6

Nongovernments

In this chapter the term "nongovernmental organizations" (NGOs) is meant to embrace all societal entities outside of government. It is a truism that, compared with other political systems, nongovernmental involvement in public affairs in the United States is pervasive and pervasive. Indeed, one may characterize the U.S. political system as a "mixed system." Private sector activity in the American governance process has become so omnipresent, manifest, and diverse that it resists attempts toward simplification, orderly classification, and even public-private differentiation.

Our purpose here is not to distinguish all the manifold facets or activities of nongovernmental organizations in Delaware that influence and are involved in public affairs within the state, but rather to isolate and illustrate the character of their participation in the governance process. In so doing, we exclude their lobbying or advocacy, which have previously been discussed, and confine analysis selectively to Delaware NGOs that actually exercise power by participating with government in the allocation of resources.

Data do not exist that permit quantitative comparison of Delaware with other states in terms of the extent of NGOs as wielders of power. Our sense is, however, that linkages between the public and private sectors are relatively closer and more significant in Delaware than elsewhere, because of the combination of Delaware's small size, political culture, and tradition.

Delaware's compact geography and small population spawns greater intimacy among actors in the policy process. Delaware's bureaucrats and politicians are not remote or faceless to the citizenry. Instead, a camaraderie of sorts exists that, regardless of political party loyalties, blurs public-private distinctions and serves to augment NGO influence in the governing process.

Then, too, Delaware's individualistic political culture transcends equity considerations, leaving the influence of major business interests in public affairs relatively unchallenged.

Finally, in the first half of the twentieth century, "the strong family consciousness and highly developed sense of responsibility" of the du Pont family, as historian John Munroe has put it, together with that family's development of Delaware's largest industrial company—the public-spirited DuPont Company—fostered a tradition and legacy of private concern for civic improvements. As the twentieth century was waning, Delaware's more diffuse elite corporations and wealthy gentry were continuing this tradition by their active participation in Delaware governance.

Influence of the du Ponts

According to the historian John Munroe, Pierre S. du Pont (1870–1954)—administrative architect of both the DuPont Company and General Motors—was a social reformer of great importance in the history of Delaware education and fiscal policy. He was founder of Delaware's modern public school system and served twice as Delaware's state tax commissioner (1925–37 and 1944–49). He not only provided for public funding for public schools, but he also donated millions of dollars of his own money to public schools and the University of Delaware. His interest in improving conditions of life in Delaware was shared by a number of his relatives and their progeny. 3

Pierre's cousin, T. Coleman du Pont (1863–1930), became president of the DuPont Company in 1902, and initiated in 1911 the construction of the paved north-south T. Coleman du Pont Highway (now Route 13), which was completed in 1924 at a total cost of $4 million of Coleman's own money, under the direction of Coleman's son-in-law—Clayton Douglass Buck—who served as chief engineer of the state highway department from 1921 to 1929 before becoming governor for two terms. 4 Coleman's son—Francis V. du Pont—served on the state highway commission from 1922 to 1949, most of the time as chairman. Under his prodding the hundred-mile Du Pont Parkway became the nation's first four-lane highway, and it was his leadership that brought about the construction of the Delaware River Memorial Bridge. 5

Meanwhile, Alfred I. du Pont (1864–1935)—another cousin of Pierre—inaugurated in 1929 a self-funded old-age pension system for a list his staff compiled of the elderly poor in Delaware. His list and staff were taken over by the state in 1931 during the Great Depression. He urged the opening in 1933 of a state welfare home and hospital for the indigent, and his will provided for a charitable institution for the care and treatment of crippled children; this became the world-famous Alfred I. du Pont Institute, which opened on the grounds of his estate in 1940. 6

The twentieth-century history of the state-funded and land-grant University of Delaware is replete with the names of du Pont family benefactors and board members whose munificence helped to enrich and transform it into a nationally significant institution. For example, the gifts to the university of Pierre's brother-in-law—H. Rodney Sharp—exceeded those of Pierre himself. Over thirty named
professorships were established directly or indirectly by family members. The construction of many university buildings, moreover, was funded by du Ponts. The university's library was greatly strengthened from the establishment in 1957 of the Library Associates, featuring such notable family members as Henry Francis du Pont, Henry Belin du Pont, J. Bruce Bredin, and Judge G. Burton Pearson Jr. Perhaps the most enduring gift by a family member was that of Amy E. du Pont, who established in 1939 the UNIDEL Foundation. It has managed and invested the principal of her gift and distributed each year the income from it to the university for designated purposes—totaling $77,638,214 from 1939 through 1994.

