

State of Delaware Office of the Governor

Fiscal Year 2011 Financial Overview

January 28, 2010

National and State Economies Still Troubled

- Nationally, unemployment is at 10% - a 27-year high.
- Delaware's unemployment is at 9.0%.
- Across the country:
 - State tax collections are down over 10% from this time last year.
 - States expect drop-offs of 11.8% and 22.6% respectively in Personal Income and Corporate Income tax collections.
 - 48 states with budget gaps in FY 2010.
 - 41 states face FY 2011 budget shortfalls.

Challenges to Building the Financial Plan

- Continued downward revisions to revenue estimates.
- Reduced federal stimulus funding available for FY 2011 budget.
- Budget cost drivers.

The State of the State's Finances

Revenues

	<u>FY 2010</u>	<u>Change</u>	<u>FY 2011</u>	<u>Change</u>
July 1	\$ 3,190.7	---	\$ 3,265.6	---
September	3,143.1	(47.6)	3,218.7	(46.9)
December	3,143.6	<u>0.5</u>	3,176.3	<u>(42.4)</u>
Change		\$ (47.1)		\$ (89.3)
July - December				

TWO YEAR CHANGE = (\$136.4)

The State of the State's Finances

Revenues

	<u>FY 2010</u>	<u>FY 2011</u>
Revenue estimate as of July 1, 2009	\$ 3,190.7	\$ 3,265.6
Personal Income Tax	(56.1)	(65.5)
Corporate Income Tax	0.5	(6.1)
Gross Receipts Tax	3.9	(12.0)
Bank Franchise Tax	8.1	(0.2)
Incorporation Revenue	17.9	(5.0)
Abandoned Property	26.0	15.0
Lottery	(8.9)	(8.4)
Realty Transfer Tax	(4.0)	(4.1)
Insurance Tax	(4.8)	(3.6)
Public Utility Tax	(8.6)	(9.1)
Other Revenues	(10.2)	13.1
Other	<u>(10.9)</u>	<u>(3.4)</u>
DEFAC Revenue as of December, 2009	\$ 3,143.6	\$ 3,176.3
Difference	\$ (47.1)	\$ (89.3)

The State of the State's Finances

Recovery Act Funds Slated to End

	<u>FY 2010</u>	<u>FY 2011</u>
Medicaid	\$ 141.9 *	\$ 80.5 *
Education Stabilization	\$ 67.3	\$ 43.0
General Govt. Stabilization	<u>\$ 24.5</u>	<u>\$ -</u>
TOTAL AVAILABLE	\$ 233.7	\$ 123.5

* Estimated.

Demands on the Budget

- Unit growth in Public Education (90.4 units)
- Salary steps for Education and Del Tech employees
- Salary steps for Delaware State Police
- Medicaid
- Employee Health
- Pension/Retiree Health
- Election year costs
- Self Insurance
- Debt Service

TOTAL BUDGET COST DRIVERS = \$110.1 million

The State of the State's Finances

Estimating the FY 2011 Gap

\$	3,181.4	Estimated FY 2011 Funds Available (12/09 DEFAC @ 98%)		
\$	3,388.5	FY 2010 Budgeted Expenditures		
		FY 2010 Budget	\$	3,091.5
		FY 2010 Grants-In-Aid	\$	35.4
		FY 2010 Medicaid Stimulus	\$	141.9
		FY 2010 Education Stimulus	\$	67.3
		FY 2010 General Stimulus	\$	24.5
		Other Sources of Funds	\$	27.9
		Total	\$	3,388.5
\$	(207.1)	Difference		
\$	80.5	FY 2011 Estimated Medicaid Stimulus		
\$	43.0	FY 2011 Education Stimulus		
\$	(83.6)	Estimated FY 2011 Budget Gap		
\$	(110.1)	FY 2011 Budget Cost Drivers		
\$	(60.0)	Cash Needs for FY 2011 Bond Bill		
\$	(253.7)	Total Estimated FY 2011 Budget Gap		

Principles and Priorities

Keeping our Core Commitments

- Fiscal responsibility and protecting core services.
- Government efficiency.
- Protecting the classroom.
- Promoting jobs and economic growth.

