

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

WebEx Event – May 17, 2021

Attendance:

Member	Present
N. Batta	No
C. Bo	Yes
C. Bonini	Yes
J. Bullock	No
L. Davis Burnham	Yes
R. Byrd	Yes
C. Cade	Yes
W. Carson	Yes
N. Cook	Yes
C. Davis	Yes
K. Dwyer	Yes
B. Fasy	Yes
R. Geisenberger	Yes
R. Glen	Yes
G. Hindes	Yes

Member	Present
J. Horty	Yes
M. Houghton	Yes
R.A. Jones	Yes
K. Lewis	Yes
A. Lubin	Yes
M. Magarik	Yes
N. Majeski	Yes
G. Marcozzi	No
I. McConnel	Yes
C. Morgan	Yes
E. Ratledge	Yes
T. Shopa	No
D. Short	Yes
D. Sokola	Yes
D. Swayze	Yes

Members in Attendance: 26
Members Absent: 4

Others Present: Insurance Commissioner T. Navarro, Sen. T. Paradee, Rep. K. Williams, Former Rep. Q. Johnson, A. Aka, R. Armitage, S. Bravo, C. Cassell-Carter, M. Charest, C. Cole, J. Cole, J. Collins, S. Costantino, C. Crowe, L. Davis, J. DeChene, B. DiVirgilio, C. Engelsiepen, S. Finigan, C. Fredricks, R. Goldsmith, K. Gomes, V. Hensley, M. Hopkins, H. Jani, A. Jenkins, J. Johnstone, C. Kanefsky, K. Knight, R. Larson, L. Lewis, D. Madrid, M. Marlin, K. McGuinness, S. McNeeley, B. Motyl, S. Mullin, J. Noel, E. Park, A. Penney, M. Poland, B. Price, P. Rappa, D. Roose, R. Scoglietti, J. Seemans, B. Short, L. Sitler, S. Sokolowski, J. Staib, C. Stewart, T. Strayer, L. Thornton, J. Tiesco and members of the press.

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

The minutes from the March meeting were approved as submitted.

Expenditure Forecasts:

Mr. Ratledge presented the General Fund Expenditure forecasts.

General Fund Expenditures - Fiscal Year 2021:

Mr. Ratledge reviewed the Balance Sheet method by noting an FY 2021 budget of \$4,547.0 million, Cash to the Bond Bill of \$35.4 million, Grant-in-Aid of \$54.5 million, Continuing and Encumbered of \$431.3 million, and no Supplementals.

Mr. Ratledge also noted that the Encumbered and Reversions estimates are unchanged in May, while the Continuing estimate rose from \$401.7 million to \$441.4 million. During the Expenditure Subcommittee meeting Ms. Engelsiepen had attributed the increase to lower-than-expected expenditures on Grants and Contractual Services.

In his review of the Functional method Mr. Ratledge pointed out that Grants and Contractual Services were the only two categories that saw a change in their estimates between March and May. Ms. Engelsiepen said these categories are heavily affected by multi-year cash projects and that some large projects with no spend this year will be continued next year. She added that all other expenditure categories are on track to hit their estimates.

During the Expenditure Subcommittee meeting Ms. Engelsiepen had indicated that her office was processing the Federal recovery from the State spending on coronavirus-related items. She said that \$2.22 million have been deposited into the General Fund to date. Ms. Engelsiepen estimated the total amount of recovery at \$5 million to \$8 million and added it was hard to evaluate whether they will be classified as Reversions or Continuing. (See Table 1a and Table 1b for complete details).

A motion was made, seconded and approved to accept \$4,546.8 million as the Expenditure estimate for FY 2021. The estimate represents an increase of \$32.9 million from FY 2020 and a reduction of \$39.7 million from the March estimate.

General Fund Expenditures - Fiscal Year 2022:

Mr. Ratledge noted the moderate increases in Salary, Pension and Fringe Benefits, as well as the robust increase in Debt Service. He attributed the large increase in Grants and Contractual Services to the carrying forward of spending initially scheduled for FY 2021.

Ms. Engelsiepen also attributed the increase in the Grants and Contractual Services estimates to cash projects in the FY 2022 Bond Bill. She attributed the higher Medicaid estimate to a change in the Federal Medical Assistance Percentage (FMAP) once the national emergency order is lifted. Ms. Engelsiepen said the number of Medicaid eligibles

stood at 269,306 in April 2021, up 30% from a year earlier. (See Table 1c for complete details).

A motion was made, seconded and approved to accept \$4,957.4 million as the Expenditure estimate for FY 2022. The estimate represents an increase of \$410.6 million from FY 2021.

Revenue Forecasts:

Mr. Lewis and Mr. Roose presented the General Fund Revenue forecasts.

Economic Outlook

Mr. Roose began the economic presentation by displaying quotes from experts and business leaders depicting a very strong national economy. He added that General Fund revenues reflected the economic outlook.

Mr. Aka then presented economic forecasts for the U.S. (produced by IHS Markit ("IHS")) and Delaware (developed by the Department of Finance). After reviewing the IHS assumptions, Mr. Aka mentioned the recent build up in inflation. He noted that the preferred inflation measure of the Federal Reserve, the core personal consumption expenditures, has been stable for more than 2 decades.

Mr. Aka said the combination of extended fiscal and monetary stimulus, base effects, and disrupted supply chains have led to inflationary pressure. After describing price hikes in specific sectors such as materials, consumer and industrial, he noted that some analysts expected long-lasting inflation while others (e.g., the Federal Reserve) expected inflation to be transitory.

Mr. Aka said in the event of permanent inflation, a gradual interest hike by the Federal Reserve might not lead to an economic contraction. However, a sharp, sudden hike, usually a sign that the Fed has fallen behind the curve, could devastate the overall economy, stock market, consumer spending, and corporate profits.

Turning to national and Delaware economic forecasts, Mr. Aka said the outlook was brighter in May than the positive outlook discussed in March. As an example, he said corporate profit is expected to surge by 24% this fiscal year, the highest growth since fiscal year 2010 if realized, almost doubling the 13% growth that had been expected in March.

