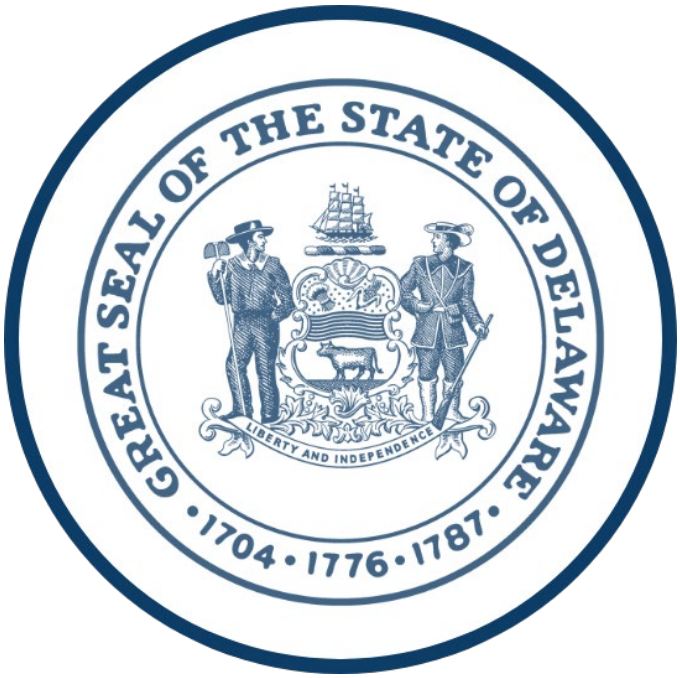


PILOT STUDY GROUP
Final Report

December 16, 2024

Senator Darius Brown, Co-Chair
Representative Cyndie Romer, Co-Chair

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PILOT Study Group Members

- Senator Darius Brown (Co-Chair), Senate Majority Caucus
- Representative Cyndie Romer (Co-Chair), House Majority Caucus
- Mayor Jerry Clifton, City of Newark
- Melissa Marlin, Department of Finance
- Bryan Sullivan, Office of Management & Budget
- Ruth Ann Miller, Controller General
- Mayor Bill West, Town of Georgetown
- Mayor Robin Christiansen, City of Dover
- Brett Taylor, City of Wilmington
- Representative Charles Postles, House Minority Caucus
- Senator Brian Pettyjohn, Senate Minority Caucus

Introduction

The PILOT Study Group was created by Senate Concurrent Resolution 167 which passed the General Assembly in June 2024. SCR 167 was introduced by Newark area legislators, Senator David Sokola, Rep. Paul Baumbach, Rep. Ed Osienski, and Rep. Cyndie Romer in response to the City of Newark's ongoing budgetary and financial challenges posed by the lost of revenue from tax exempt properties like those owned by the University of Delaware. Delaware State Code does allow for compensatory payments to the county seats (Wilmington, Dover, and Georgetown) under § 8318 of Title 29 using a formula based on population and percentage of tax-exempt property located in the municipality called the PILOT program. This program was created over 20 years ago to pay a portion of the lost revenue experienced by the county seats but does not include property owned by the Delaware State Housing Authority, Delaware Solid Waste Authority, Delaware State University, or the University of Delaware.

While the City of Newark has received state funding from the Grants-in-Aid process over the last several years, their financial situation has become untenable because of the large amount of property owned by the University of Delaware. Therefore, the PILOT Study Group was formed to review the PILOT program, evaluate the eligibility criteria used to determine which municipalities should receive compensatory payments, the amount that should be received, and the formulas used to make those calculations. Additionally, the study group was asked to develop a process to periodically conduct a similar review no less than every 10 years (3A - SCR 167).

While the PILOT Study Group was created in response to Newark's financial challenges, the county seats are also experiencing major financial and budgetary problems due to the loss of revenue from tax exempt properties. The number of properties that are tax exempt has grown considerably and the municipalities affected are forced to make very difficult budgetary choices each year to make up for the loss revenue. While the PILOT program has made up for some of the loss revenue, it is clearly not enough to help the municipalities make ends meet.

The PILOT Study Group was comprised of members from all 3 counties, representing the City of Wilmington, City of Dover, Town of Georgetown, and the City of Newark, in addition to the Department of Finance, and Office of the Controller General. Senator Darius Brown of Wilmington and Rep. Cyndie Romer of Newark were appointed as co-chairs, and the study group met four times in September and October 2024. During these meetings, the members learned about the history of the PILOT program and its steady growth over 20 years, as well as presentations from each municipality detailing the amount of state-owned property in their jurisdiction, and the financial challenges posed by the loss of revenue from tax exempt properties (2A - PILOT Study Group Meeting Presentation 09/13/24).

At the conclusion of the study group, the members decided that the General Assembly should extend the discussions of the PILOT program for another year. This is because the three counties are currently undergoing the process of property reassessment and they felt that any concrete recommendations about changes to the PILOT program should be based on the most up-to-date property values. However, the study group did approve six recommendations geared toward helping the municipalities in the short term, including temporarily allowing half of corporate recording fees collected by Kent and Sussex Counties be directed to Dover and Georgetown

respectively like the City of Wilmington receives from New Castle County, among other temporary measures (3D - SCR 167, Recommendations 10/25/24).

Background on the PILOT Program

The PILOT program was created in response to the work of the Task Force on Financial Options for the City of Wilmington established by Governor Ruth Ann Minner in March 2003. This task force was charged with making recommendations for broadening and diversifying the sources of Wilmington's annual revenues. As a result, the General Assembly passed legislation to provide additional funding for each county seat because of the presence of the Court of Chancery in each jurisdiction. The county seats each contain many state-owned properties, including the Court of Chancery which deprive the municipalities of the revenue from those properties. The General Assembly concluded it was in the best interest of the state that those who come before the Chancery have a positive impression of the county seats and the state as a whole.

Enabling legislation for the county seat package was passed in July 2003 creating a courthouse municipality fee and the PILOT program, in addition to providing other corporate filing fees to the City of Wilmington. This legislation laid out the formula for determining the amount each county seat would receive. Each county seat reports to the Department of Finance the total assessed value of the state-owned properties in their city times the local property tax rate to calculate the total amount of assessed taxes on the state-owned properties.

The PILOT program does not allow the inclusion of properties owned by the Delaware State House Authority, Delaware Solid Waste Authority, UD or DSU in the total assessed value of state-owned properties used in the PILOT formula. Additionally, the Port of Wilmington is also excluded because it is owned by the Diamond State Port Corporation which is exempt from assessment. Once the total assessed tax on state-owned properties is determined, county seats are eligible to receive 30.8% if the population is less than 50,000, and 100% if their population is over 50,000. Only Wilmington qualifies for 100% of the total assessed taxes, although there is a set amount of additional funding put aside in the epilogue language of the GIA bill for Dover and Georgetown because they only receive 30.8%. The total payment amount for the county seats is capped by the annual Grant-in-Aid (GIA) bill.

The appropriation for the PILOT program has steadily grown over the years as the needs of the county seats have changed and become more complex. In 2011, $2.7 million was appropriated for the PILOT program, based on $3.5 million in total actual tax assessed. In 2024, $3.88 million was appropriated for PILOT, based on $4.2 million in tax assessed. The population of the state continues to grow, as does the amount of state-owned property in the municipalities. Despite this fact, few changes have been made to the PILOT program over the years to meet the evolving needs of the municipalities, who have had to raise taxes and make tough budgetary choices to make up shortfalls caused in part by the loss of revenue from state-owned properties.

Since properties owned by the University of Delaware and Delaware State University are not included in the PILOT program formula, both Newark and Dover have a huge amount of tax-exempt property that does not count toward their portion of PILOT funds. In response, the General Assembly provided an additional $2 million to Newark and $1.65 million to Dover as

part of the Higher Education Public Safety Fund in FY 2025. This fund was created for municipalities with first responders serving higher education institutions that have on-campus residence halls. Newark has also received a one-time supplemental appropriation in the Grant-in-Aid bill over the last five fiscal years, ranging from $400,000 to $450,000. Despite these additional funds, they are not guaranteed year to year which makes it difficult for municipalities to factor them in their budgeting process as a stable source of revenue (2A - PILOT Study Group Meeting Presentation 09/13/24).

Summary of Concerns, Challenges, and Needs from the Municipalities

City of Wilmington:

In FY 2024, there were 102 state owned properties in the City of Wilmington eligible for inclusion in the city's PILOT calculation. Of the more than $3.51 billion of assessed value of all properties in Wilmington, 4.9% or $174 million are included in PILOT. The city's current property tax rate is $2.115 per $100 of assessed value. Based on that rate and Wilmington's eligibility to receive 100% of the loss revenue from tax-exempt PILOT properties, they received more than $3.6 million in FY 2024, accounting for most of the Grant-in-Aid appropriation for the PILOT program.

One of the major challenges for Wilmington is the large amount of other tax-exempt properties outside of those that are included in PILOT, which only accounts for 12% of the total number of exempt properties. 37% of Wilmington's $3.51 billion assessed property value is tax exempt, including federal offices, the Biden Train Station, and nonprofit organizations. Even after the counties complete reassessment, the overall valuation of property in Wilmington is less likely to rise in comparison to the rest of the county. Currently, 95% of properties in the city are worth $200,000 or less.

As the economic hub of the state, Wilmington's needs go beyond the 71,000 residents to include the 558,000 who live in the metropolitan region. Thousands of people travel to the city everyday for work and business, adding stress to the aging infrastructure and public safety challenges. Even though Wilmington has a wage tax for all people who work in the city, it is highly dependent on the state of the economy, and it's difficult to make any changes to tax rates. Adding to this concern is Wilmington's disproportionate share of the region's low-income residents, requiring greater community resources for disadvantaged neighborhoods. In addition, the city anticipates that the cost of collective bargaining for the public safety unions is likely to rise in the upcoming fiscal year. To help meet their needs without negatively affecting the other municipalities in the PILOT program, the City of Wilmington suggested that the state should increase funding rather than redistribute the current appropriation (2B - PILOT Study Group Meeting Presentation 09/27/24).

City of Dover:

In FY 2025, Dover has 114 tax exempt properties owned by the state, accounting for $302.3 million in assessed value and a little under $3 million in property taxes. Since Dover has under 50,000 residents, it receives 30.8% of the lost revenue from state-owned tax-exempt properties or $911,164 through the PILOT program, despite having more state-owned properties than anywhere else in the state. Like the City of Newark, Dover also has many tax-exempt properties owned by Delaware State University ($345,787,600 in assessed value) and the University of Delaware ($2,095,300 in assessed value), which are both excluded from the PILOT formula.

The lost of revenue from tax-exempt properties has contributed to Dover's budgetary challenges, as they have grappled with rising costs, wage and recruitment issues, and increased public safety costs, especially compensation for 9/11 operators, among other issues. The city has had to make very difficult budgetary choices over the last several years to make ends meet. For example, Dover has cut capital projects for 4 years, police overtime by $50,000, and froze hiring and position growth for city jobs. Additionally, they have had to implement a 2-cent tax increase, lodging tax increases, and the creation of new fees to fund help fund critical needs like EMS services. The city anticipates that they will have to continue making painful choices to meet their budget shortfall. They will have to consider cuts to the police force, elimination of services like trash and recycling, and increases in taxes, fees, licenses, fines, and permits, among other things to make ends meet.

To help meet their needs, the City of Dover wants the state to consider eliminating the disparity between the county seats in the PILOT program, so that each jurisdiction receives the same percentage of their lost revenue from state-owned tax-exempt properties. Additionally, they want the state to consider the inclusion of state universities with resident students in the PILOT formula, because it accounts for most of their lost revenue from tax-exempt properties. They would also like to see a standardized list of exempt properties that are included in the PILOT formula and for municipalities to receive formalized notices when the state purchases a property in their jurisdiction. This would make it easier for municipalities to keep track of properties that will have to be included in the total assessed value of PILOT properties (2B - PILOT Study Group Meeting Presentation 09/27/24).

Town of Georgetown:

In FY 2024, the Town of Georgetown had nearly $70 million in total assessed value of all properties in their jurisdiction of which $53.5 million is subject to taxation. The total assessed value of tax-exempt properties was $16.4 million of which $10 million is owned by the state and eligible for inclusion in the PILOT formula. The total assessed tax on state-owned properties is $286,744, but Georgetown only received $97,659 from the PILOT program.

