

**MINUTES of the
DELAWARE ECONOMIC & FINANCIAL ADVISORY COUNCIL**

Hybrid Event – June 17, 2024

Attendance:

Member	Present
P. Anderson	Yes
N. Batta	No
S. Bravo	Yes
J. Bullock	No
L. Davis Burnham	Yes
R. Byrd	Yes
C. Cade	Yes
N. Cook	Yes
C. Davis	Yes
K. Dwyer	Yes
R. Geisenberger	Yes
D. Gillan	Yes
R. Glen	Yes
P. Gupta	No
G. Hindes	No
M. Houghton	Yes

Member	Present
M. Jackson	Yes
P. Key	No
A. Lubin	Yes
N. Majeski	Yes
J. Manning	Yes
G. Marcozzi	Yes
I. McConnel	Yes
R.A. Miller	Yes
C. Morgan	Yes
B. Pettyjohn	Yes
E. Ratledge	Yes
T. Shopa	Yes
D. Short	Yes
D. Sokola	Yes
K. Williams	Yes

Members in Attendance: 26

Members Absent: 5

Others Present: K. Baranski, V. Brennan, R. Chase, L. Clymer, S. Constantino, T. Croce, P. DeGregorio, B. DiVirgilio, L. Elder, C. Engelsiepen, N. Freedman, J. Fitzgerald, A. Godfrey, R. Goldsmith, B. Greenlee, C. Haas, S. Hastings, D. Haw-Young, J. Heller, V. Hensley, A. Hodges, A. Jenkins, Q. Johnson, J. Johnstone, M. Kenville-Moore, K. Knight, R. Larson, J. Maddox, M. Marlin, B. Mayrack, M. McConnell, T. Merced, L. Mitchell, S. Mueller, E. Nestlerode, J. Noel, J. Patterson, L. Pringle, M. Ramone, J. Richards, D. Roose, R. Scoglietti, J. Seemans, K. Sherretz, J. Smith, M. Smith, S. Snyder, B. Sullivan, K. Tabeling, K. Thomson, S. Wooten.

Opening Business: Mr. Houghton called the meeting to order at 1:30 p.m.

The minutes from the May meeting were approved as submitted.

Expenditure Forecasts:

Mr. Ratledge and Ms. Engelsiepen presented the General Fund Expenditure forecasts.

General Fund Expenditures - Fiscal Year 2024:

Mr. Ratledge first reviewed the balance sheet method. He noted the FY 2024 spending authority is \$8,201.7 million. Expected reversions stand at \$105.0 million, representing a \$24.9 million increase from the May estimate. The encumbered estimate of \$60.0 million remains unchanged.

Upon reviewing the functional method, Mr. Ratledge noted a \$96.1 million increase in Fringe Benefits from FY 2023 to FY 2024, bringing the total to \$657.4 million. Additionally, pensions are estimated to decrease by \$166.1 million in FY 2024 compared to the prior year, primarily due to a \$172.0 million decrease in the Other category, and modest increases in contributions and health care. Capital Outlay is projected to rise by 80.5% from FY 2023, reaching a total of \$123.3 million for FY 2024. Grants are anticipated to be \$774.5 million, and Medicaid is expected to be \$1,047.5 million for FY 2024, reflecting growth of 17.1% and 12.3%, respectively, from FY 2023.

Ms. Williams inquired about the large increase in estimated expenditures from FY 2024 to FY 2025. Ms. Engelsiepen stated that a large part of this increase is due to spending in FY 2025 on capital cash projects, such as the Kent and Sussex family courthouses and new state police troops. Mr. Cade added that the estimate does not include the potential post-retirement increase (PRI), which is estimated to be around \$66.0 million. He noted that if the General Assembly passes the PRI, it will be included in the October estimate.

A motion was made, seconded and approved to accept \$6,269.6 million as the Expenditure estimate for FY 2024. The estimate represents an increase of \$408.8 million from FY 2023 and a decrease of \$136.1 million from the May estimate.

General Fund Expenditures - Fiscal Year 2025:

Mr. Ratledge reviewed the FY 2025 expenditure estimates, which total \$6,923.1 million. He noted that fringe benefits are expected to increase by \$176.7 million, of that \$167.3 million is due to an increase in health care expenditures.

A motion was made, seconded and approved to accept \$6,923.1 million as the Expenditure estimate for FY 2025. The estimate represents an increase of \$653.5 million from FY 2024 and a decrease of \$53.4 million from the May estimate.

Revenue Forecasts:

Ms. Davis Burnham and Mr. Roose presented the General Fund Revenue forecasts.

Economic Outlook

Ms. Davis Burnham noted that while expenditures are estimated to grow approximately 8-10% annually over the next several years, revenues are only anticipated to increase by around 1-2% annually. This disparity presents a significant budgeting challenge, as expenditures are rising faster than revenues.

Mr. Roose stated that the economic outlook remains largely unchanged from the May meeting. He highlighted that the S&P forecast has identified signs of a slowing economy. The Bureau of Economic Analysis has revised real GDP growth for Q1 2024 from 1.6% to 1.3%. Additionally, S&P predicts a slight decline in personal consumption expenditures and business investment growth for the first half of this calendar year compared to last month. It is now anticipated that the Federal Reserve will only cut interest rates once this year, whereas previous predictions had suggested several rate cuts.