A Balanced Plan

(\$253.7 million)	Budget Gap
\$143.6 million	Agency Cuts
\$ 59.8 million	Maximizing Federal and Other Funds
\$ 39.7 million	Table Games Revenue - \$40.5 million @ 98%
\$ 10.6 million	Rebalance Budget Reserve - \$10.8 million @ 98%
\$ 0	Appropriation Surplus/(Deficit)

Addressing the Gap

Creating a More Efficient Government

Finding and Creating Efficiencies and Savings.

- Realize full-year savings from FY 2010 statewide position reduction - \$23,066.0
- Drive down employee health costs by renegotiating the pharmacy contract for prescription drugs and maximizing prescription drug rebates - \$5,100.0
- Convert School Resource Officers to School Resource Agents at a rate of five officers per year - \$92.9
- Eliminate printing of Governor's operating and capital budget books and providing budget information on CDs and online - \$10.0
- Implement new pension tier for new employees, effective Jan. 1, 2011 - \$500.0
- Implement new health care tier for new employees, effective Jan. 1, 2011 - \$1,100.0
- Reallocate the Toll Administration unit from Maintenance and Operations Unit to the Division of Motor Vehicles in the Department of Transportation - create operational efficiencies and future cost avoidance.
- Maximize IT resources through statewide shared services and consolidation- \$1,000.0

Addressing the Gap

Creating a More Efficient Government

- Drive public education administrative efficiencies through consolidated procurement and purchasing, i.e. E-school mall - \$1,479.5
- Reduce funding for public school transportation to reflect reduction in fuel costs and projected new routes - \$3,334.9
- Close a portion of the Multi-Security Building at Sussex Correctional Institution and relocate inmates to reduce overtime expenditures - \$1,000.0
- Maximize state fleet assets by continuing to downsize the number of vehicles - \$426.4
- Consolidate Department of Natural Resources and Environmental Control from six to three divisions to focus resources on clean air, water and the quality of outdoor spaces – streamlines service delivery.
- Provide services for residential care in-house at the Department of Services for Children, Youth and Their Families and reduce and eliminate provider contracts - \$932.9
- Eliminate the distribution of Personal Income tax booklets and implement online Gross Receipts and Income Tax filing system to reduce associated printing costs - \$110.0
- Reduce EZPass Customer Service Center hours - \$483.7

Addressing the Gap

Creating a More Efficient Government

- Reduce the State's environmental footprint by implementing energy conservation measures - \$2,465.5
- Consolidate Delaware Advisory Council on Career and Tech Education into the Department of Education - \$318.5
- Reduce grass cutting to bi-weekly at the Department of Health and Social Services' Holloway campus - \$15.9
- Reduce the state's footprint by reallocating employees from leased to owned space, consolidating lease space and renegotiating leases - \$1,100.0
- Consolidate the Board of Parole and reallocate functions of the board to the Department of Correction and the Judiciary - create operational efficiencies.
- Reduce staffing for Inland Bay Enforcement - \$30.0
- Eliminate EZPass paper statements - \$222.0
- Reduce mosquito control spraying by approximately 5 percent - \$40.3
- Maximize resources in the deer management program by working with the Department of Correction to assume food processing function - \$61.5
- Eliminate funding for Phragmites Control - \$40.8
- Reduce Maritime Exchange funding to reflect funding level of surrounding states - \$100.0

