



STATE OF  
*Delaware*

FISCAL YEAR 2015



JANUARY 2014

*Governor's  
Recommended  
Budget*

VOLUME I

*Jack A. Markell*  
GOVERNOR

PRESENTED TO  
*The 147th*  
*General Assembly*  
SECOND SESSION

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# **FISCAL YEAR 2015**

## **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 program unit (APU) and internal program unit (IPU) levels.

Volume I of the recommended budget contains the narrative presentation. 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 2015 Recommended General Fund Operating Budget is \$3,829.7 million. In addition, Governor Markell has set aside \$45.2 million for Grants-in-Aid and \$37.7 million in dedicated cash to the Bond and Capital Improvements Act. Total recommended Fiscal Year 2015 General Fund appropriations are \$3,912.6 million. Total appropriations represent 98.0 percent of projected net Fiscal Year 2015 revenue plus projected carryover funds, which is within the constitutionally mandated limitation on appropriations.

The Governor's Fiscal Year 2015 Recommended Bond and Capital Improvements Act totals \$460.9 million. Of this amount, \$253.5 million is recommended for state capital projects and \$207.4 million is recommended for transportation projects. Of the \$253.5 million supporting state projects, \$193.9 million is General Obligation Bond Authorization, \$37.7 million is General Fund cash and \$21.9 million is reprogramming.

Fiscal Year 2015 appropriations are based on Delaware Economic and Financial Advisory Council (DEFAC) revenue and expenditure estimates as of December 16, 2013. Governor Markell has recommended adjustments to these figures that will provide a net increase to the DEFAC revenue estimates of \$103.9 million in Fiscal Year 2015. These recommended adjustments are as follows:

- ◆ An increase of \$40.0 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;
- ◆ An increase of \$1.6 million by redirecting Public Utility Tax revenue back to the General Fund;
- ◆ An increase of \$51.0 million by adjusting rates on the Franchise Tax and Limited Partnership/Limited Liability Company Tax; and
- ◆ A decrease of \$4.7 million by raising filing thresholds and simplifying quarterly filings for small businesses.

## DEFAC GENERAL FUND REVENUE FORECASTS

DEFAC projected net General Fund revenue collections for Fiscal Year 2014 of \$3,729.8 million and \$3,774.8 million for Fiscal Year 2015. 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 0 to 6.60 percent. DEFAC estimates (after refunds) are \$1,172.5 million for Fiscal Year 2014 and \$1,224.4 million for Fiscal Year 2015.
- ◆ **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 \$788.9 million for Fiscal Year 2014 and \$792.4 million for Fiscal Year 2015.
- ◆ **Business and Occupational Gross Receipts Tax** - This tax is imposed on the gross receipts of most businesses with tax rates ranging from 0.0945 percent to 1.9914 percent, depending upon the category of the business activity. DEFAC estimates are \$232.0 million for Fiscal Year 2014 and \$236.6 million for Fiscal Year 2015.
- ◆ **Lottery** - This category includes video lottery operations, table games and sports betting, as well as traditional lottery sales. DEFAC estimates are \$224.1 million for Fiscal Year 2014 and \$224.8 million for Fiscal Year 2015.
- ◆ **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 \$193.4 million for Fiscal Year 2014 and \$155.6 million for Fiscal Year 2015.
- ◆ **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 \$102.7 million for Fiscal Year 2014 and \$109.5 million for Fiscal Year 2015.
- ◆ **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 \$514.0 million for Fiscal Year 2014 and \$514.0 million for Fiscal Year 2015.

## 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 \$63.0 million for Fiscal Year 2014 and \$61.0 million for Fiscal Year 2015.

## GOVERNOR'S BUDGET OVERVIEW

The Governor's Fiscal Year 2015 Recommended Budget maintains core services provided to Delawareans in the areas of healthcare, public safety and quality of life. The Governor's proposed Fiscal Year 2015 Operating Budget totals \$3,829.7 million. This budget, in combination with the Recommended Bond and Capital Improvements Act of \$460.9 million and recommended set aside for Grants-in-Aid of \$45.2 million, is within the constitutionally mandated 98.0 percent limit on appropriations.

