

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

Hybrid Event – May 15, 2023

Attendance:

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

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

Members in Attendance: 29

Members Absent: 2

Others Present: K. Baranski, S. Becker, S. Bolden, E. Buckson, R. Byrd, R. Chase, L. Clymer, S. Constantino, B. DiVirgilio, C. Engelsiepen, L. Evans, J. Fedele, N. Freedman, A. Godfrey, R. Goldsmith, E. Hastings, T. Hawk, D. Haw-Young, J. Heller, C. Hudson, A. Jenkins, J. Johnstone, N. Kennedy, P. Kiefer, K. Knight, R. Larson, O. Lefkon, E. Lewis, J. Maddox, M. Marlin, B. Mayrack, K. Morris, E. Nestlerode, . Owens, B. Price, D. Roose, R. Scoglietti, J. Seemans, B. Short, D. Singh, J. Smith, S. Stowens, T. Strayer, K. Thomson, and K. Williams.

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 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 May. Meanwhile, the continuing estimate fell to \$1,610.7 million in May, from \$1,612.0 million in March. The resulting expenditure forecast for FY 2023 is \$5,793.1 million.

Mr. Ratledge also reviewed the Functional method. He noted that salary expenditures are up \$146.5 million over the prior year due to pay raises approved in the budget. Pension expenditures are up \$243.0 million over last year due to increased payments to retirees and efforts to reduce health care costs for retirees. Grants are up \$43.9 million over last year in FY 2023 due to the 2022 Relief Rebate Program. Medicaid expenditures are forecasted to be \$917.8 million in FY 2023. There was a detailed discussion on Medicaid eligible and expenditures during the Expenditure Subcommittee. The number of Medicaid eligibles stood at 319,899 in April 2023, up from 295,628 a year earlier and 235,415 in March 2020. In addition, the number of newly eligibles was 18,441 in April 2023, as opposed to 15,903 a year earlier and 10,790 in March 2020. Continuing on in the Functional method, Mr. Ratledge noted the \$113.3 million increase in Contractual Services over the prior year. Mr. Cade shared that school and state capital projects, as well as wages, are facing significant inflation, which will continue to impact future budget decisions. (See Table 1a and Table 1b for complete details).

A motion was made, seconded and approved to accept \$5,793.1 million as the Expenditure estimate for FY 2023. The estimate represents an increase of \$735.2 million from FY 2022 and an increase of \$1.3 million from the March estimate.

General Fund Expenditures - Fiscal Year 2024:

Mr. Ratledge reviewed the FY 2024 expenditure estimates, which total \$6,094.9 million. He noted a decrease in the estimates for salaries, fringe benefits and pension due to several one-time expenditures in FY 2023 not re-occurring in FY 2024, such as one-time payments to pensioners. Ms. Engelsiepen reiterated that the FY 2024 Grants expenditures would decrease since FY 2023 was boosted by the 2022 Relief Rebate Program. Medicaid is forecasted to increase from \$917.8 million in FY 2023 to \$1,018.0 million in FY 2024. Contractual Services is expected to increase from \$788.0 million to \$1,328.5 million.

Sen. Sokola inquired as to why the Pension – Health Care estimate for FY 2023 of \$270.4 million decrease to \$165.2 million in FY 2023. Ms. Engelsiepen did not have the answer, but would follow up with Sen. Sokola.

A motion was made, seconded and approved to accept \$6,094.9 million as the Expenditure estimate for FY 2024. The estimate represents an increase of \$301.8 million from FY 2023 and an increase of \$117.2 million from the March estimate.

Revenue Forecasts:

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

Economic Outlook

Mr. Roose reviewed the S&P Global US forecast, which calls for very soft growth in the near term; a recession is not out of the question. The forecast includes the assumption that Federal Reserve rate increases have ended. S&P had assumed the debt ceiling crisis would be resolved, but now assume mid-year dip in stock market due to lack of resolution will restrain growth, though there has been some progress over the past few days. Any potential resolution of the crisis is clearly a risk—2024 could see both tighter monetary policy and tighter fiscal policy depending on the resolution of the debt ceiling, which would create further headwinds.

In addition, inflation may be building into expectations, which heightens future inflation risks. Whether a recession occurs this year or not, it is probable there will be an extended period of below-trend growth. The Federal Reserve removed from its last statement that additional rate increases were anticipated, although recent developments may cause a rethink. The June meeting is a key factor for the path of the economy. Some risks are a little closer now than in March, but fundamentally there is very little change in S&P national forecast.

The Delaware outlook typically mirrors the national outlook, so it is also fundamentally unchanged. The only notable difference from the previous forecast is that wage growth is two percentage points stronger than in March due to data revisions, but total personal income is relatively unchanged due to revisions to other components. As this relates to past period, there is negligible effect on the revenue forecast. Delaware's economy will be slowing throughout the forecast period.

