



# **A Review of Ticonderoga Central School District's Energy Project PILOT Agreements and Impacts on Taxpayers**

**Hague School Advisory Committee (SAC)**

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## Introduction

**The citizens of Hague want a better education for our children and a fair and equitable system for school taxes.**

Recent results of the NYS Education Department testing are disappointing. These results are especially discouraging when compared to the results for neighboring schools in Bolton and the enviable results from Lake George reported in Table 1. [Out of 600+ school districts, the Ticonderoga Central School District (TCSD) is ranked 125<sup>th</sup> for Math, 439<sup>th</sup> for ELA (reading) and 527<sup>th</sup> for Science<sup>i</sup>. Research comparing education programs and standards in area schools is underway and is reported elsewhere.

A comparison of School Taxes for 2024 with Bolton and Lake George shows that TCSD is taxed nearly twice as much as Bolton and half again as much as Lake George<sup>ii</sup>.

**Table 1.**

School	School Rank (600+ )for NYS Tests 2024				School Tax
	Math	ELA	Science	ELA Regents	\$/1000 Full Market Value
Lake George	49	49	66	95	\$ 4.99
Bolton	96	109	132	254	\$ 3.80
Ticonderoga	125	439	527	363	\$ 7.70
Hague					\$ 7.46

High taxes and suboptimal education results have sparked the demand from Hague citizens for timely and significant improvements on both fronts.

The purpose of this paper is to report on some of the factors driving current and future School Tax Levies and Apportionments.

**This paper documents missed opportunities for the TCSD Board of Education (BoE) to increase non-tax school revenues, estimated at more than \$1 million annually, from seven new energy projects. Consequently, rather than the energy projects paying their fair share of taxes, the taxpayers of Hague and Ticonderoga will need to make up the difference.**

This paper also documents the School Advisory Committee's (SAC's) objectives:

- **For an immediate reversal of the BoE's decision to ignore more than \$150,000,000 of energy projects in the school tax levy apportionment calculation (shifting costs to Hague).**
- **For Hague to be included in future PILOT negotiations with school tax impact.**
- **For Multi-Year Assessment Averaging (MYAA) to be implemented, to smooth future tax changes.**

## I. What is a PILOT Agreement?

New York State laws encourage projects that are aligned with specific public policies such as the development of renewable energy<sup>iii</sup> or infrastructure that supports the economy<sup>iv</sup>, in a variety of ways including Real Property Tax exemptions.

The laws provide the local county, town, and schools with the option of negotiating Payment In Lieu of Tax (PILOT) agreements to compensate the local jurisdictions for some of the lost tax revenue.

There are three outcomes for these potentially tax exempt projects:

1. The projects can be accepted as **fully exempt** (no tax revenues are collected) (TCSD has not done this).
2. The local entities can negotiate Payment In Lieu of Taxes (PILOT) agreements that compensate the local jurisdictions for **some** of the lost tax revenue. (TCSD has done this with the recent energy projects.)
3. The law also provides the affected governments with the several or joint ability to opt out of the tax exemptions provided by the state law, in which case the energy projects would be **fully taxable**. (The TCSD has not enacted such an opt-out provision and thus none of the energy projects will be taxed at their full value.)

## II. TCSD Energy Agreements

The TCSD is a party to PILOT agreements with seven energy projects negotiated over the last several years, with an estimated project cost of more than \$150,000,000<sup>v</sup>. (This order of magnitude cost estimate is based on a preconstruction cost estimate of \$45 Mil. for the portion of CHPE in Ticonderoga and \$105, Mil. for the six solar projects based on unit cost of \$2.5 Mil/ MW AC.)

Energy projects routinely enter into Host Site Agreements that provide additional revenues to the municipalities, school districts and/or other community organizations. These Host Site Agreements are a standard element of the permitting process, expected by the regulatory agencies, to compensate host site communities for the disruption to the local economies and quality of life issues while projects are constructed and operated. TCSD did not negotiate any Host Site Agreements.

The in-service dates of these projects will vary across several years. However, for simplicity/ we are discussing tax implications as if all projects come online in the same year.

If these projects were fully taxed, it is estimated TCSD would receive more than \$1,159,000 in total incremental annual revenues.

