

# FY 2025 Budget Overview

Joint Finance Committee

January 30, 2024



*Responsibly managing our state budget remains a priority.*

## **BENCHMARK SPENDING**

*Measuring operating budget growth against a sustainable benchmark (EO#21)*

## **BUDGET STABILIZATION FUND**

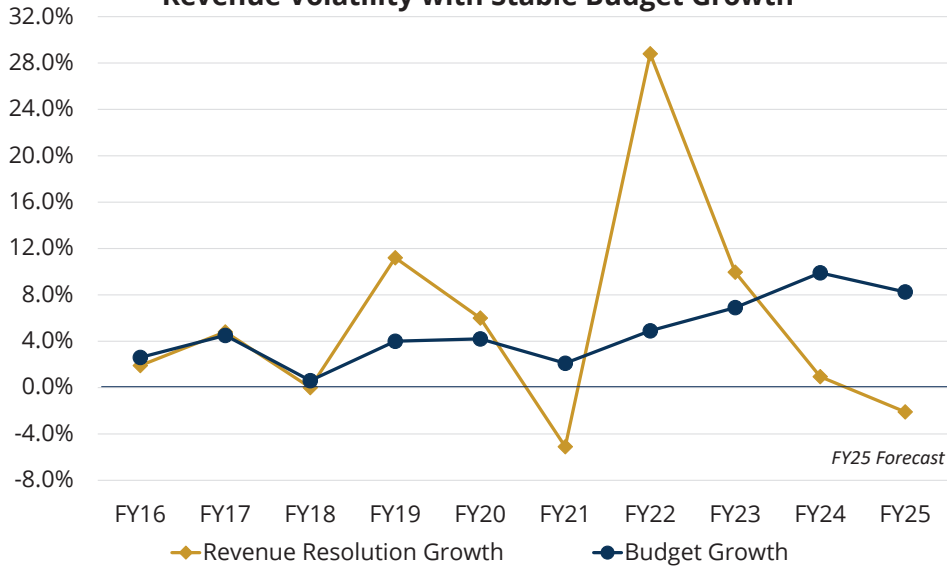
*Using extraordinary revenues to build reserves available to cover future revenue shortfalls*

## **RESPONSIBLE BUDGETING**

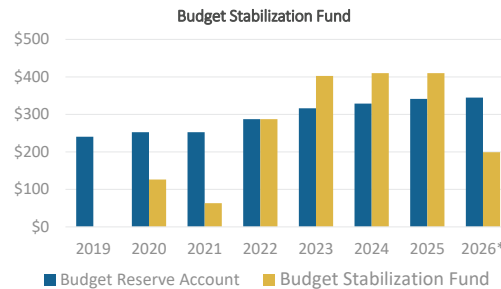
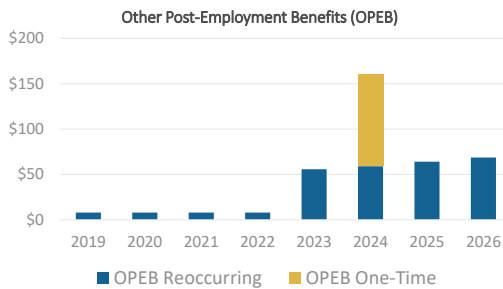
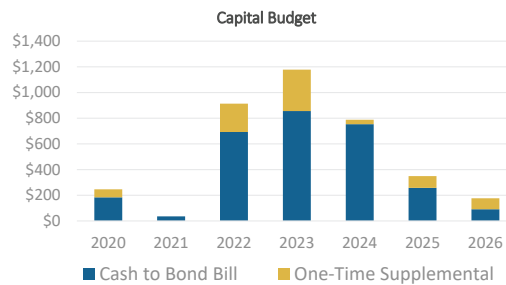
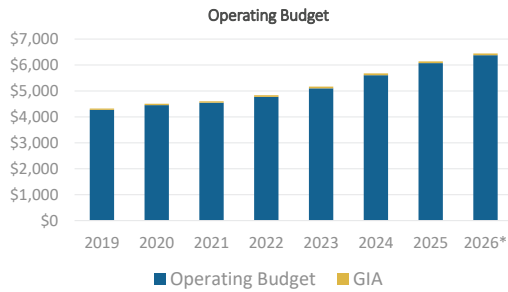
*Directing one-time revenues to one-time investments that support long-term economic growth*