Meanwhile, real U.S. GDP growth is expected at 1.7% in FY 21 and 6.7% in FY22, compared with 1.4% and 5.5% respectively in March. Delaware's wages and salaries are expected to grow by almost 9% next year, the largest growth since FY 1989 when it was almost 11%. On the other hand, the State's employment growth is unchanged at -2%.

Mr. Roose began the revenue presentation by reminding DEFAC members that past May and June meetings usually relied on tracking but comparisons to FY 2020 have been distorted by the pandemic and resulting Federal policies.

Mr. Roose stressed that April and May 2020 were unique with the closure of casinos and significant declines in several revenue categories. In addition, delayed due dates in 2020 have also introduced distortions, and so has the fact that this year's final payments due date was postponed to May 17. Mr. Roose said comparisons to FY 2019 have been used in some instances.

General Fund Revenues - Fiscal Year 2021:

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

Revenue Category	Mar-21	May-21	Change
Personal Income Tax	1,981.6	2,058.0	76.4
Franchise Tax	1,052.0	1,092.0	40.0
Corporation Income Tax	215.8	252.8	37.0
Unclaimed Property Refunds	(110.0)	(140.0)	(30.0)
Realty Transfer Tax	213.3	235.8	22.5
Gross Receipts Tax	263.5	283.6	20.1
CIT Refunds	(70.0)	(50.0)	20.0
PIT Refunds	(249.2)	(229.3)	19.9
Dividends and Interest	83.6	68.3	(15.3)
Corporate Fees	133.4	142.5	9.1
Lottery	206.0	210.9	4.9
Franchise Tax Refunds	(10.0)	(12.0)	(2.0)
Other Revenues	55.4	53.7	(1.7)
Insurance Taxes	88.9	87.5	(1.4)
Public Utility Tax	33.5	34.5	1.0
Hospital Board and Treatment	22.4	21.5	(0.9)

For a complete listing of FY 2021 estimates, see Table 2.

Discussion of FY 2021 Estimates:

Personal Income Tax (PIT) Less Refunds: Mr. Roose recommended an increase in the estimate by \$96.3 million.

Mr. Roose said withholding has shown steady acceleration over the last 8 months, from a single digit decline late last summer to 14.2% growth from early April through last week. He said that hitting the recommended FY 2021 estimate of \$1,440 million would require a 15.7% growth in withholding for May and June,

which is achievable given the strong economy and favorable comparisons with last year. Making a comparison to FY 2019, Mr. Roose said reasonable growth of 5% a year from May and June 2019 to May and June 2021 would hit the estimate.

Mr. Roose said estimated payments rose 16.4% fiscal year to date after adjusting for delayed due dates. This followed 9% growth for third-quarter payments and 18% for the fourth quarter. Meeting the estimate will require growth of 49% for the rest of the year. Mr. Roose said much of May revenue has been collected and that achieving 50% growth for June is not unreasonable given favorable year-over-year comparisons and strong economic reports after June 2020.

After displaying a series of graphs on final payments, Mr. Roose concluded that the average final payment this year is showing strong growth over last year. He noted that 2018 represented the last normal season for comparison and indicated that this year's filing looks to have been strong, something that will be known with certainty by the end of the week. As a result, Mr. Roose recommended writing up the final payment estimates by \$33.4 million. He also recommended a \$20 million reduction to refunds.

According to Mr. Roose, should this filing season turn out to be strong, then the two significant risks to the PIT forecast highlighted at the March meeting—i.e., remote work and deductibility of expenses from forgiven Payroll Protection Program (PPP) loan—might not be as severe as previously feared.

Mr. Ratledge asked whether the higher FY 2023 estimate for Net PIT assumes an increase in the labor force instead of the declining trend. Mr. Roose replied that upper income growth, a major driver of the personal income tax, is expected to continue in the medium term. He also added that FY 2023 is more than a year away.

Mr. Ratledge asked about the proportion of taxes paid by the upper end. Mr. Geisenberger replied that 10.5% of taxpayers account for 48% of personal income tax. Mr. Ratledge said the proportion was close to the national level.

In response to a question from Mr. Short, Mr. Roose said the hospitality sector was one of the hardest hit across the country but also one of the lowest paid. As a result, the hit to revenue from that industry was muted. As workers return to the hospitality sector, the positive contribution to revenue might not be significant either.

Corporate Franchise Tax (CFT) Less Refunds: Mr. Roose recommended an increase in the estimate by \$38 million.

Mr. Knight said the increase in the estimate is partly due to strong growth of medium-sized companies, as there was not much growth from Tier 1 and Tier 2 firms. In addition, increases in gross assets, growth in formation, and increased compliance have also benefitted the revenue category. Mr. Knight said the State has been home to all the 91 U.S. IPOs to date.

Mr. Ratledge asked whether bankruptcy data for companies incorporated in Delaware are compiled by the Department of State (DOS). Mr. Knight replied that DOS does track bankruptcy although some of the information may not be timely.

Gross Receipts Tax (GRT): Mr. Roose recommended an increase in the estimate by \$20.1 million.

Mr. Roose said the rising oil prices for the past 8 weeks will provide support to the revenue category going forward. In addition, a pick up in inflation will also support gross receipts tax growth over the longer term.

Mr. Roose noted the strong acceleration in growth for the largest subsectors, on the back of favorable year-over-year comparisons and strength in the overall economy. In particular, general retailers (the third largest sector) was up 10% over the past three months after a 6% decline in first part of year. Meanwhile, growth of two large sectors, general wholesalers and services, has also accelerated strongly after posting declines approaching 20% in the first half of the year.

Corporate Income Tax (CIT) Less Refunds: Mr. Roose recommended an increase in the estimate by \$57 million.

Mr. Roose said April 2021 was one of the best for both final payments and first-quarter estimated payments. After noting strong growth in receipts from healthcare, finance and home building businesses, Mr. Roose mentioned the very strong corporate profit growth predicted by IHS for the current fiscal year. He also recommended a decrease to the refund estimate by \$20 million, given more certainty about the amounts that are expected to be refunded by June 30.

Realty Transfer Tax (RTT): Mr. Roose recommended an increase in the estimate by \$22.5 million.