For all seven projects, TCSD could have **opted out** of giving them tax exemptions, or could have given them small exemptions. They did not.

These seven PILOT agreements require combined total payments of approximately \$194,000 to TCSD during their respective first years of service. Again, for simplicity, the analyses in this study assume the projects share a single “first year”.

Because of the PILOT agreements, these seven projects will pay approximately \$194,000 toward school funding, less than a sixth of the estimated \$1,159,000 they would have paid if fully taxed. To say it another way, these PILOT payments will contribute approximately 1.5% of the Tax Levy instead of 8.9% if fully taxed. What is not paid by these projects must be paid by the taxpayers.

The seven projects with PILOT agreements are detailed in Table 2<sup>vi</sup>

**Table 2**

Project	Parcels	MW	Pilot Date	Term Yrs.	Pilot Payment Rate	First Yr. Pilot Payment	School Share
Ticon Solar LLC	139.4-1-10.100	5	11/15/22	15	\$4,300/MW	\$ 21,500	\$ 11,402
PIVOT Solar NY 1 LLC	150.2-10-1.000, 150.2-10- 2.000, 139.4-1-55.100	5	12/16/21	15	\$4,300/MW	\$ 21,500	\$ 11,700
PIVOT Solar NY 5 LLC	139.2-3-6.200	2.5	09/20/22	15	\$4,300/MW	\$ 10,750	\$ 5,701
PIVOT Solar NY 6 LLC	150.2-1-18.000 ,19, 150.2-1-2.11	5	09/20/22	15	\$4300/MW	\$ 21,500	\$ 11,402
PIVOT Solar NY 9 LLC	139.15-3-5.110	5	03/21/22	15	\$4,300/MW	\$ 21,500	\$ 11,700
ELP Ticonderoga Solar LLC	139.4-1-1.11, -2	20	01/06/22	15	\$2,000/MW	\$ 40,000	\$ 21,768
Champlain Hudson PE	Lake Champlain	1250	11/01/21	30		\$1,532,592	\$122,770

#### a. Solar Projects

There are six solar projects, with largely similar PILOT agreements. Only PIVOT NY 9 LLC has been completed, so that its Full Market Value has been determined and the associated taxes can be compared to the PILOT.

PIVOT Solar NY 9 LLC is now recorded on the Assessment Roll at a Full Market Value of \$21,495,700 which, if fully taxed at the current tax rate, would generate \$165,517 for TCSD rather than the PILOT revenues of \$11,700. **This equates to a 93% discount due to the PILOT for the first year.**

The PILOT payment schedule for PIVOT NY 9 LLC and all the other solar projects escalate after the second year at 2%, which is below historic and expected inflation rates, so **the PILOT discount will increase through the entire 15-year period.**

**b. Champlain Hudson Power Express (CHPE)**

This project is for the installation of a 1,250 MW DC transmission system from Hydro Quebec to New York City. Without the successful completion of this project, load shedding and blackouts are projected for NYC as soon as 2026<sup>vii</sup>. **Clearly, this project will go forward to completion with or without a PILOT tax exemption.**

Despite this, TCSD agreed to several disadvantageous terms:

- The PILOT is a small fraction of the full tax: The PILOT Agreement forecasts that in the first year, TCSD will receive \$122,770 or approximately one quarter of the fair share of taxes due from CHPE if taxed at full value.
- The PILOT is calculated based on estimated construction costs, almost certain to be lower than the actual costs incurred several years later. Any costs above the preconstruction estimate will be fully tax exempt.
- There are no PILOT payments until CHPE decides that the PILOT agreement should begin.
- The payment schedule is back-end loaded with most of the payments due to be delivered in the last several years of the 30-year PILOT agreement.

The route for this system passes through TCSD jurisdiction for 9.26 miles. The first year PILOT payment for Essex County is fixed at \$1,532,592 which will be divided among Essex County, seven host towns and six school districts<sup>viii</sup> based on a formulation that considers route distance, and full value tax rates for each jurisdiction for the first year the PILOT is effective.

TCSD copied the Town of Ticonderoga's agreement, which copied the Essex County agreement, without considering that TCSD includes Hague and what impact that would have.

