

FISCAL YEAR 2024

GOVERNOR'S RECOMMENDED BUDGET OPERATING BOOK



PRESENTED TO
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FIRST SESSION

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Financial Overview



RECOMMENDED APPROPRIATIONS

The Governor's Fiscal Year 2024 Recommended General Fund Operating Budget is \$5,482.0 million. In addition, Governor Carney has allocated \$59.8 million for Grants-in-Aid, \$324.9 million for the Recommended One-Time Supplemental Appropriations Act including \$51.0 million to the Other Post-Employment Benefits (OPEB) Trust Fund, and \$664.7 million in dedicated cash to the Bond and Capital Improvements Act. Total recommended Fiscal Year 2024 General Fund appropriations are \$6,531.4 million. The Governor has also recommended \$18.9 million over and above the constitutionally mandated two percent set-aside to remain unappropriated, for a new Budget Stabilization Fund balance of \$421.5 million. Total appropriations and the Budget Stabilization Fund allocation represent 98.0 percent of projected Fiscal Year 2024 revenue (net of refunds and tax policy) plus projected carryover funds, which is within the constitutionally mandated limitation on appropriations.

The Governor's Fiscal Year 2024 Recommended Bond and Capital Improvements Act totals \$1,289.3 million. Of this amount, \$967.0 million is recommended for state capital projects and \$322.3 million is recommended for transportation projects. Of the \$967.0 million supporting state projects, \$251.6 million is General Obligation Bond Authorization, \$50.7 million is Bond Premium, and \$664.7 million is General Fund cash.

Fiscal Year 2024 appropriations are based on Delaware Economic and Financial Advisory Council (DEFAC) revenue and expenditure estimates as of December 19, 2022. The Governor's Recommended Budget includes tax policy adjustments that will result in a decrease of \$24.9 million to the Fiscal Year 2024 DEFAC revenue estimates.

DEFAC GENERAL FUND REVENUE FORECASTS

DEFAC projects net General Fund revenue collections for Fiscal Year 2023 of \$6,239.5 million and \$6,046.8 million for Fiscal Year 2024. The highlights of the forecast include:

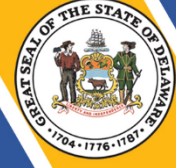
- **Personal Income Tax** - This tax, closely modeled after federal income tax law, is progressive in nature, with marginal rates from 0 to 6.6 percent. DEFAC estimates (net of refunds) are \$2,115.6 million for Fiscal Year 2023 and \$2,150.1 million for Fiscal Year 2024.
- **Franchise Tax and Limited 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 (net of refunds) for these categories are \$1,875.8 million for Fiscal Year 2023 and \$1,648.8 million for Fiscal Year 2024.
- **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 0.7468 percent, depending upon the category of the business activity. DEFAC estimates are \$347.3 million for Fiscal Year 2023 and \$358.7 million for Fiscal Year 2024.

Financial Overview



- **Lottery** - This category includes video lottery operations, table games and sports betting, as well as traditional lottery sales. DEFAC estimates are \$229.0 million for Fiscal Year 2023 and \$227.2 million for Fiscal Year 2024.
- **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 (net of refunds) are \$283.0 million for Fiscal Year 2023 and \$234.6 million for Fiscal Year 2024.
- **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 \$97.4 million for Fiscal Year 2023 and \$103.5 million for Fiscal Year 2024.
- **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 (net of refunds) are \$394.0 million for Fiscal Year 2023 and \$375.0 million for Fiscal Year 2024.
- **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 2.5 percent. DEFAC estimates are \$265.1 million for Fiscal Year 2023 and \$259.9 million for Fiscal Year 2024.

Governor's Budget Overview



The Governor's proposed Fiscal Year 2024 Operating Budget totals \$5,482.0 million. This budget includes \$664.7 million in dedicated cash for the Recommended Bond and Capital Improvements Act, a \$324.9 million Recommended One-Time Supplemental Appropriations Act including \$51.0 million to the Other Post-Employment Benefits (OPEB) Trust Fund, a recommended \$59.8 million set aside for Grants-in-Aid, and a recommended allocation of \$18.9 million over and above the constitutionally mandated two percent set-aside to remain unappropriated, for a new Budget Stabilization Fund of \$421.5 million. Total appropriations and the Budget Stabilization Fund allocation represent 98.0 percent of available General Fund revenues.