### Job Creation, Retention and Economic Growth

The Recommended Budget and Bond and Capital Improvements Act contain several funding initiatives designed to enhance Delaware's economy and generate jobs.

- \$22.2 million for the Delaware Strategic Fund. The Delaware Strategic Fund represents the primary funding source used by the Delaware Economic Development Office to provide targeted financial assistance to businesses. Recent projects supported through the Delaware Strategic Fund resources include grants to companies such as Ashland, Incyte Corp., ILC Grayling and Mountaire Farms of Delaware Inc.
- \$10.0 million for a container crane and infrastructure improvements at the Diamond State Port Corporation.
- \$7.0 million for a statewide Urban Redevelopment initiative. This initiative will strengthen and enhance downtown areas by incentivizing rehabilitation and construction in designated Downtown Development Districts in amounts not to exceed 20 percent of the total project cost. In addition, up to \$1.0 million of this funding may be used for local downtown grants in amounts not to exceed \$150,000 per locality in a one year period.
- \$3.1 million for the Riverfront Development Corporation.
- \$3.0 million for the Delaware Cyber Initiative (DCI). This initiative will be a partnership between the State's higher education institutions, the private sector and the State to develop a workforce and research location targeting the area of cyber security. There is a significant need for trained cyber security graduates critical to large financial services and military employers important to the region. This funding will assist in the planning, design and start-up costs of DCI on the STAR campus.

- \$2.0 million to leverage Federal Research and Development Matching grants. This program will offer funding support to federally sponsored research grant proposals developed by Delaware State University, Delaware Technical and Community College and the University of Delaware.
- \$1.0 million for the Fraunhofer Center for Molecular Biotechnology (CMB) Vaccine Development. This funding is intended to create high-tech, high-impact jobs, spin-off businesses, new partnerships and alliances and enable CMB to leverage its unique technologies in the biotech marketplace.
- \$1.0 million for the second year of a five-year commitment to the Center for Clinical and Translational Research (DE-CTR) initiative. DE-CTR will enable partner institutions (University of Delaware, Christiana Care and Nemours) to develop new methods to translate research discoveries to community health settings and will leverage \$20.0 million in funding from the National Institutes of Health.
- \$1.0 million in state match for the first-year of a five-year commitment to the IDEa Network of Biomedical Research Excellence program. This program is designed to build a statewide infrastructure in facilities for research into cancer, neuroscience and cardiovascular diseases.
- \$1.0 million to promote and support various forms of experiential learning as a workforce development tool. The Department of Labor may utilize public-private partnerships to provide hands-on training, certificate completion, mentoring and college credit in various occupational fields, such as mechanics and manufacturing.
- \$800,000 for the second year of a five-year commitment for the Experimental Program to Stimulate Competitive Research - Research Infrastructure Improvement (EPSCoR-RII) initiative. EPSCoR-RII provides infrastructure to support research and educational programs for Delaware's water and energy challenges and will leverage \$20.0 million in funding from the National Science Foundation.

### Investing in Delaware's Schools and in Youth

The Governor's Recommended Operating Budget and Bond and Capital Improvements Act provide critical resources to the State's schools and teachers to address the educational needs of Delawareans.

