

CAESAR RODNEY I N S T I T U T E

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TAXATION WITHOUT REPRESENTATION: SB 50

SB50 adds the ability of Delaware Technical & Community College to assess a property tax in each county to repay tax free bonds for capital improvement projects at the college in each county. Property taxes raised in each county can only be spent in each county to avoid a Constitutional conflict.

The problems are:

1. It opens a Pandora's Box to the state collecting property taxes for multiple purposes. Progressives are eying more state uses for property taxes. Senator Bryan Townsend has been pushing a state property tax for the past two years to pay for clean water projects. *If Del Tech can do this why not U of D, and Delaware State? We could be looking at New Jersey level property taxes.*
2. Section 9131 (b) of the bill which, in the event of a reassessment of property values, requires the Infrastructure Fund Board to adjust the tax rate so there is no more than a 10% increase in total tax revenue after the reassessment. Every serious discussion of reassessment over the last two decades includes the idea once the assessment is complete it will be kept evergreen by using an indexing model to reassess one third of all properties every year, and repeating the cycle every three years. *If indexing occurs every year, they would have to adjust the tax rate every year, and presumably could raise total revenue 10% every year.*
3. Colleges regularly make decisions about capital investments, and how to pay for them. The discipline is investments must be paid for by higher tuition rates, or higher enrollment, or both. Allowing a property tax to pay for investments removes the discipline of pay back since someone else will pay. Don't forget Del Tech has already been freed of tuition discipline from the SEED program paying 100% of tuition. *The result of that is a 70% drop out rate as students have no skin in the game.* SB 50 should probably encourage bond repayment from a tuition increase paid by students above the SEED grants so they have an investment in their education and take it more seriously.

By: David T. Stevenson, CRI Policy Director 2/12/2019