

# POLICY DEVELOPMENT

## Fiscal Year 2025 Budget Outlook

Secretary Rick Geisenberger  
Cabinet Secretary  
Department of Finance



ChooseHealth  
DELAWARE



# Delaware Health Care Commission FY 2025 Budget Outlook

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Rick Geisenberger, Secretary of Finance

September 7, 2023

# FY 2024 Budget Review – Health

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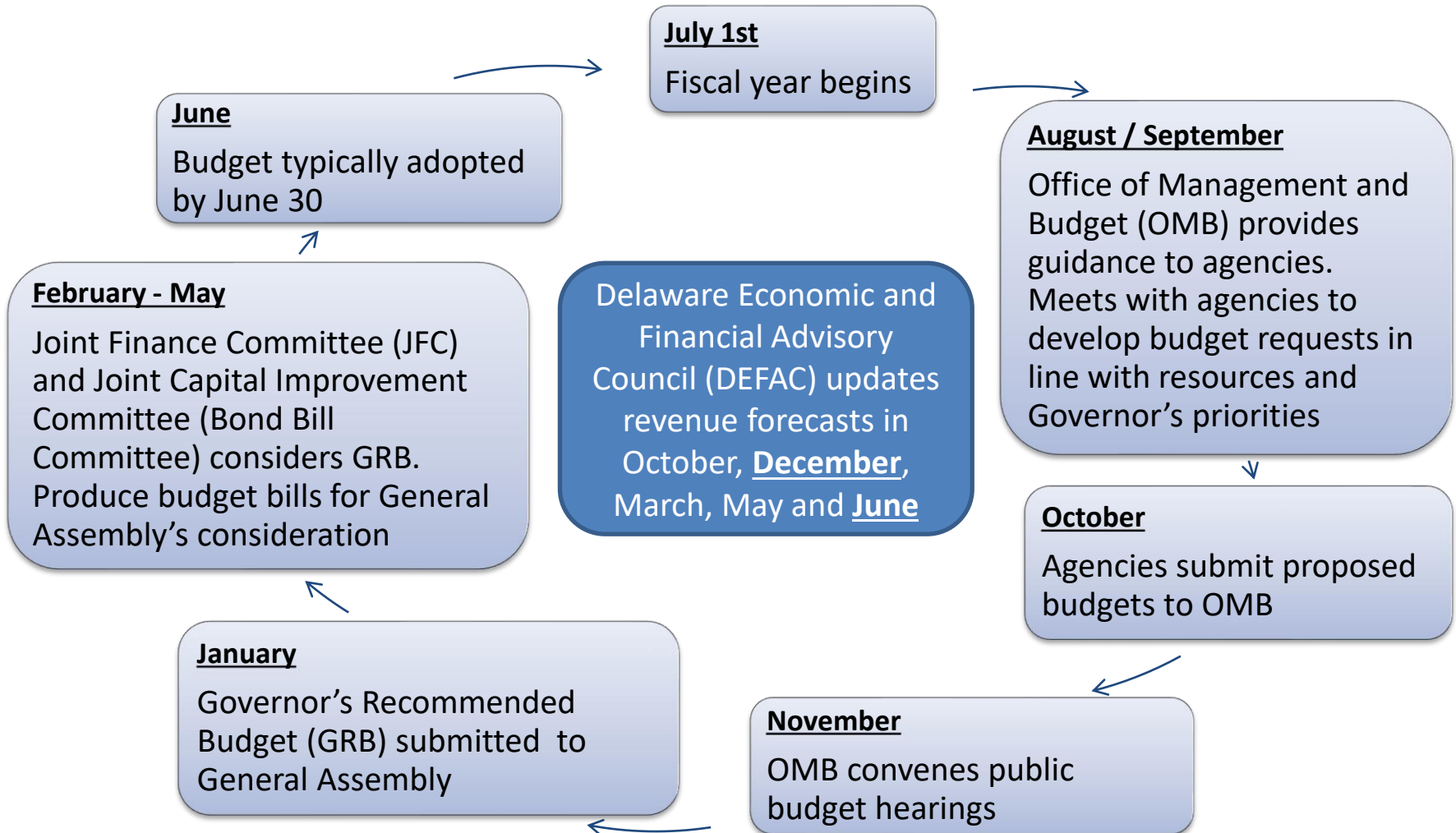
## **DHSS General Fund Budget Growth (+9.9%)**

