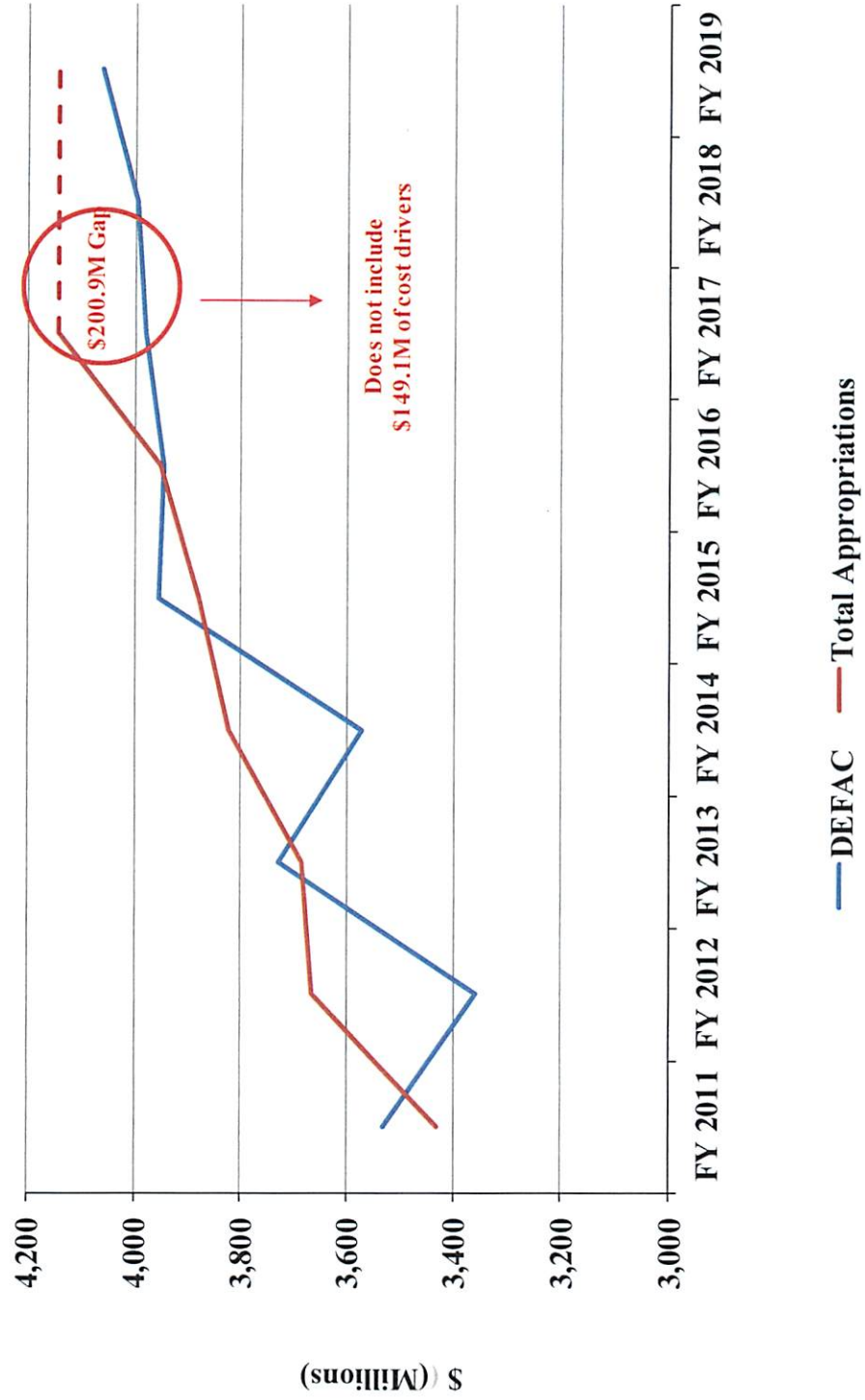
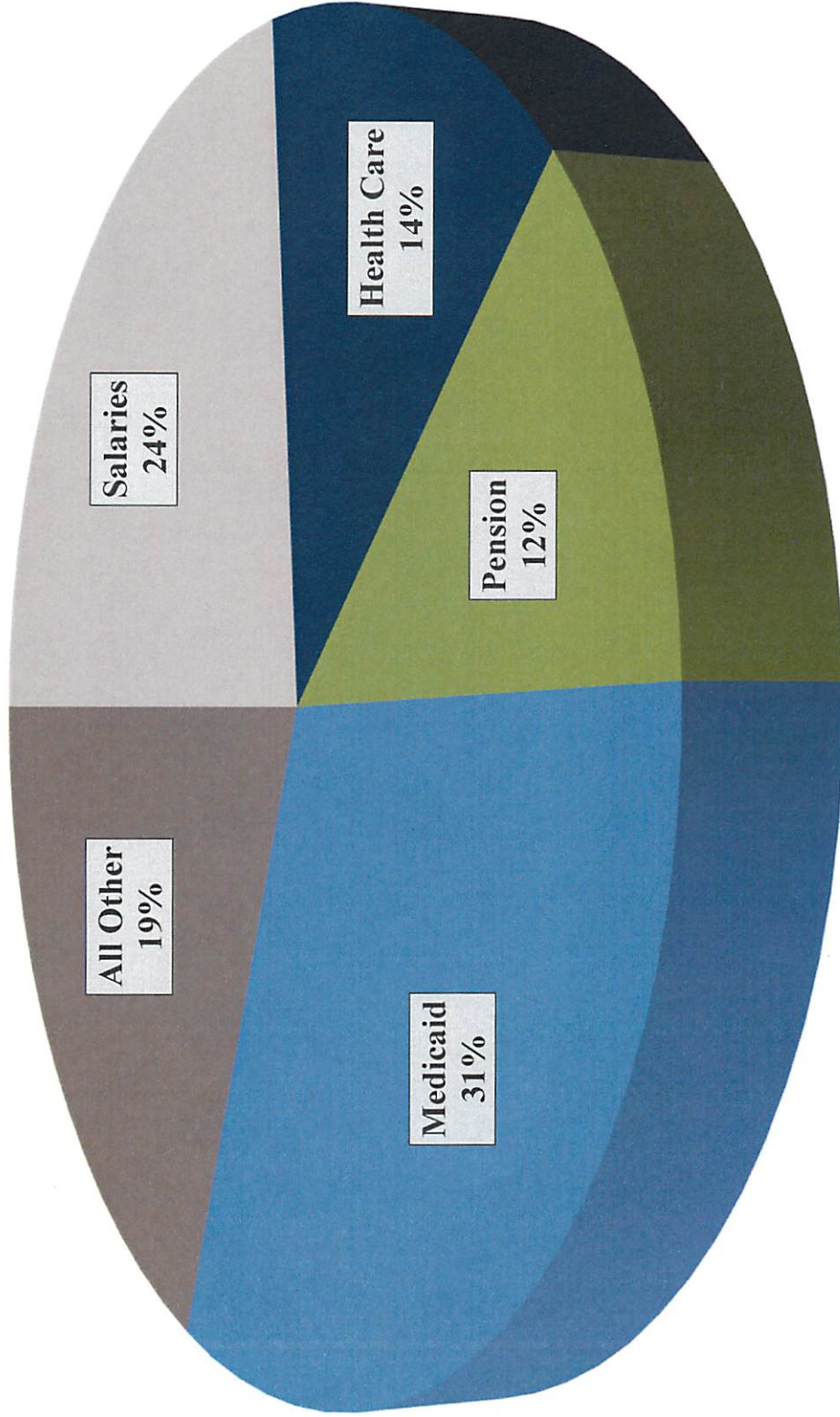


