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# **FISCAL YEAR 2009**

## **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.

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# 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.

# GOVERNOR'S POLICY OVERVIEW

The Minner - Carney administration's unwavering commitment to fiscally responsible financial planning continues with the presentation of the Fiscal Year 2009 Recommended Operating Budget.

This budget is presented during a time of uncertainty in the national economy coupled with continuing increases in the demand for government services. The Minner - Carney administration's responsible budgeting practices over the years have enabled Delaware to successfully meet these challenges and remain resilient to the economic pressures. In addition, Delaware's solid financial base has been recognized nationally for excellence including the consistent reaffirmation of the State's AAA bond rating.

The proposed Fiscal Year 2009 Operating Budget totals \$3,410.8 million, an increase of 3.81 percent over the Fiscal Year 2008 Operating Budget. This budget, in combination with the Recommended Capital Budget and recommended set aside for Grants-In-Aid, is within the constitutionally mandated 98 percent limit on appropriations. In light of the uncertain economic climate, the Governor has prudently constrained agency budget growth by targeting additional funding to areas of critical core government services.

In addition, this budget will continue to build on the successes achieved during the Minner-Carney administration including:

- ◆ Schools that set high standards and prepare children for college, work and life;
- ◆ A Livable Delaware that strengthens communities and preserves quality of life;
- ◆ Health, safety and self-sufficiency for every Delaware family;
- ◆ Economic development that nurtures and maintains high quality jobs; and
- ◆ A state government that is well-managed.

## SCHOOLS THAT SET HIGH STANDARDS AND PREPARE CHILDREN FOR COLLEGE, WORK AND LIFE

- ◆ The Governor recommends \$132.7 million in the Capital Budget for public education construction projects.
- ◆ The Governor recommends \$2.6 million for the full-day Kindergarten initiative bringing the total funding for this initiative to \$12.1 million. The appropriation will provide funding for full-day Kindergarten in eleven school districts, nine charter schools and will continue funding pilot classrooms in two additional school districts.

- ◆ The Governor recommends \$9.8 million for projected unit growth of 125 Division I, II and III units in the 2008-2009 school year.
- ◆ The Governor recommends \$3.0 million in Public School Transportation to address growing demand.
- ◆ The Governor recommends a total of \$2.8 million in support of Department of Education and Vision 2015 initiatives. This includes, but is not limited to, funding to begin implementation of the Delaware virtual school, early childhood success funding, funding for skills, knowledge and responsibilities pay supplements, funding for the vision network, and funding to address the growing population of limited english proficient (LEP) students.
- ◆ The Governor recommends an additional \$689,000 in SEED Scholarship funding bringing total funding for this initiative to \$3.1 million. This initiative provides college scholarships to eligible students graduating from Delaware high schools.
- ◆ The Governor recommends \$80,200 for an additional Reading Resource Teacher at a new school in the Smyrna School District. This initiative brings total funding to \$8.4 million and supports a total of 119 reading resource teachers statewide.
- ◆ The Governor recommends \$62,100 to fund an additional Math Specialist at a new school in the Indian River School District. Funding for this initiative totals \$2.8 million and supports 43 math specialists statewide.

## A LIVABLE DELAWARE THAT STRENGTHENS COMMUNITIES AND PRESERVES QUALITY OF LIFE

- ◆ The Governor recommends continued support through dedicated revenue in the amount of \$10.0 million for Farmland Preservation and \$10.0 million for Open Space.
- ◆ The Governor recommends \$3.2 million in the Capital Budget for Conservation Cost Share projects to support best practices in the management of soil nutrients for urban and rural landowners.
- ◆ The Governor recommends \$2.2 million in the Capital Budget to continue the Beach Preservation program. These funds will be used for the Fenwick Island project and for statewide dune maintenance.
- ◆ The Governor recommends \$1.0 million in the Capital Budget for the Clean Water State Grant Match. Funding for this grant match is recommended through the Twenty-First Century

# GOVERNOR'S POLICY OVERVIEW

Fund and will leverage an additional \$5.0 million in federal funding to improve water treatment facilities statewide.

- ◆ The Governor recommends \$250,000 for the Delaware Emergency Mortgage Assistance program (DEMAP). This program provides mortgage assistance loans to eligible Delaware families who are suffering from significant financial hardships.