In the years after 1906, according to the historian Carol Hoffecker, the fabulously wealthy du Ponts used their great influence to benefit Wilmington, "but only in the ways they selected." During the 1920s, the philanthropy of individual du Ponts built Wilmington schools and roads and created a new civic center. The du Ponts had a controlling interest in the major banks (e.g., Wilmington Trust) and owned the newspapers. Indeed, the family's influence extended to almost every level of Wilmington society. But World War II was a turning point, and "the city slid into serious decay." Hoffecker portrays the passing of the generation of du Pont "paternalists" as follows:

By 1950, however, Pierre du Pont was eighty years old, and his brothers, Irénée and Lammot, who had succeeded him as president of the Du Pont Company, were seventy-four and seventy, respectively. Alfred I. and T. Coleman du Pont were long since dead, and family paternalism had largely died with their generation.

As the end of the century approached in the 1990s, the living du Ponts numbered about two thousand and were no longer particularly cohesive. Some were very wealthy, while others were not. No longer was their influence in Delaware so monolithic. The financial boom beginning in the 1980s had brought many new influential actors onto the scene. Former governor Pete du Pont, an architect of the boom, continued to be active in national politics. Other du Pont family members were inclined to concentrate on the chemical industry, investments, horse rearing, flower growing, antique collecting, and real-estate development. However, their philanthropy continued and, working behind the scenes, their various activities also continued in Delaware's public domain. For example, several state parks continued to add du Pont land holdings, and the du Pont-affiliated Welfare Foundation, which donated the land on which Christiana Hospital stands in New Castle County, was actively planning "Whitehall," a new city in the county south of the Chesapeake and Delaware Canal.

It is not easy to assess fully the profound impact on the governance of Delaware the du Pont family has had. Local journalist Maureen Milford has written, "There's hardly a citizen of Delaware who cannot trace something in their lives back to the family." There is no gainsaying the family's great generosity and the many resulting benefits to Delawareans. But there is also a downside to this legacy of such preponderant dependence, as political scientist Paul Dolan observed over forty years ago:

Undoubtedly, the State has been spared a great deal of expense in the maintenance of several programs because of the philanthropy of a few wealthy individuals. There is, of course, a decided danger in permitting this close liaison. As a result of private largess, apathy on the part of the general public may result. The average citizen is apt to forego his duty in seeing to it that public... needs are met by public funds when he has the feeling that private charity may be doing part of the job. If private citizens continue to bear a disproportionate share of the cost of maintaining... services, some of the basic assumptions respecting administrative responsibility in a democracy will be challenged... There are steady indications... that private support cannot meet the challenge posed by the changing social and economic picture in the State.

Influence of Business

For most of the twentieth century, du Pont family members presided over the DuPont Company and directed its activities. But during the 1950s and 1960s the separation between family and enterprise increased inexorably year by year, and du Ponts no longer found it easy to become employed by the company. Finally, the company broke precedent in 1974 and appointed a lawyer and son of a poor Jewish shopkeeper—Irving Shapiro—as chairman of the board and chief executive. It was Shapiro who had drawn up the plan saving the du Pont family fortunes, a plan the U. S. Supreme Court accepted after it had ordered the company to divest General Motors and other monopolistic holdings. Shapiro was the first company chairman who was not connected to the du Pont family. By the mid-1970s not a single du Pont family member was on the company's board of directors or planning committees. Thereafter, the company was managed by professionals.

Regardless of this systemic change in the management of the DuPont Company, three books appeared in print in the 1970s and 1980s that sought to put the family and company in the worst possible light. Under the titles of The Company State (1973), Du Pont: Behind the Nylon Curtain (1974), and Du Pont Dynasty (1984), they depicted the du Pont family and DuPont Company in combination as forming a conspiratorial and secretive power elite whose philanthropic and civic activities were impervious to a sense of justice or democratic values and who sought to use their power and wealth to dominate public affairs in Delaware for nefarious purposes.

Clearly, both family and company continued to influence politics, policy, and governance in Delaware, but so also did many other business interests—through individual and corporate actions, foundations, the state bar association, the chambers of commerce, and various public-private partnerships. The DuPont Company
continued in the 1990s to significantly participate in and financially support community and governmental undertakings, including the Delaware research park near the University of Delaware. In 2000, the state's efforts to keep and attract businesses, and its traditional charitable cause—the United Way of Delaware.

There is little question that the family and company were largely responsible for forming Delaware's individualistic political culture, which has accounted for the primacy of major business interests in the governance of Delaware. During the last two decades of the twentieth century, however, service companies on the whole— especially FCDA-fostered banks—preponderantly supplanted DuPont in sustaining that culture. Foremost among the banks was MBNA, a Maryland enterprise that was transplanted to Delaware in 1982. It enjoyed a meteoric rise and became, fourteen years later, the state's largest bank. With seven thousand employees, it was second only to the DuPont Company as the state's largest private employer. Although DuPont continued to actively seek ways "to partner with the government, the academic community, with small business concerns and with others...of the business community," MBNA emerged as "the state's most vibrant corporate citizen." 

