

TAXPAYER ALERT:

Property Tax Exemptions

Testimony to Pittsburgh City Council
Prepared on Behalf of Controller Chelsa Wagner



THE OFFICE OF ALLEGHENY COUNTY
CONTROLLER CHELSA WAGNER

Presented by:
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Summary of Findings

Total assessed value of exempt properties in Allegheny County is nearly \$17 billion. After the latest reassessment, this total rose to over \$23 billion. Properties zoned as commercial represent 99 percent of this value.

Total lost revenue for the County is nearly \$95 million.

Top 5 recipients of property tax exemptions: University of Pittsburgh Medical Center, University of Pittsburgh, Carnegie Mellon University, West-Penn Allegheny Health System, and Duquesne University.

Allegheny County owns over 15 percent of the total property value that could be taxed.

By The Numbers

Value of All Exempt Property:

\$16,666,212,290

Exempt Commercial Property:

\$16,501,075,264

Exempt Residential Property:

\$165,137,026

Exempt Property Total:

26,519 parcels

Exempt Commercial Property:

21,981 parcels

Exempt Residential Property:

4,538 parcels

Revenue Lost in 2011:

\$78,030,394



Summary of Findings (cont.)

A recent state Supreme Court ruling drastically improves Allegheny County's prospects for scrutinizing tax-exempt status on a parcel-by-parcel basis. Organizations now must prove they meet five tougher standards of public charity.

A lack of transparency exists due to poorly maintained exemption data by the County.

Currently, Allegheny County does not aggressively challenge exemptions, nor does it properly inform taxpayers about their impact and the organizations receiving them.

Organizations face little burden of proof to receive these exemptions, which can mean millions of dollars in lost revenue per organization for Allegheny County.

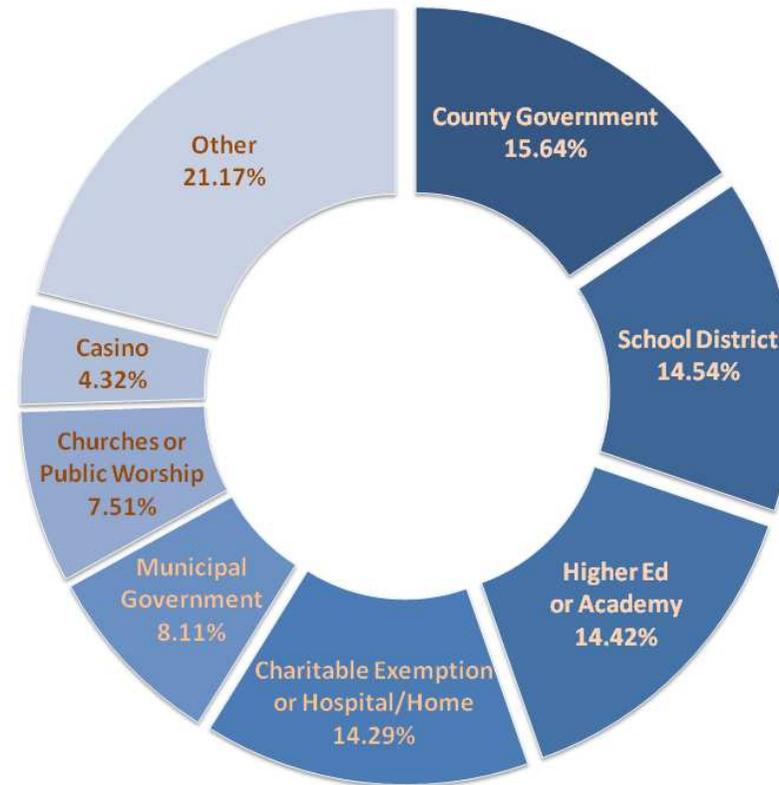


Exempt Property in Allegheny County

Commercial properties account for 99 percent of the total potential tax revenue from exempt properties in Allegheny County in 2012.” The percentage next to each code represents the total share of potential revenue that could be generated if the properties were taxed.

There are more than 215 Land Use Codes used to designate properties in Allegheny County, far too many to promote transparency and understanding of the system. “Other” represents the share of tax for the remaining codes.

These codes provide imperfect information on the true ‘Use’ of property, but County exemption records do not provide any additional or more telling information.



Revenue Impact

As property taxes are the main source of revenue for counties, municipalities, and school districts, exempt property decreases the total available taxable property that can generate revenue for these governments. This means that non-exempt, taxable properties bear a larger share of the total tax burden.

