

**MINUTES of the
DELAWARE ECONOMIC & FINANCIAL ADVISORY COUNCIL**

Hybrid Event – March 20, 2023

Attendance:

Member	Present
P. Anderson	Yes
N. Batta	No
C. Bo	No
S. Bravo	No
J. Bullock	Yes
L. Davis Burnham	Yes
R. Byrd	Yes
C. Cade	Yes
W. Carson	No
N. Cook	Yes
C. Davis	Yes
K. Dwyer	Yes
R. Geisenberger	Yes
D. Gillan	Yes
R. Glen	Yes
G. Hindes	No

Member	Present
M. Houghton	Yes
M. Jackson	Yes
R.A. Jones	Yes
P. Key	Yes
A. Lubin	Yes
M. Magarik	Yes
N. Majeski	Yes
G. Marcozzi	Yes
I. McConnel	No
C. Morgan	Yes
B. Pettyjohn	Yes
E. Ratledge	Yes
T. Shopa	No
D. Short	Yes
D. Sokola	Yes

Members in Attendance: 24

Members Absent: 7

Others Present: Former Rep. B. Short, A. Aka, K. Baranski, R. Byrd, C. Cassell-Carter, L. Clymer, C. Cole, B. DiVirgilio, B. Doolittle, C. Engelsiepen, J. Fedele, A. Gallaher, A. Godfrey, R. Goldsmith, K. Gomes, C. Hall, J. Hammon, D. Haw-Young, J. Haynes, J. Heller, A. Jenkins, J. Johnstone, D. Killen, K. Knight, R. Larson, E. Lewis, J. Maddox, M. Marlin, E. Nestlerode, A. Patel, M. Revel, D. Roose, A. Scoglietti, R. Scoglietti, J. Seemans, D. Singh, S. Sokolowski, C. Stewart, T. Strayer, C. Wright and members of the press.

Opening Business: Mr. Houghton called the meeting to order at 1:30 p.m.

The minutes from the December meeting were approved as submitted.

Expenditure Forecasts:

Mr. Ratledge and Ms. Engelsiepen presented the General Fund Expenditure forecasts.

General Fund Expenditures - Fiscal Year 2023:

Mr. Ratledge first reviewed the Balance Sheet method. He noted the FY 2023 spending authority stands at \$7,503.4 million and mentioned the unchanged reversions and encumbered estimates in March. Meanwhile, the continuing estimate fell to \$1,612 million in March, from \$1,688.2 million in December. During the Expenditure Subcommittee meeting Mr. Ratledge had indicated that the spending authority was 20% higher this fiscal year.

Mr. Ratledge also reviewed the Functional method. During the Expenditure Subcommittee meeting Ms. Engelsiepen had indicated that the recommended FY 2023 expenditure estimate was 14.5% higher than a year ago. She attributed the \$150.8 million increase in salaries estimate to bonuses, salary policy and a 27th pay that will take place in June 2023. Ms. Engelsiepen also said the increase in pension estimate was partly due to one-time bonuses and the increase in capital outlay to land acquisitions.

Meanwhile, high capital cash projects have led to an increase in both the grants and contractual services estimates. With regard to the Medicaid estimate, Ms. Engelsiepen had said during the Expenditure Subcommittee meeting that the Public Health Emergency will end on March 31st, which will lead to a phase down in Federal Medical Assistance Percentage (FMAP) rates through December 31st. She attributed the \$94.2 million increase in Medicaid estimate to enhanced FMAP rate and continued increases in Medicaid population.

Indeed, the number of Medicaid eligibles stood at 316,757 in February 2023, up from 291,423 a year earlier and 235,415 in March 2020. In addition, the number of newly eligibles was 18,372 in February 2023, as opposed to 15,777 a year earlier and 10,790 in March 2020.

During the Expenditure Subcommittee meeting Ms. Engelsiepen had also provided a breakdown of Medicaid participants by age. She had noted steady increases in enrollment for children, adults and childless adults between March 2020 and December 2022.

During the Full Council meeting Mr. Ratledge noted double-digit growth for the following categories: pension, grants, medicaid, contractual services, capital outlay and supplies and materials. (See Table 1a and Table 1b for complete details).

A motion was made, seconded and approved to accept \$5,791.8 million as the Expenditure estimate for FY 2023. The estimate represents an increase of \$733.9 million from FY 2022 and an increase of \$76.2 million from the December estimate.

General Fund Expenditures - Fiscal Year 2024:

Mr. Ratledge reviewed the FY 2024 expenditure estimates. He noted a decrease in the estimates for salaries, fringe benefits and pension, as well as the increase in debt service estimate overtime. During the Expenditure Subcommittee meeting Ms. Engelsiepen attributed the decline in salaries, pension and grants to non-recurring items such as the 27th pay, one-time pensioner bonuses and one-time rebates that have already occurred or are expected to occur in FY 2023.

In response to a question from Mr. Ratledge, Ms. Engelsiepen said school construction is not part of grants but is included in contractual services. Mr. Ratledge asked if the State has had trouble finding contractors. Mr. Cade answered that the State has thus far been able to hire labor and he also indicated that inflation and supply chains will remain important issues in the short term. (See Table 1c for complete details).

A motion was made, seconded and approved to accept \$5,977.7 million as the Expenditure estimate for FY 2024. The estimate represents an increase of \$185.9 million from FY 2023.

Revenue Forecasts:

Ms. Davis Burnham and Mr. Roose presented the General Fund Revenue forecasts.