As a matter of company policy, not only did nearly all MBNA employees become involved as volunteers in Delaware community, charitable, and civic activities, but MBNA itself also contributed—for business and economics education—$1.5 million to Delaware State University (the largest corporate gift it ever received) and over $3.5 million to the University of Delaware. The nonprofit organization known as Delaware's Catholic Charities also became a beneficiary of MBNA corporate generosity over the years. Perhaps most significant, however, was the unprecedented 1996 action of MBNA in giving back to the City of Wilmington $170,000 in tax breaks it received to relocate in the city in 1995. The return of the money enabled the city to convert "the long-awaited" tax increases to city employees and to respond to a crime wave by increasing police services. Moreover, MBNA promised to waive all future tax breaks for which it was eligible over a ten-year period, totaling about $4 million in city property and head taxes.

In contrast with MBNA's exemplary civic behavior have been the questionable means employed by the Hercules Corporation—Wilmington's second largest chemical company—to leverage public resources for its private gain. In 1979, the Hercules Corporation (a 1912 antitrust spin-off from the DuPont Company) publicly threatened to relocate its downtown Wilmington headquarters to a suburban facility, the construction of which the company estimated would cost $32.5 million less than building a new facility in the city. To induce Hercules to stay, the city government used federal funds to purchase a site and to construct a new Hercules office building. It waived company payment of city property taxes for eleven years, convinced the state to acquire adjacent property to develop a park, and persuaded the Wilmington Parking Authority to construct a large parking facility adjacent to the new Hercules building. For receiving a subsidy of nearly $30 million as well as a number of other benefits, Hercules agreed to stay and create 1,775 new permanent jobs in Wilmington, of which almost 900 would be filled by low-to-moderate-income workers and 70 would go to minorities—targets that apparently were never met. "An uncharitable interpretation of the situation," commented authors of one study, "is that Hercules was never very interested in the suburban site and only talked about relocation as a means of getting as much of its center city development subsidized as possible."

Previous chapters have established that extraordinary collaboration exists between Delaware's corporations and state government, that corporation law drafting is a common practice, and that FCDA and other business-favoring laws were enacted with little or no substantive review by state legislators and governors. Public-private intimacy, discussed in the last chapter, is also manifest at the local level, as for example in the Wilmington 2000 projects and New Castle County's "re zoning-on-demand" type of activity. But long before the zoning and subdivision approval processes were to be invoked, private coalitions of landowners, utilities and developers were busy in 1996 collaborating with state and local officials in drafting up plans—without any public participation—for major development projects, notably the reconstruction of Wilmington's Martin Luther King Boulevard; a townhouse project adjacent to Churchman's Crossing (formerly the development hot spot "Metroform" area) in northern New Castle County; and a city-size development, known as "Whitehall," on four thousand to ten thousand acres just south of the Chesapeake and Delaware Canal in southern New Castle County.

With regard to the Churchman's Crossing project, private development consultants reportedly acted as ghostwriters for the Delaware Department of Transportation (DelDOT), and helped draft an important development bill as well as a federal grant application for a study of the area that included land owned by a du Pont family-related trust, the so-called Fairplay Foundation. The proposed Whitehall project was not only the largest of the three projects, but also would become easily the largest single development in Delaware's history. Its developers were led by the sixty-five-year-old nonprofit Welfare Foundation, which had been involved in the original land development projects of what is now Churchman's Crossing. Regardless of Whitehall's proximity to the city of Middletown, even Middletown's mayor was kept in the dark about the proposal. "I hate this back-door, non-communication stuff," Mayor Kenneth Branner said. "Maybe we're paranoid, but you have to see a final plan and nobody's had any input into it." According to historian Carol E. Hoffscheir's, letting developers sell their plan in private gives them a great advantage. She explained:

I'm sure the movers and shakers—the gentry—have found from bitter experience that the way to get things done in a democracy is to have your plan so well
Nonprofit Organizations (NPOs)

Delaware has a long and well-established noblesse-oblige tradition of private giving and charitable enterprise in the context of a philanthropic environment. The state’s small size has fostered close relations between donors and grant seekers. Compared with other and larger states, nonprofits (NPOs) in Delaware assume a much greater and more important presence. Indeed, Delaware’s private sector far surpasses its public sector in the delivery of human services.

Reportedly, there were nineteen hundred nonprofit organizations in Delaware in 1996, most of which had revenue less than $25,000 exempting them from filing with the Internal Revenue Service. Most Delaware NPOs perform in very responsible ways. The overwhelming reliance on paying taxpayers’ money to the private sector for rendering public services raises questions relating to public trust and public accountability.

Most Delaware NPOs remain only loosely regulated by the state government. Although some Delaware NPOs at times complain they are over-regulated by the state and have too little influence in determining the content of state standards, the effectiveness of state monitoring of their activities varies among state agencies and divisions. Most specific measurements have to do with outputs, not outcomes.