Historic Investment in Three Priority Areas: Clean Water, Wilmington Education Initiatives and Economic Development

- \$53.2 million in state and federal Clean Water investments to improve Delaware's drinking water and water resources, including funding for low-income and underserved communities. The recommendation is comprised of the following:
 - \$3.2 million for the Drinking Water State Revolving Fund;
 - \$18.0 million for the Clean Water State Revolving Fund;
 - \$5.0 million for Resource, Conservation and Development; and
 - \$27.0 million federal funding for clean water and drinking water.
- \$50.0 million to ensure Delaware remains competitive through modernizing infrastructure, focusing on small businesses and fostering a culture of innovation and entrepreneurship. Recommended funding includes:
 - \$25.0 million for the Delaware Strategic Fund. The Fund represents the primary funding source used by the Division of Small Business to provide targeted financial assistance to businesses;
 - \$5.0 million for the Transportation Infrastructure Investment Fund (TIIF). TIIF provides economic assistance for road improvement and related transportation infrastructure in order to attract new businesses to Delaware or for the expansion of existing Delaware businesses;
 - \$10.0 million to expand laboratory space to help drive bio-tech innovation and entrepreneurship; and
 - \$10.0 million for the Site Readiness Fund so businesses have options to locate and expand in Delaware.
- \$12.7 million to support education initiatives in the City of Wilmington. This funding will build upon previous year's appropriations and will be directed toward building a new state of the art school on the East Side of Wilmington and new Dual Generation Center at Pulaski Elementary School.

Governor's Budget Overview



Better Schools for All Children

- \$206.8 million for Public Education capital projects including Minor Capital Improvements, school construction and market pressure funding for projects in Wilmington and in the Appoquinimink, Brandywine, Caesar Rodney, Cape Henlopen, Capital, Christina, Colonial, Indian River, Milford, Seaford, Smyrna, and New Castle County and Sussex Vocational Technical districts.
- \$36.8 million to fund Public Education unit growth.
- \$10.1 million for school safety.
- \$30.0 million for Mental Health Services for Elementary and Middle School students.
- \$3.0 million, for a total of \$10 million, for the Wilmington Learning Collaborative to support students, families, and teachers delivering education in the City of Wilmington.
- \$11.4 million to fund salary steps for Public Education administrators and educators.
- \$15.0 million commitment for the Opportunity Funding to provide additional resources to low-income students and English Learners.
- \$6.1 million for the Early Childhood Assistance Program.

Delaware Families and Safer Communities

- \$111.3 million for Medicaid services growth.
- \$1.9 million to extend post-partum Medicaid coverage.
- \$1.1 million for Behavioral Health Diagnostic Stabilization Unit at Wharton Hall and increase Placement of Children Home Study Services.
- \$20.0 million for Farmland Preservation and Open Space programs.
- \$16.6 million in matching funds for statewide library projects.
- \$11.6 million to preserve historical and recreational sites across Delaware.
- \$48.9 million for security, safety, and infrastructure improvements at Department of Correction facilities.
- \$37.0 million for public safety communications and critical equipment.
- \$36.0 million to support affordable housing.
- \$5.5 million for the eighth year of the statewide Urban Redevelopment initiative. This program provides funding for Downtown Development Districts, designed to promote healthy and vibrant downtowns as critical components of Delaware's economic well-being and quality of life.
- \$4.0 million for the Strong Neighborhoods Housing Fund, targeted at efforts that support community development and/or transform neighborhoods that are experiencing blight or other forms of stress, including high crime.
- \$20.0 million for Subdivision Street Pavement Management Fund to support direct paving and rehabilitation of community streets.

