FISCAL YEAR 2027

GOVERNOR'S RECOMMENDED BUDGET

OPERATING BOOK

GREAT SEAL OF THE STATE OF DELAWARE
LIBERTY AND INDEPENDENCE
1704 • 1776 • 1787

PRESENTED TO
THE 153rd GENERAL ASSEMBLY
SECOND SESSION

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GOVERNOR
STATE OF DELAWARE

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Recommended Appropriations

The Governor's Fiscal Year 2027 Recommended General Fund Operating Budget is $6,938.3 million, including $29.0 million in one-time appropriations budgeted within the Office of Management and Budget. In addition, Governor Meyer has allocated $85.5 million for Grants-in-Aid and $221.2 million in dedicated cash to the Bond and Capital Improvements Act. Total recommended Fiscal Year 2027 General Fund appropriations are $7,245.0 million. The Governor has also maintained the Budget Stabilization Fund balance at $469.3 million, over and above the constitutionally mandated two percent set aside to remain unappropriated. Total appropriations represent 98.0 percent of projected Fiscal Year 2027 revenue (net of refunds and including tax policy) plus projected carryover funds, which is within the constitutionally mandated limitation on appropriations.

The Governor's Fiscal Year 2027 Recommended Bond and Capital Improvements Act totals $934.4 million. Of this amount, $656.6 million is recommended for state capital projects and $277.8 million is recommended for transportation projects. Of the $656.6 million supporting state projects, $354.9 million is General Obligation Bond Authorization, $221.2 million is General Fund cash, $78.9 million in Special Fund cash and $1.6 million is reauthorization and reprogramming.

Fiscal Year 2027 appropriations are based on Delaware Economic and Financial Advisory Council (DEFAC) revenue and expenditure estimates as of December 15, 2025. The Governor's Recommended Budget includes tax policy adjustments that will result in an increase of $149.9 million to the Fiscal Year 2027 DEFAC revenue estimates.

DEFAC General Fund Revenue Forecasts

DEFAC projects net General Fund revenue collections for Fiscal Year 2026 of $6,856.9 million and $6,948.5 million for Fiscal Year 2027. 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 $2,532.8 million for Fiscal Year 2026 and $2,648.3 million for Fiscal Year 2027.
- **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 $1,857.9 million for Fiscal Year 2026 and $1,875.9 million for Fiscal Year 2027.
- **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 $420.1 million for Fiscal Year 2026 and $432.2 million for Fiscal Year 2027.

- **Lottery** - This category includes video lottery operations, table games and sports betting, as well as traditional lottery sales. DEFAC estimates are $248.4 million for Fiscal Year 2026 and $252.6 million for Fiscal Year 2027.
- **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 $333.3 million for Fiscal Year 2026 and $255.2 million for Fiscal Year 2027.
- **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 $96.5 million for Fiscal Year 2026 and $105.5 million for Fiscal Year 2027.
- **Unclaimed 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 unclaimed property. DEFAC estimates (net of refunds) are $404.0 million for Fiscal Year 2026 and $424.0 million for Fiscal Year 2027.
- **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 up to 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 $247.9 million for Fiscal Year 2026 and $267.5 million for Fiscal Year 2027.

The Governor's Fiscal Year 2027 Recommended Budget also contemplates a revenue package of $149.9 million above DEFAC's Fiscal Year 2027 net General Fund revenue projection. This revenue package includes:

- **Franchise Tax and Limited Partnership/ Limited Liability Company Tax** - Modernizing corporate fees is estimated to yield an additional $81.0 million for Fiscal Year 2027.
- **Unclaimed Property** - Raising the cap on Escheat funds deposited into the General Fund from $554.0 million to $614.0 million is estimated to yield an additional $60.0 million for Fiscal Year 2027.
- **Corporate Income Tax** - Establishing Delaware's first tax credit for film production in the State of Delaware is estimated to reduce revenues by $10.0 million for Fiscal Year 2027.
- **Tobacco Tax** - Increasing the tax on the sale of cigarettes, vapor products, moist snuff products, and other tobacco products is estimated to yield an additional $18.9 million for Fiscal Year 2027.

