



# Delaware Facing Forward



**A Look at Delaware's Demographic Future**

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## A Look at Delaware's Demographic Future

The following report published by the Delaware State Treasurer's office, "***Facing Forward, a Look at Delaware's Demographic Future***," is a look at Delaware's future through the lens of shifting demographics over the next 25 years and their effect on our state's financial future.

***Facing Forward*** analyzes a looming fiscal challenge for State Government. Delaware has the potential of being squeezed on one side by increasing costs of state government and on the other side by potential risks to the revenue base.

The costs come not from new spending programs, but from merely attempting to maintain the status quo in the face of the increased burdens of supporting and caring for an aging population, making investments in infrastructure that keep pace with rapidly shifting population centers, and educating an increasingly diverse population of young people.

On the other side, Delaware will be squeezed by the relative lack of growth in the workforce, especially in persons of prime earning age.

Consider the following trends analyzed in ***Facing Forward***:

- Delaware's population will grow by nearly one-third between 2000 and 2030, with a significant portion of that growth occurring among the state's senior citizen population. Absent changes to personal consumption patterns and increased efforts to improve sustainability, this growth in population will contribute to increasing congestion, air pollution, greenhouse gas emissions, solid waste, and consumption of resources from electricity to water.
- Delaware will have an increasingly larger share of retirees and a smaller proportion of workers. Fewer workers will need to support a greater number of non-working people.

- Delaware's population will steadily grow more racially and ethnically diverse, with a higher proportion of Hispanics and African Americans. This racial and cultural diversity is to be celebrated, and will require additional investments in education, workforce development and training, health care, and other public services.
- Delaware's population will shift to new locations within the state. More people – particularly retirees – will move into previously rural and agricultural areas, requiring additional investments in infrastructure, housing, and roads, while creating the potential for sprawl, more traffic, greater congestion, and a changing quality of life in much of Sussex and Kent Counties.

As you read the following ***Facing Forward*** report, it should prove evident that we must all work with urgency, not only to develop effective cost-containment strategies and evaluate the efficiencies of our current spending, but also to find creative long-term solutions to the looming fiscal challenge.

Sincerely,

*Jack Markell*

Jack Markell  
Delaware State Treasurer



# Delaware Facing Forward



## A Look at Delaware's Demographic Future

### Table of Contents

#### Demographic Changes Could Mean Challenges for the State in the Future

Demographic Changes Could Mean Challenges for the State in the Future .....	1
1. Demographic Trends Are Going to Change Delaware Significantly by 2030 .....	3
1.1. Delaware's Population Is Increasing Moderately .....	3
1.2. Delaware's Population, Like America's, Is Aging, Only More So .....	4
A. The Population in Place Is Aging .....	4
B. Delaware's Population Is Aging Even More, Due to the In-Migration of Senior Citizens..	10
1.3 Delaware's Working-Age Population Is Shrinking As a Percentage of the Whole.....	10
1.4 Delaware's Population Is Becoming More Racially and Ethnically Diverse .....	11
1.5 Delaware's Population Is Shifting to New Locations within the State .....	15
2. These Demographic Changes Will Have Profound Implications for Public Services .....	18
2.1 Delaware's Population Growth Will Increase Public Demand for Services Across the Board .....	18
2.2 The Aging Population Will Generate Increasing Public Demands Across a Range of Service Areas .....	19
A. Delaware Senior Citizens Will Have Significant Health Care Needs .....	19
B. Increasing Numbers of Octogenarians Will Require Greater Long-Term Care Services..	21
C. Despite Historically Low Poverty Levels, Senior Citizens are More Likely than Most Delawareans to Live In or Near Poverty, So That an Aging Population May Also Be a Poorer One .....	22
D. Increasing Numbers of Senior Citizens Will Require Changes in Public Transit, Driving Sidewalks, and Other Forms of Mobility.....	23
E. Rising Numbers of Senior Citizens Will Change Housing Patterns and Create a Greater Demand for Affordable Housing.....	24
F. Aging Senior Citizens May Place a Greater Demand on Financial and Other Services ...	25
2.3 The Increasing Ethnic Diversity of the Population Creates Economic, Educational, Health, and Other Opportunities and Challenges .....	26
A. Persons of Color Tend to Earn Less and Are More Likely to Live in Poverty .....	26
B. Significant Differences Exist in Educational Outcomes for Children of Color .....	26
C. Differences in Health and Wellness Also Will Widen As the Population Becomes More Diverse .....	29
D. Racial and Ethnic Distinctions in Family Size May Also Affect Public and Private Infrastructure Investment Needs .....	31



2.4 The Population Is Shifting to New Locations, Which Will Require New Infrastructure and New Investments .....	31
A. New School Infrastructure Will Be Needed, Not Because of Increasing Numbers of School-Aged Children, but Due to Population Shifts .....	31
B. As the Population Expands Into Less Developed Areas, Greater Investment in a Variety of Infrastructure Initiatives Is Needed.....	36
C. Some Parts of the Economies of Previously Rural Areas of Delaware Likely Will Change Due to These Population Shifts .....	38

## The Big Squeeze

3. Defining the Big Squeeze: Increasing Demand for Public Services – and, at the Same Time Decreasing Ability to Meet This Demand .....	39
3.1 What We Need to Do About It .....	42
A. State Government Should Implement Public Policies That Will Help to Reduce the Expected Costs of the Trends Identified.....	42
▪ Long-Term Care and Aging.....	42
▪ Health Care Generally.....	43
▪ Housing and Communities.....	44
B. State Government Must Generate More Revenue – by Growing the Economy.....	44
▪ Delaware Must Improve K-12 Education to Ensure College Readiness.....	45
▪ Delaware Must Expand Access to Higher Education.....	46
▪ Delaware Must Target Job Training to Produce a Workforce that Can Attract the Kinds of Industries Delaware Needs.....	47
▪ Delaware Must Promote Entrepreneurship.....	48
4. Conclusion .....	50

## Demographic Changes Could Mean Challenges for the State in the Future

Delaware has long been viewed as small but prosperous. From its position as the first state to its roles as the capital of the chemical industry and international leader in corporate law, management, and finance, Delaware often has been in the vanguard of important advances throughout the nation's history.

In recent years, Delaware's economy has continued to fare well overall. Our unemployment rate has stood consistently lower than that of the nation as a whole, and our average median household income ranks 12<sup>th</sup> in the country.

But today, Delaware is part of a world moving into the future at a rapid pace and is changing dramatically in the process. During the next several years, certain demographic trends will test Delaware's ability to remain prosperous:

- Delaware's population will grow by nearly one-third between 2000 and 2030, with a majority of that growth occurring among the state's senior citizen population. This growth in population will contribute to increasing congestion, air pollution, greenhouse gas emissions, solid waste, and consumption of resources from electricity to water, absent changes to personal consumption patterns and increased efforts to improve sustainability.<sup>1</sup>
- Delaware will have an increasingly larger share of retirees and a smaller proportion of workers. Fewer workers will need to support a greater number of non-working people.
- Delaware's population will grow steadily more racially and ethnically diverse, with a higher proportion of people of color, particularly Hispanics and African Americans. This racial and cultural diversity is to be celebrated and will require investment in education, workforce development and training, health care, and other public services.
- Delaware's school-aged population will increase slowly in relation to other age groups, but greater investment in education will be needed in order to ensure the productivity and job growth these other demographic changes will demand. The state and its local communities will be challenged to improve educational attainment by our young.
- Delaware's population will shift to new locations within the state. More people – particularly retirees – will move into previously rural and agricultural areas of the state, requiring additional investments in infrastructure, housing, and roads, while creating the potential for sprawl, more traffic, greater congestion, and a changing quality of life, particularly in much of Sussex and Kent Counties.

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<sup>1</sup> See, for example, Victoria D. Markham, Center for the Environment and Population, *U.S. National Report on Population and the Environment* (2006).



The potential result of these trends if we do not adequately prepare: a state squeezed on one side by the growing challenges of supporting and caring for an aging population, sustaining the health and financial security of working families living on low wages, and educating an increasingly diverse population of young people – and on the other side by a proportionally smaller workforce unable or unwilling to pay for all these needs.

This report sets forth the projected demographic and related trends likely to affect Delaware over the next quarter-century, discusses the implications of those trends for the state and its people, and concludes with recommendations for the future.



# Demographic Changes Could Mean Challenges for the State In The Future

## 1. Demographic Trends Are Going to Change Delaware Significantly by 2030

During the next 25 years or so, certain demographic forces will change Delaware as we know it. Although these changes may seem gradual, they are going to affect the demand for delivery of public services. In particular, four major demographic trends are emerging:

- Delaware's population is growing.
- Delaware's population is aging.
- Delaware's population is becoming more ethnically and racially diverse.
- The population is shifting to new locations within the state.

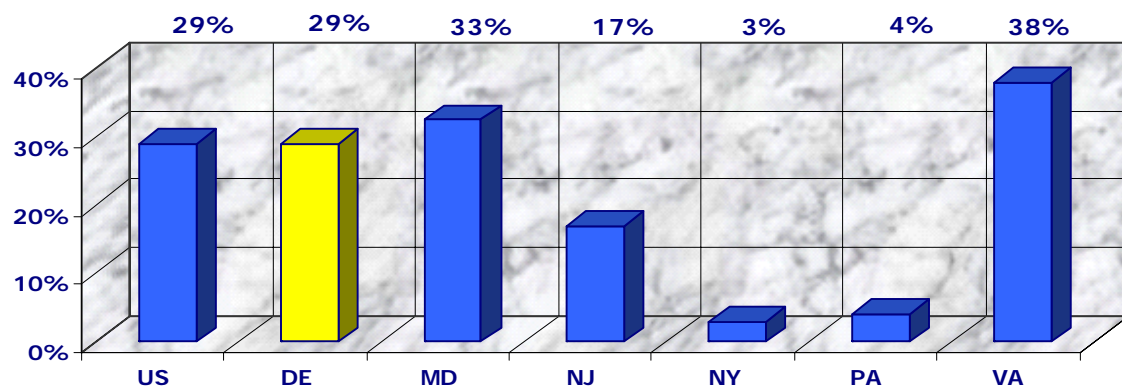
Each trend will be examined in some detail below, followed by a discussion of the implications of these changes.

### 1.1. Delaware's Population Is Increasing Moderately

According to the U.S. Census Bureau, Delaware's population is expected to increase by 229,058 people between the years 2000 and 2030, reaching just under 1.013 million in 2030, a 29.2 percent increase over the 2000 population of 783,600. (See Chart 1)

Delaware's projected rate of population growth matches the projected growth rate of the entire United States over the same time period (also 29.2 percent). It places the state 18<sup>th</sup> among the 50 states and the District of Columbia in projected growth rate, and in the middle of the states in the Mid-Atlantic region – ahead of New Jersey, Pennsylvania, and New York, but growing at a slower rate than Maryland or Virginia.

**Chart 1:** *Percent of Population Growth, 2000 - 2030*



Source: U.S. Census Bureau

Thus, Delaware's pace of growth is expected to be significant but manageable, in contrast to states like West Virginia and North Dakota, which will face declines in their populations, or Nevada and Arizona, which will confront problems that arise from explosive growth (their populations more than doubling by 2030).





Significant in-migration into Delaware will expand the state's population, particularly in the southern part of the state. According to data compiled by the University of Delaware's Center for Applied Demography and Survey Research, between July 1, 2004 and July 1, 2005, 9,106 more people moved into the state than moved out. Sussex County had a net gain of 4,071 during this period, followed by Kent County with 3,828, and New Castle County with 1,207. This trend will accelerate during the next two decades.

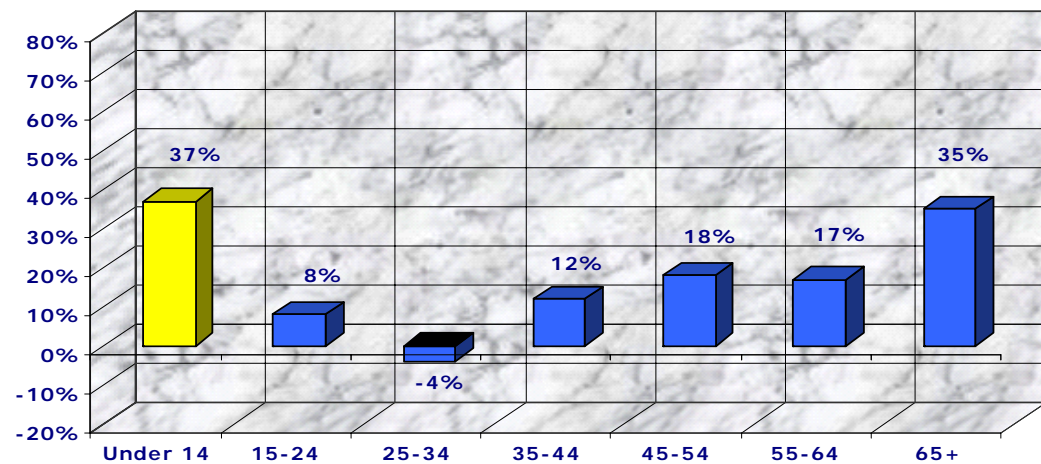
## 1.2. Delaware's Population, Like America's, Is Aging, Only More So

The single most dramatic change in Delaware's demographics between now and 2030 will be the aging of the state's population. This trend, mirrored in national demographic data, is due in part to the large so-called "Baby Boom Generation" that was born, roughly, between 1946 and 1964, and maturing and reaching retirement age during this decade.

### A. The Population in Place Is Aging

The easiest way to appreciate the growth in Delaware's and America's senior citizen population is to observe the Baby Boom Generation in the United States – generally defined as those born between 1946 and 1964 – as it has moved through time. The following charts depict changes in population in the United States by age group and isolate the "leading edge" of the Baby Boom Generation – those born in the first decade after 1946. These charts illustrate the magnitude of growth of this population relative to other age groups, and its movement through the age spectrum. The first chart shows the change in population from 1950 to 1960, the period when the majority of the Baby Boom Generation was born and fell within the under-14 age group.

**Chart 2A:** *Changes in U.S. Population Growth, 1950 - 1960*

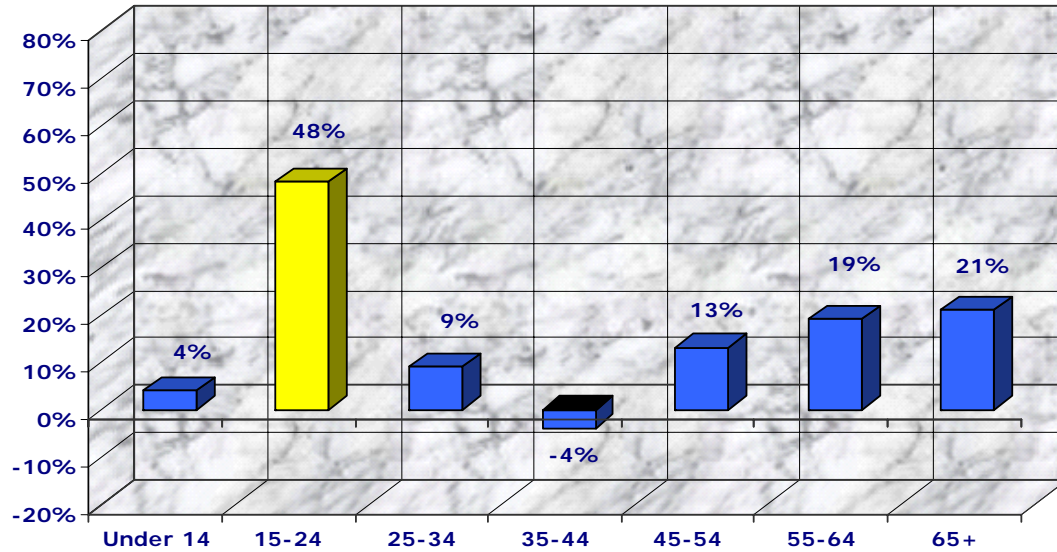


Source: U.S. Census Bureau



Between 1960 and 1970, the majority of the Baby Boom Generation fell within the 15 - 24 age group.

