Analytics

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RE: Happy Holidays, New Castle County Residents! Your Gift: Higher Taxes, Higher Crime
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In a series of analyses CRI has argued the New Castle County (NCC) government is facing a serious fiscal crisis. This crisis was precipitated by the passage in 1998 of the anti-growth and anti-economic development Uniform Development Code (UDC). The recent recession has made things worse.

Within just a few years after enactment of the UDC employment in NCC flat-lined and residential building permits nose dived. Adding insult to injury, the recession took the wind out of real estate sales and the County's revenue from real estate transfer payments dropped from $40 million to almost $16 million.

A financial task force was convened in 2006 and its report was brutally honest: "NCC cannot sustain its current service levels with existing property tax, fees and other revenues...the rate of growth in revenues is roughly one-third of the growth rate in the cost to provide services."

The County adopted some fiscal constraints, including debt service limits tied to the operating budgets of the general and sewer funds and a mandatory "rainy day" fund. But these measures were resolutions, not incorporated in the constitution, and have not been enough to hold back the reality of an anti-development government.

Between fiscal year 2005 and the current fiscal year the County's operating budget has risen nearly 50% faster than inflation. Much of the pressure comes from the generous benefits provided to County employees...benefits exceeding 47% of salaries and wages compared to 35% for non-government employees - the remainder from delayed capital improvements, especially to the vast sewer system.

Absent economic growth, between 2005 and today, the County property tax rate has jumped 54% and the sewer charge by 70%. This during a time of 13% inflation, falling house values, and flat personal income. In addition, the County debt service per capita is up a whopping 118%. Finally, like

governments everywhere, the County has a rapidly rising unfunded liability for pensions and healthcare to retired County employees.

Consequently, County government projects a cumulative $61 million general fund deficit over the coming five years. This will mean substantial increases in the property tax rate. And at a time when a growing proportion of County households are baby-boomers becoming seniors and who for financial reasons must age in place in their existing homes.

The UDC and the County's generally developer unfriendly subdivision review process have not improved the County's quality of life. Violent and property crime rates are well above the U.S. average and rising. NCC ranks in the bottom one-tenth among all counties in America in air and water quality. The cost of living is above the national average and the median price of housing is rising in the face of little new construction. Finally, the average travel time to work is increasing.

The County can stay the course on its anti-development attitude. NCC residents and business must, however, be prepared for continued large increases in property taxes and fees.

Dr. John E. Stapleford, Director
Center for Economic Policy and Analysis