Mr. Roose said the lowest monthly growth since last summer was 22% in December and that some months have seen more than 50% growth. He mentioned that February to May has posted record collections that were last seen in 2005 at the peak of the housing bubble. May receipts are known and sent by the counties. Mr. Roose said the expected June collection assumes that the year to date growth of 50% will continue over last June.

Dividends and Interest: Mr. Roose recommended a decrease in the estimate by \$15.3 million.

Ms. Davis attributed the lower estimate to investment managers holding on unrealized gains and securities, given uncertainty around future interest rates and current low reinvestment opportunities. She indicated that the new estimate of \$68.3 million is still a record high.

Lottery: Mr. Roose recommended an increase in the estimate by \$4.9 million.

Mr. Roose attributed the increase to a run up of the Mega Millions jackpot in addition to a strong Video performance, which is expected to increase by \$4.1 million this year.

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

Mr. Roose noted an increase in claims, owing to a small number of very large claims that are likely to be paid out before June 30.

Other changes were attributed to tracking.

FY 2021 Estimate Adopted:

A motion was made, seconded and approved to accept \$5,259.5 million as the revenue estimate for FY 2021. The estimate represents an increase of \$199.6 million from the March estimate. The adjusted growth rate is 11%.

General Fund Revenues - Fiscal Year 2022:

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

Revenue Category	Mar-21	May-21	Change
Personal Income Tax	1,938.6	2,001.2	62.6
Franchise Tax	1,052.0	1,113.8	61.8
PIT Refunds	(251.9)	(223.6)	28.3
Corporation Income Tax	189.3	214.9	25.6
Realty Transfer Tax	193.3	213.7	20.4
Limited Partnerships & LLC's	379.6	398.6	19.0
Unclaimed Property	525.0	540.0	15.0
Corporate Fees	133.4	142.5	9.1
Dividends and Interest	28.6	19.6	(9.0)
Lottery	215.6	220.0	4.4
Insurance Taxes	76.5	78.7	2.2
Public Utility Tax	32.0	31.0	(1.0)
Other Revenues	59.5	60.4	0.9
Hospital Board and Treatment	22.7	21.8	(0.9)

For a complete listing of FY 2022 estimates, see Table 2.

Discussion of FY 2022 Estimates:

Corporate Franchise Tax (CFT) Less Refunds: Mr. Roose recommended an increase in the estimate by \$61.8 million.

Mr. Knight said that FY 2021 has been strong, and growth seen for the ongoing fiscal year is not sustainable. Consequently, the adjusted growth shows a deceleration from almost 16% in FY 2021 to 2.2% in FY 2022.

Limited Partnerships and LLCs: Mr. Roose recommended an increase in the estimate by \$19 million.

Mr. Knight had said during the Revenue Subcommittee meeting that strong formation growth in the first quarter has led to an increase in the growth rate of the revenue category for FY 2022.

Gross Receipts Tax (GRT): Mr. Roose did not recommend any change in the estimate.

Mr. Roose attributed the 2.5% decline in FY 2022 to easing pent up demand and waning impact of stimulus payments.

Unclaimed Property: Mr. Roose recommended an increase in the estimate by \$15 million.

Despite the increase Mr. Roose noted the new estimate (\$540 million) is still

below the cap of \$554 million.

Other changes reflected the carrying forward of changes made in FY 2021.

FY 2022 Estimate Adopted:

A motion was made, seconded and approved to accept \$5,151.9 million as the revenue estimate for FY 2022. The estimate represents an increase of \$238.4 million from the March estimate. The adjusted growth rate is 1.5%.

FY 2020-22 General Fund Forecast: Mr. Roose showed that for the 3 years spanning FY 2020 to FY 2022, the forecast made in May 2021 (i.e., almost \$15 billion) is \$429.2 million higher than the one made in December 2019, prior to the pandemic.

Mr. Roose said the entirety of the increase can be traced to increases in the Corporate Franchise Tax and Realty Transfer Tax. He added that the personal income tax forecast for this period is now back to where it was in December 2019.

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. Bonini about whether the General Fund forecasts can still be further revised up significantly in June, Mr. Roose said the forecasts have accounted for all relevant issues and concerns, although questions remain as to how strong the filing season actually was.

Resuming his presentation, Mr. Roose showed a series of graphs pertaining to adjusted growth rates. In one chart, actual and adjusted net personal income growth rates are displayed for FY 2018-23: while the actual growth line shows large changes every year (e.g., from -5% in FY 2020 to almost 25% a year later), the adjusted growth line—which accounts for all State and Federal tax law changes and administrative actions—is more stable at around 5%.

The relative stability of the adjusted growth rate (when compared to actual growth) is also displayed in another chart showing growth in General Fund revenue excluding Unclaimed Property. Mr. Roose said that revenue expected from underlying economic activity (adjusted growth) is less volatile than actual collections.

Finally, Mr. Roose showed a chart displaying the unadjusted growth in General Fund revenue since 1996. He showed that the strongest growth during that period occurred in

FY 2021 and noted that General Fund revenues have been quite volatile over the past few decades. Mr. Roose reminded DEFAC members that this volatility was a large part of the reason the budget benchmark index was created.

Transportation Trust Fund (TTF):

TTF -- Expenditures: Mr. Motyl presented the Transportation Trust Fund's expenditure forecast.

State Operations Expenditure: There was no change from the March estimate of \$313.2 million.

State Capital Expenditure: There was no change from the March estimate of \$376.7 million.

Federal Capital Expenditure: There was no change from the March estimate of \$285.3 million.

U.S. 301 Capital Expenditure: Decreased from \$33.0 million in March to \$23.7 million.

Mr. Motyl said spending worth \$9.3 million was removed from this year's estimate and added to next year's estimate, as some contracts are likely to be finalized early next year.

A motion was made, seconded, and approved to accept \$998.9 million as the FY 2021 TTF expenditure estimate. The estimate represents a decrease of \$9.3 million from the March estimate (See Table 4.)

Before the presentation of the Transportation Trust Fund's revenue forecast, Mr. Houghton said that Mr. Motyl will be retiring on June 1st after 22 years of exemplary public service and 15 years presenting at DEFAC meetings. Mr. Motyl received a round of (virtual) applause.