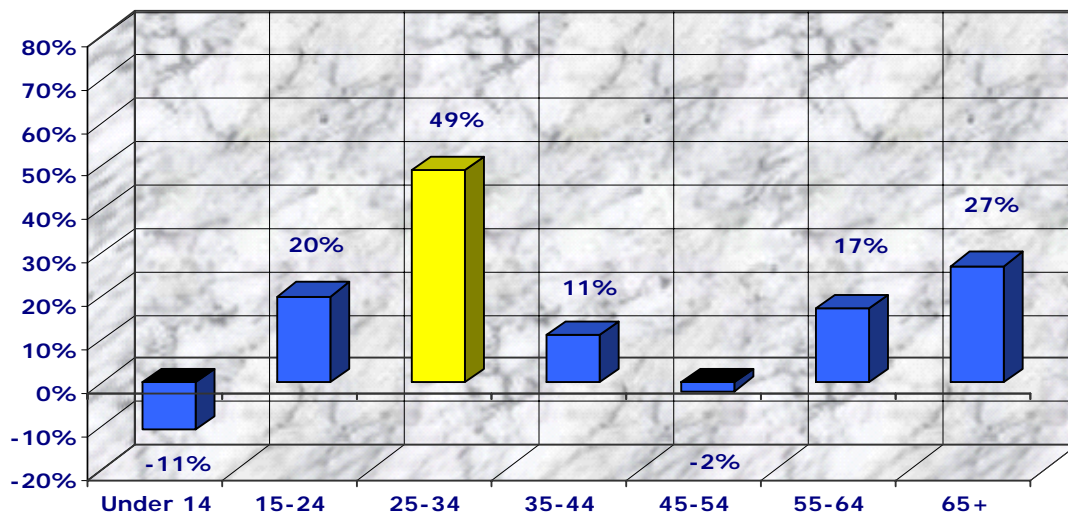
**Chart 2B: Changes in U.S. Population Growth, 1960 - 1970**



Source: U.S. Census Bureau

Between 1970 and 1980, the majority of the Baby Boom Generation fell within the 25 - 34 age group.

**Chart 2C: Changes in U.S. Population Growth, 1970 - 1980**

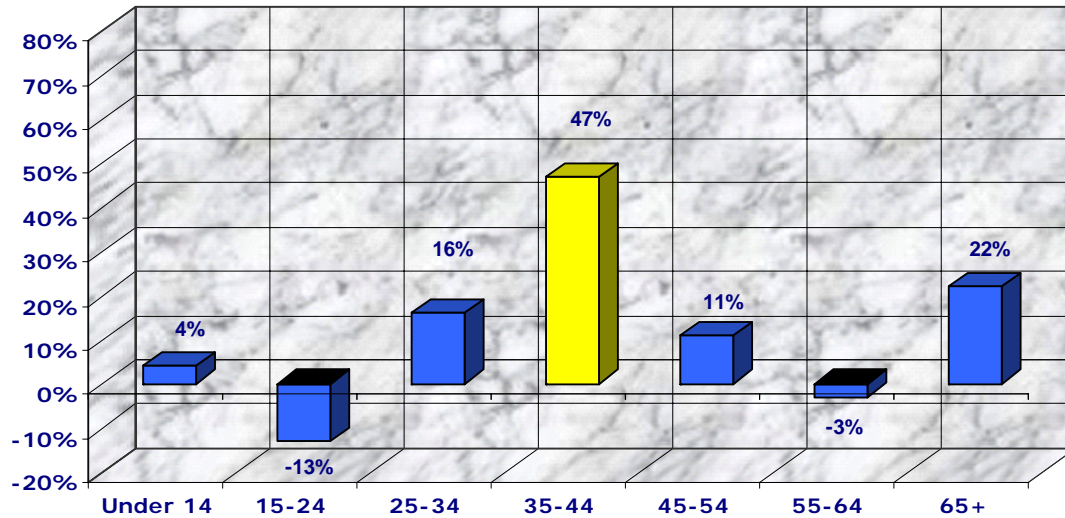


Source: U.S. Census Bureau



Between 1980 and 1990, the majority of the Baby Boom Generation fell within the 35 - 44 age group.

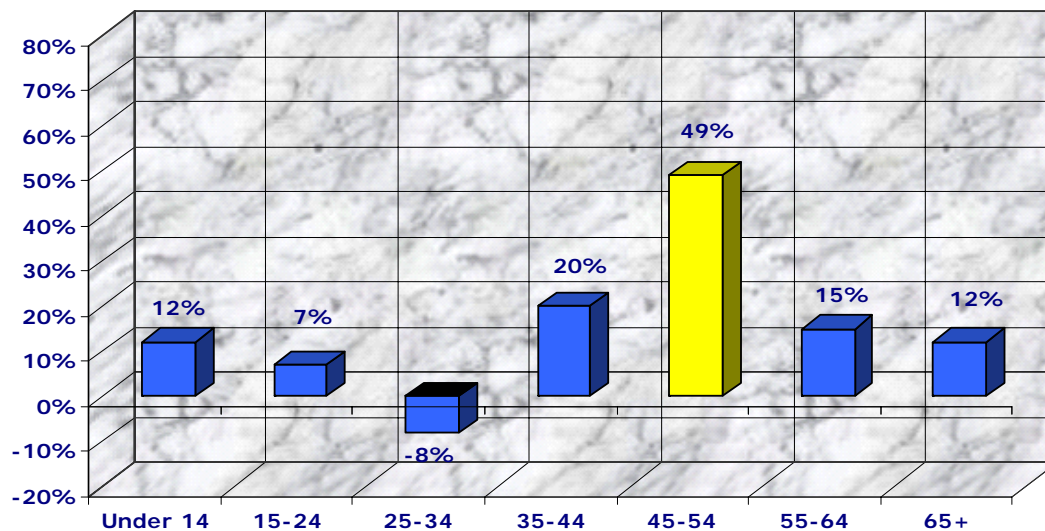
**Chart 2D: Changes in U.S. Population Growth, 1980 - 1990**



Source: U.S. Census Bureau

Between 1990 and 2000, the majority of the Baby Boom Generation fell within the 45 - 54 age group.

**Chart 2E: Changes in U.S. Population Growth, 1990 - 2000**



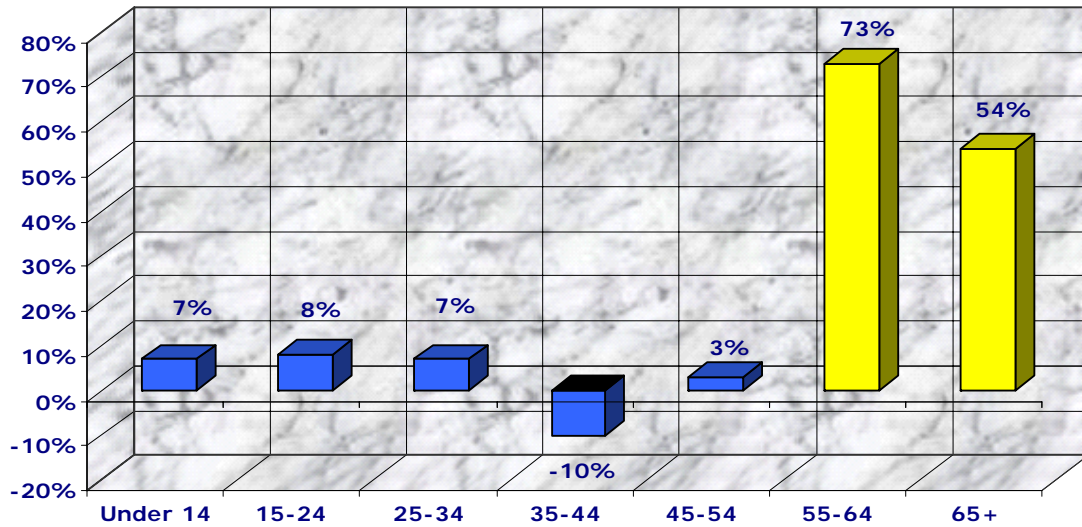
Source: U.S. Census Bureau





Finally, between 2000 and 2020, the majority of the Baby Boom Generation reaches retirement age.

**Chart 2F: Changes in U.S. Population Growth, 2000 - 2020**



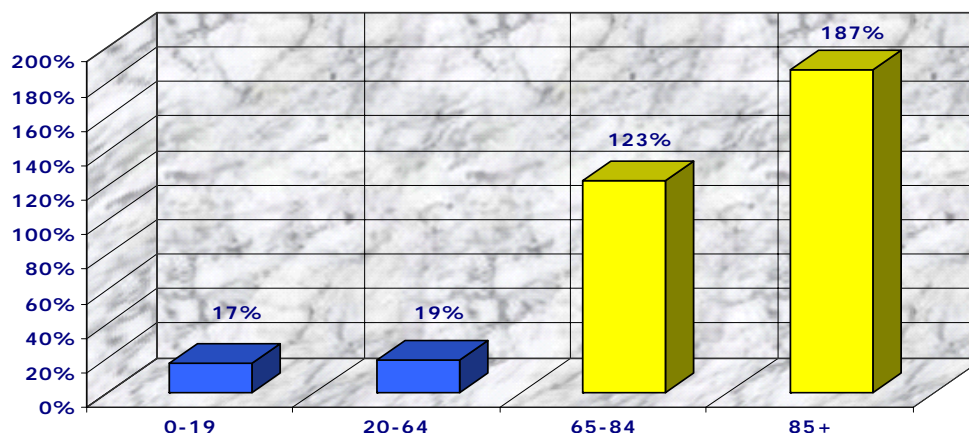
Source: U.S. Census Bureau

In Delaware, the aging of the population is more pronounced than it is for the country as a whole. Although the United States' population of those age 65 and older is expected to double (increasing by 104.2 percent between 2000 and 2030, or from almost 35 million to almost 71.5 million), the U.S. Census Bureau expects Delaware's senior citizen population to increase at an even greater rate – by 133.8 percent, or from just over 100,000 in 2000 to over 230,000 in 2030, an increase of over 130,000.<sup>2</sup> (The Delaware Population Consortium, an organization including state, county, and local governments that produces a common set of population and household projections for the state, projects an increase in the 65-and-older population of 134,226 – or 129.4 percent – for the years 2000 (103,724) and 2030 (237,950), consistent with the Census Bureau projections.)

<sup>2</sup> U.S. Census Bureau, Population Division, *Interim State Population Projections, 2005*, Table 4 (April 21, 2005)



**Chart 3A: Rate of Population Growth by Age, 2000 - 2030**



Source: Delaware Population Consortium

Indeed, Delaware is aging by many measures. According to projections by the Delaware Population Consortium:<sup>3</sup>

- The population of those age 65 and older will increase by almost 106 percent, or about 123,000, between the years 2005 and 2030 – more than half the projected increase in the state's entire population (200,565) over the same period.
- The population of the "oldest of the old" – those age 85 and older – will more than double, from 14,118 in 2005 to 30,952 in 2030, an increase of 119.2 percent.
- In fact, not only are there more older people, but these older people also are living longer. The average lifespan of Delawareans continues to increase, rising from 74.6 years in 1983 to 76.9 years in 2003.<sup>4</sup>
- The median age of Delaware's population will increase from 36 in 2000 to 40.5 in 2015, and to 43.6 in 2030. Sussex County is the beach-head of this "age wave," with the highest median age in 2005: 42.4 years, up from 41.4 in 2000.

<sup>3</sup> Delaware Population Consortium, *Annual Population Projections*, Version 2006 (October 26, 2006). The 2005 edition of *Annual Population Projections* reflects a slight decrease in the total population over 2005 estimates. These data also incorporate the actual births and deaths since 2000, the latest Bureau of Census estimates, and the latest migration data from the IRS. Internally, projections were increased for Kent County to reflect increased housing unit construction over the past two years. Projections in New Castle and Sussex counties were reduced slightly to offset the change in Kent County and to reflect slower growth in the state overall. The Consortium's projections are based on mortality, fertility, workforce, and migration data, supplemented by other data sources, including health, census, school enrollment, and Medicare enrollment figures.

<sup>4</sup> Delaware Health Statistics Center, "Life Expectancy at Birth by Race and Sex: Delaware, 1983 to 2003." For general statistics regarding the well-being of American senior citizens, see Federal Interagency Forum on Aging-Related Statistics, "Older Americans Update 2006: Key Indicators of Well-Being" (July 2006), available at: [http://www.agingstats.gov/Agingstatsdotnet/Main\\_Site/Data/2006\\_Documents/OA\\_2006.pdf](http://www.agingstats.gov/Agingstatsdotnet/Main_Site/Data/2006_Documents/OA_2006.pdf)





**Chart 3B: Summary of Age Group Changes**

All Age Groups: Statewide						
Age Groups	2005		2030		2005-2030	2005-2030
	Number	Percent	Number	Percent	Difference	Percent
<b>0-19</b>	225,531	26.74%	254,633	24.39%	29,102	12.90%
<b>20-64</b>	502,699	59.59%	551,522	52.82%	48,823	9.71%
<b>65-84</b>	101,192	12.00%	206,998	19.83%	105,806	104.56%
<b>85+</b>	14,118	1.67%	30,952	2.96%	16,834	119.24%
<b>Total</b>	843,540	100.00%	1,044,105	100.00%	200,565	23.78%

All Age Groups: New Castle County						
Age Groups	2005		2030		2005-2030	2005-2030
	Number	Percent	Number	Percent	Difference	Percent
<b>0-19</b>	143,079	27.36%	147,779	24.57%	4,700	3.28%
<b>20-64</b>	317,708	60.75%	325,829	54.18%	8,121	2.56%
<b>65-84</b>	53,891	10.30%	111,297	18.51%	57,406	106.52%
<b>85+</b>	8,338	1.59%	16,438	2.73%	8,100	97.15%
<b>Total</b>	523,016	100.00%	601,343	100.00%	78,327	14.98%

All Age Groups: Kent County						
Age Groups	2005		2030		2005-2030	2005-2030
	Number	Percent	Number	Percent	Difference	Percent
<b>0-19</b>	42,009	29.18%	50,689	26.74%	8,680	20.66%
<b>20-64</b>	84,617	58.77%	102,892	54.29%	18,275	21.60%
<b>65-84</b>	15,394	10.69%	31,953	16.86%	16,559	107.57%
<b>85+</b>	1,949	1.35%	4,002	2.11%	2,053	105.34%
<b>Total</b>	143,969	100.00%	189,536	100.00%	45,567	31.65%

All Age Groups: Sussex County						
Age Groups	2005		2030		2005-2030	2005-2030
	Number	Percent	Number	Percent	Difference	Percent
<b>0-19</b>	40,443	22.91%	56,165	22.18%	15,722	38.87%
<b>20-64</b>	100,374	56.85%	122,801	48.49%	22,427	22.34%
<b>65-84</b>	31,907	18.07%	63,768	25.18%	31,861	99.86%
<b>85+</b>	3,831	2.17%	10,512	4.15%	6,681	174.39%
<b>Total</b>	176,555	100.00%	253,246	100.00%	76,691	43.44%

Source: Delaware Population Consortium



## **B. Delaware's Population Is Aging Even More, Due to the In-Migration of Senior Citizens**

Some of this increase in Delaware's senior citizen population is driven by Delawarean Baby Boomers, a large cohort that simply is aging in place. But some of the increase is fueled by the arrival of senior citizens moving to Delaware. Between 1995 and 2000, for example, 2,679 additional seniors age 65 and older moved into Delaware, according to the Census Bureau, or just under 25 new senior citizens for every 1,000 residents overall. That rate gave Delaware the fifth-highest rate of senior citizen in-migration in the nation during that period, behind only Nevada, Arizona, Florida, and South Carolina.<sup>5</sup>

In the 2000 Census, Delaware was tied for 21<sup>st</sup> among the states and the District of Columbia in the share of its population age 65 and older (13 percent).<sup>6</sup> That percentage is projected to balloon by 2030, vaulting Delaware into the top 10 states, at number 9.<sup>7</sup> Delaware is projected to surpass even neighboring Pennsylvania, which ranked second behind Florida in 2000.

