

State of Delaware
Office of the Governor
Fiscal Year 2017
Financial Overview
January 28, 2016

Budgeting Principles

- **Invest in Priorities:**

- Job Growth.
- Stronger Schools.
- Quality of Life.

- **Keep Core Commitments:**

- K-12 and Higher Education.
- Healthcare.
- Public Safety.

- **Ensure Fiscal Responsibility:**

- Creating a balanced budget despite fiscal challenges.
- Maintaining AAA-bond rating.
- Fully funding Rainy Day Fund.
- Only appropriating 98 percent of revenue.
- Adhering to three-part debt limit.

Moving Delaware Forward

Investing in Priorities and Keeping Core Commitments

Creating Jobs and Building a Stronger Economy

- Since the depths of the recession, Delaware's job growth rate has outpaced neighboring states, adding more than 50,000 jobs.
 - *Over the past year, Delaware has seen its labor force participation increase at the third fastest rate among all 50 states.*
- Set an all-time high jobs record in December with 453,500 jobs reported.
- 2014 and 2015 were the two best consecutive years for job growth in the state's history.
- An additional 13,700 Delawareans are employed today compared to this time last year.
- Unemployment rate decreased from 5.2 percent to 5.0 percent from December 2014-December 2015.
 - *For the first time since the recession, the Department of Labor reported that the number of available jobs in their database exceeded the number of people looking for work.*
- Provided more opportunities for Delawareans to train for high demand jobs:
 - *TechHire initiative creates a pipeline for coding jobs, first round of graduates more than doubled their salaries.*
 - *Partnered with Delaware Technical Community College to train at-risk youth for entry-level nursing jobs. All graduates were placed in Delaware hospitals and nursing homes.*
- Wilmington was recently named the fifth best city in which to found a startup business.
- Created a central online repository to help entrepreneurs and small businesses in Delaware identify state and local licensing requirements.

Moving Delaware Forward

Investing in Priorities and Keeping Core Commitments

Creating a World-Class Education System

- In 2011, 5 percent of high-needs children were enrolled in a high quality early learning and development program. Today, more than 59 percent are enrolled.
- Delaware third grade students received some of the nation's best test scores in math and reading in 2015.
- Delaware students are taking and passing 1,000 more AP exams than four years ago.
- In 2016, over 5,000 students in 29 schools will participate in career pathways including biomedical science, computer science and manufacturing.
- By the end of this school year, 2,700 high school students will have taken classes that count toward college credit, more than triple the number taking these courses two years ago.
 - *28 high schools across the State are offering more than 170 dual-enrollment courses.*
- In previous years, between 82 and 86 percent of college-ready students applied to college. For the past two years, 100 percent applied to college and were on track to enroll.
- Ranked first in the nation for improvement in high school graduation rates.
 - *Rates increased from 78 percent in 2011 to 84 percent in 2014.*
- More than 2,300 students are participating in world language immersion programs in Mandarin and Spanish, preparing them with the language skills to compete in an ever-changing global economy.

Moving Delaware Forward

Investing in Priorities and Keeping Core Commitments

Preserving and Improving Quality of Life

- Expanded biking and walking trails in the State by more than 35 miles, with more than 50 miles in total expected to be in place by 2017.
- Preserved thousands of acres of land across Delaware, including:
 - More than 6,515 acres of key shore, watershed and forest lands to protect habitat, enhance wildlife-viewing and create public trails using Open Space funds and other federal and private resources; and
 - 304 farms totaling 28,012 acres under the Delaware Farmland Preservation Program, with a total of 116,000 acres permanently preserved.



Moving Delaware Forward

Investing in Priorities and Keeping Core Commitments

Investing in Libraries

- Provided more funding for improvements and upgrades to public libraries than any other administration.
- Invested in library technologies, bringing a statewide library catalog, high-speed broadband and wireless access to every library in the State and offering e-collections (e-books, e-audiobooks, video streaming).
- Delaware libraries provided career and technology training services and valuable information resources to over 36,000 Delawareans since 2011. Three library locations serve as “Inspiration Spaces” and program coordinators travel statewide to provide additional services.



