
***FISCAL YEAR 2002
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.

On the cover:

The Delaware State Seal – *The state seal was first adopted on January 17, 1777, and contains the coat of arms. It also bears the inscription around it "Great Seal of the State of Delaware" and the dates 1793, 1847, and 1907. A description of the contents of the seal are as follows:*

- *The Wheat Sheaf -- was adapted from the Sussex County seal and signifies the agricultural vitality of Delaware.*
 - *The Ship -- is a symbol of New Castle County's ship building industry and Delaware's extensive coastal commerce.*
 - *The Corn -- is taken from the Kent County seal and also symbolizes the agricultural basis of Delaware's economy.*
 - *The Farmer -- with the hoe represents the central role of farming to the state.*
 - *The Militiaman -- with his musket recognizes the crucial role of the citizen-soldier to the maintenance of American liberties.*
 - *The Ox -- represents the importance of animal husbandry to the state economy.*
 - *The Water -- (above the Ox) stands for the Delaware River, the main stay of the state's commerce and transportation.*
 - *The Motto -- was derived from the Order of Cincinnati, and approved in 1847.*
 - *The Dates -- mark major changes to the state seal. 1793: the farmer and militiaman were omitted. 1847: the two human figures were reinstated, and the motto adopted. 1907: a modernized version of the 1777 seal, with the words "State of Delaware" added.*
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FINANCIAL OVERVIEW

RECOMMENDED APPROPRIATIONS

The Governor's Recommended Fiscal Year 2002 total General Fund operating budget is \$2,298.7 million. In addition, the Governor has set aside \$36.5 million for Grants-in-Aid. Total recommended Fiscal Year 2002 General Fund appropriations are \$2,387.3 million, including \$52.1 million allocated to the Bond and Capital Improvements Act. Total appropriations represent less than 98 percent of projected net Fiscal Year 2002 revenue plus carryover funds.

The Governor's Recommended Fiscal Year 2002 Bond and Capital Improvements Act totals \$391.2 million. Of this amount, \$210.1 million is recommended for state capital projects and \$181.1 million is recommended for transportation projects. Of the \$210.1 million, \$121.6 million is General Obligation Bond Authorization, \$52.1 million is General Fund appropriations for pay-as-you-go projects, and \$36.4 million is recommended in other reversions, reprogramming, and miscellaneous revenue.

Fiscal Year 2002 appropriations are based on Delaware Economic and Financial Advisory Council (DEFAC) General Fund revenue and expenditure estimates of December 18, 2000.

REVENUE FORECASTS

DEFAC has projected net revenue collections for Fiscal Year 2001 at \$2,325.6 million and \$2,432.6 million for Fiscal Year 2002. The highlights of the forecast include:

- ◆ **Personal Income Tax** - This category accounts for 31.9 percent of net Fiscal Year 2002 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 \$732.4 million for Fiscal Year 2001 and \$775.6 million for Fiscal Year 2002.
- ◆ **Franchise Tax** - This category accounts for 22.9 percent of net Fiscal Year 2002 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 \$516.4 million for Fiscal Year 2001 and \$557.6 million for Fiscal Year 2002.
- ◆ **Business and Occupational Gross Receipts Tax** - This category accounts for 6.3 percent of net Fiscal Year 2002 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 \$145.0 million for Fiscal Year 2001 and \$153.1 million for Fiscal Year 2002.
- ◆ **Lottery** - This category accounts for 8.8 percent of net Fiscal Year 2002 General Fund revenues. Collections are projected to total \$204.5 million for Fiscal Year 2001 and \$214.2 million for Fiscal Year 2002. 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 4.3 percent of net Fiscal Year 2002 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 \$106.2 million for Fiscal Year 2001 and \$105.7 million for Fiscal Year 2002.
- ◆ **Bank Franchise Tax** - This category accounts for 4.7 percent of net Fiscal Year 2002 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 \$100.0 million for Fiscal Year 2001 and \$115.0 million for Fiscal Year 2002.

