
***FISCAL YEAR 2001
STATE OF DELAWARE
GOVERNOR'S RECOMMENDED BUDGET***



The Governor's Recommended Budget is comprised of both summary (narrative) and detailed (numeric) information at statewide, department, appropriation unit (APU) and internal program unit (IPU) levels.

Volume I of the recommended budget contains the narrative presentation including the highlights. Statewide financial schedules appear in the Appendix.

Volume II contains the detailed numeric data at each level in the form of Budget Development and Information System (BDIS) reports including recommendations.

Please refer to the Table of Contents for page location of specific department information or financial statements.

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*On the cover:*

**The Blue Hen Chicken** – Delaware’s State Bird (adopted April 14, 1939). The “Blue Hen” chicken had long been used as a motif in numerous political campaigns and in many publications. During the Revolutionary War, the men of Captain Jonathon Caldwell’s company took with them game chickens that were said to be of the brood of a famous Blue Hen and were noted for their fighting ability. When not fighting the enemy, the officers and men amused themselves by pitting the Blue Hens in cockfights. The fame of the cockfights spread throughout the army and, when in battle, the Delaware men fought so valorously that they were compared to these fighting cocks.

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FINANCIAL OVERVIEW

RECOMMENDED APPROPRIATIONS

The Governor's Recommended Fiscal Year 2001 total General Fund operating budget is \$2,146.1 million. In addition, the Governor has set aside \$34.1 million for Grants-in-Aid. Total recommended Fiscal Year 2001 General Fund appropriations are more than \$2,378.1 million, including \$198.0 million allocated to the Bond and Capital Improvements Act. Total appropriations represent less than 98 percent of projected net Fiscal Year 2001 revenue plus carryover funds.

The Governor's Recommended Fiscal Year 2001 Bond and Capital Improvements Act totals \$448.2 million. Of this amount, \$234.2 million is recommended for state capital projects and \$191.0 million is recommended for transportation projects. Of the \$234.2 million, \$58.2 million is General Obligation Bond Authorization, \$175.0 million is General Fund appropriations for pay-as-you-go projects, and \$1.0 million is recommended in other miscellaneous revenue.

Fiscal Year 2001 appropriations are based on Delaware Economic and Financial Advisory Council (DEFAC) General Fund revenue and expenditure estimates of December 20, 1999. The Governor has proposed adjustments to these figures that decrease the DEFAC estimates by \$3.9 million in Fiscal Year 2001. They are as follows:

- ◆ The Governor proposes to dedicate an additional one-percent from the existing General Fund share of the public accommodation tax for the Delaware Tourism Office. These funds will be used to develop both a grant and matching grant program for the promotion of tourist destinations within Delaware. These funds will also be used to support the operations of the Tourism Office. This dedication will reduce the estimated Fiscal Year 2001 revenue estimate by \$1.6 million.
- ◆ The remaining \$2.3 million in adjustments is due to the dedication of General Fund revenue to support operations in the Division of Revenue, Department of Finance, for the Division of Corporations, Department of State, and for the Division of Fish and Wildlife, Department of Natural Resources and Environmental Control.

REVENUE FORECASTS

DEFAC has projected net revenue collections for Fiscal Year 2000 at \$2,270.2 million and \$2,329.3 million for Fiscal Year 2001. The highlights of the forecast include:

- ◆ **Personal Income Tax** - This category accounts for 31.8 percent of net Fiscal Year 2001 General Fund revenues. The tax, closely modeled after federal income tax law, is progressive in nature with marginal rates from zero to 5.95 percent. Net collections (after refunds) are projected to total \$738.7 million for Fiscal Year 2000 and \$741.3 million for Fiscal Year 2001.
- ◆ **Franchise Tax** - This category accounts for 21.5 percent of net Fiscal Year 2001 General Fund revenues. This tax is imposed upon domestic corporations incorporated in Delaware and is based on either the outstanding shares of stock of a corporation or on gross assets. Collections are projected to be \$463.9 million for Fiscal Year 2000 and \$501.1 million for Fiscal Year 2001.
- ◆ **Business and Occupational Gross Receipts Tax** - This category accounts for 5.9 percent of net Fiscal Year 2001 General Fund revenues. This tax is imposed on the gross receipts of most businesses with tax rates ranging from .096 percent to 1.92 percent, depending upon the category of the business activity. Collections are projected to be \$131.5 million for Fiscal Year 2000 and \$136.9 million for Fiscal Year 2001.
- ◆ **Lottery** - This category accounts for 9.4 percent of net Fiscal Year 2001 General Fund revenues. Collections are projected to total \$200.0 million for Fiscal Year 2000 and \$219.5 million for Fiscal Year 2001. The large growth in this category over the past several years is primarily attributable to the implementation of video lottery operations. In March of 1998, the General Assembly reauthorized the installation of video lottery machines at the two harness and one thoroughbred horse racetracks in the state.
- ◆ **Corporate Income Tax** - This category accounts for 4.4 percent of net Fiscal Year 2001 General Fund revenues. This tax is imposed on every domestic and foreign corporation doing business in Delaware, depending upon the amount of a corporation's taxable income that is apportioned and allocated to Delaware. Net collections are projected to be \$107.2 million for Fiscal Year 2000 and \$103.3 million for Fiscal Year 2001.
- ◆ **Bank Franchise Tax** - This category accounts for 5.4 percent of net Fiscal Year 2001 General Fund revenues. This tax is imposed on the net income of banks, trust companies and savings/building and loan associations and their subsidiaries. Collections are projected to be \$122.7 million for Fiscal Year 2000 and \$126.1 million for Fiscal Year 2001.

GOVERNOR'S POLICY OVERVIEW

During the second term of Governor Carper's Administration, resources will continue to be targeted for the implementation of six major objectives. These are:

- ◆ Improving Education
- ◆ Fighting Crime/Enhancing Public Safety
- ◆ Strengthening Delaware Families
- ◆ Ensuring Fiscal Responsibility
- ◆ Promoting Economic Development
- ◆ Protecting the Environment

The Governor's Fiscal Year 2001 Financial Recommendations support these objectives through targeted strategies and investments as follows:

IMPROVING EDUCATION

- ◆ The Governor's Recommended Bond and Capital Improvements Act includes \$96,646.8 for public education projects. These projects include completing the funding requirements for capital projects in the Lake Forest, Milford and Seaford school districts as well as setting aside \$10,000.0 in a contingency for pending referenda projects.
- ◆ The Governor is recommending \$1,002.5 to establish a Reading Cadre and provide a Reading Intervention Specialist to each school district with pupils in grades K-3.
- ◆ The Governor is recommending an additional \$3,100.0 in Education Compensation to provide for two extra Professional Development days for teachers and \$2,500.0 for skills and knowledge supplements as proposed in the Educator Accountability Legislation.
- ◆ The Governor is recommending an expansion of the Jobs for Delaware Graduates (JDG) program to two additional high schools for a total of 27 high schools. The goal of this program is to help at-risk students graduate from school and find jobs.
- ◆ To provide additional services statewide to Limited English Proficient (LEP) students, the Governor is recommending \$1,000.0.
- ◆ To address teacher preparation, retention and recruitment initiatives; a three-tiered licensure and certification system; and development of a new appraisal system, the Governor is recommending \$3,000.0.

FIGHTING CRIME/ENHANCING PUBLIC SAFETY

- ◆ To enhance staffing and security at new and existing institutions, the Governor is recommending \$4,043.9 and 98.0 FTEs for the Department of Correction. These positions are necessary to staff the new Maximum Housing Unit at the Delaware Correctional Center, the expansion at the Kent County Work Release Center, and the two new Violation of Probation Centers.
- ◆ The Governor is recommending \$207.2 and 7.0 FTEs to create an Apprehension unit of highly trained Probation and Parole Officers to seek out and arrest offenders who have absconded from supervision.
- ◆ The Governor's Recommended Bond and Capital Improvements Act includes \$5,000.0 to enhance coverage of the 800 MHz radio system. The 800 MHz system is a state of the art communications system that enables fire, ambulance, state and municipal police organizations to communicate more clearly and reliably statewide.

