

FINANCIAL OVERVIEW

RECOMMENDED APPROPRIATIONS

The Governor's Fiscal Year 2010 Recommended General Fund Operating Budget is \$3,063.5 million. In addition, the Governor has set aside \$40.8 million for Grants-in-Aid. Total recommended Fiscal Year 2010 General Fund appropriations are \$3,104.3 million. Total appropriations represent 98.0 percent of projected net Fiscal Year 2010 revenue plus projected carryover funds which is within the constitutionally mandated limitation on appropriations.

The Governor's Fiscal Year 2010 Recommended Bond and Capital Improvements Act totals \$344.0 million. Of this amount, \$158.9 million is recommended for state capital projects and \$185.1 million is recommended for transportation projects. Of the \$158.9 million supporting state projects, \$155.9 million is General Obligation Bond Authorization and \$3.0 million is reversion and reprogramming of existing authorization.

Fiscal Year 2010 appropriations are based on Delaware Economic and Financial Advisory Council (DEFAC) revenue and expenditure estimates of December 15, 2008. The Governor has recommended adjustments to these figures that increase the DEFAC revenue estimates by \$31.8 million in Fiscal Year 2010. These recommended adjustments are as follows:

- ◆ An increase of \$24.0 million in Abandoned Property by allocating previously earmarked funds back to the General Fund.
- ◆ An increase of \$8.0 million in Realty Transfer Tax by allocating previously earmarked funds back to the General Fund.
- ◆ A \$0.4 million decrease to Hospital Board and Treatment due to the planned closure of Governor Bacon Health Center and Emily P. Bissell Hospital.
- ◆ A \$0.2 million increase in Other Revenue to deposit special fund revenue in the Department of Finance into the General Fund.

In addition, the Governor recommends the Fiscal Year 2009 reversion estimate be increased by \$159.2 million. At the December 2008 meeting, DEFAC adopted a reversion estimate of \$53.0 million to reflect initial Fiscal Year 2009 expenditure reductions that are a result of the management controls the Governor put in place in November 2008. The increased reversion estimate reflects the Governor's commitment to ending Fiscal Year 2009 in a positive cash position while maintaining the budget reserve account. It is anticipated that the additional reversions will be generated by continuing the management controls in place for Fiscal Year 2009, including the hiring freeze, reviewing purchase orders

over \$2,500 and by working with the General Assembly and the next administration to reduce expenditures by reviewing capital projects and using the seven percent budget reduction options requested of nearly every agency in the State. As such, the total projected reversions for Fiscal Year 2009 are recommended at \$212.2 million.

DEFAC GENERAL FUND REVENUE FORECASTS

DEFAC has projected net General Fund revenue collections for Fiscal Year 2009 of \$3,224.5 million and \$3,085.9 million for Fiscal Year 2010. The highlights of the forecast include:

- ◆ **Personal Income Tax** - This tax, closely modeled after federal income tax law, is progressive in nature with marginal rates from zero to 5.95 percent. DEFAC estimates (after refunds) are \$973.2 million for Fiscal Year 2009 and \$988.5 million for Fiscal Year 2010.
- ◆ **Franchise Tax and Limited Partnership/Limited Liability Company Tax** - The Franchise 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. In addition, every domestic Limited Partnership and Limited Liability Company formed in Delaware and every foreign Limited Partnership and Limited Liability Company registered to do business in Delaware is required to pay an annual tax of \$250. DEFAC estimates (after refunds) for these categories are \$693.2 million for Fiscal Year 2009 and \$635.0 million for Fiscal Year 2010.
- ◆ **Business and Occupational Gross Receipts Tax** - This tax is imposed on the gross receipts of most businesses with tax rates ranging from .077 percent to 1.92 percent, depending upon the category of the business activity. DEFAC estimates are \$181.6 million for Fiscal Year 2009 and \$197.8 million for Fiscal Year 2010.
- ◆ **Lottery** - This category includes video lottery operations as well as traditional lottery sales. DEFAC estimates are \$240.5 million for Fiscal Year 2009 and \$231.3 million for Fiscal Year 2010.
- ◆ **Corporation Income Tax** - 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. DEFAC estimates (after refunds) are \$90.0 million for Fiscal Year 2009 and \$57.0 million for Fiscal Year 2010.

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- ◆ **Bank Franchise Tax** - This tax is imposed on the net income of banks, trust companies and savings/building and loan associations and their subsidiaries. DEFAC estimates are \$113.0 million for Fiscal Year 2009 and \$98.1 million for Fiscal Year 2010.
- ◆ **Abandoned Property** - Any debt obligation which has gone unclaimed or undelivered, or security that has remained undelivered for three or more years after the date the owner should have received it or was entitled to claim it must be reported to the State as abandoned property. DEFAC estimates are \$390.4 million for Fiscal Year 2009 and \$330.0 million for Fiscal Year 2010.
- ◆ **Realty Transfer Tax** - The State imposes a tax of 2 percent of the fair market value of the property divided equally between the grantor and the grantee. Local governments are permitted to levy a 1.5 percent tax. In cases in which the local levy exceeds 1.0 percent, the State rate decreases to 1.5 percent. DEFAC estimates are \$50.0 million for Fiscal Year 2009 and \$37.5 million for Fiscal Year 2010.