To the extent that Hague's total Full Market Value assessment (FMV) increases compared to Ticonderoga's, the Ticonderoga school tax rate decreases and therefore the TCSD will receive a reduced portion of the Essex County PILOT payments.

### III. Comparison with Regional Agreements

#### Comparison with Regional **PILOT** Agreements

A comparison of the TCSD PILOTs to PILOT agreements in the Adirondack and Upstate agricultural regions for the solar projects and along the full route of the CHPE project to NYC has been conducted to identify opportunities employed outside of Ticonderoga that produce improved revenues for the school districts.

NYS RPTL 487 provides municipalities and school districts with the ability to “opt out” of the provision to provide solar project developers with tax exemptions. If a school district enacts resolutions to “opt out,” then projects are required to pay taxes based upon the assessed Full Market Value.

**In neighboring Washington County, seven of the sixteen school districts have chosen to “opt out” of providing tax exemptions, while in Essex County none have chosen to do so.<sup>ix</sup>**

The local option to “opt out” provides significant leverage to municipalities and school districts to negotiate favorable PILOT agreements with project developers that maximize PILOT revenues.

According to the NYSERDA in NYS, more than 125 school districts have made the independent decision to “opt out.” A total of 320 counties, towns, and school districts have made similar “opt out” decisions.<sup>x</sup>

**When Essex County approved the Ticonderoga PILOT Agreements, they were misinformed by the Essex County Industrial Development Agency (IDA): “There’s hardly any communities in the State that have actually passed a law to opt out, so everybody is in.”<sup>xi</sup>**

Additional due diligence would have increased the available bargaining power of the TCSD to achieve increased revenues from the PILOT agreements.

Table 3 reports the level of PILOT tax exemptions reported in NY<sup>xv</sup>. Most unfortunately, it is clear that TCSD passed up opportunities to be more protective of its citizen taxpayers in its negotiations with energy project developers. TCSD gave the biggest tax breaks. The PILOT tax reductions will necessarily be made up by the taxpayers of Ticonderoga and Hague.

**Table 3**

<b>Resource</b>	<b>Jurisdiction</b>	<b>PILOT Tax Reductions %</b>
<b>CHPE</b>	<b>TCSD</b>	<b>77</b>
	<b>Clinton County</b>	<b>72</b>
	<b>Green County</b>	<b>70</b>
	<b>Warren Washington Water Route</b>	<b>56</b>
	<b>Saratoga County</b>	<b>28</b>
	<b>Schenectady County</b>	<b>0</b>
	<b>Dutchess County</b>	<b>0</b>
	<b>Orange County</b>	<b>0</b>
	<b>Ulster County</b>	<b>0</b>
	<b>NYC</b>	<b>0</b>
	<b>Rockland County</b>	<b>Varies*</b>
<b>Solar</b>	<b>TCSD</b>	<b>91</b>
	<b>Lewis County</b>	<b>83</b>
	<b>Franklin County</b>	<b>76</b>
	<b>Green County</b>	<b>70</b>
	<b>Cayuga County</b>	<b>58</b>
	<b>St. Lawrence County</b>	<b>45</b>
	<b>Niagara County</b>	<b>39</b>
	<b>Saratoga County</b>	<b>36</b>
	<b>Tioga County</b>	<b>10</b>
	<b>Putnam CSD</b>	<b>0</b>
	<b>Clinton County</b>	<b>Most opt out</b>
	<b>*Rockland County PILOTS are front end loaded</b>	

## Comparison with Regional **Host Site** Agreements

Host Site Agreements compensate communities for disruptions such as the loss of ferry service while CHPE is being constructed in Ticonderoga, which negatively impacts the economy in the area.

The Warren Washington County IDA negotiated a Host Site Agreement that will deliver more than \$4 Mil to Putnam CSD.

