

Scranton Public Meeting to Discuss Constitutional Amendment on Tax-Exempt Properties, Public Charities Testimony - March 19, 2015

[Gerald Zaboski](#), Vice Provost for Enrollment Management & External Affairs, Scranton University

[Matt Rumph](#), CEO, Pocono Family YMCA

[Chris Sloat](#)

[Ed Pawlowski](#), Mayor, Allentown

[John Judge](#), President, IAFF Local 60

[Dennis Lukasewicz](#), Vice President, Fraternal Order of Police, E. B. Jermyn Lodge #2

[Sharon McCrone](#), Executive Director, Employment Opportunity and Training Center

[William Courtright](#), Mayor, Scranton

Additional Testimony

[Anne Gingerich](#), Executive Director, Pennsylvania Association of Nonprofit Organizations

OFFICE OF THE MAYOR

CITY HALL • 340 NORTH WASHINGTON AVENUE • SCRANTON, PENNSYLVANIA 18503 • PHONE: 570-348-4101 • FAX: 570-348-4251

Hon. Eugene DePasquale

Auditor General of Pennsylvania

March 19, 2015

Re: Mayor Courtright's Statement in Opposition to the Proposed Constitutional Amendment on Authority to Define what Constitutes a Purely Public Charity (SB4)

Dear Auditor General DePasquale:

Thank you for offering me the opportunity to speak regarding this important issue that affects not only the City of Scranton, but local governments across the Commonwealth of Pennsylvania. The City of Scranton, is the County seat for Lackawanna County, and as such it is home to the vast majority of the County's charitable organizations, which are non-profit and tax exempt.

The City of Scranton recognizes the vital role that Charitable Organizations have played and continue to play in the everyday lives of the citizens of Scranton, Lackawanna County and throughout the Commonwealth of Pennsylvania. In exchange for providing these services that have proven to be essential for so many, the Charitable Organizations are exempt from paying property taxes. Many of these organizations' objectives, goals, and most importantly their property use have changed over the years. This very well may alter their status as a Charitable Organization. For this reason the City of Scranton believes that there needs to be more review

and opportunities to challenge non-profit tax exempt status, in the Court's, to review what it truly means to be a Charitable Organization and whether organizations granted this designation are still operating in a manner worthy of being called a Charitable Organization. It is because of this that the City of Scranton believes it would be in the best interest of the Citizens of this Commonwealth that a more stringent criteria be employed for establishing what it truly means to be a Purely Public Charity in the Twenty-First (21st) century, however, this Proposed Amendment does not accomplish this goal.

The City of Scranton is in a precarious financial position, which has resulted over time and has many causes, one (1) of which is that a significant portion of the real estate is exempt from taxation, due to being designated as charitable organizations. A more narrow approach as to the designation of an organization as a purely public charity, and a process for a periodic review of said status could bring in much needed tax revenue to municipalities. Stripping organizations that once qualified as purely public charities of their tax exempt status, for failure to meet their goals and objectives, would bring about new real estate tax revenue into the municipalities, which would aid in the financial revitalization of the same. This Proposed Amendment does not tighten the standards by which an organization would be deemed a Purely Public Charity. It simply eliminates a local government's ability to challenge non-profit tax exempt status through the Courts.

The reason that this Proposed Amendment is being supported by a large number of nonprofit tax exempt entities, is their view that it will decrease the amount of litigation regarding their status, and reduce their legal costs associated with protecting said status. These entities are not pushing this Proposed Amendment in order to meet any of the goals that I have discussed above, namely narrowing the definition of what constitutes a Purely Public Charity and allowing for periodic review of that status. If, and when, a Proposed Constitutional Amendment is put forth, that somehow achieves those goals, I would be in favor of the same, but this Proposed Amendment does not, and therefore I cannot support it, as to do so would not be in the best interests of the City of Scranton.

Unfortunately, the passing of this Constitutional amendment will not make the criteria more stringent and may even lead to an expansion of non-profits, which would further reduce the City's tax base. Based upon the foregoing, the Purely Public Charities amendment should not be passed.

Thank you for your time and thoughtful consideration in this matter.

Sent Via E-mail & Regular U.S. Mail

Cc: Jason A. Shrive, Esquire - City Solicitor

David Bulzoni, Business Administrator

Sincerely,

William L. Courtright, Mayor

Public Meeting on
Senate Bill 4

Commonwealth of Pennsylvania

Conducted by

Eugene DePasquale
Auditor General

March 19, 2015
Council Chambers
City Hall
Scranton, PA

Written Statement of
Sharon McCrone, Ph.D.
EOTC Executive Director

Employment Opportunity & Training Center
Seventh Avenue Center
431 N. 7th Ave.
Scranton, PA 18503

The Honorable Eugene DePasquale

I am the executive director of **EOTC**, Employment Opportunity & Training Center, in Scranton. **EOTC** is a nonprofit corporation, established in 1988, with a mission to promote family stability and economic self-sufficiency --- with respect for the individual and the highest professional standards. Annually, **EOTC** serves more than 3,000 women, men, and children whose lives are adversely affected by poverty, addiction, abuse, unemployment or underemployment, educational deficits, chronic health conditions, mental and emotional health issues, and involvement with the criminal justice system. As a “purely public charity” registered in Pennsylvania, **EOTC** secures public, private, and nonprofit funds for programs and services that directly address the significant challenges our participants face.

As many nonprofits here in Lackawanna County and throughout the state do, **EOTC** sees the level of need, the complexity of circumstances, and the seriousness of problems increasing exponentially. All this at a time when federal, state, and local funds are steadily decreasing and the need for private sector support brings more of us to many of the same doors and donors. Our nonprofit status qualifies our agencies to compete for funding and our tax-exemption makes private gifts a desirable option.

EOTC is a long-time member of PANO – Pennsylvania Association of Nonprofit Organizations. In 2004, **EOTC** earned *Standards of Excellence* certification attesting to the highest standards of ethics and accountability in the nonprofit sector. We have maintained our *Standards* certification since that time.

EOTC's steadfast mission commitment to the highest professional standards informs our consideration of Senate Bill 4. As designed, the bill proposes a constitutional amendment giving the state legislature the authority to define a "purely public charity" in Pennsylvania. **EOTC** concurs with the Auditor General that, "Constitutional amendments should never be taken lightly, especially when they have the potential for major impact on our communities' tax bases." Every voter does have the responsibility to understand both sides of the issue on this amendment well before entering the voting booth, as the Auditor General stated.