Governor's Budget Overview

The Governor's Fiscal Year 2027 Recommended General Fund Operating Budget is $6,938.3 million, including $29.0 million in one-time appropriations budgeted within the Office of Management and Budget. This budget includes $221.2 million in General Fund cash and $78.9 million in Special Fund cash dedicated to the Recommended Bond and Capital Improvements Act and a recommended $85.5 million set aside for Grants-in-Aid. In addition to the constitutionally mandated two percent set-aside to remain unappropriated, the Budget Stabilization Fund balance has been maintained at $469.3 million. Total appropriations represent 98.0 percent of projected General Fund revenues.

Investing in Our Children

- $187.6 million for public education capital projects including Minor Capital Improvements, and school construction funding for projects in the Appoquinimink, Brandywine, Colonial, Red Clay Consolidated, and New Castle County Vocational Technical school districts.
- $72.7 million to maintain funding for Mental Health Services for Elementary, Middle, and High School students.
- $49.5 million for capital projects at Delaware State University, Delaware Technical Community College and the University of Delaware.
- $25.3 million for Purchase of Care for continued support of families with children.
- $10.1 million for school safety.
- $10.0 million for the Delaware State University Stadium project.
- $9.9 million to fund student unit growth.
- $9.3 million to maintain the K-12 network infrastructure.
- $8.0 million to maintain funding for the Literacy Emergency Fund to address Delaware's literacy test scores.
- $8.0 million to pilot the Delaware Early Childhood Care and Education Alliance to expand high quality early childhood education opportunities statewide.
- $2.8 million to begin implementation of a new public education funding formula based on the recommendations of the Public Education Funding Commission.

Investing in Our Housing

- $19.0 million to support affordable housing.
- $10.0 million for the twelfth 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.
- $1.5 million for Workforce Housing Program to expand housing investments and affordable units for Delawareans and their families.
- $1.0 million for the Homelessness Response and Stabilization Program.

Investing in Our Healthcare

- $139.0 million for Medicaid services growth, including funding to support coverage of biomarkers and to increase the rate for Direct Service, Skilled Nursing and Mental Health Providers.
- $34.2 million to support medical and pharmaceutical services at Department of Correction facilities.
- $12.6 million for community and residential rehabilitation services.
- $10.1 million for the state-share of Supplemental Nutrition Assistance Program (SNAP) administrative costs.
- $2.0 million for ongoing lead remediation efforts.
- $1.5 million to improve access to locally grown nutritious foods.
- $1.5 million for the Health Eligibility & Lifeline Program (HELP) which will assist individuals in maintaining healthcare coverage while getting them back into the workforce.

Investing in Our Workforce

- $54.6 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 pay matrix increases for state attorneys.
- $53.3 million for Year 3 of the Public Education Compensation Committee recommendations.
- $15.6 million to fund salary steps for Public Education administrators and educators.
- $1.3 million for funding salary steps for higher education and state agencies.
- $65.0 million to continue investments toward the reduction of the OPEB Trust Fund liability.
- $1.5 million in workforce development and apprenticeship programming split among the three vocational technical school districts.
- $600,000 to expand wage theft enforcement efforts.

Investing in Safe and Stable Communities

- $90.6 million to maintain and upgrade state facilities including minor capital improvements and renovations to the Carvel State Office Building, facilities at The Circle in Georgetown and North King Street in Wilmington, the DEMA Facility, DSCYF Campus and addressing statewide deferred maintenance.
- $60.0 million for the new Forensic Science Building on the Emily P. Bissell campus.
- $21.8 million to renovate the Leonard L. Williams Justice Center in Wilmington.
- $11.0 million to maintain and preserve recreational sites, trails and pathways across Delaware.
- $13.5 million to renovate the old Kent and Sussex County Courthouses.
- $5.0 million to offset revenue reductions resulting from hardship waivers for fines and fees from defendants least able to pay.
- $4.5 million to combine Justice of the Peace (JP) Courts 8 Smyrna and 9 Middletown.
- $2.9 million in the Officer Body Camera Program.
- $2.6 million in matching funds for statewide library projects.
- $1.5 million for State Police investigative systems, vehicles, and equipment.

