

FY 2027 Statewide Financial Overview

JFC Hearing

February 3, 2026



OFFICE OF
management
+ budget

MEYER ADMINISTRATION PRINCIPLES

EFFICIENCY & TRANSPARENCY

Delawareans deserves a government that is transparent, accountable, and efficient.

Making government smarter and more responsive to deliver tangible results for every taxpayer dollar.

RESPONSIBLE BUDGETING

Targeted reductions to close the structural imbalance between revenues and expenditures.

Placing Delaware's finances on solid footing while protecting public services for every family and every community.

MEYER ADMINISTRATION PRIORITIES

INVESTING IN OUR CHILDREN

Stronger classrooms today mean a stronger Delaware tomorrow. We will directly fund classrooms to improve literacy, support educators, and address students' mental health.

INVESTING IN OUR HOUSING

In Delaware, housing is a human right. We will increase affordability, speed-up construction while prioritizing smart growth, and make it easier for first-time home buyers.

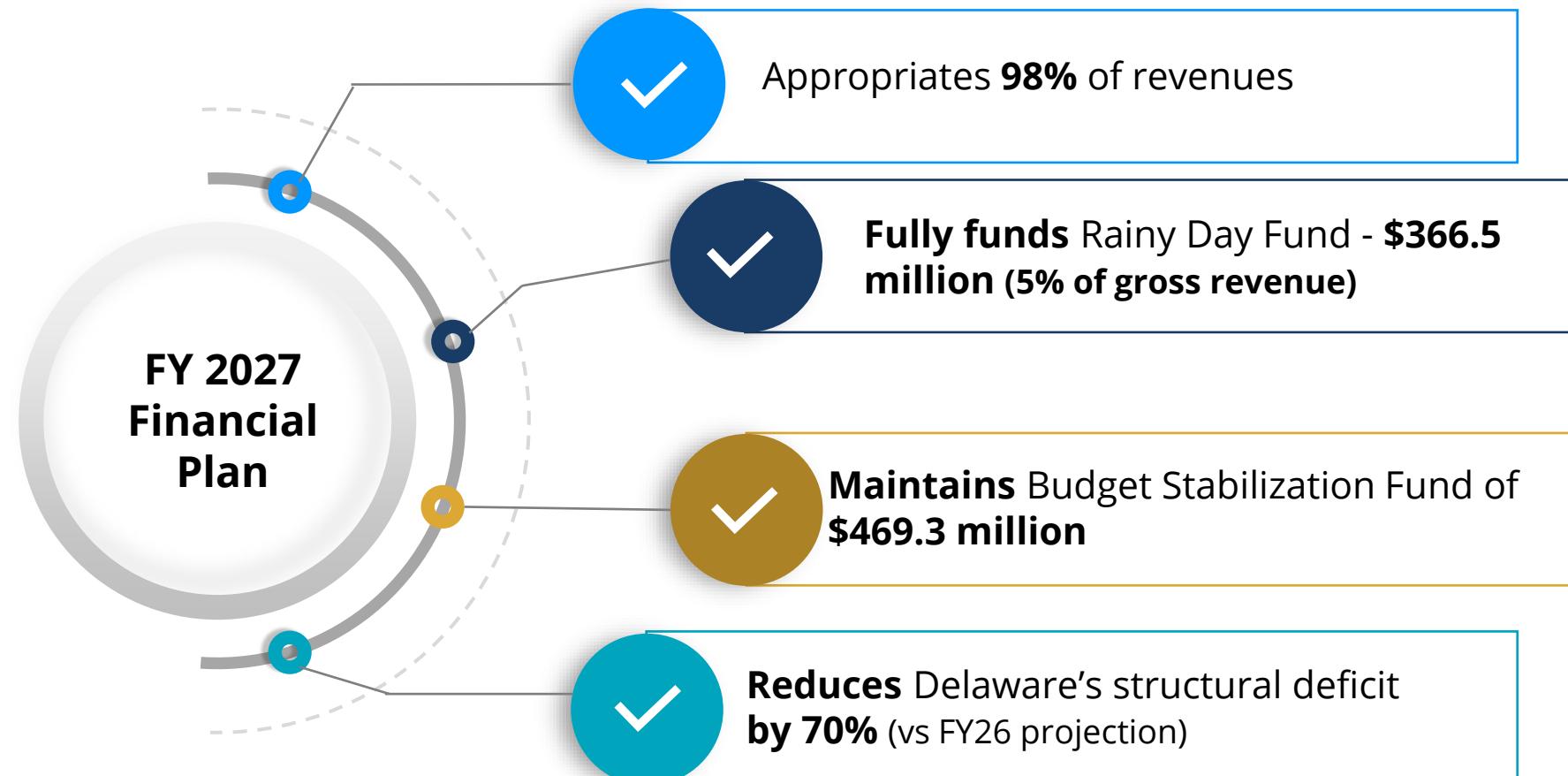
INVESTING IN OUR HEALTHCARE

Every Delawarean deserves access to affordable, quality healthcare. We will expand access, tackle costs, and promote healthier communities throughout Delaware.

INVESTING IN OUR WORKFORCE

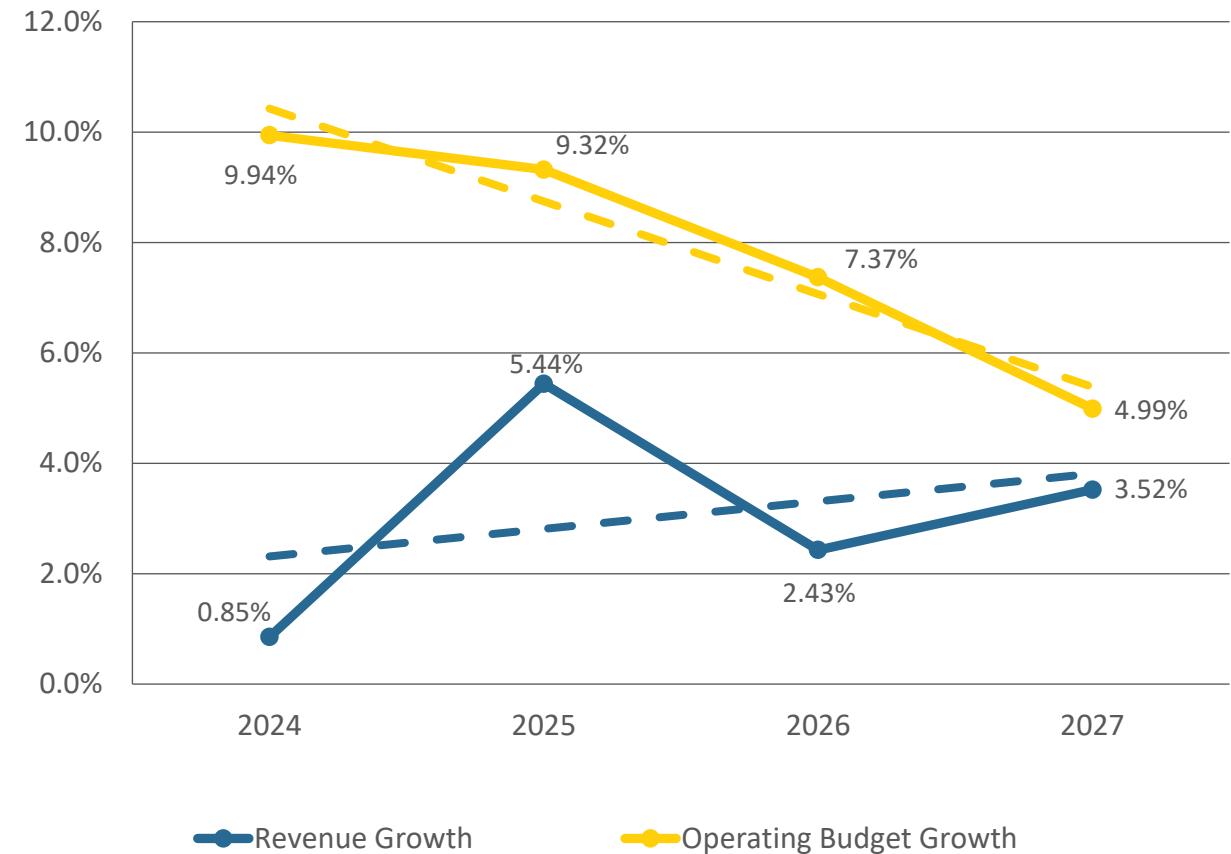
State employees keep Delaware running. We will raise teacher pay and increase salaries, so that we can stay competitive and attract the best and brightest workers.

