



CIVIC LEAGUE For New Castle County

Informed Citizens for Sound County Growth

P.O. Box 11523 - Wilmington, DE 19850

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**November
2011**

STATEMENT OF PRINCIPLE

Monitor and selectively evaluate government actions including laws, regulations and policy.

Provide appropriate forums for informing as well as soliciting input from the public.

Establish positions based on responsible studies and consistent with the aims and purpose of the organization.

Advocate these positions.

Founded in 1962, the Civic League is non-profit volunteer organization, which studies and illuminates County and State government actions concerning comprehensive developments and the quality of life and is a vocal advocate of relevant positions.

County Comments is the official publication of the Civic League for New Castle County.

Chuck Mulholland,
President

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COUNTY COMMENTS

CIVIC LEAGUE FOR NEW CASTLE COUNTY
Informed Citizens for Sound County Growth

MEETING

Tuesday, November 15, 2011

7:00 PM at the Delaware State Police Troop 2 Building
100 La Grange Ave
(Route 40 East of Route 896)
Bear, DE 19701

AGENDA

General Business Meeting

A State budget deficit already?!

The Delaware Economic and Financial Advisory Committee (DEFAC) met on September 19th and the news isn't encouraging.

Less than three months into the new fiscal year, the state is running an operating balance deficit of \$355 million and an unencumbered cash balance of \$32 million. In September of 2010 the state's operating balance was a \$47 million surplus and the unencumbered cash balance was \$107 million.

Expected revenues for this fiscal year (FY12) have been reduced \$234 million, a drop of 4% over the June, 2011 forecast. Meanwhile, as of September, projected FY12 operating expenditures are running at a pace that exceeds the FY11 expenditures by 14%.

The bottom line right now for FY12 is projected expenditures of \$3,734.8 and projected revenue of \$3,379.5.

Slightly over 1% of the 4% drop off in revenue is due to a weaker than expected economy. The remainder is due to the state's politicians' decision to spend \$191 million out of last fiscal year's cumulative cash balance on special projects, thus reducing the funds available for operations. This generous expenditure came after DEFAC's last meeting in June.

On the expenditure side many areas of spending are locked in for the fiscal year. Most of the increases are self-inflicted.

Projected state Medicaid spending has jumped \$205 million (44%) over FY 11. This is due to the generous state Medicaid qualification rules put into place previously, to the termination of the Federal stimulus funds and to a carryover from the last fiscal year.

(Continued)

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In closing this edition of County Comments, the News Journal, on Nov 1, 2011 ran the following ;
<http://www.delawareonline.com/article/20111101/NEWS02/111010336/Clark-signs-NCCo-pension-cuts-into-law>

Clark signs NCCo pension cuts into law, Reform for future employees could save county \$8.6 million

As we have all seen on the nightly news and business reports, the world is suffering from too many unfunded promises and debt, too much leverage and encouragement for everyone to buy everything without regard to cost, leaving the economy in shambles and the outlook grim for future generations. The days that government can do everything for everybody, without cost, were, at best, a fantasy. The riots in the streets of Athens are testament to this conclusion.

Where will you be when the dust settles?

On November 15, 2011 the Civic League for New Castle County will discuss a path forward.

Please join us at 7:00 PM
Delaware State Police Troop 2,
Paris Community Room,
100 LaGrange Ave
Bear, DE

Chuck Mulholland
President, CLNCC

Salaries are up \$82 million...a 2% across the board six month pay raise that somehow has translated into a 7% jump in salary spending. Part of this is due to an extra pay period and to employee step increases. But at least \$20 million appears to be net new hiring.

Benefits and pension are up 8.3% as the state refuses to take the aggressive adjustments made by private companies to shift more responsibility to employees.

Grants have risen 18%, spending on contractual services 17%, and outlays on supplies and materials a whopping 49%. So much for running state government like a business.

The good news is that DEFAC and the Delaware Department of Finance are carefully tracking these numbers. And that the accuracy of the expenditure and revenue data improves as the fiscal year progresses.

The disappointing news is that state politicians seem to be unwilling or unable to stop spending. Delaware's economy will simply not revive with government as the only growth industry.