## GOVERNOR'S BUDGET OVERVIEW

- \$19.0 million to fully fund a projected growth of 220 units for school year 2014-2015.
- \$9.5 million to fund salary steps for school and Delaware Technical and Community College employees.
- \$5.6 million for a projected increase in expenditures for the Division III - Equalization and Academic Excellence appropriations.
- \$2.5 million for a projected increase in expenditures for Pupil Transportation.
- \$1.8 million for College and Career Readiness initiatives intended to provide opportunities and support for students during high school years that lead to increased college readiness and matriculation.
  - \$1.5 million for the College Access Challenge Grant. This funding will provide targeted support to high school students demonstrating college readiness by exploring career development, and in the process of applying to college, securing financial aid and enrolling in a two or four year college; and
  - \$300,000 for Dual Enrollment. This funding will create incentives for students to progress to college by providing opportunities to earn college credits before completion of their senior year of high school.
- \$1.7 million for Teacher and Leader Development initiative. This initiative is designed to increase the effectiveness of public education professionals by providing job embedded coaching for educators; providing data tools, system and supports to make data-driven resource decisions; and providing leadership development opportunities for principals to enhance their evaluation skills.
- \$1.2 million for the third year increase to education paraprofessional pay scales.
- \$250,000 to establish a Youth Rehabilitative Services (YRS) Re-Entry program. This intensive aftercare program will support the transition and reintegration of youth returning to the community from YRS facilities.
- \$250,000 for a predictive model, which will allow the Department of Children, Youth and Their Families to make better informed intervention and placement decisions.
- \$92.6 million for Public Education capital projects. Included is Minor Capital Improvements funding and funding for projects in the Laurel, Polytech, Red Clay, Capital, Cape Henlopen, Milford, Lake Forest, New

Castle County Vocational Technical, Smyrna and Indian River school districts.

- \$16.5 million for capital projects at Delaware State University, Delaware Technical and Community College and the University of Delaware.

### Health and Self Sufficiency for Delawareans

- \$24.0 million for projected growth in the Medicaid program.
- \$5.6 million for placements in the Division of Developmental Disabilities Services comprised of :
  - \$1.8 million for special school graduates. This funding will support an estimated 175 additional special school graduates to be placed in community day programs and supported employment; and
  - \$3.8 million for Community and Residential placements. These funds will allow additional individuals with developmental disabilities to reside in a neighborhood group home, apartment or adult foster care.
- \$3.6 million for community based services for individuals with serious and persistent mental illness.
- \$2.0 million for Substance Use Disorder Services. Using national best practices, these funds will support enhanced assessment, monitoring and individualized treatment to those grappling with addiction.
- \$1.3 million for the Nurse Family Partnership program. This program is targeted at the children of low-income, first-time mothers and provides an intense series of home visits from registered nurses with specialized training in pre-natal and infant care.

### Ensuring Public Safety

- \$3.0 million to complete funding for a new Delaware State Police Troop 3 in Camden.
- \$1.7 million for renovations to the Delaware National Guard's 198th Readiness Center in Newport.
- \$400,000 for School Facility Access Control.
- \$315,900 for the replacement of Delaware State Police ballistic-resistant and specialty vests.
- \$265,300 to establish a Firearms Investigation Unit in the Department of Safety and Homeland Security. This unit will provide in-depth investigations for illegal firearm transactions and develop a statewide enforcement and oversight strategy to curtail the number of illegal firearms.

# THE DELAWARE BUDGET PROCESS

## BUDGET PROCESS AND OUTPUTS

To support a more strategic view, the Governor's Recommended Budget contains Volume I, which includes summary financial data, but emphasizes the Governor's policy agenda and a narrative description of agencies and their programs. The format reflects the strategic direction of agencies. An important part of this effort is the requirement that all agencies craft a mission statement, key objectives and accomplishments (past and planned) from which performance can be measured.

All key activities must be identified and systematically analyzed. These activities may be programmatic or administrative in nature.

The departmental sections in Volume I contain:

- Organizational Chart;
- Department Mission and Key Objectives;
- Five-Year Bar Chart of Departmental Budget Act Appropriations;
- Budget and Personnel Charts; and
- Subordinate Organization Mission, Key Objectives, Background and Accomplishments, Activities, Budget and Personnel Chart and Performance Measures.

The *Organizational Chart, Department Mission and Key Objectives* are the highest levels of summarization for a department. They present an organizational chart, a broad overview of the department's mission and key objectives and identify significant issues and changes in operating methods. All subordinate organization objectives are derived from and contribute toward departmental objectives.

