

LEGISLATIVE UPDATE
“FINAL GAVEL”

2nd SESSION OF THE
149TH GENERAL ASSEMBLY

AS OF: 12 July 2018
EXECUTIVE SUMMARY

"We look like fools when we say one thing and do another."
Representative Joe Miro

The Second Session of the 149th General Assembly, unlike the first year of the Carney Administration, saw a surplus of some \$360million in new revenues for the coming FY'19 budget. Delaware's overall economy has seen improvement, and coupled with the tax increases on alcohol, tobacco and real estate from last year, money was not the dominate issue facing the Assembly. However - like last year, the 2nd Session faced ongoing efforts to fully legalize marijuana for recreational use, increasing the minimum wage, another attempt to repeal the death penalty, doctor assisted suicide, gun issues, DelTech's efforts to gain authority for an independent property tax, manufactured housing (rent justification changes), mandates on small business owners (Evergreen contracts, Sexual Harassment Training), and "Budget Smoothing" from the Governor's office.

From the business community's point of view, the Assembly did not focus on how to grow the economy, but continually sought to pass bills that would place more government oversight and burdens on the business owner. Until the democratically controlled House, Senate and Administration face competition from the minority party (Republicans) on many of these votes/issues, much of what we face will not change. There was one exception.

Last year saw the Assembly missing for the first time a completed budget and bond bill by 30 June. This year - money was not the issue - but the Assembly did not retire until about 8:00 AM on Sunday morning. A minimum wage increase became the issue.

Having passed and signed the Budget bill by 28 June, all that remained was the Bond and Grant-in-Aide bills, with most large policy decisions already decided in one way or another. But, late on 30 June, the Senate sponsor of increasing the

minimum wage got a floor vote (passing on party lines) and sent it to the House for action. Expectations that evening were the House would not work the bill. Much to the dismay and shock of the House R's, business community and Chambers, the Speaker said they would vote on the minimum wage. House R leadership stated that if the bill were to be brought forward with no committee hearing or public testimony and all under suspension of rules, they would not vote for the Bond Bill. It was during this debate that retiring Rep Joe Miro said there was an agreement between both sides the bill would not get worked... yet when he learned it would, he stated this flip-flop makes us look ".. like fools".

The House R's stood their ground. Not until an agreement was made between the two parties on Sunday morning to amend the bill with a training and youth wage rates, and a new effective date, they would not vote for the Bond bill. Finally, they agreed and the two money bills were passed.

Having finished on Sunday July 1st at 8:30 AM, here are some highlights:

The FY'18 Budget is \$4.27billion.

Casino relief for the three racetracks passed with ease after month's long efforts by Sen. Bushweller. The current tax rate of 43.5 % on Delaware's Tracks are at the highest levels in the tri-state region. Coupled with ongoing competition (some 35 casinos now exist between NY, PA, NJ, MD and VA) the three tracks got a 1% tax cut, 50% reduction in the table games tax rate, and no table game license fees.

Also, included in this year's budget were increases in spending for state employees through pay and bonuses, and paid maternity leave for state employees up to 3 months for their newborn. The state also increased dollars for education reading specialists and a \$5million fund for public and charter schools to enhance their security measures. Also the non-profit community got their full 20% cut restored from last year in this year in the Grant-in-Aid bill.

This year saw another increase in spending of over the FY '18 budget (which ended on June 30th.) A breakdown of spending for the last number of years as compared to the new FY2019 budget follows:

FY2014 - 5 years ago	
General Operating Budget	\$ 3.718 billion
Bond /Capital Improvement Bill	\$477 million
Grant-in-Aid	\$44.8 million

FY2015 - 4 years ago	
General Operating Budget	\$3.809 billion
Bond/Capital Improvement Bill	\$421 million
Grant-in-Aid	\$45.4 million
FY2016 - 3 years ago	
General Operating Budget	\$3.985 billion
Bond/Capital Improvement Bill	\$ 456 million
Grant-in-Aid	\$43.005 million
FY2017 - 2 years ago	
General Operating Budget	\$4.084 billion
Bond/Capital Improvement Bill	\$501 million
Grant-in-Aid	\$45.9 million
FY2018 - Last year	
General Operating Budget	\$4.11 billion
Bond/Capital Improvement Bill	\$590 million
Grant-in-Aid	\$37.2 million
FY2019	
General Operating Budget *	\$4.27 billion
Bond/Capital Improvement Bill	\$816 million
Grant-in-Aid	\$52.1 million

* This does not include a supplemental spending bill of \$46.7 million that has been appropriated/set aside for next year .