Despite having a smaller number of tax-exempt properties than the other county seats, the state and county continue to buy property, which has led to a major loss in revenue. The town has experienced challenges involving public safety, which is their biggest expense. Recruiting new officers and keeping up with wage increases has been very hard, and the loss in revenue from tax-exempt properties continues to put strain on law enforcement and other services provided by the town.

Like Dover, the Town of Georgetown would like the state to change the PILOT formula so that it is an equitable calculation for all recipients. They believe there should be an appropriate review of the allocation of funds among the municipalities to ensure each is receiving what they truly need. The town needs PILOT to be a stable and reliable annual income source to allow them to plan properly to meet their financial and budgetary obligations (2B - PILOT Study Group Meeting Presentation 09/27/24).

City of Newark:

The City of Newark has been severely impacted by the loss of revenue from tax-exempt properties due to the massive presence of the University of Delaware. The city is now more than 9 square miles and property owned by UD accounts for one third of that area. In addition, Newark provides public safety services to UD and its students outside of the university's campus. Newark is not a part of the PILOT program in large part because of the exclusion of institutions of higher education for consideration in the PILOT formula.

The city has received a supplemental "one time" appropriation from the GIA bill over the last 5 fiscal years. In FY 2024, the city received $450,000. In FY 2025, the state appropriated $3.65 million for the Higher Education Public Safety Fund, which was created for "municipalities with local law enforcement agencies and fire departments serving higher education institutions that have on-campus residence halls". $2 million from this fund was given to Newark to help with the extensive public safety services they provide the University of Delaware. While these funds have been helpful in recent years, they are not permanent revenue sources that Newark can rely on.

Each year, Newark loses an estimated $7 million in tax revenue from tax exempt properties, which represent 42.4% of the city's total assessed value. UD alone contributes $5.7 million of the total lost revenue for the city. With much of the total assessed property value of Newark exempt from taxes, the city brings in $9.3 million in tax revenue. They have had to raise property taxes in 4 of the last 5 years which amounts to a 31% increase over that time. This has been a major point of contention between the residents and UD, because they have had to pay more to help make up for Newark's annual budget shortfall, which has been between $6.2 and $6.8 million over the last three years. Newark is being forced to make increasingly difficult budgetary choices, and they're concerned about having to implement last resort cost cutting measures like reducing the size of the police force, ending refuse collection or charging a fee, and eliminating recreational programing, among other things.

Newark believes the best way to address the loss of tax revenue is to receive an annual PILOT appropriation from the state. With a consistent and predictable revenue source from PILOT, they would not have to raise property taxes and alleviate some of the tension between UD and city residents. Raising taxes again will exacerbate the already major housing issues in Newark, where rent is 50% higher than the next highest town (2A - PILOT Study Group Meeting Presentation 09/13/24).

Recommendations

The PILOT Study Group members approved six recommendations to address the issues raised by the municipalities. The approved recommendations came primarily from the Department of Finance. Since New Castle County and Sussex County have not completed their legally mandated property reassessment process, the study group felt that they shouldn't consider specific changes to the PILOT program or its formula because they do not have the most up-to-date data available. However, they felt that the recommendations below would help alleviate some of the most pressing concerns while more concrete, long term changes to the PILOT program are considered during the new session of the General Assembly.

1. The 153rd General Assembly should extend the discussions of the PILOT Study Group for another year so that recommendations can be based on the most recent assessed value of the relevant properties.

2. 29 Del. C. § 8318(a) should be amended to say that all three county seats should use the county's assessed values, not their own process.

3. 29 Del. C. § 8318(a) should also be amended to explicitly state that school district and charter school properties are excluded from the calculation. Other sections of Code clarify that these properties are owned by the school district, not by the State, but it would be easier if that was also stated in 29 Del. C. § 8318(a). Here are a few references in Code stating that these properties are owned by the district/charter, not the State: 14 Del. C. § 504A(3), 14 Del. C. § 1056(b), 14 Del. C. § 2102, and 14 Del C. § 2301(5).

    - Draft language for code changes:
      29 Del. C. § 8318 (a) The county seat in each county shall appraise and assess real property taxes on all property owned by the State excluding properties owned by the Delaware Housing Authority, Delaware Solid Waste Authority, Delaware State University, ~~or~~ the University of Delaware, or school districts and charter schools, lying within their respective city limits. Each county seat shall annually submit statements of these appraisals and assessments unto the Secretary of the Department of Finance, said assessments and appraisals to be in accordance with ~~their respective~~ the procedures for appraising and assessing real property as set by their respective county.

4. Ensure that each county seat is held harmless and receives no less than what they have previously received in PILOT funds.

5. Consider recommending that half of the corporate recording fees received by the counties be directed to Dover and Georgetown. Wilmington already receives half of New Castle County's recording fees. This would provide approximately $600,000 - $750,000 in additional funding to Dover and approximately $125,000 - $170,000 in additional funding to Georgetown. This is more than they received in PILOT funding currently. This comes at no cost to the State as these fees are collected by the Division of Corporations and transferred directly to the counties. New Castle County then transfers half to Wilmington.

- Recording Fees: 8 Del. C. §103(c)(5) recording/assessment fee ($24 for the first page and $9 for each additional page) in General Corporation Law; 9 Del. C. §9626 NCC is required to remit 50% of their recording fee to Wilmington.
- Courthouse Municipality Fees: 8 Del. C. §103(c)(7) fee ($40 per filing) in General Corporation Law; 6 Del. C. §18-206(e) fee ($40 per filing) in LLC Act; fees increased from $20 to $40 on August 1, 2023 (SB 110).

6. Recommend to the Joint Finance Committee (JFC) that the Higher Education Public Safety Fund be continued in support of the City of Dover and the City of Newark. The Higher Education Public Safety Fund would require that an eligible municipality provide an annual report to the JFC Co-Chairs and the Controller General no later than April 1st that includes the municipality's anticipated expenditures associated with fire and police expenditures relating to higher education campuses within the municipality and the amount of financial support requested for the next fiscal year (3D - SCR 167, Recommendations 10/25/24).

Conclusion

In the more than 20 years since the PILOT program was created in response to the Task Force on Financial Options for the City of Wilmington, tax-exempt properties in the county seats and the City of Newark have presented major budgetary and financial challenges for these municipalities. The state now owns a very significant portion of property in these jurisdictions, which has deprived them of much needed tax revenue. During this time, the needs of cities and towns across Delaware have changed significantly, as population continues to grow and the cost of critical services like law enforcement have skyrocketed in the last two decades.

While Wilmington, Dover, Georgetown, and Newark have made very difficult choices to address budget shortfalls, they continue to struggle to close the gap created in part by tax-exempt property. The City of Newark has been particularly hard hit because of the exclusion of higher education institutions in the PILOT formula, and the county seats struggle because of the significant difference between what they receive in PILOT funds and the total assessed tax on tax-exempt property in their municipalities.

While the discussions during the PILOT Study Group proved to be productive and insightful, the members felt that they couldn't propose any changes to the PILOT program or its formula before they had the most up-to-date data from the county reassessment process. Without updated property values, any changes to the PILOT formula wouldn't accurately address the underlying issues with the program. This is why the study group believes it is important for the General Assembly to extend their work into the new legislative session. In the meantime, they have provided meaningful short-term solutions to help the municipalities make ends meet like allowing Kent and Sussex to direct half of their corporate recording fees to Dover and Georgetown, which New Castle County currently does for Wilmington.

The need to make changes to the PILOT program is great, but the study group's work and conversations thus far suggest there is widespread consensus among the municipalities most affected by tax-exempt property. In particular, there was a shared desire that any changes to

PILOT not decrease funding for any municipality, which will likely require an increase in the state's annual appropriation for the program. Through continuing the collaborative work of this study group into the next year, we are confident that the needed changes to the PILOT program can be made, ensuring the long-term success of the program.

Appendices

Appendix 1: Meeting Minutes

- 1A – 09/13/24 PILOT Study Group Meeting Minutes
- 1B – 09/27/24 PILOT Study Group Meeting Minutes
- 1C – 10/11/24 PILOT Study Group Meeting Minutes

Appendix 2: Presentations

- 2A – PILOT Study Group Meeting Presentation 09/13/24
- 2B – PILOT Study Group Meeting Presentation 09/27/24
- 2C – PILOT Study Group Meeting Presentation 10/11/24
- 2D – PILOT Study Group Meeting Presentation 10/25/24

Appendix 3: Other Documents

- 3A – SCR 167
- 3B – UD PILOT Study Group Letter
- 3C – SCR 167, Draft Recommendations
- 3D – SCR 167, Recommendations 10/25/24

Appendix 1A

DELAWARE GENERAL ASSEMBLY
STATE OF DELAWARE
411 LEGISLATIVE AVENUE
DOVER, DELAWARE 19901

PILOT Study Group Meeting

Meeting Minutes – September 13, 2024

Location: Virtual – Zoom
Starting Time: 10 a.m.
Concluding Time: 10:47 a.m.

Members Present

Senator Darius Brown, Chair
Senator Brian Pettyjohn
Melissa Marlin
Mayor Robin Christiansen
Mayor Jerry Clifton
Bryan Sullivan
Representative Cyndie Romer, Co-Chair
Representative Charles Postles, Jr.
Brett Taylor
Mayor Bill West
Ruth Ann Miller

Guests

Councilman William Hare *(Proxy of Mayor Robin Christiansen)*
Tom Coleman, City Manager, City of Newark

Staff

Deborah Gottschalk, Division of Research
Christella St. Juste, Senate Majority Caucus
Alexandra Southerst, House Majority Caucus

Public Attendees

Valerie McCartan
Jason Smith
Lauren Vella
Travis McDermott
Amy Burke
Ryan Dunphy
Caitlin Olsen
Mara Gorman
Gene Dvornick
Albert Shields
Tara Mazer
Evan Park
Jennifer August
Josh Shannon

Welcome and Introductions
Senator Darius Brown convened the meeting at 10:02 a.m. with a welcome and introductions of all members. Senator Brown took attendance, and a quorum was present.

Role of the Study Group
Senator Darius Brown underscored the charge of the Study Group, its purpose and goals, and timeline. He encouraged the members to start thinking of recommendations as the goal of the third meeting would be to review those recommendations.

He then invited Department of Finance, City of Newark, and the Office of the Controller General to provide their presentations.

Presentations
The following organizations presented to the Study Group:

- ***Department of Finance***: Provided background information and history of the PILOT program's funding.
- ***City of Newark***: Explained why they should be part of the PILOT program.
- ***Office of the Controller General***: Discussed the background and history of the appropriations that have been made for the PILOT program, as well as some additional appropriations that have been made to Newark.

Group Discussion
Senator Darius Brown began the group discussion.

Representative Cyndie Romer referenced the PILOT calculation slide that talked about tax assessed is the total assessed value of state-owned properties in the county. She asked if the current calculation is only for state-owned properties and not for nonprofits given nonprofits are tax exempt. She stated that University of Delaware has a public-private type of partnership and so does Delaware State University. She inquired as to where Delaware State University would fall in this.

Melissa Marlin clarified that it is only for state-owned properties. She further added that the Delaware Code explicitly exclude properties owned by Delaware State University, University of Delaware, Delaware State Housing Authority, Delaware Solid Waste Authority, the Port of Wilmington, and any of the school districts (because those are owned by the school districts and not by the State).

Representative Cyndie Romer asked about nonprofit organizations who are tax exempt.

Melissa Marlin yielded the question to the municipalities present to answer.

Senator Brian Pettyjohn said that there's a certain exemption or statute in the Delaware Code where it has certain nonprofits listed that are tax exempt.

Tom Coleman specified that in New Castle County, the county will make tax exemptions for for tax exempt organizations like 501(c)(3), and those would flow through to at least New Castle County municipalities.

Deborah Gottschalk offered to share with the group the statutes for the PILOT program that explain what the exemptions are as well as properties owned by nonprofits from taxation by counties.

Brett Taylor shared that the City of Wilmington has its own tax exemption process. They have a myriad of properties that are exempt due to the nonprofit status. He stated that he will lay out that process when the city presents to the group.

