



**State of Delaware  
Government Performance Review**

**Preliminary GPR Report to  
Governor Jack A. Markell**

**May 2009**



STATE OF DELAWARE  
**GOVERNMENT PERFORMANCE REVIEW**  
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May 2009

Dear Governor Markell:

Among the earliest pledges of your Administration was the pledge to resize State government to focus on critical needs in areas such as education, health and public safety, and to operate in new and more efficient ways to bring these services affordably to citizens.

The attached report is the first of two reports that fulfills your pledge to citizens to launch and complete a Delaware Government Performance Review (DGPR) in the first several months of your Administration.

This first Delaware Government Performance Review report details single agency and cross-enterprise cost savings and non-tax revenue opportunities that can be achieved in the Fiscal Year (FY) 2010 budget. It's presented in a shortened form and has been constructed quickly to meet the immediate timeframe necessary for potential legislative consideration in the coming weeks.

This report identifies \$60 million in next-year savings and revenue opportunities plus an additional \$3.9 million of operating and capital budget savings opportunities for consideration within the Transportation Trust Fund. About \$35 million of the operating budget opportunities have already been incorporated into your proposed FY 2010 budget plan. Another \$25 million of opportunities are also outlined for consideration by the Administration and the General Assembly.

A second report detailing single-agency and cross-enterprise cost savings and new non-tax revenue opportunities for potential implementation in future budgets will be delivered to you in the weeks ahead. That report will be presented in expanded handbook form and is being constructed to provide not only recommended opportunities for savings and revenues, but also explanatory background, findings, and recommendation materials for yourself, legislators, and citizens as you identify.

The general warrant of the DGPR was to execute a structured, statewide Executive Branch review of government services and to identify a range of potential savings, efficiencies, improved customer services, and new non-tax revenue opportunities for the State. The Review was built inclusively, with Cabinet Secretaries, employees, citizens, private industry loaned executives, subject matter experts and state employee quality observers in key roles. Over

1,300 recommendations submitted by citizens and employees were reviewed and many have been incorporated into the Review.

The DGPR is a multi-phase, multi-year effort.

During the first several months of the first phase, the DGPR:

- built the DGPR structure, including the business plan, roles and responsibilities, work processes, and systematic support for the multi-phase effort;
- built an engagement culture with the agencies;
- solicited full-time participation from 6 loaned executives, through the Delaware Business Roundtable;
- solicited cost-savings feedback from citizens and employees;
- organized 14 best practice cost savings and service enhancement working sessions among Delaware executives and executives from other states and cities;
- compiled over 300 best practice possibilities from other states' prior Performance Reviews;
- performed analyses and made cost savings/service enhancement recommendations in two broad categories: single-agency initiatives and cross-enterprise initiatives; and
- generated momentum for Phase 2 of the DGPR and beyond.

In Phase 2 of the DGPR, which is a multi-year effort, the principal tasks will be to:

- fully institutionalize Performance Management as the way Delaware government operates;
- alter the Review cycle from a single phase project to a multi-year program, a continuous improvement cycle of consolidations, redundancy removals, business process re-engineering, efficiency implementations, and technology transformations;
- perform in depth cost-savings analyses within each agency by pairing Cabinet Secretaries with appropriate subject matter experts;
- recognize consequent cost savings from significant, long-term structural changes; and
- expand the DGPR work from Executive Branch agencies to include similar state/county/municipal consolidation opportunities.

All of us who participated in Phase 1 of the Delaware Government Performance Review felt privileged to do so. The opportunity to transform the way government does business to the advantage of the residents of Delaware is a unique one—one for which we're grateful, and of which we're very proud.

Sincerely,



Suzanne Peck  
DGPR Program Director



## Initiatives Included in Markell Budget Plan (\$35.2 million)

All 16 Cabinet agencies participated in the Government Performance Review, which began on January 22, 2009.

While it appears that every agency will be able to identify savings opportunities over the next five years through the Government Performance Review, seven agencies have already made recommendations through the process that Governor Markell was able to immediately include in his proposed FY 2010 budget plan (*see Table 1*).

These 18 proposals are as follows:

### OPTIMIZE FEES AND REVENUES

Much of Delaware’s government and the services it provides – from the enjoyment of our state parks, to the protection of our water and air quality, to the safety of our roads – are supported by a variety of fees. According to the Tax Foundation, Delaware’s combined state and local tax burden is consistently ranked among the lowest in the nation. In the face of real and projected declines in tax revenues, it is important to adjust fees to more realistically reflect the value and cost of delivering user services and regulatory functions.

The Government Performance Review identified approximately \$8.5 million of revenue generating ideas for inclusion in the proposed budget as follows:

	<i>in millions</i>
Create a Cultural Access Fund	\$5.3
Increase DNREC Fees	\$2.4
Increase Alcohol Licensing Fees	\$0.6
Create Sex Offender Notice Fee	\$0.1
Create Weights & Measures Fees	\$0.1

The Government Performance Review recommends these particular fees for inclusion in the Governor’s Plan for a variety of reasons.

As housing and development expands throughout the State, it’s important to ensure adequate funding to support the cultural assets and institutions that make Delaware a special place to live, work and raise a family. The Department of State has proposed creation of the Delaware Cultural Access Fund to replace up to \$5.3 million of general fund money currently going to support the State’s libraries, arts, archives and museums. The current \$6 state mandated fee on recorded documents filed with local Recorder on Deeds would increase to \$30 under this proposal.

Many user and regulatory fees in the Department of Natural Resources and Environmental Control (DNREC) have failed to keep pace with the rising cost of service delivery. Various fees in DNREC’s Division of Water Resources and Division of Air and Waste Management have not changed since the early 1990’s. Parks permits were last changed in 2005.

Licensing fees for retailers, bars and restaurant owners serving alcoholic beverages have not changed in more than 50 years. By failing to even modestly keep pace with inflation, the State foregoes a significant revenue raising opportunity and fails to fully cover the costs associated with providing services to this industry and its establishments.

The 3,600 sex offenders living in Delaware are currently required to register their living and employment status with the State Bureau of Investigation. An annual \$100 fee would be applied to underwrite the cost of at least two of the agents that help to ensure compliance with the registration requirement.

The Department of Agriculture’s Weights and Measures Section is funded through the General Fund. Delivery of services for instrument calibration and related costs should be covered by fees paid by businesses that use

these services. The FY 2009 budget for the Weights and Measures Section was \$0.7 million. This proposal assumes mid-year implementation of a new fee schedule to begin providing Appropriated Special Fund (ASF) support for these services.

All of the above fees have been included in the proposed budget plan for FY 2010.

## **REDUCE PROCUREMENT COSTS**

State government procurement practices are generally governed by a combination of statutory requirements found under 29 Delaware Code, Chapter 69 and 16 Delaware Code, Chapter 96. The methods by which contracts are developed, solicited for bid and awarded are detailed within these statutes. Contracting to obtain goods and services takes place in two formats, either through centralized contracts managed by the Office of Management & Budget or through the procurement operation in each agency. There are significant opportunities for savings in state procurement including the elimination of certain purchases, leveraging state spending and aggregate procurement needs, enhancing selected contracting practices and structures, renegotiating or terminating existing state contracts, and leveraging talent and responsibilities.

Most of these five areas of opportunity require significant time and effort to bring to fruition. Still, short term opportunities do exist in procurement. Specifically, the State can reduce discretionary purchases, implement policy controls requiring secondary approvals, ensure that more contracts are managed in a central inventory with standardized naming, modify practices for professional services procurement to aggregate offerings, develop standardized offerings for selected commodities, and require hard substitutions by vendors for non-standard orders of similar items.

Additionally, the State can enact legislation requiring web publishing of Requests for Proposal (RFPs) and Invitations to Bid (ITBs) as well as certain other legal notices in lieu of current newspaper advertising requirements that reach a very limited number of Delawareans. In light of the current hiring freeze and the prevalence of online job postings, the State can also reduce employment advertising. Such changes in advertising policy could result in a substantial reduction in spending in excess

of \$500,000. A 1% reduction in spend from improved central management of procurement would contribute an additional \$2.9 million. These amounts have not been included in the FY 2010 budget to date. However, other short-term procurement activities will contribute to the additional \$3.6 million of contractual and supply cuts that are included in the current General Fund (GF) budget proposal.

## **REDUCE FLEET COSTS**

The State of Delaware currently holds title to approximately 4,900 vehicle assets of 10,000 Gross Vehicle Weight (GVW) and under. These vehicles are used for a variety of functions, are operated under differing policies regarding their use, and are managed by a variety of entities. At the start of the Markell Administration, the State launched several changes in management practices to reduce the total fleet size and its operating costs including setting limits on vehicle use by appointed officials, demanding greater accountability for fleet usage by state agencies, and placing restrictions on take home vehicle policies. Several opportunities for more improvement have been identified, including the use of GPS technology to manage vehicle efficiency, the leveraging of other office technology to reduce the need for travel, and the possibility of outsourcing certain fleet requirements.

