MINUTES of the
DELAWARE ECONOMIC & FINANCIAL ADVISORY COUNCIL

Buena Vista – December 18, 2019

Attendance:

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

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

Members in Attendance: 23
Members Absent: 8

Others Present: A. Aka, K. Baranski, B. Doolittle, C. Engelsiepen, R. Goldsmith, J. Hudson, J. Johnstone, R. Jones, K. Knight, M. Magarik, M. Marlin, P. Morris, R. Morris, S. Mullin and D. Roose.

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

The minutes from the June meeting were approved as submitted.

Demographic Trends

According to Mr. Ratledge, Delaware's population is expected to increase over time, but growth is expected to decelerate rapidly after 2030. By then, New Castle County population level is forecast to hit a plateau, at around 600,000, while Sussex County population growth is expected to ease.

Describing the sources of growth, Mr. Ratledge noted that the State added 10,000 individuals in 2018, with the bulk of the increase attributed to net migration; natural population increases explained the remaining increase in overall population.

Mr. Ratledge indicated that net migration, which was elevated in 2005-06, was once again rising in 2018. On the other hand, natural population increase, defined as the difference between the numbers of births and deaths, has been steadily declining over the past decade.

Discussing county-specific data, Mr. Ratledge mentioned the sharp increase in net migration in Kent in 2007-08; net migration has since reverted to its previous level of 1,500 individuals per year. Though declining, natural increase remained positive, as the number of births outweighed the number of deaths in the county.

Population growth in New Castle has slowed since 1985. Mr. Ratledge noted that natural increase, which rose to a high of 4,000 in the early 1990s, now stands at around 2,000. Net migration, which has been both positive and negative during the housing bubble, has been flat to negative recently, as the county remains dependent on a strong job market to attract people.

Mr. Ratledge said Sussex county population growth was solely tied to net migration, as natural increases were negative. He explained that net migration levels, which have fluctuated from 3,000 to 5,000 individuals per year, can be attributed to an inflow of retirees (of about 3,000 per year).

In response to a question on resident population, Mr. Ratledge said that legal status is not taken into account in the population count. He expected migration into Sussex to continue over the medium term and noted the lower level of wealth in that county and the fact that half of the migrants were moving into their own houses.

Mr. Ratledge then described various population pyramids for the State. He mentioned that the percentage of females aged 85 and older was larger than that of males in 1960. As the baby boomers, then aged 15 to 19, moved through the age distribution, the upper portions of the pyramid became larger over time.

By 2018, millennials occupied the bottom sections of the pyramid, while the section immediately above showed significant drops in the distribution due to population not being replaced. Mr. Ratledge noted that millennials could be over-represented since their count included a significant number of out-of-state students enrolled at the University of Delaware and Delaware State University.

According to Mr. Ratledge, the pace of increase in the number of households in the State is expected to moderate in the long term, partly as a result of a higher death rate. Such a trend will have a significant impact on the real estate industry.

Mr. Ratledge said the death of those over 65 will reach 6,616 in 2019. Of the 160,565 people over 65, 37,702 were living alone. Mr. Ratledge estimated that, of those 6,616 who are expected to pass away, 1,553 will leave an empty house on the market. Such "ghost houses" are already seen in Japan and Italy.

Mr. Ratledge estimated 8,611 individuals will expire in 2025, leading to 2,023 houses available for new households. However, he expected only 1,809 new households to form. As a result, an excess supply of houses is expected to develop, with adverse impacts on house prices.

Regarding the distribution of average consumer spending by age, Mr. Ratledge said household income, most of which stems from wages and salaries, will usually peak at around age 54 before declining. He expected the previously mentioned excess supply of housing to be seen in every state in the Northeast.

Mr. Ratledge noted the decline in the State's labor force participation rate (LFPR) since 2000. Looking at the LFPR by age group, Mr. Ratledge mentioned that the 2016-18 LFPR for individuals aged 65 and over is below past years' values, while the LFPR for the 50-64 group is much lower than the participation rate for people aged 35-49.

Ms. Dwyer asked for data on the percentage of women in the labor force and by age group. Mr. Ratledge answered that women's LFPR has outnumbered men's since the 1970s. Ms. Dwyer inquired about birth rates in countries that have policies designed to assist women who would like to have a family and also be in the labor force. Mr. Ratledge replied such rate has dropped from 3.2 to 1.9 in Delaware in the past 40 - 50 years. He explained the rate has not dropped below 1.9 because the data included migration and people with completed family sizes.

Mr. Ratledge said that white males aged 50 and above are seeing the biggest drop in their participation rate. This is because it is hard to return to one's previous level of income after losing a position after age 50. In fact, one usually loses 50% of their previous income, according to Mr. Ratledge.

Mr. Ratledge also discussed the U.S. and Delaware unemployment rates. He attributed the decline in the State's jobless rate to the lack of available labor force. Mr. Ratledge also discussed the per capita real GDP and per capita personal income for both Delaware and the nation. He noted that Delaware's per capita personal income has dropped below the

U.S. after 2012.

Mr. Houghton asked whether the State's personal income taxes will be declining over the next 10 - 15 years. He mentioned that said tax is usually thought to be most stable income category in the tax base, which includes Unclaimed Property (a volatile source) and Franchise tax (an exported revenue source).

Although currently growing, personal income tax will undoubtedly face significant challenges in the future, according to Mr. Ratledge who also noted that the structure of the personal income tax can be changed to address these challenges. Mr. Sokola asked whether the issue can be linked to the fact that retirees moving to Delaware have less work income and more fixed income. Mr. Ratledge answered that the pension exclusion and the lack of sales tax make Delaware a retirement haven.

Mr. Bonini said that retirees coming to the State have less income but more wealth and assets than others. Mr. Geisenberger argued that part of the retirees' income will support them until it is exhausted, after which some retirees will become Medicaid recipients. For retirees who do not end up in this situation their income will probably end up going to charities and people who most likely live in other states.

In response to a question from Mr. Bonini, Mr. Geisenberger said a sales tax could have helped the State benefit from the influx of retirees. Mr. Ratledge said a property tax would achieve the same objective. Ms. Davis noted that Tennessee is similar to Delaware in many respects but has a high, 10%, sales tax to compensate for the low spending by retirees. Mr. Ratledge noted that sales taxes are regressive, unlike property taxes.

Mr. Ratledge expected the State's labor force to remain flat at 500,000 by 2050. He also discussed the State's labor productivity, which is more volatile than the U.S., and the nation's business investment, which can be tied to productivity.

Mr. Ratledge described the State's human capital by focusing on years of education since 1950. He pointed out that the proportion of people with 16 years or more of education have risen steadily over time.

Mr. Ratledge also showed that the number of people aged 65 and more will rise from 187,000 in 2020 to 260,000 in 2050, while the 0-19 group (representing the coming addition to the labor force) will rise modestly from 234,000 to 240,000 during the same period.

Mr. Ratledge noted the positive relation between age and the likelihood of hospitalization, a relation that bodes well for the Health Care sector. Mr. Ratledge concluded his presentation by showing employment in various industries during 2000 – 2018: employment in the Health Care sector has surged, while the Construction sector has struggled, Manufacturing has been flat since 2010 and Financial sector employment has expanded in recent years.