Although the state is increasingly using performance-based contracts, most state-funded NPOs are required to report numbers of beds provided, families or clients served, contact hours, and so forth—very specific requirements, but not the kind that permit judgments to be made about the quality of NPO performance. The state requires each state-funded NPO be audited. The state-required audit may also be used to satisfy United Way auditing requirements when the NPO is also a United Way organization. United Way oversight includes review of allocations, priority of services rendered, and percentages of revenues spent on administrative costs.

Delaware NPOs receiving federal funding are subject to additional federal government regulation of their political activities and to very specific public disclosure and financial reporting requirements imposed by the Internal Revenue Service. Any NPO receiving federal funding exceeding $25,000 annually must have a federal audit covering the flow of money and program activity as well as internal controls. To maintain their tax-exempt status, federally funded NPOs must abide by federal accounting and other standards as well as federal employment laws governing employment discrimination, family medical leave, and fair labor standards.

Otherwise, governmental oversight has been limited, although concerns about their public accountability began to intensify in the mid-1990s. Prior to 1996, Delaware was the only state, besides Montana, that had no laws to regulate charitable fund-raising. It was reported that two Delaware police organizations were using professional fund-raisers who kept most of what they collected for the officers’ charities. Of $3.9 million raised on behalf of the Delaware State Troopers Association, only $144,000 went to charities. The Fraternal Order of Police allowed telemarketers to keep 70 percent of the money they collected. “Citizens were shocked that police officers would sanction such misleading and unsavory fund-raising,” said a local editorial. No laws were violated because no laws had existed to prohibit such practices. However, these practices prompted passage of a new state law in 1996 aimed at regulating charitable solicitation.

One of Delaware’s important NPOs in 1996 was Connections, CSP, Inc., which provided housing, counseling, and medical and psychiatric treatment to more than seven hundred of the most needy homeless and severely mentally ill people from throughout the state. Incorporated in 1991, Connections by 1995 had garnered nine state contracts to provide treatment to those addicted to drugs, to run four group homes for the elderly mentally ill, and to provide sixty housing units for disabled adults. But Connections itself was in need of housing. Accordingly, it hired MacIntyre Associates—a fund-raising firm—and embarked on a campaign to raise $2.2 million for a new facility. Among contributors was the state legislature’s joint bond bill committee, which allocated $500,000. When informed that Connections had been operating in the red for some time, the committee chairperson was quoted as saying, “We assumed they were in good financial standing.” Connections reportedly purchased a multi-million-dollar property against which it borrowed money to pay operating expenses. It continued to pay “the highest executive salaries and the best perks among Delaware nonprofits, even as it sank deep into debt.” Claiming that “this financial morass has involved taxpayers’ money,” the Wilmington News Journal called for “a full-blown investigation by the state auditor.” But, again, in the absence of laws providing for more stringent public accountability and monitoring of NPOs in Delaware, it was questionable whether Connections had committed any legal wrongs. Delaware’s small size enhances the role of NPOs. The city government of Wilmington, for example, does not provide nearly as wide a range of human services as does the nearby government of Philadelphia. Delaware’s county governments provide very few human services. Except for one Veterans Administration hospital, no government-run hospitals exist in Delaware—all are nonprofit NGOs. Accordingly, almost all government human services in Delaware are either functions of the state government or NPOs, or both. The bulk of state-supported human services are contracted out to NPOs, rather than being administered by a large bureaucracy at the state level.

The importance of NPOs in Delaware is highlighted by the fact that the state legislature appropriates more money for nonprofits than it does for municipalities in its annual grants-in-aid and so-called bond bill legislation. The operating expenses...
of 309 NPOs, including 60 volunteer fire companies, 49 senior centers, and 7 veterans organizations—plus only a few municipal projects—were funded by the 1995 grants-in-aid bill. Appropriations for capital improvements under the bond bill favor NPOs over municipalities, regardless of lobbying to the contrary by the Delaware League of Local Governments. Of $8 million for community redevelopment, distributed by the General Assembly in 1995 from the state’s “21st Century Fund” (a one-time $220 million windfall resulting from the Delmar v. New York abandoned property case), $7 million was allocated to a wide range of NPOs, from historical societies to community action organizations, while only $1 million was shared by twenty-one local government agencies.

This system of Delaware governance was beginning to be challenged in the mid-1990s. The bond bill was originally designed to fund state government construction projects. In the early 1980s, the state legislature financed its first private project—to help refurbish Wilmington’s Opera House. After that, the bond bill became a political pork barrel. In July 1995, key state legislators on the legislature’s joint bond bill committee gave notice they intended to cut off funding of private groups, in order to meet other state needs—such as construction of more schools and prisons. Thus, it appeared that state funding of capital projects for NPOs might be doomed.