General Fund Revenues:

Mr. Roose noted that FY 2024 revenues are estimated to increase by \$74.4 million from the prior year, representing relatively flat growth at 1.2%

The Revenue Subcommittee recommended the following updates to May’s estimates:

FY 2024				FY 2025			
Revenue Category	May-24	Jun-24	Change	Revenue Category	May-24	Jun-24	Change
Unclaimed Property Refunds	(130.0)	(145.0)	(15.0)	Personal Income Tax	2,585.9	2,610.5	24.6
CIT Refunds	(93.0)	(82.6)	10.4	Insurance Taxes	101.4	92.7	(8.7)
Insurance Taxes	95.7	87.5	(8.2)	PIT Refunds	(272.7)	(265.8)	6.9
PIT Refunds	(287.0)	(279.8)	7.2	CIT Refunds	(109.3)	(103.3)	6.0
Other Revenues	82.1	86.6	4.5	Bank Franchise Tax	105.6	101.1	(4.5)
Lottery	250.3	245.9	(4.4)	Lottery	263.0	267.4	4.4
Dividends and Interest	130.1	133.8	3.7	Gross Receipts Tax	383.9	380.4	(3.5)
Gross Receipts Tax	368.6	365.2	(3.4)	Corporate Fees	150.0	152.0	2.0
Bank Franchise Tax	97.2	100.6	3.4	Uniform Commercial Code	26.5	28.5	2.0
Personal Income Tax	2,516.0	2,512.8	(3.2)	Realty Transfer Tax	215.5	217.1	1.6
Corporate Fees	150.0	152.0	2.0	Dividends and Interest	144.6	145.1	0.5
Uniform Commercial Code	26.5	28.5	2.0				
Other Refunds	(17.9)	(15.9)	2.0				
Realty Transfer Tax	197.9	199.3	1.4				

For a complete listing of FY 2024 estimates, see Table 2.

Mr. Roose recommended a \$4.0 million increase to Net Personal Income Tax in FY 2024, and a \$24.6 million increase to the FY 2025 estimate. He noted that growth in FY 2025 is attributed to current economic forecasting.

Mr. Roose mentioned an \$8.2 million and \$8.7 million decrease in the insurance taxes and fees estimate for FY 2024 and FY 2025, respectively. He explained the structure of the

Insurance Tax General Fund and Special Fund allocations, highlighting that the special fund transfers, which are based on certain lines of insurance, have been increasing. This increase has resulted in a decline in the funds allocated to the General Fund

Mr. Roose recommended a \$10.4 million increase in Net Corporate Income Tax collections for this year. This adjustment is based on tracking for CIT refunds,.

Ms. Davis recommended a \$3.7 million increase to the FY 2024 Dividends and Interests estimate. She explained that interest rate expectations moved slightly lower during May, which caused the market value of the State's portfolio to appreciate. This led to a modest increase in the estimates for FY 2025 and FY 2026.

Fiscal Year 2024 Estimate Adopted:

A motion was made, seconded and approved to accept \$6,369.5 million as the revenue estimate for FY 2024. The estimate represents an increase of \$2.4 million from the May estimate.

Fiscal Year 2025 Estimate Adopted:

A motion was made, seconded and approved to accept \$6,449.6 million as the revenue estimate for FY 2025. The estimate represents an increase of \$31.3 million from the May estimate.

Transportation Trust Fund (TTF):

TTF -- Expenditures: Ms. Haw-Young presented the Transportation Trust Fund's expenditure forecast. She recommended an increase of \$23.2 million to FY 2024 expenditure estimate. Of the changes, there was an increase in state capital, road systems, and transit operations as well as a decrease in the operations/capital outlay, support systems, and US301 estimates.

A motion was made, seconded, and approved to accept \$1,102.2 million as the FY 2024 TTF expenditure estimate (see Table 4).

TTF -- Revenues: Ms. Haw-Young presented the Transportation Trust Fund's revenue forecast.

Fiscal Year 2024 Estimates:

The following changes were made from the May estimates.

Toll Road Revenues: There was a \$4.0 million decrease to \$208.5 million.

Motor Fuel Tax Administration: There was no change to the estimate of \$136.2 million.

Division of Motor Vehicles: There was no change to the estimate of \$251.6 million.

Other Transportation Revenues: There was a \$2.0 million increase to \$29.2 million.

U.S. 301 Revenues: There was no change to the estimate of \$25.2 million.

A motion was made, seconded, and approved to accept \$650.7 million as the FY 2024 TTF revenue estimate. The estimate represents a decrease of \$2.0 million from the May estimate.

Fiscal Year 2025 Estimates:

There was a \$12.0 million decrease to the FY 2025 motor fuel tax administration estimate. There were no other changes.

A motion was made, seconded, and approved to accept \$637.5 million as the FY 2025 TTF revenue estimate (See Table 5). The estimate represents a decrease of \$12.0 million from the May estimate.

Balance and Appropriations Worksheet:

Mr. Roose presented the Balance and Appropriations worksheet. The result of this exercise is attached as Table 3.

General Obligation Debt Authorization Limit:

Mr. Roose presented the new tax-supported debt limit for FY 2025. This amount is 5.0% of the estimated net FY 2025 revenues, or \$322.478 million.

Other Business:

Mr. Houghton announced the next (tentative) scheduled DEFAC meeting dates:

- Monday, October 21, 2024
- Monday, December 16, 2024

Public Comment:

Mr. Houghton said that no member of the public has signed up for comment.

There being no further business, Mr. Houghton adjourned the meeting at 3:00 p.m.

Respectfully submitted,

Liz Mitchell