General Fund Revenues - Fiscal Year 2023:

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

Revenue Category	Mar-23	May-23	Change
Personal Income Tax	2,299.1	2,388.6	89.5
Corporation Income Tax	400.0	447.9	47.9
PIT Refunds	(256.2)	(297.5)	(41.3)
Franchise Tax	1,421.8	1,406.1	(15.7)
Dividends and Interest	40.4	28.9	(11.5)
Corporate Fees	167.4	159.4	(8.0)
Franchise Tax Refunds	(10.0)	(15.0)	(5.0)
Lottery	235.1	239.6	4.5
Uniform Commercial Code	31.0	28.9	(2.1)
Public Utility Tax	34.0	36.0	2.0
Other Refunds	(26.5)	(25.3)	1.2
Other Revenues	82.2	82.7	0.5

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

Discussion of FY 2023 Estimates:

Personal Income Tax (PIT) Less Refunds: Mr. Roose noted that final payments and refunds during the filing season were both much stronger than expected in March. Over \$230 million of final payments was in the door, well in excess of the March estimate of \$184 million. Accordingly, an upward revision of \$89.5 million was recommended based on typical processing patterns—still a decline of almost 30% for final payments this fiscal year. An upward revision to refunds is also recommended. The estimate would be \$76 million higher this fiscal year, for a net PIT increase of \$14 million, but growing pains with new income tax processing system pushes \$35 million of refunds into July.

Mr. Roose discussed the ratio of net settlements to gross payment ratio that had been raised at the prior meeting, noting that it is not quite back to the long-term average upon which the March forecast was based after the significant FY 2022 deviation.

The net personal income tax forecast includes withholding and estimated payment estimates still on target—estimated payments are still expected to drop 20% in Q2 after a decline of roughly 26% Q1 (April). Adjusted for policy changes and administrative issues, the PIT will decline 1.0% in FY 23 largely due to the assumed steep drop in capital gains.

Net Corporate Franchise Tax (CFT) and LP/LLC: A downward revision to net corporate franchise taxes is recommended based on tracking. The slowing economy has caused a significant drop in IPOs and an unwinding of SPACs, causing decelerating growth in CFT. As a result, a \$27 million downward revision for fiscal year 2023 is recommended.

Lottery: Mr. Roose recommended a positive \$900,000 revision for traditional lottery revenues in fiscal year 2023 due to tracking. Video play, though down slightly over last two months, remains about a percentage point better than March forecast, resulting in an upward revision of \$3.6 million. All told, the recommended revision to lottery revenues for fiscal year 2023 is \$4.5 million.

Corporate Income Tax (CIT) Less Refunds: Mr. Roose noted that corporate income tax revenues continue to grow very strongly. Q1 payments were up about 20%, showing a slight deceleration from recent quarters. Adjusted tracking implies growth of around 20% for Q2, which would result in gross collections of around \$447.9 million, a \$47.9 million increase. No change is recommended to the refund forecast of \$81 million. Strength in the CIT is across industries.

Dividends and Interest: Ms. Davis recommended a downward revision to the FY 23 estimate of \$11.5 million due to interest rate volatility, although that still reflects 129% growth.

Other Revisions: Mr. Roose noted there were several minor recommended revisions, all related to tracking. Also of note, there was no change recommended for the realty transfer tax, which declined 30% over the past six months—the current estimate calls for a 30% decline in June.

FY 2023 Estimate Adopted:

A motion was made, seconded and approved to accept \$6,222.5 million as the revenue estimate for FY 2023. The estimate represents an increase of \$62.0 million from the March estimate.

General Fund Revenues - Fiscal Year 2024:

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

Revenue Category	Mar-23	May-23	Change
Dividends and Interest	184.1	113.2	(70.9)
PIT Refunds	(252.0)	(287.0)	(35.0)
Personal Income Tax	2,335.3	2,370.0	34.7
Corporation Income Tax	345.2	358.7	13.5
Lottery	232.6	236.2	3.6
Public Utility Tax	32.9	34.9	2.0
Other Refunds	(18.4)	(16.9)	1.5

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

Discussion of FY 2024 Estimates:

Personal Income Tax (PIT) Less Refunds: Mr. Roose noted the increased refunds expected in FY 24 as a result of \$34 million of TY 22 refunds pushed beyond June 30. Net PIT is forecast to grow a weak 1.1% in FY 24 due to very slow economic growth over the forecast period.

Lottery: Mr. Roose recommended a \$3.6 million upward revision to nontraditional lottery revenues as a continuation of the FY 23 performance.