Governor's Budget Overview



A Strong and Stable Workforce

- \$10.3 million in increased support for childcare providers and workers.
- \$147.9 million for continued efforts towards compensation and pay equity for state employees. This proposal includes funding gradual movement in merit pay scales to more closely align with market wages for state employees, provide no less than 3.0 percent salary increase for all employees, and ensure all of the state's workforce is moving toward a \$15/hour minimum wage.
- \$40.0 million for providing public educators with additional 6.0 percent salary supplement.
- \$14.2 million for funding salary steps for education, higher education and state agencies.
- \$143.2 million increase to support the Group Health Insurance Plan.
- \$51.0 million to support the OPEB Trust Fund liability.
- \$293.9 million to maintain and upgrade state facilities including minor capital improvements and renovations to the Carvel State Office Building, Delaware Hospital for the Chronically Ill, Stockley Center, Legislative Hall, the Leonard L. Williams Justice Center, State Fire Marshal Building, Delaware National Guard Stern Readiness Facility and addressing statewide deferred maintenance.
- \$63.3 million to construct both the Kent and Sussex County Family Courthouses, renovate the historic Customs House in the City of Wilmington and improve the Justice of the Peace and Supreme Court courthouses.
- \$21.0 million to design and begin site work on a new Troop 4 in Georgetown.

A Stronger Economy

- \$60.0 million for capital projects at Delaware State University, Delaware Technical Community College and the University of Delaware.
- \$6.5 million for the Riverfront Development Corporation to continue development efforts along the Christina River in Wilmington.
- \$1.5 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 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.
- \$2.0 million for the first year of a five-year commitment to support the State's academic and medical institutions. Through collaborations among the public, private and academic sectors, the grant continues to support biomedical research, encompassing both basic and translational research.

Governor's Budget Overview



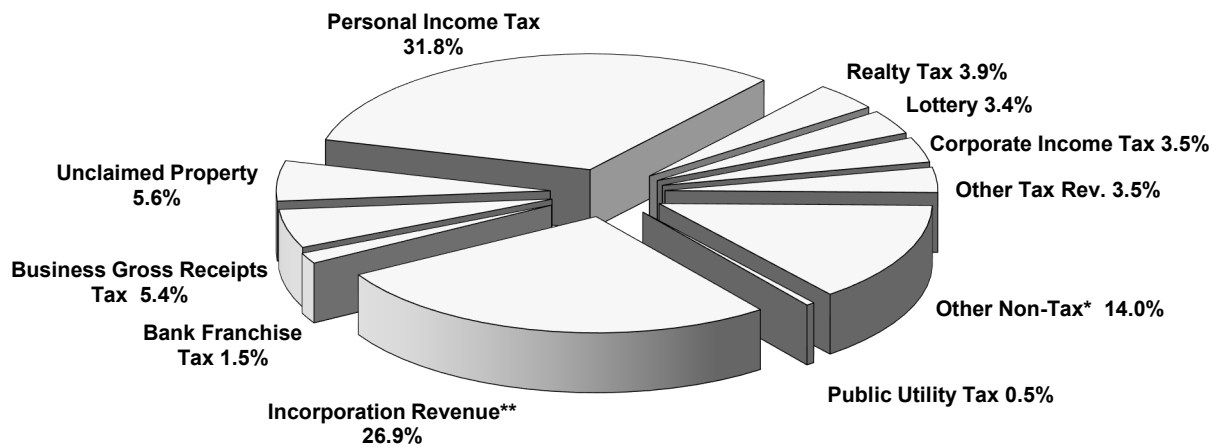
- \$800,000 for the first year of a five-year commitment for the Experimental Program to Stimulate Competitive Research - Research Infrastructure Improvement initiative. The program provides infrastructure to support research and educational programs for Delaware's water and energy challenges and will leverage \$20.0 million in funding from the National Science Foundation.
- \$5.0 million for the first year of a five-year commitment to support the transformation of biopharmaceutical manufacturing in the State and around the country. The biopharmaceutical category includes vaccines, cancer drugs and drugs to treat autoimmune diseases, as well as emerging drugs for cell and gene therapies. The institute will provide for higher quality and safer medicines, being made available faster than ever before, and create quality jobs for the citizens of Delaware.