Economic Outlook

Mr. Aka presented economic forecasts for the U.S. (produced by S&P Global Market Intelligence) and Delaware (developed by the Department of Finance). He noted that key S&P Global assumptions pertain to the debt ceiling, the path of the pandemic, monetary policy, and the price of crude oil. The S&P Global forecast does not include the cancellation of student loans and assumes three 25 basis point increases in the benchmark Federal Reserve interest rate by June.

Mr. Gillan asked about the impact of rising oil price on the State budget. Mr. Cade answered that the direct impacts pertain to the higher costs of fuel used by fleet vehicles and the higher energy costs, both of which have been accounted for the FY 2024 budget.

Mr. Aka presented a chart showing that the current recovery is faster than the ones that occurred after the financial crisis of 2008 or the dot-com bubble implosion in 2001. Another graph showed mostly positive labor market dynamics. Mr. Aka said that “feel good” indicators, captured by utilization and confidence measures, have pretty much returned to their pre-pandemic levels but leading indicators are mixed.

Mr. Aka said that S&P Global is now calling for a pause in economic activity, rather than a mild recession, thanks to positive incoming data. S&P Global sees the dwindling excess savings, now estimated at \$1 trillion, as a factor that could restrain short-term growth of consumer spending. Meanwhile, an upward revision to fourth-quarter inflation, followed by an unfavorable reading for January suggest a slower pace of disinflation than previously anticipated.

Mr. Aka also presented a chart indicating that Delaware regained all jobs lost during the pandemic in February 2022 and has since added several thousand jobs. He briefly described the structures of Delaware and U.S. economies and pointed out that Delaware has almost twice the share of U.S. employment and three times the U.S. share of output in the financial industry. As a result, any severe banking sector turmoil is likely to affect the State negatively.

Mr. Aka said the benchmark employment data received from the Delaware Department of Labor show that FY 2022 job growth for Delaware was better than reported in December, leading to an upward revision to the FY 2023 forecast. In addition, the Delaware personal income forecast has also been revised up for the short term, thanks to additional data released by the Bureau of Economic Analysis.

Ms. Davis Burnham asked about the impact of the banking sector turmoil on economic forecasts. Mr. Aka replied that, for S&P Global the impact on the nation's GDP is currently expected to be modest. Mr. Gillan said that County Bank serves Southern Delaware. He added that small community banks have small unrealized losses and their strong relationship with clients have led to trust and confidence. Mr. Glen said that banks in Delaware are safe and sound and that his office is paying close attention to bank conditions in the State. Mr. Geisenberger said that one needs to pay a close eye on the sector given the State was hit hard during the Great Recession.

In response to a question from Mr. Houghton, Mr. Glen said the Federal Reserve regulates banks in the entire nation, including Delaware. He noted that the banks that have closed thus far had a high share of uninsured deposits and added that Delaware banks do not have the high ratio that can contribute to liquidity issues.

General Fund Revenues - Fiscal Year 2023:

The Revenue Subcommittee recommended the following updates to December's estimates:

Revenue Category	Dec-22	Mar-23	Change
Personal Income Tax	2,356.8	2,299.1	(57.7)
Corporation Income Tax	353.0	400.0	47.0
Dividends and Interest	77.8	40.4	(37.4)
Realty Transfer Tax	265.1	240.8	(24.3)
PIT Refunds	(241.2)	(256.2)	(15.0)
CIT Refunds	(70.0)	(81.0)	(11.0)
Gross Receipts Tax	347.3	354.9	7.6
Other Refunds	(19.1)	(26.5)	(7.4)
Lottery	229.0	235.1	6.1
Other Revenues	76.8	82.2	5.4
Insurance Taxes	105.6	110.6	5.0
Bank Franchise Tax	97.4	101.1	3.7
Cigarette Taxes	104.0	102.0	(2.0)
Alcoholic Beverage Tax	31.4	32.4	1.0

For a complete listing of FY 2023 estimates, see Table 2.

Mr. Roose began his presentation by saying that an inflection point may have been reached with respect to some of the key revenue sources that have experienced very strong growth over the last 12-24 months. He presented a series of charts for realty transfer, corporate income tax, final and estimated personal income taxes, which showed short to medium term forecasts reverting to or falling below trend growth.

Discussion of FY 2023 Estimates:

Personal Income Tax (PIT) Less Refunds: Mr. Roose recommended a decrease in the estimate by \$72.7 million.

Mr. Roose said that withholding growth has been hurt by falling bonuses at large firms and several smaller companies. In addition, the weakest employment growth in 15 months has led to withholding growth of only 3.3% in December - February 2023, representing a significant drop from the double-digit increase posted a year earlier. Since more modest growth is now expected over the remainder of the fiscal year, the withholding growth outlook has been reduced in every year.

Mr. Roose said tracking for estimated payments is very strong but pointed out that tracking can be unreliable in times of extraordinary capital gains movements. He said he suspected capital gains to have surged to a record level in tax year 2021 before declining sharply a year later. Mr. Roose said such a decline should lead to either lower final payments or higher refunds during the filing season. During the Revenue Subcommittee meeting Mr. Roose had

indicated that the current forecast for estimated payments makes use of FY 2009 collection patterns.

Mr. Roose presented a series of charts showing the evolution of net settlements (defined as final payments minus refunds divided by the sum of estimated payments and withholding) over time. He said that the long-term average in net settlements was negative 4% of withholding and estimated payments, and that current PIT estimate would have to be reduced by at least \$30 million should net settlements revert to its long term trend. Mr. Roose also presented a chart showing a strong visual correlation between net settlement and growth in Delaware residents' capital gains. He said he expected growth in tax year 2021 capital gains to have risen by more than 100% before declining significantly in 2022, which will affect final payments and refunds in the 2023 filing season, as well as estimated payments throughout CY 2023.

