

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

Hybrid Event – June 16, 2023

Attendance:

Member	Present
P. Anderson	Yes
N. Batta	No
C. Bo	No
S. Bravo	Yes
J. Bullock	Yes
L. Davis Burnham	Yes
R. Byrd	No
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
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	No
E. Ratledge	Yes
T. Shopa	Yes
D. Short	No
D. Sokola	Yes

Members in Attendance: 23

Members Absent: 8

Others Present: P. Baumbach, S. Bolden, V. Brennan, R. Chase, J. Cole, B. DiVirgilio, R. Dunphy, J. Fedele, S. Finnigan, N. Freedman, S. Goss, C. Hall, T. Hawk, D. Hugg, A. Jenkins, J. Johnstone, P. Kiefer D. Killen, R. Larson, L. Lewis, J. Maddox, M. Marlin, B. Mayrack, M. Newman, J. Owens, R. Puffer, D. Roose, B. Scoglietti, J. Seemans, B. Short, K. Siegel, J. Smith, S. Snyder, C. Stewart, T. Strayer, K. Thomson, L. Wisniewski

Opening Business: Mr. Houghton called the meeting to order at 10:30 a.m. He thanked Ms. Magarik for her service to the State and to DEFAC.

The minutes from the May 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 reversions increased to \$66.5 million from \$40 million, and encumbered estimates increased to \$70.5 million from \$59.6 million in May. Meanwhile, the continuing estimate fell \$83.2 million to \$1,527.5 million. The resulting expenditure forecast for FY 2023 is \$5,838.9 million, growth of 15.4%.

Mr. Ratledge also reviewed the Functional method. He noted that salary expenditures are up \$139.9 million over the prior year due to pay raises approved in the budget and the 27th pay. 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. Debt service is up \$15.8 million to \$218.4 million, while grants are up \$59.1 million over last year due to the Delaware Relief Rebate Program. Medicaid expenditures are forecasted to be \$928.4 million in FY 2023. Mr. Ratledge noted the \$129.2 million increase in Contractual Services over the prior year due to the State's capital program. (See Table 1a and Table 1b for complete details).

A motion was made, seconded and approved to accept \$5,838.9 million as the Expenditure estimate for FY 2023. The estimate represents an increase of \$781.0 million from FY 2022 and an increase of \$45.8 million from the May estimate.

General Fund Expenditures - Fiscal Year 2024:

Mr. Ratledge reviewed the FY 2024 expenditure estimates, which total \$5,921.7 million. He noted a decrease in the estimates for salaries as a result of the 27th pay and in estimates for pensions due to one-time payments to retirees. Medicaid is forecast to increase from \$928.4 million in FY 2023 to \$1,020.2 million in FY 2024. Contractual Services is expected to increase from \$803.9 million to \$1,013.3 million.

A motion was made, seconded and approved to accept \$5,921.7 million as the Expenditure estimate for FY 2024. The estimate represents an increase of \$82.8 million from FY 2023 and a reduction of \$173.2 million from the May estimate.

Revenue Forecasts:

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

Economic Outlook

Mr. Roose noted that there was minimal change to S&P Global's economic forecast from May. The debt ceiling crisis was resolved relatively straightforwardly without fiscal tightening; the forecast had included a related mid-year slowdown, but that is now gone and the immediate outlook is marginally brighter. The Federal Reserve did not raise rates in June, but indicated the possibility of one or two more hikes through the end of the year, as had been previously expected. Inflation has improved to 4.0% over the past year, but

is still high; core inflation remains at 5.3%. Despite the relatively weak GDP growth in the forecast, the labor market remains tight. With a chart, Mr. Roose discussed the role of expectations in future inflation—if consumers are expecting inflation, they’re more likely to ask for wage increases, which would lead employers to raise prices—the wage-price spiral. Hence, it is critical for the Fed to restrain inflation quickly, preferably with a soft landing.