**State of Delaware**  
**Fiscal Year 2018**  
**Financial Overview**  
**January 31, 2017**

# Current Financial Landscape

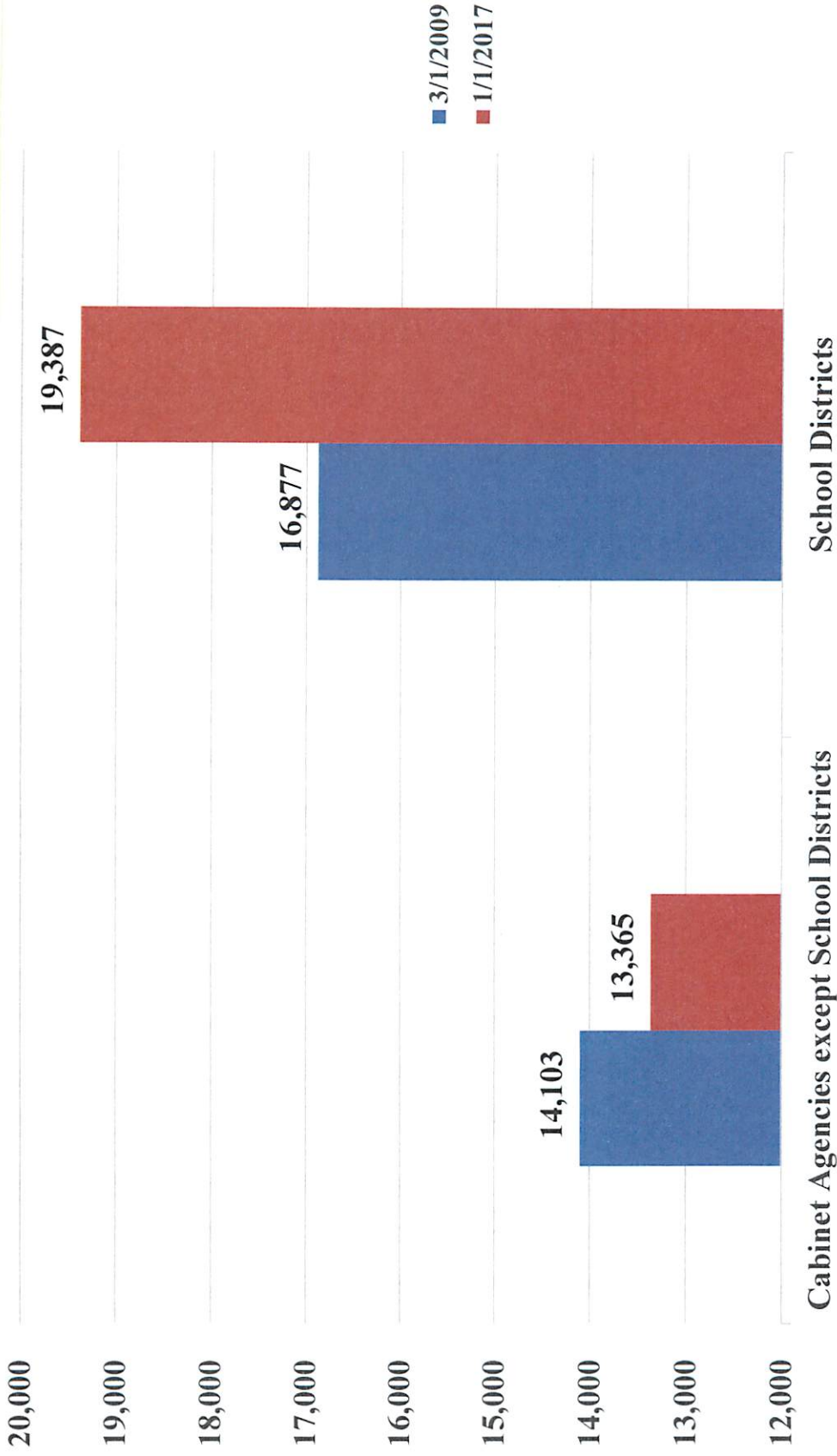