Expenditure Forecasts:

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

General Fund Expenditures - Fiscal Year 2020:

Mr. Ratledge reviewed the Balance Sheet method. He 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. Compared to September's estimates, both the Reversions and Encumbered estimates were unchanged at $20.0 million and $40.0 million, respectively, while the Continuing estimate has decreased from $355.2 million to $351.4 million.

Turning to the Functional method, Mr. Jackson mentioned an increase in Salaries and Fringe Benefits estimates from September by about $18.0 million. He attributed the increase to several factors: first, school enrollment counts were estimated for the September meeting while the December meeting makes use of actual values.

In addition, Mr. Jackson also noted the uncertainty surrounding funds from the Governor's Opportunity Funding program and the number of positions funded out of it. Of note, Ms. Engelsiepen had also indicated during the Subcommittee meeting that the year-over-year change in Salaries was partly due to salary policy.

Mr. Jackson mentioned that despite difficulty in forecasting operating lines such as Supplies and Materials, Capital Outlay and Contractual Services due to the level of cash supporting capital projects, he felt comfortable with their December estimates.

Mr. Ratledge asked whether there has been an increase in special education units. Mr. Jackson replied affirmatively. He noted the unprecedented growth (+272) in unit count even while overall student population growth is flat. Such growth suggests more expenditures for students with special needs.

Mr. Jackson said the State has been dealing with such increased spending for the past 10 years, after transitioning to a new way of funding special ed students. Growth in such students, as well as better resources to diagnose this category of students, have helped to boost spending.

Mr. Jackson concluded that half of the increase in Personnel cost could be traced to higher-than-budgeted unit growth, and the remaining increase was due to a better understanding of the use of the Opportunity Funding program by districts.

With regard to the Medicaid forecast, Mr. Jackson said the estimate has been consistent since September. He noted the delay in reconciling the State - Federal share and expected the Medicaid estimate to come down after said reconciliation has been completed. Ms. Engelsiepen had previously indicated during the Subcommittee meeting that the number of Medicaid eligibles stood at 234,151 currently as opposed to 239,980 a year earlier.

Ms. Engelsiepen had also justified the changes in the Contractual Services, Supply and Materials, Capital Outlay and Grants estimates by spending on capital projects included in the Bond bill, which is expected to continue for the next 2-3 years.

Mr. Bonini commented that the restraint in Health Care cost is a success story. Mr. Jackson explained that the DEFAC estimate represents the premium paid by the State for the State share of monthly premium. He attributed the minor growth over the past couple of years to growth in the number of enrollees. Mr. Jackson mentioned that, while the State was having success in terms of not raising premium, it was still experiencing higher growth (5.0 - 5.5%) in claims (see Table 1a and Table 1b for complete details).

A motion was made, seconded and approved to accept $4,671.4 million as the Expenditure estimate for FY 2020. The estimate represents an increase of $277.1 million from FY 2019 and $3.8 million from the September estimate.

General Fund Expenditures - Fiscal Year 2021:

In the Subcommittee meeting Ms. Engelsiepen had explained the assumptions used to derive the FY 2021 estimates.

With regard to overall Personnel Costs the estimates include an average 2.0% pay increase, as well as a slightly lower pension rate, from 23.02% for FY 2020 to 22.92% for FY 2021. Ms. Engelsiepen had also explained that the Medicaid estimate, which is up 0.3% in FY 2021, is based on a 2.0% hike in Managed Care Organization (MCO) rates and 0.3% increase in the State share of the Federal Medical Assistance Percentage (FMAP). She had also pointed out that FY 2020 included $20.0 million expenditure as part of the federal reconciliation.

Ms. Engelsiepen had provided many assumptions used for the Grants, Contractual Services, Supplies, and Capital Outlay estimates, including $55.1 million in the Grant-in-Aid act and $10.0 million for the Clean Water State Revolving Fund and $10.0 million for the Drinking Water State Revolving Fund. She explained in the Full Committee meeting that some of the largest projects in the Bond Bill which will have an impact in FY 2021 have been identified, but she will have a better picture by the end of this fiscal year.

Mr. Houghton said the FY 2021 forecasts represented an increase of about $3.0 million from the September estimate. (See Table 1c for complete details.)

A motion was made, seconded and approved to accept $4,822.7 million as the Expenditure estimate for FY 2021. The estimate represents an increase of $151.3 million from FY 2020.

Revenue Forecasts:

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

Economic Outlook

Mr. Aka presented economic forecasts for the U.S. (produced by IHS Markit ("IHS")) and Delaware (developed by the Department of Finance). He mentioned upside risks to U.S. economic growth included the trade truce with China and less uncertainty surrounding Brexit with the recent parliamentary elections in the UK.

Mr. Aka noted that downside risks included waning fiscal stimulus and assumed monetary tightening by IHS from December 2020. Overall the nation's real GDP forecasts have been unchanged from the September meeting. On a calendar year basis, growth is expected to ease from 2.3% in 2019 to 2.1% in 2020.

Mr. Aka mentioned that complete payroll data for second-quarter 2019 received from the Delaware Department of Labor did not alter the State FY 2019 employment growth forecast (1.1%) made in September. As a result, total nonfarm employment growth is still expected to ease from 1.0% for FY 2020 to 0.6% two years later.

However, Delaware's wage and salary income growth forecasts were slightly lower than in September due to a comprehensive data revision by the Bureau of Economic Analysis (BEA) after the September meeting, which reduced the FY 2019 growth from 3.6% in September to 3.0%. Mr. Aka noted that the BEA released a new set of data in the morning of the meeting, which raised the FY 2019 wage and salary income growth from 3.0% to 3.9%.

General Fund Revenues - Fiscal Year 2020:

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

Revenue Category	Sep-19	Dec-19	Change
Corporation Income Tax	187.1	215.5	28.4
Franchise Tax	891.0	916.9	25.9
Personal Income Tax	1,798.8	1,819.0	20.2
Unclaimed Property Refunds	(110.0)	(90.0)	20.0
CIT Refunds	(75.0)	(58.0)	17.0
Limited Partnerships & LLC's	338.2	349.5	11.3
Dividends and Interest	30.0	41.1	11.1
Cigarette Taxes	125.3	119.6	(5.7)
Bank Franchise Tax	98.1	92.5	(5.6)
Gross Receipts Tax	264.6	270.0	5.4
Lottery	210.4	205.6	(4.8)
Realty Transfer Tax	157.1	160.0	2.9
Hospital Board and Treatment	32.2	30.2	(2.0)
Franchise Tax Refunds	(10.0)	(12.0)	(2.0)
Other Refunds	(18.5)	(17.5)	1.0
Insurance Taxes	74.2	73.2	(1.0)
Other Revenues	64.6	64.3	(0.3)

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

Discussion of FY 2020 Estimates:

Personal Income Tax (PIT) Less Refunds: Mr. Roose recommended an increase in the estimate by $20.2 million.

During the Subcommittee meeting, Mr. Roose had noted across-the-board strength in Withholding, which could be due to strong underlying growth or adjustments made by taxpayers after the 2018 filing season. He indicated that year-to-date general fund collections were depressed since prefunding of the penalty and interest has come out of withholding, rather than PIT Final payments, Corporate Income Tax, and the Gross Receipts Tax.