Mr. Roose reviewed a number of reasons one might expect a recession in the near term including the inverted yield curve and expectations for quickly increasing unemployment. He then discussed a number of reasons to be more optimistic, including the very tight labor market; layoffs well below contractionary levels; reduced though still-high excess household savings, and a housing market that is relatively well-balanced. The economy appears to be extraordinarily resilient in the face of rather substantial pessimism.

All told, the national economic forecast is slightly stronger than previously forecast. Mr. Geisenberger noted that growth of real GDP at those levels is lower than “normal” and would have an impact on a number of revenue sources including the franchise tax. Mr. Ratledge noted that with the low unemployment rate and a labor force that is not growing, it is difficult to get employment to grow—that’s probably the problem we and the nation are running into, and why we can expect to see declining growth in employment, which will affect output.

Mr. Roose reviewed the Delaware economic forecast, which is also largely unchanged. New data shows that the recent past was slightly better than previously thought, although that has little bearing on revenue collections.

General Fund Revenues - Fiscal Year 2023:

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

Revenue Category	May-23	Jun-23	Change
Corporation Income Tax	447.9	462.4	14.5
Personal Income Tax	2,388.6	2,399.8	11.2
Unclaimed Property Refunds	(160.0)	(150.0)	10.0
Dividends and Interest	28.9	36.0	7.1
Realty Transfer Tax	240.8	246.8	6.0
CIT Refunds	(81.0)	(75.0)	6.0
Gross Receipts Tax	354.9	360.9	6.0
Bank Franchise Tax	101.1	106.0	4.9
Insurance Taxes	110.6	107.8	(2.8)
Hospital Board and Treatment	23.4	21.9	(1.5)
Public Utility Tax	36.0	35.0	(1.0)
Alcoholic Beverage Tax	32.4	31.4	(1.0)
Other Revenues	82.7	81.8	(0.9)
Other Refunds	(25.3)	(25.4)	(0.1)

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

Discussion of Fiscal Year 2023 Estimates:

Mr. Roose noted that, as is typical in June, the forecast largely revolves around tracking, especially since there is minimal change to the economic forecast. As the meeting is a day after the quarterly estimated due date for income taxes, however, there is a slightly higher risk to the current year forecast than is usually the case in June.

Personal Income Tax (PIT) Less Refunds: The individual income tax forecast is written up \$11.2 million for this fiscal year entirely due to stronger than expected estimated payments. The out-years also show a slight adjustment to withholding. Falling capital gains and decelerating withholding as the economy slows will result in slower growth in personal income tax in FY 2024, before an accelerating economy will lift growth in 2025.

Corporate Income Tax (CIT) Less Refunds: The corporate income tax is also outperforming previous expectations as payments in May were stronger than expected, resulting in a \$14.5 million increase for FY 2023. Refunds this year are expected to be about \$6 million lower, resulting in an increase in revenue, as there are a number of large refunds that will not get out the door before the end of the fiscal year.

Dividends and Interest: Ms. Davis recommended an increase to the FY 2023 estimate of \$7.1 million due to the ongoing repositioning of the State's portfolio.

Other Revisions: Mr. Roose noted there were several other recommended revisions, all related to tracking, the largest of which were a \$10 million reduction to unclaimed property claims and a \$6 million increase in the realty transfer tax estimate.

Fiscal Year 2023 Estimate Adopted:

A motion was made, seconded and approved to accept \$6,280.9 million as the revenue estimate for FY 2023. The estimate represents an increase of \$58.4 million from the May estimate.

General Fund Revenues - Fiscal Year 2024:

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

Revenue Category	May-23	Jun-23	Change
Personal Income Tax	2,370.0	2,376.1	6.1
CIT Refunds	(70.0)	(76.0)	(6.0)
Realty Transfer Tax	221.5	227.1	5.6
Insurance Taxes	108.1	105.3	(2.8)
Dividends and Interest	113.2	115.6	2.4
Hospital Board and Treatment	23.8	22.3	(1.5)
Bank Franchise Tax	104.9	103.8	(1.1)
Public Utility Tax	34.9	33.9	(1.0)
Alcoholic Beverage Tax	32.9	31.9	(1.0)
Other Revenues	69.5	69.9	0.4

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

Discussion of Fiscal Year 2024 Estimates:

Personal Income Tax (PIT) Less Refunds: Withholding is expected to be slightly stronger than previously expected, although falling capital gains and decelerating withholding as the economy slows will result in slower growth in personal income tax in FY 2024.