# What's Been Driving Growth?



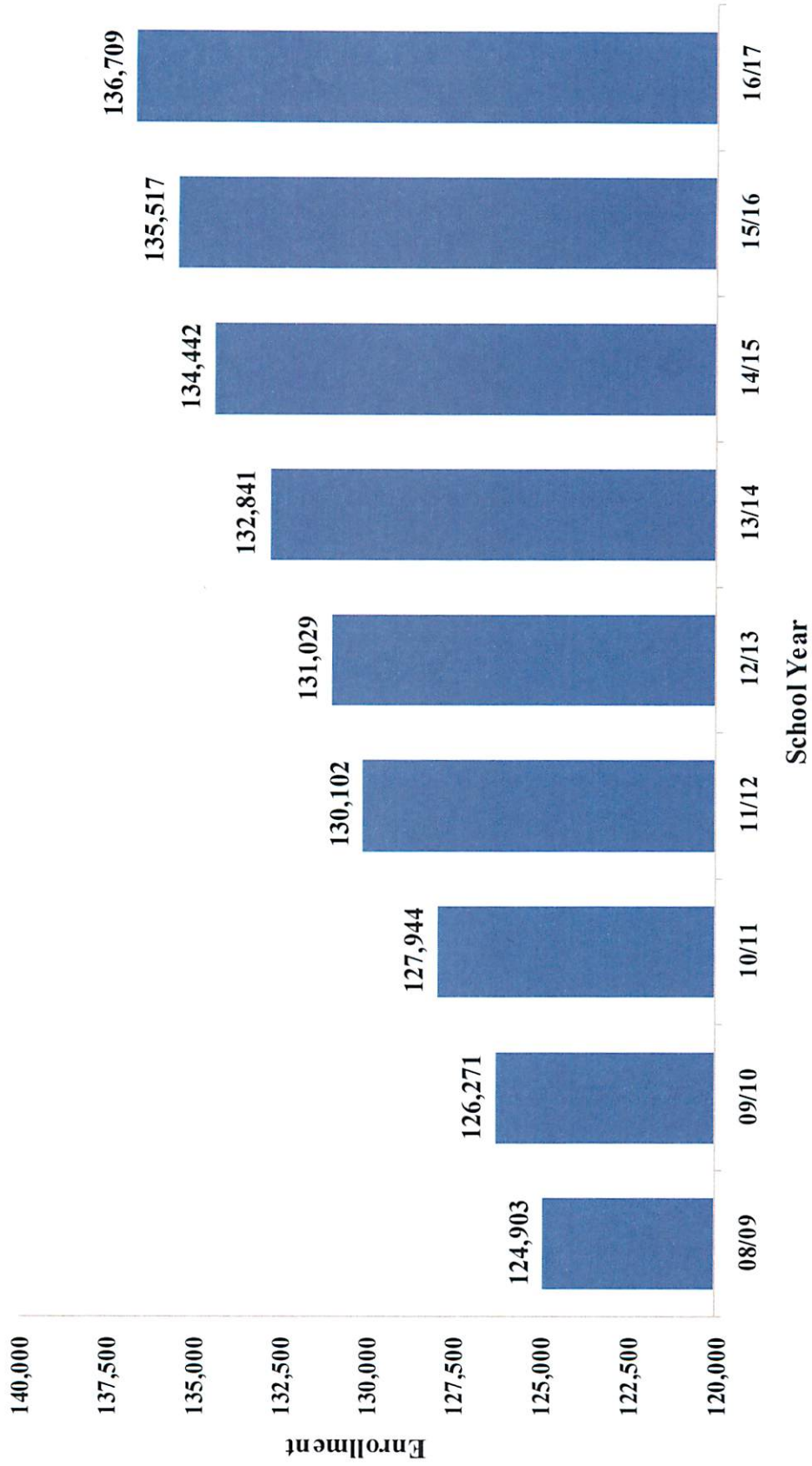
\*81% of spending growth is in four categories: salaries, health care, pension and Medicaid.

