

FISCAL YEAR 2026

GOVERNOR'S RECOMMENDED BUDGET

OPERATING BOOK



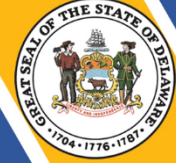
PRESENTED TO
THE 153RD GENERAL ASSEMBLY
FIRST SESSION

John C. Carney
GOVERNOR
STATE OF DELAWARE

budget.delaware.gov



Table of Contents



	Page
Financial Overview	1
Governor’s Budget Overview	3
Financial Summary	
<i>Budget Dollar Governor’s Recommended Budget Fiscal Year 2025</i>	7
<i>General Fund Revenue</i>	8
<i>General Fund Budget by Department</i>	9
<i>Fiscal Overview</i>	10
<i>Bond and Capital Improvements Funding Sources</i>	11

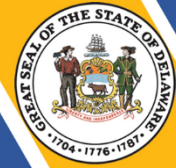
Department

Legislative	(01-00-00)	12
Judicial	(02-00-00)	29
Executive	(10-00-00)	73
Technology and Information	(11-00-00)	125
Other Elective	(12-00-00)	155
Legal	(15-00-00)	185
Human Resources	(16-00-00)	202
State	(20-00-00)	223
Finance	(25-00-00)	272
Health and Social Services	(35-00-00)	283
Services for Children, Youth and Their Families	(37-00-00)	358
Correction	(38-00-00)	400
Natural Resources and Environmental Control	(40-00-00)	463
Safety and Homeland Security	(45-00-00)	509
Transportation	(55-00-00)	565
Labor	(60-00-00)	599
Agriculture	(65-00-00)	629
Elections	(70-00-00)	665
Fire Prevention Commission	(75-00-00)	676
Delaware National Guard	(76-00-00)	686
Advisory Council for Exceptional Citizens	(77-00-00)	691
Higher Education	(90-00-00)	695
Education	(95-00-00)	732

Appendix

State of Delaware Organization Chart	776
Definition of Budgetary Terms	777

Financial Overview



RECOMMENDED APPROPRIATIONS

The Governor's Fiscal Year 2026 Recommended General Fund Operating Budget is \$6,552.5 million, including \$61.3 million to the Other Post-Employment Benefits (OPEB) Trust Fund. In addition, Governor Carney has allocated \$78.2 million for Grants-in-Aid, \$16.9 million for the Recommended One-Time Supplemental Appropriations Act, and \$368.3 million in dedicated cash to the Bond and Capital Improvements Act. Total recommended Fiscal Year 2026 General Fund appropriations are \$7,015.9 million. The Governor has also maintained the Budget Stabilization Fund balance at \$469.2 million, over and above the constitutionally mandated two percent set aside to remain unappropriated. Total appropriations represent 98.0 percent of projected Fiscal Year 2026 revenue (net of refunds) plus projected carryover funds, which is within the constitutionally mandated limitation on appropriations.

The Governor's Fiscal Year 2026 Recommended Bond and Capital Improvements Act totals \$1,014.8 million. Of this amount, \$759.6 million is recommended for state capital projects and \$255.2 million is recommended for transportation projects. Of the \$759.6 million supporting state projects, \$339.5 million is General Obligation Bond Authorization, \$368.3 million is General Fund cash, and \$51.8 million is reauthorization and reprogramming.

Fiscal Year 2026 appropriations are based on Delaware Economic and Financial Advisory Council (DEFAC) revenue and expenditure estimates as of December 17, 2024.

DEFAC GENERAL FUND REVENUE FORECASTS

DEFAC projects net General Fund revenue collections for Fiscal Year 2025 of \$6,659.6 million and \$6,790.1 million for Fiscal Year 2026. 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 \$2,389.2 million for Fiscal Year 2025 and \$2,566.1 million for Fiscal Year 2026.
- **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 \$1,806.7 million for Fiscal Year 2025 and \$1,816.7 million for Fiscal Year 2026.
- **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 \$386.1 million for Fiscal Year 2025 and \$399.0 million for Fiscal Year 2026.