In the midst of Wilmington’s financial crunch, city officials floated the idea in both 1995 and 1996 of inducing tax-exempt NPOs to make voluntary annual payments for city government services. There were about 300 tax-exempt properties in the city, a sizable proportion of which comprised government-owned property; others included churches, hospitals, social service organizations, and exempted businesses. Together, they occupied nearly 46 percent of the city’s land. The Delaware Association of Nonprofit Agencies (DANA), representing about 250 NPOs throughout the state, opposed the idea. But, as we have seen, the tax-exempt MBNA bank responded positively in 1996; unlike most NPOs, it had the resources to make such a magnanimous gesture.

There were other dark clouds gathering on Delaware’s NPO horizon in the mid-1990s. All signs pointed to pending massive federal government funding cuts in entitlement and other social services programs. For example, anticipated cuts in federal housing programs alone in Delaware for fiscal year 1996 were over $11 million. Federal cuts were expected to affect every NPO in the state, including museums, libraries, and cultural and environmental initiatives. DANA’s advocacy arm, the Delaware Nonprofit Congress, sponsored a one-day 1995 conference for NPOs interested in learning to cope with decreased government spending.

Delaware’s Public Policy Institute, led by former governor Pete du Pont, organized a two-day 1996 conference entitled “Preparing Delaware for a Changing Federal Government.”

One survival strategy for some Delaware NPOs was to merge. Another strategy was to combine forces. In the fall of 1995, DANA and the University of Delaware’s Center for Community Development—together with the Delaware Community Foundation, the Delaware State Housing Authority, and the Delaware Technical and Community College—joined forces to create the Community Development Resource Center (CDRC) located in Wilmington’s Enterprise Community. The purpose of CDRC was to provide electronic-based and other information linkages, training, technical assistance, and funding to NPOs and public agencies that serve low and moderate income communities. The strategy followed by the United Way of Delaware during 1995—its fiftieth anniversary year—was to undergo a thorough reformation aimed at restoring public confidence in it.

**United Way of Delaware**

The umbrella fund-raising United Way of Delaware (UWD) raised $16.7 million in 1994 making Delaware—with over fourteen thousand volunteers and almost one hundred thousand donors—first in the nation in per capita United Way giving. But this total was well below those of previous years, reflecting a five-year trend of declining contributions. This meant, of course, declining allocations to UWD’s fifty-one full-member NPOs and thirty-seven affiliated NPOs, and hence less money for services addressing homelessness, mental illness, substance abuse, infant mortality, AIDS, and a host of family-related problems. The decline was attributable to a number of factors, including corporate downsizing and decreased federal and state funding of NPOs. Three other factors, however, also appeared pertinent: (1) a national United Way scandal; (2) UWD’s allegedly top-heavy bureaucracy; and (3) UWD’s reported loss of touch with its member NPOs.

United Way organizations throughout the country were reeling from the scandal involving national United Way president William Aramony, who was sentenced to seven years in prison for using United Way money for—among other things—paying the salary of his teenage mistress for work she never did. Regardless of the fact money raised by UWD had never been shared with the national office, Aramony’s embezzlement caused many Delawareans to stop contributing to UWD. UWD’s effectiveness was constrained, moreover, by its own bloated bureaucracy, with twelve high-salaried vice presidents and a whopping 13.5 percent cost for administration and operations. This meant that for every one dollar collected, thirteen and a half cents went to UWD overhead, a fact causing some Delawareans to withhold donations. Finally, UWD reportedly had strayed from its primary mission of serving its member NPOs, and instead became involved in direct services, agenda setting, and long-range planning.

In June 1995, DuPont Company executive Kurt M. Landgraf took over as UWD chairman. Two months later, United Way professional Charles W. Anderson was brought in from Michigan to become UWD’s president and chief executive officer. Anderson promptly pledged to raise more money, to reduce overhead a
percentage point per year, and to serve UWD’s member NPOs and promote their missions. The fund-raising goal for UWD’s 1995 campaign was raised to $17.5 million. Six UWD vice presidents were given severance packages. And Anderson vowed to get UWD out of the business of setting the community’s social needs agenda. “That’s what the agencies are for,” he said. “They are the front lines, we are the supply lines.” Results were promising. The 1995 campaign drew pledges of $18.7 million, the largest amount UWD ever raised. UWD’s senior administrative staff was cut by 50 percent, saving $250,000 a year. DuPont Company vice president and chief information officer Cinda Hallman took over for outgoing UWD chairman Landgraf. Anderson announced UWD’s 1996 campaign goal was to raise $20 million—a target well surpassed by the raising of a record $21.4 million in 1996.

PRIVATEIZATION AND CONTRACTING OUT

Delaware governments are part of the worldwide movement toward “privatization,” which Emanuel Savas has defined as “the act of reducing the role of government, or increasing the role of the private sector.” There are several types of privatization (contracting, voucher, grants and subsidies, franchise, asset sale, volunteerism, private donation, public-private partnerships, and shedding services). Privatization involves some variant of mixed public, private, and nonprofit involvement—a variety of management techniques and activities to promote more involvement of the private sector in providing traditional government services. Thus, privatization in Delaware is integral to its individualistic political culture, which, according to Elazar, “emphasizes the centrality of private concerns” (see chapter 1).