### **1.3. Delaware's Working-Age Population Is Shrinking as a Percentage of the Whole**

Although Delaware's senior citizen population will increase dramatically, Delaware's working age population, those age 20 - 64, will increase by only 9.7 percent from 2005 to 2030. As the Baby Boom Generation reaches retirement age, the working-age population will decline as a percentage of the state's population, from 59.6 percent in 2005 to 52.8 percent in 2030. This shift in the age balance will mean that there will be just 2.32 working-age Delawareans for every resident age 65 and older in 2030, barely half the ratio of 4.36-to-1 that existed in 2005. The ratio of the working to total non-working population (ages 0 - 19 and 65+) will fall from 1.47-to-1 in 2005 to only 1.12-to-1 in 2030 – nearly one dependent for every worker.

At the other end of the age spectrum, Delaware's population of children age 19 and under will grow at an anemic rate, increasing by an average of 1,164 children each year from 2005 until 2030. By 2030, Delaware's percentage of population under the age of 19 is projected to fall to 24.4 percent, down from 26.74 percent in 2005: There will not be a lot of new income-earners in the pipeline.

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<sup>5</sup> Beth Miller, "Retirees Flock to Delaware," Re-Max Real Estate Guide, at <http://www.beachteam.com/real-estate/articles/retireesflocktodelaware.html>

<sup>6</sup> U.S. Census Bureau, Population Division, *Interim State Population Projections, 2005*, Table 3 (April 21, 2005)

<sup>7</sup> Ibid.



**Chart 4: Comparison of Working and Non-Working Age Groups**

	2005	2030
<b>Total Population</b>	843,540	1,044,105
<b>Working Age (20-64)</b>	502,699	551,522
<b>Percent Working Age</b>	59.59%	52.82%
<b>Non-Working Age (0-19, 65+)</b>	340,841	492,583
<b>Percent Non-Working Age</b>	40.41%	47.18%

Source: Delaware Population Consortium

#### **1.4. Delaware's Population Is Becoming More Racially and Ethnically Diverse**

Another, if less dramatic, trend will be Delaware's gradually increasing diversity, racially and ethnically.<sup>8</sup> According to the 2000 Census, Delaware's population was more racially and ethnically diverse than at any time since before the Civil War, when the state's population included thousands of enslaved African Americans.

During Delaware's slaveholding past, the state's population was more than 20 percent African American between 1790 and 1850. Although a majority of Delaware's slaves were freed between 1800 and 1860 – Delaware had the highest percentage of free African Americans of any slaveholding state during the antebellum period – the state's enslaved population helped boost the percentage of African Americans to 25 percent of the state's total population by the 1840 Census.<sup>9</sup> Following the Civil War and the end of slavery, however, Delaware's population slowly grew less diverse and increasingly white. Between 1870 and 1940, the percentage of white Delawareans increased from 81.8 percent to 86.5 percent, while black Delawareans declined from 18.2 percent to 13.5 percent.

Since World War II, however, Delaware's population has been trending slowly but steadily back toward increased diversity. The long decline in the state's black population reversed and in the last decade, has begun to approach historically-high levels.

At the same time, other ethnic groups have been growing in Delaware as well. The 1940 Census for the first time identified Hispanics in Delaware – defined as whites whose mother's tongue was Spanish. They numbered only 200. By 1960, the number of non-African American persons of color in Delaware topped 1,000. It was

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<sup>8</sup> Historical racial and ethnic data in this section are derived from Campbell Gibson and Kay Jung, U.S. Census Bureau, "Historical Census Statistics on Population Totals By Race, 1790 to 1990, and By Hispanic Origin, 1970 to 1990, For The United States, Regions, Divisions, and States," Table 22: Delaware – Race and Hispanic Origin: 1790 to 1990, available at: [www.census.gov/population/documentation/twps0056/tab22.pdf](http://www.census.gov/population/documentation/twps0056/tab22.pdf)

<sup>9</sup> Although a slave state, Delaware remained in the Union throughout the Civil War. Slavery did not end in Delaware until the enactment of the 13<sup>th</sup> Amendment in 1865. In many respects, though, Delaware adopted various Jim Crow legislation in the decades following the Civil War, including a poll tax in 1873 and a segregated public education system. In 1891, Delaware also established an African American state college, the State College for Colored Students, now Delaware State University. Delaware public schools remained segregated until the mid-1950s. Information regarding Delaware's history of slavery can be found in William H. Williams, *Slavery and Freedom in Delaware, 1639-1865* (1996).



not until the 1970 Census that data on Hispanic origin – people who classified themselves as Spanish, Hispanic, or Latino, including those whose origins are from Spain, the Spanish-speaking countries of Central or South America, the Dominican Republic or people identifying themselves as Spanish-American – was first captured. By 1980, the census data included 9,661 persons of Hispanic origin in Delaware, a figure that jumped to 15,820 (2.4 percent of the population) in the 1990 Census and 37,277 (4.8 percent) in 2000.<sup>10</sup>

**Chart 5: Delaware Race and Ethnicity, 1790 - 2000**

Year	Total Population	White		African American		All Other Races	
		Number	Percent	Number	Percent	Number	Percent
2000	783,600	584,773*	74.6%	150,666	19.2%	48,181	6.2%
1990	666,168	528,092*	79.3%	112,460	16.9%	25,616	3.8%
1980	594,338	483,129*	81.3%	95,845	16.1%	15,364	2.6%
1970	548,104	466,459	85.1%	78,276	14.3%	3,369	0.6%
1960	446,292	384,327	86.1%	60,688	13.6%	1,277	0.3%
1950	318,085	273,878	86.1%	43,598	13.7%	609	0.2%
1940	266,505	230,328*	86.4%	35,876	13.5%	301	0.1%
1930	238,380	205,718	86.3%	32,602	13.7%	60	0.0%
1920	223,003	192,615	86.4%	30,335	13.6%	53	0.0%
1910	202,322	171,102	84.6%	31,181	15.4%	39	0.0%
1900	184,735	153,977	83.4%	30,697	16.6%	61	0.0%
1890	168,493	140,066	83.1%	28,386	16.8%	41	0.1%
1880	146,608	120,160	82.0%	26,442	18.0%	6	0.0%
1870	125,015	102,221	81.8%	22,794	18.2%	0	0.0%
1860	112,216	90,589	80.7%	21,627	19.3%	NA	NA
1850	91,532	71,169	77.8%	20,363	22.2%	NA	NA
1840	78,085	58,561	75.0%	19,524	25.0%	NA	NA
1830	76,748	57,601	75.1%	19,147	24.9%	NA	NA
1820	72,749	55,282	76.0%	17,467	24.0%	NA	NA
1810	72,674	55,361	76.2%	17,313	23.8%	NA	NA
1800	64,273	49,852	77.6%	14,421	22.4%	NA	NA
1790	59,096	46,310	78.4%	12,786	21.6%	NA	NA

Source: U.S. Census Bureau

\* White, Not Hispanic Origin

<sup>10</sup> U.S. Census Bureau, "The Hispanic Population," 2000 Census Brief, Table 2, Hispanic Population by Type for Regions, States, and Puerto Rico: 1990 and 2000 (May 2001)



By 2030, people of color (African American, Hispanic, Asian and Pacific Islander, American Indian, Eskimo, and Aleut) are projected to comprise nearly 28 percent of Delaware's population, up from 22.77 percent in 2000 and 21.7 percent in 1990.<sup>11</sup> Racial and ethnic trends in the state will include:<sup>12</sup>

- The African American population will increase by 57.2 percent – 90,266 people – between 2000 and 2030. As a share of the total state population, the African American population will increase from 19.2 to 23.8 percent – its highest proportion since 1840.
- Delaware's Hispanic population will continue to increase. The Delaware Population Consortium estimates that the "All Other Race/Ethnic Group" (mostly Hispanic) population will increase by 107 percent by 2030. Non-African American persons of color will increase as a percent of the overall state population from 2.7 percent to 4.2 percent.
- The growth in Delaware's Hispanic and foreign-born population will significantly increase the number of non-English- or limited-English-speaking Delawareans. According to the Census Bureau's American Community Survey, the portion of the Delaware population age five and older who spoke a language other than English at home rose from 9.7 percent to 11.5 percent between 2002 and 2005.<sup>13</sup> The number of Delawareans estimated to speak English less than "very well" topped 37,000, or roughly 4.9 percent of the population age five and older.<sup>14</sup>

According to the Delaware Population Consortium's projections, each of the three counties will become more ethnically diverse, and will see increases in both the African American population and those classified as "All Other Races."

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<sup>11</sup> Delaware Population Consortium, *Annual Population Projections*, Version 2006 (October 26, 2006)

<sup>12</sup> Throughout this report, data from a variety of sources, including the U.S. Census Bureau and the Delaware Population Consortium, are used. For the sake of consistency, we rely mostly on Delaware Population Consortium data in this section. However, in recent years, the U.S. Census Bureau has been assembling more detailed racial and ethnic data, particularly regarding those of Hispanic or Latino origin. The Delaware Population Consortium includes Hispanics and Latinos within an all-inclusive "All Others" category, which includes all persons of color except African Americans. Because U.S. Census data separates out Hispanics from other racial and ethnic categories, including Asian and Pacific Islanders and American Indians, it would appear to provide a more robust view of Delaware's growing Hispanic population. Although the total percentage of Hispanics will be relatively small as a subset of the state's total population, the growth in the number of Hispanics has been and will continue to be large. According to the U.S. Census Bureau, from 1990 to 2000, the Hispanic population in Delaware grew from 15,820 to 37,277. Just between 2000 and 2005, the Census Bureau estimates that the number of Hispanics in Delaware increased by nearly another 13,000 people, to 50,218. This Census Bureau data, though, differs from Delaware Population Consortium data, which estimated that the state's "All Others" category included 21,328 people in 2000 and 27,701 people in 2005.

<sup>13</sup> U.S. Bureau of the Census, 2005 American Community Survey, Select Social Characteristics in the United States – Delaware data set

<sup>14</sup> Ibid.





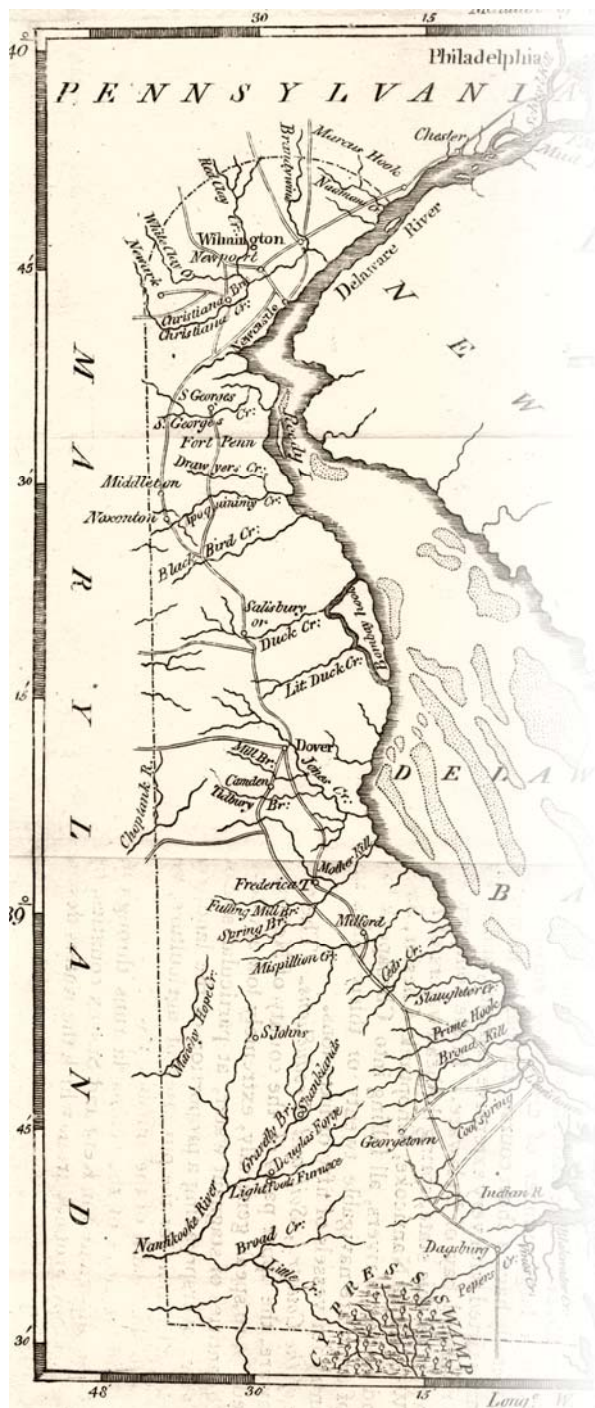


Image courtesy of the Delaware Public Archives

## New Castle

- Almost 55 percent of the population growth in New Castle County between 2005 and 2030 is expected to be African American, accounting for almost 43,000 of the more than 78,000 in estimated county population growth. By 2030, the African American population will represent about 27.2 percent of New Castle County's total population.
- The City of Wilmington is projected to be only 30.8 percent white by the year 2030, down from 34.9 percent in 2005. By 2030, 62 percent of the population of the City of Wilmington will be African American.
- While New Castle County is expected to grow by 15 percent, the All Other Racial/Ethnic group is expected to surge by 40.4 percent by 2030.

## Kent

- The rate of increase in the African American population in Kent County is projected to be 42.2 percent, about 10 percent more than the projected overall population increase for the county.

## Sussex

- Although it is the least diverse of the counties with a minority population of only 16.03 percent in 2005, Sussex County's "all other races" population – mostly Hispanic – is increasing rapidly. The Delaware Population Consortium estimates that this group will grow by 232 percent between 2005 and 2030.
- Between 2005 and 2030, Sussex County is projected to experience a 48 percent increase in its African American population, a slightly higher rate than the county's projected overall population growth of 43.4 percent.



**Chart 6A: Racial / Ethnic Composition – State of Delaware, Counties & Wilmington, 2005**

2005	Total Population	White		African American		All Other Races	
		Number	Percent	Number	Percent	Number	Percent
State of Delaware	843,540	636,873	75.50%	178,966	21.22%	27,701	3.28%
New Castle County	523,016	381,340	72.91%	120,675	23.07%	21,001	4.02%
Kent County	143,969	107,282	74.52%	32,790	22.78%	3,897	2.71%
Sussex County	176,555	148,251	83.97%	25,501	14.44%	2,803	1.59%
City of Wilmington	72,213	25,232	34.94%	42,342	58.63%	4,639	6.42%

Source: Delaware Population Consortium

**Chart 6B: Racial / Ethnic Composition – State of Delaware, Counties & Wilmington, 2030**

2030	Total Population	White		African American		All Other Races	
		Number	Percent	Number	Percent	Number	Percent
State of Delaware	1,044,105	751,915	72.02%	248,035	23.76%	44,155	4.23%
New Castle County	601,343	408,189	67.88%	163,668	27.22%	29,486	4.90%
Kent County	189,536	137,542	72.57%	46,627	24.60%	5,367	2.83%
Sussex County	253,226	206,184	81.42%	37,740	14.90%	9,302	3.67%
City of Wilmington	69,097	21,250	30.75%	42,842	62.00%	5,005	7.24%

Source: Delaware Population Consortium

### 1.5. Delaware's Population Is Shifting to New Locations within the State

Delaware's population will continue to move southward, a trend that has been ongoing for the last 65 years.

For most of its history, Delaware's population has been concentrated in and around the City of Wilmington, while the southern part of the state was predominantly rural and agricultural. Incorporated in 1832, the City of Wilmington saw its importance grow during the Civil War. Although Delaware was divided between Union-leaning partisans in its north and slave-owning farmers in the southern part of the state, the City of Wilmington provided an industrial base for the Union, eventually producing ships, railroad cars, gunpowder, shoes, tents, uniforms, blankets, and other goods.<sup>15</sup> The city's economy continued to thrive following the Civil War. By 1868, Wilmington was producing more iron ships and gunpowder than anywhere else in the country and ranked second in the manufacturing of carriages and leather.

