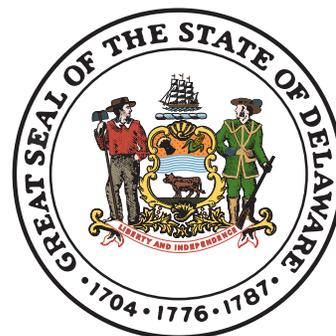


State of Delaware

Fiscal Year 2013



Governor's Recommended Budget

Volume I

**Jack A. Markell
Governor**

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Second Session

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FISCAL YEAR 2013

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 Delaware Budget System (DBS) 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 2013 Recommended General Fund Operating Budget is \$3,544.5 million. In addition, Governor Markell has set aside \$40.2 million for Grants-in-Aid and \$37.7 million in dedicated cash to the Bond and Capital Improvements Act. Total recommended Fiscal Year 2013 General Fund appropriations are \$3,622.5 million. Total appropriations represent 98.0 percent of projected net Fiscal Year 2013 revenue plus projected carryover funds, which is within the constitutionally mandated limitation on appropriations.

The Governor's Fiscal Year 2013 Recommended Bond and Capital Improvements Act totals \$448.0 million. Of this amount, \$234.9 million is recommended for state capital projects and \$213.1 million is recommended for transportation projects. Of the \$234.9 million supporting state projects, \$179.9 million is General Obligation Bond Authorization, \$37.7 million is General Fund cash and \$17.3 million is bond premium.

Fiscal Year 2013 appropriations are based on Delaware Economic and Financial Advisory Council (DEFAC) revenue and expenditure estimates as of December 19, 2011. Governor Markell has recommended adjustments to these figures that will provide a net increase to the DEFAC revenue estimates of \$31.4 million in Fiscal Year 2013. These recommended adjustments are as follows:

- ◆ An increase of \$20.0 million by redirecting Abandoned Property revenue back to the General Fund;
- ◆ An increase of \$16.0 million by redirecting Realty Transfer Tax revenue back to the General Fund; and
- ◆ A decrease of \$4.6 million of Hospital Board and Treatment revenue generated by the Delaware Veterans Home. This revenue will be retained by the Veterans Home and will be used to support current operations as well as fund the expansion of the facility from 120 to 150 beds.

DEFAC GENERAL FUND REVENUE FORECASTS

DEFAC projected net General Fund revenue collections for Fiscal Year 2012 of \$3,406.4 million and \$3,566.1 million for Fiscal Year 2013. 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 6.75 percent. DEFAC estimates (after refunds) are \$1,043.1 million for

Fiscal Year 2012 and \$1,086.4 million for Fiscal Year 2013.

- ◆ **Franchise Tax and Limited Partnership/Limited Liability Company Tax** - The Franchise Tax is imposed upon domestic corporations incorporated in Delaware and based on either the outstanding shares of stock of a corporation or on gross assets. In addition, every domestic Limited Partnership and Limited Liability Company formed in Delaware and every foreign Limited Partnership and Limited Liability Company registered to do business in Delaware is required to pay an annual tax of \$250. DEFAC estimates (after refunds) for these categories are \$761.6 million for Fiscal Year 2012 and \$769.8 million for Fiscal Year 2013.
- ◆ **Business and Occupational Gross Receipts Tax** - This tax is imposed on the gross receipts of most businesses with tax rates ranging from 0.10067 percent to 2.0114 percent, depending upon the category of the business activity. DEFAC estimates are \$227.5 million for Fiscal Year 2012 and \$227.3 million for Fiscal Year 2013.
- ◆ **Lottery** - This category includes video lottery operations, table games, sports betting, as well as traditional lottery sales. DEFAC estimates are \$266.9 million for Fiscal Year 2012 and \$246.7 million for Fiscal Year 2013.
- ◆ **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 \$108.2 million for Fiscal Year 2012 and \$112.7 million for Fiscal Year 2013.
- ◆ **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 \$106.2 million for Fiscal Year 2012 and \$112.5 million for Fiscal Year 2013.
- ◆ **Abandoned Property** - Any debt obligation that has gone unclaimed or undelivered, or security that has remained undelivered for three 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 \$383.6 million for Fiscal Year 2012 and \$484.0 million for Fiscal Year 2013.

