V. BUDGETING

The budget is the complete financial plan of the State as evidenced by all appropriations and allowances made and estimates of revenue approved by the General Assembly, including: the general budget of appropriations adopted by the General Assembly and approved by the Governor; all other appropriations and allowances authorized by law which have been or shall be made to any agency of the State which is supported in whole or in part out of the revenues, taxes, licenses, fees, permits, fines and from other sources including any agency which is empowered by statute to collect and expend revenues by the use of special funds by whatever name known whether or not specifically appropriated by the General Assembly; and the budgets and the revenues and expenditures of all agencies to which monies are appropriated by supplementary appropriations or otherwise. **(29 Del. C. §6301)**

A. OPERATING BUDGET PROCESS

1. Format of the Budget

01-04 Notwithstanding the provisions of **Title 29, Section 6334(c), Delaware Code**, for Fiscal Year 2002 and beyond, the proposed budget plan, as prepared by the Budget Director, shall be in such a format that it can be readily analyzed and comprehensive in nature.
(Senate Bill No. 410, Section 27, June 1998)

The proposed budget shall include all proposed expenditures of State special funds, excluding federal grants and non-federal grants funds and gifts, bequests, tuition receipts and the proceeds from the sale of debt instruments by state agencies **(63 Del. Laws, C.279).** Such state special funds which are included in the budget are known as Appropriated Special Funds (ASF) and are treated for budgetary purposes in the same manner as the state's General Fund.

2. Budget Forms

On or before September 1, annually, the Budget Director shall furnish to each budget unit the official estimate blanks for requesting funds for the ensuing fiscal year.
(29 Del. C. §6503(a) and (c))

3. Budget Submissions

a. State Agencies

On or before November 15 annually, each agency, except public school districts whose budget request form shall be submitted on or before October 30, shall report to the Budget Director on official blanks furnished for such purpose, an estimate in itemized form showing the amount needed for the ensuing fiscal year.

All departments/agencies shall submit to the Office of the Budget Director on official estimate blanks prescribed by the Budget Director, requests for State special funds and estimates of all anticipated State special fund receipts. **(63 Del. Laws, C.279)**

b. Non-State Agencies

Any organization, body, committee or person intending to request an appropriation from the General Assembly for any particular object or purpose, or for any expenditure, shall present such request to the Budget Director on official forms furnished for such purpose on or before November 15, annually. In the case of any organization, body or committee making such request, the request shall be made by some person duly authorized and shall be sworn to by the person making the same. **(29 Del. C. §6502)**

4. Budget Hearings

The Budget Director shall provide, by the giving of such notice as he deems necessary, for public hearings on any and all estimates to be included in the budget, which hearings shall be held beginning not later than November 15 of each year. These hearings shall be open to the press and any citizens or authorized representatives of any organization, or group of citizens, may attend these hearings and be heard upon any subject matter properly in review. The head, or authorized representative, of any agency of the State receiving or asking financial aid may attend and be heard in explanation of any request for financial aid contained in any estimate submitted to the Budget Director. **(29 Del. C. §6332)**

5. Submission to Governor

On or before December 15 annually, the Budget Director shall complete his review and revision of the estimates of all agencies of the State asking or receiving financial aid. The Budget Director may, in making such review, revise by increasing or decreasing, any estimate submitted to him, except those of the judiciary and the General Assembly, but where revision is made he shall indicate it in his report to the Governor, together with the reasons for his revision. **(29 Del. C. §6333)**

Upon completion of the review and revision of estimates of all the agencies of the State, the Budget Director shall submit to the Governor an itemized plan for the proposed expenditures of each agency of the State, classified by function and character, and of the estimated revenues for the ensuing fiscal year. **(29 Del. C. §6334(a))**

6. Submission to the General Assembly

The Governor, upon receipt of the report of the Budget Director, may make such changes in the report as he may deem necessary or desirable in accordance with his own best judgment and concluding and shall submit the budget report as prepared by him based on the report of the Budget Director to each House of the General Assembly, on or before February 1 of each year, and at the same time he submits the proposed budget, he shall submit copies of a tentative bill for all proposed appropriations for the budget, clearly itemized and properly classified. This bill shall be known as the Budget Appropriation Bill. **(29 Del. C. §6335)**

