Policy and Financial Overview

Governor Ruth Ann Minner
Fiscal Year 2009
Governor Minner’s Vision for Delaware

1. Schools that set high standards and prepare children for college, work and life
2. Health, safety and self-sufficiency for every Delaware family
3. Economic development that nurtures and maintains high quality jobs
4. A Livable Delaware that strengthens communities and preserves quality of life
5. A state government that is well-managed
Improving Public Education

• Reading Specialists in every public elementary school
• Math Specialists in every public middle school
• Full-day kindergarten in 11 districts and 9 charter schools
• Over 1,300 students are attending college through SEED scholarships
• Outscoring the nation in improvements on the NAEP in 4th grade reading and math and 8th grade science

Making Delaware Healthier

• Cancer mortality rates declining twice the national average
• Smoking decreased from 37% of population to less than 19%
• The % of low birth weight babies in Delaware is 6.5% vs. the national average of 7.8%
• The ONLY state providing cancer treatment for the uninsured
• Nationally recognized for efforts to create innovation in healthcare programming
Ensuring the Safety and Self-Sufficiency of Delawareans

- Largest Delaware State Police force in history
- Investments in the 800 MHz system to create seamless, reliable communications
- Preserving low-income housing for families in need
- The creation of Delaware Information Analysis Center (DIAC) to help Delaware react efficiently and effectively in the event of a disaster

Keeping and Creating Jobs

- Created and retained nearly 65,000 jobs since 2001
- Developed major partnerships with DuPont, Invista, Bank of America, AAA, ING, Kraft, Air Liquide and M&T Bank
- Ranked No. 1 in industry and research development improvement according to the 2007 New Economy Index
- Ranked No. 1 for our legal environment by the U.S. Chamber of Commerce
- Through the New Economy Initiative, invested more than $227 million in state and matching private and federal funds to bolster Delaware’s economy
Creating a More Livable Delaware

• Protected approximately 11,000 acres of land utilizing the Open Space Program and approximately 67,000 acres of farmland utilizing Farmland Preservation funding
• Partnered with agencies and private landowners to create more than 150 acres of wetlands and restored 6,350 feet of stream corridor
• The State and aggregation partners will save more than $21.0 million through bulk purchasing of electricity
• Proposing a 10% reduction in overall energy usage and a 25% increase in recyclables over the next year

Managing State Government Well

• Maintaining AAA Bond Rating
• Funding long-term liabilities today (OPEB, Pensions)
• Seven years of balanced budgets
• New online recruitment system (DEL)
• Continued investments in the new statewide financial system (ERP) to integrate several outdated systems
Governor’s Key Financial Principles

- Preserving core state government services
- Building a sustainable financial plan
- Addressing future liabilities
- Aggressive cost containment
- Bolstering capital investments with pay-go funding
- Maintaining reserves
Managing Expectations within a Changing Financial Picture

States across the country are feeling the impact of the uncertainty in the national economy including:

- Rising energy costs;
- A tightening credit environment;
- Weakening national job market;
- Continued weakening of the national housing market; and
- Continued federal budget cuts and cost shifts to Delaware in the areas of education, social services and labor.

“Delaware has fared well due to the consistent use of sound financial planning principles.”
The demand for government services continues to rise as the state’s population continues to grow and change.

- Between 2000 and 2030, Delaware’s population is projected to increase by approximately 260,000 persons to 1,044,015.
- By 2030, residents age 65 and above are projected to encompass 23% of the state’s population as compared to 13% in 2000.
- The minority population in Delaware increased to 24% in the 2000 census, up from 19% in the 1990 Census.

Source: Delaware Population Consortium
Increasing Demand – Core Services

Education enrollment increased 5.6% from 2004 to 2008E

Medicaid enrollment increased 14.0% from 2004 to 2008E
Increasing Demand – Core Services

Services for Youth increased 12.2% from 2004 to 2008E

Superior Court Caseloads increased 26.7% from 2004 to 2008E
## Putting it into Perspective: The Financial Challenge

### Operating Budget
- **Total Budget Requests/Issues**: $3,572,298.5
- **FY 2008 Budget**: $3,285,583.5
- **Requests Over FY 2008 Budget**: $286,715.0

### Capital Budget

<table>
<thead>
<tr>
<th>Year</th>
<th>Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2004</td>
<td>$130.0</td>
</tr>
<tr>
<td>FY 2005</td>
<td>$230.0</td>
</tr>
<tr>
<td>FY 2006</td>
<td>$280.0</td>
</tr>
<tr>
<td>FY 2007</td>
<td>$230.0</td>
</tr>
<tr>
<td>FY 2008</td>
<td>$80.0</td>
</tr>
<tr>
<td>FY 2009E</td>
<td></td>
</tr>
<tr>
<td>FY 2010E</td>
<td></td>
</tr>
</tbody>
</table>

