



# Analytics

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In its recent analysis of state government debt, *The Daily Beast* ranked Delaware as the 12<sup>th</sup> “most screwed state.” The ranking is based upon data from U.S. Census “State and Local Government Finances”, the U.S. Bureau of Economic Analysis, and the Center on Budget and Policy Priorities. *The Daily Beast* estimates FY-2010 state debt to be \$6.74 billion with a pre-budget FY-2011 deficit of \$377 million, and a debt to state GDP ratio of 10.8%. Note that the debt does not include the \$5.6 billion unfunded healthcare obligation to state employees estimated earlier this year by the Pew Foundation.

Data from the Delaware Fiscal Notebook 2009 confirms an upward trend in state debt. Between fiscal years 2002 and 2009, Delaware state debt per capita rose an astounding 88%

(37% adjusted for inflation). State debt as a percent of personal income jumped from 2.72% to 4.12%. Debt service rose from 4.7% of general fund spending to 6.5%, crowding out spending on state services. About one-third of this debt is attributable to school districts and the majority of the debt is unguaranteed.

The Tax Foundation ranks Delaware 5<sup>th</sup> in state debt per capita. Mortgaging the future to avoid difficult decisions over state services in the face of a faltering economy is not ideal. Delaware needs to reverse course and begin living more within its means. The recent restriction of new debt authorization to 5% of revenues is a positive step.

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