With the pressure off with a budget surplus, the impact on the commercial real estate industry, multi-family housing property owners, manufactured housing, the Central Delaware Chamber of Commerce, and various other business organizations remains mixed.

Of general business interest were the following bills:

- * Another series of alcohol bills, one to allow wineries to ship and sell their products directly to other "craft" alcohol makers, another attempt to allow craft beer/wine to be sold at farmers markets, and the ongoing efforts to allow "Direct Wine Shipment" from producers to consumers.
- * A bill requiring employers with 50 employees or more to provide sexual harassment training once every two years.
- * Legislation banning the use of "evergreen contracts" between businesses and their customers.
- * Legislation mandating the installation of types of CO Detectors in all forms of rental housing.
- * Minimum Wage increase to \$9.25/hr by October 2019.

- * The passage of a bill that allows the sale of the Port of Wilmington to Gultainer by the Diamond State Port Corporation.
- * Legislation seeking to hold employers responsible for the unauthorized releases of biometric data of their employees or customers.
- * A series of bills amending the charters of various towns to allow them to implement a lodging tax of 3%.
- * Another attempt to pass a Clean Water Tax on all residential and commercial property owners.

In summary, Delaware's economic position is improving, but there are still some fundamental issues unresolved by the Assembly and Administration. Removing the continuing burdens faced by small business owners, reducing taxes and limiting the reach of government must be addressed. Unfortunately, Delaware has for the last number of years sought changes in social policy (gun bans) instead of creating the right "box" for wealth.

Respectfully Submitted;

C.S.KIDNER ASSOCIATES/CAPITOL STRATEGIES

C. Scott Kidner

REVIEW OF LEGISLATION

I. LAND USE/ENVIRONMENT/ REAL ESTATE/HOUSING

The following bills and positions noted represent the overall commercial real estate, multi-family, and manufactured housing industry, along with the business community as it relates to their private property rights, how they conduct their business, and their ability to use/transfer real property within the state of Delaware.

SENATE

SS#3 to SB23 - Sen. Ennis and Rep Carson - Manufactured Housing
OPPOSED

Introduced last year, the bill has gone through a series of changes. The most current version is SS#3 that seeks to change the rent justification laws by eliminating capital costs that can be recovered by the community owner when they submit rent increases, and to be recovered only through the use of fees.. It further defines notice requirements, and restricts the collection of the fee to 10% of the capital expenditure. Opposed by FSMHA and others because of the negative impact it will have on tenants and the loss of recovering significant repair and construction costs that are incurred by owners (it will actually reduce investment in the community), the bill was finally heard on 28 June in the Senate Judiciary Committee and failed to get three votes to advance.

No Further Action Taken

SS#1 to SB91w/HA#1 - Sen. Sokola and Rep. Bentz - CO Detectors/Rental Units
OPPOSED

A bill from last year, it mandates the installation of Carbon Monoxide Detectors in all forms of lodging establishments as defined by the bill to include multi-family, townhomes, apartments and hotels and gives the State Fire Marshall's office authority for inspections and fines. The multi-family housing industry spent significant time amending the bill to insure there would be no retroactive installation of the devices. Other concerns raised by the Del Apartment Association on duties of the landlords and compliance dates finally made it into an amendment from the House sponsor, which allowed it to pass both Chambers in June.

