

STATE OF  
*Delaware*

FISCAL YEAR 2019



*Governor's  
Recommended  
Budget*

JANUARY 2018

*John C. Carney*  
GOVERNOR

OPERATING BOOK

PRESENTED TO  
*The 149th*  
*General Assembly*  
SECOND SESSION



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# FINANCIAL OVERVIEW

## RECOMMENDED APPROPRIATIONS

The Governor's Fiscal Year 2019 Recommended General Fund Operating Budget is \$4,250.4 million. In addition, Governor Carney has set aside \$41.7 million for Grants-in-Aid and \$100.4 million in dedicated cash to the Bond and Capital Improvements Act. Total recommended Fiscal Year 2019 General Fund appropriations are \$4,392.5 million. Total appropriations represent 98.0 percent of projected net Fiscal Year 2019 revenue plus projected carryover funds, which is within the constitutionally mandated limitation on appropriations.

The Governor's Fiscal Year 2019 Recommended Bond and Capital Improvements Act totals \$677.5 million. Of this amount, \$356.6 million is recommended for state capital projects and \$320.9 million is recommended for transportation projects. Of the \$356.6 million supporting state projects, \$215.6 million is General Obligation Bond Authorization, \$100.4 million is General Fund cash, \$38.7 million is reauthorization and reprogramming and \$1.9 million is one-time special funds.

Fiscal Year 2019 appropriations are based on Delaware Economic and Financial Advisory Council (DEFAC) revenue and expenditure estimates as of December 18, 2017. Governor Carney has recommended adjustments that will provide a net decrease of \$4.5 million to the Fiscal Year 2019 DEFAC revenue estimates. These recommended adjustments are as follows:

- ◆ A decrease of \$5.0 million by reducing the Realty Transfer Tax paid by first time home buyers;
- ◆ A decrease of \$1.0 million by reducing Abandoned Property revenue to enhance enforcement efforts; and
- ◆ An increase of \$1.5 million by redirecting Captive Insurance revenue back to the General Fund.

## DEFAC GENERAL FUND REVENUE FORECASTS

DEFAC projects net General Fund revenue collections for Fiscal Year 2018 of \$4,239.7 million and \$4,316.4 million for Fiscal Year 2019. 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 6.6 percent. DEFAC estimates (after refunds) are \$1,384.7 million for Fiscal Year 2018 and \$1,453.9 million for Fiscal Year 2019.
- ◆ **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 \$1,119.4 million for Fiscal Year 2018 and \$1,139.3 million for Fiscal Year 2019.
- ◆ **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 \$241.6 million for Fiscal Year 2018 and \$253.7 million for Fiscal Year 2019.
- ◆ **Lottery** - This category includes video lottery operations, table games and sports betting, as well as traditional lottery sales. DEFAC estimates are \$211.5 million for Fiscal Year 2018 and \$210.8 million for Fiscal Year 2019.
- ◆ **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



## FINANCIAL OVERVIEW

that is apportioned and allocated to Delaware. DEFAC estimates (after refunds) are \$76.4 million for Fiscal Year 2018 and \$105.0 million for Fiscal Year 2019.

◆ **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 \$88.3 million for Fiscal Year 2018 and \$93.6 million for Fiscal Year 2019.

◆ **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 2018 and \$500.0 million for Fiscal Year 2019.

◆ **Realty Transfer Tax** - The State imposes a tax of 3.0 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 \$142.0 million for Fiscal Year 2018 and \$151.3 million for Fiscal Year 2019.

# GOVERNOR'S BUDGET OVERVIEW

The Governor's proposed Fiscal Year 2019 Operating Budget totals \$4,250.4 million. This budget, in combination with \$100.4 million in dedicated cash for the Recommended Bond and Capital Improvements Act and recommended \$41.7 million set aside for Grants-in-Aid, is within the constitutionally mandated 98 percent limit on appropriations.