Corporate Income Tax (CIT) Less Refunds: Mr. Roose noted that, for a variety of reasons, turning points in CIT collections often are lagged from changes in the economy. Previous forecasts had called for a 14% decline in CIT revenues in the out-year, but with increasing caution as a result of the recent extraordinary performance, he recommended a FY 24 forecast decline of almost 25%, resulting in an upward revision of only \$13.5 million.

Dividends and Interest: Ms. Davis recommended a \$70.8 million reduction to the FY 24 forecast, still resulting in growth of 292%, due to expectations of additional interest rate volatility given the ongoing debt ceiling discussions and the potential for further fallout for banking sector stress.

FY 2024 Estimate Adopted:

A motion was made, seconded and approved to accept \$6,038.2 million as the revenue estimate for FY 2024. The estimate represents a decrease of \$50.6 million from the March estimate.

Transportation Trust Fund (TTF):

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

State Operations Expenditure: Decrease of \$4.6 million in Personnel Costs due to vacancies that the agency has not been able to fill. Decrease of \$6.5 million in Operations/Capital Outlay due to not needing to utilize snow removal budget.

State Capital Expenditure: Increase of \$4.7 million in Road Systems due to good progress that has been made in light of mild weather. Increase of \$8.2 million in Support Systems for technology and facilities projects. Decrease of \$6.2 million in Transit due to delays in replacement buses.

Federal Capital Expenditure: Decrease of \$25.0 million in Federal Capital due to updated project expenditure forecasts and identifying expenditures that will be pushed into FY 2024.

U.S. 301 Capital Expenditure: Decrease of \$6.6 million in Toll Revenue Bonds

A motion was made, seconded, and approved to accept \$963.9 million as the FY 2023 TTF expenditure estimate. The estimate represents a reduction of \$23.4 million from the March 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 March estimates.

Toll Road Revenues: There was no change from the March estimate of \$199.2 million.

Motor Fuel Tax Administration: There was no change from the March estimate of \$138.0 million.

Division of Motor Vehicles: Increase of \$13.5 million in Motor Vehicle Document Fees. This category has continued to do well in recent months.

Other Transportation Revenues: There was no change from the March estimate of \$16.5 million.

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

A motion was made, seconded, and approved to accept \$641.6 million as the FY 2023 TTF revenue estimate. The estimate represents an increase of \$13.5 million from the March estimate.

FY 2024 Estimates:

The following changes were made from the March estimates.

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

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

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

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

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

A motion was made, seconded, and approved to accept \$630.3 million as the FY 2024 TTF revenue estimate—unchanged from the March estimate (See Table 5.)

Balance and Appropriations Worksheet:

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

Budget Benchmark Index:

Ms. Marlin said the index is presented at every December and May DEFAC meeting. The DEFAC Benchmark Evaluation and Review Panel is currently reviewing the methodology, but for now the index is calculated as prescribed in Executive Order 21 (EO 21). The index is calculated from Delaware's personal income growth, Delaware's population growth and the price deflator for state and local government purchases. Ms. Marlin stated that the index is 6.1% as of May 2023, which is the same as the index last presented in December 2022. Although individual components of the index have changed, the overall index remains the same.

Ms. Marlin said the FY 2024 benchmark appropriation is \$5,586.4 million and the extraordinary revenues, which can be used toward the Budget Stabilization Fund (BSF) for non-recurring expenditure and/or reduction of long-term liabilities, are \$963.5 million.

For budget and planning purposes only, Ms. Marlin noted that the Budget Stabilization Fund (BSF) stands at \$913.9 million. She also discussed the role of the benchmark in building up a healthy BSF, which is expected to increase from 2.6% of General Fund resources in FY 2020 to 6.2% in FY 2024. These reserves have enabled sustainable budget growth in light of revenue volatility experienced during the COVID-19 pandemic. Mr. Geisenberger noted that the Governor's recommended FY 2024 budget growth of 7.5% exceeds the index of 6.1% growth because the BSF is already above 5% of General Fund revenues, as recommended in the original advisory panel's report.

Mr. Houghton announced that the next meeting of the DEFAC Benchmark Evaluation and Review Panel will be held on June 2, 2023. Mr. Geisenberger explained that the Panel has looked at potential statutory recommendations to require the Governor's recommended budget to adhere to the benchmark process and to establish the Budget Stabilization Fund in statute. He added that the Panel is not considering a constitutional amendment except perhaps to better define when the General Assembly can access the Budget Reserve Account.

