

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

Buena Vista – September 16, 2019

Attendance:

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

Member	Present
M. Houghton	Yes
M. Jackson	Yes
Q. Johnson	Yes
K. Lewis	Yes
A. Lubin	Yes
G. Marcozzi	Yes
I. McConnel	Yes
C. Morgan	No
M. Morton	No
E. Ratledge	Yes
T. Shopa	Yes
D. Short	Yes
D. Sokola	Yes
D. Swayze	No
K. Walker	No

Members in Attendance: 20

Members Absent: 11

Others Present: A. Aka, R. Armitage, R. Byrd, J. Cole, L. Davis, J. DeChene, C. Engelsiepen, R. Goldsmith, K. Gordy, C. Haas, A. Jenkins, J. Johnstone, K. Knight, M. Marlin, M. Magarik, R. Morris, B. Motyl, S. Mullin, J. Neal, A. Penney, D. Roose, S. Steward, L. Thornton and members of the press.

Opening Business: Mr. Houghton called the meeting to order at 1:32 p.m.

The minutes from the June meeting were amended to reflect the attendance of Secretary of State Jeffrey Bullock. The minutes were approved as amended.

Expenditure Forecasts:

Mr. Ratledge and Mr. Jackson presented the General Fund Expenditure forecasts.

General Fund Expenditures - Fiscal Year 2020:

In his review of the Balance Sheet method, Mr. Ratledge noted a FY 2020 budget of \$4,451.9 million, Cash to the Bond Bill of \$184.3 million, Grant-in-Aid of \$55.1 million, Continuing and Encumbered of \$329.6 million and Supplementals of \$62.0 million. The Reversions estimate is \$20.0 million, while Encumbered and Continuing estimates stand at \$40.0 million and \$355.2 million respectively.

Mr. Jackson explained that the significantly higher Continuing and Encumbered amount found in the FY 2020 appropriation included continuation of capital projects that were appropriated last fiscal year, as well as funding set aside for such initiatives as the Opportunity Funding Initiative. Mr. Ratledge noted that growth in spending authority has eased, from 6.7% last year to 6.2%. Responding to Mr. Houghton, Mr. Jackson said funds used by the Water and Wastewater Advisory Water Infrastructure Advisory Council are to be withdrawn and used within a three-year period.

Mr. Ratledge then reviewed the Functional method. He mentioned that Salaries are expected to rise by 5.0% this year, higher than the 3.3% annual average posted over the past five years. Mr. Jackson explained that the estimate reflects the second year of pay increases for State employees, increases for teachers, the first year of a multi-year collective bargaining agreement, and trend growth in Salaries.

Mr. Ratledge mentioned that the Health Care component of Fringe Benefits is expected to increase by 2.0% in FY 2020, which is well below the five-year annual average of 5.5%. He asked whether one can expect continuation of low growth in the future. Mr. Jackson replied negatively but stressed the efforts made by the State to achieve a better health care outcome for employees while optimizing costs.

Mr. Ratledge noted a 3.4% increase in the Pension estimate for FY 2020, owing to increases in both Contribution and Health Care categories. Mr. Jackson explained that Pension is relatively flat from one year to the next, except in FY 2019 when investment returns were less than budgeted. Mr. Ratledge mentioned a jump in Grants by 10.5% this year. The increase was due to higher Grants-in-Aid, cash to the Bond Bill and grants to institutions for higher education, according to Mr. Jackson.

Mr. Ratledge noted that the Medicaid category is expected to grow by 3.8%. Mr. Jackson said Medicaid has been a success story under the leadership of Ms. Walker, the Secretary of the Department of Health and Services, and he expected the estimate to come down in future DEFAC meetings. Mr. Jackson also mentioned the Federal-State share reconciliation process, which has been ongoing since June.

Mr. Ratledge mentioned Contractual Services are expected to jump almost 15.0% in the fiscal year. Mr. Jackson noted that the capital budget is spread across Grants, Contractual Services, Supplies and Materials, and Capital Outlay.

With regard to the surge in Capital Outlay (up 43.2%) expected in FY 2020, Mr. Jackson mentioned funds to replace a State helicopter which were encumbered last year but will be fully disbursed next year. In response to a question from Mr. McConnel, Mr. Houghton said figures for FY 2018 and FY 2019 are actuals. (See Table 1a and Table 1b for complete details).

A motion was made, seconded and approved to accept \$4,667.6 million as the Expenditure estimate for FY 2020. The estimate represents an increase of \$273.3 million from FY 2019.

General Fund Expenditures - Fiscal Year 2021:

Ms. Engelsiepen said FY 2021 projections are based on FY 2019 actuals, FY 2020 estimates and assumptions that can be made for spending categories. Mr. Jackson added that in actuality the General Fund expenditure level is dictated by the level of appropriation voted by the General Assembly.