## HEALTH, SAFETY AND SELF-SUFFICIENCY FOR EVERY DELAWARE FAMILY

- ◆ The Governor recommends \$36.2 million for the Medicaid program to cover increasing health care costs and a client base that is projected to reach over 153,000 persons during Fiscal Year 2009.
- ◆ The Governor recommends the continued funding of \$16.2 million (all funds) to provide funding for a comprehensive list of cancer treatment initiatives as covered in the Cancer Council recommendations.
- ◆ The Governor recommends \$8.5 million in the Capital Budget in support of libraries throughout the State.
- ◆ The Governor recommends \$5.0 million in the Capital Budget for the Housing Development Fund to preserve the supply of low-income housing units for families in need.
- ◆ The Governor recommends \$4.5 million in the Capital Budget to complete the enhancements to the State's 800 MHz emergency radio communication system.
- ◆ The Governor recommends \$3.4 million for population growth in the juvenile justice system.
- ◆ The Governor recommends \$1.6 million for the Self Directed Services program (SDSP) to provide in-home rehabilitative services for persons with developmental disabilities.
- ◆ The Governor recommends \$1.3 million for Infant Mortality Task Force recommendations. This funding will be used to expand access to care to the uninsured population, annualize recommendations from Fiscal Year 2008 and to initiate three additional recommendations.
- ◆ The Governor recommends \$695,000 (all funds) for 10 new troopers. This funding coupled with the recently signed agreement with Sussex County will ultimately exceed the administration's goal of 680 troopers over the next several years.

- ◆ The Governor recommends \$250,600 to support initiatives to reduce health disparities in Delaware.
- ◆ The Governor recommends the initiation of a pilot Sunday Bus Service program for select routes in New Castle County to provide greater opportunities for the citizens of Delaware to access services and employment opportunities.

## ECONOMIC DEVELOPMENT THAT NURTURES AND MAINTAINS HIGH QUALITY JOBS

- ◆ The Governor recommends \$8.0 million in the Capital Budget to the Strategic Fund. This fund provides a flexible funding mechanism for attracting new jobs and retaining existing jobs in Delaware.
- ◆ The Governor recommends \$2.0 million in the Capital Budget for the fifth year of funding for New Economy Initiative programs. This initiative focuses on expanding Delaware's research base in biotechnology and life sciences and supports the initiation of a regional infrastructure investment plan.
- ◆ The Governor recommends \$2.0 million in the Capital Budget for the Diamond State Port Corporation.
- ◆ The Governor recommends \$1.0 million in the Capital Budget for the Fraunhofer Center for Molecular Biotechnology for vaccine development efforts. These funds represent the third year of a five-year commitment and are projected to leverage a total of \$10.0 million in private funding.

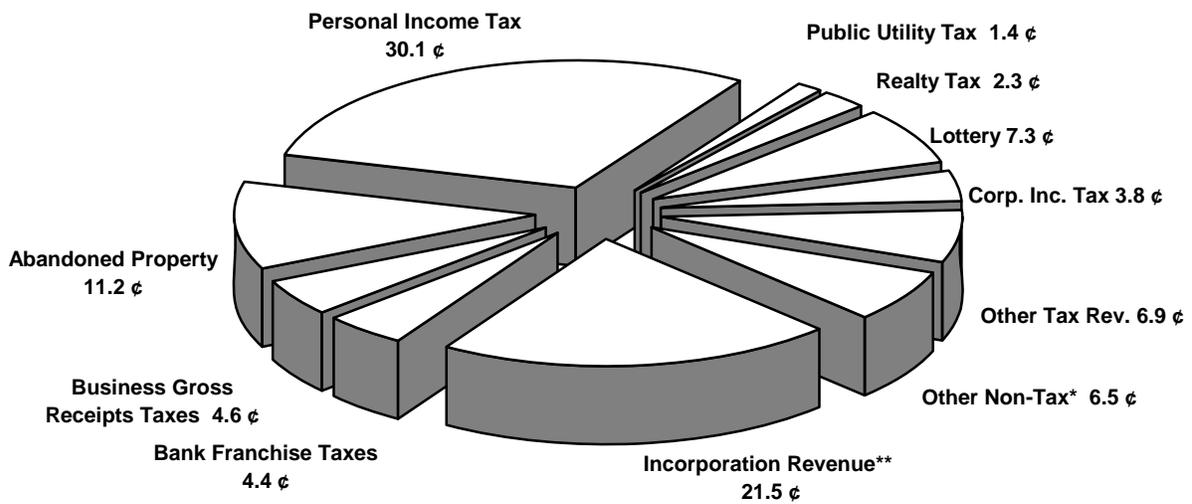
## A STATE GOVERNMENT THAT IS WELL-MANAGED

- ◆ The Governor recommends \$21.0 million in the Capital Budget for minor capital improvements, equipment purchases and maintenance and restoration of State facilities. These funds are intended to maintain state-owned facilities in a safe condition and improve the functionality of buildings, grounds and building systems.
- ◆ The Governor recommends \$3.7 million in the Capital Budget to continue the implementation of the ERP Project to replace the Delaware Financial Management System (DFMS) and the Department of Transportation's BACIS accounting system and to upgrade and add functionality to the Payroll/Human Resource Statewide Technology (PHRST) system. The implementation of this system will provide one financial management system statewide and integrate with PHRST system.