## Better Schools for All Children

- \$20.9 million to fully fund projected Public Education unit growth for the 2018 - 2019 school year.
- \$10.6 million to fund salary steps for public education and Delaware Technical Community College employees.
- \$6.0 million for Education Opportunity Grants that target schools with a 60 percent poverty rate or 20 percent English Language Learners.
- \$3.8 million to fund STARS enrollment growth to serve additional children. Total funding for the STARS program, which provides quality childcare is \$29.5 million.
- \$1.5 million to support the Christina School District for professional development for educators, funding for school-based wellness centers, extended time for teachers and students, and Opportunity grants in selected schools in Wilmington.
- \$15.0 million for capital improvements to selected Christina School District schools in Wilmington.
- \$1.0 million to provide 10 math coaches for district middle schools.
- \$135.6 million for Public Education capital projects including Minor Capital Improvements and funding for projects in the Appoquinimink, Brandywine, Cape Henlopen, Caesar Rodney, and Indian River school districts.

## A Healthier Delaware

- \$1.4 million for substance use treatment resources statewide.
- \$2.0 million to provide prescription assistance to Delaware seniors.
- \$285,000 for services to infants born with substance exposure.

## Stronger and Safer Communities

- \$20.0 million for Farmland Preservation and Open Space programs.
- \$18.4 million for the construction of a new State Police Troop 7 in Lewes.
- \$8.5 million for the fifth year of the statewide Urban Redevelopment initiative.
- \$6.0 million to support affordable housing.

- \$6.7 million in matching funds for projects at the Duck Creek Regional, Southern Regional and Seaford libraries.

## A Strong and Stable State Workforce

- \$26.0 million for a general salary contingency to:
  - Provide a \$1,000 salary increase for state agency employees and a 2 percent salary increase for public education employees;
  - Support 12 week paid parental leave for state employees;
  - Recommend a study of employee compensation; and
  - Allow additional flexibility in recruiting and retaining employees.
- \$17.2 million to fund annual contributions for state employee pensions.
- \$3.6 million to provide a career ladder for Correctional Officers.
- \$1.0 million for additional staffing at the Baylor Women's Correctional Institution.
- \$4.0 million to address recommendations from the Department of Correction Independent Review.
- \$2.6 million to add thirty new staff in the Division of Family services to bolster child welfare investigations and child abuse and neglect hotline investigations.
- \$2.0 million to add twenty-nine staff in the Division of Youth Rehabilitative Services to meet staffing needs in the six secure juvenile facilities.
- \$7.8 million investment in workplaces including renovations to the Carvel State Office Building and reducing the deferred maintenance backlog.

## A Stronger Economy

- \$12.5 million for the Delaware Strategic Fund. The Delaware Strategic Fund represents the primary funding source used by the Division of Small Business, Development and Tourism to provide targeted financial assistance to businesses.
- \$2.0 million for the Delaware Prosperity Partnership. Created by the passage of HB 226 of the 149th General Assembly, the Public/Private Partnership focuses on leveraging private resources to improve business recruitment, retention and expansion; identifying and developing a talented workforce; connecting with the global economy; and building a stronger entrepreneurial environment.
- \$2.9 million for the Riverfront Development Corporation to continue development efforts along the Christina River in Wilmington.
- \$19.5 million for capital projects at Delaware State University, Delaware Technical Community College and the University of Delaware.