GOVERNOR'S RECOMMENDED BUDGET

Fiscal Year 2024

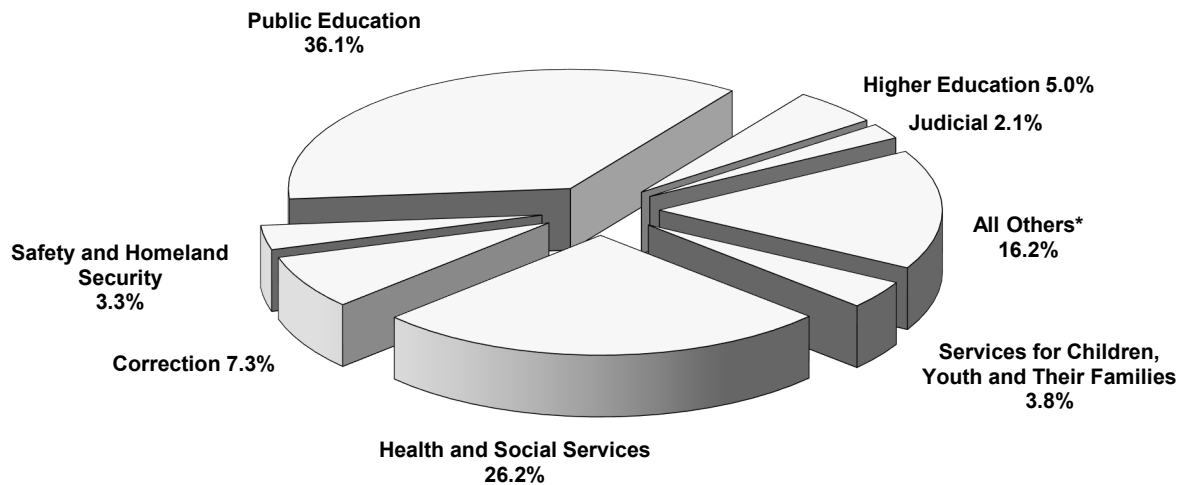
Sources of Funds (Net of Refunds)



* 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 19, 2022 meeting, adopted a Fiscal Year 2024 revenue estimate of \$6,046.8 million.

	Fiscal Year 2022 Actual	Fiscal Year 2023 Forecast	Fiscal Year 2024 Forecast
Personal Income Taxes	\$ 2,375.8	\$ 2,356.8	\$ 2,392.1
Corporation Income Taxes	379.5	353.0	304.6
Franchise Taxes	1,300.4	1,421.8	1,220.0
Gross Receipts Tax	331.0	347.3	358.7
Hospital Board and Treatment Sales	21.0	23.4	23.8
Dividends and Interest	12.6	77.8	169.0
Public Utility Taxes	29.6	34.0	32.9
Cigarette Taxes	115.3	104.0	100.6
Realty Transfer Taxes	304.3	265.1	259.9
Insurance Taxes	98.6	105.6	103.2
Unclaimed Property	554.0	554.0	525.0
Business Entity Fees	164.2	167.4	150.0
Bank Franchise Taxes	113.2	97.4	103.5
Lottery Sales	236.0	229.0	227.2
Limited Partnerships and Limited Liability Companies	422.6	464.0	438.8
Uniform Commercial Code	31.0	31.0	26.5
Other Revenues	101.7	108.2	101.4
Total Revenue	\$ 6,591.1 *	\$ 6,739.8	\$ 6,537.2
LESS: Revenue Refunds	(761.2)	(500.3)	(490.4)
NET REVENUE	\$ 5,829.9	\$ 6,239.5	\$ 6,046.8
ADJUSTMENTS:			
Personal Income Taxes			(24.9)
			(24.9)
TOTAL			\$ 6,021.9

The Delaware Economic and Financial Advisory Council (DEFAC) adopted Fiscal Year 2023 and Fiscal Year 2024 revenue estimates at the December 2022 meeting.

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

Financial Summary



GENERAL FUND BUDGET BY DEPARTMENT (\$ Thousands)

	FISCAL YEAR 2023	FISCAL YEAR 2024 RECOMMENDED
Legislative	\$ 20,358.5	\$ 20,737.1
Judicial	108,198.3	114,773.0
Executive *	252,044.0	308,957.7
Technology and Information	59,087.1	60,046.8
Other Elective	224,103.8	241,738.0
Legal	69,161.8	81,288.3
Human Resources	28,146.8	32,797.2
State	32,164.5	34,342.0
Finance	14,638.9	15,059.4
Health and Social Services	1,361,270.6	1,437,133.1
Services for Children, Youth and Their Families	204,743.0	210,339.4
Correction	376,141.8	400,464.7
Natural Resources and Environmental Control	40,537.2	44,849.1
Safety and Homeland Security	164,358.3	178,556.6
Transportation	5,000.0	5,000.0
Labor	12,090.3	12,516.7
Agriculture	8,801.1	9,322.8
Elections	7,589.4	7,933.9
Fire Prevention Commission	6,560.0	7,291.7
Delaware National Guard	5,179.8	5,532.4
Advisory Council for Exceptional Citizens	323.2	336.6
Higher Education	266,806.0	276,531.9
Education	1,832,407.8	1,976,492.5
TOTAL	\$ 5,099,712.2	\$ 5,482,040.9