The *Five-Year Bar Chart of Department Appropriations* provides Budget Act appropriations by funding type (General Fund (GF), Appropriated Special Fund (ASF), etc.) for the previous five fiscal years at a glance.

The *Funding and Position Charts* show by fund type the actual expenditures and positions for the previous fiscal year, the current fiscal year's budget appropriation and positions and the Governor's recommended appropriation and positions for the next fiscal year.

The subordinate organization *Mission, Key Objectives, Background and Accomplishments, Activities, Budget Chart, Personnel Chart and Performance Measures* provide the details necessary to understand the programs and services provided by the organization. Also included in Volume I are detailed statewide financial statements.

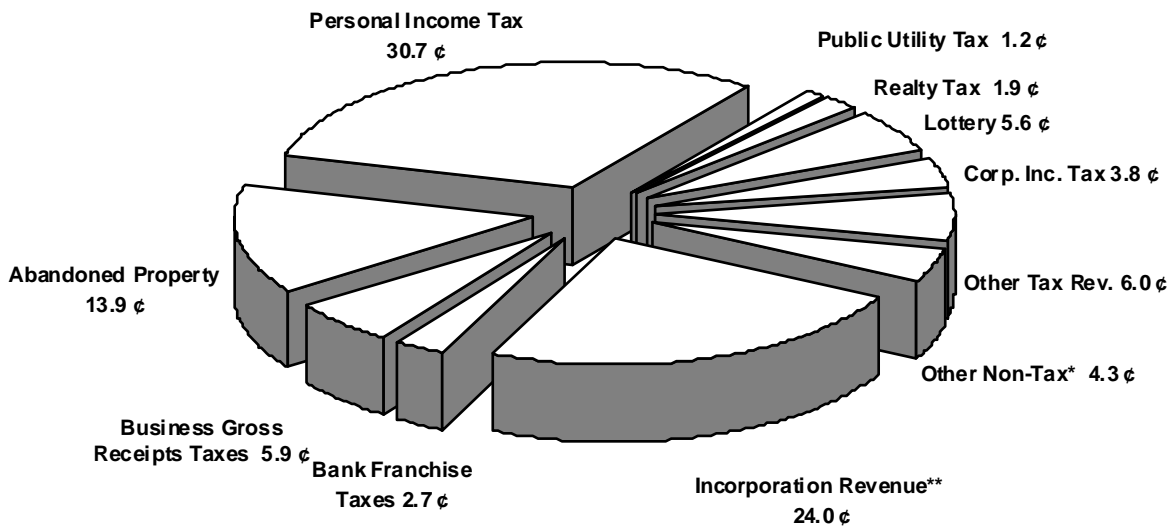
Volume II provides the detailed financial data for each agency, including history, requested funding and recommended funding.



# FINANCIAL SUMMARY

## BUDGET DOLLAR GOVERNOR'S RECOMMENDED BUDGET Fiscal Year 2015

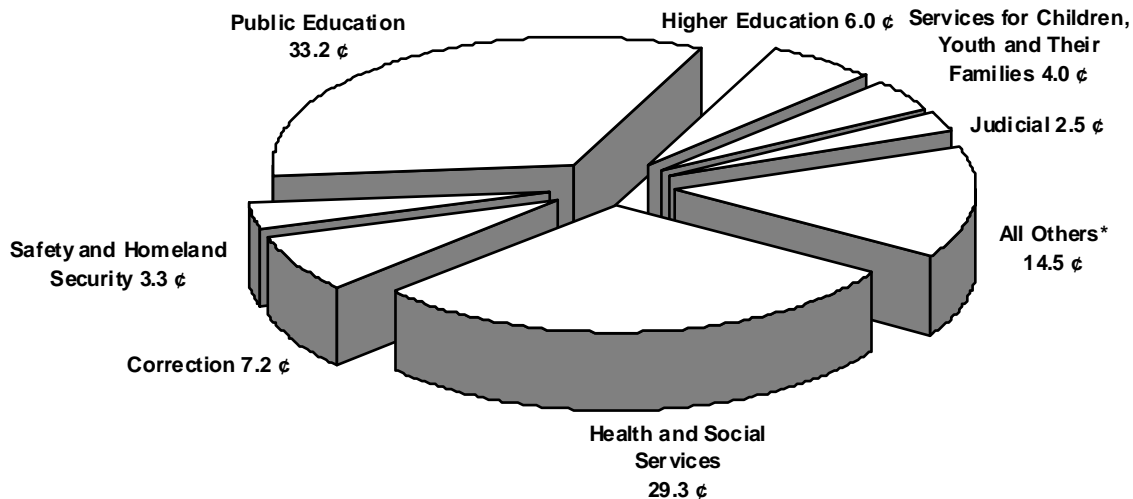
### Sources of Funds (Net of Refunds)



