

FINANCIAL OVERVIEW

RECOMMENDED APPROPRIATIONS

The Governor's Fiscal Year 2008 Recommended General Fund operating budget is \$3,248.7 million. In addition, the Governor has set aside \$54.6 million for Grants-in-Aid and \$43.0 million in dedicated cash to the Bond and Capital Improvements Program. Total recommended Fiscal Year 2008 General Fund appropriations are \$3,346.3 million. Total appropriations represent 98.0 percent of projected net Fiscal Year 2008 revenue plus carryover funds which is within the constitutionally mandated limitation on appropriations.

The Governor's Fiscal Year 2008 Recommended Bond and Capital Improvements Act totals \$554.8 million. Of this amount, \$224.6 million is recommended for state capital projects and \$330.2 million is recommended for transportation projects. Of the \$224.6 million supporting state projects, \$168.4 million is General Obligation Bond Authorization, \$43.0 million is General Fund cash, \$9.4 million is reversions and reprogramming of existing authorization and \$3.8 million is funds received as bond premiums from prior general obligation bond sales.

Fiscal Year 2008 appropriations are based on Delaware Economic and Financial Advisory Council (DEFAC) revenue and expenditure estimates of December 18, 2006. The Governor has recommended several revenue enhancement measures for Fiscal Year 2008 and Fiscal Year 2009.

The Governor has recommended a forty five cents per pack increase in the Cigarette Tax. This revenue increase will raise the tax per pack of cigarettes from fifty five cents per pack to one dollar per pack. For Fiscal Year 2008, this increase will generate \$42.0 million in revenue that will be dedicated to the Delaware Healthy Life Fund. The Delaware Healthy Life Fund will focus on the health needs of Delaware's most at-risk populations as well as improve the administration of a comprehensive system of health services.

The Governor has also addressed the structural deficit in the Transportation Trust Fund (TTF) by recommending several enhancements to TTF revenues in Fiscal Years 2008 and 2009. These recommended increases will generate a total of \$78.6 million in Fiscal Year 2008 and a total of \$117.5 million in Fiscal Year 2009. These recommended adjustments are as follows:

- ◆ An increase in the motor fuel tax of five cents effective September 1, 2007. This increase will generate \$23.4 million in Fiscal Year 2008 and \$28.6 million in Fiscal Year 2009.

- ◆ An increase in the motor vehicle document fee from 2.75 percent to 4.00 percent effective September 1, 2007 and to 4.50 percent effective September 1, 2008. These increases will generate a total of \$24.8 million in Fiscal Year 2008 and \$41.0 million in Fiscal Year 2009.
- ◆ A fifty percent increase in the vehicle registration fee for all classes of vehicle registration. This increase will generate a total of \$9.5 million in Fiscal Year 2008 and \$11.7 million in Fiscal Year 2009.
- ◆ The elimination of E-Z Pass commercial discounts at the Interstate 95 tolls. This will generate a total of \$2.9 million in Fiscal Year 2008 and \$3.6 million in Fiscal Year 2009.
- ◆ An elimination of the E-Z Pass discount on SR 1 and an increase in SR 1 tolls effective September 1, 2008. These recommendations will generate a total of \$5.1 million in Fiscal Year 2008 and \$32.6 million in Fiscal Year 2009.
- ◆ A one-time sale of real estate that will generate \$12.9 million in Fiscal Year 2008.

DEFAC GENERAL FUND REVENUE FORECASTS

DEFAC has projected net General Fund revenue collections for Fiscal Year 2007 of \$3,259.4 million and \$3,367.8 million for Fiscal Year 2008. 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 \$1,056.2 million for Fiscal Year 2007 and \$1,123.7 million for Fiscal Year 2008.
- ◆ **Franchise Tax** - 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. DEFAC estimates (after refunds) are \$531.8 million for Fiscal Year 2007 and \$550.9 million for Fiscal Year 2008.
- ◆ **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 1.54 percent, depending upon the category of the business activity. DEFAC estimates are \$167.0 million for Fiscal Year 2007 and \$176.9 million for Fiscal Year 2008.

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- ◆ **Lottery** - This category includes video lottery operations as well as traditional lottery sales. DEFAC estimates are \$251.5 million for Fiscal Year 2007 and \$243.8 million for Fiscal Year 2008.
- ◆ **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 \$166.3 million for Fiscal Year 2007 and \$179.1 million for Fiscal Year 2008.
- ◆ **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 \$162.9 million for Fiscal Year 2007 and \$147.6 million for Fiscal Year 2008.
- ◆ **Abandoned Property** - Any debt obligation which has gone unclaimed or undelivered or security that has remained undelivered for five 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 \$296.0 million for Fiscal Year 2007 and \$296.0 million for Fiscal Year 2008.
- ◆ **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 \$93.0 million for Fiscal Year 2007 and \$93.0 million for Fiscal Year 2008.