

Research Update:

Delaware Series 2026A-B GO And GO Refunding Bonds Assigned 'AAA' Rating

April 15, 2026

Overview

- S&P Global Ratings assigned its 'AAA' long-term rating to the State of [Delaware](#)'s \$324.3 million general obligation (GO) bonds, series 2026A, and \$117.2 million GO refunding bonds, series 2026B.
- At the same time, we affirmed our 'AAA' long-term rating on Delaware's GO debt outstanding and our 'AA+' long-term rating on the state's appropriation debt outstanding.
- The outlook is stable.

Rationale

Security

Delaware's full faith and credit secures the GO debt outstanding.

The series 2026A bond proceeds will be used to fund various capital projects throughout the state and to pay the costs of issuance. The series 2026B bond proceeds will be used for a current refunding of various series 2016 bonds.

Credit highlights

The rating reflects our view of the state's prudent financial management practices that have been sustained over multiple administrations, strong economic metrics with above-average income levels, and rapid debt amortization, offset by above-average other postemployment benefit (OPEB) liabilities.

Delaware's history of proactive fiscal management and well-embedded strong financial policies underpin the rating. The long-standing practice of at least five Delaware Economic and Financial Advisory Council (DEFAC) meetings per year has allowed the state to remain fiscally strong and build reserves since the peak of the pandemic. DEFAC's regular reporting allows the state to adjust revenue expectations and expenditure allocations as needed, resulting in regular general fund surpluses. The state has been able to maintain high liquidity in recent years, and expects to close fiscal 2025 with another surplus. Through December 2025, these positive fiscal outcomes have also allowed the state to build a \$469.3 million budget stabilization fund (BSF) and maintain

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a fully funded \$368.0 million "rainy day" fund, equivalent to a very strong 12% of estimated fiscal 2026 expenditures.

The governor's presented \$6.9 billion fiscal 2027 general fund budget (4.9% growth over fiscal 2026) continues to build on these strengths, appropriating 98% of DEFAC-determined available revenue (in accordance with policy), continuing to fully fund the rainy day fund at 5% of general fund operating expenditures, and keeping the BSF at more than 5% of gross revenue while maintaining the fund at \$469.3 million. These reserve balances remain at a record nominal level, and the state does not expect to draw on them in the fiscal 2027 budget plan. The administration recognizes that the budget is slightly imbalanced and is working to better align recurring revenue with recurring expenses, highlighting several one-time items in this budget. The DEFAC forecast for fiscal 2027 continues a recent trend of growth, with revenue expected to increase 0.7% compared with fiscal 2026 projected revenue. We expect the budget to be adopted before the start of the fiscal year, but the May DEFAC meeting could influence this, should estimates change. The state is assessing the budgetary effects resulting from adoption of House Resolution 1, particularly on its Supplemental Nutrition Assistance and Medicaid programs. We believe the state, as it has with other cost pressures, will prudently work to minimize the potential budgetary impact while holding to its goal to support beneficiaries. (For more information, see "[The Tax Bill Comes Due: Near-Term Risks Are Low, Long-Term Pressures Rising For U.S. Public Finance Entities](#)," July 7, 2025.)

The state faces difficulties as revenue performance continues to slow. Pressures stemming from the changing federal-state governments' relationship and economic uncertainties from the war with Iran could lead to budgetary pressures as revenue growth softens and tests the state's commitment to strong BSF levels in the long term. S&P Global Market Intelligence estimates that Delaware's economic output slightly outpaced that of the nation at a 2.4% growth rate (gross state product) to end 2025 but will match the national growth rate of 2.5% forecast in 2026. Market Intelligence also projects employment to increase annually but largely align with the national level. From a macroeconomic perspective, the shifting federal policy mix is altering the U.S. economic outlook with increasing challenges. S&P Global Ratings Economics forecasts real GDP growth of approximately 2.2% in 2026 and 2.0% in 2027. Our baseline assumes a supply-driven oil shock to be temporary, with prices reverting closer to averages by year-end. Nevertheless, our forecast leans to the downside as the duration and path to an end of the conflict in the Middle East remain highly uncertain. (For additional information, see "[Economic Outlook U.S. Q2 2026: Curb Your Enthusiasm](#)," March 25, 2026.)

The 'AAA' rating further reflects our view of the state's:

- Strong economy that continues to diversify, with income levels tracking to the national average;
- Strong and resilient budgetary performance; and
- Moderate debt with rapid amortization and overall strong funding and governance of pension liabilities.