TTF -- Revenues: Mr. Motyl presented the Transportation Trust Fund's revenue forecast.

FY 2021 Estimates:

The following changes were made from the March estimates.

Toll Road Revenues: There was no change from the March estimate of \$172.0 million.

Motor Fuel Tax Administration: There was no change from the March estimate of \$132.6 million.

Division of Motor Vehicles: Increased from \$220.4 million in March to \$236.0 million.

Mr. Motyl attributed the increase to recommended increases in the Document Fees and Registration Fees categories. The estimate for Document Fees has been raised by \$13 million, to \$135 million.

Mr. Motyl said the category is actually tracking to \$137 million but he did not expect collections for May and June to be as strong as in February and March due to lower pent up demand and decline in new vehicle sales.

Meanwhile, the estimate for Registration Fees has been raised by \$2.6 million due to tracking and improved vehicle sales outlook.

Other Transportation Revenues: Decreased from \$17.0 million in March to \$15.0 million.

Mr. Motyl said the decline is due to steady decreases in investment earnings, along with decreases in account balance due to spending of bond proceeds.

U.S. 301 Revenues: There was no change from the March estimate of \$21.0 million.

A motion was made, seconded, and approved to accept \$576.6 million as the FY 2021 TTF revenue estimate. The estimate represents an increase of \$13.6 million from the March estimate.

FY 2022 Estimates:

The following changes were made from the March estimates.

Toll Road Revenues: There was no change from the March estimate of \$185.7 million.

Motor Fuel Tax Administration: There was no change from the March estimate of \$139.7 million.

Division of Motor Vehicles: Increased from \$228.2 million in March to \$232.3 million.

Other Transportation Revenues: Decreased from \$17.5 million in March to

\$15.5 million.

U.S. 301 Revenues: There was no change from the March estimate of \$23.4 million.

A motion was made, seconded, and approved to accept \$596.6 million as the FY 2022 TTF revenue estimate. The estimate represents an increase of \$2.1 million from the March estimate (See Table 5.)

Other Business:

FY 22 Budget Benchmark: Ms. Marlin said DEFAC has been working under Executive Order Number 21 since June 2018 and is in charge of calculating the budget benchmark index, the benchmark appropriation and the resulting extraordinary revenue or shortfall. The calculation of the benchmark is based on personal income growth, population growth, and an inflation measure for state and local government purchases. Ms. Marlin noted that the population data is from the Delaware Population Consortium, not from the latest Census data.

Ms. Marlin said the index for FY 2022 is 4.4%. It stood at 3.5% in December 2020 and 4.0% in May 2020. She also said both the personal income and price deflator forecasts have changed between December 2020 and May 2021. Personal income has been affected by the government stimulus payments while the price deflator has risen steadily over the past few quarters.

Based on a 4.4% index, the FY 2022 benchmark appropriation is calculated to be \$4,849.5 million and the resulting extraordinary revenues at \$1,057.1 million.

For budget and planning purposes Ms. Marlin also derived the Budget Stabilization Fund (BSF). She said that the amount currently set aside by the legislature is \$63.1 million and that the increment to the Budget Stabilization Fund is \$780.6 million. As a result, the total BSF amounts to \$843.7 million.

Mr. Geisenberger said he did not expect such a large shift in the index between December and May and that this will translate into more money available for the base budget. Mr. Cade agreed.

A motion was made, seconded, and approved to accept the budget benchmark index of 4.4%.

CY 2022 Healthcare Spending Benchmark: Ms. Marlin said the DEFAC health care spending benchmark was discussed at the April meeting of the Healthcare Spending Benchmark Subcommittee. She added that the benchmark is set using the Potential Gross

State Product (PGSP) for CY 2020-23. The PGSP components utilize forecasts that project growth for 5-10 years to avoid volatility with current year data.

Ms. Marlin said the new benchmark would be 3.2% based on the most recent data, which would be higher than the 3.0% set in Executive Order 25. She added the Healthcare Spending Benchmark Subcommittee determined the impact was not material and maintained the benchmark of 3.0% for CY 2022.

A motion was made, seconded, and approved to accept the healthcare spending benchmark of 3.0% for CY 2022.

Mr. Houghton reflected on the history of DEFAC, which was created by Governor Pete du Pont who died on May 8. He said that Governor du Pont was an extraordinary Delawarean and leader. Mr. Houghton also said the Governor established an apolitical council (DEFAC) by executive order in 1977 during a period of extreme uncertainty and significant changes. He noted the extraordinary services provided by the late Governor.

Ms. Cook said she was privileged to serve all 8 years with Governor du Pont. She said the beginning years were rough but positive relationships were later built on behalf of the State. Ms. Cook said the State, not politics came first. She believed the biggest impact on the General Assembly during that period was the legislation creating the 98% rule and the Rainy Day Fund. That legislation and the establishment of DEFAC replaced the tradition of setting revenue and expenditure numbers in caucuses. Ms. Cook said Governor du Pont was a great gentleman.

Mr. Swayze echoed Ms. Cook. He said the du Pont period was the beginning of high-water mark in cooperative government for Delaware. He also said that changes made to the constitution brought about positive economic controls that have benefitted the State for over 4 decades.

Mr. Houghton announced the next scheduled DEFAC meeting dates:

- Friday, June 18, 2021

There being no further business, Mr. Houghton adjourned the meeting at 2:56 p.m.

Respectfully submitted,

Arsene Aka

Table 1b.