Healthcare Spending Benchmark

Ms. Marlin noted that Executive Order 25, which established the healthcare spending and quality benchmarks, was codified last year under HB 442 with HA 1. The DEFAC Healthcare Spending Benchmark Subcommittee had met several times to review the methodology for the CY 2024 benchmark. Although they considered setting different time frames for the components of the spending benchmark, they recommended no change and believed that the stability of the benchmark is one of its strengths. They also reviewed different measures of inflation, but recommended sticking with Personal Consumption Expenditure – where medical services include those services purchased out of pocket by consumers and those services paid for on behalf of consumers. Ms. Marlin also summarized that the Healthcare Spending Benchmark Subcommittee discussed how other states are handling their healthcare cost growth targets, especially in light of that recent high inflation. Ultimately, the Healthcare Spending Benchmark Subcommittee recommended sticking with the current Potential Gross State Product methodology which results in a benchmark of 3.0% for CY 2024.

Ms. Magarik emphasized that the healthcare spending benchmark is not a cap on spending and there are no penalties for exceeding the benchmark. She also noted that this benchmark represents healthcare inflation targets. If actual healthcare inflation exceeds the benchmark, it's a drag on the State's ability to invest in other areas. During the Expenditure subcommittee, Ms. Magarik noted that the CY 2021 spending benchmark was 3.25%, but actual spending growth came in at 11.2%. She further explained that this double-digit growth was not unique to Delaware and is reflects a lot of delayed care from 2020 occurring in 2021.

Mr. Houghton asked if Ms. Magarik expects there will ever be an appetite to include penalties for exceeding the benchmark. Ms. Magarik explained that there are a lot of conversations going on as to whether this benchmark needs to have a penalty component and looking at what other states are doing, such as a provider tax. She notes people are growing frustrated with seeing how much healthcare costs are growing. Mr. Houghton expressed that we cannot keep spending into this; it isn't sustainable. He believes we need to be realistic about the increasing expenditures for healthcare and we've got to find a way to deal with it or be prepared for significant increases in taxes.

Ms. Davis Burnham noted that Ms. Magarik state that Delaware is in the top five highest states for healthcare spending per capita and asked if the other states are on the east coast. Ms. Magarik noted that the other states are Alaska which is unsurprising given their location. Massachusetts and Vermont are also in the top five, but they have better outcomes for their spending. Delaware is routinely in the top for spending but in the middle to bottom for health quality outcomes.

In response to Mr. Ratledge's inquiry, Ms. Marlin explained that the 1.4% expected growth in labor force productivity is a national long-term forecast from the Congressional Budget Office. Mr. Ratledge noted the state-level figure is very different from the national figure and very volatile.

A motion was made, seconded, and approved to accept 3.0% as the CY 2024 healthcare spending benchmark.

Other Business:

Mr. Houghton announced the next scheduled DEFAC meeting date:

- Friday, June 16, 2023

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 2:42 p.m.

Respectfully submitted,

Melissa Marlin
David Roose

Table 1a.

DEFAC Expenditures Forecast for General Fund Disbursements FY2023 (\$ in millions)																												
May 15, 2023																												
	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022													FY2023		
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual													Appropriation		
Budget Act	3,091.5	3,305.3	3,508.6	3,586.8	3,718.2	3,809.5	3,908.5	4,084.1	4,106.9	4,270.8	4,451.9	4,547.0	4,771.5													5,099.7		
Cash to Bond Bill	0.0	91.0	115.3	53.4	60.9	23.8	0.0	12.6	0.0	189.0	184.3	35.4	692.3													855.5		
Grant-in-Aid	35.4	35.2	41.2	44.2	44.8	45.4	43.0	45.9	37.3	52.1	55.1	54.5	63.2													69.4		
Continuing & Encumbered (from prior years)	183.7	184.9	303.7	301.1	276.4	194.8	201.3	181.5	178.6	184.1	329.6	431.3	495.8													1,100.2		
Supplementals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0	49.2	62.0	0.0	221.1													378.6		
Fiscal Year Spending Authority	3,310.6	3,616.4	3,968.8	3,985.5	4,100.2	4,073.5	4,152.8	4,324.3	4,322.8	4,745.2	5,082.8	5,068.2	6,243.9													7,503.4		
LESS:																												
Reversions to the General Fund	49.3	42.1	75.3	50.5	111.3	39.6	57.5	39.6	20.6	21.4	137.6	53.4	85.8															
Encumbered to next fiscal year	37.7	35.2	39.3	35.6	40.2	39.5	40.8	37.5	35.8	41.5	54.0	53.2	71.6															
Continuing to next fiscal year																												
Operating Budget																												
Bond Bill																												
Total Continuing	147.2	268.4	261.8	240.9	154.6	161.8	140.7	141.1	148.3	288.1	377.3	442.6	1,028.6															
Subtotal	234.1	345.7	376.4	327.0	306.1	240.9	239.0	218.2	204.7	351.0	568.9	549.2	1,186.0														(1,710.3)	
Fiscal Year Budgetary Expenditures	3,076.5	3,270.7	3,592.4	3,658.5	3,794.1	3,832.6	3,913.7	4,106.1	4,118.1	4,394.3	4,513.9	4,519.0	5,057.9													5,793.1		
% increase/(decrease)		6.31%	9.84%	1.84%	3.71%	1.01%	2.12%	4.92%	0.29%	6.71%	9.61%	9.74%	15.10%													14.5%		
Comments:																												
Expenditures / Spending Authority	92.9%	90.4%	90.5%	91.8%	92.5%	94.1%	94.2%	95.0%	95.3%	92.6%	88.8%	89.2%	81.0%														77.2%	
Reversions / Spending Authority	1.5%	1.2%	1.9%	1.3%	2.7%	1.0%	1.4%	0.9%	0.5%	0.5%	2.7%	1.1%	1.4%														0.5%	
Encumbered / Spending Authority	1.1%	1.0%	1.0%	0.9%	1.0%	1.0%	1.0%	0.9%	0.8%	0.9%	1.1%	1.0%	1.1%														0.8%	
Total Continuing / Spending Authority	4.4%	7.4%	6.6%	6.0%	3.8%	4.0%	3.4%	3.3%	3.4%	6.1%	7.4%	8.7%	16.5%														21.5%	