# Sustainable Budget Growth with Volatile Revenue

## Revenue Volatility with Stable Budget Growth



# Impact of Benchmark Operating / Capital / Reserves (in millions)



\*assumes 5.0% operating budget growth



# Fiscal Year 2025 GRB Financial Plan

<b>General Fund Operating Budget</b>		<b>\$6,074.9 M</b>
• GF Operating Budget Growth below 8.25%		
<b>Grants-in-Aid</b>		<b>\$66.5 M</b>
<b>Bond and Capital Improvements Act</b>		<b>\$943.7 M</b>
• State Capital Projects	\$614.6 M	
• GO Bonds	\$314.6 M	
• Cash	\$257.5 M	
• Other	\$42.5 M	
• Transportation	\$329.1 M	
<b>One-Time Supplemental</b> <i>(incl. \$56.1M to OPEB)</i>		<b>\$91.8 M</b>

The FY 2025 Financial Plan maintains **\$410.1 million** in the Budget Stabilization Fund to manage through forecasted flat revenues in the out years.



## Dec 2023 DEFAC: FY25 at 8.25%; FY26-28 at 5% Benchmark Growth

	FY 2024 ACTUAL	FY 2025 PROJECTED	FY 2026 PROJECTED
<b>Resources</b>			
Carry-over	\$ 745,392,100	\$ 330,892,100	\$ 144,905,410
Net DEFAC FY Revenue	6,177,300,000	6,292,300,000	6,389,000,000
<b>Total Resources @ 98%</b>	<b>6,784,238,258</b>	<b>6,490,728,258</b>	<b>6,403,227,302</b>
Budget Stabilization		-	220,727,000
<b>Uses</b>			
Less: Operating Budget	\$ (5,606,716,700)	\$ (6,074,925,500)	\$ (6,378,654,256)
One-Time Supplemental Bill	(143,563,078)	(35,709,400)	(24,999,833)
1% Cash to OPEB (effective FY2024)	(50,997,200)	(56,067,167)	(60,749,255)
1% Cash to Capital Projects In Bond Bill	(50,997,122)	(56,067,167)	(60,749,255)
One-Times for Capital (Extraordinary)	(702,420,000)	(201,398,485)	(30,250,745)
Grant-In-Aid	(71,992,624)	(66,550,823)	(68,550,823)
<b>TOTAL USES</b>	<b>\$ (6,626,686,724)</b>	<b>\$ (6,490,718,542)</b>	<b>\$ (6,623,954,167)</b>
<b>APPROPRIATION SURPLUS/(DEFICIT)</b>	<b>\$ 157,551,534</b>	<b>\$ 9,716</b>	<b>\$ 135</b>
<b>Additional Sources</b>			
Cumulative Budget Stabilization Fund Balance	\$ 410,100,000	\$ 410,100,000	\$ 189,373,000
Budget Stabilization Fund Deposits/(Uses)	\$ 7,500,000	\$ -	\$ (220,727,000)
<b>Abandoned Property Revenue Forecast</b>			
December 2023 DEFAC Forecast	554,000,000	525,000,000	500,000,000
<b>Revenue Adjustments</b>			
Revenue Growth/(Reduction)	(1.9%)	1.9%	1.5%
<b>Reversions</b>			
December 2023 DEFAC Forecast	54,600,000	25,000,000	25,000,000
Operating Budget Growth	9.9%	8.4%	5.0%
Operating & GIA Budget Growth	9.9%	8.1%	5.0%
<b>Appropriation Benchmark (FINAL)</b>	<b>6.2%</b>	<b>5.9%</b>	

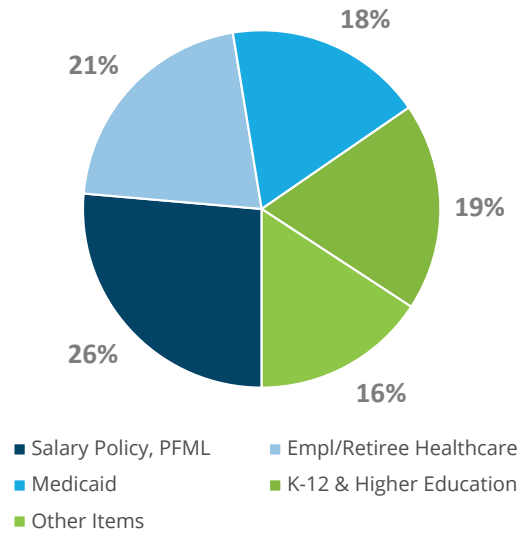


# Impact of Personnel and Health Care Costs

Nearly 65% of the total FY25 General Fund Governor's Recommended Budget growth is salary policy and health-related costs.

