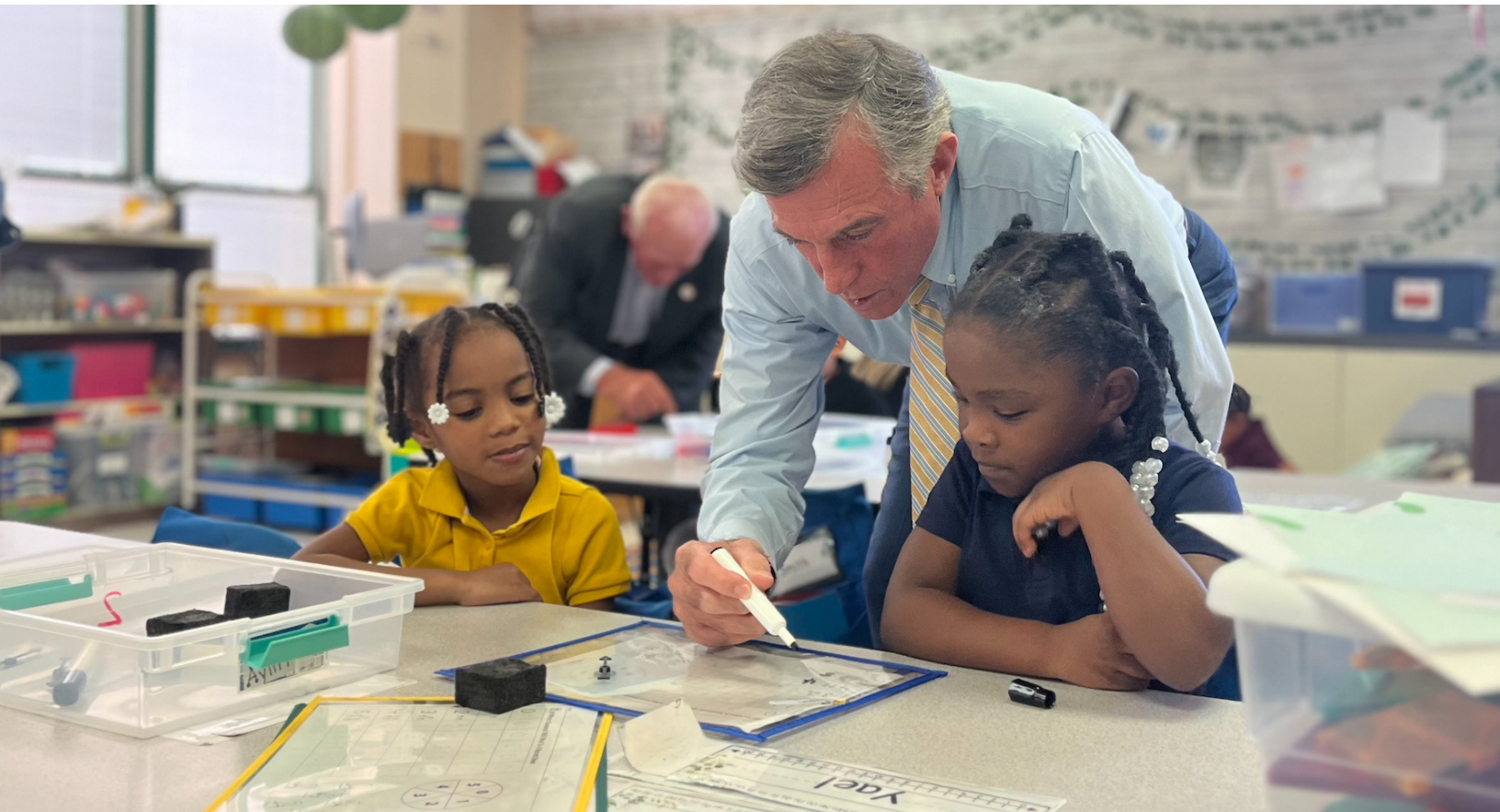


FISCAL YEAR 2025

GOVERNOR'S RECOMMENDED BUDGET OPERATING BOOK



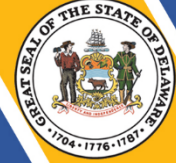
PRESENTED TO
THE 152ND GENERAL ASSEMBLY
SECOND SESSION

John C. Carney
GOVERNOR
STATE OF DELAWARE

budget.delaware.gov



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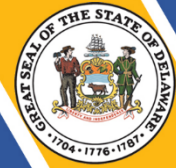
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Financial Overview



