

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

**Hybrid Event – December 19, 2022**

**Attendance:**

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

<b>Member</b>	<b>Present</b>
G. Hindes	No
M. Houghton	Yes
M. Jackson	Yes
R.A. Jones	Yes
P. Key	Yes
A. Lubin	Yes
M. Magarik	Yes
N. Majeski	Yes
G. Marcozzi	Yes
I. McConnel	No
C. Morgan	Yes
E. Ratledge	Yes
T. Shopa	Yes
D. Short	No
D. Sokola	Yes

**Members in Attendance: 25**

**Members Absent: 5**

**Others Present:** Rep. P. Baumbach, Sen. T. Paradee, A. Aka, K. Baranski, M. Begatto, A. Callaway, C. Cassell-Carter, K. Caudle, L. Clymer, L. Davis, B. DiVirgilio, R. Dunphy, J. Emory, C. Engelsiepen, J. Fedele, N. Freedman, K. Gomes, D. Haw-Young, T. Hawk, J. Heller, J. Hornlein, A. Jenkins, J. Johnstone, K. Knight, J. Maddox, D. Madrid, M. Marlin, J. Neubauer, J. Nutter, K. Revel, D. Roose, A. Scoglietti, R. Scoglietti, J. Seemans, S. Snyder, S. Sokolowski, B. Vettori, A. Willey and members of the press.

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

Ms. Davis Burnham mentioned the recent death of former State Representative Richard F. Davis. She, Mr. Houghton and Mr. Sokola described his legacy and strong dedication to the State.

The minutes from the October 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 reviewed the Balance Sheet method and said the FY 2023 Spending Authority amounts to \$7,503.4 million. He noted an increase in the Continuing estimate to \$1,688.2 million; both the Reversion and Encumbered estimates are unchanged in December.

During the Expenditure Subcommittee meeting Ms. Engelsiepen had mentioned growth of 6.9% for the operating budget and attributed the increase in the FY 2023 Expenditure estimate to a large amount of cash projects.

Mr. Ratledge also reviewed the Functional method, noting an increase in spending for all expenditure categories when compared to FY 2022 actuals. Ms. Engelsiepen had previously attributed the higher Salaries estimate to bonuses, pay policy and 27<sup>th</sup> pay. She had also said that factors such as Other Post-Employment Benefits (OPEB) transfers and one-time bonuses have led to an increase in the Pension estimate.

Mr. Ratledge mentioned an almost 8% increase in Debt Service in FY 2023. After noticing the continuously rising debt service on page 53 of the Fiscal Notebook, Mr. Gillan asked about the State's philosophy regarding the servicing of debt in the presence of budget surpluses and higher interest rates (the Fiscal Notebook can be accessed at <https://finance.delaware.gov/financial-reports/delaware-fiscal-notebook/>).

Mr. Geisenberger mentioned that debt presented at DEFAC meetings represents the State's portion of debt service. He added the State has operated under various rules adopted in the 1990s: the 5% rule representing the amount of new tax supported obligations that can be authorized in a fiscal year; the 15% rule that limit obligations incurred by the State and the transportation trust fund; and the cash balance test.

Mr. Geisenberger also mentioned other statutory rules designed to control debt service such as the requirement that no annual installment exceed 20 years. Meanwhile, Mr. Sokola stressed the need of funds to take care of serious capital needs that have been neglected for a long time. Mr. Houghton mentioned the highest marks and top ratings for the State bonds. Mr. Ratledge noted the extremely high level of Other Post-Employment Benefits (OPEB) obligations.

Mr. Ratledge mentioned an increase in the Medicaid estimate. During the Expenditure Subcommittee meeting Ms. Engelsiepen had said the latter has been impacted by the higher number of Medicaid eligibles and the enhanced Federal Medical Assistance Percentages (FMAP).

Indeed, the number of Medicaid eligibles stood at 309,496 in November 2022, up from 283,986 a year earlier and 235,415 in March 2020. In addition, the number of newly eligible was 17,293 in November 2022, as opposed to 14,521 a year earlier and 10,790 in March 2020. Ms. Engelsiepen had indicated that the Public Health Emergency (PHE) was expected to end by April 2023.

Mr. Cade said that Delaware will be responsible for re-assessing individual eligibility once the PHE is lifted, whereas FMAP will return to their original shares, resulting in increased liability for the State. Mr. Ratledge noted that the Medicaid population is about a third of Delaware's population. In response to a question from Ms. Davis Burnham, Mr. Cade said there is an expectation that states might only have an ability to reassess 1/9 of the eligibles every month. He pointed out that guidance from the Federal government will clarify the process when it is issued.

Mr. Sokola said that nursing home services represent a major driver of Medicaid spending. Mr. Ratledge said he believed they are a third of it. (See Table 1a and Table 1b for complete details).

A motion was made, seconded and approved to accept \$5,715.6 million as the Expenditure estimate for FY 2023. The estimate represents an increase of \$657.7 million from FY 2022 and a decrease of \$80.6 million from the October estimate.

### **General Fund Expenditures - Fiscal Year 2024:**

Mr. Ratledge reviewed the FY 2024 expenditure estimates. He noted a sharp increase in Contractual Services estimate from \$761.9 million in FY 2023 to \$1,361 million. Mr. Cade explained that the majority of the increase has to do with the forward-funding of projects, which necessitates setting aside a lot of funds. He also cited inflation as a driver for the rise in the estimate.

Ms. Davis Burnham asked how many schools are currently under construction. Mr. Cade answered that more than 5 are and that each university is undergoing major capital projects. Mr. Ratledge asked whether the higher enrollment in special needs students have led to higher construction spending. Mr. Cade answered affirmatively for two schools but stressed that overall student population is the driver for construction cost. (See Table 1c for complete details).

A motion was made, seconded and approved to accept \$6,053.9 million as the Expenditure estimate for FY 2024. The estimate represents an increase of \$338.3 million from FY 2023.

