

# GOVERNOR'S BUDGET OVERVIEW

The State of Delaware has to contend with a national recession that resulted in increased unemployment, corporate restructurings and downturns in the real estate and banking sectors. Although recent national economic indicators have pointed toward the beginnings of an economic recovery, fundamental indicators, such as employment and personal income, have yet to show signs of significant improvement.

In Delaware, revisions to revenue estimates provided by the Delaware Economic and Financial Advisory Council (DEFAC) continue to reflect a weakened economy. Since June 2009, DEFAC revenue estimates, adjusted for legislative changes have been reduced by \$47.1 million for Fiscal Year 2010 and by \$89.3 million for Fiscal Year 2011. Total net revenue collections are estimated at \$3,143.6 million for Fiscal Year 2010 and \$3,176.3 million for Fiscal Year 2011.

## Governor's Recommended Budget

It is within this financial environment Governor Markell presents a balanced financial plan including the Fiscal Year 2011 Recommended Operating Budget and Bond and Capital Improvements Act for the State of Delaware. The Governor's proposed Fiscal Year 2011 General Fund Operating Budget totals \$3,171.3 million. This budget, in combination with the Recommended Bond and Capital Improvements Act of \$356.5 million and recommended set aside for Grants-In-Aid of \$41.4 million, is within the constitutionally mandated 98.0 percent limit on appropriations.

This budget maintains core government services while making key investments in initiatives that will contribute to the growth of a vibrant economy and generate jobs for Delawareans. It builds upon Governor Markell's vision for a more efficient government, which will provide more responsive services and programs for all Delawareans. It preserves funding for the classroom to ensure Delaware students receive a world-class education and also allocates remaining American Recovery and Reinvestment Act (ARRA) funds to supplement state funding for Medicaid, public education and higher education.

## Preserving Jobs

The Recommended Bond and Capital Improvements Act contains several funding initiatives directed toward enhancing Delaware's economy and generating jobs. These include:

- \$13.9 million for the Strategic Fund, which represents the primary funding source used by the Delaware Economic Development Office to provide customized financial assistance to businesses.

- \$1.0 million for the Experimental Program to Stimulate Competitive Research (EPSCOR). These matching funds enable Delaware to receive \$3.0 million in federal funds.
- \$1.0 million for the final year of a 5-year commitment to the Fraunhofer Vaccine Development project. This project will help Delaware maintain its competitive edge in the field of applied biotechnology.
- \$1.0 million in state match for the IDeA Network of Biomedical Research Excellence (INBRE) program. This program is designed to build a statewide infrastructure in facilities for research into cancer, neuroscience and cardiovascular diseases.
- \$1.0 million for the Health Sciences Alliance. The Alliance with the University of Delaware, Thomas Jefferson University, the Nemours Foundation and Christiana Care is designed to train health-related professionals and translate discoveries into community health settings. This funding will help the Alliance leverage federal funds.
- \$10.0 million for the Diamond State Port Corporation for capital improvement projects designed to retain existing customers and attract new businesses.
- \$2.3 million for the Riverfront Development Corporation.
- \$2.0 million to the University of Delaware for redevelopment of the Chrysler site.

## Government Efficiency

The Fiscal Year 2011 Recommended Operating Budget includes numerous efficiencies, restructurings and cost savings initiatives. Included among the cost savings initiatives are the following:

- A \$9.3 million additional reduction in personnel costs associated with the complement reduction in Fiscal Year 2010.
- A reduction of \$2.5 million in energy funding resulting from increased controls and improvements to existing facilities.
- A reduction of \$1.5 million resulting from procurement efficiencies and contract savings within the Department of Education.
- A reduction of \$1.1 million resulting from the ongoing consolidation of existing leases of state facilities.
- A reduction of \$1.0 million resulting from the closure of a portion of the Multi-Security Building at Sussex Correctional Institute. This efficiency will reduce overtime expenditures within the Department of Correction.

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- A reduction of \$0.5 million resulting from a proposed new tier of pension benefits for all hires starting state service as of January 1, 2011. Additional savings will accrue in ensuing fiscal years as a greater percentage of employees will be covered in the new tier.
- A proposed new tier for employee health benefits for employees hired after January 1, 2011. Savings as a result of this new tier will accrue to the Employee Health Fund.
- Development by the State Employee Benefits Committee of an integrated health management program that includes wellness, disease prevention and chronic disease management for the State of Delaware's active employees, spouses, dependents and non-Medicare eligible retirees.
- A savings of \$1.0 million resulting from a consolidation of Information Technology resources statewide.

Included among the consolidations are the following:

- Consolidation of the Department of Natural Resources and Environmental Control from six divisions to three.
- Consolidation of the Delaware Department of Transportation's Toll Administration into the Division of Motor Vehicles.
- Consolidation of the Merit Employee Relations Board with the Public Employment Relations Board, which will be named the Employment Relations Boards.
- Consolidate the Commission for Women and the Office of Human Relations within the Department of State.
- Elimination of the Delaware Sentencing Research and Evaluation Committee.
- Consolidation of the Board of Parole into the Department of Correction.
- Consolidation of the Delaware Advisory Council on Career and Technical Education into the Department of Education.

### Education

The Governor's Recommended Operating and Capital Budgets reaffirm the Governor's commitment to education through the following:

- \$43.0 million of ARRA Fiscal Stabilization funding is recommended for Fiscal Year 2011. These programs serve to maximize funding available for students and teachers in the classroom.
- \$6.0 million to fully fund a projected growth of 90.4 units for school year 2010 - 2011.

- \$8.5 million to fully fund experience salary steps for eligible education employees.
- \$98.8 million for Public Education capital projects. Included is funding for Minor Capital Improvements and funding to finish referenda projects in Colonial, Appoquinimink, Caesar Rodney, Smyrna, Lake Forest, Milford and Brandywine school districts. Funding is also included for the most recent Appoquinimink referendum, as well as a contingency for pending referenda.