Representative Cyndie Romer indicated that one of the goals of the Study Group is to review the whole PILOT program. She emphasized that if Newark was going to be added under the current calculations, it would only help them a little, because the University of Delaware is already excluded. She explained that the City of Newark doesn't have a lot of state-owned properties outside the university. She expressed her hope that the Study Group would consider the university properties.

Melissa Marlin added that when the Department of Finance is looking at properties that are exempted, for instance, the University of Delaware is already exempted; however, she explained that there's also the question of how to consider open spaces. She also highlighted that there are probably a lot of open spaces in Newark with White Clay Creek State Park, and she posed the question of whether that should be counted or not.

Mayor Jerry Clifton commented that White Clay Creek State Park is not in the corporate limits.

Tom Coleman expressed that, with the current PILOT formula, open spaces would be a land-only assessment. He concluded that open spaces would be a relatively small number compared to the number for land that has a structure on it.

Representative Cyndie Romer communicated that in order for the Study Group to benefit from this is that the recommendation is going to have to be to change the exemptions. She explained that the group will need to do more than just figure out how to get Newark into it, but also change the parameters of what constitutes being a part of the PILOT. She clarified that such a change could have greater impact on all the municipalities, because Delaware State University and the University of Delaware have more than one campus respectively in Delaware. She emphasized that the group would have to consider the implications of all that.

Senator Brian Pettyjohn discussed trends in the Town of Georgetown over the last five years, and he noted that the properties that were generating revenue are now gone. He reiterated that Georgetown is currently losing a lot of tax base and those other property tax-generating properties to highways and roadways. That's a significant impact that would not be realized within PILOT. He moved that when the Study Group is looking at ways to improve the program, they need to make sure they are looking at the entirety of the program and not just state-owned lands but lands that are taken up by the state for non-educational purposes and non-courthouse purposes, because it has a significant impact on the towns and their ability to provide services to the people within those towns. He concluded that he doesn't know the exact number of property values that have been lost over the last five years to state agencies; however, he assured the group that based on the types of properties that they are, it's not an insignificant number that's going to have to be made up in other ways in the town, and as a result of that, increasing property taxes on everybody else.

Councilman William Hare stated that he had been looking at the PILOT program for many years. He shared that Dover has a lot of university space taken up. He reported that Dover has nearly $300 million of state-owned properties. In comparison, Wilmington receives 100% of the tax assessed whereas Georgetown and Dover receive minimal tax. He suggested that the state would only put so much PILOT money out there and proposed it should be divided equally based on the property and distributed equally. He continued to say that Dover is in the same predicament as Newark. Furthermore, he noted that if University of Delaware is included and then Delaware State University, it will increase significantly. He would like to see the program be fairer across the board and make it based on population because it's growing all over, and the state is taking over specific properties.

Brett Taylor mentioned that the City of Wilmington will be prepared to lay out their case regarding the PILOT distribution for Wilmington. He further added that the group needs to consider that Wilmington is sitting in the middle of a larger metropolitan area so, it cannot be solely based on residence, because the city has a considerable number of county, state, and out-of-state employees, customers, and visitors that come into the city.

Senator Darius Brown declared that at the next meeting, the City of Wilmington, City of Dover, and Town of Georgetown will be giving presentations that would be helpful to the group. He raised the question of whether the City of Newark's inclusion of the PILOT program is an exclusion of the Higher Education Public Safety Fund.

Tom Coleman shared that Newark doesn't care which way the funding comes. He mentioned that whichever method that's easier is acceptable with them. He stated that the main concern is that they have the epilogue language in the Bond Bill, and that such an arrangement does not guarantee funding for the following year. He stressed that the City of Newark would love for it to be there next year, but that the city doesn't know if it will be there next year. He concluded that he thinks the Newark City Council's concern is the predictability of funding.

Mayor Jerry Clifton agreed with Tom Coleman. He reiterated that the funding source is irrelevant as long as it remains a consistent stream year after year. He thinks that Wilmington, Senator Pettyjohn, and Dover have made more real cases because of what they are. He continued with the formula that may have worked in 2003 – 2005; it's brought along a lot of change that he doesn't know that anybody could have thought about back then. He believes that finding that new formula and funding streams are things he's got to agree with. Furthermore, he expressed that his counterparts in the three cities are all starting to feel constrained by the non-tax property. He voiced his appreciation that these concerns were able to be brought forward during the meeting.

Senator Darius Brown reminded the members to email any recommendations they have, and they will be compiled for the third meeting, at which time the group will review them.

Public Comment

Senator Brown opened the public comment portion of the meeting. The first member of the public invited to speak was **Jennifer August**. Ms. August asked about the formula used for the PILOT calculation. She wondered if it is based on population or service usage regarding operations.

There were no further comments and Senator Brown concluded the public forum.

Adjournment
Senator Brown thanked committee members for their participation and shared the future meetings schedule then the meeting was adjourned at 10:47 a.m.

Additional Materials
A copy of the presentation used during the meeting and the meeting recording can be accessed at legis.delaware.gov under the Study Group's webpage.

DELAWARE GENERAL ASSEMBLY
STATE OF DELAWARE
411 LEGISLATIVE AVENUE
DOVER, DELAWARE 19901

PILOT Study Group Meeting

Meeting Minutes – September 27, 2024

Location: Virtual – Zoom
Starting Time: 10 a.m.
Concluding Time: 10:55 a.m.

Members Present
Senator Darius Brown, Chair
Representative Charles Postles, Jr.
Mayor Jerry Clifton
Ruth Ann Miller
Brett Taylor
Representative Cyndie Romer, Co-Chair
Mayor Robin Christiansen
Melissa Marlin
Bryan Sullivan

Members Absent
Senator Brian Pettyjohn
Mayor Bill West

Guests
Rick Geisenberger, Secretary, Department of Finance
Gene Dvornick, Town Manager, Town of Georgetown (*Proxy for Mayor Bill West*)
Tom Coleman, City Manager, City of Newark
Tamika Leveridge, Deputy Director of Finance, City of Wilmington
Dave Hugg, City Manager, City of Dover
Councilman William Hare, Dover City Council

Staff
Christella St. Juste, Senate Majority Caucus
Alexandra Southerst, House Majority Caucus

Public Attendees
Amy Burke
Caitlin Olsen
David Del Grande
Evan Park
Jason Smith
Lauren Vella
Mara Gorman
Robert Scoglietti

Ryan Dunphy
Valerie McCartan
David Sokola

Welcome and Roll Call
Senator Darius Brown convened the meeting at 10:00 a.m., attendance was taken, and a quorum was established.

Approval of Minutes
The meeting minutes of September 13th were approved.

Presentations
The City of Dover, Town of Georgetown, and the City of Wilmington provided information to the Study Group about their PILOT program, its impact, and the challenges they are currently facing. They also communicated their requests and needs to the group.

Group Discussion
Senator Darius Brown invited Study Group members to discuss the presentations.

Representative Cyndie Romer commented that the difference between the City of Wilmington properties as opposed to the City of Newark is that the City of Wilmington receives a wage tax from the people who work in those buildings. In contrast, the City of Newark does not receive any benefits from the people who work in the non-taxable properties they possess because they don't have any wage or head tax. She asked whether it was the same for the Town of Georgetown and the City of Dover as far as receiving a wage tax.

Gene Dvornick responded that Georgetown does not have the ability to have a city wage tax.

Representative Cyndie Romer shared that she thought that the corporate filing fees went to the state. She inquired about whether the City of Wilmington, City of Dover, and Town of Georgetown collect any percentage of it and the amount they receive.

Brett Taylor disclosed that the City of Wilmington receives a portion of the corporate filing fees. However, he would have to follow up regarding the specific dollar amount. He indicated that it was part of the revenue sharing and county seat package that was developed early on when discussing the PILOT program.

Gene Dvornick stated that the Town of Georgetown's rate used to be $20 per filing in the Court of Chancery, and that the rate was recently increased to $40 per filing.

Representative Cyndie Romer questioned whether the Town of Georgetown receives a flat rate for filing.

Gene Dvornick confirmed that this is a flat rate. Dave Hugg concurred.

Secretary Rick Geisenberger cited that, in 2003, the state passed the courthouse municipality fee. It was a $20 fee, and, since last year, it increased to a $40 fee. He noted that the fee is not counted as state revenue, as it never runs through the general fund. He explained that the Division of Corporations holds it for the benefit of the county seats based upon the registered office of

whoever represents those corporations. He noted that many of those registered offices were law firms in Wilmington and registered agents in New Castle County, but that there are some significant registered agents in Kent County and Sussex County, and that those dollars go to those county seats. He referred to a previous report from the Minner Administration. He stressed that it is vital that when attorneys and others get off the train and arrive at the state's courthouses, they feel welcome and that those communities have the resources to ensure that the state makes a good impression. As a result, that's how the corporate fees went to all three county seats.

Tamika Leveridge conveyed that the state passed legislation where the city creates a two percent lodging tax and a two percent natural gas franchise fee on all gross sales. As part of the City of Wilmington's budget, they also collect a percentage of that.

Secretary Rick Geisenberger advised that the City of Wilmington's franchise fees are on their cable or utility and not the corporate franchise tax.

Brett Taylor agreed.

Melissa Marlin mentioned in previous discussions, it was shared that PILOT should be consistent across all the county seats. She informed the group that as she's been working through the data to send out payments for the Fiscal Year 2025, an issue that she's encountered is that Georgetown and Wilmington are using their assessed values that match the county assessments. Dover is using its own assessed values, so when it did its assessments in 2020, its assessed values were much higher than the Kent County reassessed values. She charged the Study Group that if they're going to put forward recommendations, she said that she would like to see all of the towns use the county reassessment values now that all the counties are going through reassessment to allow for a consistent starting base for everyone involved.

Secretary Rick Geisenberger specified the towns will have to reassess every five years under additional legislation passed in the last year or two, so there will be that consistency. As previously mentioned, he said that Georgetown and Wilmington have been using the county values all of these years. For whatever reason, Dover has been using its own and the numbers don't match. Therefore, Department of Finance will pay based on those differences, which creates an equity issue if each of the municipalities can set their own assessed value. Then, the Department of Finance is put in an uncomfortable situation and unable to validate the differences between those two numbers.

Senator Darius Brown asked for clarity on a question about Georgetown including schools or school districts in their assessments.

Melissa Marlin reported that the data sent to her included school districts, and the Department of Finance removed them from their calculation when rereading the Code in both the PILOT section and sections on education. The school district owns the school district buildings. The state does not own them; consequently, they were removed from the Georgetown calculations; however, they did keep Delaware Tech just like the other two towns can count Del Tech in theirs.

Secretary Rick Geisenberger revealed some prior years where Georgetown got paid based on their calculation, which included the schools. It was not something that the Department of Finance really focused on. But, with this group, they're trying to get some consistency among all three regarding what they can include and can't include. He moved that this year, they're not going to

include school districts in the base as it is apparent in the Code that the state does not own the schools. Furthermore, the other issue with using the county assessments versus the cities is that Dover is following the Code. The Code does say that they can do their own assessment. But for purposes of this calculation. However, there is inconsistency in the application, and he recommended that it should be fixed through legislation.

Senator Darius Brown communicated to the group to send their recommendations via email to be compiled for the next meeting.

Mayor Robin Christiansen emphasized that the City of Dover must conduct fair and timely property assessments as mandated by their charter. Mayor Christiansen assured that the city's assessments are up to date and transparently revealed that many properties assessed by the county were undervalued. He stated that the city does not, and will not, overvalue the properties of its citizens. The goal is to ensure that the city can adequately fund the services and expenses needed for its growth.

Secretary Rick Geisenberger stressed that the conversation did not seek to imply any wrongdoing, and that the point was to stress that using a unified methodology would make administrative processes easier for the Department of Finance. He clarified that differences due to differing methodologies were a challenge for the Department.

Representative Cyndie Romer asked if the corporate franchise tax that’s going to Sussex County is going to Rehoboth and about the location of the county’s courthouse.

Gene Dvornick confirmed that the courthouse is going to be located in Georgetown.

Secretary Rick Geisenberger outlined that the Division of Corporations collects various fees, including a county fee. He stated that the fee is $15 per filing plus $9 per page, and that the fee was applicable only to corporations and not to LLCs. He also mentioned that these fees are directed to the counties.

Representative Cyndie Romer requested a detailed breakdown of the destination of the corporate filing fees.

