



Due Diligence

When graduating high school students apply for college, they spend a great deal of time researching where they would like to go and deciding where to apply. They research schools, visit campuses and give serious consideration to factors such as cost, social environment, location, academics, etc... They do this BEFORE applications are due. In looking ahead to 2010, it would be wise for Delaware policymakers to act now through research and planning so that they can make sound decisions next year.

Political and budget experts across Delaware have noted that the budget situation for the state could be worse in 2010 than what was experienced this most recent fiscal year. It is predicted that despite the tax and fee increases that were imposed during the most recent legislative session, revenues will still be below proposed spending levels.

Here is a quick refresher on the budgetary trends in Delaware. In the last ten years:

- Inflation adjusted state spending per person has increased by 15%;
- Inflation adjusted state revenue per person has increased by 11% (note the 4% difference); and
- Inflation adjusted state debt per person has increased by 20%.

With one-third of state revenue coming from out-of-state sources, Delawareans have far less skin in the game when it comes to state taxes than do residents of other states. Citizens, unfortunately, are less concerned with the management of state government. If the state continues on its current trajectory, make no mistake that Delawareans will begin to feel the burden of a growing state government.

As devastating as it is, the current economic situation presents policymakers with a distinct opportunity to enact significant reforms – reforms that will right the state's fiscal house and prepare the state for an economic recovery that sees new jobs being created, a resurgence of existing businesses and improved performance of government in general and our schools specifically.

We are presented a gift-wrapped opportunity to re-examine government so that we can better prioritize the use of taxpayer money. The first report produced by Governor Jack Markell's performance review team has outlined numerous positive actions that can be taken to accomplish the objectives laid out above.

Even with reforms, we must be reminded that tax and fee increases, which played a substantial role in balancing the fiscal year 2010 budget, must not and cannot play as large a role come January's return to session. Instead, a combination of cuts, reforms and refocusing of priorities must be the methods by which the challenges are resolved.

With this in mind, here are just a few suggestions for the legislature to consider:

- Re-evaluate Delaware's Medicaid system;
- Refocus long-term care away from institutions and toward lower-cost community care;
- Study options to move the state pension plan from a defined-benefit plan to a defined-contribution plan;
- Eliminate the state's prevailing wage requirement for all state and school projects; (The oft-cited LEAD Committee estimated savings from eliminating this requirement to be at least \$21 million annually)
- Implement a program to sell naming rights for Delaware roadways, bridges and facilities; and
- Re-evaluate Delaware's SEED Scholarship Program to a program:
 - Require a higher GPA (from 2.5 to 3.0) while receiving the scholarship; and
 - Require SEED recipients to work in the state one year for every year the scholarship was received.

Giving thought to these ideas and many others which may be proposed prior to the 2010 legislative session will better prepare policymakers for coming budget issues and set Delaware on a better course.

The Caesar Rodney Institute is a 501(c)(3) non-partisan research and educational organization and is committed to being a catalyst for improved performance, accountability, and efficiency in Delaware government.