GOVERNOR MEYER'S FISCAL YEAR 2027 FINANCIAL PLAN: RESPONSIBLE BUDGETING



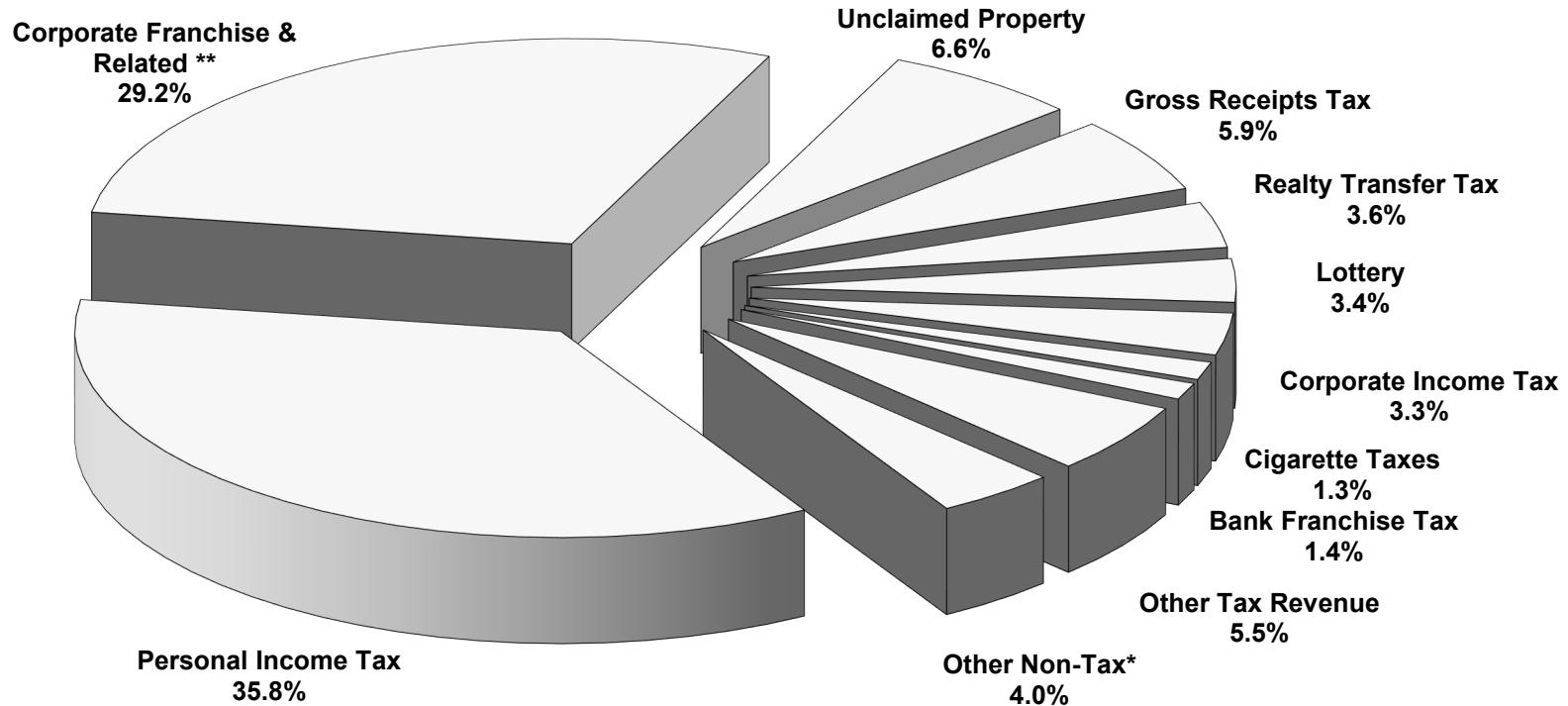
REDUCING THE STRUCTURAL DEFICIT

- In FY 2024, spending growth **outpaced** revenue growth by **9.1%**.
- The Governor's Recommended Budget **reduces the structural deficit by over 70%**, compared to the FY 2026 projection.
- The FY 2027 Governor's Recommended Budget keeps **operating budget growth below 5.0%***.



* Excluding one-time appropriations in the Operating Budget.

FY 2027 SOURCES OF FUNDS (NET OF REFUNDS)



* Includes Prior Year Unencumbered Cash Balance.

** Includes Corporate Franchise Taxes, Business Entity Fees and Limited Partnerships and Limited Liability Companies.

Note: Data is inclusive of proposed revenue package and tax policy changes.

DECEMBER 2025 DEFAC BALANCE AND APPROPRIATIONS WORKSHEET

FY 2026 EXPENDITURES

Total Spending Authority	\$8,752.0
Less: Continuing Appropriations & Encumbrances from FY 2026	(\$1,433.6)
Less: Reversions	<u>(\$100.0)</u>
Total Expenditures	\$7,218.3

FY 2026 BALANCES

Total Expenditures	\$7,218.3
vs. FY 2026 Revenues	6,856.9
Operating Balance	(361.4)
Prior Year Cash Balance	2,925.3
Less: Budget Stabilization Fund (29 Del. C. § 6533(k))	<u>(\$469.3)</u>