Secretary Rick Geisenberger stated that the Department of Finance should be able to get that information. He noted that in the 1970s and 1980s, corporate documents had to be filed at the county Recorder of Deeds. He pointed out that there is a statute mandating that half of New Castle County’s fee must go to the City of Wilmington, which does not apply to the other two counties. This was part of an initiative from 2003 to 2005 to find ways to support the City of Wilmington. He clarified that the Secretary of State sends all the money to New Castle County, and then New Castle County is required to send half of it to the city.

Brett Taylor agreed.

Representative Cyndie Romer asked how much the City of Wilmington's wage tax had decreased due to remote work during COVID-19 and sought that information.

Brett Taylor said that the wage tax decreased by $4 to $4.5 million per year, based on a $60 million base.

Public Comment
None.

Adjournment
Senator Darius Brown reminded the group once more that recommendations are due on Friday, October 4, 2024 and urged members to email them as well as the plans of the next two meetings. The meeting was adjourned at 10:55 a.m.

Additional Materials
A copy of the presentation used during the meeting and the meeting recording can be accessed at legis.delaware.gov under the Study Group's webpage.

DELAWARE GENERAL ASSEMBLY
STATE OF DELAWARE
411 LEGISLATIVE AVENUE
DOVER, DELAWARE 19901

PILOT Study Group Meeting

Meeting Minutes – October 11, 2024

Location: Virtual – Zoom
Starting Time: 10 a.m.
Concluding Time: 10:51 a.m.

Members Present

Senator Darius Brown, Chair
Senator Brian Pettyjohn
Mayor Robin Christiansen
Melissa Marlin
Bryan Sullivan
Representative Cyndie Romer, Co-Chair
Representative Charles Postles, Jr.
Mayor Jerry Clifton
Ruth Ann Miller
Brett Taylor

Members Absent

Mayor Bill West

Guests

Gene Dvornick, Town Manager, Town of Georgetown (*Proxy for Mayor Bill West*)
Tom Coleman, City Manager, City of Newark

Staff

Christella St. Juste, Senate Majority Caucus
Deborah Gottschalk, Division of Research
Alexandra Southerst, House Majority Caucus

Public Attendees

Jason Smith
Lauren Vella
David Del Grande
Caitlin Olsen
Albert Shields
Robert Scoglietti
Evan Park
Evan Park
Mara Gorman
Jeff Martindale
Amy Burke
David Sokola

Welcome and Roll Call
Senator Darius Brown convened the meeting at 10:04 a.m., attendance was taken, and a quorum was established.

Approval of Minutes
The meeting minutes of September 27th were approved.

Review of Draft Recommendations
Senator Darius Brown commenced discussions regarding the draft recommendations. Each entity presented its submitted recommendations, beginning with the Department of Finance, followed by the City of Dover, Town of Georgetown, City of Wilmington, and concluding with the City of Newark. He informed the municipalities that the Department of Finance may suggest actions to address some of the recommendations that the municipalities have submitted for consideration.

Discussion on Department of Finance Recommendations
Senator Darius Brown inquired what the City of Dover and Town of Georgetown would receive if half of the recordation fees were allocated to them.

Melissa Marlin explained that each county currently receives recordation fees: $24 for the first page and $9 for each additional page. These fees depend on where the recordation occurs for different corporations. New Castle County has already sent half of its fees to the City of Wilmington. The Department of Finance proposes that Kent County sends half of its fees to Dover, and Sussex County sends half of its fees to Georgetown. This money will go directly to the counties, meaning there will be no fiscal impact at the state level; however, it would be additional funding coming into Dover and Georgetown. She noted that this represents a relatively small source of revenue for the counties. While it will have an impact, as the Department of Finance plans to take half of this funding and redistribute it, it is important to note that counties receive a significantly larger portion of their revenue from the realty transfer tax.

Mayor Robin Christiansen stated that the City of Dover would support the recommendations from the Department of Finance, provided they do not negatively impact the revenues of Kent County.

Representative Cyndie Romer sought clarification regarding the recommendations put forth by the Department of Finance. She sought to determine whether these recommendations primarily focus on the equitable distribution of existing funding.

Melissa Marlin expressed her reservations about making any changes to the PILOT formula this year that would either include or exclude Newark. In light of discussions regarding the funding needs expressed by Dover and Georgetown, the interim recommendation would be to allocate the recordation fees solely to county seats, thereby excluding Newark. She advised maintaining the Higher Education Public Safety Fund for another year until the Department of Finance can conduct a comprehensive review of the PILOT program with reassessment data.

Representative Cyndie Romer articulated that she is neither accepting nor rejecting any of the recommendations at this time. Instead, she wants to review some financial modeling to understand the impact of including Newark.

Senator Brian Pettyjohn supported the Department of Finance's recommendations, noting that municipalities often face uncertainty regarding yearly PILOT amounts. He noted that corporate

filings can fluctuate annually. Establishing a more stable revenue source would be advantageous for towns and municipalities. Additionally, he concurred with Representative Romer's emphasis on the importance of modeling amid current reassessment situations. He views the recommendations as an excellent interim solution until a reliable baseline for property values can be established following the reassessments.

Tom Coleman pointed out that when it comes to the reassessment for Newark, one key factor is that many university buildings currently have no assessment, which will change, likely increasing Newark's numbers. However, the reassessment will not impact overall tax revenue.

Melissa Marlin specified that the concern presently is that Dover is reassessed, while the City of Wilmington and the Town of Georgetown are not. She noted that if Delaware State University (DSU) were included, it would lead to an estimated value of $20 million before reassessment and $75 million after. This has left her uncertain about which figures to use, and she envisions having all three municipalities aligned and on the same page regarding this matter.

Discussion on City of Dover Recommendations
Senator Darius Brown asked if there were any questions/comments. There were none.

Discussion on Town of Georgetown Recommendations
Representative Cyndie Romer questioned if the Department of Finance plans to recommend any modifications to the Courthouse Municipality Fees.

Melissa Marlin specified that the Department of Finance is not recommending any changes to the Courthouse Municipality Fees. She mentioned that this topic was discussed at the last meeting and wanted to share information regarding what the county seats receive from these fees.

Discussion on City of Wilmington Recommendations
No questions or comments raised.

Discussion on City of Newark Recommendations
Mayor Jerry Clifton remarked that he will not support any initiative that harms another municipality, and he likes the recommendations from the Department of Finance and the other municipalities.

Melissa Marlin requested clarification from Newark regarding their proposal's scope. Currently, DSU and the University of Delaware (UD) are not included. She asked if the proposal would include both institutions and whether the Newark PILOT would involve state-owned properties or only those of UD.

Tom Coleman said that they are looking to include nonprofit or tax-exempt universities that have on-campus dorm housing with over 500 residents. This could also apply to any emerging universities that do not yet exist. The goal is to focus on significant institutions like UD and DSU, which have a substantial impact on their communities, while avoiding inclusion of smaller campuses that may only have a few dorm rooms.

Melissa Marlin asked whether that would be in addition to the state-owned properties in the City of Newark.

Tom Coleman confirmed that it would be. However, under Option A, Newark would not be counted because it is not a county seat. Therefore, only the university footprint would matter. This is the same for both options.

Senator Darius Brown asked for Ruth Ann Miller to explain the context of the PILOT program, including how it is funded and its parameters given how the PILOT program works may not have been fully considered in these recommendations. He highlighted that these are recommendations, and no drafting of legislation coming out of the Study Group.

Ruth Ann Miller summarized that the PILOT program was established to compensate for state-owned buildings in the three county seats. PILOT is funded through the Grant-in-Aid bill, with an annual appropriation limit of $3.9 million. This cap presents challenges for the Joint Finance Committee (JFC) when planning the budget, as it restricts revenue considerations. If there's an interest in increasing the $3.9 million cap, it's important to note that the Grant-in-Aid bill can only represent 1.2% of revenues estimated at the March DEFAC meeting. Raising the cap could lead to complications by exceeding this limit. Moreover, the Grant-in-Aid bill is usually the last bill addressed by the General Assembly, after the operating budget and Bond Bill. If revenue declines or funding is insufficient, the Grant-in-Aid bill may face cuts.

Senator Darius Brown asked if Department of Finance had anything to add to the context from the Controller General's office.

Melissa Marlin declared that she has analyzed the Department of Finance Fiscal Year 2025 PILOT information. To keep everyone funded, the appropriation would need to rise to $10 million, a significant increase from the current $3.9 million, not including upcoming reassessments or the Kent/Sussex courthouses next year.

Representative Cyndie Romer informed the group that she understands the discussion around the Grant-in-Aid, which is subject to changes. The Study Group's main goal is to develop findings and recommendations for the PILOT program, recognizing potential contention around changes to the PILOT. This group was formed due to the influence of nonprofits, particularly UD, on Newark, and is seeking consistent funding. She believed that the group can propose recommendations to improve the PILOT municipalities, ensuring funding stability without disrupting the program.

Senator Brian Pettyjohn noted that discussions about PILOT have been ongoing since its implementation, with interest from various municipalities, including Newark and Seaford, due to their tax-exempt properties. His main concern centers on the limited funding available as more municipalities seek support. Although the state's operating budget grows each year, if a large portion is allocated to a few, it jeopardizes funding for others, including other PILOT recipients. He recognizes the challenges Mayor Jerry Clifton faces in finding new revenue sources to maintain city services, particularly the pressures from tax-exempt entities on Newark residents. While he appreciates the city's efforts, he is cautious about expanding PILOT, as it could dilute overall funding.

Senator Darius Brown announced that the group will vote on 26 items in two weeks, as there's no consensus on the recommendations.

Representative Cyndie Romer appreciates the recommendations but cannot fully agree with them because some of them conflict. She requested to see modeling of the high, medium, and low

figures before making a decision.

Senator Darius Brown reiterated that recommendations were due by October 4th, and while some valuable suggestions have surfaced, none were submitted by that deadline. He underscored that the Study Group is voting in two weeks, with 26 items on the table, and many recommendations may go unaddressed unless consolidated. He underlined that the group must consider budget constraints and the fact that most properties have not been reassessed. The Department of Finance has provided a framework for the Study Group, which allows them to explore potential additions or adjustments through the language provided. He made a point that the group could extend the final report deadline until next year, once the Department of Finance has new reassessment data to address the PILOT issue.

Melissa Marlin agreed that the group should extend the deadline until next year to get updated reassessment values for Sussex and New Castle Counties. This will ensure everyone has accurate information. She also asks for clarity on the type of modeling needed, as opinions vary. Some suggest a total appropriation of $6 million, others $5.2 million, and some advocate for an uncapped approach to provide full funding. A clearer understanding of the modeling goals is necessary.

Tom Coleman commented that the $5.2 million is a preliminary figure and can adjust accordingly.

Senator Darius Brown requested that the Study Group members review their recommendations based on the Department of Finance's input and submit any changes by Wednesday, October 16th. The final list will be sent out on Friday, October 18th, ahead of the meeting on October 25th.

Public Comment
One public commenter, **Caitlin Olsen**. Caitlin shared that UD's President, Dr. Dennis Assanis sent a letter of support for the City of Newark. She conveyed that after 2025, the number of high school graduates nationwide will decline, impacting college enrollments. While Delaware may see only a one percent decrease, neighboring states could experience substantial drops, leading them to recruit Delaware students. It's important to UD that Newark generates a steady income, easing financial strain on residents. Therefore, she suggested that it makes more sense to base financial considerations on land use, as it may also accommodate researchers and businesses, not just students as the university's role as an economic catalyst extends beyond undergraduate numbers.

Adjournment
Senator Darius Brown told the members that the next meeting is Friday, October 25th and that the group will adopt the final recommendations at that meeting. He thanked everyone for attending, and the meeting was adjourned at 10:51 a.m.

Additional Materials
A copy of the presentation used during the meeting and the meeting recording can be accessed at legis.delaware.gov under the Study Group's webpage.

Senate Concurrent Resolution No. 167
(152nd General Assembly)

PILOT STUDY GROUP MEETING

Friday, September 13, 2024

Appendix 2A

AGENDA

1 WELCOME AND INTRODUCTIONS

2 ROLE OF THE STUDY GROUP

3 PRESENTATIONS

Department of Finance, City of Newark, and Office of the Controller General

4 STUDY GROUP MEMBERS DISCUSSION

5 PUBLIC COMMENT

6 ADJOURNMENT

MEMBERSHIP

Voting Members



Senator Darius J. Brown
Chair



Representative Cyndie Romer
Co-Chair



Senator Brian Pettyjohn
Senate Minority Whip



Representative Charles S. Postles, Jr.



