

FISCAL YEAR 2022

GOVERNOR'S RECOMMENDED BUDGET OPERATING BOOK

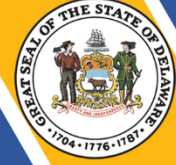


PRESENTED TO
THE 151st GENERAL ASSEMBLY
FIRST SESSION

John C. Carney
GOVERNOR
STATE OF DELAWARE
budget.delaware.gov



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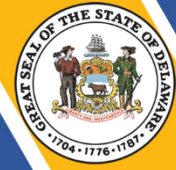
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Financial Overview



RECOMMENDED APPROPRIATIONS

The Governor's Fiscal Year 2022 Recommended General Fund Operating Budget is \$4,706.1 million. In addition, Governor Carney has set aside \$55.5 million for Grants-in-Aid, \$35.7 million for the Recommended One-Time Supplemental Appropriations Act, and \$260.5 million in dedicated cash to the Bond and Capital Improvements Act. Total recommended Fiscal Year 2022 General Fund appropriations are \$5,057.8 million. Total appropriations represent 96.7 percent of projected Fiscal Year 2022 revenue (net of refunds) plus projected carryover funds, which is within the constitutionally mandated limitation on appropriations. The Governor has recommended that \$67.9 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 \$131.0 million.

The Governor's Fiscal Year 2022 Recommended Bond and Capital Improvements Act totals \$894.4 million. Of this amount, \$517.3 million is recommended for state capital projects and \$377.1 million is recommended for transportation projects. Of the \$517.3 million supporting state projects, \$237.7 million is General Obligation Bond Authorization, \$260.5 million is General Fund cash, and \$19.1 million is reauthorization and reprogramming.

Fiscal Year 2022 appropriations are based on Delaware Economic and Financial Advisory Council (DEFAC) revenue and expenditure estimates as of December 21, 2020. Governor Carney has recommended adjustments that will result in decreases of \$18.8 million to the Fiscal Year 2021 DEFAC revenue estimates and \$11.3 million to the Fiscal Year 2022 DEFAC revenue estimates. The recommended adjustments for pandemic and economic relief are as follows:

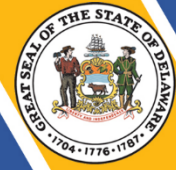
- A decrease of \$24.8 million by exempting the tax of Unemployment Insurance benefits for Calendar Year 2020.
- A decrease of \$4.5 million by altering the Earned Income Tax Credit and allowing recipients to choose the most beneficial outcome.
- A decrease of \$800.0 thousand by reducing Lottery revenue to offset the Standardbred and Thoroughbred Programs.

DEFAC GENERAL FUND REVENUE FORECASTS

DEFAC projects net General Fund revenue collections for Fiscal Year 2021 of \$4,899.3 million and \$4,765.4 million for Fiscal Year 2022. 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 \$1,690.7 million for Fiscal Year 2021 and \$1,642.6 million for Fiscal Year 2022.
- **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

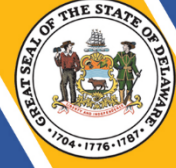
Financial Overview



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 \$1,359.7 million for Fiscal Year 2021 and \$1,359.7 million for Fiscal Year 2022.

- **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 \$263.5 million for Fiscal Year 2021 and \$276.4 million for Fiscal Year 2022.
- **Lottery** - This category includes video lottery operations, table games and sports betting, as well as traditional lottery sales. DEFAC estimates are \$196.9 million for Fiscal Year 2021 and \$213.6 million for Fiscal Year 2022.
- **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 \$106.8 million for Fiscal Year 2021 and \$82.3 million for Fiscal Year 2022.
- **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 \$68.7 million for Fiscal Year 2021 and \$87.9 million for Fiscal Year 2022.
- **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 \$444.0 million for Fiscal Year 2021 and \$415.0 million for Fiscal Year 2022.
- **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 \$204.9 million for Fiscal Year 2021 and \$184.9 million for Fiscal Year 2022.

Governor's Budget Overview

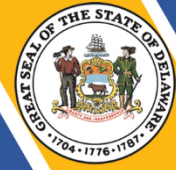


The Governor's proposed Fiscal Year 2022 Operating Budget totals \$4,706.1 million. This budget, in combination with \$260.5 million in dedicated cash for the Recommended Bond and Capital Improvements Act, a \$35.7 million Recommended One-Time Supplemental Appropriations Act, and a recommended \$55.5 million set aside for Grants-in-Aid, is equal to 96.7 percent of available General Fund revenues. The Governor has recommended that \$67.9 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 \$131.0 million

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

- \$50.0 million to establish a Clean Water Trust account to clean up Delaware's drinking water and waterways. Includes increased funding for low-income and underserved communities. The recommendation is comprised of the following:
 - \$22.5 million for the Drinking Water State Revolving Fund;
 - \$22.5 million for the Clean Water State Revolving Fund; and
 - \$5.0 million for Resource, Conservation and Development.
- \$70.0 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.
- \$65.0 million to ensure Delaware remains competitive through modernizing infrastructure, focusing on small businesses and fostering a culture of innovation and entrepreneurship. Recommended funding includes:
 - \$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;
 - \$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.