DEFAC Expenditures Forecast for General Fund Disbursements FY2021 (\$ in millions)																								
May 17, 2021																								
	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2021	FY2021	Difference	% change	Annual Avg.	FY2021 YTD	% spent	% of	% of	% of	% of	% of						
	Actual	Actual	Actual	Actual	Actual	Dec	Mar	May	'21 vs. '20	'21 vs. '20	2020 vs. '15	(actual 04/30/21)	(actual 04/30/21)	FY2020	FY2019 total	FY2018 total	FY2017 total	FY2016 total						
Salaries	1,361.8	1,402.9	1,421.1	1,499.9	1,558.6	1,589.9	1,591.6	1,591.6	33.0	2.1%	3.17%	1,360.7	35.5%	34.5%	34.1%	34.5%	34.2%	34.8%						
Fringe Benefits	453.7	480.5	479.6	494.4	506.1	517.2	516.1	516.1	10.0	2.0%	2.61%	431.9	11.3%	11.2%	11.3%	11.6%	11.7%	11.6%						
Health Care	334.1	359.0	357.9	362.6	369.0	375.9	375.3	375.3	6.3	1.7%	2.35%	311.7	8.1%	8.2%	8.3%	8.7%	8.7%	8.5%						
Other	119.6	121.5	121.7	131.8	137.1	141.3	140.8	140.8	3.7	2.7%	3.32%	120.2	3.1%	3.0%	3.0%	3.0%	3.0%	3.1%						
Pension	297.3	317.7	316.7	360.8	360.1	375.4	373.4	373.4	13.3	3.7%	4.66%	321.0	8.4%	8.0%	8.2%	7.7%	7.7%	7.6%						
Contribution	150.6	152.4	167.6	201.5	205.0	219.7	218.5	218.5	13.5	6.6%	7.73%	187.8	4.9%	4.5%	4.6%	4.1%	3.7%	3.8%						
Health Care	105.0	130.2	136.0	145.4	145.9	149.8	149.0	149.0	3.1	2.1%	7.25%	128.1	3.3%	3.2%	3.3%	3.3%	3.2%	2.7%						
Other	41.7	35.1	13.1	13.9	9.2	5.9	5.9	5.9	(3.3)	-36.2%	-32.46%	5.0	0.1%	0.2%	0.3%	0.3%	0.9%	1.1%						
Debt Service	169.4	179.0	187.2	183.9	184.1	186.0	186.0	186.0	1.9	1.0%	1.89%	188.0	4.9%	4.1%	4.2%	4.5%	4.4%	4.3%						
Grants	349.6	365.7	362.9	445.2	507.1	509.4	473.5	454.0	(53.1)	-10.5%	5.37%	362.7	9.5%	11.2%	10.1%	8.8%	8.9%	8.9%						
Medicaid	689.1	739.7	750.2	733.4	702.0	749.8	731.2	731.2	29.2	4.2%	1.19%	599.0	15.6%	15.6%	16.7%	18.2%	18.0%	17.6%						
Contractual Services	513.6	537.6	526.1	589.0	600.5	651.0	640.5	620.3	19.8	3.3%	3.85%	502.6	13.1%	13.3%	13.4%	12.8%	13.1%	13.1%						
Supplies & Materials	66.9	68.7	61.9	69.3	64.7	56.4	56.4	56.4	(8.3)	-12.8%	-3.36%	49.6	1.3%	1.4%	1.6%	1.5%	1.7%	1.7%						
Capital Outlay	12.3	14.3	12.4	18.5	30.6	17.8	17.8	17.8	(12.8)	-41.8%	7.67%	15.0	0.4%	0.7%	0.4%	0.3%	0.3%	0.3%						
FY Budgetary Expenditures	3,913.7	4,106.1	4,118.1	4,394.3	4,513.9	4,652.9	4,586.5	4,546.8	32.9	0.7%	3.04%	3830.5	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%						
Comments:																								

Table 1c.

DEFAC Expenditures Forecast for General Fund Disbursements FY2022-2025 (\$ in millions)																	
<u>May 17, 2021</u>																	
	FY2004	FY2010	FY2011	FY2012	FY2013	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025		
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	May	May	May	May			
Salaries	971.6	1154.7	1200.1	1,277.4	1,285.6	1,361.8	1,402.9	1,421.1	1,499.9	1,558.6	1,591.6	1,633.6	1,685.3	1,738.7	1,793.8		
Fringe Benefits	233.3	330.9	365.4	379.5	379.0	453.7	480.5	479.6	494.4	506.1	516.1	524.3	538.0	552.1	566.6		
Health Care		218.9	253.0	260.6	261.7	334.1	359.0	357.9	362.6	369.0	375.3	379.4	388.3	397.5	406.8		
Other		112.0	112.4	118.9	117.3	119.6	121.5	121.7	131.8	137.1	140.8	144.9	149.7	154.7	159.8		
Pension	127.8	196.7	222.2	252.9	271.9	297.3	317.7	316.7	360.8	360.1	373.4	382.0	408.4	437.6	469.5		
Contribution				124.9	141.0	150.6	153.7	167.6	201.5	205.0	218.5	223.6	240.9	259.5	279.5		
Health Care				109.1	108.5	105.0	131.3	136.0	145.4	145.9	149.0	152.5	163.5	175.4	188.1		
Other				18.9	22.4	41.7	32.7	13.1	13.9	9.2	5.9	6.0	4.0	2.7	1.8		
Debt Service	134.3	174.3	169.5	144.4	144.8	169.4	179.0	187.2	183.9	184.1	186.0	207.7	211.6	215.6	219.7		
Grants	224.2	276.6	327.3	364.0	372.8	349.6	365.7	362.9	445.2	507.1	454.0	580.0	611.1	643.9	678.5		
Medicaid	327.2	428.6	466.2	637.3	637.0	689.1	739.7	750.2	733.4	702.0	731.2	833.0	842.9	853.0	863.2		
Contractual Services	223.9	435.7	434.5	455.1	484.0	513.6	537.6	526.1	589.0	600.5	620.3	720.2	747.9	776.7	806.6		
Supplies & Materials	62.1	58.9	59.1	65.5	63.7	66.9	68.7	61.9	69.3	64.7	56.4	58.8	56.8	54.9	53.1		
Capital Outlay	<u>42.9</u>	<u>20.1</u>	<u>26.4</u>	<u>16.3</u>	<u>19.6</u>	<u>12.3</u>	<u>14.3</u>	<u>12.4</u>	<u>18.5</u>	<u>30.6</u>	<u>17.8</u>	<u>17.8</u>	<u>19.2</u>	<u>20.6</u>	<u>22.2</u>		
FY Budgetary Expenditur	2,347.3	3,076.5	3,270.7	3,592.5	3,658.5	3,913.7	4,106.1	4,118.1	4,394.3	4,513.9	4,546.8	4,957.4	5,121.4	5,293.2	5,473.1		

Recommended by Expenditures Subcommittee;
 May 17, 2021

Table 1c.

