

Expenditures:

The General Fund's Actual expenditures for Fiscal Year 2018 ended at \$4,118.1 million; an increase of 0.29% or \$12.0 million compared to Fiscal Year 2017. Personnel Costs, including salaries, pension and health care, comprised 53.8% of overall expenditures at \$2,217.4 million. Medicaid expenditures were \$750.2 million or 18.2% of total expenditures.

Estimated General Fund expenditures for Fiscal Year 2019 are \$4,497.8 million; an increase of \$379.7 million compared to Fiscal Year 2018 actual expenditures. This 9.2% increase is comprised primarily of: (1) One-time appropriations that include roughly \$189.0 in one-time cash to the Bond Bill (2) FY 2019 salary policy; (2) One-time appropriation of \$49.2 million for employee bonuses; (4) additional Medicaid expenditures; and (5) debt service costs. Similar to prior fiscal years, just over half of General Fund expenditures are tied to personnel related costs such as salaries, health care, and pension related expenses. Medicaid spending, currently projected at \$789.8 million, equates to roughly 17.5% of total General Fund expenses.

The chart below identifies actual General Fund expenditures from Fiscal Year 2014 through projected expenditures for Fiscal Year 2019.

	Actual Expenditures	Increase from Prior Year	Percent Increase
Fiscal Year 2014	\$3,794.0	\$135.5	3.71%
Fiscal Year 2015	\$3,832.6	\$38.6	1.01%
Fiscal Year 2016	\$3,913.7	\$81.1	2.12%
Fiscal Year 2017	\$4,106.1	\$192.4	4.91%
Fiscal Year 2018	\$4,118.1	\$12.0	0.29%
Fiscal Year 2019 Est.	\$4,497.8	\$379.7	9.22%

Revenues:

The Fiscal Year 2019 revenue forecast is \$4,410.8 million and the Fiscal Year 2020 revenue forecast is \$4,557.1 million.

The following chart represents changes in the revenue forecast for both fiscal years compared to the revenue resolution adopted for the Fiscal Year 2019.

	Fiscal Year 2019	Fiscal Year 2020
<u>June 2018 DEFAC Revenue Estimate</u>	\$4,383.4	\$4,544.9
<u>Revenue Resolution Adjustments</u>		
Escheat Enforcement Upgrades	(\$1.0)	\$0.0
One-time Captive Insurance funding to GF	\$1.5	\$0.0
<u>Revenue Resolution Adjustments</u>		
Sub-Total	<u>\$0.5</u>	<u>\$0.0</u>
<u>Legislative Adjustments</u>		
Casino Tax Relief (HA No. 2 to SS No 1. to SB 144)	(\$11.4)	(\$16.8)
Real Estate Transfer Tax exclusion for first- Time home buyers (HA No. 1 to HB 380)	(\$5.0)	(\$5.4)
<u>Legislative Adjustments</u>		
Sub-Total	<u>(\$16.4)</u>	<u>(\$22.2)</u>
<u>Grand Total of Adjustments</u>		
	<u>(\$15.9)</u>	<u>(\$22.2)</u>
September 2018 DEFAC Estimate	<u>\$4,410.8</u>	<u>\$4,557.1</u>
Plus Adjustments		
Overall Change (in Millions)	\$27.4	\$12.2

The September 2018 forecast adjusts revenue category projections to better align with revenue trends and Fiscal Year 2018 Actual receipts for Personal Income Tax, Abandoned Property, Gross Receipts Tax, and Lottery.

State and National economic indicators that assist in developing revenue forecasts were largely unchanged in comparison to June 2018 DEFAC estimates. The September forecast anticipates continued Federal Reserve interest rate increases in both 2019 and 2020 towards an upper range of 3.5%. Real Gross Domestic Product growth remained largely unchanged from June projections. Energy prices, specifically oil, were assumed lower for the remainder of 2018 versus June estimates, decreasing from an average price of \$73.6/barrel to \$72.7/barrel, but spiking in 2019 to \$79.9/barrel.

U.S. employment projections remained unchanged from June expectations while State employment estimates increased slightly for 2019. U.S. Wage and Salary projections ticked downward compared to last forecast, but Delaware personal income indicators differ from national trends, projecting an increase for Fiscal Year 2019.

The following chart summarizes the revenue category changes for both Fiscal Years 2019 and 2020.

	Fiscal Year 2019	Fiscal Year 2020
June 2018 DEFAC	\$4,383.4	\$4,544.9
Personal Income Tax	3.6	(1.0)
Franchise Tax/LP & LLC	-	6.4
Business Entity & UCC	8.0	8.4
Corporate Income Tax	-	-
Bank Franchise Tax	(1.0)	(0.6)
Gross Receipts Tax	5.5	7.1
Lottery	(6.2)	(9.1)
Abandoned Property	29.0	10.0
Hospital Board & Treatment	(0.5)	(0.6)
Dividends and Interest	(3.5)	(7.9)
Realty Transfer Tax	(3.9)	(3.5)
Cigarette Tax	(3.6)	3.4
Insurance Taxes	0.1	(0.1)
Public Utility Tax	0.1	0.4
Alcohol Beverage Tax	0.4	0.4
Other Revenues	0.5	-
Other Refunds	(1.1)	(1.1)
September 2018 DEFAC	<u>\$4,410.8</u>	<u>\$ 4,557.1</u>
Increase/(Decrease) from June 2018	<u>\$43.3</u>	<u>\$34.4</u>
Less Revenue & Legislative Adjustments*	<u>(\$15.9)</u>	<u>(\$22.2)</u>
Net Increase/(Decrease) from June 2018 DEFAC	<u>\$27.4</u>	<u>\$12.2</u>

*Revenue & Legislative Adjustments include those listed on page 2.