Governor's Budget Overview



Better Schools for All Children

- \$10.0 million commitment for the Opportunity Fund to provide additional resources to low-income students and English Learners.
- \$1.0 million for county ombudsperson program to provide intervention regarding disparate discipline, access to school programs, and otherwise unfair treatment of students.
- \$3.0 million to replace expiring federal funding for mental health supports initiated in Fiscal Year 2021.
- \$19.9 million to fund Public Education unit growth.
- \$11.7 million to fund salary steps for Public Education administrators and educators.
- \$200.0 million for Public Education capital projects including Minor Capital Improvements and funding for projects in Wilmington and in the Appoquinimink, Capital, Cape Henlopen, and Indian River school districts.

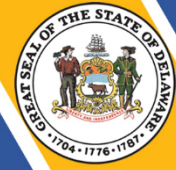
Stronger and Safer Communities

- \$20.0 million for Farmland Preservation and Open Space programs.
- \$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.
- \$2.7 million in matching funds for projects at Wilmington libraries.
- \$6.0 million to support affordable housing.
- \$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.
- \$8.0 million to preserve historical and recreational sites across Delaware.
- \$11.3 million for public safety communications and critical equipment.
- \$5.5 million for security cameras and infrastructure improvements at Department of Correction facilities.

A Strong and Stable State Workforce

- \$22.7 million to support a \$500 salary increase. This proposal includes funding to phase in a gradual movement to a minimum wage for state employees of \$15/hour.
- \$51.8 million to maintain and upgrade state facilities including renovations to the Carvel State Office Building, the Leonard L. Williams Justice Center, the Herman Holloway Campus, the Public Health Laboratory and addressing the statewide deferred maintenance backlog.
- \$3.5 million to design and begin initial site work on a new Troop 6 on Kirkwood Highway in Wilmington.

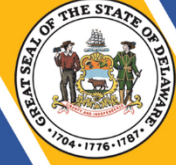
Governor's Budget Overview



- \$50 million to initiate the next phase, site work and construction, for both the Kent and Sussex County Courthouses.

A Stronger Economy

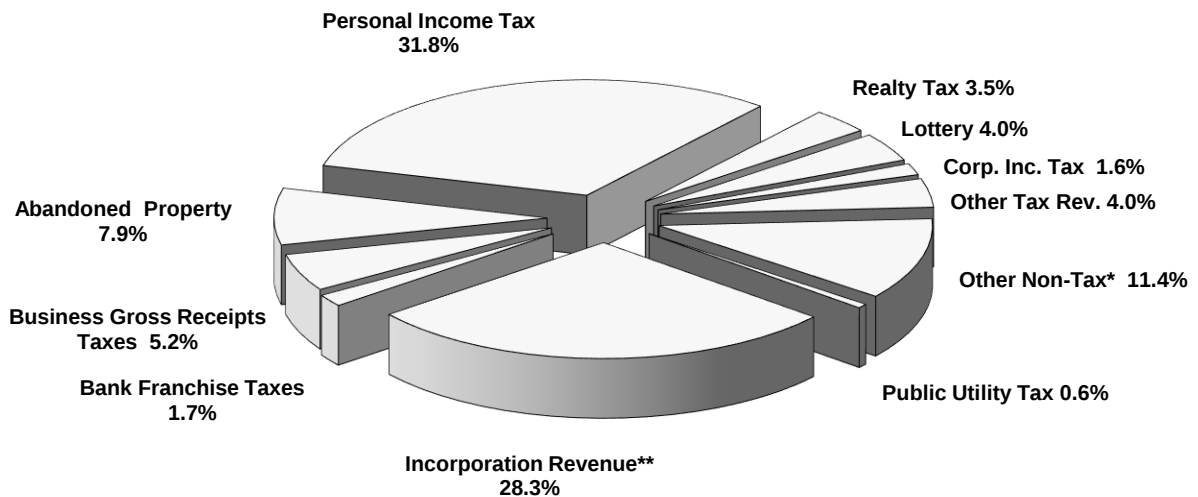
- \$30.0 million for capital projects at Delaware State University, Delaware Technical Community College and the University of Delaware.
- \$4.0 million for the Riverfront Development Corporation to continue development efforts along the Christina River in Wilmington.
- \$2.5 million for the fifth year of a five-year commitment to the National Institute for Innovation in Manufacturing Biopharmaceuticals. The Institute will focus on bringing safe drugs to market faster and on developing workforce training in biopharmaceuticals.
- \$1.8 million in state match for the fifth year of a five-year commitment to the Rapid Advancement in Process Intensification Deployment project. Funds will establish a new Manufacturing USA Institute at the University of Delaware that will focus on developing new technologies to boost domestic energy productivity and energy efficiency. The goal is to partner with private businesses to enhance efforts by merging commercial and research capabilities.
- \$1.0 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 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 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.
- \$800,000 for the fourth 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 2022