- **Salary Policy** **\$222.0**
- **Health Care Cost**
  - Salary Policy & PFML = \$123.5
  - Empl/Retiree Health = \$98.5
- **Medicaid** **\$84.2**
- **K-12 & Higher Education** **\$88.1**
- **Other Items** **\$73.9**

FY25 GRB General Fund Growth



## Group Health Insurance Plan (GHIP)

# We are spending nearly \$1 BILLION on HEALTH CARE for Employees and Retirees:

## Current COSTS

Deficit expected to be  
~\$40M for FY24 and  
FY25 GRB appropriates  
\$93.9M in General Funds  
for anticipated premium  
increases

## Health Care SPENDING

Health care spending will  
crowd out other investments  
in public schools, affordable  
housing, childcare,  
and raises for state  
employees and state retirees.

## Long-Term PLANNING

The Administration and  
General Assembly must  
work together for  
solutions that control  
health care costs for the  
future

### Five-year Projection – 2% Minimum Reserve

GHIP Costs (\$ millions)	FY23	FY24	FY25	FY26	FY27	FY28
	Actual	Projected	Projected	Projected	Projected	Projected
Average Enrolled Members	130,659	132,422	133,747	135,084	136,435	137,799
<b>GHIP Revenues</b>						
Premium Contributions - Non-Medicare		\$816.6	\$826.1	\$1,059.3	\$1,080.3	\$1,172.4
Premium Contributions - Medicare		\$167.1	\$171.6	\$196.6	\$199.6	\$209.1
Total Premium Contributions - Current Rates	\$901.8	\$983.7	\$997.7	\$1,256.0	\$1,279.9	\$1,381.4
Proposed Rate Actions			\$232.1	\$10.6	\$82.9	\$90.7
<b>Discretionary Contribution</b>						
Discretionary Contribution - Payback						
Other Revenues	\$189.5	\$216.8	\$237.0	\$243.6	\$265.1	\$283.1
Total Operating Revenues	\$1,091.3	\$1,200.5	\$1,466.8	\$1,510.2	\$1,627.9	\$1,755.3
<b>GHIP Expenses</b>						
Claims	\$1,189.7	\$1,248.4	\$1,348.5	\$1,455.6	\$1,571.6	\$1,697.1
Expenses		\$49.2	\$50.7	\$52.2	\$53.8	\$55.4
Total Operating Expenses	\$1,189.7	\$1,297.7	\$1,399.2	\$1,507.9	\$1,625.4	\$1,752.5
% Change Per Member	14.7%	3.5%	6.9%	6.9%	6.9%	6.9%
Adjusted Net Income	(\$98.4)	(\$97.2)	\$67.5	\$2.3	\$2.5	\$2.8
Balance Forward	\$157.2	\$58.8	(\$38.4)	\$29.1	\$31.4	\$33.9
Ending Balance	\$58.8	(\$38.4)	\$29.1	\$31.4	\$33.9	\$36.7
- Less Claims Liability	\$68.3	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
- Less Minimum Reserve	\$27.2	\$27.0	\$29.1	\$31.4	\$33.9	\$36.7
<b>GHIP Surplus (After Reserves/Deposits)</b>	<b>(\$36.7)</b>	<b>(\$65.4)</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>

Total estimate of Rate  
Actions to fill projected  
deficit is \$232.1

GF premium contribution  
is approximately 60% after  
unaffiliated, special funds  
and employee  
contributions

GF share is ~\$139.3M

#### Assumptions:

- 6% medical trend, 3% Medicfill trend, 9% pharmacy trend
- 1% growth in GHIP membership with consistent plan and tier elections
- Reflects added cost for HB303 in FY25
- Reflects current market check improvements for FY25 pharmacy program

Employee contributions increase in FY25  
by a range of \$4.46 to \$43.73 per  
paycheck