Financial Overview



- **Lottery** - This category includes video lottery operations, table games and sports betting, as well as traditional lottery sales. DEFAC estimates are \$248.1 million for Fiscal Year 2025 and \$257.2 million for Fiscal Year 2026.
- **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 \$367.2 million for Fiscal Year 2025 and \$330.3 million for Fiscal Year 2026.
- **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 \$109.0 million for Fiscal Year 2025 and \$112.1 million for Fiscal Year 2026.
- **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 \$424.0 million for Fiscal Year 2025 and \$395.0 million for Fiscal Year 2026.
- **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 \$240.3 million for Fiscal Year 2025 and \$259.0 million for Fiscal Year 2026.

Governor's Budget Overview

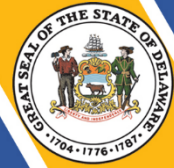


The Governor's proposed Fiscal Year 2026 Operating Budget totals \$6,552.5 million, including \$61.3 million to the Other Post-Employment Benefits (OPEB) Trust Fund. This budget includes \$368.3 million in dedicated cash for the Recommended Bond and Capital Improvements Act, a \$16.9 million Recommended One-Time Supplemental Appropriations Act, and a recommended \$78.2 million set aside for Grants-in-Aid. In addition to the constitutionally mandated two percent set-aside to remain unappropriated, the Budget Stabilization Fund balance has been maintained at \$469.2 million. Total appropriations represent 98.0 percent of available General Fund revenues.

Historic Investment in These Priority Areas: Clean Water, Economic Development, Education Initiatives, Safe Communities, Strong Workforce and Economy

- \$63.0 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:
 - \$5.5 million for the Drinking Water State Revolving Fund;
 - \$7.6 million for the Clean Water State Revolving Fund;
 - \$5.0 million for Resource, Conservation and Development;
 - \$250,000 for statewide ground water monitoring network; and
 - \$44.6 million federal funding for clean water and drinking water.
- \$39.7 million to ensure Delaware remains competitive through modernizing infrastructure, focusing on small businesses and fostering a culture of innovation and entrepreneurship. Recommended funding includes:
 - \$20.0 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;
 - \$4.7 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.
- \$18.5 million to support economic growth and revitalization initiatives in the City of Wilmington and the City of Dover.

Governor's Budget Overview



Stronger Schools for All Children

- \$210.6 million for Public Education capital projects including Minor Capital Improvements, and school construction funding for projects in the Appoquinimink, Christina, Colonial, Red Clay, Smyrna, and New Castle County and Sussex Vocational Technical districts.
- \$33.9 million to fund Public Education enrollment growth.
- \$10.1 million for school safety.
- \$13.4 million for a total of \$72.7 million, for Mental Health Services for Elementary, Middle, and High School students.
- \$15.3 million to fund salary steps for Public Education administrators and educators.
- \$3.8 million, for a total of \$66.8 million, for the Opportunity Funding to provide additional resources to low-income students and English Learners.

Delaware Families and Safer Communities

- \$76.9 million for Purchase of Care for continued support of families with children.
- \$85.5 million for Medicaid services growth, as well as \$40.0 million in new state revenue to leverage additional federal funds for enhancing health services.
- \$1.2 million in matching funds for statewide library projects.
- \$17.8 million to preserve historical and recreational sites across Delaware.
- \$36.0 million for security, safety, and infrastructure improvements at Department of Correction facilities.
- \$5.3 million for public safety communications and critical equipment.
- \$16.0 million to support affordable housing.
- \$12.5 million for the eleventh 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.
- \$8.0 million for Workforce Housing Program to expand housing investments and affordable units for Delawareans and their families.

