Financial Overview

FISCAL YEAR 2025

January 25, 2024

RESPONSIBLE INVESTMENT
GOVERNOR CARNEY

Responsibly managing our state budget remains a priority.

BENCHMARK SPENDING

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

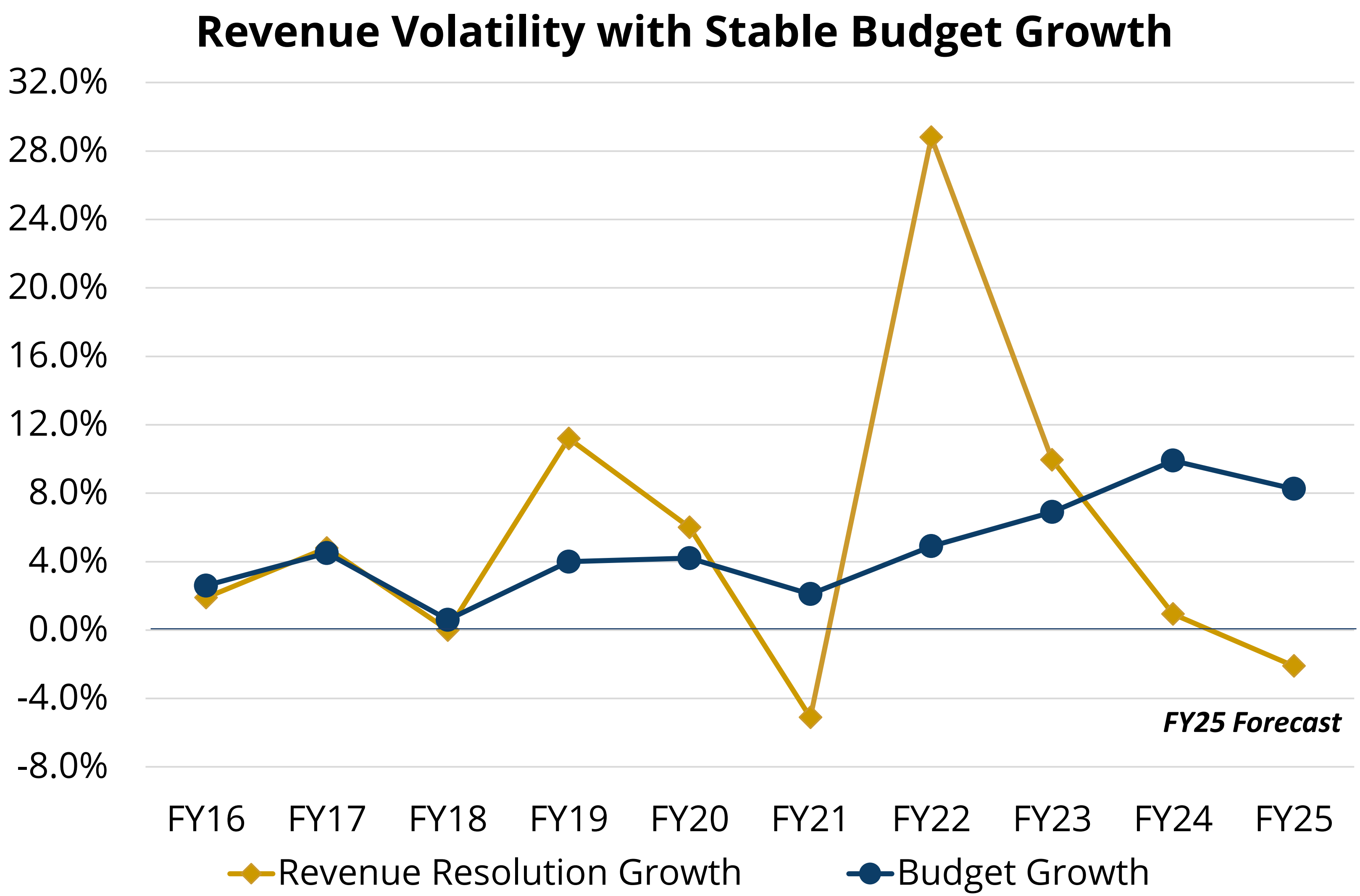
BUDGET STABILIZATION FUND

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

Following Benchmark Creates
Sustainable Budget Growth with Volatile Revenue



Long-term
Financial Sustainability

- **Fully funds** Rainy Day Fund
- Appropriates **less than 98%** of revenues
- Budget growth targeted to the DEFAC benchmark
- **Maintains** Budget Stabilization Fund of ***$410.1 million***
- Allocates **$257.5 million** in cash to the Bond and Capital Improvements Act

