

FINANCIAL OVERVIEW

RECOMMENDED APPROPRIATIONS

The Governor's Fiscal Year 2009 Recommended General Fund Operating Budget is \$3,410.8 million. In addition, the Governor has set aside \$58.4 million for Grants-in-Aid and \$55.6 million in dedicated cash to the Bond and Capital Improvements program. Total recommended Fiscal Year 2009 General Fund appropriations are \$3,524.8 million. Total appropriations represent 98.0 percent of projected net Fiscal Year 2009 revenue plus carryover funds which is within the constitutionally mandated limitation on appropriations.

The Governor's Fiscal Year 2009 Recommended Bond and Capital Improvements Act totals \$473.3 million. Of this amount, \$239.6 million is recommended for state capital projects and \$233.7 million is recommended for transportation projects. Of the \$239.6 million supporting state projects, \$177.4 million is General Obligation Bond Authorization, \$55.6 million is General Fund cash, and \$6.6 million is reversions and reprogramming of existing authorization.

Fiscal Year 2009 appropriations are based on Delaware Economic and Financial Advisory Council (DEFAC) revenue and expenditure estimates of December 17, 2007. The Governor has recommended adjustments to these figures that increase the DEFAC revenue estimates by \$23.8 million in Fiscal Year 2009. These recommended adjustments are as follows:

- ◆ An increase of \$24.0 million in Abandoned Property by allocating previously earmarked funds back to the General Fund.
- ◆ A \$0.2 million decrease in Other Revenue to deposit dangerous drug license fees collected by the Division of Professional Regulation into a special fund to support the Division's regulatory activities.

DEFAC GENERAL FUND REVENUE FORECASTS

DEFAC has projected net General Fund revenue collections for Fiscal Year 2008 of \$3,377.7 million and \$3,524.1 million for Fiscal Year 2009. 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 \$1,033.2 million for Fiscal Year 2008 and \$1,080.7 million for Fiscal Year 2009.

- ◆ **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 \$556.4 million for Fiscal Year 2008 and \$579.2 million for Fiscal Year 2009.

- ◆ **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 \$158.0 million for Fiscal Year 2008 and \$164.8 million for Fiscal Year 2009.

- ◆ **Lottery** - This category includes video lottery operations as well as traditional lottery sales. DEFAC estimates are \$257.0 million for Fiscal Year 2008 and \$264.5 million for Fiscal Year 2009.

- ◆ **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 \$145.8 million for Fiscal Year 2008 and \$136.5 million for Fiscal Year 2009.

- ◆ **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 \$143.9 million for Fiscal Year 2008 and \$159.7 million for Fiscal Year 2009.

- ◆ **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 \$369.0 million for Fiscal Year 2008 and \$380.0 million for Fiscal Year 2009.

- ◆ **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 \$84.1 million for Fiscal Year 2008 and \$82.0 million for Fiscal Year 2009.