RECOMMENDED APPROPRIATIONS

The Governor's Fiscal Year 2025 Recommended General Fund Operating Budget is \$6,074.9 million. In addition, Governor Carney has allocated \$66.5 million for Grants-in-Aid, \$91.8 million for the Recommended One-Time Supplemental Appropriations Act including \$56.1 million to the Other Post-Employment Benefits (OPEB) Trust Fund, and \$257.5 million in dedicated cash to the Bond and Capital Improvements Act. Total recommended Fiscal Year 2025 General Fund appropriations are \$6,490.7 million. The Governor has also maintained the Budget Stabilization Fund balance of \$410.1 million, over and above the constitutionally mandated two percent set aside to remain unappropriated. Total appropriations represent 98.0 percent of projected Fiscal Year 2025 revenue (net of refunds) plus projected carryover funds, which is within the constitutionally mandated limitation on appropriations.

The Governor's Fiscal Year 2025 Recommended Bond and Capital Improvements Act totals \$943.7 million. Of this amount, \$614.6 million is recommended for state capital projects and \$329.1 million is recommended for transportation projects. Of the \$614.6 million supporting state projects, \$314.6 million is General Obligation Bond Authorization, \$33.6 million is Bond Premium, \$257.5 million is General Fund cash, and \$8.9 million is reauthorization and reprogramming.

Fiscal Year 2025 appropriations are based on Delaware Economic and Financial Advisory Council (DEFAC) revenue and expenditure estimates as of December 18, 2023.

DEFAC GENERAL FUND REVENUE FORECASTS

DEFAC projects net General Fund revenue collections for Fiscal Year 2024 of \$6,177.3 million and \$6,292.3 million for Fiscal Year 2025. The highlights of the forecast include:

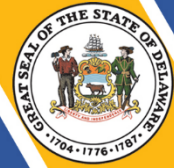
- **Personal Income Tax** - This tax, closely modeled after federal income tax law, is progressive in nature, with marginal rates from 0 to 6.6 percent. DEFAC estimates (net of refunds) are \$2,113.4 million for Fiscal Year 2024 and \$2,214.9 million for Fiscal Year 2025.
- **Franchise Tax and Limited 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 \$1,348.9 million for Fiscal Year 2024 and \$1,348.9 million for Fiscal Year 2025.
- **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 15.5 percent, depending upon the category of the business activity. DEFAC estimates are \$358.7 million for Fiscal Year 2024 and \$368.0 million for Fiscal Year 2025.

Financial Overview



- **Lottery** - This category includes video lottery operations, table games and sports betting, as well as traditional lottery sales. DEFAC estimates are \$243.0 million for Fiscal Year 2024 and \$247.8 million for Fiscal Year 2025.
- **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 \$320.0 million for Fiscal Year 2024 and \$287.0 million for Fiscal Year 2025.
- **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 \$101.0 million for Fiscal Year 2024 and \$109.9 million for Fiscal Year 2025.
- **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 2024 and \$365.0 million for Fiscal Year 2025.
- **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 \$205.0 million for Fiscal Year 2024 and \$223.2 million for Fiscal Year 2025.

Governor's Budget Overview

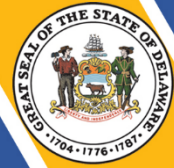


The Governor's proposed Fiscal Year 2025 Operating Budget totals \$6,074.9 million. This budget includes \$257.5 million in dedicated cash for the Recommended Bond and Capital Improvements Act, a \$91.8 million Recommended One-Time Supplemental Appropriations Act including \$56.1 million to the Other Post-Employment Benefits (OPEB) Trust Fund, and a recommended \$66.5 million set aside for Grants-in-Aid. In addition to the constitutionally mandated two percent set-aside to remain unappropriated, the Budget Stabilization Fund maintained the balance of \$410.1 million. Total appropriations represent 98.0 percent of available General Fund revenues.

