

The Other Reason Why Corporations Choose Delaware

BY DOUG DENISON

DELAWAREANS KNOW that the First State is famous for a lot of things: Ratifying the Constitution, beautiful beaches, prodigious poultry production, just to name a few. If you're in business, you probably also know that Delaware is famous as a place to incorporate. You might even know some of the statistics: 1.5 million companies call Delaware their legal home, including more than two-thirds of the Fortune 500.

If you're even more well-versed, you'll know that the reason Delaware is so special in the corporate world is because of a few things. There's the Court of Chancery and its 125-plus years of business caselaw. You also have the Delaware General Corporation Law itself, which is updated regularly in a process that's largely free of political influence. Add to that the state's concentration of law firms and business services companies ready to handle the most complex of business transactions.

But there's another factor that you might not be familiar with – a fourth leg of the stool supporting Delaware's reputation as "America's Corporate Capital."

It's a small state agency comprised of about 100 people working out of a ground-floor office in Dover, open for business from early in the morning to late at night. Under the umbrella of the Secretary of State, the Delaware Division of Corporations and its dedicated team of behind-the-scenes professionals are responsible for all the certificates, reports, tax payments and other filings that companies are required to submit in order to stay on the books in Delaware.

"What happens here in this basement is so important to the whole franchise, the whole state," said Sandi Pisarski, who has worked for the Division for more than 50 years.

Today, Ms. Pisarski is part of the management team for the Division, responsible for the thousands of filings that come through every day, primarily in digital form. When she began her career in 1969, she was a typist and things were a little different.

Everything was on paper, of course, and changes came slowly.

"I remember when we had one computer, and we all had to share it," she said.

Through the big-business 80s and into the 90s, Delaware's reputation as a corporate hub became legendary and the Division had to keep up.

That's around the time June Bilbrough started with the Division as a part-time clerk working in overflow space in Dover's Old State House, taping back together tax report documents that filers had mistakenly separated into two parts.

She remembers when things really kicked into gear with the proliferation of the Limited Liability Company (LLC), one of today's most common legal vehicles for organizing a business.

"I think we always had a percentage of the Fortune 500, but in the 80s you really started taking notice of the companies that were here," Ms. Bilbrough said.



The Division has always done its work with small teams of staff who live and die by the cycle of filings that come due throughout the year. When things are busiest, especially before the March 1 corporation tax deadline and the LLC tax due date on June 1, everyone takes on the influx of paperwork regardless of seniority.

"In an all-hands-on-deck situation, managers will pitch in and get right in the queue," said Ms. Bilbrough, who oversees the Division's corporate franchise tax section. "Managers, administrators, everyone is on deck."

It's good for morale, too, for employees to know that their bosses are right in the trenches with them when the workload is at its peak.

But the measure of success for the Division isn't just the number of filings it can process in a day. The picture is bigger than that.

"Customer service is our number one goal, because we know that the money we generate here is so important to the economy of Delaware; it helps the roads, it helps the teachers, it helps the schools," Ms. Bilbrough explained.

Without that level of service and efficiency, the other big pillars of the Delaware corporate franchise might not be able to carry the weight of the state's reputation on their own.

"[Businesses] don't have to be here in Delaware; there's no reason they couldn't go to their home states, but they come here to Delaware because we're efficient, we know what we're doing and we do it well," said Ms. Bilbrough. "Even with Chancery Court, the code updates, if they can't get good customer service, they're that much more likely to stay away." ■



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