Awaiting Governor's Signature

SB113w/SA#1, #2, #4, and #5 - Sen. McDowell and Rep. Paradee - Clean Energy Financing

NEUTRAL

Introduced last year by the Delaware's Sustainable Energy Utility, it creates a new DE Voluntary Property Assessed Clean Energy program (D-PACE) to allow building owners to finance the installation of clean energy technologies in their properties by a voluntary assessment imposed on that property. The SEU and other financial institutions would finance energy improvements. Generally supported by building and real estate groups, the bill failed two separate Senate votes before finally passing with a number of amendments in June. These amendments preserve banks superior position on any liens, mandates the creation of a "Program Document" before the rollout of D-PACE, specific requirements to be contained in this document, and a public hearing with 20 days notice of the details of the new program. Passing the Senate 15 Yes and 6 No votes - it passed the House on 28 June on a 31 Yes, 9 No count.

Awaiting Governor's Signature

SB153 w/SA#2 - Sen Hansen and Rep Heffernan- Native Species Commission

NEUTRAL

As a result of the Statewide Ecological Extinction Task Force created last year - the bill establishes a new Commission within DNREC to review plans and recommendations that seek to support native species conservation that may include legislation, regulations, or other policy changes to protect Delaware's native plants and animals. The Commission is to start by 1 August 2018 and provide an annual report by 31 December of each year. The Commission sunsets in 10 years without further action by the Assembly.

Signed by Governor on 6 June 2018

SB204 - Sen Hocker and Rep Carson - Stormwater Management
SUPPORT

Introduced on May 8th, the bill is a result of work between DNREC and the regulated development community (developers, engineers, home builders) as the two groups worked on redoing the Stormwater Regulations through the Regulatory Action Committee (RAC). The bill puts in place interim standards for the redevelopment of land until the full regulations are adopted in January of 2019. The bill offers property owners an ability to develop their land under a less intensive stormwater regime; it extends the time frame for DNREC to review delegated programs to 5 years, and finally; it will allow certain supporting documents to not be considered as part of the APA process, and can be changed without publication in the Registrar. The bill easily passed both Chambers before the close on 30 June.

Awaiting Governor's Signature

SB229 - Sen Lopez and Rep Briggs-King - Private Property Rights
SUPPORT

Based upon revelations about individual's property rights being violated by DNREC as they purposely collected environmental data, it requires DNREC to get written permission from the property owner before they can walk onto private land, disclose the methods of collection and how the information will be shared. After lengthy discussion with DNREC about their opposition, the bill was submitted with changes and eventually passing both Chambers with ease.

Awaiting Governor's Signature

SB251 - Sen Bushweller and Rep Carson - Home Owner Attorney Fund
OPPOSED

Introduced in May, it puts an additional \$.50 monthly assessment per lot, paid by the tenants, for a new fund called the DE Manufactured Home Owner Attorney Fund. Opposed by FSMHA, the bill essentially creates new source of funding for Community Legal Aid Society to bring lawsuits against community owners in rent justification cases/litigation. Facing significant pressure in support from the tenants and opposition from the communities, coupled with a potential constitutional problem, the committee did not feel the bill was not ready for floor action and therefore, would not sign it out.

No Further Action Taken

HOUSE

HR24 with HA#2 and #3 - Ruth Briggs King - Establishing a Task for the Review of Manufactured Housing Act

SUPPORT

The resolution is a similar to previous attempts by members of the House to establish a task force to examine/rework portions of the code dealing with rental lots and the agreement between the parties. HA2 and HA3 were added to the bill by voice vote and they deal with establishing what a quorum and majority vote and the HA3 reflects the change in one of the tenant organizations. The Task Force specifically names FSMHA with three members, one from the REALTORS, Community Legal Aide and Widener Law School among other participants. The group is to meet before 31 July 2018, and report back by December 31, 2018. It finally passed the House by voice vote on July 1st.

No Further Action Taken

HB276 - Rep Baumbach and Sen Ennis - Payment Interceptions

OPPOSED

Introduced last year, the bill finally was heard in committee in May of this year and it seeks to allow the counties and State to intercept taxes/fees due by a community owner from the RTA. Essentially, the RTA becomes the collection agency on taxes due or debt if a payment is made to a community owner under Chapter 8712. Opposed by community owners as one-sided and the RTA because inability to implement, the bill failed to gain enough support to be released from committee.