\* Includes Prior Year Unencumbered Cash Balance.

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

### Appropriations



\* Includes Contingencies and One-Time Items.

# FINANCIAL SUMMARY

## ESTIMATED GENERAL FUND REVENUE

(\$ Millions)

The Delaware Economic and Financial Advisory Council (DEFAC), at the December 16, 2013 meeting, adopted a Fiscal Year 2015 revenue estimate of \$3,774.8 million.

Revenue Categories	2013 Actual	2014 Forecast	2015 Forecast
Personal Income Taxes	\$ 1,318.9	\$ 1,372.7	\$ 1,434.4
Corporation Income Taxes	205.7	239.0	198.2
Franchise Taxes	605.6	608.6	602.5
Gross Receipts Tax	226.3	232.0	236.6
Hospital Board and Treatment Sales	59.7	47.5	47.9
Dividends and Interest	6.3	7.6	9.5
Public Utility Taxes	44.5	47.0	47.0
Cigarette Taxes	115.2	112.5	109.8
Estate Taxes	5.3	12.0	12.0
Realty Transfer Taxes	42.3	63.0	61.0
Insurance Taxes	53.9	54.3	56.6
Abandoned Property	566.5	514.0	514.0
Business Entity Fees	89.8	94.3	97.1
Bank Franchise Taxes	103.5	102.7	109.5
Lottery Sales	235.3	224.1	224.8
Limited Partnerships and Limited Liability Companies	179.9	190.3	199.9
Uniform Commercial Code	16.9	17.4	17.8
Other Revenue by Department	89.6	92.4	98.7
Total Receipts	\$ 3,965.2	\$ 4,031.4	\$ 4,077.3
LESS: Revenue Refunds	(235.4)	(301.6)	(302.5)
SUBTOTAL	\$ 3,729.8	\$ 3,729.8	\$ 3,774.8
PLUS: Abandoned Property			40.0
Realty Transfer Taxes			16.0
Public Utility Tax			1.6
Tax Policy			46.3
<b>TOTAL</b>			<b>\$ 3,878.7</b>

## FINANCIAL SUMMARY

### GENERAL FUND BUDGET BY DEPARTMENT BY FISCAL YEAR (\$ Thousands)

	FISCAL YEAR 2014	FISCAL YEAR 2015 RECOMMENDED
Legislative	\$ 15,701.3	\$ 15,800.7
Judicial	94,063.9	95,073.8
Executive	139,799.4 *	157,779.3 *
Technology and Information	38,611.0	38,867.7
Other Elective	162,373.4	179,407.0
Legal	54,366.5	55,180.3
State	24,817.9	24,986.5
Finance	15,117.4	15,227.1
Health and Social Services	1,089,592.7	1,122,076.9
Services for Children, Youth and Their Families	153,708.0	155,049.8
Correction	269,680.1	274,445.7
Natural Resources and Environmental Control	36,338.8	37,104.8
Safety and Homeland Security	146,376.6	125,822.8
Labor	9,303.0	10,080.2
Agriculture	8,336.8	8,399.2
Elections	4,315.2	4,349.3
Fire Prevention Commission	5,294.5	5,378.6
Delaware National Guard	4,793.9	4,864.2
Advisory Council for Exceptional Citizens	196.8	198.7
Higher Education	227,606.2	229,948.3
Education	1,217,757.5	1,269,669.1
<b>STATE TOTAL</b>	<b>\$ 3,718,150.9</b>	<b>\$ 3,829,710.0</b>

\*Fiscal Year 2014 and Fiscal Year 2015 Recommended include Contingencies and One-Time Items to be allocated to other departments.