Corporate Income Tax (CIT) Less Refunds: Mr. Roose noted that the only change in FY 2024 is the \$6 million in refunds that will not be issued prior to June 30 but will go out next fiscal year.

Other Revisions: Mr. Roose showed the other revisions, mostly based on tracking, that net to a minimal change for FY 2024.

Fiscal Year 2024 Estimate Adopted:

A motion was made, seconded and approved to accept \$6,039.4 million as the revenue estimate for FY 2024. The estimate represents an increase of \$1.1 million from the May estimate.

Transportation Trust Fund (TTF):

TTF -- Expenditures: Ms. Haw-Young presented the Transportation Trust Fund’s expenditure forecast. She recommended no change for FY 2023.

A motion was made, seconded, and approved to accept \$963.9 million as the FY 2023 TTF expenditure estimate. (See Table 4.)

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

Fiscal Year 2023 Estimates:

The following changes were made from the May estimates.

Toll Road Revenues: There was a reduction of \$2.7 million to \$196.5 million.

Motor Fuel Tax Administration: There was a \$2.2 million reduction to \$135.8 million.

Division of Motor Vehicles: An increase in Motor Vehicle Registration Fees offset a decline in Other DMV Revenues, resulting in a \$500,000 net increase.

Other Transportation Revenues: The June estimate of \$17.5 million is \$1.0 million higher than the May estimate.

U.S. 301 Revenues: There was a \$2.3 million increase to \$26.0 million.

A motion was made, seconded, and approved to accept \$640.5 million as the FY 2023 TTF revenue estimate. The estimate represents a decline of \$1.1 million from the May estimate.

Fiscal Year 2024 Estimates:

No changes were recommended from the May estimates.

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

Balance and Appropriations Worksheet:

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

General Obligation Debt Authorization Limit:

Mr. Roose noted the GO debt authorization limit is \$301.970 million. Ms. Davis Burnham asked how much debt is outstanding. Mr. Geisenberger replied it's in the \$2.4 billion ballpark.

DEFAC Benchmark Evaluation and Review Panel:

Mr. Roose then reviewed the final report of the DEFAC Benchmark Evaluation and Review

Panel. Executive Order 21 required DEFAC to make recommendations related to the components of the budget benchmark and any other information that may be helpful. The Panel met three times and looked at a handful of issues, including the very strong surge in transfer payments (a component of personal income) and high inflation, neither of which were expected at the time the benchmark was constructed. The Panel recommended no change to the benchmark index as it appears well-constructed, and the current process provides a fair amount of political flexibility allowing the budget process to work smoothly while still providing restraints to growth of the operating budget. He noted the other recommendation of the Panel to further institutionalize the process through the consideration of legislation that would require the Governor's Recommended Budget adhere to the benchmark process unless deviations are explained, but that such legislation should not bind the General Assembly in any way.

Mr. Houghton suggested the benchmark process has served the State extremely well. The Panel had candid discussions about the history and future of the benchmark. He invited any questions or comments on the work or the recommendations. Mr. Sokola asked if the recommendations included changes to the Budget Reserve Account. Mr. Geisenberger said no, there was a proposed constitutional amendment that was only to clarify the allowable uses of the budget reserve account and provide for the existence of the Budget Stabilization Fund, but it was not the constitutional amendment that had been proposed by the 2018 committee. Mr. Geisenberger noted that had we spent to the 98% rule, the General Assembly would have to be considering budget cuts or tax increases now given the revenue forecast, but with the Budget Stabilization Fund we are in much better shape. The recommendation provides flexibility but formalizes the process. Mr. Houghton agreed that it is good policy, but that's a judgement for the General Assembly. A motion was made and approved to adopt the recommendations of the Panel.