**TCSD failed to seek a similar Host Site Agreement and therefore will receive nothing.**

## IV. Effects on Taxpayers

BoE missed numerous opportunities to lessen the tax burden on Ti and Hague taxpayers:

Didn't make host site agreements	Putnam CSD got \$4 Million	See Table 3
Didn't opt out of tax exemptions	4 counties to our south and NYC are getting full tax payments from CHPE	See Table 3
Accepted PILOT payments at lower values than similar projects in the region	TCSD has greatest reduction from full tax of all comparatives identified	See Table 3
Accepted PILOT calculations based on estimated construction costs from several years before actual construction	Construction costs predictably rise	See Note A below
Accepted annual increases less than the normal rate of inflation	The steep starting discounts will only grow more extreme over the life of the contracts	See Section IIa, Solar projects
Accepted back-loaded PILOT payments	Remember Econ 101? The future value of money is less than the current value of money	See Section IIb, CHPE

### Note A: Cost Estimate Sensitivity

PIVOT Solar NY 9 LLC provides some interesting information about estimates vs. actual costs because it (alone of the seven projects) has been completed.

The completed project cost -- the unit cost per Megawatt (MW) from the Ticonderoga 2024 Assessment Roll, of \$4,299,140/MW -- is nearly twice the unit



cost used in this paper to develop the \$105,000,000 estimate for all of the solar energy PILOT projects.

Therefore, the value for property taxes is nearly twice the value used in this paper to calculate the degree to which PILOTs are discounted compared to full tax payment.

Thus the actual level of tax levy discount may be much greater than the percentages show in Table 3.

#### Cost shifting:

Meanwhile the BoE very quietly took steps to shift costs onto Hague taxpayers by excluding these energy projects for all time from the School Tax Levy apportionment calculation. In an unusual maneuver on June 27, 2024<sup>xii</sup> the TCSD BoE held a little noticed off-schedule “Special” meeting and, without notice on the agenda - which is at odds with the clear intent of NYS Education Law <sup>xiii</sup> adopted a resolution to not ever include the full value of these energy projects in the School Tax Levy apportionment calculation

New York State law authorizes the TCSD to include the full value of the energy projects in the calculation of the Apportionment of the School Tax Levy<sup>xiv</sup>. (Doing so would more fairly and equitably share the tax burden between the taxpayers of both Towns.)

There is precedent for the BoE to include tax exempt properties in the apportionment calculation. An example found in the 2024-25 school budget is a \$20 million mill project – a similar industrial project.

It should be noted that the taxpayers of Ticonderoga will receive benefits from these PILOT agreements through both a reduction in school taxes and a reduction in County and Town taxes, whereas the only benefit to Hague taxpayers is the school tax reduction.

**This maneuver increases the School Taxes for Hague Taxpayers in 2024 and for the next 30 years without any prior notice, analysis of the impacts, nor opportunity for public input.**

**The missed opportunities to collect funds and the cost shifting together may well cost Hague taxpayers more than one half million dollars a year for the next 30 years.** (Illustrated in the scenarios in the Appendix.)

## **V. Findings/Outcomes**

**TCSD has failed to exercise due diligence in its role as a tax authority.**

**TCSD has entered into multiple agreements with energy project developers that have left millions of dollars of potential revenues on the table, thus increasing taxes on district taxpayers by as much as \$1 Million annually for the next 30 years.**

**TCSD has compounded the negative impacts of these failures on Hague taxpayers by refusing to include the Full Market Value of energy projects in the School Tax Levy Apportionment.**

**TCSD gave little or no consideration to Hague's interest in the process, thereby undermining the trust Hague taxpayers have in TCSD's leadership to do right by the school consolidation agreement that is the basis of our shared interest in a high quality, efficient, and effective school system that was meant to bind our communities together.**

## **VI. Recommendations**

The Taxpayers of the Town of Hague are directly and uniquely affected by any PILOT agreements entered into by the TCSD. A prerequisite of a fair and equitable school tax for the Taxpayers of Hague must be to have a seat at the table for all future PILOT agreements.

The decision of the TCSD to not fairly include the Full Market Value of the energy projects with PILOT agreements in the School Tax Levy apportionment must be reversed for the next tax year(s).

Over time it will be helpful to taxpayers in both Ticonderoga and Hague to implement Multi-Year Assessment Averaging (MYAA) to smooth out tax bills after a major change, such as a reassessment or a change in the apportionment calculation.

