POLICY DEVELIOPMENT

Fiscal Year 2025 Budget Outlook

Secretary Rick Geisenberger Cabinet Secretary Department of Finance





Delaware Health Care Commission FY 2025 Budget Outlook

Rick Geisenberger, Secretary of Finance September 7, 2023



FY 2024 Budget Review – Health

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

July 1st

Fiscal year begins

June

Budget typically adopted by June 30

February - May

Joint Finance Committee (JFC) and Joint Capital Improvement Committee (Bond Bill Committee) considers GRB. Produce budget bills for General Assembly's consideration

Delaware Economic and Financial Advisory Council (DEFAC) updates revenue forecasts in October, <u>December</u>, March, May and <u>June</u>

August / September

Office of Management and Budget (OMB) provides guidance to agencies.

Meets with agencies to develop budget requests in line with resources and Governor's priorities

October

Agencies submit proposed budgets to OMB

<u>January</u>

Governor's Recommended Budget (GRB) submitted to General Assembly

November

OMB convenes public budget hearings



FY 2025 Financial Overview

General Fund Revenues Remain Structurally Volatile

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o FY 17 + 1.7% / + $68M
                                 Weak corporate income and franchise tax
o FY 18 + 9.5% / +$380M
                                 Strong economic growth/RTT & FT tax increases
o FY 19 + 4.5% / +$199M
                                 Moderate economic growth & FT increase tail
o FY 20 - 1.4% / - $66M
                                 COVID (Lottery/GRT/Excise taxes/Tax Date deferral)
o FY 21 +19.0% / +$865M
                                 Tax deferral tail, big cap gains, IPO & realty sales
o FY 22 +8.2% / +$440M
                                 Across the board extraordinary growth w/ rebate offset
o 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
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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.)

- 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%			
Benchmark Index: 6.1%							

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%			
Benchmark Index: 6.1%							

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%			
Benchmark Index: 5.8%							



Delaware Health Care Commission FY 2025 Budget Outlook

Questions?