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

- \$77.4 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:
 - \$18.8 million for the Drinking Water State Revolving Fund;
 - \$9.0 million for the Clean Water State Revolving Fund;
 - \$5.0 million for Resource, Conservation and Development; and
 - \$44.6 million federal funding for clean water and drinking water.
- \$32.5 million to ensure Delaware remains competitive through modernizing infrastructure, focusing on small businesses and fostering a culture of innovation and entrepreneurship. Recommended funding includes:
 - \$12.5 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;
 - \$5.0 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.
- \$34.5 million to support economic growth and revitalization initiatives in the City of Wilmington, City of Dover, and Georgetown.

Governor's Budget Overview



Better Schools for All Children

- \$187.8 million for Public Education capital projects including Minor Capital Improvements, statewide market pressure, and school construction funding for projects in the Christina, Colonial, Polytech, Red Clay, Smyrna, and New Castle County and Sussex Vocational Technical districts.
- \$39.2 million to fund Public Education unit growth.
- \$10.1 million for school safety.
- \$17.3 million for Mental Health Services for Elementary, Middle, and High School students.
- \$13.1 million to fund salary steps for Public Education administrators and educators.
- \$10.0 million, for a total of \$63.0 million, for the Opportunity Funding to provide additional resources to low-income students and English Learners.
- \$3.5 million, for a total of \$15.7 million, for the Early Childhood Assistance Program.

Delaware Families and Safer Communities

- \$6.1 million for Purchase of Care expansion of family eligibility to 200% of the Federal Poverty Level, which will provide care for an additional 604 children.
- \$94.6 million for Medicaid services growth.
- \$20.0 million for Farmland Preservation and Open Space programs.
- \$6.5 million in matching funds for statewide library projects.
- \$2.8 million to preserve historical and recreational sites across Delaware.
- \$17.7 million for security, safety, and infrastructure improvements at Department of Correction facilities.
- \$1.3 million for public safety communications and critical equipment.
- \$6.0 million to support affordable housing.
- \$5.5 million for the ninth 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.
- \$10.0 million for Subdivision Street Pavement Management Fund to support direct paving and rehabilitation of community streets.

A Strong and Stable Workforce

- \$122.2 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 2.0 percent salary increase for all employees and supports recruitment and retention.

Governor's Budget Overview

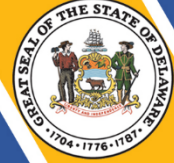


- \$21.4 million for the Public Education Compensation Committee recommended salary increases.
- \$14.8 million for funding salary steps for education, higher education and state agencies.
- \$93.9 million increase to support the Group Health Insurance Plan, plus an additional \$4.6 million to waive the health care waiting period.
- \$56.1 million to support the OPEB Trust Fund liability.
- \$104.9 million to maintain and upgrade state facilities including minor capital improvements and renovations to the Carvel State Office Building, Emily P. Bissell site, Legislative Hall, the Leonard L. Williams Justice Center, Delaware National Guard Cheswold, Dagsboro, and Scannell Readiness Facilities, and addressing statewide deferred maintenance.
- \$35.0 million to construct both the Kent and Sussex County Family Courthouses, renovate the historic Customs House in the City of Wilmington.
- \$26.0 million construct a new Troop 4 in Georgetown.

A Stronger Economy

- \$30.0 million for capital projects at Delaware State University, Delaware Technical Community College and the University of Delaware.
- \$4.0 million for the Riverfront Development Corporation to continue development efforts along the Christina River in Wilmington.
- \$1.5 million for the second 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 second 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.
- \$800,000 for the second 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.