Other Business:

Mr. Houghton announced the next (tentative) scheduled DEFAC meeting date:

- Monday, October 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 11:30 a.m.

Respectfully submitted,

David Roose

DEFAC Expenditures Forecast for General Fund Disbursements FY2023 (\$ in millions)																													
June 16, 2023																													
	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022		FY2023														
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>		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:																													
														Oct	Dec	Mar	May	June											
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	40.0	40.0	40.0	40.0	66.5											
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	59.6	59.6	59.6	59.6	70.5											
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	1,607.6	1,688.2	1,612.0	1,610.7	1,527.5											
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	1,707.2	1,787.8	1,711.6	1,710.3	1,664.5											
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		5,838.9														
% 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%		15.4%														
Comments:	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	5-Yr Avg	FY2023														
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%	89.4%	77.8%														
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%	1.2%	0.9%														
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%	1.0%	0.9%														
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%	8.4%	20.4%														

Recommended by Expenditures Subcommittee;
June 16,2023

DEFAC Expenditures Forecast for General Fund Disbursements FY2023 (\$ in millions)																					
June 16, 2023																					
	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	Difference	% change	Annual Avg.		FY2023	% spent	% of	% of	% of	% of	% of			
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>June</u>	<u>'23 vs. '22</u>	<u>'23 vs. '22</u>	<u>'23 vs. '18</u>		<u>(actual 05/31/23)</u>	<u>(actual 05/31/23)</u>	<u>FY2022</u>	<u>FY2021</u>	<u>FY2020</u>	<u>FY2019</u>	<u>FY2018</u>			
Salaries	1,402.9	1,421.1	1,499.9	1,558.6	1,593.0	1,657.0	1,796.9	139.9	8.4%	4.80%		1,612.4	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	560.5	45.1	8.8%	3.17%		510.8	9.5%	10.2%	11.4%	11.2%	11.3%	11.6%			
Health Care	359.0	357.9	362.6	369.0	372.5	369.3	401.2	31.9	8.6%	2.31%		367.9	6.9%	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%		142.9	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%		623.0	11.6%	8.3%	8.0%	8.0%	8.2%	7.7%			
Contribution	152.4	167.6	201.5	205.0	201.5	239.7	239.7	0.0	0.0%	7.42%		331.9	6.2%	4.7%	4.5%	4.5%	4.6%	4.1%			
Health Care	130.2	136.0	145.4	145.9	145.4	157.2	170.6	13.3	8.5%	4.63%		253.7	4.7%	3.1%	3.2%	3.2%	3.3%	3.3%			
Other	35.1	13.1	13.9	9.2	13.9	24.1	253.7	229.7	953.7%	80.91%		37.4	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%		218.4	4.1%	4.0%	4.2%	4.1%	4.2%	4.5%			
Grants	365.7	362.9	445.2	507.1	433.2	671.0	730.1	59.1	8.8%	15.01%		679.7	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	928.4	104.8	12.7%	4.35%		853.4	15.9%	16.3%	16.3%	15.6%	16.7%	18.2%			
Contractual Services	537.6	526.1	589.0	600.5	607.5	674.7	803.9	129.2	19.1%	8.85%		733.9	13.7%	13.3%	13.5%	13.3%	13.4%	12.8%			
Supplies & Materials	68.7	61.9	69.3	64.7	60.9	67.1	75.1	8.0	11.9%	3.94%		69.1	1.3%	1.3%	1.4%	1.4%	1.6%	1.5%			
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>61.6</u>	36.1	141.6%	37.79%		58.5	1.1%	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	5,838.9	781.0	15.4%	7.06%		5,359.1	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%			