No Further Action Taken

HB277 - Rep Baumbach and Sen Ennis - Extending the RTA

SUPPORT

Introduced in December of 2017, the bill simply extends the Relocation Trust Authority's program and functions until July 2024. The bill easily passed both Chambers by April.

Signed 17 April 2018

HB354 - Rep Osienski and Sen Townsend - Equal Accommodations

NEUTRAL

The sponsor seeks to align Delaware's equal accommodations law with the Federal ADA by changing various phrases as it relates to physical disabilities, definition of "service animals" not support animals, and defines that these animals (dogs only) are used with people that have physical disabilities. Initial concerns from the multi-family housing industry about the impact service animals may have on rental properties, rental agreements, and conflicts with HUD rules was dealt with by

language in the bill saying this does not apply to rental housing or apartments. It easily passed the House on 7 June and the Senate on 20 June.

Awaiting Governor's Signature

HB383 w/ HA#1, #2 - Rep Briggs -King and Sen Pettyjohn - Acceptance of Rent for Manufactured Housing

OPPOSED

It requires the owner/landlord to accept rental payments from tenants in manufactured housing communities and failure to accept rent payments as a retaliatory action. After discussion in committee on 2 May with a need for removing the retaliatory action section and decreasing the 15 to 7 days - the bill supported now by both tenants and community owners, it was released with 5 on its merits, and placed on the House Ready List.

No Further Action Taken

HB387 - Rep Baumbach and Sen Ennis - Changes to the Arbitration Process

OPPOSED

Introduced on 25 April, it seeks to change the adjudication process from non-binding arbitration to an administrative hearing. Strongly opposed by the community owners because it dramatically reduces the ability to appeal, and lowers the current standards of evidence in these hearings if it were passed. After vocal opposition from the owners and tenants, it was tabled in Committee.

No Further Action Taken

HB436 w/HA#1, #2 - Rep Carson and Sen Ennis - Rented Lot Transfers

OPPOSED

The bill changes how lot transfers will be provided to a buyer by requiring the landlord to provide a copy of the specific eligibility requirements and the grounds under which any potential new tenant is rejected. While not opposed in concept, owners sought some language changes before the bill moved forward. Released with the expectation of an amendment, HA#2 was attached and the bill moved out of the House on a 38 Yes, then passing the Senate early on the morning of 1 July 19 yes.

Awaiting Governor's Signature

HB454 w/HA#1 - Rep Heffernan and Sen McDowell - Voluntary School Assessments

NEUTRAL

Introduced in Mid-June, the bill eliminates the voluntary school assessment for one bedroom apartments under a redevelopment plan, and for those with 2 or more bedrooms, the impact fee is reduced to 2.5% of the cost of the rental unit. The bill was released from the Housing Community Affairs Committee on 13 June, but

facing significant opposition from school districts and others - the sponsor struck the bill on 30 June.

No Further Action Taken

HB456 w/HA#1, #2 - Rep Jaques and Sen Hansen - Ban the use of Lead Paint
NEUTRAL

The bill outlaws the use of lead paint on any private or public outdoor man-made structures such as bridges and water towers effective by January 2020. The first amendment removes DNREC from developing any regulations as to the removal of lead paint from these structures, and HA#2 makes a technical change. It passed the Senate on 27 June.

Awaiting the Governor's Signature

HB466 - Rep Baumbach and Sen Bushweller - Rent Increases

SUPPORT

The legislation simply changes the written notice of a lot increase to a tenant from a minimum of 60 days to 90 days notice. Supported by both tenants and the manufactured housing community owners, it easily passed the House and got assigned to the Senate Judiciary Committee, but failed to get a hearing before the close of session.

No Further Action Taken

II. TAXES

SENATE

SB50 - Sen. McDowell and Rep. Mulrooney - Del-Tech Property Tax

NEUTRAL

Like last year's attempt, the Board of Trustees of Delaware Technical and Community College once again advocated for an ability to set up:

* The authority to issue bonds to finance the cost of major capital repairs, deferred maintenance and other infrastructure costs, and;

* Create a local property tax system to support these expenditures.

