

House Minority Leaders Urge Governor to Embrace Cost-Cutting Proposals

For Immediate Release:
For More Information:

June 25, 2009
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State House Minority Leader Richard Cathcart (R-Middletown) and State House Minority Whip Dan Short (R-Seaford) today urged the governor to reduce the need for tax hikes by embracing cost-cutting ideas for the upcoming budget and beyond.

Gov. Markell is currently backing a package of nine proposals to hike taxes and raise fees. The new revenue package, which has grown in number and scope since the governor first unveiled his budget plan in March, includes jumps in the personal income tax (PIT) and the gross receipts tax, as well as a reinstatement of Delaware's estate tax.

"Our position has not changed since we issued a letter to the governor last month suggesting a variety of proposals to significantly close the state's budget gap," Rep. Cathcart said. "We want a holistic plan to balance the budget, improve efficiency, and minimize the impact on taxpayers and state employees."

Reps. Cathcart & Short suggested the budget process could be made easier and more equitable through the observation of a few guidelines:

- share the details of all budget proposals with all lawmakers and the public.
- emphasize cost reductions as the first, best option for financing state government.
- craft a balanced budget plan that has the least negative impact on state taxpayers and state employees.
- tax hikes should be an option of last resort and any tax hike that is considered should have a "sunset" provision attached, ensuring they expire.
- commit to implement ideas to improve the efficiency and lower the cost of state government in FY 2011 and beyond.

In the May 20th letter to the governor, Reps. Cathcart and D. Short detailed numerous suggestions to deal with the budget challenge facing the state. In sharp contrast to the governor's plan, the proposals offered by Reps. Cathcart and Short drew from all portions of the ideological spectrum, incorporating ideas from Gov. Markell, as well as House Republicans and Democrats, and the non-partisan Leadership for Education Achievement in Delaware (LEAD) Committee.

Since then, Rep. Cathcart said House Republicans have been more active than any other group in the General Assembly in trying to offer workable suggestions for closing the state's estimated \$793 million budget gap. "Our efforts have focused on recommending possible solutions and building a consensus," he said.

House Republicans continued that work yesterday, asking the governor to agree to a plan that would save \$15.6 million in FY 2010 and \$28.8 million annually in subsequent years. The proposal calls for the state to set a hard target of reducing the work force by eliminating a minimum of 600 vacant positions in the fiscal year that starts July 1st. That number is a fraction of the 2,400 job openings created annually when workers retire or otherwise leave state service.

Reps. Cathcart & D. Short are also calling for the governor to commit to implement suggestions to save taxpayers tens-of-millions of dollars in the next budget and beyond. "There are suggestions we put on the table that could save the state tens-of-millions of dollars annually, but cannot realistically be put into place in the upcoming budget," Rep. D. Short said.

The ideas range from reforming the state's purchasing practices, to establishing a program for rewarding cost-cutting ideas, to repealing minimum wage requirements for skilled workers on state construction projects. These concepts alone could potentially save the state more than \$130 million annually.

"We cannot let this opportunity slip by," Rep D. Short said. "A group should be formed that'll not only be charged with evaluating these ideas, but fashioning plans to implement them by the start of the budget next July. We should set a minimum goal of achieving \$75 million in savings. Given the options available, that's a very achievable target."

Rep. Cathcart said none of what they're calling for should strike anyone as unreasonable.

"We may not be able to prevent Delawareans from feeling the pain of this recession, but there are some things we can do to lessen it," he said. "We don't have all the answers and we don't claim to, but we think we have a few of them. All we're asking is that the governor and our fellow lawmakers objectively consider all the ideas on the table."

Lawmakers must approve, and the governor must sign, a new state operating budget within the next week. If a new budget is not in place by 12:01 a.m., July 1st, non-essential state operations could be forced to shut down.

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Suggestions for Cost-Cutting Beyond FY 2010

Reduce State Construction Costs:

- Temporarily suspend prevailing wage for all school construction and other state projects for four years. Study the impacts.
\$70 million (annually)
- Save money on school construction by standardizing designs and leveraging better prices on the purchase of materials.
\$14 million (annually)

Source: a combination of LEAD Committee and House Minority Caucus suggestions

Reform Purchasing for Public Schools. Implement a “centralized procurement program” for local school districts, vocational-technical school districts and charter schools.

\$25 million (annually)

Source: LEAD Committee and House Minority Caucus

Consolidate School Administration. Save on administration and support costs by replacing local services for the 19 school districts with broad, shared services on a regional or statewide basis. Local school districts would be kept intact, but this action would significantly reduce the inefficiency of duplication.

\$30 million (annually)

Source: LEAD Committee, House Minority Caucus & Gov. Jack Markell

Reform state purchasing. Establish and enforce policies for unified billing and minimize use of state-issued checks and state-owned credit cards to appropriate purchases. Channel most agency purchases through unified state contracts, leveraging lower costs through more advantageous economies-of-scale. Maximize the effectiveness of these efforts by enacting House Bill 90, creating an online searchable database of the state spending. (Assumes savings of two percent of the state’s operating budget).

\$60 million (annually)

Source: News Journal, State Rep. Greg Lavelle and House Minority Caucus

Efficiency Rewards Program. Create 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 max. (Assumes a savings of one-quarter-of-one-percent of the operating budget.)

\$7.5 million (annually)

Source: LEAD Committee, State Rep. Dan Short and House Minority Caucus