

FINANCIAL OVERVIEW

RECOMMENDED APPROPRIATIONS

The Governor's Fiscal Year 2003 Recommended General Fund operating budget is \$2,352.4 million. In addition, the Governor has set aside \$37.3 million for Grants-in-Aid. Total recommended Fiscal Year 2003 General Fund appropriations are \$2,389.6 million. Total appropriations represent 98 percent of projected net Fiscal Year 2003 revenue plus carryover funds.

The Governor's Fiscal Year 2003 Recommended Bond and Capital Improvements Act totals \$348.6 million. Of this amount, \$163.1 million is recommended for state capital projects and \$185.5 million is recommended for transportation projects. Of the \$163.1 million, \$119.7 million is General Obligation Bond Authorization and \$43.4 million is recommended in other reversions, reprogramming, and miscellaneous revenue.

Fiscal Year 2003 appropriations are based on Delaware Economic and Financial Advisory Council (DEFAC) General Fund revenue and expenditure estimates of December 17, 2001. The Governor has proposed adjustments to these figures that increase the DEFAC estimates by \$32.3 million in Fiscal Year 2003. The adjustments are as follows:

- ◆ The Governor recommends \$10 million of Abandoned Property Revenue previously, allocated to the Department of Transportation, remain in the General Fund.
- ◆ \$700.0 Personal Income Tax
- ◆ \$100.0 Bank Franchise Tax
- ◆ Other Revenue by Department Adjustments are:
 1. The Governor is projecting \$13.4 million of revenue from the sale of the Daniel L. Hermann Courthouse as an addition to the General Fund.
 2. The balance of TANF contingency funds, \$3.7 million, is recommended to be deposited to the General Fund.
 3. \$3.0 million, projected bond sale interest to be deposited to the General Fund
 4. \$1.4 million Miscellaneous Revenue

In addition, the Governor has recommended that the Fiscal Year 2002 reversion estimate be increased to \$20.5 million, reflecting projected spending reductions.

REVENUE FORECASTS

DEFAC has projected net revenue collections for Fiscal Year 2002 at \$2,333.6 million and \$2,361.8 million for Fiscal Year 2003. The highlights of the forecast include:

- ◆ **Personal Income Tax** - This category accounts for 30.7 percent of net Fiscal Year 2003 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 \$716.6 million for Fiscal Year 2002 and \$734.7 million for Fiscal Year 2003.
- ◆ **Franchise Tax** - This category accounts for 24.8 percent of net Fiscal Year 2003 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 \$576.3 million for Fiscal Year 2002 and \$593.6 million for Fiscal Year 2003.
- ◆ **Business and Occupational Gross Receipts Tax** - This category accounts for 7.0 percent of net Fiscal Year 2003 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 \$160.7 million for Fiscal Year 2002 and \$169.5 million for Fiscal Year 2003.
- ◆ **Lottery** - This category accounts for 9.4 percent of net Fiscal Year 2003 General Fund revenues. Collections are projected to total \$219.8 million for Fiscal Year 2002 and \$224.3 million for Fiscal Year 2003. 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

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machines at the two harness and one thoroughbred horse racetracks in the state.

- ◆ **Corporation Income Tax** - This category accounts for 1.7 percent of net Fiscal Year 2003 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 \$52.5 million for Fiscal Year 2002 and \$40.0 million for Fiscal Year 2003.
- ◆ **Bank Franchise Tax** - This category accounts for 4.9 percent of net Fiscal Year 2003 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 \$112.0 million for Fiscal Year 2002 and \$116.6 million for Fiscal Year 2003.