A 1996 University of Delaware survey of all Delaware state government agencies found only 20 percent of the forty-five responding agencies had no privatization activity within the preceding five years and that 15 percent spent more than 25 percent of their budgets on activities carried out by someone other than state employees. Three agencies—the Delaware State Lottery, Delaware Health Care Commission, and the Delaware State Housing Authority—reported that as much as 75 percent of their budgets went to outside service providers. It was conservatively estimated that Delaware’s state government spent well over $300 million annually for programs and services actually provided by NGOs.

Some agencies, and even some programs, utilize a combination of privatization methods, while others utilize only a single method. The survey found that contracting out for services was the most commonly used form of privatization, comprising 51 percent of state privatization initiatives. For example, in the absence of research and development staffs, the state government contracts frequently with outside consultants to perform such functions. Thus, the Department of Natural Resources and Environmental Control (DNREC) contracted with a consulting firm to help DNREC reengineer its well and sewer permitting functions. Volunteerism (12.2 percent of the state’s privatizations) was also a commonly used form of privatization for some agencies. DNREC, for example, utilizes volunteers in its state parks, boating education classes, Adopt-A-Wetland Program, and beach cleanup efforts.

Grants and subsidies (also 12.2 percent) were utilized in community and social services. Indeed, all of the services of the Office of Community Services (OCS) were carried out through private NPOs. Much of the funding came from community services block grant money through the First State Community Action Agency—a statewide NPO—which in turn subcontracted to other NPOs for case management, housing, food, and shelter. OCS also contracted directly with two other NPOs—The Food Bank of Delaware and Casa San Francisco—for food distribution to low-income Delawareans.

It was also found that public/private partnerships (8.2 percent) were used increasingly as agencies sought to partner with the private sector to meet needs that neither could meet alone. During the early 1990s, the downsizing of Delaware’s largest companies resulted in early retirements for many executives, scientists, and engineers. This situation, and the fact that Delaware ranks first among the states in the number of patents issued per capita, led the state government to establish in 1995 the Delaware Innovation Fund to promote, through initial capitalization and pre-seed funding, venture investments and job growth within high technology and proprietary companies in Delaware. The fund is a NPO with initial state financing and additional funding from the Longwood Foundation. Representing the state on the fund’s board of directors is the director of the Delaware Economic Development Office; other board members are drawn from the private sector, including the DuPont and Hercules corporations and venture capital firms.

Other examples of state public/private partnerships were highlighted by Governor Tom Carper at a 1996 policy forum held at the University of Delaware. Carper cited ongoing and authorized state government partnerships in these functional areas: cash management; pension investment; insurance policy; highway construction; toll roads; snow removal; charter schools; the conversion of Medicaid to managed care; prison construction; and prison health services and food operations. Citing the fact that Delaware’s incarceration of about five thousand persons is the highest incarceration rate in the nation (see chapter 14), Carper said that the state’s privatization task force was considering the question whether the state’s prisons should be run by the private sector.

Privatization of public services is so ubiquitous in the context of Delaware governance that any number of examples could be given. Suffice it to emphasize here that most human services in Delaware, as already noted, are the responsibility of the state government, not local governments, and that within the state government the primary responsible department is the Department of Health and Social
In 1996, DHSS was the largest state government agency, employing over forty-five hundred people (making it the state's fourth-largest employer), and accounting for 26 percent of the total FY 1997 state budget. Under a cabinet-level secretary appointed by the governor, there were ten divisions (Aging; Public Health; State Service Centers; Management Services; Alcoholism, Drug Abuse and Mental Health, Visually Impaired; Social Services; Mental Retardation; Child Support Enforcement; and Chief Medical Examiner). Reliable data do not exist to quantify how much of DHSS spending was allocated to NGOs. However, except for federally funded social security programs, DHSS was probably responsible for the greater proportion of total state funding through NGOs. It is clear that the state has no uniform guidelines or regulations governing its contracting relationships with NGOs. Reporting requirements imposed on NGOs sometimes are administratively burdensome. Yet state agencies have great difficulty knowing how to assess the quality and effectiveness of the services they purchase from NGOs. Recent research has shown, for example, "that DHSS does not know how to measure the quality or outcomes of the contracted services." As in other states, "there are no generally accepted methods for such measurements in Delaware." There is little reason to question that these relations are generally characterized by honesty and commitment to the public trust. However, one DHSS agency—the Office of Paramedic Administration in the DHSS Division of Public Health—became the focus of a 1996 investigation by the state auditor and justice department for possible misuse of state expenditures for emergency medical services through NGOs. Resignations of both office and division directors quickly followed public revelations of the resulting allegations.