DEFAC Expenditures Forecast for General Fund Disbursements FY2023-2028 (\$ in millions)													
June 16, 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>June</u>		<u>June</u>	<u>June</u>	<u>June</u>	<u>June</u>	<u>June</u>
Salaries	1,402.9	1,421.1	1,499.9	1,558.6	1593.0	1657.0	1,796.9		1,737.3	1,820.8	1,908.2	1,999.9	2,096.0
Fringe Benefits	480.5	479.6	494.4	506.1	513.3	515.4	560.5		602.5	621.3	640.8	661.0	682.0
Health Care	359.0	357.9	362.6	369.0	372.5	369.3	401.2		451.6	462.0	472.7	483.6	494.8
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		491.0	544.0	618.4	729.9	907.2
Contribution	153.7	167.6	201.5	205.0	201.5	238.8	239.7		274.9	295.3	317.2	340.7	366.0
Health Care	131.3	136.0	145.4	145.9	145.4	170.6	170.6		186.4	195.1	204.1	213.6	223.5
Other	32.7	13.1	13.9	9.2	13.9	11.6	253.7		29.7	53.7	97.1	175.6	317.7
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	730.1		709.7	816.2	938.7	1,079.5	1,241.5
Medicaid	739.7	750.2	733.4	702.0	734.1	823.6	928.4		1,020.2	1,064.6	1,111.0	1,159.4	1,209.9
Contractual Services	537.6	526.1	589.0	600.5	607.5	674.7	803.9		1,013.3	803.0	374.0	407.1	443.2
Supplies & Materials	68.7	61.9	69.3	64.7	60.9	67.1	75.1		73.4	76.3	79.3	82.4	85.7
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>61.6</u>		<u>38.5</u>	<u>53.1</u>	<u>73.1</u>	<u>100.7</u>	<u>138.8</u>
FY Budgetary Expenditures	4,106.1	4,118.1	4,394.3	4,513.9	4,507.3	5,057.9	5,838.9		5,921.7	6,042.4	5,994.3	6,478.6	7,070.9

Comments:

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

OMB General Assumptions FY2024 Forecast

FY2024 Operating Budget final draft \$5,606.72 M

FY2024 Grant in Aid projected at current year level

FY2024 One-Time Supplemental Budget final draft \$194.56 M

FY2024 Capital Cash Governor Recommended Budget currently \$684.7 M

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 - pension rate changes and Group Health Insurance funding included

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

DEFAC General Fund Revenue Worksheet

June-23 DEFAC Meeting	FY 2022 A Actual Collections	FY 2023				
		B DEFAC May-23	C % B over A	D DEFAC Jun-23	E % D over A	F \$ Increase D over B
Revenue Category						
Personal Income Tax	2,375.8	2,388.6	0.5%	2,399.8	1.0%	11.2
Less: Refunds	<u>(466.4)</u>	<u>(297.5)</u>	-36.2%	<u>(297.5)</u>	-36.2%	0.0
PIT Less Refunds	1,909.4	2,091.1	9.5%	2,102.3	10.1%	11.2
Franchise Tax	1,300.4	1,406.1	8.1%	1,406.1	8.1%	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	1,870.1	8.5%	1,870.1	8.5%	0.0
Less: Refunds	<u>(14.3)</u>	<u>(15.0)</u>	4.8%	<u>(15.0)</u>	4.8%	<u>0.0</u>
Net Franchise + LP/LLC	1,708.7	1,855.1	8.6%	1,855.1	8.6%	0.0
Business Entity Fees	164.2	159.4	-2.9%	159.4	-2.9%	0.0
Uniform Commercial Code	31.0	28.9	-6.9%	28.9	-6.9%	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>(150.0)</u>	-26.7%	<u>10.0</u>
Unclaimed Prop Less Refunds	349.4	394.0	12.8%	404.0	15.6%	10.0
Gross Receipts Tax	331.0	354.9	7.2%	360.9	9.0%	6.0
Lottery	236.0	239.6	1.5%	239.6	1.5%	0.0
Corporation Income Tax	379.5	447.9	18.0%	462.4	21.8%	14.5
Less: Refunds	<u>(65.3)</u>	<u>(81.0)</u>	24.1%	<u>(75.0)</u>	14.9%	<u>6.0</u>
CIT Less Refunds	314.2	366.9	16.8%	387.4	23.3%	20.5
Realty Transfer Tax	304.3	240.8	-20.9%	246.8	-18.9%	6.0
Cigarette Taxes	115.3	102.0	-11.6%	102.0	-11.6%	0.0
Bank Franchise Tax	113.2	101.1	-10.7%	106.0	-6.4%	4.9
Insurance Taxes and Fees	98.6	110.6	12.1%	107.8	9.3%	(2.8)
Hospital Board and Treatment	21.0	23.4	11.5%	21.9	4.3%	(1.5)
Public Utility Tax	29.6	36.0	21.6%	35.0	18.2%	(1.0)
Alcoholic Beverage Tax	30.9	32.4	4.8%	31.4	1.6%	(1.0)
Dividends and Interest	12.6	28.9	129.2%	36.0	185.5%	7.1
Other Revenues	70.8	82.7	16.7%	81.8	15.5%	(0.9)
Less: Other Refunds	<u>(10.6)</u>	<u>(25.3)</u>	138.7%	<u>(25.4)</u>	139.7%	(0.1)
Net Receipts	5,829.9	6,222.5	6.7%	6,280.9	7.7%	58.4