Mr. Houghton agreed with Mr. Marcozzi that variances and detailed explanations ought to be provided for previously-generated expenditure forecasts.

Fiscal year 2022-24 estimates were provided for informational purpose only. (See Table 1c for complete details.)

A motion was made, seconded and approved to accept \$4,819.9 million as the Expenditure estimate for FY 2021. The estimate represents an increase of \$152.3 million from FY 2020.

Revenue Forecasts:

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

Economic Outlook

Mr. Geisenberger provided context for Mr. Aka's presentation about the structure of Delaware's economy. He mentioned recent discussions about the State economy in local newspaper articles. Mr. Geisenberger noted the volatility in quarterly state GDP figures

and other economic indicators, and indicated that context matters for a small state such as Delaware. Mr. Hindes said a lot of newspaper writers covering this information have less historical perspective, and that statistics must be understood in the context of the State's small size. As an example, he mentioned that because of its size, Delaware had in the past the highest per capita cell phone penetration in the world.

Mr. Aka noted that Delaware and national employment growth tend to move together and cited Moody's work stating that 94.0% of the State's employment fluctuations can be attributed to the U.S. The recent underperformance of the State's employment levels is likely due to restructuring at major employers such as AstraZeneca and DuPont over the past few years.

With regard to manufacturing employment, Mr. Aka mentioned that loss of high-paying jobs and plant closures in 2008-09 had exacerbated the underperformance of Delaware, but growth in the sector has been positive in recent years. He indicated that, although the U.S. has outperformed Delaware in Financial Activities since 1992, the reverse is true when one focuses on the Finance and Insurance sub-sector. In addition, the latter exhibits the highest average wage in the State, and therefore is a critical industry when considering the State's overall economy.

Mr. Aka indicated that employment in Education and Health, which has not declined since 1992, has doubled in Delaware between 1992 and 2014, thanks to an aging population, better access to health care, and the in-migration of the elderly. Finally Mr. Aka described employment location quotients, which show two outliers: Information sector and Financial Activities.

Mr. Geisenberger said the financial sector's large presence in Delaware drives the State's economy, and that the rebound in that sector between Q4-2018 and Q1-2019 has led to significant improvement in Delaware's quarterly GDP growth ranking, from 50th to 7th. For context, he added that, because of a lack of natural resources, the State did not benefit from Mining, which was the fastest growing sector in the national economy over the past 2-3 years. Delaware, like all states without significant natural resources, have been at a comparative disadvantage in recent years relative to high-resource states.

Ms. Davis asked whether the Information sector refers to Information Technology. Mr. Geisenberger said his staff are still looking into the definition of that industry. Mr. Roose added a large portion of the sector has to do with media and movie production as well as communications infrastructure. He believed IT jobs to be spread across many sectors. Ms. Davis asked whether the average wage data, which date from 2017, is the latest. Mr. Aka replied affirmatively. Mr. Ratledge noted that although Financial Activities took a hit during the latest recession, the sector did recover very quickly and is still growing. In contrast the construction industry peaked in 2007, contracted sharply during the last recession and has yet to recover.

Mr. Aka presented economic forecasts for the U.S. (produced by IHS Markit ("IHS")) and

Delaware (developed by the Department of Finance). He said the current expansion is the longest expansion in U.S. history, but remains constrained by the trade war with China, Brexit, and slowdown in the global economy. IHS expects U.S. real GDP growth to decelerate from 2.3% this calendar year to 2.1% next year. Mr. Aka mentioned that both U.S. Personal Income and Wages and Salaries have seen strong upward revisions in the Bureau of Economic Analysis (BEA)'s annual revisions to the National Income and Products Account. The FY 2019 growth in Wages and Salaries was revised from 3.9% in June to 4.9% in September and IHS expects rates of at least 5.0% in FY 2020 and FY 2021.

Mr. Aka said that Delaware's steady economic performance continues. Although the September forecasts for both the State's Employment and Wages and Salaries are almost unchanged from June, they could be affected by the BEA's comprehensive revisions, which will be released on September 24. Mr. Aka also mentioned that 5-year economic forecasts are available for informational purposes only. Overall Delaware's employment growth is expected to decelerate from 1.0% in FY 2020 to 0.5% by FY 2022.

General Fund Revenues - Fiscal Year 2020:

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

Revenue Category	Jun-19	Sep-19	Change
Unclaimed Property	545.0	554.0	9.0
Lottery	202.4	210.4	8.0
Personal Income Tax	1,806.2	1,798.8	(7.4)
PIT Refunds	(216.0)	(208.6)	7.4
Other Revenues	69.9	64.6	(5.3)
Gross Receipts Tax	268.3	264.6	(3.7)
Hospital Board and Treatment	35.7	32.2	(3.5)
Alcoholic Beverage Tax	28.6	26.0	(2.6)
Cigarette Taxes	127.1	125.3	(1.8)
Public Utility Tax	35.2	35.7	0.5
Dividends and Interest	29.6	30.0	0.4
Bank Franchise Tax	97.7	98.1	0.4
Other Refunds	(18.8)	(18.5)	0.3
Corporation Income Tax	187.2	187.1	(0.1)
Realty Transfer Tax	157.2	157.1	(0.1)

For a complete listing of FY 2020 estimates, see Table 2.