Governor's Budget Overview



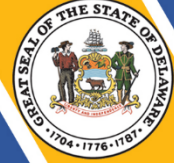
A Strong and Stable Workforce

- \$65.8 million for continued efforts towards compensation and pay equity for state employees. This proposal includes two percent salary increases for all state employees, funding for collective bargaining contracts and supports recruitment and retention efforts.
- \$60.0 million to implement the second year of the Public Education Compensation Committee recommendations.
- \$16.1 million for funding salary steps for education, higher education, and state agencies.
- \$61.3 million to continue investments toward the reduction of the OPEB Trust Fund liability.
- \$94.2 million to maintain and upgrade state facilities including minor capital improvements and renovations to the Carvel State Office Building, State Fire School New Castle County, Georgetown Circle, Herman Holloway Campus, Department of Labor Sussex facility, the Leonard L. Williams Justice Center, Delaware National Guard Cheswold Readiness Center, Richardson and Robbins building, former Sussex Family Court and existing Kent Family Court, existing Delaware State Police Troop 4, Stockley Center, and addressing statewide deferred maintenance.
- \$50.0 million to renovate and expand Legislative Hall and construction of parking garage.
- \$30.0 million to renovate Emily P. Bissell campus.
- \$10.0 million to combine Justice of the Peace (JP) Courts 8 Smyrna and 9 Middletown, complete Customs House renovation, and to reconfigure JP Court 4 Seaford.

A Stronger Economy

- \$80.0 million for capital projects at Delaware State University, Delaware Technical Community College, and the University of Delaware.
- \$9.8 million for the Riverfront Development Corporation to continue development efforts along the Christina River in Wilmington.
- \$1.5 million for the third 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 additional 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 third 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



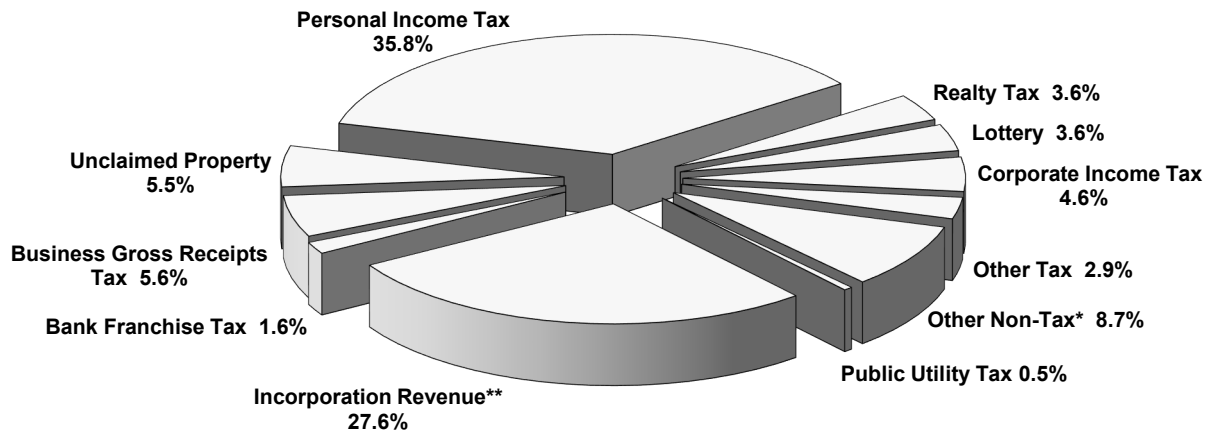
- \$800,000 for the first year of a five-year commitment for the Experimental Program to Stimulate Competitive Research - Research Infrastructure Improvement initiative. The program provides infrastructure to support research and educational programs for Delaware's water and energy challenges and will leverage additional funding from the National Science Foundation.
- \$5.0 million for the third 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 2026

