

# Independent Institutions of Higher Education and Tax- Exempt Properties

*An Overview*

# About AICU *Rhode Island*

- ▶ The Association of Independent Colleges & Universities of Rhode Island (AICU *Rhode Island*) is an alliance representing the nine independent institutions of higher learning within the State of Rhode Island.
- ▶ Our membership includes Brown University, Bryant University, Johnson & Wales University, New England Institute of Technology, Providence College, Rhode Island School of Design, Roger Williams University, and Salve Regina University, with College Unbound participating as an affiliate member of the organization.
- ▶ More so than any other non-profit sector, these nine institutions provide educational, cultural, and fiscal benefits to the state.

# Relationships with Host Communities

- ▶ AICU *Rhode Island* members highly value their relationships with their host communities.
- ▶ Four Providence-based members signed a Memorandum of Understanding (MOU) with the city in 2003 that includes voluntary payments.
- ▶ Separately, Roger Williams University has had its own agreement with the city since 2014.
- ▶ These same members (except Roger Williams University) have also signed individual Memorandums of Agreement (MOA) with their host communities that include financial and in-kind contributions.
- ▶ Outside of Providence, Bryant University, New England Institute of Technology, Roger Williams University (Bristol Campus), and Salve Regina all have individual formal/informal agreements with their host communities. Since 2010, these institutions will make more than \$21 million in payments throughout the term of the agreements.
- ▶ The four Providence-based institutions are currently renegotiating a new agreement that will replace the 2003 agreement set to expire this summer.

# Memorandum of Understanding

- ▶ Signed in 2003 by Brown University, Johnson & Wales University, Providence College, and Rhode Island School of Design.
- ▶ Between 2003 and 2023, institutions will have paid nearly \$40 million to the City in voluntary payments.

Institution	MOU Payments (2003-2023)
Brown University	\$24,630,428
Johnson & Wales University	\$6,340,624
Providence College	\$5,424,536
Rhode Island School of Design	\$3,608,356
<b>Total</b>	<b>\$40,003,944</b>

# Memorandums of Agreement

- ▶ Since 2012, each institution has transactional Memorandums of Agreement (MOAs) with the city; consisting of additional payments to Providence in return for street conveyances, parking spaces, and other benefits.
- ▶ Payments to the city under the various MOAs will total more than \$45 million for the duration of the agreements.

Institution	Total Payments (2003-2023)	Benefits Received
Brown University	\$31,500,000	250 parking spaces, 4 city blocks
Johnson & Wales University	\$7,012,745	Conveyance of nearly 90,000 square feet of street space
Providence College	\$3,842,607	Conveyance of more than 80,000 square feet of street space
Rhode Island School of Design	\$2,792,900	70 parking spaces
<b>Total</b>	<b>\$45,148,252</b>	<b>See Above</b>

# Total Payments (2003-2023)

Institution	MOU Payments	MOA Payments	Total Payments
Brown University	\$24,630,428	\$31,500,000	\$56,130,428
Johnson & Wales University	\$6,340,624	\$7,012,745	\$13,353,369
Providence College	\$5,424,536	\$3,842,607	\$9,267,143
Rhode Island School of Design	\$3,608,356	\$2,792,900	\$6,401,256
<b>Total</b>	<b>\$40,003,944</b>	<b>\$45,148,252</b>	<b>\$85,152,196</b>

# PILOT Program

- ▶ Through the State’s Payment in Lieu of Taxes (PILOT) Program, the City is compensated by the State for land held by non-profit institutions of higher education (as well as hospitals).
- ▶ When fully funded, Providence receives at least \$33 million annually in PILOT funds from the state in the FY2023 Budget. Of this, \$24m is derived from property held by colleges and universities.

Institution	State PILOT Payments to City of Providence (2003-2023)
Brown University	\$193,860,287
Johnson & Wales University	\$51,789,662
Providence College	\$64,646,879
Rhode Island School of Design	\$47,478,129
<b>Total</b>	<b>\$357,774,956</b>

# Total Compensation (FY'22)

Institution	MOU	MOA	PILOT	Transitional	Tax-roll	Total	% Tax Bill
Brown	\$1,392,529	\$2,000,000	\$13,004,569	\$749,891	\$2,402,638	\$19,549,627	40%
JWU	\$358,479	\$0	\$3,474,163	\$297,454	\$0	\$4,130,096	32%
PC	\$306,686	\$315,845	\$4,336,653	\$0*	\$113,098	\$5,072,282	31%
RISD	\$204,005	\$253,900	\$3,184,936	\$40,901	\$698,980	\$4,382,722	37%
<b>Total</b>	<b>\$2,261,699</b>	<b>\$2,569,745</b>	<b>\$24,000,321</b>	<b>\$1,088,246</b>	<b>\$3,214,716</b>	<b>\$33,134,727</b>	<b>37%</b>

\*Providence College does not distinguish between transitional payments and those left on tax roll. Both payments have been combined under "Tax-roll" for this presentation

- ▶ Providence is compensated 37 cents on the dollar for land owned by non-profit higher education institutions that would otherwise be taxed.



# Economic & Community Impacts

- ▶ Providence members contribute to their host community and Rhode Island in a variety of ways, including:
  - ▶ More than \$3.3 billion in direct and indirect spending across the state.
  - ▶ More than 8,000 jobs across four campuses.
  - ▶ More than 37,000 alumni that have chosen to stay in Rhode Island, contributing to the state's tax base and utilizing their skills in the economy.
  - ▶ Numerous community outreach programs, with an emphasis on placing student teachers in Providence Public Schools.

# Sector Challenges

- ▶ Since 2016, 18 institutions have closed or merged in New England alone.
- ▶ New England is facing an unprecedented demographic crisis:
  - ▶ As the New England population ages, the number of high school graduates in New England will be 15% lower in 2029 than it was in 2012.
  - ▶ An 8% decrease in births was observed following COVID-19's economic impacts. 15 years later, in 2035, this will only exacerbate the shrinking high school class size from which institutions admit students.
- ▶ As Rhode Island competes regionally for an ever-shrinking number of students, any efforts by state and municipal government to require institutions to pay puts the sector at a disadvantage in the region.

# Strong partnerships between host communities and institutions

- ▶ In order to grow this critical sector of our local economy, maintain jobs, and attract and retain a talented workforce, any legislation should:
  - ▶ Support Rhode Island institutions as they compete regionally for a shrinking high school graduating class.
  - ▶ Facilitate good faith dialogue in upcoming MOU negotiations.
  - ▶ Preserve Providence's status as the standard for town-gown relations in the region.
- ▶ *AICU Rhode Island* recommends the following best practices regarding non-profit taxation going forward:
  - ▶ Upcoming MOU negotiations should expand upon the 2003 agreement, with payments going directly to uses that benefit Providence and its residents.
  - ▶ General Assembly should increase the State PILOT program.
  - ▶ A long-term conversation regarding the future of Rhode Island tax policy discussing ways in which to end reliance on property tax should take place. This conversation should include all non-profits, and not be limited to a higher education and healthcare.