The State should standardize the use of GPS tracking across the three largest fleets (Central Fleet, Delaware Department of Transportation, and State Police), standardize the vehicles added to the fleet annually (typically 300-500 units), push technology such as SharePoint, Net meetings, and video-conferencing to reduce fleet usage, and institute policy changes to recover some of the costs of commuter use of vehicles by public safety personnel. The implementation of these policies could contribute to elimination of 852 vehicles (17% of the fleet) in the coming year resulting in estimated statewide savings of \$4.3 million. Under current law, the distribution of these savings is estimated to be \$1.7 million to the GF, \$0.8 million to the Transportation Trust Fund and \$1.8 million to Special Funds. Of this amount, \$500,000 has already been included in the current proposed GF budget.

## **CONDUCT A ONE-TIME TAX AMNESTY**

The Delaware Division of Revenue has examined other states' tax amnesty programs and concluded that tax amnesties can be effective at producing significant revenue and getting non-filers to comply. However, such programs need to be seen as "one time only." To maximize performance an amnesty program must be accompanied by an aggressive information campaign and continued investment in enforcement staffing levels. The Department of Finance has recommended a tax amnesty to occur after the current tax filing season. Such a tax amnesty would provide for a limited look-back period for non-compliant taxpayers and offer forgiveness of penalties and interest during the amnesty period to incentivize both non-filers and those with outstanding liabilities to both file and make payments in the current period. The proposal is expected to generate \$5 million that is included in the current proposed budget.

## **STABILIZE THE VETERANS HOME CENSUS**

The Delaware Veterans Home (DVH) currently has approximately 110 residents with 82 in the skilled nursing wings (92% occupancy), 27 in the dementia wing (90% occupancy) and only one in the domiciliary wing (3% occupancy). The Delaware Commission of Veterans Affairs, with support from the federal Veterans Administration, has voted to transition the domiciliary wing to serve residents in need of skilled care. It could take twelve to eighteen months to properly staff the new wing and to ensure the needed changes are implemented before admitting residents. In light of the current budget crisis, the Department of State has recommended that no hiring be carried out for an additional skilled nursing wing at this time and that admissions to that wing be deferred until it is fiscally responsible to do so. This proposal will save the State \$1.6 million that is included in the current proposed budget.

## **IMPROVE RECOVERY OF INDIRECT COSTS**

The Delaware Code allows the State to recover indirect costs from special-funded agencies and those that receive federal funds. With the exception of an annual \$300,000 charge to the Division of Professional Regulation, the Department of State has not fully recovered indirect costs from its special-funded agencies – the Division of

Professional Regulation, the Office of the State Bank Commissioner, and the Public Service Commission – in at least 10 years. The Office of Management and Budget has determined that the value of indirect services received by these three agencies exceeds \$727,000 including \$400,000 for the Division of Professional Regulation, \$195,000 for the State Bank Commissioner, and \$132,000 for the Public Service Commission. By properly assessing the value of the central services that these agencies receive from the State, the general fund will recover an additional \$427,000 that is included in the current proposed budget.

## **LIMIT HOURS AND EXHIBITS AT PUBLIC ARCHIVES AND STATE MUSEUMS**

The Delaware Public Archives presently maintains an exhibit area in the Hall of Records, consisting of three small galleries open six days a week and one evening a week. Only 1,560 people visited these exhibit areas in 2008. The Division of Historical and Cultural Affairs (HCA) maintains a total of eight museums that are open six days per week with additional hours for special events. More than 96,000 visitors came to these museums in 2008. Only about one-quarter of these visits occurred on Sundays, Monday and Tuesdays with the remaining three-quarters occurring from Wednesday through Saturday.

Three specialized museums – the Delaware Archaeology Museum, the Museum of Small Town Life, and the Johnson Victrola Museum – located at Museum Square in Dover attract the fewest numbers of visitors. The Old State House Museum, Visitors Center and John Dickenson Plantation in Dover as well as the New Castle Courthouse Museum in New Castle and Zwaanendael Museum in Lewes attract a greater number of visitors.

The proposed FY 2010 budget includes a plan to eliminate evening, weekend and holiday hours for the Delaware Public Archives with the exception of July 4th and the first Saturday of each month to support the First State Heritage Park's "First Saturday" program. The proposed FY 2010 budget also includes a plan to close the Delaware Archaeology Museum and Museum of Small Town Life while the Division of Historical and Cultural Affairs develops a plan to stabilize the buildings in which these operations are housed. The Johnson Victrola Museum will be open only for scheduled tours. The John Dickenson Plantation will remain on a seasonal schedule

while the Zwaanendael Museum in Lewes will go on to a seasonal schedule. All museum sites will be closed from Sunday through Tuesday. The principal cost-savings to the State will be reduced casual/seasonal employees who staff these sites. The combined savings to the General Fund from these measures of \$452,700 is included in the current proposed budget.

### **REDUCE THE NUMBER OF HERITAGE COMMISSION PUBLICATIONS**

For the last several years, the Delaware Heritage Commission has re-printed a number of out-of-print publications, but has only published a few new books. In addition to the General Fund money that it receives annually from the State, the Commission also has over \$138,000 available to it in a variety of accounts. The Department of State recommends reducing the Commission's FY 2010 publications budget by \$32,000 from \$52,000 to \$20,000 allowing the Commission to publish and promote at least one new book each year.

### **PRIORITIZE ONLINE LIBRARY SUBSCRIPTIONS**

The Delaware Division of Libraries (DDL) is responsible for purchasing online subscription resources for public libraries statewide. These resources range from online periodical databases, encyclopedias, and genealogy reference tools to business reference databases and job testing services. Online resources provide a large amount of information for a much lower cost than comparable hard-copy resources. They have the significant added benefit of being much more up-to-date and more accessible by permitting access from any public library. By ranking subscriptions based on usage, DDL can save \$100,000 per year by ceasing subscriptions to lesser-used online resources. The proposal to reduce subscriptions is included in the current proposed budget.

### **REDUCE COSTS FOR DISTRIBUTION OF VETERANS NEWSLETTER**

The Delaware Commission of Veterans Affairs (DCVA) maintains a list of more than 5,000 subscribers to its quarterly newsletter, the "Centurion." The newsletter provides subscribers and veteran organizations with

information on current developments in benefits, legislative initiatives, community services, and local events. The newsletter is also available through the agency web site: [www.veteransaffairs.delaware.gov](http://www.veteransaffairs.delaware.gov). Annually, the State spends \$8,000 in paper, bulk mail for subscribers, and postage for bundled distribution to specific locations. DCVA recommends eliminating the mailing of the "Centurion" and printing only a limited quantity of paper copies for distribution to local service organizations and other appropriate locations. This recommendation would return \$6,200 to the General Fund in FY 2010.

### **GROUND FIXED WING AIRCRAFT**

The Delaware State Police (DSP) Aviation Section should ground its fixed wing units, presently used for VIP transport and extraditions. This plan would save maintenance, training, and fuel consumption costs. Grounding of the fixed wing fleet will allow DSP to concentrate on its core aviation missions of airborne medical evacuations, search and rescue, and fire suppression. Since all fixed wing flights require the services of two pilots, and since most fixed wing flights are flown on an overtime basis, grounding would result in significant savings. Flights for government officials and extradition will need to be arranged through commercial transportation. This initiative was implemented early in the Markell Administration and will result in a savings of \$560,000 in FY 2010.

### **INITIATE A TAKE HOME CAR FEE FOR UNIFORMED PERSONNEL**

The Delaware State Police has a Take Home Car Policy to encourage troopers to take better care of vehicles assigned to them, to encourage increased visibility in the community, and to enhance responsiveness. The policy is also a benefit to state troopers who are not required to cover the costs of providing their own transportation to commute to work.

The FY 2010 budget plan proposes a \$35 fee per pay check for DSP officers with a take home car. Officers routinely subject to call-out, such as those assigned to Special Operations Response Team (SORT), Self Contained Underwater Breathing Apparatus (SCUBA), Explosive Ordnance Disposal (EOD) and the Tactical Control Unit

would be exempt from the fee. Revenue would be used to offset the costs of gasoline and maintenance on such vehicles associated with commuting costs. Savings of \$470,000 are included in the current proposed budget.

### **RECOVER TROOPER COVERAGE COSTS FROM STATE FAIR**

Historically, the Delaware State Police has provided security and traffic control services to the Delaware State Fair during Fair Week in late July. The Fair reimburses the Delaware State Police for the traffic control service through its Special Duty Program. Security, however, is provided by senior troopers as part of their regular duty assignments at no charge. Law enforcement presence acts as a deterrent to criminal activity, providing quick response time to incidents requiring police services, and contributing to an overall positive behavioral climate. The State should assess a fee to cover the \$160,000 cost of security services rendered at the Delaware State Fair. This savings is included in the current proposed budget.

### **CHARGE POLICE TRAINING ACADEMY PARTICIPANTS FOR FOOD COSTS**

In addition to training its own officers, the Delaware State Police (DSP) is required to train local law enforcement officers located within the state. The major out-of-pocket cost to DSP for these trainees is food. The DSP should recover this cost by charging academy recruits for the full cost associated with providing food to such recruits. This initiative is estimated to generate \$40,000 and is included in the current proposed budget.

