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## Chapter 4 – Budgeting

### 4.1 General

Each year, State Organizations and others submit their proposed budgets and funding requests to the Office of Management and Budget (OMB). After review and approval by OMB and the Governor, the annual operating budget, reflecting the State’s anticipated revenues and expenditures for the coming year, is presented to the Delaware General Assembly in the annual Budget Appropriation Bill.

The State’s Budget is the complete financial plan of the State as evidenced by all appropriations and allowances made by 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, or other sources;
- The appropriations, allowances, and revenue estimates for 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(3))**

The State prepares and approves three (3) types of budgets each year:

- The Operating Budget (Section 4.2)
- The Capital Budget (Section 4.3)
- The Grant-in-Aid Budget (Section 4.4)

This chapter will review the various processes associated with each of these budgets, as well as the policies and procedures governing:

- Grant Funds (Section 4.5)
- Budget Transfers (Section 4.6)
- Fund Transfers (Section 4.7)
- Project Costing (Section 4.8)

## 4.2 The Operating Budget Process

The proposed budget includes 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 Organizations. The OMB Director prepares the proposed budget plan in a format that can be readily analyzed and is comprehensive in nature (**29 Del. C. § 6335**).

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 (GF).

### 4.2.1 Budget Instructions

OMB disseminates budget instructions each year to aid Organizations in the timely and accurate completion of proposed budgets. These instructions outline the content, form, and format needed for Organizations to properly complete budget requests and provide Organizations with any special or additional information.

For more information or to access this year's budget instructions, Organizations should refer to <https://budget.delaware.gov>.

### 4.2.2 Budget Submissions

On or before September 1, annually, the official estimate blanks, which must be used in making the reports required by Delaware Code, shall be furnished by the Director of the OMB to each of the boards, commissions, agencies receiving or asking financial aid from the State. (**29 Del. C. §6503(a)**).

State agencies must complete and submit annual budget request forms to OMB on or before **November 15<sup>th</sup>** (**29 Del. C. §6502(a)**). In the case of any Organization, body, committee, or person intending to request an appropriation from the General Assembly, the request must be made by and sworn to by a duly authorized person (**29Del. C. §6502(b)**).

Requests for State special funds and itemized estimates of all anticipated State special fund receipts must also be included as part of the annual budget request submissions to OMB (**63 Del Laws, C. 279**).

### 4.2.3 Budget Hearings

The OMB Director is responsible for holding public hearings on any and all estimates to be included in the budget. Hearings shall begin not later than **November 15<sup>th</sup>**, and the OMB Director is responsible for giving notice of these meetings as deemed necessary.

These public hearings shall be open to the press. 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 for financial aid may attend and be heard in explanation of any request for financial aid contained in any estimate submitted to OMB. **(29 Del. C. §6332(a))**

#### **4.2.4 Submission to the Governor and the General Assembly**

The OMB Director is required to submit a proposed budget report to the Governor, based on the review of State agency budget estimates, on or before **December 15<sup>th</sup>**. During the review, the OMB Director may increase or decrease any estimate submitted, except those of the Judiciary and the General Assembly. Any revisions made by the OMB Director must be indicated in the Director's report to the Governor, including the reason(s) for the revision. **(29 Del. C. §6333)**

The Director's report is an itemized plan for the proposed expenditures of each agency of the State (classified by function and character) and for the estimated revenues for the ensuing fiscal year. **(29 Del. C. §6334(a))**

The Governor prepares a proposed budget report for each House of the General Assembly, based on the report of the OMB Director, including any changes deemed necessary or desirable. The Governor must submit the proposed budget on or before **February 1<sup>st</sup>**. At the same time, the Governor must also submit copies of the tentative Budget Appropriation Bill to each House of the General Assembly, detailing all the proposed appropriations for the budget, clearly itemized and properly classified. **(29 Del. C. §6335(a))**

#### **4.2.5 Budget Considerations by the General Assembly**

Within five (5) days of the Governor submitting the proposed budget and Budget Appropriation Bill, the standing finance committees in charge of the Budget Appropriation Bill from each House of the General Assembly must sit jointly in open session to begin consideration of the budget and the Budget Appropriation Bill.

All persons interested in the estimates under consideration may be admitted to the joint sessions and have the right to be heard. The Governor, or the Governor's representative, and the Governor-elect also have the right to sit and be heard on all matters coming before the joint committee at these public hearings.