Moving Delaware Forward

Investing in Priorities and Keeping Core Commitments

Preserving and Improving Quality of Life

- Delaware State Parks ranked first in the nation in 2015 by the American Academy for Park and Recreation Administration.
- Delaware's farmers' markets surpassed \$3 million in sales in 2015, a nine-fold increase since the Department of Agriculture began tracking sales in 2007.
 - *The Cool Spring Farmers' Market in Wilmington, established with support from the Department of Agriculture, has seen sales increase from \$32,000 in 2011 to \$96,000 in 2014, two-thirds of which was in fresh produce.*
- Throughout New Castle County and the City of Wilmington, there are now more than 70 community gardens and urban farms, up from almost none eight years ago.
 - *These range from small shared neighborhood plots to larger ventures such as the 12th and Brandywine Urban Farm or the Rodney Reservoir garden.*
- Increased use of technology for targeted marketing and promotion of the arts, including the statewide "DelawareScene.com" arts and culture calendar and the "What's On" mobile app.
 - *The number of visitors to DelawareScene.com grew nearly 28 percent since the initial launch in 2008.*
- Investment in the arts increased 41 percent since 2009, benefitting more than one million people and supporting nearly 100 local arts organizations and community-based arts programs.
- Provided more than \$11.1 million in funding from FY 2011-FY 2016 for restoration of historic sites throughout the State, including Buena Vista Conference Center, John Dickinson Plantation and Delaware Breakwater Lighthouse.

Moving Delaware Forward

Investing in Priorities and Keeping Core Commitments

Preserving and Improving Quality of Life

Redevelopment of strategic sites, including the former NVF site and Fort DuPont.

NVF Site

- Includes about 90 acres at Route 82 and Yorklyn Road in New Castle County
- Development plans underway include:
 - Creation of a new recreational trail system connecting new commercial sites with historic and natural areas;
 - Revitalizing the abandoned mill site with a mix of restored and new structures; and
 - Commercial and residential projects, including shopping and restaurant development.



Moving Delaware Forward

Investing in Priorities and Keeping Core Commitments

Fort DuPont in Delaware City

- Redevelopment and Preservation Corporation created July 23, 2014, through House Bill 310.
- Development plans underway include:
 - Restoration of 14 buildings;
 - Site design and engineering;
 - Infrastructure improvements; and
 - Design of a new marina.



Moving Delaware Forward

Investing in Priorities and Keeping Core Commitments

Preserving and Improving Quality of Life

- Invested \$15.5 million to promote rehabilitation and construction in Downtown Development Districts in Seaford, Dover and Wilmington.
- In Seaford, construction has begun on the Residences at Riverplace, which will include two new four story apartment buildings on the Nanticoke River. The city fishing pier will also be reconstructed as part of the project.



Moving Delaware Forward

Investing in Priorities and Keeping Core Commitments

Supporting Vulnerable Citizens and Ensuring the Health of Delawareans

- Delaware is ranked first in the nation in transitioning youth receiving disability benefits to employment.
- Redesigned the Substance Use Disorder Services system and expanded services.
 - *FY 2015 and FY 2016 funding provided 60 sober living residential beds, 16 young adult residential opiate treatment beds, 16 residential treatment beds and withdrawal management services.*
 - *The new downstate facility for withdrawal management services opened in Harrington on November 9, 2015. The New Castle County withdrawal management program was moved to the new system design effective January 1, 2016.*
 - *The young adult residential opiate treatment program is tentatively scheduled to open in early February and will be located in Ellendale.*
- Increased by ten-fold the number of mental health professionals in Delaware middle schools from three to 30.
- Supported more than 700 individuals and families in finding and maintaining housing through the State Rental Assistance Program.
- Supported by a first-of-its-kind federal innovation grant, Delaware has embarked on an ambitious effort to improve patient care, support the health of all Delawareans and reduce the costs of care.