7. Consideration of the Budget by the General Assembly

The standing committees of each House in charge of the Budget Appropriation Bill shall sit jointly in open session while considering the budget and the Budget Appropriation Bill and they shall begin such joint meetings within five days after the budget and the Budget Appropriation Bill have been submitted by the Governor. This joint committee may cause the attendance of heads or responsible representatives of the agencies of the State asking for financial aid and compel the furnishing of such information and the answering of such questions as the joint committee shall require, and to these sessions all persons interested in the estimates under consideration shall be admitted with the right to be heard. The Governor, or his representative, and the Governor-elect shall have the right to sit at these public hearings and be heard on all matters coming before the joint committee. **(29 Del. C. §6336)**

The General Assembly may increase, decrease or eliminate items in the Budget Appropriation Bill in any way that is not contrary to the Constitution of the State, but neither House shall consider further or special appropriations, except in case of emergency, which fact shall be clearly stated in the appropriation bill, until the Budget Appropriations Bill shall have been finally acted upon by both Houses. No items providing appropriations for payment of interest or principal due on state debt shall be decreased or eliminated. **(29 Del. C. §6337)**

The Governor may, before final action thereon by the General Assembly, amend or supplement the Budget Appropriation Bill to correct an error or oversight or in case of emergency, by delivering such an amendment or supplement to both Houses. The amendment or supplement shall thereby become a part of the Budget Appropriations Bill as an addition to the items of the Bill or as a modification or substitution for any item of the Bill such amendment or supplement may affect. **(29 Del. C. §6338)**

Any further or special appropriations shall be known as supplementary appropriations. Every such appropriation shall be embodied in a separate bill limited to some single work, object or purpose therein stated and called herein a Supplementary Appropriation Bill, shall, by its provisions, provide or designate the source from which the money therein appropriated is to be derived. **(29 Del. C. §6339)**

No appropriation for a grant-in-aid shall be made otherwise than pursuant to an act by the General Assembly, passed with the concurrence of three-fourths of all the members elected to each House. **(29 Del. C. §6341)**

8. Limit on General Fund Appropriations

No appropriation, supplemental appropriation or budget act shall cause the aggregate General Fund appropriations enacted for any given fiscal year to exceed ninety-eight percent (98%) of the estimated General Fund revenue for such fiscal year from all sources, including estimated unencumbered funds remaining at the end of the previous fiscal year. **(29 Del. C. §6533(b))**

Any portion of the amount between 98% and 100% of the estimated General Fund revenue for any fiscal year may be appropriated in any given fiscal year in the event of emergencies involving the health, safety or welfare of the citizens of the State, such appropriations to be approved by

three-fifths of the members elected to each House of the General Assembly. **(29 Del. C. §6533(c))**

No appropriation or supplemental appropriation enacted for any given fiscal year for grants-in-aid shall:

- Exceed 1.2% of the estimated net State General Fund revenue estimated in March for such fiscal year from all sources; and
- Cause the aggregate State General Fund appropriations enacted for any given fiscal year to exceed 98% of the estimated net state General Fund Revenue for such fiscal year from all sources, including estimated unencumbered funds remaining at the end of the previous fiscal year. **(29 Del. C. §6533(f))**

B. CAPITAL BUDGET PROCESS

1. Annual Report to the Office of the Budget

Each state agency, department, and institution of higher learning to which proceeds of bonds or notes are appropriated, must, on an annual basis, report to the Office of the Budget the status and anticipated cash flow for each project which is not complete. **(29 Del. C. §7419)**

2. Timetable for Use of Funds

No bonds or notes shall be issued or funds borrowed pursuant to an authorization act, four (4) years after the passage of such act except as provided for local school district capital improvements. **(29 Del. C. §7416(b))**

Any project authorized to be undertaken with the proceeds of bonds of the State shall commence in the fiscal year in which it is authorized. If such duly authorized project has not proceeded into one or more of the phases identified below within eighteen (18) months from the effective date of the original authorization, the authorized but unsold portion of the bonds shall automatically be deauthorized and any unspent cash balances shall be reverted to the Bond Reversion Account to be applied to the costs of any other authorized project. **(29 Del. C. §7416(c))**