Cumulative Cash Balance	2,094.6
Less: Continuing Appropriations & Encumbrances from FY 2026	(1,433.6)
Less: Budgetary Reserve Account	<u>(\$366.5)</u>
Unencumbered Cash Balance 6/30	\$294.4

FY 2027 APPROPRIATION LIMITS

FY 2027 Revenue Estimate	\$6,948.5
Unencumbered Cash Balance from FY 2026	<u>\$294.4</u>
100% Appropriation Limit	\$7,242.9
98% Appropriation Limit	\$7,098.0
Prior 98% Appropriation Limit	\$6,733.0
Increase (Decrease) from Prior Meeting	\$365.0
October 2025 98% Appropriation Limit	\$6,733.0
Increase (Decrease) from October 2025	\$365.0

FY 2026 BUDGET

Budget	\$6,580.8
Grants	\$98.3
Supplemental	\$406.0
Total Appropriations	\$7,085.1
Plus: Continuing Appropriations & Encumbrances from Prior Years	<u>\$1,666.9</u>
Total Spending Authority	\$8,752.0

FISCAL YEAR 2027 COST DRIVERS

Category	\$ 524.5 M
Medicaid	\$ 188.0 M
Personnel Costs / Collective Bargaining	117.5 M
Student Unit Count	40.6 M
Purchase of Care	37.2 M
Corrections Medical/Pharmaceutical Contracts	36.2 M
Employee/Retiree Healthcare	31.0 M
Health and Social Services Program Growth	20.1 M
Technology	15.1 M
Debt Service	11.5 M
SNAP – Federal Administrative Cost-share	10.1 M
Annualization of Legislation	8.1 M
Other Cost Drivers	9.1 M