Governor Carney's Recommended
FY 2025 Financial Plan

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

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

OUR BUDGET CONTINUES INVESTMENTS IN KEY AREAS

Strengthening our **economy**

Investing in **public schools**

Supporting **families & workforce**

Protecting our **environment**

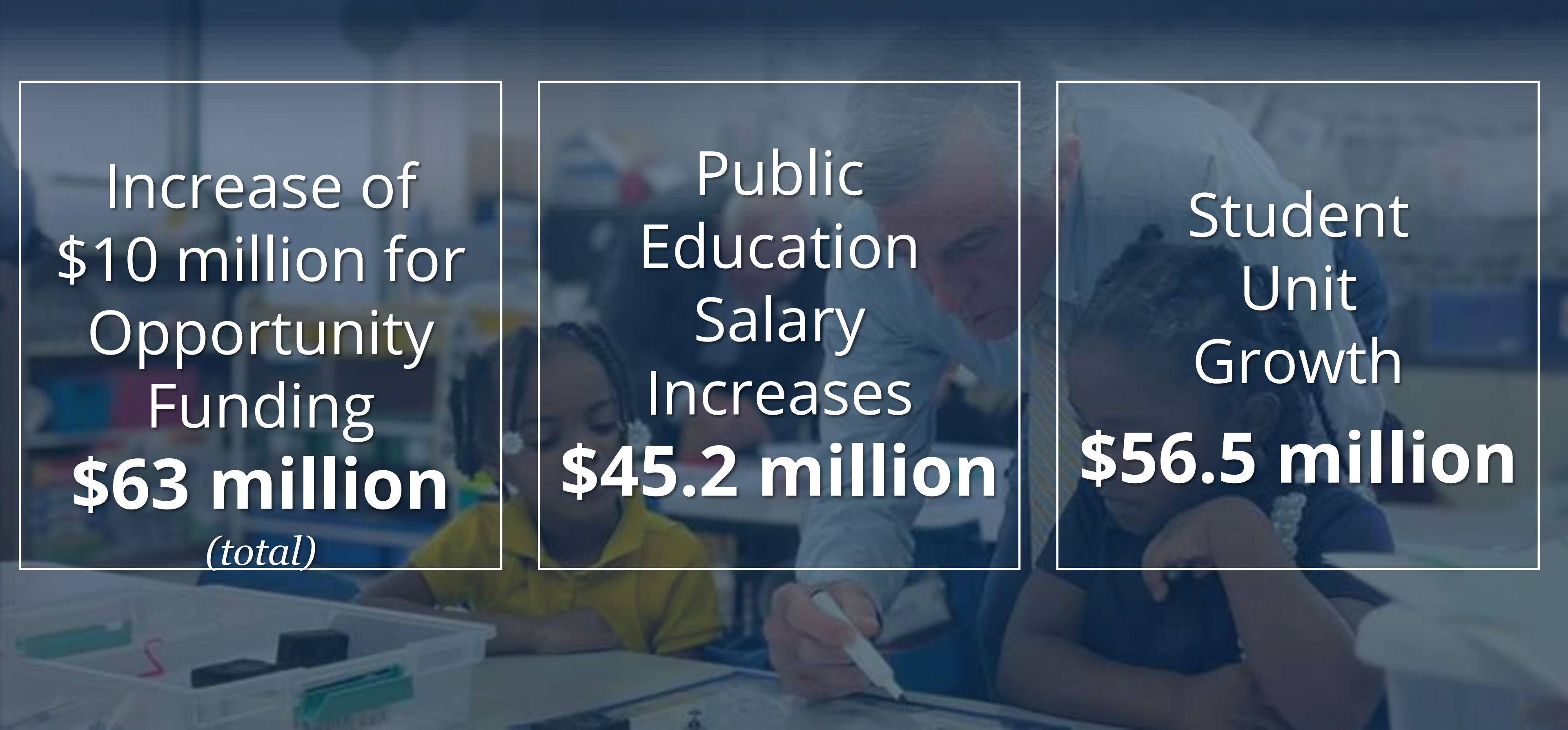
Highlights of Governor Carney's
FY 2025 Financial Plan

- ✓ Takes continued steps towards providing **competitive compensation** for state employees
- ✓ Moves toward a goal of **$60,000 starting salary for new teachers** over next four years
  - *Year 1 of the Public Education Compensation Committee recommendation*
- ✓ Promotes **early childhood education** and **child care** investments
- ✓ Increases **Opportunity Funding investments for low-income students and English language learners** in our schools
- ✓ Supports **economic development, infrastructure, and safe communities** throughout the State
- ✓ Continues investments in **climate change prevention, clean water, and environmental initiatives**
- ✓ Adds nearly **$200 million** for **health care cost inflation**