No funds appropriated by an authorization act shall be encumbered more than three (3) years after the passage of such act for any individual project unless:

(1) Such project has progressed into any of the following phases prior to that date:

- Planning
- Initial Engineering
- Land, building or equipment acquisition
- Construction or reconstruction

(2) Eighty-five percent (85%) of the project costs have been expended on one or more of such phases. **(29 Del. C. §7416(a))**

3. Unexpended Funds

Any funds borrowed pursuant to an authorization act, and remaining unencumbered after the completion or abandonment of a project authorized to be financed pursuant to such act, or because a project authorized to be financed by such act is not timely undertaken, or upon the expiration of the period set forth in the following section, shall be deposited in a special fund and applied, with the approval of the Governor, Secretary of State, State Treasurer and Secretary of Finance, to the cost of financing any previously authorized projects. The head of the department or agency to which such funds were appropriated for a project shall determine when such project is completed or abandoned. **(29 Del. C. §7418)**

C. FEDERAL FUNDS

1. Delaware State Clearinghouse Committee

The Delaware State Clearinghouse Committee is established for the approval/disapproval of federal and non-federal grants. The Committee consists of the following members:

- Chairperson, Joint Finance Committee
- Vice-Chairperson, Joint Finance Committee
- Controller General
- Budget Director
- Director, Delaware Economic Development Office
- Secretary of Finance
- Four Members of the General Assembly
  - One appointed by the President Pro Tempore of the Senate,
  - One appointed by the Minority Leader of the Senate
  - One appointed by the Speaker of the House of Representatives,
  - One appointed by the Minority Leader of the House of Representatives. **(29 Del. C. §7601)**

The Budget Director shall serve as Secretary of the Committee, and the Office of the Budget shall provide necessary staff support. **(29 Del. C. §7601)**

The Office of the Controller General shall provide staff support as required by the Chairperson or Vice-Chairperson of the Committee. **(29 Del. C. §7601)**

2. Submission of Grant Applications and Plans

This section applies to:

- All State agencies or departments, including agencies of public and higher education, receiving funds pursuant to the annual Budget Appropriation Act:

  Prior to submitting State plan(s) or application(s) to federal or non-federal authorities for the purpose of receiving funds, State agencies shall submit such plan(s) or application(s) to the Office of the Budget for review and approval or disapproval by the Committee. **(29 Del. C. §7603)**

- Any other agency or entity, whether public or private, including political subdivisions of the State, receiving state funds to be used in part or in total as match for receiving federal funds or which through the receipt and expenditure of federal funds impact state expenditures shall:

  Prior to submitting application(s) to federal authorities for the purpose of receiving funds, submit such application(s) to the Office of the Budget for review and approval or disapproval by the Committee. **(29 Del. C. §7603)**

3. Required Public Hearings on Block Grants

The Delaware State Clearinghouse Committee is the authorized committee to hold required public hearings on behalf of the Delaware General Assembly for the following purposes on an application for a block grant to the federal government:

- To permit public examination of the projected use and distribution of block grant funds;
- To allow affected residents of the State, appropriate units of local governments and private agencies to examine the application and submit comments; and,
- To obtain views of the residents of the State. **(29 Del. C. §7604)**

The public hearing may, at the Committee's discretion, be held at the same time the agency's application for block grant funds is reviewed, approved or disapproved by the Committee. (29 Del. C. §7604)

Notice of a public hearing shall be given, in addition to such other methods as the Committee may determine, by publication in a newspaper of general circulation in the State at least ten (10) days preceding the date of said public hearing, except where a longer period is expressly provided by applicable law. The notice shall state the date, time and place of the public hearing and specify the matters to be considered thereat. **(29 Del. C. §7604)**

D. BUDGET TRANSFERS

Budget transfers relate only to adjustments (increases/decreases) of spending authorization provided to agencies by the General Assembly. These spending authorizations are the General Fund and Appropriated Special Fund appropriations.