The joint committee may call for the heads of State agencies requesting financial aid (or responsible agency representatives) to attend the public hearings, and the joint committee may compel agencies to furnish information and answer questions, as the committee may require for its considerations. **(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. No items providing appropriations for payment of interest or principal due on State debt may be decreased or eliminated. **(29 Del. C. §6337)**

Final action by the General Assembly on the Budget Appropriation Bill must be taken on or before June 30<sup>th</sup>. Neither House may consider any further or special appropriations until the Budget Appropriation Bill is finally acted upon by both Houses, except in case of an emergency. Any such emergency must be clearly stated in the further or special appropriation bill.

#### **4.2.6 Modifications to the Budget Appropriation Bill**

Prior to the General Assembly's final action on the Budget Appropriation Bill, the Governor may amend or supplement the Bill, in case of an emergency or to correct an error or oversight, by delivering any such amendment or supplement to both houses of the General Assembly.

Any such amendment or supplement then becomes part of the Budget Appropriation Bill as an addition to items of the Bill or as a modification or substitution for any affected item of the Bill. **(29 Del. C. §6338)**

#### **4.2.7 Supplementary Appropriation Bills**

Any further or special appropriations not included in the Budget Appropriation Bill are known as supplementary appropriations. Each supplementary appropriation must be embodied in a separate bill limited to some single work, object, or purpose that is clearly stated within each Supplementary Appropriation Bill. A Supplementary Appropriation Bill, by its provisions, shall provide or designate the source from which the money therein is to be derived.

**(29 Del. C. §6339)**

#### **4.2.8 Limits on General Fund Appropriations**

No appropriation, supplemental appropriation or budget act shall cause the aggregate GF appropriations enacted for any given fiscal year to exceed 98 percent (98%) of the estimated GF 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 GF 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, those appropriations to be approved by three-fifths of the members elected to each House of the General Assembly. **(29 Del. C. §6533(c))**

A summary of the calendar time-line for budgetary activities is listed below:

### The Operating Budget Cycle

<b>Calendar Deadline</b>	<b>Budgetary Activity</b>	<b>Code Reference (29 Del. C.)</b>
On or before September 1 <sup>st</sup>	Budget Estimate Blanks distributed by OMB	§6503(a)
On or before November 15 <sup>th</sup>	All proposed budget request submissions due (including those for State special funds, State Agencies, and non-State Agencies)	§6502(a), (b)
Not later than November 15 <sup>th</sup>	Last day to begin budget estimate public hearings	§6332(a)
On or before December 15 <sup>th</sup>	OMB Director completes review and revision of the proposed budget report and submits to Governor	§6333, §6334(a)
On or before February 1 <sup>st</sup>	Governor submits proposed budget report and the Budget Appropriation Bill to each House of the General Assembly	§6335(a)
Within 5 days after the proposed budget and Budget Appropriation Bill are submitted (by the Governor)	Joint meetings of the standing committees of each House of the General Assembly are held for budget and Budget Appropriation Bill consideration.	§6336
On or before June 30 <sup>th</sup>	Deadline for General Assembly approval of the annual operating budget	
July 1 <sup>st</sup>	Beginning of the State's Fiscal Year	§6507

### 4.3 The Capital Budget Process

The Capital Budget includes the program of State public works, major and minor capital improvement projects, and other facilities recommended to be taken by the State and any of its authorities or instrumentalities. Organizations submit their capital budget requests to the OMB Director for inclusion in the submission to the Governor. The Capital Budget is established through the passage of the Bond and Capital Improvements Act (Bond Bill).

Although submission dates for Bond Bill budget requests are not mandated by Delaware Code, in practice the dates mirror those set forth for annual Operating Budget submissions. Submissions to OMB will be presented to the Governor and House standing finance committees for review and hearings prior to passage of the Bond Bill.

The Capital Budget submission process begins with State Organizations submitting their proposed capital budgets to the OMB Director, who will then arrange for public meetings and review. After the meetings and review process, the OMB Director assembles a proposed capital budget for submission to the Governor. The Governor reviews and amends the proposed capital budget and submits a proposed Bond Bill to both Houses of the General Assembly, who then hold joint hearings to review the bill before passage.

