State of Delaware

OFFICE OF GOVERNOR CARNEY
FINANCIAL OVERVIEW
FOR FISCAL YEAR 2019

January 25, 2018
GOVERNOR CARNEY’S VISION FOR DELAWARE

- Making Delaware’s economy more competitive
- Preparing Delaware’s children to succeed
- Lowering health care costs for Delaware families, businesses, and taxpayers
- Investing in our workforce
- Responsibly investing while keeping an eye on Delaware’s future
OUR PROGRESS: YEAR IN REVIEW

☑️ **Bolstered Delaware’s Economy**
- Restructured Economic Development in Delaware
- Redirected resources to support small businesses and entrepreneurs
- Modernized the Coastal Zone Act
- Enhanced protections for Delawareans against cybersecurity threats

☑️ **Strengthened Public Education**
- Created the Opportunity Grants Program
- Established the Office of Innovation and Improvement

☑️ **Fostered a Healthier Delaware**
- Confronting Addiction in Delaware
- Authorized Health Care Spending Benchmark

☑️ **Worked toward long-term financial sustainability**
Our budget continues investments in key areas to help us deliver

- A STRONGER ECONOMY
- A HEALTHIER DELAWARE
- SAFER COMMUNITIES
- BETTER SCHOOLS FOR ALL CHILDREN
- A STRONG AND STABLE STATE WORKFORCE
HIGHLIGHTS OF GOVERNOR CARNEY’S FINANCIAL PLAN

› Limits operating budget growth to 3.49%
› Allocates surplus revenues into **one-time investments** in the bond bill in a package called **Delaware Reinvest**
› Funds **long-term liabilities**
› Sets aside a **federal contingency**
› Makes fundamental investments in our **workforce, economic development, public safety, health care and education**
› Addresses **workforce** issues across state government
› Restores earmarked revenue for **farmland preservation and open space**
<table>
<thead>
<tr>
<th>Resources ($ millions)</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>DEFAC FY 2019 Projected Revenue</td>
<td>$ 4,316.4</td>
</tr>
<tr>
<td>Less Recommended Adjustments</td>
<td>(4.5)</td>
</tr>
<tr>
<td>Net FY 2019 Revenue</td>
<td>$ 4,311.9</td>
</tr>
<tr>
<td>FY 2018 Unencumbered Cash</td>
<td>170.2</td>
</tr>
<tr>
<td>Total available for appropriation</td>
<td>$ 4,482.1</td>
</tr>
<tr>
<td>TOTAL AVAILABLE FOR APPROPRIATION</td>
<td>$ 4,392.5</td>
</tr>
<tr>
<td>@ 98%</td>
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</tbody>
</table>
• General Fund Operating Budget........$4,250.4 M
  ▪ GF Operating Budget Growth 3.49%

• Bond and Capital Improvements Act.....$677.5 M
  ▪ State Capital Projects .............. $356.6 M
    – G.O. Bonds ............... $215.6 M
    – Cash ................. $100.4 M
    – Other ............... $40.6 M
  ▪ Transportation Authorizations . . $ 320.9 M

• Grants-In-Aid .............................................$41.7 M
BUDGET SUSTAINABILITY:
CONSIDERING FUTURE FISCAL YEARS

2017 revenue package provides resources for FY 2018 and FY 2019


* defac estimates - december, 2017
** defac estimates - september, 2017
DELAWARE FY 2019 REVENUE FORECAST

Revenue (Net of Refunds)

- Personal Income Tax: 32.4%
- Public Utility: 0.9%
- Realty Tax: 3.4%
- Lottery: 4.7%
- Corp. Income Tax: 2.3%
- Other Tax Revenue: 5.0%
- Other Non-Tax*: 6.8%
- Bank Franchise Taxes: 2.1%
- Business Gross Receipts Taxes: 5.7%
- Abandoned Property: 8.7%
- Incorporation Revenue**: 28.0%
- Personal Income Tax: 32.4%

*Includes Prior Year Unencumbered Cash Balance
**Includes Corporate Franchise Taxes, Business Entity Fees, and Limited Partnerships & Limited Liability Corporations
GOVERNOR’S RECOMMENDED FY 2019 OPERATING BUDGET

- Public Education: 34.6%
- Higher Education: 5.6%
- Services for Children, Youth and Their Families: 4.1%
- Judicial: 2.3%
- All Others *: 14.4%
- Health and Social Services: 28.1%
- Correction: 7.7%
- Safety & Homeland Security: 3.2%
- Public Education: 34.6%

*Includes One-Time Items
$20.9M to invest in our classrooms to fund enrollment growth

$8.8M to provide quality child care for more children

$7.1M to provide students with transportation to & from school

$3.0M for fair & efficient elections open to all qualified voters

$2.8M for inmate medical & pharmacy costs

$17.2M to fund state employee pensions
EFFICIENT GOVERNMENT: SAVINGS OPPORTUNITIES

• $5.4 million – Reducing the cost of state government operations:
  - $2.0 million: Reducing reliance on contractual employees
  - $1.5 million: Savings resulting from energy procurement
  - $1.4 million: Reducing Fleet Services rate
  - $500,000: Savings from Department of Education reorganization
  - Ongoing commitment to improve operations through the Government Efficiency and Accountability Review Board (GEAR) – created by Executive Order #4.

