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- Dace Blaskovitz: Welcome back to Money and Politics in Delaware. Charlie Copeland on fire today. State Senator McDowell. Wow. Charlie whacked him in the first half, and then we revealed, when asked to elaborate exactly where the money will go, Dover law makers could not give specifics. So chapter two, second segment. According to, per Charlie Copeland ... He's the one that came up with this one, or at least offered it, revealed it ... According to the Federal Government Bureau of Economic Analysis, Delaware ranked 48th in the nation in GDP. Furthermore, over the last four years, 15 to 18, Delaware ranked 46th in the nation in GDP growth, averaging 0.21% growth over that time span. Charlie Copeland. All right, I'll do it as a question. Delaware is dying and Dover is killing it with a question mark. What's Charlie Copeland say?
- C. Copeland: Yeah, I think that that is absolutely right. The debate, for instance, on minimum wage, I don't know a person out there, and maybe they exist, that doesn't want more people to make more money. That is just a universal truth. I am more than happy to have more people make more money. So the legislature in Delaware says we are going to mandate that folks at the bottom end of the economic spectrum get paid more per hour, but you can't mandate that those people actually have a job. You can try offering state jobs, which they're very good at, but you can't mandate that that person has a job.
- C. Copeland: If you're a business owner and you've got a small shop or you've got a restaurant or something like that, which is where 90% of these low-wage people work, and your margins are already 1-2%, I mean you're not making much money and you're working 70, 80, 90 hours a week, and your capital is all tied up in the restaurant and the equipment and this kind of stuff, and somebody comes along and says, "We're going to raise your employment costs by 15-20%," you know what you do? You reduce the number of people you have by 15 to 20% and you just make folks work harder and you work another 10 hours.
- C. Copeland: So fewer people are working, which is why Delaware has some of the problems that it does in that businesses are fleeing the state, because from a regulatory environment, from an understanding of how an economy works perspective at the governmental level, there is none. We were able to paper over that for a long, long time because we had big banks, we had the DuPont company, we had, through the early 2000s, auto plants and things like that. So while Delaware was working diligently, and New Castle County in particular who was working even harder, at destroying their economy, yet these legacy industries that were covering that with high wages and wealthy people and growth, that all ended. It all ended about 2006, 2007, and we have been on a steep downward trend since then, that has only been covered by the fact that the stock market was booming from 2010 beyond, and therefore our corporation laws were bringing in enough revenue and Markell increased taxes and fees.

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- Dace Blaskovitz: And debt.
- C. Copeland: And Carney has increased.
- Dace Blaskovitz: And debt.
- C. Copeland: And debt. The debt has been increased. And they stopped funding things like the pension fund, which used to be almost 100% funded, and now it's 80% or 70%. Our healthcare liabilities, employment, retired employee liabilities, have only been funded to 5%. There are a lot of retirees that in a number of years are going to be waking up one morning shocked that there's no money to pay their healthcare, and they're going to be really pissed off. How many businesses are going to want to be around when that happens? A friend of mine...
- Dace Blaskovitz: Let's go a different way just a minute. We had Bob Byrd ... we're both big fans of Bobby ... last week and..
- C. Copeland: Yeah, I bought his book, and you should buy his book. Anybody listening, buy his book.
- Dace Blaskovitz: Oh, absolutely. Wonderful guy. Revealed Bob Byrd, big time lobbyist, ultimate political insider for a first time listener, former chair of DEFAC, and current member of the Delaware Economic and Financial Advisory Council, and Birdie said the revenue projection was flat, real quick. So I get multiple, I'll call them political types, come back to me and said, "Gee whiz, that was nothing more than a political ploy trying to get Carney, his rainy day fund, and trying to get Dover not to spend as much money."The problem I have with that, Charlie, if that's true, then there's the admission by action that DEFAC is purely political. And if it is true that projections are flat, then the hurricane's about to hit the shore. What's Charlie Copeland say?
- C. Copeland: I think that you've said it all accurately. So you know, the only reason that Delaware had a bump in income coming in from the personal income tax this year was because of the Trump tax cuts. And we've talked about that in some previous episodes, that that allowed people to keep more of their money and therefore the state was allowed to tax more of their money. So the Trump tax cut was a benefit and Chris Coons and Tom Carper and Lisa Blunt Rochester ought to be standing up publicly and saying, "Thank you, Mr. President, for allowing Delaware to make it through another year without having to increase taxes or chase more people away."