Comments:															
Forecast FY2023-FY2025 is based on the annual average growth rate for each category FY2016-FY2021(May Estimate).															
OMB General Assumptions FY2022 Forecast															
The FY2022 spend took the following into consideration:															
1. FY2022 Operating budget \$4,688.0M															
2. FY2022 Grant in Aid budget 55.5M															
3. FY2022 One Time Supplemental budget \$35.7M															
4. FY2022 Bond Bill Cash projects \$260.5M															
5. Continuing Funds from Cash Projects and One Time funds (FY19/FY20)															
Salary -															
No salary policy increases															
Includes \$22.5M for Steps/CBAs															
Includes \$19.0M for Unit Count growth															
Fringe Other/Fringe Healthcare/Pension -															
No changes projected; impact is from Steps/CBAs/Unit Count growth															
Debt Service -															
Increased \$18.7 for existing and new debt															
Grants -															
Includes \$55.5M Grant in Aid budget															
Includes \$74.5M spend for continued cash projects and funding to UD and Housing															
Includes \$55M spend from the FY22 Bond Bill cash projects estimated at 35% spend rate in first year															
Medicaid -															
Projected using state share at 35.4% in conjunction with the increased level of Eligible participants															
Contractual Services -															
Includes \$89.9M spend from the continued cash projects and additional spend Elder Tax, CHIP, Officer Behavioral Health, Academic Excellence, School Transportation															
Includes \$21.7M spend from the FY22 Bond Bill cash projects estimated at 35% spend rate in first year															
Supplies -															
Projected with same trend as FY21 spend															
Capital -															
Projected with same trend as FY21 spend															

Table 2. DEFAC General Fund Revenue Worksheet

<i>May-21 DEFAC Meeting</i>	FY 2020	FY 2021				
	A Actual Collections	B DEFAC Mar-21	C % B over A	D DEFAC May-21	E % D over A	F \$ Increase D over B
Revenue Category						
Personal Income Tax	1,666.2	1,981.6	18.9%	2,058.0	23.5%	76.4
Less: Refunds	<u>(194.0)</u>	<u>(249.2)</u>	28.4%	<u>(229.3)</u>	18.2%	<u>19.9</u>
PIT Less Refunds	1,472.1	1,732.4	17.7%	1,828.7	24.2%	96.3
Franchise Tax	957.7	1,052.0	9.8%	1,092.0	14.0%	40.0
Limited Partnerships & LLC's	345.1	379.6	10.0%	379.6	10.0%	0.0
Subtotal Franchise + LP/LLC	1,302.8	1,431.6	9.9%	1,471.6	13.0%	40.0
Less: Refunds	<u>(12.0)</u>	<u>(10.0)</u>	-16.9%	<u>(12.0)</u>	-0.3%	<u>(2.0)</u>
Net Franchise + LP/LLC	1,290.7	1,421.6	10.1%	1,459.6	13.1%	38.0
Business Entity Fees	127.0	133.4	5.0%	142.5	12.2%	9.1
Uniform Commercial Code	25.6	25.6	0.0%	25.6	0.0%	0.0
Unclaimed Property	554.0	554.0	0.0%	554.0	0.0%	0.0
Less: Refunds	(109.8)	(110.0)	0.2%	(140.0)	27.5%	(30.0)
Unclaimed Prop Less Refunds	444.2	444.0	0.0%	414.0	-6.8%	(30.0)
Gross Receipts Tax	253.8	263.5	3.8%	283.6	11.7%	20.1
Lottery	177.4	206.0	16.1%	210.9	18.9%	4.9
Corporation Income Tax	160.0	215.8	34.9%	252.8	58.0%	37.0
Less: Refunds	<u>(43.5)</u>	<u>(70.0)</u>	60.9%	<u>(50.0)</u>	14.9%	<u>20.0</u>
CIT Less Refunds	116.5	145.8	25.2%	202.8	74.1%	57.0
Realty Transfer Tax	166.2	213.3	28.4%	235.8	41.9%	22.5
Cigarette Taxes	119.2	111.2	-6.7%	111.2	-6.7%	0.0
Bank Franchise Tax	80.9	72.7	-10.1%	72.7	-10.1%	0.0
Insurance Taxes and Fees	76.4	88.9	16.4%	87.5	14.5%	(1.4)
Hospital Board and Treatment	26.3	22.4	-14.9%	21.5	-18.3%	(0.9)
Public Utility Tax	35.8	33.5	-6.3%	34.5	-3.5%	1.0
Alcoholic Beverage Tax	25.2	31.9	26.6%	31.9	26.6%	0.0
Dividends and Interest	47.1	83.6	77.4%	68.3	45.0%	(15.3)
Other Revenues	61.4	55.4	-9.8%	53.7	-12.6%	(1.7)
Less: Other Refunds	<u>(20.0)</u>	<u>(25.3)</u>	26.5%	<u>(25.3)</u>	26.5%	0.0
Net Receipts	4,525.8	5,059.9	11.8%	5,259.5	16.2%	199.6