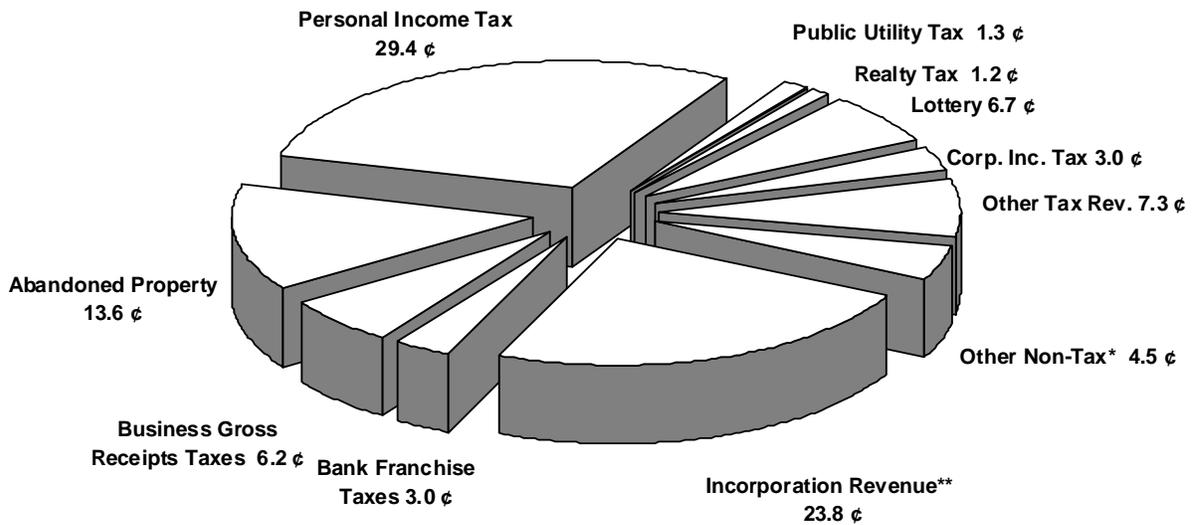
FINANCIAL OVERVIEW

◆ **Realty Transfer Tax** - The State imposes a tax of 2.0 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 where the local levy exceeds 1.0 percent, the State rate decreases to 1.5 percent. DEFAC estimates are \$28.5 million for Fiscal Year 2012 and \$29.9 million for Fiscal Year 2013.

FINANCIAL SUMMARY

BUDGET DOLLAR GOVERNOR'S RECOMMENDED BUDGET Fiscal Year 2013

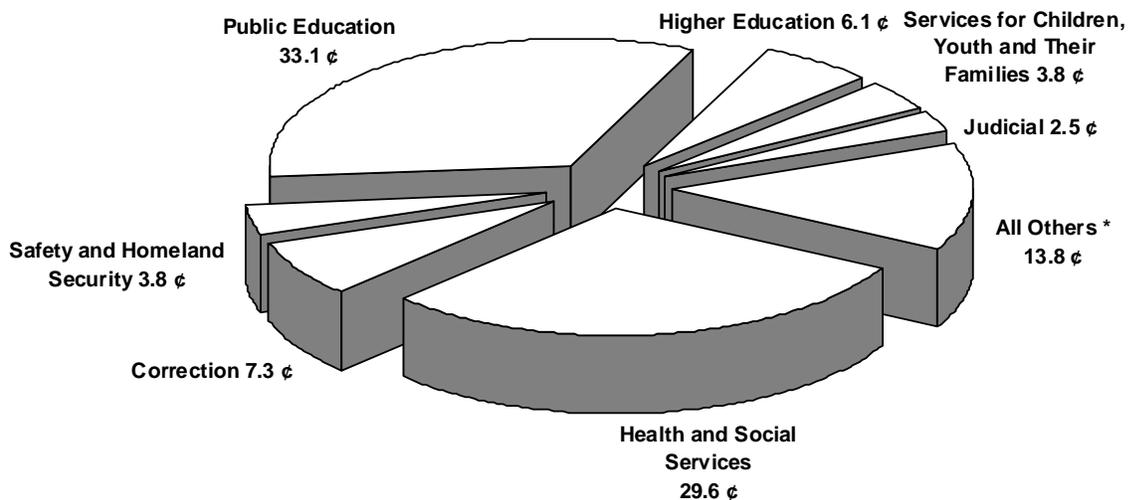
Sources of Funds (Net of Refunds)