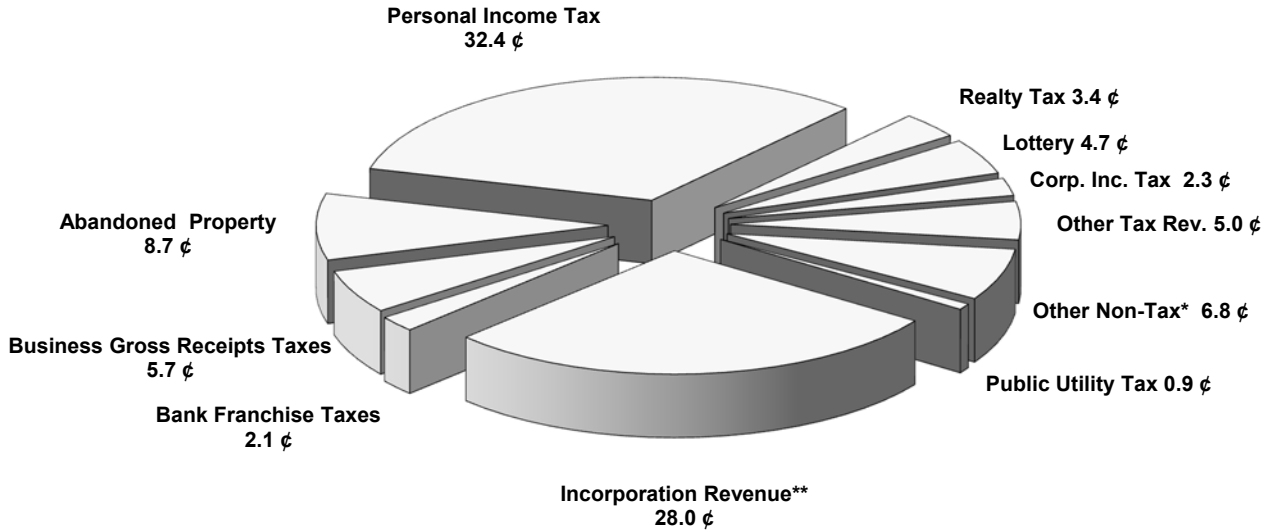
## GOVERNOR'S BUDGET OVERVIEW

- \$2.5 million for the National Institute for Innovation in Manufacturing Biopharmaceuticals. The Institute will focus on bringing safe drugs to market faster and on developing workforce training in biopharmaceuticals.
- \$1.8 million in state match for the Rapid Advancement in Process Intensification Deployment project. Funds will establish a new Manufacturing USA Institute at the University of Delaware that will focus on developing new technologies to boost domestic energy productivity and energy efficiency. The goal is to partner with private businesses to enhance efforts by merging commercial and research capabilities.
- \$1.5 million for the Fraunhofer Center for Molecular Biotechnology vaccine development. This funding is intended to create high-tech, high-impact jobs, spin-off businesses, new partnerships and alliances, and to leverage its unique technologies in the biotech marketplace.
- \$1.0 million for the first year of a five-year commitment to the Center for Clinical and Translational Research initiative. Partner institutions (University of Delaware, Christiana Care and Nemours) will 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 final 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 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.
- \$800,000 for the first year of a five-year commitment for the Experimental Program to Stimulate Competitive Research - Research Infrastructure Improvement initiative. The program 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.

# FINANCIAL SUMMARY

## BUDGET DOLLAR GOVERNOR'S RECOMMENDED BUDGET Fiscal Year 2019

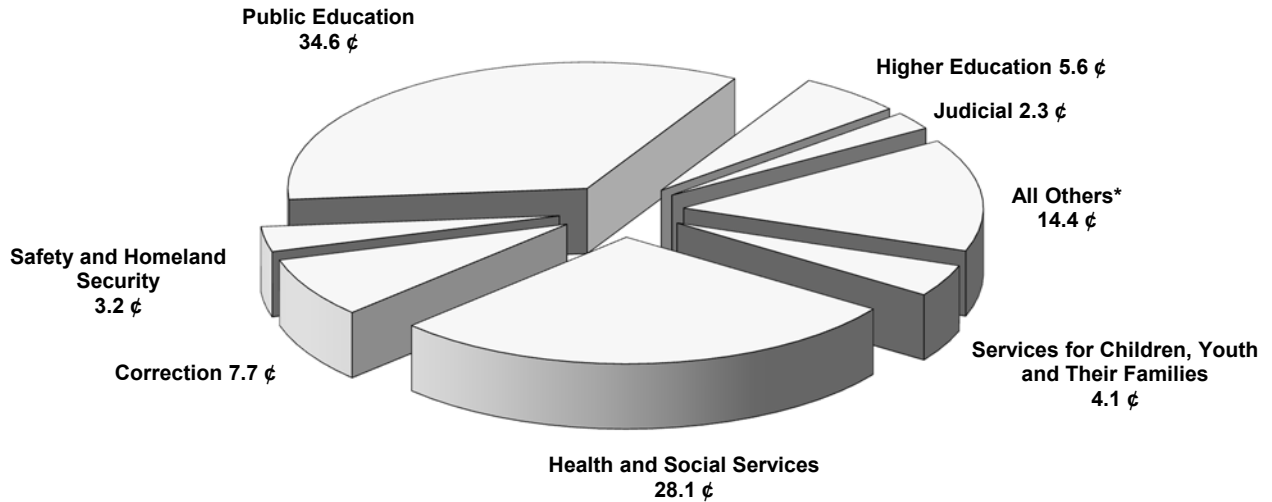
### Sources of Funds (Net of Refunds)