GOVERNOR'S POLICY OVERVIEW

Governor Carper's Fiscal Year 2002 Financial Recommendations continue to support six major objectives of his eight-year Administration. These are:

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

IMPROVING EDUCATION

- ◆ The Governor's Recommended Bond and Capital Improvements Act includes \$123,977.8 for public education projects. These projects include completing the funding requirements for capital projects in the Capital and Seaford school districts; and second year funding for Appoquinimink, Cape Henlopen, Colonial, Indian River, Smyrna and New Castle County Vo-Tech school districts. In addition, a \$24,000.0 contingency has been recommended for pending referenda projects.
- ◆ The Governor is recommending additional funding to fully support initiatives related to the Professional Development and Educator Accountability Act of 2000. Funding includes:
 - ◆ \$3,600.0 to increase professional development days for teachers from seven to nine days.
 - ◆ \$4,000.0 for knowledge, skill and responsibility salary supplements.
 - ◆ \$2,659.5 to provide awards of \$1,500 per Division I unit for qualifying schools whose student bodies demonstrate improved performance under the Delaware Student Testing Program.
- ◆ The Governor is recommending an additional \$2,921.5 for the Delaware Student Testing Program for student assessment contract increases. This includes \$294.2 for on grade assessment, \$1,238.6 for off grade assessment

and \$1,388.7 for student re-testing, end of summer testing and additional indicators of performance.

- ◆ To reduce the existing waiting list at James H. Groves High School by 50 percent, the Governor is recommending an additional \$322.2.

ENHANCING PUBLIC SAFETY

- ◆ The Governor's Recommended Bond and Capital Improvements Act includes \$1,300.0 to complete the new Troop 2 located in Glasgow. This project, with a total cost of \$12,300.6, will consolidate criminal and patrol functions in one facility and includes community access areas.
- ◆ In the Bond and Capital Improvements Act, the Governor is recommending \$1,825.0 to complete the construction of the 77-bed detention facility at the Stevenson House in Milford. The new facility will provide greater security and more space for programs for detained youth.
- ◆ The Governor is recommending \$453.9 to expand community-based intensive probation supervision services for young offenders.
- ◆ The Governor is recommending \$137.4 and 8.0 FTEs for the Department of Correction, Probation and Parole to reduce SENTAC Level III caseload and provide improved community supervision.

STRENGTHENING DELAWARE FAMILIES

- ◆ The Governor is recommending \$1,000.0 in the Bond and Capital Improvements Act for the Boys and Girls Clubs of Delaware.
- ◆ The Governor's Recommended Bond and Capital Improvements Act includes \$1,000.0 to provide for capital improvements for the YMCA transitional housing in Wilmington.
- ◆ The Governor is recommending \$135.0 increased funding for School-Based Health Centers. This enhanced funding along with existing resources allows for a center in every Delaware high school that chooses.

GOVERNOR'S POLICY OVERVIEW

ENSURING FISCAL RESPONSIBILITY

- ◆ The Governor is recommending General Fund appropriations totaling \$2,387,300.0, less than the allowable 98 percent of revenues and carry forward cash.
- ◆ The Governor is recommending the appropriation of \$52,148.4 in General Funds to support projects in the Bond and Capital Improvements Act.

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 \$15,000.0 for the Diamond State Port Corporation. These funds will be directed towards the construction funding for dedicated berths and connector roads for automobile shipments and for other infrastructure improvements.
- ◆ 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.

- ◆ Also included in the Governor's Recommended Budget and Capital Improvements Act is \$4,000.0 to complete the construction of a High Technology Incubator at Delaware State University. The \$5,500.0 project will help small, high tech businesses develop new processes, products and manufacturing techniques that will enable the businesses to grow and create high paying jobs.