Adj Growth Rate

11.0%

Table 2. DEFACT General Fund Revenue Worksheet

May-21 DEFACT Meeting	FY 2022					FY 2023				
	G DEFACT Mar-21	H % G over B	I DEFACT May-21	J % I over D	K \$ Increase I over G	L DEFACT Mar-21	M % L over G	N DEFACT May-21	O % L over I	P \$ Increase N over L
Revenue Category										
Personal Income Tax	1,938.6	-2.2%	2,001.2	-2.8%	62.6	2,003.8	3.4%	2,093.4	4.6%	89.6
Less: Refunds	<u>(251.9)</u>	1.1%	<u>(223.6)</u>	-2.5%	<u>28.3</u>	<u>(254.4)</u>	1.0%	<u>(225.8)</u>	1.0%	<u>28.6</u>
PIT Less Refunds	1,686.7	-2.6%	1,777.6	-2.8%	90.9	1,749.4	3.7%	1,867.6	5.1%	118.2
Franchise Tax	1,052.0	0.0%	1,113.8	2.0%	61.8	1,018.0	-3.2%	1,018.0	-8.6%	0.0
Limited Partnerships & LLC's	379.6	0.0%	398.6	5.0%	19.0	392.3	3.3%	392.3	-1.6%	0.0
Subtotal Franchise + LP/LLC	1,431.6	0.0%	1,512.4	2.8%	80.8	1,410.3	-1.5%	1,410.3	-6.8%	0.0
Less: Refunds	<u>(10.0)</u>	0.0%	<u>(10.0)</u>	-16.7%	<u>0.0</u>	<u>(10.0)</u>	0.0%	<u>(10.0)</u>	0.0%	<u>0.0</u>
Net Franchise + LP/LLC	1,421.6	0.0%	1,502.4	2.9%	80.8	1,400.3	-1.5%	1,400.3	-6.8%	0.0
Business Entity Fees	133.4	0.0%	142.5	0.0%	9.1	135.8	1.8%	135.8	-4.7%	0.0
Uniform Commercial Code	26.2	2.3%	26.2	2.3%	0.0	26.7	1.9%	26.7	1.9%	0.0
Unclaimed Property	525.0	-5.2%	540.0	-2.5%	15.0	500.0	-4.8%	500.0	-7.4%	0.0
Less: Refunds	<u>(110.0)</u>	0.0%	<u>(110.0)</u>	-21.4%	<u>0.0</u>	<u>(110.0)</u>	0.0%	<u>(110.0)</u>	0.0%	<u>0.0</u>
Unclaimed Prop Less Refunds	415.0	-6.5%	430.0	3.9%	15.0	390.0	-6.0%	390.0	-9.3%	0.0
Gross Receipts Tax	276.4	4.9%	276.4	-2.5%	0.0	291.0	5.3%	291.0	5.3%	0.0
Lottery	215.6	4.7%	220.0	4.3%	4.4	217.6	0.9%	222.0	0.9%	4.4
Corporation Income Tax	189.3	-12.3%	214.9	-15.0%	25.6	190.2	0.5%	216.0	0.5%	25.8
Less: Refunds	<u>(70.0)</u>	0.0%	<u>(70.0)</u>	40.0%	<u>0.0</u>	<u>(70.0)</u>	0.0%	<u>(70.0)</u>	0.0%	<u>0.0</u>
CIT Less Refunds	119.3	-18.2%	144.9	-28.6%	25.6	120.2	0.8%	146.0	0.8%	25.8
Realty Transfer Tax	193.3	-9.4%	213.7	-9.4%	20.4	183.6	-5.0%	203.0	-5.0%	19.4
Cigarette Taxes	112.4	1.1%	112.4	1.1%	0.0	108.3	-3.6%	108.3	-3.6%	0.0
Bank Franchise Tax	85.7	17.9%	85.7	17.9%	0.0	87.5	2.1%	87.5	2.1%	0.0
Insurance Taxes and Fees	76.5	-13.9%	78.7	-10.1%	2.2	88.6	15.8%	90.8	15.4%	2.2
Hospital Board and Treatment	22.7	1.3%	21.8	1.4%	(0.9)	22.9	0.9%	22.0	0.9%	(0.9)
Public Utility Tax	32.0	-4.5%	31.0	-10.1%	(1.0)	30.8	-3.8%	30.8	-0.6%	0.0
Alcoholic Beverage Tax	27.9	-12.5%	27.9	-12.5%	0.0	28.3	NA	28.3	1.5%	0.0
Dividends and Interest	28.6	-65.8%	19.6	-71.3%	(9.0)	31.6	10.5%	21.7	10.7%	(9.9)
Other Revenues	59.5	7.4%	60.4	12.5%	0.9	61.3	3.0%	62.3	3.1%	1.0
Less: Other Refunds	<u>(19.3)</u>	-23.7%	<u>(19.3)</u>	-23.7%	0.0	<u>(19.4)</u>	0.5%	<u>(19.4)</u>	0.5%	0.0
Net Receipts	4,913.5	-2.9%	5,151.9	-2.0%	238.4	4,954.5	0.8%	5,114.7	-0.7%	160.2

Adj Growth Rate

1.5%

-1.5%

Table 3. Balance and Appropriations Worksheet

May-21

FY 2021 EXPENDITURES

Total Spending Authority	\$5,068.2
Less: Continuing Appropriations & Encumbrances from FY 2021	(\$481.4)
Less: Reversions	<u>(\$40.0)</u>
Total Expenditures	\$4,546.8

FY 2021 BALANCES

Total Expenditures	\$4,546.8
vs. FY 2021 Revenues	5,259.5
Operating Balance	712.7
Prior Year Cash Balance	959.4
Less: Budget Stabilization Fund (82 Del Law c 64; HB 225, Section 77)*	<u>(\$63.1)</u>
Cumulative Cash Balance	1,609.0
Less: Continuing Appropriations & Encumbrances from FY 2021	(481.4)
Less: Budgetary Reserve Account	<u>(\$252.4)</u>
Unencumbered Cash Balance 6/30	\$875.2

FY 2022 APPROPRIATION LIMITS

FY 2022 Revenue Estimate	\$5,151.9
Unencumbered Cash Balance from FY 2021	<u>\$875.2</u>
100% Appropriation Limit	\$6,027.1
98% Appropriation Limit	<u>\$5,906.6</u>
Prior 98% Appropriation Limit	\$5,477.3
Increase (Decrease) from Prior Meeting	\$429.3
Oct. 2020 98% Appropriation Limit	\$4,952.8
Increase (Decrease) from October 2020	\$953.8

FY 2021 BUDGET

Budget	\$4,547.0
Grants	\$54.5
Supplemental	\$35.4
Total Appropriations	\$4,636.9
Plus: Continuing Appropriations & Encumbrances from Prior Years	<u>\$431.3</u>
Total Spending Authority	\$5,068.2

Table 4.