Mr. Roose said the recommended decrease in net PIT relates to the missing money issue that was raised at the October DEFAC meeting: the significant gap between personal income growth and actual collections is likely due to capital gains. Mr. Houghton asked about the experience of other states. Mr. Roose answered that many states have reported decelerating estimated payments in the fourth quarter and are bracing for bad news over the next several months with the tax year 2022 returns.

Net Corporate Franchise Tax (CFT) and LP/LLC: Mr. Roose did not recommend any change in the estimate.

Mr. Roose said the IPO market slowed sharply at the start of calendar 2023, which will have an impact on CFT revenue in the short term. Meanwhile formation growth remains strong but easing. The Limited Liability Companies (LLCs) estimates reflects current formations and expected delinquent activity.

Realty Transfer Tax (RTT): Mr. Roose recommended a decrease in the estimate by \$24.3 million.

Mr. Roose said revenue is down 30% for the first three months of calendar 2023. He noted that commercial activity is declining but industrial and manufacturing is stable.

Lottery: Mr. Roose recommended an increase in the estimate by \$6.1 million.

Mr. Roose said that slots revenues are better than expected and sports is likely to finish the year stronger than expected too. As for traditional lottery, Mr. Roose said the record Powerball and Mega Millions jackpots in mid-FY 2023 have resulted in a one-time \$2.5 million revenue for the fiscal year. In addition, new games and extra draws beginning mid-FY 2024 are expected to bring \$2.4 million next year and \$6.0 million in FY 2025.

Responding to Ms. Davis Burnham's question, Mr. Roose said there was no extraordinary extra revenue that could be attributed to the Superbowl. During the Revenue Subcommittee meeting, Mr. Roose had presented a graph showing evidence of jackpot fatigue.

Corporate Income Tax (CIT) Less Refunds: Mr. Roose recommended an increase in the estimate by \$36 million.

Mr. Roose said that collections growth has eased but remained in double digits. He mentioned that statistical analysis suggests that the relationship between collections and economic factors driving the revenue category is different now than it was prior to 2018, likely attributable to the effects of the Tax Cut and Jobs Act (TCJA) and single sales factor apportionment, which were effective beginning in 2018.

Mr. Roose also recommended an increase in refunds by \$11 million owing to several extraordinary refunds as well as more smaller requests. Mr. Ratledge asked about a sectoral breakdown of CIT revenue. Mr. Roose answered that CIT growth is broad based. Mr. Ratledge and Mr. Roose discussed the changing dynamics and risks created by the pandemic.

Dividends and Interest: Mr. Roose recommended a decrease in the estimate by \$37.4 million.

Ms. Davis attributed the change in the estimate to a repositioning of the portfolios to achieve higher yield and income.

Bank Franchise Tax: Mr. Roose recommended an increase in the estimate by \$3.7 million.

Mr. Roose said the estimate reflects final tax year 2022 payments that were due on March 1st. He noted a large increase in refunds driven by large Historic Preservation Tax Credit claims.

Insurance Taxes and Fees: Mr. Roose recommended an increase in the estimate by \$5 million.

Mr. Roose said the revenue is tracking toward record collections and noted that the current fiscal year is a high year in the biennial license cycle.

Unclaimed Property: Mr. Roose did not recommend any change to the estimate.

Mr. Roose said there is no immediate impact from the Supreme Court decision

on general fund revenues, claims or expenditures.

Mr. Morgan asked about the long-term impact of the decision. Mr. Geisenberger replied that the Supreme Court focused on a particular type of property. He also said the next phase, with timing unknown, is to go back to the special master in order to determine liability. Mr. Houghton said the Supreme court did not modify the common law rule stating that unclaimed property should escheat to the state of the creditor's last known address, which is a positive for Delaware. Mr. Geisenberger said the particular property type examined by the Supreme Court is not a growing type, as people increasingly turn to Zelle and Venmo.

Other changes were attributed to tracking.

FY 2023 Estimate Adopted:

A motion was made, seconded and approved to accept \$6,160.5 million as the revenue estimate for FY 2023. The estimate represents a decrease of \$79 million from the December estimate.

General Fund Revenues - Fiscal Year 2024:

The Revenue Subcommittee recommended the following updates to December’s estimates:

Revenue Category	Dec-22	Mar-23	Change
Franchise Tax	1,220.0	1,278.9	58.9
Personal Income Tax	2,392.1	2,335.3	(56.8)
Corporation Income Tax	304.6	345.2	40.6
Realty Transfer Tax	259.9	221.5	(38.4)
Limited Partnerships & LLC's	438.8	460.8	22.0
Dividends and Interest	169.0	184.1	15.1
PIT Refunds	(242.0)	(252.0)	(10.0)
Lottery	227.2	232.6	5.4
Insurance Taxes	103.2	108.1	4.9
Cigarette Taxes	100.6	98.6	(2.0)
Bank Franchise Tax	103.5	104.9	1.4
Alcoholic Beverage Tax	31.9	32.9	1.0

For a complete listing of FY 2024 estimates, see Table 2.

Discussion of FY 2024 Estimates:

Net Corporate Franchise Tax (CFT) and LP/LLC: Mr. Roose recommended an increase in the estimate by \$80.9 million.

Mr. Roose said LLC formation is expected to continue in the short term.

Lottery: Mr. Roose recommended an increase in the estimate by \$5.4 million.

Mr. Roose attributed the increase in the estimate to new games and extra draws beginning in mid-FY 2024.

Dividends and Interest: Mr. Roose recommended an increase in the estimate by \$15.1 million.

Ms. Davis described the increased return on investment due to rising interest rates.

Other changes reflected the carrying forward of changes made in FY 2023.