<sup>15</sup> City of Wilmington website, "About Wilmington" at [www.ci.wilmington.de.us/history.htm](http://www.ci.wilmington.de.us/history.htm)



In 1860, 21,250 people lived in the City of Wilmington. The period between the Civil War and the end of World War I witnessed Wilmington's growing industrial might, and the city's population grew accordingly, reaching 110,168 in 1920. According to census data, the city accounted for 41 percent of Delaware's population in 1900. As in many other American cities, significant numbers of immigrants contributed to Wilmington's population boom around the turn of the century, with 14 percent of the population being foreign born, primarily Irish and German.<sup>16</sup> The city's population peaked at 112,000 in 1940.

After World War II, local industrial workers began leaving the city for the surrounding suburbs, aided by better highways, the purchase of automobiles, and increased residential development. According to census data, between 1920 and 1960, the city's population dropped 13 percent while the population of the surrounding metropolitan area increased by 400 percent.

Thus, while in 1950, 70 percent of Delaware's population lived in New Castle County, the Delaware Population Consortium estimates that New Castle County accounted for only 62 percent of the state's population by 2005.

More recently, the southerly population shift has been augmented by swelling Sussex County's population with retirees who once vacationed in communities along the eastern shore and since have moved there permanently, as well with as newcomers who are attracted to the coastal communities because of their quality of life and their low-cost of living. For example, in 2002 the University of Delaware surveyed 688 residents of Sussex County on growth, development, and land issues facing the county; the findings included information on the characteristics of Sussex County residents such as:<sup>17</sup>

- 66 percent of coastal residents reported living in the area for 20 years or less, compared to 38 percent of inland residents.
- Coastal residents lived in the area for 19 years, on average, compared to 33 years for inland residents.
- Coastal residents were more likely to be older and more educated than inland residents – the average age for coastal residents was 62 compared to 57 for inland residents.
- Retirees comprised 60 percent of respondents living in coastal areas, compared to 42 percent of respondents living inland.
- Only 18 percent of survey respondents were born in Sussex County.

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<sup>16</sup> U.S. Geological Survey, "Historical Information for Wilmington," available at: [http://mcmweb.er.usgs.gov/de\\_river\\_basin/phil/wilm\\_data.html](http://mcmweb.er.usgs.gov/de_river_basin/phil/wilm_data.html).

<sup>17</sup> James M. Falk and Paul C. Gerner, Quality of Life in Sussex County Delaware: Understanding Coastal and Inland Residents' Preferences, Attitudes, and Opinions (Lewis, Delaware: University of Delaware Sea Grant Marine Advisory Service, August 2004)



The cumulative effect of these changes is a southward drift in the state's population center. During the next few decades, while the population will increase in all three counties, the largest growth will occur in Sussex and Kent Counties, with Sussex experiencing the greatest percentage increase in population (60.8 percent from 2000 to 2030). In coming years, while the absolute number of people will increase in New Castle County, the percentage of the state's population in New Castle County will decrease. It will remain the most populous county by far, still containing well over half of the state's population in 2030. But the population gap between New Castle County and the rest of the state will narrow.

Unlike the state as a whole, or even New Castle County, the City of Wilmington is expected to experience a total population decline of more than 3,000 people (or 4.3 percent) from 2005 to 2030, driven by decreases in white residents (a decrease of more than 4,000, or 16.5 percent) and young people (a decrease of 1,313 in those age 0 – 19). The City will experience a decline in all age groups, in fact, except those aged 65 – 84.

**Chart 7A: Population Growth by County**

Years	Delaware	New Castle County		Kent County		Sussex County	
	# of Persons	# of Persons	% of Population	# of Persons	% of Population	# of Persons	% of Population
<b>2000</b>	786,418	501,856	63.80%	127,103	16.20%	157,459	20.00%
<b>2005</b>	843,540	523,016	62.00%	143,969	17.10%	176,555	20.90%
<b>2015</b>	939,185	560,980	59.70%	167,094	17.80%	211,111	22.50%
<b>2030</b>	1,044,105	601,343	57.60%	189,536	18.20%	253,226	24.30%

Source: Delaware Population Consortium



## 2. THESE DEMOGRAPHIC CHANGES WILL HAVE PROFOUND IMPLICATIONS FOR PUBLIC SERVICES

### 2.1. Delaware's Population Growth Will Increase Public Demand for Services Across the Board

As noted earlier, Delaware's population is projected by the U.S. Census Bureau to increase by 229,058 between the years 2000 and 2030, from a population of 783,600 to just over 1 million in 2030. (The Delaware Population Consortium projects an increase of 257,687 for these same years.) Each one of these new Delawareans will require a range of services:

- All of these additional Delawareans will require suitable housing and access to such infrastructure as water, sewers, energy, and telecommunications.
- These additional Delawareans will travel on the state's roads and highways.<sup>18</sup>
- These additional Delawareans will need access to health care. Many of these 229,058 new Delawareans will be elderly and require services that are specific to an aging population, including state-subsidized health care, long-term care and prescription drug coverage, Meals on Wheels, senior centers, and public transportation.
- Some of these new Delawareans will be children and youth who will need to be educated in school facilities equipped to provide an increasingly rigorous, 21<sup>st</sup> Century education.
- Many of these new Delawareans will seek employment and some will turn to the state's workforce development and training programs or access unemployment benefits if they are unable to find work.

These 229,058 people are not merely replacing Delawareans who die or leave the state. They will add to those who are already here. These new Delawareans will seek out open areas for recreation. They will consume natural resources. They will compete for jobs and openings in Delaware colleges and universities.

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<sup>18</sup> The State of Delaware has devised a strategy to address transportation needs in its plan called *Transitioning to Transit: Delaware's Long Range Transit Plan for the 21<sup>st</sup> Century*, which spans the years 2000-2025. Because the transit study already focuses on transportation needs during this time period as a result of changing demographics, and proposes eight key recommendations, this report will not cover transportation in great detail. For example, the study calls for increasing transit funding to increase ridership, integrating transit planning and land development, designing downstate transit to the needs of distinct markets, and promoting an integrated statewide transit system, among four other recommendations.





## 2.2 The Aging Population Will Generate Increasing Public Demands Across a Range of Service Areas

The aging of the state's population will generate a broad range of implications that Delaware state government, among other entities, will have to address in the coming years.

An ever-increasing population of senior citizens will create significant pressures on the wide range of existing state programs that assist them. These include such obvious areas as health care-related programs, as well as services that target senior citizen populations such as transit programs and Meals on Wheels. But they also include policy issues and areas that touch upon such things as affordable housing, financial services, job retraining, and such low-income programs as home heating subsidies.

The following discussion highlights some policy and spending areas that will be affected as Delaware's population ages.

### A. Delaware Senior Citizens Will Have Significant Health Care Needs

Delaware's aging population, combined with national trends, will have significant implications for the state's health care needs.

Aging is linked to decreasing health status and increasing disability rates. While some studies have found that rates of disability and nursing home utilization have been declining nationally, health care costs have been rising at a staggering rate: U.S. health care spending now accounts for about 16 percent of gross domestic product, double the average rate of spending found among other industrial nations.<sup>19</sup> So long as those rising cost trends continue, the aging of Delaware's population will put increasing strain on state-funded health care programs that serve Delawareans.

According to the U.S. Administration on Aging, spending on health care in the U.S. will increase by 25 percent by 2025 simply due to the aging of the population unless a greater emphasis is placed on prevention.<sup>20</sup> If that prediction holds true for Delaware, overall health care spending for the entire state, including both public and private payers, could increase from \$5.8 billion in 2005 to \$7.25 billion in 2030, not including inflation or the cost of new technology, unless more illnesses are prevented.<sup>21</sup>

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<sup>19</sup> Cathy Schoen, Karen Davis, Sabrina K.H. How, and Stephen C. Schoenbaum, "U.S. Health System Performance: A National Scorecard," *Health Affairs* (September 2006)

<sup>20</sup> The Aging States Project: An Overview, at [www.aoa.gov/prof/agingnet/healthyaging/collaboration/AgingStatesProject.pdf](http://www.aoa.gov/prof/agingnet/healthyaging/collaboration/AgingStatesProject.pdf)

<sup>21</sup> Calculation based on 2005 health care spending of \$5.8 billion and 25 percent growth in health spending due to aging. Figures from Delaware Health Care Commission, October 2006, at [www.state.de.us/dhcc/pdfs/PR2TotalCostReportOct2006.pdf](http://www.state.de.us/dhcc/pdfs/PR2TotalCostReportOct2006.pdf) and The Aging States Project: An Overview, at [www.aoa.gov/prof/agingnet/healthyaging/collaboration/AgingStatesProject.pdf](http://www.aoa.gov/prof/agingnet/healthyaging/collaboration/AgingStatesProject.pdf)



Nationally, per capita health care expenditures and spending on nursing home and home health are projected to increase by more than 170 percent by 2015.<sup>22</sup> Such a dramatic increase undoubtedly will raise issues as to our ability to pay for health care services in the future. According to one investment company, Fidelity Investments, the average American couple retiring this year will need approximately \$200,000 to cover health care costs not covered by Medicare over the next 20 years of retirement, and this figure does not include long-term care expenses.<sup>23</sup>

Health care already represents one of the single biggest expenditures for states and likely will continue to do so in the future. In fact, health and social services, including Medicaid, - the federal/state program that finances health care for tens of thousands of Delawareans - represents the second largest line item after public education in Delaware's budget. Two years ago, the Medicaid budget (including both federal and state funding) totaled about \$869 million<sup>24</sup> and provided coverage to about 138,000 Delawareans, many of them senior citizens receiving long-term care;<sup>25</sup> The state share totaled about \$401 million, representing more than 12 percent of the state budget.<sup>26</sup> The Centers for Medicare and Medicaid (CMS) project that total health spending will rise from \$6,700 per person in 2005 to \$11,045 in 2014.<sup>27</sup> This means that Delaware could expect its total state health spending, including Medicaid, to increase by as much as 65 percent per person over the next eight years - an estimated \$530 million more than what Delaware spent (federal and state funding combined) in 2005.

In fact, the growth in the number of older Delawareans will increase demand for services throughout the state's health care system. There may be increased demand for a range of health care services and facilities, such as ambulatory care centers, acute care facilities, laboratories, and clinics. Hospitals and other health systems will need to respond, perhaps by expanding their capacity to deal with cardiac, oncology, rehabilitation, and geriatric treatment modalities. The state may have to examine ways to deliver high-quality health care services to the elderly poor more cost effectively without limiting access to care, such as by transitioning more senior citizens to community-based care options from institutional care settings like nursing homes.

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<sup>22</sup> Borger et al., "Health Spending Projections through 2015: Changes on the Horizon," *Health Affairs* (February 2006), at <http://content.healthaffairs.org/cgi/reprint/25/2/w61.pdf>

<sup>23</sup> Fidelity Investments, The Risk of Health Care Costs, at [http://personal.fidelity.com/planning/retirement/content/health\\_care\\_costs.shtml](http://personal.fidelity.com/planning/retirement/content/health_care_costs.shtml)

<sup>24</sup> Delaware: Total Medicaid Spending, 2005, Kaiser Family Foundation, at [www.statehealthfacts.org](http://www.statehealthfacts.org)

<sup>25</sup> Delaware Streamlining Initiative (2/25/2005) [www.dhss.delaware.gov/dhss/admin/streamlininginitiative.html](http://www.dhss.delaware.gov/dhss/admin/streamlininginitiative.html)

<sup>26</sup> Delaware Financial Advisory Committee, Department of Finance, Fiscal Notebook web link at [www.state.de.us/finance/publications/DEFAC.shtml](http://www.state.de.us/finance/publications/DEFAC.shtml)

<sup>27</sup> National Health Care Expenditure Data, Historical and Projections published by the Centers for Medicare & Medicaid (2005-2014), at [www.cms.gov](http://www.cms.gov)



## **B. Increasing Numbers of Octogenarians Will Require Greater Long-Term Care Services**

Long-term care can be even more costly. While approximately 31 percent of those turning 65 today will not need to use long-term care, most will - 17 percent will use it for less than one year, 32 percent will need it for more than one year but less than five, and 20 percent will need care for more than five years.<sup>28</sup>

Unfortunately, many people at or near the age of retirement are unprepared for such catastrophic health and long-term care expenses. As of 2000, the latest year for which data is available, only 18 percent of those senior citizens most likely to use nursing home care had sufficient financial resources to cover 2.5 years in a nursing home.<sup>29</sup> It is estimated that one would need to have about \$100,000 to \$250,000, with an annual 3 percent yield, at age 65 to cover future long-term care expenses.<sup>30</sup>

The graying of the population will intensify demand for long-term care and generate spending increases in the Medicaid program. In spite of the range of long-term care options available, such as assisted living facilities and home health care, more Delawareans – especially those 85 and over – will still need nursing home care, the most expensive form of long-term care. With Medicaid financing about half of all nursing home care, the likely increase in demand for such services has major implications for Delaware's long-term fiscal health.

More than one-third of Medicaid funds now go to finance long-term care, and this share is likely to increase significantly as the population ages. It is expected that Medicaid spending for long-term care will rise faster than private spending and will reach half of all Medicaid spending by 2015, according to the CMS, the federal agency responsible for the Medicaid program. In state fiscal year 2005, Delaware spent \$301.2 million (which includes both the state and federal share of spending) on long-term care for Medicaid-eligible Delawareans.<sup>31</sup> If Delaware's spending for long-term care increases at the same rate projected nationally between 2005 and 2015 (188 percent),<sup>32</sup> then Delaware's Medicaid spending for long-term care will be \$566 million by 2015 – about \$265 million more than the state spent in 2005.

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<sup>28</sup> Kemper et al., "Long-Term Care over an Uncertain Future: What can Retirees Expect?" *Inquiry* (March 2006), pp. 335–350, at [www.inquiryjournalonline.org/inqronline/?request=get-abstract&issn=0046-9580&volume=042&issue=04&page=0335](http://www.inquiryjournalonline.org/inqronline/?request=get-abstract&issn=0046-9580&volume=042&issue=04&page=0335)

<sup>29</sup> American Association of Homes and Services for the Aging, *Financing Long-Term Care: A Framework for America* (July 2006), at [www.aahsa.org/advocacy/documents/Finance\\_Cabinet\\_Report\\_06.pdf](http://www.aahsa.org/advocacy/documents/Finance_Cabinet_Report_06.pdf)

<sup>30</sup> Ibid.

<sup>31</sup> Kaiser Family Foundation, at [www.statehealthfacts.org](http://www.statehealthfacts.org)

<sup>32</sup> Borger et al., "Health Spending Projections through 2015: Changes on the Horizon," *Health Affairs* (February 2006), at <http://content.healthaffairs.org/cgi/reprint/25/2/w61.pdf>



The combination of all of these trends – a growing percentage of senior citizens, increasing health care costs, relatively high rates of chronic diseases and associated risk factors, and inadequate financial preparedness for future health care and long-term care expenses – means that a larger share of health care expenses likely will need to be paid using public resources.

**C. Despite Historically Low Poverty Levels, Senior Citizens are More Likely Than Most Delawareans to Live In or Near Poverty, So That an Aging Population May Also Be a Poorer One**

Older Delawareans are living longer than previous generations, generally are healthier, are better educated, and have more financial stability. Federal programs, such as Social Security and Medicare, and private pension and retirement savings plans have helped reduce poverty in America's senior citizen population during the last few decades, contributing to historically low poverty rates among the elderly.

The poverty rate for Americans aged 65 and older has averaged around 10.1 percent in recent years. Another 6.6 percent of the elderly are classified as "near-poor" (income between 100 and 125 percent of the poverty level). These rates are lower than the poverty rates for children, but higher than those found in the working-age population.<sup>33</sup> Thus, even if poverty rates remain constant at these historically-low levels, as the percentage of the population that is older increases, so too will the numbers of those in or near poverty. The sheer volume of older Delawareans will trigger ever-increasing expenditures for low-income assistance programs. And if economic conditions change – such as a slowing of the national economy, a recession, a stagnant real estate market, or a declining stock market – the number of Delaware's senior citizens who live in or near poverty could increase, requiring additional outlays for public assistance.