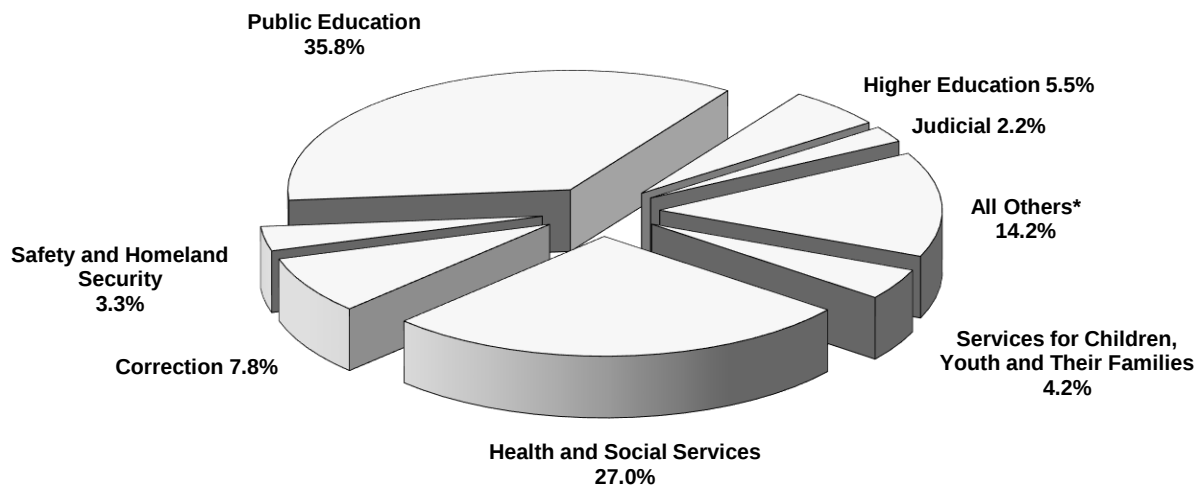
Sources of Funds (Net of Refunds)



* 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



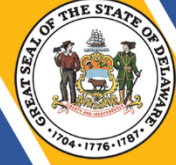
GENERAL FUND REVENUE

(\$ Millions)

	Fiscal Year 2020 Actual	Fiscal Year 2021 Forecast	Fiscal Year 2022 Forecast
Personal Income Taxes	\$ 1,666.2	\$ 1,939.9	\$ 1,894.5
Corporation Income Taxes	160.0	191.8	162.3
Franchise Taxes	957.7	996.1	996.1
Gross Receipts Tax	253.8	263.5	276.4
Hospital Board and Treatment Sales	26.3	23.4	23.7
Dividends and Interest	47.1	78.8	33.9
Public Utility Taxes	35.8	37.9	32.0
Cigarette Taxes	119.2	110.5	106.4
Realty Transfer Taxes	166.2	204.9	184.9
Insurance Taxes	76.4	88.4	76.0
Abandoned Property	554.0	554.0	525.0
Business Entity Fees	127.0	130.0	132.9
Bank Franchise Taxes	80.9	68.7	87.9
Lottery Sales	177.4	196.9	213.6
Limited Partnerships and Limited Liability Companies	345.1	373.6	373.6
Uniform Commercial Code	25.6	25.6	26.2
Other Revenues	86.6	89.0	91.2
Total Revenue	\$ 4,905.2	\$ 5,373.0	\$ 5,236.6
LESS: Revenue Refunds	(379.4)	(473.7)	(471.2)
NET REVENUE	\$ 4,525.8	\$ 4,899.3	\$ 4,765.4
ADJUSTMENTS:			
Personal Income Taxes		(18.8)	(10.5)
Lottery Sales			(0.8)
		(18.8)	(11.3)
TOTAL		\$ 4,880.5	\$ 4,754.1

The Delaware Economic and Financial Advisory Council (DEFAC) adopted Fiscal Year 2021 and Fiscal Year 2022 revenue estimates at the December 2020 meeting.