For the County, exempt property, in total, represents over \$94 million in lost revenue. As Allegheny County's millage rate of 5.69 mills is lower than many school districts and municipalities, the revenue for those taxing bodies would be even larger.

City of Pittsburgh

Millage Rate: 10.8 mills (1.08%)

Value of Exempt: \$8,656,392,620

Lost Revenue: \$93,489,040



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Baldwin-Whitehall School District
Millage Rate: 23.4 mills (2.34%)
Value of Exempt: \$147,493,200
Lost Revenue: \$3,451,341

Pittsburgh Public Schools
Millage Rate: 13.92 mills (1.392%)
Value of Exempt: \$8,660,653,820
Lost Revenue: \$120,556,301

Highlands School District
Millage Rate: 24.41 mills (2.441%)
Value of Exempt: \$175,718,250
Lost Revenue: \$4,289,282

North Allegheny School District
Millage Rate: 20.26 mills (2.026%)
Value of Exempt: \$606,839,404
Lost Revenue: \$12,294,566

Woodland Hills School District
Millage Rate: 25.65 mills (2.565%)
Value of Exempt: \$218,056,402
Lost Revenue: \$5,593,147

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Property Exemption Standards

The “HUP” Test for Purely Public Charities

The Pennsylvania Supreme Court set forth this five-part “test” that an institution must meet to be deemed tax-exempt:

1. Advance a charitable purpose
2. Donate or render gratuitously a substantial portion of its services
3. Benefits a substantial and indefinite class of persons who are legitimate subjects of charity;
4. Relieves the government of some of its burden;
5. Operates entirely free from private profit motive



Impact on County Finances

The ruling of the Pennsylvania Supreme Court opens the door to taxing bodies across the Commonwealth exploring options for challenging property tax exemptions to generate additional revenues. These tables illustrate some of the largest holders of the most valuable exempt properties. (Government buildings, public schools and places of worship were excluded.)

Health Care

University of Pittsburgh Medical Center

Property Value: \$1,305,999,594

Lost Revenue: \$7,431,137

West Penn-Allegheny Health System

Property Value: \$250,629,400

Lost Revenue: \$1,426,081

Jefferson Health System

Property Value: \$73,034,500

Lost Revenue: \$415,566

Ohio Valley Hospital

Property Value: \$38,863,699

Lost Revenue: \$221,134

St. Clair Memorial Hospital

Property Value: \$37,315,300

Lost Revenue: \$212,324

Higher Education

University of Pittsburgh

Property Value: \$1,041,263,500

Lost Revenue: \$5,924,789

Carnegie Mellon University

Property Value: \$412,614,260

Lost Revenue: \$2,347,775

Duquesne University

Property Value: \$253,272,000

Lost Revenue: \$1,441,117

Point Park University

Property Value: \$68,338,942

Lost Revenue: \$388,848

La Roche college

Property Value: \$38,796,100

Lost Revenue: \$220,749.81

Other

St. Barnabas Health System

Property Value: \$16,381,900

Lost Revenue: \$93,213

Pittsburgh Symphony Society

Property Value: \$36,349,500

Lost Revenue: \$206,828

Shadyside Academy

Property Value: \$28,131,200

Lost Revenue: \$160,066

Pittsburgh Cultural Trust

Property Value: \$19,493,300

Lost Revenue: \$110,916

Winchester-Thurston School

Property Value: \$14,084,400

Lost Revenue: \$80,140

Note: 'Property Value' represents the approximate value of owned properties. 'Lost Revenue' represents loss to only the County (Value*5.69 mills).



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TAKE ACTION NOW

Five Steps for

Allegheny County



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#1

The Office of Property Assessments should require each organization applying yearly for tax-exempt status for their property to submit a “Charitable Purpose Affidavit” that details how they meet the requirements of the HUP Test. These should be posted online for citizens and other organizations to review.



#2

The County should conduct a parcel-by-parcel examination of exempt property to identify organizations whose exemptions could be challenged under the standards of the recent Supreme Court ruling. Because examining properties is a statutory role of the Chief Assessment Officer, this position should be a full time County employee, and not outsourced to Tyler Technologies as it is now.



#3

The County should work collaboratively with Municipalities and School Districts in already defined regions (e.g., Act 32 Regions or Councils of Government) to challenge exemptions that may not pass the 'HUP' Test.