For example, about one-third of Delaware households receiving funding under the Low Income Home Energy Assistance Program (LIHEAP) had at least one member age 60 or older in 2000.<sup>34</sup> Households that received summer cooling assistance had an even higher concentration of elderly (47 percent). As the number of senior citizens living in poverty increases as the population ages – potentially rising from about 10,274 impoverished seniors in 2000 to 24,020 in 2030 and if the rate of poverty simply remains constant at about 10.1 percent<sup>35</sup> – more and more low-income senior citizens will seek assistance through existing low-income programs, such as LIHEAP, requiring either additional funding or changes in program eligibility.

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<sup>33</sup> Carmen DeNavas-Walt, Bernadette D. Proctor, and Cheryl Hill Lee, *Income, Poverty, and Health Insurance Coverage in the United States: 2005*, U.S. Census Bureau, Current Population Reports, P60-231, 2006.

<sup>34</sup> Leslie Lee, Delaware LIHEAP Director, Testimony before the Subcommittee on Education and the Workforce, U.S. House of Representatives, July 8, 2003, at [www.neada.org/comm/testimony/testimony030708.pdf](http://www.neada.org/comm/testimony/testimony030708.pdf)

<sup>35</sup> Estimates of the number of Delaware senior citizens living in poverty is based on a 10.1 percent poverty rate of those age 65 and older in 2000 (101,730) and in 2030 (237,823).



#### **D. Increasing Numbers of Senior Citizens Will Require Changes in Public Transit, Driving, Sidewalks, and Other Forms of Mobility**

The demand for transportation other than personal vehicles likely will increase over time to accommodate the transportation needs of an older population. Studies show that one in five Americans age 65 and over do not drive due to declining health, eyesight, physical or mental abilities, concern over safety, and no car or access to a car.<sup>36</sup> The lack of transportation options confines as many as 50 percent of older, non-drivers to their home.<sup>37</sup>

Public transportation will become an increasingly critical resource for senior citizens to make short trips to a doctor's office, supermarket, or drug store. New housing developments increasingly will need to factor in meaningful transportation and mobility options for senior citizens, including wide sidewalks and mass transit. Specialized transportation options, such as an expansion of paratransit and taxi services, may be needed for many, especially those living in rural areas like southwest Sussex County.

An aging population also will mean that the state and local governments will need to place a greater emphasis on driver safety, continued driver training and education, and pedestrian safety. According to the National Highway Transportation Safety Administration, older drivers are involved in a higher percentage of accidents. For example, in 2000, older people made up 9 percent of the U.S. population but represented 13 percent of all deaths attributed to traffic fatalities and 17 percent of all pedestrian deaths attributed to fatalities.<sup>38</sup> In areas with a rapidly increasing number of elderly drivers, driving lanes may need to be widened, or more traffic lights and stop signs added, and traffic signs might need to be presented in larger fonts and placed in locations that will make it easy for older drivers to view.

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<sup>36</sup> Linda Bailey, *Aging Americans: Stranded Without Options* (Washington DC: Surface Transportation Policy Project,, 2004)

<sup>37</sup> Ibid.

<sup>38</sup> National Highway Traffic Safety Administration, "Traffic Safety Facts 2000, Older Population." at: <http://www-nrd.nhtsa.dot.gov/Pubs/2000OLDPOP.PDF>





## **E. Rising Numbers of Senior Citizens Will Change Housing Patterns and Create a Greater Demand for Affordable Housing**

The aging of Delaware's population will affect the demand for housing in several important ways:

- Since aging is also associated with chronic disease and disabilities that affect the ability to live independently,<sup>39</sup> the increase in the numbers and percentage of elderly Delawareans is likely to increase demand for group quarters such as assisted living facilities or nursing home care, decreasing somewhat the demand for individual housing.
- Although homeownership is common among this demographic,<sup>40</sup> older Delawareans may prefer to downsize as they age, to either purchase or rent smaller dwellings rather than own large houses that require more upkeep.
- In addition, families may choose to provide elder care by having the older relative live with them, although most non-institutionalized senior citizens live on their own.
- Clearly, income levels and housing prices affect housing choices; given that the majority of senior citizens are likely to be retired and living on a fixed income, rising home maintenance costs and utility costs may force them to sell their property and downsize, or even consider renting to eliminate the expense of home maintenance costs.
- Given that for many older Delawareans the home represents their most valuable asset, some may need to tap into that wealth using a financial tool like a home equity loan or reverse mortgage to fund home remodeling projects or to pay for expenses like medical care, basic needs, and/or taxes.
- Because many senior citizens will give up driving either voluntarily or under a doctor's orders, future housing development for this population should be planned with access to transportation in mind.

An aging population therefore may change the amount and distribution of the demand for development and housing-related infrastructure – such as streets, sewers and water – as well as public safety and transportation services. The aging of the population may also increase the need for rent subsidies or public housing, if private resources prove to be insufficient – a likely scenario if housing costs remain high or begin escalating rapidly again.

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<sup>39</sup> About 80 percent of older persons have at least one chronic health condition, and 50 percent have multiple conditions. Chronic diseases and impairments, particularly arthritis, hypertension, heart disease, vision/hearing impairments, diabetes, and respiratory disorders, are some of the leading causes of disability among older people. ("65+ in the United States: 2005," U.S. Census Bureau, Current Population Reports, P60-231, 2006. P23-209, 2006.)

<sup>40</sup> The 2002 Delaware Statewide Housing Needs Assessment: In the year 2000, home ownership rates among those age 55 and over ranged from 81.8 percent in New Castle County, to 82.8 percent in Kent County, to 89.9 percent in Sussex County.



At a minimum, this new senior population will require investments in changing the existing housing stock, such as modifications to make properties handicap-accessible and otherwise more conducive to senior needs, as well as construction of senior housing.

#### **F. Aging Senior Citizens May Place a Greater Demand on Financial and Other Services**

Additional consumer and financial assistance programs will be needed as more Delawareans approach retirement age, and these programs will need to be designed for ease of access by the elderly. The likelihood of being poor in old age is high – 4 of every 10 Americans will be poor after age 60.<sup>41</sup>

New issues around saving for retirement and financial security will arise from those nearing, and those already in retirement. The shift away from defined-benefit to defined-contribution retirement plans will mean that more retired individuals will need to manage their own investment money.<sup>42</sup> Furthermore, some retirees are not aware that Medicare does not cover long-term care expenses and therefore do not adequately plan for these needs. Others simply do not budget enough money to cover their needs as they age, and they may need to re-enter the workforce to make ends meet.

There will be a growing need for financial literacy assistance and instruction, especially courses geared toward women, who have a longer life expectancy than men.<sup>43</sup> Many senior citizens will need personal assistance on a range of topics such as understanding health care bills, correcting bills that are wrong, obtaining prescription drugs, handling real estate transactions, and reducing utility bills or home repair costs.<sup>44</sup>

According to the 2005 White House Conference on Aging, “one of the greatest societal challenges facing our country will be protecting the financial and health care futures of vulnerable elder Americans and increasingly vulnerable Baby Boomers. More law enforcement and regulators therefore will be needed to police, prevent, and prosecute criminals and crooks who needlessly prey on this population and go after their life savings.”<sup>45</sup> Stricter predatory lending laws with stiffer penalties may be needed to discourage unscrupulous individuals from victimizing older, more vulnerable Delawareans.

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<sup>41</sup> Beyond 50: A Report to the Nation on Economic Security (Washington DC,: AARP, May 2001)

<sup>42</sup> Ibid.

<sup>43</sup> In Delaware, the life expectancy of a woman in 2003 was 80 years, versus 74.5 years for a man. Delaware Health Statistics Center, “Life Expectancy at Birth by Race and Sex: Delaware, 1983 to 2003, Table F-27

<sup>44</sup> To review some of the hundreds of financial questions and decisions that older Americans may consider, see the American Institute of Certified Public Accountants, “360 Degrees of Financial Literacy,” at [www.360financialliteracy.org/Life+Stages/Retirement/](http://www.360financialliteracy.org/Life+Stages/Retirement/)

<sup>45</sup> The 2005 White House Conference on Aging, at <http://www.whcoa.gov/>



## **2.3 The Increasing Ethnic Diversity of the Population Creates Economic, Educational, Health, and Other Opportunities and Challenges**

Delaware's increasing ethnic diversity will create numerous benefits and opportunities in the state, and also some challenges – especially the impact it will have on the types of public services needed. These challenges generally are consistent with national trends but nonetheless will require local ingenuity and solutions.

### **A. Persons of Color Tend to Earn Less and Are More Likely to Live in Poverty**

In Delaware, as in the rest of the United States, notable differences exist in income among populations. According to the 2000 Census, white households in Delaware made \$50,498 on average, while Hispanic households made \$36,290 and African American households \$35,414.<sup>46</sup> The disparity in income is attributable to many different factors such as educational attainment, job skills, health status and historically discriminatory practices.

In 2000, according to U.S. census data, Hispanics nationwide were more likely than whites but less likely than African Americans to fall below the poverty line. While 9 percent of whites lived below the poverty line, 22 percent of African Americans and 21 percent of Hispanics lived in poverty. These national poverty rates are consistent with percentages in Delaware. In 2003, 22.5 percent of the Hispanic population in Delaware lived in poverty,<sup>47</sup> despite the fact that the state's overall poverty rate was only 9 percent.<sup>48</sup>

Lower incomes may result in the higher utilization of public assistance programs. In addition, it will be critical to the state's economy to develop policies and programs to reduce disparities in areas such as education, workforce development, housing assistance, and health care.

### **B. Significant Differences Exist in Educational Outcomes for Children of Color**

The state's school population is already becoming significantly more diverse than the state as a whole: While, as noted earlier, Delaware's population is currently about 76 percent white, 21 percent African American, and 3 percent other races, of the approximately 119,000 students enrolled in the state's public school system, only 58.5 percent are white, while 31.4 percent are African American, 7.2 percent are Hispanic, 2.6 percent are Asian, and another 0.3 percent are Native American.<sup>49</sup> This increasing diversity raises a number of policy implications for the state.

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<sup>46</sup> U.S. Census Bureau, American Fact Finder, "Census 2000 Demographic Profile Highlights: Selected Population Groups"

<sup>47</sup> Governor's Advisory Council on Hispanic Affairs (GACHA), 2005 Annual Report

<sup>48</sup> U.S. Census Bureau, Ranking Tables: 2003, at [www.census.gov/acs/www/Products/Ranking/2003/R01T040.htm](http://www.census.gov/acs/www/Products/Ranking/2003/R01T040.htm)

<sup>49</sup> Rodel Foundation of Delaware, Opportunity Knocks: Assessing Delaware's Education System (July 2005).



Educational disparities among children of color present challenges to Delaware's public education system, and as the population becomes more diverse these challenges likely will become more widespread. Data shows that there are significant differences in education outcomes among children of minority populations. There are some bright spots: African Americans improved more in Delaware than in any other state on 4<sup>th</sup> grade reading tests between 1998 and 2005, according to Education Trust data. Delaware ranked 8<sup>th</sup> best in narrowing the white - African American grade 4 NAEP reading achievement gap and 7<sup>th</sup> on the white - African American grade 8 NAEP mathematics achievement gap, and had the second-highest African American 2005 grade 4 NAEP Reading Average Scale Score. The state had the nation's third-highest grade 8 NAEP Math Average Scale Score for African Americans.

But on the state's standardized reading test, the Delaware Student Testing Program (DTSP), African American students performed more poorly than any other subgroup, and Latino students performed only slightly better. On the grade 8 NAEP assessment, African American and white students made only nominal gains (4 points for both groups), while Latinos made stronger gains (11 points). On the grade 8 mathematics DTSP, African Americans fared worst, with Latino students only slightly better overall.

Most importantly in today's global economy, only 42 percent of Hispanic students and 53 percent of African American students graduate from high school in four years compared to 68 percent of white students.<sup>50</sup>

Different educational strategies are being and will need to be explored, ranging from expanded assistance for non-English-proficient students to training programs to improve the ability of teachers to teach students from diverse racial and cultural backgrounds.

These educational changes and interventions may not be limited to the K-12 setting. Delaware's public college and university system may need to invest

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<sup>50</sup> Ibid. Drafting a generally-accepted definition of the graduation rate remains an elusive goal. According to the Economic Policy Institute (EPI) report, *Rethinking High School Graduation Rates and Trends*, the traditional method of calculation – using schools' enrollment figures compared to the number of diplomas obtained – results in exaggerated dropout rates. EPI instead uses "a range of data sources...based on school records, household surveys, and longitudinal tracking of students." This method makes multiple attempts to remove bias, such as excluding institutional populations (military, prisons) and discounting recent immigrants. According to this approach, the "Current Population Survey" method, nationally 80-83 percent graduate with a regular diploma; the most optimistic data – from the National Education Longitudinal Study (NELS) – show an 82 percent completion rate. For African American students, the completion rate is 69-75 percent (or 74 percent according to NELS data). The NELS data indicate a dropout rate of 25 percent for African-Americans; half of these dropouts will eventually earn a GED. For Hispanics, the completion rate is 61-74 percent (74 percent according to NELS). In 2000, the African American-versus-white graduation gap was 15 percentage points; the Hispanic-versus-white gap was 23 points. The EPI concludes that the dropout rate has declined over the past 40 years, and that the African American achievement gap is smaller than before. However, EPI acknowledges little improvement in the past ten years, excluding among Hispanic students. The EPI publication cites the same Manhattan Institute report cited in footnote 52, *infra*. Finally, in its 2006 report, *Education Watch: Delaware*, The Education Trust defines its graduation rate as the probability that a student in the 9<sup>th</sup> grade will complete high school on time with a regular diploma. The report provides 2003 data for Delaware, which point to an African American graduation rate of 48 percent, a Latino rate of 43 percent, a white rate of 67 percent, and an overall rate of 61 percent. These numbers fall significantly below the rates in the EPI data.



resources in additional remediation programs to bolster the basic skills of entering first-year students in order to improve the likelihood of the completion of a college degree.

In particular, due to the additional challenge of English serving as only the second language in most immigrant households, the K-12 and post-secondary systems will need to do a better job of ensuring that greater percentages of Hispanic students learn and graduate, to ensure that this population has the skills needed to succeed in the workforce. This is especially important given that:

- The Hispanic population generally is younger, less affluent, less educated, and more likely to be employed in lower-wage and lower-skilled jobs than whites.<sup>51</sup>
- In 2000, employed Hispanics were less likely than either whites or African Americans to hold managerial and professional positions. Fourteen percent of Hispanics were employed as managers or professionals compared with 33 percent of whites and 22 percent of African Americans.
- Forty-three percent of Hispanics aged 25 or older lacked a high school diploma, compared with 22 percent of African Americans and 12 percent of whites in 2000.

An Hispanic second generation – the children of Spanish-speaking immigrants – is beginning to come of age as the white majority population is aging. By 2030, the members of this second generation will comprise a greater share of the state's workforce and may help alleviate some of the anticipated labor shortages as the Baby Boomers retire, since Hispanics have the highest rate of workforce participation among all racial groups – 68 percent for persons 16 and over in the year 2000.<sup>52</sup> Hispanic women, however, had the lowest labor force participation rates at 57 percent, compared with 61 percent for white and 64 percent for African American women. But this will require bolstering the educational achievement and credentials of these young Hispanics.

In addition, to ensure that Hispanic workers have an equal opportunity to pursue and obtain professional and managerial positions in the workforce, the state may need to ensure that job training programs are reaching out to and including Hispanic workers and providing career ladders that offer upward employment mobility. The state also must ensure that equal opportunity employment laws are being enforced and that discrimination is not excluding Hispanics from employment opportunities.

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<sup>51</sup> For an in-depth analysis of the Hispanic experience in America and a fuller rendering of national demographic trends as they pertain to Hispanics, see, for example, National Research Council, *Multiple Origins, Uncertain Destinies: Hispanics and the American Future* (2006), chapters 2 and 5.