Addressing the Gap

Creating a More Efficient Government

- Refinance existing debt obligations to benefit from historically low interest environment - \$16,000.0
- Reduce Smyrna Rest Stop staffing hours - \$380.0
- Reduce maintenance allowance by 50% for school bus routes exceeding 30 miles - \$3,149.8
- Eliminate funding for Beaver Control - \$25.0
- Consolidate Department of Education branches from four to three - \$310.0
- Consolidate Merit Employee Relations Board into Public Employment Relations Board in the Department of State – creates operational efficiencies.
- Consolidate Technology Staff within the Department of Finance to the Office of the Secretary - \$299.9
- Reduce overtime costs by eliminating the Motorist Aid program within the Department of Transportation - \$231.7
- Reduce printing equipment and maintenance costs through the elimination of the Department of Technology and Information's 4100 printer - \$97.0
- Use private resources for the Delaware Mortgage Assistance Program - \$250.0

Addressing the Gap

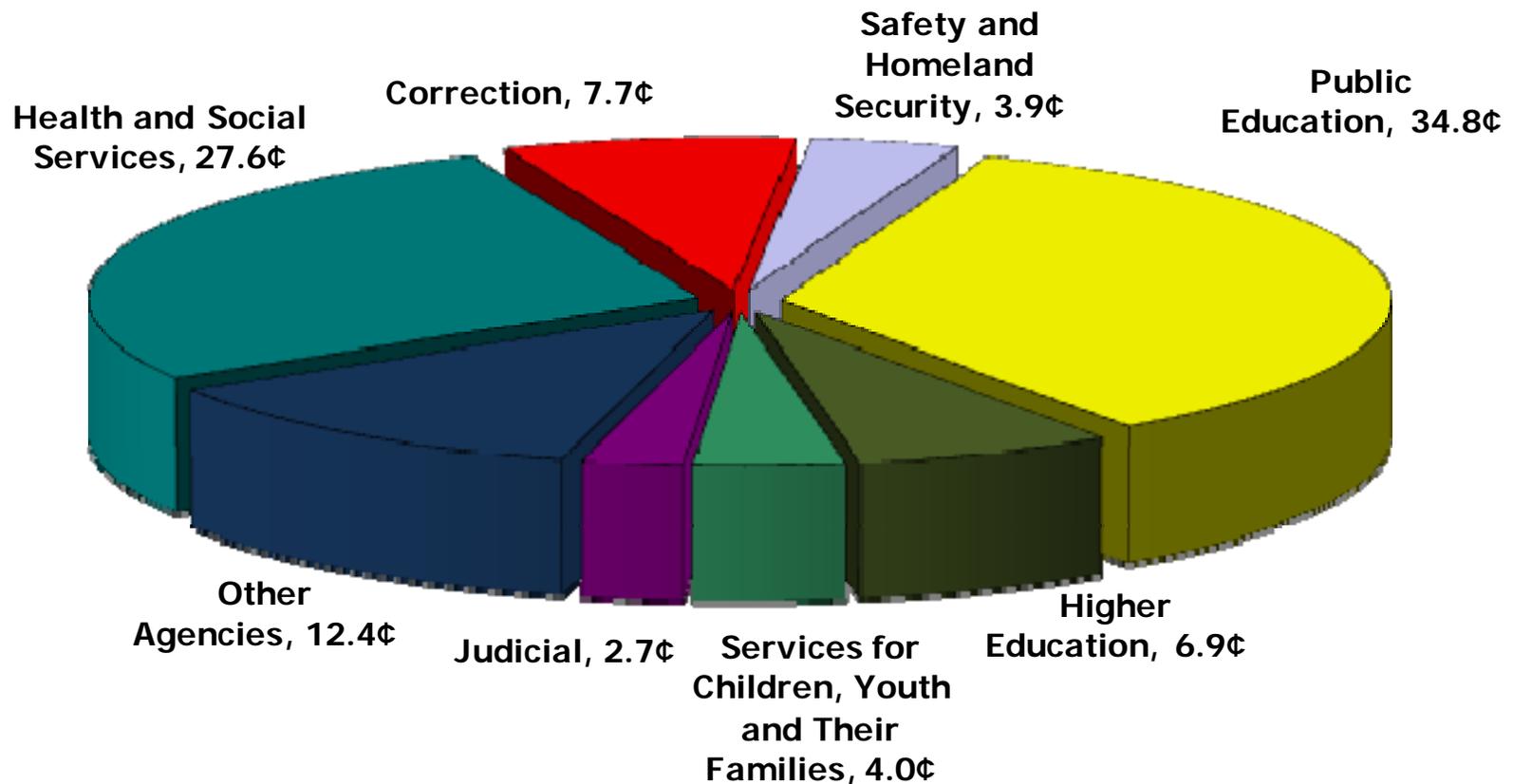
Creating a More Efficient Government

- Maximize technology resources by transferring Department of Transportation 24/7 help desk to the Department of Technology and Information - \$83.0
- Implement a new lighting control system at the Department of Transportation Administration Building - \$5.0
- Reduce Department of Transportation funding for property maintenance - \$50.0
- Eliminate funding associated with the Budget Commission - \$40.0
- Leverage federal funds for Health Education/Disease Prevention in the Department of Health and Social Services - \$104.1
- Eliminate floral display at the Delaware Psychiatric Center and Holloway Campus in the Department of Health and Social Services - \$29.0
- Reduce gypsy moth surveys in Department of Agriculture - \$25.6
- Eliminate funding for the State Accounting Course in the Department of Finance - \$5.0
- Reallocate the Office of Prevention and Early Intervention to the Division of Prevention and Behavioral Health Services in the Department of Services for Children, Youth and Their Families - streamline service delivery.
- Maximize Department of Transportation fleet assets through technology to track location, vehicle use, maintenance metrics, etc. - \$150.0

Classroom Funding Protected