Senate Bill 4

A separate piece of pending legislation, Senate Resolution 28, is an ideal opportunity to increase voters' awareness and knowledge, pro and con, of a constitutional amendment. SR28 proposes a year-long study and public hearings conducted by a Joint Select Committee on Institutions of Purely Public Charity which would seek input from stakeholders, review the impact of purely public charities on local government, study the economic impact of nonprofit services to Pennsylvania residents as a whole, and determine if revisions are needed in Commonwealth law to "achieve the appropriate balance between the cost of services provided by local governments and the protection of our public charities."

Anne Gingerich, PANO executive director, presented detailed and balanced information in her testimony at the March 12 Pittsburgh public meeting. She cited several important unifying concepts for nonprofits. Among them:

- The significant, positive role nonprofits play in the wellbeing of communities
- In return for tax exemptions, nonprofits provide services that strengthen the foundations of the individuals and families they serve
- Rules for these exemptions should be fair, consistent, and predictable. They should not vary from municipality-to-municipality, or from year-to-year.

Ms. Gingerich cited the complex issues related to nonprofit structure and funding, in addition to the stakeholders with a vested interest in the outcome of Senate Bill 4. She offers possible positive and negative outcomes if Senate Bill 4 passes and if it does not. That information is part of the formal record of these meetings.

EOTC – Promoting Family Stability and Economic Self-sufficiency

On behalf of **EOTC**, one among many established, respected nonprofits contributing to the well-being of Scranton, surrounding communities, and Lackawanna County, I can attest first hand to the critical role and positive impact of human service organizations in our area --- and to the singular important of purely public charity designation and exemption from certain taxes.

EOTC, as one agency and in collaboration with many others, fills a crucial need for early intervention and prevention services in a County with above-average rates of child abuse and poverty. Recent demographics of those participating in **EOTC** programs affirm the challenges our community faces:

- 100% of **EOTC** participants had income levels below \$15,000 year
- 59% had less than a 12th grade education
- 85% were unemployed
- 51% were male; 49% female
- 51% were single parents
- 45% had no medical coverage
- 62% were Caucasian; 17% African American; 14% Hispanic/Latino. Both African American and Hispanic/Latino percentages have increased over previous years.

EOTC draws from nationally recognized evidence-based strategies for its programming. These model approaches, such as Parents As Teachers, Incredible Years, and Access/ Visitation have been studied widely and found effective in preventing family violence, crime, school failure and other costly social problems. **EOTC** data attests to the fact that individuals and families enrolled in family education, workforce development, prison re-entry, and mentoring programs make major and moderate progress toward goals they establish and strive to achieve with guidance and support of **EOTC** staff. While it is difficult to monetize the return on investment of prevention/intervention programs, the financial impact extends beyond benefits to program participants --- those who find jobs and keep them; return to school; reunite their families. The ripple effect of these changes affect immediate and extended families, neighborhoods, schools, faith communities, others such as victims of crime, and the community as a whole.

In 2000, after 12 years of leasing program and office space --- and continually modifying, improving, and maintaining leased space --- the **EOTC** Board of Directors voted to seek property that would house all our staff and programs under one roof, and allow space for other nonprofits of similar mission and service. The decision was carefully weighed during the agency's strategic planning and judiciously made during plan implementation. Board members took seriously the fact that, as a nonprofit property owner, **EOTC's** purchase would remove a taxable property. This was balanced by a return on investment in individuals who, given the skills, opportunities, and affirmation, would become contributing members of our community, tax-paying citizens, and, ultimately, role models for change.

In 2004, **EOTC** purchased an abandoned warehouse on an over-grown, one-plus acre property in Scranton's west side. This investment would not have been possible without property tax exemption. From 2004 through 2011, **EOTC** Board members, staff, community volunteers and others spent hundreds of hours dismantling the interior in preparation for renovation. In the process, we salvaged wood, metal, glass, bricks and other material. What could not be re-purposed we recycled and in the end kept approximately 80% of the debris out of the landfill. During renovation, we invested nearly \$2 million in a block that was slowly deteriorating and helped reclaim a neighborhood going to ruin. Over the winter, our sidewalks have been clean and safe for pedestrians, including students enroute to and from Scranton High School and parishoners attending St. Vladimir Church. This spring, we will replace black top with new sidewalks and install lighting to improve the street scape. Now, Seventh Avenue Center is home to Maternal & Family Health Services (MFHS) Women Infants Children (WIC) program, Dress For Success Lackawanna, and Educational Opportunity Center. Together we serve more than 3,000 men, women, and children each month.

Nonprofits, like so many others, are struggling to do more --- much more, with less --- much less. Our charitable designation and tax-exempt status are key factors in accomplishing was others cannot.

Thank you for the opportunity to be part of this important meeting.

Respectfully,

Sharon McCrone, Ph.D.

EOTC Executive Director

shmccrone@**EOTC**works.org

To: Honorable Eugene DePasquale

Auditor General of Pennsylvania

From: Dennis Lukasewicz, Vice President

Fraternal Order of Police, E. B. Jermyn Lodge #2

Date: 15 March 2015

Subject: Senate Bill 4

Sir,

As Vice-President of the Fraternal Order of Police (FOP), E. B. Jermyn Lodge #2, I thank you for the opportunity to discuss the proposed Senate Bill 4 providing for a Constitutional Amendment to define a "purely public charity". As police officers, members of the FOP are required and obligated to follow and act within the Constitution of the United States, the Constitution of the Commonwealth of Pennsylvania, and the laws enacted by the Legislature and interpreted by the Judiciary. It is within these parameters I will discuss our opinion on the matter at hand.

The heart of this matter is whether the Legislative or Judicial Branch of government has the right and/or authority to define a purely public charity. Looking at the Pa Constitution, it is repeatedly stated the Legislature has the authority to enact laws, which in this matter it did with Act 55 of 1997. This Act fully defines the Legislatures intent of what a purely public charity should be. In 2012, the Pa. Supreme Court handed down a ruling in which it applied the more stringent definition of a purely public charity as defined in the Hospital Utilization Project v. Commonwealth of 1985. The HUP ruling established a five point test for an institution to be defined a purely public charity. The 2012 ruling basically established the HUP standards must be met before the Act 55 criteria can be applied. After this ruling was handed down Senate Bill 4 was introduced to make a Constitutional Amendment to define a purely public charity in the Constitution itself.