FY 2024 Estimate Adopted:

A motion was made, seconded and approved to accept \$6,088.9 million as the revenue estimate for FY 2024. The estimate represents an increase of \$42.1 million from the December estimate.

Balance and Appropriations Worksheet:

Mr. Roose presented the Balance and Appropriations worksheet. The result of this exercise is attached as Table 3.

In response to a question from Mr. Houghton, Mr. Roose said the amounts in the Budget Reserve Account and Budget Stabilization Fund stood at \$316.4 million and \$402.6 million, respectively.

Transportation Trust Fund (TTF):

TTF -- Expenditures: Ms. Haw-Young presented the Transportation Trust Fund's expenditure forecast.

State Operations Expenditure: There was no change from the December estimate of \$353.4 million.

Ms. Haw-Young said the estimate was on target.

State Capital Expenditure: There was no change from the December estimate of \$320.1 million.

Federal Capital Expenditure: Decreased from \$325.0 million in December to \$300 million.

Ms. Haw-Young attributed the reduction in the estimate to slower spending.

U.S. 301 Capital Expenditure: There was no change from the December estimate of \$25.8 million.

A motion was made, seconded, and approved to accept \$999.3 million as the FY 2023 TTF expenditure estimate. The estimate represents a reduction of \$25 million from the December estimate (See Table 4.)

TTF -- Revenues: Ms. Haw-Young presented the Transportation Trust Fund's revenue forecast.

FY 2023 Estimates:

The following changes were made from the December estimates.

Toll Road Revenues: Decreased from \$205.5 million in December to \$199.2 million.

Ms. Haw-Young attributed the decrease in the estimate to lower traffic on I95 and Route 1.

Motor Fuel Tax Administration: Decreased from \$143.6 million in December to \$138 million.

Ms. Haw-Young said motor fuel consumption growth is slightly above the prior year but remains well below the 5% growth expected in December. She mentioned that DelDOT is conducting a study pertaining to the impact of increased fuel efficiency.

Division of Motor Vehicles: Increased from \$244.4 million in December to \$250.7 million.

Ms. Haw-Young attributed the increase in the estimate to various true ups of spending estimates to actual data.

Other Transportation Revenues: Increased from \$14.2 million in December to \$16.5 million.

Ms. Haw-Young said the December estimate for investment income was low in light of actual data.

U.S. 301 Revenues: There was no change from the December estimate of \$23.7 million.

A motion was made, seconded, and approved to accept \$628.1 million as the FY 2023 TTF revenue estimate. The estimate represents a decrease of \$3.3 million from the December estimate.

Mr. Ratledge said that FY 2019 data should be added to the TTF Revenue table to allow for comparison between the current estimate and pre-pandemic area expenditures.

FY 2024 Estimates:

The following changes were made from the December estimates.

Toll Road Revenues: There was no change from the December estimate of \$207.1 million.

Motor Fuel Tax Administration: There was no change from the December estimate of \$146.1 million.

Division of Motor Vehicles: There was no change from the December estimate of \$239.9 million.

Other Transportation Revenues: There was no change from the December estimate of \$13.2 million.

U.S. 301 Revenues: There was no change from the December estimate of \$24.0 million.

A motion was made, seconded, and approved to accept \$630.3 million as the FY 2024 TTF revenue estimate. The estimate is the same as the December estimate (See Table 5.)

Other Business:

Mr. Houghton announced the next scheduled DEFAC meeting dates:

- Monday, May 15, 2023
- Friday, June 16, 2023

Mr. Houghton said he was inclined to continue the hybrid format for future meetings.

Public Comment:

Mr. Houghton said that no member of the public has signed up for comment.

There being no further business, Mr. Houghton adjourned the meeting at 2:35 p.m.

Respectfully submitted,

Arsene Aka

Table 1b.

DEFAC Expenditures Forecast for General Fund Disbursements FY2023 (\$ in millions)																			
March 20, 2023																			
	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	Difference	% change	Annual Avg.		FY2023	% spent	% of	% of	% of	% of	% of	
	Actual	Actual	Actual	Actual	Actual	Actual	Mar	'23 vs. '22	'23 vs. '22	'23 vs. '18		(actual 02/28/23)	(actual 02/28/23)	FY2022	FY2021	FY2020	FY2019	FY2018	
Salaries	1,402.9	1,421.1	1,499.9	1,558.6	1,593.0	1,657.0	1,807.8	150.8	9.1%	4.93%		1,239.4	30.3%	32.8%	35.3%	34.5%	34.1%	34.5%	
Fringe Benefits	480.5	479.6	494.4	506.1	513.3	515.4	560.3	44.9	8.7%	3.16%		378.1	9.3%	10.2%	11.4%	11.2%	11.3%	11.6%	
Health Care	359.0	357.9	362.6	369.0	372.5	369.3	400.2	30.9	8.4%	2.26%		268.2	6.6%	7.3%	8.3%	8.2%	8.3%	8.7%	
Other	121.5	121.7	131.8	137.1	140.8	146.1	160.1	14.0	9.6%	5.64%		109.9	2.7%	2.9%	3.1%	3.0%	3.0%	3.0%	
Pension	317.7	316.7	360.8	360.1	360.8	421.0	650.3	229.3	54.5%	15.48%		526.0	12.9%	8.3%	8.0%	8.0%	8.2%	7.7%	
Contribution	152.4	167.6	201.5	205.0	201.5	239.7	346.4	106.7	44.5%	15.63%		280.2	6.9%	4.7%	4.5%	4.5%	4.6%	4.1%	
Health Care	130.2	136.0	145.4	145.9	145.4	157.2	264.8	107.6	68.4%	14.25%		214.2	5.2%	3.1%	3.2%	3.2%	3.3%	3.3%	
Other	35.1	13.1	13.9	9.2	13.9	24.1	39.1	15.0	62.3%	24.45%		31.6	0.8%	0.5%	0.3%	0.2%	0.3%	0.3%	
Debt Service	179.0	187.2	183.9	184.1	187.3	202.6	218.4	15.8	7.8%	3.13%		171.6	4.2%	4.0%	4.2%	4.1%	4.2%	4.5%	
Grants	365.7	362.9	445.2	507.1	433.2	671.0	758.6	87.6	13.1%	15.89%		553.5	13.5%	13.3%	9.6%	11.2%	10.1%	8.8%	
Medicaid	739.7	750.2	733.4	702.0	734.1	823.6	917.8	94.2	11.4%	4.12%		621.7	15.2%	16.3%	16.3%	15.6%	16.7%	18.2%	
Contractual Services	537.6	526.1	589.0	600.5	607.5	674.7	755.5	80.8	12.0%	7.51%		504.7	12.4%	13.3%	13.5%	13.3%	13.4%	12.8%	
Supplies & Materials	68.7	61.9	69.3	64.7	60.9	67.1	77.8	10.7	15.9%	4.68%		48.0	1.2%	1.3%	1.4%	1.4%	1.6%	1.5%	
Capital Outlay	14.3	12.4	18.5	30.6	17.2	25.5	45.3	19.8	77.6%	29.58%		42.8	1.0%	0.5%	0.4%	0.7%	0.4%	0.3%	
FY Budgetary Expenditures	4,106.1	4,118.1	4,394.3	4,513.9	4,507.3	5,057.9	5,791.8	733.9	13.0%	6.84%		4085.8	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
Comments:																			