<sup>52</sup> National Research Council, *Multiple Origins, Uncertain Destinies: Hispanics and the American Future* (2006), Executive Summary, p. 3





### **C. Differences in Health and Wellness Also Will Widen As the Population Becomes More Diverse**

Delaware's increasing proportion of racial and ethnic minorities, particularly African Americans and Hispanics, will have effects on the state's health care system. Unless action is taken, disparities in health outcomes and access to health care that adversely affect these groups will grow more pronounced as the number of minorities in the population grows.

African Americans in Delaware are more likely than whites to experience adverse health outcomes as infants and children (such as low birth weight, infant death, teen births, and HIV/AIDS) and as senior citizens (such as heart disease, cancer, stroke, and diabetes).<sup>53</sup> According to the Centers for Disease Control and Prevention, African Americans of all ages in Delaware are more likely to be overweight or obese than whites (70 percent of African Americans compared to 53.6 percent of whites). The increased incidence of chronic diseases may be one reason why African Americans require home health and nursing home care at earlier ages than whites. And African Americans are more than three times as likely as whites to be hospitalized.

The demand for acute care will increase if groups that historically experience poorer health status are not targeted for prevention efforts and afforded more appropriate care – and this could have large long-term fiscal implications for the state. For example, Delaware African Americans are three times more likely than whites to be enrolled in the Medicaid program – a program that will cost the state \$463 million in fiscal year 2007 and represents 15 percent of the state's total budget for that year.<sup>54</sup> Therefore, unless efforts are made to reduce racial and ethnic income disparities, health disparities, and other inter-related conditions, increased ethnic diversity could mean higher Medicaid rolls and a population in greater need of both acute and long-term care.

The quality of Delaware's environment also affects the health status of all age groups, especially children and senior citizens. Children are particularly susceptible to long-term damage from elevated blood lead levels and exposure to mercury, which result in reduced IQ, lost earnings potential, and higher state expenditures for health care, special education, and criminal justice. Asthma is another major environmental health problem, with asthma-related charges to Delaware Medicaid totaling \$13.9 million in 2003 – children under four are the most likely age group in Delaware to be hospitalized for asthma. These environmental problems are more likely to afflict minorities: Statistics show African Americans in Delaware are three times as likely as whites to be hospitalized for asthma – and the disparity is growing worse.<sup>55</sup> Although a

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<sup>53</sup> Health Disparities in Delaware 2004, prepared for Delaware Health Commission by Eric Jacobson, John Jaeger, and Ed Ratledge with Barbara Gladders of the Delaware Division of Public Health, [www.state.de.us/dhcc/pdfs/HealthDisparitiesFinal2004.pdf](http://www.state.de.us/dhcc/pdfs/HealthDisparitiesFinal2004.pdf)

<sup>54</sup> FY 2007 Final Operating Budget, at [http://budget.delaware.gov/fy2007/operating/FY07\\_SB350\\_BudgetBill.pdf](http://budget.delaware.gov/fy2007/operating/FY07_SB350_BudgetBill.pdf)

<sup>55</sup> Health Disparities in Delaware 2004: Overview, Center for Applied Demography & Survey Research, Institute for Public Administration, and College of Human Services, Education, and Public Policy, University of Delaware: <http://www.cadsr.udel.edu/DOWNLOADABLE/DOCUMENTS/mwulhealthdisp09.pdf>



national statistic for the African American - white disparity ratio was not provided, Delaware's lifetime asthma prevalence rate for adults (number of cases per 100 population), is fairly consistent with the national average for the years 2000 – 2003, with exception of 2001 when Delaware's rate is actually 0.8 percentage points higher than the national average.<sup>56</sup> In 1997, African American hospitalization rates for asthma were 2 ½ times the rate for whites.<sup>57</sup> Thus, as the population continues to become more racially and ethnically diverse and until more progress is made to reduce the asthma hospitalization rates, this trend likely will continue.

To compound the problem of disparities in health outcomes, African Americans and Hispanics in Delaware are more likely than whites to be uninsured. In 2004 - 2005, the uninsured rates for African Americans and Hispanics in the state were 21 percent and 18 percent, respectively, as a portion of the total population, compared to 16 percent of whites.<sup>58</sup> This represents a higher rate of uninsured among African Americans than the national average of 15 percent, and a lower rate for Hispanics than the national average of 30 percent.<sup>59</sup> As Delaware's population becomes more diverse, the uninsured rate probably also will increase, absent intervention. This higher rate of uninsured among a population that is growing rapidly – and which tends to have more children<sup>60</sup> – may mean greater utilization of emergency room care, unless more of these uninsureds can gain access to health care or at the very least affordable preventive care. Greater access to preventive health care is also important, especially given higher birthrates. To the extent that culturally and linguistically appropriate preventive health care can be provided to and used by child-bearing women and children, there may be lower utilization of expensive emergency care and better health-related outcomes.

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<sup>56</sup> Lifetime Asthma Prevalence for Adults (Number of Cases Per 100 Population), by State, 2000-2003, at [http://www.ahrq.gov/qual/asthmacare/asthmatable1\\_1.htm](http://www.ahrq.gov/qual/asthmacare/asthmatable1_1.htm)

<sup>57</sup> Health Disparities in Delaware 2004: Overview, Center for Applied Demography & Survey Research, Institute for Public Administration, and College of Human Services, Education, and Public Policy, University of Delaware, at <http://www.cadsr.udel.edu/DOWNLOADABLE/DOCUMENTS/mwulhealthdisp09.pdf>

<sup>58</sup> Delaware: Distribution of the non-elderly uninsured by race/ethnicity (2004-2005) and U.S. (2005), Urban Institute and Kaiser Commission on Medicaid and the Uninsured estimates based on the Census Bureau's March 2005 and 2006 current population survey, at [www.statehealthfacts.org](http://www.statehealthfacts.org)

<sup>59</sup> Ibid.

<sup>60</sup> See next section.



#### **D. Racial and Ethnic Distinctions in Family Size May Also Affect Public and Private Infrastructure Investment Needs**

The 2000 and 2005 Census data<sup>61</sup> regarding the rapidly-growing Hispanic population highlight a number of demographic distinctions, including:

- The median age of the Hispanic population in 2005 was 27.2 years, compared with 40.3 for whites and 30 for African Americans.
- About 34 percent of Hispanics were younger than 18, compared with 25 percent of the U.S. population in general, about 30 percent of African Americans and 21.6 percent of whites.
- In 2000, Hispanics had a fertility rate of 3.1, one birth higher than the national total fertility rate of 2.1.
- About 81 percent of Hispanics in 2000 lived in family households, well above the non-Hispanic national average (69 percent). Of Hispanic family households, 56 percent had four or more people, compared with 32 percent of white households.

The expanding Hispanic population may require smaller investments in housing infrastructure if household size trends persist and larger, inter-generational families continue to live together. But it is also possible that over time, as younger generations assimilate, they may seek to set out on their own at rates equal to their white and African American peers, requiring a commensurate expansion in the stock of rental and single-family housing. State demographers can help policymakers determine which outcome is more likely by studying and analyzing the growth, size, and mobility of Hispanic families.

### **2.4 The Population Is Shifting to New Locations, Which Will Require New Infrastructure and New Investments**

New challenges will be created as the state's population shifts from its traditional population centers like the City of Wilmington into previously less-populated areas of the state.

#### **A. New School Infrastructure Will Be Needed, Not Because of Increasing Numbers of School-Aged Children, but Due to Population Shifts**

The state's population of children under age 19 is not expected to grow a great deal – a statewide increase of about 29,102 children, or 12.9 percent growth, from 2005 to 2030 (compared to overall population growth in the same period of 29.2 percent). As a result, children under 19 will represent a smaller percentage of the total population, decreasing to 24.4 percent in 2030 compared with 26.7 percent in 2005.

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<sup>61</sup> U.S. Census Bureau, "Nation's Population One-Third Minority," (May 10, 2006), Table 3 (Selected Age Groups for the Population by Race and Hispanic Origin for the United States: July 1, 2005); Joshua Bonilla, Population Resource Center, "A Demographic Profile of Hispanics in the U.S." (October 2001)



Despite that, many school districts are reporting a need for new school facilities. More important than the comparatively modest increase in children is a shift in the population geographically that is causing a mismatch between the location of current schools and the areas where most students reside. Student enrollment data from recent school years demonstrate the overall modest growth in the school-age population – as well as the concentration of that growth in Kent County and New Castle County’s Appoquinimink School District.

Projections of future student enrollment rates appear to continue to follow recent growth trends and are expected to remain fairly stable during the next 10 years. Despite low student enrollment growth rates throughout much of the state, some school districts are reporting a need for new school construction and modernization funds. Over time, as children grow up and homes are built in new areas, current school locations will no longer coincide with the concentration of where children actually live. Some school districts – notably Appoquinimink and Smyrna, but other suburban districts as well – are growing at a rate that most likely cannot be absorbed without the construction of new schools.



**Chart 9: Enrollment by District (Average Daily)** <sup>62</sup>

School Districts	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Change in ADM	% Change 2001-06
Appoquinimink	5,346	5,815	5,813	6,393	6,710	7,294	+ 1,948	+ 36.44%
Brandywine	10,953	10,557	10,702	10,601	10,645	10,573	- 380	- 3.47%
Christina	19,882	19,755	19,606	19,407	19,417	19,233	- 649	- 3.26%
Colonial	10,521	10,441	10,353	10,339	10,454	10,475	- 46	- 0.44%
Red Clay	15,827	15,777	15,624	15,556	15,398	15,728	- 99	- 0.63%
NCC Vo-Tech	3,289	3,316	3,375	3,392	3,464	3,492	+ 203	+ 6.17%
Other (Charters)	2,113	2,987	3,651	4,204	4,470	4,551	+ 2,438	+ 115.39
<b>New Castle Total</b>	<b>67,931</b>	<b>68,648</b>	<b>69,124</b>	<b>69,892</b>	<b>70,558</b>	<b>71,346</b>	<b>+ 3,415</b>	<b>+ 5.03%</b>
Caesar Rodney	6,765	6,700	6,666	6,608	6,742	6,967	+ 202	+ 2.99%
Capital	6,239	6,259	6,115	5,909	5,864	5,982	- 257	- 4.12%
Lake Forest	3,435	3,402	3,429	3,397	3,572	3,740	+ 305	+ 8.88%
Milford	3,777	3,679	3,742	3,795	3,761	3,909	+ 132	+ 3.49%
Polytech	1,040	1,068	1,127	1,146	1,149	1,150	+ 110	+ 10.58%
Smyrna	3,379	3,494	3,247	3,311	3,645	3,930	+ 551	+ 16.31%
Other(Charters)	376	377	1,103	1,746	1,758	1,693	+ 1,317	+350.27%
<b>Kent Total</b>	<b>25,011</b>	<b>24,979</b>	<b>25,429</b>	<b>25,912</b>	<b>26,491</b>	<b>27,371</b>	<b>+ 2,360</b>	<b>+ 9.44%</b>
Cape Henlopen	4,145	4,150	4,256	4,262	4,311	4,371	+ 226	+ 5.45%
Delmar	949	977	1,025	1,066	1,061	1,070	+121	+ 12.75%
Indian River	7,601	7,482	7,747	7,757	7,802	7,887	+ 286	+ 3.76%
Laurel	2,108	1,944	2,001	2,008	2,040	2,131	+ 23	+ 1.09%
Seaford	3,676	3,381	3,441	3,447	3,376	3,304	- 372	- 10.12%
Sussex Tech	1,158	1,195	1,207	1,211	1,215	1,194	+ 36	+ 3.11%
Woodbridge	1,964	1,893	1,904	1,915	1,938	1,942	- 22	- 1.12%
Other(Charters)	227	868	310	307	317	322	+ 95	+ 41.85
<b>Sussex Total</b>	<b>21,828</b>	<b>21,890</b>	<b>21,891</b>	<b>21,973</b>	<b>22,060</b>	<b>22,221</b>	<b>+ 393</b>	<b>+ 1.80%</b>
<b>All Schools</b>	<b>114,770</b>	<b>115,517</b>	<b>116,444</b>	<b>117,777</b>	<b>119,109</b>	<b>120,938</b>	<b>6,168</b>	<b>+ 5.37%</b>

Source: Delaware Department of Education

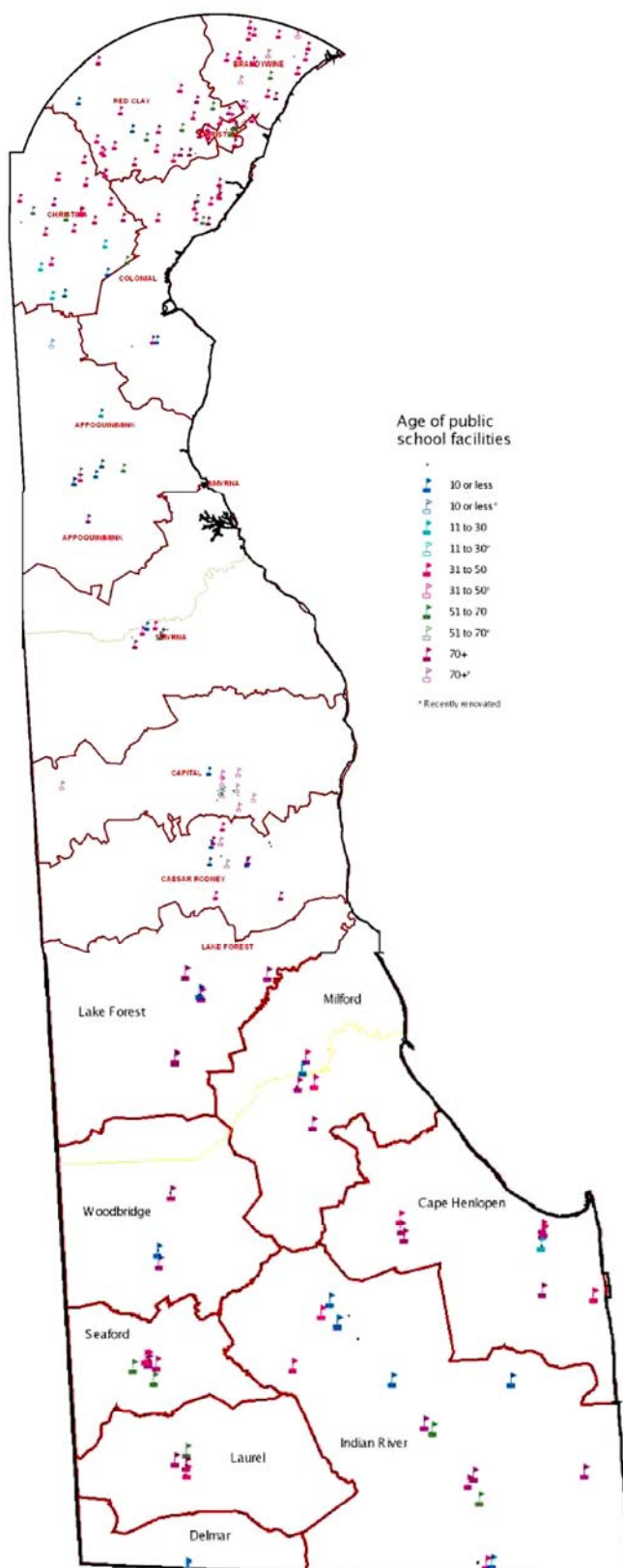
<sup>62</sup> Delaware Department of Education enrollment data, at <http://www.doe.k12.de.us/info/reports/enrollment/default.shtml>





The age of Delaware's school infrastructure also has an impact on the need for new investments. Delaware's schools are aging, with an average age of 46 years. Not all old schools must be replaced; many have undergone renovations and improvements throughout the years. But many schools in the state need to be modernized to meet current educational needs. For example, some older schools require updated electrical systems to support increased use of computers, printers, copiers, science lab equipment, and other machines and equipment that did not exist in schools decades ago, while other schools need new plumbing and HVAC systems. And other schools simply may have reached the end of their useful life cycles and need to be replaced, not due to increasing populations but simply due to their age and condition.





