

**Philadelphia Public Meeting to Discuss Constitutional Amendment on Tax-Exempt Properties,
Public Charities Testimony - March 25, 2015**

[Devan Spear](#) – Student, University of Pennsylvania

[Brian Clark](#) – COO/CFO, Greater Philadelphia Health Action, Inc.

[Lee Huang](#) – Senior Vice President and Principal of Econsult Solutions, Inc.

[Vivan Nix-Early](#) – Co-Founder and COO, BuildaBridge

[Hillary Linardopoulos](#) – Political Director, Philadelphia Federation of Teachers

[Joe Schulle](#) – President, IAFF Local 22

[Ron Whitehorne](#) – Coordinator, Philly Coalition Advocating for Public Schools

[Zane Moore](#) – Chief Executive Officer, Central and Lower Bucks Family YMCA

Additional Testimony

[Ed Rendell](#) – Former Governor of Pennsylvania

Testimony – Tax Exemption for Charitable Organizations (Senate Bill 4)

The Honorable Eugene DePasquale, Auditor General of the Commonwealth

The Pennsylvania State Alliance of YMCAs is pleased to present this testimony to Auditor General Eugene DePasquale on tax exemption for charitable organizations and the impact of Senate Bill 4.

The State Alliance is comprised of the 65 YMCA associations and 112 branch locations across the Commonwealth. Pennsylvania is blessed to have more YMCAs than any other state in the nation. In fact, 6.6 percent of all Pennsylvanians live within three miles of a YMCA.

For 164 years, the YMCA has been a fixture in communities across the United States and Pennsylvania. Founded by George Williams in London as a refuge for Bible study and prayer for young men to escape the hazards of life on the street, the YMCA has historically sought to meet the social needs of citizens in their communities.

The YMCA has been a source of housing for men since the 1860's to help provide a way for men to get back on their feet after enduring hardships of many kinds. Among those who have called the YMCA home include: Dr. Martin Luther King, Jr, Andy Rooney, Dan Rather, novelist Jack Kerouac and former UN Ambassador Andrew Young. Today, housing for homeless and transient men and women remains an affordable option at YMCAs, such as those in Bethlehem, Harrisburg, Reading and York, and right here in Pittsburgh.

In 1936, the YMCA Youth and Government program was started in New York state to teach youth about the roles and functions of government and to encourage their participation in it. Pennsylvania's Youth and Government program is in its 69th year as a teen leadership and civic engagement program. Its graduates have gone on to successful careers as leaders in government, business, health care and many others where they display the YMCA core values of honesty, caring, respect and responsibility. State Representative Brian Ellis (R-Butler), a member of the House Republican Leadership, is an alum of Pennsylvania's YMCA Youth and Government program.

Today, the YMCA in the Commonwealth is a broad-based, community-serving charitable organization whose mission is to put Christian principles into practice through programs that help build healthy, spirit, mind and body for all. The Y is available to all regardless of whether they can afford to pay for the programs and services. The Y does not discriminate on the basis of race, ethnicity, religion, age or gender.

Across Pennsylvania in 2013, YMCAs serve 1,018,239 members and registered participants. In other words, 1 out of every 12 Pennsylvanians is either a member of the Y or a program participant.

Volunteers of all ages, teens through seniors, enrich their communities by donating their time and energy as child care aides, swim instructors, tutors, mentors, coaches, chaperones, etc. Pennsylvania YMCAs are blessed by the services of more than 31,000 volunteers whose donated time is valued in excess of \$710,000. ***In Central Bucks County, the Y's Togetherhood program rallied 1,133 YMCA members to volunteer a total of 9,553 hours for food insecurity organizations, foster care homes, and homeless shelters, providing the community with a benefit valued at \$202,906.***

YMCAs are also the largest provider of child care services in the Commonwealth, providing preschool, before and after school care, and summer day and resident camp programs. One in every five children served by Pennsylvania YMCAs receive subsidized care valued in excess of \$12.8 million. Without this support through the Y, parents may not be able to go to school or work and children would be at home, without supervision, in those critical after school hours.