# What's Been Driving Growth: Employee Count



\*Non-Cabinet Agencies Except School Districts went from 3,710 to 3,862.

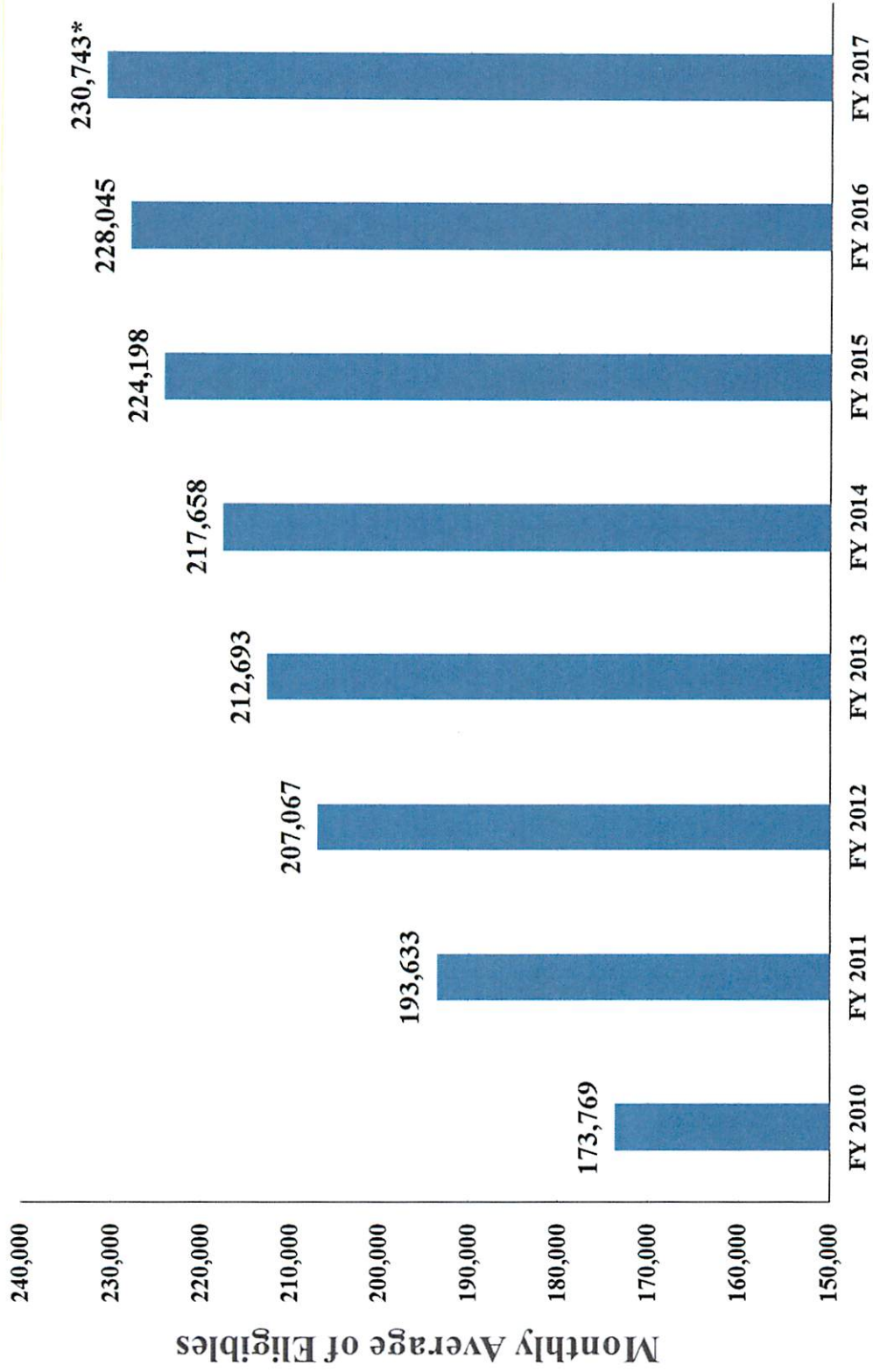
# What's Been Driving Growth: School Enrollment



\*Enrollment numbers exclude DAFB.