Adj Growth Rate

3.8%

DEFAC General Fund Revenue Worksheet

June-23 DEFAC Meeting	FY 2024					FY 2025				
	G DEFAC May-23	H % G over B	I DEFAC Jun-23	J % I over D	K \$ Increase I over G	L DEFAC May-23	M % L over G	N DEFAC Jun-23	O % N over I	P \$ Increase N over L
Revenue Category										
Personal Income Tax	2,370.0	-0.8%	2,376.1	-1.0%	6.1	2,468.0	4.1%	2,472.6	4.1%	4.6
Less: Refunds	<u>(287.0)</u>	-3.5%	<u>(287.0)</u>	-3.5%	<u>0.0</u>	<u>(272.7)</u>	-5.0%	<u>(272.7)</u>	-5.0%	<u>0.0</u>
PIT Less Refunds	2,083.0	-0.4%	2,089.1	-0.6%	6.1	2,195.3	5.4%	2,199.9	5.3%	4.6
Franchise Tax	1,278.9	-9.0%	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	-7.0%	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>	-33.3%	<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	-6.8%	1,729.7	-6.8%	0.0	1,729.7	0.0%	1,729.7	0.0%	0.0
Business Entity Fees	150.0	-5.9%	150.0	-5.9%	0.0	150.0	0.0%	150.0	0.0%	0.0
Uniform Commercial Code	26.5	-8.3%	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>	0.0%	<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	-7.2%	0.0	350.0	-6.7%	350.0	-6.7%	0.0
Gross Receipts Tax	358.7	1.1%	358.7	-0.6%	0.0	371.3	3.5%	368.0	2.6%	(3.3)
Lottery	236.2	-1.4%	236.2	-1.4%	0.0	239.8	1.5%	239.8	1.5%	0.0
Corporation Income Tax	358.7	-19.9%	358.7	-22.4%	0.0	362.0	0.9%	362.0	0.9%	0.0
Less: Refunds	<u>(70.0)</u>	-13.6%	<u>(76.0)</u>	1.3%	<u>(6.0)</u>	<u>(70.0)</u>	0.0%	<u>(70.0)</u>	-7.9%	<u>0.0</u>
CIT Less Refunds	288.7	-21.3%	282.7	-27.0%	(6.0)	292.0	1.1%	292.0	3.3%	0.0
Realty Transfer Tax	221.5	-8.0%	227.1	-8.0%	5.6	257.4	16.2%	263.9	16.2%	6.5
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%	103.8	-2.1%	(1.1)	107.2	2.2%	109.9	5.9%	2.7
Insurance Taxes and Fees	108.1	-2.3%	105.3	-2.3%	(2.8)	112.8	4.3%	109.9	4.4%	(2.9)
Hospital Board and Treatment	23.8	1.7%	22.3	1.8%	(1.5)	24.0	0.8%	22.5	0.9%	(1.5)
Public Utility Tax	34.9	-3.1%	33.9	-3.1%	(1.0)	33.7	-3.4%	32.8	-3.2%	(0.9)
Alcoholic Beverage Tax	32.9	1.5%	31.9	1.6%	(1.0)	33.2	1.0%	32.2	0.9%	(1.0)
Dividends and Interest	113.2	291.7%	115.6	221.1%	2.4	107.0	-5.5%	111.1	-3.9%	4.1
Other Revenues	69.5	-16.0%	69.9	-14.5%	0.4	70.1	0.9%	71.8	2.7%	1.7
Less: Other Refunds	<u>(16.9)</u>	-33.2%	<u>(16.9)</u>	-33.5%	0.0	<u>(16.9)</u>	0.0%	<u>(16.9)</u>	0.0%	<u>0.0</u>
Net Receipts	6,038.3	-3.0%	6,039.4	-3.8%	1.1	6,179.3	2.3%	6,189.3	2.5%	10.0

