establish the Transportation Development and Funding Options Task Force to review short and long term transportation resources.
- ◆ November 2005 – The task force unveils \$2.7 billion shortfall in the Transportation Trust Fund (TTF).

## Overcoming the Transportation Challenges: Milestones Already Accomplished

- ◆ January 2006 – Governor proposes a multi-dimensional strategy to solve the TTF problem.
- ◆ January 2006 – Governor signs Executive Order 78 creating the Transportation Financial Advisory Committee (TFAC).
- ◆ March 2006 – The Governor’s TFAC begins meeting to help strengthen financial management controls and forecasting.
- ◆ June 2006 – The Administration worked with the General Assembly to reprogram \$115.8 million in state capital projects to align revenues with expenditures.

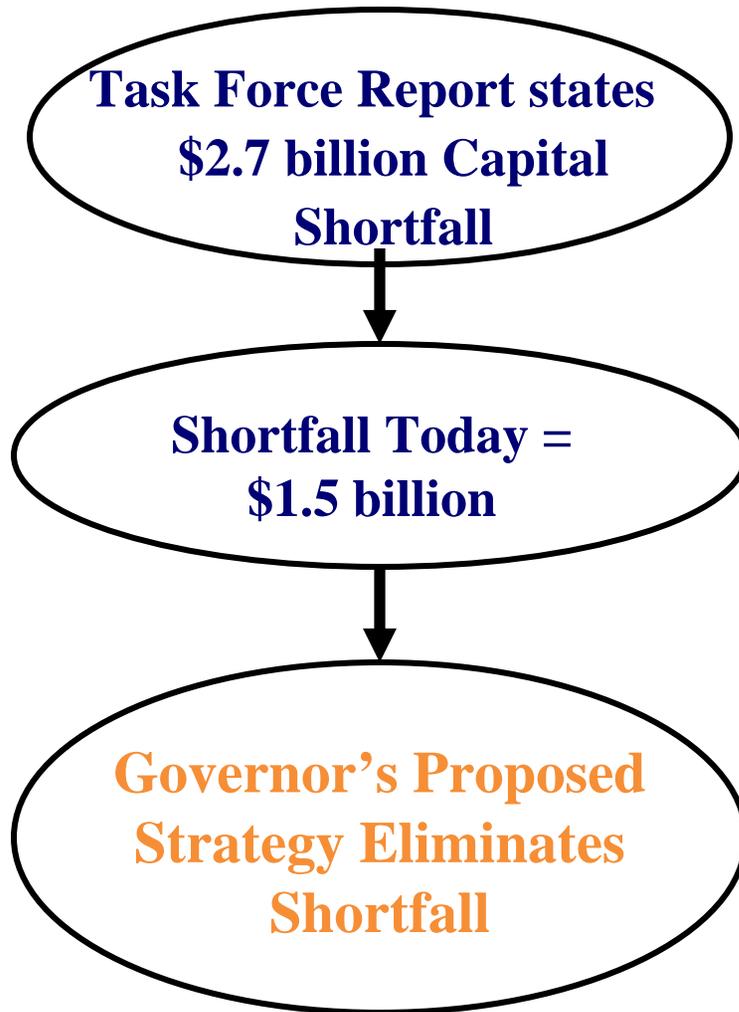
# Governor's Multi-Dimensional Strategy

The following actions reduced shortfall by \$1.2 billion:



- ◆ **Focused on core business of DeIDOT**
  - ◆ Maintaining assets and improving safety
  - ◆ 24/7 service for incident response, signal repairs and weather events
- ◆ **Maximized federal funds**
  - ◆ Examples: I-95, Indian River Inlet Bridge, Governor's Avenue, DART and Paratransit buses
  - ◆ Congressional support for earmarks
- ◆ **Refined project delivery plan**
  - ◆ Updated project cost estimates
  - ◆ Aligned cost with ability to produce
  - ◆ Realistic Capital Transportation Plan (FY 2008 – FY 2013)
- ◆ **Drove down mandated costs**
- ◆ **Re-authorized projects**

# Governor's Multi-Dimensional Strategy



## Governor's Strategy to Eliminate Shortfall

- ◆ Leveraging borrowing capacity  
(maintaining 50/50 pay-go ratio)
- ◆ Revised capital plan
- ◆ Revenue enhancements

# The Governor's Proposed Strategy Protects Critical Transportation Infrastructure

- ◆ Further the design, right of way acquisitions and construction of many significant projects within the Six Year Capital Transportation Program (CTP).