Governor's Budget Overview



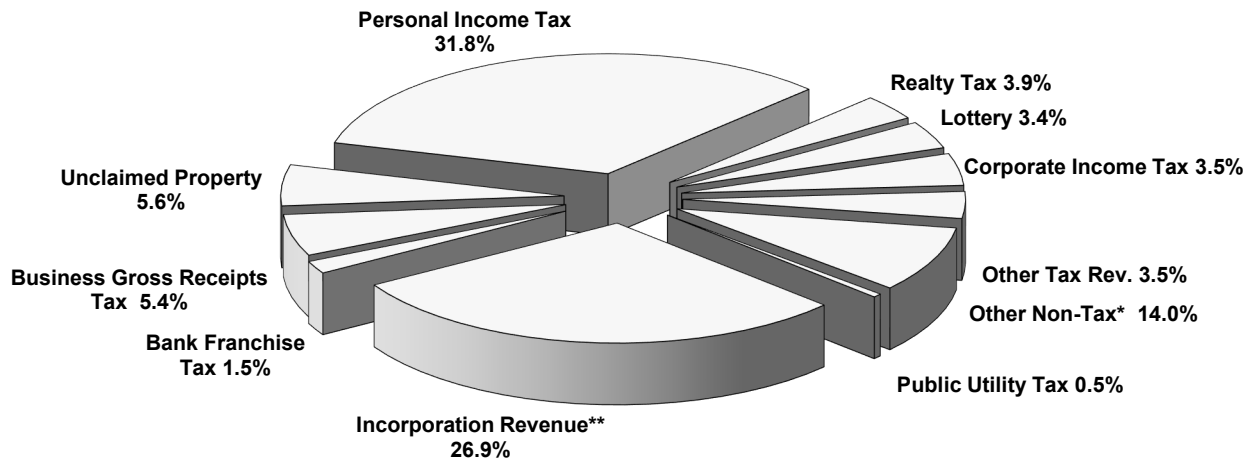
- \$5.0 million for the second year of a five-year commitment to support the transformation of biopharmaceutical manufacturing in the State and around the country. The biopharmaceutical category includes vaccines, cancer drugs and drugs to treat autoimmune diseases, as well as emerging drugs for cell 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.
- \$15.0 million for the second year to support the Securing American Biomanufacturing Research & Education (SABRE) Project. This project will enable construction of a 90,000 square foot facility to train and certify a workforce in Good Manufacturing Practices (cGMP) and will leverage \$75 million in federal funding.



GOVERNOR'S RECOMMENDED BUDGET

Fiscal Year 2025

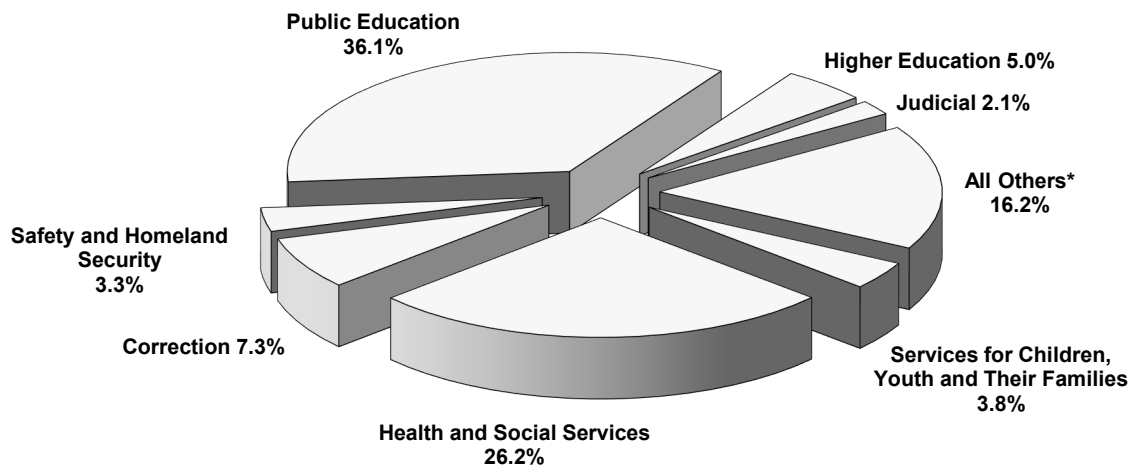
Sources of Funds (Net of Refunds)



* Includes Prior Year Unencumbered Cash Balance.

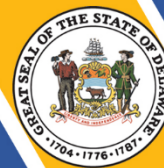
** Includes Corporate Franchise Taxes, Business Entity Fees and Limited Partnerships and Limited Liability Companies.