Adj Growth Rate

-5.0%

2.8%

Balance and Appropriations Worksheet

June-23

FY 2023 EXPENDITURES

Total Spending Authority	\$7,503.4
Less: Continuing Appropriations & Encumbrances from FY 2023	(\$1,598.0)
Less: Reversions	<u>(\$66.5)</u>
Total Expenditures	\$5,838.9

FY 2023 BALANCES

Total Expenditures	\$5,838.9
vs. FY 2023 Revenues	6,280.9
Operating Balance	442.0
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	2,644.7
Less: Continuing Appropriations & Encumbrances from FY 2023	(1,598.0)
Less: Budgetary Reserve Account	<u>(\$316.4)</u>
Unencumbered Cash Balance 6/30	\$730.2

FY 2024 APPROPRIATION LIMITS

FY 2024 Revenue Estimate	\$6,039.4
Unencumbered Cash Balance from FY 2023	<u>\$730.2</u>
100% Appropriation Limit	\$6,769.7
98% Appropriation Limit	<u>\$6,634.2</u>
Prior 98% Appropriation Limit	\$6,549.9
Increase (Decrease) from Prior Meeting	\$84.3
October 2022 98% Appropriation Limit	\$6,268.7
Increase (Decrease) from October 2022	\$365.5

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

**Delaware Department of Transportation
FY 2023 Expenditures, Through May 31, 2023**

92%

	FY2021 Actual	FY2022 Actual	FY2023 Appropriation	OCTOBER FY2023 Forecast	DECEMBER FY2023 Forecast	MARCH FY2023 Forecast	MAY FY2023 Forecast	JUNE FY2023 Forecast	\$ difference May to June	\$ 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	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	111.9	0.0	6.3	99.2	89%
Operations/Capital Outlay	60.5	66.8	73.6	73.6	73.6	73.6	67.1	67.1	0.0	0.3	60.9	91%
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>80.3</u>	<u>0.0</u>	<u>0.5</u>	<u>73.6</u>	92%
Total Expenditures - Operations	303.2	319.2	350.9	350.9	353.4	353.4	342.3	342.3	0.0	23.1	316.7	93%
State Capital												
Road System	258.3	197.7	205.8	205.8	205.8	205.8	210.5	210.5	0.0	12.8	184.2	88%
Grants & Allocations	30.2	26.7	44.2	44.2	44.2	44.2	44.2	44.2	0.0	17.5	27.8	63%
Support Systems	54.7	45.8	40.7	40.7	40.7	40.7	48.9	48.9	0.0	3.1	44.8	92%
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>23.2</u>	<u>0.0</u>	<u>(6.7)</u>	<u>19.0</u>	82%
State Capital	370.2	300.1	320.1	320.1	320.1	320.1	326.8	326.8	0.0	26.7	275.8	84%
Federal Capital												
Federal Capital	293.5	261.1	325.0	325.0	325.0	300.0	275.0	275.0	0.0	13.9	219.2	80%
Total Expenditures - Capital	663.7	561.2	645.1	645.1	645.1	620.1	601.8	601.8	0.0	40.6	495.0	82%
TOTAL EXPENDITURES	966.9	880.4	996.0	996.0	998.5	973.5	944.1	944.1	0.0	63.7	811.7	86%