Legislative Actions Enacted After the June DEFAC Meeting:

There were \$7.2 million of legislative changes to the revenue resolution: \$5 million

for the Division of Revenue's new revenue collection and reporting system, spread across PIT final payments, CIT gross receipts, and the gross receipts tax, and a \$2.2 million credit against the alcoholic beverage tax to prevent double taxation with a change in the timing of tax payments.

Discussion of FY 2020 Estimates:

Mr. Roose said there was no change to the economic forecast and that FY 2019 revenues came in \$7.8 million above the June estimate. He attributed most variances between actuals and June estimates to noise, and explained most of the Corporate Income Tax (CIT) variance by a large tax payment received the day after the June meeting. Mr. Roose said that tracking was not important this early in the fiscal year.

Personal Income Tax (PIT) Less Refunds: Mr. Roose did not recommend a change in the estimate.

With regard to Net PIT, Mr. Roose said the misses from last year are carried through, except for Final Payments and Refunds. Final payments are further reduced to reflect the estimated penalties and interest that will be directed to the Department of Revenue technology modernization. Meanwhile, PIT Refunds are also reduced to reflect a lower-than-anticipated use of tax credits.

Mr. Roose noted the forecast growth of 4.1% for Net PIT this year is a slowdown from last year's 7.0%. He said that the October extension returns may provide some meaningful information on the impact of the Tax Cut and Jobs Act on the State's personal income tax revenues for tax year 2018. Finally, Mr. Roose mentioned an upside risk to PIT from the BEA's coming revision of the personal income data.

Mr. Houghton asked how long will the dedication of funds to the Department of Revenue technology modernization last? Mr. Geisenberger said the project is expected to last for 3 years. After the 3 years some funds could be set aside to maintain the systems.

Unclaimed Property: Mr. Roose recommended an increase in the estimate by \$9.0 million.

Mr. Roose said the Unclaimed Property cap of \$554.0 million will be reached this year after analysis of VDAs and increased confidence on future collections. He noted that refunds are expected to remain at their base level of \$110.0 million.

Gross Receipts Tax: Mr. Roose recommended a decrease in the estimate by \$3.7 million.

Mr. Roose said the estimate takes into account last year's miss and 20.0% of the estimated interests and penalties which will be dedicated to the Division of Revenue technology modernization. He noted tracking anomalies for Gross Receipts Tax and Public Utility Tax due to accounting issues.

Lottery: Mr. Roose recommended an increase in the estimate by \$8.0 million.

Mr. Roose said the bulk of the revision is in Video lottery, which rose 4.4% last year and has continued to grow since the start of the fiscal year. Up 4.9% on a year-to-date basis, the forecast for Video assumes 2.5% growth for the remaining of the year. Mr. Roose said the Lottery forecast also includes a 35% drop in Sports lottery, an additional \$5.4 million reduction as part of the casino relief package, and a 2.0% growth for Traditional lottery.

Corporate Income Tax (CIT) Less Refunds: Mr. Roose recommended a decrease in the estimate by \$0.1 million.

Mr. Roose said the estimate includes the fiscal year 2019 miss, and is reduced by 20.0% of the estimated interests and penalties which will be dedicated to the Division of Revenue technology modernization.

Cigarette Tax: Mr. Roose recommended a reduction in the estimate by \$1.8 million.

Mr. Roose said the estimate incorporates a trend decline of 2.0%, the extra \$6.5 million reconciliation payments from wholesalers that were due June 30 and received this fiscal year, and a \$1.4 million revenue loss from T-21, a bill that prohibits individuals under 21 from buying tobacco products.

Hospital Board and Treatment: Mr. Roose recommended a decrease in the estimate by \$3.5 million.

Mr. Roose mentioned coming closures of two day habilitation centers in the fiscal year, as well as a one-time \$1.9 million reduction due to a billing change.

Alcoholic Beverage Tax: Mr. Roose recommended a decrease in the estimate by \$2.6 million.

Mr. Roose said the decrease primarily reflects aforementioned legislative action enacted after the June DEFAC meeting in the form of a \$2.2 million credit against the alcoholic beverage tax.

Other Revenues: Mr. Roose recommended a decrease in the estimate by \$5.3 million.

Mr. Roose attributed the reduction in the estimate to tracking and a change in accounting practices related to stale checks issued by the Office of Unclaimed Property.