Table 1c.

DEFAC Expenditures Forecast for General Fund Disbursements FY2023-2028 (\$ in millions)														
March 20, 2023														
	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023		FY2024	FY2025	FY2026	FY2027	FY2028	
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>March</u>		<u>March</u>	<u>March</u>	<u>March</u>	<u>March</u>	<u>March</u>	
Salaries	1,402.9	1,421.1	1,499.9	1,558.6	1593.0	1657.0	1,807.8		1,767.3	1,854.5	1,945.9	2,041.9	2,142.5	
Fringe Benefits	480.5	479.6	494.4	506.1	513.3	515.4	560.3		553.7	571.3	589.7	608.7	628.5	
Health Care	359.0	357.9	362.6	369.0	372.5	369.3	400.2		402.0	411.1	420.4	429.9	439.6	
Other	121.5	121.7	131.8	137.1	140.8	146.1	160.1		151.7	160.3	169.3	178.8	188.9	
Pension	317.7	316.7	360.8	360.1	360.8	421.0	650.3		421.3	487.2	563.6	652.3	755.3	
Contribution	153.7	167.6	201.5	205.0	201.5	238.8	346.4		235.9	272.8	315.4	364.7	421.7	
Health Care	131.3	136.0	145.4	145.9	145.4	170.6	264.8		160.0	182.8	208.8	238.6	272.6	
Other	32.7	13.1	13.9	9.2	13.9	11.6	39.1		25.4	31.7	39.4	49.0	61.0	
Debt Service	179.0	187.2	183.9	184.1	187.3	202.6	218.4		233.4	240.7	248.2	256.0	264.0	
Grants	365.7	362.9	445.2	507.1	433.2	671.0	758.6		633.0	733.6	850.1	985.2	1,141.8	
Medicaid	739.7	750.2	733.4	702.0	734.1	823.6	917.8		921.7	959.6	999.1	1,040.2	1,083.0	
Contractual Services	537.6	526.1	589.0	600.5	607.5	674.7	755.5		1,361.0	1,163.2	750.5	806.8	867.4	
Supplies & Materials	68.7	61.9	69.3	64.7	60.9	67.1	77.8		67.8	71.0	74.3	77.8	81.4	
Capital Outlay	<u>14.3</u>	<u>12.4</u>	<u>18.5</u>	<u>30.6</u>	<u>17.2</u>	<u>25.5</u>	<u>45.3</u>		<u>18.5</u>	<u>24.0</u>	<u>31.1</u>	<u>40.3</u>	<u>52.2</u>	
FY Budgetary Expenditures	4,106.1	4,118.1	4,394.3	4,513.9	4,507.3	5,057.9	5,791.8		5,977.7	6,105.0	6,052.5	6,509.2	7,016.1	

Table 1c.

Comments:

Forecast FY2025-FY2028 is based on the annual average growth rate for each category FY2018-FY2023.

OMB General Assumptions FY2024 Forecast

FY2024 Operating Governor Recommended Budget

FY2024 Grant in Aid projected at current year level

FY2024 One-Time Supplemental Governor Recommended Budget currently \$324.9M

FY2024 Capital Cash Governor Recommend Budget currently \$684.7M

Includes spend from operating and capital cash continued funds

Salary - Includes increase for Steps/CBAs and Unit Count growth, pay scale adjustments with 3% increase for all other state employees, 6% supplement for classroom teachers

Fringe Other/Fringe Healthcare/Pension - Proposed rate changes include Retiree Health Insurance decreased from 9.21% to 8.55% and Worker's Compensation reduced from 1.55% to 1.45%

Debt Service – Increased \$15M for both existing and new debt

Grants - Projected using current year Grant in Aid budget, operational funding provided to UD and Housing

Medicaid - Eligibility redeterminations begin April 2023 and continue through December 2023; enhanced FMAP phase down quarterly; 2.5% increase for MCO rates effective Jan 2024

