FISCAL YEAR 2023

GOVERNOR'S RECOMMENDED BUDGET

OPERATING BOOK

PRESENTED TO
THE 151st GENERAL ASSEMBLY
SECOND SESSION

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GOVERNOR
STATE OF DELAWARE

budget.delaware.gov

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Financial Overview

Recommended Appropriations

The Governor's Fiscal Year 2023 Recommended General Fund Operating Budget is $4,991.3 million. In addition, Governor Carney has set aside $56.9 million for Grants-in-Aid, $215.9 million for the Recommended One-Time Supplemental Appropriations Act, a recommended $47.7 million in dedicated cash to the Other Post-Employment Benefits (OPEB) Trust Fund, and $591.6 million in dedicated cash to the Bond and Capital Improvements Act. Total recommended Fiscal Year 2023 General Fund appropriations are $5,903.4 million. Total appropriations represent 97.8 percent of projected Fiscal Year 2023 revenue (net of refunds and tax policy) plus projected carryover funds, which is within the constitutionally mandated limitation on appropriations. The Governor has recommended that $15.2 million over and above the constitutionally mandated two percent set-aside remain unappropriated and added to the Budget Stabilization Fund for a new balance of $302.5 million.

The Governor's Fiscal Year 2023 Recommended Bond and Capital Improvements Act totals $1,184.4 million. Of this amount, $868.7 million is recommended for state capital projects and $315.7 million is recommended for transportation projects. Of the $868.7 million supporting state projects, $274.6 million is General Obligation Bond Authorization, $591.6 million is General Fund cash, and $2.5 million is reauthorization and reprogramming.

Fiscal Year 2023 appropriations are based on Delaware Economic and Financial Advisory Council (DEFAC) revenue and expenditure estimates as of December 20, 2021. Governor Carney has recommended adjustments that will result in decreases of $18.9 million to the Fiscal Year 2022 DEFAC revenue estimates and $10.3 million to the Fiscal Year 2023 DEFAC revenue estimates. The recommended adjustments for pandemic and economic relief are as follows:

- A decrease of $18.9 and $10.3 million by exempting the tax of Unemployment Insurance benefits and other tax credits for Calendar Year 2022 and 2023, respectively.

DEFAC General Fund Revenue Forecasts

DEFAC projects net General Fund revenue collections for Fiscal Year 2022 of $5,530.2 million and $5,491.6 million for Fiscal Year 2023. 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 $1,857.9 million for Fiscal Year 2022 and $1,950.0 million for Fiscal Year 2023.

- **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 $1,519.6 million for Fiscal Year 2022 and $1,519.6 million for Fiscal Year 2023.

- **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 $317.5 million for Fiscal Year 2022 and $328.6 million for Fiscal Year 2023.
- **Lottery** - This category includes video lottery operations, table games and sports betting, as well as traditional lottery sales. DEFAC estimates are $232.5 million for Fiscal Year 2022 and $230.5 million for Fiscal Year 2023.
- **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 $272.6 million for Fiscal Year 2022 and $176.0 million for Fiscal Year 2023.
- **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 $89.5 million for Fiscal Year 2022 and $91.6 million for Fiscal Year 2023.
- **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 2022 and $365.0 million for Fiscal Year 2023.
- **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 $285.7 million for Fiscal Year 2022 and $300.0 million for Fiscal Year 2023.

The Governor's proposed Fiscal Year 2023 Operating Budget totals $4,991.3 million. This budget, in combination with $591.6 million in dedicated cash for the Recommended Bond and Capital Improvements Act, a $215.9 million Recommended One-Time Supplemental Appropriations Act, a recommended $47.7 million in dedicated cash to the Other Post-Employment Benefits (OPEB) Trust Fund, and a recommended $56.9 million set aside for Grants-in-Aid, is equal to 97.8 percent of available General Fund revenues. The Governor has recommended that $15.2 million over and above the constitutionally mandated two percent set-aside remain unappropriated and added to the Budget Stabilization Fund for a new balance of $302.5 million

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

- $367.2 million in state and federal Clean Water investments to improve Delaware's drinking water and water resources. Includes funding for low-income and underserved communities. The recommendation is comprised of the following:
  - $2.2 million for the Drinking Water State Revolving Fund;
  - $5.0 million for the Clean Water State Revolving Fund;
  - $5.0 million for Resource, Conservation and Development; and
  - $355.0 million federal bi-partisan infrastructure funding for clean water and drinking water.
- $75.0 million to ensure Delaware remains competitive through modernizing infrastructure, focusing on small businesses and fostering a culture of innovation and entrepreneurship. Recommended funding includes:
  - $30.0 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;
  - $15.0 million for the Higher Education Economic Development Investment Fund, which supplements investments that Delaware's institutes of higher education are making to improve job growth and economic development in the State;
  - $10.0 million for the Transportation Infrastructure Investment Fund. The Fund 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.