Other changes were attributed to tracking and adjusting for the FY 2019 miss.

FY 2020 Estimate Adopted:

A motion was made, seconded and approved to accept \$4,618.8 million as the revenue estimate for FY 2020. The estimate represents an increase of \$1.5 million from the FY 2019 actuals.

General Fund Revenues - Fiscal Year 2021:

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

Revenue Category	Jun-19	Sep-19	Change
Franchise Tax	882.6	914.2	31.6
Unclaimed Property	500.0	525.0	25.0
Lottery	202.4	215.0	12.6
Cigarette Taxes	123.6	115.4	(8.2)
Dividends and Interest	18.1	25.8	7.7
Personal Income Tax	1,894.8	1,887.5	(7.3)
Limited Partnerships & LLC's	361.9	355.1	(6.8)
PIT Refunds	(226.1)	(219.4)	6.7
Other Revenues	71.2	65.9	(5.3)
Alcoholic Beverage Tax	29.1	25.4	(3.7)
Gross Receipts Tax	279.0	275.3	(3.7)
Hospital Board and Treatment	35.0	32.5	(2.5)
Public Utility Tax	34.4	34.9	0.5
Uniform Commercial Code	27.2	27.5	0.3
Other Refunds	(18.6)	(18.3)	0.3
Bank Franchise Tax	99.8	100.1	0.3
Realty Transfer Tax	163.6	163.5	(0.1)

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

Discussion of FY 2021 Estimates:

PIT Less Refunds: Mr. Roose recommended a reduction in the estimate by \$0.6 million.

Mr. Roose said more credits are expected to be used in FY 2021, increasing the refund estimate.

Net Corporate Franchise Tax & LP/LLC: Mr. Roose recommended an increase in the estimate by \$24.8 million. Mr. Roose noted an increase in compliance review related revenues and increases in corporate sizes.

Mr. Roose also noted a change in the LLC revenue growth from 7.0% to a more sustainable growth rate of 5.0%.

Unclaimed Property: Mr. Roose recommended an increase in the estimate by \$25.0 million.

Mr. Roose mentioned that the Division of Revenue has a better sense of the composition of the pipeline over the next year.

Lottery: Mr. Roose recommended an increase in the estimate by \$12.6 million.

Mr. Fasy expressed concerns that the estimate could be affected by competition from the stadium casino in Philadelphia and another large casino in Morgantown, PA. Mr. Geisenberger said adjustment to the estimate will be made in December, using all available information then.

Cigarette Tax: Mr. Roose recommended a reduction in the estimate by \$8.2 million.

Mr. Roose said the estimate accounts for the loss of the additional reconciliation payment received in FY 2020, a 2.0% trend decline and further impacts of T21.

Other changes reflected the carrying forward of changes made in FY 2020.

FY 2021 Estimate Adopted:

A motion was made, seconded and approved to accept \$4,735.7 million as the revenue estimate for FY 2021. The estimate represents an increase of \$47.4 million from the June estimate.

Long-Term General Fund Forecast: Mr. Roose reviewed the 5-year forecasts for revenue portfolio. He noted growth of 2.5% for the portfolio in FY 2022-2023, rising to 3.1% in FY 2024 following leveling-off of the decline in Unclaimed Property. Mr. Roose mentioned that economically-sensitive revenue sources can grow by 4.0% to 5.0% or more, but a large portion of the revenue base will only growth by a few percentage points or post declines.

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

Budget Stabilization Fund: Mr. Roose made a presentation on the Budget Stabilization Fund (BSF). He said that FY 2020 epilogue of the budget bill (section 77) directs the Director of the Office of Management and Budget (OMB) to transfer the unencumbered General Fund balance at the end of each fiscal year in excess of the 2.0% set-aside to a special fund holding account entitled "Budget Stabilization Fund". He indicated that the latter stands at \$126.3 million.

Mr. Roose also mentioned Executive Order number 21 which also directs the OMB Director to allocate, for reporting and budget planning purposes only, to the Budget Stabilization Fund the unencumbered General Funds forecasted at the end of a fiscal year in excess of the 2.0% set-aside. He noted that the BSF increment was \$25.1 million, leading to a total BSF of \$151.4 million as of the September 2019 DEFAC meeting. He pointed out that the BSF was in addition to the \$252.0 million in the Budget Reserve account.

General Fund Forecast Summary: The General Fund Forecast summary is composed of FY 2019 results, an Economic Outlook, Revenue and Expenditure updates, and the FY 2021 Budget Outlook.

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 FY 2020 Appropriation of \$352.2 million.

State Capital Expenditure: There was no change from the FY 2020 Appropriation of \$371.4 million.

Federal Capital Expenditure: There was no change from the FY 2020

Appropriation of \$280.0 million.