Recommended by Expenditures Subcommittee;
May 15, 2023

Table 1b.

DEFAC Expenditures Forecast for General Fund Disbursements FY2023 (\$ in millions)																				
May 15, 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	May	'23 vs. '22	'23 vs. '22	'23 vs. '18		(actual 04/30/23)	(actual 04/30/23)	FY2022	FY2021	FY2020	FY2019	FY2018		
Salaries	1,402.9	1,421.1	1,499.9	1,558.6	1,593.0	1,657.0	1,803.5	146.5	8.8%	4.88%		1,488.5	30.1%	32.8%	35.3%	34.5%	34.1%	34.5%		
Fringe Benefits	480.5	479.6	494.4	506.1	513.3	515.4	559.1	43.7	8.5%	3.12%		466.0	9.4%	10.2%	11.4%	11.2%	11.3%	11.6%		
Health Care	359.0	357.9	362.6	369.0	372.5	369.3	399.8	30.5	8.3%	2.24%		334.1	6.8%	7.3%	8.3%	8.2%	8.3%	8.7%		
Other	121.5	121.7	131.8	137.1	140.8	146.1	159.3	13.2	9.0%	5.53%		131.9	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	664.0	243.0	57.7%	15.96%		595.8	12.0%	8.3%	8.0%	8.0%	8.2%	7.7%		
Contribution	152.4	167.6	201.5	205.0	201.5	239.7	353.7	114.0	47.6%	16.11%		317.4	6.4%	4.7%	4.5%	4.5%	4.6%	4.1%		
Health Care	130.2	136.0	145.4	145.9	145.4	157.2	270.4	113.1	72.0%	14.73%		242.6	4.9%	3.1%	3.2%	3.2%	3.3%	3.3%		
Other	35.1	13.1	13.9	9.2	13.9	24.1	39.9	15.8	65.7%	24.97%		35.8	0.7%	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%		217.9	4.4%	4.0%	4.2%	4.1%	4.2%	4.5%		
Grants	365.7	362.9	445.2	507.1	433.2	671.0	714.9	43.9	13.1%	14.52%		629.9	12.7%	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%		772.2	15.6%	16.3%	16.3%	15.6%	16.7%	18.2%		
Contractual Services	537.6	526.1	589.0	600.5	607.5	674.7	788.0	113.3	12.0%	8.42%		663.0	13.4%	13.3%	13.5%	13.3%	13.4%	12.8%		
Supplies & Materials	68.7	61.9	69.3	64.7	60.9	67.1	73.9	6.8	15.9%	3.61%		60.9	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	53.5	28.0	77.6%	33.96%		51.5	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	5,793.1	735.2	14.5%	7.06%		4945.7	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)													
May 15, 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>May</u>		<u>May</u>	<u>May</u>	<u>May</u>	<u>May</u>	<u>May</u>
Salaries	1,402.9	1,421.1	1,499.9	1,558.6	1593.0	1657.0	1,803.5		1,752.1	1,837.6	1,927.3	2,021.4	2,120.1
Fringe Benefits	480.5	479.6	494.4	506.1	513.3	515.4	559.1		552.5	569.8	587.8	606.5	626.0
Health Care	359.0	357.9	362.6	369.0	372.5	369.3	399.8		401.6	410.6	419.8	429.2	438.8
Other	121.5	121.7	131.8	137.1	140.8	146.1	159.3		150.9	159.2	168.1	177.4	187.2
Pension	317.7	316.7	360.8	360.1	360.8	421.0	664.0		435.0	505.1	586.8	682.0	793.0
Contribution	153.7	167.6	201.5	205.0	201.5	238.8	353.7		243.6	282.8	328.4	381.3	442.7
Health Care	131.3	136.0	145.4	145.9	145.4	170.6	270.4		165.2	189.5	217.4	249.4	286.2
Other	32.7	13.1	13.9	9.2	13.9	11.6	39.9		26.3	32.8	41.0	51.3	64.1
Debt Service	179.0	187.2	183.9	184.1	187.3	202.6	218.4		235.8	243.2	250.8	258.6	266.7
Grants	365.7	362.9	445.2	507.1	433.2	671.0	714.9		676.7	775.0	887.5	1,016.4	1,164.0
Medicaid	739.7	750.2	733.4	702.0	734.1	823.6	917.8		1,018.0	1,059.9	1,103.5	1,148.9	1,196.2
Contractual Services	537.6	526.1	589.0	600.5	607.5	674.7	788.0		1,328.5	1,140.3	736.3	798.2	865.4
Supplies & Materials	68.7	61.9	69.3	64.7	60.9	67.1	73.9		67.8	70.2	72.8	75.4	78.1
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>	53.5		<u>28.5</u>	<u>38.2</u>	<u>51.1</u>	<u>68.5</u>	<u>91.8</u>
FY Budgetary Expenditures	4,106.1	4,118.1	4,394.3	4,513.9	4,507.3	5,057.9	5,793.1		6,094.9	6,239.4	6,204.0	6,676.1	7,201.3