# FINANCIAL CHARTS

## FISCAL OVERVIEW

(\$ Millions)

	Fiscal Year 2013 Actual	Fiscal Year 2014 Estimated	Fiscal Year 2015 Estimated
Revenue	\$ 3,729.8	\$ 3,729.8	\$ 3,878.7
Appropriations			
Budget	3,586.8	3,718.1	3,829.7
Grants	44.2	44.8	45.2
Supplementals			
Enacted	53.4	60.9	
Estimated			37.7
Total Appropriations	3,684.4	3,823.8	3,912.6
Continuing and Encumbered			
Appropriations (prior year)	301.1	276.5	255.7
Total	3,985.5	4,100.2*	4,168.3
Less: Continuing and Encumbered			
Appropriations (current year)	(276.5)	(255.7)	(200.0)
Reversions	(50.5)	(50.0)	(10.0)
Total Ordinary Expenditures	3,658.5	3,794.5*	3,958.3
Balances			
Operating Balance	71.2*	(64.7)	(79.6)
Prior Year Cash Balance	564.6	635.8	571.1
Cumulative Cash Balance	635.8	571.1	491.5
Less: Continuing and Encumbered			
Appropriations (current year)	(276.5)	(255.7)	(200.0)
Reserve	(198.9)	(201.7)	(209.1)
Unencumbered Cash Balance	160.4	113.7	82.4
Appropriation Limit			
Cumulative Cash Balance (prior year)	564.6	635.8	571.1
Less: Continuing and Encumbered			
Appropriations (prior year)	(301.1)	(276.5)	(255.7)
Reserve (prior year)	(186.4)	(198.9)	(201.7)
Unencumbered Cash Balance	77.1	160.4	113.7
+Net Fiscal Year Revenue	3,729.8	3,729.8	3,878.7
Total (100% Limit)	3,806.9	3,890.2	3,992.4
X 98% Limit	0.98	0.98	0.98
<b>APPROPRIATION LIMIT</b>	<b>\$ 3,730.8</b>	<b>\$ 3,812.4</b>	<b>\$ 3,912.6</b>

Figures represent DEFAC revenue and expenditure estimates as of the December 16, 2013 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 (\$ Thousands)

Source	Enacted Fiscal Year 2013	Enacted Fiscal Year 2014	Governor's Recommended Fiscal Year 2015
<b>STATE CAPITAL PROJECTS</b>			
General Obligation Bonds	\$ 184,485.0	\$ 187,025.0	\$ 193,935.0
Reversions and Reprogramming	17,963.9	32,417.7	21,910.7
General Fund	53,426.1	58,331.0	37,649.5
<b>Subtotal (Non-Transportation):</b>	<b>\$ 255,875.0</b>	<b>\$ 277,773.7</b>	<b>\$ 253,495.2</b>
<b>TRANSPORTATION PROJECTS</b>			
Transportation Trust Fund	\$ 173,496.6	\$ 160,920.9	\$ 207,397.5
Transportation Trust Fund - Reauthorization	-	35,848.1	-
General Fund	-	2,550.0	-
<b>Subtotal (Transportation):</b>	<b>\$ 173,496.6</b>	<b>\$ 199,319.0</b>	<b>\$ 207,397.5</b>
<b>GRAND TOTAL:</b>	<b>\$ 429,371.6</b>	<b>\$ 477,092.7</b>	<b>\$ 460,892.7</b>