Melissa Marlin*
Deputy Principal Assistant
Department of Finance



J. Brett Taylor*
Director of Finance
City of Wilmington



Robin R. Christiansen
Mayor
City of Dover



Bill West
Mayor
Town of Georgetown



Jerry Clifton
Mayor
City of Newark

Non-Voting Members



Ruth Ann Miller
Controller
Office of the Controller General



Bryan Sullivan*
Director of Management Efficiency
Office of Management and Budget

**Designee*

STUDY GROUP CHARGE

Review and Make Recommendations Regarding Compensatory Payments for Certain Tax-Exempt Properties Owned by the State.

PURPOSE AND GOALS

Goal #1

Review § 8318 of Title 29, the current distribution of compensatory payments to county seats with tax-exempt properties owned by the State, to evaluate which municipalities should be eligible to receive compensatory payments, the amount that should be appropriated for compensatory payments, and the formulas that should be used for these calculations.

Goal #2

Consider how to periodically review the amount appropriated for compensatory payments, eligibility to receive compensatory payments, and the formulas used for these calculations no less than every 10 years.

Goal #3

Make recommendations regarding the compensatory payments under § 8318 of Title 29, including for the eligibility criteria for municipalities, the amount appropriated for compensatory payments, the formulas used to calculate these payments, and a process to periodically conduct a similar review no less than every 10 years.

TIMELINE



Meeting #1
Friday
September 13, 2024
10 a.m.
Zoom Webinar

Meeting #2
Friday
September 27, 2024
10 a.m.
Zoom Webinar

Meeting #3
Friday
October 11, 2024
10 a.m.
Zoom Webinar

Meeting #4
Friday
October 25, 2024
10 a.m.
Zoom Webinar

Final Report
Tuesday
December 31, 2024

Background of the PILOT Funding

Melissa Marlin

Deputy Principal Assistant

Department of Finance

Prepared for:

Study Group to Review and Recommend Compensatory Payments for Certain Tax-Exempt Properties Owned by the State (SCR 167)

September 13, 2024

DELAWARE DEPARTMENT OF FINANCE

History

- Governor Minner Executive Order 42 created a “Task Force on Financial Options for the City of Wilmington” *(March 2003).*
- Task Force directed to provide recommendations for broadening and diversifying the sources of the City of Wilmington's annual revenues.
- Legislation emerged to provide additional funding for each County seat.
- County seats are Wilmington, Dover and Georgetown. Court of Chancery for each county held at county seat *(per Title 10, § 301)*
  - It is in the State’s best interest to ensure that litigants and their counsel from around the State, the nation, and the world that appear before the Court of Chancery are provided a positive impression of these municipalities and the State as a whole.
- County Seat Package - Enabling Legislation
  - Courthouse municipality fees (July 2003) – *HB 306, 142nd General Assembly*
  - PILOT (July 2005) – *HB 314, 143rd General Assembly (also allocated certain other corporate filing fees to City of Wilmington)*

DELAWARE DEPARTMENT OF FINANCE

PILOT Calculation

(29 Del.C., § 8318)

- Tax Assessed is the total assessed value of state-owned properties in the county seat times the county seat's property tax rate
  - Expressly excludes properties owned by Delaware Housing Authority, Delaware Solid Waste Authority, Delaware State University, and University of Delaware *(29 Del.C., § 8318(a))*
  - Excludes School Facilities because they are owned by districts *(14 Del.C., § 2301)*
  - Excludes the Port of Wilmington owned by the Diamond State Port Corporation which is exempt from assessment *(29 Del.C., § 8787)*

- County seats receive 30.8% of the Tax Assessed if their population is 50,000 or fewer; 100% of the Tax Assessed if their population is over 50,000
  - Only Wilmington qualifies for the full 100%

- Total payments are capped by amount of annual Grant-in-Aid (GIA) appropriation and adjusted for the set-asides in GIA epilogue

DELAWARE DEPARTMENT OF FINANCE

PILOT Calculation (FY 2024)

FY 2024	A	B	C=A*B
	Assessed Value	Tax Rate	Tax Assessed
Dover	297,007,600	0.00435	1,291,983
Georgetown	10,008,940	0.0349	349,312
Wilmington	174,131,700	0.02115	3,682,885
	$481,148,240		$5,324,181

FY 2024	C	D	E=C*D	F	G	H	I
	Tax Assessed	Population Factor	Tax Assessed w/ Pop. Adj.	Share of Tax Assessed	FY24 GIA Appropriation	Epilogue Set-Aside	Final Payment
Dover	1,291,983	30.8%	397,931	9.5%		100,000	457,851
Georgetown	349,312	30.8%	107,588	2.6%		14,000	110,752
Wilmington	3,682,885	100.0%	3,682,885	87.9%		-	3,311,941
	$5,324,181		$4,188,404	100.0%	$3,880,543	$114,000	$3,880,543

DELAWARE DEPARTMENT OF FINANCE

PILOT Appropriation History

Fiscal Year	GIA Appropriation*	Total Actual Tax Assessed**	GIA Epilogue Set-Aside
2011	$2,700,000	$3,503,002	none
2012	$2,324,062	$3,526,271	none
2013	$2,915,041	$3,526,392	$50k Dover, $7k Gtown
2014	$2,915,041	$3,711,675	$50k Dover, $7k Gtown
2015	$2,880,543	$3,886,221	$50k Dover, $7k Gtown
2016	$2,880,543	$3,861,567	$50k Dover, $7k Gtown
2017	$2,880,543	$3,861,559	$50k Dover, $7k Gtown
2018	$2,304,434	$4,125,031	$50k Dover, $7k Gtown
2019	$3,880,543	$4,109,511	$100k Dover, $14k Gtown
2020	$3,880,543	$4,160,721	$100k Dover, $14k Gtown
2021	$3,880,543	$4,115,827	$100k Dover, $14k Gtown
2022	$3,880,543	$4,125,939	$100k Dover, $14k Gtown
2023	$3,880,543	$4,387,781	$100k Dover, $14k Gtown
2024	$3,880,543	$4,188,404	$100k Dover, $14k Gtown

** County Seat Package, Grant-in-Aid Section 1*

*** Assumes 30.8%/100% rule*

DELAWARE DEPARTMENT OF FINANCE

PILOT Appropriations/Formula Changes Require Broad Bi-partisan Consensus

Delaware Constitution, Article VIII

§ 4. No appropriation of the public money shall be made to . . . any county, municipality, or corporation . . . otherwise than pursuant to an Act of the General Assembly, passed with the concurrence of three-fourths of all the members elected to each House.

DELAWARE DEPARTMENT OF FINANCE

City of Newark Funding Request

September 13, 2024

STATE LAW FROM 1915 REGARDING EXEMPT PROPERTIES

9 Del. C. § 8105 Property owned by governmental, religious, educational or charitable agency.

Property belonging to this State, or the United States, or any county of this State, or owned by any municipality of this State and held for public use, or any church or religious society, and not held by way of investment, **or any college or school and used for educational or school purposes**, except as otherwise provided, **shall not be liable to taxation and assessment for public purposes by any county or other political subdivision of this State**.

Newark was .5 square miles in 1915
The Women's College was outside the City Limits at that time

Newark is now more than 9 sq. miles of which over 3 sq. miles is owned by the University of Delaware

No other municipality in the State is impacted as much as Newark from this carveout for educational purposes

CITY OF NEWARK OVERVIEW

- $9.3M - 2024 Anticipated property tax revenue
  - 31% tax rate increase over last five years
  - Raised taxes in four of the last five years

- $7.0M – Total foregone property tax each year
  - 42.4% of City's total assessed value
    - Largest percentage of exempt properties owned by the State or State entity
  - $5.7M – Annual lost property tax from UD properties (at least 34.5% of City's total assessed value)
  - Many UD buildings have not been assessed by NCC

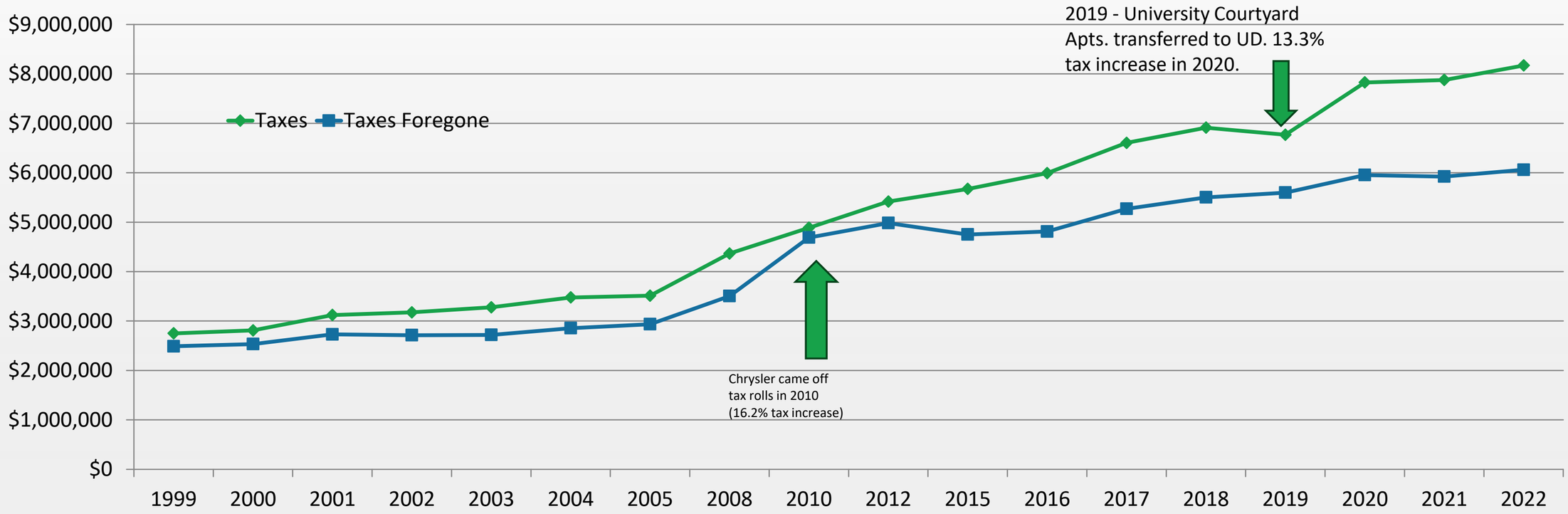
CITY OF NEWARK ANNUAL BUDGET SHORTFALLS

- Over the last three years, Newark's initial annual budget shortfall was between $6.2 and $6.8M.

- General fund (non-utility) shortfall is most challenging
  - Police Cost Specifically

- Previous budgets were balanced by doing more with less:
  - Reducing non-police employee count
  - Efficiency improvements
  - Tax and fee increases
  - Creation of a stormwater utility

PROPERTY TAXES VS. FORGONE TAXES



Minimum of $5.7 million in foregone taxes per year (2024 value) from UD STAR - Chrysler Tax Assessment $67.9M in 2009
Current Tax Assessment for STAR is $27.7M
Equal to an annual tax loss of $423K in today's dollars

NEWARK DELAWARE
Committed to Service Excellence

CITY OF NEWARK LAST RESORT GENERAL FUND COST-CUTTING MEASURES

- Public Safety
  - Reduce size of police force by approximately 10-15%
  - Transition primary responsibilities of 911 Center to New Castle County
  - Transition animal control to New Castle County
- Eliminate local contribution to annual road paving for 2025
- End refuse collection or charge a fee for the service
- Reduce planning/inspection staff at the expense of new construction approval timelines
- Scale back or eliminate recreation programming

WHAT IS NEWARK LOOKING FOR?