STRENGTHENING DELAWARE FAMILIES

- ◆ The Governor is recommending an additional \$57.9 for the Division of Vocational Rehabilitation to leverage federal funds for a total increase of over \$270.0 for direct client services. These funds will be used to serve over 64 clients with disabilities as they seek to gain or maintain employment.
- ◆ The Governor is recommending an additional \$211.1 in funding to increase the State Adoption Subsidy and to increase the Foster Care Review Board payments by five percent. Both increases are to assist adoptive and foster parents with the rising costs of raising a child.
- ◆ To enhance current Teenage Pregnancy Prevention efforts, the Governor is recommending an additional \$100.0 to support a long-term comprehensive program including academic support, career development and counseling.
- ◆ To ensure quality and expand accessibility for children in early childhood programs, the Governor is recommending \$145.0 for the creation of an Interagency Office of Early Childhood. This initiative will provide coordination of early care and education services in areas such as program enhancements and expansion, integrated services, professional development and outcome-based evaluations.

GOVERNOR'S POLICY OVERVIEW

ENSURING FISCAL RESPONSIBILITY

- ◆ To support the projects in the Bond and Capital Improvements Act, the Governor is recommending the authorization of \$58,232.5 in new general obligation bonds, which is one half of the legislatively mandated limitation. In addition, the Governor is recommending the appropriation of \$198,000.0 in General Funds to support the capital projects. This strategy will help ease the future debt service burden on Delaware taxpayers by paying for capital projects with current funds rather than issuing additional debt.

PROMOTING ECONOMIC DEVELOPMENT

- ◆ The Governor's Recommended Bond and Capital Improvements Act includes \$5,000.0 for the Biotechnology Institute. This initiative is designed to support key economic development efforts in biotechnology and the life sciences – areas expected to be major growth sectors in the Delaware economy in the 21st Century. This initiative will provide the funds for a partnership with the private sector and institutions of higher education. Both the private sector and our institutions of higher education have already made significant commitments to positioning Delaware to become a world leader in these areas.
- ◆ The Governor's Recommended Bond and Capital Improvements Act also includes \$12,500.0 for the Diamond State Port Corporation. These funds will be directed towards the first year construction funding for dedicated berths and connector roads for automobile shipments.
- ◆ The Governor's Recommended Bond and Capital Improvements Act has recommended an additional \$10,000.0 for the Delaware Economic Development Office's Strategic Fund. The Strategic Fund promotes economic development by serving as a flexible source of funds to be used for retaining and enhancing the state's existing job base, as well as the recruitment of new employers
- ◆ An additional \$5,000.0 has been recommended in the Governor's Recommended Bond and Capital Improvements Act to support ongoing revitalization of the Christina waterfront. This waterfront development project creates jobs; attracts out of state visitors and tourist dollars; and promotes economic development revitalization for nearby communities.