### **Revenue Forecasts:**

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

### **Economic Outlook**

Mr. Aka presented economic forecasts for the U.S. (produced by S&P Global Market Intelligence) and Delaware (developed by the Department of Finance). He began by saying that key S&P Global assumptions pertain to the inclusion of all relief packages into the national forecast, the path of the pandemic, monetary policy, and the price of crude oil.

Mr. Aka said that the Federal Reserve raised the key interest rate to a range of 4.25-4.50% in its December 14 meeting, the highest in 15 years. Chairman Jerome Powell said that day that more traditional quarter-percentage-point increments going forward would provide the best way to manage the risk of over-tightening. Mr. Aka said that the Federal Reserve's strong commitment to bringing inflation down to 2% will likely require a period of below-trend economic growth and could cause a recession, mild or severe.

Turning to the national forecast, Mr. Aka said that S&P Global now expects a milder recession than in October, beginning in the first quarter of 2023 rather than the last quarter of 2022 as previously expected in October. For the whole of 2023 S&P Global now expects economic growth of 0.3%, better than the -0.5% expected in October. On the other hand, the CPI inflation forecast has remained broadly the same as in October.

As for the Delaware forecast, Mr. Aka said the complete payroll report for the second quarter of 2022 shows that FY 2022 job growth has been stronger than forecast in October (4.0% in December versus 3.2% in October). The FY 2023 - 2024 personal income and wage and salary forecasts have been revised up in December, in line with the national forecasts.

### **General Fund Revenues - Fiscal Year 2023:**

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

Revenue Category	Oct-22	Dec-22	Change
Corporation Income Tax	302.6	353.0	50.4
Personal Income Tax	2,313.7	2,356.8	43.1
Franchise Tax	1,391.8	1,421.8	30.0
Unclaimed Property Refunds	(185.0)	(160.0)	25.0
Dividends and Interest	97.3	77.8	(19.5)
Limited Partnerships & LLC's	446.0	464.0	18.0
Unclaimed Property	540.0	554.0	14.0
Insurance Taxes	94.7	105.6	10.9
Other Revenues	75.7	76.8	1.1
Lottery	229.6	229.0	(0.6)

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

Mr. Roose began his presentation by saying that the marginally improved economic forecast combined with two more months of actual revenue data have led to revisions to the General Fund revenue forecast.

#### Discussion of FY 2023 Estimates:

**Personal Income Tax (PIT) Less Refunds:** Mr. Roose recommended an increase in the estimate by \$43.1 million.

Mr. Roose said that withholding growth stood at a strong 10.1% on a fiscal year-to-date basis. To hit the recommended estimate of \$1,798.7 million, withholding growth would have to ease to 9.2% for the rest of the fiscal year. Mr. Roose attributed the upward revision in the revenue category to tracking and marginally improved economic forecast. He pointed out that bonuses in early 2023 could represent a risk to the forecast, given anecdotal evidence at the national level pointing to lower bonus payments. Mr. Roose said such a downside risk may not hold for financial companies operating in Delaware.

Mr. Roose presented a chart showing the movements of both withholding and wage and salary income. Withholding growth generally tracks wage and salary growth but a spike in the chart over the last 12 to 18 months is attributed by Mr. Roose to tight labor market and inflation. As these pressures ease over time, growth in withholding is expected to fall back to the normal 4.5% to 5.5%.

Mr. Roose noted that refunds, estimated and final payments have had no notable activity over the past 2 months. He mentioned the low adjusted growth rates for Net PIT in the short term and attributed the low rate in FY 2024 to a deceleration in withholding growth and sharp decline in capital gains from their tax year 2021 level. Mr. Roose added that he expected capital gains in 2021 to

have exceeded the record level reached in tax year 2007.

**Net Corporate Franchise Tax (CFT) and LP/LLC:** Mr. Roose recommended an increase in the estimate by \$48 million.

Mr. Roose attributed the increase in the CFT estimate to strong growth in Tier 2 companies, compliance activity, and more certainty as the fiscal year progresses. Growth in Limited Liability Company (LLC) revenue is due to an increase in the number of active LLCs through November.

**Unclaimed Property Less Refunds:** Mr. Roose recommended an increase in the estimate by \$39 million.

Mr. Roose said that recent activities suggest the cap will be reached this year. Meanwhile, claims have been reduced by \$25 million this year, partly due to declining reciprocal claims.

**Lottery:** Mr. Roose recommended a decrease in the estimate by \$0.6 million.

Mr. Roose said that Video revenues are slightly down and short-term performance could be further hurt by casino renovations that are supposed to take place in coming months. He noted that Sports revenues are down 37% fiscal year to date, as online sport betting became active in Maryland in November 2021. Going forward, the decline should moderate thanks to base effect. On the other hand, the Traditional lottery estimate has been revised up as sales benefitted from the recent record-high Powerball jackpot.

Responding to Ms. Davis Burnham's question about Powerball fatigue, Mr. Roose explains that jackpots of the same magnitude do not draw as much attention as they did before. Consequently, it may take much higher jackpots to spur interest going forward.

Mr. Ratledge asked whether the performance in Sport lottery was due to the end of the baseball season. Mr. Roose answered that the bulk of the revenue category comes from the football season.

**Corporate Income Tax (CIT) Less Refunds:** Mr. Roose recommended an increase in the estimate by \$50.4 million.

Mr. Roose said that fiscal year to date growth was a strong 30.7% for the revenue category. He added there is no slowdown in CIT receipts and that tracking suggests a much higher estimate. Mr. Roose said the current estimate comes from the department of Finance's model results, which account for national profits and other factors. He pointed out that 70% of expected tax year 2023 liability is due by June 2023. As a result, a recession or adverse shock to the economy early in the year could lead to a very significant drop in CIT

revenue.