**Cash to Bond Bill**
Governor’s Recommended FY 2009
Financial Package

- **General Fund Operating Budget** .......$3,410.8 M
  - GF Operating Budget Growth 3.81%
- **Bond and Capital Improvement Act** .....$473.3 M
  - State Capital Projects ........... $239.6 M
    - G.O. Bonds .......... $177.4 M
    - Cash, Other .......... $62.2 M
  - Transportation Authorizations. $233.7 M
- **Grants-In-Aid** ...........................................$58.4 M
Highlights of Governor’s Financial Plan

A fiscally responsible financial plan that is sustainable into the future and strengthens Delaware’s financial position by:

• Limiting operating budget growth to 3.81 percent

• Appropriating only to the 98 percent limit

• Funding long-term liabilities
  • Pension
  • Other Post Employment Benefits (OPEB)

• Addressing core government service demands

• Continuing the implementation of the Governor’s vision for Delaware
The Fiscal Situation is Balanced Through 2010...
Major “Door Opener” Items

- Medicaid - $36.2 million
- Public School Enrollment - $9.8 million
- Public Ed./DTCC Steps - $8.7 million
- Debt Service - $7.9 million
- Juvenile System population growth - $3.4 million
- Energy - $266,600

FY 2009 Financial Plan

- Door Openers 93%
- All Other 7%
Improving Public Education

Full-Day Kindergarten
- $12.1 million in total funds
- $2.6 million in new funding
  - Fully implements full-day Kindergarten in 11 school districts and 9 charter schools

Math Specialists
- $2.8 million in total funds
- $62,100 in new funding
  - Supports 43 Math Specialists statewide

Reading Resource Teachers
- $8.4 million in total funds
- $80,200 in new funding
  - Supports 119 Reading Resource Teachers statewide

SEED Scholarships
- $3.1 million in total funds
- $689,000 in new funding
  - Funded over 1,300 students in the first two years

Public school construction and renovation: $132.7 million
Support of Vision 2015: $2.8 million
Public school transportation: $3.0 million
Health, Safety and Self-Sufficiency for Every Delaware Family

Focusing on improving the health of Delaware’s most at-risk populations

- Complete enhancements to the 800 MHz emergency radio system - $4.5 million
- Trooper expansion - $695,000 and 10.0 FTEs (all funds)
- Superior Court staff - $835,400 and 18.0 FTEs
- Cancer Council recommendations - $16.2 million (all funds)
- Self Directed Services Program (SDSP) - $1.6 million
- Infant Mortality Task Force - $1.3 million
- Health Disparities - $250,600
- Nursing expansion - $962,500 (all funds)

Improving the safety of all Delawareans

- Supporting libraries throughout the State - $8.5 million
- Preserving low-income housing - $5.0 million
- Pilot Sunday bus service
- Delaware Emergency Mortgage Assistance Program - $250,000

Improving Delawarean’s access to critical resources
Creating and Retaining High Quality Jobs

Economic Development that nurtures and maintains high quality jobs

**Strategic Fund**
- $8.0 million
- to provide a flexible funding mechanism for attracting new jobs and retaining existing jobs in Delaware

**New Economy Initiative**
- $2.0 million
- to expand Delaware’s research base in biotechnology and life sciences and support the initiation of a regional infrastructure investment plan

**Diamond State Port Corporation**
- $2.0 million
- and
- Fraunhofer Center for Molecular Biotechnology
- $1.0 million
- to expand vaccine development efforts
Improving the Environment

Continued dedication of earmarked revenue:
- Farmland Preservation - $10.0 Million
- Open Space - $10.0 Million
- Conservation Cost Share - $3.2 Million
- Beach Preservation - $2.2 Million
- Clean Water State Grant Match - $1.0 Million
A Well-Managed State Government

- Funding long-term liabilities today – Other Post Employment Benefits (OPEB) and Pensions
- Controlling healthcare costs through innovative wellness programs and program efficiencies
- Energy purchasing agreements
- New online recruitment system (DEL)
- New statewide financial system (ERP)
A Well-Managed State Government Continued: DelaWELL Year Two

Paying for health care before you really need it may seem like an unusual investment. But in Delaware, it just makes good sense.

On-site Biometric Health Screenings

- Including blood pressure, cholesterol and glucose testing with review of personal results with a Health Coach

Cardio Health Assessments

- Voluntary, and limited availability

Health Risk Assessment (HRA)

- Confidential, online or paper-based

Online Health Resources

- Health and Safety Education Centers, self-care resources, wellness library, drug database and much more!