U.S. 301 Capital Expenditure: There was no change from the FY 2020 Appropriation of \$42.5 million.

Mr. Short asked about the discrepancy between engineering estimates and contractual bid figures. Ms. Thornton answered that different projects yield different outcomes and that there is no discernable, consistent trend that estimates on jobs are above the engineering estimates. In response to a question from Mr. Houghton, Ms. Thornton said the tight economy has not yet impacted the ability of DeIDOT to get work done. She added she could follow up with a report at the next DEFAC meeting. Mr. Houghton said such a report will be useful for informational purposes only.

A motion was made, seconded, and approved to accept \$1,046.1 million as the FY 2020 TTF expenditure estimate. The estimate represents an increase of \$79.8 million from the FY 2019 actual (See Table 4.)

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

FY 2020 Estimates:

The following changes were made from the June estimates.

Toll Road Revenues: Decreased from \$211.4 million in June to \$202.5 million.

Mr. Motyl said the I-95 revenue estimate take account of the results from a Traffic and Revenue study. He added that SR-1 revenues have been hurt by weak traffic thus far this year.

Ms. Davis Burnham asked whether some of the decrease in the SR-1 revenues are attributable to the 301 bypass. Mr. Motyl answered the bypass has had minimal effect on SR-1 revenues. According to the Traffic and Revenue study, increased construction vehicles traffic during the construction of U.S. 301 has been beneficial to SR-1 revenues.

Motor Fuel Tax Administration: Increased from \$145.8 million in June to \$150.0 million.

Mr. Motyl said collections have been strong so far this year.

Division of Motor Vehicles: Increased from \$221.2 million in June to \$223.4 million.

Mr. Motyl mentioned strength in the Other DMV Fees category, which in the first two months of the fiscal year is comfortably running ahead of last year.

Other Transportation Revenues: Increased from \$16.6 million in June to \$18.5 million.

Despite lower interest rates in the future, Investment Income is expected to increase in the fiscal year. Mr. Motyl said \$160.0 million worth of bonds will be invested and earn interests this year.

U.S. 301 Capital Expenditure: There was no change from the June estimate of \$17.8 million.

A motion was made, seconded, and approved to accept \$612.2 million as the FY 2020 TTF revenue estimate. The estimate represents a decrease of \$0.6 million from the June estimate.

FY 2021 Estimates:

The following changes were made from the June estimates.

Toll Road Revenues: Decreased from \$213.8 million in June to \$204.9 million.

Motor Fuel Tax Administration: Increased from \$147.3 million in June to \$152.3 million.

Division of Motor Vehicles: Increased from \$224.4 million in June to \$226.7 million.

Other Transportation Revenues: Increased from \$17.1 million in June to \$17.6 million.

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

A motion was made, seconded, and approved to accept \$622.5 million as the FY 2021 TTF revenue estimate. The estimate represents a decrease of \$1.1 million from June (See Table 5.)

Other Business:

Threshold Adjustment Factor Calculation: Mr. Roose mentioned that filing thresholds have been adjusted and aligned with the consumer price index. He pointed that a provision related to salary threshold in the New Economy Jobs act has been added to the list.

Mr. Houghton reiterated his request to have Mr. Ratledge make a brief, 15 minute presentation on demographics at the next (December) DEFAC meeting.

Mr. Hinds presented Ms. Davis an apology. He recalled his skepticism in the April meeting when Ms. Davis expected a reversal of the yield curve in the months ahead. She turned out to be right, as the curve has remained inverted for several months.

Mr. Houghton announced the next scheduled DEFAC meeting dates:

- Wednesday, December 18, 2019
- Monday, March 16, 2020

There being no further business, Mr. Houghton adjourned the meeting at 2:57 p.m.

Respectfully submitted,

Arsene Aka

Table 1c.