- $11.5 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.

Better Schools for All Children

- $320.2 million for Public Education capital projects including Minor Capital Improvements, school construction, and market pressure funding for projects in Wilmington and in the Appoquinimink, Caesar Rodney, Cape Henlopen, Capital, Christina, Colonial, Indian River, Milford, and New Castle County and Sussex Vocational Technical districts.
- $24.7 million to fund Public Education unit growth.
- $19.8 million for the Wilmington Learning Collaborative and Redding Consortium initiatives to support students, families, and teachers delivering education in the City of Wilmington.
- $10.5 million to fund salary steps for Public Education administrators and educators.
- $4.5 million commitment for the Opportunity Funding to provide additional resources to low-income students and English Learners.
- $4.0 million for recruiting and retaining teachers in high-needs schools.

Delaware Families and Safer Communities

- $2.4 million to extend post-partum Medicaid coverage and support the growth of the Delaware Healthy Children Insurance Program (CHIP).
- $2.2 million for the development of a therapeutic foster care program and expansion of crisis beds in Kent and Sussex counties for children, youth and their families.
- $30.0 million for Farmland Preservation and Open Space programs.
- $26.8 million in matching funds for statewide library projects.
- $21.0 million to preserve historical and recreational sites across Delaware.
- $11.6 million for security, safety, and infrastructure improvements at Department of Correction facilities.
- $8.8 million for public safety communications and critical equipment.
- $6.0 million to support affordable housing.
- $5.5 million for the seventh 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. The funds are targeted at efforts that support community development and/or transform neighborhoods that are experiencing blight or other forms of stress, including high crime.

A Strong and Stable Workforce

- $11.5 million in increased support for childcare providers and workers.
- $500,000 to increase funding for the Health Care (provider) State Loan Repayment Program.
- $300,000 to permanently fund the mental health services loan forgiveness program.

- $74.6 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 percent salary increase for all employees, and ensure all of the state's workforce is moving toward a $15/hour minimum wage.
- $14.1 million for funding salary steps for education, higher education and state agencies.
- $83.0 million increase to support the Group Health Insurance Plan premium.
- $47.7 million to support the Other Postemployment Benefits (OPEB) Trust Fund liability.
- $17.1 million to provide a $500 one-time bonus for retirees.
- $111.3 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, Jesse Cooper Building, Legislative Hall, the Leonard L. Williams Justice Center, the Herman Holloway Campus, and addressing statewide deferred maintenance.
- $92.0 million to construct both the Kent and Sussex County Family Courthouses and to renovate the historic Customs House in the City of Wilmington.
- $21.8 million to design and begin site work on a new Troop 4 in Georgetown and to construct the new Troop 6 on Kirkwood Highway in Wilmington.

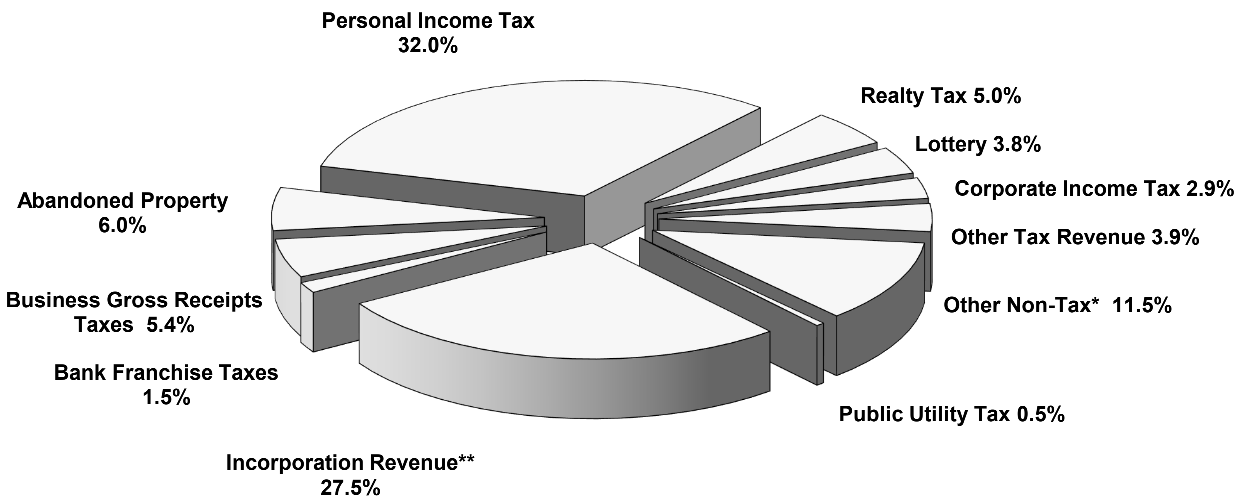
A Stronger Economy

- $45.0 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.
- $1.0 million for the fifth 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.
- $1.0 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 fifth 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 RECOMMENDED BUDGET