Investing in Our Economy

- $10.0 million to the Site Readiness Fund to support the development of commercial and industrial sites.
- $9.8 million for the Riverfront Development Corporation to continue development efforts along the Christina River in Wilmington.
- $7.5 million for the Strategic Fund to continue support for business retention and expansion through grants and low-interest loans to projects that grow the State's economy in a significant way.
- $2.5 million for Neighborhood Small Business Lending Pilot to establish revolving loans that provide flexible financing to Delaware-based small businesses located in Downtown Development Districts.
- $1.5 million for the fourth 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 into 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 fourth 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 additional funding from the National Science Foundation.
- $5.0 million for the fourth 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 higher quality and safer medicines, being made available faster than ever before, and create quality jobs for the citizens of Delaware.

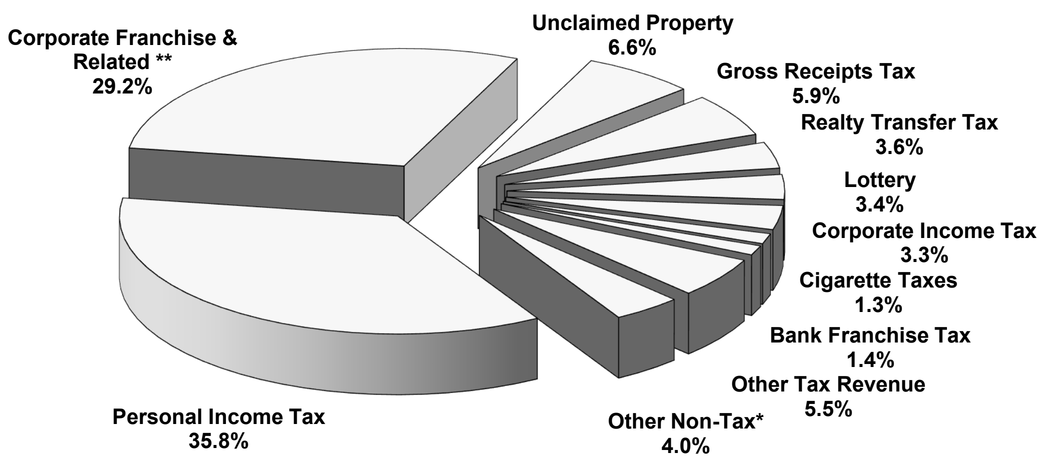
Investing in Our Environment

- $10.0 million for Shoreline and Waterway Management.
- $8.0 million for the Drinking Water State Revolving Fund.
- $5.7 million for the Clean Water State Revolving Fund.
- $5.0 million for Resource, Conservation, and Development.
- $3.8 million for the Cover Crop Program.
- $1.7 million for the Conservation Cost Share.