- \$173M – Medicaid (\$69m on time) / Extended post-partum/doula
- \$10M – Support for childcare providers
- \$9M – Disability and aging support
- \$4M – Lead remediation and prevention, school air quality monitoring
- \$1M – Substance use rates, naloxone, needle exchange

## **Other Appropriations**

- \$51 M – Retiree Healthcare Trust Fund
- \$30 M – Student mental health services/developmental screening
- \$8 M – Correctional and Behavioral Health inflators
- \$3 M – DHIN
- \$5 M – Public Health Emergency Unwinding
- \$76 M – Health related Capital Improvements
- \$31 M – Clean Water Trust Fund

# Delaware Annual Budget Cycle



# FY 2025 Financial Overview

## • General Fund Revenues Remain Structurally Volatile

- FY 17 + 1.7% / + \$68M *Weak corporate income and franchise tax*
- FY 18 + 9.5% / +\$380M *Strong economic growth/RTT & FT tax increases*
- FY 19 + 4.5% / +\$199M *Moderate economic growth & FT increase tail*
- FY 20 - 1.4% / - \$66M *COVID (Lottery/GRT/Excise taxes/Tax Date deferral)*
- FY 21 +19.0% / +\$865M *Tax deferral tail, big cap gains, IPO & realty sales*
- FY 22 +8.2% / +\$440M *Across the board extraordinary growth w/ rebate offset*
- FY 23 +8.0% / +\$465M *Rebate ends, Strong CFT & CIT, declining RTT*
- FY 24 - 4.0% / - \$256M **Forecast** — *Across the board weakness except Div. & Int.*
- FY 25 +2.5% / + \$150M **Forecast** — *Modest rebound*

## • Typical Door Openers Remain Elevated

- Required personnel costs (e.g., salaries, collective bargaining, healthcare)
- Medicaid ????
- Schools - Enrollment growth, special needs
- Liabilities (Pension plan, Debt service, Retiree healthcare)

# FY 2025 Financial Overview (cont.)

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- Despite projected low to negative revenue growth, barring a major economic surprise, the State remains well positioned to sustainably fund door openers. New programs may be difficult to fund.
  - Significant one-time spending from FY22-FY24 not mandatory in FY25
    - FY 2024 -- \$753m Cash to Bond Bill / \$143M “One-time” Supplemental
  - Strong budgetary reserves
  - Revenues may outperform due to continuing extraordinary federal/state supports
    - ARPA, Inflation Reduction Act, Large DE “bond bills”, Interest income
  - Revenues may underperform due to ongoing factors
    - Inflation, rising interest rates, return of student loan payments, weak IPO market, global instability and continued challenge of engineering a soft landing
  - Advisory budget benchmark index remains elevated

# Benchmark Index Components

(calculated based on E.O. 21)

## December 2022

FY	Income	Deflator	Population	Annual
2023	5.1%	6.9%	0.7%	6.4%
2022	3.3%	8.7%	0.7%	6.4%
2021	6.4%	3.9%	0.9%	5.6%
<b>Benchmark Index: 6.1%</b>				

## May 2023

FY	Income	Deflator	Population	Annual
2023	5.3%	6.3%	0.7%	6.2%
2022	3.6%	8.7%	0.7%	6.5%
2021	6.4%	3.9%	0.9%	5.6%
<b>Benchmark Index: 6.1%</b>				

## August 2023

\*Will Change + BEA 5 Year Update

FY	Income	Deflator	Population	Annual
2024	4.8%	2.2%	0.6%	3.8%
2023	7.5%	6.0%	0.7%	7.1%
2022	3.5%	8.7%	0.7%	6.5%
<b>Benchmark Index: 5.8%</b>				

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Questions ?