



Analytics

Published by the Caesar Rodney Institute

RELEASE: CRI - Center for Economic Policy and Analysis

RE: The View from Pew

DATE: 12/5/2019

The Pew Center Trust has recently updated its information website on the fiscal health of states. It confirms much of what is known about the State of Delaware's finances.

On the positive side, as of 2018 Delaware state government could run 20.5 days on rainy day funds if tax revenues completely stopped coming in. This compares well with a U.S. state average of 23.2 days and zero days for both neighboring Pennsylvania and New Jersey.

Less notably, Delaware state government was 10th worse among the states in total revenue as a share of total expenses from FY 2003 – 17. Delaware state government revenues over that time period equaled 99.5% of total expenses.

From FY 1998-2017 Delaware state government had the 13th most volatile tax revenue in the nation. Both Delaware's personal income tax and gross receipts tax are sensitive to the business cycle. This is the mainstay argument for a Delaware state property tax.

Finally, according to Pew, Delaware currently ranks 8th among the states in total debt and unfunded retirement as a share of personal income. Delaware's total liabilities equal 22.1% of the state's total personal income. This compares to a national state average of 14.8%.

While the state's pension liability is minimal, Delaware ranks 8th among the states in total debt and 3rd in unfunded health coverage. Delaware's unfunded health obligations, nearly \$6 billion, are 13.9% of Delaware personal income compared to an average of 4.2% among all the states.

Delaware's unfunded healthcare obligations to retired and current state employees is a ticking time-bomb that has been acknowledged in state reports since at least 2005. Current legislators do not want to ask state employees and retirees to increase their very low co-pay. And the state's Department of Finance is not overly concerned because the healthcare benefits, unlike pensions, are not obligated by the Delaware constitution.

Obviously, at some point in the near future, the healthcare benefits issue will have to be dealt with, and the most probable solution will be higher taxes on Delaware's residents.

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