	OCTOBER FY2023 Forecast	DECEMBER FY2023 Forecast	MARCH FY2023 Forecast	MAY FY2023 Forecast	JUNE FY2023 Forecast	\$ difference May to June	FY2023 YTD Spend	% spent YTD
DelDOT	996.0	998.5	973.5	944.1	944.1	\$ -	\$ 811.7	86%
US301	25.8	25.8	25.8	19.8	19.8	\$ -	\$ 8.2	41%
TOTAL	1,021.8	1,024.3	999.3	963.9	963.9	\$ -	\$ 819.9	80%

DELAWARE DEPARTMENT OF TRANSPORTATION
Transportation Trust Fund Revenues

	FY21	FY22	% Chg.	Fiscal 2023			Fiscal 2024		
				5/15/2023 Approved	6/16/2023 Recomm	% Chg. FY 22	5/15/2023 Approved	6/16/2023 Recomm	% Chg. FY 23
<u>TOLL ROAD REVENUES:</u>									
I95 Newark Plaza	\$114.4	\$142.2	24.3%	\$135.5	\$134.5	-5.4%	\$140.0	\$140.0	4.1%
Route 1 Toll Road	55.0	62.6	13.8%	\$61.6	\$59.9	-4.3%	\$64.9	\$64.9	8.3%
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	\$196.5	-4.8%	\$207.1	\$207.1	5.4%
MOTOR FUEL TAX ADMIN.	128.5	136.7	6.4%	\$138.0	\$135.8	(0.6%)	\$146.1	\$146.1	7.6%
<u>DIVISION OF MOTOR VEHICLES</u>									
Motor Vehicle Document Fees	138.9	146.2	5.3%	\$164.0	\$164.0	12.2%	\$130.4	\$130.4	-20.5%
Motor Vehicle Registration Fees	60.8	57.4	-5.6%	\$59.5	\$61.0	6.2%	\$64.2	\$64.2	5.2%
Other DMV Revenues	<u>37.0</u>	<u>39.7</u>	<u>7.3%</u>	<u>\$40.7</u>	<u>\$39.7</u>	<u>0.1%</u>	<u>\$45.3</u>	<u>\$45.3</u>	<u>14.1%</u>
Total DMV Revenues	236.7	243.3	2.8%	\$264.2	\$264.7	8.8%	\$239.9	\$239.9	-9.4%
<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>\$9.5</u>	<u>611.1%</u>	<u>\$4.0</u>	<u>\$4.0</u>	<u>-57.9%</u>
Total Other Transp. Revenue	13.8	10.9	-21.0%	\$16.5	\$17.5	60.6%	\$13.2	\$13.2	-24.6%
GRAND TOTAL	\$549.7	\$597.3	8.7%	\$617.9	\$614.5	2.9%	\$606.3	\$606.3	-1.3%

(\$3.4)

\$0.0

	FY21	FY22	% Chg.	Fiscal 2023			Fiscal 2024		
US301 Revenues	\$ 19.9	\$ 22.0	10.6%	\$ 23.7	\$ 26.0	18.0%	\$ 24.0	\$ 24.0	-7.7%
TOTAL	\$ 569.6	\$ 619.3	8.7%	\$ 641.6	\$ 640.5	3.4%	\$ 630.3	\$ 630.3	-1.6%