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 18, 2023 meeting, adopted a Fiscal Year 2025 revenue estimate of \$6,292.3 million.

| | Fiscal Year 2023 Actual | Fiscal Year 2024 Forecast | Fiscal Year 2025 Forecast |
|--|--|--|--|
| Personal Income Taxes | \$ 2,396.2 | \$ 2,400.4 | \$ 2,487.6 |
| Corporation Income Taxes | 457.4 | 400.0 | 362.0 |
| Franchise Taxes | 1,397.3 | 1,348.9 | 1,348.9 |
| Gross Receipts Tax | 353.2 | 358.7 | 368.0 |
| Hospital Board and Treatment Sales | 20.9 | 22.1 | 21.9 |
| Dividends and Interest | 37.3 | 127.1 | 150.6 |
| Public Utility Taxes | 35.7 | 33.9 | 32.8 |
| Cigarette Taxes | 104.9 | 98.6 | 93.7 |
| Realty Transfer Taxes | 246.7 | 205.0 | 223.2 |
| Insurance Taxes | 107.5 | 106.7 | 113.0 |
| Unclaimed Property | 554.0 | 554.0 | 525.0 |
| Business Entity Fees | 158.1 | 150.0 | 150.0 |
| Bank Franchise Taxes | 105.8 | 101.0 | 109.9 |
| Lottery Sales | 239.6 | 243.0 | 247.8 |
| Limited Partnerships and Limited Liability Companies | 474.9 | 460.8 | 460.8 |
| Uniform Commercial Code | 28.2 | 26.5 | 26.5 |
| Other Revenues | <u>113.4</u> | <u>103.3</u> | <u>104.0</u> |
| Total Revenue | \$ 6,831.1 | \$ 6,740.0 | \$ 6,825.7 |
| LESS: Revenue Refunds | <u>(536.0)</u> | <u>(562.7)</u> | <u>(533.4)</u> |
| NET REVENUE | <u><u>\$ 6,295.1</u></u> | <u><u>\$ 6,177.3</u></u> | <u><u>\$ 6,292.3</u></u> |

The Delaware Economic and Financial Advisory Council (DEFAC) adopted Fiscal Year 2024 and Fiscal Year 2025 revenue estimates at the December 2023 meeting.

Financial Summary



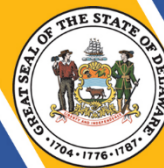
GENERAL FUND BUDGET BY DEPARTMENT (\$ Thousands)

| | Fiscal Year 2024 | Fiscal Year 2025 Recommended |
|---|--------------------------|------------------------------------|
| Legislative | \$ 21,730.1 | \$ 22,224.6 |
| Judicial | 114,924.0 | 123,237.5 |
| Executive* | 365,809.5 | 414,748.1 |
| Technology and Information | 60,084.9 | 67,910.7 |
| Other Elective | 240,383.2 | 256,030.5 |
| Legal | 81,296.6 | 87,891.1 |
| Human Resources | 32,797.2 | 38,378.3 |
| State | 35,089.6 | 37,839.4 |
| Finance | 15,223.9 | 15,759.1 |
| Health and Social Services | 1,496,077.8 | 1,622,013.2 |
| Services for Children, Youth and Their Families | 210,445.1 | 220,315.7 |
| Correction | 395,640.1 | 434,616.7 |
| Natural Resources and Environmental Control | 46,438.8 | 50,350.7 |
| Safety and Homeland Security | 180,192.7 | 194,547.1 |
| Transportation | 5,000.0 | 5,000.0 |
| Labor | 12,517.6 | 12,864.4 |
| Agriculture | 9,369.4 | 9,912.4 |
| Elections | 8,063.0 | 8,813.1 |
| Fire Prevention Commission | 7,600.0 | 8,285.7 |
| Delaware National Guard | 5,625.3 | 5,973.0 |
| Advisory Council for Exceptional Citizens | 336.6 | 356.3 |
| Higher Education | 276,531.9 | 294,184.2 |
| Education | 1,985,539.4 | 2,143,673.7 |
| TOTAL | \$ 5,606,716.7 ** | \$ 6,074,925.5 |