• $6.0 million – Medicaid

• $2.3 million – Debt Service
OUR PRIORITIES: UPCOMING YEAR

Our budget continues investments in key areas to help us deliver

A STRONGER ECONOMY

A HEALTHIER DELAWARE

SAFER COMMUNITIES

BETTER SCHOOLS FOR ALL CHILDREN

A STRONG AND STABLE STATE WORKFORCE
• Investing in Educators
  ▪ $20.9 million – Fully fund new enrollment for 2018 – 2019
    • Majority of funding toward growth in special education
  ▪ $10.2 million – Fully fund annual steps for educators
  ▪ 2% increase for public school educators

• Investing in Early Learning
  ▪ $3.8 million – Funding STARS enrollment growth to serve more children
    • Total funding of $29.5 million for STARS

• Investing in Higher Education
  ▪ $1.1 million – Funding for SEED/Inspire program growth and expansion of the Inspire Scholarships to ensure access to college for qualifying Delaware students
EDUCATION: INVESTING IN HIGH NEEDS AREAS

• Targeted Investments in High Needs Schools
  ▪ $6.0 million – Opportunity Grants – targeted investments into schools with 60% poverty level or 20% English Language Learners students
  ▪ $1.0 million – Middle school math coaches

• City of Wilmington Education Initiative
  ▪ $1.5 million – School-based wellness centers, professional development for educators in five Christina School District schools located in the City of Wilmington.
  ▪ $15 million – Capital investments to modernize two Wilmington schools in the Christina District, which will significantly enhance the learning environment and overall educational experience in these facilities.
• **Investing in State Employees**
  - $1,000 pay increase for State Employees
  - Steps and 2% increase for public school educators
  - Support for 12 week paid parental leave

• **Recruiting and Retaining Quality Employees**
  - Compensation study
  - Recruitment and retention flexibility

• **Investing in our Workplaces**
  - $2.8 million Carvel State Office Building improvements and renovations
  - $5.0 million to address deferred maintenance backlog in state facilities
WORKFORCE: INVESTMENTS IN HIGH NEEDS AREAS

- **Department of Correction**
  - $10.1 million – Correctional Officer salaries, Year 2
  - $3.6 million – Career ladder for Correctional Officers
  - $1.0 million – Year 2 staffing at Baylor Women's Correctional Institution

- **Independent Review Recommendations:**
  - **$2.3 million – Operating Budget**
    - Staff training relief
    - Court/Security transportation
    - Probation & Parole pretrial supervision
    - Cognitive Behavioral Therapy for offenders
  - **$1.75 million – Capital Budget**
    - Security Equipment
    - Cameras
    - Ballistic vests
WORKFORCE: INVESTMENTS IN HIGH NEEDS AREAS

- Department of Services for Children, Youth & Their Families
  - $2.6 million – Adding **30 new casework staff** in the Division of Family Services to bolster child welfare investigations and child abuse and neglect hotline investigations
  - $2.0 million – Adding **29 new staff members** in the Division of Youth Rehabilitative Services to meet staffing needs of the Department’s six secure facilities while reducing mandatory overtime
HEALTH: INVESTING IN DELAWAREANS

-攻撃薬物使用流行
  - $1.4 million – More resources for substance use treatment
    - Total federal and State funding of $23.7 million for substance abuse treatment and prevention

-援助して生まれた薬物依存症
  - $285,000 – Resources for substance exposed infants

-介護老人を健康に保つ
  - $2.0 million – Prescription assistance for Delaware seniors

-医療費支出の目標
  - Establishing a goal to lower health care costs for Delaware families, businesses, and taxpayers
One-time and bond funding toward investments in Delaware’s infrastructure, economy and communities

Economic Development

- **Strategic Fund**: $12.5 million
- **Prosperity Partnership**: $2.0 million
- **Research Collaboration**: $9.6 million
- **Higher Education Capital**: $19.5 million
- **DelDOT Road Systems (federal, state, other)**: $391.1 million
One-time and bond funding toward investments in Delaware’s infrastructure, economy and communities

**Environment**

- **$20.0 million** Open Space and Farmland Preservation
- **$6.0 million** Clean Water/Drinking Water
- **$4.2 million** Shoreline and Waterway Management
One-time and bond funding toward investments in Delaware’s infrastructure, economy and communities

Strong Communities

- $8.0 million
  Affordable Housing/Strong Neighborhoods
- $8.5 million
  Downtown Development Districts
- $135.6 million
  School Construction
- $6.7 million
  Library Construction
**GOVERNOR’S RECOMMENDED FY 2019 FINANCIAL PACKAGE**

- **General Fund Operating Budget** ….. $4,250.4 M
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July - December

• Governor Carney and cabinet members developed the FY 2019 budget draft.
• Delaware Economic and Financial Advisory Council (DEFAC) met in September and December to project revenue.

January

• January 25: Governor Carney proposes recommended budget for FY 2019.

February – March

• Joint Finance Committee (JFC) Hearings: Committee members consider Governor Carney’s recommended operating budget and hold hearings to discuss budget items with agencies and advocates.

April - May

• Mark-up: JFC reviews budget proposals.
• Bond and Capital Improvement Act aka "Bond Bill" Hearings

June 30

• The General Assembly must pass the budget and bond bills, and the Governor must sign the bills by June 30.
• The new fiscal year begins July 1.
- End of Presentation -