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 \$17.4M 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 May 2024; 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

May-23 DEFAC Meeting	FY 2022 A Actual Collections	FY 2023				
		B DEFAC Mar-23	C % B over A	D DEFAC May-23	E % D over A	F \$ Increase D over B
Revenue Category						
Personal Income Tax	2,375.8	2,299.1	-3.2%	2,388.6	0.5%	89.5
Less: Refunds	(466.4)	(256.2)	-45.1%	(297.5)	-36.2%	(41.3)
PIT Less Refunds	1,909.4	2,042.9	7.0%	2,091.1	9.5%	48.2
Franchise Tax	1,300.4	1,421.8	9.3%	1,406.1	8.1%	(15.7)
Limited Partnerships & LLC's	422.6	464.0	9.8%	464.0	9.8%	0.0
Subtotal Franchise + LP/LLC	1,723.1	1,885.8	9.4%	1,870.1	8.5%	(15.7)
Less: Refunds	<u>(14.3)</u>	<u>(10.0)</u>	-30.1%	<u>(15.0)</u>	4.8%	<u>(5.0)</u>
Net Franchise + LP/LLC	1,708.7	1,875.8	9.8%	1,855.1	8.6%	(20.7)
Business Entity Fees	164.2	167.4	1.9%	159.4	-2.9%	(8.0)
Uniform Commercial Code	31.0	31.0	-0.1%	28.9	-6.9%	(2.1)
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	354.9	7.2%	354.9	7.2%	0.0
Lottery	236.0	235.1	-0.4%	239.6	1.5%	4.5
Corporation Income Tax	379.5	400.0	5.4%	447.9	18.0%	47.9
Less: Refunds	<u>(65.3)</u>	<u>(81.0)</u>	24.1%	<u>(81.0)</u>	24.1%	<u>0.0</u>
CIT Less Refunds	314.2	319.0	1.5%	366.9	16.8%	47.9
Realty Transfer Tax	304.3	240.8	-20.9%	240.8	-20.9%	0.0
Cigarette Taxes	115.3	102.0	-11.6%	102.0	-11.6%	0.0
Bank Franchise Tax	113.2	101.1	-10.7%	101.1	-10.7%	0.0
Insurance Taxes and Fees	98.6	110.6	12.1%	110.6	12.1%	0.0
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%	36.0	21.6%	2.0
Alcoholic Beverage Tax	30.9	32.4	4.8%	32.4	4.8%	0.0
Dividends and Interest	12.6	40.4	220.4%	28.9	129.2%	(11.5)
Other Revenues	70.8	82.2	16.0%	82.7	16.7%	0.5
Less: Other Refunds	<u>(10.6)</u>	<u>(26.5)</u>	150.0%	<u>(25.3)</u>	138.7%	1.2
Net Receipts	5,829.9	6,160.5	5.7%	6,222.5	6.7%	62.0