Public Administration

In its front-page feature story of 19 September 1996, the Wilmington News Journal revealed that still another state legislator accepted government employment in the state, making a total of 56 percent (thirty-five of the sixty-two part-time state legislators, fifteen of whom work in education), who "pick up a second paycheck from a government related boss" in addition to their base legislative salary of $27,500. Notwithstanding potential conflicts of interest and an unambiguous constitutional separation-of-powers prohibition against dual officeholding, no study has been undertaken of how individual legislators have voted on matters affecting their employers. The point emphasized here is not what such revelations say about Delaware's state legislature, but rather what they reveal about the quality of public service and administration in the state.

In 1992, Delaware ranked twentieth among the states in the number of full-time state and local government employees per 10,000 population, but second in the state's percentage of the total number of state and local government employees. There is no question that among the fifty-two thousand people in Delaware's public services (state, local, federal, military, school), there are many highly qualified, responsible, effective, and committed employees. There is ample evidence to suggest, however, that the public service sector suffers somewhat from nepotism, favoritism, conflicts of interest, and disgruntled and frustrated employees. This chapter attempts to identify and analyze a selection of public administration problems in Delaware.

**Boards and Commissions**

Historically, the predominant form of administrative organization in Delaware's state government was the board or commission, the result of long experience at the local level at which town councils and citizens made and implemented policies. By 1917, there were 117 boards and commissions making up the state's administrative system, whose members—usually drawn from the three counties and serving
NOTES TO CHAPTER FIVE


45. Editorial, "Some Progress Is Made on Land-Use Issue Despite Inaction of Legislature," Wilmington News Journal, 6 July 1996, A10. New Castle County's long-range comprehensive plan and zoning code did not permit housing and commercial development of the chateau-country area of the county. But that area's preservation was not only a matter of public policy. It was also unlikely that its already wealthy landowners had a financial incentive to subdivide for such developments, as contrasted, for example, with owners of marginal farmland and open spaces.

46. Construction of I-95 in Delaware began in mid-1962 and cut a wide swath through a heavily populated section of Wilmington. Among the advantages the highway would have for Wilmington, as claimed by Delaware authorities, were that I-95 would improve adjacent land values, increase city employment and income, reduce city blight, and reduce traffic on local streets. No disadvantages were acknowledged. Delaware State Highway Department and Greater Wilmington Development Council, Delaware: First State with Interstate (Wilmington, Del.: State of Delaware, March 1963), 18.

47. The median annual family income in Wilmington in 1989 was $31,140, compared with $27,516 in the county, $43,474 in the MSA, and $40,232 in Delaware as a whole.

48. Prospects for a viable mass transit system in the county were doomed by the advent of I-95.

49. Employment and population figures are drawn from the 1990 U.S. census. State law uniquely requires City of Wilmington annexations to be approved by the New Castle County council and county executive, thus making it almost impossible for the city to expand its property tax base. Delaware Code Annotated, title 22, sec. 101A (4) (2) b. and c.


52. Ibid., 82.

53. Before the Civil War, no state-imposed restrictions on free African Americans were more severe than those in Delaware, and Delaware was last among the states in ensuring civil rights for blacks, according to William H. Williams, Slavery and Freedom in Delaware, 1639-1865 (Wilmington, Del.: Scholarly Resources Inc., 1996). See also Bruce Pringle, "Del. Blacks' History Told." Wilmington News Journal, 23 June 1996, B1, B4.

54. The port had, of course, been a part of Wilmington since the settlement was founded in 1638. Planning for the so-called Port of Wilmington began in 1917, and its construction was completed in 1923. It was always part of the city government. The state's 1995 bond bill allocated $4.5 million for the initial purchase, and the governor's 21st Century Fund allocated $25 million for expansion and improvement of the port. Under the agreement between the city and the state, the total cost of the purchase over a thirty-year period will be $91 million, including $40 million paid directly to the city and $51 million for debts incurred by the city. Gerard J. Mangone, ed., Port of Wilmington in the Twenty-first Century (Newark: Graduate College of Marine Studies, University of Delaware, January 1996), 6. See also John B. O'Donnell, "The Port of Wilmington: A Major Economic Force Evolving," Delaware Lawyer 11, no. 1 (spring 1993): 36-37.


58. See Hoffecker, Corporate Capital, 171-76; Yanich, "Urban Coalition," 53-62; Phelan and Poxon, Company State, 177-203; and Cobb, Du Pont Dynasty, 646-47.