- Department of Education adjusted budget:
 - FY 2009 \$980.5 million
 - FY 2010 \$989.3 million
 - FY 2011 \$986.3 million
- School districts to focus on efficiencies and reducing administrative costs.
- Epilogue ensures stimulus stabilization funds are used to allow districts the flexibility to achieve savings in areas that do not negatively affect the classroom.

FY 2011 Recommended Operating Budget



The Capital Budget

Investing in Job Growth

- \$13.9 million for DEDO's Strategic Fund.
- \$1.0 million for Experimental Program to Stimulate Competitive Research (EPSCOR).
- \$1.0 million in state match for the IDeA Network of Biomedical Research Excellence (INBRE) program.

The Capital Budget

Investing in Job Growth

- \$1.0 million for Fraunhofer Vaccine Development.
- \$1.0 million for the first year of a 5-year commitment to the Health Sciences Alliance.
- \$10.0 million for the Diamond State Port Corporation.

The Capital Budget

Education

- **\$98.8 million for Public Education projects.**
 - Funding for Minor Capital Improvements.
 - Funding to finish referenda projects in Colonial, Appoquinimink, Caesar Rodney, Smyrna, Lake Forest, Milford and Brandywine school districts.
 - Funding for the recent Appoquinimink referendum.
- **\$9.0 million for Higher Education projects.**
 - Funding for projects at Delaware State University, Delaware Technical and Community College and the University of Delaware, which includes \$2 million for the development of the former Chrysler site to provide a center for high-tech laboratories, health sciences and alternative energy research and development.

The Capital Budget

Investing in Infrastructure for Economic Growth

- \$16.1 million in agency minor capital improvements and equipment (MCI).
- \$4.5 million in Housing Preservation to preserve and maintain existing housing sites.
- \$19.2 million for the Kent County Courthouse.
- \$2.9 million for the Drinking Water State Revolving Fund.
- \$4.2 million for the Delaware Psychiatric Center.

FY 2011 Recommended Appropriations

General Fund Operating Budget	\$3,171.3 million
Grants-In-Aid	\$41.4 million
Bond and Capital Improvements Act	\$356.5 million
- State Capital Projects.....	\$222.7 million
- Transportation Projects.....	\$133.8 million
Stimulus Funding	\$123.5 million



Questions