Mr. Roose presented a chart displaying the evolution of gross CIT collections over time. Last year's collection was a record-high and stood well above trend. He mentioned that change to single-sales apportionment may have boosted the underlying level of collection. Mr. Geisenberger noted that the negative growth rates for this and next fiscal year is applied to elevated collection level of FY 2022.

**Insurance Taxes and Fees:** Mr. Roose recommended an increase in the estimate by \$10.9 million.

Mr. Roose attributed the change in the estimate to tracking. He added that fiscal year 2023 is the high year of the biennial cycle, although the pattern has been muddled in recent years by pandemic-related auto insurance rate adjustments.

**Dividends and Interest:** Mr. Roose recommended a decrease in the estimate by \$19.5 million.

During the Revenue Subcommittee meeting Ms. Davis had attributed the change in the estimate to a repositioning of the portfolios to achieve higher yield and income. The decline in fiscal 2023 is offset by an increase to fiscal year 2024's estimate. Mr. Geisenberger said the portfolio now consists of 70% in liquidity fund and 30% in reserve, which makes sense given the Federal Reserve's interest rate path.

**Other Revenues:** Mr. Roose recommended an increase in the estimate by \$1.1 million.

Mr. Roose said the Public Accommodations Tax (PAT) estimate has been raised by \$1.1 million. He noted that PAT has been hard hit by the pandemic but is back to normal.

Ms. Davis Burnham said a back-of-the-envelope calculation for FY 2023 shows that 25% of the increase in General Fund revenue can be traced to PIT; another 25% from CFT/LLC; 20% from Unclaimed Property, a third from net CIT and a negative adjustment from Dividends and Interest.

Other changes were attributed to tracking.

#### **FY 2023 Estimate Adopted:**

A motion was made, seconded and approved to accept \$6,239.5 million as the revenue estimate for FY 2023. The estimate represents an increase of \$172.4

million from the October estimate.

### General Fund Revenues - Fiscal Year 2024:

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

Revenue Category	Oct-22	Dec-22	Change
Personal Income Tax	2,346.9	2,392.1	45.2
Corporation Income Tax	273.8	304.6	30.8
Dividends and Interest	150.6	169.0	18.4
Limited Partnerships & LLC's	420.8	438.8	18.0
Insurance Taxes	92.5	103.2	10.7
Unclaimed Property Refunds	(160.0)	(150.0)	10.0
Unclaimed Property	515.0	525.0	10.0
Lottery	230.2	227.2	(3.0)

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

### Discussion of FY 2024 Estimates:

**Net Corporate Franchise Tax (CFT) and LP/LLC:** Mr. Roose recommended an increase in the estimate by \$18 million.

Mr. Roose said the increase in the number of active LLCs is expected to continue in the short term.

**Unclaimed Property Less Refunds:** Mr. Roose recommended an increase in the estimate by \$20 million.

Mr. Roose said that baseline refunds are expected to operate at a lower level than previously expected.

**Dividends and Interest:** Mr. Roose recommended an increase in the estimate by \$18.4 million.

The change in the estimate for FY 2023-24 is essentially flat.

Other changes reflected the carrying forward of changes made in FY 2023.



**FY 2024 Estimate Adopted:**

A motion was made, seconded and approved to accept \$6,046.8 million as the revenue estimate for FY 2024. The estimate represents an increase of \$140.1 million from the October estimate.

Mr. Geisenberger mentioned that General Fund revenue growth stands at +7.0% for FY 2023 and -3.1% for FY 2024. He added that FY 2024 level and growth would look different if the mild recession assumption gets milder or becomes non-existent.

For informational purposes Mr. Roose said that FY 2025 growth is modest at 2.5%.

**Balance and Appropriations Worksheet:**

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

**Budget Benchmark Index:**

Ms. Marlin said the index is presented at every December and May DEFAC meeting. The index, established under Executive Order (EO) Number 21, is calculated from Delaware's personal income growth, Delaware's population growth and the price deflator for state and local government purchases. Ms. Marlin mentioned that the index is 6.1% for December 2022, thanks in part to an updated population data. She added the index is the highest over the EO term, driven by higher inflation figures during the period.

Ms. Marlin said the FY 2024 benchmark appropriation is calculated to be \$5,586.4 million and the resulting extraordinary revenues at \$988.5 million, which can be used toward the Budget Stabilization Fund, for non-recurring expenditure and/or reduction of long-term liabilities.

For budget and planning purposes only, Ms. Marlin noted that the Budget Stabilization Fund stands at \$930.9 million. She also discussed the role of the benchmark index in stabilizing the budget: although revenue growth has fluctuated widely (from -3.1% to 19.1%) since December 2018, growth of the budget has been far more stable because of the benchmark.

Mr. Geisenberger said that, at the 5-year anniversary of the benchmark, EO 21 calls for DEFAC to construct a panel similar to the DEFAC Advisory Panel of 2017, which will look at alternative benchmark measures and make recommendations for changes in the benchmark. He expected the meetings of such a panel to start in January 2023.

A motion was made, seconded, and approved to accept the benchmark index of 6.1%.

A final motion was made, seconded, and approved to accept the level of FY 2024 extraordinary revenues of \$988.5 million.

**Transportation Trust Fund (TTF):**

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

**State Operations Expenditure:** Increased from \$350.9 million in October to \$353.4 million.

Ms. Haw-Young attributed the increase in the estimate to a higher debt service resulting from a bond sale in September.

**State Capital Expenditure:** There was no change from the October estimate of \$320.1 million.

**Federal Capital Expenditure:** There was no change from the October estimate of \$325.0 million.

During the Expenditure Subcommittee meeting Ms. Haw-Young had mentioned that tracking was slightly behind. Ms. Clymer had explained that a lot of contracts have been awarded and that a lot of work will be taking place this spring. She added her office will have a better idea about the estimate in March.

