

GOVERNOR'S BUDGET OVERVIEW

The Delaware economy, consistent with national economic indicators, has begun to show signs of an economic recovery. The national recession is widely considered to have ended at the end of the second quarter of 2009, but a number of factors will continue to restrict improvements in the labor market for the immediate future. Lingering effects on the real estate sector are dampening prospects for economic growth. In addition, employers remain reluctant to hire more workers because consumer confidence is still lacking.

Although the economic recovery continues to take hold, State of Delaware general fund revenue forecasts continue to reflect only modest growth. Since June 2010, Delaware Economic Financial Advisory Council (DEFAC) revenue estimates, adjusted for legislative changes have increased by \$21.5 million for Fiscal Year 2011 and by \$4.4 million for Fiscal Year 2012. Total net revenue collections as estimated by DEFAC are \$3,359.7 million for Fiscal Year 2011 and \$3,444.9 million for Fiscal Year 2012. Revenue growth is expected to remain moderate until labor markets recover substantially.

Governor's Recommended Budget

The Governor's proposed Fiscal Year 2012 Operating Budget totals \$3,432.5 million. This budget, in combination with the Recommended Capital Improvement Plan of \$420.5 million and recommended set aside for Grants-In-Aid of \$35.2 million, is within the constitutionally mandated 98 percent limit on appropriations. Importantly, the financial plan is balanced without additional or increased taxes and fees.

The recommended appropriations support core government services for Delawareans and provide several targeted investments aimed at generating jobs for Delawareans.

Preserving Jobs

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

- \$31.9 million for the Delaware Strategic Fund. The Delaware Strategic Fund represents the primary funding source used by the Delaware Economic Development Office to provide customized financial assistance to businesses through critical business development, retention and creation projects and training programs.
- \$1.0 million for the fourth year funding 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 Fraunhofer Center for Molecular Biotechnology (CMB) Vaccine Development. Funding is intended to create high-tech, high-impact jobs, spin-off businesses, new partnerships and alliances and enable CMB to leverage its unique technologies in the biotech marketplace.
- \$1.0 million in state match for the third year of 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.
- \$5.0 million for the Diamond State Port Corporation for capital improvement projects designed to retain existing customers and attract new businesses.
- \$2.35 million for the Riverfront Development Corporation.

Government Efficiency

The Fiscal Year 2012 Recommended Budget includes several efficiencies, restructurings and cost savings initiatives. Included among the cost savings initiatives are the following:

- A reduction of \$3.2 million representing first year savings from a pension and health benefits restructuring proposal.
- A reduction of \$1.2 million through reducing beds in Department of Health and Social Services long - term care facilities while increasing community placements.
- A reduction of \$3.0 million due to the phase out of the General Assistance program
- A reduction of \$0.5 million and 4.0 FTEs due to a restructuring of the Printing and Publishing unit in OMB. OMB will essentially terminate printing production services as state government moves toward less printing and providing print services through contractual vendors.
- A reduction of \$0.5 million due to the elimination of the Board of Parole.
- A bond deauthorization of \$18.0 million of previously authorized but unissued general obligation bonds.

Education

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

- \$6.7 million to fully fund a projected growth of 100 units for school year 2011 - 2012.

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- \$7.5 million to fully fund experience salary steps for teachers and paraprofessionals in the classroom.
- \$2.2 million to support Full-Day Kindergarten in the Christina and Milford School Districts.
- \$3.8 million in additional support for the Delaware Comprehensive Assessment System. This online, web-based scoring system for reading/English language arts, mathematics, science and social studies will provide a more accurate measure for student growth and more timely and detailed information to educators for planning and improving educational programs at the school, district and state level.
- \$93.0 million for Public Education capital projects. Included is Minor Capital Improvements funding and funding for referenda projects in the Appoquinimink, Capital, Seaford, Sussex Vocational Technical, Laurel, Woodbridge, Cape Henlopen, New Castle County Vocational Technical and Polytech school districts.
- \$0.7 million to Delaware State University for the full year funding of the Inspire Scholarship program.