

STATE OF
Delaware

FISCAL YEAR 2016



JANUARY 2015

*Governor's
Recommended
Budget*

VOLUME I

Jack A. Markell
GOVERNOR

PRESENTED TO
*The 148th
General Assembly*
FIRST SESSION



FISCAL YEAR 2016

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.

TABLE OF CONTENTS

	Page
Financial Overview	1
Governor’s Budget Overview	3
The Delaware Budget Process	6
Financial Summary	
<i>Budget Dollar Governor’s Recommended Budget Fiscal Year 2016</i>	7
<i>Estimated General Fund Revenue</i>	8
<i>General Fund Budget by Department by Fiscal Year</i>	9
Financial Charts	
<i>Fiscal Overview</i>	10
<i>Enacted and Recommended Funding Sources</i>	11

DEPARTMENT NARRATIVES

Legislative	(01-00-00)	12
Judicial	(02-00-00)	17
Executive	(10-00-00)	38
Technology and Information.....	(11-00-00)	64
Other Elective	(12-00-00)	70
Legal	(15-00-00)	79
State	(20-00-00)	84
Finance	(25-00-00)	112
Health and Social Services	(35-00-00)	120
Services for Children, Youth and Their Families	(37-00-00)	146
Correction	(38-00-00)	157
Natural Resources and Environmental Control	(40-00-00)	171
Safety and Homeland Security.....	(45-00-00)	190
Transportation.....	(55-00-00)	208
Labor	(60-00-00)	224
Agriculture	(65-00-00)	235
Elections.....	(70-00-00)	246
Fire Prevention Commission.....	(75-00-00)	251
Delaware National Guard	(76-00-00)	257
Advisory Council for Exceptional Citizens	(77-00-00)	259
Higher Education	(90-00-00)	261
Education	(95-00-00)	270

APPENDIX

State of Delaware Organization Chart	279
Explanation of Financial Schedules	280
<i>General Fund - Consolidated Statement of Revenues and Expenditures - Exhibit A</i>	281
<i>All Funds - Comparative Consolidated Statement of Revenues and Expenditures - Exhibit B</i>	286
<i>Capital Improvement Fund Expenditures - Exhibit C</i>	288
Definition of Budgetary Terms	289

FINANCIAL OVERVIEW

RECOMMENDED APPROPRIATIONS

The Governor's Fiscal Year 2016 Recommended General Fund Operating Budget is \$3,900.0 million. In addition, Governor Markell has set aside \$45.4 million for Grants-in-Aid and \$15.0 million in dedicated cash to the Bond and Capital Improvements Act. Total recommended Fiscal Year 2016 General Fund appropriations are \$3,960.4 million. Total appropriations represent 98.0 percent of projected net Fiscal Year 2016 revenue plus projected carryover funds, which is within the constitutionally mandated limitation on appropriations.

The Governor's Fiscal Year 2016 Recommended Bond and Capital Improvements Act totals \$385.8 million. Of this amount, \$246.8 million is recommended for state capital projects and \$139.0 million is recommended for transportation projects. Of the \$246.8 million supporting state projects, \$197.5 million is General Obligation Bond Authorization, \$15.0 million is General Fund cash and \$34.3 million is reprogramming.

Fiscal Year 2016 appropriations are based on Delaware Economic and Financial Advisory Council (DEFAC) revenue and expenditure estimates as of December 15, 2014. Governor Markell has recommended adjustments to these figures that will provide a net increase to the DEFAC revenue estimates of \$65.0 million in Fiscal Year 2016. 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 \$14.0 million by redirecting Realty Transfer Tax revenue back to the General Fund;
- ◆ An increase of \$6.0 million by enhancing collection efforts; and
- ◆ An increase of \$5.0 million by redirecting Public Utility Tax revenue back to the General Fund;

