

April 14, 2009

Governor Jack Markell  
Tatnall Building  
William Penn Street, 2nd Floor  
Dover, DE 19901

Governor Markell,

Recently, you unveiled a list of proposals designed to bridge the gap between expected revenues and projected appropriations for the upcoming fiscal year.

We fully appreciate the magnitude and difficulty of that task.

We also acknowledge that your suggestions were not offered as a finished product, but rather a work-in-progress. With that in mind, we offer the following suggestions to help our state meet the immediate fiscal challenges and position us for future success.

### **Gaming**

While we understand your desire to grow Delaware's gaming industry, your initial proposal was so ambitious that it fractured support for expanded legalized gambling. The follow-up proposal (HS 1 for HB 100), while more conservative, still raises concerns about damaging the viability of our current racinos and the jobs and revenue they provide.

As an alternative, we suggest authorizing sports-betting at the three existing slot machine facilities and splitting the net slots and sports-wagering revenue evenly between the tracks and the state. We believe this streamlined proposal can be quickly enacted.

Additionally, we suggest empanelling a task force – including representation from each General Assembly caucus – to investigate and report on legalizing table games, with recommendations to be delivered by the start of the year.

The state should also reexamine its lease and maintenance agreement with the slot machine vendors to see if a more favorable deal can be struck.

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## **State Employees**

We understand the need to reduce the cost of government, but believe your proposals to reduce the salaries of all state workers by eight percent, while raising the cost of their health insurance, places too heavy a burden on these workers. In the interests of equity, we suggest significantly reducing the size of this cut and implementing it on a graduated scale based on annual earnings.

We also believe state employees should have the voluntary option of taking up to 10 days of unpaid leave during the upcoming budget year.

You have said state government needs to be smaller and more nimble. To that end, we recommend reducing the size of government by cutting the number of state employees through attrition and early retirement. Currently, our state spends 98-percent of projected revenue. We suggest placing half of the unencumbered cash (one-percent of projected revenue or about \$30 million) into the state's retirement trust fund to help facilitate these early retirements.

Finally, we urge you to support the enactment of House Bill 101. State pensions are calculated on the three highest years of earnings. Often, this is an employee's last three years on the job. HB 101 recognizes this and protects employees on the cusp of retirement from any pay cut that may be imposed on workers. For the purposes of retirement calculations only, HB 101 would "freeze" salaries at current levels.

## **Efficiency & Cost-Cutting**

One of the initiatives we should be undertaking to make government operations more efficient is harnessing the intellectual power of our people. To that end, we would like you to support the creation of a program whereby state employees and private citizens can make suggestions to cut costs and/or improve efficiency. If the idea has merit and is implemented, the person submitting the idea would get 10-percent of the estimated first year cost savings (capped at \$25,000). Other governments, as well as many companies in the private sector, have had such programs for many years. Delaware could benefit by emulating the best of these efforts.

Along these same lines, we believe House Bill 90 should become law. This legislation seeks to create a searchable database of the state budget that citizens could access online. Other states where this has been implemented, like Kansas, have seen huge savings resulting from citizen activists combing through the budget and generating good ideas.

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Speaking of good ideas, last year's report by the Leadership for Education Achievement in Delaware (LEAD) contained numerous suggestions to more efficiently fund public education. For instance, to save money on school construction, designs should be standardized – reducing planning costs and leveraging better prices on the purchase of materials. Together, the report estimates these changes could save \$10 million to \$14 million annually.

We should also exempt public school construction, renovation, and maintenance from Delaware's prevailing wage requirements. This change could save more than \$30 million each year. A bill to do this has already been introduced (House Bill 110). Aside from the pragmatism of this proposal, we believe it is difficult to argue in favor of cutting the pay of state employees, while simultaneously paying artificially-inflated construction salaries using the same tax dollars.

In the current budget, the Office of Management and Budget (OMB) was authorized to establish and implement a pilot "centralized procurement program" for local school districts, vocational-technical school districts and charter schools. We believe this program, designed to reduce costs in the purchasing of supplies and commodities through greater economies-of-scale, should be expanded as soon as possible, learning lessons from the pilot to fine-tune full scale implementation.

Another recommendation of the LEAD report should also be aggressively pursued. With 19 public school districts in Delaware, there is ample opportunity to save on administration and support costs. We believe your administration should take steps to replace local services with broad, shared services on a regional or statewide basis. This common-sense approach would leave our school districts intact, but could cut taxpayer costs by an estimated \$30 million annually.

On another note, we believe the Office of Management and Budget should undertake a project to search for opportunities to privatize state functions. This evaluation should be done with an eye towards reducing costs and maintaining or improving service delivery. Once identified, OMB should deliver recommendations to your office and the General Assembly on carrying out such transitions.

OMB and/or the State Auditor should also review any existing contracts with private service providers prior to their renewal. Such reviews would be done with an eye towards cost-effectiveness and potentially soliciting new competition for the work being performed.

While there is a need for money to fund small transportation projects that might not otherwise be undertaken, the difficulty in which we find ourselves will require some discomfort for everyone, including members of the General Assembly. We propose temporarily cutting the Community Transportation Fund allotment for each state legislator by \$100,000. Sunsetting after one year, the \$6.2 million saved by this action would be transferred from the Transportation Trust Fund to the General Fund.

We also recommend a cut in Grants-in-Aid (GIA) funding. While many of the non-profit agencies receiving state money through this program are worthy of our help, they too must bear some of the burden for bridging our budget shortfall. Agencies that provide direct services to Delaware citizens (e.g. Meals on Wheels, fire companies, etc.) should have their grants cut by 15-percent, while grants that are not service-related should be cut by 35-percent.


No new applications for GIA funding should be accepted this year. Beginning in Fiscal Year 2011, we suggest adding a provision to the Grants-in-Aid application process that requires agencies receiving GIA funding to get no more than half of their annual operating budget from the grant.

### Summation

We concede the unusual nature of some of these suggestions, but it's clear that the atypical situation in which we find ourselves will require embracing uncommon solutions.

These ideas should generate tens-of-millions of dollars initially, reducing our operational and capital shortfalls. In future years, the payoffs promise to be even higher. In and of themselves, they will not solve the huge fiscal challenges we face. However, we believe they are positive contributions toward making our government smaller, more efficient, and better poised to face the future.

Sincerely,

Handwritten signature of Richard Cathcart in black ink.

House Minority Leader Richard Cathcart

Handwritten signature of Dan Short in blue ink.

House Minority Whip Dan Short

cc: News Journal  
State News  
& other media outlets