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Delaware Governor Jack A. Markell
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Governor Proposes Investments in Job Growth, Stronger Schools while Governing Responsibly

***Fiscal Year 2014 Budget Keeps Core Commitments to Education, Public Safety
and Healthcare; Lowers Current Personal Income Tax Rate***

***New Initiatives Focus on Expanding Services for Youth and Enhancing School
Safety***

DOVER - Governor Jack Markell unveiled a balanced budget proposal that invests in jobs, education and the safety and well-being of our children. His budget keeps the focus on core commitments such as healthcare and public safety and ensures continued fiscal responsibility.

"We want to make sure we are growing jobs while ensuring the safety and well-being of our children," Governor Markell said. "This budget addresses critical needs of the world we now live in, while considering demands that will be placed on us in the years ahead."

The Governor expanded on a series of proposals from his State of the State aimed at ensuring Delaware's children are fully supported within their communities and exposed to positive opportunities. Specifically, he recommended \$3.3 million in funding to increase the number of trained, front-line mental health personnel in our middle schools - an area currently under-resourced, with just three of Delaware's middle schools having full-time professionals responsible for the mental health needs of students. This budget would increase that number to 30.

"I am proposing a ten-fold increase in the availability of mental health professionals who can work with our middle school children to make sure that their issues are being diagnosed and referred to proper treatment," said Governor Markell.

An additional \$2.2 million investment in statewide targeted prevention programs for youth.

"Research tells us by investing in after-school and summer programs, we can improve academic performance, reduce dropout rates, improve self-esteem and prevent risky behaviors," Governor Markell said. "By funding these initiatives, we address a critical gap in services for children and help ensure they are given the best chance at growing up to be healthy, successful, productive adults."

The Governor proposes an allocation of \$300,000 to accelerate development of school safety plans and \$530,000 to hire six Delaware State Police Troopers to fight violent crime; \$515,000 to the Department of Services for Children, Youth and Their Families to support youth aging out of foster care; and \$93,000

to the Delaware National Guard for its [Youth Challenge](#) program, which helps 16-18 year old high school dropouts gain the values, life skills, education and self-discipline they need to succeed.

While the Governor's new initiatives represent just .194% budget growth, the recommended budget furthers the Governor's priorities of stronger schools and job growth.

The budget proposal includes significant investments in public education, including \$8.7 million for 110 new teacher units in schools, \$8.5 million for step increases for school employees and \$1.5 million to annualize salary increases for paraprofessionals. The recommended capital budget dedicates \$99.0 million for construction projects in school districts throughout the state.

"Investing in education remains a guiding principle of our budgeting strategy," said Governor Markell. "We must continue to strengthen our schools and prepare students to be in the workforce of tomorrow."

The Governor also highlighted efforts by State agencies to govern responsibly through efficiencies and reductions.

"As the demands on state government increase and out year revenue forecasts decrease, we must remain fiscally responsible with taxpayer dollars," said Office of Management and Budget Director Ann Visalli.

The Governor has proposed reducing personal income tax rates and other revisions to the series of revenue increases enacted in 2009 that are scheduled to sunset. These revisions are aimed at relieving the burden on small businesses and manufacturers while stabilizing the state's revenue base for Fiscal Year 2014 and beyond. If the current tax sunsets are allowed to take effect, the state could face a projected revenue shortfall of \$266M in Fiscal Year 2015. The Governor's proposal helps address that shortfall while reducing current tax rates on individuals and small businesses.

"The tax proposals are aimed at stabilizing our revenue situation this fiscal year while being mindful of the need to consider challenges we face beyond the upcoming fiscal year," said Tom Cook, State Secretary of Finance. "If we let taxes completely sunset, we will likely face a formidable fiscal problem in Fiscal Year 2015."

The specific proposals include:

- **Personal Income Tax** - Already reduced in 2012, the Governor's proposal reduces the top personal income tax rate again. In 2009, the top personal income tax marginal rate (on income above \$60,000) was increased from 5.95% to 6.95%. Effective January 2012, that rate was reduced to 6.75%. The Governor proposes dropping that rate to 6.6%. (Effective January 1, 2014)
 - The proposed top rate of 6.6% is still among the most competitive in the region:
 - New Jersey = 8.97%
 - Maryland (Including counties) = 8.625%
 - Washington, DC = 8.5%
- **Gross Receipts Tax** - In 2009, the gross receipts tax increased 8% across all business categories. Effective January 2012, rates were reduced by 3%, and the monthly exclusion was increased from \$80,000/month to \$100,000/month, removing 330 businesses from the tax rolls. The Governor proposes cutting the tax on manufacturers by 30% and dropping the gross receipts tax for all other businesses by another 1%, while maintaining the more generous \$100,000 exclusion. (Effective January 1, 2014)

The Governor's gross receipts tax package supports two of Delaware's most critical economic drivers - small businesses and manufacturing. Compared to the original sunset proposal, small businesses fare better under the Governor's package:

- For example, businesses in the service sector with annual receipts under \$7.6 million pay less under the Governor's proposal; and
 - Businesses with annual receipts under \$1.2 million generally pay no tax.
- **Corporate Franchise Tax** - In 2009, the corporate franchise top tax rate increased from \$165,000 to \$180,000. The Governor proposes keeping the current tax rate in place.
 - **Estate Tax** - The Governor proposes lifting the sunset. Under the Governor's proposal, farms in the Aglands Preservation program will still be excluded from the tax. In 2011, the estate tax exemption increased from \$3.5 million to \$5.12 million.

The Fiscal Year 2014 Recommended Operating Budget totals \$3,712.0 million. The proposed Fiscal Year 2014 Recommended Bond and Capital Improvements Act totals \$423.5 million and includes \$239.3 million in State agency capital projects and \$184.2 million in Transportation projects. The Governor also set aside \$43.0 million for Grants-in-Aid.

A power point of the proposal is available online:

http://budget.delaware.gov/fy2014/budget_presentation.pdf.

A supplemental document for the Capital Budget is also available online:

http://budget.delaware.gov/fy2014/capital/cap_budget_supplement.pdf