### Map 1: Distribution of Aging School Facilities <sup>63</sup>

<sup>63</sup> Edward L. Kenney and Andrew Tangel, "Aging Schools Need Replacing, Upgrading, *News Journal* (July 31, 2006), at <http://www.delawareonline.com/apps/pbcs.dll/article?AID=/20060731/NEWS03/607310357/1006/rss>



## **B. As the Population Expands into Less Developed Areas, Greater Investment in a Variety of Infrastructure Initiatives Is Needed**

Delaware's expanding population has required investments in a variety of infrastructure, from roads to sewers to housing. For example, between 1990 and 2006, an estimated 84,000 new homes have been built in Delaware.<sup>64</sup> But unlike most other states, Delaware state government bears the majority of many of these infrastructure costs – including roads, schools, and flood control. For example, the state maintains 86 percent of Delaware's roads – compared to only 19 percent in other states.<sup>65</sup> The state currently faces a shortfall of more than \$1 billion in funding for road projects needed from now until 2012, including the expansion and re-routing of U.S. 301 to accommodate growth in and near Middletown, as well as projects such as the West Dover Connector and a new Indian River Inlet Bridge.<sup>66</sup>

The continued need for investments in major infrastructure will cost state government millions of additional dollars unless these costs are shifted elsewhere or managed better. Each time residential subdivisions are built away from existing population centers, new sewers, sewage treatment systems, streets, and sidewalks are needed. Often taxpayers and policymakers focus on the up-front capital costs of such infrastructure, in part because these costs can be significant. For example, New Castle County's proposed centralized sewage plant has been estimated to cost \$300 million, and sewer rates in that county have risen by at least 40 percent in recent years. But studies have found that the ongoing maintenance costs of public infrastructure tend to exceed initial capital costs over time: A study by the Natural Resources Defense Council, for instance, concluded that average annual operations and maintenance costs for water and wastewater systems are about three times greater than their annualized capital costs.<sup>67</sup> Thus, there may be significant cost savings from channeling growth into more compact, or already-developed, areas, since the cost of water and sewer service decreases as the number of connections per mile increases. But regardless of whether development occurs in a planned, compact, and sustainable fashion or as haphazard, ill-planned, and runaway sprawl, the costs of needed investments in public infrastructure will only increase.

The state's energy infrastructure needs also must be addressed. As the state's population expands, there will be an increasing demand for energy to fuel the growing population and economy. According to the state's energy office, Delawareans currently consume approximately 280 trillion British Thermal Units (BTUs) of energy in different forms every year – equal to approximately 7.4 gallons of oil per person per day. Most of this energy – 84 percent – comes

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<sup>64</sup> Cris Barrish and Merritt Wallick, "Runaway Development Overwhelming Delaware," *News-Journal* (April 2, 2006), at <http://www.delawareonline.com/apps/pbcs.dll/article?AID=/20060402/NEWS/604020361/1196/NEWS>

<sup>65</sup> Ibid.

<sup>66</sup> Ibid.

<sup>67</sup> Natural Resources Defense Council, *Another Cost of Sprawl: The Effects of Land Use on Wastewater Utility Costs* (1998), at [www.nrdc.org/cities/smartGrowth/cost/costinx.asp](http://www.nrdc.org/cities/smartGrowth/cost/costinx.asp)



from fossil fuels and is used to fuel homes, businesses, industry, transportation, and electricity generation. Energy consumption has increased slowly and steadily, rising by 42 trillion BTUs between 1980 and 2001 – an average annual increase of 0.7 percent.

**Chart 11: Delaware Energy Usage (by Type)**

Type of Energy Source	Percentage of Use
Petroleum	50%
Natural Gas	21%
Imported Electricity	15%
Coal	13%
Other	1%

Source: Delaware Energy Office

Delaware will need to generate or purchase increasing amounts of energy, and/or invest in strategies to use existing supplies of energy more efficiently. In already-developed areas, the state could invest in programs to reduce energy consumption to offset the need to build new power plants or import additional energy. Thus, the development and funding of programs to reward energy efficiency, such as the purchase of energy-efficient appliances and products and the strengthening of energy-efficient building codes, could promote greater infilling and economic development in already developed areas without further investment in the existing energy infrastructure.

Delaware recently has made some progress in improving its energy efficiency. In 2006, the Delaware General Assembly established a task force to study the feasibility of developing a Sustainable Energy Utility that will serve as a non-profit entity to develop end-user markets for energy efficiency, customer-sited renewable energy, and affordable energy services for low-income families.<sup>68</sup> The task force issued its final report in March of this year, which concluded that energy efficiency, conservation, and customer-sited renewables can protect price volatility of energy prices, lower costs and reduce energy bills, promote the creation of high-quality, sustainable jobs, provide a clean energy source, and cut emissions that harm human health, among its findings.<sup>69</sup> Based on lessons learned by other states like California and Maryland, Delaware can develop its own energy-efficient market and energy policy initiatives, and there is no better time to get into the game than now. In fact, legislation was recently signed to enact the Sustainable Energy Utility.

<sup>68</sup> Sustainable Energy Utility Task Force, at <http://www.seu-de.org/>

<sup>69</sup> Ibid.



Even if energy efficiency does increase, Delaware may well need to build additional power plants and transmission lines, and/or import increasing amounts of energy from out of state. This will be particularly true as the population increases in what are currently less-populated, rural regions. As a result, state and local governments will need to facilitate access to lands for those transmission lines, power substations, and the like. Utility customers will bear the costs of the construction of new power plants and the transmission infrastructure unless the state buys down those costs in an effort to keep electricity rates lower.

Complicating this energy picture is the reality that Delaware is heavily dependent on fossil fuels. Very little electricity – less than one percent of the state's total – is generated in Delaware through renewable sources, ranking Delaware 48<sup>th</sup> out of the 50 states. As a result of these two factors, Delaware's economy and consumers are particularly susceptible to oil and natural gas price increases and supply shortages due to problems that are well beyond their control, such as Middle East political crises or instability and supply constraints due to events like Hurricanes Katrina and Rita. This heavy reliance on fossil fuels also threatens Delaware's air quality, as emissions from fossil fuel-based power plants are a leading source of pollutants. That's why the ongoing process to consider new forms of energy – and especially the use of off-shore wind power – is so important.

### **C. Some Parts of the Economies of Previously Rural Areas of Delaware Likely Will Change Due to These Population Shifts**

As more and more people and businesses move into Sussex and Kent Counties, there will be increasing pressure from developers to sell off agricultural and other open lands in order to build housing and commercial developments. Although the owners of those lands might benefit from the sale and conversion of their farmlands to residential and commercial developments, others working in agriculture, livestock, and food manufacturing industries will not fare as well.

While agriculture currently represents less than 6 percent of Sussex County's economy, with roughly 476 farms or companies in the agricultural business,<sup>70</sup> and only 6.5 percent of Kent County's economy, with 324 farms or companies engaged in agricultural businesses,<sup>71</sup> related industries almost double the impact: Approximately 16,700 people or 11 percent of the combined workforce of Kent and Sussex Counties are employed in agricultural and related food manufacturing sectors. If there is considerable turnover of agricultural lands due to population increases in those counties, large numbers of employees in these industries could lose their jobs, with limited options for re-employment within their chosen industries. This could result in not-insubstantial public outlays to retrain and re-employ these workers, as well as possible public assistance until these re-employment efforts succeed.

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<sup>70</sup> Delaware Economic Development Office, Select Area Profiles, Sussex County, at [http://www.state.de.us/dedo/business/siteselection/quicklook/sussex\\_county\\_web.pdf](http://www.state.de.us/dedo/business/siteselection/quicklook/sussex_county_web.pdf)

<sup>71</sup> Delaware Economic Development Office, Select Area Profiles, Kent County, at [http://www.state.de.us/dedo/business/siteselection/quicklook/kent\\_county\\_web.pdf](http://www.state.de.us/dedo/business/siteselection/quicklook/kent_county_web.pdf)





### 3. DEFINING THE BIG SQUEEZE: INCREASING DEMAND FOR PUBLIC SERVICES – AND, AT THE SAME TIME, DECREASING ABILITY TO MEET THIS DEMAND

It has been said that demographics are destiny. If so, Delaware's future will be driven by significant changes already underway: Its population is growing. It is aging. It is becoming more diverse. And it is gravitating southward and into less developed areas. All these changes will not only affect the character of the state, they will dramatically affect state government's finances.

Each of these demographic developments likely will increase demand for a wide range of public services:

- The growth in the state's population will require additional roads and highways, water and sewer service, and other infrastructure investment.
- The overall aging of the population will increase the demand for health care and long-term care, much of which is paid for by state government through Medicaid and other publicly-funded health care programs. It could mean a rise in the poverty rate and more households in need of assistance in making ends meet – especially with heating and cooling their homes, a particular problem for the elderly. Housing patterns in the state will be affected by the changing age patterns too, as the growing older population increases the demand for separate housing units (due to smaller household size), group living facilities, and publicly subsidized housing. The senior population also will require changes in the state's road network, as well as to communities' sidewalks, and it will both increase the need for transit and change its composition and routes. And an increased number of seniors will call for an increased number of social and financial services.
- As Delaware's population becomes more diverse, it will present a wider range of opportunities for the state – as well as a wide range of challenges. Delaware's more diverse population likely will require additional public services to address issues of poverty and job-readiness, additional education and training, and added public health efforts to address problems ranging from AIDS and obesity to chronic diseases and asthma. These new Delawareans also likely will produce new housing and occupational patterns that will require changes in the state's underlying infrastructure.
- As the population distribution within the state shifts, it will require new investments in schools and infrastructure, as well as programs to ease adjustment to some of the economic dislocations that these population shifts will occasion in some parts of the state.

Taken together, in short, these coming demographic changes will engender demand for a wide range of public services. These services will be extremely costly. If this increased need – from roads and schools to increased education, job training, and social services – is to be met, the public sector will require a lot more money.



Just how much? That is almost impossible to say definitively. The state does not maintain budget projections several decades in advance. But we do know that over the quarter-century from 1983 through 2006, the state general fund budget increased from \$685 million to nearly \$3.2 billion, an increase, in real dollars, of 129 percent.<sup>72</sup> A doubling – or 100 percent growth – in real state spending is therefore a very conservative projection for the next 23 years. Consider that this report earlier cited numbers projecting a roughly 60 percent increase in state Medicaid funding – resulting, by itself, in a roughly 8 percent increase in the total state budget – over just the 9 years from 2005 to 2014. Simply projecting this trend forward in a straight line (which likely understates the exponential growth in the aging population and its health care costs) produces a roughly 30 percent increase in total state spending by 2030, just from this one program alone. As previously noted, the aging and diversification of the population also can be expected to increase the number of Delawareans living in poverty, leading to an increase in state spending in this area, as well, simply to maintain current programs. The state can expect roughly 15,000 more elderly living in poverty by 2030 – a near-tripling – and probably about the same numbers of non-elderly poor. The Hispanic population, for instance, which to date exhibits by far the highest poverty rates in the state, will more than double.

**In short, it is probably not unrealistic to project a doubling in state spending – In real dollars – by 2030 due to the demographic changes documented in this report.**

What does that mean to individual taxpayers? As noted earlier, Delaware's population is expected to grow by approximately 30 percent over the same period, so this doubling of state expenditures represents a 50 percent increase in real state spending per capita – and as income-earners and taxpayers will comprise a declining percentage of the population relative to dependents over this period, the burden on the average state taxpayer due simply to these coming demographic changes is even larger.

Therein lies a problem – a problem that could be called “The Big Squeeze.”

On one side of this “squeeze” is the likely steep increase in demand for expensive public services – an increase due not to policy changes, new programs, or additional spending proposals, but simply to population shifts over which we have little or no control and which are already well under way. No politician is calling for these increases: Under existing conditions, they will simply happen, because our population is growing, aging, becoming more diverse, and relocating – requiring new infrastructure and placing greater strain on existing services.

Meanwhile, on the other side of the “squeeze” is the fact that the taxpaying public is unlikely to be able to afford to meet such an increased demand under current circumstances. For starters, of course no-one wants higher taxes. Governments everywhere are, and likely will continue to be, constrained in their ability to finance increased public spending through increased taxes.

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<sup>72</sup> According to the National Association of State Budget Officers' *The Fiscal Survey of the States*, average state spending nationwide over the past 23 years has grown by an average of 1.9 percent annually, in real terms. This works out to a roughly 57 percent total real growth in state spending over 23 years.



The public's general tax aversion will likely be compounded in coming years as the state's population shifts to the older end of the age spectrum, as older voters – many living on fixed incomes or moving to the state specifically for a low-tax environment – are unlikely to support tax increases. In fact, new residents are less likely than those who have lived in a place their entire lives to support tax increases that benefit education, for example.<sup>73</sup> In some school districts, voters have not been willing to support additional school construction funds, such as in the Brandywine, Christiana, Red Clay, Smyrna, and Caesar Rodney school districts, where residents have rejected recent referenda.

Meanwhile, regardless of willingness to pay, Delawareans' ability to pay taxes to support this increased demand for services will become more strained, as well. The aging of the population means that there will be fewer workers relative to non-workers in the state – fewer wage-earners not only to provide family incomes but also to pay the taxes upon which public services depend. As Chart 4 (Comparison of Working and Non-Working Age Groups) illustrates, as a percent of the population the working age group (those aged 20-64) actually decreases from 60 percent to 53 percent, while the non-working-age groups (those aged 0-19 and 65+) increases from 40 percent to 47 percent during the years between 2005 to 2030.

In addition, many jobs being created are in low-wage industries such as hospitality, retail, and other service industries like hair dressers and massage therapists.<sup>74</sup> Between 2002 and 2012, the jobs with the most annual openings are in retail sales (752), cashiers (623), waiters/waitresses (482), and food preparation and service workers (413).<sup>75</sup> Annual salaries for these occupations range from \$16,800 to \$23,900.<sup>76</sup> In 2002, the majority of jobs in Delaware did not require a college degree – and in fact most jobs (37.2 percent) required only short-term on-the-job training.<sup>77</sup>

In short, Delaware faces the potential of a large and growing demographically-driven need for increased public services across a wide range of areas – schools, infrastructure, forward-looking educational and workforce development programs, health coverage, and income assistance – at the same time that many factors, including these same demographic trends, will make it less likely that Delaware state government will have the resources it needs to address the demand for such services.

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<sup>73</sup> More Elderly Residents Do Not Necessarily Reduce School Tax Base" (March 7, 2005), at <http://www.psu.edu/ur/2005/elderlyschooltax.html>. The full report from which the article is written is Michael B. Berkman and Eric Plutzer, "Gray Peril or Loyal Support? The Effects of the Elderly on Educational Expenditures," *Social Science Quarterly* (2004), pp. 1178–1192.

<sup>74</sup> Ed Simon, Director, Office of Labor Market Information, Delaware Department of Labor, Labor Market Trends, June 2006, at [http://www.delawareworks.com/OOLMI/resources/Presentation3/DLMT\\_files/frame.htm](http://www.delawareworks.com/OOLMI/resources/Presentation3/DLMT_files/frame.htm)

<sup>75</sup> Ibid.

<sup>76</sup> Ibid.

<sup>77</sup> Ibid.



### 3.1. What We Need to Do About It

This “Big Squeeze” poses a serious challenge to Delaware’s future. Large-scale demographic changes are coming to our state – changes over which we have little control. For the most part, these changes are to be welcomed. We are living longer, becoming more diverse, and present a more and more appealing lifestyle that is attracting others to Delaware. But as detailed in this report, all these coming changes carry potentially heavy price tags. That’s why anticipating these changes and being proactive in dealing with them is so important.

Specifically, we can do little about the fact that the state’s population will not only grow, but that it will grow older, more diverse, and more dispersed. However, there are strategies we can pursue to increase our ability to deal with these facts successfully – to address both aspects of the “Big Squeeze” we face from increased costs and constrained ability to pay. These are, very simply, to adopt policies now that will:

- **Lower the costs** that we know are coming in the future.
- **Increase the state’s revenue base** in ways other than raising taxes.