### **LENGTHEN DELAWARE STATE POLICE VEHICLE SERVICE SCHEDULE**

Currently, the Delaware State Police (DSP) services its vehicles on a shorter maintenance schedule than those suggested by vehicle manufacturers. This is done because of the nature of the use to which patrol vehicles are placed. Savings may be manifested in the form of reduced needs for supplies, such as oil and oil filters. The State should implement a proposal to lengthen the vehicle service schedule by 1,000 miles, taking into consideration the safety issues involved with maintenance of a police vehicle. This initiative will result in a savings of \$5,000 and is included in the current proposed budget.

### **LOWER STATE EMPLOYEE HEALTH CARE COSTS**

The Office of Management and Budget has recommended a number of options during the Government Performance Review for reducing the State's costs for employee health care. Currently, state employees pay between 3.1% and 10.5% of the State's total premium costs depending on the plan and coverage level. National averages are closer to 15% for employee only coverage and 26% for family coverage. The Delaware State Employee Benefits Committee (SEBC) has already approved the first phase of a plan to bring state employee contributions for health care costs closer to national averages.

The SEBC has also approved two health plan design changes. The Committee eliminated the use of a third party vendor to offer a Second Opinion Program which benefited a limited number of employees. The Committee also eliminated a requirement that employees only get a 30-day prescription for new medications and instituted a penalty on prescriptions that are not refilled for 90 days after an employee gets three consecutive 30 days prescriptions. The General Assembly will be asked to consider legislation to eliminate the Double State Share program to require employees and pensioners who are married and work for the State to pay the same employee contributions as other state employees.

Implementation of all of the above programs is projected to save the State \$22 million across all State funds in FY 2010. General Fund savings of \$13.3 million are included in the current proposed budget plan of which \$10 million has been approved by the SEBC.

### **IMPROVE EFFICIENCY OF PAYROLL AND BENEFITS COMMUNICATIONS**

Following the recommendations of many state employees, the State implemented ePay on April 24th which will reduce costs by eliminating paper pay advices and providing state employees with an online view of bi-weekly payroll information. With the full phasing out of paper pay advices by the end of the first quarter of FY 2010, the State will have eliminated hard copy paper costs; administrative and time consuming tasks such as printing, sorting and stuffing; and the costs of postage and courier distribution services.

Communications are also published by the Statewide Benefits Office in order to relay benefit information to state employees, pensioners, and other non-state groups who participate in the state Group Health plans and other benefit programs. These publications include paycheck stuffers and other booklets, flyers and letters such as in-home mailings of bimonthly Life Lines newsletters, the annual open enrollment booklet for core programs of health, dental, blood bank and supplemental benefits, and the annual open enrollment pamphlet for the Flexible Spending Account program.

The implementation of ePay and related payroll efficiencies will lead to savings of \$83,000 in FY 2010. Reduced printing of benefits communications and leveraging online alternatives will save an additional \$17,000. Total savings of \$100,000 are included in the current proposed budget.

**STANDARDIZE EMPLOYEE RECOGNITION PROGRAMS**

State employees receive formal recognition in a number of ways including employee awards for years of service, divisional and departmental recognition events, and statewide recognition programs. Agencies are also permitted to offer up to a \$25 recognition gift for each employee annually. Many state agencies have already suspended or limited their own internal recognition programs in light of the budget crisis. The Office of Management and Budget’s (OMB) Human Resource Management section will work with agencies over the coming months to standardize policies for employee recognition. The State will target savings of at least \$250,000 which are already included in the current proposed budget.

TABLE 1

INITIATIVES INCLUDED IN MARKELL BUDGET PLAN	
Initiative	GF \$ (\$1,000s)
Lower State Employee Health Care Costs	\$13,300.0
Optimize Fees and Revenue	\$8,500.0
Conduct a One-time Tax Amnesty	\$5,000.0
Reduce Procurement Costs	\$3,600.0
Stabilize the Veterans Home Census	\$1,655.0
Ground Fixed Wing Aircraft	\$560.0
Reduce Fleet Costs	\$500.0
Initiate a Take Home Car Fee for Uniformed Personnel	\$470.0
Limit Hours and Exhibits at Public Archives and State Museums	\$452.7
Improve Recovery of Indirect Costs	\$427.0
Standardize Employee Recognition Programs	\$250.0
Recover Trooper Coverage Costs from State Fair	\$160.0
Prioritize Online Library Subscriptions	\$100.0
Improve Efficiency of Payroll and Benefits Communication	\$100.0
Charge Police Training Academy Participants for Food Costs	\$40.0
Reduce the Number of Heritage Commission Publications	\$32.0
Reduce Costs for Distribution of Veterans Newsletter	\$6.2
Lengthen Delaware State Police Vehicle Service Schedule	\$5.0
<b>Total</b>	<b>\$35,157.9</b>



## Initiatives For Consideration in the FY 2010 Budget Plan (\$24.8 million)

Nine agencies identified savings and non-tax revenue opportunities for possible consideration in the FY 2010 budget. These initiatives have not been included in Governor Markell's current FY 2010 budget plan. In addition to the remaining fleet and procurement opportunities outlined in the first section of this report, this section identifies 25 possible initiatives as follows:

### **CONSOLIDATE EXECUTIVE BRANCH SHARED SERVICES PERSONNEL**

Approximately 15% of the State's 17,000 employees work in back office, central support service functions such as human resources (HR), information technology (IT), accounting and fiscal, procurement and facilities. 80% of these employees are assigned to specific agencies with only 20% working in central agencies such as the Office of Management and Budget, the Department of Finance, and the Department of Technology and Information. The current structure leads to the creation of duplicative and redundant positions. Over many years, agencies have created inconsistent policies, procedures and business processes. The State's support service assets and systems have become hyper-customized, costly to maintain, and difficult to change.

As stated in Governor Markell's recent speech to a joint session of the General Assembly, "We must take a hard look at consolidating many of the back office services that are provided in each agency, such as human resources, accounting and information technology. In the end, government must be smaller than it is today." While efforts to restructure these functions will take place over a number of years, it is important to begin this process as soon as possible. Since some back office positions are already vacant, it makes sense now to eliminate these positions and revert savings to the General Fund. The Office of Management and Budget is in the process of identifying vacant positions in these central support

service areas that can be reverted in FY 2010. If OMB can identify approximately 50 vacant and funded positions in these central support services areas, savings of an additional \$2.5 million could be included in the FY 2010 budget plan.

### **CONSOLIDATE EDUCATION CENTRAL SERVICES PERSONNEL**

There are also opportunities across school districts and the Department of Education (DOE) to reduce costs associated with central support service functions. Again, more work and analysis is required in this area. As stated in Governor Markell's recent speech "We must move dollars out of those back rooms and into classrooms by consolidating those back office functions. This will require the surrendering of fiefdoms and turf but it must be done." As an interim step, DOE has proposed the elimination of certain casual-seasonal staff as well as 7 of the 10 state funded Teachers on Loan contracts and various contract work as contract work comes due. Cumulatively, these actions would save \$1.2 million in FY 2010 if these savings were included in the budget proposal.

### **REVIEW CELL PHONE AND BLACKBERRY UTILIZATION**

State of Delaware agencies, including the K-12 environment, currently pay for cell phone plans for more than 5,800 lines. At an average monthly rate plan of \$40/month, the total annual cost is \$2.8 million. In addition, there are more than 2,300 data plans that average \$50/month for an annual cost of \$1.4 million. At the present time, there is no periodic review to determine if the State's actual usage is well aligned with its mix of phones, Blackberries, air cards and corresponding plans. While

a comprehensive analysis of cell phone and data usage is currently underway, a high level review indicates a substantial opportunity to reduce the number of cell phone devices that are underutilized (or not used at all) and to better match the cost per plan to the intended usage.

At a minimum, the State should institute a policy for periodic review of usage and plans. Additionally, the State should sign a contract extension to reduce data plan costs from the current \$50 to \$45 per month or less. The State would then have the opportunity to pursue a new bid with specific commodity numbers for vendors to evaluate. A \$5 per month savings would result in an additional annual savings of \$140,880.

There is also an opportunity to significantly change the way cell phone usage is managed across the State. Employees that have a business need for a cell phone could be required to use their personal cell phone and be reimbursed by the state \$10 per month. Employees that do not wish to provide their personal cell phone number for state use could use the \$10 per month to purchase an additional line through their existing cell provider, which could then be used for state business. Plans are available from major vendors at a typical cost of \$9.99/month. While this recommendation would support a great majority of the state employees that have cell phones, there may be cases that require specific employees to use a maximum amount of minutes as dictated by their job. These should be reviewed on a case by case (or category by category) basis with final approval coming from the agency Cabinet Secretary and OMB Director.

The \$10 per month reimbursement based on the current number of voice plans would cost \$0.7 million. However, based on this new requirement, the number of employees required to have cell phones would likely decline, which would reduce the overall expense. Net savings after the reimbursement would total approximately \$1.5 million. This savings opportunity has not been included in the current budget plan.

### **REDUCE OUTPUT MANAGEMENT COSTS**

Printing is an expense to the State, its customers and taxpayers. Using green solutions, opportunities exist to reduce printed output. Better use of newer technologies to establish agency business centers would result in cost savings for daily agency operations. Outsourcing of

large scale printing and support functions would free up resources and energy to be redirected to core, essential state services. A combination of these efforts should result in significant cost savings for the State that can be realized in future budget years.