Mr. Roose mentioned that roughly $6.0 million of Withholding in FY 2019 was misposted as Bank Franchise Tax revenues. Overall, the Withholding estimate has been increased by $10.1 million from the September estimate. Mr. Roose said there were still some uncertainties regarding the effects of the Tax Cuts and Jobs Act (TCJA) on the PIT estimates.

With regard to Estimated payments, Mr. Roose mentioned tracking strength for the revenue category and recommended a $10.1 million increase in the estimate. Fiscal year-to-date growth stood at 15.0% and the recommended increase would require growth of 10.0% the rest of the fiscal year to hit the estimate.

Finally, Mr. Roose said it was too early to make any recommendation for Final payments, Refunds or Prior Year's payments.

Net Corporate Franchise Tax & LP/LLC: Mr. Roose recommended an increase in the estimate by $35.2 million.

Mr. Knight had indicated during the Subcommittee meeting that the $25.9 million recommended increase for Corporate Franchise Tax was due to continued compliance effort and 125 new Tier 2 payers. He had attributed the $11.3 million increase for LP/LLC to new business formations.

Mr. Knight had also mentioned that the number of LLCs had crossed the million mark in November.

Unclaimed Property: Mr. Roose recommended an increase in the estimate by $20.0 million.

Mr. Roose noted that Unclaimed Property is at the cap this year. However, Refunds have been revised downward from $110.0 million to $90.0 million, for FY 2020 only, based on claims in the door and expected workloads the rest of the year.

Gross Receipts Tax: Mr. Roose recommended an increase in the estimate by $5.4 million.

Mr. Roose indicated that the strong tracking is distorted by delays in special fund transfers. About $5.5 million for the Nursing Facility Quality Assessment Fund have not yet been transferred this year. Adjusting for the transfer delay would bring the 3- and 5-year tracking to about $270.0 million.

Lottery: Mr. Roose recommended a decrease in the estimate by $4.8 million.

Mr. Roose attributed the decrease to the absence of a large jackpot to date after a year that included three extraordinary jackpots, including the record ($1.5 billion) Mega Millions jackpot.

Corporate Income Tax (CIT) Less Refunds: Mr. Roose recommended an increase in the estimate by $45.4 million.

Mr. Roose argued that, based on collections to date, through fourth-quarter estimated payments, an average year could bring in $245.0 million for gross CIT receipts. He noted uncertainties created by the TCJA and called for caution with regard to the volatile revenue source. Although tracking would suggest an increase in gross CIT receipts by $60.0 to $100.0 million, Mr. Roose recommended an increase of $28.4 million.

Meanwhile, based on refund claims, refunds paid to date and extension returns that came in October, Mr. Roose recommended a downward revision of $17.0 million to Refunds this fiscal year.

During the Subcommittee meeting Mr. Roose had made a presentation on the Corporate Income Tax to explain why he was recommending a more conservative CIT estimate despite the strong tracking.

Using constant 2019 dollars Mr. Roose showed that on average CIT collections have ranged from $100 million to $200 million since 1990. In terms of growth rates, growth has been close to or exceeded 100% three times and declined about 50% a total of four times.

Mr. Roose said the CIT performance has been very strong thus far this year, which is reflected in a strong tracking, and added that tentative payments for both third and fourth quarters, and extension payments have been received by the Department of Finance.

Mr. Roose showed a chart displaying the percentage of CIT that has been collected through November for the past 10 years. He concluded that one-fifth to a quarter of revenues are collected by end-November. Should FY 2020 revenues followed past patterns, the CIT estimate would range from $214 to $444 million.

Mr. Roose also showed a series of charts displaying the percentage of collections through November for the past 20 years. Focusing on 2009 when the percentage was 33%, Mr. Roose said the CIT estimate would be $173 million if FY 2020 revenues followed FY 2009 pattern. However, 2009 represented the worst recession in postwar history, and 2020 is not likely to be a repeat of 2009.

If FY 2020 revenues followed FY 2015's pattern, CIT estimate would be $444 million. Mr. Roose indicated that 2015 saw some extraordinary audits that are unlikely to occur this year. The 1998-2019 average percentage of collections through November stood at 24.6%, which would imply a CIT estimate of $245.0 million for FY 2020.

Mr. Roose noted a few issues such as unexplained strength in CIT in many U.S. states, the increase in taxpayers without a liability in recent years, and the non-materialization of expected losses from the TCJA and Delaware Competes.

He cautioned that TCJA may make historical patterns irrelevant and that correlation in growth between quarters is weak. Mr. Roose stressed that more analysis was required to determine the actual impact of TCJA and Delaware

Competes.

Realty Transfer Tax (RTT): Mr. Roose recommended an increase in the estimate by $2.9 million.

Mr. Roose had indicated in the Subcommittee meeting that the November RTT for New Castle County, which will be received by the State in December, contained several large transactions.

Cigarette Tax: Mr. Roose recommended a reduction in the estimate by $5.7 million.

During the Subcommittee meeting Mr. Roose had pointed out that the 3- and 5-year tracking are distorted by the 2017 rate hike. He had also mentioned the effect of the State's T-21 legislation on the revenue category, as well as the impact of the same legislation adopted earlier by surrounded states such as New Jersey.

Bank Franchise Tax: Mr. Roose recommended a decrease in the estimate by $5.6 million.

Mr. Roose had indicated in the Subcommittee meeting that the decrease can be traced to historic preservation tax credits.

Hospital Board and Treatment: Mr. Roose recommended a decrease in the estimate by $2.0 million.

Mr. Roose had indicated in the Subcommittee meeting that the decrease can be attributed to declining censuses at Governor Bacon Health Center and the Stockley Center, as well as some deferred billing issues.

Dividends and Interest: Mr. Roose recommended an increase in the estimate by $11.1 million.

During the Subcommittee meeting, Ms. Davis had explained the increase by the fact that the September estimate was very conservative, as well as the realization of gains from portfolio managers.

Other changes were attributed to tracking.

FY 2020 Estimate Adopted:

A motion was made, seconded and approved to accept $4,740.6 million as the revenue estimate for FY 2020. The estimate represents an increase of $121.8 million from the September estimate.

General Fund Revenues - Fiscal Year 2021:

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

Revenue Category	Sep-19	Dec-19	Change
Corporation Income Tax	193.2	222.6	29.4
Personal Income Tax	1,887.5	1,908.6	21.1
Franchise Tax	914.2	932.1	17.9
Limited Partnerships & LLC's	355.1	364.5	9.4
Dividends and Interest	25.8	34.3	8.5
Gross Receipts Tax	275.3	280.9	5.6
Lottery	215.0	210.1	(4.9)
Bank Franchise Tax	100.1	96.0	(4.1)
Realty Transfer Tax	163.5	166.5	3.0
Hospital Board and Treatment	32.5	30.5	(2.0)
Cigarette Taxes	115.4	114.6	(0.8)
Other Revenues	65.9	65.2	(0.7)
Insurance Taxes	87.0	87.2	0.2

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

Discussion of FY 2021 Estimates:

Net Corporate Franchise Tax & LP/LLC: Mr. Roose recommended an increase in the estimate by $27.3 million.

During the Subcommittee meeting, Mr. Knight had indicated potential collection issues in 2020, an election year, as the reason why the revenue increases for FY 2020 were not fully carried over in FY 2021.