# Medicaid Projections

## FY2025 Medicaid Projections

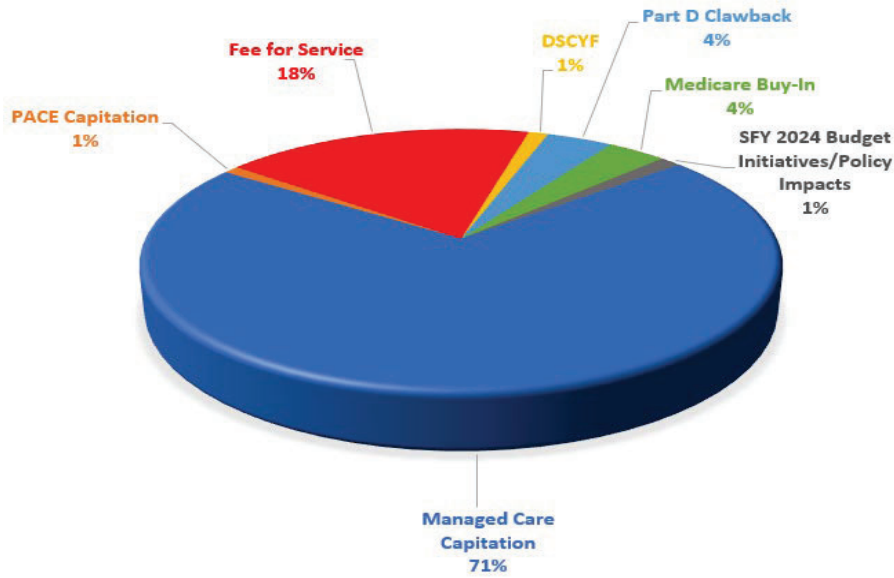
<b>December 2023 Medicaid Increase</b>	<b>\$84,200,000</b>
<b>One-Time Supplemental Pending Final Redeterminations</b>	<b>\$10,443,700</b>

Factors impacting State Medicaid costs include, but are not limited to:

- FFY 2025 reduction in FMAP at 60.15% - Increase of \$5.6 million in state costs
- CY 2024 MCO capitated rates renegotiated - Increase of \$10.5 million in state costs
- McNesby Act rate increases resulted in significant increases – average Total Computable for DDS Waiver services increased from \$15 million monthly to \$22-26 million monthly
- Continued increase in health services and prescription costs
- Rise in Part D Drug Benefit rates
- Continued growth in the most costly categories that continue to be enrolled (DSHP+ plus and SSI members)



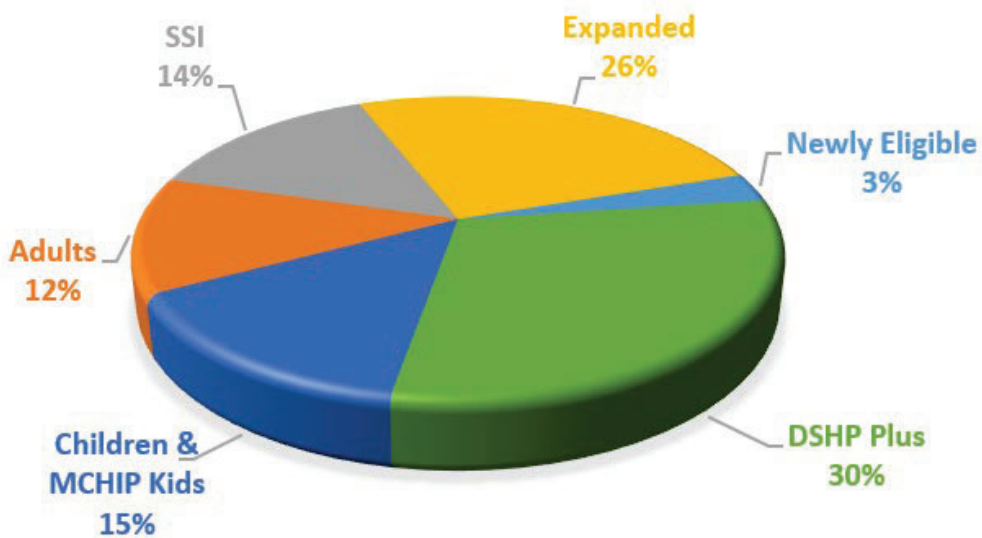
# FY25 Medicaid Projection by Group



State's share of Medicaid alone is **\$1.1 BILLION**



# FY25 Medicaid Projection by MCO Category



State's share of Medicaid alone is **\$1.1 BILLION**



# Salary Policy and PECC

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## Investing in State Workforce

**\$122.2 million for  
More Competitive State Wages**

- **2% increase** across the board for state employees
- Funding **negotiated wages and step increases**

**Since FY17, the average State Employee  
annual salary has increased by 31%.**

- Historic wage **increase for public education employees:**
  - Goal of **\$60,000 starting salary for teachers** by FY28
  - Aligned with Public Education Compensation Committee recommendations
- Support of **recruitment and retention** initiatives







- Provide 2% minimum pay policy for all non-Public Ed employees (Merit, SMV, DTI, DOE, Higher Ed, C/S, Other)
- Implement pay table changes to align with Minimum Wage
- Provide final compensation commission recommendations
- Continue to work on pay equity and compression
- Fund maintenance reviews
- Adopt Year 1 schedule for Public Education Compensation
- **\$56.1 million** of one-time extraordinary revenues to Other Post-Employment Benefits (**OPEB**) liabilities in accordance Senate Bill 175