- A consistent, predictable revenue source to replace foregone taxes
- Doesn't hurt Newark's housing affordability
  - Per DSHA, despite rapid apartment construction, average rent in Newark is 50% higher than the next highest town
  - This despite approving 2233 apartment units since 2010 (6886 beds)
- Does not hurt economic activity in Newark and the State
- Ideally a PILOT payment to cover the tax loss from State Law

Questions

DELAWARE GENERAL ASSEMBLY

OFFICE OF THE CONTROLLER GENERAL



PILOT Study Group – Grant-in-Aid Allocations

GRANT-IN-AID COUNTY SEAT APPROPRIATION HISTORY

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025*
Town of Georgetown	$94,944.85	$95,712.52	$96,707.05	$97,569.82	$97,659.82	
City of Dover	$454,346.62	$424,013.92	$432,844.63	$440,912.28	$440,912.28	
City of Wilmington	$3,331,251.53	$3,360,816.56	$3,350,991.32	$3,341,970.90	$3,341,970.90	
County Seat Appropriation	**$3,880,543**	**$3,880,543**	**$3,880,543**	**$3,880,453**	**$3,880,543**	**$3,880,543**

**FY25 distribution is not yet available*

FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
$400,000	$400,000	$400,000	$400,000	$450,000	-

GRANT-IN-AID SUPPLEMENTAL "ONE-TIME" APPROPRIATION HISTORY – CITY OF NEWARK

FY 2025 SUPPLEMENTAL GRANT-IN-AID APPROPRIATION

HIGHER EDUCATION PUBLIC SAFETY FUND

- Created for "municipalities with local law enforcement agencies and fire departments serving higher education institutions that have on-campus residence halls."

APPROPRIATION: $3,650,000

- $2,000,000 to the City of Newark
- $1,650,000 to the City of Dover

THANK YOU

Office of the Controller General

Ground Floor, Legislative Hall

(302) 744-4200



Senate Concurrent Resolution No. 167
(152nd General Assembly)

PILOT STUDY GROUP MEETING

Friday, September 27, 2024

Appendix 2B

AGENDA

1 WELCOME AND ROLL CALL

2 APPROVAL OF MINUTES

3 PRESENTATIONS

City of Dover, Town of Georgetown, and City of Wilmington

4 STUDY GROUP MEMBERS DISCUSSION

5 PUBLIC COMMENT

6 ADJOURNMENT

MEMBERSHIP

Voting Members



Senator Darius J. Brown
Chair



Representative Cyndie Romer
Co-Chair



Senator Brian Pettyjohn
Senate Minority Whip



Representative Charles S. Postles, Jr.



Melissa Marlin*
Deputy Principal Assistant
Department of Finance



J. Brett Taylor*
Director of Finance
City of Wilmington



Robin R. Christiansen
Mayor
City of Dover



Bill West
Mayor
Town of Georgetown



Jerry Clifton
Mayor
City of Newark

Non-Voting Members



Ruth Ann Miller
Controller
Office of the Controller General



Bryan Sullivan*
Director of Management Efficiency
Office of Management and Budget

**Designee*

APPROVAL OF MINUTES

REMINDERS



Recommendations are due
Friday, October 4, 2024.

Send by email so they can
be collected.

REMINDER N°1



Next Meeting:
Friday, October 11, 2024
10 a.m. via Zoom Webinar

Review of the
recommendations.

REMINDER N°2



Final Meeting:
Friday, October 25, 2024
10 a.m. via Zoom Webinar

Approval of the
recommendations.

REMINDER N°3

CITY OF DOVER PILOT PRESENTATION

September 27, 2024

Background on PILOT

- PILOT = Payment in Lieu of Taxes for exempt properties
- Established in 2003
- How does the Formula work:
  - Appropriation each year
  - Funds go to “County Seats Program”
  - Wilmington is reimbursed for 100% of lost tax revenue
  - Dover and Georgetown are reimbursed for 30.8% of lost revenue
  - Portion of PILOT is separately designated in Grants-in-Aid bill

City of Dover – Some Facts

	Population	Land Area Sq. Miles*
2020	38,058	23.87
2021	38,597	23.87
2022	38,412	23.91
2023	39,491	23.98
2024	39,554	23.98
2025	40,000 est.	23.98 (annexation pending)

*The City is essentially landlocked by surrounding development

City of Dover – Some Facts

	Assessed Value	Tax Exempt Value*	State-owned Tax Exempt
2020	$4,616,520,500	$1,343,536,900	$288,835,500
2021	$4,927,704,200	$1,410,441,800	$283,839,000
2022	$4,964,063,500	$1,439,192,800	$285,248,000
2023	$5,005,221,900	$1,450,128,300	$296,418,100
2024	$5,034,171,100	$1,445,261,260	$297,007,600
2025	$5,097,907,260	$1,477,076,160 (29%)	$302,298,500

	Tax Rate ($100)	#of State Tax-Exempt Parcels
2020	0.440	93
2021	0.405	103
2022	0.415	106
2023	0.435	109
2024	0.435	112
2025	0.455	114

- * all properties

PILOT PAYMENTS RECEIVED

- FY2020 $460,080.62
- FY2021 $522,523.45
- FY2022 $531,981.30
- FY2023 $532,620.98
- FY2024 $526,205.64
- FY2025 $545,271.98 (estimated)

Budget Data

- Budget by Fiscal Year – Operating and Capital Combined
  - FY2020 $148,090,900
  - FY2021 $139,214,743
  - FY2022 $161,540,543
  - FY2023 $194,325,794
  - FY2024 $200,986,382
  - FY2025 $212,135,141

Assessed Value – 2025

State of Delaware	$302,298,500
Delaware State University*	$345,787,600
University of Delaware *	$ 2,095,300
Total Assessed Value	$650,181,400
Tax Value (0.455/100)	$ $2,958,325
PILOT at 30.8%	$ 911,164
Difference	$ 2,047,161

*excluded from PILOT formula

Budget Issues/shortfalls and challenges

- In general, all years:
  - Inflation, esp. on consumables
  - Supply chain delays and price hikes
  - Wages and recruitment challenges
  - Objection and pushback from citizens
  - Unfunded mandates from state and Federal governments
  - Public safety, 911 compensation wildly escalating (2023-2025)

Examples of How Challenges Were Met

- Cut Capital Projects - multiple years (2021,2022, 2024, 2025) -$5.4m
- Cut Police Overtime by $50,000 (2022)
- Increased transfer from Electric Reserve by $1.0M (2022)
- 2 cent tax increase - $702,000 (2023)
- Increased Lodging Tax (2023)
- 2 cent tax increase (2025)
- Created special revenue fund and fee for EMS services (2025)
- Deferred entire street program (2025)
- Created new enterprise funds and raised fees(2025)
- Curtailed hiring/froze position growth (2024-2025)

Budget Shortfalls– Possible Future Actions

- Raise fees/licenses/fines/permits across the board again
- Further delay capital expenses, esp. vehicles, buildings, equipment
- One-time funds from property sales or other sources
- Defer meeting reserve requirements (ex. 8% GF carry forward)
- Increase taxes at a more aggressive rate
- Eliminate services (ex. trash and recycling)
- Reduction in force

Our Ask

- Eliminate the disparity between jurisdictions (all equal %)
- Standardize the list of exempt properties/property types
- Include state universities with resident students (DSU & UD)
- Formalize notice of state property sales or purchases
- Consider impact of large state institutions on other municipalities
- Broaden uses of Grants-in-Aid Funds

- THANK YOU

TOWN OF GEORGETOWN
PAYMENT IN LIEU OF TAXES

SEPTEMBER 27, 2024

RECENT STATE ACQUISITIONS

- Sussex County Family Court Facility
  - 12 Parcels in downtown core
  - $8,824 Lost tax revenue
- Former Brick Hotel
  - $3,746 Lost property tax revenue
- DelDOT Project Acquisition
  - 27 parcels
  - $40,712 property tax revenue
  - Loss of Highway Commercial development opportunities

IMPACT OF STATE-OWNED PROPERTIES

- $69.9 Million – FY 2024 Total Assessed Value
- $53.5 Million – FY 2024 Total Taxable Value

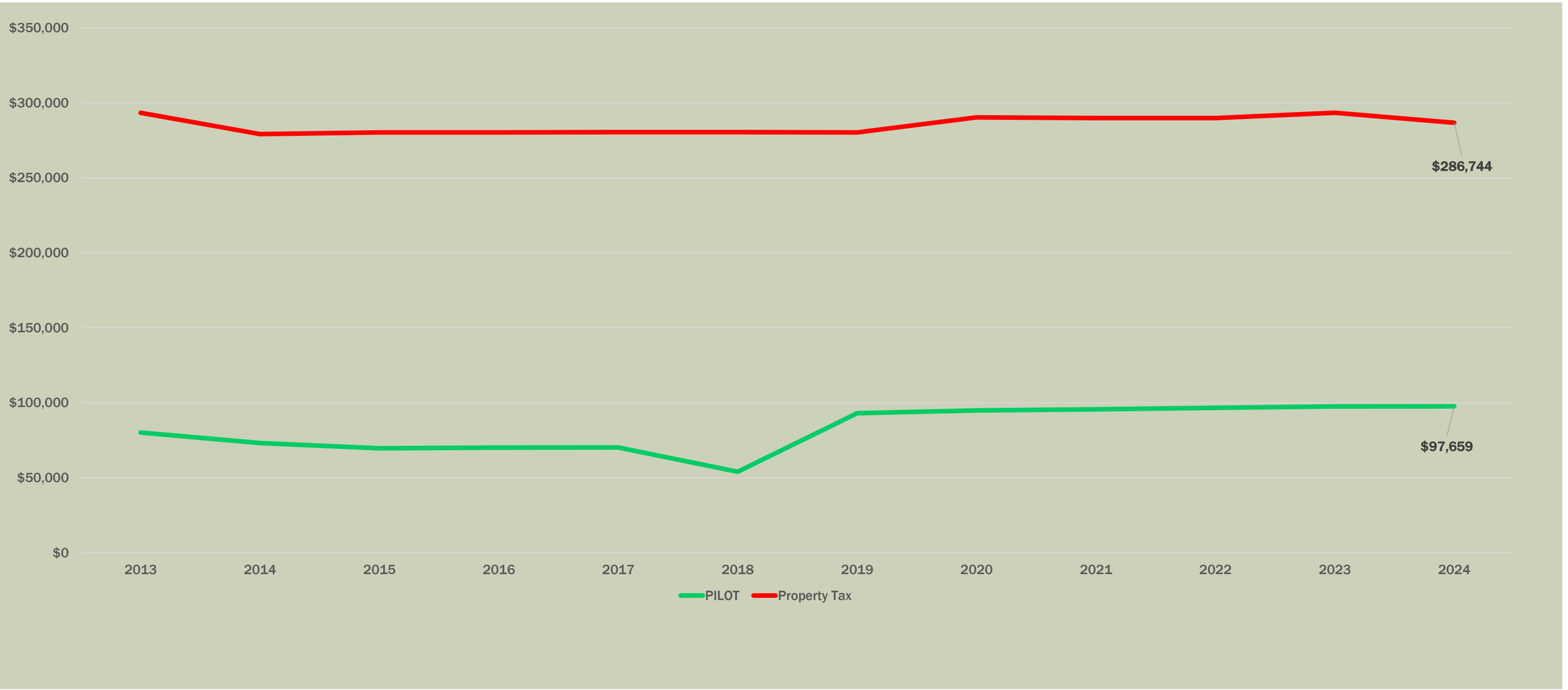
- $16.4 Million – Exempt for taxation (State, County, non-profits)

- $10.0 Million – State owned properties

  - $286,744 – Property tax billing at 100%
  - $97,659 – Payment in Lieu of Taxes
  - $189,085 – Forgone property tax revenue

- Equal to $0.34 property tax increase

PROPERTY TAX AND PILOT



REQUEST

- Stable and reliable income source
- Equitable calculation across all recipients
- Appropriate review of allocation


Georgetown
WELL ROUNDED.

END OF PRESENTATION

TOWN OF GEORGETOWN

Payment In Lieu of Taxes (PILOT)
City of Wilmington
Funding Analysis

City of Wilmington

To the PILOT Task Force

(Senate Resolution 167)

September 2024

Legislative Authorization

Section 8318 of Title 29 states:

- (a) The county seat in each county shall appraise and assess real property taxes on all property owned by the State excluding properties owned by the Delaware Housing Authority, Delaware Solid Waste Authority, Delaware State University, or the University of Delaware, lying within their respective city limits.

- (b)(2) For those county seats with a population above 50,000 residents, the Secretary shall direct a payment of 100.0% of the tax assessed to said county seats.