The Central Bucks Family YMCA Preschool made available full-day childcare services to 157 students from low-income families in 2014. More than half of our preschool students rely on the Y's Financial Assistance Program to access quality childcare. During the summer, 125 local school-age children received assistance to attend the Y's Summer Camp, spending an active summer learning community service and "rules for life," according to one summer camper. Additionally, 906 seventh graders were granted a free Y membership along with supportive programming through our Teen Center, gaining a safe place after school to learn healthy habits and build connections to the broader community.

The YMCA has evolved as a community-based provider of preventive health services. "Obesity is a national epidemic and major contributor to some of the leading causes of death in the U.S., including heart disease, stroke, diabetes and some types of cancer," according to the Centers for Disease Control and Prevention. "We need to change our communities into places that strongly support healthy eating and active living."

The United States is a leading country in the proportion of the population that is overweight. Obesity costs this country about \$150 billion a year, or almost 10 percent of the national medical budget. In Bucks County, one in three children is overweight or obese, while 35% of Bucks County

adults are overweight. In addition, chronic diseases, caused by modifiable behaviors including lack of physical activity and poor nutrition, are a major cause of disability and death in Pennsylvania, according to a study completed by the PA Department of Health.

Recognizing the role that exercise and nutrition play in maintaining the health of our communities, the Y has initiated programs like the Diabetes Prevention Program (need Alex's info here) and a cancer wellness program that assists cancer survivors in regaining strength and vitality post-treatment.

The 7th grade initiative not only provides a safe place after school, but it also catches youth at a point when they are developing independence in their decision-making. This initiative, much like the change enacted through schools to establish the use of seatbelts, is designed to advance a community-wide culture of healthy living.

As a community-based non-profit organization, the YMCA addresses these needs, not only for those who can afford it, but for everyone in our communities. So how do YMCAs in Pennsylvania ensure that no one is denied the opportunity access quality childcare and youth development programs as well as preventive health support? Ys have the tremendous support of their communities as demonstrated through a variety of contributed support measures.

In 2013, Pennsylvania YMCAs received \$11,303,744 in Annual Support contributions; \$447,227 from partnerships with the United Way; \$685,043 in bequests and legacies from those for whom the Y has had a lasting impact; and, \$3,997,683 in contributions for capital projects. As you can see, Pennsylvanians value the work of the YMCA as a charitable organization in the community.

The Central Bucks community donated a total of \$744,894 in 2014 through individual donations, corporate contributions, and grants and sponsorships in support of our Y's programs such as Financial Assistance, the 7th Grade Initiative, THRIVE Cancer Wellness Program, and Ability Programs. Through these contributions and with membership fees, Central Bucks Family YMCA was able to provide a total of \$2,126,125 in community benefit in 2014.

Unfortunately, the Pennsylvania Supreme Court changed the landscape for charitable organizations, including the Y, in the 2012 Pike County case *Mesivtah Eitz Chaim of Bobov, Inc v. Pike County Board of Assessment Appeals*.

In the *Mesivtah* case, a deeply divided court ruled that the five criteria established by the court in 1985 (often referred to as the HUP test) were a constitutional minimum in determining whether an entity was a purely public charity. It stated that these criteria must be met before the provisions of Act 55 of 1997 (Institutions of Purely Public Charity Act) could even be applied. Charitable organizations knew immediately that this decision would result in tax challenges by governmental entities seeking to replenish their coffers at the expense of local charities.

Shortly after the 2012 Supreme Court decision, circumstances changed dramatically for the Warren County YMCA in rural Warren County, Pennsylvania. Without warning, the Y received notice from the county that their property tax exemption was being revoked on four separate parcels of land, including their main building. The tax bill they received was in excess of \$170,000. Recognizing the damaging impact this tax assessment would have on their ability to serve the community, the Y appealed to the Board of Assessment Appeals. They were denied and immediately filed an appeal in the Warren County Court of Common Pleas.

In the interim, as they await their court date, the Warren County Y has spent tens of thousands of dollars on legal fees preparing to defend their charitable status. As a result, these are dollars not being spent on child care, teen and senior programs and other services the Y provides for the citizens of Warren County.