**U.S. 301 Capital Expenditure:** There was no change from the October estimate of \$25.8 million.

A motion was made, seconded, and approved to accept \$1,024.3 million as the FY 2023 TTF expenditure estimate. The estimate represents an increase of \$2.5 million from the October estimate (See Table 4.)

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

**FY 2023 Estimates:**

The following changes were made from the October estimates.

**Toll Road Revenues:** There was no change from the October estimate of \$205.5 million.

**Motor Fuel Tax Administration:** There was no change from the October estimate of \$143.6 million.

**Division of Motor Vehicles:** There was no change from the October estimate of \$244.4 million.

**Other Transportation Revenues:** Increased from \$11.7 million in October to \$14.2 million.

Ms. Haw-Young said the change in the estimate is due to an increase in interest income on the back of higher collections to date. She also mentioned that other revenue categories are currently on track, and that in-depth analysis will be conducted for the Motor Fuel Tax revenue category.

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

A motion was made, seconded, and approved to accept \$631.4 million as the FY 2023 TTF revenue estimate. The estimate represents an increase of \$2.5 million from the October estimate.

#### **FY 2024 Estimates:**

The following changes were made from the October estimates.

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

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

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

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

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

A motion was made, seconded, and approved to accept \$630.3 million as the FY 2024 TTF revenue estimate. The estimate is the same as the October estimate

(See Table 5.)

**Other Business:**

**FY 2024 Debt Limit:** Ms. Marlin presented the debt limit for FY 2024. This amount is equal to 5.0% of projected FY 2024 net revenues or \$302.34 million.

**Fiscal Notebook:** Ms. Marlin mentioned that the latest updates to the Fiscal Notebook have been completed and the report can be found on the Department of Finance's webpage: <https://finance.delaware.gov/financial-reports/delaware-fiscal-notebook/>

Mr. Houghton announced the next scheduled DEFAC meeting dates:

- March 20, 2023
- May 15, 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 3:01 p.m.

Respectfully submitted,

Arsene Aka



Table 1b.

DEFAC Expenditures Forecast for General Fund Disbursements FY2023 (\$ in millions)																				
December 19, 2022																				
	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	Difference	% change	Annual Avg.	FY2022	% spent	% of	% of	% of	% of	% of			
	Actual	Actual	Actual	Actual	Actual	Actual	Dec	23 vs. '22	'23 vs. '22	23 vs. '17	(actual 11/30/22)	(actual 11/30/21)	FY2022	FY2021	FY2020	FY2019	FY2018			
<b>Salaries</b>	1,402.9	1,421.1	1,499.9	1,558.6	1,593.0	1,657.0	1,733.2	76.2	4.6%	4.32%	778.8	28.8%	32.8%	35.3%	34.5%	34.1%	34.5%			
<b>Fringe Benefits</b>	480.5	479.6	494.4	506.1	513.3	515.4	555.3	39.9	7.7%	2.94%	237.6	8.8%	10.2%	11.4%	11.2%	11.3%	11.6%			
Health Care	359.0	357.9	362.6	369.0	372.5	369.3	402.0	32.7	8.9%	2.29%	167.9	6.2%	7.3%	8.3%	8.2%	8.3%	8.7%			
Other	121.5	121.7	131.8	137.1	140.8	146.1	153.3	7.2	4.9%	4.76%	69.7	2.6%	2.9%	3.1%	3.0%	3.0%	3.0%			
<b>Pension</b>	317.7	316.7	360.8	360.1	360.8	421.0	658.4	237.4	56.4%	15.69%	426.9	15.8%	8.3%	8.0%	8.0%	8.2%	7.7%			
Contribution	152.4	167.6	201.5	205.0	201.5	239.7	350.7	111.1	46.3%	18.14%	243.0	9.0%	4.7%	4.5%	4.5%	4.6%	4.1%			
Health Care	130.2	136.0	145.4	145.9	145.4	157.2	268.1	110.9	70.5%	15.54%	159.4	5.9%	3.1%	3.2%	3.2%	3.3%	3.3%			
Other	35.1	13.1	13.9	9.2	13.9	24.1	39.6	15.5	64.3%	2.44%	24.4	0.9%	0.5%	0.3%	0.2%	0.3%	0.3%			
<b>Debt Service</b>	179.0	187.2	183.9	184.1	187.3	202.6	218.4	15.8	7.8%	4.06%	112.0	4.1%	4.0%	4.2%	4.1%	4.2%	4.5%			
<b>Grants</b>	365.7	362.9	445.2	507.1	433.2	671.0	752.1	81.1	12.1%	15.51%	392.3	14.5%	13.3%	9.6%	11.2%	10.1%	8.8%			
<b>Medicaid</b>	739.7	750.2	733.4	702.0	734.1	823.6	917.8	94.2	11.4%	4.41%	391.9	14.5%	16.3%	16.3%	15.6%	16.7%	18.2%			
<b>Contractual Services</b>	537.6	526.1	589.0	600.5	607.5	674.7	761.9	87.2	12.9%	7.22%	311.8	11.5%	13.3%	13.5%	13.3%	13.4%	12.8%			
<b>Supplies &amp; Materials</b>	68.7	61.9	69.3	64.7	60.9	67.1	74.1	7.0	10.4%	1.52%	28.6	1.1%	1.3%	1.4%	1.4%	1.6%	1.5%			
<b>Capital Outlay</b>	14.3	12.4	18.5	30.6	17.2	25.5	44.4	18.9	74.1%	25.43%	22.1	0.8%	0.5%	0.4%	0.7%	0.4%	0.3%			
<b>FY Budgetary Expenditures</b>	4,106.1	4,118.1	4,394.3	4,513.9	4,507.3	5,057.9	5,715.6	657.7	13.0%	6.84%	2702.0	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%			
<b>Comments:</b>																				

Table 1c.