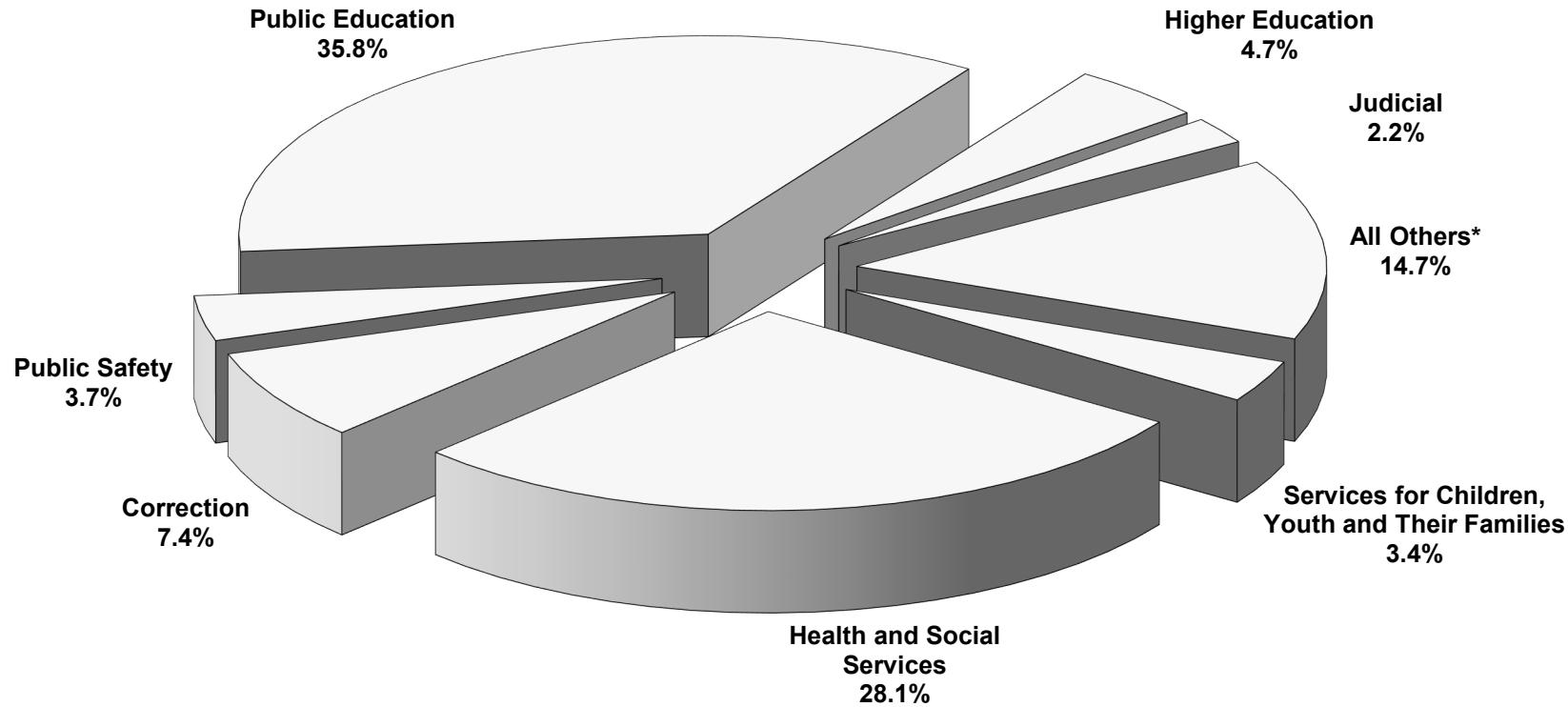
CLOSING THE GAP WITH A BALANCED FINANCIAL PLAN

FY 2027 Cost Drivers (8.0% Growth over FY 2026)	\$ (524.5) M
FY 2027 Available Resources	
<i>December DEFAC FY 2027 Resources at 98%</i>	\$ 7,098.0 M
<i>Less: FY 2026 Appropriations</i>	7,085.1 M
	12.9 M
Starting Appropriation Surplus / (Deficit)	\$ (511.6) M

Solutions to Close the Gap

<i>Critical Evaluation of Cost Drivers</i>	\$ 107.8 M
<i>Reductions/Reallocations/Switch Funds</i>	131.0 M
<i>Reductions of One-Times & Cash to Capital / Reprogramming</i>	168.7 M
<i>Proposed Revenue Package at 98%</i>	146.9 M
FY 2027 Strategic Investments	554.4 M
Total: Appropriation Surplus / (Deficit)	\$ 0.0 M

FY 2027 OPERATING APPROPRIATIONS



* Includes Contingencies and One-Time Items.