The community recently rallied behind the Warren County YMCA by packing a county commissioners' meeting and urging the commissioners to drop the challenge. Community members in Warren understand the value of the programs and services the Y offers at affordable costs and recognize that, if the Y is forced to close its doors as a result of a successful challenge, ***the most needy of the community currently served through the YMCA will suffer. The county will be forced to bear the burden of paying for these programs and services.***

The inconsistency with which courts interpreted the 1985 HUP test was the genesis for the enactment of the Institutions of Purely Public Charity Act in 1997. The General Assembly, in a bipartisan manner, worked with governmental associations and charitable organizations to craft a law all parties were satisfied would protect the ability of charities to engage in their community work while protecting the fiscal interests of local governments.

For the last 18 years, Act 55 has been the benchmark for determining whether an entity warrants tax exempt status as a purely public charity. The 2012 Mesivtah case has unraveled the work done to enact Act 55 and has essentially rendered the law moot unless a charity can fully document how it meets the 5-prong HUP test. It has created a tremendous sense of uncertainty in the nonprofit community about whether a local government will seek new revenue by revoking long-standing tax exemptions of successful and community-dependent charities.

The precedent set by the Mesivtah case, establishes such restrictive criteria that it jeopardizes the existence of the true "community center," where community members of all socio-economic levels come together to care for themselves and each other, to strengthen the community. By taking away the ability to allow those who can afford to pay for services to co-mingle with those who benefit from charitably-funded services, this ruling will further the divide between the have's and the have not's and fracture the sense of social responsibility that sustains a well-functioning community. By limiting charitable organizations' options for sustainable funding, denying the ability to for nonprofit

organizations to subsidize charitable donations with fees for services from those who can afford to pay, the existence of many nonprofit organizations is threatened.

Make no mistake, the YMCA understands and appreciates the fiscal challenges facing our counties, municipalities and school districts across the Commonwealth. This is why the YMCA and other charitable organizations frequently reach out to local governments to build relationships and partnerships to provide programming.

For example, both the Lebanon Valley Family YMCA and the Central Bucks Family YMCA have worked with neighboring schools to offer **free** afterschool programs for their students. The Clearfield YMCA provides **free** swim lessons for every 3rd grader in their community thanks to a partnership with the school district. These partnerships relieve these school entities of the burden of paying for such programs. Instead, the YMCA provides a safe, nurturing environment for children and absorbs the costs associated with the programs.

Facing significant challenges with their township recreational programs, Warminster Township reached out to Central Bucks Family YMCA. Recognizing the YMCA's expertise in provide recreational and physical health activities, the township asked the YMCA to take over their existing programs. Central Bucks Family YMCA worked hand-in-hand with the township to accomplish their objectives, and expanded the opportunities available to the residents of Warminster Township. The new summer camp opportunities, in particular, have been met with great enthusiasm.

The constitutional amendment proposed in Senate Bill 4 would give the General Assembly, the elected representatives of the taxpayers, the final authority to “Establish uniform standards and qualifications which shall be the criteria to determine qualification as institutions of purely public charity...” As explained in a legal opinion of the Legislative Reference Bureau, Senate Bill 4 would “place the authority to define “institution of purely public charity” squarely in the hands of the General Assembly.” Although some legal scholars have questioned the efficacy of Senate Bill 4, the Reference Bureau states that Senate Bill 4 “clearly and unequivocally” provides the final authority to the General Assembly.

It is our belief that Senate Bill 4 will restore the clarity and consistency in determining whether an entity qualifies as a public charity, thus eligible for tax exempt status. The 65 YMCAs in Pennsylvania need this clarity and consistency to continue functioning as they have for 164 years.

The State Alliance supports Senate Bill 4, urges its passage by the Pennsylvania House of Representatives and approval of the voters in November. The Alliance thanks Auditor General Eugene DePasquale for convening these hearings and inviting Pennsylvania YMCAs to participate.

