Delaware Health and Social Services

Office of the Secretary

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MEMORANDUM

TO: Governor John Carney
Members of the General Assembly

FROM: Josette D. Manning Esq., Cabinet Secretary
Department of Health and Social Services

Initial
JDME

DATE: November 13, 2024

SUBJECT: Delaware Health Fund Advisory Committee
Fiscal Year 2026 Recommendations

On behalf of the Delaware Health Fund Advisory Committee (HFAC), I present you with our Fiscal Year 2026 (FY26) Health Fund Recommendations. The Committee's final decisions reflect months of document review, several hours of public discussion and a strong commitment to sustainable stewardship of the fund.

The State anticipates receiving approximately $23,443,500 in Tobacco Settlement Funds, including principal payment and interest for FY26. The available Reserve balance is $12,346,100 bringing the fund total to $35,789,600.

The Committee's FY26 recommendations are as follows:

- Fund Cancer Programs, Tobacco Prevention and Control Programs, Behavioral Health Programs, and Health Related Programs at 100% of FY2025 Budget (except AIDs Delaware - fund at 100% of FY2024 Budget)
- Fund Family/Caregiver Programs at 100% their FY2026 request.
- Fund Disability Program and Workforce Development Programs at 80% of their FY2025 Budget
- Fund DHSS/State Operating Programs and Switch-Fund Programs at 65% of their FY2025 Budget and a commitment to fund these programs at 50% their FY2026 recommended amount in FY2027, and at 0% by FY2028
- Do not fund New Programs, except for Health Literacy Council of DE - to be funded at 100% their FY2025 Budget
- Fund Other Programs at 60% their FY2026 request

The Committee remained cognizant of the continued decrease in funds from the Master Settlement Agreement (MSA) when making funding recommendations for FY26. Throughout their review, the Committee largely focused on the primary intent of these funds and thoughtfully discussed each program's alignment with the intent.

By way of background on the switch-fund and Department of Health and Social Services (DHSS)/State operated programs, many of these programs were placed into, or recommended to, the Tobacco Settlement Fund to ensure a balanced state budget and to limit cuts to services and programs. Based on conversations with the Office of Management and Budget (OMB), while many other programs have been switched back to General Funds over the year, many DHSS programs continue to be funded by the Health Fund.

The Committee's recommendation to move switch-funded and DHSS/State Operated programs to the State's General Funds is not intended to imply that these programs should not be funded. On the contrary, the Committee feels strongly that they should be funded, but from the General Fund or other funds, not the Health Fund. Switch-funding identified programs out of the Tobacco Settlement Fund will enable continuation of this fund to support the distribution to programs aligned with HFAC's mission, per the enabling legislation.

During the FY2025 cycle, the Committee recommended these programs be switched to the general budget at 100% their FY25 request, however, this recommendation was ultimately not recommended by OMB in the Governor's Recommended Budget, and therefore, $7,882,500 additional dollars were funded through the Health Fund, consequently cutting into the reserves balance and the longevity of the Fund. Furthermore, after conversations with OMB, the Committee proposes an incremental decrease to provide time for the State to find alternative funding sources.

The Committee is committed to partnering with OMB to incrementally address programs that should be moved to the state's operating budget. This year, the Committee is recommending funding these programs at 65% their FY25 budget amount with a continued decrease over the next two years, until the programs are fully supported by the agencies' operating budgets. The Committee wanted to underscore the importance of funding programs from the correct funds as they continue to see the funds shrink and continued spending of the reserves balance will lead to the need for the Committee to cut programs that are closely tied to the intended purpose of the funds.

The details of this recommendation are set forth more fully in the attached document. The recommendation expends $25,933,900 leaving $9,855,700 in the Reserve in anticipation of continued annual decreases in the settlement funds received.

In addition to the funding recommendations, the Committee recognized the need for another revision of the application and review process. Last year, the Committee made some changes to the application and the submission timeline which were intended to improve the review process, which we believe they did. However, it is evident that additional changes are needed, and the Committee intends to reconvene to address them. Specifically, the Committee would like more robust data tied to outcomes to better assess their return on investment. This may also require legislation to adjust the timeline of the reviews because often, the Committee is conducting an application review before the recipient has utilized all of their past-year's funding and before they have complete outcome data. The Committee would also like to develop a scoring system for applications for a more consistent and equitable review process.

As Chair of the HFAC, I would like to commend the members for their dedication and contribution to the Health Fund process:

Senator Bryant Richardson	Representative Stephanie T. Bolden
Senator Nicole Poore	Representative Paul Baumbach
Mr. Donald Fulton	Mrs. Elisabeth Massa
Mr. Perry Patel	Dr. Cimone Sylver
Ms. Autumn Tuxward	Dr. Marshala Lee

Please do not hesitate to contact me if you have any questions.

Enclosures

Pc: Health Fund Advisory Committee Members
Cerron Cade, Director, Office of Management and Budget
Kylie Taylor, Office of Management and Budget
Ruth Ann Miller, Office of the Controller General
Victoria Brennan, Office of the Controller General