

FINANCIAL OVERVIEW

RECOMMENDED APPROPRIATIONS

The Governor's Fiscal Year 2013 Recommended General Fund Operating Budget is \$3,544.5 million. In addition, Governor Markell has set aside \$40.2 million for Grants-in-Aid and \$37.7 million in dedicated cash to the Bond and Capital Improvements Act. Total recommended Fiscal Year 2013 General Fund appropriations are \$3,622.5 million. Total appropriations represent 98.0 percent of projected net Fiscal Year 2013 revenue plus projected carryover funds, which is within the constitutionally mandated limitation on appropriations.

The Governor's Fiscal Year 2013 Recommended Bond and Capital Improvements Act totals \$448.0 million. Of this amount, \$234.9 million is recommended for state capital projects and \$213.1 million is recommended for transportation projects. Of the \$234.9 million supporting state projects, \$179.9 million is General Obligation Bond Authorization, \$37.7 million is General Fund cash and \$17.3 million is bond premium.

Fiscal Year 2013 appropriations are based on Delaware Economic and Financial Advisory Council (DEFAC) revenue and expenditure estimates as of December 19, 2011. Governor Markell has recommended adjustments to these figures that will provide a net increase to the DEFAC revenue estimates of \$31.4 million in Fiscal Year 2013. These recommended adjustments are as follows:

- ◆ An increase of \$20.0 million by redirecting Abandoned Property revenue back to the General Fund;
- ◆ An increase of \$16.0 million by redirecting Realty Transfer Tax revenue back to the General Fund; and
- ◆ A decrease of \$4.6 million of Hospital Board and Treatment revenue generated by the Delaware Veterans Home. This revenue will be retained by the Veterans Home and will be used to support current operations as well as fund the expansion of the facility from 120 to 150 beds.

DEFAC GENERAL FUND REVENUE FORECASTS

DEFAC projected net General Fund revenue collections for Fiscal Year 2012 of \$3,406.4 million and \$3,566.1 million for Fiscal Year 2013. 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 6.75 percent. DEFAC estimates (after refunds) are \$1,043.1 million for

Fiscal Year 2012 and \$1,086.4 million for Fiscal Year 2013.

- ◆ **Franchise Tax and Limited Partnership/Limited Liability Company Tax** - The Franchise Tax is imposed upon domestic corporations incorporated in Delaware and 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 \$761.6 million for Fiscal Year 2012 and \$769.8 million for Fiscal Year 2013.
- ◆ **Business and Occupational Gross Receipts Tax** - This tax is imposed on the gross receipts of most businesses with tax rates ranging from 0.10067 percent to 2.0114 percent, depending upon the category of the business activity. DEFAC estimates are \$227.5 million for Fiscal Year 2012 and \$227.3 million for Fiscal Year 2013.
- ◆ **Lottery** - This category includes video lottery operations, table games, sports betting, as well as traditional lottery sales. DEFAC estimates are \$266.9 million for Fiscal Year 2012 and \$246.7 million for Fiscal Year 2013.
- ◆ **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 \$108.2 million for Fiscal Year 2012 and \$112.7 million for Fiscal Year 2013.
- ◆ **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 \$106.2 million for Fiscal Year 2012 and \$112.5 million for Fiscal Year 2013.
- ◆ **Abandoned Property** - Any debt obligation that 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 \$383.6 million for Fiscal Year 2012 and \$484.0 million for Fiscal Year 2013.

FINANCIAL OVERVIEW

◆ **Realty Transfer Tax** - The State imposes a tax of 2.0 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 where the local levy exceeds 1.0 percent, the State rate decreases to 1.5 percent. DEFAC estimates are \$28.5 million for Fiscal Year 2012 and \$29.9 million for Fiscal Year 2013.