The bill was strongly supported by numerous members of the Assembly at its introduction, and was released from the Senate Finance Committee last year.

However, the concerns with the bill from other Legislators such as giving a private Board the ability to raise property taxes without ever being recalled (public elections) has kept the bill from advancing in the Senate.

No Further Action Taken

HOUSE

HB270 - Rep Mulrooney and Sen Townsend - Clean Water Tax

OPPOSED

Introduced just prior to the start of this year's Session - the bill creates a Clean Water Trust Fund to be established within DNREC, that will use existing funds and a new \$40 fee for single filers and \$80 for joint filers, and a business license surcharge of \$40 (all taxes) to raise money for the Fund. Assigned to the House Natural Resources Committee and heard on 28 March, it received significant support from the environmental community and WIAC. However, after a series of questions on implementation and how the Trust Fund would work, the bill was tabled.

No Further Action Taken

III. BUSINESS ISSUES

SENATE

SCR #73 - Sen Henry and Rep Osienski - Shift Worker Protection Study Group

NEUTRAL

As part of a larger debate about changing the relationship between the employer and those working "shifts" - the Resolution creates a Study Group made up of numerous organizations including the State Chamber, Health Care Association, the restaurant association, Secretary of Labor, Food Workers Union Local 27, and appointees from the Pro-Tem and Speaker. The first meeting is to occur on or before 7 September 2018 and a report is due by 31 January 2019. Introduced late in the Session, it passed the Senate, got amended in the House, and then by a slim majority (12 Yes) it passed on the 28th.

No Further Action Taken

SB170w/SA#2 - Sen Marshal and Rep Baumbach - Minimum Wage

OPPOSED

The final in a series of bills (SB10 from last year) increasing the State's minimum wage, this was all but considered dead in the Senate for passage. Yet, on 30 June, Sen Bushweller gave indications he would vote yes for the bill, and then under the suspension of rules by Sen Marshall, it passed on a party-line vote. As the business community reacted, it was unclear as to whether the House would vote that evening - they were, and this is what "ground" the building to halt into Sunday morning. The R Leadership believed such a policy change impacting every business in Delaware should not be done at 4:00 AM - without a hearing or public

debate. They stated they would not vote of for the Bond Bill without revisions to the bill.

HB438 sponsored by Reps Danny Short and Mike Ramone creates a "training" wage and "youth" wage rates that can be \$.50 less than the minimum for those employed less than 90 days (training) and those who are 18 yrs old or less (youth). As part of the negotiated settlement to get things moving again, this bill passed the House around 7:53 AM, and was completed in the Senate by 8:10AM.

Both Signed by the Governor on 1 July 2018

SB189 w/SA#2 - Sen McDowell and Rep Paradee - Miss Utility

OPPOSED

Originally introduced to help manage digging/construction around buried cables and gas lines, the PSC sought to change the notification process by the utility companies and contractors who work for them, the timing of the notice, and penalties. Facing a lot of push-back from the utilities and some contractors, the PSC asked for the bill to be released, but would seek an amendment to cover those issues raised by the business community. SA#2 took care of the concerns, passing the Senate and then House by 30 June.

Awaiting Governor's Signature

SB248 - Sen Lopez and Rep Smyk - Archaeological Resources

OPPOSED

The bill requires developers in all residential (2 or more lots) and commercial projects to submit for review and comment before application is made to PLUS an archaeological study or report on those lands under rezoning or sub-division. Strongly opposed by the development community, the sponsor indicated he would seek amending language before it moves forward. Assigned to committee and before it got a hearing the sponsor struck the bill.

No Further Action Taken

SB254 - Sen Marshall and Rep Brady - Workplace Fraud

OPPOSED

The bill doubles the penalties on contractors to a range of \$5000 to \$20,000 per incident if found guilty by the Department of Labor for wrongful discharge or discrimination. Strongly opposed by the ABC and other business groups, the bill was laid on the table twice, lifted from the table once, before the sponsor laid it on the table late on June 30th without seeking a vote.