DEFAC Expenditures Forecast for General Fund Disbursements FY2023-2028 (\$ in millions)													
<b>December 19, 2022</b>													
	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>December</u>		<u>December</u>	<u>December</u>	<u>December</u>	<u>December</u>	<u>December</u>
Salaries	1,402.9	1,421.1	1,499.9	1,558.6	1593.0	1657.0	1,733.2		1,822.3	1,901.0	1,983.1	2,068.8	2,158.1
Fringe Benefits	480.5	479.6	494.4	506.1	513.3	515.4	555.3		560.7	577.5	594.8	612.7	631.2
Health Care	359.0	357.9	362.6	369.0	372.5	369.3	402.0		402.0	411.2	420.6	430.2	440.1
Other	121.5	121.7	131.8	137.1	140.8	146.1	153.3		158.7	166.3	174.2	182.5	191.1
Pension	317.7	316.7	360.8	360.1	360.8	421.0	658.4		430.9	502.3	585.9	683.8	798.4
Contribution	153.7	167.6	201.5	205.0	201.5	238.8	350.7		241.2	285.0	336.6	397.7	469.8
Health Care	131.3	136.0	145.4	145.9	145.4	170.6	268.1		175.7	203.0	234.6	271.0	313.2
Other	32.7	13.1	13.9	9.2	13.9	11.6	39.6		14.0	14.3	14.7	15.0	15.4
Debt Service	179.0	187.2	183.9	184.1	187.3	202.6	218.4		233.4	242.9	252.7	263.0	273.7
Grants	365.7	362.9	445.2	507.1	433.2	671.0	752.1		633.0	731.2	844.6	975.7	1,127.0
Medicaid	739.7	750.2	733.4	702.0	734.1	823.6	917.8		921.7	962.3	1,004.8	1,049.1	1,095.3
Contractual Services	537.6	526.1	589.0	600.5	607.5	674.7	761.9		1,361.0	1,159.3	743.0	796.7	854.3
Supplies & Materials	68.7	61.9	69.3	64.7	60.9	67.1	74.1		71.5	72.6	73.7	74.8	76.0
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>44.4</u>		<u>19.4</u>	<u>24.3</u>	<u>30.5</u>	<u>38.3</u>	<u>48.0</u>
FY Budgetary Expenditures	4,106.1	4,118.1	4,394.3	4,513.9	4,507.3	5,057.9	5,715.6		6,053.9	6,173.4	6,113.2	6,562.7	7,061.9

Table 1c.

Comments:

**Forecast FY2025-FY2028 is based on the annual average growth rate for each category FY2017-FY2023.**

**OMB General Assumptions FY2024 Forecast**

FY2024 Operating spend includes recommended door openers

FY2024 Grant in Aid budget at current year level

FY2024 One-Time Supplemental budget currently \$218.4M

FY2024 Capital Cash budget currently \$500.0M

Includes spend from capital cash continued funds

**Salary** - Includes increase for Steps/CBAs and Unit Count growth, 27th pay for Education contract employees

**Fringe Other/Fringe Healthcare/Pension** - Projected using current year rates

**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 July 2024; 2.5% increase for MCO rates effective Jan 2024

**Contractual Services** - Includes \$44M for passed legislation and spending from continued cash projects

**Supplies** - projected using current year spend level for agency operations

**Capital** - projected using current year spend level for agency operations



Table 2. DEFAC General Fund Revenue Worksheet

December-22 DEFAC Meeting	FY 2022 A Actual Collections	FY 2023				
		B DEFAC Oct-22	C % B over A	D DEFAC Dec-22	E % D over A	F \$ Increase D over B
Revenue Category						
<b>Personal Income Tax</b>	<b>2,375.8</b>	<b>2,313.7</b>	<b>-2.6%</b>	<b>2,356.8</b>	<b>-0.8%</b>	<b>43.1</b>
Less: Refunds	<u>(466.4)</u>	<u>(241.2)</u>	<b>-48.3%</b>	<u>(241.2)</u>	<b>-48.3%</b>	<b>0.0</b>
<b>PIT Less Refunds</b>	<b>1,909.4</b>	<b>2,072.5</b>	<b>8.5%</b>	<b>2,115.6</b>	<b>10.8%</b>	<b>43.1</b>
Franchise Tax	1,300.4	1,391.8	7.0%	1,421.8	9.3%	30.0
Limited Partnerships & LLC's	422.6	<u>446.0</u>	5.5%	<u>464.0</u>	9.8%	18.0
Subtotal Franchise + LP/LLC	1,723.1	1,837.8	6.7%	1,885.8	9.4%	48.0
Less: Refunds	<u>(14.3)</u>	<u>(10.0)</u>	<b>-30.1%</b>	<u>(10.0)</u>	<b>-30.1%</b>	<b>0.0</b>
Net Franchise + LP/LLC	1,708.7	1,827.8	7.0%	1,875.8	9.8%	48.0
<b>Business Entity Fees</b>	<b>164.2</b>	<b>167.4</b>	<b>1.9%</b>	<b>167.4</b>	<b>1.9%</b>	<b>0.0</b>
<b>Uniform Commercial Code</b>	<b>31.0</b>	<b>31.0</b>	<b>-0.1%</b>	<b>31.0</b>	<b>-0.1%</b>	<b>0.0</b>
Unclaimed Property	554.0	540.0	-2.5%	554.0	0.0%	14.0
Less: Refunds	<u>(204.6)</u>	<u>(185.0)</u>	<b>-9.6%</b>	<u>(160.0)</u>	<b>-21.8%</b>	<b>25.0</b>
Unclaimed Prop Less Refunds	349.4	355.0	1.6%	394.0	12.8%	39.0
<b>Gross Receipts Tax</b>	<b>331.0</b>	<b>347.3</b>	<b>4.9%</b>	<b>347.3</b>	<b>4.9%</b>	<b>0.0</b>
<b>Lottery</b>	<b>236.0</b>	<b>229.6</b>	<b>-2.7%</b>	<b>229.0</b>	<b>-3.0%</b>	<b>(0.6)</b>
Corporation Income Tax	379.5	302.6	-20.3%	353.0	-7.0%	50.4
Less: Refunds	<u>(65.3)</u>	<u>(70.0)</u>	7.2%	<u>(70.0)</u>	7.2%	0.0
CIT Less Refunds	314.2	232.6	-26.0%	283.0	-9.9%	50.4
<b>Realty Transfer Tax</b>	<b>304.3</b>	<b>265.1</b>	<b>-12.9%</b>	<b>265.1</b>	<b>-12.9%</b>	<b>0.0</b>
<b>Cigarette Taxes</b>	<b>115.3</b>	<b>104.0</b>	<b>-9.8%</b>	<b>104.0</b>	<b>-9.8%</b>	<b>0.0</b>
Bank Franchise Tax	113.2	97.4	-14.0%	97.4	-14.0%	0.0
Insurance Taxes and Fees	98.6	94.7	-4.0%	105.6	7.0%	10.9
Hospital Board and Treatment	21.0	23.4	11.5%	23.4	11.5%	0.0
<b>Public Utility Tax</b>	<b>29.6</b>	<b>34.0</b>	<b>14.8%</b>	<b>34.0</b>	<b>14.8%</b>	<b>0.0</b>
<b>Alcoholic Beverage Tax</b>	<b>30.9</b>	<b>31.4</b>	<b>1.6%</b>	<b>31.4</b>	<b>1.6%</b>	<b>0.0</b>
<b>Dividends and Interest</b>	<b>12.6</b>	<b>97.3</b>	<b>671.6%</b>	<b>77.8</b>	<b>517.0%</b>	<b>(19.5)</b>
<b>Other Revenues</b>	<b>70.8</b>	<b>75.7</b>	<b>6.9%</b>	<b>76.8</b>	<b>8.4%</b>	<b>1.1</b>
Less: Other Refunds	<u>(10.6)</u>	<u>(19.1)</u>	80.2%	<u>(19.1)</u>	80.2%	0.0
<b>Net Receipts</b>	<b>5,829.9</b>	<b>6,067.1</b>	<b>4.1%</b>	<b>6,239.5</b>	<b>7.0%</b>	<b>172.4</b>