GOVERNOR'S RECOMMENDED BUDGET

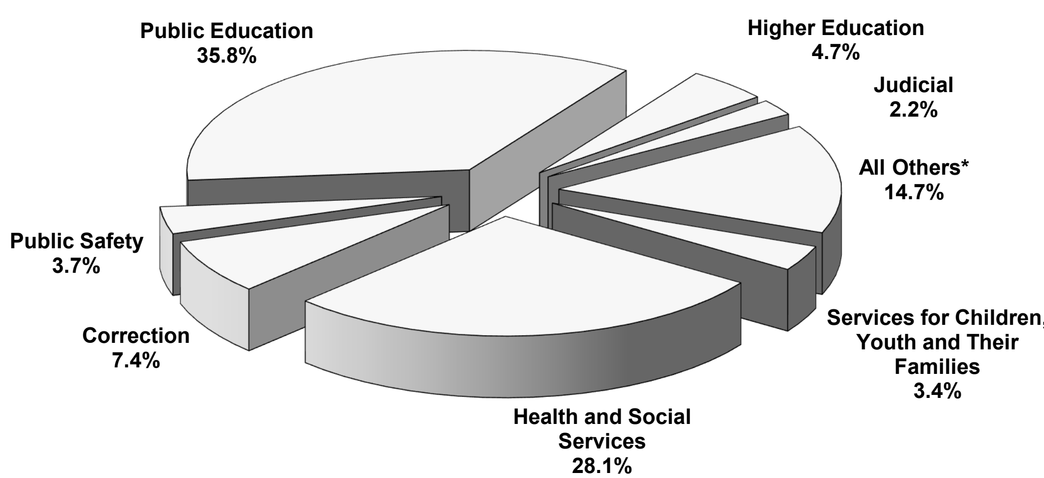
Fiscal Year 2027

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.
Note: Data is inclusive of proposed revenue package and tax policy changes.

Operating Appropriations



* Includes Contingencies and One-Time Items.

General Fund Revenue

($ Millions)

The Delaware Economic and Financial Advisory Council (DEFAC), at the December 15, 2025 meeting, adopted a Fiscal Year 2027 revenue estimate of $6,948.5 million.

	Fiscal Year 2025 Actual	Fiscal Year 2026 Forecast	Fiscal Year 2027 Forecast
Personal Income Tax	$ 2,718.2	$ 2,821.3	$ 2,915.6
Corporation Income Tax	452.5	413.3	335.0
Franchise Tax	1,324.4	1,328.9	1,328.9
Gross Receipts Tax	388.5	420.1	432.2
Hospital Board and Treatment	23.5	21.4	21.4
Dividends and Interest	165.5	188.4	145.4
Public Utility Tax	36.0	35.2	33.3
Cigarette Taxes	87.5	82.4	78.3
Realty Transfer Tax	235.8	247.9	267.5
Insurance Taxes and Fees	100.3	84.2	102.1
Unclaimed Property	554.0	554.0	554.0
Business Entity Fees	171.4	171.0	171.0
Bank Franchise Tax	114.8	96.5	105.5
Lottery	230.0	248.4	252.6
Limited Partnerships and Limited Liability Companies	522.1	551.0	557.0
Uniform Commercial Code	32.5	30.0	30.0
Other Revenues	113.8	120.4	122.0
Total Revenue	$ 7,270.7	$ 7,414.4	$ 7,451.8
LESS: Revenue Refunds	(576.5)	(557.5)	(503.3)
NET REVENUE	$ 6,694.3	$ 6,856.9	$ 6,948.5
ADJUSTMENTS:			
Corporate Income Tax			(10.0)
Cigarette Taxes			18.9
Unclaimed Property			60.0
Limited Partnerships and Limited Liability			81.0
			149.9
TOTAL			$ 7,098.4

The Delaware Economic and Financial Advisory Council (DEFAC) adopted Fiscal Year 2026 and Fiscal Year 2027 revenue estimates at the December 2025 meeting.
Note: Total revenue figures are not the sum of the components due to rounding of actual amounts.

GENERAL FUND BUDGET BY DEPARTMENT

($ Thousands)

		Fiscal Year 2026			Fiscal Year 2027 Recommended
Legislative	$	25,810.4		$	26,254.0
Judicial		141,875.8			151,258.0
Executive*		381,908.6			322,363.3
Technology and Information		61,454.6			69,287.0
Other Elective		269,693.4			281,402.9
Inspector General**		n/a			1,398.5
Legal		92,021.7			104,720.9
Human Resources		42,961.3			43,477.3
State		39,792.0			40,750.0
Finance		17,237.8			17,809.9
Health and Social Services		1,752,220.5			1,952,234.0
Services for Children, Youth and Their Families		235,203.2			238,145.3
Correction		468,365.8			515,778.5
Natural Resources and Environmental Control		54,205.6			55,711.7
Safety and Homeland Security		236,490.8			254,859.9
Transportation		5,000.0			5,000.0
Labor		13,629.6			14,257.8
Agriculture		12,736.8			12,985.5
Elections		9,289.4			9,775.2
Fire Prevention Commission		9,164.4			9,445.7
Delaware National Guard		6,319.9			6,467.6
Advisory Council for Exceptional Citizens		401.6			411.8
Higher Education		315,567.7			324,061.0
Education		2,389,496.1			2,480,458.0
TOTAL	**$**	**6,580,847.0**	***	**$**	**6,938,313.8**

*Includes Contingencies and One-Time Items to be allocated to other departments.
**Office of Inspector General was established on August 14, 2025, upon enactment of Senate Bill 4, as amended by Senate Amendments 1, 2, and 3 of the 153rd General Assembly.
***As authorized by the 153rd General Assembly in Section 1 of House Bill 225 (by Department).

