



Analytics

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RE: Accountants Weigh-In on Delaware's Debt

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A recent report by the Institute for Truth in Accounting confirms what Caesar Rodney Institute has been saying about the seriousness of Delaware's state government debt. The state has accumulated bills of \$8.6 billion.

How did this run up in debt happen? The Institute singles out the use of antiquated budgeting and accounting rules that are used to determine employee compensation costs. Good accounting includes the cost of retirement benefits as they are earned. Delaware, in order to adhere to its constitutional balanced budget requirement, ignores accumulated employee retirement obligations.

Further, the state only sets aside 55 cents to pay each dollar of the promised retirement benefits. The \$8.6 million shortfall includes \$775 million of reported retirement liabilities, another \$417 of unfunded pension benefits, and \$5.6 billion of unfunded retiree health care benefits.

According to the Institute, "unless these pension and retirees' health care benefits are renegotiated, future taxpayers will be burdened with paying them without receiving any corresponding government services or benefits."

The state government's position up to this point is to disavow the existence of this looming benefit debt.

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