And throwing around grants to venture capital start-ups is far less important than keeping Delaware's state and local tax burdens competitive, not raising energy costs, and having public schools that work.

Dr. John E. Stapleford, Director
Center for Economic Policy and Analysis

[Http://www.caesarrodney.org/index.cfm?ref=30200&ref2=237](http://www.caesarrodney.org/index.cfm?ref=30200&ref2=237)

http://www.taxfoundation.org/files/f&f_booklet_midyear-20090723.pdf
see page 35, Table 26

State debt per capita, Fiscal Year 2007

Delaware ranked nationally at # 5 with a per capita debt of \$6,105 (per person)

Maryland	#18	\$3,390
New Jersey	# 6	\$5,923
Pennsylvania	#28	\$2,990

see page 37, table 27

State spending per capita, Fiscal Year 2007

Delaware ranked nationally at # 4 with a per capita spending of \$7,862

Maryland	#22	\$5,634
New Jersey	#11	\$6,463
Pennsylvania	#26	\$5,500

see page 45, table 35

Local and State spending per capita, Fiscal Year 2006

Delaware ranked nationally at # 5 with a per capita spending of \$9,794

Maryland	#23	\$7,925
New Jersey	# 7	\$9,574
Pennsylvania	#17	\$8,416

As you may read in this publication, various comparisons were included, as prepared by the Tax Foundation, located at:
The National Press Building, 529 14th St, NW, suite 420, Washington , D.C. 20745

As for the long term viability of income and spending we need to be aware of an important source of revenue, the Delaware Courts and the Delaware Division of Corporations. As reported by the News Journal on October30, 2011:<http://www.delawareonline.com/article/20111030/BUSINESS06 /110300320/Proposed-act-would-threaten-Delaware-legal-edge>

Bankruptcies may be heard elsewhere , by Eric Ruth

A few lines....

Nearly a million business entities have their legal home in Delaware, though most can claim nothing in the way of a physical presence. More than 50 percent of all publicly traded companies in the country -- and 63 percent of the Fortune 500 -- are incorporated here, according to the Delaware State Department.

From 2006-11, 90 corporate bankruptcy cases were heard in Wilmington, almost 50 percent of the national total, according to data compiled by Lynn M. LoPucki, a law professor at UCLA and Harvard, who has spent decades studying the practice of bankruptcy law. The next most popular venue, New York City, handled just 43.

Yet if H.R. 2533 becomes law and those big corporations are suddenly unable to enjoy one of the prime advantages of a Delaware legal presence, it could mean fewer would choose to base their companies here, and fewer would contribute to state revenue.

In fiscal year 2010, incorporation revenue accounted for 26 percent of the state's general fund, and another \$10.4 million distributed to local governments in the form of recording, courthouse, and other fees.

"You're going to have a lot of folks looking to perhaps retool, do other things, perhaps even some folks going out of business," said Mark Felger, co-chairman of the bankruptcy practice group at Cozen O'Connor in Wilmington. "It has the potential of having a very dramatic effect on the Wilmington community beyond the bankruptcy community."

As for other data available through the Ceasar Rodney foundation, one may consult

First State Facts: <http://www.caesarrodney.org/index.cfm?ref=55200&ref2=79>
taking you to: <http://www.taxpayersnetwork.org/DesktopDefault.aspx?tabindex=6&tabid=3402>
go to 2010 (50) State comparisons

http://www.taxpayersnetwork.org/Downloads/50%20state%202010.pdf?_qsbh=H6NQLuHC_Pau!ZH BK!iNR

see table 23

State residents per State employee (2008-2009)

Delaware	was listed at 33
Maryland	55.6
New Jersey	63.9
Pennsylvania	78

One may note that the State with the lowest percentage of State employees (per capita) was Illinois, listed at 100.3, and a State reeling with debt and unfunded liability. Not long ago State troopers' government credit cards were refused at gas stations due to unpaid government bills.

see table 25

Outstanding State Debt per capita (2008-2009)

Ranking Nationally	State	Per Capita Debt
5	Delaware	\$6,574
14	Maryland	\$4,086
6	New Jersey	\$6,103
25	Pennsylvania	\$3,242