Efficiencies and Reductions During the Markell Administration

- Eliminated 1,116 state employee positions from FY 2009 to FY 2016, while addressing increased demand for state services.
- Reduced the number of full-time state employees working in cabinet agencies by 5 percent since 2009 (a decrease in headcount of 680 people).
- Enacted state employee health and pension reform.
 - *\$12.0 million savings in FY 2015.*
 - *More than \$480 million in savings over a 15-year period.*
- Implemented prescription program for Medicare eligible state retirees.
 - *Estimated savings of over \$12 million per year.*
- Revised the Medicaid reimbursement process for prescription drugs, lowering costs to the State.
- Implemented Medicaid Managed Long Term Care.
- Reduced the number of residents living in DHSS Long Term Care Facilities.
 - *Estimated savings of approximately \$5.8 million.*
- Implemented efficiencies within the Department of Correction, including eliminating the Boot Camp program, implementing the New Expectations program for pregnant offenders, contracting for pretrial supervision and eliminating courier services, saving approximately \$40,000 per year.
- Implemented private concessions at Delaware State Parks, including recent partnerships with a restaurant at the Indian River Marina and an aerial ropes course at Lums Pond, generating over \$9.5 million annually.

Efficiencies and Reductions During the Markell Administration

- Reduced State's energy costs through electricity reverse auction.
 - *Estimated \$3.0 million savings per year, while meeting the EO 18 goal of 35 percent renewables.*
- Implemented conservation measures in the Richardson and Robbins Building that reduced energy use by 54 percent, saving an estimated \$650,000.
- Leveraged more than \$850,000 in federal funds through the use of volunteers within DNREC, with more than 10,400 volunteers providing over 150,000 hours of service in 2015.
- Reduced the size of the State's fleet by more than 17 percent (899 vehicles) including the elimination of state-owned vehicles for cabinet members.
- Reduced costs by renegotiating leases, resulting in a total savings of \$5 million.
- Reduced state agency printing and advertising expenditures.
- Moved state tax filing systems from paper-based to online.
- Eliminated the Service and Information Guide, resulting in an estimated savings of \$556,100. Services are now provided by Delaware 2-1-1.
- Consolidated areas within several agencies, including the Departments of State, Natural Resources and Environmental Control, Health and Social Services and Education.
- Reduced E-ZPass Customer Service Center hours and automated 24/7 support services.