#4

The Office of Property Assessments should better document, classify, and label exempt properties by a dual system that clearly identifies both primary owner and use. These classifications should be clear and transparent, and made available to the taxpayers online. All data should be accessible and free.



#5

The County should examine its own exempt property holdings to determine what could be sold and returned to the tax rolls. This effort could generate additional property tax revenue, which could restore important services and avoid future cuts.



Questions?



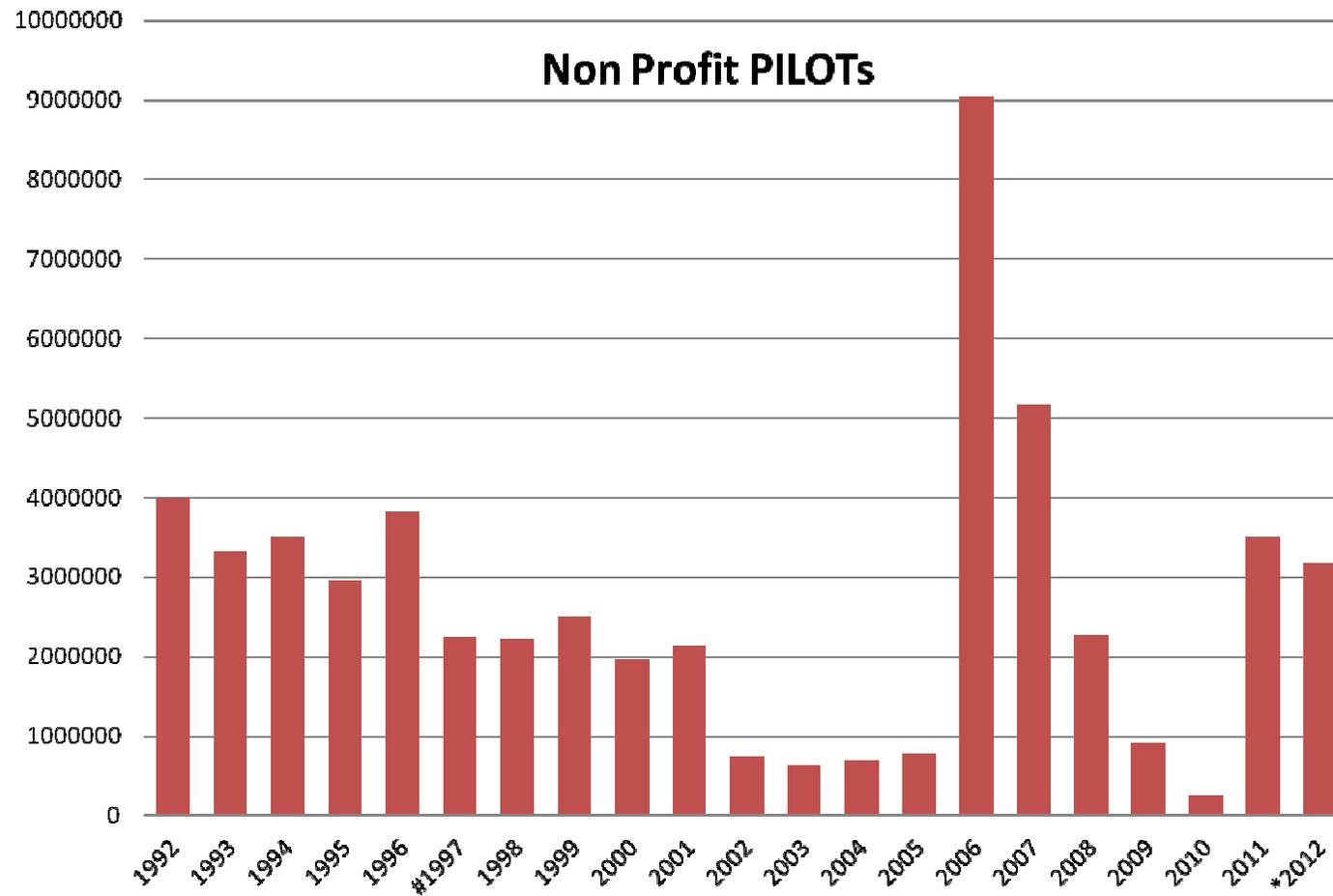
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Michael Lamb

Controller

City of Pittsburgh



1997 -- Passage of Act 55

* 2012 -- Budget amount

Non-Profit PILOTs

- The non-profit community pays less today than they did 20 years ago.
- In that same time period:
 - The City's operating budget has grown by 30 %
 - The percentage of land exempt from taxation within the City continues to grow.