Financial Summary



GENERAL FUND BUDGET BY DEPARTMENT (\$ Thousands)

	FISCAL YEAR 2021	FISCAL YEAR 2022 RECOMMENDED
Legislative	\$ 17,752.2	\$ 17,760.1
Judicial	102,132.2	103,303.7
Executive *	140,115.1	164,721.9
Technology and Information	50,278.2	56,238.9
Other Elective	194,299.4	213,249.9
Legal	66,176.2	67,602.7
Human Resources	23,191.3	24,698.3
State	27,138.4	28,688.6
Finance	14,543.0	14,405.6
Health and Social Services	1,239,610.3	1,268,680.1
Services for Children, Youth and Their Families	190,521.3	197,225.2
Correction	350,038.8	365,176.4
Natural Resources and Environmental Control	38,670.6	40,068.5
Safety and Homeland Security	153,474.1	157,429.2
Transportation	5,000.0	5,000.0
Labor	11,076.2	11,793.7
Agriculture	8,516.0	8,633.6
Elections	6,636.7	6,669.3
Fire Prevention Commission	5,636.9	5,856.6
Delaware National Guard	4,959.9	5,003.3
Advisory Council for Exceptional Citizens	275.0	276.2
Higher Education	252,761.6	256,873.0
Education	1,644,198.3	1,686,731.6
TOTAL	\$ 4,547,001.7	\$ 4,706,086.4

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

Financial Summary



FISCAL OVERVIEW (\$ Millions)

	Fiscal Year 2020 Actual	Fiscal Year 2021 Estimated	Fiscal Year 2022 Estimated
Revenue	\$ 4,525.8	\$ 4,880.5	\$ 4,754.1 *
Appropriations			
Operating Budget	4,451.9	4,547.0	4,706.1
Grants-In-Aid	55.1	54.5	55.5
Supplemental	62.0	-	35.7
General Funds to Capital	184.3	35.4	260.5
Total Appropriations	4,753.2	4,636.9	5,057.8
Continuing and Encumbered			
Appropriations (prior year)	329.6	431.3	395.3
Total	5,082.8	5,068.2	5,453.1
Less: Continuing and Encumbered			
Appropriations (current year)	(431.3)	(395.3)	(222.4)
Reversions	(137.6)	(20.0)	(15.0)
Total Ordinary Expenditures	4,513.9	4,652.9	5,215.7
Balances			
Operating Balance	11.9	227.6	(461.6)
Prior Year Cash Balance	947.5	959.4	1,187.0
Cumulative Cash Balance	959.4	1,187.0	725.4
Less: Continuing and Encumbered			
Appropriations (current year)	(431.3)	(395.3)	(222.4)
Budget Reserve Account (current year)	(252.4)	(252.4)	(261.3)
Budget Stabilization Fund (current year)	(126.3)	(63.1)	(131.0)
Unencumbered Cash Balance	149.4	476.2	110.7
Appropriation Limit			
Cumulative Cash Balance (prior year)	947.5	959.4	1,187.0
Less: Continuing and Encumbered			
Appropriations (prior year)	(329.6)	(431.3)	(395.3)
Budget Reserve Account (prior year)	(240.4)	(252.4)	(252.4)
Budget Stabilization Fund (prior year)	-	(126.3)	(63.1)
Unencumbered Cash Balance	377.5	149.4	476.2
Net Fiscal Year Revenue	4,525.8	4,880.5	4,754.1
Total (100% Limit)	4,903.3	5,029.9	5,230.3
X 98% Limit	0.98	0.98	0.98
APPROPRIATION LIMIT	\$ 4,805.3	\$ 4,929.3	\$ 5,125.7

DEFAC adopted Fiscal Year 2021 and Fiscal Year 2022 revenue and expenditure estimates at the December 2020 meeting.

* Includes Fiscal Year 2021 and Fiscal Year 2022 proposed revenue adjustments.

Financial Summary



BOND AND CAPITAL IMPROVEMENTS FUNDING SOURCES

Source	Fiscal Year 2020	Fiscal Year 2021	Governor's Recommended Fiscal Year 2022
STATE CAPITAL PROJECTS			
General Obligation Bonds	\$ 230,515.0	\$ 227,520.0	\$ 237,705.0
Reauthorization and Reprogramming	22,800.0	48,830.9	19,021.8
One-Time Special Funds	-	32,617.8	-
General Funds	184,322.7	35,400.5	260,544.1
Subtotal	\$ 437,637.7	\$ 344,369.2	\$ 517,270.9
TRANSPORTATION PROJECTS			
Transportation Trust Fund	\$ 425,285.9	\$ 363,584.8	\$ 377,087.0
GRAND TOTAL	\$ <u>862,923.6</u>	\$ <u>707,954.0</u>	\$ <u>894,357.9</u>