The Department of Technology and Information (DTI) estimates that \$325,000 can be saved immediately through reduction of printed materials and \$65,300 by eliminating the lease on a Xerox digital print machine and changing output formats to be processed on other equipment. These savings of \$390,000 are not included in the current FY 2010 budget plan.

### **REDUCE COST AND IMPROVE USE OF OWNED AND LEASED PROPERTIES**

Due to growth in state government and constraints on capital budget appropriations, the amount of leased office space for State agencies has grown significantly in the last two decades. The growth in facilities has led to growth in contractual services to maintain these facilities, as well as expansion in the overall energy consumption of the State. In efforts to keep pace with the growth, the State continually evaluates its current practices and explores opportunities for efficiencies across its entire leased facility portfolio.

The State has several opportunities for short and long term savings for its owned and leased properties. Specifically, the State should consider consolidating staff to reduce the number of leased facilities and renegotiate rates of remaining facilities where feasible and practical. Additionally, the State should continue to explore opportunities to bring contractual work in-house and to reduce the scope of services provided by contractors to drive down expenditures. The State should also continue the practice of aggregating electricity demand and using strategies such as reverse online auctions to obtain the lowest cost for electricity, while simultaneously continuing work to reduce energy consumption by improving operating procedures.

Inclusion of these items in the FY 2010 budget would result in savings of almost \$1.4 million with \$319,000 coming from terminating leases (offset in part by \$187,900 in relocation costs), \$309,000 from renegotiating leases, \$185,500 from removing rate escalators in existing leases, \$350,000 through reduced contractual services, and

\$390,000 from energy consumption reductions. A more aggressive negotiating stance on lease expenses would potentially yield an additional \$0.9 million or more for the FY 2010 budget.

### **PERFORM AN ORGANIZATIONAL REVIEW OF THE DELAWARE ECONOMIC DEVELOPMENT OFFICE**

The Delaware Economic Development Office (DEDO) is taking proactive measures to minimize the effects of the current contraction in Delaware's economy. DEDO is reviewing its organizational structure for restructuring and reengineering opportunities. DEDO will have a greater concentration on small business growth, enhance efforts to support the expansion of existing businesses, and focus on growing industries including "green" industries, information technology, health sciences/health care, education and tourism. DEDO is also committing to running lean in its own efforts and has recommended freezing nine (9) positions of its authorized 51 full time positions and reverting the associated funding. These efforts would generate savings of \$633,000. These amounts have not been included in the current proposed budget.

### **REVIEW HEALTH AND SOCIAL SERVICES PROGRAM UTILIZATION AND FUNDING**

The Department of Health and Social Services (DHSS) requested all of its operating divisions to review services provided and identify where cost reductions could be implemented. These proposals noted cost saving amounts, impact on clients, and whether legislation would be required. Savings have been identified where budgeted dollars exceed current program levels and support budgets can be reduced. The two largest savings opportunities are at the Division of Public Health (DPH), which can eliminate the adolescent pregnancy prevention program, and the Delaware Psychiatric Center (DPC), which can reduce supplies and materials due to its declining census. These efforts would generate savings of \$885,500 expected to be included in the proposed budget. An additional \$652,000 may also be available by switching funding to other sources and by reducing several maintenance contracts.

### **CONTAIN DHSS HEALTH CARE COSTS**

DHSS requested all of its operating divisions to review the services provided and identify where health care cost reductions could be implemented. Up to \$322,700 may be available through the elimination of payments for bed holds and the reduction of one health care position.

### **REDUCE INDIRECT REIMBURSEMENT RATES FOR DHSS CONTRACTUAL AGREEMENTS**

DHSS implements a variety of contracts that fall into the following categories: cost-based, performance-based, fee for service, and time & materials. In FY 2008, over 1,526 contracts were developed and managed by DHSS. The Department has no standardized policy regarding the reimbursement of the indirect cost rate for cost-based contracts.

Some federal programs and grants stipulate different reimbursement rates for indirect costs. Currently, indirect cost rates on existing DHSS contracts vary from 12% to 15%. Indirect cost reimbursement rates should be capped at 12% beginning with approximately 25% (385) of the total contracts managed by DHSS during FY 2010. Establishing this cap will significantly increase savings without jeopardizing the viability of vendors. This recommendation would apply to each eligible contract as it is renewed and will result in first year savings of \$225,000. These savings are not included in the current budget plan.

### **LEVERAGE U.S. FISH AND WILDLIFE FUNDING**

The Department of Natural Resources and Environmental Control (DNREC), Division of Fish and Wildlife receives an annual non-appropriated special funds (NSF) apportionment from the U.S. Fish and Wildlife Service, under a sub-account dedicated to Aquatic Resource Education, from the Federal Aid in Sport Fish Restoration Act. Under this program a State may use up to 15% of the annual apportionment to support aquatic education and outreach programs. Therefore there is an opportunity to switch the unutilized portion of the 15% allocation for Aquatic Resource Education expenditures to support the Mispillion Harbor/DuPont Nature Center operations and free up state GF dollars. The Division of Fish and Wildlife

should switch operational support funding resulting in savings of \$17,000 which is not currently included in the budget plan.

### **REALIGN POLLUTION PREVENTION PROGRAM WITH SOLID AND HAZARDOUS WASTE PROGRAMS**

Delaware's Pollution Prevention Program was initiated in 1990 following passage of the federal and state Pollution Prevention acts. Focusing on its mission to "reduce, re-use and recycle," DNREC has used a modest federal grant program to promote source reduction of wastes in the industrial, commercial, and residential sectors of our economy. DNREC proposes to move the P2 program into the Division of Air and Waste Management and administer the P2 federal grant from within the Solid and Hazardous Waste Management Section. The result of this move will be to streamline P2 services and leverage additional federal funds. The overall general fund savings is \$67,000 and is not included in the current FY 2010 plan.

### **IMPROVE EFFICIENCIES AT OMMELANDEN**

DNREC receives an annual NSF apportionment from the U.S. Fish and Wildlife Service, under a sub account dedicated to Hunter Education, through the Federal Aid in Wildlife Restoration Act. The Division of Fish and Wildlife Services should free up General Funds (GF) used to support the funding of a position for the Ommelanden Hunter Education program, by utilizing available new funds from fee increases for hunting licenses and a portion of available U.S. Fish and Wildlife Non-appropriated Special Funds (NSF). A general fund savings of \$40,000 will be realized which is not currently included in the FY 2010 budget plan.

### **IMPLEMENT E-GOVERNMENT SOLUTION FOR THE PUBLICATION OF LEGAL NOTICES**

DNREC is required by Delaware law and in the interest of "fair play" to notify all Delawareans of its proposed actions and to solicit public input into its decisions. The Department of Natural Resources and Environmental Control (DNREC) should discontinue the printing of legal notices and move toward an e-government solution.

Specifically, DNREC recommends using the State website for all legal notices, providing a subscription service for interested Delawareans to receive notices automatically through telephone and email, and using libraries and other community-based organizations for distribution of paper copies of notices. This system would replace the current legal notice rules that require the State to spend thousands on newspaper advertisements that are only published for a day or two.

DNREC should seek legislation in the current General Assembly to allow DNREC to move to an entirely Internet-based legal notice system where legal notices would be continuously published for extended periods on a Statewide database similar to the State's successful online public meeting calendar. This initiative will save \$148,000 annually including \$13,000 to the GF.

### **SHORTEN INTEREST TIMEFRAME ON TAX REFUNDS**

Under current State law, interest is paid on both business and personal tax refunds and overpayments back to the original due date of the tax return within certain limitations. For example, amended returns for prior tax periods can result in significant exposure to the State for interest (currently paid at 6% per annum). In today's complex tax environment, interest payments to taxpayers are occurring with increasing frequency as individuals and businesses amend complex tax returns for prior periods. In most situations, interest is owed for at least two years and often for three or more years.

The Department of Finance recommends that the State seek legislation to start the interest clock at 45 days from receipt of the amended return. This timeframe matches current requirements that the State pay interest on a refund request beginning 45 days from receipt of a new return. Such a requirement is fair to the individual or filing entity since interest refunds will more closely match when the return was completed. Based on historical data, such a change will reduce the State's refund/overpayment interest costs by an estimated \$2.1 million if legislation is enacted by July 1, 2009.

## **INCREASE TAX COLLECTIONS BY ENHANCING ENFORCEMENT STAFFING LEVELS**

The Division of Revenue (DOR) recommends that existing tax enforcement efforts be enhanced by allowing contractual staff to access personal income tax returns and by hiring additional audit staff.

Due to privacy and confidentiality issues, there has been sensitivity and caution exercised in allowing access to personal income tax returns by anyone other than DOR merit system employees. Delaware has successfully used contractual staff for business tax enforcement for several years. Through the use of legally binding non-disclosure agreements, IRS regulations, and internal controls, Delaware has enjoyed several years of zero exceptions on business taxes. Many other states have demonstrated that enforcement contractual staff can be effectively and efficiently used with personal taxes. The State should modify the Operating Budget Epilogue to allow use of enforcement contractual staff for personal taxes. It would be prudent to prove the concept with a few contractual staff the first year and ramp up in successive years as a track record is established. In the first year, the Department of Finance anticipates \$1 million of additional collections. This proposal is not currently included the FY 2010 budget proposal.