Investing in *Public Education*

$2.1 billion

total budget for K-12 public education



Investing in *Early Childhood Education*

MORE THAN

$135 million

total budget for early childhood education

- Since 2017, **more than doubled investments** in both Purchase of Care and Early Childhood Assistance Program (ECAP)

Budget increases:

Purchase of Care

FY17: **$32 million**

FY25: **$83 million**

ECAP

FY17: **$6 million**

FY25: **$16 million**

Protecting Delaware's
Environment for Future Generations

ENVIRONMENTAL & CLIMATE ACTION INITIATIVES

$129.6 million

Electric Vehicle Infrastructure and Clean Energy

$7.5 million

Includes federal funds

Shoreline and Waterway Resiliency

$24.7 million

Includes $18 million from Bipartisan Infrastructure Law; $1.7 million federal grant funding

Aglands Preservation & Open Space

$20 million total

Clean Water*

$32.8 million

**Total Clean Water $77.4 million with $44.6 in federal funding; restores $13 million for Drinking Water*

Preparing for the *Economy of the Future*

ECONOMIC DEVELOPMENT

$52.5 million

Strategic Fund, Graduation Lab Space, Site Readiness, and Transportation Infrastructure Investment Fund

$32.5 million

NIIMBL and SABRE

$20 million

Since 2017, our economic development investments have helped add 32,100 jobs.

Source: Delaware Department of Labor

Investing in our *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

Investing in our *State Workforce*

Funding for **State Employee Health Care** and **Other Post-Retirement Employment Benefits**

- **$93.9 million** for Group Health Insurance Plan shortfall
- **$56.1 million** of one-time extraordinary revenues to Other Post-Employment Benefits (**OPEB**) liabilities per Senate Bill 175

We are spending nearly **$2 BILLION** on **HEALTH CARE:**

Medicaid and insurance plans for state employees and retirees

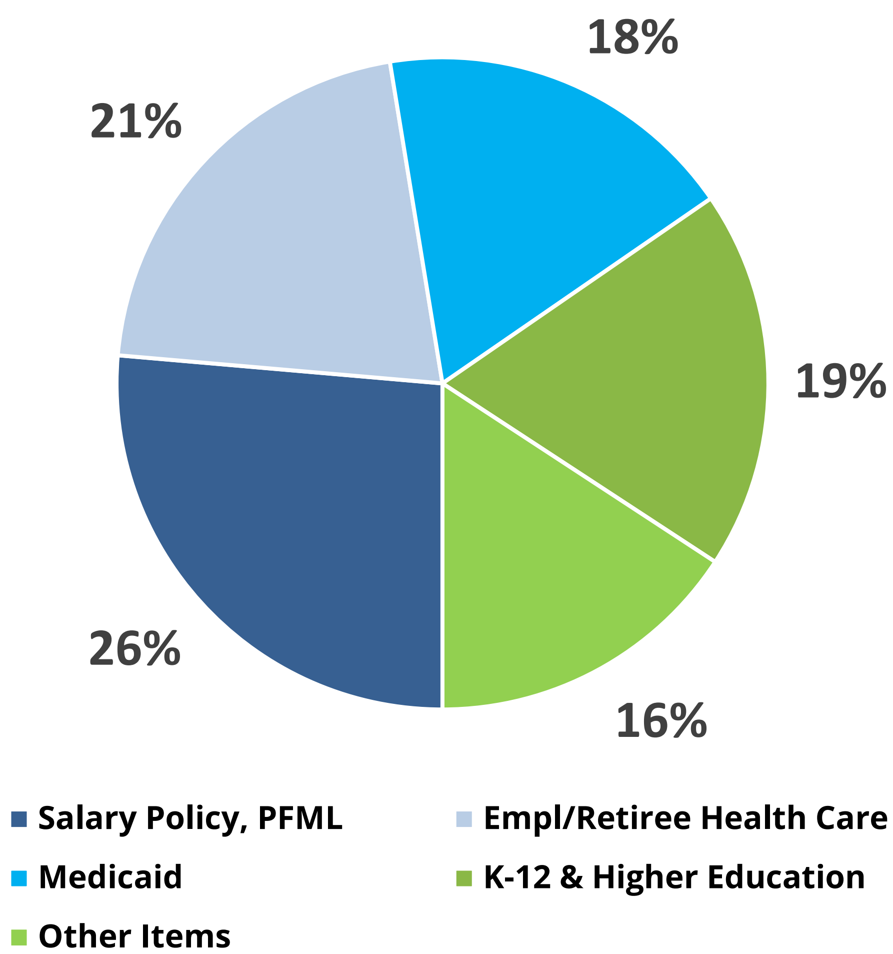
- *Increasing by ~**$200 million** from FY24 to FY25*
- *Nearly **40% of operating budget growth***
- *State's share of Medicaid alone is **$1 BILLION***

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



Health care spending will crowd out other investments in

public schools, affordable housing, childcare, and raises for state employees and state retirees.