FY 2017 Operating Budget Demands

FY 2017 Cost Drivers

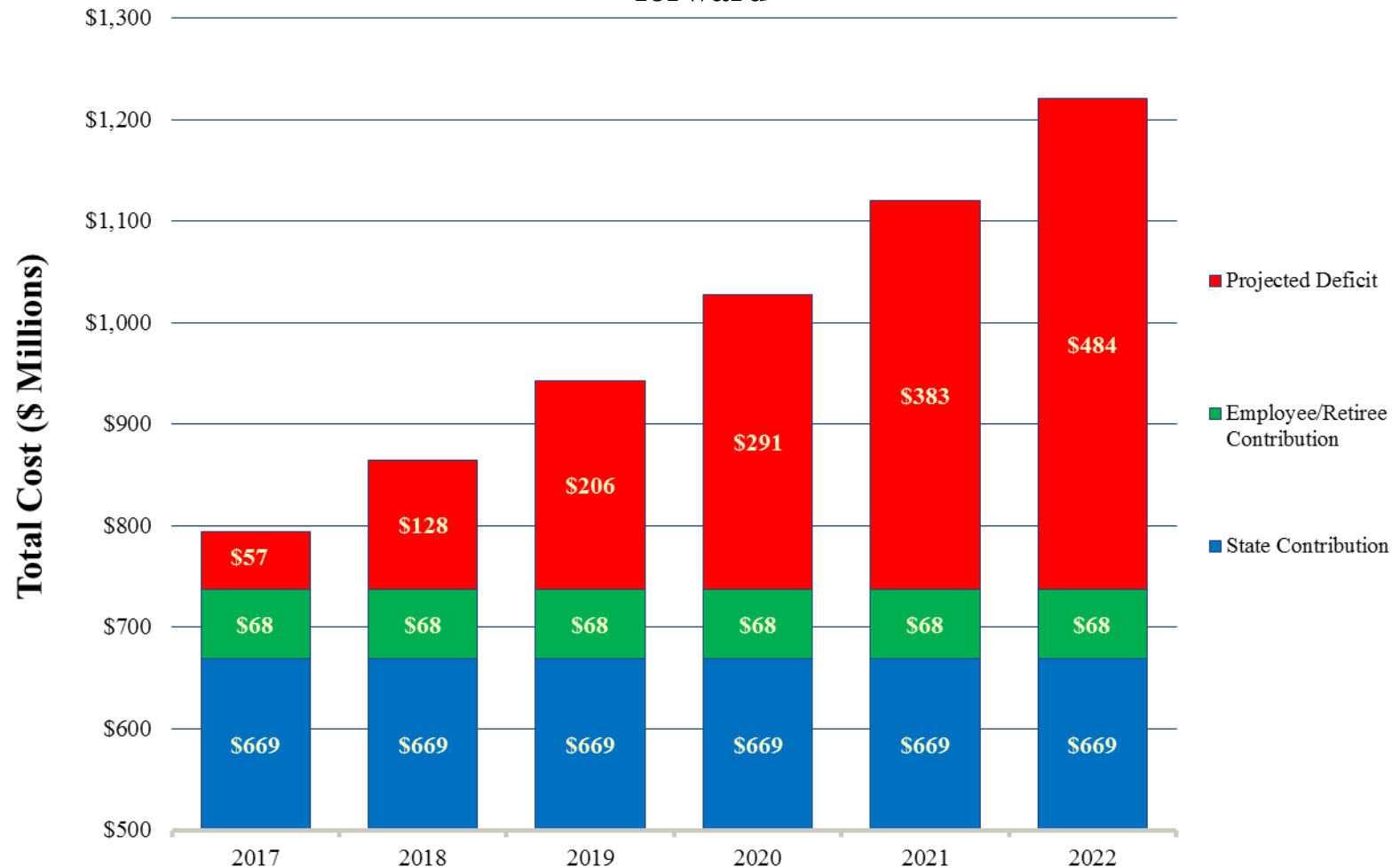
Personnel		<u>(95,814.9)</u>
	Employee/Retiree Health	(47,300.0)
	General Salary Increase	(18,000.0)
	Retiree Health - Base Adjustment	(14,549.8)
	District Employee Steps	(9,238.6)
	Other Personnel	(6,726.5)
Education		<u>(48,898.9)</u>
	Unit Count (188 units)	(15,778.3)
	Early Learning Challenge	(11,531.0)
	Wilmington Education Improvement Commission	(6,000.0)
	Teacher Compensation Reform	(4,000.0)
	Public Education Bandwidth	(3,000.0)
	Pupil Transportation	(2,958.4)
	SEED Scholarship Program	(1,562.6)
	Technology Block Grant	(1,000.0)
	Statewide Afterschool Initiative Learning Program	(1,000.0)
	Charter School Performance Fund	(1,000.0)
	Academic Excellence (resulting from increased unit growth)	(806.9)
	Other Education	(261.7)
Medicaid		<u>(40,185.5)</u>

FY 2017 Operating Budget Demands

Operations		<u>(19,617.3)</u>
Self Insurance (replace one-time use of special funds)	(5,000.0)	
Primary and General Election	(2,957.5)	
DOC Medical Contract Inflators	(2,480.2)	
Non-Profit Partners Increase	(2,264.4)	
CMS update	(1,226.8)	
Office of Conflicts Counsel - New Contract Fees	(526.5)	
Ready by 21	(515.0)	
Housing SRAP	(500.0)	
Other Operations	(4,146.9)	
Debt Service		<u>(18,631.7)</u>
Health and Social Services		<u>(12,848.4)</u>
Substance Use Disorder Services	(2,269.0)	
Eligibility Modernization Maintenance and Operations	(1,976.2)	
Annualize Community Placements	(1,909.4)	
New Community Placements	(1,909.4)	
New Special School Grads	(963.0)	
Delaware Medicaid Enterprise System Maint/Operations	(936.3)	
General Assistance	(539.2)	
Autism Supports	(500.0)	
Annualize for Substance Use Disorder Services redesign	(815.0)	
Other Health	(1,030.9)	
Transportation Operations		<u>(5,000.0)</u>
FY 2017 Cost Drivers		(240,996.7)