Weight Watchers®

- May be reimbursed up to 100 percent

Note: Eligibility by program component by vary
Delaware FY 2009 Revenue Forecast

Revenue Dollar Source of Funds (Net of Refunds)

- Personal Income Tax, 30.1¢
- Corp. Income Tax, 3.8¢
- Business Gross Receipts Taxes, 4.6¢
- Bank Franchise Taxes, 4.4¢
- Public Utility, 1.4¢
- Lottery, 7.3¢
- Corp. Income Tax, 3.8¢
- Other Tax Revenue, 6.9¢
- *Other Non-Tax, 6.5¢
- **Incorporation Revenue, 21.5¢
- Abandoned Property, 11.2¢
- Realty Tax, 2.3¢

*Includes Prior Year Unencumbered Cash Balance

**Includes Corporate Franchise Taxes, Business Entity Fees, and Limited Partnerships & Limited Liability Corporations
Governor’s Recommended FY 2009 Operating Budget

Budget Dollar
General Fund Appropriations

*Includes One-Time Items
## Fiscal Year 2009 General Fund Operating Budget

<table>
<thead>
<tr>
<th>Agency</th>
<th>FY 2009</th>
<th>% Growth*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legislative</td>
<td>$15,414.4</td>
<td>1.03%</td>
</tr>
<tr>
<td>Judicial</td>
<td>91,390.3</td>
<td>2.56%</td>
</tr>
<tr>
<td>Executive</td>
<td>150,102.3</td>
<td>3.86%**</td>
</tr>
<tr>
<td>Technology &amp; Information</td>
<td>39,929.8</td>
<td>2.33%</td>
</tr>
<tr>
<td>Other Elective</td>
<td>53,488.1</td>
<td>-7.48%***</td>
</tr>
<tr>
<td>Legal</td>
<td>45,590.4</td>
<td>4.20%</td>
</tr>
<tr>
<td>State</td>
<td>35,890.9</td>
<td>1.97%</td>
</tr>
<tr>
<td>Finance</td>
<td>21,130.2</td>
<td>1.45%</td>
</tr>
<tr>
<td>Health &amp; Social Services</td>
<td>959,153.6</td>
<td>5.73%</td>
</tr>
<tr>
<td>Children, Youth &amp; Their Families</td>
<td>136,601.9</td>
<td>4.49%</td>
</tr>
<tr>
<td>Correction</td>
<td>258,958.1</td>
<td>2.29%</td>
</tr>
</tbody>
</table>

*Adjusted for FY 2008 contingencies  
**Includes one times and contingencies  
***Adjusted for Debt Service
## Fiscal Year 2009 General Fund Operating Budget

<table>
<thead>
<tr>
<th>Agency</th>
<th>FY 2009</th>
<th>% Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural Resources</td>
<td>$44,596.0</td>
<td>3.30%</td>
</tr>
<tr>
<td>Safety &amp; Homeland Security</td>
<td>126,973.3</td>
<td>4.65%</td>
</tr>
<tr>
<td>Labor</td>
<td>7,524.3</td>
<td>2.35%</td>
</tr>
<tr>
<td>Agriculture</td>
<td>9,079.3</td>
<td>4.18%</td>
</tr>
<tr>
<td>Elections</td>
<td>4,145.5</td>
<td>2.23%</td>
</tr>
<tr>
<td>Fire Prevention Commission</td>
<td>4,746.6</td>
<td>-0.62%**</td>
</tr>
<tr>
<td>National Guard</td>
<td>4,886.2</td>
<td>1.92%</td>
</tr>
<tr>
<td>Exceptional Citizens</td>
<td>184.9</td>
<td>4.70%</td>
</tr>
<tr>
<td>Higher Education</td>
<td>246,186.3</td>
<td>1.85%</td>
</tr>
<tr>
<td>Public Education</td>
<td>1,154,793.4</td>
<td>3.76%</td>
</tr>
<tr>
<td><strong>Total Operating Budget</strong></td>
<td><strong>$3,410,765.8</strong></td>
<td><strong>3.81%</strong></td>
</tr>
</tbody>
</table>

*Adjusted for FY 2008 contingencies  
**Adjusted for Debt Service
Conclusion

The Administration is committed to the tradition of fiscal responsibility in Delaware.

The Fiscal Year 2009 Financial Plan builds on the successes of the Minner-Carney administration and directs limited resources to critical core government services and key initiatives.

For more information visit www.omb.delaware.gov