## PECC Recommendations/GRB Proposed

Employee Group	PECC Recommendation	Year 1: FY2025	Year 2: FY2026	Year 3: FY2027	Year 4: FY2028
Section 1305: Teachers/Admins	2% + \$1,875 increase	\$11,838.8	\$52,522.7	\$53,599.1	\$54,668.4
Section 1308: Secretarial	2% + \$500 increase; Collapse Schedule	\$1,407.8	\$0.0	\$0.0	\$0.0
Section 1311: Custodial	2% increase; Collapse Schedule; Move Stipends to Scale	\$2,472.8	\$0.0	\$0.0	\$0.0
Section 1322: Food Service	2.5% increase	\$1,771.2	\$0.0	\$0.0	\$0.0
Section 1324: Paraprofessionals	1% increase; Modify/Expand Stipends	\$3,096.6	\$0.0	\$0.0	\$0.0
Bus Drivers	Increase hourly rate to \$25.00	\$2,181.3	\$2,181.3	\$0.0	\$0.0
<b>Total</b>		<b>\$21,401.4</b>	<b>\$56,071.1</b>	<b>\$53,599.1</b>	<b>\$54,668.4</b>



# Investments in Education

**\$2.1 Billion**

Provides for Year 1 PECC recommendations

Increase of \$10 million to Opportunity Funding  
**\$63 MILLION**

Student Unit Growth  
**\$39.2 million**

**\$3 million** in literacy coaches

**\$245k** Reading Assist Pilot

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# Investments in Education

## Early Childhood Development

- **Purchase of Care expansion of family eligibility** to 200% of the Federal Poverty Level - **\$6.1 million**
- Increase of **\$3.5 million** for a total of \$15.7 million in **Early Childhood Assistance Program (ECAP)** to add 204 seats for early care and education of infants, toddlers, 3- and 4-year-old children

## Higher Education

- **\$1.4 million - UD/DSU Joint Engineering Program** to promote diverse engineers within the State
- DSU Social Workers/Educators
- DTCC Nursing Expansion
- **\$982,300 - Year 4 of the DTCC Compensation Stabilization Plan**
- **Scholarships for Delaware Students:**
  - **\$2.5 million - UD First State PROMISE Scholarship**
  - **\$3.4 million - DTCC/UD SEED+**
  - **\$2.1 million - DSU INSPIRE for DSU**



## Highlights: Governor Carney's FY 2025 Capital Budget



### ***Improving Schools for Delaware Students***

**\$196.9 million** - School Construction and Renovation  
(Includes new schools statewide, market pressure, school safety, and MCI)

**\$30.0 million** - Higher Education Campus Improvements



### ***Investing in Small Business & Infrastructure***

**\$25.3 million** - Research Collaborations

**\$27.5 million** - Strategic Fund, Site Readiness Fund, and Graduation Lab Space

**\$15.0 million** - Suburban Roads/Subdivision Street Pavement and Transportation Infrastructure Investment Fund



## Highlights: Governor Carney's FY 2025 Capital Budget



### ***Building Strong Communities***

**\$6.5 million** - Libraries

**\$6 million** - Affordable Housing

**\$5.5 million** - Downtown Development Districts

**\$4.0 million** - Strong Neighborhoods

**\$2.8 million** - Preserving Historical and Recreational Sites



### ***Protecting Natural Resources for Future Generations***

**\$37.8 million** - Clean Water Trust, Shoreline and Waterway

**\$20.0 million** - Farmland Preservation and Open Space (RTT)

**\$7.2 million** - Cover Crop Program and Conservation Cost Share



## Highlights: Governor Carney's FY 2025 Capital Budget



### ***Ensuring Safe and Stable Communities***

**\$25 million** - Kent/Sussex Family Court Facilities

**\$26 million** - New DSP Troop 4

**\$17.7 million** - Statewide Correctional Facility and Safety Improvements

**\$20 million** - Leonard L. Williams Justice Center Improvements

**\$10 million** - Customs House



### ***Building a Strong Foundation for Our State***

**\$43.3 million** - State agency minor capital improvements and deferred maintenance

**\$22 million** - Emily P. Bissell/Forensic Science facility construction

**\$12 million** - Statewide Park improvements (including Killens Pond, Lums Pond, and Fenwick Island State Parks)



## Continuing Cost Drivers *What keeps me up at night?*

- Group Health Insurance Costs
  - Deficit has grown since GRB discussions
- Medicaid
  - Rate of disenrollment
  - Usage costs and trends
- Collective Bargaining
  - Final negotiations unknown until late Spring
- DEFAC (March 18) Revenue Projections
- Potential Legislation