Employee Health Plan Costs Continue to Increase

Long-term cost projections of the Group Health Insurance Plan, at intermediate trend values, with no increase in state or employee/retiree contributions factored in for 2017 forward



Proposed Changes to Health Plan

- \$33.3 million for employer share premium increases based on current employee and employer cost share.
 - *Employer monthly contributions will increase from \$47.64 - \$127.48.*
 - *Employee monthly contributions will increase from \$1.98 - \$19.48.*
- Additional changes include:
 - Introduce Health Savings Account.
 - *Effective for all new employees hired on or after January 1, 2017, and optional for current employees beginning July 1, 2017.*
 - Eliminate health insurance premium preference for two state employees who are married (Double State Share).
 - Eliminate contribution inequity for pensioners on Special Medicfill Plan.

Investing in Our Employees and Non-Profit Partners

- \$18.0 million for a general salary increase for state employees.
- \$16.0 million for other salary increases including teacher steps.
- \$2.3 million to the Departments of Health and Social Services, Services for Children, Youth and Their Families and Correction to fund a 1 percent increase for state providers of services to clients.

Investing in Our Classrooms and Our Children

- Fully funding Unit Count to maintain class size
- Public Education Bandwidth Expansion
- Technology Block Grant
- Wilmington Education Improvement Commission
- Teacher Compensation

Total Investment: \$49.0 Million

Bandwidth Expansion and Technology Block Grant

- \$3.0 million to improve the availability of technology within public education.
 - Allows school districts and charter schools statewide to increase bandwidth to 1Gb for middle and high schools and 100Mb for elementary schools.
- \$1.0 million to the Technology Block Grant.
 - These funds are used by districts and charters for technology support and are allocated proportionally statewide based on number of Division I units.
- Builds on continuing commitment to enhance technology in our schools.

Wilmington Education Improvement Commission

- \$6.0 million to address first year recommendations from Wilmington Education Improvement Commission including:
 - Providing additional resources to address the needs of low-income students in the Red Clay School District including English language learners; and
 - Establishing a Wilmington Redistricting Fund to support continued transition and implementation planning.

Teacher Compensation

- \$4.0 million to address recommendations from the Committee to Advance Educator Compensation and Careers including:
 - Increasing entry-level salaries to be more competitive with neighboring states;
 - Piloting teacher-leadership roles to provide additional compensation for teachers while allowing them to stay in the classroom; and
 - Providing stipends for educators who attain National Board Certification.

Investing in Public Safety: DSHS Law Enforcement Body Cameras

- \$500,000 to purchase body cameras for DSHS Law Enforcement and to support the Attorney General's Office in reviewing recordings.
 - Serves as a tool to help police officers protect citizens while strengthening trust between law enforcement and all of the communities they serve.

The State of the State's Finances

Addressing the FY 2017 Gap

FY 2017 DEFAC Available Resources

December DEFAC FY 2017 Resources @ 98%

\$ 4,174.3

Less: FY 2016 Appropriations

(3,951.5)

\$ 222.8

FY 2017 Cost Drivers

(241.0)

FY 2017 General Fund Cash Bond Bill

(31.3)

Subtotal: Appropriation Surplus/(Deficit)

\$ (49.5)

Governor's Recommended Revenue Changes

House Bill 235 - Delaware Competes Act

\$ (8.0)

Targeted Collection Efforts

2.9

\$ (5.1)

Agency and Program Cuts

18.6

Cost Driver Reductions

15.2

Reductions/Reallocations/Special Funds

20.8

Total: Appropriation Surplus/(Deficit)

\$ 0.0

Agency and Program Cuts

Open Space	\$ 6,860.0
Farmland Preservation	6,860.0
Energy Efficiency Fund	<u>4,900.0</u>
Total: Agency and Program Cuts	\$ 18,620.0

Revenue reflected at 98 percent.