FY 2024 PILOT Calculation

- Number of Properties Eligible: 102 State Owned Properties
- Properties Populated through New Castle County Records
- Total City-wide Assessment Value - $3,544,595,858
- PILOT Assessment
  - FY24 PILOT ASSESSED VALUES (Land/Buildings) - $174,131,700 (4.9%)
  - CURR TAX RATE - $2.115 per $100 of Assessed Value
  - PILOT PAYMENT - $3,682,885.46

State Properties and Services Impacting Wilmington

- Court System
  - Williams Justice Center (500 King Street)
- Department of Corrections
  - Howard Correctional Center
  - Plummer Center
  - Various Day Corrections and Skills Centers
- DELDOT
  - DART Transit Center
  - DART Transit Hqtrs
  - DELDOT Right-of-Way (e.g. Interstate 95)
- General Services
  - 820 French Street
  - 900 King Street
- Delaware Technical and Community College Campus
- Department of Labor
- Department of Health and Social Services (Porter and Northeast State Service Centers)
- DNREC
  - Parks
  - Easements

Ancillary Non-Taxed, Non-State Properties

Nonprofit Organizations Exemptions

- 2,005 Exempt Properties
- $1.3 billion assessed valuation exempted
- 37% of $3.51 billion in overall assessed value
- Includes:
  - State Agencies (PILOT is 12% of all exempted properties)
  - Federal Agencies
    - 800 King Street
    - Congressional Offices
  - County Offices
  - Biden Train Station / Amtrak Facilities
  - Riverfront Development
  - Red Clay School District /Charter School Facilities
  - Diamond State Port Corporation
  - Wilmington Housing Authority
  - Delaware Solid Waste Authority
  - Faith-based Organizations

Issues Impacting City Resources

- 558,000 plus metropolitan region – New Castle County
- Dense Transit and Transportation Infrastructure
- Aging Infrastructure (e.g. roads, utilities)
- Community Resources for Low-Income and Disadvantaged Neighborhoods
- Greater Public Safety Issues
- Increased Cost of Collective Bargaining Expected to Increase Budget in FY 2026

Issues Impacting City Resources (cont'd)

- City revenues highly dependent on economically sensitive factors (e.g. wage tax make up 40% of General Fund revenues).
- Property tax reassessments have not been completed for decades. Valuations likely will not rise as proportionately as the remainder of the County.
- Constraints on the City's ability to annex.
- Constraints on the City's ability to change wage tax rates.
- The City represents a disproportionate concentration of the region's low-income residents.
- Regional impacts through water/sewer infrastructure requirements (e.g City provides regional utility services (16,000 County customers).

Senate Concurrent Resolution No. 167
(152nd General Assembly)

PILOT STUDY GROUP MEETING

Friday, October 11, 2024

Appendix 2C

AGENDA

1 WELCOME AND ROLL CALL

2 APPROVAL OF MINUTES

3 REVIEW OF DRAFT RECOMMENDATIONS

4 PUBLIC COMMENT

5 ADJOURNMENT

MEMBERSHIP

Voting Members



Senator Darius J. Brown
Chair



Representative Cyndie Romer
Co-Chair



Senator Brian Pettyjohn
Senate Minority Whip



Representative Charles S. Postles, Jr.



Melissa Marlin*
Deputy Principal Assistant
Department of Finance



J. Brett Taylor*
Director of Finance
City of Wilmington



Robin R. Christiansen
Mayor
City of Dover



Bill West
Mayor
Town of Georgetown



Jerry Clifton
Mayor
City of Newark

Non-Voting Members



Ruth Ann Miller
Controller
Office of the Controller General



Bryan Sullivan*
Director of Management Efficiency
Office of Management and Budget

**Designee*

APPROVAL OF MINUTES

GROUP DISCUSSION

Draft Recommendations

Senate Concurrent Resolution No. 167
(152nd General Assembly)

PILOT STUDY GROUP MEETING

Friday, October 25, 2024

Appendix 2D

AGENDA

1 WELCOME AND ROLL CALL

2 APPROVAL OF MINUTES

3 APPROVAL OF RECOMMENDATIONS

4 PUBLIC COMMENT

5 ADJOURNMENT

MEMBERSHIP

Voting Members



Senator Darius J. Brown
Chair



Representative Cyndie Romer
Co-Chair



Senator Brian Pettyjohn
Senate Minority Whip



Representative Charles S. Postles, Jr.



Melissa Marlin*
Deputy Principal Assistant
Department of Finance



J. Brett Taylor*
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City of Wilmington



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Mayor
Town of Georgetown



Jerry Clifton
Mayor
City of Newark

Non-Voting Members



Ruth Ann Miller
Controller
Office of the Controller General



Bryan Sullivan*
Director of Management Efficiency
Office of Management and Budget

**Designee*

APPROVAL OF MINUTES

GROUP DISCUSSION

Recommendations

Appendix 3A

SPONSOR: Sen. Sokola & Rep. Baumbach & Rep. Osienski & Rep. Romer
Sens. Hoffner, Pettyjohn, Poore, Sturgeon, Townsend

DELAWARE STATE SENATE
152nd GENERAL ASSEMBLY

SENATE CONCURRENT RESOLUTION NO. 167

ESTABLISHING A STUDY GROUP TO REVIEW AND RECOMMEND COMPENSATORY PAYMENTS FOR CERTAIN TAX-EXEMPT PROPERTIES OWNED BY THE STATE.

WHEREAS, § 8318 of Title 29 provides compensatory payments to county seats with tax-exempt properties owned by this State ("compensatory payments"), using a formula based on the population of the municipality and the percentage of that tax-exempt property located in the municipality; and

WHEREAS, the percentage of tax-exempt property under § 8318 of Title 29 does not include property owned by the Delaware State Housing Authority, Delaware Solid Waste Authority, Delaware State University, or the University of Delaware; and

WHEREAS, § 8318 of Title 29 was revised in July 2005 by the enactment of House Bill No. 314 (143rd General Assembly), which implemented recommendations from the Task Force on Financial Options for the City of Wilmington created by Governor Minner through Executive Order No. 42; and

WHEREAS, the City of Newark does not receive a compensatory payment under § 8318 of Title 29 despite the large amount of State-owned property located within the municipality; and

WHEREAS, for the past several years, the City of Newark has received a State appropriation through Grants-in-Aid; and

WHEREAS, the amount and value of State-owned property changes over time as real property is purchased, sold, improved, and periodically re-assessed; and

WHEREAS, § 8318 of Title 29 should be reviewed this year, and periodically in the future, to evaluate the eligibility criteria used to determine which municipalities should receive compensatory payments, the amount that should be appropriated for compensatory payments, and the formulas that should be used for these calculations.

NOW, THEREFORE:

BE IT RESOLVED by the Senate of the 152nd General Assembly of the State of Delaware, the House of Representatives concurring therein, that the Study Group to Review and Recommend Compensatory Payments for Certain Tax-Exempt Properties Owned by the State ("Study Group") be created.

BE IT FURTHER RESOLVED that the Study Group shall review § 8318 of Title 29, the current distribution of compensatory payments to county seats with tax-exempt properties owned by this State, to evaluate which municipalities should be eligible to receive compensatory payments, the amount that should be appropriated for compensatory payments, and the formulas that should be used for these calculations.

BE IT FURTHER RESOLVED that the Study Group consider how to periodically review the amount appropriated for compensatory payments, eligibility to receive compensatory payments, and the formulas used for these calculations no less than every 10 years.

BE IT FURTHER RESOLVED that the Study Group shall make recommendations regarding the compensatory payments under § 8318 of Title 29, including for the eligibility criteria for municipalities, the amount appropriated for compensatory payments, the formulas used to calculate these payments, and a process to periodically conduct a similar review no less than every 10 years.

BE IT FURTHER RESOLVED that the Study Group is comprised of the following voting members, or a designee selected by the member serving by virtue of position:

(1) A State Senator from the majority caucus, appointed by the President Pro Tempore of the Senate, who serves as co-chair.

(2) A State Senator from the minority caucus, appointed by the President Pro Tempore of the Senate.

(3) A State Representative from the majority caucus, appointed by the Speaker of the House of Representatives, who serves as co-chair.

(4) A State Representative from the minority caucus, appointed by the Speaker of the House of Representatives.

(5) The Secretary of the Department of Finance.

(6) The Mayor of the City of Wilmington.

(7) The Mayor of the City of Dover.

(8) The Mayor of the Town of Georgetown.

(9) The Mayor of the City of Newark.

BE IT FURTHER RESOLVED that the President Pro Tempore of the Senate and the Speaker of the House of Representatives shall make appointments to the Study Group so that there is at least 1 member of the General Assembly serving as a member of the Study Group from each county and the City of Wilmington.

BE IT FURTHER RESOLVED that the Study Group also has the following non-voting members, or a designee selected by the member serving by virtue of position:

(1) The Controller General.

(2) The Director of the Office of Management and Budget.

BE IT FURTHER RESOLVED that a quorum of the Study Group is a majority of its members.

BE IT FURTHER RESOLVED that:

(1) Official action by the Study Group, including making findings and recommendations, requires the approval of a quorum of the Study Group.

(2) The Study Group may adopt rules necessary for its operation.

(3) The co-chairs of the Study Group may invite individuals with relevant expertise to participate in Study Group discussions.

(4) A member of the Study Group with the ability to designate another individual to attend a Study Group meeting must provide the designation in writing to the co-chairs. An individual attending a meeting for a member as a designee has the same duties and rights as the member.

BE IT FURTHER RESOLVED that the co-chairs of the Study Group are responsible for guiding the administration of the Study Group by doing, at a minimum, all of the following:

(1) Setting a date, time, and place for the initial organizational meeting.

(2) Notifying the individuals who are members of the Study Group of the formation of the Study Group and, if applicable, notifying a person of the need to nominate or appoint a member.

(3) Supervising the preparation and distribution of meeting notices, agendas, minutes, correspondence, and reports of the Study Group.

(4) Sending to the President Pro Tempore of the Senate, the Speaker of the House of Representatives, and the Director of the Division of Research of Legislative Council, after the first meeting of the Study Group, a list of the members of the Study Group as follows:

a. By position, including if serving as a designee of a member serving by virtue of position.

b. By appointment, including the caucus the member represents.

(5) Providing meeting notices, agendas, and minutes to the Director of the Division of Research of Legislative Council.

(6) Ensuring that the final report of the Study Group is submitted to the President Pro Tempore of the Senate and the Speaker of the House of Representatives, with copies to all members of the General Assembly, the Governor, the Governor-elect, the Director and the Librarian of the Division of Research of Legislative Council, and the Delaware Public Archives.

BE IT FURTHER RESOLVED that the Study Group must hold its first meeting no later than August 31, 2024.

BE IT FURTHER RESOLVED that the General Assembly is responsible for providing reasonable and necessary support staff, including a legislative attorney, and materials for the Study Group to carry out its mission.

BE IT FURTHER RESOLVED that the co-chairs of the Study Group must compile a final report containing a summary of the Study Group's work regarding the issues assigned to it under this Resolution, including any findings and recommendations, and submit the report no later than December 31, 2024.

Ssynopsis

This Act creates the Study Group to Review and Recommend Compensatory Payments for Certain Tax-Exempt Properties Owned by the State to review and evaluate § 8318 of Title 29 and make recommendations regarding the eligibility criteria that should be used to determine which municipalities to receive compensatory payments for tax-exempt property owned by this State ("compensatory payments"), the amount that should be appropriated for compensatory payments, the formulas used to calculate compensatory payments, and how to periodically review this appropriation, eligibility criteria, and formulas no less than every 10 years.

Author: Senator Sokola

UNIVERSITY OF DELAWARE | Office of the President

Dennis N. Assanis
President
104 Hullihen Hall
Newark, DE 19716-0101
Phone: 302-831-2111
Fax: 302-831-1297
Email: president@udel.edu

October 4, 2024

Dear Members of the PILOT Task Force,

The University of Delaware is truly at its best when we bring our students, their families, our faculty and staff, and valued partners together with the businesses and residents of the City of Newark to create a thriving community for us all.

Throughout my time as President of UD, I have sought to grow the University's impact as a driving force of academic excellence and economic development serving the State of Delaware. We have made significant progress in these efforts: UD has a $1.4 billion economic impact in the City of Newark and a $3.2 billion impact statewide. Our Science, Technology and Advance Research (STAR) Campus has also continued to grow as an engine of job creation supporting this impact.