Respectfully submitted,

Zane Moore
Chief Executive Officer
Central and Lower Bucks Family YMCA

Good afternoon. Thank you for the opportunity to testify on this important question.

PCAPS is a labor-community coalition that came together three years ago to challenge what we see as attacks on public education. We have fought vigorously for funding for schools that provide quality education for all children. It is certainly no secret that Philadelphia, with the state's largest number of families living in deep poverty, is chronically underfunded and spends half of what affluent suburban communities spend per capita. The neediest children get the least, an inequity that has deepened over the last period.

That is the context in which we look at the current tax structure and the question of school property tax exemptions. We believe education is a social value and the cost of providing it must be born equitably. Thus we have supported the call for the rolling back of the current tax abatement, a program that benefits developers and the wealthy at the expense of our schools. We fail to see why immensely profitable corporations like Comcast should be the recipient of millions of tax payer dollars, while our schools struggle to provide toilet paper in the bathrooms and go without full time nurses and counselors.

Nor do we think that Philadelphia mega non-profits should be let off the hook. Over one fifth of city property is currently exempt from paying school property taxes Universities like Penn and Hospitals like Jefferson are among the city's biggest property owners. They consume and benefit from city services that they do not pay for. They have huge endowments. They operate as businesses and are tied by many threads to corporate interests. Like their private counterparts they fight to keep unions out and resist any accountability to the communities that surround them.

Let me cite one example of a double standard is not consistent with a posture of charitable giving and community service. Three years ago David Cohen, Comcast executive and President of the Penn Board of Trustees, gave Penn President Amy Gutmann a 35% pay hike, bringing her annual take to 2.7 million. At the same time he spoke out in favor of slashing compensation for Philadelphia school employees who are currently the lowest paid in the region and arguably have the most challenging working conditions.

In my mind to characterize the mega-non profits as charitable institutions is a stretch. We should be looking at ways to cut back on their exemptions. At the very least they should be compelled to agree to PILOTS.

The proposed constitutional amendment we are discussing today would weaken the ability of local government to set standards for property tax exemptions.

The amendment if enacted, would actually make it easier for large businesses to call themselves charities and more difficult for local government to challenge the exemptions of questionable nonprofits.

It is our view that this amendment will take us back to where we were following the passage ACT 55 which aided the efforts of the big non profits to extend exemptions and avoid PILOTS. Instead we need to use the existing legal framework to press for these institutions to pay their fair share.

Testimony of Joseph Schulle, President IAFF Local 22 regarding Pennsylvania Senate Bill 4

Good morning, my name is Joseph Schulle, President of the International Association of Firefighters, Local 22 Philadelphia. I would like to thank the Auditor General Eugene DePasquale for the opportunity to speak here today.

To begin, I understand that this is a complex issue with many points of view. There are many valid arguments on both sides regarding this issue, however in Philadelphia, I believe the issue is pretty clear. Under a deal negotiated by Ed Rendall, the city of Philadelphia collected over \$9,000,000 annual for large nonprofits in the form of a PILOT program. A few years back that program ended and the last report I found shown a collect of less than \$500,000. In the midst of these still difficult economic times many of the multimillion or multibillion nonprofit organizations in the city are expanding. While it is certainly great to have these institutions in the city, as they continually expand, there is less and less land available for tax paying business to grow or begin within the city. Asking these nonprofits to contribute to the economic needs of this city seems only fair.

As a result of the recession, there were significant reductions in city service, including a sharp decline in the infrastructure related to public safety. Many firehouses are in a state of disrepair and the aging fleet of engine and ladder companies is reaching a critical point. I understand that the condition of Police stations and police vehicles is very similar to that of the Fire Department. Significant advancements in technology that could assist firefighters in safely and efficiently performing our very dangerous job remain unaddressed. Training remains on the “back burner” because the city still continues to “brown out” fire companies in an effort to save money.

In addition to the needs of public safety, Philadelphia is constantly dealing with deficits in the school district and as a result in mismanagement in the 1980’s a pension deficit. Changing the tax-exempt status of many of these large nonprofits could go a long way to address these issues.