DEFAC Expenditures Forecast for General Fund Disbursements FY 2020-2024 (\$ in millions)																		
September 16, 2019																		
	FY2015		FY2016		FY2017		FY2019		FY2020		FY2021		FY2022		FY2023		FY2024	
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	June	Sept	June	June	June	June	June	June	June	June	June
Salaries	1,338.5	1,361.8	1,402.9	1,499.9	1,500.7	1,575.5					1634.0	1688.2	1744.1	1801.9				
Fringe Benefits	403.0	453.7	480.5	494.4	495.9	507.4					515.4	539.8	565.5	592.5				
Health Care	283.1	334.1	359.0	362.6	363.7	369.8					372.3	392.7	414.3	437.0				
Other	119.9	119.6	121.5	131.8	132.2	137.6					143.1	147.1	151.2	155.4				
Pension	287.0	297.3	317.7	360.8	361.9	373.2					382.0	408.0	436.6	468.0				
Contribution	147.7	150.6	153.7	201.5	202.1	211.7					216.7	232.9	250.3	269.0				
Health Care	103.8	105.0	131.3	145.4	145.9	151.3					154.8	166.9	180.0	194.1				
Other	35.5	41.7	32.7	13.9	13.9	10.2					10.5	8.2	6.4	5.0				
Debt Service	163.9	169.4	179.0	183.9	183.9	185.0					205.1	210.1	215.3	220.6				
Grants	377.9	349.6	365.7	445.2	448.6	492.0					462.0	487.0	513.4	541.2				
Medicaid	668.0	689.1	739.7	733.4	734.0	761.4					777.0	797.6	818.8	840.5				
Contractual Services	511.9	513.6	537.6	589.0	595.7	677.0					754.0	797.4	843.2	891.7				
Supplies & Materials	68.0	66.9	68.7	69.3	69.8	69.6					70.2	70.5	70.9	71.2				
Capital Outlay	14.4	12.3	14.3	18.5	19.1	26.5					20.2	22.8	25.8	29.1				
FY Budgetary Expenditures	3,832.6	3,913.7	4,106.1	4,394.4	4,409.6	4,667.6					4,819.9	5,021.4	5,233.5	5,456.6				
Comments:																		
Forecast FY2020 is based on the OMB budget (June Estimate).																		
Forecast FY2022-FY2024 is based on the annual average growth rate for each category FY2015-FY2020(September Estimate).																		

Table 2. DEFAC General Fund Revenue Worksheet

Revenue Category	FY 2019		FY 2019		FY 2019		FY 2020				F \$ Increase D over B
	DEFAC Jun-19	A Actual Collections	Variance Actual - June	Actual Jun-19	B DEFAC Jun-19	C % B over A	D DEFAC Sep-19	E % D over A	EE Legislative Changes	FF \$ Increase D over B	
September-19 DEFAC Meeting											
Personal Income Tax	1,728.1	1,730.5	2.4	1,730.5	1,806.2	4.4%	1,798.8	3.9%	(3.0)	(7.4)	
Less: Refunds	(205.4)	(203.0)	2.4	(203.0)	(216.0)	6.4%	(208.6)	2.8%		7.4	
PIT Less Refunds	1,522.7	1,527.5	4.8	1,527.5	1,590.2	4.1%	1,590.2	4.1%	(3.0)	0.0	
Franchise Tax	906.5	906.2	(0.3)	906.2	891.0	-1.7%	891.0	-1.7%		0.0	
Limited Partnerships & LLC's	324.5	322.0	(2.5)	322.0	338.2	5.0%	338.2	5.0%		0.0	
Subtotal Franchise + LP/LLC	1,231.0	1,228.2	(2.8)	1,228.2	1,229.2	0.1%	1,229.2	0.1%		0.0	
Less: Refunds	(12.0)	(12.0)	0.0	(12.0)	(10.0)	-16.7%	(10.0)	-16.7%		0.0	
Net Franchise + LP/LLC	1,219.0	1,216.2	(2.8)	1,216.2	1,219.2	0.2%	1,219.2	0.2%		0.0	
Business Entity Fees	123.6	123.0	(0.6)	123.0	126.8	3.1%	126.8	3.1%		0.0	
Uniform Commercial Code	25.8	25.2	(0.6)	25.2	26.8	6.3%	26.8	6.3%		0.0	
Unclaimed Property	554.0	554.0	0.0	554.0	545.0	-1.6%	554.0	0.0%		9.0	
Less: Refunds	(110.0)	(114.3)	(4.3)	(114.3)	(110.0)	-3.8%	(110.0)	-3.8%		0.0	
Unclaimed Prop Less Refunds	444.0	439.7	(4.3)	439.7	435.0	-1.1%	444.0	1.0%		9.0	
Gross Receipts Tax	260.0	259.3	(0.7)	259.3	268.3	3.5%	264.6	2.0%	(1.0)	(3.7)	
Lottery	214.6	215.8	1.2	215.8	202.4	-6.2%	210.4	-2.5%		8.0	
Corporation Income Tax	185.0	187.8	2.8	187.8	187.2	-0.3%	187.1	-0.4%	(1.0)	(0.1)	
Less: Refunds	(42.5)	(40.0)	2.5	(40.0)	(75.0)	87.5%	(75.0)	87.5%		0.0	
CIT Less Refunds	142.5	147.8	5.3	147.8	112.2	-24.1%	112.1	-24.2%	(1.0)	(0.1)	
Realty Transfer Tax	154.4	154.3	(0.1)	154.3	157.2	1.9%	157.1	1.8%		(0.1)	
Cigarette Taxes	124.0	122.6	(1.4)	122.6	127.1	3.7%	125.3	2.2%		(1.8)	
Bank Franchise Tax	95.0	100.8	5.8	100.8	97.7	-3.1%	98.1	-2.7%		0.4	
Insurance Taxes and Fees	84.0	86.6	2.6	86.6	74.2	-14.3%	74.2	-14.3%		0.0	
Hospital Board and Treatment	34.7	35.4	0.7	35.4	35.7	0.9%	32.2	-8.9%		(3.5)	
Public Utility Tax	36.5	37.0	0.5	37.0	35.2	-4.8%	35.7	-3.5%		0.5	
Alcoholic Beverage Tax	28.0	26.6	(1.4)	26.6	28.6	7.5%	26.0	-2.3%	(2.2)	(2.6)	
Dividends and Interest	24.9	24.9	0.0	24.9	29.6	18.8%	30.0	20.4%		0.4	
Other Revenues	69.1	67.6	(1.5)	67.6	69.9	3.4%	64.6	-4.5%		(5.3)	
Less: Other Refunds	(18.7)	(18.5)	0.2	(18.5)	(18.8)	1.8%	(18.5)	0.2%	(7.2)	0.3	
Net Receipts	4,584.1	4,591.9	7.8	4,591.9	4,617.3	0.6%	4,618.8	0.6%	(7.2)	1.5	