Upon its passage, the Bond Bill creates bond appropriations and grants immediate authority to spend the appropriated monies, even before the monies are collected from the sale of the bonds, notes, or revenue notes.

### 4.3.1 Capital Improvements Project Types

Capital Improvements projects are segregated into two (2) main categories: Major Capital Improvements and Minor Capital Improvements.

- **Major Capital Improvement projects** are generally used for new facilities, major renovations, and economic development efforts. The projects have estimated costs in excess of \$1,000,000 and the underlying assets carry a life expectancy of 20 years or more.
- **Minor Capital Improvement projects** are generally used to maintain the efficiency and condition of State-owned facilities and may involve reconstruction, renovations, or equipment purchases. These projects have estimated costs of up to \$1,000,000 and the underlying assets should carry a life expectancy of 10 years or more. In addition, for budgeting purposes and Division of Facilities Management review purposes, roof, window and door replacements, paving projects, generator replacements, floor replacements, HVAC replacements, and plumbing replacements will be considered minor capital improvements. This does not exempt capitalization of State assets in accordance with the Budget and Accounting Policy Manual Chapter 13 Asset Management, Section 13.10.1 Construction Work in Process (CWIP). Any desired exceptions to this threshold must be submitted to OMB for consideration and approval.

### 4.3.2 Annual Report to OMB

Each year, every State agency, department, and institution of higher learning, which receives proceeds of appropriated bonds or notes, must report to OMB the status and anticipated cash flow for each project which is not complete. **(29 Del. C. §7419(b))**



### 4.3.3 Timetable for Use of Bond and Capital Funds

The use of State bond funds must be in compliance with the following State Code requirements:

1. Any project authorized to be undertaken with the proceeds of State bonds must commence in the fiscal year in which it is authorized. **(29 Del. C. §7416(c))**
2. Authorized project must proceed into one or more of the following phases within 18 months from the effective date of the original authorization:
  - Planning;
  - Initial Engineering;
  - Land, building, or equipment acquisition; and/or
  - Construction or reconstruction;

**(29 Del. C. §7416 (a) and (c))**
3. If a project has not proceeded into one or more of the identified phases within the allotted time, the authorized but unsold portion of the bonds shall automatically be de-authorized, 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))**
4. No funds appropriated by an authorization act may be encumbered for any individual project more than 3 years after the passage of such an act, unless:
  - The project has progressed into the phases listed above; and
  - 85 percent of the project costs have been expended on one or more of such phases

**(29 Del. C. §7416(a))**
5. No bonds or notes may be issued, nor may funds be borrowed pursuant to an authorization act 4 years after the passage of such an act. . For applicable local school district exceptions, reference 29 Del. C. c. 75 School Construction Capital Improvements.

### 4.3.4 Unexpended Capital Funds



Funds that are borrowed pursuant to an authorization act may remain unencumbered for a variety of reasons, including:

- Completion or abandonment of an authorized project; or
- Failure to undertake a project in a timely manner; or
- Expiration of the time periods set forth in **29 Del. C. §7416**.

Any such borrowed and unencumbered funds shall be deposited in a special fund. These funds may be applied to the cost of financing any previously authorized projects, upon the approval of the issuing officers Governor, Secretary of State, State Treasurer, and the Secretary of Finance (**29 Del. C. §7418**). The head of the department or organization is responsible for which funds were appropriated to determine when a project is completed or abandoned, and to notify OMB within 15 days of the final determination of the project status.

Schools are usually the organizations impacted by unexpended capital funds. The organization must send a letter to OMB. OMB and the Controller General Office (CGO) must both sign the letter. Then OMB performs the transfer of funds.

## 4.4 Grant-in-Aid Budget Process

Grant-in-Aid are an appropriation made by the General Assembly to provide supplemental funding to support the activities of non-profit <sup>1</sup> organizations that provide services to Delaware's citizens. Grant-in-Aid should not be considered as sole sources of funding.

To qualify for Grant-in-Aid, organizations must be an incorporated non-profit or are under the umbrella of a parent organization which is an incorporated non-profit for at least two years prior to the beginning of the fiscal year for which they are applying.

Applications for Grant-in-Aid are available on the first business day in July and must be submitted to the CGO by December 1 (except Senior Centers by March 1)

The Joint Finance Committee meets to review applications and hold public hearings on the grant-in-aid requests.