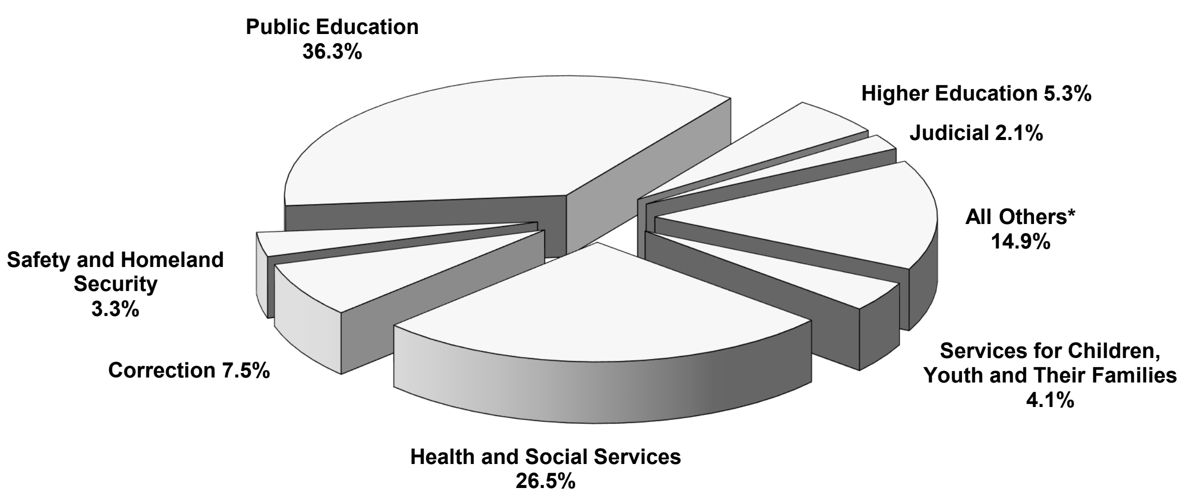
Fiscal Year 2023

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.

General Fund Revenue

($ Millions)

	Fiscal Year 2021 Actual	Fiscal Year 2022 Forecast	Fiscal Year 2023 Forecast
Personal Income Taxes	$ 2,123.8	$ 2,133.4	$ 2,182.9
Corporation Income Taxes	255.3	342.6	246.0
Franchise Taxes	1,082.5	1,113.0	1,113.0
Gross Receipts Tax	279.9	317.5	328.6
Hospital Board and Treatment Sales	23.1	21.3	21.4
Dividends and Interest	64.0	50.8	19.5
Public Utility Taxes	35.0	28.7	27.7
Cigarette Taxes	115.7	115.7	111.5
Realty Transfer Taxes	236.5	285.7	300.0
Insurance Taxes	97.1	80.0	98.1
Abandoned Property	554.0	554.0	525.0
Business Entity Fees	148.3	148.5	148.5
Bank Franchise Taxes	74.9	89.5	91.6
Lottery Sales	215.7	232.5	230.5
Limited Partnerships and Limited Liability Companies	385.3	416.6	416.6
Uniform Commercial Code	26.7	26.2	26.2
Other Revenues	95.6	94.6	95.7
Total Revenue	$ 5,813.4	$ 6,050.6	$ 5,982.8
LESS: Revenue Refunds	(423.1)	(520.4)	(491.2)
NET REVENUE	$ 5,390.3	$ 5,530.2	$ 5,491.6
ADJUSTMENTS:			
Personal Income Taxes		(18.9)	(10.3)
		(18.9)	(10.3)
TOTAL		**$** 5,511.3	**$** 5,481.3

The Delaware Economic and Financial Advisory Council (DEFAC) adopted Fiscal Year 2022 and Fiscal Year 2023 revenue estimates at the December 2021 meeting.