Contractual Services - Includes \$44M for passed legislation and spending from continued cash projects

Supplies - projected using current year spend level for agency operations

Capital - projected using current year spend level for agency operations

Table 2. DEFAC General Fund Revenue Worksheet

March-23 DEFAC Meeting	FY 2022	FY 2023				
	A	B	C	D	E	F
Revenue Category	Actual Collections	DEFAC Dec-22	% B over A	DEFAC Mar-23	% D over A	\$ Increase D over B
Personal Income Tax	2,375.8	2,356.8	-0.8%	2,299.1	-3.2%	(57.7)
Less: Refunds	<u>(466.4)</u>	<u>(241.2)</u>	-48.3%	<u>(256.2)</u>	-45.1%	(15.0)
PIT Less Refunds	1,909.4	2,115.6	10.8%	2,042.9	7.0%	(72.7)
Franchise Tax	1,300.4	1,421.8	9.3%	1,421.8	9.3%	0.0
Limited Partnerships & LLC's	422.6	<u>464.0</u>	9.8%	<u>464.0</u>	9.8%	0.0
Subtotal Franchise + LP/LLC	1,723.1	1,885.8	9.4%	1,885.8	9.4%	0.0
Less: Refunds	<u>(14.3)</u>	<u>(10.0)</u>	-30.1%	<u>(10.0)</u>	-30.1%	<u>0.0</u>
Net Franchise + LP/LLC	1,708.7	1,875.8	9.8%	1,875.8	9.8%	0.0
Business Entity Fees	164.2	167.4	1.9%	167.4	1.9%	0.0
Uniform Commercial Code	31.0	31.0	-0.1%	31.0	-0.1%	0.0
Unclaimed Property	554.0	554.0	0.0%	554.0	0.0%	0.0
Less: Refunds	<u>(204.6)</u>	<u>(160.0)</u>	-21.8%	<u>(160.0)</u>	-21.8%	<u>0.0</u>
Unclaimed Prop Less Refunds	349.4	394.0	12.8%	394.0	12.8%	0.0
Gross Receipts Tax	331.0	347.3	4.9%	354.9	7.2%	7.6
Lottery	236.0	229.0	-3.0%	235.1	-0.4%	6.1
Corporation Income Tax	379.5	353.0	-7.0%	400.0	5.4%	47.0
Less: Refunds	<u>(65.3)</u>	<u>(70.0)</u>	7.2%	<u>(81.0)</u>	24.1%	<u>(11.0)</u>
CIT Less Refunds	314.2	283.0	-9.9%	319.0	1.5%	36.0
Realty Transfer Tax	304.3	265.1	-12.9%	240.8	-20.9%	(24.3)
Cigarette Taxes	115.3	104.0	-9.8%	102.0	-11.6%	(2.0)
Bank Franchise Tax	113.2	97.4	-14.0%	101.1	-10.7%	3.7
Insurance Taxes and Fees	98.6	105.6	7.0%	110.6	12.1%	5.0
Hospital Board and Treatment	21.0	23.4	11.5%	23.4	11.5%	0.0
Public Utility Tax	29.6	34.0	14.8%	34.0	14.8%	0.0
Alcoholic Beverage Tax	30.9	31.4	1.6%	32.4	4.8%	1.0
Dividends and Interest	12.6	77.8	517.0%	40.4	220.4%	(37.4)
Other Revenues	70.8	76.8	8.4%	82.2	16.0%	5.4
Less: Other Refunds	<u>(10.6)</u>	<u>(19.1)</u>	80.2%	<u>(26.5)</u>	150.0%	<u>(7.4)</u>
Net Receipts	5,829.9	6,239.5	7.0%	6,160.5	5.7%	(79.0)