Dividends and Interest: Mr. Roose recommended an increase in the estimate by $8.5 million.

During the Subcommittee meeting, Ms. Davis had explained the increase by interest rate movements.

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 $4,818.3 million as the revenue estimate for FY 2021. The estimate represents an increase of $82.6 million from the September estimate.

Mr. Geisenberger noted that FY 2020 and FY 2021 Net Receipts growth rates, which were 3.2% and 1.6% respectively, are below last year's budget benchmark index of 3.8%.

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

Mr. Short suggested adding meeting dates to the Balance and Appropriations worksheet.

Budget Benchmark Index: Mr. Roose made a presentation on the budget benchmark index. He said DEFAC's role under Executive Order Number 21 includes calculating the advisory benchmark index, advisory benchmark appropriation and extraordinary revenues or shortfalls.

Mr. Roose said the benchmark index is based on equal weightings of the 3-year average of i) Delaware's personal income growth and ii) Delaware's population growth and the price deflator for state and local government purchases.

The index is calculated at 4.1% based on revised personal income data by the BEA and updated population figures by the State's Population Consortium. As a reminder last fiscal year's indexes were 3.8% (December 2018) and 3.7% (May 2019).

Based on a 4.1% index, the FY 2021 benchmark appropriation is calculated to be $4,736.3 million and the resulting extraordinary revenues at $227.3 million.

Mr. Roose also derived the Budget Stabilization Fund (BSF), which is defined as all unencumbered revenues over the 2.0% that are set aside. He said that the amount currently set aside by the legislature is $126.3 million and that the increment to the Budget Stabilization Fund is $146.9 million. As a result, the total BSF amounts to $273.2 million.

Mr. Geisenberger clarified that the increment of $146.9 million, which is reported for budget and planning purposes, represents revenue added in FY 2020 alone and is based on FY 2019 actuals, forecast changes made at the September and December meetings, and reversions reported at the two meetings.

After saying that the aggregate, total Budget Stabilization Fund is composed of two portions, one that has been dealt with legislatively and the other that has not yet been set aside, Mr. Houghton asked what will happen with the $273.2 million.

Mr. Geisenberger answered that the most important slide in Mr. Roose's presentation is the one showing extraordinary revenue of $227.3 million, an advisory figure that will be used by the Governor and the Office of Management and Budget in putting together the FY 2021 budget recommendation. He added that if past behaviors hold, some of the $227.3 million will be used for one-time spending and the remaining amount will be added back to reserves.

In response to a question from Mr. Ratledge, Mr. Geisenberger said the Rainy Day Fund is still unchanged and subject to three-fifths vote. Answering Mr. Houghton, Mr. Roose said the Rainy Day Fund totaled $252.4 million.

Mr. Houghton mentioned that the methodology developed by the Executive Order has been a fiscally responsible exercise in the past few years. Mr. Jackson said the new methodology has not only been fiscally responsible, but it has also led to quality investment in the operating budget and creativity in addressing long-standing issues with respect to public education and a few other areas. Mr. Geisenberger said the approach is fiscally responsible and added that one should pay more attention to percentages and ratios and less to nominal amounts.

Mr. Sokola asked if savings such as the Rainy Day Fund are capped. Mr. Jackson answered affirmatively for the Rainy Day Fund but negatively for the BSF and explained that the State has some discretion on the latter based on needs.

Mr. Short asked on behalf of a caucus member if the investment return on the BSF can be placed into the BSF. He noted that these returns are part of the Dividends and Interest category and do not show up in the BSF itself. Mr. Geisenberger answered that the average, investable cash base managed by the Cash Management Policy Board is, at any given day, much greater than the combination of BSF and Rainy Day Fund. Since all the managed cash is intermingled, there would be administrative difficulty in attributing the interest from all cash to the parts that derive from the BSF or Rainy Day Fund.

Ms. Davis asked whether the BSF has a 10% cap. Mr. Geisenberger answered that the constitutional amendment proposed such a cap but the Executive Order does not.

Mr. Jackson indicated that putting a portion of cash base aside would be inefficient and would not lead to a better management of the cash base in the current year. Mr. Short provided context to the caucus member's question by saying that the State is currently spending more than it collects in revenues. Although in the aggregate spending exceeds revenue, growth rates of both operating budget and revenue are alike when one-time expenditures are taken into account, according to Mr. Jackson who also stressed that how the State is spending matters.

A motion was made, seconded, and approved to accept the benchmark index of 4.1%, the FY 2021 benchmark appropriation of $4,736.3 million and the level of FY 2021 extraordinary revenues of $227.3 million.

In response to a remark by Mr. Marcozzi, Mr. Houghton said the Executive Order directs DEFAC to submit to the Governor and General Assembly the benchmark index, benchmark appropriation and level of extraordinary revenues or shortfalls. He added that DEFAC determined one way to do so was through a presentation and a validation by vote.

Mr. Geisenberger reminded members that DEFAC is also expected to review and make recommendations regarding the assumptions and methodology of the benchmark index by 2023. Mr. Houghton indicated that changes can be proposed before that date but did not think that they were necessary at the moment.

Transportation Trust Fund (TTF):

TTF -- Expenditures:

State Operations Expenditure: There was no change from the September estimate of $352.2 million.

State Capital Expenditure: There was no change from the September estimate of $371.4 million.

Federal Capital Expenditure: There was no change from the September estimate of $280.0 million.

U.S. 301 Capital Expenditure: There was no change from the September estimate of $42.5 million.

A motion was made, seconded, and approved to accept $1,046.1 million as the FY 2020 TTF expenditure estimate. The estimate is the same as the September estimate (See Table 4.)

TTF -- Revenues:

FY 2020 Estimates:

The following changes were made from the September estimates.

Toll Road Revenues: There was no change from the September estimate of $202.5 million.

Motor Fuel Tax Administration: There was no change from the September estimate of $150.0 million.

Division of Motor Vehicles: There was no change from the September estimate of $223.4 million.

Other Transportation Revenues: There was no change from the September estimate of $18.5 million.

U.S. 301 Capital Expenditure: There was no change from the September 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 is unchanged from September.

FY 2021 Estimates:

The following changes were made from the September estimates.

Toll Road Revenues: There was no change from the September estimate of $204.9 million.

Motor Fuel Tax Administration: There was no change from the September estimate of $152.3 million.

Division of Motor Vehicles: There was no change from the September estimate of $226.7 million.

Other Transportation Revenues: There was no change from the September estimate of $17.6 million.

U.S. 301 Revenues: There was no change from the September 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 is the same as the September estimate (See Table 5.)

Other Business:

FY 2021 Debt Limit: Mr. Roose presented the debt limit for FY 2021. This amount is equal to 5.0% of projected FY 2021 net revenues or $240.9 million.

Tax Preference Report: Ms. Marlin made a presentation on the Tax Preference Report, which can be found on the Department of Finance's webpage, https://finance.delaware.gov/financial-reports/tax-preference-report/.

Ms. Marlin said that the Department of Finance is required by law to produce a report on tax preferences for Personal Income Tax (PIT), Corporate Income Tax (CIT), Public Utility Tax and Motor Fuel / Special Fuel Tax every other year.