Adj Growth Rate

2.8%

Table 2. DEFACT General Fund Revenue Worksheet

May-23 DEFACT Meeting	FY 2024					FY 2025				
	G DEFACT Mar-23	H % G over B	I DEFACT May-23	J % I over D	K \$ Increase I over G	L DEFACT Mar-23	M % L over G	N DEFACT May-23	O % N over I	P \$ Increase N over L
Revenue Category										
Personal Income Tax	2,335.3	1.6%	2,370.0	-0.8%	34.7	2,453.2	5.0%	2,468.0	4.1%	14.8
Less: Refunds	<u>(252.0)</u>	-1.6%	<u>(287.0)</u>	-3.5%	<u>(35.0)</u>	<u>(239.4)</u>	-5.0%	<u>(272.7)</u>	-5.0%	<u>(33.3)</u>
PIT Less Refunds	2,083.3	2.0%	2,083.0	-0.4%	(0.3)	2,213.8	6.3%	2,195.3	5.4%	(18.5)
Franchise Tax	1,278.9	-10.1%	1,278.9	-9.0%	0.0	1,278.9	0.0%	1,278.9	0.0%	0.0
Limited Partnerships & LLC's	<u>460.8</u>	-0.7%	<u>460.8</u>	-0.7%	0.0	<u>460.8</u>	0.0%	<u>460.8</u>	0.0%	<u>0.0</u>
Subtotal Franchise + LP/LLC	1,739.7	-7.7%	1,739.7	-7.0%	0.0	1,739.7	0.0%	1,739.7	0.0%	0.0
Less: Refunds	<u>(10.0)</u>	0.0%	<u>(10.0)</u>	-33.3%	<u>0.0</u>	<u>(10.0)</u>	0.0%	<u>(10.0)</u>	0.0%	<u>0.0</u>
Net Franchise + LP/LLC	1,729.7	-7.8%	1,729.7	-6.8%	0.0	1,729.7	0.0%	1,729.7	0.0%	0.0
Business Entity Fees	150.0	-10.4%	150.0	-5.9%	0.0	150.0	0.0%	150.0	0.0%	0.0
Uniform Commercial Code	26.5	-14.5%	26.5	-8.3%	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	1.1%	358.7	1.1%	0.0	371.3	3.5%	371.3	3.5%	0.0
Lottery	232.6	-1.1%	236.2	-1.4%	3.6	236.2	1.5%	239.8	1.5%	3.6
Corporation Income Tax	345.2	-13.7%	358.7	-19.9%	13.5	348.3	0.9%	362.0	0.9%	13.7
Less: Refunds	<u>(70.0)</u>	-13.6%	<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	275.2	-13.7%	288.7	-21.3%	13.5	278.3	1.1%	292.0	1.1%	13.7
Realty Transfer Tax	221.5	-8.0%	221.5	-8.0%	0.0	257.4	16.2%	257.4	16.2%	0.0
Cigarette Taxes	98.6	-3.3%	98.6	-3.3%	0.0	96.2	-2.4%	96.2	-2.4%	0.0
Bank Franchise Tax	104.9	3.8%	104.9	3.8%	0.0	107.2	2.2%	107.2	2.2%	0.0
Insurance Taxes and Fees	108.1	-2.3%	108.1	-2.3%	0.0	112.8	4.3%	112.8	4.3%	0.0
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%	34.9	-3.1%	2.0	31.8	-3.3%	33.7	-3.4%	1.9
Alcoholic Beverage Tax	32.9	1.5%	32.9	1.5%	0.0	33.2	1.0%	33.2	1.0%	0.0
Dividends and Interest	184.1	355.7%	113.2	291.7%	(70.9)	167.2	-9.2%	107.0	-5.5%	(60.2)
Other Revenues	69.5	-15.5%	69.5	-16.0%	0.0	69.5	0.0%	70.1	0.9%	0.6
Less: Other Refunds	<u>(18.4)</u>	-30.6%	<u>(16.9)</u>	-33.2%	1.5	<u>(18.4)</u>	0.0%	<u>(16.9)</u>	0.0%	1.5
Net Receipts	6,088.9	-1.2%	6,038.3	-3.0%	(50.6)	6,236.7	2.4%	6,179.3	2.3%	(57.4)

Adj Growth Rate

-4.3%

2.8%

Table 3. Balance and Appropriations Worksheet

May-23

FY 2023 EXPENDITURES

Total Spending Authority	\$7,503.4
Less: Continuing Appropriations & Encumbrances from FY 2023	(\$1,670.3)
Less: Reversions	<u>(\$40.0)</u>
Total Expenditures	\$5,793.1

FY 2023 BALANCES

Total Expenditures	\$5,793.1
vs. FY 2023 Revenues	6,222.5
Operating Balance	429.4
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	2,632.1
Less: Continuing Appropriations & Encumbrances from FY 2023	(1,670.3)
Less: Budgetary Reserve Account	<u>(\$316.4)</u>
Unencumbered Cash Balance 6/30	\$645.3

FY 2024 APPROPRIATION LIMITS

FY 2024 Revenue Estimate	\$6,038.3
Unencumbered Cash Balance from FY 2023	<u>\$645.3</u>
100% Appropriation Limit	\$6,683.7
98% Appropriation Limit	<u>\$6,549.9</u>
Prior 98% Appropriation Limit	\$6,538.7
Increase (Decrease) from Prior Meeting	\$11.2
October 2022 98% Appropriation Limit	\$6,268.7
Increase (Decrease) from October 2022	\$281.2

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

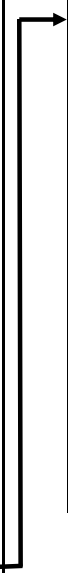
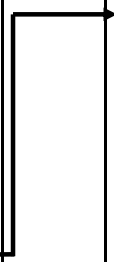


Table 4.