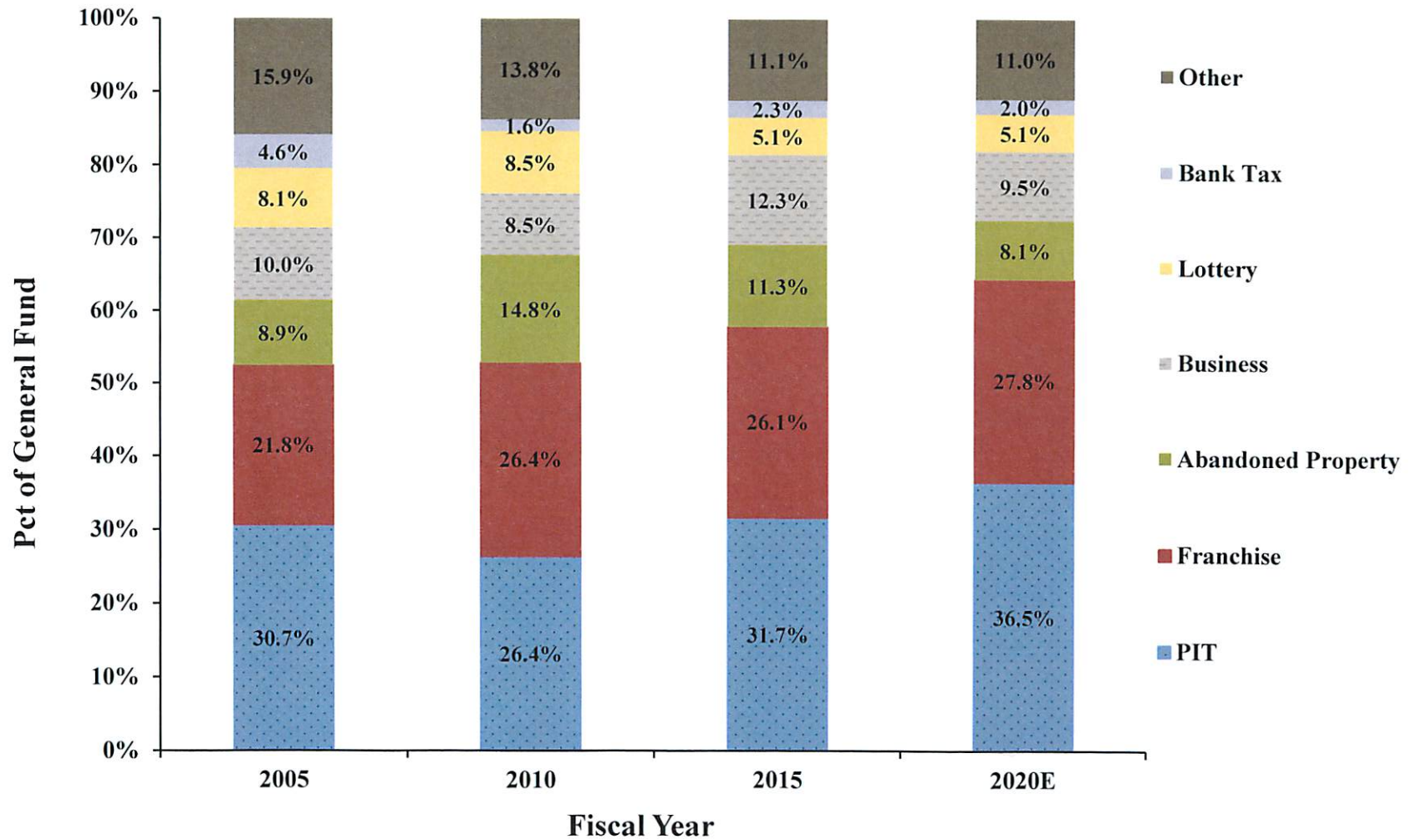
\*From school year 15/16 – 16/17, Special Education Enrollment grew by 8%.

# What's Been Driving Growth: Medicaid



\*Fiscal Year 2017 represents estimated Monthly Average of Eligibles.

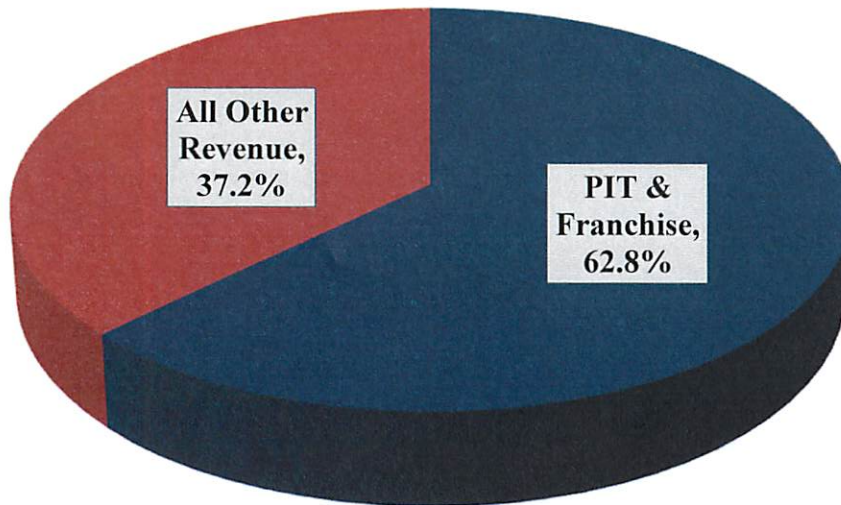
# Changing Composition of Revenue Portfolio