\* Includes Prior Year Unencumbered Cash Balance.

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

### Operating Appropriations



\* Includes Contingencies and One-Time Items.

# FINANCIAL SUMMARY

## GENERAL FUND REVENUE (\$ Millions)

The Delaware Economic and Financial Advisory Council (DEFAC), at the December 2017 meeting, adopted a Fiscal Year 2019 revenue estimate of \$4,316.4 million.

	Fiscal Year 2017 Actual	Fiscal Year 2018 Forecast	Fiscal Year 2019 Forecast
Personal Income Taxes	\$ 1,548.1	\$ 1,609.9	\$ 1,690.4
Corporation Income Taxes	157.4	146.4	140.0
Franchise Taxes	714.5	830.9	835.8
Gross Receipts Tax	239.5	241.6	253.7
Hospital Board and Treatment Sales	43.5	39.7	40.0
Dividends and Interest	3.9	10.7	11.1
Public Utility Taxes	43.7	43.0	38.0
Cigarette Taxes	112.3	122.0	125.7
Realty Transfer Taxes	96.4	142.0	156.3
Insurance Taxes	70.7	66.3	74.1
Abandoned Property	554.0	554.0	500.0
Business Entity Fees	110.8	113.0	115.3
Bank Franchise Taxes	88.2	88.3	93.6
Lottery Sales	205.1	211.5	210.8
Limited Partnerships and Limited Liability Companies	284.3	298.5	313.5
Uniform Commercial Code	19.5	22.4	22.8
Other Revenues	111.5	107.8	104.6
<b>Total Receipts</b>	<b>\$ 4,403.4</b>	<b>\$ 4,648.0</b>	<b>\$ 4,725.7</b>
LESS: Revenue Refunds	(390.1)	(408.3)	(409.3)
<b>SUBTOTAL</b>	<b>\$ 4,013.2 *</b>	<b>\$ 4,239.7</b>	<b>\$ 4,316.4</b>
<b>ADJUSTMENTS:</b>			
Realty Transfer Taxes			(5.0)
Abandoned Property			(1.0)
Other Revenues			1.5
			(4.5)
<b>TOTAL</b>			<b>\$ 4,311.9</b>

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



# FINANCIAL SUMMARY

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

	<b>FISCAL YEAR 2018</b>	<b>FISCAL YEAR 2019 RECOMMENDED</b>
Legislative	\$ 16,250.3	\$ 16,245.2
Judicial	96,236.4	96,955.8
Executive*	146,264.8	174,344.0
Technology and Information	41,829.5	41,938.9
Other Elective	194,341.0	192,037.0
Legal	59,478.1	59,859.6
Human Resources	-	12,890.5
State	23,291.9	24,980.1
Finance	14,467.4	14,407.6
Health and Social Services	1,178,420.7	1,194,077.2
Services for Children, Youth and Their Families	162,251.8	172,621.5
Correction	308,147.6	328,607.8
Natural Resources and Environmental Control	37,112.9	37,410.5
Safety and Homeland Security	135,189.8	137,527.1
Transportation	5,000.0	5,000.0
Labor	9,548.4	9,543.3
Agriculture	8,222.2	8,325.6
Elections	4,916.6	5,174.3
Fire Prevention Commission	5,405.8	5,341.2
Delaware National Guard	4,769.2	4,825.6
Advisory Council for Exceptional Citizens	247.7	247.5
Higher Education	237,069.5	237,425.8
Education	1,418,473.8	1,470,575.1
<b>TOTAL</b>	<b>\$ <u>4,106,935.4</u></b>	<b>\$ <u>4,250,361.2</u></b>

\*Include Contingencies and One-Time Items to be allocated to other departments.