Changes in Revenue Resolution
 Net DEFAC Changes 8.7
 Adj Growth Rate 0.50%

Table 2. DEFACT General Fund Revenue Worksheet

Revenue Category	FY 2021			FY 2022		FY 2023		FY 2024	
	G DEFAC Jun-19	H % G over B	I DEFAC Sep-19	L DEFAC Sep-19	M % L over I	N DEFAC Sep-19	O % N over L	P DEFAC Sep-19	Q % P over N
September-19 DEFAC Meeting									
Personal Income Tax	1,894.8	4.9%	1,887.5	1,978.5	4.8%	2,074.0	4.8%	2,174.0	4.8%
Less: Refunds	(226.1)	4.7%	(219.4)	(231.0)	5.3%	(242.0)	4.8%	(253.7)	4.8%
PIT Less Refunds	1,668.7	4.9%	1,668.1	1,747.5	4.8%	1,831.9	4.8%	1,920.3	4.8%
Franchise Tax	882.6	-0.9%	914.2	937.9	2.6%	962.3	2.6%	987.3	2.6%
Limited Partnerships & LLC's	361.9	7.0%	355.1	372.9	5.0%	391.5	5.0%	411.1	5.0%
Subtotal Franchise + LP/LLC	1,244.5	1.2%	1,269.3	1,310.8	3.3%	1,353.8	3.3%	1,398.4	3.3%
Less: Refunds	(10.0)	0.0%	(10.0)	(10.0)	0.0%	(10.0)	0.0%	(10.0)	0.0%
Net Franchise + LP/LLC	1,234.5	1.3%	1,259.3	1,300.8	3.3%	1,343.8	3.3%	1,388.4	3.3%
Business Entity Fees	130.1	2.6%	130.1	133.5	2.6%	136.9	2.5%	140.5	2.6%
Uniform Commercial Code	27.2	1.5%	27.5	28.2	2.5%	28.9	2.5%	29.6	2.4%
Unclaimed Property	500.0	-8.3%	525.0	500.0	-4.8%	450.0	-10.0%	450.0	0.0%
Less: Refunds	(110.0)	0.0%	(110.0)	(110.0)	0.0%	(110.0)	0.0%	(110.0)	0.0%
Unclaimed Prop Less Refunds	390.0	-10.3%	415.0	390.0	-6.0%	340.0	-12.8%	340.0	0.0%
Gross Receipts Tax	279.0	4.0%	275.3	286.4	4.0%	298.0	4.0%	310.0	4.0%
Lottery	202.4	0.0%	215.0	219.8	2.2%	224.7	2.2%	229.7	2.2%
Corporation Income Tax	193.2	3.2%	193.2	199.1	3.1%	205.1	3.0%	211.4	3.0%
Less: Refunds	(80.0)	6.7%	(80.0)	(80.0)	0.0%	(80.0)	0.0%	(80.0)	0.0%
CIT Less Refunds	113.2	0.9%	113.2	119.1	5.2%	125.1	5.1%	131.4	5.0%
Realty Transfer Tax	163.6	4.1%	163.5	171.2	4.7%	179.2	4.7%	187.6	4.7%
Cigarette Taxes	123.6	-2.8%	115.4	112.1	-2.9%	108.8	-3.0%	105.5	-3.0%
Bank Franchise Tax	99.8	2.1%	100.1	102.1	2.0%	104.2	2.1%	106.2	1.9%
Insurance Taxes and Fees	87.0	17.3%	87.0	75.1	-13.7%	87.8	16.9%	76.4	-13.0%
Hospital Board and Treatment	35.0	-2.0%	32.5	32.8	0.9%	33.1	0.9%	33.4	0.9%
Public Utility Tax	34.4	-2.3%	34.9	33.6	-3.7%	33.6	0.0%	33.6	0.0%
Alcoholic Beverage Tax	29.1	1.7%	25.4	27.9	9.8%	30.6	9.6%	33.5	9.6%
Dividends and Interest	18.1	-38.9%	25.8	28.5	10.5%	23.6	-17.1%	18.7	-20.9%
Other Revenues	71.2	1.9%	65.9	67.3	2.1%	68.7	2.1%	70.2	2.2%
Less: Other Refunds	(18.6)	-1.1%	(18.3)	(18.1)	-1.1%	(17.9)	-1.1%	(17.7)	-1.0%
Net Receipts	4,688.3	1.5%	4,735.7	4,857.8	2.6%	4,981.0	2.5%	5,137.3	3.1%