INVESTING IN OUR CHILDREN

- **\$25.3 million:** Purchase of Care
- **\$9.9 million:** Student Unit Growth
- **\$8.0 million:** Delaware Early Childhood Care & Education Alliance
- **\$8.0 million:** Maintain support for Literacy Emergency Fund
- **\$3.0 million:** Teacher-Driven Projects - *Your Voice, Your Choice*
- **\$2.8 million:** Education funding reform - start-up & implementation

INVESTING IN OUR HOUSING

- **\$19.0 million:** Housing Development Fund
- **\$10.0 million:** Downtown Development Districts
- **\$4.0 million:** Strong Neighborhoods
- **\$1.5 million:** Workforce Housing Program
- **\$1.0 million:** Homelessness Response & Stabilization

INVESTING IN OUR HEALTHCARE

- **\$139.0 million:** Medicaid
 - Direct Service, Skilled Nursing, & Mental Health rate increases
 - Biomarker coverage
- **\$34.2 million:** Correction System Medical and Pharmacy Contracts
- **\$12.6 million:** Community & Residential Rehabilitation Services
- **\$10.1 million:** SNAP – Federal Administrative Cost-share
- **\$2.0 million:** Lead Remediation
- **\$1.5 million:** Food Access & Nutrition Program
- **\$1.5 million:** Health Eligibility & Lifeline Program

INVESTING IN OUR WORKFORCE

- **\$68.9 million:** Supporting Education Professionals Compensation
 - Year 3 of Public Education Compensation Commission recommendations
 - Educator Step Increases
- **\$21.7 million:** 2% Salary Increase for State Employees
- **\$31.5 million:** Collective Bargaining Agreements (Existing and Anticipated Contracts)
- **\$1.5 million:** Apprenticeships & workforce training

INVESTING IN SAFE & STABLE COMMUNITIES

- **\$5.0 million:** Hardship waivers of fines and fees for defendants least able to pay them (contingent on legislation)
- **\$2.9 million:** Officer Body Camera Program
- **\$1.5 million:** State Police investigation systems, vehicles, and equipment
- **\$1.0 million:** Local government beautification initiative

TARGETED REDUCTIONS & REPROGRAMMING



(\$168.7 million): Reductions of One-Times and reductions/reprogramming of Cash to Capital



(\$65.2 million): Statewide budget savings through responsible budgeting, efficiencies, and targeted reductions



(\$65.8 million): Reprogram Escheat-Special Fund to maintain Other Post-Employment Benefits contribution

REVENUE PACKAGE

- **\$81.0 million:** Modernizing business formation fees
- **\$60.0 million:** Increasing Escheat Cap
 - Raise from \$554.0M to \$614.0M
- **\$18.9 million:** Increasing the Tobacco Tax:
 - Cigarette tax to \$3.60 per pack
 - Other Tobacco Products rate to 40% of wholesale
 - Vapor products to \$0.10 per mL
 - Moist Snuff to \$1.23 per oz
- **(\$10.0 million):** Establish a State Film Tax Credit

FISCAL YEAR 2027 GRB FINANCIAL PLAN

General Fund Operating Budget <i>(incl. \$29.0M in One-Times)</i>	\$6,938.3 M *
Grants-in-Aid	\$85.5 M *
Bond and Capital Improvements Act	\$934.4 M
• State Capital Projects	\$656.6 M
• GO Bonds <i>(5% net revenue projection)</i>	\$354.9 M
• Cash	\$221.2 M *
• Reprogramming	\$1.6 M
• Special Funds	\$78.9 M
• Transportation	\$277.8 M

** Reflects cash appropriations of \$7,245.0 million, includes proposed Tobacco Tax, Business Formation Fees, Escheat, Film Tax Credit.*

The FY 2027 Financial Plan maintains \$469.3 million in the Budget Stabilization Fund.



Questions?