Ms. Marlin described a tax preference as any law that exempts in full or in part persons, goods, income, services from established taxes, and can take the form of exemptions, exclusions, deductions and credits. She said that tax preferences are no different from state spending in terms of their budgetary implications and are sometimes referred to as tax expenditures.

Ms. Marlin indicated that the tax system is evaluated according to several commonly-accepted criteria and the tax preferences will impact how the tax system meets these criteria. She stated that the report reviewed 52 different tax preferences across the 4 aforementioned tax types, although some of the preferences can be taken against other tax types.

As an example, Ms. Marlin mentioned the Historic Preservation Tax credit which can be taken against CIT and PIT but also against the Bank Franchise Tax. In response to a question from Mr. Bonini, Ms. Marlin said the base for the evaluation of an age-based preference has to do with the loss of revenue from the exclusion.

Of the PIT preferences Ms. Marlin said the 5 age-based preferences accounted for 87% of the total estimated revenue loss. Meanwhile, of the 20 preferences available for CIT payers, only 3 have an estimated revenue impact of any significant value, with the largest being the Research and Development Tax credit estimated at $15.0 million for FY 2020.

Ms. Marlin said three new tax preferences have been created and three existing tax preferences expanded since the last Tax Preference Report of 2017.

The newly-created tax preferences included the Angel Investor Tax credit which provides an incentive for investors to invest in qualified Delaware-based, small high-tech businesses. Ms. Marlin said the credit can only be claimed for returns after December 31, 2019. Ms. Goldsmith explained the lack of an estimate for the preference by the fact that providing a figure could reveal the identity of the taxpayers. Ms. Marlin mentioned the annual cap of the credit is $5.0 million and the value of the credit is a maximum of

$125,000 per year per person.

Ms. Marlin said the Automatic External Defibrillator Tax Credit, another newly-created preference since 2017, is a one-time, non-refundable credit with a negligible impact. Mr. Geisenberger noted that the credit did not make any economic sense and will likely not be used by anyone. He added that the Tax Preference Report contains dozens of tax credits that are either not used or used negligibly but create a tremendous amount of work for the Department of Finance.

For the last newly-created preference, the Aviation Jet Fuel Exemptions, Ms. Marlin explained the lack of a FY 2020 estimate by the fact that the exemption went into effect this past July and the Department of Transportation has very limited data about the preference thus far.

Among the expanded tax preferences, Ms. Marlin first focused on the Historic Preservation and Neighborhood Assistance credits. As of FY 2019, the amount available for Historic Preservation has been increased from $6.5 million to $8.0 million, while the amount available for Neighborhood Assistance has doubled to $1.0 million per year. Mr. Geisenberger noted that the Historic Preservation credit is taken against PIT, CIT and Bank Franchise Tax, and that the credit is fully subscribed.

Turning her attention to the New Economy Jobs Tax Credit, Ms. Marlin said the credit has recently been updated to make it more user-friendly. The credit allows employers to pro-rate their job creation activity in the first certified year and the timing of the salary threshold index has been updated to be consistent with other taxes. Ms. Marlin noted that the calculation of the credit has not changed.

Ms. Marlin mentioned that new tax preferences usually involve several steps from the Department of Finance such as form redesigns, upgrade in technology and coordination with vendors and other agencies. She added that of the 52 preferences included in the report, 31 have been essentially unused since 2011. Ms. Marlin explained the low utilization by several factors, including the fact that new credits can take time to implement, lack of interest in the preference, poor design, and narrow tax base targeted by the preference.

Mr. Houghton asked whether the Department of Finance has ever lobbied for the elimination of unnecessary, poorly constructed preferences. Mr. Geisenberger replied affirmatively and mentioned a proposal in 2017 regarding age-based preferences. He also mentioned that the Department of Finance tries to dissuade the addition of poorly designed preferences.

Ms. Dwyer asked whether the Governor recently vetoed a bill that would have eliminated an age-based tax credit. Mr. Geisenberger replied that a bill regarding the Senior Property Tax Credit (SPTC) had been vetoed but SPTC, which has to do with property tax, was not an income tax preference.

A motion was made, seconded, and approved to accept the Tax Preference Report.

Fiscal Notebook Report: Mr. Roose mentioned that the latest version of the Fiscal Notebook can be found on the Department of Finance's webpage, https://finance.delaware.gov/financial-reports/delaware-fiscal-notebook/.

Mr. Bonini said holding off spending in the current political environment requires a tremendous amount of discipline. He extended his congratulations to the Office of Management and Budget, members of the Joint Finance Committee and Department of Finance.

Ms. Dwyer also commended the budget offices for their discipline. She mentioned she would like to see these offices put together revenue packages for years when the State is not facing a budget deficit.

Mr. Houghton announced the next scheduled DEFAC meeting dates:

- Monday, March 16, 2020
- Monday, April 20, 2020

There being no further business, Mr. Houghton adjourned the meeting at 3:05 p.m.

Respectfully submitted,

Arsene Aka

Table 1a.

DEFAC Expenditures Forecast for General Fund Disbursements FY2020 ($ in millions)																	
December 18, 2019																	
	FY2010 Actual	FY2011 Actual	FY2012 Actual	FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Actual							FY2020 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
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
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
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
Supplementals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0	49.2							62.0
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**
LESS:																	
											Sep	*Dec*	*Mar*	*Apr*	*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	20.0	20.0					
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	40.0	40.0					
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	355.2	351.4					
Subtotal	234.1	345.7	376.4	327.0	306.1	240.9	239.0	218.2	204.7	351.0	415.2	411.4	0.0	0.0	0.0	0.0	(411.4)
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**							**4,671.4**
% increase/(decrease)		**6.31%**	**9.84%**	**1.84%**	**3.71%**	**1.01%**	**2.12%**	**4.92%**	**0.29%**	**6.71%**							**6.3%**
Comments:	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	5-Yr Avg						FY2020
Expenditures / Spending Authority	92.9%	90.4%	90.5%	91.8%	92.5%	94.1%	94.2%	95.0%	95.3%	92.6%	94.2%						91.9%
Reversions / Spending Authority	1.5%	1.2%	1.9%	1.3%	2.7%	1.0%	1.4%	0.9%	0.5%	0.5%	0.8%						0.4%
Encumbered / Spending Authority	1.1%	1.0%	1.0%	0.9%	1.0%	1.0%	1.0%	0.9%	0.8%	0.9%	0.9%						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%	4.0%						6.9%

Recommended by Expenditures Subcommittee;
December 18, 2019

Table 1b.