* Includes Prior Year Unencumbered Cash Balance.

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

Appropriations



* Includes Contingencies and One-Time Items.

FINANCIAL SUMMARY

ESTIMATED GENERAL FUND REVENUE

The Delaware Economic and Financial Advisory Council (DEFAC), at the December 19, 2011 meeting, adopted a Fiscal Year 2013 revenue estimate of \$3,566.1 million.

(\$ MILLIONS)

	2011 Actual	2012 Forecast	2013 Forecast
Revenue Categories			
Personal Income Taxes	\$ 1,175.9	\$ 1,233.1	\$ 1,285.9
Corporation Income Taxes	221.2	145.0	151.3
Franchise Taxes	614.5	608.3	608.3
Business and Occupational Gross Receipts Taxes	201.1	227.5	227.3
Hospital Board and Treatment Sales	70.5	66.8	65.2
Dividends and Interest	8.9	7.0	7.0
Public Utility Taxes	57.2	47.0	47.6
Cigarette Taxes	129.1	125.0	123.8
Estate Taxes	16.2	15.0	21.2
Realty Transfer Taxes	44.1	28.5	29.9
Insurance Taxes	62.9	71.2	71.5
Abandoned Property	427.9	383.6	484.0
Business Entity Fees	83.1	87.3	91.6
Bank Franchise Taxes	119.7	106.2	112.5
Lottery Sales	287.0	266.9	246.7
Limited Partnerships and Limited Liability Corporations	156.3	164.3	172.5
Uniform Commercial Code	16.4	16.9	17.4
Other Revenue by Department	131.3	82.1	89.8
Total Receipts	\$ 3,823.3	\$ 3,681.7	\$ 3,853.5
LESS: Revenue Refunds	(291.8)	(275.3)	(287.4)
SUBTOTAL	\$ 3,531.4*	\$ 3,406.4	\$ 3,566.1
PLUS: Abandoned Property			20.0
Realty Transfer Taxes			16.0
Other Revenue			(4.6)
TOTAL			\$ 3,597.5

*This figure is not the sum of the component factors due to rounding of actual amounts.

FINANCIAL SUMMARY

GENERAL FUND BUDGET BY DEPARTMENT BY FISCAL YEAR

	FISCAL YEAR 2012	FISCAL YEAR 2013 RECOMMENDED
Legislative	\$ 14,892.8	\$ 15,054.7
Judicial	91,343.2	90,244.9
Executive	228,176.9 *	128,235.3 *
Technology and Information	34,455.8	37,387.4
Other Elective	150,808.7	150,851.0
Legal	45,502.1	50,449.5
State	27,582.3	24,252.1
Finance	15,175.1	17,677.1
Health and Social Services	997,995.1	1,049,000.6
Children, Youth and Their Families	130,686.6	133,945.4
Correction	254,733.4	257,856.8
Natural Resources and Environmental Control	34,877.3	35,284.7
Safety and Homeland Security	130,941.4	136,261.4
Labor	7,291.6	7,860.9
Agriculture	7,813.4	7,923.1
Elections	3,928.1	4,025.7
Fire	4,912.8	5,077.5
National Guard	4,408.6	4,489.9
Exceptional Citizens	169.3	171.9
Higher Education	213,193.7	215,930.7
Public Education	1,109,671.9	1,172,547.7
STATE TOTAL	\$ 3,508,560.1	\$ 3,544,528.3

*Fiscal Year 2012 and Fiscal Year 2013 include Contingencies and One-Time Items to be allocated to other departments.