#### A. State Government Should Implement Public Policies That Will Help to Reduce the Expected Costs of the Trends Identified

The Big Squeeze starts with increased costs. So, clearly, one way to address it is to try to hold down those costs. The time to hold down future costs, however, is not the future – it is right now. Just as we can all reduce our own personal health care costs in the future by engaging in healthy lifestyles today, or reduce the costs of repairs by fixing that leaky roof today rather than when the ceiling starts to cave in, so too can the state keep down the costs of health and long-term care programs, educational and workforce needs, and infrastructure expenditures by making certain investments – or changing certain policies or demonstrating foresight – today.

Any discussion of these topics should cover the full range of issues that this report highlights. All the possible solutions cannot be laid out here – but some policies suggestive of the types of actions today that can help reduce costs in these areas tomorrow might include the following:

#### *Long-Term Care and Aging*

- **Promote use of private long-term care insurance to avoid future public dependency.** A very simple action the state could take would be to amend the insurance laws to require third-party notification when long-term care policy premiums are due: Senior citizens deserve direct notice of these important due dates. Often they forget or fail to pay premiums and then find it next to impossible to get coverage reinstated after the policy lapses if their health status has changed. Making sure that those who currently have long-term care coverage do not inadvertently lose it is a cost-free way to make sure such coverage remains intact to reduce possible public exposure in the future.



- **Promote home modifications and other services** – like home health aides or transportation services – to help elder homeowners to remain in their homes and thus save on long-term care costs, including those borne by Medicaid. Such expenses could be major burdens for senior citizens on fixed incomes, however. While reverse mortgages are not for everyone, in appropriate cases they can help an eligible homeowner who is over the age of 65 to access the (often considerable) equity in his or her home for such purposes while remaining in the home. Helping older Delawareans to do so could help save the public considerable sums down the road.
- **Develop alternatives to nursing home care.** Programs that provide in-home services and community-based care can help seniors to remain at home rather than depending upon more expensive institutional care.
- **Reduce chronic disease rates.** Building on the work of the Health Disparities Task Force, Delaware could launch a coordinated effort, partnering with senior centers, faith-based organizations, and other community groups, to dramatically reduce chronic disease rates among older minorities and low-income Delawareans. Such an effort should focus on those conditions such as hypertension, diabetes, cancer, and cardiovascular disease, which are most likely both to disproportionately affect elderly minorities and to result in an increased need for long-term care.

### ***Health Care Generally***

- **Strengthen the provider safety net in rural and minority communities** by promoting volunteer physician programs like the Delaware Health Care Commission's Community Health Care Access Program (CHAP) that allows patients to access health care providers participating in the Voluntary Initiative Program and other physician or dentist organizations, expanding nurse-managed care centers, and expanding school-based health centers. Each of these initiatives has the potential to improve health care access throughout the state, but is especially important for those who are uninsured or live in more rural areas where it is difficult to access care. Volunteer physician and dentist organizations help address the needs of the uninsured. Nurse-managed care centers help reduce the cost of care in health centers serving the uninsured without jeopardizing quality. School-based health centers help to engage students in a wide range of health issues such as smoking cessation and preventive care, as well as identify and refer for mental health problems or more acute physical health needs.





## ***Housing and Communities***

- **Ensure that sufficient current construction is accessible to decrease the need for retrofitting.** Construction elements should include wide doorways, grab bars, walk-in showers, and other features to make the environment more livable for aging Delawareans.
- **Increase the supply of affordable housing in more densely populated areas where the lack of an adequate supply of housing drives up the price of homes.** Building on Livable Delaware, Delaware can maximize smart growth and sustainable development priorities like infill housing and development within areas that are already developed; housing built close to public transportation; and construction that meets applicable energy codes and uses Energy Star standards.
- **Require discussion of future needs in the areas identified in this report – including growth, aging, increased diversity, and population shift – in each Master Development Plan.** This is especially true in large scale developments. Planning authorities also should be authorized to provide incentives, such as tax breaks or waivers, to developers to encourage them to include senior housing, smart growth, transit-oriented development, schools, and neighborhoods for more extended families in their projects.

## **B. State Government Must Generate More Revenue – by Growing the Economy**

Our first goal when faced with an impending fiscal challenge should be to figure out how we can reduce costs. But a “squeeze” of the magnitude detailed in this report cannot be solved simply by reducing costs in health care and aging services or by wiser investments upfront in housing and infrastructure planning. With the number of dependent individuals per working Delawarean rising, we simply will need more money – for both private and public purposes – per household.

As already discussed, any need for additional public revenues is unlikely to be met by higher taxes. So where can additional public revenues come from? Delaware has a unique history of providing services for which people outside the state are willing to pay a premium. Delaware is able, therefore, to generate significant revenues from outsiders – which has allowed the state to keep taxes low. Nothing illustrates this better than Delaware’s positioning of itself as the incorporation capital of the world. The majority of the nation’s and even the world’s major corporations have made Delaware home. By providing a better opportunity for these corporations, Delaware became the “virtual” home of the paper economy of modern capitalism. According to the Delaware Economic and Financial Advisory Council, incorporation revenue and associated fees accounted for more than 20 percent of all state revenues in FY 2007.



To the extent that Delaware can obtain more revenue from taxpayers outside its borders, the state can meet its need for more revenue without asking its own citizens for the money – and, while we should certainly do that, this best-of-all-possible-worlds solution is still nibbling around the margins. There is really only one way for Delaware and its citizens to produce the bulk of the increased amounts of money that will be needed to meet the demands the state will experience in the next few decades – and that is, simply, to dramatically increase our earnings capability. Ultimately, the best way to meet new demands without increased taxes is to increase incomes, and, thereby, the taxes they generate under existing tax rates.

For any state, a comprehensive human-capital investment strategy is the best vehicle to raise incomes across the board. The strength of the future workforce will determine, in large measure, the state's economic health. A well-educated, skilled, and productive workforce will allow the state to attract and retain high-growth companies and industries to fuel the economy. A well-educated, skilled, and productive workforce also will generate higher wages, generating greater income tax and other revenues.

A successful human-capital investment strategy has four primary elements: improving kindergarten through high school education, retaining and attracting college students and graduates, strengthening workforce training and lifelong learning opportunities, and promoting entrepreneurship.

#### ▪ **Delaware Must Improve K-12 Education to Ensure College Readiness**

Delaware must ensure that children are prepared for the kinds of jobs that can sustain families – jobs that increasingly require a higher level of skill and higher level of educational attainment. And since the quality of public schools is an important issue that families consider when deciding where to relocate, the quality of Delaware's public schools also will have an effect on the state's ability to attract families and keep them here.

A recent report by the Rodel Foundation, "Opportunity Knocks: Assessing Delaware's Education System," provided a mixed view of how Delaware's schools are preparing the state's young people. The overriding conclusion: Delaware's students are making considerable progress in the elementary grades; however, performance falters as students move into middle and high school. Elementary student test scores are improving, particularly in reading, and the achievement gap for minority students appears to be closing. In high school, however, though scores on the Delaware State Testing Program (DSTP) are improving, other indicators are more troubling:

- Fewer than two-thirds (64 percent) of students graduate within four years of entering high school. This places Delaware 39<sup>th</sup> in the country and at least 10 percentage points or more below other states in the region: Virginia, Maryland, Pennsylvania, and New Jersey.



- Educational disparities in Delaware exist: Only 53 percent of African-American high school students and 42 percent of Hispanic high school students graduate within four years. In the state's 10<sup>th</sup> grade test, there are persistent and considerable achievement gaps for African American and Hispanic students, low-income students, English language learners (ELL), and students with disabilities.
- Though Delaware has a high rate of students taking the SAT exam, its students lag behind the nation and other states in the region, ranking 45<sup>th</sup> in the nation with an average combined math and verbal score of 999.

The state must deal with all of the forces creating this achievement problem. Ongoing education reforms will be necessary to raise student achievement statewide and address the educational needs of low-income and minority students. Bilingual educators, especially those who are fluent in Spanish, will be in greater demand. Delaware will need to strengthen and support classroom teaching generally. Efforts to attract and – a frequently overlooked trouble area – retain the best possible teachers will be essential, as will improved professional development.

#### ▪ **Delaware Must Expand Access to Higher Education**

Two-thirds of all new jobs in the future will require at least some postsecondary education.<sup>78</sup> Thus, the need to make higher education an option for more Delawareans is vitally important to ensuring the state's economic prosperity.

Today, not enough of our young people are prepared for and able to go on to postsecondary education. Only 36 out of 100 Delaware students who begin the 9<sup>th</sup> grade will enroll in college.<sup>79</sup>

Higher education is being redefined as an integral part of the continuum of learning, instead of an option available to only a select few. As in many states, higher education affordability will remain a major challenge in Delaware.

Although the state is making progress to address affordability through a new scholarship program known as Delaware Student Excellence Equals Degree (SEED), which offers high school students with a GPA of 2.5 or higher and no felony convictions tuition assistance if they enroll full time in an associate's degree program by the fall immediately following high school graduation,<sup>80</sup> there are more steps the state could be taking. The state could explore additional gap financing for students who are struggling

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<sup>78</sup> Rodel Foundation of Delaware, Opportunity Knocks: Assessing Delaware's Education System (July 2005)

<sup>79</sup> Education Commission of the States, 2003.

<sup>80</sup> <http://seedscholarship.delaware.gov/>



financially, and programs that effectively lower the cost of college and make it easier for working individuals to obtain a degree. Examples include expanded college credit in high school, as Virginia has instituted; career certificates – a portable skills credential that assures employers that a job applicant actually has mastered basic skills in reading, math, and writing that employers seek – that facilitate movement between school and the work world and back again, as Pennsylvania has been developing;<sup>81</sup> “career ladder” programs that allow individuals to advance along both degree and earnings pathways, as in Maryland and New Mexico; and recognition of academic credit for real-world experience, as Vermont has adopted.

- **Delaware Must Target Job Training to Produce a Workforce that Can Attract the Kinds of Industries Delaware Needs**

As technology allows for greater decentralization and mobility in the marketplace, competition among states to attract and retain businesses will likely increase. Delaware, like all states, will need to respond by producing a workforce that meets business needs or risk losing businesses to states that are more responsive.

The jobs of the future will lie primarily in two areas: personal service jobs that cannot be outsourced, many of them low-wage (e.g. waitress, nurse aide), and high-skill, predominantly high-wage jobs that require creativity, innovation, problem-solving, strategic thinking, and personal customer relations. To raise our gross state product, we need to concentrate more on the latter. According to Delaware Department of Labor’s Office of Labor Market Information, employers already are looking increasingly for workers with higher levels of math, written, and verbal communication skills, as well as problem-solving and analytical skills, higher computer literacy, strong interpersonal and presentational skills, and an ability to work effectively in teams.

In the future, Delaware will need to continue expanding and improving workforce training opportunities and certificate programs to equip workers with new knowledge and skills required by high-growth industries. According to a 2003 issue of Expansion Management magazine, Delaware was ranked 13<sup>th</sup> of all states for its workforce training efforts.<sup>82</sup> For example, Delaware’s vocational-technical curriculum is adjusted to meet the state’s ever-changing economic development needs by offering updated and new courses. In addition, the state is embarking on a comprehensive education evaluation to determine if its academic expectations for high school students adequately prepare students for post-secondary education and/or to transition into the workplace.

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<sup>81</sup> For more information: <http://www.crcconsortium.org/about-crc.htm>

<sup>82</sup> “Delaware Recognized for iEconomic Strengthen, Work Force Training in National Magazine Ranking” (October 29, 2003), at <http://governor.delaware.gov/news/2003/10october/102903%20-%20delaware%20economies%20worker%20training%20ranked%20high.shtml>



Yet in spite of Delaware's recent progress in improving its workforce development programs and education system, there is still room for further improvement of the state's workforce delivery system in order to be more employer-driven, performance-based, and responsive so that it can supply industries with the workers they need to grow and expand. High schools currently are working hard to improve our students' preparedness by including local businesses in the development of curricula. In addition, Delaware Technical and Community College conducts frequent and extensive job market analyses to stay ahead of the curve in providing qualified, trained graduates to Delaware employers.

Other states are also doing interesting work in this area. The State of Virginia, for instance, is completing alignment audits of its community colleges and other post-secondary institutions to get a better handle on in-demand degrees in order to graduate students with knowledge and skills needed to meet the demands of the local economy. Arizona has identified the skills and education requirements of high demand occupations in industries targeted for growth in the state and assessed the linkages and gaps between high school graduation requirements for entering the labor force or post-secondary education. The analysis also looked at the extent to which Arizona's high schools are in position to prepare students to meet the expectations of employers and post-secondary institutions.

As more experienced and knowledgeable workers exit the workplace for retirement, the need for incentives to offset the cost paid by employers for workforce training will become especially important. Although Delaware already provides incentives to employers for customized training programs in the form of workforce training grants, the need for such financial assistance will likely become greater in the future.

Continuous retraining, education, and skills acquisition ensure that fewer technology workers will find themselves suddenly displaced, with no skills to participate in the constantly shifting high-tech industry. Furthermore, society would benefit from the continuous education of workers, which also increases productivity and decreases downtime between jobs.

- **Delaware Must Promote Entrepreneurship**

Across the country, states are promoting entrepreneurship, including the New Economy Initiative here in Delaware.

While entrepreneurship training often occurs at the college level and through economic development organizations and agencies that serve the interests of small businesses, it need not be focused solely at the adult level. The state could do more, for example, to teach entrepreneurship in schools and expose young people to these concepts. One excellent start is the Chasing the Dream Initiative to provide youth leaders with the background to implement an entrepreneurship camp for at-risk youth. Separately, a public-private partnership including the Delaware Financial Literacy Institute





and the Center for Economic Education and Entrepreneurship offers teachers methods and materials to create and implement entrepreneurship programs in their elementary classrooms. Teachers are trained to use an "Inventor's Portfolio" to infuse entrepreneurship, invention, creative problem solving, and evaluation into existing classes.<sup>83</sup>

We also need to help those entrepreneurs already in existence. For instance, conventional lenders look for businesses with an established record and credit history, making it difficult for first-time entrepreneurs to borrow money they need to start a business. Small businesses seeking to expand also face similar financing barriers. A number of states have created programs to increase the supply of capital for entrepreneurs seeking to start up or expand.

For example, New Mexico has obtained federal funding to increase micro-lending programs allowing the state to invest nearly \$20 million in small business loans for New Mexico entrepreneurs and small businesses. Several states have started capital access programs that decrease lending risks for banks that invest in start-ups, to encourage the flow of start-up capital. The new First State Innovation effort, recently launched in Delaware, and aimed at helping technology-based entrepreneurs find capital, workers, and other support and resources, along with the state's New Economy Initiative, are promising in this area.<sup>84</sup>

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<sup>83</sup> Entrepreneurship Everywhere, "Sample Entrepreneurship Education Programs in the United States," at [www.entre-ed.org/\\_arc/states-d.htm#de](http://www.entre-ed.org/_arc/states-d.htm#de).

<sup>84</sup> See <http://www.firststateinnovation.org/>

<sup>84</sup> See <http://www.firststateinnovation.org/>



## Conclusion

In coming decades, the face of Delaware will change. Like a person as he or she grows or ages, Delaware's appearance will change in many ways: The Delaware of the future will be larger. It will be grayer. It will be more diverse in its composition and culture, and it will start to bulge in places it has not before.

These changes are not policy-driven – they are just going to happen as a result of underlying demographic shifts that are already occurring, will continue in the future, and over which we have little control as a state. How we respond to them, however, is a matter of conscious policy. We can choose to meet their challenges and overcome them, or we can choose to ignore and be overwhelmed by them. A primary challenge we face is not only to develop effective cost-containment strategies and evaluate the efficiencies of our current spending, but also to find creative long-term solutions to the looming fiscal challenge.

The price of not thinking ahead will be high. With the ratio of income-earners to dependents declining, and needs rising, never before will so few have been asked to owe so much for so many. The solution, however, is clear. We must make prudent investments today that will yield returns tomorrow – both in the form of lower costs and higher incomes. These “investments” range from intelligent health care policies that keep more people healthier longer; to forward thinking about infrastructure, housing and school needs so that we pay less for eventual costs we will have to incur; to education and workforce policies that produce Delawareans able to take on the world economy in the mid-21<sup>st</sup> Century and prevail.

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