While it is recognized the Legislature has the ability to write and enact laws, it is up to the Judiciary to interpret and define those laws. To allow the Legislature to rewrite the Constitution when confronted with an unfavorable ruling would set a precedent with chilling future consequences. Furthermore, Article III, Section 32 of the Pa Constitution specifically prohibits the enacting of a local or special law exempting property from taxation. A rewrite of the Constitution would be to immortalize a special law disguised as a Constitutional Amendment, and should therefore be defeated.

It has been noticed that large non-profit organizations across Pa are in favor of this Amendment. This should act as a red flag as to whom the Amendment will benefit. Cities across Pa are being asked to provide more services to the citizenry while the non-profits eat up real estate parcels taking them off of the tax rolls. These non-profits then claim any Payments in Lieu of Taxes (PILOTS) or court proceedings to defend their non-profit status will remove money from their charitable contributions. While these charitable contributions do enrich and aid the citizens, they should not act as barriers to monetary contributions to the host community.

In the City of Scranton, non-profits have shunned the proposals of past administrations to make significant PILOTS to shore up the City's struggling finances. In 2012, the same year as the Supreme Court's ruling, it was determined that if the seven (7) largest non-profits in Scranton made a contribution of one half of one percent of annual revenue, the City would garner \$2.4 million in 2015 (Scranton Times, Aug 2, 2012). With 30-40% of properties in the City belonging to non-profits, there is a concern this Amendment would further shelter the non-profit organizations from making any monetary contributions to the City which hosts them and provide services to them. While this Amendment could be beneficial to the larger charitable organizations bottom lines, it appears to be an over-reaching move

by the Legislature to counter a Judicial decision, and it appears it would further handcuff the abilities of host cities to gain meaningful contributions.

I again thank you for the opportunity to give input on this matter and look forward to open discussions at a later date.

Dear Editor,

We are deeply concerned about legislation being proposed in the Pennsylvania Legislature for the 2015/2016 session (that passed in the 2013/2014 session as Senate Bill 4), which attempts to change the Pennsylvania Constitution with an amendment that lessens the criteria to determine purely public charities and tax-exempt status. The bill will not only push the burden of higher taxation onto ordinary Pennsylvanians, but also strip the City of Scranton of the local control that our residents have valued since the Commonwealth was founded.

The number of organizations claiming tax exemption in Pennsylvania grows every day, taking more and more taxable land off municipal tax rolls. While many of these are real charities, some do not meet the current definition - as established by our courts - and should not be tax exempt. By making it easier for everyone to claim charitable status, this legislation will weaken our local government's ability to support the resources we all need - fire, police, EMS, street lighting, street maintenance and snow plowing. Passing this type of bill would return us to the crisis created by Act 55, which made it so difficult for local government to negotiate with large non-profits. Until Act 55 is repealed or amended, passing this constitutional amendment would be a disaster for our communities.

This may sound very technical, but we all feel the impacts. When these organizations - some of which are our largest landowners - don't pay taxes, we must scramble to make up the difference or risk cutting municipal services, like Scranton Police Officers and Fire Fighters, who are necessary to keep our communities safe.

This constitutional amendment would do far more than change the commonsense standard for charities in Pennsylvania. Whatever its target today, such an amendment would set a dangerous precedent on the rights of local governments and voters, preempting their decisions on how to manage their communities.

In Harrisburg, this proposed constitutional change has been made without any hearings or public discussion. With the fiscal health of our local communities - and local decision-making - at risk, changing our constitution requires real deliberation, discussion and debate. Changes to the Pennsylvania Constitution should not happen behind closed doors.

With our counties and cities already cash-strapped, this legislation eliminates our local government's ability to generate local revenue and provide for the services we all rely on, including strong and effective police and fire forces.

Pennsylvania has a rich history of local governance, in which towns and cities enact legislation that best meets the needs of their communities. We strongly object to this legislative overreach that has farreaching negative consequences for all our communities, and for the law enforcement officers who serve and protect Pennsylvanians. To protect the democratic rights of local voters and local communities, we ask you to vote against this proposed legislation.

Sincerely,

E.B. Jermyn Fraternal Order of Police Lodge #2
Representing Scranton Police Officers

John Judge, President
International Association of Fire
Fighters Local #60
Representing Scranton Fire Fighters

COMMONWEALTH OF PENNSYLVANIA

Auditor General

March 12, 2015

Public Meeting on

Senate Bill 4

Held by Pennsylvania Auditor General Eugene DePasquale

Written Statement of

Anne L. Gingerich, Executive Director, Pennsylvania Association of Nonprofit Organizations

Honorable Eugene DePasquale, Auditor General of Pennsylvania,

As the Executive Director of the Pennsylvania Association of Nonprofit Organizations (PANO), I am honored to testify about the implications that Senate Bill 4 may have on high valued organizations such as veterans groups, domestic violence prevention programs, churches, museums, hospitals, institutions of higher education, economic development organizations, land trusts, social service agencies, environmental organizations and many other organizations that play a significant economic role in Pennsylvania and enhance the high quality of life throughout our Commonwealth.

SENATE BILL 4

Senate Bill 4 is a short, straight-forward piece of pending legislation that proposes a constitutional amendment giving the state legislature the authority to define a “purely public charity” in Pennsylvania.

PANO’S POSITION

PANO represents all types of nonprofits in the Commonwealth of Pennsylvania, big and small, east, middle and west—whose interests sometimes conflict with each other. Because PANO believes that we together are better than any entity is separate, we find common ground whenever possible.

PANO has taken a neutral stance on Senate Bill 4. We support the year-long process for study and public hearings proposed for a “select committee” in a separate piece of pending legislation—Senate Resolution 28.

The nonprofit community unites around the following common, mutually desired outcomes regardless of the process followed to meet them.

1. We focus on the significant, positive role the nonprofits play in the wellbeing of communities. We are partners with public institutions in serving public needs. Nonprofits give rather than take resources from our communities.

2. Nonprofits should be exempt from certain types of business taxes paid by for-profit companies so they can more efficiently meet their missions.