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

**As authorized in Section 1 by the 152nd General Assembly in House Bill 195 (by Department).

Financial Summary

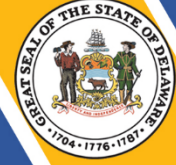


FISCAL OVERVIEW (\$ Millions)

| | Fiscal Year 2023 Actual | Fiscal Year 2024 Estimated | Fiscal Year 2025 Estimated |
|--|-------------------------------|----------------------------------|----------------------------------|
| Revenue | \$ 6,295.1 | \$ 6,177.3 | \$ 6,292.3 |
| Appropriations | | | |
| Operating Budget | 5,099.7 | 5,606.7 | 6,074.9 |
| Grants-In-Aid | 69.4 | 72.0 | 66.5 |
| Supplemental | 378.6 | 194.6 | 91.8 |
| General Funds to Capital | 855.5 | 753.4 | 257.5 |
| Total Appropriations | 6,403.2 | 6,626.7 | 6,490.7 |
| Continuing and Encumbered | | | |
| Appropriations (prior year) | 1,100.2 | 1,575.0 | 1,790.3 |
| Total | 7,503.4 | 8,201.7 | 8,281.0 |
| Less: Continuing and Encumbered Appropriations (current year) | (1,575.0) | (1,790.3) | (1,217.9) |
| Reversions | (67.4) | (54.6) | (35.0) |
| Total Ordinary Expenditures | 5,860.9 * | 6,356.8 | 7,028.1 |
| Balances | | | |
| Operating Balance | 434.2 | (179.5) | (735.8) |
| Prior Year Cash Balance | 2,605.3 | 3,039.5 | 2,860.0 |
| Cumulative Cash Balance | 3,039.5 | 2,860.0 | 2,124.1 * |
| Less: Continuing and Encumbered Appropriations (current year) | (1,575.0) | (1,790.3) | (1,217.9) |
| Budget Reserve Account (current year) | (316.4) | (328.8) | (341.3) |
| Budget Stabilization Fund (current year) | (402.7) | (410.1) | (410.1) |
| Unencumbered Cash Balance | 745.4 | 330.9 * | 154.9 * |
| Appropriation Limit | | | |
| Cumulative Cash Balance (prior year) | 2,605.3 | 3,039.5 | 2,860.0 |
| Less: Continuing and Encumbered Appropriations (prior year) | (1,100.2) | (1,575.0) | (1,790.3) |
| Budget Reserve Account (prior year) | (280.3) | (316.4) | (328.8) |
| Budget Stabilization Fund (prior year) | (287.3) | (402.7) | (410.1) |
| Unencumbered Cash Balance | 937.5 | 745.4 | 330.9 * |
| Net Fiscal Year Revenue | 6,295.1 | 6,177.3 | 6,292.3 |
| Total (100% Limit) | 7,232.6 | 6,922.7 | 6,623.2 |
| X 98% Limit | 0.98 | 0.98 | 0.98 |
| APPROPRIATION LIMIT | \$ 7,087.9 | \$ 6,784.2 | \$ 6,490.7 |

DEFAC adopted Fiscal Year 2024 and Fiscal Year 2025 revenue and expenditure estimates at the December 2023 meeting.

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



BOND AND CAPITAL IMPROVEMENTS FUNDING SOURCES

| <u>Source</u> | <u>Fiscal Year 2023</u> | <u>Fiscal Year 2024</u> | <u>Governor's Recommended Fiscal Year 2025</u> |
|-----------------------------------|------------------------------|------------------------------|--|
| STATE CAPITAL PROJECTS | | | |
| General Obligation Bonds | \$ 290,616.6 | \$ 253,996.1 | \$ 314,615.0 |
| Reauthorization and Reprogramming | 1,972.2 | 47,758.9 | 42,510.1 |
| One-Time Special Funds | - | - | - |
| General Funds | 854,815.9 | 753,417.1 | 257,465.7 |
| Subtotal | \$ 1,147,404.7 | \$ 1,055,172.1 | \$ 614,590.8 |
| TRANSPORTATION PROJECTS | | | |
| Transportation Trust Fund | \$ 310,742.8 | \$ 354,276.8 | \$ 329,107.4 |
| General Funds to Transportation | 650.0 | - | - |
| Subtotal | \$ 311,392.8 | \$ 354,276.8 | \$ 329,107.4 |
| GRAND TOTAL | \$ <u>1,458,797.5</u> | \$ <u>1,409,448.9</u> | \$ <u>943,698.2</u> |