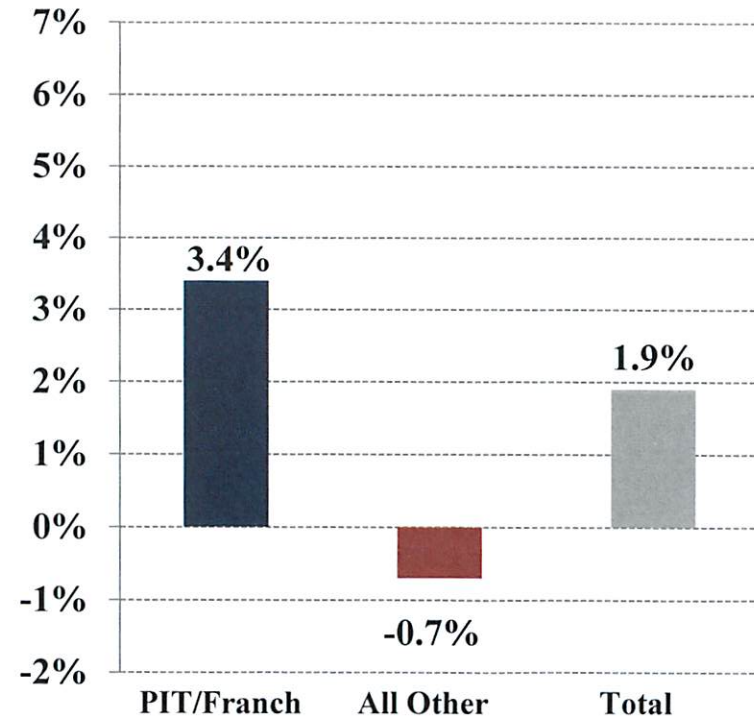
\*Textured bars represent revenue sources that are responsive to Delaware economic growth.

# Reliance on Two Revenue Sources

## General Fund Revenue Portfolio Mix FY 2018



## Annual General Fund Revenue Outlook FY17-21

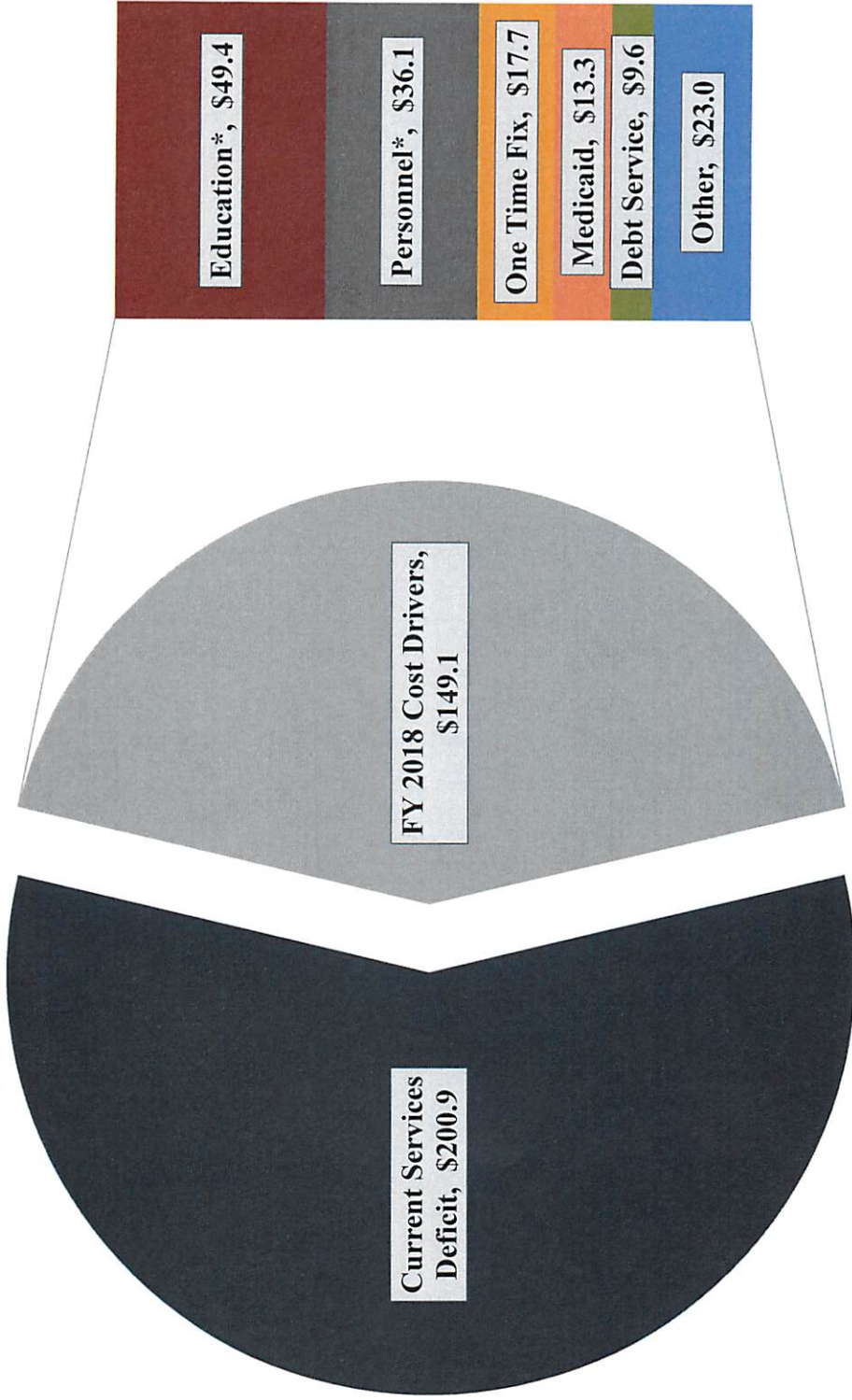


\*Total revenues projected to grow by 0.9% and 0.4% over FY 17 and FY 18 respectively.