No Further Action Taken

SB264 - Sen Simpson and Rep Postles - Milford Lodging Tax

NEUTRAL

Another in a series of bills seeking to give municipalities (Milford) the ability to levy their own hotel tax of up to 3% above and beyond the state's current 8% lodging tax. Treated like all charter changes that are enabling only, this bill easily passed both Chambers before the end of the Session.

Awaiting Governor's Signature

HOUSE

HB110 w/HA#1, HA#2 to HA#1, #3 - Rep Keeley and Sen Henry - Marijuana Control Act

OPPOSED

This bill introduced last year, finally got a floor vote on 27 June and failed with 21 Yes, 15 N and 5 not voting. Because it has fees and taxes it required a 3/5th vote. It would have created an entirely new statute, necessary procedures, and controls (a new Division of Marijuana Control and Enforcement) to legalize the personal use of MJ for recreational purposes in Delaware. The bill is the accumulation of the steady and consistent reduction of barriers in the use of MJ for other than scientific purposes (de-criminalize, medical) over the last number of years. With both strong advocates and opponents, the business community continued to present significant concerns because of the legal impact legalization will have on a company's "zero drug policy." Concerns relate to the specific issues of when an employee who tests positive for THC - yet claims they did not consume on the day of the test, and further claims their firing was without merit, and therefore file a complaint against the business. Further, while HA#1 sought to address some of these issues outlined above, there remained questions as to liability on the employer.

No Further Action Taken

HB293 - Rep Briggs-King and Sen Hocker - Prevailing Wage

SUPPORT

Introduced in January, the bill seeks to change the current prevailing wage method to allow the use of payroll information, remove the "lock-in" and remove the advisory committee since this bill replaces the process and calculations for the survey. Strongly opposed by the unions, and assigned to the House Administration Committee, it never got a hearing.

No Further Action Taken

HB321 - Rep Heffernan and Sen McDowell - Consumer "Evergreen" Contracts

OPPOSED

The act requires consumer contracts that contain automatic renewal provisions must clearly disclose what the terms are for this renewal and how the consumer can cancel this automatic renewal. If contracts last more than 12 months - the business must give 60 day notice before the cancellation of the renewal. With other concerns related to violations and penalties raised by the business community and the Chamber, the bill did not get a hearing before June 30th.

No Further Action Taken

HB350 w/HA#1 - Rep Paradee and Sen Sokola - Personal Information
"Biometrics" Disclosure

OPPOSED

It creates the Biometric Privacy Protection Act by establishing a new framework on the business community that uses or manages or holds biological and behavioral information (such as fingerprints, voiceprints, facial scans) from their employees or their customers. Proposed by the AG's office, this bill is cumbersome and unique to Delaware. It creates new requirements and fines if the law is broken, as well as definitions not normally used within the technology community. Again, with significant opposition from the Chamber and large technology companies, the bill did not get a hearing before June 30th.

No Further Action Taken

HS#1 to HB360 w/ HA#1 - Rep Keeley and Sen Hansen- Sexual Harassment
Training

OPPOSED

Introduced on 12 May, it requires all businesses with 50 employees or more to conduct sexual harassment training for their employees and sub-contractors within a year of their employment/hire, and those that employ more than 4 but less than 50 employees must provide a "Sexual Harassment Information Sheet" (yet to be developed by the Dept. of Labor). The bill defines what is sexual harassment and what must be taught in the class. Facing strong opposition from the Chamber and business community at large, the sponsor submitted HS#1 for the bill. While amending a number of issues, most notable the treatment of sub-contractors (now not required to get the training from the employer) it was not until HA#1 to the substitute did the business community go neutral. The amendment says training is not needed for seasonal employees, training time is determined by the employer (not 90 minutes) and information can be distributed by electronic or paper, among other clarifications. Released from House Labor Committee on June 19th - the votes were still close with only 24 Y in the House and just 11 Y in the Senate on 1 July.

Awaiting Governor's Signature

HB377 - Rep Mitchell and Sen Henry - Lodging Tax

NEUTRAL

This is a charter change for New Castle County to allow them to establish a 3% lodging tax on hotels, motels and tourist rentals within the county. Like the other hotel tax bills - this is simply enabling and still requires an ordinance passed by the County. Passing both Chambers by 30 June.