3. The rules for these exemptions should be fair, consistent and predictable and should not vary from town-to-town or year-to-year.

4. We seek unity in an already divided community. Conversations around Senate Bill 4 may not only polarize the for-profit, government and nonprofit sectors, but divide the nonprofit sector itself. We are already defending our positions rather than focusing our efforts on what we (e.g. nonprofit, for-profit and government) can do together to move the quality of life forward throughout the Commonwealth.

5. We seek the highest possible awareness of the general public around this issue. Senate Bill 4 would move this issue to the voting public via a referendum—a public that may not understand the far-reaching effect of their decision on the quality of life in local communities. Those long-term effects are yet unknown, even to decision-makers.

SUPPORT FOR THE JOINT SELECT COMMITTEE (SENATE RESOLUTION 28)

PANO needs more information to take a more definitive position on Senate Bill 4. Thus, PANO supports Senate Resolution 28, which recently passed the Senate in a unanimous vote and is now pending in the House. SR 28 seeks to establish a Joint Select Committee on Institutions of Purely Public Charity which would collect input from stakeholders, review the impact of purely public charities on local government, study the economic impact of nonprofit services to the residents of Pennsylvania in general and

determine if revisions are needed in Commonwealth law to “achieve the appropriate balance between the cost of services provided by local governments and the protection of our public charities.”

PANO SEEKS CLARITY

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?

PANO believes that SB 4 currently does not provide clear answers to these questions. SB 4 asks for constitutional approval of additional legislative authority to set standards. But because the bill itself does not actually contain those standards, PANO cannot really know whether or not SB 4 ultimately help to improve the environment for nonprofits or not. The select committee proposed by SR 28 would help to provide important answers and give communities an opportunity to become fully informed and engaged in the process.

The tables below describe PANO’s outstanding questions around Senate Bill 4.

IF SENATE BILL 4 PASSES...

PANO believes that the nonprofit sector could experience the following positive OR negative outcomes: **Possible POSITIVE Outcomes**

- ☒ Resulting legislation may provide clarity to the criteria needed to determine nonprofit tax exemption and result in uniform rulings in the court system.
- ☒ Nonprofits could have the ability to influence their local delegation to support their cause.
- ☒ Nonprofits would have an immediate opportunity to educate the public about the return on investment nonprofits bring to their local communities (due to the referendum).

IF SENATE BILL 4 DOES NOT PASS...

PANO believes that the nonprofit sector could experience the following positive OR negative outcomes: **Possible POSITIVE Outcomes**

- ☒ The courts would continue to have the authority to define a “purely public charity.” *

Possible NEGATIVE Outcomes

- ☒ Resulting legislation may be less supportive of nonprofits than the criteria defined in Act 55.
- ☒ Resulting legislation may create separate classes of nonprofits, leading to more rather than less confusion about the definition of *purely public charities* pitting small nonprofits against large nonprofits.
- ☒ The public may not fully understand what they are voting on in the required referendum

Possible NEGATIVE Outcomes

- ☒ Nonprofits may have less influence over local and state judges than with their state senators and representatives.
- ☒ The court system would continue to make decisions on a case-by-case basis* vs. a common set of standards—a situation which has led to inconsistency in some court rulings.
- ☒ Nonprofits currently being brought to court by local municipalities would have to prove their charitable status under two sets of criteria (e.g. first the criteria defined in the 1985 HUP Case AND then the criteria defined in Act 55).
- ☒ Small nonprofits may be pitted against large nonprofits in the court system as well as in the public.

THE COMPLEXITY OF THE ISSUES

The depth and breadth of the nonprofit sector create challenges whenever structure and funding issues come into play. Thus, PANO appreciates the opportunity to underscore the complexity of the issues—

starting but not limited to the differing viewpoints and opinions expressed in the case law, constitutional terminology and statutes that form Senate Bill 4's history. Adding to this complexity are the sheer numbers of stakeholders impacted by this issue:

- ☒ The 67 counties in our Commonwealth
- ☒ Our 500 school districts
- ☒ Our 2,562 municipalities
- ☒ Our 50 state senators
- ☒ Our 235 state representatives
- ☒ Our judges (90+) presiding in Pennsylvania's Judicial System
- ☒ The estimated 19,430 nonprofits who hold properties valued at of \$100,000 or above.¹

Nonprofits as Partners of Government

With increasing levels of poverty and decreasing revenue and property values, local municipalities struggle to meet the needs of their constituents. And in doing so, they look to their long-time partners in meeting critical community needs—the nonprofit community. Nonprofits have historically played a significant role in carrying out the work that is also the responsibility of the government but beyond its means.

No one questions the importance of charitable work contributed by nonprofit organizations—anchor institutions in communities both large and small. Nonprofits tutor children, feed the hungry, care for the sick, shelter the victims and help the unemployed to find work. The real return on investment to the local economy is unquestioned.

Most individuals and entities also agree that the vast majority of nonprofits should be exempt from business taxes paid by for-profit corporations. Nonprofits provide crucial services and draw important federal and grant dollars with accompanying jobs into local communities. Nonprofits are organized solely to benefit the people they serve and are represented by volunteer boards of directors. Nonprofits give up their rights to profit, political engineering and privacy (e.g. nonprofits are the most transparent sector in the country).

Third-Largest Employer

Many individuals understand the above mentioned public and community benefits that nonprofits bring to their communities—which provide an economic return on investment. However, they do not necessarily think about the additional economic benefit provided by this sector.

- ☒ Across the country, nonprofits employ **10.1%** of the total private workforce, making the nonprofit sector the third largest sector in the country.
- ☒ **18 times more** workers than the utility industry
- ☒ **15 times more** than the mining industry
- ☒ **10 times** more than agriculture
- ☒ **5.5 times** more than the real estate industry ²

¹ Kenyon, D. A., & Langley, A. H. (2011). The property tax exemption for nonprofits and revenue implications for cities. Urban Institute.

² Salamon, L. M., Sokolowski, S.W. & Geller, S. (2012). Holding the fort: Nonprofit employment during a decade of turmoil. *Nonprofit Employment, Bulletin No. 39*. John Hopkins University. 5 of 6

☒ In Pennsylvania, according to the U.S. Bureau of Labor Statistics, **18,148**³ nonprofits employed **775,248** employees who earned over **\$36 billion** in wages. And this group includes only a portion of the **50,000+** nonprofits doing good work throughout the Commonwealth.