DEFAC GENERAL FUND REVENUE FORECASTS

DEFAC projected net General Fund revenue collections for Fiscal Year 2015 of \$3,927.9 million and \$3,885.0 million for Fiscal Year 2016. 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 \$1,222.3 million for Fiscal Year 2015 and \$1,277.1 million for Fiscal Year 2016.
- ◆ **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 \$300. DEFAC estimates (after refunds) for these categories are \$889.3 million for Fiscal Year 2015 and \$904.3 million for Fiscal Year 2016.
- ◆ **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 \$226.9 million for Fiscal Year 2015 and \$237.8 million for Fiscal Year 2016.
- ◆ **Lottery** - This category includes video lottery operations, table games and sports betting, as well as traditional lottery sales. DEFAC estimates are \$206.2 million for Fiscal Year 2015 and \$207.3 million for Fiscal Year 2016.
- ◆ **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 \$219.4 million for Fiscal Year 2015 and \$154.4 million for Fiscal Year 2016.
- ◆ **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 \$101.7 million for Fiscal Year 2015 and \$99.7 million for Fiscal Year 2016.
- ◆ **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 \$554.0 million for Fiscal Year 2015 and \$514.0 million for Fiscal Year 2016.

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 \$72.2 million for Fiscal Year 2015 and \$64.0 million for Fiscal Year 2016.

GOVERNOR'S BUDGET OVERVIEW

The Governor's Fiscal Year 2016 Recommended Budget maintains core services provided to Delawareans in the areas of education, healthcare, public safety and quality of life. The Governor's proposed Fiscal Year 2016 Operating Budget totals \$3,900.0 million. This budget, in combination with the Recommended Bond and Capital Improvements Act of \$385.8 million and recommended set aside for Grants-in-Aid of \$45.4 million, is within the constitutionally mandated 98.0 percent limit on appropriations.

Government Efficiency

The proposed budget represents an increase of just 2.37 percent over the Fiscal Year 2015 operating budget and continues to hold the line on agency personnel growth. There are 1,021 fewer state agency positions in Fiscal Year 2015 compared to Fiscal Year 2009. The Fiscal Year 2016 Governor's Recommended Budget includes an additional reduction of 100 state agency positions with savings of \$5.5 million.

Job Creation, Retention and Economic Growth

The Recommended Bond and Capital Improvements Act contains several funding initiatives designed to enhance Delaware's economy and generate jobs. These include:

- \$10.0 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 include grants to companies such as Kuraray America, Perdue Foods, SLM Corporation, Navient and Bayhealth Medical Center.
- \$10.0 million for a container crane and infrastructure improvements at the Diamond State Port Corporation.
- \$3.15 million for the Riverfront Development Corporation to continue development efforts along the Christina River in Wilmington.
- \$1.0 million for the second year of funding for the Delaware Cyber Initiative (DCI). This initiative is 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.

- \$1.0 million to leverage Federal Research and Development Matching grants. This program offers 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 third 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 second 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.
- \$800.0 for the third 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.
- \$1.0 million for the Bioscience Center for Advanced Technology. The Center fosters academic industry research partnerships to support local bioscience businesses and help Delaware recruit, retain and create science-based jobs.

Investing in Delaware's Schools and Youth

- \$15.3 million to fully fund an additional 76 units for the 2014 - 2015 school year and a projected growth of 110 units for the 2015 - 2016 school year.
- \$10.2 million to fund salary steps for public education and Delaware Technical and Community College employees.

GOVERNOR'S BUDGET OVERVIEW

- \$9.5 million to continue the commitment to Public Education including:
 - District supports such as Response to Intervention, English Language Learners (ELL) and student safety initiatives.
 - Targeting resources to High Need Schools.
 - Supporting educators across the State.
 - Modernizing and enhancing student learning.
 - Improved collaboration through Performance Management.
 - College and Career Readiness.
- \$3.1 million to support STARS, Delaware's Quality Rating and Improvement System for early care and education.
- \$2.3 million for a projected increase in expenditures for pupil transportation.
- \$2.1 million for projected expenditures in the Academic Excellence appropriation to account for unit growth.
- \$945.1 for an increase to the education paraprofessional pay scale.
- \$89.0 million for public education capital projects, which includes Minor Capital Improvements funding and funding for projects in the Caesar Rodney, Cape Henlopen, Delmar, Lake Forest, Milford, New Castle County Vo-Tech, Polytech, Red Clay and Smyrna school districts.
- \$21.0 million for capital projects at Delaware State University, Delaware Technical and Community College and the University of Delaware.