I don’t believe that simply changing the exempt status in all cases would be beneficial to the citizen of this city, however, in the absence of the nonprofit institution’s willingness to enter into PILOT agreements, it may be the only alternative to sustain city services and keep our great city growing.

Thank you.

Joe Schulle, President. IAFF Local 22

Auditor General Eugene DePasquale
Department of the Auditor General
Finance Building
613 North Street
Room229
Harrisburg, PA 17120-0018
Dear General DePasquale,

I am sorry I cannot be with you for today's very important hearing but I am currently in Miami doing a speech for Building's America Future, the infrastructure organization that I Co-Chair with Mayor Bloomberg and Secretary LaHood. I did want to voice my input on Senate Bill 4 and I hope that the House will table action it to look for alternate solutions.

From my years as Mayor of Philadelphia and Governor of Pennsylvania, I can tell you that if Senate Bill 4 becomes part of the Pennsylvania Constitution, it will drive many of our mid-size and smaller urban centers into virtual bankruptcy. Many cities across the Commonwealth, both small, mid-size and large have a significant percentage of their real estate owned by entities that Senate Bill 4 would make tax exempt. These entities are not true charities and often have employees that make hundreds of thousands of dollars and, even worse, make tens of millions of dollars of profit.

During my time as Mayor, the Supreme Court acted to limit non-profit status to organizations that were really true charities in every sense of the word. While that decision was operative, Philadelphia did not attempt to tax these previously exempt entities but entered into PILOT and SILOT agreements (Payment In Lieu Of Taxes and Services In Lieu Of Taxes). Through these agreements Philadelphia promised not to tax these entities involved and they, in tum, paid over \$10 million a year to the city's treasury and offered services like providing doctors for weekends at district health centers.

The reason I am suggesting tabling action on Senate Bill 4 is that I believe there is a better alternative. Pennsylvania should create three classes of taxation. First, those organizations that are truly for profit should be taxed at the fully applicable rate. Second, those organizations that are strictly true charities, like churches and synagogues, should be totally tax exempted. Then we should create a third class of so called non-profits that are not in any sense of the word "true charities" but that do provide public benefit. These entities should be subject to taxation at approximately 30% of the existing rate with the opportunity to enter into PILOT or SILOT agreements with their municipality or county, which would eliminate or reduce that 30% figure.

I strongly believe that is a better path for the Commonwealth to follow, for it recognizes the benefit that the third class of non-profit creates for the citizens of their community. When a fire breaks out the local fire department responds equally well to full profits, non-profits and full charities. If our governments are going to be in a position to continue to provide services to all their citizens, we must reach a compromise.

If the House tables Senate Bill 4 I would be willing to work with anyone so designated to support this alternative path.

Sincerely yours,
Edward G. Rendell

Philadelphia Federation of Teachers, Hillary Linardopoulos

The Nonprofit Sector's Share of Our Economy is Growing. The nonprofit sector is expanding at a faster rate than the rest of our economy generally, which of course has implications for the tax base for public services.ⁱ Philadelphia is a particular example of this. In 2012, 31% of the property tax base in Philadelphia was tax exempt, up from 28% in 2006.ⁱⁱ Of the sixteen cities studied by Governing magazine, only Washington DC and New York have a higher share of their property tax base exempted from taxation than Philadelphia.

Why we should be concerned with Non profits contributing their fair share to fund public services.

There is an essential issue of fairness because non-profit corporations rely on local government services such as fire protection and public transportation to the same extent the rest of us do. They benefit from an educated citizenry to the same extent as other corporations. In a time of real crisis, such as that which faces Philadelphia schools, it is fair to ask all those who can afford it to do their part.

At the same time, many nonprofits engage in commerce side by side with for profit entities and there is little to distinguish them. A childcare provider or a fitness center are examples. To the extent that nonprofits are engaging in the same commerce as for profit entities and there is a limited public purpose, localities should have freedom to seek impose taxation. Restoring Act 55 would limit that freedom.