Delaware Department of Transportation											
FY 2021 Expenditures, Through April 30, 2021											
	FY2019 Actual	FY2020 Actual	FY2021 Appropriation	OCTOBER FY2021 Forecast	DECEMBER FY2020 Forecast	MARCH FY2020 Forecast	MAY FY2021 Forecast	\$ difference March to MAY	\$ difference Forecast V. FY2020 Actual	FY2021 YTD Spend	83% % spent YTD
Operations			<u>w/o US301</u>								
Debt Service	94.5	91.5	95.2	93.6	93.6	93.6	93.6	0.0	2.1	93.6	100%
Personnel Costs	96.9	102.3	103.1	103.1	103.1	103.1	103.1	0.0	0.8	86.5	84%
Operations/Capital Outlay	64.4	59.7	69.9	69.9	69.9	69.9	69.9	0.0	10.2	56.4	81%
Transit Operations (DTC)	<u>93.2</u>	<u>94.8</u>	<u>46.6</u>	<u>46.6</u>	<u>46.6</u>	<u>46.6</u>	<u>46.6</u>	<u>0.0</u>	<u>(48.2)</u>	<u>38.8</u>	<u>83%</u>
Total Expenditures - Operations	349.0	348.3	314.8	313.2	313.2	313.2	313.2	0.0	(35.1)	275.3	88%
State Capital											
Road System	202.6	254.8	249.7	249.7	249.7	256.1	256.1	0.0	1.3	209.9	82%
Grants & Allocations	30.6	37.4	35.2	35.2	35.2	35.2	35.2	0.0	(2.2)	27.0	77%
Support Systems	51.0	53.9	52.2	52.2	52.2	52.2	52.2	0.0	(1.7)	40.7	78%
Transit	<u>28.0</u>	<u>28.7</u>	<u>39.6</u>	<u>39.6</u>	<u>39.6</u>	<u>33.2</u>	<u>33.2</u>	<u>0.0</u>	<u>4.5</u>	<u>20.7</u>	<u>62%</u>
State Capital	312.2	374.8	376.7	376.7	376.7	376.7	376.7	0.0	1.9	298.3	79%
Federal Capital											
Federal Capital	215.7	278.5	285.3	285.3	285.3	285.3	285.3	0.0	6.8	228.8	80%
Total Expenditures - Capital	527.9	653.3	662.0	662.0	662.0	662.0	662.0	0.0	8.7	527.1	80%
TOTAL EXPENDITURES	876.9	1,001.6	976.8	975.2	975.2	975.2	975.2	0.0	(26.4)	802.4	82%

147.1

	OCTOBER FY2021 Forecast	DECEMBER FY2020 Forecast	MARCH FY2020 Forecast	MAY FY2021 Forecast	\$ difference December March	FY2021 YTD Spend	% spent YTD
DelDOT	975.2	975.2	975.2	975.2	\$ -	\$ 802.4	82%
US301	33.0	33.0	33.0	23.7	\$ (9.3)	\$ 12.8	54%
TOTAL	1,008.2	1,008.2	1,008.2	998.9	\$ (9.3)	\$ 815.2	82%

Table 5.

DELAWARE DEPARTMENT OF TRANSPORTATION Transportation Trust Fund Revenues									
	FY19	FY20	% Chg.	Fiscal 2021			Fiscal 2022		
				3/15/2021 Approved	5/17/2021 Recomm	% Chg. FY 20	3/15/2021 Approved	5/17/2021 Recomm	% Chg. FY 21
<u>TOLL ROAD REVENUES:</u>									
I95 Newark Plaza	\$134.9	\$114.3	-15.3%	\$114.1	\$114.1	-0.2%	\$124.3	\$124.3	8.9%
Route 1 Toll Road	62.5	54.2	-13.3%	\$56.4	\$56.4	4.0%	\$59.6	\$59.6	5.7%
Concessions	<u>2.4</u>	<u>1.9</u>	<u>-20.8%</u>	<u>\$1.5</u>	<u>\$1.5</u>	<u>0.0%</u>	<u>\$1.8</u>	<u>\$1.8</u>	<u>0.0%</u>
Total Toll Road Revenues	199.8	170.4	-14.7%	\$172.0	\$172.0	0.9%	\$185.7	\$185.7	8.0%
MOTOR FUEL TAX ADMIN.	144.7	138.7	-4.1%	\$132.6	\$132.6	(4.4%)	\$139.7	\$139.7	5.4%
<u>DIVISION OF MOTOR VEHICLES</u>									
Motor Vehicle Document Fees	119.8	113.6	-5.2%	\$122.0	\$135.0	18.8%	\$124.2	\$126.2	-6.5%
Motor Vehicle Registration Fees	58.1	53.8	-7.4%	\$58.4	\$61.0	13.3%	\$60.0	\$62.1	1.8%
Other DMV Revenues	<u>40.9</u>	<u>39.4</u>	<u>-3.7%</u>	<u>\$40.0</u>	<u>\$40.0</u>	<u>1.6%</u>	<u>\$44.0</u>	<u>\$44.0</u>	<u>10.0%</u>
Total DMV Revenues	218.8	206.8	-5.5%	\$220.4	\$236.0	14.1%	\$228.2	\$232.3	-1.6%
<u>OTHER TRANSPORTATION REV.</u>									
Other Transportation Rev	12.6	11.2	-11.1%	\$12.0	\$12.0	6.3%	\$12.5	\$12.5	4.2%
Investment Income(Net)	<u>5.5</u>	<u>5.9</u>	<u>7.3%</u>	<u>\$5.0</u>	<u>\$3.0</u>	<u>-49.3%</u>	<u>\$5.0</u>	<u>\$3.0</u>	<u>0.0%</u>
Total Other Transp. Revenue	18.1	17.1	-5.5%	\$17.0	\$15.0	-12.3%	\$17.5	\$15.5	3.3%
GRAND TOTAL	\$581.4	\$533.0	-8.3%	\$542.0	\$555.6	4.2%	\$571.1	\$573.2	3.2%
					\$13.6			\$2.1	
	FY19	FY20	% Chg.	Fiscal 2021			Fiscal 2022		
US301 Revenues	\$ 7.0	\$ 25.8	268.6%	\$ 21.0	\$ 21.0	0.00%	\$ 23.4	\$ 23.4	0.00%
TOTAL	\$ 588.4	\$ 558.8	-5.0%	\$ 563.0	\$ 576.6	3.2%	\$ 594.5	\$ 596.6	3.5%