Nonprofit employers pay social security and Medicare taxes on the compensation they pay their employees. Their employees pay state and federal income and social security taxes on these earnings, as well as Medicare and unemployment taxes in most cases. These employees further use their earnings to buy goods, on which they also pay state sales tax and homes, on which they pay local real estate tax. Most of the income passing through the nonprofit sector is and has already been taxed. Most Pennsylvania-based nonprofits are not exempt from sales tax and thus pay a state sales tax on purchases made.

In addition, many nonprofits already make payments in lieu of property taxes to help defray the cost of police, fire and other services. They further open their facilities to community members and provide free services for area citizens.

NONPROFITS ARE NOT THE ONLY TAX-EXEMPT ENTITIES AT THE TABLE

Government entities also play a critical role in community wellbeing and also do not pay taxes on the government buildings owned and used by the 67 counties, 500 school districts, 2,562 municipalities and the Commonwealth itself. If each entity owns a minimum of two (2) buildings, these properties encompass a minimum of over 6,200 tax-exempt properties throughout the state. In addition, for-profit developers are given tax breaks to build and bring business to struggling urban areas.

Thus, when the issues of meeting the bottom line arise in local jurisdictions, representatives from the government, for-profit and nonprofit sectors should all be at the table. We together truly are better at collectively solving problems than any entity is separate.

HOW OTHER STATES DEFINE PURELY PUBLIC CHARITIES

The “separation of powers” question is treated differently in different states. The tests for which charitable nonprofits are exempt from property taxes and which are not, vary from state to state. Interpretations of state laws create variations in application from county to county and even from assessor to assessor. One thing that keeps nonprofit executives and board members awake at night is the uncertainty of how local political process will change their ability to meet needs of the people they serve. ⁴

1. Every state exempts the property of charitable nonprofits from taxation. As noted above, the tests vary by state for determining which type of nonprofit and which parcels of property are exempt from taxation. State exemption of charitable nonprofits from property tax is the norm. ⁵

³ 501-c-3s covered with unemployment insurance

⁴ Thompson, D.L. (2015). *Public Hearing on Purely Public Charities and Senate Bill 4 for Commonwealth of Pennsylvania’s Senate Finance Committee on February 4, 2015*. Written Testimony of David L. Thompson, Vice President of Public Policy. National Council of Nonprofits

⁵ Bowman, W. & Fremont-Smith, M.R. (2006). *Nonprofits and state and local governments. Nonprofit and Government: Collaboration and Conflict*, 181,203. 6 of 6

2. Every state limits exemption to properties that are both owned by a charitable nonprofit and used for the charitable purpose of the organization. Ownership by the nonprofit is not enough; the property must be used to advance the nonprofit's mission. Several states continue to apply the exemption when a nonprofit owner rents the facility to another charitable nonprofit, thus preserving the charitable use requirement. ⁶

3. The source of authority for exempting the property of charitable nonprofits from taxation falls into three categories:

☐ In 18 states, the exemption of charitable nonprofits is mandated in their state constitutions.

☐ Twenty-five (25) state constitutions (including Pennsylvania) grant the legislature the authority to exempt nonprofit properties from taxation.

☐ Seven (7) state constitutions have no provision for taxes or exemptions. ⁷

As PANO understands it, Senate Bill 4 seeks to extend the power of the state legislature to not only grant tax exemption to nonprofits but to define what makes a purely public charity.

According to David L. Thompson from the National Council of Nonprofits, the tests established in Pennsylvania and particularly in Act 55, include the most restrictive criteria in the United States. Act 55 is one of the most detailed statutes in the country and provides relatively clear criteria for each of the five parts of the test for property tax exemption. Furthermore, Act 55 disqualifies far more nonprofits than any other state statute. ⁸

CONCLUSION

In conclusion, I thank the Auditor General for this opportunity to review the potential impacts that Senate Bill 4 may have on the nonprofit sector. Our broad membership base holds differing viewpoints on the potential results. However, we generally seek the following common outcomes regardless of the process required to reach these outcomes:

☐ Nonprofits should be exempt from certain types of business taxes paid by for-profit companies so they can more efficiently meet their missions.

☐ The rules for these exemptions should be fair, consistent and predictable and should not vary from town-to-town or year-to-year.

☐ We seek unity in solving common community problems both within the nonprofit sector and among the nonprofit, government and for-profit sectors.

We believe that we together are better than any one of us is separate.

⁶Thompson, 2015

⁷Brody, E. (2010). *All charities are property-tax exempt: Some are more exempt than others*. New England Law Review. New England School of Law.

⁸Thompson, 2015

Good afternoon.

I am appearing this afternoon in opposition to Senate Bill 4, a constitutional amendment to give the Pennsylvania legislature the sole authority to define a purely public charity. I have been mayor of Allentown since 2006.

The City of Allentown is like many other cities across the Commonwealth with a large portion of its land mass (roughly 30 percent) as tax exempt. That includes two four year colleges, two hospital campuses and the former Allentown State Hospital.

Tax-exempt status means an entity is not required to pay property taxes and therefore it does not contribute to its share of municipal services - police, fire, EMS, street lighting, street maintenance, snow plowing. Instead, the property and business owners in a municipality cover the cost of these services by paying higher taxes. Charitable institutions are very important to our communities - providing needed social, educational, health and cultural services.

Their tax-exempt status, however, should be truly earned because taxpaying citizens and businesses are covering the cost of services provided to the tax-exempt entities and which they need to function. It goes without saying that there are some entities that deserve the tax-exempt designation more than others. By the very nature of the services they provide - churches, those helping the less fortunate, and educational and cultural entities pass muster. But should a profit-making entity also meet the criteria to be taxexempt?

State courts have ruled that the 1997 law governing what constitutes a tax-exempt organization - the Purely Public Charity Act or Act 55 as it is commonly known - is incredibly vague and establish a higher standard for institutions of purely public charities, known as the fivepart HUP test.

As a result, the courts affirmed strong standards for charitable organizations and gave municipalities, like Allentown, the ability to negotiate payments in lieu of taxes, or PILOTs, with non-profits and However, through the proposed amendment, the General Assembly wishes to revert to the more relaxed standard of Act 55.