- ◆ Examples Include:

- SR 24, SR 26, and SR 54
- SR 2 – Elkton Road
- West Dover Connector
- I-95/202 Interchange
- I-95/SR 1 Interchange
- SR 1 Intersections (5 locations)
- Philadelphia Pike
- Southern New Castle County area improvements



I-95 / SR 1  
Interchange



West Dover  
Connector



SR 26  
Bethany

# The Governor's Proposed Strategy Protects Critical Transportation Infrastructure



US 113 Milford

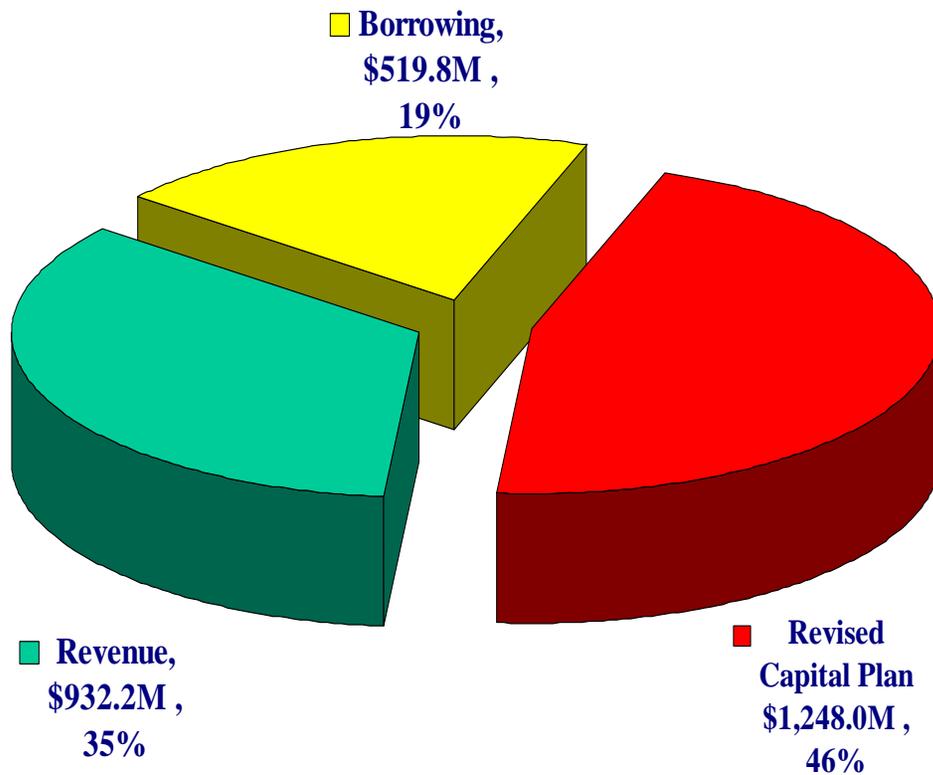


US 301  
Middletown



- ◆ Continue design and right of way phases for US 113, US 301, I-95 toll plaza and Western Parkway projects
- ◆ Preserve over \$220 million in federal funds
- ◆ Protect core business used for:
  - ◆ Repaving roadways
  - ◆ Bridge repairs
  - ◆ Purchasing heavy equipment (i.e. snow plows)
  - ◆ Replacing DART and Paratransit buses
  - ◆ Safety initiatives (roadways, intersections and rail crossings)