Health and Self Sufficiency for Delawareans

- \$10.0 million for the Housing Development Fund (HDF). The HDF provides affordable, decent, safe and sanitary housing to responsible, low- and moderate-income households.
- \$5.2 million for placements in the Division of Developmental Disabilities Services comprised of:
 - \$3.7 million for community residential placements. These funds will allow additional individuals with developmental disabilities to reside in a neighborhood group home, apartment, shared living arrangement or supported living; and

- \$1.5 million for special school graduates. This funding will support an estimated 150 additional special school graduates to be placed in community day programs and supported employment.

- \$4.5 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.
- \$3.2 million for community-based services for individuals with serious and persistent mental illness.

Enhancing our Quality of Life

- \$7.0 million for the second year of the 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 \$150.0 per locality in a one year period.
- \$5.0 million in matching funds for projects in the Lewes, Delmar, Harrington and the Rt 9/13 Garfield Park libraries.
- \$3.0 million for Statewide Trails and Pathways. Funding will continue the initiative to provide an interconnected network of shared-use pathways and trails that will support non-motorized travel and recreational trail opportunities.
- \$3.5 million for the redevelopment of the NVF site in Yorklyn and the Fort DuPont site in Delaware City.
- \$1.8 million for the Drinking Water State Revolving Fund. This program makes funds available to finance infrastructure improvements of local drinking water systems.
- \$1.4 million in matching funds for the Clean Water State Revolving Fund. This program provides assistance in the form of low-interest loans and grants for water quality projects, as well as municipal wastewater treatment projects.

Ensuring Public Safety

- \$2.7 million to provide additional program space for offenders housed at the James T. Vaughn Correctional Center comprised of:
 - \$1.5 million for an Automotive Skills facility; and

GOVERNOR'S BUDGET OVERVIEW

- \$1.2 million for cafeteria renovations to develop a Culinary Arts program.
- \$1.8 million for facility improvements at the Delaware State Police Indoor Firing Range.
- \$1.8 million for the replacement of state and local police Live Scan fingerprint equipment.
- \$1.1 million for renovations to the Delaware National Guard Readiness Center in Georgetown.
- \$889.5 for an addition to the New Castle County Fire School.

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. Budgetary amounts are reflected in thousands.

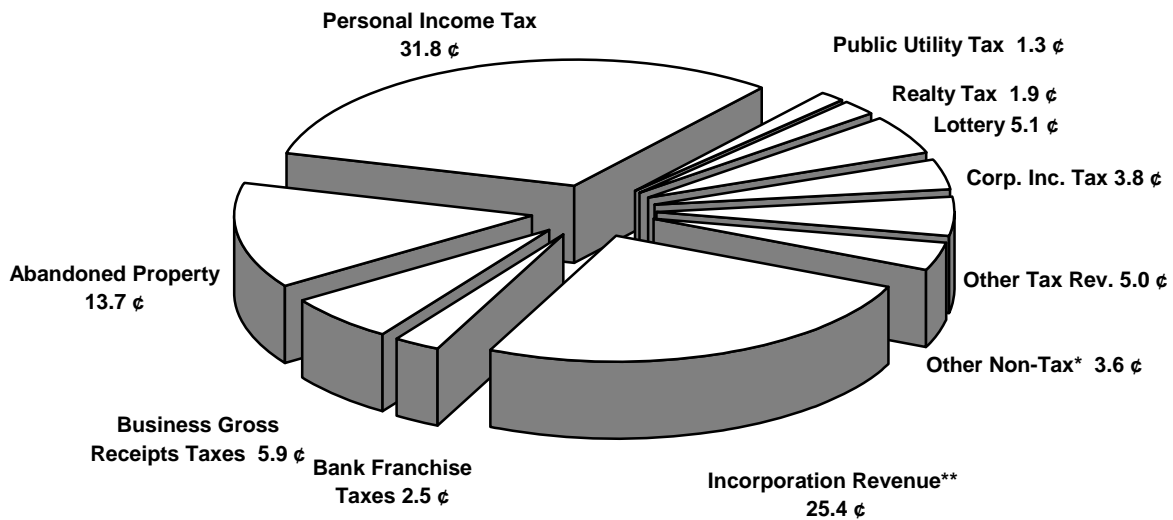
The subordinate organization *Mission, Key Objectives, Background and Accomplishments, Activities, Budget Chart, Personnel Chart* and *Performance Measures* provide the details necessary to understand the programs and services provided by the organization. Also included in Volume I are detailed statewide 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 2016