DEFAC Expenditures Forecast for General Fund Disbursements FY2020 ($ in millions)

December 18, 2019

	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Sep	FY2020 Dec	Difference 20 vs. '19	% change '20 vs. '19	Annual Avg. 2020 vs. '15	FY2020 YTD (actual 11/31/19)	% spent (actual 11/31/19)	% of FY2019 total	% of FY2018 total	% of FY2017 total	% of FY2016 total	% of FY2015 total
Salaries	1,338.5	1,361.8	1,402.9	1,421.1	1,499.9	1,575.5	1,589.2	89.3	6.0%	3.49%	702.2	34.7%	34.1%	34.5%	34.2%	34.8%	34.9%
Fringe Benefits	403.0	453.7	480.5	479.6	494.4	507.4	511.6	17.2	3.5%	4.89%	217.8	10.8%	11.3%	11.6%	11.7%	11.6%	10.5%
Health Care	283.1	334.1	359.0	357.9	362.6	369.8	372.6	10.0	2.8%	5.65%	155.7	7.7%	8.3%	8.7%	8.7%	8.5%	7.4%
Other	119.9	119.6	121.5	121.7	131.8	137.6	139.0	7.2	5.5%	3.00%	62.1	3.1%	3.0%	3.0%	3.0%	3.1%	3.1%
Pension	287.0	297.3	317.7	316.7	360.8	373.2	364.6	3.8	1.1%	4.90%	172.2	8.5%	8.2%	7.7%	7.7%	7.6%	7.5%
Contribution	147.7	150.6	152.4	167.6	201.5	211.7	206.8	5.3	2.6%	6.97%	97.7	4.8%	4.6%	4.1%	3.7%	3.8%	3.7%
Health Care	103.8	105.0	130.2	136.0	145.4	151.3	147.8	2.4	1.6%	7.32%	69.8	3.5%	3.3%	3.3%	3.2%	2.7%	3.2%
Other	35.5	41.7	35.1	13.1	13.9	10.2	10.0	(3.9)	-28.0%	-22.41%	4.7	0.2%	0.3%	0.3%	0.9%	1.1%	0.9%
Debt Service	163.9	169.4	179.0	187.2	183.9	185.0	184.2	0.3	0.2%	2.36%	93.5	4.6%	4.2%	4.5%	4.4%	4.3%	4.3%
Grants	377.9	349.6	365.7	362.9	445.2	492.0	492.0	46.8	10.5%	5.42%	232.7	11.5%	10.1%	8.8%	8.9%	8.9%	9.9%
Medicaid	668.0	689.1	739.7	750.2	733.4	761.4	761.4	28.0	3.8%	2.65%	312.5	15.4%	16.7%	18.2%	18.0%	17.6%	17.4%
Contractual Services	511.9	513.6	537.6	526.1	589.0	677.0	671.6	82.6	14.0%	5.58%	248.4	12.3%	13.4%	12.8%	13.1%	13.1%	13.4%
Supplies & Materials	68.0	66.9	68.7	61.9	69.3	69.6	68.1	(1.2)	-1.7%	0.03%	30.9	1.5%	1.6%	1.5%	1.7%	1.7%	1.8%
Capital Outlay	14.4	12.3	14.3	12.4	18.5	26.5	28.7	10.2	55.1%	14.79%	12.7	0.6%	0.4%	0.3%	0.3%	0.3%	0.4%
FY Budgetary Expenditures	3,832.6	3,913.7	4,106.1	4,118.1	4,394.3	4,667.6	4,671.4	277.1	6.3%	4.04%	2022.9	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Comments:

Recommended by Expenditures Subcommittee;
December 18, 2019

Table 1c.

DEFAC Expenditures Forecast for General Fund Disbursements FY2020-2024 ($ in millions)

December 18, 2019

	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Dec		FY2021 Dec	FY2022 Dec	FY2023 Dec	FY2024 Dec
Salaries	1,338.5	1,361.8	1,402.9	1,421.1	1,499.9	1,589.2		1636.5	1693.7	1752.8	1814.1
Fringe Benefits	403.0	453.7	480.5	479.6	494.4	511.6		523.1	548.9	576.0	604.5
Health Care	283.1	334.1	359.0	357.9	362.6	372.6		380.0	401.5	424.1	448.1
Other	119.9	119.6	121.5	121.7	131.8	139.0		143.1	147.4	151.8	156.4
Pension	287.0	297.3	317.7	316.7	360.8	364.6		375.5	399.2	425.2	453.6
Contribution	147.7	150.6	153.7	167.6	201.5	206.8		213.0	227.9	243.7	260.7
Health Care	103.8	105.0	131.3	136.0	145.4	147.8		152.2	163.3	175.3	188.1
Other	35.5	41.7	32.7	13.1	13.9	10.0		10.3	8.0	6.2	4.8
Debt Service	163.9	169.4	179.0	187.2	183.9	184.2		204.0	208.8	213.8	218.8
Grants	377.9	349.6	365.7	362.9	445.2	492.0		407.2	429.3	452.5	477.0
Medicaid	668.0	689.1	739.7	750.2	733.4	761.4		763.6	783.9	804.6	826.0
Contractual Services	511.9	513.6	537.6	526.1	589.0	671.6		788.6	832.6	879.1	928.1
Supplies & Materials	68.0	66.9	68.7	61.9	69.3	68.1		69.7	69.7	69.7	69.8
Capital Outlay	14.4	12.3	14.3	12.4	18.5	28.7		54.5	62.6	71.8	82.4
FY Budgetary Expenditures	3,832.6	3,913.7	4,106.1	4,118.1	4,394.3	4,671.4		4,822.7	5,028.5	5,245.6	5,474.3

Comments:

Forecast FY2022-FY2024 is based on the annual average growth rate for each category FY2015-FY2020(December Estimate).

Recommended by Expenditures Subcommittee;
December 18, 2019

Table 1c.

OMB General Assumptions FY2021 Forecast

Personnel Costs (including Salaries, Fringe, Health Care, Pension)

Average 2% Pay Policy includes Collective Bargaining Agreements, Higher Education, and Public Education & Annualization of FTE filled vacancies
Decrease of 0.1% Pension Rate from FY20 23.02% to FY21 22.92%

Medicaid

FY20 includes $20M expenditure as part of the federal reconciliation
Increase of 2% in MCO rates; contracts negotiated/finalized in December-January
Increase of 1.5% in Member Months (capitation rate paid to MCO by category-children, adults, long-term care, etc)
Increase of 0.3% in the state-share portion in FMAP (Federal Medical Assistance %)

Grants, Contractual Services, Supplies, Capital Outlay

FY20 includes expenditure for Bond Bill Cash projects in current fiscal year
$20M Higher Education Economic Development Investment Fund
$10M Drinking Water State Revolving Fund
$10M Clean Water State Revolving Fund
$5M Transportation Infrastructure Investment Fund
$4M Riverfront Development Corporation
$10M Miscellaneous projects appropriated $2M or less
The FY19 Bond Bill Cash projects will incur an estimated $20M expenditures in FY21 and continue $15M into FY22
The FY20 Bond Bill Cash projects will incur an estimated $70M expenditures in FY21 and continue $35M into FY22
FY21 includes estimated Grant-in-Aid Act $55.1M