## APPENDIX

As shown in the scenarios below, comparing the current TCSD policy to not include PILOT values in the apportionment calculation (Scenario 1) with fully taxed energy projects included in the apportionment (Scenario 3) which represents the maximum revenues possible, **TCSD taxpayers would have received the benefit of revenues recovered through diligent negotiations by the TCSD to up to \$1,060,000 in the first year alone.**

## VII. Scenarios

The **Base Case** describes the 2024-25 school tax levy and how the levy is actually apportioned between Ticonderoga and Hague taxpayers. In the Base Case, Hague taxpayers pay a disproportionately large percentage of school taxes because the value of taxable real estate is higher in Hague. Looking at it from a per student basis, Hague taxpayers pay more than 20X per student than Ticonderoga taxpayers.

Base Case Actual 2024-25 School Tax Yr.				
	Ticonderoga	Hague	TCSD	
Full Value for Apportionment	\$ 770,144,730	\$ 993,924,548	\$ 1,764,069,278	
Apportionment Share	43.66%	56.34%		
Tax Levy	\$5,708,967	\$7,369,722	\$13,078,689	
Taxable Assessed Value	\$741,417,822	\$963,673,119		
Equalization Rate	100%	97.5%		
Tax Rate/\$1000 Assessed Value	\$ 7.70	\$ 7.65		
Full Value Tax Rate/\$1000 FMV	\$ 7.70	\$ 7.46		

**Scenario 1 TCSD BoE Special Policy Case** incorporates the resolution adopted by the TCSD BoE at June 27, 2024, Special Meeting to block the inclusion of the full value of the energy projects in the school tax levy apportionment calculation while including Year 1 PILOT payments. The unannounced maneuver, without analysis nor opportunity for public comment, is designed to effectively continue imposing the majority of the tax burden on Hague taxpayers.

Scenario 1 TCSD BoE June 27, 2024 Special Meeting Resolution 2024-25 School Tax Yr. with 1st yr Energy Project PILOT Payments and FMV excluded from Apportionment Calculation				
	Ticonderoga	Hague	TCSD	Δ Base
Full Value for Apportionment	\$ 770,144,730	\$ 993,924,548	\$ 1,764,069,278	
Apportionment Share	43.66%	56.34%		
PILOT Payment			\$ 196,442	
Tax Levy	\$ 5,625,288	\$ 7,259,019	\$ 12,884,307	\$ (194,382)
Δ Tax Levy From Base	(\$83,679)	(\$110,703)		
Taxable Assessed Value	\$741,417,822	\$ 963,673,119		
Equalization Rate	100%	97.5%		
Tax Rate/\$1000 Assessed Value	\$ 7.59	\$ 7.53		
Full Value Tax Rate/\$1000 FMV	\$ 7.59	\$ 7.34		
Equivalent Tax Rate for PILOT Projects				\$ 1.30

**Scenario 2 Hague's Request for Fair and Equitable Taxes Case** (Resolution#79) includes the energy projects at full value in the school tax levy apportionment calculation and the 1<sup>st</sup> yr. PILOT payments. Hague continues to pay the majority of the taxes.

Scenario 2 Hague's Request for Fair and Equitable Tax Treatment : Resolution # 79 2024-25 School Tax year Includes Energy Project Scheduled 1st yr. Payments and Includes Full Value in Apportionment				
	Ticonderoga	Hague	TCSD	Δ Base
Full Value for Apportionment	\$ 920,144,730	\$ 993,924,548	\$ 1,914,069,278	\$ 150,000,000
Apportionment Share	48.07%	51.93%		
PILOT Payment			\$ 196,442	
Tax Levy	\$ 6,193,486	\$ 6,690,821	\$ 12,884,307	\$ (194,382)
Δ Tax Levy From Base	\$ 484,519	(\$ 678,901)		
Taxable Assessed Value	\$ 741,417,822	\$ 963,673,119		
Equalization Rate	100%	97.5%		
Tax Rate/\$1000 Assessed Value	\$ 8.35	\$ 6.94		
Full Value Tax Rate/\$1000 FMV	\$ 8.35	\$ 6.77		
Equivalent Tax Rate for PILOT Projects				\$ 1.30

**Scenario 3 “Opt Out “Case** is a hypothetical case that describes the results based on including the full value of the projects in the taxable base as well as the TCSD opting out of NYS Tax Law 487, meaning that all of the energy projects would be subject to the full school tax. The requirement to pay the full share of school taxes may deter some solar project developers, however CHPE would have been built without any PILOT support as it is critical to keeping the lights on in NYC in 2026. Thus, this scenario would produce the maximum possible revenues for the TCSD albeit at the upper end of possibilities.