Changes in Revenue Resolution (2.2)
 Net DEFACT Changes 49.6
 Adj Growth Rate 3.25%

4.25%

Table 3. Balance and Appropriations Worksheet

FY 2020 EXPENDITURES		FY 2020 BALANCES		FY 2021 APPROPRIATION LIMITS	
Total Spending Authority	\$5,082.8	Total Expenditures	\$4,667.6	FY 2021 Revenue Estimate	\$4,735.7
Less: Continuing Appropriations & Encumbrances from FY 2020	(\$395.2)	vs. FY 2020 Revenues	4,618.8	Unencumbered Cash Balance from FY 2020	\$124.8
Less: Reversions	(\$20.0)	Operating Balance	(48.8)	100% Appropriation Limit	\$4,860.5
Total Expenditures	\$4,667.6	Prior Year Cash Balance	947.5	98% Appropriation Limit	\$4,763.3
		Less: Budget Stabilization Fund (82 Del Law c 64; HB 225, Section 77)*	(\$126.3)	Prior 98% Appropriation Limit	NA
		Cumulative Cash Balance	772.4	Increase (Decrease) from Prior Meeting	NA
		Less: Continuing Appropriations & Encumbrances from FY 2020	(395.2)	Sept. 2019 98% Appropriation Limit	\$4,763.3
		Less: Budgetary Reserve Account	(\$252.4)	Increase (Decrease) from September 2019	\$0.0
		Unencumbered Cash Balance 6/30	\$124.8		
FY 2020 BUDGET					
Budget	\$4,451.9				
Grants	\$55.1				
Supplemental	\$246.3				
Total Appropriations	\$4,753.3				
Plus: Continuing Appropriations & Encumbrances from Prior Years	\$329.6				
Total Spending Authority	\$5,082.8				

Table 4.

Delaware Department of Transportation							17%	
FY 2020 Expenditures, Through August 31, 2019								
	FY2018 Actual	FY2019 Actual	FY2020 Appropriation	SEPTEMBER FY2019 Forecast	\$ difference	\$ difference Forecast V. FY2019 Actual	FY2020 YTD Spend	% spent YTD
Operations			w/o US301					
Debt Service	91.6	94.5	91.5	91.5	0.0	(3.0)	80.1	88%
Personnel Costs	90.7	96.9	96.6	96.6	0.0	(0.3)	19.7	20%
Operations/Capital Outlay	62.8	64.4	69.3	69.3	0.0	4.9	11.9	17%
Transit Operations (DTC)	89.8	93.2	94.8	94.8	0.0	1.6	15.8	17%
Total Expenditures - Operations	334.9	349.0	352.2	352.2	0.0	3.2	127.5	36%
State Capital								
Road System	146.4	202.6	236.3	236.3	0.0	33.7	41.9	18%
Grants & Allocations	24.7	30.6	38.3	38.3	0.0	7.7	9.1	24%
Support Systems	42.9	51.0	55.6	55.6	0.0	4.6	7.3	13%
Transit	19.9	28.0	41.2	41.2	0.0	13.2	(0.5)	-1%
State Capital	233.9	312.2	371.4	371.4	0.0	59.2	57.8	16%
Federal Capital								
Federal Capital	233.9	215.7	280.0	280.0	0.0	64.3	45.1	16%
Total Expenditures - Capital	467.8	527.9	651.4	651.4	0.0	123.5	102.9	16%
TOTAL EXPENDITURES	802.7	876.9	1,003.6	1,003.6	0.0	126.7	230.4	23%

	SEPTEMBER FY2020 Forecast	difference	\$ difference Forecast V. FY2019 Actual	FY2020 YTD Spend	% spent YTD
DeiDOT	1,003.6	-	\$ 126.7	\$ 230.4	23%
US301	42.5	-	\$ (46.9)	\$ 5.1	12%
TOTAL	1,046.1	-	\$ 79.8	\$ 235.5	23%