# FINANCIAL SUMMARY

## BUDGET DOLLAR GOVERNOR'S RECOMMENDED BUDGET Fiscal Year 2009

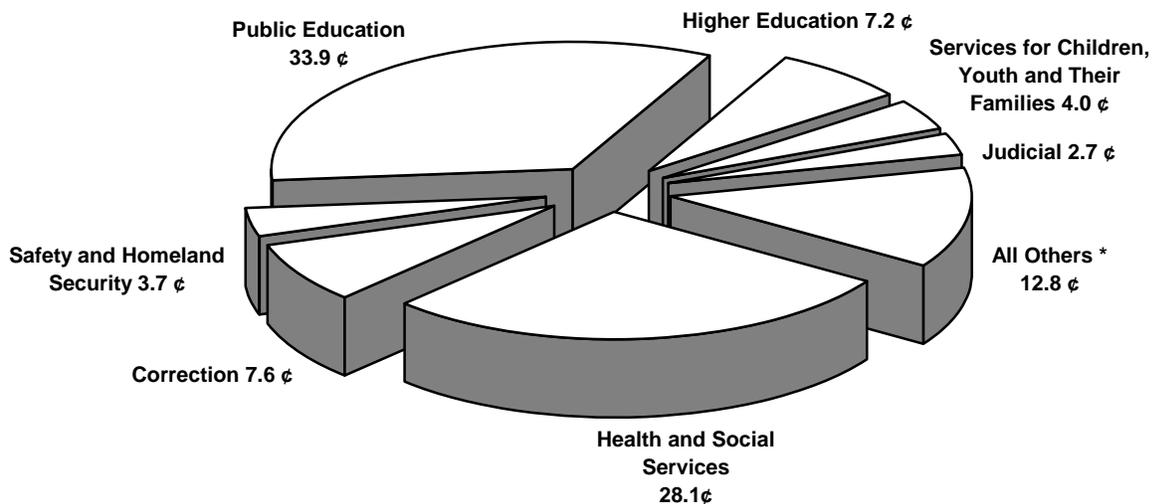
### Sources of Funds (Net of Refunds)



\* Includes Prior Year Unencumbered Cash Balance.

\*\* Includes Corporate Franchise Taxes, Business Entity Fees, and Limited Partnerships & Limited Liability Corporations.

### Appropriations



\* Includes One-Time Items

## FINANCIAL SUMMARY

### Estimated General Fund Revenue

The Delaware Economic and Financial Advisory Council (DEFAC), at the December 17, 2007 meeting, adopted a Fiscal Year 2009 revenue estimate of \$3,524.1 million.

	(\$ MILLIONS)		
	2007 Actual	2008 Forecast	2009 Forecast
<b>Revenue Categories</b>			
Personal Income Taxes	\$ 1,172.8	\$ 1,210.2	\$ 1,266.6
Corporation Income Taxes	190.8	185.8	176.5
Franchise Taxes	540.4	567.4	590.2
Business and Occupational Gross Receipts Taxes	157.3	158.0	164.8
Hospital Board and Treatment Sales	63.6	71.5	80.1
Dividends and Interest	25.3	25.3	25.9
Public Utility Taxes	46.2	47.5	49.9
Cigarette Taxes	88.3	133.0	151.8
Estate Taxes	0.4	0.1	0.0
Realty Transfer Taxes	90.9	84.1	82.0
Insurance Taxes	88.3	90.1	95.1
Abandoned Property	364.9	369.0	380.0
Business Entity Fees	65.4	69.9	72.7
Bank Franchise Taxes	175.2	143.9	159.7
Lottery Sales	256.7	257.0	264.5
Limited Partnerships & Limited Liability Corporations	91.9	107.6	120.6
Uniform Commercial Code	13.0	14.3	13.3
Other Revenue by Department	<u>103.5</u>	<u>90.6</u>	<u>93.7</u>
<b>Total Receipts</b>	<b>\$ 3,534.9</b>	<b>\$ 3,625.3</b>	<b>\$ 3,787.4</b>
<b>LESS: Revenue Refunds</b>	<b><u>(244.7)</u></b>	<b><u>(247.6)</u></b>	<b><u>(263.3)</u></b>
<b>SUBTOTAL</b>	<b>\$ 3,290.2</b>	<b>\$ 3,377.7</b>	<b>\$ 3,524.1</b>
<b>PLUS: Abandoned Property</b>			<b>24.0</b>
<b>Other Revenue by Department</b>			<b><u>(0.2)</u></b>
<b>TOTAL</b>			<b>\$ 3,547.9</b>