Awaiting Governor's Signature

HB395 - Rep Hensley and Sen Pettyjohn - Lodging Tax

NEUTRAL

Different from the other lodging tax bills - this would change all municipal charters at once to allow for a 3% lodging tax. Actually opposed by the League of Local Governments, the bill remained tabled in committee and was never worked.

No Further Action Taken

HB421 - Rep Lynn and Sen Delcollo - Interception of Communications

NEUTRAL

Somewhat straightforward, it says that instead of only one party giving consent to have their oral or electronic communication recorded whether it is a business or private person, this would require both parties to the communication give consent for any recording. Concerns from the police agencies and other groups kept the bill from getting a hearing.

No Further Action Taken

HB435 - Rep Baumbach and Sen Sokola - Lodging Tax/Newark

NEUTRAL

Again, another charter change, but this is for the City of Newark seeking to allow for a 3% lodging tax. The bill easily passing both Chambers by 30 June.

Awaiting Governor's Signature

HB449 - Rep Hensley and Sen Hansen - Lodging Tax /Middletown

NEUTRAL

This amends the Town of Middletown's charter to allow them to asses no more than a 3% lodging tax on hotels and motels within their city. Treated like all other charter changes - there were no issues, passing before 30 June

Awaiting Governor's Signature

HB460 - Rep Q. Johnson and Sen Sokola - Budget Smoothing SUPPORT

As part of the "Grand Bargain" from State Treasurer Ken Simpler presented a number of months ago, the bill seeks to amend the Constitution by taking the Budget Reserve Account to a Budget Stabilization Fund that receives 1% money of the previous year's budget, to be appropriated in times of fiscal instability (less tax money) but only 50% of the money can be used. Supported by many in the Assembly, as well as the Administration - it seemed clear it would advance in the House. However, after Senate Leadership and some senior members of the House pulled their support, it never got a floor vote.

No Further Action Taken

GAMING LEGISLATION:

After years of work and effort - Sen Bushweller - the lead champion for Racino relief - was able to put together SS#1 to SB144 w/HA#2, signed by the Governor on 30 June. This, like many Casino issues - was not without some drama.

Prior to getting SS#1 to SB144 introduced - the Tracks, Horsemen and the Sec. of Finance's office met to seek compromise because the original SB144 was not supported by some in the Assembly and some in the Administration. After a number of meetings, the substitute was introduced on 25 April, and passed the Senate on 26 April. However, the Speaker of the House had other ideas.

His general opposition was the state could not afford the \$20.0m loss of revenue (we had a \$360m surplus and the bill was already budgeted) and he had not been included in the negotiations between the three parties. To note for the weeks the bill was in the House - it was never assigned to a committee nor got any public hearing. Eventually, after intense discussions between the Tracks and Speaker - HA#2 was attached to the bill and it passed both chambers on 30 June

The bill moves the tax rate a point down for the tracks (HA#2), eliminates table game license fee, lowers the table games revenue tax to 15%, allows the tracks to open on Christmas and Easter, and through the expenditure of capital expenses at their individual tracks - their effective tax rate on the VLT machines will be reduced proportionately. As part of these negotiations, the two Horseman groups - DSOA an DTHA - that faced 10% cuts in their purses in 2008, got .3 % increase the first year and a .3% increase the second year for their purses.

IV. ISSUES FOR JANUARY 2019

Delaware's economic picture has improved. Unemployment is down, lowest in many years, and portions of the economy and tax revenues are growing, hence a budget surplus for 2019. Yet, Delaware has not addressed costs in state employee health benefits, and our Medicare and Medicaid programs. Also, with paid maternity leave for up to 90 days for all state employees just passing, the "Budget Smoothing" bill failing to pass that may have brought some restraint, the picture remains mixed.

Returning will be the full legalization of Marijuana; a relook at Evergreen Contracts legislation; Biometrics legislation; various alcohol bills including direct wine shipment, and; additional restrictions on employers during the hiring process.