# FINANCIAL SUMMARY

## FISCAL OVERVIEW (\$ Millions)

	Fiscal Year 2017 Actual	Fiscal Year 2018 Estimated	Fiscal Year 2019 Estimated
Revenue	\$ 4,013.2	\$ 4,239.7	\$ 4,311.9
<b>Appropriations</b>			
Operating Budget	4,084.1	4,106.9	4,250.4
Grants-In-Aid	45.9	37.3	41.7
Supplemental	0.2	-	-
General Funds to Capital	12.6	-	100.4
<b>Total Appropriations</b>	<b>4,142.8</b>	<b>4,144.2</b>	<b>4,392.5</b>
<b>Continuing and Encumbered</b>			
Appropriations (prior year)	181.5	178.6	140.6
<b>Total</b>	<b>4,324.3</b>	<b>4,322.8</b>	<b>4,533.2</b>
Less: Continuing and Encumbered Appropriations (current year)	(178.6)	(140.6)	(150.0)
Reversions	(39.6)	(10.0)	(10.0)
<b>Total Ordinary Expenditures</b>	<b>4,106.1</b>	<b>4,172.2</b>	<b>4,373.2</b>
<b>Balances</b>			
Operating Balance	(93.1)	67.5	(61.3)
Prior Year Cash Balance	568.0	474.9	542.4
<b>Cumulative Cash Balance</b>	<b>474.9</b>	<b>542.4</b>	<b>481.1</b>
Less: Continuing and Encumbered Appropriations (current year)	(178.6)	(140.6)	(150.0)
Reserve	(221.1)	(231.6)	(236.3)
<b>Unencumbered Cash Balance</b>	<b>75.2</b>	<b>170.2</b>	<b>94.8</b>
<b>Appropriation Limit</b>			
Cumulative Cash Balance (prior year)	568.0	474.9	542.4
Less: Continuing and Encumbered Appropriations (prior year)	(181.5)	(178.6)	(140.6)
Reserve (prior year)	(214.8)	(221.1)	(231.6)
<b>Unencumbered Cash Balance</b>	<b>171.7</b>	<b>75.2</b>	<b>170.2</b>
Net Fiscal Year Revenue	4,013.2	4,239.7	4,311.9
<b>Total (100% Limit)</b>	<b>4,184.9</b>	<b>4,314.9</b>	<b>4,482.1</b>
X 98% Limit	0.98	0.98	0.98
<b>APPROPRIATION LIMIT</b>	<b>\$ 4,101.1</b>	<b>\$ 4,228.6</b>	<b>\$ 4,392.5</b>

Figures represent DEFAC revenue and expenditure estimates as of the December 2017 meeting plus Governor's Recommended Revenue Adjustments.

# FINANCIAL SUMMARY

## BOND AND CAPITAL IMPROVEMENTS FUNDING SOURCES

Source	Fiscal Year 2017	Fiscal Year 2018	Governor's Recommended Fiscal Year 2019
<b>STATE CAPITAL PROJECTS</b>			
General Obligation Bonds	\$ 202,420.0	\$ 207,290.0	\$ 215,595.0
Reauthorization and Reprogramming	21,211.5	61,408.6	38,728.1
One-Time Special Funds	-	3,568.5	1,919.0
General Funds	12,653.8	-	100,359.3
<b>Subtotal:</b>	<b>\$ 236,285.3</b>	<b>\$ 272,267.1</b>	<b>\$ 356,601.4</b>
<b>TRANSPORTATION PROJECTS</b>			
Transportation Trust Fund	\$ 265,147.7	\$ 317,750.5	\$ 320,921.1
<b>GRAND TOTAL:</b>	<b>\$ 501,433.0</b>	<b>\$ 590,017.6</b>	<b>\$ 677,522.5</b>