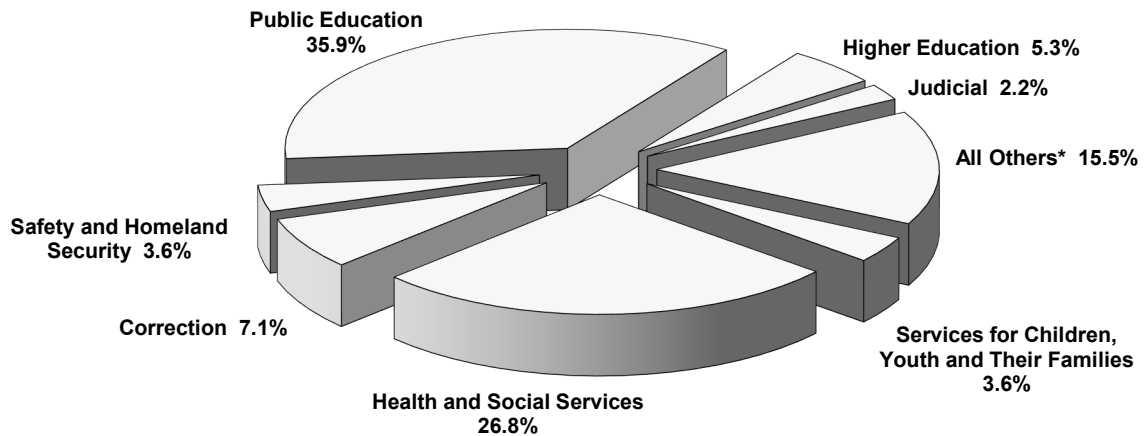
Sources of Funds (Net of Refunds)



* Includes Prior Year Unencumbered Cash Balance.

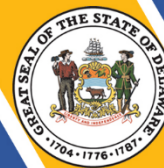
** Includes Corporate Franchise Taxes, Business Entity Fees and Limited Partnerships and Limited Liability Companies.

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 17, 2024 meeting, adopted a Fiscal Year 2026 revenue estimate of \$6,790.1 million.

	Fiscal Year 2024 Actual	Fiscal Year 2025 Forecast	Fiscal Year 2026 Forecast
Personal Income Taxes	\$ 2,503.3	\$ 2,676.1	\$ 2,824.6
Corporation Income Taxes	426.0	447.0	433.6
Franchise Taxes	1,321.8	1,328.9	1,328.9
Gross Receipts Tax	365.2	386.1	399.0
Hospital Board and Treatment Sales	22.4	19.6	19.1
Dividends and Interest	133.7	165.3	132.8
Public Utility Taxes	34.5	35.4	34.6
Cigarette Taxes	92.4	91.7	85.7
Realty Transfer Taxes	198.7	240.3	259.0
Insurance Taxes	92.0	92.7	91.1
Unclaimed Property	554.0	554.0	525.0
Business Entity Fees	159.3	160.9	160.9
Bank Franchise Taxes	100.3	109.0	112.1
Lottery Sales	245.9	248.1	257.2
Limited Partnerships and Limited Liability Companies	495.9	497.8	497.8
Uniform Commercial Code	29.7	28.5	28.5
Other Revenues	<u>120.6</u>	<u>111.1</u>	<u>118.2</u>
Total Revenue	\$ 6,895.6 *	\$ 7,192.5 *	\$ 7,308.1
LESS: Revenue Refunds	<u>(546.7)</u>	<u>(532.9)</u>	<u>(518.0)</u>
NET REVENUE	<u>\$ 6,348.9</u>	<u>\$ 6,659.6</u>	<u>\$ 6,790.1</u>

The Delaware Economic and Financial Advisory Council (DEFAC) adopted Fiscal Year 2025 and Fiscal Year 2026 revenue estimates at the December 2024 meeting.

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

Financial Summary



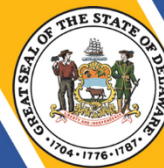
GENERAL FUND BUDGET BY DEPARTMENT (\$ Thousands)

	Fiscal Year 2025	Fiscal Year 2026 Recommended
Legislative	\$ 24,247.7	\$ 25,209.9
Judicial	125,880.5	141,061.5
Executive*	438,626.8	352,904.9
Technology and Information	67,910.7	61,454.6
Other Elective	252,937.7	270,451.9
Legal	85,252.6	92,021.7
Human Resources	38,449.7	42,956.3
State	37,440.0	39,698.1
Finance	15,759.1	17,237.8
Health and Social Services	1,635,847.5	1,756,255.4
Services for Children, Youth and Their Families	218,944.9	235,230.0
Correction	434,233.0	468,365.8
Natural Resources and Environmental Control	50,485.0	54,205.6
Safety and Homeland Security	195,877.9	236,051.4
Transportation	5,000.0	5,000.0
Labor	12,864.4	13,629.6
Agriculture	10,092.4	12,736.8
Elections	8,638.6	9,289.4
Fire Prevention Commission	8,397.6	9,164.4
Delaware National Guard	5,973.0	6,319.9
Advisory Council for Exceptional Citizens	356.3	401.6
Higher Education	298,802.5	347,862.2
Education	2,157,197.9	2,355,004.8
TOTAL	\$ 6,129,215.8 **	\$ 6,552,513.6