Cost Driver Reductions

Cost Driver	Requested	Recommended	Reduction
Employee/Retiree Health	\$ (47,300.0)	\$ (33,300.0)	\$ 14,000.0
DOC Supplies and Materials	(563.5)	0.0	563.5
Charter School Performance Fund	(1,000.0)	(500.0)	500.0
Early Learning Challenge	<u>(11,531.0)</u>	<u>(11,355.9)</u>	<u>175.1</u>
Total			\$ 15,238.6

Reductions/Reallocations/Special Funds

Reductions		\$ 18,506.0
Personnel Costs	\$ 7,722.2	
Emily Bissell Closure	2,823.0	
Health Care Reductions:		
Pensioner Special Medicfill Plan	2,040.0	
Eliminate Double State Share	1,750.0	
Health Savings Account Plan	507.0	
DE CHIP - Increased Federal Match	1,462.2	
LTC Facility Utilization	1,400.0	
School Based Health Centers - Third Party Billing	500.0	
Other Operations	301.6	
Reallocations		1,155.3
Special Funds		1,122.1
Total		\$ 20,783.4

FY 2017 Recommended Capital Budget

Economic Development



Spurs job creation, retention
and economic growth.

Meets agency core needs and
provides continued funding
for ongoing state projects.

\$10.0 million for Strategic Fund Investments.

Previous Strategic Fund Investments:

- AB Group Packaging
- Croda
- Zacros
- Wells Fargo Bank
- Alpha Technologies
- Weitron
- Edgewell Personal Care
- Solenis
- JPMorgan Chase
- Frontier Scientific
- IPR International
- SevOne

FY 2017 Recommended Capital Budget

Economic Development



\$8.5 million to promote rehabilitation and construction in designated Downtown Development Districts.



\$15.8 million for infrastructure improvements at the Diamond State Port Corporation.



\$3.1 million for the Riverfront Development Corporation.

FY 2017 Recommended Capital Budget

Education



\$75.7 million for Public Education projects.

- Funding for Minor Capital Improvements.
- Funding for major capital projects in the Brandywine, Cape Henlopen, Caesar Rodney, Christina, Lake Forest, NCC Vo-Tech and Polytech districts.



\$18.0 million for Higher Education projects.

- Funding for projects at Delaware State University, Delaware Technical Community College and the University of Delaware.

FY 2017 Recommended Capital Budget

Quality of Life



\$10.7 million for libraries, including Duck Creek, Selbyville, Route 9/13 and Harrington.

Since FY 2010, \$33.9 million has been dedicated to library construction.



\$6.0 million (in addition to \$4.0 million in the operating budget) for DSHA's Housing Development Fund.

Between FY 2009 and FY 2015, \$56.8 million was dedicated to this fund, leveraging over \$200.1 million in federal and private funds and retaining or creating an estimated 1,527 jobs.

FY 2017 Recommended Capital Budget

Quality of Life



\$5.5 million for redevelopment of strategic sites, including NVF and Fort DuPont.



\$3.0 million for Statewide Trails and Pathways.

FY 2017 Recommended Capital Budget

Ensuring Public Safety



\$6.3 million to upgrade the 800 MHz radio infrastructure.



\$1.3 million for the renovations to the Delaware National Guard's Bethany Beach Training Site.

FY 2017 Recommended Capital Budget

Infrastructure



\$29.6 million in agency Minor Capital Improvements and Equipment and Maintenance and Restoration funds.



\$15.9 million for statewide facility improvements.