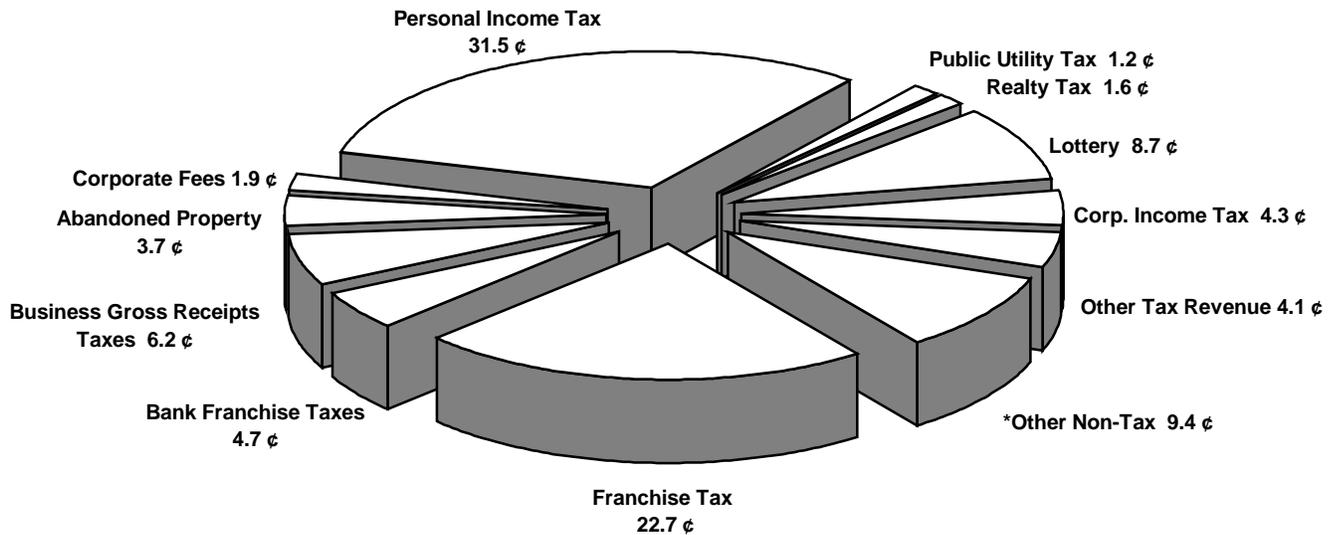
PROTECTING THE ENVIRONMENT

- ◆ 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.
- ◆ To continue the efforts of the Total Maximum Daily Load program in the Department of Natural Resources and Environmental Control, the Governor is recommending \$584.7 and 1.0 FTE for the fourth 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 is recommending \$150.0 to prevent and control potential outbreaks of West Nile Encephalitis in Delaware. These funds will be shared by the departments of Natural Resources and Environmental Control, Health and Social Services, and Agriculture to allow for an integrated disease prevention and control plan.
- ◆ Included in the Governor's Recommended Bond and Capital Improvements Act is \$1,000.0 for the Beach Preservation and \$1,000.0 for State Parks rehabilitation. Both of these investments will ensure that visitors continue to enjoy their natural beauty.
- ◆ The Governor is recommending \$85.2 to annualize operations in the Office of Recycling and to increase funds available in the Municipal Grant Program.

FINANCIAL SUMMARY

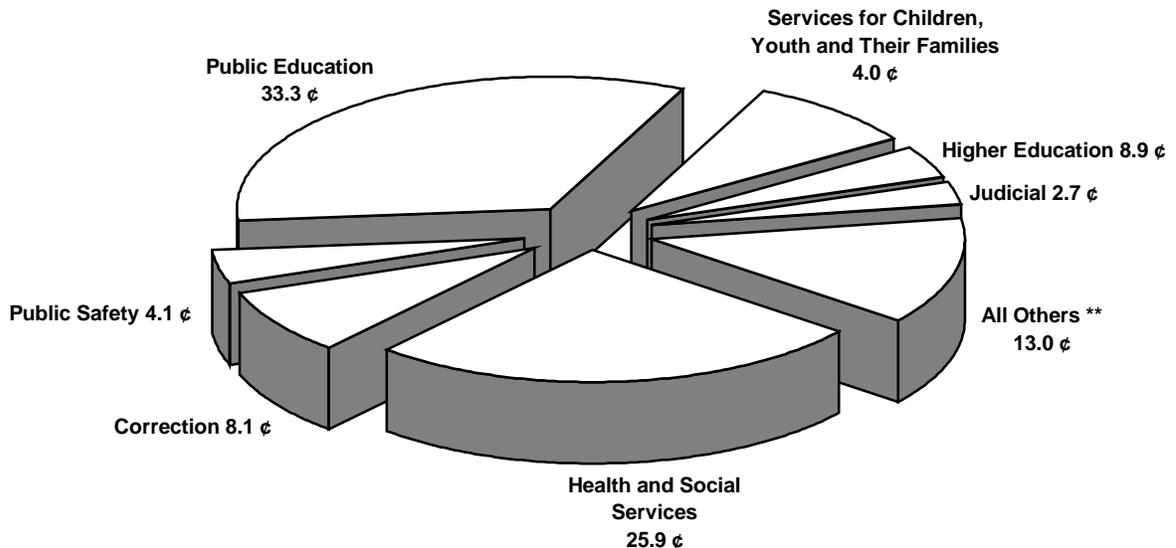
BUDGET DOLLAR GOVERNOR'S RECOMMENDED BUDGET Fiscal Year 2002