Senate Bill 4 would in essence eliminate any leverage a municipality has and the ability to negotiate with non-profits. Senate Bill 4 will allow state lawmakers to make blanket determinations and leave municipalities powerless. A better approach would be a stakeholder working group to review Act 55 and put forth a workable solution to address the impact of taxexempt entities on Pennsylvania municipalities.

If Senate Bill 4 passes, a voter referendum will put the question before the citizenry to constitutionally allow the PA General Assembly to determine the test for tax-exempt status. It is hard to imagine voters agreeing to this permanent change that puts our municipalities at further financial risk and limits local governments' ability to work with the nonprofits we host.

Currently, this test is performed by the Judiciary and is established in case law. If the General Assembly wins this right, it plans to lower the standard to one that is less stringent.

This will make it easier for entities to pass the test and be free of any requirement to contribute something to the cost of the services it receives from its host municipality. Senate Resolution 28, recently introduced by Senator Scavello as a sensible approach to the tax exemption issue, was unanimously voted out of Senate Finance on February 25.

SR 28 calls for a Joint Select Committee on Institutions of Purely Public Charity. If the House concurs, the Committee's report would be due in one year.

At the very least, this will help make sure local governments and voters have a voice in figuring out Pennsylvania's tax exemption challenges and establishing sensible, fair and commonsense standards that work for everyone and ensure we all pay our fair share. Constitutional experts have already weighed-in that the amendment won't solve the problem. It will leave interpretation of the amendment in the hands of the State Supreme Court and allow municipalities and non-profits to present evidence in the legal environment court room, untainted by politics.

Let's work together to address this issue in a way that is fair for our cities, non-profits and the tax payers we serve. To date there has been little discussion on the impact of this bill on taxpayers at the local level.

Perhaps there is a compromise or an alternative approach to resolving which test best serves the taxpayers of

Pennsylvania. But without the opportunity for real discussion and deliberation, we will not have the chance to find out. Let's work together to address this issue in a way that is fair for our cities, our non-profits and the tax payers we serve.

Thank You.

Chris Sloat – Testimony for Auditor General Public Hearing

Scranton, PA

March 19, 2015

- Thank you, Auditor General DePasquale, for taking the time to hold these public meetings in Scranton and other cities this month. Your report in December found that in Luzerne County, we lose nearly \$60 million each year because of large exemptions to a few nonprofits. As you've made clear with these meetings this issue impacts taxpayers in every part of the state.
- I've taken a similar tour of the state myself recently. In February, I took time off of work to meet with our state's leaders and legislators in Harrisburg and talk to them directly about the proposed constitutional amendment.
- My family lives in Wilkes-Barre and all of my kids have relied on the local school district for their educations. I've always been involved with my children's education and my oldest is grown, so I've witnessed the changes firsthand.
- The steady cuts to staffing, books and supplies have taken a toll on our students and our teachers. In my kids' school district, photocopied pages from books are often sent home because there aren't enough for all the kids in each class to have a text book.
- My goddaughter, Mallory, is a special needs student. In the special needs program at Meyers High School they have decreased community access and therapeutic support staff (TSS) hours that are critical to development.
- And yet, while all these cuts are happening, my taxes continue to go up. Last year, property taxes in Luzerne increased to 5.7 mils. The pattern has been pretty clear for the past few years – our taxes go up, while we get less and less for it.
- Today's discussion about the purely public charity amendment is part and parcel of the conversation about how we fund our schools.
- As I visited all of the legislators in Harrisburg, I learned a lot.
- Let's be clear: The not-for-profit proponents behind the constitutional amendment want to remove the high standard of the HUP test and put in a lower one they devised nearly 20 years ago. PANO, the organization of nonprofits in Pennsylvania, has supported the amendment because Act 55 offers a more lenient regulatory environment while the HUP test, as their own lobbying firm calls it, is "far stricter."

- Turning back the clock to Act 55 will make it easier for anyone to claim tax-exempt status – including many organizations that act and sound like big business. It will make it easier to avoid conversations with local authorities who don't always find the charities they support are acting like charities.
- That standard, which Duquesne Professor Nicholas Cafardi has called weaker and watered down, was written when we didn't have mega-nonprofits that in some cases account for the largest chunk of taxable property and when they didn't have high paid lobbyists and in-house legal experts helping these giant institutions skirt the rules.
- Legislators say they started this whole process because they wanted to get involved in the standards and that's why the amendment was necessary.
- I attended the state Senate hearing in February on the constitutional amendment. At the time, Professor Cafardi said that there wasn't any reason why legislators couldn't address the standards for tax exempt charitable organizations today. After the hearing, some of them even admitted that they honestly weren't sure what the amendment would do, but they'd figure out afterwards.
- What a way to spend millions on a ballot referendum. What are voters supposed to do if legislators can't even explain what they are doing? What's completely baffling to me is that they would do this against the outspoken and unwavering opposition of mayors, township supervisors, borough presidents, police, teachers and firefighters.
- Our communities are standing up and saying that we need to address the growth of mega-charities and their impact on communities. And legislators and charities are saying, fine, but not until we get a constitutional protection that means we don't have to work with you if we don't want to. Frankly, it's appalling.
- As towns like Wilkes-Barre and many others make the tough decisions to figure out how to best fund our classrooms, fire and police departments and safe, clean streets, we need a system that works for everyone and supports a healthy economy in Pennsylvania.
- After all, there are large nonprofits that find a way to work with their host communities – doing the good work for charitable organizations and contributing to their larger area. My husband works for Wilkes University, which has a strong record of PILOT contributions to our county.
- I started my testimony by saying I learned a lot talking to legislators about this amendment. Quite frankly, what I learned is discouraging. This whole amendment process started with a series of in-the-dark votes to move this amendment – without hearings, without press, without anything that would let the people who are impacted know about it.
- People found out about it and raised very profound concerns – and frankly raised enough questions to show me and editorial boards across the state that everybody needs to slow down before we just go changing the constitution.

- Still, Harrisburg just plows ahead and I don't suppose it will be soup kitchens and the YMCA funding the TV ads to tell voters to vote yes on the amendment.
- For my part, I will continue to try to educate lawmakers and voters about the need for mega-charity reform. When mega-charities are rewriting our constitution, they have really gone too far.