Financial Summary

FISCAL OVERVIEW

($ Millions)

	Fiscal Year 2025 Actual	Fiscal Year 2026 Estimated	Fiscal Year 2027 Estimated
Revenue	$ 6,694.3	$ 6,856.9	$ 6,948.5
Proposed Revenue Package			149.9
Appropriations			
Operating Budget	6,129.2	6,580.8	6,909.4
Grants-In-Aid	98.5	98.3	85.5
Supplemental	168.4	37.6	29.0
General Funds to Capital	427.5	368.3	221.2
Total Appropriations	6,823.6	7,085.1 *	7,245.0 *
Continuing and Encumbered			
Appropriations (prior year)	1,864.5	1,666.8	1,433.6
Total	8,688.1	8,751.9	8,678.6 *
Less: Continuing and Encumbered			
Appropriations (current year)	(1,666.8)	(1,433.6)	(521.3)
Reversions	(95.9)	(100.0)	(25.0)
Total Ordinary Expenditures	6,925.4	7,218.3	8,132.3 *
Balances			
Operating Balance	(231.1)	(361.4)	(1,033.9)
Prior Year Cash Balance	3,156.4	2,925.3	2,563.9
Cumulative Cash Balance	2,925.3	2,563.9	1,530.0
Less: Continuing and Encumbered			
Appropriations (current year)	(1,666.8)	(1,433.6)	(521.3)
Budget Reserve Account (current year)	(348.7)	(366.5)	(380.1)
Budget Stabilization Fund (current year)	(469.3)	(469.3)	(469.3)
Unencumbered Cash Balance	440.5	294.5	159.3
Appropriation Limit			
Cumulative Cash Balance (prior year)	3,156.4	2,925.3	2,563.9
Less: Continuing and Encumbered			
Appropriations (prior year)	(1,864.5)	(1,666.8)	(1,433.6)
Budget Reserve Account (prior year)	(328.8)	(348.7)	(366.5)
Budget Stabilization Fund (prior year)	(410.1)	(469.3)	(469.3)
Unencumbered Cash Balance	553.0	440.5	294.5
Net Fiscal Year Revenue	6,694.3	6,856.9	7,098.4
Total (100% Limit)	7,247.3	7,297.4	7,392.9
X 98% Limit	0.98	0.98	0.98
APPROPRIATION LIMIT	**$ 7,102.3**	**$ 7,151.4**	**$ 7,245.0**

DEFAC adopted Fiscal Year 2026 and Fiscal Year 2027 revenue and expenditure estimates at the December 2025 meeting.
* This figure is not the sum of the components due to rounding of actual amounts.

Bond and Capital Improvements Act
Funding Sources
($ Thousands)

Source	Fiscal Year 2025	Fiscal Year 2026	Governor's Recommended Fiscal Year 2027
STATE CAPITAL PROJECTS			
General Obligation Bonds	$ 317,480.0	$ 339,145.0	$ 354,920.0
Bond Premium & Reprogramming	42,510.1	57,209.1	1,600.0
One-Time Special Funds	-	-	78,935.5
General Fund	427,464.9	368,340.0	221,173.9
Subtotal	$ 787,455.0	$ 764,694.1	$ 656,629.4
TRANSPORTATION PROJECTS			
Transportation Trust Fund	$ 328,702.1	$ 212,616.5	$ 277,780.7
General Funds to Transportation	-	-	-
Subtotal	$ 328,702.1	$ 212,616.5	$ 277,780.7
GRAND TOTAL	**$ 1,116,157.1**	**$ 977,310.6**	**$ 934,410.1**