Debt Service
Increase for January 2020 bond sale $300M principal

Recommended by Expenditures Subcommittee;
December 18, 2019

Table 2. DEFAC General Fund Revenue Worksheet

December-19 DEFAC Meeting	FY 2019	FY 2020				
	A	B	C	D	E	F
Revenue Category	Actual Collections	DEFAC Sep-19	% B over A	DEFAC Dec-19	% D over A	$ Increase D over B
Personal Income Tax	**1,730.5**	**1,798.8**	**3.9%**	**1,819.0**	**5.1%**	**20.2**
Less: Refunds	**(203.0)**	**(208.6)**	**2.8%**	**(208.6)**	**2.8%**	**0.0**
PIT Less Refunds	**1,527.5**	**1,590.2**	**4.1%**	**1,610.4**	**5.4%**	**20.2**
Franchise Tax	906.2	891.0	-1.7%	916.9	1.2%	25.9
Limited Partnerships & LLC's	322.0	338.2	5.0%	349.5	8.5%	11.3
Subtotal Franchise + LP/LLC	1,228.2	1,229.2	0.1%	1,266.4	3.1%	37.2
Less: Refunds	(12.0)	(10.0)	-16.7%	(12.0)	0.0%	(2.0)
Net Franchise + LP/LLC	1,216.2	1,219.2	0.2%	1,254.4	3.1%	35.2
Business Entity Fees	**123.0**	**126.8**	**3.1%**	**126.8**	**3.1%**	**0.0**
Uniform Commercial Code	**25.2**	**26.8**	**6.3%**	**26.8**	**6.3%**	**0.0**
Unclaimed Property	554.0	554.0	0.0%	554.0	0.0%	0.0
Less: Refunds	(114.3)	(110.0)	-3.8%	(90.0)	-21.3%	20.0
Unclaimed Prop Less Refunds	439.7	444.0	1.0%	464.0	5.5%	20.0
Gross Receipts Tax	**259.3**	**264.6**	**2.0%**	**270.0**	**4.1%**	**5.4**
Lottery	**215.8**	**210.4**	**-2.5%**	**205.6**	**-4.7%**	**(4.8)**
Corporation Income Tax	187.8	187.1	-0.4%	215.5	14.7%	28.4
Less: Refunds	(40.0)	(75.0)	87.5%	(58.0)	45.0%	17.0
CIT Less Refunds	147.8	112.1	-24.2%	157.5	6.5%	45.4
Realty Transfer Tax	**154.3**	**157.1**	**1.8%**	**160.0**	**3.7%**	**2.9**
Cigarette Taxes	**122.6**	**125.3**	**2.2%**	**119.6**	**-2.5%**	**(5.7)**
Bank Franchise Tax	100.8	98.1	-2.7%	92.5	-8.3%	(5.6)
Insurance Taxes and Fees	86.6	74.2	-14.3%	73.2	-15.4%	(1.0)
Hospital Board and Treatment	35.4	32.2	-8.9%	30.2	-14.6%	(2.0)
Public Utility Tax	**37.0**	**35.7**	**-3.5%**	**35.7**	**-3.5%**	**0.0**
Alcoholic Beverage Tax	**26.6**	**26.0**	**-2.3%**	**26.0**	**-2.3%**	**0.0**
Dividends and Interest	**24.9**	**30.0**	**20.4%**	**41.1**	**65.0%**	**11.1**
Other Revenues	**67.6**	**64.6**	**-4.5%**	**64.3**	**-4.9%**	**(0.3)**
Less: Other Refunds	(18.5)	(18.5)	0.2%	(17.5)	-5.3%	1.0
Net Receipts	**4,591.9**	**4,618.8**	**0.6%**	**4,740.6**	**3.2%**	**121.8**

Adj Growth Rate **3.00%**

Table 2. DEFAC General Fund Revenue Worksheet

December-19 DEFAC Meeting	FY 2021					FY 2022				
	G	H	I	J	K	L	M	N	O	P
Revenue Category	DEFAC Sep-19	% G over B	DEFAC Dec-19	% I over D	$ Increase I over G	DEFAC Sep-19	% L over G	DEFAC Dec-19	% N over I	$ Increase N over L
Personal Income Tax	**1,887.5**	**4.9%**	**1,908.6**	**4.9%**	**21.1**	**1,978.5**	**4.8%**	**2,000.7**	**4.8%**	**22.2**
Less: Refunds	**(219.4)**	**5.2%**	**(219.4)**	**5.2%**	**0.0**	**(231.0)**	**5.3%**	**(231.0)**	**5.3%**	**0.0**
PIT Less Refunds	**1,668.1**	**4.9%**	**1,689.2**	**4.9%**	**21.1**	**1,747.5**	**4.8%**	**1,769.7**	**4.8%**	**22.2**
Franchise Tax	914.2	2.6%	932.1	1.7%	17.9	937.9	2.6%	956.3	2.6%	18.4
Limited Partnerships & LLC's	355.1	5.0%	364.5	4.3%	9.4	372.9	5.0%	382.8	5.0%	9.9
Subtotal Franchise + LP/LLC	1,269.3	3.3%	1,296.6	2.4%	27.3	1,310.8	3.3%	1,339.1	3.3%	28.3
Less: Refunds	(10.0)	0.0%	(10.0)	-16.7%	0.0	(10.0)	0.0%	(10.0)	0.0%	0.0
Net Franchise + LP/LLC	1,259.3	3.3%	1,286.6	2.6%	27.3	1,300.8	3.3%	1,329.1	3.3%	28.3
Business Entity Fees	**130.1**	**2.6%**	**130.1**	**2.6%**	**0.0**	**133.5**	**2.6%**	**133.5**	**2.6%**	**0.0**
Uniform Commercial Code	**27.5**	**2.6%**	**27.5**	**2.6%**	**0.0**	**28.2**	**2.5%**	**28.2**	**2.5%**	**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	(110.0)	0.0%	(110.0)	22.2%	0.0	(110.0)	0.0%	(110.0)	0.0%	0.0
Unclaimed Prop Less Refunds	415.0	-6.5%	415.0	-10.6%	0.0	390.0	-6.0%	390.0	-6.0%	0.0
Gross Receipts Tax	**275.3**	**4.0%**	**280.9**	**4.0%**	**5.6**	**286.4**	**4.0%**	**292.3**	**4.1%**	**5.9**
Lottery	**215.0**	**2.2%**	**210.1**	**2.2%**	**(4.9)**	**219.8**	**2.2%**	**214.8**	**2.2%**	**(5.0)**
Corporation Income Tax	193.2	3.3%	222.6	3.3%	29.4	199.1	3.1%	229.3	3.0%	30.2
Less: Refunds	(80.0)	6.7%	(80.0)	37.9%	0.0	(80.0)	0.0%	(80.0)	0.0%	0.0
CIT Less Refunds	113.2	1.0%	142.6	-9.5%	29.4	119.1	5.2%	149.3	4.7%	30.2
Realty Transfer Tax	**163.5**	**4.1%**	**166.5**	**4.1%**	**3.0**	**171.2**	**4.7%**	**174.3**	**4.7%**	**3.1**
Cigarette Taxes	**115.4**	**-7.9%**	**114.6**	**-4.2%**	**(0.8)**	**112.1**	**-2.9%**	**111.3**	**-2.9%**	**(0.8)**
Bank Franchise Tax	100.1	2.0%	96.0	3.8%	(4.1)	102.1	2.0%	102.6	6.9%	0.5
Insurance Taxes and Fees	87.0	17.3%	87.2	19.1%	0.2	75.1	-13.7%	74.9	-14.1%	(0.2)
Hospital Board and Treatment	32.5	0.9%	30.5	1.0%	(2.0)	32.8	0.9%	30.8	1.0%	(2.0)
Public Utility Tax	**34.9**	**-2.2%**	**34.9**	**-2.2%**	**0.0**	**33.6**	**-3.7%**	**33.6**	**-3.7%**	**0.0**
Alcoholic Beverage Tax	**25.4**	**-2.3%**	**25.4**	**-2.3%**	**0.0**	**27.9**	**NA**	**27.9**	**9.8%**	**0.0**
Dividends and Interest	**25.8**	**-14.0%**	**34.3**	**-16.5%**	**8.5**	**28.5**	**10.5%**	**38.7**	**12.8%**	**10.2**
Other Revenues	**65.9**	**2.0%**	**65.2**	**1.4%**	**(0.7)**	**67.3**	**2.1%**	**66.2**	**1.5%**	**(1.1)**
Less: Other Refunds	(18.3)	-1.1%	(18.3)	4.6%	0.0	(18.1)	-1.1%	(18.1)	-1.1%	0.0
Net Receipts	**4,735.7**	**2.5%**	**4,818.3**	**1.6%**	**82.6**	**4,857.8**	**2.6%**	**4,949.1**	**2.7%**	**91.3**