Do Non Profits Have To Pay? Payments in Lieu of Taxation or PILOTS are an accepted part of the system for funding public services in America and are used by non-profits and local government to come to an amicable arrangement regarding the proper role of non-profits in funding public services. Research for the Lincoln Institute of Land Policy that was published in 2012 finds that 218 localities in 28 states use PILOTS, and the total amount raised by them averages \$92 million per year. The great bulk of this money comes from very affluent non-profit organizations, typically hospitals and, especially, colleges.ⁱⁱⁱ However, there are housing, religious, social service, art and cultural non-profits that make PILOTS as well. That includes a handful in Philadelphia like the Albert Einstein Medical Center that still do.

This isn't just A Pennsylvania Issue. Our brothers and sisters in Illinois, Massachusetts, Ohio, and other places tell us that the effect of non-profit status on the tax base is very much a part of discussions about how to pay for public services.^{iv}

Before Act 55, PILOTS were an important part of funding public services in Philadelphia. Prior to the passage of Act 55, Philadelphia city generated \$12.5 million a year in PILOT funding.^v Mayor Ed Rendell created a nonprofit PILOT advisory board to help generate this revenue and stated that it was the policy of the city that non-profits should chip in to support vital services.^{vi} Those PILOTS included a \$2 million payment from the University of Pennsylvania. Since the passage of Act 55, PILOT revenue has decline by 96%. Penn no longer provides a PILOT. It is one of two Ivy League universities, along with Columbia, not to do so.^{vii}

Our goal should be to find ways to come together so that everyone who can afford it, including the wealthiest non-profits, is contributing to efforts to give Philadelphia's citizens the public services they need and give Philadelphia kids the schools they deserve. We believe SB 4 will make it harder to achieve that goal.

Written Statement of Dr. Vivian Nix-Early, Co-Founder & Chief Operations Officer, BuildaBridge International, a 501(c)3 nonprofit registered in the state of Pennsylvania

To: The Honorable Eugene DePasquale, Auditor General of Pennsylvania,

As the Co-Founder of an eighteen year-old small nonprofit that engages creative people and the power of art-making to bring hope, healing and resilience to some of our city's most vulnerable children and families living in contexts of crisis, abuse, trauma and poverty, I am honored to testify about the implications that Senate Bill 4 may have on critical and socially integral organizations like ours and the many other larger and smaller nonprofit organizations that seek to improve the quality of life for the citizens of our Commonwealth.

As I understand it, Senate Bill 4 is a brief piece of pending legislation that proposes a constitutional amendment giving the state legislature the sole authority to define a "purely public charity" in Pennsylvania. This authority and definition might include determination of taxation on these public charities, including property taxation.

BuildaBridge might occupy a unique position among nonprofits. While BuildaBridge does not own property, it leases (rents) space from the building owned by the co-founders at below-market rates and approved by our Board of Directors. The organization has held a long-term lease and as such, is asked to share in paying a portion of the taxes and insurance. Since 2007, then, BuildaBridge has contributed to the property tax base of our city; and like all nonprofits, we contribute to the tax base of our Commonwealth and nation also through employment, social security and other wage-based taxes. But do we advocate a position that nonprofits should be asked to pay property taxes? No. The long-term lease structure is one that has worked for us but may by no means be possible or even appropriate or ideal for other organizations.

Funding agencies and foundations are keen to ask how much of each dollar goes toward actual, direct program expense. Donors are conscious of the need for general operating and indirect expenses to run the organization, but many would rather it not be "their" dollar. To add property taxes to these indirect expenses is to reduce even further the ability of nonprofits to put as much of their revenue to their mission and causes as possible. It would seem somewhat ironic to ask organizations that already "relieve the government of some of its burden" through its programs and services to then also give more money to the government via taxes.

While we are not neutral on the issue of exempting nonprofits from having to pay property, sales and other taxes that would burden the ability of nonprofits to carry out their missions, we are neutral on Senate Bill 4 and as such, support the idea of a "select committee" to study and hold public hearings over the period of a year (Senate Resolution 28), and to insure greater understanding and

accuracy of perception and information by the public of the issues involved, before they are asked to vote.