# Defining the Gap

*FY 2018 Projected Deficit of \$350.0 Million*



\*\$ Millions  
\*Education includes Unit Count funding, Early Childhood, Transportation, and Other Related Services.  
\*Personnel includes \$9.24 million for Public Education Step Increases

# FY 18 Cost Drivers

## FY 2018 Cost Drivers

Education		\$ <u>(49,364.4)</u>
Public Education Unit Count	(28,396.7)	
Early Childhood Initiatives	(7,981.0)	
Wilmington Education Improvement Commission	(7,500.0)	
Pupil Transportation	(3,519.4)	
Related Services	(751.2)	
Other Education	(1,216.1)	
Personnel		<u>(36,132.8)</u>
Basic Pension	(12,539.3)	
Public Education Steps	(9,238.6)	
Salary Annualization	(6,750.0)	
Retiree Health	(3,038.5)	
Other Personnel	(4,566.4)	

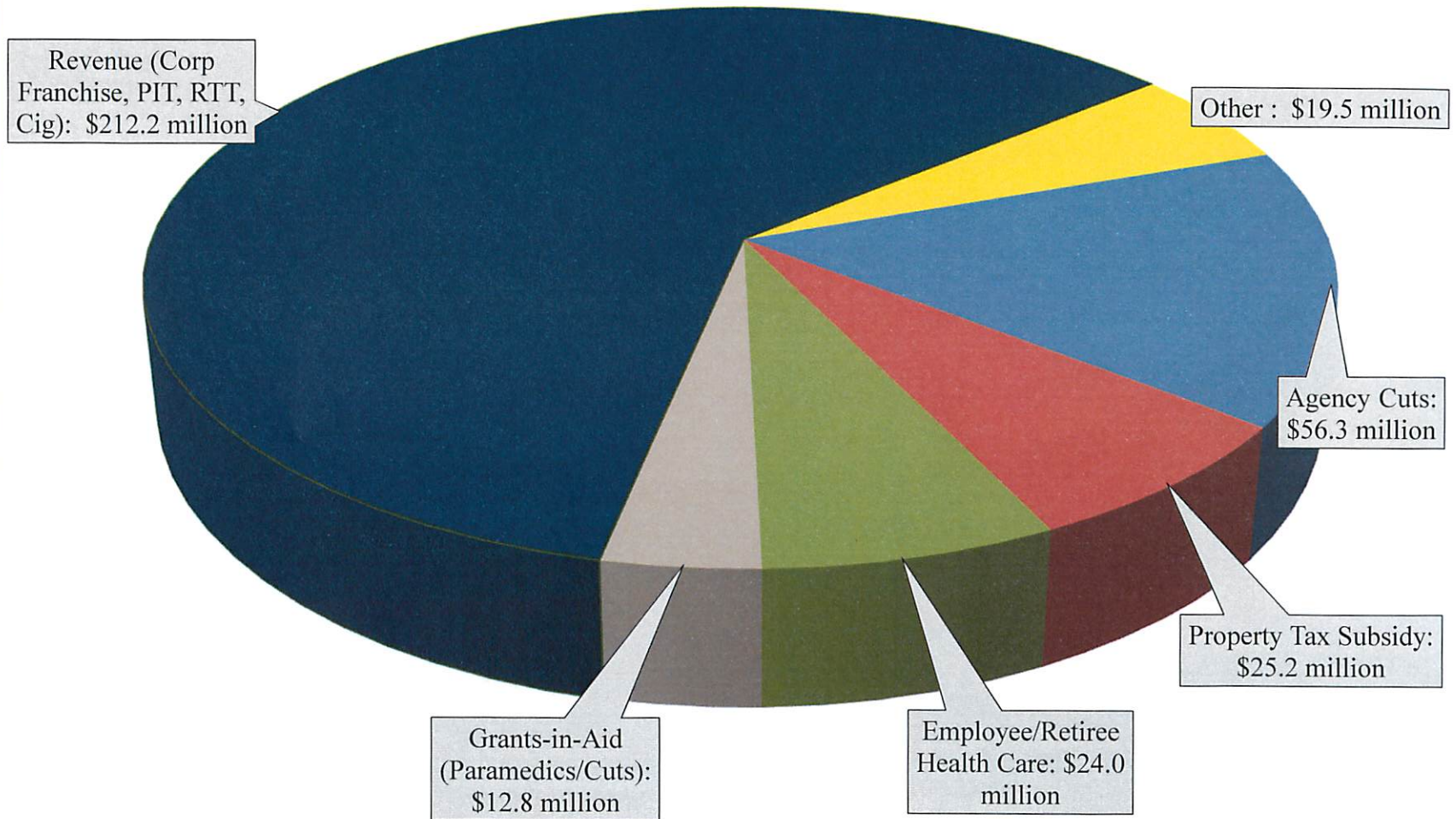
# FY 18 Cost Drivers

Settlement/Special Funds		<u>(17,703.9)</u>
Housing Development Fund	(4,000.0)	
Self Insurance	(3,463.7)	
State Rental Assistance Program	(3,000.0)	
Legal Fees	(2,435.6)	
DIMER	(1,728.6)	
Delaware Child Support System Maintenance	(1,494.4)	
Community Housing Supports	(1,000.0)	
DIVME	(364.1)	
DIDER	(217.5)	
Medicaid		<u>(13,329.9)</u>
Debt Service		<u>(9,567.2)</u>
Operations		<u>(12,788.0)</u>
DOC Medical	(9,028.2)	
FOCUS Ongoing System Support	(903.1)	
Other Operations	(2,856.7)	
Health and Social Services		<u>(5,912.7)</u>
Child Care Program Growth	(2,843.4)	
Substance Use Disorder	(2,015.0)	
Birth to Three Program Growth	(923.7)	
Other Health and Social Services	(130.6)	
Additional Cash to the Bond Bill		<u>(4,328.8)</u>
FY 2018 Cost Drivers	\$	<u>(149,127.7)</u>

## Next Steps

- JFC and Bond Bill Hearings will occur over break.
- Governor Carney budget reset conversations with citizens.
- Contingency plan for current year to maintain positive cash position if revenues decrease.
- Revised financial plan expected to be submitted after March 20<sup>th</sup> DEFAC.
- JFC scheduled to review revised budget week of April 24<sup>th</sup>.

# Markell Proposal: Solving the Deficit



# Agency and Program Cuts

Agency Base Budget Reductions	\$	31,831.1
Open Space*		9,800.0
Farmland Preservation*		9,800.0
Energy Efficiency Fund*		<u>4,900.0</u>
Total : Agency and Program Cuts	\$	56,331.1

\* Revenue reflected at 98 percent.

# Agency Base Budget Reductions

<b>Agency</b>	<b>Reduction</b>
<b>Legislative</b>	<b>\$ (30.0)</b>
<b>Judicial</b>	<b>(32.1)</b>
<b>Office of the Governor</b>	<b>(6.2)</b>
<b>Office of Management and Budget</b>	<b>(642.1)</b>
<b>Delaware Economic Development Office</b>	<b>(1.4)</b>
<b>Criminal Justice</b>	<b>(4.3)</b>