Pennsylvania State Alliance of YMCAs

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.

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. ***Last year at the Pocono Family YMCA, 185 volunteers contributed over 4,000 hours of service in our communities as Board Members, coaches, readers to the pre-school, caregivers in the Infant Room, painting, facility repairs, camp repairs and community event organizers.***

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.

So how do YMCAs in Pennsylvania ensure that no one is denied the opportunity to participate in programs, child care, camp or membership due to economic hardship? 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.

At the Pocono Family YMCA, we awarded over \$200,000 in financial assistance for affordable child care services, summer camp and access to health and wellness programming and facilities last year.

Beyond direct financial assistance, the Pocono Family YMCA provided free memberships to the 7th graders in Monroe County through the state wide initiative; taught over 100 youth to swim through our SPLASH program which offers free swimming lessons and water safety classes; and partnered with Family Promise to provide child services to the homeless families currently enrolled in their program.

We work with our local community partners to be a resource for the Homeless Initiative. Providing showers and transportation to meal services in the county.

Our YMCA has become the leader in work with the Active Older Adults in our community where older adults can gather for a wide range of social, physical and educational activities. Last year, the Y provided \$29,884 in scholarships to allow 350 seniors membership that many are on fixed and limited income. Also we do outreach programming at four offsite facilities to bring wellness programs to this population in need.

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 community will suffer and 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.

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.

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,

Matt Rumph
Chief Executive Officer
Pocono Family YMCA

TESTIMONY OF THE UNIVERSITY OF SCRANTON

SUBMITTED BY GERALD ZABOSKI

VICE PROVOST FOR ENROLLMENT MANAGEMENT & EXTERNAL AFFAIRS

MARCH 19, 2015

Thank you for this opportunity to offer testimony regarding The University of Scranton’s role as a purely public charity in the commonwealth of Pennsylvania and our benefit to the community as an institution of higher education with significant economic and community

impact.

I have the honor of serving the University as Vice Provost for Enrollment Management and External Affairs. My testimony will highlight the following key points:

- The educational, charitable mission of higher education.
- The value of higher education and especially education grounded in the liberal arts, for individuals and society.
- The strong support of The University of Scranton for S.B. 4
- The University's commitment to voluntary contributions
- Payment of applicable taxes and fees
- The significant economic and community benefit that colleges and universities provide to their host cities.

The University of Scranton's Educational, Charitable Mission

At our core The University of Scranton is a private, coeducational, comprehensive, Jesuit university, an institution of higher education. Our mission is to provide a general, liberal arts education to men and women of diverse backgrounds, and our goal is to foster a creative relationship between the broad foundation of a liberal arts education, the career-oriented expectations of our students, and society's need for ethically educated professionals.

The Value of Higher Education and the Liberal Arts for Individuals and Society

According to a 2014 Federal Reserve Bank of New York study, "the return to a college degree has held steady for more than a decade at around 15 percent, easily surpassing the threshold for a sound investment," while those who do not pursue higher education are "falling further and further behind."

In 2013, the College Board released a comprehensive study of the value of higher education for individuals and society. Through employment and earnings data, lifestyle and behavioral surveys, the report addresses questions that are increasingly being raised by families, the media and government about whether a college degree is worth the investment. The study showed broad societal benefits, including "increased tax revenues from college graduates" and less money spent by federal, state and local governments on "income support programs." While I encourage you to review the complete document, I'll note the following:
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THE UNIVERSITY OF SCRANTON

"During their working lives, college graduates earn, on average, about 65% more than high school graduates, and those with advanced degrees earn two to three times as much as high school graduates. The earnings premium increases as workers move further along their career paths."

"Postsecondary education should pay off well enough for people to pay back their loans and not suffer a diminished standard of living. But the personal growth, increased understanding of the world, and wider range of options available to college-educated adults deserve our attention. Our society would become immeasurably poorer if financial pressures were to lead us to think of higher education as synonymous with job training."

Source: Education Pays 2013, College Board

The University of Scranton was founded specifically to provide an alternative to life in the

mines. As part of our 125th anniversary celebration last year, we reflected on the inspiration of our founder, Bishop William O'Hara, the first Bishop of the Diocese of Scranton. At a ceremony in 1888 to bless the cornerstone for a college that did not yet exist, he challenged a gathering of thousands of families, largely immigrants, to see their children not simply as workers but as sources of "latent genius" who "can contemplate the most elevating and sublime truths."

While our Jesuit education is faith-based and rooted in the liberal arts, our students are ready for immediate employment or additional education. Today, we proudly prepare students to excel through creative and innovative thinking in such fields as medicine, nursing, occupational therapy, physical therapy, law, government and social service, education, and business. While one in four of our students are still from northeastern Pennsylvania, we also attract young people from New Jersey, New York, Connecticut, Massachusetts, Maryland and other parts of Pennsylvania.

Support for S.B. 4, the Constitutional Amendment on Public Purely Charities

The University provides a type of education sought after by students in the Commonwealth of Pennsylvania and beyond, and through this service is able to "relieve the government of some of its burden" by reducing the cost for the commonwealth were it to have to educate all Pennsylvania students. For example, according to data compiled by the Association of Independent Colleges and Universities in Pennsylvania (AICUP) private institutions provide 71 percent of all grant dollars on average to their students, and a private college degree costs Pennsylvania taxpayers an average of \$2,445 per student in comparison to \$18,001 per degree at a state-related or state system university.

In all manner of our functioning, we "operate entirely free from private profit motive" and meet or exceed all requirements for a purely public charity in Pennsylvania. This includes the language in the Constitution of the Commonwealth of Pennsylvania, Act 55, and the various standards put forward by the Courts. We "donate or render gratuitously" a substantial portion of our services through generous financial aid, more than \$60 million in the 2013-2014 academic year. While all students are "legitimate subjects of charity" when it relates to social goods such as health care or education, in a particular way, we support students coming from low-income families. In 2013-14, for example, 815 (out of 4,205 total) University students received Pell grants amounting to more than \$3 million in funding and representing 19% of our undergraduate student body.