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

**As authorized in Section 1 by the 151st General Assembly in Senate Bill 250 (by Department).

Financial Summary



FISCAL OVERVIEW (\$ Millions)

	Fiscal Year 2022 Actual	Fiscal Year 2023 Estimated	Fiscal Year 2024 Estimated	
Revenue	\$ 5,829.9	\$ 6,239.5	\$ 6,021.9	*
Appropriations				
Operating Budget	4,771.5	5,099.7	5,482.0	
Grants-In-Aid	63.2	69.4	59.8	
Supplemental	221.1	378.6	324.9	
General Funds to Capital	692.3	855.5	664.7	
Total Appropriations	5,748.1	6,403.2	6,531.4	
Continuing and Encumbered				
Appropriations (prior year)	495.8	1,100.2	1,747.8	
Total	6,243.9	7,503.4	8,279.2	
Less: Continuing and Encumbered				
Appropriations (current year)	(1,100.2)	(1,747.8)	(1,563.3)	
Reversions	(85.8)	(40.0)	(10.0)	
Total Ordinary Expenditures	5,057.9	5,715.6	6,705.9	
Balances				
Operating Balance	771.9	523.9	(684.0)	
Prior Year Cash Balance	1,833.4	2,605.3	3,129.2	
Cumulative Cash Balance	2,605.3	3,129.2	2,445.2	
Less: Continuing and Encumbered				
Appropriations (current year)	(1,100.2)	(1,747.8)	(1,563.3)	
Budget Reserve Account (current year)	(280.3)	(316.4)	(325.6)	
Budget Stabilization Fund (current year)	(287.3)	(402.6)	(421.5)	
Unencumbered Cash Balance	937.5	662.3	134.8	**
Appropriation Limit				
Cumulative Cash Balance (prior year)	1,833.4	2,605.3	3,129.2	
Less: Continuing and Encumbered				
Appropriations (prior year)	(495.8)	(1,100.2)	(1,747.8)	
Budget Reserve Account (prior year)	(252.4)	(280.3)	(316.4)	
Budget Stabilization Fund (prior year)	(63.1)	(287.3)	(402.6)	
Unencumbered Cash Balance	1,022.1	937.5	662.3	**
Net Fiscal Year Revenue	5,829.9	6,239.5	6,021.9	
Total (100% Limit)	6,852.0	7,177.0	6,684.2	
X 98% Limit	0.98	0.98	0.98	
APPROPRIATION LIMIT	\$ 6,715.0	\$ 7,033.5	\$ 6,550.5	

DEFAC adopted Fiscal Year 2023 and Fiscal Year 2024 revenue and expenditure estimates at the December 2022 meeting.

* Includes Fiscal Year 2024 proposed revenue adjustments.

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

Financial Summary



BOND AND CAPITAL IMPROVEMENTS FUNDING SOURCES

Source	Fiscal Year 2022	Fiscal Year 2023	Governor's Recommended Fiscal Year 2024
STATE CAPITAL PROJECTS			
General Obligation Bonds	\$ 255,918.1	\$ 290,616.6	\$ 251,604.5
Reauthorization and Reprogramming	16,596.0	1,972.2	50,735.5
One-Time Special Funds	-	-	-
General Funds	692,260.6	854,815.9	664,717.5
Subtotal	\$ 964,774.7	\$ 1,147,404.7	\$ 967,057.5
TRANSPORTATION PROJECTS			
Transportation Trust Fund	\$ 386,102.2	\$ 310,742.8	\$ 322,280.5
General Funds to Transportation	-	650.0	-
Subtotal	\$ 386,102.2	\$ 311,392.8	\$ 322,280.5
GRAND TOTAL	\$ <u>1,350,876.9</u>	\$ <u>1,458,797.5</u>	\$ <u>1,289,338.0</u>