In order for us to sustain this momentum and progress — for our University, for our City, for our State — we strongly urge the City of Newark's inclusion in the PILOT program, or the long-term continuation of the Higher Education Public Safety Fund to support the City of Newark.

UD's ability to recruit the highest quality students from Delaware and beyond depends not just on our classrooms and campus housing, but on the safety and attractiveness of the many Newark neighborhoods serving our students. In addition, our goal of recruiting and retaining employers to Delaware in industries like biopharmaceuticals, financial services and clean hydrogen can only advance if Newark is able to invest in the modern infrastructure that supports these operations. Further, our ability to graduate quality students into Delaware's workforce — especially in critical areas like healthcare, teaching and engineering — requires that Newark and our surrounding communities remain attractive places to live, work and raise a family.

The City of Newark Mayor, Council and Staff have always strived for excellence in their own departments, which you can see when you travel through our beautiful city. They need to continue to invest in Newark's infrastructure, safety, and sustainability in the coming years to achieve the goals we all have for our community. That will only be possible with consistent financial support from the State that can grow over time.

Thank you for your consideration of this request. If you would like to discuss this in more detail, I can be reached through Evan Park at evrpark@udel.edu or 302-528-4759.

Respectfully submitted,

Dennis Assanis

Appendix 3C

The PILOT Study Group Draft Recommendations
(created by Senate Concurrent Resolution 167)
Friday, October 11, 2024

***YOU ARE REVIEWING A WORKING DOCUMENT THAT WILL NOT BE FINALIZED UNTIL OCTOBER 25**. THE RECOMMENDATIONS IN THIS DOCUMENT HAVE NOT YET BEEN AGREED UPON. THE FINAL VERSION OF THE RECOMMENDATIONS WILL BE RELEASED AT A LATER DATE.*

#	Name	Recommendation
1	Department of Finance	29 Del. C. § 8318(a) should be amended to say that all three county seats should use the county's assessed values, not their own process.
2	Department of Finance	29 Del. C. § 8318(a) should also be amended to explicitly state that school district and charter school properties are excluded from the calculation. Other sections of Code clarify that these properties are owned by the school district, not by the State, but it would be easier if that was also stated in 29 Del. C. § 8318(a). Here are a few references in Code stating that these properties are owned by the district/charter, not the State: 14 Del. C. § 504A(3), 14 Del. C. § 1056(b), 14 Del. C. § 2102, and 14 Del C. § 2301(5). 29 Del. C. § 8318 (a) The county seat in each county shall appraise and assess real property taxes on all property owned by the State excluding properties owned by the Delaware Housing Authority, Delaware Solid Waste Authority, Delaware State University, ~~or~~ the University of Delaware, or school districts and charter schools, lying within their respective city limits. Each county seat shall annually submit statements of these appraisals and assessments unto the Secretary of the Department of Finance, said assessments and appraisals to be in accordance with ~~their respective~~ the procedures for appraising and assessing real property as set by their respective county.
3	Department of Finance	Ensure that each county seat is held harmless and receives no less than what they have previously received in PILOT funds.
4	Department of Finance	Consider recommending that half of the corporate recording fees received by the counties be directed to Dover and Georgetown. Wilmington already receives half of New Castle County's recording fees. This would provide approximately $600,000 - $750,00 in additional funding to Dover and approximately $125,000 - $170,000 in additional funding to Georgetown. This is more than they received in PILOT funding currently. This comes at no cost to the State as these fees are collected by the Division of Corporations and transferred directly to the counties. New Castle County then transfers half to Wilmington. Recording Fees | Courthouse Municipality Fees

DRAFT

		<table><tr><td></td><td>New Castle (1/2 to Wilm.)</td><td>KENT</td><td>SUSSEX</td><td>DOVER</td><td>GEORGETOWN</td><td>WILMINGTON</td></tr><tr><td>FY22 Total</td><td>4,433,143</td><td>1,483,317</td><td>335,516</td><td>2,095,840</td><td>740,900</td><td>6,187,100</td></tr><tr><td>FY24 Total</td><td>3,631,395</td><td>1,459,218</td><td>288,618</td><td>4,449,818</td><td>1,385,310</td><td>10,378,797</td></tr></table> 1/2 to County Seat 1,815,698 729,609 144,309 - Recording Fees – 8 Del. C. §103(c)(5) recording/assessment fee ($24 for the first page and $9 for each additional page) in General Corporation Law; 9 Del. C. §9626 NCC is required to remit 50% of their recording fee to Wilmington - Courthouse Municipality Fees – 8 Del. C. §103(c)(7) fee ($40 per filing) in General Corporation Law; 6 Del. C. §18-206(e) fee ($40 per filing) in LLC Act; fees increased from $20 to $40 on August 1, 2023 (SB 110)
5	City of Dover	Remove the 50,000-population threshold such that all municipalities are subject to the same formula criteria.
6	City of Dover	Development of a standard list of the types and location of state-owned properties to be applied to the PILOT formula by all recipients; including public institutions of higher learning (UD, DSU, DTCC) and any other properties used for educational purposes that are held in the name of the state.
7	City of Dover	Development of a process in a timely manner to advise municipalities of state-owned properties that have been acquired or disposed of for inclusion in PILOT computations.
8	City of Dover	Require that all municipalities utilize the most current county assessment records of assessed value, irrespective of any other local assessment, for PILOT computations.
9	City of Dover	Development of criteria to ensure that municipalities that do not qualify as county seats can seek recognition of large state-owned facilities in their jurisdiction subject to approval by the Secretary of State (or Finance).
10	City of Dover	Increase the annual PILOT funding allocation to accommodate other impacted municipalities, to at least account for inflation. We recommend that the funding be increased to $6 million in the upcoming fiscal year to put the allocation on a firmer basis.
11	City of Dover	Revise the PILOT formula to treat all recipients fairly by determining the total assessed value of all eligible properties in the state and distributing the PILOT funds in accordance with the individual municipal's proportionate share thereof.
12	Town of Georgetown	Standard calculation for all recipients.
13	Town of Georgetown	Use of the same assessment basis for all (County assessment).
14	Town of Georgetown	Verified list of state exempt properties.
15	Town of Georgetown	Recalculation of appropriation amount following each 5-year assessment.
16	Town of Georgetown	No negative impact (reductions) as the result of including others in PILOT.

DRAFT

17	Town of Georgetown	Avoid any reduction in current appropriation amount to County Seats (Wilmington, Dover, Georgetown).
18	Town of Georgetown	Please do not mix other revenues (Courthouse Municipality Fee) as part of PILOT – Focus on County Seat Package.
19	City of Wilmington	PILOT should not be reapportioned to one municipality at the cost of another.
20	City of Wilmington	Total annual allocation should be increased and expanded to include municipalities in need.
City of Newark provided two suggestions for changes to PILOT options: *Option A: Add towns that provide police and fire protection to university dorms as a new subsection of subsection b, adjust all three county seats up to 100% of lost tax revenue, eliminate the funding cap.* *Option B: Add towns that provide police and fire protection to university dorms as a new subsection e.*		
21	City of Newark	Municipalities with local law enforcement agencies and fire departments serving tax-exempt higher education institutions that have on-campus residence halls with capacity exceeding 500 residents.
22	City of Newark	Each county seat receives 100% of assessed value.
23	City of Newark	Municipalities with on-campus residence halls with capacity exceeding 500 residents, 100% of assessed valued.
24	City of Newark	Increase total for county seats to $5.2 million.
25	City of Newark	Total payments for on-campus residence halls not to exceed $3,650,000.
26	City of Newark	Adjust total for county seats and on-campus residence halls annually using the Consumer Price Index for all Urban Consumers ("CPI-U"). CPI-U increases may occur not more than once in any twelve (12) month period. Any annual increase shall not exceed the percentage increase for the previous twelve (12) months based on the Consumer Price Index for all Urban Consumers (Philadelphia-Camden-Wilmington, not seasonally adjusted) or any successor index published by the U.S. Department of Labor.

-END-

DRAFT

The PILOT Study Group Recommendations
(created by Senate Concurrent Resolution 167 [SCR 167])
Friday, October 25, 2024

#	Name	Recommendation
1		The 153rd General Assembly should extend the discussions of the PILOT Study Group for another year so that recommendations can be based on the most recent assessed value of the relevant properties. **APPROVED**
~~2~~		~~Codify the Higher Education Public Safety Fund to address the concerns that prompted SCR 167. The proposed Higher Education Public Fund would require that an eligible municipality provide an annual report to the JFC Co-Chairs and the Controller General no later than April 1st that includes the municipality's anticipated expenditures associated with fire and police expenditures relating to higher education campuses within the municipality and the amount of financial support requested for the next fiscal year.~~
3	Department of Finance	29 Del. C. § 8318(a) should be amended to say that all three county seats should use the county's assessed values, not their own process. **APPROVED**
4	Department of Finance	29 Del. C. § 8318(a) should also be amended to explicitly state that school district and charter school properties are excluded from the calculation. Other sections of Code clarify that these properties are owned by the school district, not by the State, but it would be easier if that was also stated in 29 Del. C. § 8318(a). Here are a few references in Code stating that these properties are owned by the district/charter, not the State: 14 Del. C. § 504A(3), 14 Del. C. § 1056(b), 14 Del. C. § 2102, and 14 Del C. § 2301(5). 29 Del. C. § 8318 (a) The county seat in each county shall appraise and assess real property taxes on all property owned by the State excluding properties owned by the Delaware Housing Authority, Delaware Solid Waste Authority, Delaware State University, ~~or~~ the University of Delaware, or school districts and charter schools, lying within their respective city limits. Each county seat shall annually submit statements of these appraisals and assessments unto the Secretary of the Department of Finance, said assessments and appraisals to be in accordance with ~~their respective~~ the procedures for appraising and assessing real property as set by their respective county. **APPROVED**
5	Department of Finance	Ensure that each county seat is held harmless and receives no less than what they have previously received in PILOT funds. **APPROVED**
6	Department of Finance	Consider recommending that half of the corporate recording fees received by the counties be directed to Dover and Georgetown. Wilmington already receives half of New Castle County's recording fees. This would provide approximately $600,000 - $750,00 in additional funding to Dover and approximately $125,000 - $170,000 in additional funding to Georgetown. This is more than they received in PILOT funding currently. This comes at no cost to the State as these fees are collected by

<table>
<tr><td></td><td></td><td>the Division of Corporations and transferred directly to the counties. New Castle County then transfers half to Wilmington.
<table>
<tr><th></th><th colspan="3">Recording Fees</th><th colspan="3">Courthouse Municipality Fees</th></tr>
<tr><th></th><th>New Castle (1/2 to Wilm.)</th><th>KENT</th><th>SUSSEX</th><th>DOVER</th><th>GEORGETOWN</th><th>WILMINGTON</th></tr>
<tr><td>FY22 Total</td><td>4,433,143</td><td>1,483,317</td><td>335,516</td><td>2,095,840</td><td>740,900</td><td>6,187,100</td></tr>
<tr><td>FY24 Total</td><td>3,631,395</td><td>1,459,218</td><td>288,618</td><td>4,449,818</td><td>1,385,310</td><td>10,378,797</td></tr>
</table>
1/2 to County Seat 1,815,698 729,609 144,309

- Recording Fees – 8 Del. C. §103(c)(5) recording/assessment fee ($24 for the first page and $9 for each additional page) in General Corporation Law; 9 Del. C. §9626 NCC is required to remit 50% of their recording fee to Wilmington
- Courthouse Municipality Fees – 8 Del. C. §103(c)(7) fee ($40 per filing) in General Corporation Law; 6 Del. C. §18-206(e) fee ($40 per filing) in LLC Act; fees increased from $20 to $40 on August 1, 2023 (SB 110) APPROVED</td></tr>
<tr><td>7</td><td></td><td>Recommend to the Joint Finance Committee (JFC) that the Higher Education Public Safety Fund be continued in support of the City of Dover and the City of Newark. The Higher Education Public Safety Fund would require that an eligible municipality provide an annual report to the JFC Co-Chairs and the Controller General no later than April 1st that includes the municipality's anticipated expenditures associated with fire and police expenditures relating to higher education campuses within the municipality and the amount of financial support requested for the next fiscal year. APPROVED</td></tr>
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