<b>Delaware State Housing Authority</b>	<b>(700.0)</b>
<b>Department of Technology and Information</b>	<b>(47.9)</b>
<b>Lieutenant Governor</b>	<b>(0.5)</b>
<b>Auditor of Accounts</b>	<b>(27.9)</b>
<b>State Treasurer</b>	<b>(4.2)</b>
<b>Office of Attorney General</b>	<b>(15.8)</b>
<b>Office of Defense Services</b>	<b>(10.0)</b>
<b>Department of State</b>	<b>(529.3)</b>
<b>Department of Finance</b>	<b>(169.5)</b>
<b>Department of Health and Social Services</b>	<b>(9,418.5)</b>
<b>Department of Services for Children, Youth and Their Families</b>	<b>(461.7)</b>

# Agency Base Budget Reductions

Agency	Reduction
Department of Correction	(126.0)
Department of Natural Resources and Environmental Control	(268.3)
Department of Safety and Homeland Security	(202.3)
Department of Transportation	(500.0)
Department of Labor	(188.6)
Department of Agriculture	(66.4)
Department of Elections	(4.1)
Fire	(12.8)
Delaware National Guard	(49.8)
Advisory Council for Exceptional Citizens	(0.2)
University of Delaware	(1,655.5)
Delaware State University	(168.7)
Delaware Technical Community College	(314.4)
Department of Education	(16,172.6)
<b>Total : Agency Base Budget Reductions</b>	<b>\$ (31,831.1)</b>



# Property Tax Subsidy

- **Current**
  - State pays lesser of 50 percent or \$500 of property owners' school taxes.
- **Proposed**
  - Eliminate subsidy.
- **Fiscal Impact**
  - Estimated savings of **\$25.2** million

# Employee/Retiree Health

- **Introduce Consumer Driven Healthcare (CDH) Plan with Health Savings Account (HSA), effective January 1, 2018.**
  - Effective for all employees hired on or after January 1, 2008, and optional for employees hired before that date.
- **Implement deductibles for all plans.**
- **Eliminate health insurance premium preference for two state employees who are married (Double State Share).**
- **Eliminate contribution inequity for pensioners on Special Medicfill Plan.**
- **Fiscal Impact**
  - Estimated savings of **\$24.0** million.

## Other Reductions

Completion of amortization of Post Retirement Increases	\$	(14,082.7)
Complement Reduction		(3,000.0)
Other Post Employment Benefits Rate Change		(1,100.0)
Pass Through Reduction		(594.3)
Energy Reduction		(500.0)
Other		(223.8)
<b>Total : Other Reductions</b>	<b>\$</b>	<b>(19,500.8)</b>

# Grants-in-Aid Reductions

<b>Eliminate partnership with counties for Paramedic Program</b>	<b>\$</b>	<b>(10,810.1)</b>
<b>Community Agencies</b>		<b>(1,604.0)</b>
<b>One-Times</b>		<b>(430.0)</b>
		<hr/>
<b>Total : Grants-in-Aid Reductions</b>	<b>\$</b>	<b>(12,844.1)</b>