Partly offsetting the above strengths, in our view, are the state's significant unfunded OPEB liabilities. As of June 30, 2025, the state's \$6.2 billion share of the net OPEB liability was among the largest in the nation on a per capita basis, at \$5,887, but less than the near \$9,100 in fiscal 2021. The state has been looking at ways to manage this liability and in fiscal 2023 began allocating 1% of the previous year's extraordinary revenue into the OPEB trust fund, continuing this practice in the fiscal 2027 budget proposal. With this 1% carveout the state estimates the OPEB funded ratio at over 18%. The implementation of these and other pension and OPEB

reforms over the past two decades demonstrates the state's efforts to address long-term liabilities through legislative actions.

Environmental, social, and governance

We believe the state's physical risks have an overall neutral influence on our credit ratings but, given its geographic exposure to ocean storms and river flooding, could increase infrastructure costs and potentially disrupt tourism. Delaware updated its climate action plan in December 2025 and is using the plan to shape the fiscal 2027 budget. The plan focuses on reducing greenhouse gases and maximizing resilience to climate change and considers these risks within the capital plan. Based on our analysis from S&P's Sustainable¹ database, we view the state's coastal flood risk as meaningfully elevated compared with that of peers given the state's low average elevation, but this is recognized and mitigation measures are suggested in the action plan. We consider social and governance risks generally neutral to our credit rating analysis. Despite having a higher-than-average age dependency ratio, Delaware is managing any associated cost risk and is benefiting from population growth.

Rating above the sovereign

Delaware's GO bonds are eligible to be rated above the sovereign because we believe the state could maintain better credit characteristics than the U.S. in a stress scenario. Under our criteria "[Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions](#)," Nov. 19, 2013, U.S. states are considered moderately sensitive to country risk. The institutional framework in the U.S. is predictable, with significant state autonomy and flexibility demonstrated by serial bond amortization as well as independent treasury management.

Outlook

The stable outlook reflects our view that management will continue its trend of strong fiscal oversight that has allowed the state to manage budgets through various economic cycles and that has been key to the state's long-term credit stability.

Downside scenario

We could lower the rating if worsening trends in retiree health care liabilities were to challenge the debt and liabilities profile, leading to a profile not commensurate with a 'AAA' rating.

Credit Opinion

Institutional Framework

In our opinion, Delaware has a strong government framework. As a result of well-established policies, the state has maintained what we view as a solid financial position, especially during recessionary periods, including the recent one. The Delaware Constitution requires that the governor submit a balanced budget to the general assembly annually. Despite a lack of a legal requirement to maintain a balanced budget during the year, DEFAC's frequent revenue and expenditures updates allow for timely adjustments. State statute provides the executive branch with the authority to make the adjustments it deems necessary after providing for the payment of principal and interest on bonds, notes, or revenue notes. The state cannot carry forward operating deficits.

If Delaware fails to make sufficient provisions to pay principal and interest on any of the bonds, or if funds are insufficient at the time an amount is payable, state law requires the state treasurer to set apart a sum to pay principal and interest from the first revenue that the state receives thereafter. Delaware does not permit initiatives or referendums at the state or local level and is the only state that does not require popular approval of constitutional amendments.

Management

The state's financial management highlights include regular general fund revenue and expenditure reports, multiyear revenue forecasting, a formal general fund reserve policy, and formal statutory debt affordability issuance guidelines. The state has implemented various debt management policies to decrease its debt burden and limit bond issuance. These measures have reduced Delaware's debt, despite the broad role that the state maintains in funding capital requirements for education, transportation, and corrections.

Economy

Overall economic performance has been stable historically, in our view, and this will likely continue. Personal income, employment gains, and economic growth are forecast to approximately align with national rates through 2029, according to S&P Global Market Intelligence. The state's economic sectors have diversified in recent years. High-tech, chemical, and distribution companies are expanding in the state, with multiple companies expecting to increase their workforce by 400 to 500. For 2025, Delaware's unemployment rate was 4.2%, slightly higher than the national average, and we expect the rate will worsen in the coming year but remain in line with the national average. The state population also continues to modestly grow, surpassing 1 million in 2021 and reaching 1.05 million in 2025. Delaware continues with economic development efforts, with various small business initiatives in the proposed fiscal 2027 budget and a Port Wilmington expansion and dredging project recently announced.

Financial Performance, Reserves, And Liquidity

Delaware posted a \$52 million general fund operating deficit (0.7% of general fund revenues) as of June 30, 2025, following a \$495 million surplus (6.9% of expenditures) on June 30, 2024. This is the first deficit in eight years, although the net general fund balance remains positive. With incorporation of other sources and uses of financial resources, the general fund finished fiscal 2025 with a total fund balance of \$4.7 billion. Within this total, unassigned fund balance totaled \$3.2 billion.