Decisions regarding Grant-in-Aid are made by the Joint Finance Committee in late June.

Any appropriation for Grant-in-Aid will be made, only if it is in accordance with an act by the General Assembly. The appropriation must be passed with the concurrence of three-fourths of all

the members elected to each House. (29 Del. C. §6341)

For more information on Grant-in-Aid, organizations should refer to [http://legis.delaware.gov/legislature.nsf/lookup/Grant\\_in\\_Aid](http://legis.delaware.gov/legislature.nsf/lookup/Grant_in_Aid).

#### **4.4.1 Receipt of Grant-in-aid Funds**

Funds appropriated in a Grant-in-Aid bill will be paid in installments of 25 percent each quarter of the fiscal year, in accordance with the administrative procedures established by the Secretary of Finance and the State Treasurer.

In the event that the amount of a Grant-in-Aid funding appropriation is \$6,000 or less, it will be paid in a single annual payment.

The General Assembly may make exceptions to the installment requirement by adding epilogue language to the Grant-in-Aid bill. (29 Del. C. §6505(d))

#### **4.4.2 Limits on the Grant-in-Aid Bill**

No appropriation or supplemental appropriation enacted for any given fiscal year for Grant-in-Aid in the aggregate shall:

1. Exceed 1.2 percent of the estimated net State GF revenue estimated in March for such fiscal year from all sources; and
2. Cause the aggregate State GF appropriations enacted for any given fiscal year to exceed 98 percent of the estimated net State GF revenue for such fiscal year from all sources, including estimated unencumbered funds remaining at the end of the previous fiscal year. (The term "estimated net State GF revenue" means the estimated gross State GF revenue less estimated revenue refunds). (29 Del. C. §6533(f))

### **4.5 Grant Funds**

#### **4.5.1 Delaware State Clearinghouse Committee**

The Delaware State Clearinghouse Committee is responsible for the approval/disapproval of federal and non-federal grant coordination. The Committee sets the procedures and guidelines covering all grant applications and serves as the federal Single Point of Contact (SPOC) for the State for all grant applications. For more information about the Clearinghouse, see 29 Del C. §7601.

#### **4.5.2 Submission of Grant Applications and Plans**

All agencies or entities, whether public or private, including political subdivisions of the State and

higher education, must submit plan(s) or application(s) for federal or non-federal grants and monies to OMB for review and approval or disapproval by the Delaware State Clearinghouse Committee, prior to submitting the application(s) to federal or non-federal authorities (29 Del. C. §7603)

For additional information about the grant submission process, Organizations should refer to <https://budget.delaware.gov/clearinghouse/>.

### 4.5.3 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 block grants from the federal government. The public hearings are held to:

- Permit public examination of the projected use and distribution of block grant funds;
- Allow affected residents of the State, appropriate units of local governments and private agencies to examine the application and submit comments; and,
- Obtain views of the residents of the State.

The public hearing may be held at the same time the agency's application for block grant funds is reviewed, approved or disapproved by the Delaware State Clearinghouse Committee, at the Committee's discretion.

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

## 4.6 Budget Journals and Budget Transfers

Budgets are loaded based on the spending authorization provided to Organizations by the General Assembly. These spending authorizations are the GF and ASF appropriations. The General Assembly does not provide spending authorization for NSF Appropriation and ASF Holding Appropriation budgets as these are special funds that are controlled by collected revenue. Collected revenue increases the budget spending authority of these special funds.

The Budget Journal transaction is used to load appropriated budgets at the start of the fiscal year and to establish new appropriations during the fiscal year (for example, upon approval of a grant). Budget Journal transactions require both OMB and CGO approvals. The approvals for this transaction type require hardcopy signatures, and OMB is responsible for executing the transaction in the State's financial management system, after all necessary approvals are obtained. The Budget Transfer transaction is used in the FSF system to reallocate spending authorization or

spending authority among or between appropriations in the same type of fund or Ledger Group (e.g., MAIN to MAIN or NSF to NSF.) The budget transfer transaction cannot be used to reallocate spending authorization or spending authority among or between different types of funds or Ledger Groups (e.g., NSF to ASF or ASF to MAIN.)