For the small minority of taxpayers who do not or cannot comply with State tax laws, it becomes especially important that the DOR have the resources to respond appropriately to enforcement needs. This is particularly true in this environment with severe economic challenges. Delaware has long enjoyed a healthy return on its investment in tax enforcement ranging in excess of 10:1 in recent years. The Department of Finance recommends hiring authority for four currently vacant positions: one manager in the Business Tax Audit Bureau, one manager and one supervisor in the Personal Tax Audit Bureau, and one Assistant Director in the Collections Bureau.

This proposal is not currently in the FY 2010 budget proposal, but assuming a conservative 8:1 return for this investment, the State should realize an incremental \$0.9 million gain to the General Fund. On a combined basis, enhanced enforcement staffing will contribute more than \$1.9 million to the General Fund.

## **PROMOTE E-COMMERCE AND GOING PAPERLESS**

DOR is implementing a systematic plan to expand e-Commerce. Major initiatives have been completed for online Personal Income Tax filings, Electronic Data Interchange (EDI) for Withholding Tax, ACH and Credit Card payment options, "One Stop" New Business Licensing, and Gross Receipts Online Filing. Three more are nearing completion – Online Corporate Income Tax (CIT)/Partnership Filing, online account access and billing, and scaled-back paper correspondence, forms and instructions.

Corporate income tax e-filing is scheduled to go "live" in September 2009 which will eliminate the need for an outsourced data capture (keying) expense of \$125,000 annually. The remaining two initiatives combined with the online gross receipts filing already in place can save \$150,000 annually in printing and mailing costs while improving the experience for the filer. The Department of Finance recommends completing these initiatives with an expected gain to the FY 2010 budget of \$137,500, half the combined total the first year.

## **REDUCE BANK FEES ON FUNDING OF DEPOSITORY ACCOUNTS**

The Division of Corporations (DOC) pays approximately \$500,000 in annual bank fees associated with customers that fund depository accounts with the Division by using a credit card. When an ACH debit program was instituted in FY 2008, customers were advised that ACH debit was a preferred option that DOC would be using to reduce costs. Just like credit card payments, ACH expedites funding to the depository accounts. In addition, settlement of the ACH to the State's account occurs one day sooner than settlement on credit cards, thereby making funds available to the State one day earlier.

DOC recommends eliminating credit card payments as an option for funding depository accounts and to convert remaining credit card customers to the ACH debit program. A change in policy would enable the Division to revert an additional \$500,000 annually to the State's General Fund.

## **SELL SELECT PROPERTY HOLDINGS**

The Division of Historical & Cultural Affairs (HCA) owns and manages 33 properties—containing 111 buildings and structures—for the State of Delaware. The campus for these properties spans the entire state and includes a church, two former State Capitols, two lighthouses, a monument, and a park. HCA operates eight museums and one conference center. These nine facilities are HCA's core property holdings. The balance of the properties is either leased to community history-based groups (at \$1 per year), leased for agricultural purposes at standard rates, or leased to commercial entities or private residents at below-market rates with maintenance agreements.

The carrying costs for these non-core sites are significant including \$500,000 for minor capital improvements and \$350,000 for museum maintenance. Separate capital projects have totaled \$10.1 million in the past ten years. HCA should reduce its property holdings through the transfer of properties to other entities at no cost, but maintain stewardship responsibilities through the use of preservation easements and covenants as a cost avoidance measure. If the recommended measures for property transfer and sale are taken, it would result in substantial cost avoidance over the next 10 years for cyclical maintenance as well as the elimination of annual utility and other costs. Savings from this initiative could total \$32,600 in FY 2010.

## **SPLIT PERB BINDING INTEREST ARBITRATION COSTS**

Mediation is a process in which an impartial third party facilitates communication and negotiation and promotes voluntary decision making by the parties to resolve an impasse. The costs of mediation are controlled by the Public Employment Relations Board (PERB) imposed three-session limit. Parties have an incentive to engage in mediation in good faith, because the next step in the process is binding interest arbitration (BIA). Under BIA, the parties must share all costs of the process and the settlement is determined by selection of the last, best, final offer of one of the parties in its entirety (i.e., there is a winner and a loser).

PERB currently does not charge parties for staff costs, but could begin to charge at a competitive rate of \$1,000 per day for staff time including facilitation and hearing

days. This would not require any legislative change, but rather only a procedural change for PERB. It would serve as a further incentive for parties to make effective use of mediation, which results in savings of PERB staff resources. Implementing this change in policy would save \$15,000 annually to the General Fund.

## **IMPROVE COORDINATION AMONG STATE HISTORICAL, CULTURAL, AND INFORMATION SERVICE FUNCTIONS**

Part of the mission of the Department of State is to preserve and promote the state's history and arts through its Division of the Arts, Division of Historical & Cultural Affairs, and the Delaware Public Archives. The Department promotes citizen access to information through the Division of Libraries, the Public Archives, and the Government Information Center. There are a number of similar activities across the divisions that could possibly be combined or confederated to reduce duplication of efforts and make better use of human and material resources. This is especially needed as vacant positions are not being filled and will not be filled for the foreseeable future. With a number of employees in these divisions nearing retirement age, it is imperative that Department consider areas in which parts of divisions can work closely together to achieve a common mission.

Specifically, the Department of State should move the Division of Libraries and the Government Information Center staff to the Public Archives building - in addition to moving the Visitor Center to the Public Archives. Also, the Department should move the State Historic Preservation Office (SHPO) Research Center archaeology collection to the Public Archives to optimize public access to this material. Inclusion of this proposal in the budget would save \$31,000 to the General Fund in the first year.

## **LIMIT CONTRACTUAL UNARMED SECURITY AFTER HOURS AT STATE COURTS**

The State maintains a state contract vendor for unarmed security guards to provide a viable solution to state agencies needing a security presence in their facilities. Over the last five years Capitol Police has managed to reduce the number of contractual unarmed security guards and nearly removed them completely during normal business hours. However, contractual unarmed

security continues to be used in the New Castle County Courthouse, Kent County Courthouse and the Sussex County Courthouse after normal business hours.

Services provided by contractual unarmed security guards are unnecessary and create a false sense of security among state employees, elected and appointed officials, judges, staff, patrons and other visitors to the Courts. The State should discontinue the use of contractual security guards at the Kent and Sussex County Courthouses and eliminate general fund appropriations from the Department of Safety and Homeland Security for the New Castle County Courthouse. The Division of Capitol Police is confident that these changes would not impact the services provided by the courts and could actually improve security by ensuring that facilities are fully secure at the completion of each business day. Elimination of these contractual expenses would total \$133,000 and is not currently in the FY 2010 budget plan.

#### **ELIMINATE THE STATE POLICE READY RESERVE SYSTEM**

The General Assembly established the Ready Reserve Program in 2006 to be staffed with retired members of the Delaware State Police. The intent was to create a ready pool of officers from which the Superintendent could draw in cases of extreme emergencies. Participants are compensated at \$1,500 per year. If activated, they are to be paid as troopers. The program currently has just 7 participants. It was originally anticipated that there would be 30 participants and the force has never been activated.

The program does provide a pool from which to draw in cases of extreme emergencies, such as a hurricane. However, the participation level is so low that the critical mass needed to address the situations envisioned by the legislation may not exist. The program has never been activated and thus cannot be evaluated for its true effectiveness.

The State should eliminate the Ready Reserve Program. The level of participation to date has not produced the critical mass needed to provide a meaningful impact during an extreme emergency. Savings to the general fund would be \$11,500 in FY 2010. These savings are not currently in the proposed budget plan.

#### **ALIGN WITH FAIR LABOR STANDARDS ACT (FLSA) OVERTIME POLICY**

The federal Fair Labor Standards Act (FLSA) requires payment of time and one-half for non-exempt employees working over 40 hours per week. The State's standard work week is 37.5 hours (except those employees on a 40 hour standard) and many of those employees are paid overtime after 37.5 hours rather than at the 40-hour standard.

The statewide cost of overtime payments was approximately \$40 million in FY 2008. For employees on the 37.5 hour standard, overtime payments totaled \$17 million. One-third of this amount of \$5.6 million is the amount of additional compensation that employees received over and above straight time. A sampling of 200 employees found that approximately 60% of all overtime hours are worked between 37.5 and 40 hours. Assuming 60% is a reasonable estimate for all state employees, using the federal 40-hour standard for overtime payment for all state employees and paying only straight time between 37.5 and 40 hours in a week would save the State approximately \$3.3 million across all funds.

The implementation of this recommendation requires a change in merit rule 4.13.1, which requires time and one-half payment after 37.5 hours for employees with that schedule, and merit rule 4.13.8, which permits payment of time and one-half after 37.5 hours for nurses. The change could be included in epilogue language and take effect in FY 2010. Approximately 80% of the affected employees are covered by collective bargaining agreements; however, a change in statute would take precedent over terms of those agreements.