# FINANCIAL SUMMARY

## GENERAL FUND BUDGET BY DEPARTMENT BY FISCAL YEAR

	<b>FISCAL YEAR 2008</b>	<b>FISCAL YEAR 2009 RECOMMENDED</b>
Legislative	\$ 15,257.0	\$ 15,414.4
Judicial	89,108.3	91,390.3
Executive	144,528.8 *	150,102.3 *
Technology and Information	39,022.3	39,929.8
Other Elective	57,815.5	53,488.1
Legal	43,751.3	45,590.4
State	35,196.2	35,890.9
Finance	20,828.7	21,130.2
Health and Social Services	907,139.4	959,153.6
Children, Youth and Their Families	130,725.8	136,601.9
Correction	253,169.2	258,958.1
Natural Resources and Environmental Control	43,170.7	44,596.0
Safety and Homeland Security	121,325.8	126,973.3
Labor	7,351.2	7,524.3
Agriculture	8,714.9	9,079.3
Elections	4,055.1	4,145.5
Fire	4,776.3	4,746.6
National Guard	4,794.3	4,886.2
Exceptional Citizens	176.6	184.9
Higher Education	241,714.4	246,186.3
Public Education	1,112,961.7	1,154,793.4
<b>STATE TOTAL</b>	<b>\$ 3,285,583.5</b>	<b>\$ 3,410,765.8</b>

\*Includes One-Time Items to be allocated statewide.

## FINANCIAL CHARTS

### FISCAL OVERVIEW (\$ Million)

	Fiscal Year 2007 Actual	Fiscal Year 2008 Estimated	Fiscal Year 2009 Projected
Revenue	\$ 3,290.2	\$ 3,377.7	\$ 3,547.9
Appropriations			
Budget	3,101.9	3,285.6	3,410.8
Grants	50.0	47.7	58.4
Supplementals			
-enacted	243.3	77.9	
-estimated			55.6
Total Appropriations	3,395.2	3,411.2	3,524.8
Continuing and Encumbered			
Appropriations (prior year)	342.5	335.8	283.0
Total	3,737.7	3,747.0	3,807.8
Less: Continuing & Encumbered			
Appropriations (current year)	(335.8)	(283.0)	(160.0)
Reversions	(12.0)	(10.0)	(10.0)
Total Ordinary Expenditures	3,389.9	3,454.0	3,637.8
Balances			
Operating Balance	(99.7)	(76.3)	(89.9)
Prior Year Cash Balance	690.6	590.9	514.6
Cumulative Cash Balance	590.9	514.6	424.7
Less: Continuing & Encumbered			
Appropriations (current year)	(335.8)	(283.0)	(160.0)
Reserve	(175.4)	(182.8)	(190.6)
Unencumbered Cash Balance	79.7	48.8	74.1
Appropriation Limit			
Cumulative Cash Balance (prior year)	690.6	590.9	514.6
Less: Continuing & Encumbered			
Appropriations (prior year)	(342.5)	(335.8)	(283.0)
Reserve (prior year)	(161.1)	(175.4)	(182.8)
Unencumbered Cash Balance	187.0	79.7	48.8
+Net Fiscal Year Revenue	3,290.2	3,377.7	3,547.9
Total (100% Limit)	3,477.2	3,457.4	3,596.7
X 98% Limit	0.98	0.98	0.98
<b>APPROPRIATION LIMIT</b>	<b>\$ 3,407.7</b>	<b>\$ 3,388.3</b>	<b>\$ 3,524.8</b>

Figures represent DEFAC revenue and expenditure estimates as of the December 17, 2007 meeting.

## FINANCIAL CHARTS

### BOND AND CAPITAL IMPROVEMENTS ACT ENACTED AND RECOMMENDED FUNDING SOURCES (\$ Thousand)

SOURCE	Enacted FY 2007	Enacted FY 2008	Governor's Recommended FY 2009
<b>STATE CAPITAL PROJECTS</b>			
General Obligation Bonds	\$ 163,835.0	\$ 170,700.0	\$ 177,395.0
Reversions and Reprogramming	11,540.4	26,003.4	6,594.8
Bond Premium	2,472.2	8,897.1	-
General Funds	243,345.1	77,900.0	55,600.0
<b>Sub-Total (Non-Transportation):</b>	<b>\$ 421,192.7</b>	<b>\$ 283,500.5</b>	<b>\$ 239,589.8</b>
<b>TRANSPORTATION PROJECTS</b>			
Transportation Trust Fund	\$ 60,555.1	\$ 200,130.5	\$ 233,712.0
Transportation Trust Fund - Reauthorization	115,753.1	55,911.5	-
<b>Sub-Total (Transportation):</b>	<b>\$ 176,308.2</b>	<b>\$ 256,042.0</b>	<b>\$ 233,712.0</b>
<b>GRAND TOTAL:</b>	<b>\$ 597,500.9</b>	<b>\$ 539,542.5</b>	<b>\$ 473,301.8</b>