Boston Asks Nonprofits to Triple 'Payments in Lieu of Taxes'

- For the first time, Boston's major tax-exempt institutions — its premier hospitals, universities, and cultural centers — are being asked to make regular voluntary payments to the city based on the value of their property to help offset the rising cost of city services and cuts in state financial aid.

• THE BOSTON GLOBE

What Boston wants non-profits to pay

ORGANIZATION	2011 VOLUNTARY PAYMENT	PAYMENT PROPOSED BY CITY IN 5 YEARS
Boston University	\$5,082,079	\$6,800,770
Harvard University	\$2,109,293	\$5,840,376
Northeastern University	\$30,571	\$4,316,040
Boston College	\$297,571	\$1,699,110
Emerson College	\$141,591	\$875,099
Suffolk University	\$378,979	\$811,187
Wentworth Institute	\$31,504	\$704,106
Emmanuel College	\$0	\$535,929
Berklee	\$151,331	\$460,023
Tufts University	\$232,975	\$500,872



Child and Family Well-Being: Toward a More Promising Future?

Jeffrey J. Shook

Associate Professor of Social Work

Affiliated Associate Professor of Law

University of Pittsburgh



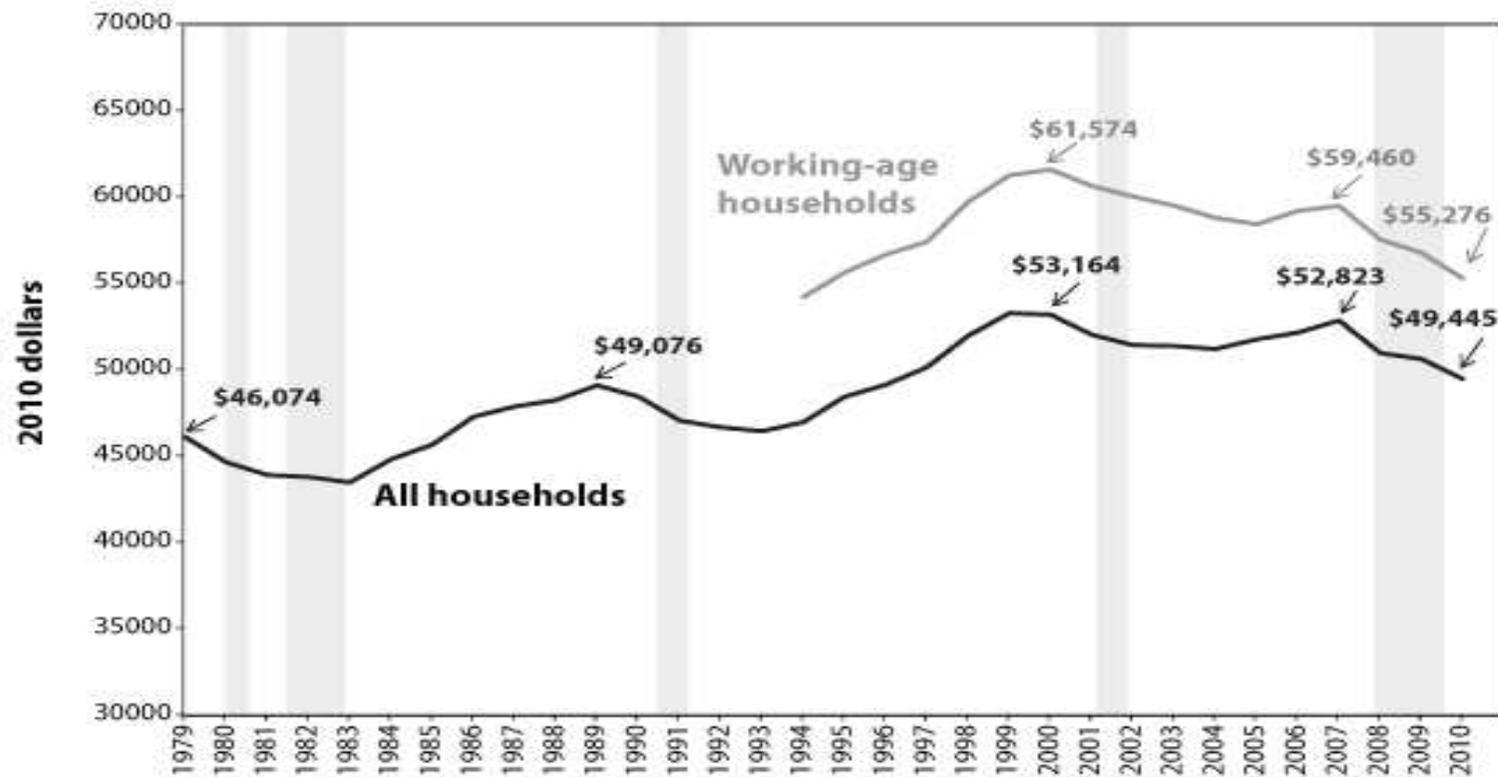
Overview

- My expertise:
 - Intersection of law, policy, and practice in the lives of children and families
- Presentation today:
 - Challenges facing families/effect on children
 - Interventions/supports targeted toward families
 - Importance of resources and supports for families and children
 - Assessing income sufficiency