#### **IMPLEMENT PLAN DESIGN CHANGES TO THE STATE EMPLOYEES' PENSION PLAN**

The State could consider creating a new tier of pension benefits for employees hired after a certain date. The following plan provisions for this new tier would reduce the State Employees' Pension Plan's normal cost as a percentage of payroll from 6.85% to 5.3%:

- Change the eligibility for normal retirement to age 62 with five years of service or at any age with 30 years of service. Remove the early retirement provision.

- Change the multiplier in the calculation of benefits from 1.85% to 1.67%.
- Remove the \$7,000 burial benefit.
- Increase member contributions to 3% of all salary.
- For health insurance, employees would pay 100% of coverage if they had less than 20 years of service. Otherwise, they would receive a full employer share.

Implementation of these changes would save \$1.3 million across all funds in FY 2010 including \$887,600 for the GF in FY 2010. Savings would increase in subsequent years. This proposal is not included in the current budget plan.

**IDENTIFY COST EFFICIENCIES IN THE DELAWARE PUBLIC EMPLOYEES’ RETIREMENT SYSTEM (DPERS)**

Under the terms of the current State Employees’ Pension Plan, employees are paid for half of their unused sick leave accrual (up to a maximum of 90 days) at the time of retirement. This lump sum payment is typically included in the employee’s last paycheck. Remaining sick leave above the 90 day maximum can be purchased by the employee for pension service credit. For every 21 days the employee can purchase one month of pension credit up to one year. During FY 2008 the payoff to retiring employees for their sick leave balances exceeded \$4 million.

Before any change could be made to this policy, some legal research needs to be completed to determine if this is an accrued benefit and if existing State employees have certain protections for this payout.

DPERS is also responsible for the administration of the County & Municipal Police and Firefighters’ COLA (cost of living allowance) Fund. This is a mechanism for funding post-retirement increases granted by employers who participate in the County & Municipal Police and Firefighters’ Pension Plan. This mechanism allows the State to appropriate funds to a separate COLA Fund managed by the DPERS Board of Pension Trustees. Funds are generated through a 0.25% tax on the value of certain insurance premiums written within the State. Proceeds are transferred to the State and local governments on a per member basis. When a participating employer grants an increase for a plan outside the County & Municipal Plan, funds are transferred from the COLA fund to the employer. The participating employer provides 25% of the funds to match the State’s contribution of 75% of the cost of the increase.

The State has already committed to fund previously granted post-retirement increases over an extended period of time (through 2020). The State should not commit to any further increases in the future and participating employers should provide and fund increases for their individual plans when appropriate.

Implementation of these changes would save \$750,000 across all funds in FY 2010 including \$525,000 for the GF in FY 2010. Savings would increase in subsequent years. This proposal is not included in the current budget plan.

TABLE 2

INITIATIVES FOR CONSIDERATION IN FY 2010 BUDGET PLAN	
Initiative	GF \$ (\$1,000s)
Reduce Procurement Costs	\$3,400.0
Align with Fair Labor Standards Act (FLSA) Overtime Policy	\$3,300.0
Consolidate Executive Branch Shared Services Personnel	\$2,500.0
Reduce Cost and Improve Use of Owned and Leased Properties	\$2,266.2
Shorten Interest Timeframe on Tax Refunds	\$2,073.0
Increase Tax Collections by Enhancing Enforcement Staffing Levels	\$1,914.5
Review Health and Social Services Program Utilization and Funding	\$1,537.5
Review Cell Phone and Blackberry Utilization	\$1,500.0
Reduce Fleet Costs	\$1,200.0
Consolidate Education Central Services Personnel	\$1,180.0
Implement Plan Design Changes to the State Employees' Pension Plan	\$887.6
Perform Organizational Review of the Delaware Economic Development Office	\$633.0
Identify Cost Efficiencies in Delaware Public Employees' Retirement System (DPERS)	\$525.0
Reduce Bank Fees on Funding of Depository Accounts	\$500.0
Reduce Output Management Costs	\$390.3
Contain DHSS Health Care Costs	\$322.7
Reduce Indirect Reimbursement Rates for DHSS Contractual Agreements	\$225.0
Promote e-Commerce and Going Paperless	\$137.5
Limit Contractual Unarmed Security After Hours at State Courts	\$133.0
Realign Pollution Prevention Program with Solid and Hazardous Waste Programs	\$67.0
Improve Efficiencies at Ommelanden	\$40.1
Sell Select Property Holdings	\$32.6
Improve Coordination among State Historical, Cultural, and Information Service Functions	\$31.0
Leverage U.S. Fish and Wildlife Funding	\$17.0
Split PERB Binding Interest Arbitration Costs	\$15.0
Implement e-Government Solution for the Publication of Legal Notices	\$13.0
Eliminate the State Police Ready Reserve System	\$11.5
<b>Total</b>	<b>\$24,852.5</b>



## Initiatives for Consideration in the Fiscal Year 2010 Transportation Trust Fund (TTF) Budget Plan (\$3.9 million)

The Delaware Department of Transportation (DelDOT) has identified several initiatives through the Government Performance Review Process (*see Table 3*) for consideration in the FY 2010 Transportation Trust Fund (TTF) operating and capital budgets. The total savings and revenue opportunities for FY 2010 within the TTF is \$3.9 million. Of this amount, \$1.5 million would be operating savings, \$1 million would be capital savings, and \$1.4 million would be net revenue gains.

These 19 proposals are as follows:

### **REVIEW TAKE-HOME VEHICLE POLICY AND PRACTICES**

Take-home vehicles within DelDOT are used to facilitate prompt response to emergency callback situations across the State. When an emergency exists, having responsible and trained personnel respond quickly is often critical to the safety of the traveling public. Over time, some vehicle take-home justification has expanded to include other than emergency callback situations. Additionally, employees may be assigned to a project that is closer to their home than their assigned work location. In these cases the Department can save time and labor as well as wear and tear on the vehicle by assigning the vehicle to the project location or to another secure location nearby.

DelDOT plans to reduce the number of vehicles going home on a regular basis by 58 units or 33% (down from 168 to 111), and will change the current practice for on-call take home vehicles so that a vehicle is taken home only when the employee is actually on call. This reduction will result in reduced mileage, the return of blocked vehicles, operating savings of \$150,000 to the TTF, and capital savings of \$150,000 to the TTF.

### **EVALUATE CURRENT GRASS MOWING PRACTICES**

DelDOT's current mowing policy was approved in 1984. This policy describes various mowing regimens based on road classifications and urban vs. suburban locations. The policy describes the number of cycles to be completed along with grass height requirements. Mowing procedures and performance measures have been reviewed several times since the creation of this policy. A revised version of the policy is currently being drafted, and will be based on the results of the research program entitled "Enhancing Delaware Highways." Any new policy will also include information obtained from a planned mowing height study, which will compare turf health and pollutant filtering from storm water based on various mowing heights.

DelDOT will reduce the number of mowing cycles by 25%, saving \$222,000 and will discontinue contract mowing in two districts to save approximately \$215,000 annually. Changes in mowing practices will provide \$435,000 of operating savings to the TTF in FY 2010.

### **REVIEW CONTRACT FOR E-ZPASS CUSTOMER SERVICE CENTER**

The impact of the E-ZPass program on Delaware has been phenomenal. In fiscal year 2008, the E-ZPass program collected \$91.7 million, or about 60% of all DelDOT toll revenues. The E-ZPass Customer Service Center (contracted with TransCore) performs all the vital operations necessary to participate in an electronic toll collection program. This includes establishing customer accounts including programming and mailing of transponders, maintaining customer account information, processing payments to customer accounts, issuing

notices regarding account balances and credit card payments, providing credit card processing services, and managing the E-Z Pass website.

E-Z Pass customers receive periodic paper statements of their use of E-Z Pass. DelDOT proposes to eliminate paper statements for an annual savings of \$248,000. There will be, however, an expense of approximately \$25,000 for software updates, web page changes, and account holder notification. Net anticipated annual operating savings to the TTF are \$223,000.

## **REVIEW NPDES COMPLIANCE REQUIREMENTS**

The National Pollutant Discharge Elimination System (NPDES) Program is responsible for ensuring that the DelDOT is compliant with state and federal regulations related to stormwater discharges and water quality. The current annual budget for the DelDOT NPDES Program is \$2.46 million. This budget is allocated among many diverse program elements, each of which exists because it is required by one or more regulatory documents.

Compliance with the NPDES permits (Phase I, Phase II and Industrial) and consent decree is determined by the U.S. EPA, U.S. Department of Justice and the Delaware Department of Natural Resources and Environmental Control (DNREC) through DelDOT's annual reporting and audits conducted by the EPA. DelDOT has reviewed the entire NPDES program to determine opportunities to reduce program costs while still meeting all legal requirements and the intent of the permits and any consent decrees so as to withstand serious scrutiny by state and federal authorities.

A review of eight main categories of spending for the NPDES program has revealed opportunities for significant cost savings and DelDOT believes it can reduce its annual NPDES budget by \$390,000.