Adj Growth Rate

3.8%

Table 2. DEFAC General Fund Revenue Worksheet

December-22 DEFAC Meeting	FY 2024					FY 2025				
	G DEFAC Oct-22	H % G over B	I DEFAC Dec-22	J % I over D	K \$ Increase I over G	L DEFAC Oct-22	M % L over G	N DEFAC Dec-22	O % N over I	P \$ Increase N over L
Revenue Category										
<b>Personal Income Tax</b>	<b>2,346.9</b>	<b>1.4%</b>	<b>2,392.1</b>	<b>1.5%</b>	<b>45.2</b>	<b>2,465.4</b>	<b>5.0%</b>	<b>2,512.7</b>	<b>5.0%</b>	<b>47.3</b>
Less: Refunds	<u>(242.0)</u>	<b>0.3%</b>	<u>(242.0)</u>	<b>0.3%</b>	<b>0.0</b>	<u>(229.9)</u>	<b>-5.0%</b>	<u>(229.9)</u>	<b>-5.0%</b>	<b>0.0</b>
<b>PIT Less Refunds</b>	<b>2,104.9</b>	<b>1.6%</b>	<b>2,150.1</b>	<b>1.6%</b>	<b>45.2</b>	<b>2,235.5</b>	<b>6.2%</b>	<b>2,282.8</b>	<b>6.2%</b>	<b>47.3</b>
Franchise Tax	1,220.0	-12.3%	1,220.0	-14.2%	0.0	1,220.0	0.0%	1,220.0	0.0%	0.0
Limited Partnerships & LLC's	<u>420.8</u>	-5.7%	<u>438.8</u>	-5.4%	18.0	<u>420.8</u>	0.0%	<u>438.8</u>	0.0%	<u>18.0</u>
Subtotal Franchise + LP/LLC	1,640.8	-10.7%	1,658.8	-12.0%	18.0	1,640.8	0.0%	1,658.8	0.0%	18.0
Less: Refunds	<u>(10.0)</u>	0.0%	<u>(10.0)</u>	0.0%	<u>0.0</u>	<u>(10.0)</u>	0.0%	<u>(10.0)</u>	0.0%	<u>0.0</u>
Net Franchise + LP/LLC	1,630.8	-10.8%	1,648.8	-12.1%	18.0	1,630.8	0.0%	1,648.8	0.0%	18.0
<b>Business Entity Fees</b>	<b>150.0</b>	<b>-10.4%</b>	<b>150.0</b>	<b>-10.4%</b>	<b>0.0</b>	<b>150.0</b>	<b>0.0%</b>	<b>150.0</b>	<b>0.0%</b>	<b>0.0</b>
<b>Uniform Commercial Code</b>	<b>26.5</b>	<b>-14.5%</b>	<b>26.5</b>	<b>-14.5%</b>	<b>0.0</b>	<b>26.5</b>	<b>0.0%</b>	<b>26.5</b>	<b>0.0%</b>	<b>0.0</b>
Unclaimed Property	515.0	-4.6%	525.0	-5.2%	10.0	500.0	-2.9%	500.0	-4.8%	0.0
Less: Refunds	<u>(160.0)</u>	-13.5%	<u>(150.0)</u>	-6.3%	<u>10.0</u>	<u>(160.0)</u>	0.0%	<u>(150.0)</u>	0.0%	<u>10.0</u>
Unclaimed Prop Less Refunds	355.0	0.0%	375.0	-4.8%	20.0	340.0	-4.2%	350.0	-6.7%	10.0
<b>Gross Receipts Tax</b>	<b>358.7</b>	<b>3.3%</b>	<b>358.7</b>	<b>3.3%</b>	<b>0.0</b>	<b>371.3</b>	<b>3.5%</b>	<b>371.3</b>	<b>3.5%</b>	<b>0.0</b>
<b>Lottery</b>	<b>230.2</b>	<b>0.3%</b>	<b>227.2</b>	<b>-0.8%</b>	<b>(3.0)</b>	<b>230.2</b>	<b>0.0%</b>	<b>227.2</b>	<b>0.0%</b>	<b>(3.0)</b>
Corporation Income Tax	273.8	-9.5%	304.6	-13.7%	30.8	276.3	0.9%	307.4	0.9%	31.1
Less: Refunds	<u>(70.0)</u>	0.0%	<u>(70.0)</u>	0.0%	<u>0.0</u>	<u>(70.0)</u>	0.0%	<u>(70.0)</u>	0.0%	<u>0.0</u>
CIT Less Refunds	203.8	-12.4%	234.6	-17.1%	30.8	206.3	1.2%	237.4	1.2%	31.1
<b>Realty Transfer Tax</b>	<b>259.9</b>	<b>-2.0%</b>	<b>259.9</b>	<b>-2.0%</b>	<b>0.0</b>	<b>302.0</b>	<b>16.2%</b>	<b>302.0</b>	<b>16.2%</b>	<b>0.0</b>