Delaware Department of Transportation											83%
FY 2023 Expenditures, Through April 30, 2023											
	FY2021 Actual	FY2022 Actual	FY2023 Appropriation	OCTOBER FY2023 Forecast	DECEMBER FY2023 Forecast	MARCH FY2023 Forecast	MAY FY2023 Forecast	\$ difference March to May	\$ 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	83.0	0.0	16.0	83.0	100%
Personnel Costs	102.6	105.6	116.5	116.5	116.5	116.5	111.9	(4.6)	6.3	90.6	81%
Operations/Capital Outlay	60.5	66.8	73.6	73.6	73.6	73.6	67.1	(6.5)	0.3	55.3	82%
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>80.3</u>	<u>0.0</u>	<u>0.5</u>	<u>66.9</u>	<u>83%</u>
Total Expenditures - Operations	303.2	319.2	350.9	350.9	353.4	353.4	342.3	(11.1)	23.1	295.8	86%
State Capital											
Road System	258.3	197.7	205.8	205.8	205.8	205.8	210.5	4.7	12.8	165.0	78%
Grants & Allocations	30.2	26.7	44.2	44.2	44.2	44.2	44.2	0.0	17.5	26.2	59%
Support Systems	54.7	45.8	40.7	40.7	40.7	40.7	48.9	8.2	3.1	40.3	82%
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>23.2</u>	<u>(6.2)</u>	<u>(6.7)</u>	<u>17.2</u>	<u>74%</u>
State Capital	370.2	300.1	320.1	320.1	320.1	320.1	326.8	6.7	26.7	248.7	78%
Federal Capital											
Federal Capital	293.5	261.1	325.0	325.0	325.0	300.0	275.0	(25.0)	13.9	192.2	64%
Total Expenditures - Capital	663.7	561.2	645.1	645.1	645.1	620.1	601.8	(18.3)	40.6	440.9	71%
TOTAL EXPENDITURES	966.9	880.4	996.0	996.0	998.5	973.5	944.1	(29.4)	63.7	736.7	76%

	OCTOBER FY2023 Forecast	DECEMBER FY2023 Forecast	MARCH FY2023 Forecast	MAY FY2023 Forecast	\$ difference Mar to May	FY2023 YTD Spend	% spent YTD
DelDOT	996.0	998.5	973.5	944.1	\$ (29.4)	\$ 736.7	76%
US301	25.8	25.8	25.8	19.8	\$ 6.0	\$ 8.1	31%
TOTAL	1,021.8	1,024.3	999.3	963.9	\$ (23.4)	\$ 744.8	73%

Table 5.

DELAWARE DEPARTMENT OF TRANSPORTATION Transportation Trust Fund Revenues									
	FY21	FY22	% Chg.	Fiscal 2023			Fiscal 2024		
				3/20/2023 Approved	5/15/2023 Recomm	% Chg. FY 22	3/20/2023 Approved	5/15/2023 Recomm	% Chg. FY 23
<u>TOLL ROAD REVENUES:</u>									
I95 Newark Plaza	\$114.4	\$142.2	24.3%	\$135.5	\$135.5	-4.7%	\$140.0	\$140.0	3.3%
Route 1 Toll Road	55.0	62.6	13.8%	\$61.6	\$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%	\$199.2	\$199.2	-3.5%	\$207.1	\$207.1	4.0%
MOTOR FUEL TAX ADMIN.	128.5	136.7	6.4%	\$138.0	\$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%	\$150.5	\$164.0	12.2%	\$130.4	\$130.4	-20.5%
Motor Vehicle Registration Fees	60.8	57.4	-5.6%	\$59.5	\$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>\$40.7</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%	\$250.7	\$264.2	8.6%	\$239.9	\$239.9	-9.2%
<u>OTHER TRANSPORTATION REV.</u>									
Other Transportation Rev	11.4	9.6	-15.8%	\$8.0	\$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>\$8.5</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%	\$16.5	\$16.5	51.4%	\$13.2	\$13.2	-20.0%
GRAND TOTAL	\$549.7	\$597.3	8.7%	\$604.4	\$617.9	3.4%	\$606.3	\$606.3	-1.9%
					\$13.5		\$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%	\$ 628.1	\$ 641.6	3.6%	\$ 630.3	\$ 630.3	-1.8%