



# University of Pittsburgh

Pittsburgh, Pennsylvania 15260

## **Tax-Exempt Property and Municipal Fiscal Status Testimony by Paul Supowitz on behalf of University of Pittsburgh**

The report entitled "Tax-Exempt Property and Municipal Fiscal Status" (Report), created by the Legislative Budget and Finance Committee pursuant to Senate Resolution 2008-363 provides a wide range of information that is important in any discussion of the issue of tax-exempt property. The Report brings to light and examines important circumstances that are often overlooked in the discussions of this issue. On behalf of the University of Pittsburgh, I thank the Committee for the opportunity to participate and to highlight some of the points and conclusions in the Report that are most relevant to state-related universities, including the University of Pittsburgh, and to elaborate upon some of those points and conclusions.

As an initial matter, it is important to take a step back and take note of the underlying policy as well as practical and historical reasons for extending tax-exempt status to certain not-for-profit organizations. A concise statement of those reasons is set forth by the General Assembly in the legislative intent section of the Institutions of Purely Public Charity Act, where the General Assembly stated that these institutions contribute to the common good and lessen the burden on government. For that reason, for more than 100 years, it has been the policy of the Commonwealth to foster the organization and operation of those institutions by exempting them from taxation. Thus, the Commonwealth has long recognized the tremendous value of these institutions to the Commonwealth and its citizens. With regard to the state-related universities in particular, the General Assembly recognized that those "universities provide a direct public benefit and serve the public purposes of this Commonwealth"... See Institutions of Purely Public Charity Act, Section 374.

These tax-exempt organizations operate entirely free from private profit motive. Instead, these institutions operate to advance their particular public benefit mission. At the University of Pittsburgh, as indicated in the Report and as discussed below, our three part mission of education, research and community service means that the public benefits that flow from the University cover a wide range of University activities and take many different forms.

Before elaborating on some of the contributions, benefits and services provided by the University of Pittsburgh, I want to highlight several important conclusions in the Report.

- The Report correctly identifies an important factor that is often neglected in the public and media discussions of tax-exempt issues: Government is the major holder of tax-exempt property, typically accounting for well over 50 percent of the total tax-exempt property in a given municipality. The Report cites a study in the City of Pittsburgh by the Allegheny Institute for Public Policy. That data showed that 55.4 percent of the tax-exempt property in the City was held by local, state and federal government entities. In contrast, only about 22 percent of all tax-exempt property was held by colleges, universities, and academies.
- Equally important is the fact that the largest increase in the tax-exempt value of properties has come, in the Pittsburgh area, from government-owned properties, in particular the new stadiums and convention center.
- The Allegheny Institute found that the property owned by colleges and universities have actually declined as a total share of the value of tax-exempt property in the City of Pittsburgh. Anecdotally, the University of Pittsburgh has actually returned formerly tax-exempt properties to the tax rolls in the timeframe of the Allegheny Institute's study.
- The Report also makes the important conclusions that distribution of tax-exempt properties in fiscally healthy municipalities is similar to that in fiscally distressed municipalities. Very few boroughs and none of the townships that host major tax-exempt institutions are in the group of highly distressed municipalities. More the two-thirds of municipalities in severe financial distress do not host tax-exempt medical or education institutions.
- These facts lead to the logical conclusion that, contrary to some of the rhetoric that occurs, tax-exempt property holders are not contributors to municipal fiscal distress. Rather, as highlighted by the Report, the direct and indirect benefits provided by these institutions are a source of community and economic strength. As the Report concludes, major tax-exempt institutions are critical to community and economic development strategies. They represent "fixed assets that help fuel economic growth in a myriad ways." Report pp. 22-23, citing Report of The Bookings Institution.

The Report (page 24) identifies a variety of approaches that are taken by tax-exempt institutions which eliminate or reduce any fiscal burden associated with the hosting of those institutions. We are proud that the University of Pittsburgh has implemented and is actively engaged in all of the general approaches and categories identified in the Report. At the same time, it is important to acknowledge, as the Report states, that there are differences in approaches that are taken in various municipalities and by various institutions as a result of the differences in

those municipalities, as well as differences in the organization and fiscal status of the tax-exempt institutions involved. The University of Pittsburgh is somewhat uniquely situated in its ability, because of the scope and nature of its programs, to provide a wide range of contributions and services that not only benefit the City and County financially, but benefit those municipalities, its citizens and their quality of life in a myriad of ways. As the Report notes, the University of Pittsburgh differs from many private and public colleges and universities in its ability to assist those municipalities and regions in such a wide variety of ways, and also differs in the major role that it has taken on in state and regional economic development initiatives such as the Pittsburgh Life Sciences Greenhouse, Keystone Innovation Zone, Technology Collaborative, Pittsburgh Technology Center and other initiatives.

When it comes to municipal services, the Report's review identifies major services provided to the City by the University, including the University's approximately \$8 million budget for police and public safety services. This includes the University of Pittsburgh Police, the third largest police force in Allegheny County, which is fully integrated with the City and Allegheny County 911. About 40 percent of the calls to which University of Pittsburgh Police respond do not involve members of the University community, as is true with about 80 percent of their arrests. The new Public Safety Building constructed by the University provides a police presence on the main artery of Forbes Avenue for the first time in many years. The Report notes that the City would need to increase its police force by about 10 percent to replace the police services provided by the University. The University does rely upon the City for fire and emergency services, but also pays user and service fees for inspections, alarm fees, and responses. The University owns streets which it maintains and which are also used by the general public. The University does pay real estate taxes on properties which are not used strictly in furtherance of its mission. The parking tax and amusement tax revenues generated by University activities exceed \$2 million annually. Pitt's employees pay over \$8 million annually in City wage tax. The University pays extensive fees for permits and building inspections to the City and County. In addition, in order to assist the City in addressing housing code violations in the area, the University has, for a number of years, paid the City one-half salary of a City building inspector devoted to those issues.

The University has contributed significantly, both in direct funding and in-kind contributions, to various local initiatives, including the reconstruction of Schenley Plaza and the

soon to be completed Hometown Streets initiative that will upgrade the safety and function of intersections in the Oakland business district. The University, in addition to paying assessments as a property owner, makes a voluntary contribution annually to support the Oakland Business Improvement District. The University pays for utility infrastructure upgrades that benefit local authorities and their other customers. The provision of free services such as medical and dental services and extensive volunteerism throughout the faculty, staff and students of the University provide tremendous benefit to the community, as does the University's support for neighborhood organizations and their initiatives. The University also regularly hosts community events and forums, including legislative hearings, in order to assist the Commonwealth and local government as well as to inform and engage the citizens of the region.

This is just a brief sampling of the contributions of the University. In addition, in difficult times, the University has stepped forward to help meet pressing needs in our home communities. The University has made voluntary contributions to the City through the Pittsburgh Public Service Fund, as noted in the Report, since its inception in 2005 in response to the City's fiscal crisis.

A full description of all of the University's contributions is difficult, at best. I have attempted to provide a more complete picture in a separate document that is available upon request.

In conclusion, the University sincerely appreciates the efforts of the Legislative Budget and Finance Committee in bringing to light vital information regarding tax-exempt property and municipal fiscal conditions.

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