GENERAL FUND BUDGET BY DEPARTMENT

($ Thousands)

	FISCAL YEAR 2022		FISCAL YEAR 2023 RECOMMENDED
Legislative	$ 18,201.3		$ 18,399.1
Judicial	103,542.7		106,144.4
Executive *	186,762.5		220,432.9
Technology and Information	56,238.9		58,749.1
Other Elective	211,152.4		219,369.0
Legal	67,863.4		69,053.2
Human Resources	24,698.3		27,574.1
State	28,899.3		30,714.5
Finance	14,405.6		14,638.9
Health and Social Services	1,288,966.7		1,321,746.8
Services for Children, Youth and Their Families	197,566.9		204,743.0
Correction	364,904.7		376,141.8
Natural Resources and Environmental Control	40,103.5		40,702.6
Safety and Homeland Security	157,668.7		163,914.1
Transportation	5,000.0		5,000.0
Labor	11,793.7		11,937.1
Agriculture	8,633.6		8,801.1
Elections	6,669.3		7,535.0
Fire Prevention Commission	6,161.4		6,296.2
Delaware National Guard	5,003.3		5,169.8
Advisory Council for Exceptional Citizens	276.2		278.8
Higher Education	256,873.0		262,684.4
Education	1,710,106.9		1,811,319.8
TOTAL	**$ 4,771,492.3**	**	**$ 4,991,345.7**

*Includes Contingencies and One-Time Items to be allocated to other departments.
**As authorized in Section 1 by the 151st General Assembly in House Bill 250 (by Department).

FISCAL OVERVIEW

($ Millions)

	Fiscal Year 2021 Actual	**Fiscal Year 2022 Estimated**	**Fiscal Year 2023 Estimated**
Revenue	$ 5,390.3	$ 5,511.3	$ 5,481.3 *
Appropriations			
Operating Budget	4,547.0	4,771.5	4,991.3
Grants-In-Aid	54.5	63.2	56.9
Supplemental	-	221.1	215.9
General Funds to Capital	35.4	692.3	591.6
General Funds to OPEB	-	-	47.7
Total Appropriations	4,636.9	5,748.1	5,903.4
Continuing and Encumbered			
Appropriations (prior year)	431.3	495.8	1,126.3
Total	5,068.2	6,243.9	7,029.7
Less: Continuing and Encumbered			
Appropriations (current year)	(495.8)	(1,126.3)	(920.0)
Reversions	(56.2)	(25.0)	(20.0)
Total Ordinary Expenditures	4,516.3 **	5,092.6	6,089.7
Balances			
Operating Balance	874.0	418.7	(608.4)
Prior Year Cash Balance	959.4	1,833.4	2,252.1
Cumulative Cash Balance	1,833.4	2,252.1	1,643.7
Less: Continuing and Encumbered			
Appropriations (current year)	(495.8)	(1,126.3)	(920.0)
Budget Reserve Account (current year)	(280.3)	(280.3)	(280.3)
Budget Stabilization Fund (current year)	(63.1)	(287.3)	(302.5)
Unencumbered Cash Balance	994.1	558.2	140.9
Appropriation Limit			
Cumulative Cash Balance (prior year)	959.4	1,833.4	2,252.1
Less: Continuing and Encumbered			
Appropriations (prior year)	(431.3)	(495.8)	(1,126.3)
Budget Reserve Account (prior year)	(252.4)	(280.3)	(280.3)
Budget Stabilization Fund (prior year)	(126.3)	(63.1)	(287.3)
Unencumbered Cash Balance	149.4	994.2	558.3
Net Fiscal Year Revenue	5,390.3	5,511.3	5,481.3
Total (100% Limit)	5,539.7	6,505.5	6,039.5
X 98% Limit	0.98	0.98	0.98
APPROPRIATION LIMIT	**$ 5,428.9**	**$ 6,375.4**	**$ 5,918.7**

DEFAC adopted Fiscal Year 2022 and Fiscal Year 2023 revenue and expenditure estimates at the December 2021 meeting.
* Includes Fiscal Year 2022 and Fiscal Year 2023 proposed revenue adjustments.
** This figure is not the sum of the components due to rounding of actual amounts.

BOND AND CAPITAL IMPROVEMENTS FUNDING SOURCES

Source	Fiscal Year 2021	Fiscal Year 2022	Governor's Recommended Fiscal Year 2023
STATE CAPITAL PROJECTS			
General Obligation Bonds	$ 227,520.0	$ 255,918.1	$ 274,580.0
Reauthorization and Reprogramming	45,930.9	16,596.1	2,492.0
One-Time Special Funds	35,517.8	-	-
General Funds	35,400.5	692,260.6	591,647.5
Subtotal	$ 344,369.2	$ 964,774.8	$ 868,719.5
TRANSPORTATION PROJECTS			
Transportation Trust Fund	$ 363,584.8	$ 386,102.2	$ 315,650.5
GRAND TOTAL	**$ 707,954.0**	**$ 1,350,876.9**	**$ 1,184,370.0**