Debt And Liabilities

The state limits tax-supported debt authorized in any given year to 5% of estimated general fund revenue. This, coupled with clearly defined debt affordability parameters, rapid amortization (69% within 10 years, inclusive of this issuance), and a commitment to cash-funding capital projects, when available, will contribute to a stable debt profile. Total tax-supported debt in fiscal 2025, including GO, transportation, and appropriation obligations, is moderately high compared with that of state peers, at \$2,712 per capita. Delaware pays 60% to 80% of the cost of capital improvements for public school districts on approval of such costs; the school districts pay the remaining portions with the support of local property taxes. State-supported GO debt totaled \$1.8 billion as of June 30, 2025, excluding \$790 million that the local school districts support.

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Delaware has no variable-rate debt outstanding, and has not entered into any interest rate swap agreements or related derivative transactions.

Pension and OPEB liabilities

Delaware's pensions are well funded compared with those of other states, and we consider the funded ratio strong. The combined funded ratio across the five pension plans for which the state reports liability has held at about 90% the past few years. State contributions to four of its five pension plans are determined on an actuarial basis, with contributions historically meeting 100%, which we view positively. The closed state police plan is funded on a pay-as-you-go basis. We also note that aggregate annual plan contributions for the pension system exceeded our calculation of minimum funding progress or amounts necessary for the plans to cover a portion of the amortization in unfunded liability as well as certain cost drivers of the annual change in the liability.

The future treatment of funding OPEB obligations entails credit risks, as this liability is larger than that of peers. We believe Delaware's ability to pass and implement reforms will remain important in supporting the credit profile. The state offers retiree health care benefits through a cost-sharing, multiple-employer, defined benefit plan administered by the Delaware Public Employees' Retirement System. Coverage is available to retirees and eligible dependents covered under the state employees', new state police, judiciary, and closed state police pension plans.

Delaware--credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	1.65
Economy	1.5
Financial performance	1
Reserves and liquidity	1
Management	1.00
Debt and liabilities	3.75

Delaware--key credit metrics

	2026*	2025	2024	2023
Economy				
State population ('000s)		1,051	1,037	1,022
Real GSP per capita (\$)		83,122	81,194	79,148
Real GSP per capita as % of U.S.		119	118	121
State PCPI (\$)		71,400	68,107	64,543
State PCPI as % of U.S.		93	92	97
State unemployment rate (%)		3.7	3.8	4.2
Financial performance - S&P Global Ratings adjusted				
Operating fund revenue (mil. \$)	6897	6,694	6,349	6,295
Operating fund expenditures (mil. \$)	6576	6,925	6,232	5,861
Operating result (mil. \$)	321	(231)	117	434
Operating result as % of revenue	4.7	-3.5	1.8	6.9

Delaware--key credit metrics

	2026*	2025	2024	2023
Reserves and liquidity - S&P Global Ratings adjusted				
Available reserves (mil. \$)	837	818	739	719
Available reserves as % of operating revenue	12.1	12.2	11.6	11.4
Debt and liabilities				
Net direct debt cost as % of revenue	--	3.1	3.1	2.9
Pension and OPEB cost as % of revenue	--	7.9	6.6	5.3
Total current cost as % of total government revenue	--	11.0	9.7	8.1
Net direct debt (mil. \$)	--	2,877	2,740	2,803
Net direct debt per capita (\$)	--	2,712	2,607	2,703
Direct debt 10-year amortization (%)	--	90	91	88
Combined NPLs (mil. \$)	--	1,681	1,768	1,791
NPLs per capita (\$)	--	1,585	1,682	1,727
Combined pension plan funded ratio (%)	--	86.8	87.3	86.4

*Estimated. Financial data may reflect analytical adjustments and is sourced from issuer audit reports or other annual disclosures. Economic data is generally sourced from S&P Global Market Intelligence, the Bureau of Labor Statistics, Claritas, and issuer audits and other disclosures. Local population is sourced from Claritas. Claritas estimates are point in time and not meant to show year-over-year trends. EBI--Effective buying income. GCP--Gross county product. NPL--Net pension liability. OPEB--Other postemployment benefits. PCPI--Per capita personal income.

Ratings List

New Issue Ratings

US\$117,180,000 Delaware, Delaware, General Obligation Refunding Bonds, Series 2026B, dated: Date of Delivery, due: December 1, 2036

Long Term Rating AAA/Stable

US\$324,260,000 Delaware, Delaware, General Obligation Bonds, Series 2026A, dated: Date of Delivery, due: May 1, 2046

Long Term Rating AAA/Stable

Ratings Affirmed

States

State of Delaware, DE Appropriation Contract AA+/Stable

State of Delaware, DE General Obligation AAA/Stable

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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