# Governor's Multi-Dimensional Strategy



## Potential Federal Revenue

\$14.4 million Open Container Legislation

## Proposed Revenue Package

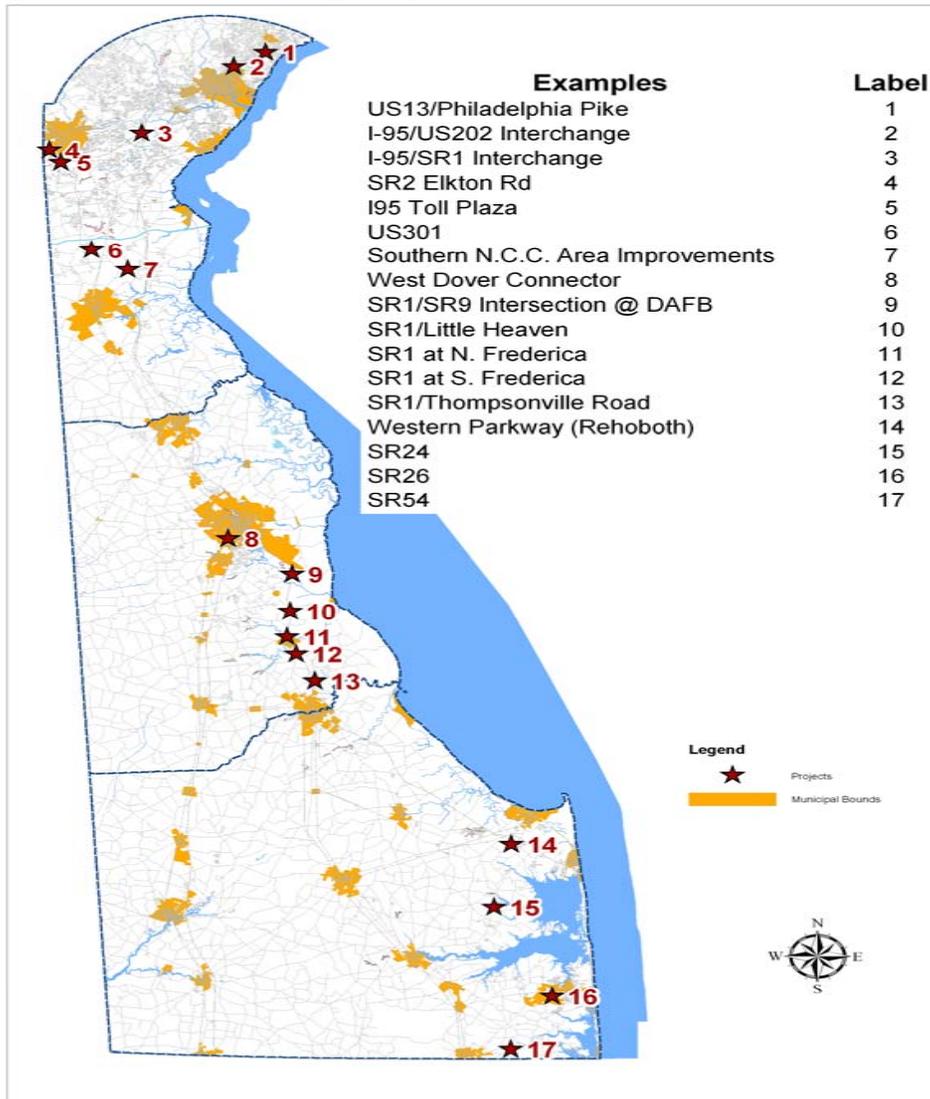
- ◆ Motor Fuel Tax increase
  - ◆ \$.05/gal (FY08)
- ◆ Documentation Fee increase
  - ◆ 1.25% (FY08)
  - ◆ 0.50% (FY09)
- ◆ Tolls
  - ◆ Eliminate 10PM-6AM Commercial E-Z Pass discount on I-95 (FY08)
  - ◆ Eliminate all SR 1 E-Z Pass discounts (FY08)
  - ◆ Raise tolls \$1.00 at Biddles/Dover; \$0.50 at Boyds/Denny; & \$0.25 at Smyrna (FY09)
- ◆ Vehicle Registration increase
  - ◆ 50% (FY08)

## Potential State Revenue

Explore long-term privatization options for I-95

# No New Revenue Scenario

## ◆ Unfunded projects



- ◆ Lose \$220 million in federal funds over six years
- ◆ Core business impacts:
  - ◆ Further reduction of paving list
  - ◆ Jeopardize critical services
    - DART and Paratransit
    - Snow removal
    - Natural disaster response
  - ◆ Safety impacts
    - R.R. crossings
    - Intersections
    - Pavement markings
  - ◆ Deterioration of bridges

# Conclusion

- ◆ The Administration will continue to support prudent and sustainable investments in key priority areas within a context of rising demand for government services.
- ◆ The Governor will propose a long-term, multi-dimensional strategy to further address the shortfall in the Transportation Trust Fund that balances realistic project deliverability and maximizing federal funding with incremental increases in revenue.

## What others are saying...

- ◆ *“Delaware’s premier credit standing centers on its considerable economic and financial resources, the latter of which is buttressed by institutionalized protections”* – Fitch
- ◆ *“...strong financial management practices grounded in the state constitution...”* – Moody’s
- ◆ *“The stable outlook reflects the expectation that the state’s prudent financial and debt management practices will lead to continued sound financial operations.”*  
– Standard and Poor’s
- ◆ Delaware was one of only two states to receive straight A’s on the 2007 Development Report Card of the States released by the Corporation for Enterprise Development.