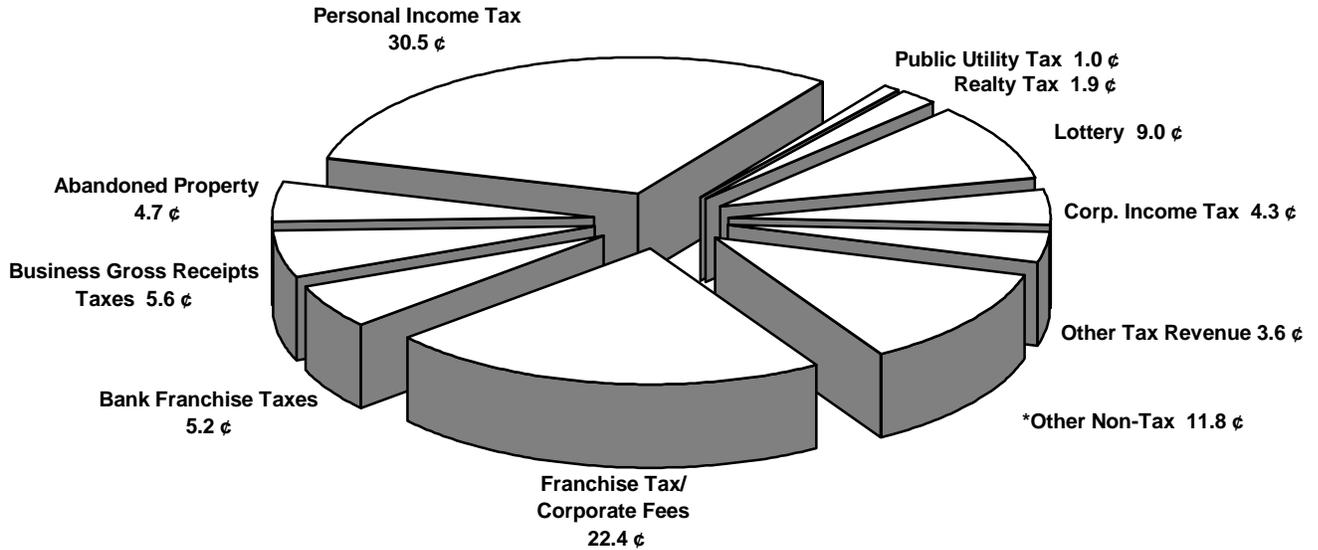
PROTECTING THE ENVIRONMENT

- ◆ To address the need for improved nutrient management while maintaining a strong agricultural economy, over \$2,345.0 has been recommended in the Governor's Bond and Capital Improvements Act for the Conservation Cost Share Program. These funds will be used to offset part of the costs facing landowners as they incorporate best management practices to reduce nutrient runoff.
- ◆ The Governor is recommending \$300.0 for a Poultry Litter Transport program, which will focus on alternative use projects that remove animal waste from the Delmarva Peninsula, and to fund the transport of animal waste to locations where it will be used to enhance agricultural operations. The Governor is also recommending \$250.0 for special projects associated with nutrient management and the reduction of non-point source pollution.
- ◆ The Governor is recommending \$30.0 in a Budget Office contingency for recycling. These funds will be used to help increase the percentage of households that participate in properly disposing of recyclable materials. A study from the Citizens Group on Recycling will be issued in February 2000. These funds may be used to help implement some of the recommendations for increasing the number of households that participate in recycling programs.
- ◆ To continue the efforts of the Total Maximum Daily Load program in the Department of Natural Resources and Environmental Control, the Governor is recommending \$250.6 for the third year funding. This ten-year program focuses on strategies to reduce the amount of nutrients, wastewater discharge, and other pollutants that threaten the health of Delaware's streams, rivers, ponds, and bays.
- ◆ The Governor's Recommended Bond and Capital Improvements Act includes \$10,000.0 for both the Open Space and Water/Wastewater programs. These statewide programs will continue the important work that was initiated with the Twenty-First Century Fund.
- ◆ Also included in the Governor's Recommended Bond and Capital Improvements Act is \$3,000.0 for the Farmland Preservation Program. These funds will supplement the \$7,000.0 allocated for Fiscal Year 2001 in the Fiscal Year 1999 Bond and Capital Improvements Act to bring the Fiscal Year 2001 funding total to \$10,000.0 to continue the acquisition of development rights.

FINANCIAL SUMMARY

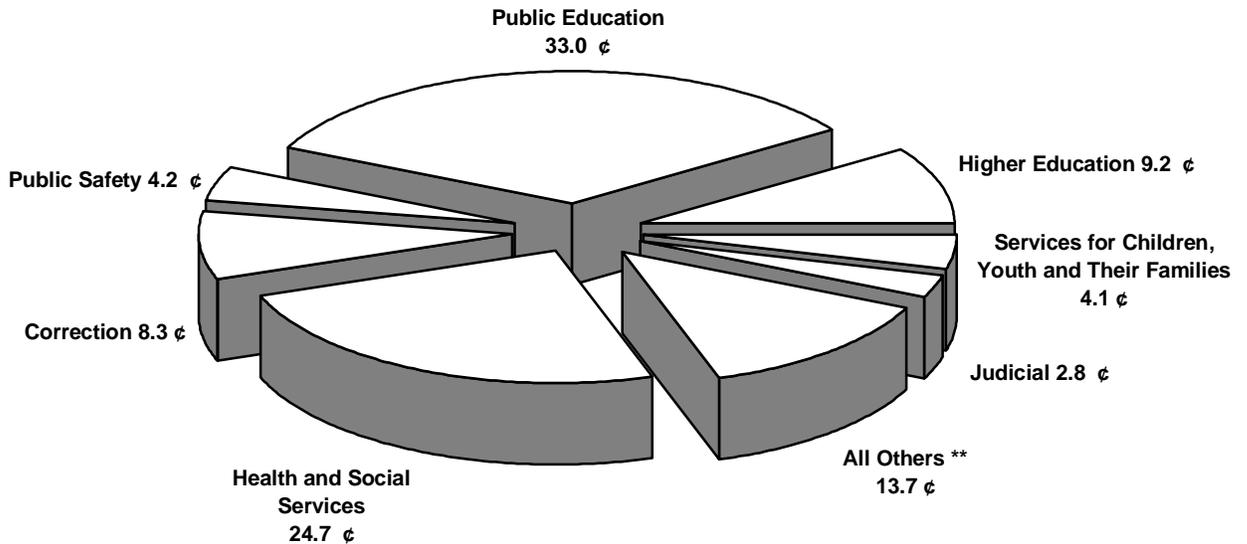
BUDGET DOLLAR GOVERNOR'S RECOMMENDED BUDGET Fiscal Year 2001