Adj Growth Rate	3.25%	4.25%

Table 3. Balance and Appropriations Worksheet

FY 2020 EXPENDITURES

Total Spending Authority	$5,082.8
Less: Continuing Appropriations & Encumbrances from FY 2020	($391.4)
Less: Reversions	($20.0)
Total Expenditures	$4,671.4

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

FY 2020 BALANCES

Total Expenditures	$4,671.4
vs. FY 2020 Revenues	4,740.6
Operating Balance	69.2
Prior Year Cash Balance	947.5
Less: Budget Stabilization Fund (82 Del Law c 64; HB 225, Section 77)*	($126.3)
Cumulative Cash Balance	890.4
Less: Continuing Appropriations & Encumbrances from FY 2020	(391.4)
Less: Budgetary Reserve Account	($252.4)
Unencumbered Cash Balance 6/30	$246.6

FY 2021 APPROPRIATION LIMITS

FY 2021 Revenue Estimate	$4,818.3
Unencumbered Cash Balance from FY 2020	$246.6
100% Appropriation Limit	$5,064.9
98% Appropriation Limit	$4,963.6
Prior 98% Appropriation Limit	$4,763.3
Increase (Decrease) from Prior Meeting	$200.3
Sept. 2019 98% Appropriation Limit	$4,763.3
Increase (Decrease) from September 2019	$200.3

Table 4.

Delaware Department of Transportation
FY 2020 Expenditures, Through November 31, 2019

	FY2018 Actual	FY2019 Actual	FY2020 Appropriation	SEPTEMBER FY2019 Forecast	DECEMBER FY2019 Forecast	$ difference	$ difference Forecast V. FY2019 Actual	FY2020 YTD Spend	% spent YTD (42%)
Operations			w/o US301						
Debt Service	91.6	94.5	91.5	91.5	91.5	0.0	(3.0)	80.1	88%
Personnel Costs	90.7	96.9	96.6	96.6	96.6	0.0	(0.3)	42.6	44%
Operations/Capital Outlay	62.8	64.4	69.3	69.3	69.3	0.0	4.9	28.1	41%
Transit Operations (DTC)	89.8	93.2	94.8	94.8	94.8	0.0	1.6	39.5	42%
Total Expenditures - Operations	334.9	349.0	352.2	352.2	352.2	0.0	3.2	190.3	54%
State Capital									
Road System	146.4	202.6	236.3	236.3	236.3	0.0	33.7	110.7	47%
Grants & Allocations	24.7	30.6	38.3	38.3	38.3	0.0	7.7	18.9	49%
Support Systems	42.9	51.0	55.6	55.6	55.6	0.0	4.6	18.4	33%
Transit	19.9	28.0	41.2	41.2	41.2	0.0	13.2	9.0	22%
State Capital	233.9	312.2	371.4	371.4	371.4	0.0	59.2	157.0	42%
Federal Capital									
Federal Capital	233.9	215.7	280.0	280.0	280.0	0.0	64.3	115.2	41%
Total Expenditures - Capital	467.8	527.9	651.4	651.4	651.4	0.0	123.5	272.2	42%
TOTAL EXPENDITURES	802.7	876.9	1,003.6	1,003.6	1,003.6	0.0	126.7	462.5	46%

	SEPTEMBER FY2020 Forecast	DECEMBER FY2020 Forecast	difference	$ difference Forecast V. FY2019 Actual	FY2020 YTD Spend	% spent YTD
DelDOT	1,003.6	1,003.6	$ -	$ 126.7	$ 462.5	46%
US301	42.5	42.5	$ -	$ (46.9)	$ 16.1	38%
TOTAL	1,046.1	1,046.1	$ -	$ 79.8	$ 478.6	46%

Table 5.

DELAWARE DEPARTMENT OF TRANSPORTATION
Transportation Trust Fund Revenues

				Fiscal 2020			Fiscal 2021		
	FY18	FY19	% Chg.	9/16/19 Approved	**12/18/19 Recomm**	% Chg. FY 19	9/16/19 Approved	**12/18/19 Recomm**	% Chg. FY 20
TOLL ROAD REVENUES:									
I95 Newark Plaza	$132.7	$134.9	1.7%	$136.2	**$136.2**	1.0%	$137.6	**$137.6**	1.0%
Route 1 Toll Road	62.0	62.5	0.8%	$63.7	**$63.7**	1.9%	$64.7	**$64.7**	1.6%
Concessions	2.4	2.4	0.0%	$2.6	**$2.6**	0.0%	$2.6	**$2.6**	0.0%
Total Toll Road Revenues	197.1	199.8	1.4%	$202.5	**$202.5**	1.4%	$204.9	**$204.9**	1.2%
MOTOR FUEL TAX ADMIN.	132.9	144.7	8.9%	$150.0	**$150.0**	3.7%	$152.3	**$152.3**	1.5%
DIVISION OF MOTOR VEHICLES									
Motor Vehicle Document Fees	116.2	119.8	3.1%	$121.1	**$121.1**	1.1%	$122.9	**$122.9**	1.5%
Motor Vehicle Registration Fees	55.3	58.1	5.1%	$58.8	**$58.8**	1.3%	$59.6	**$59.6**	1.4%
Other DMV Revenues	39.6	40.9	3.3%	$43.5	**$43.5**	6.5%	$44.2	**$44.2**	1.6%
Total DMV Revenues	211.1	218.8	3.6%	$223.4	**$223.4**	2.1%	$226.7	**$226.7**	1.5%
OTHER TRANSPORTATION REV.									
Other Transportation Rev	13.0	12.6	-3.1%	$12.6	**$12.6**	0.0%	$12.6	**$12.6**	0.0%
Investment Income(Net)	6.8	5.5	-19.1%	$5.9	**$5.9**	7.3%	$5.0	**$5.0**	-15.3%
Total Other Transp. Revenue	19.8	18.1	-8.6%	$18.5	**$18.5**	2.2%	$17.6	**$17.6**	-4.9%
GRAND TOTAL	$560.9	$581.4	3.7%	$594.4	$594.4	2.2%	$601.5	$601.5	1.2%

	FY18	FY19	% Chg.	Fiscal 2020			Fiscal 2021		
US301 Revenues		**$ 7.0**		**$ 17.8**	**$ 17.8**		**$ 21.0**	**$ 21.0**	
TOTAL	**$ 560.9**	**$ 588.4**	4.9%	**$ 612.2**	**$ 612.2**	4.1%	**$ 622.5**	**$ 622.5**	1.7%