## **REDUCE DELAWARE TRANSIT CORPORATION (DTC) RADIO AND DISPATCH COSTS**

DTC currently has a 500 bus fleet equipped with radios and CAD/AVL which are used by dispatchers to relay information to bus operators and to track buses and monitor driver activity. The old radios and CAD/AVL

system were purchased in 2002 and have a life of 10 years. The challenge with the current consultant contract is that the radio and CAD/AVL system repair must be performed at night or when the buses are not in service. The cost of service from the contractor at night is always at a premium.

DTC plans to renegotiate the radio maintenance contract and improve communications, monitoring of bus locations and schedule adherence by bringing radio and CAD/AVL system maintenance service in house. By doing this, DTC will increase safety, improve fleet management and maximize customer service. This initiative will result in \$90,000 of operating savings to the Transportation Trust Fund.

## **MODIFY FREE DISSEMINATION OF DRIVER MANUALS**

Historically, the Division of Motor Vehicles (DMV) has provided all schools and for profit entities free copies of the Delaware Driver Manual. The Division updates the manual annually to ensure the accuracy of all federal and state laws and regulations in the manual.

The public school districts should work with the state printing office to place orders for the manuals and pay the cost associated with the order. DMV would coordinate orders with the Department of Education (DOE) to ensure bulk printing rates could be optimized. Driver education teachers should use the new DMV website, which includes the driver manual and various teaching tools, in the classroom because it is a free service and contains the most up-to-date information for Delaware drivers. DMV should charge private entities a flat rate for each driver manual, which will, at a minimum, cover printing and handling costs incurred by the Division to produce the manuals. The estimated first year savings to the TTF is \$80,000 including a \$30,000 savings in operating costs and a \$50,000 revenue opportunity.

## **RENEGOTIATE LICENSE PLATE VENDOR CONTRACT**

DMV registers and provides license plates for more than 840,000 vehicles. In FY 2008, the cost of purchasing license plates was over \$400,000, which does not include storage and internal distribution costs.

DMV can work with the license plate vendor to take two cost savings steps. First, DMV should modify the plate's design to include embossing of the edges of the plate. This gives the plate additional structural strength and allows the plate to be thinner while still meeting strength and integrity standards. The second cost-saving step is to review the cost of aluminum quarterly. If the cost of aluminum increases, the vendor would be authorized to impose a surcharge. If the cost of aluminum declines, the price of the plates purchased during the next quarter would be reduced. If implemented, estimated savings to the TTF would be \$12,000.

### **IMPLEMENT ELECTRONIC SIGNATURE PROJECT**

DMV customers can register to vote or change their voter registration information while conducting DMV business. The Division distributes the information to the corresponding county elections office. The current process of collecting voter information is outdated and inefficient, which causes the possibility of inaccurate data being sent to the Delaware Department of Elections (Elections).

DMV should partner with Elections and the Department of Technology and Information (DTI) to create a paperless voter registration process that automates the existing manually intensive process and automates the transfer of elections information collected by DMV.

The eSignature Project will improve the security and quality of this data exchange and increase customer service. With this automation, new security checks will be put in place for data being transmitted to Elections from DMV. The eSignature Project is completely paperless and supports the Green Delaware initiative. Full year savings may total \$100,000 with half of those savings (\$50,000) achieved in the first year.

### **USE CAPITOL POLICE AT DMV SITES**

DMV facilities are among the most visited of all state offices, which creates situations that can be busy, tense, and crowded. Because of those conditions, DMV has found it valuable to have a uniformed police presence in facilities because it has a quieting affect within these facilities, which creates a more pleasant atmosphere for customers and employees alike. Most importantly,

the number of confrontations and potentially hostile situations are drastically reduced.

All officers in DMV facilities work overtime hours and were Delaware State Police Troopers. Recently, Capitol Police was able to provide overtime officers for the DMV Dover facility. The overtime rate for Capitol Police was an average of 40% less than the State Police rate. DMV should continue working with Capitol Police to explore the possibility of Capitol Police providing security services statewide. Based on the initial pilot test at the Dover offices, estimated annual savings to the TTF would be \$30,000 in the first year.

### **IMPROVE THE ADOPT-A-HIGHWAY PROGRAM**

The Adopt-A-Highway Program (AAH) provides a cost-effective and community-based way to control litter and keep our highways safe. The program is popular among individuals, families, businesses, organizations, schools, and others seeking to participate in a community service or environmental activity. Volunteers join the AAH Program for a variety of reasons, ultimately with the goal of making Delaware a cleaner, greener, healthier place to enjoy.

DelDOT should continue this worthwhile safety and environmental program to fully embrace the work of our volunteers and ensure our roadways are maintained and safe from harmful debris. This program saves DelDOT in labor/personnel costs, as well as some material costs (some groups supply their own trash bags and dispose of the litter themselves). DelDOT does incur time/labor/personnel cost to remove filled trash bags from the roadside, including large items such as appliances, tires, etc., as well as the cost to dispose of such items. Expanding the number of volunteers in the AAH program would provide estimated annual savings of \$10,000 to the TTF.

### **IMPLEMENT PAPER CONSERVATION GREEN INITIATIVES**

The Department of Transportation (DelDOT) should analyze opportunities to use electronic signatures on internal approval documents, automate manual forms, and distribute plans electronically, in an effort to improve workflow and reduce paper and energy consumption. DelDOT should implement electronic

approval for Recommendations to Award, evaluate the effect of reducing the total number of original copies of signed documents from 4 to 2, and identify other internal documents that could be converted to electronic circulation and approval. By providing construction proposals and plans electronically for internal review and approval, DelDOT could reduce printing by up to 300,000 pages annually. Estimated savings for this effort are \$5,000.

### **REDUCE CONSULTANT ENGINEER SERVICES**

DelDOT should reduce consultant (engineer) services for capital projects by reviewing costs based on salaries paid to consultants and analyzing work distribution and utilization of junior engineer staff.

DelDOT currently uses consultants for two situations. The first is when the overall volume of work is greater than what the in-house capacity can manage. The second is when the nature of the work requires a specialized skill set that is not cost effective to maintain full-time due to its limited need. In a typical year, consultant costs are 15% of the total capital budget. In recent years, consultant spending has averaged roughly \$47.1 million.

DelDOT recommends instituting a detailed seven-step approach for determining the need for consultants and for how to manage the engagement once determined to move forward. The approach creates a periodic review process that takes accurate inventory of the skill set available internally and matches that to the needs of proposed capital improvement projects. Additionally, the approach includes benchmarking with other states to determine the accuracy of the sizing of projects in terms of resources and costs. With this information, DelDOT can best determine the cost-benefit of when to engage consultants to perform certain tasks. DelDOT believes that beginning to deploy this methodology can yield capital savings of \$600,000 to the TTF in Fiscal Year 2010.

### **CONSOLIDATE LEGAL SERVICES FOR REAL ESTATE**

DelDOT acquires and disposes of interests in real estate for the purpose of protecting and improving the transportation system in the State of Delaware. This work requires the services of an attorney in conducting

settlements and other related legal work. Historically, the legal services for settlements, including the preparation of the documents of conveyance and the disbursement of funds, and eminent domain proceedings, together with other related legal advice and opinions, have been provided through outside legal counsel on a competitive contract basis. On average, over the next three years, DelDOT expects to settle on 200 properties per year.

DelDOT expects to spend between \$200,000 and \$250,000 in legal fees during each of the next three years if it continues the current practice of using contracted legal services. This same work could be accomplished through the Attorney General's Office utilizing 80% of the time of a Deputy AG and the equivalent time of a paralegal and secretary. The other 20% of these employees' time will be used to accomplish other work that the AG's office has. DelDOT recommends changing its current practice and working through the AG's office going forward. This approach can save at least \$30,000 per year in capital costs by consolidating DelDOT's legal work related to real estate transactions. In addition, DelDOT expects to realize improvements in the effectiveness of its negotiations and productivity as a result of having direct and ready access to the services of a qualified Attorney.

### **DRIVE EFFICIENCIES IN PUBLIC WORKSHOPS AND PROJECT COMMUNICATION**

DelDOT conducts periodic public workshops in order to communicate with the public at key points in a project's lifecycle such as the preliminary design and final design stage of a road project. The majority of these workshops are not required by law. Workshops required by law include Capital Transportation Program (CTP) hearings, road vacations (removal from state maintenance), and projects that have environmental impacts.

In an effort to reduce the costs of holding workshops and to more efficiently communicate project impacts, DelDOT has developed a new, thriftier way to reach its targeted audiences through the use of "Virtual Public Workshops" which can sometimes replace live public workshops. DelDOT recommends moving towards "virtual public workshops" for smaller, historically more sparsely attended sessions with the goal of eliminating 5 small sessions in FY 2010 with an expected savings of \$2,000 each. This will save \$10,000 of capital expenses to the TTF.

## **PROMOTE NASCAR SPECIALTY PLATE PROJECT**

DMV currently issues legally-required license plates. Legislation also allows the DMV to issue specialty license plates to non-profit organizations. The DMV is allowed to charge a fee to cover design and administrative costs; however, these plates do not generate any revenue for the Transportation Trust Fund above costs. DMV issues approximately 400,000 license plates per year. The cost of most of these plates is absorbed as overhead. Because customers want to personalize their vehicles, the DMV began issuing vanity plates. This allowed the DMV to collect an extra \$40 per year per vanity in addition to the normal registration fee, demonstrating that customers are willing to pay for value-added services.