Sources of Funds (net of refunds)



* Includes Prior Year Unencumbered Cash Balance

Appropriations



** Includes One-Time Items

FINANCIAL SUMMARY

Estimated General Fund Revenue

The Delaware Economic and Financial Advisory Council (DEFAC), at the December 20, 1999 meeting, adopted a Fiscal Year 2001 revenue estimate of \$2,329.3 million.

Revenue Categories	(\$ MILLIONS)		
	1999 Actual	2000 Forecast	2001 Forecast
Personal Income Taxes	\$ 882.5	\$ 855.7	\$ 861.5
Corporation Income Taxes	122.1	135.2	130.3
Franchise Taxes	425.5	463.9	501.1
Business and Occupational Gross Receipt Taxes	130.9	131.5	136.9
Hospital Board and Treatment Sales	76.1	79.0	80.8
Dividends and Interest	26.8	31.4	32.4
Public Utility Taxes	22.8	24.5	25.3
Cigarette Taxes	24.1	26.3	26.7
Estate Taxes	27.5	31.2	24.0
Realty Transfer Taxes	39.7	43.0	45.2
Insurance Taxes	35.5	37.2	39.0
Abandoned Property	125.9	135.0	115.0
Corporate Fees	39.3	39.4	41.4
Bank Franchise Taxes	139.1	122.7	126.1
Lottery Sales	168.0	200.0	219.5
Other Revenue by Department	85.6	95.2	104.5
Total Receipts	\$ 2,372.0 *	\$ 2,451.2	\$ 2,509.7
LESS: Revenue Refunds	(181.3)	(181.0)	(180.4)
Subtotal	\$ 2,190.7	\$ 2,270.2	\$ 2,329.3
LESS: Public Accommodations Tax			(1.6)
Abandoned Property			(0.6)
Other Revenue			(1.7)
TOTAL	\$ 2,190.7	\$ 2,270.2	\$ 2,325.4

* DEFAC has revised the revenue reporting categories.

FINANCIAL SUMMARY

GENERAL FUND BUDGET BY DEPARTMENT BY FISCAL YEAR

	FISCAL YEAR 2000*	FISCAL YEAR 2001* RECOMMENDED
Legislative	\$ 11,298.1	\$ 11,478.4
Judicial	56,821.5	60,399.1
Executive	125,262.2 **	98,395.3 **
Other Elective	21,303.2	33,775.3
Legal	22,704.4	25,499.5
State	13,647.2	13,652.9
Finance	15,522.2	16,300.6
Administrative Services	38,808.6	36,317.7
Health and Social Services	489,801.4	530,548.8
Children, Youth and Their Families	84,659.9	88,299.0
Correction	164,719.1	177,873.3
Natural Resources and Environmental Control	36,494.5	36,974.9
Public Safety	83,471.0	89,230.3
Labor	5,578.6	5,790.3
Agriculture	5,146.4	5,990.0
Elections	2,935.3	3,134.3
Fire	3,756.2	3,881.2
National Guard	2,974.8	3,108.1
Exceptional Citizens	100.9	106.1
Higher Education	192,337.6	197,913.9
Education	666,697.3	707,389.4
STATE TOTAL	\$ 2,044,040.4	\$ 2,146,058.4

* Does not include funding for Grants-in-Aid and cash to the Bond and Capital Improvements Act.

** Includes One-Time Items to be allocated statewide.