Senate Bill 4 does not specify any details about how the legislature would define pure and public charities or the criteria and rules for exemption. Whether it is the courts or the legislature that maintains the authority to define public charities, either one must assure rules and definitions:

1. that are clear;
2. that are applied with fairness and consistency across all levels of the nonprofit sector;
3. that take into consideration the important work done by nonprofits; and
4. that take into consideration the possible short and long-term consequences to their survival with added tax burdens, and to the quality of life of the citizens of Pennsylvania who depend upon nonprofits for important and often critical services.

When considering the economic pressure to limit exemptions for nonprofits, we expect that deliberations would include all of the other government and business entities besides nonprofits that receive tax exemptions and “discounts” . Authorizing agents should seek to unify all sectors around solutions to the issues facing the Commonwealth.

We wholly endorse the summary recommendations from the March 12 Harrisburg testimony of PANO Executive Director Anne Gingerich regarding rules and standards impacting nonprofits. These recommendations are inserted again here:

“PANO recommends that policy proposals affecting the tax status of nonprofit organizations in Pennsylvania should be evaluated using the following five questions:

- 1. Does the proposal strengthen or undermine the capacity of the nonprofit sector to do good work benefiting individuals and families in need, local communities and the overall economy?*
- 2. Does the proposal help to create a process that is fair, consistent and predictable in all communities?*
- 3. Does the proposal contribute to a flexible process that can take into consideration the varying circumstances of a wide variety of nonprofit organizations with different sizes and different charitable fields?*
- 4. Does the proposal facilitate the effective operation and smooth interaction of all branches of government, including local government, state government and the judicial system?*
- 5. Is the proposal based on valid research, comprehensive data and practical experience over time, rather than reacting to isolated, exceptional circumstances?”*

I conclude by thanking the Auditor General for this opportunity to offer our perspective on Senate Bill 4.

Testimony of Lee Huang, Senior Vice President and Principal of Econsult Solutions, Inc., re: Tax Exemption for Charitable Organizations (Senate Bill 4)

Mr. Auditor General, thank you for the opportunity to testify. In October 2013, my firm, Econsult Solutions, Inc. produced a report entitled "The City of Philadelphia and Its Higher Eds: Shared Goals, Shared Missions, Shared Results."

This report quantified the significant financial impact generated by the institutions of higher education in Philadelphia within the Philadelphia city economy and to Philadelphia city government. These impacts result from the fact that the institutions are among the city's largest employers, its biggest procurers of goods and services, its steadiest initiators of large-scale capital projects, and its strongest attractors of outside spending (from out-of-town students and visitors). These impacts also result from the fact that Philadelphia city government relies on numerous taxes besides the property tax to generate general fund revenues. In fact, only 29 percent of Philadelphia's local tax revenues come from the property tax. Indeed, given Philadelphia's significant reliance on the wage tax, from which about half of all local tax revenues are derived, the institutions are among the largest contributors of tax revenues to Philadelphia city government. In contrast, most localities in Pennsylvania are much more reliant on the property tax. To cite a non-Pennsylvania example, the City of Boston collects 91 percent of its local tax revenue from the property tax. In these localities, entities that are exempt from the property tax are not making any meaningful direct financial contribution to local government. This is most assuredly not the case in Philadelphia.

The higher ed report also demonstrated the superiority of the present collaborative relationship between the institutions and city government, in which shared goals and shared missions have produced meaningful results for the city of Philadelphia and its neighborhoods. In Philadelphia, institutions and city government work hand in hand to provide community-serving resources such as public education, policing, and streetscape enhancements, which support those neighborhoods and strengthen the city as a whole. These partnerships are a win for the City of Philadelphia and for the institutions, and are actively pursued throughout City government and across all institutions. In contrast, many localities which subject their large-scale not-for-profit entities to a "payment in lieu of taxes" have found that such an imposition results in a transactional and even adversarial relationship with their institutions, negating any opportunity to cooperatively take on citywide and neighborhood-level initiatives. Simply put, the Philadelphia approach works, and the collaborations it produces are vastly preferable for Philadelphia than any alternative approach in which City government and the institutions simply transact with one another.