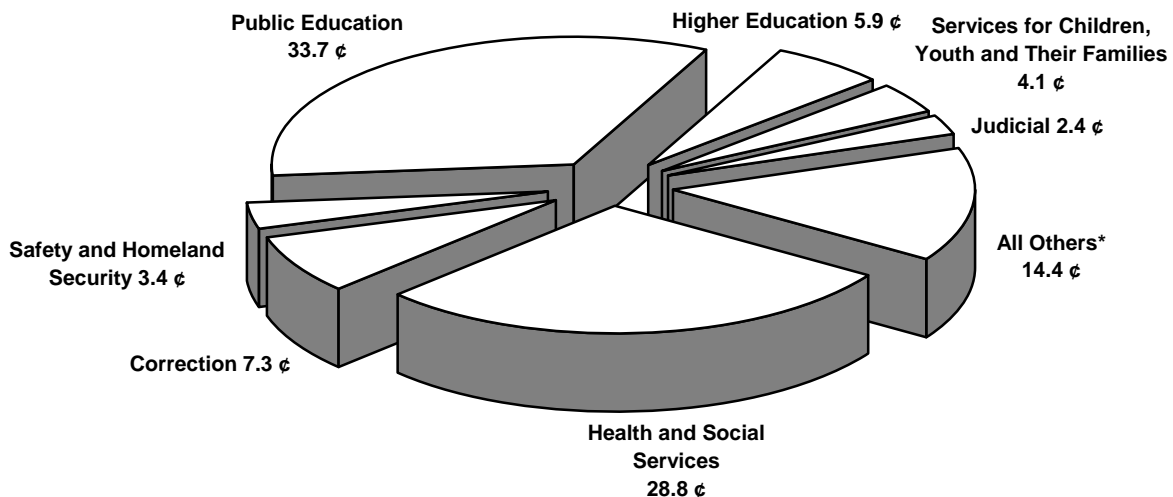
Sources of Funds (Net of Refunds)



* 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 15, 2014 meeting, adopted a Fiscal Year 2016 revenue estimate of \$3,885.0 million.

	2014 Actual	2015 Forecast	2016 Forecast
Revenue Categories			
Personal Income Taxes	\$ 1,385.0	\$ 1,432.1	\$ 1,500.5
Corporation Income Taxes	175.5	262.0	197.0
Franchise Taxes	625.6	656.2	660.1
Gross Receipts Tax	226.5	226.9	237.8
Hospital Board and Treatment Sales	48.9	46.1	45.9
Dividends and Interest	2.8	10.0	8.0
Public Utility Taxes	47.4	50.0	47.9
Cigarette Taxes	114.7	106.5	104.4
Estate Taxes	1.3	4.0	4.0
Realty Transfer Taxes	60.3	72.2	64.0
Insurance Taxes	53.0	54.5	53.5
Abandoned Property	474.9	554.0	514.0
Business Entity Fees	96.0	102.3	106.4
Bank Franchise Taxes	102.7	101.7	99.7
Lottery Sales	214.6	206.2	207.3
Limited Partnerships and Limited Liability Companies	195.8	242.1	254.2
Uniform Commercial Code	17.2	17.5	17.7
Other Revenue by Department	88.4	115.6	96.5
Total Receipts	\$ 3,930.7	\$ 4,259.9	\$ 4,218.9
LESS: Revenue Refunds	(358.0)	(332.0)	(333.9)
SUBTOTAL	\$ 3,572.7	\$ 3,927.9	\$ 3,885.0
PLUS: Abandoned Property			40.0
Realty Transfer Taxes			14.0
Public Utility Tax			5.0
Enhanced Collection Efforts			6.0
TOTAL			\$ 3,950.0