The University welcomes S.B. 4, which would return to the General Assembly the authority to define an institution of purely public charity. We agree with the Association of Independent Colleges and Universities in Pennsylvania (AICUP) that what the legislature has previously articulated through Act 55, which uses the HUP criteria, creates a "fair, uniform, state-wide standard for determining whether or not a non-profit institution has earned its tax exempt status." Given the confusion of past years on these issues, the University believes it is important and appropriate to clarify that the General Assembly, not the courts, sets tax policy in Pennsylvania and should be the authority to establish standards and qualifications for determining tax-exemption for nonprofit entities.

The University's Commitment to Voluntary Contributions

Despite the University's clear qualification as a tax-exempt institution, in seeking to be a

good neighbor, we have provided a voluntary contribution to our municipality and county for more than 30 years. Each year, the University donates \$175,000 to the City of Scranton and \$58,500 to Lackawanna County. Of the non-profits in Scranton, the University's contribution has been the largest, most consistent and longest running. Since 1983, the University's contributions to the City have totaled more than \$3.1 million and over \$1.4 million to the County.

Payment of Applicable Taxes and Fees

Although exempt from some taxes, private colleges and universities contribute to tax revenues in a variety of ways. As a major employer in Lackawanna County, the University's employees living in Scranton paid \$569,609 in wage taxes last year and another \$89,050 in local services tax, to help support the City's emergency services.

The University pays building permit fees and business privilege taxes for construction projects. The last five major construction projects, for example, have amounted to \$1,765,247 in building permit fees and \$1,218,218 in business privilege tax, not including fees paid by Scranton-based contractors and suppliers. The University also pays fees to the City for false fire alarms, totaling \$36,000 last year.

The University provides housing, dining and other services to students that are essential to our charitable purpose. In support of some of these functions, we partner with for-profit businesses that in turn pay various taxes. This past year, for example, Aramark and Follett paid \$24,150 mercantile tax to the City and Scranton School District and \$31,100 in wage taxes for their Scranton employees.

Property Taxes

A report by the Auditor General indicated that 33% of the properties in the City of Scranton are tax exempt. According to a *Scranton Times Tribune* analysis of public records from the Lackawanna County Tax assessor's office, nearly half (46%) of tax exempt property is held by government and utilities, reflecting Scranton's hosting of County government, a Federal court and many major services and resources. The analysis noted that universities, colleges and parochial schools occupy just 34% of the City's tax exempt properties.

As a non-profit in the City of Scranton, the University is exempt from property taxes so long as the property is being used in support of our charitable purpose. The University recognizes that some of our property is either used for commercial purposes or has not yet been converted to educational use, and thus pays property tax on those properties. Since 2010, for example, the University paid property taxes totaling almost \$491,000 to the City of Scranton, Scranton School District, Lackawanna County and other municipalities. In 2014, we embarked on an innovative project whereby a former junior high school will be renovated by a private developer and serve as graduate student housing and an early childhood learning center for University employees and the public. The developer will continue to own the property, and it will be on Scranton's tax rolls.

The University's Economic and Community Impact

The University's most significant impact on the community can be found in the lives and work of our students and alumni across a range of professions. Nearly one in ten "Scrantonians" are University of Scranton students, alumni or employees, accounting for 8% of the resident population, and University employees make up 9% of the city's workforce.

As a major employer and home to thousands of students, the University is an economic engine that also seeks to engage the community through research and service. Using generally accepted measures, the University's economic impact on Northeastern Pennsylvania totals \$282,932,643 for the 2013-2014 academic year ¹. Since 1980, our impact on the City and the region amounts to \$5.7 billion, including capital projects. Moreover, according to a 2014 survey, the University's over 6,000 students report spending an average of \$1.2 million off-campus each month.

Our Office of Community Relations has created a Downtown Engagement Initiative to encourage patronage of downtown Scranton businesses. Students, as well as faculty, staff and parents, are introduced to downtown businesses through more than 15 special events and programs, including walking tours, a "Downtown Scavenger Hunt," and promotions of discount programs. Through these efforts we have seen increases in student awareness of downtown offerings and more students going downtown to retail shops, restaurants and entertainment activities, including First Friday.

For 30 years, the University has matched state and federal allocations to support a Small Business Development Center on campus that serves clients in the City of Scranton and throughout eight counties. The SBDC has provided almost 11,000 hours of small business consulting to clients in the City of Scranton alone since its inception. In just 2013-14, 104 Scranton-based clients were provided with a total of 506 consulting hours. In 2013, the SBDC launched a collaborative Small Business Internship Initiative to match businesses with students, with a total of nine internships completed to date.

Central to our mission as a Jesuit and Catholic university is engagement and service in our local community. Students, faculty and staff are involved in hundreds of community service and volunteer programs that have a positive impact on the region and the City of Scranton. In the 2013-2014 academic year alone, approximately 2,853 Scranton students provided more than 175,000 hours of volunteer service, much of it in Northeastern Pennsylvania. Since 1997, students have contributed 2.2 million hours. Our Center for Service and Social Justice provides volunteers to more than 120 non-profit agencies. Our Leahy Community

¹This is based on formulas used by AICUP wherein the University's expenditures in goods and services create an estimated \$1.11 worth of additional economic activity.

Health and Family Center provides a range of services, including a Clinic for the Uninsured, which in 2013-2014, treated 1,638 patients with the help of 138 students who contributed 2,567 hours.

The University has received national recognition for its community service activities. It is among just 361 colleges in the nation, and one of only 24 colleges in Pennsylvania, to have earned in 2015 the highly selective Community Engagement Classification designated by the Carnegie Foundation for the Advancement of Teaching. Scranton has been named to the President's Higher Education Community Service Honor Roll every year since 2007. In addition, the University is committed to an investment of resources to aid students, staff, and faculty in their service of others. In its 2013-14 annual budget, the University's expenditures for administrative staff positions that support service and related expense lines totaled \$900,187.

Conclusion

We recognize the serious pressures facing the City of Scranton and other municipalities and believe that the wellbeing of the City and the University are intertwined. Through voluntary contributions, community service activities, and taxes and fees related to employees and construction, the University assists the City in a variety of very tangible ways. In the tradition of St. Ignatius who founded Jesuit universities specifically in urban environments, the City of Scranton is our home, and we are committed to its future. We will continue to contribute to Scranton in a variety of ways as a major economic engine, employer, key community partner, and as a nationally recognized Catholic and Jesuit institution of higher learning.