Adj Growth Rate

1.8%

Table 2. DEFAC General Fund Revenue Worksheet

March-23 DEFAC Meeting	FY 2024					FY 2025				
	G DEFAC Dec-22	H % G over B	I DEFAC Mar-23	J % I over D	K \$ Increase I over G	L DEFAC Dec-22	M % L over G	N DEFAC Mar-23	O % N over I	P \$ Increase N over L
Revenue Category										
Personal Income Tax	2,392.1	1.5%	2,335.3	1.6%	(56.8)	2,512.7	5.0%	2,453.2	5.0%	(59.5)
Less: Refunds	<u>(242.0)</u>	0.3%	<u>(252.0)</u>	-1.6%	<u>(10.0)</u>	<u>(229.9)</u>	-5.0%	<u>(239.4)</u>	-5.0%	<u>(9.5)</u>
PIT Less Refunds	2,150.1	1.6%	2,083.3	2.0%	(66.8)	2,282.8	6.2%	2,213.8	6.3%	(69.0)
Franchise Tax	1,220.0	-14.2%	1,278.9	-10.1%	58.9	1,220.0	0.0%	1,278.9	0.0%	58.9
Limited Partnerships & LLC's	<u>438.8</u>	-5.4%	<u>460.8</u>	-0.7%	22.0	<u>438.8</u>	0.0%	<u>460.8</u>	0.0%	<u>22.0</u>
Subtotal Franchise + LP/LLC	1,658.8	-12.0%	1,739.7	-7.7%	80.9	1,658.8	0.0%	1,739.7	0.0%	80.9
Less: Refunds	<u>(10.0)</u>	0.0%	<u>(10.0)</u>	0.0%	<u>0.0</u>	<u>(10.0)</u>	0.0%	<u>(10.0)</u>	0.0%	<u>0.0</u>
Net Franchise + LP/LLC	1,648.8	-12.1%	1,729.7	-7.8%	80.9	1,648.8	0.0%	1,729.7	0.0%	80.9
Business Entity Fees	150.0	-10.4%	150.0	-10.4%	0.0	150.0	0.0%	150.0	0.0%	0.0
Uniform Commercial Code	26.5	-14.5%	26.5	-14.5%	0.0	26.5	0.0%	26.5	0.0%	0.0
Unclaimed Property	525.0	-5.2%	525.0	-5.2%	0.0	500.0	-4.8%	500.0	-4.8%	0.0
Less: Refunds	<u>(150.0)</u>	-6.3%	<u>(150.0)</u>	-6.3%	<u>0.0</u>	<u>(150.0)</u>	0.0%	<u>(150.0)</u>	0.0%	<u>0.0</u>
Unclaimed Prop Less Refunds	375.0	-4.8%	375.0	-4.8%	0.0	350.0	-6.7%	350.0	-6.7%	0.0
Gross Receipts Tax	358.7	3.3%	358.7	1.1%	0.0	371.3	3.5%	371.3	3.5%	0.0
Lottery	227.2	-0.8%	232.6	-1.1%	5.4	227.2	0.0%	236.2	1.5%	9.0
Corporation Income Tax	304.6	-13.7%	345.2	-13.7%	40.6	307.4	0.9%	348.3	0.9%	40.9
Less: Refunds	<u>(70.0)</u>	0.0%	<u>(70.0)</u>	-13.6%	<u>0.0</u>	<u>(70.0)</u>	0.0%	<u>(70.0)</u>	0.0%	<u>0.0</u>
CIT Less Refunds	234.6	-17.1%	275.2	-13.7%	40.6	237.4	1.2%	278.3	1.1%	40.9
Realty Transfer Tax	259.9	-2.0%	221.5	-8.0%	(38.4)	302.0	16.2%	257.4	16.2%	(44.6)
Cigarette Taxes	100.6	-3.3%	98.6	-3.3%	(2.0)	98.1	-2.5%	96.2	-2.4%	(1.9)
Bank Franchise Tax	103.5	6.3%	104.9	3.8%	1.4	105.7	2.1%	107.2	2.2%	1.5
Insurance Taxes and Fees	103.2	-2.3%	108.1	-2.3%	4.9	107.7	4.4%	112.8	4.3%	5.1
Hospital Board and Treatment	23.8	1.7%	23.8	1.7%	0.0	24.0	0.8%	24.0	0.8%	0.0
Public Utility Tax	32.9	-3.2%	32.9	-3.2%	0.0	31.8	-3.3%	31.8	-3.3%	0.0
Alcoholic Beverage Tax	31.9	1.6%	32.9	1.5%	1.0	32.2	0.9%	33.2	1.0%	1.0
Dividends and Interest	169.0	117.2%	184.1	355.7%	15.1	152.1	-10.0%	167.2	-9.2%	15.1
Other Revenues	69.5	-9.5%	69.5	-15.5%	0.0	69.5	0.0%	69.5	0.0%	0.0
Less: Other Refunds	<u>(18.4)</u>	-3.7%	<u>(18.4)</u>	-30.6%	0.0	<u>(18.4)</u>	0.0%	<u>(18.4)</u>	0.0%	<u>0.0</u>
Net Receipts	6,046.8	-3.1%	6,088.9	-1.2%	42.1	6,198.7	2.5%	6,236.7	2.4%	38.0

Adj Growth Rate

-2.3%

2.8%

Table 3. Balance and Appropriations Worksheet

March-23

FY 2023 EXPENDITURES

Total Spending Authority	\$7,503.4
Less: Continuing Appropriations & Encumbrances from FY 2023	(\$1,671.6)
Less: Reversions	<u>(\$40.0)</u>
Total Expenditures	\$5,791.8

FY 2023 BALANCES

Total Expenditures	\$5,791.8
vs. FY 2023 Revenues	6,160.5
Operating Balance	368.7
Prior Year Cash Balance	2605.3
Less: Budget Stabilization Fund (83 Del Law c 325; SB 250, Section 71)	<u>(\$402.6)</u>
Cumulative Cash Balance	2,571.4
Less: Continuing Appropriations & Encumbrances from FY 2023	(1,671.6)
Less: Budgetary Reserve Account	<u>(\$316.4)</u>
Unencumbered Cash Balance 6/30	\$583.3

FY 2024 APPROPRIATION LIMITS

FY 2024 Revenue Estimate	\$6,088.9
Unencumbered Cash Balance from FY 2023	<u>\$583.3</u>
100% Appropriation Limit	\$6,672.2
98% Appropriation Limit	<u>\$6,538.7</u>
Prior 98% Appropriation Limit	\$6,574.9
Increase (Decrease) from Prior Meeting	(\$36.2)
October 2022 98% Appropriation Limit	\$6,268.7
Increase (Decrease) from October 2022	\$270.0

FY 2023 BUDGET

Budget	\$5,099.7
Grants	\$69.4
Supplemental	\$1,234.1
Total Appropriations	\$6,403.2
Plus: Continuing Appropriations & Encumbrances from Prior Years	<u>\$1,100.2</u>
Total Spending Authority	\$7,503.4

Table 4.