FINANCIAL SUMMARY

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

	FISCAL YEAR 2015	FISCAL YEAR 2016 RECOMMENDED
Legislative	\$ 15,817.7	\$ 15,842.7
Judicial	95,059.8	95,124.0
Executive	149,664.3 *	165,914.6 *
Technology and Information	38,459.3	39,619.9
Other Elective	170,797.0	173,874.5
Legal	56,124.7	56,589.7
State	24,943.8	25,027.0
Finance	14,882.3	14,553.2
Health and Social Services	1,113,633.8	1,123,893.7
Services for Children, Youth and Their Families	154,607.7	157,651.7
Correction	277,487.9	284,692.5
Natural Resources and Environmental Control	37,179.4	37,048.3
Safety and Homeland Security	130,547.4	131,972.8
Labor	9,976.1	9,980.7
Agriculture	8,485.0	8,481.5
Elections	4,349.3	4,393.5
Fire Prevention Commission	5,375.1	5,349.1
Delaware National Guard	4,769.4	4,817.0
Advisory Council for Exceptional Citizens	199.1	244.6
Higher Education	229,594.1	230,387.9
Education	1,267,581.1	1,314,519.2
STATE TOTAL	\$ 3,809,534.3	\$ 3,899,978.1

* Fiscal Year 2015 and Fiscal Year 2016 Recommended include Contingencies and One-Time Items to be allocated to other departments.

FINANCIAL CHARTS

FISCAL OVERVIEW

(\$ Millions)

	Fiscal Year 2014 Actual	Fiscal Year 2015 Estimated	Fiscal Year 2016 Estimated
Revenue	\$ 3,572.7	\$ 3,927.9	\$ 3,950.0
Appropriations			
Budget	3,718.1	3,809.5	3,900.0
Grants	44.8	45.4	45.4
Supplementals			
Enacted	60.9	23.8	
Estimated			15.0
Total Appropriations	3,823.8	3,878.7	3,960.4
Continuing and Encumbered			
Appropriations (prior year)	276.5	194.8	231.0
Total	4,100.2*	4,073.5	4,191.4
Less: Continuing and Encumbered Appropriations (current year)	(194.8)	(231.0)	(210.0)
Reversions	(111.3)	(35.0)	(10.0)
Total Ordinary Expenditures	3,794.1	3,807.5	3,971.4
Balances			
Operating Balance	(221.5)*	120.4	(21.4)
Prior Year Cash Balance	635.8	414.4	534.8
Cumulative Cash Balance	414.4*	534.8	513.4
Less: Continuing and Encumbered Appropriations (current year)	(194.8)	(231.0)	(210.0)
Reserve	(201.7)	(212.5)	(214.2)
Unencumbered Cash Balance	17.9	91.2*	89.2
Appropriation Limit			
Cumulative Cash Balance (prior year)	635.8	414.4	534.8
Less: Continuing and Encumbered Appropriations (prior year)	(276.5)	(194.8)	(231.0)
Reserve (prior year)	(198.9)	(201.7)	(212.5)
Unencumbered Cash Balance	160.4	17.9	91.2*
+Net Fiscal Year Revenue	3,572.7	3,927.9	3,950.0
Total (100% Limit)	3,733.1	3,945.8	4,041.2
X 98% Limit	0.98	0.98	0.98
APPROPRIATION LIMIT	\$ 3,658.4	\$ 3,866.9	\$ 3,960.4

Figures represent DEFAC revenue and expenditure estimates as of the December 15, 2014 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 2014	Enacted Fiscal Year 2015	Governor's Recommended Fiscal Year 2016
STATE CAPITAL PROJECTS			
General Obligation Bonds	\$ 187,025.0	\$ 197,450.0	\$ 197,500.0
Reversions and Reprogramming	32,417.7	44,722.1	34,259.9
General Fund	58,331.0	23,786.6	15,042.8
Subtotal (Non-Transportation):	\$ 277,773.7	\$ 265,958.7	\$ 246,802.7
TRANSPORTATION PROJECTS			
Transportation Trust Fund	\$ 160,920.9	\$ 146,626.3	\$ 139,044.0
Transportation Trust Fund - Reauthorization	35,848.1	8,375.0	-
General Fund	2,550.0	-	-
Subtotal (Transportation):	\$ 199,319.0	\$ 155,001.3	\$ 139,044.0
GRAND TOTAL:	\$ 477,092.7	\$ 420,960.0	\$ 385,846.7