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 18, 2000 meeting, adopted a Fiscal Year 2002 revenue estimate of \$2,432.6 million.

| Revenue Categories | (\$ MILLIONS) | | |
|---|---------------------|-------------------|------------------|
| | 2000 Actual | 2001 Forecast | 2002 Forecast |
| Personal Income Taxes | \$ 850.4 | \$ 851.9 | \$ 893.1 |
| Corporation Income Taxes | 133.4 | 131.2 | 131.2 |
| Franchise Taxes | 471.5 | 516.4 | 557.6 |
| Business and Occupational Gross Receipt Taxes | 135.2 | 145.0 | 153.1 |
| Hospital Board and Treatment Sales | 80.6 | 81.3 | 84.0 |
| Dividends and Interest | 37.7 | 34.3 | 34.8 |
| Public Utility Taxes | 26.4 | 29.8 | 30.2 |
| Cigarette Taxes | 26.5 | 27.8 | 28.4 |
| Estate Taxes | 40.9 | 30.9 | 32.5 |
| Realty Transfer Taxes | 38.5 | 37.5 | 38.6 |
| Insurance Taxes | 37.5 | 38.4 | 40.3 |
| Abandoned Property | 148.0 | 125.0 | 90.0 |
| Corporate Fees | 47.4 | 45.9 | 48.2 |
| Bank Franchise Taxes | 106.8 | 100.0 | 115.0 |
| Lottery Sales | 185.4 | 204.5 | 214.2 |
| Other Revenue by Department | 92.8 | 108.2 | 118.7 |
| Total Receipts | \$ 2,459.2 * | \$ 2,508.1 | 2,609.9 |
| LESS: Revenue Refunds | (180.2) | (182.5) | (177.3) |
| TOTAL | \$ 2,279.0 | \$ 2,325.6 | 2,432.6 |

* Amounts do not total due to rounding.

FINANCIAL SUMMARY

GENERAL FUND BUDGET BY DEPARTMENT BY FISCAL YEAR

| | FISCAL YEAR 2001* | FISCAL YEAR 2002* RECOMMENDED |
|---|------------------------------|--|
| Legislative | \$ 11,572.1 | \$ 11,764.8 |
| Judicial | 60,944.3 | 62,540.3 |
| Executive | 103,568.1 ** | 91,971.5 ** |
| Other Elective | 24,663.0 | 37,387.7 |
| Legal | 25,669.4 | 27,771.5 |
| State | 14,335.8 | 14,300.5 |
| Finance | 16,025.5 | 16,128.5 |
| Administrative Services | 39,525.8 | 38,942.6 |
| Health and Social Services | 547,175.4 | 596,235.9 |
| Children, Youth and Their Families | 89,246.0 | 91,319.4 |
| Correction | 178,903.2 | 185,674.7 |
| Natural Resources and Environmental Control | 38,228.7 | 38,296.2 |
| Public Safety | 90,272.3 | 93,938.7 |
| Labor | 5,800.2 | 6,025.4 |
| Agriculture | 6,134.5 | 6,280.0 |
| Elections | 3,149.9 | 3,300.8 |
| Fire | 3,920.4 | 3,991.6 |
| National Guard | 3,149.0 | 3,294.5 |
| Exceptional Citizens | 108.0 | 110.8 |
| Higher Education | 200,449.5 | 204,927.8 |
| Public Education | 720,228.5 | 764,502.8 |
| STATE TOTAL | \$ 2,183,069.6 | \$ 2,298,706.0 |

* 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.