Delaware Department of Transportation FY 2023 Expenditures, Through February 28, 2023										67%
	FY2021 Actual	FY2022 Actual	FY2023 Appropriation	OCTOBER FY2023 Forecast	DECEMBER FY2023 Forecast	MARCH FY2023 Forecast	\$ difference Dec to March	\$ difference Forecast V. FY2022 Actual	FY2023 YTD Spend	% spent YTD
Operations			<u>w/o US301</u>							
Debt Service	93.5	67.0	80.5	80.5	83.0	83.0	0.0	16.0	82.9	100%
Personnel Costs	102.6	105.6	116.5	116.5	116.5	116.5	0.0	10.9	73.6	63%
Operations/Capital Outlay	60.5	66.8	73.6	73.6	73.6	73.6	0.0	6.8	45.9	62%
Transit Operations (DTC)	<u>46.6</u>	<u>79.8</u>	<u>80.3</u>	<u>80.3</u>	<u>80.3</u>	<u>80.3</u>	<u>0.0</u>	<u>0.5</u>	<u>53.5</u>	<u>67%</u>
Total Expenditures - Operations	303.2	319.2	350.9	350.9	353.4	353.4	0.0	34.2	255.9	72%
State Capital										
Road System	258.3	197.7	205.8	205.8	205.8	205.8	0.0	8.1	140.0	68%
Grants & Allocations	30.2	26.7	44.2	44.2	44.2	44.2	0.0	17.5	19.6	44%
Support Systems	54.7	45.8	40.7	40.7	40.7	40.7	0.0	(5.1)	30.8	76%
Transit	<u>27.0</u>	<u>29.9</u>	<u>29.4</u>	<u>29.4</u>	<u>29.4</u>	<u>29.4</u>	<u>0.0</u>	<u>(0.5)</u>	<u>13.7</u>	<u>47%</u>
State Capital	370.2	300.1	320.1	320.1	320.1	320.1	0.0	20.0	204.1	64%
Federal Capital										
Federal Capital	293.5	261.1	325.0	325.0	325.0	300.0	(25.0)	38.9	148.1	49%
Total Expenditures - Capital	663.7	561.2	645.1	645.1	645.1	620.1	(25.0)	58.9	352.2	57%
TOTAL EXPENDITURES	966.9	880.4	996.0	996.0	998.5	973.5	(25.0)	93.1	608.1	62%

	OCTOBER FY2023 Forecast	DECEMBER FY2023 Forecast	MARCH FY2023 Forecast	\$ difference Dec to March	FY2023 YTD Spend	% spent YTD
DeIDOT	996.0	998.5	973.5	\$ (25.0)	\$ 608.1	62%
US301	25.8	25.8	25.8	\$ -	\$ 7.4	29%
TOTAL	1,021.8	1,024.3	999.3	\$ (25.0)	\$ 615.5	60%

Table 5.

DELAWARE DEPARTMENT OF TRANSPORTATION Transportation Trust Fund Revenues									
	FY21	FY22	% Chg.	Fiscal 2023			Fiscal 2024		
				12/19/2022 Approved	3/20/2023 Recomm	% Chg. FY 22	12/19/2022 Approved	3/20/2023 Recomm	% Chg. FY 23
<u>TOLL ROAD REVENUES:</u>									
I95 Newark Plaza	\$114.4	\$142.2	24.3%	\$139.5	\$135.5	-4.7%	\$140.0	\$140.0	3.3%
Route 1 Toll Road	55.0	62.6	13.8%	\$63.9	\$61.6	-1.6%	\$64.9	\$64.9	5.4%
Concessions	<u>1.3</u>	<u>1.6</u>	<u>23.1%</u>	<u>\$2.1</u>	<u>\$2.1</u>	<u>28.8%</u>	<u>\$2.2</u>	<u>\$2.2</u>	<u>4.8%</u>
Total Toll Road Revenues	170.7	206.4	20.9%	\$205.5	\$199.2	-3.5%	\$207.1	\$207.1	4.0%
MOTOR FUEL TAX ADMIN.	128.5	136.7	6.4%	\$143.6	\$138.0	1.0%	\$146.1	\$146.1	5.9%
<u>DIVISION OF MOTOR VEHICLES</u>									
Motor Vehicle Document Fees	138.9	146.2	5.3%	\$136.5	\$150.5	3.0%	\$130.4	\$130.4	-13.4%
Motor Vehicle Registration Fees	60.8	57.4	-5.6%	\$63.2	\$59.5	3.6%	\$64.2	\$64.2	7.9%
Other DMV Revenues	<u>37.0</u>	<u>39.7</u>	<u>7.3%</u>	<u>\$44.7</u>	<u>\$40.7</u>	<u>2.6%</u>	<u>\$45.3</u>	<u>\$45.3</u>	<u>11.3%</u>
Total DMV Revenues	236.7	243.3	2.8%	\$244.4	\$250.7	3.0%	\$239.9	\$239.9	-4.3%
<u>OTHER TRANSPORTATION REV.</u>									
Other Transportation Rev	11.4	9.6	-15.8%	\$9.2	\$8.0	-16.3%	\$9.2	\$9.2	15.0%
Investment Income(Net)	<u>2.4</u>	<u>1.3</u>	<u>-45.8%</u>	<u>\$5.0</u>	<u>\$8.5</u>	<u>536.2%</u>	<u>\$4.0</u>	<u>\$4.0</u>	<u>-52.9%</u>
Total Other Transp. Revenue	13.8	10.9	-21.0%	\$14.2	\$16.5	51.4%	\$13.2	\$13.2	-20.0%
GRAND TOTAL	\$549.7	\$597.3	8.7%	\$607.7	\$604.4	1.2%	\$606.3	\$606.3	0.3%
					(\$3.3)			\$0.0	
	FY21	FY22	% Chg.	Fiscal 2023			Fiscal 2024		
US301 Revenues	\$ 19.9	\$ 22.0	10.6%	\$ 23.7	\$ 23.7	7.6%	\$ 24.0	\$ 24.0	1.3%
TOTAL	\$ 569.6	\$ 619.3	8.7%	\$ 631.4	\$ 628.1	1.4%	\$ 630.3	\$ 630.3	0.4%