Scenario 3 "Opt Out" Case 2024-25 School Tax year Includes Full Tax Payments for Energy Projects and Full Value in Apportionment				
	Ticonderoga	Hague	TCSD	Δ Base
Existing Full Value for Apportionment	\$ 770,144,730	\$ 993,924,548	\$ 1,764,069,278	
PILOT Project Full Value for Apportionment	\$ 150,000,000	\$ -		
"Opt Out" Full Value for Apportionment	\$ 920,144,730	\$ 993,924,548	\$ 1,914,069,278	\$ 150,000,000
Apportionment Share	48.07%	51.93%		
Tax Levy	\$ 6,287,279	\$ 6,791,410	\$ 13,078,689	
Δ Tax Levy From Base	\$ 578,312	\$ (578,312)		
Taxable Assessed Value	\$ 891,417,822	\$ 963,673,119		
Equalization Rate	100%	97.5%		
Tax Rate/\$1000 Assessed Value	\$ 7.05	\$ 7.05		
Full Value Tax Rate/\$1000 FMV	\$ 7.05	\$ 6.87		
Equivalent Tax Rate for PILOT Projects				\$ 7.05

## VII. End Notes

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<sup>i</sup> [https://www.datawrapper.de/\\_/yMn4x/](https://www.datawrapper.de/_/yMn4x/)

<sup>ii</sup> [https://warrencountyny.gov/rp/assessment\\_info](https://warrencountyny.gov/rp/assessment_info)

<sup>iii</sup> NYS Real Property Tax Law 487

<sup>iv</sup> NYS General Municipal Law 874(1)

<sup>v</sup> The order of magnitude cost estimate is based on \$45 Mil for the CHPE in Ticonderoga based on PILOT application information and \$105 Mil. for 42.5 MW AC at a nominal \$2.5 Mil/MW AC in 2020.

<sup>vi</sup> Essex County Clerk Records

<sup>vii</sup> <https://www.nyiso.com/documents/20142/2248793/2024-RNA-Report.pdf/0fe6fd1e-0f28-0332-3e80-28bea71a2344?t=1732195607468>

<sup>viii</sup> Chesterfield, Willsboro, Essex, Westport, Moriah, Crown Point, Ticonderoga, Ausable Valley CSD, Willsboro CSD, Bouquet Valley CSD, Moriah CSD, Crown Point CSD, Ticonderoga CSD

<sup>ix</sup> <https://catalog.data.gov/dataset/real-property-tax-law-section-487-opt-out-forms-filed-with-nyserda-beginning-2018>

<sup>x</sup> <https://catalog.data.gov/dataset/real-property-tax-law-section-487-opt-out-forms-filed-with-nyserda-beginning-2018>

<sup>xi</sup> ECONOMIC DEVELOPMENT/PLANNING/PUBLICITY COMMITTEE

Tuesday, October 12, 2021 - 10:00 AM

<sup>xii</sup> [https://www.ticonderogak12.org/board-of-education-clone > 2023-2024 > Minutes 6-27-24.pdf](https://www.ticonderogak12.org/board-of-education-clone%202023-2024%20Minutes%206-27-24.pdf)  
MOTION BY MR. WELLS, SECONDED BY MR. DREIMILLER, that the Board of Education of the Ticonderoga Central School District does not utilize the full value of all energy projects in determining the allocation of school taxes between Ticonderoga and Hague, per the request of the Town of Hague's Resolution 79.

<sup>xiii</sup> NYS Education Law Title 2 Article 41 Part 1 and NYS Education Law Title 2 Article 37 Part 1805

<sup>xiv</sup> NYS RPTL 1314