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- C. Copeland: But the forecasts are accurate and DEFAC has become in many respects, just a rubber stamp what the governor wants. I mean, if you look at it, DEFAC, and I believe it was John Stapleford and Data Delaware pointed this out, that DEFAC's forecast for economic growth was 0.6% while the Department of Labor's number was 0.2%. Same government, same people, same dollars. One of them has a three times higher growth rate than the other and interestingly enough, the one with the higher growth rate is the one that you forecast your budget spend off of.
- C. Copeland: So I think Carney looked around and his senior management team looked around and said, "This is the amount of money we need so that we don't have a crisis. So DEFAC, please recognize this amount of money." I think they backed into that number, and by the way, the Public Integrity Commission gives Delaware's budgeting process extremely low numbers. I don't recall off the top of my head what that is, but it is very low compared to the rest of the nation, despite the fact how wonderful our budget process is.
- C. Copeland: So let's not fool ourselves. This is a political process that's playing out and trying to give coverage to everybody's favorite governor, John Carney, who again had to lose to Markell in '08 and so on and so forth. So this is a significant problem and we are not paying our long term bills. And remember, 2007 a year before the rest of the nation was in recession, Delaware was in a recession and Delaware was last out of the recession. As we come into this next recession, we will be leading the way in and it will be worse than it was before.
- Dace Blaskovitz: Before time runs out, there are those that say Dover is simply waiting for this Chancery Court decision to get a statewide property tax so that they have new funds to spend. The Chancery Court backs into the Delaware public schools. Seems to be taking a long time. But let's go. You're the guest. The question is what's going on there in your opinion?
- C. Copeland: Yeah. I mean, I'll be honest, I don't know that I have any unique perspective here, but I can tell you what I hope is the real perspective is that the court of Chancery is looking at this and saying, "Gee, the ACLU specifically just wants us to give the ability to tax." And this is not a money issue, that they're doing their research, their due diligence, recognizing that we have schools, some charter schools that have a lot less money than district schools that are doing very well with low income people and populations. And this is not a money issue. This is an organizational issue.
- C. Copeland: The state education system has been a catastrophe for decades. This isn't new. Nobody woke up one day and said, "Oh my goodness, if only these people had more money, they wouldn't have such crappy education." We've been giving crappy educations across the board for decades. And I hope that there

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Chancery's saying, "Gee, they're asking for this solution. That's not the right solution. What is?" And maybe the right solution is to blow the system apart and let competition reign and vouchers and school choice and that kind of thing, actually run that and see that it works and make Delaware a leader in education as opposed to a laggard in education.

Dace Blaskovitz: So what's your guess? 30 seconds, no more, 30 seconds. What happens?

C. Copeland: I think that it's going to be a while until the court comes out with the decision and I think when they come out with a decision, I'm hoping that they will decide that, "No, we're not going to give you the ability to tax it. That's in the purview of the General Assembly, and the General Assembly needs to look at the education system and needs to totally reconfigure it."

Dace Blaskovitz: Yeah. I tend to agree with you. They're not going to make a political statement. That'll blow up. I've got to turn to the audience. His name is Charlie Copeland. Fascinating guy who joins us once a month. Just, gosh, wonderful conversation. I got to turn it into your audience. Looking to next week, Dover in the budget will at least in theory be behind us. Greg Lavelle comes and gives us a recap and it'll be the first of the month. So as always, Robert Fry, the most rated economist in the world, Delawarean Robert Fry also joins us. We'll see you back here next week for more money and politics in Delaware.