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

**As authorized in Section 1 by the 152nd General Assembly in Senate Bill 325 (by Department).

Financial Summary



FISCAL OVERVIEW (\$ Millions)

	Fiscal Year 2024 Actual	Fiscal Year 2025 Estimated	Fiscal Year 2026 Estimated
Revenue	\$ 6,348.9	\$ 6,659.6	\$ 6,790.1
Appropriations			
Operating Budget	5,606.7	6,129.2	6,552.5
Grants-In-Aid	72.0	98.5	78.2
Supplemental	194.6	168.4	16.9
General Funds to Capital	753.4	427.5	368.3
Total Appropriations	6,626.7	6,823.6	7,015.9
Continuing and Encumbered			
Appropriations (prior year)	1,575.0	1,864.5	1,664.7
Total	8,201.7	8,688.1	8,680.6
Less: Continuing and Encumbered			
Appropriations (current year)	(1,864.6)	(1,664.7)	(1,372.8)
Reversions	(105.0)	(60.0)	(25.0)
Total Ordinary Expenditures	6,232.1	6,963.4	7,282.8
Balances			
Operating Balance	116.9 *	(303.8) *	(492.7)
Prior Year Cash Balance	3,039.5	3,156.4	2,852.6
Cumulative Cash Balance	3,156.4	2,852.6	2,359.9
Less: Continuing and Encumbered			
Appropriations (current year)	(1,864.6)	(1,664.7)	(1,372.8)
Budget Reserve Account (current year)	(328.8)	(348.7)	(365.4)
Budget Stabilization Fund (current year)	(410.1)	(469.2)	(469.2)
Unencumbered Cash Balance	552.9	370.0	152.5
Appropriation Limit			
Cumulative Cash Balance (prior year)	3,039.5	3,156.4	2,852.6
Less: Continuing and Encumbered			
Appropriations (prior year)	(1,575.0)	(1,864.5)	(1,664.7)
Budget Reserve Account (prior year)	(316.4)	(328.8)	(348.7)
Budget Stabilization Fund (prior year)	(402.6)	(410.1)	(469.2)
Unencumbered Cash Balance	745.5	552.9 *	370.0
Net Fiscal Year Revenue	6,348.9	6,659.6	6,790.1
Total (100% Limit)	7,094.4	7,212.5	7,160.1
X 98% Limit	0.98	0.98	0.98
APPROPRIATION LIMIT	\$ 6,952.4	\$ 7,068.3	\$ 7,016.8

DEFAC adopted Fiscal Year 2025 and Fiscal Year 2026 revenue and expenditure estimates at the December 2024 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 2024</u>	<u>Fiscal Year 2025</u>	<u>Governor's Recommended Fiscal Year 2026</u>
STATE CAPITAL PROJECTS			
General Obligation Bonds	\$ 253,996.1	\$ 317,480.0	\$ 339,505.0
Reauthorization and Reprogramming	47,758.9	42,510.1	51,773.8
One-Time Special Funds	-	-	-
General Funds	753,417.1	427,464.9	368,340.0
Subtotal	\$ 1,055,172.1	\$ 787,455.0	\$ 759,618.8
TRANSPORTATION PROJECTS			
Transportation Trust Fund	\$ 354,276.8	\$ 328,702.1	\$ 255,221.8
General Funds to Transportation	-	-	-
Subtotal	\$ 354,276.8	\$ 328,702.1	\$ 255,221.8
GRAND TOTAL	\$ <u>1,409,448.9</u>	\$ <u>1,116,157.1</u>	\$ <u>1,014,840.6</u>