Education:
Early Childhood Development

- **Purchase of Care expansion of family eligibility** to 200% of the Federal Poverty Level - **$6.1 million**
  - Expands access to subsidized care for **over 600 new children**

- Increase of **$3.5 million** for a total of $15.7 million in **Early Childhood Assistance Program (ECAP)**
  - Adds 200+ seats for early care and education of infants, toddlers, 3-year-old and 4-year-old children

Purchase of Care	**ECAP**
FY17: **$32 million**	FY17: **$6 million**
FY25: **$83 million**	FY25: **$16 million**

Education:
Supporting K-12

- **$10 million** - Opportunity Funding growth investment for **low-income and English learner students**
  - **Total investment: $63 million**

- **$20.2 million** - Continued funding for Wilmington Learning Collaborative and Redding Consortium

- **$17.3 million** - Mental health services for **elementary, middle and high school students**

- **$3 million** - Statewide Literacy Coaches

Education:
Investing in Higher Education

- **$30.0 million** – **Deferred maintenance, capital improvements and technology upgrades** at UD, DSU, and DTCC
- **$1.4 million** – Supporting the **Joint Engineering Program** between DSU and UD to promote diverse engineers within the State
- **$982,300** – Year 4 of the **DTCC Compensation Stabilization Plan** to reduce faculty and staff turnover
- **Scholarships for Delaware Students:**
  - **$2.5 million** – Increase for **First State PROMISE Scholarship** at UD
  - **$3.4 million** – Increase for **SEED+** for DTCC and UD
  - **$2.1 million** – Increase to **INSPIRE** for DSU

6,478 students supported in 22-23 Academic Year

A Healthier State:
Environment & Agriculture

- **$32.8 million – Clean Water Trust and State Revolving Funds** to protect water sources and public health
- **$4.0 million – Cover Crop Investment** to support climate smart initiatives and improve water quality
- **$3.5 million** – Supports **Lead Assessment and Remediation**
- **$3.2 million – Conservation Cost Share** to expand water quality improvements and protect human health
- **$2.0 million – Agricultural Production Insurance Assistance Program (HB 87)** providing support for eligible producers

Highlights: Governor Carney's FY 2025 Capital Budget

Improving Schools for Delaware Students

$169.5 million - School Construction and Renovation (Includes new schools statewide and market pressure)

$30.0 million - Higher Education Campus Improvements

$18.3 million - School Building Deferred Maintenance (MCI)

$9.1 million - School Safety and Security

Investing in Small Business & Infrastructure

$25.3 million - Research Collaborations

$12.5 million - Strategic Fund Investments to Support Jobs in DE

$10.0 million - Site Readiness Fund

$10.0 million - Suburban Roads/Subdivision Street Pavement

$5.0 million - Graduation Lab Space

$5.0 million - Transportation Infrastructure Investment Fund

$4.0 million - Riverfront Development Corporation

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

$32.8 million - Clean Water Trust
$10.0 million - Farmland Preservation (RTT)
$10.0 million - Open Space (RTT)
$5.0 million - Shorelines and Waterways
$4.0 million - Electric Vehicle Infrastructure *(Transportation Trust Fund)*
$4.0 million - Cover Crop Program
$3.2 million - Conservation Cost Share
$500,000 - Delaware Bayshore

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

$37.3 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)

$6 million - Carvel State Office Building upgrades

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FY 2025
BUDGET PROCESS

July - December	**Governor Carney and cabinet members** developed the FY 2025 budget draft. **Delaware Economic and Financial Advisory Council (DEFAC)** met in October and December to **project revenue. DEFAC** will update their projections in March, May and June.
January	**January 25:** Governor Carney proposes FY 2025 recommended budget.
January - February	**Joint Finance Committee (JFC) Hearings:** Committee members consider Governor Carney's recommended operating budget and hold hearings to discuss budget items with agencies and advocates.
April - May	**Bond Bill Committee Hearings:** Committee members consider Governor Carney's recommended capital budget and hold hearings. **Mark-up:** JFC reviews budget proposals.
June 30	The **General Assembly passes** the budget and bond bills, and the **Governor signs** the bills by June 30. The **new fiscal year begins July 1.**

- End of Presentation -