<b>Cigarette Taxes</b>	<b>100.6</b>	<b>-3.3%</b>	<b>100.6</b>	<b>-3.3%</b>	<b>0.0</b>	<b>98.1</b>	<b>-2.5%</b>	<b>98.1</b>	<b>-2.5%</b>	<b>0.0</b>
Bank Franchise Tax	103.5	6.3%	103.5	6.3%	0.0	105.7	2.1%	105.7	2.1%	0.0
Insurance Taxes and Fees	92.5	-2.3%	103.2	-2.3%	10.7	96.6	4.4%	107.7	4.4%	11.1
Hospital Board and Treatment	23.8	1.7%	23.8	1.7%	0.0	24.0	0.8%	24.0	0.8%	0.0
<b>Public Utility Tax</b>	<b>32.9</b>	<b>-3.2%</b>	<b>32.9</b>	<b>-3.2%</b>	<b>0.0</b>	<b>31.8</b>	<b>-3.3%</b>	<b>31.8</b>	<b>-3.3%</b>	<b>0.0</b>
<b>Alcoholic Beverage Tax</b>	<b>31.9</b>	<b>1.6%</b>	<b>31.9</b>	<b>1.6%</b>	<b>0.0</b>	<b>32.2</b>	<b>NA</b>	<b>32.2</b>	<b>0.9%</b>	<b>0.0</b>
<b>Dividends and Interest</b>	<b>150.6</b>	<b>54.8%</b>	<b>169.0</b>	<b>117.2%</b>	<b>18.4</b>	<b>136.9</b>	<b>-9.1%</b>	<b>152.1</b>	<b>-10.0%</b>	<b>15.2</b>
<b>Other Revenues</b>	<b>69.5</b>	<b>-8.2%</b>	<b>69.5</b>	<b>-9.5%</b>	<b>0.0</b>	<b>70.6</b>	<b>1.6%</b>	<b>69.5</b>	<b>0.0%</b>	<b>(1.1)</b>
Less: Other Refunds	<u>(18.4)</u>	-3.7%	<u>(18.4)</u>	-3.7%	0.0	<u>(18.4)</u>	0.0%	<u>(18.4)</u>	0.0%	<u>0.0</u>
<b>Net Receipts</b>	<b>5,906.7</b>	<b>-2.6%</b>	<b>6,046.8</b>	<b>-3.1%</b>	<b>140.1</b>	<b>6,070.1</b>	<b>2.8%</b>	<b>6,198.7</b>	<b>2.5%</b>	<b>128.6</b>

Adj Growth Rate

-4.8%

2.8%

## Table 3. Balance and Appropriations Worksheet

December-22

### FY 2023 EXPENDITURES

Total Spending Authority	\$7,503.4
Less: Continuing Appropriations & Encumbrances from FY 2023	(\$1,747.8)
Less: Reversions	<u>(\$40.0)</u>
<b>Total Expenditures</b>	<b>\$5,715.6</b>

### FY 2023 BALANCES

Total Expenditures	\$5,715.6
vs. FY 2023 Revenues	6,239.5
Operating Balance	523.9
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	2,726.6
Less: Continuing Appropriations & Encumbrances from FY 2023	(1,747.8)
Less: Budgetary Reserve Account	<u>(\$316.4)</u>
<b>Unencumbered Cash Balance 6/30</b>	<b>\$662.3</b>

### FY 2024 APPROPRIATION LIMITS

FY 2024 Revenue Estimate	\$6,046.8
Unencumbered Cash Balance from FY 2023	<u>\$662.3</u>
100% Appropriation Limit	\$6,709.1
98% Appropriation Limit	<u>\$6,574.9</u>
Prior 98% Appropriation Limit	\$6,268.7
Increase (Decrease) from Prior Meeting	\$306.2
October 2022 98% Appropriation Limit	\$6,268.7
Increase (Decrease) from October 2022	\$306.2

### FY 2023 BUDGET

Budget	\$5,099.7
Grants	\$69.4
Supplemental	\$1,234.1
Total Appropriations	\$6,403.2
Plus: Continuing Appropriations & Encumbrances from Prior Years	<u>\$1,100.2</u>
<b>Total Spending Authority</b>	<b>\$7,503.4</b>

Table 4.