62. See chapters 8 and 14 for discussion of these issues.


CHAPTER 6. NONGOVERNMENTS

1. Munroe, History of Delaware, 190.

2. Ibid., 197-202.

3. It was Governor Buck who urged the state to take over all county roads in 1935.


8. Hoffecker, Corporate Capital, 9, 156.
13. Shapiro succeeded Charles B. McCoy, whose brother-in-law was a du Pont.
17. See the related news story and editorials in the Wilmington News Journal, 4 April 1995, B3; 7 April 1995, A14; and 12 June 1996, A8.
23. See IRS Form 990, "Return of Organization Exempt From Income Tax," under section 501(c) of the Internal Revenue Code.
27. See chapter 8 for elaboration of state funding favoring NPOs.
29. See Delaware Association of Non-Profit Agencies, Delaware Nonprofit 5, no. 1 (winter 1997): 19. The University of Delaware, which is exempt from the City of Newark's property taxes, nevertheless pays $120,000 a year voluntarily. See also Trif Atalaz, "City Still Ponders Getting Funds from Nonprofit Groups," Wilmington News Journal, 26 October 1995, B5; and idem, "Wilmington Revisits a Fee for Nonprofits," Wilmington News Journal, 18 November 1995, A1, A12.
30. Delaware Public Policy Institute, Welfare Reform, Housing and Medicaid Task Force (Wilmington, Del.: 1–2 April, 1996).
36. Thus, UWD released its ambitious agenda-setting report in 1990, entitled Insight Delaware: A Foundation for Action, which it characterized as "the first step in what will be a continuing process of identifying and understanding the dynamics of Delaware's changing health and human service needs, and of assessing the capacity of our human services delivery systems to meet those needs."
40. Emanuel S. Savas, Privatization: The Key to Better Government (Chatham, N.J.:
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41. Jeffrey Raffel and Amy Drokoski, Pragmatic Privatization: Defining, Describing, Deciding, and Doing. (Newark: Delaware Public Administration Institute, College of Urban Affairs & Public Policy, University of Delaware, 29 April 1996), 2–3. According to Ronald C. Moe, “Privatization has its intellectual roots in free market economic theory, and its proponents have a world view that admits of few limitations. . . . Although different people define privatization in different ways, the Movement itself is held together by a shared belief that the public sector is too large and that many functions presently performed by government ought to be better assigned to private sector units directly or indirectly, or left to the play of the market place. The private sector, it is argued, will perform these functions more efficiently and economically than they can be performed by the public sector.” Ronald C. Moe, “Exploring the Limits of Privatization,” Public Administration Review 47 (November/December 1987): 453.

42. Kathryn Denhard et al., The Delaware Experience with Privatization Initiatives (Newark: Delaware Public Administration Institute, College of Urban Affairs and Public Policy, University of Delaware, 29 April 1996), 1–5.


45. Other state government units in human services are: Delaware Health Care Commission; Department of Services for Children, Youth, and Their Families; Delaware State Housing Authority; Governor’s Advisory Council for Exceptional Citizens; and the Division of Vocational Rehabilitation within the Department of Industry and Labor.


47. Almost all health services in Delaware are operated by the private sector. All federally funded Medicaid programs operate through NGOs. Moreover, no state or local government general hospitals exist in Delaware. DHSS’s Division of Public Health does operate three nursing homes (Delaware Hospital for the Chronically Ill, Emily P. Bissell Hospital, and the Governor Bacon Health Center). The 1993 state reorganization commission, however, recommended that “The State should move toward privatizing and downsizing state-operated nursing home facilities. . . . to take advantage of greater efficiencies in private sector health care institutions.” Report of the Commission on Government Reorganization and Effectiveness (Dover, Del.: State of Delaware, October 1993), E-15.


Chapter 7. Public Administration


2. Delaware Constitution of 1897, article 2, section 14, states: “No Senator or Representative shall, during the time for which he shall have been elected, be appointed to any civil office under this State. . . .” See also chapter 4.

3. Because of Delaware’s small size and population, the state government administers relatively more functions than do other state governments, while the local governments administer comparatively fewer functions than do local governments in other states. Hence, the number of Delaware’s state employees per 10,000 population and the state’s percentage of total state/county employees are comparatively higher, Todd Wielar, How Delaware Compares (Wilmington, Del.: Delaware Public Policy Institute, 1996), 13.


6. See Paul Dolan, The Organization of State Administration in Delaware (Baltimore: Johns Hopkins University Press, 1950), 14–17; and idem, Government and Administration of Delaware, 98.


8. Dolan and Soles, Government of Delaware, 97–99, 102. The governor’s administrative control was further strengthened in 1997 when the position of state superintendent of public instruction, therefore appointed by the state board of education, was replaced by the position of secretary of education, appointed by the governor; see chapter 12.


10. The purposes and timing of Clinton’s and Carper’s initiatives were strikingly similar: President Clinton’s initiative was announced 17 February 1993, while Governor Carper’s announcement was 24 February 1993. Whereas the resulting Gore Report was issued 7 September 1993, the Minter Report was issued 6 October 1993. See Vice President Al Gore, Creating a Government That Works Better and Costs Less: Report of the National Performance Review (Washington, D.C.: Government Printing Office, 7 September 1993); and Lieutenant Governor Ruth Ann Minner, Report of the Commission on Government
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Policy Problems in the First State

William W. Boyer

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Newark: University of Delaware Press
London: Associated University Presses