I hope my remarks have been helpful for this hearing. I am happy to field any questions that you and others may have. Thank you in advance for your consideration.

Greater Philadelphia Health Action, Inc. Statement:

Greater Philadelphia Health Action, Inc. is a 45 year old Health Care Provider serving the poor, uninsured and under-insured. We currently provide health care services for over 85,000 citizens in Philadelphia resulting in 250,000 individual patient visits in 2014.

As a not-for-profit organization, the tax exempt status provides the financial dollars that allows us to provide the healthcare services to the medically underserved communities. As an example, we are able to pay for Laboratory Fees, Prescriptions, Ultra-sounds for our Pregnant Patients, office visits;

especially for those that have chronic diseases that require multiple visits to establish and/or maintain control.

If we were forced to start paying property tax this would mean a significant reduction in the direct care that we provide to our communities. This would ultimately mean our citizens would become sicker, a huge increase in emergency room utilization for non-emergent visits, as well, as hospital admittance for those that we have been treating that are now uncontrolled.

Having to pay property tax would not only mean a reduction in care but it would also cause a reduction in staff as we would not be able to pay for the more than 400 citizens that we currently employ. The tax-exempt status directly results in increased healthcare services and jobs within the underserved communities of Philadelphia. This status was created over fifty years ago to assist those in the country whose mission is to address and improve areas that impact us all.

We are not using the exemption to make a profit or pay dividends to stockholders; these dollars are used to provide direct health care services to the city of Philadelphia, as well as, jobs that serve as an economic engine within these same communities.

My name is **Devan Spear** and I am a student at the University of Pennsylvania in the College of Arts and Sciences. I came to Penn because of its reputation for civic engagement and social action. I believe that Penn and many large, non-charitable nonprofit institutions like it have contributed greatly to the wellbeing of the cities in which they reside. However, this does not mean that they should hold the same status as charitable institutions. While I am extremely grateful for the opportunities that being a Penn student has afforded me, I am here today because I believe that Penn has a responsibility to contribute to the city of Philadelphia the way that every other wealthy and influential organization in the city is expected to.

SB4 would limit the abilities of cities to assess the role of institutions within their limits. While cities are expected to provide services to everyone within their jurisdiction, SB4 would prevent cities from being able to determine how institutions like Penn can best contribute to the maintenance of those services. It is intrusive and anti-democratic for a state government to bar cities from determining the relationships that they themselves hold with nonprofits. Furthermore, portending wealthy institutions like Penn from contributing to city resources is not only fiscally irresponsible, but totally unnecessary. As a Penn student, I *know* that my school has more capacity to contribute to city resources than families and small businesses do, both of whom are required to pay property taxes. By passing SB4, our state government would be actively preventing a vital and necessary process from occurring: that of cities determining for themselves how to best support institutions and ordinary citizens in the 21st century economy. As a Penn student, I want my school to be the best community partner that it can be, and I want the City of Philadelphia to be allowed to negotiate that partnership.

ⁱ <http://www.urban.org/nonprofits/more.cfm>

ⁱⁱ <http://www.governing.com/gov-data/tax-exempt-property-values-totals-for-cities.html>

ⁱⁱⁱ <http://www.lincolnst.edu/pubs/PubDetail.aspx?pubid=2143>

^{iv} See for example: <http://www.ctbaonline.org/reports/update-analysis-tax-exemptions-granted-cook-county-non-profit-hospitals-and-charity-care/>; <http://www.policymattersohio.org/clevelands-hospitals-are-ducking-millions/>; http://www.boston.com/news/local/massachusetts/articles/2011/04/24/boston_sends_tax_bills_to_major_nonprofits/;

^v <http://www.centercityresidents.org/Default.aspx?pageId=1599927> and PPC Background document

^{vi} <http://www.phila.gov/phils/docs/inventor/graphics/execorders/94-01.htm>

^{vii} http://www.thedp.com/article/2012/03/exploring_penn039s_financial_contribution_to_the_city