Delaware Department of Transportation									
FY 2023 Expenditures, Through November 30, 2022									
	FY2021 Actual	FY2022 Actual	FY2023 Appropriation	OCTOBER FY2023 Forecast	DECEMBER FY2023 Forecast	\$ difference Oct to December	\$ difference Forecast V. FY2022 Actual	FY2023 YTD Spend	42%
			w/o US301						% spent YTD
<b>Operations</b>									
Debt Service	93.5	67.0	80.5	80.5	83.0	2.5	16.0	67.2	81%
Personnel Costs	102.6	105.6	116.5	116.5	116.5	0.0	10.9	45.0	39%
Operations/Capital Outlay	60.5	66.8	73.6	73.6	73.6	0.0	6.8	28.6	39%
Transit Operations (DTC)	46.6	79.8	80.3	80.3	80.3	0.0	0.5	33.4	42%
<b>Total Expenditures - Operations</b>	<b>303.2</b>	<b>319.2</b>	<b>350.9</b>	<b>350.9</b>	<b>353.4</b>	<b>2.5</b>	<b>34.2</b>	<b>174.2</b>	<b>49%</b>
<b>State Capital</b>									
Road System	258.3	197.7	205.8	205.8	205.8	0.0	8.1	87.8	43%
Grants & Allocations	30.2	26.7	44.2	44.2	44.2	0.0	17.5	12.5	28%
Support Systems	54.7	45.8	40.7	40.7	40.7	0.0	(5.1)	16.9	42%
Transit	27.0	29.9	29.4	29.4	29.4	0.0	(0.5)	7.2	24%
<b>State Capital</b>	<b>370.2</b>	<b>300.1</b>	<b>320.1</b>	<b>320.1</b>	<b>320.1</b>	<b>0.0</b>	<b>20.0</b>	<b>124.4</b>	<b>39%</b>
<b>Federal Capital</b>									
Federal Capital	293.5	261.1	325.0	325.0	325.0	0.0	63.9	92.5	28%
<b>Total Expenditures - Capital</b>	<b>663.7</b>	<b>561.2</b>	<b>645.1</b>	<b>645.1</b>	<b>645.1</b>	<b>0.0</b>	<b>83.9</b>	<b>216.9</b>	<b>34%</b>
<b>TOTAL EXPENDITURES</b>	<b>966.9</b>	<b>880.4</b>	<b>996.0</b>	<b>996.0</b>	<b>998.5</b>	<b>2.5</b>	<b>118.1</b>	<b>391.1</b>	<b>39%</b>

	OCTOBER FY2023 Forecast	DECEMBER FY2023 Forecast	\$ difference Oct to December	FY2023 YTD Spend	% spent YTD
DeIDOT	996.0	998.5	\$ 2.5	\$ 391.1	39%
US301	25.8	25.8	\$ -	\$ 1.5	6%
<b>TOTAL</b>	<b>1,021.8</b>	<b>1,024.3</b>	<b>\$ 2.5</b>	<b>\$ 392.6</b>	<b>38%</b>

Table 5.

DELAWARE DEPARTMENT OF TRANSPORTATION Transportation Trust Fund Revenues									
	FY21	FY22	% Chg.	Fiscal 2023			Fiscal 2024		
				10/17/2022 Approved	12/19/2022 Recomm	% Chg. FY 22	10/17/2022 Approved	12/19/2022 Recomm	% Chg. FY 23
<b><u>TOLL ROAD REVENUES:</u></b>									
I95 Newark Plaza	\$114.4	\$142.2	24.3%	\$139.5	\$139.5	-1.9%	\$140.0	\$140.0	0.4%
Route 1 Toll Road	55.0	62.6	13.8%	\$63.9	\$63.9	2.0%	\$64.9	\$64.9	1.6%
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>
<b>Total Toll Road Revenues</b>	170.7	206.4	20.9%	\$205.5	\$205.5	-0.4%	\$207.1	\$207.1	0.8%
<b>MOTOR FUEL TAX ADMIN.</b>	128.5	136.7	6.4%	\$143.6	\$143.6	5.1%	\$146.1	\$146.1	1.7%
<b><u>DIVISION OF MOTOR VEHICLES</u></b>									
Motor Vehicle Document Fees	138.9	146.2	5.3%	\$136.5	\$136.5	-6.6%	\$130.4	\$130.4	-4.5%
Motor Vehicle Registration Fees	60.8	57.4	-5.6%	\$63.2	\$63.2	10.1%	\$64.2	\$64.2	1.6%
Other DMV Revenues	<u>37.0</u>	<u>39.7</u>	<u>7.3%</u>	<u>\$44.7</u>	<u>\$44.7</u>	<u>12.7%</u>	<u>\$45.3</u>	<u>\$45.3</u>	<u>1.3%</u>
<b>Total DMV Revenues</b>	236.7	243.3	2.8%	\$244.4	\$244.4	0.5%	\$239.9	\$239.9	-1.8%
<b><u>OTHER TRANSPORTATION REV.</u></b>									
Other Transportation Rev	11.4	9.6	-15.8%	\$9.2	\$9.2	-3.8%	\$9.2	\$9.2	0.0%
Investment Income(Net)	<u>2.4</u>	<u>1.3</u>	<u>-45.8%</u>	<u>\$2.5</u>	<u>\$5.0</u>	<u>274.3%</u>	<u>\$4.0</u>	<u>\$4.0</u>	<u>-20.0%</u>
<b>Total Other Transp. Revenue</b>	13.8	10.9	-21.0%	\$11.7	\$14.2	30.3%	\$13.2	\$13.2	-7.0%
<b>GRAND TOTAL</b>	\$549.7	\$597.3	8.7%	\$605.2	\$607.7	1.7%	\$606.3	\$606.3	-0.2%
					\$2.5		\$0.0		
	FY21	FY22	% Chg.	Fiscal 2023			Fiscal 2024		
<b>US301 Revenues</b>	\$ 19.9	\$ 22.0	10.6%	\$ 23.7	\$ 23.7	7.6%	\$ 24.0	\$ 24.0	1.3%
<b>TOTAL</b>	\$ 569.6	\$ 619.3	8.7%	\$ 628.9	\$ 631.4	2.0%	\$ 630.3	\$ 630.3	-0.2%