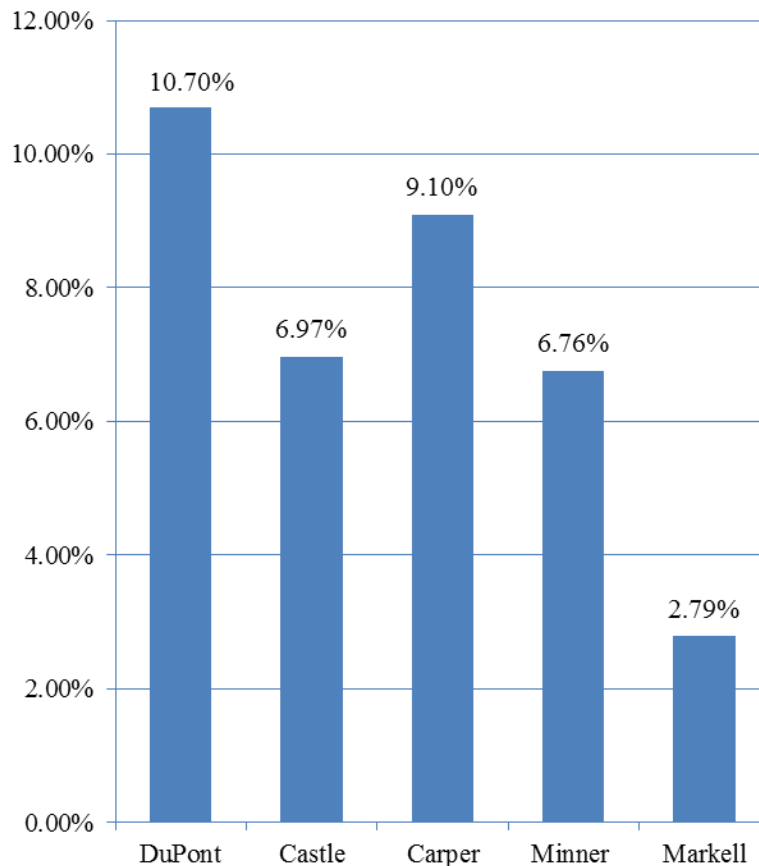
FY 2017 Recommended Financial Plan

General Fund Operating Budget	\$4,113.5 million
Transportation Trust Fund Budget	\$337.5 million
Grants-in-Aid	\$43.0 million
Bond and Capital Improvements Act	\$486.9 million
- State Capital Projects.....	\$236.1 million
- Transportation Projects.....	\$250.8 million

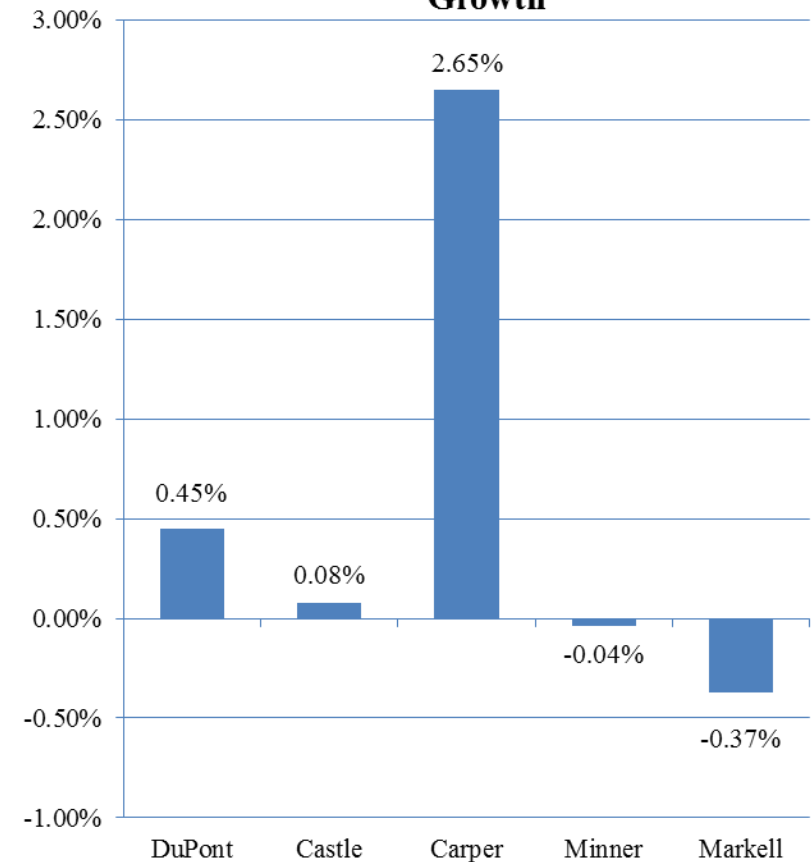
- *FY 2017 Operating Budget reflects 5.24 percent growth.*
- *(0.37) percent average annual budget growth (FY 2010 - FY 2017 Recommended) adjusted for inflation and population growth.*

Historical Budget Growth

**Average Annual Budget Growth
(Unadjusted)**



**Average Annual Budget Growth
Adjusted for Inflation and Population
Growth**



End of Presentation