The following policies relate to budget transfers: **(29 Del. C. §6528)**

1. No transfer of funds from one item of account to another on the books of any agency shall be made without the written approval of the Budget Director unless authorized in other paragraphs.

2. No transfer of appropriated General Funds from one item of account to another on the books of any agency shall be made without the written approval of the Budget Director and the Controller General unless authorized in other paragraphs.

3. Appropriated General Funds shall remain within the department or agency to which appropriated and shall not be transferred for use by another department or agency, except as provided by law or within the provisions of Paragraph 6 of this Section.

4. Appropriated General Funds may be transferred within a department or agency of the State, subject to the authority and limitations set forth in this Manual, and the approval by the Controller General, except that approval by the Controller General is not required on transfers from the Budget Commission.

5. No funds may be transferred into appropriations for "Personnel Costs", "Salaries" or "Salaries and Wages" from appropriations for non-salary items. Funds appropriated by the Budget Appropriation Bill for "contingency funds" shall not be used for the payment of a line-item salary, except as otherwise specifically provided by law and for the sole purpose of maintaining the salary schedule set forth for school employees.

6. In the event the appropriation set forth by the Budget Appropriation Bill to any department or agency is excessive or inadequate, the Budget Director, with concurrence of the Controller General, is authorized to transfer funds among the various departments for:

    a. Specific non-routine requirements, which shall be in writing, recorded and controlled through separate accounts within the Budget Office Contingencies.

    b. Salary and Other Employment Costs, Personnel Costs to meet overall State Salary and Other Employment Costs requirements. Such authorizations for transfer can be between Salaries and Other Employment Costs and shall be in writing and fully documented.

    c. Matching funds and Public Education funds where extended educational components may be administered within other departments or agencies.

7. All departments with Internal Programs, may transfer appropriations among Travel, Contractual Services, Supplies and Materials, and Capital Outlay lines within the Internal Program. These transfers shall not require the approval of the Budget Director and Controller General.

8. All requests for transfers within the General Fund or Appropriated Special Funds must contain the following justifications:

   a. What is the agency proposing to purchase or contract?

   b. What is the effect on the current Budget?
      What programs are affected and to what degree?
      What improvement in services will be provided?
      How did the surplus develop?

   c. Will this transfer be recurring?

   d. What is the effect on the budget for the next fiscal year?

9. All transfers must have the approval of the agency head.

10. Cash Adjustment (CA) - The movement of cash between special fund appropriation accounts, frequently referred to as transferring of funds, is not done with the Transfer (TA) document but with a Cash Adjustment (CA) document. The Cash Receipt (CR) document is used to move cash only when there has been an incorrect coding used with the initial receipt recording. ***(See Appendix K for more details.)***

E. EXPENSE BUDGETS

Appropriations are the statutory basis of control of the State's expenditures at the Fund, Department, Division, Section and Line level. DFMS allows the State's departments and agencies to further define the primary authorized funds available down to the object code level. Each line in the expense budget represents an object of expenditure within the appropriation line.

1. Control Options

There are three control options available for expense budgets within DFMS. They are:

- Control (C) - Which means that total obligations against this line cannot exceed the budgeted amount.

- Presence (P) - Which means that expense transactions against this line require that an expense budget line for this object exists.

- None (N) - Which means that no expense budget has to be established for this object.

Departments may exercise either the Control or Presence option. If they do so, as transactions are entered they are subject to additional edit checks before the transaction is accepted by DFMS. If these checks are not met, the transaction is rejected even though there may be ample funds available for the appropriation involved.

If no control option is utilized, DFMS will create an expense budget as transactions are processed.

F. REVENUE BUDGETS

Revenue budgets are used to set up the revenue side of the budget. Each revenue budget line represents the source of the revenue expected to be received.

1. Control Options

There are two control options available for revenue budgets within DFMS. They are:

- Presence (P) - Which means that revenue transactions against this line require that a revenue budget line for this source exist.
- None (N) - Which means that no revenue budget has to be established for this source.

Departments may exercise the Presence option but it is not recommended as it is not desirable to have additional edits and delays in the processing of revenue.

If no control option is utilized, DFMS will create a revenue budget as transactions are processed.