FINANCIAL CHARTS

FISCAL OVERVIEW (\$ Million)

	Fiscal Year 2011 Actual	Fiscal Year 2012 Estimated	Fiscal Year 2013 Projected
Revenue	\$ 3,531.4	\$ 3,406.4	\$ 3,597.5
Appropriations			
Budget	3,305.3	3,508.6	3,544.5
Grants	35.2	41.2	40.2
Supplementals			
-enacted	91.0	115.3	
-estimated			37.7
Total Appropriations	3,431.5	3,665.1	3,622.5*
Continuing and Encumbered			
Appropriations (prior year)	184.9	303.7	265.2
Total	3,616.4	3,968.8	3,887.7
Less: Continuing and Encumbered			
Appropriations (current year)	(303.7)	(265.2)	(225.0)
Reversions	(41.9)	(50.0)	(10.0)
Total Ordinary Expenditures	3,270.8	3,653.6	3,652.7
Balances			
Operating Balance	260.6	(247.2)	(55.2)
Prior Year Cash Balance	537.1	797.7	550.5
Cumulative Cash Balance	797.7	550.5	495.3
Less: Continuing and Encumbered			
Appropriations (current year)	(303.7)	(265.2)	(225.0)
Reserve	(186.4)	(186.4)	(194.2)
Unencumbered Cash Balance	307.6	98.9	76.1
Appropriation Limit			
Cumulative Cash Balance (prior year)	537.1	797.7	550.5
Less: Continuing and Encumbered			
Appropriations (prior year)	(184.9)	(303.7)	(265.2)
Reserve (prior year)	(186.4)	(186.4)	(186.4)
Unencumbered Cash Balance	165.8	307.6	98.9
+Net Fiscal Year Revenue	3,531.4	3,406.4	3,597.5
Total (100% Limit)	3,697.2	3,714.0	3,696.4
X 98% Limit	0.98	0.98	0.98
APPROPRIATION LIMIT	\$ 3,623.3	\$ 3,639.7	\$ 3,622.5

Figures represent DEFAC revenue and expenditure estimates as of the December 19, 2011 meeting, plus Governor's Recommended Revenue Adjustments.

*This figure is not the sum of the component factors due to rounding of actual amounts.

FINANCIAL CHARTS

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

SOURCE	Enacted Fiscal Year 2011	Enacted Fiscal Year 2012	Governor's Recommended Fiscal Year 2013
STATE CAPITAL PROJECTS			
General Obligation Bonds	\$ 166,900.0	\$ 171,145.0	\$ 179,875.0
Reversions and Reprogramming	4,858.7	3,000.0	17,336.0
One-Time Special Funds	-	115,000.0	-
K-12 Construction Funds	-	40,000.0	-
General Funds	77,000.0	115,311.7	37,743.5
Subtotal (Non-Transportation):	\$ 248,758.7	\$ 444,456.7	\$ 234,954.5
TRANSPORTATION PROJECTS			
Transportation Trust Fund	\$ 91,921.3	\$ 219,488.0	\$ 213,083.9
Transportation Trust Fund - Reauthorization	35,068.9	-	-
General Funds	14,000.0	-	-
Subtotal (Transportation):	\$ 140,990.2	\$ 219,488.0	\$ 213,083.9
GRAND TOTAL:	\$ 389,748.9	\$ 663,944.7	\$ 448,038.4
DEBT REDUCTION			
Debt Deauthorization	\$ -	\$ (15,025.2)	\$ -