A state-approved NASCAR license plate would generate significant interest because it incorporates two popular brands -- that of NASCAR and the classic Delaware License Plate. Vendors are currently producing NASCAR-licensed plates for other states. One vendor estimates that a state can expect a penetration factor of 0.7% of total registrations. DMV believes that having Dover International Speedway located within the State will increase market penetration to 3%. Race Plate Marketing, LLC, is currently selling non-registered Delaware NASCAR plates for \$14.95. For a slightly higher fee, the DMV could offer a legitimate for-registration NASCAR plate. Legislation would be needed to authorize the DMV to issue the themed plate. The DMV recommends a fee structure that requires an initial fee plus an additional yearly fee above the registration fee.

The DMV suggests charging \$40 for the NASCAR plate plus an extra \$20 per year registration fee. Licensing and manufacturing fees would have to be finalized, but approximately \$22 of the initial \$40 would go to the TTF. Based on a market penetration rate of 1% of the total eligible registered vehicles in Delaware, the net projected revenues to the Transportation Trust Fund would be \$244,100 for the first year.

## **ENFORCE DMV VEHICLE REGISTRATION LAWS**

State law currently requires new residents to register their vehicles within 60 days of establishing residency in Delaware. The current fine for non-compliance is \$25. A number of new residents are not complying with the law

due to the cost of registering their vehicles in Delaware. Their failure to comply costs the state millions of dollars in lost revenue from registration and document fees. In addition, a number of the individuals who fail to register their vehicles are driving with no valid insurance and/or driver licenses - risking the lives and property of Delaware residents who comply with the law.

The \$25 fine for non-compliance with the current law is too low to encourage compliance. The law is also extremely difficult to enforce. A law enforcement officer would have to prove the individual is a resident of Delaware and has established residency for more than 60 days before issuing a citation. This would be an extremely time-consuming and costly proposition for law enforcement. The very low \$25 fine results in very little enforcement.

DMV recommends that a working group be empowered to address this problem. The group should review options such as:

- Substantially increasing the current fine from \$25 to \$400 or \$500;
- Looking at the possibility of confiscating vehicle license plates or impounding vehicles for non-compliance;
- Making the fine mandatory and not allowing it to be waived by the court;
- Looking at the possibility of allowing law enforcement agencies to receive a portion of the fine as an incentive to enforce the law;
- Making the law easy for law enforcement to enforce;
- Making an exemption in the law that takes into consideration vehicles owned by members of the military, out-of-state corporations (but driven by Delaware residents who are employees of the corporation), and students who attend college in Delaware.

In the interim, DMV projects that raising the fine to \$40 at a minimum would encourage more enforcement with an outcome of 2,500 more fines assessed in the first year, for a total revenue gain to the TTF of \$100,000.

## **IMPROVE TOLL VIOLATIONS ENFORCEMENT**

Advances in camera technology now make it possible to identify a greater number of toll violators, creating more opportunities for collection. In Fiscal Years 2008 and 2009, DelDOT installed new cameras specifically aimed at toll violators at the Biddle's Corner toll plaza, resulting in a reduction of voided images by approximately 56%. This improvement resulted in an increase in toll revenue and violation fees of approximately \$425,000 in the first year. Similar results are expected in following years. DelDOT intends to upgrade the toll violation camera systems this year at the Dover Toll Plaza in order to provide similar improved collections of toll violations at that facility.

The Dover Toll Plaza currently has a camera image void rate of 29%, which could result in an estimated 45,000 toll violation images voided due to an insufficient image this year. Upgrading the cameras to the newer technology will result in a significantly improved void rate and an increase in toll and violation revenue of an estimated \$225,150 per year. Additionally, since a high number of toll violators in these lanes are commercial vehicles with rented trailers, installation of front camera systems will increase the capture rate and generate a further \$258,900, for a total benefit of more than \$480,000 annually.

There are about 139,000 toll violations from FY06, FY07 and FY08 that are still in unpaid status after all collection attempts. Of those, 64,000 belong to Delaware citizens. DelDOT estimates that the upgrade in technology (costing \$450,000) coupled with improved enforcement techniques would generate an additional \$1,280,000 of revenue in the first year for the Transportation Trust Fund. In addition to upgrading the equipment to identify more violators, DelDOT recommends investing more effort in collection of unpaid fines by joining efforts with the Division of Revenue to intercept tax refunds and lottery winnings from toll violators.

## **IMPROVE COLLECTIONS OF DELINQUENT RED LIGHT VIOLATION FINES**

In 2005, the Department of Transportation (DelDOT) was charged with developing a red light video surveillance program to reduce red light running violations. The Electronic Red Light Safety Program (ERLSP) has been a success, with an 18% annual reduction in red light running violations and a 15% overall reduction in the

number of crashes since the program began. The program consists of 20 cameras throughout the state, including cameras in four jurisdictions (Dover, Newark, Elsmere, and Seaford). Ten additional cameras are expected to be installed in 2009.

Every 30 days that an ERLSP violation is not paid after the due date, the fine increases by \$10. After 90 days of not being paid, the fine is capped at \$142.50. The fine becomes delinquent after it is 120 days overdue. DelDOT recommends working with EZ-Pass to contract outside collections firms to improve the collection rate on delinquent balances. Although the number of violations is expected to decline over time due to the installation of more cameras, DelDOT believes a significant improvement in collection can be achieved that would generate \$154,000 back to the TTF in FY 2010.

## **REVIEW AGENCY OVERTIME**

A large percentage of overtime work at DelDOT is a result of the unpredictable nature of emergencies, including storms and accidents. The reasons for staff call-outs during off duty hours range from removing dead animals in the road, to repairing traffic signals, to replacing stop signs. During the winter months, DelDOT employees plow and salt roads to keep them free from ice and snow. High winds, excessive rain, and flooding can be year-round problems resulting in road and bridge closures, plus detours.

Another major reason for overtime is that some of DelDOT's duties are limited to certain timeframes. The construction season, normally from March through November, is the period when new roads are built and existing roads are repaved/resurfaced. Every effort must be made to bring projects to closure during this short window.

DelDOT will continue to hold internal discussions to ensure that overtime is justified and is the most appropriate means to accomplish the task. A reduction in overtime expenditures has a direct impact on the response currently received by the motoring public for services such as mowing, trash pick-up, drainage repairs, building and grounds maintenance, and other services. Overtime will continue to be authorized as needed for weather-related events, emergency response, shift coverage at 24/7 operations, inspection, and special events.

In FY 2009, DeIDOT successfully reduced overtime by nearly \$0.8 million. Since half of DeIDOT's Division Directors have mandated "no overtime" directives, and overtime in other divisions must be pre-approved, often at the Division Director level, it is anticipated that savings of \$1 million can be realized in FY 2010. Savings from reduced overtime will not reduce the overall budget, but are used to supplement the State's Snow/Storm Contingency Fund.

TABLE 3

INITIATIVES FOR CONSIDERATION IN THE FY 2010 TRANSPORTATION TRUST FUND (TTF) BUDGET PLAN					
Initiative	Total Year 1 TTF Benefit (\$1,000s)	Year 1 TTF Operating Benefit (\$1,000s)	Year 1 TTF Revenue Benefit (\$1,000s)	Year 1 TTF Capital Benefit (\$1,000s)	Cost to Implement (\$1,000s)
Improve Toll Violation Enforcement	\$830.0		\$1,280.0		\$450.0
Reduce Consultant Engineer Services	\$600.0			\$600.0	
Evaluate Current Grass Mowing Practices	\$435.0	\$435.0			
Review NPDES Compliance Requirements	\$390.0	\$390.0			
Extend Asset Life of Fleet and Computer Equipment	\$315.0	\$125.0		\$200.0	\$10.0
Review Take-Home Vehicle Policy and Practices	\$300.0	\$150.0		\$150.0	
Promote NASCAR Speciality License Plate Project	\$244.1		\$244.1		
Review Contract for EZ Pass Customer Service Center	\$223.0	\$248.0			\$25.0
Improve Collections of Delinquent Fees	\$154.0		\$154.0		
Enforce DMV Vehicle Registration Laws	\$100.0		\$100.0		
Reduce DTC Radio and Dispatch Costs	\$90.0	\$90.0			
Modify Free Dissemination of Driver Manuals	\$80.0	\$30.0	\$50.0		
Implement Electronic Signature Project	\$50.0	\$50.0			
Use Capitol Police at DMV Sites	\$30.0	\$30.0			
Consolidate Legal Services for Real Estate	\$30.0			\$30.0	
Renegotiate License Plate Vendor Contract	\$12.0	\$12.0			
Improve the Adopt-a-Highway Program	\$10.0	\$10.0			
Drive Efficiencies in Public Workshops and Public Communications	\$10.0			\$10.0	
Implement Paper Conservation Green Initiatives	\$5.0	\$5.0			
<b>Total</b>	<b>\$3,908.1</b>	<b>\$1,575.0</b>	<b>\$1,828.1</b>	<b>\$990.0</b>	<b>\$485.0</b>

Review Agency Overtime*	\$1,000.0
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\* Savings transferred internally to Snow/Storm Contingency Fund