Budget Transfer transactions may be executed by Organizations or by OMB, depending on the budget definitions that underlie the affected appropriations:

- Transfers within the MAIN and ASF\_SPEND budget definition require both OMB and CGO approval and may only be executed by OMB.
- Transfer of spending authority within an Organization's NSF or ASF Holding appropriations do not require OMB approvals.
- Transfers within the lower ledger groups (LLB, PC\_TK\_SUM, PC\_TK\_WBUD, SCHOOLS) do not require OMB approvals.

Organizations should contact OMB for any questions about these transfers. The following policies relate to budget transfers:

1. Transfer of funds from one item of account to another on the books of any agency must be made with the written approval of the OMB Director (**29 Del. C. §6528(a)**), unless authorized in other paragraphs.
2. Transfer of appropriated GF from one item of account to another on the books of any agency must be made with the written approval of the OMB Director and the Controller General (**29 Del. C. §6528(b)**), unless authorized in other paragraphs.
3. Appropriated GF shall remain within the department or agency where the funds are appropriated and shall not be transferred for use by another department or agency, except as provided by law or within the provisions of subsection (d) of this Section. (**29 Del. C. §6528(c)**)
4. Appropriated GF may be transferred within a department or agency of the State, subject to the authority and limitations set forth in Part VI of this title, and the approval by the Controller General. However, the approval by the Controller General is not required on transfers from the Budget Commission. (**29 Del. C. §6528(d)**)
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 defined for school employees. (**29 Del. C. §6528(d)**)
6. The Department of Technology and Information is exempt from Paragraphs 4 and 5. However, if the Department of Technology and Information needs to transfer unexpended appropriated personnel costs to either "contractual services" or "equipment rental", the

request must be made from the Secretary of the Department of Technology and Information, with the approval of the OMB Director and the Controller General. (29 Del. C. §6528(e))

7. In the event the appropriation set forth by the Budget Appropriation Bill is excessive or inadequate to any department or agency, the OMB Director, with concurrence of the Controller General, is authorized to transfer funds among the various departments for :
  - a. Specific non-routine requirements, which must be in writing, recorded, and controlled through separate accounts within the OMB Contingencies.
  - b. Salary and Other Employment Costs, or Personnel Costs to meet overall State Salary and Other Employment Costs requirements. These authorizations for transfer can be between Salaries and Other Employment Costs and must be in writing with full documentation.
  - c. Matching funds and Public Education funds where extended educational components may be administered within other departments or agencies.

**(29 Del. C. § 6528(f))**
8. 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 will not require the approval of the OMB Director and Controller General.
9. All requests for transfers within the GF or ASF must contain the following justifications:
  - a. What is the Organization proposing to purchase or contract?
  - b. What is the effect on the current budget?
  - c. What programs are affected and to what degree?
  - d. What improvement in services will be provided?
  - e. How did the surplus develop?
  - f. Will this transfer be recurring?
  - g. What is the effect on the budget for the next fiscal year?
10. All transfers must have the approval of the Organization Head or Designee.
11. The movement of cash between special fund appropriations may only be

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accomplished using the Budget Transfer transaction.

## 4.7 Fund Transfers

Organizations are required to use an Intergovernmental Voucher (IV), an Intergovernmental Transfer (IT), or a Zero-Balance Cash Receipt (ZBCR) transaction to move funds among or between GF and SF appropriation accounts to meet the state business needs. These transactions do not require OMB approval.

- The IV is used to move funds from one Organization to another *in exchange for a supplied good or service*.
- The IT is used to move funds from one type of fund to another type of fund or one Ledger Group to another Ledger Group (e.g., NSF to ASF), that is not associated with a provided good or service. The IT is also used to reallocate funds collected in the prior fiscal year.
- The ZBCR is used for corrections, or a reallocation of funds collected in the current fiscal year.

## 4.8 Project Costing

Organizations track project budgets and expenditures using the Project Costing (PC) module of the State's financial management and accounting system (FSF). Project Costing establishes:

- Projects
- Activities
- Project Budgets

Organizations are required to associate transactions with projects, using a Project ID for identification purposes. Project IDs are assigned for projects using the numbering protocols developed by OMB and by DOA's central Project Costing personnel. Organizations should contact DOA to obtain the assigned Project ID.

Schools should contact the Department of Education (DOE) for additional policies and procedures associated with the use of the Project Costing module.