Declining Household Income

FIGURE F

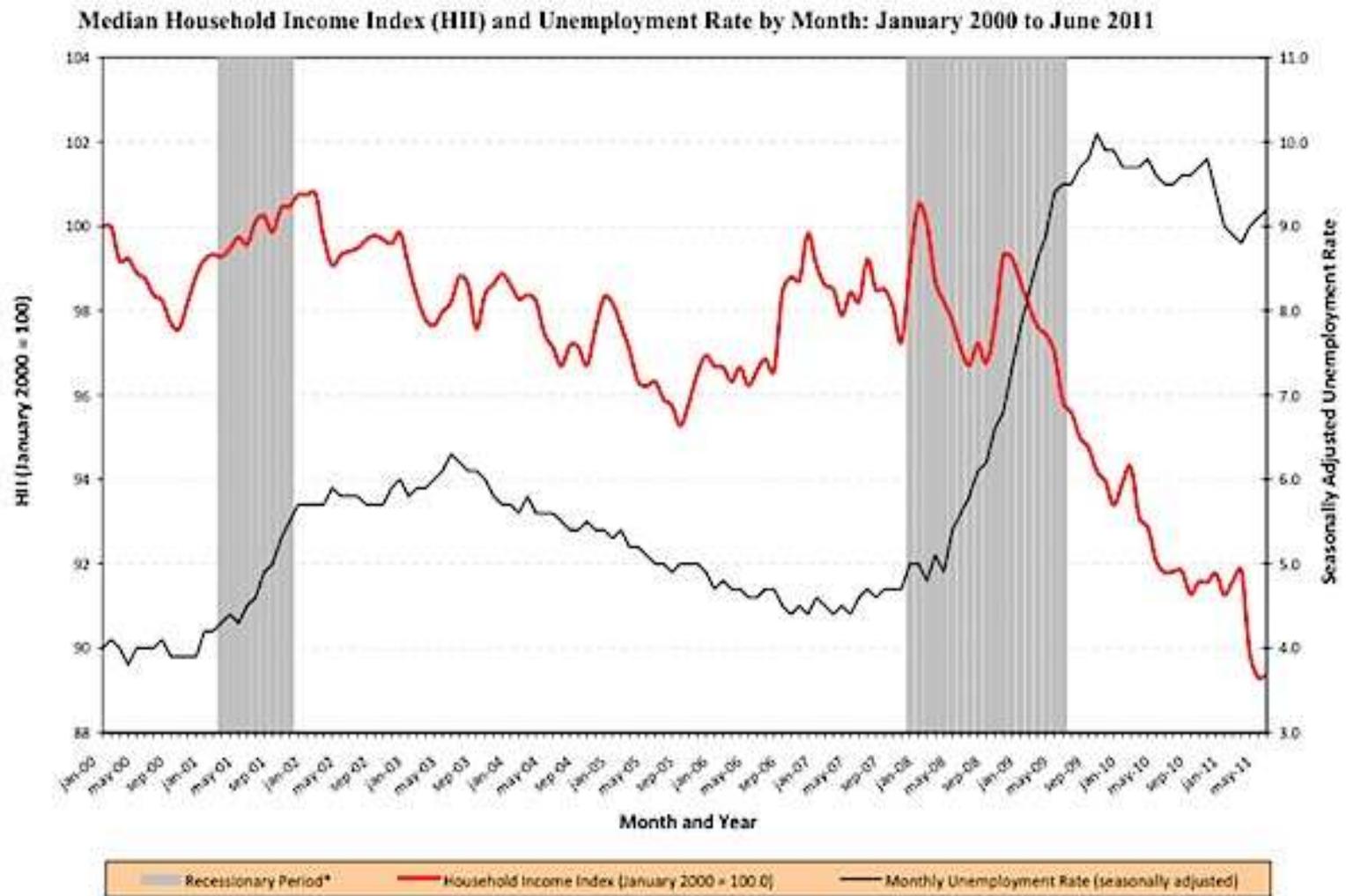
Real median household income, 1979–2010



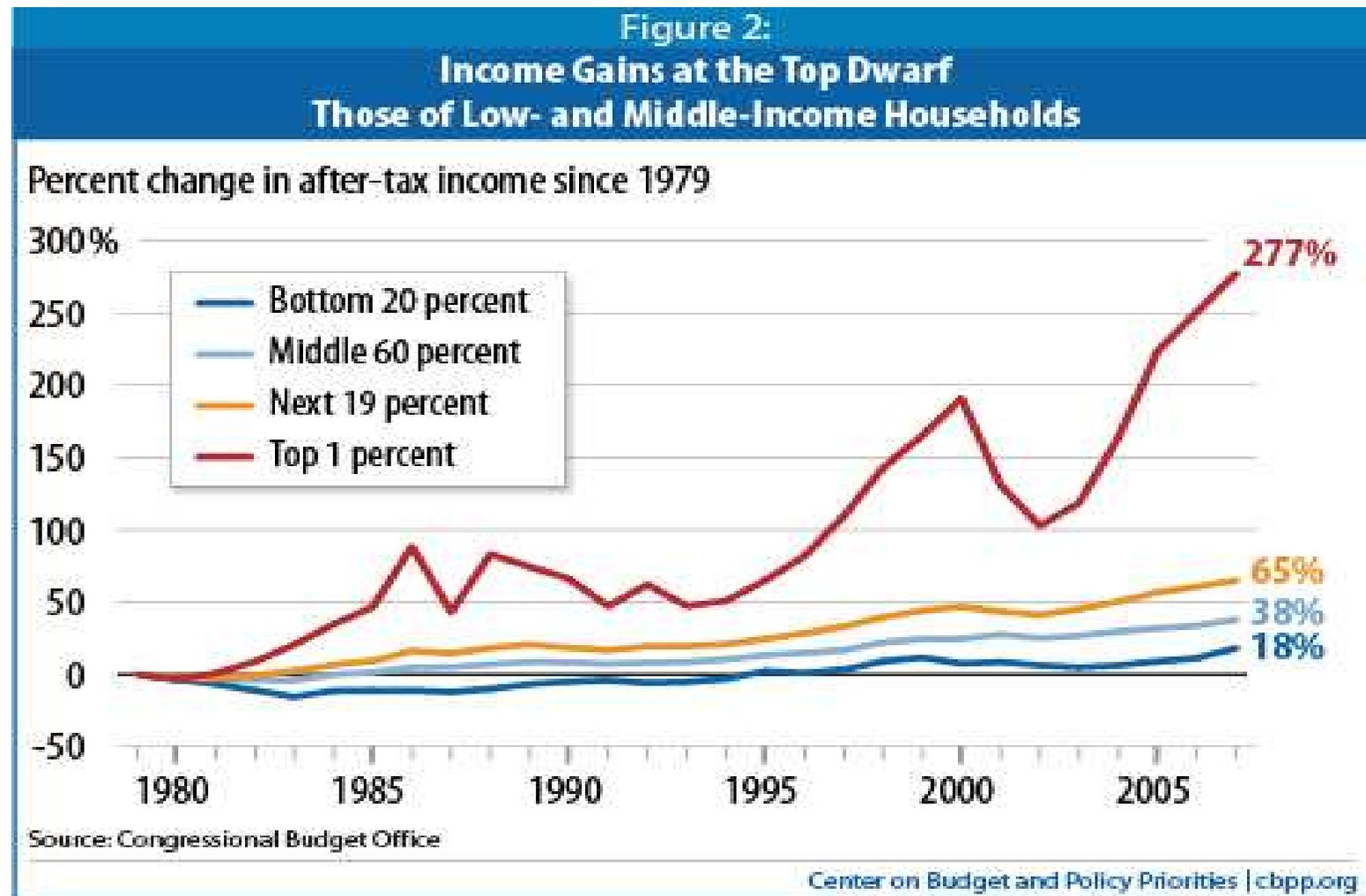
Note: Working-age households are households where the householder is less than 65 years old.
Shaded areas denote recessions.

Source: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements, Table H-5.

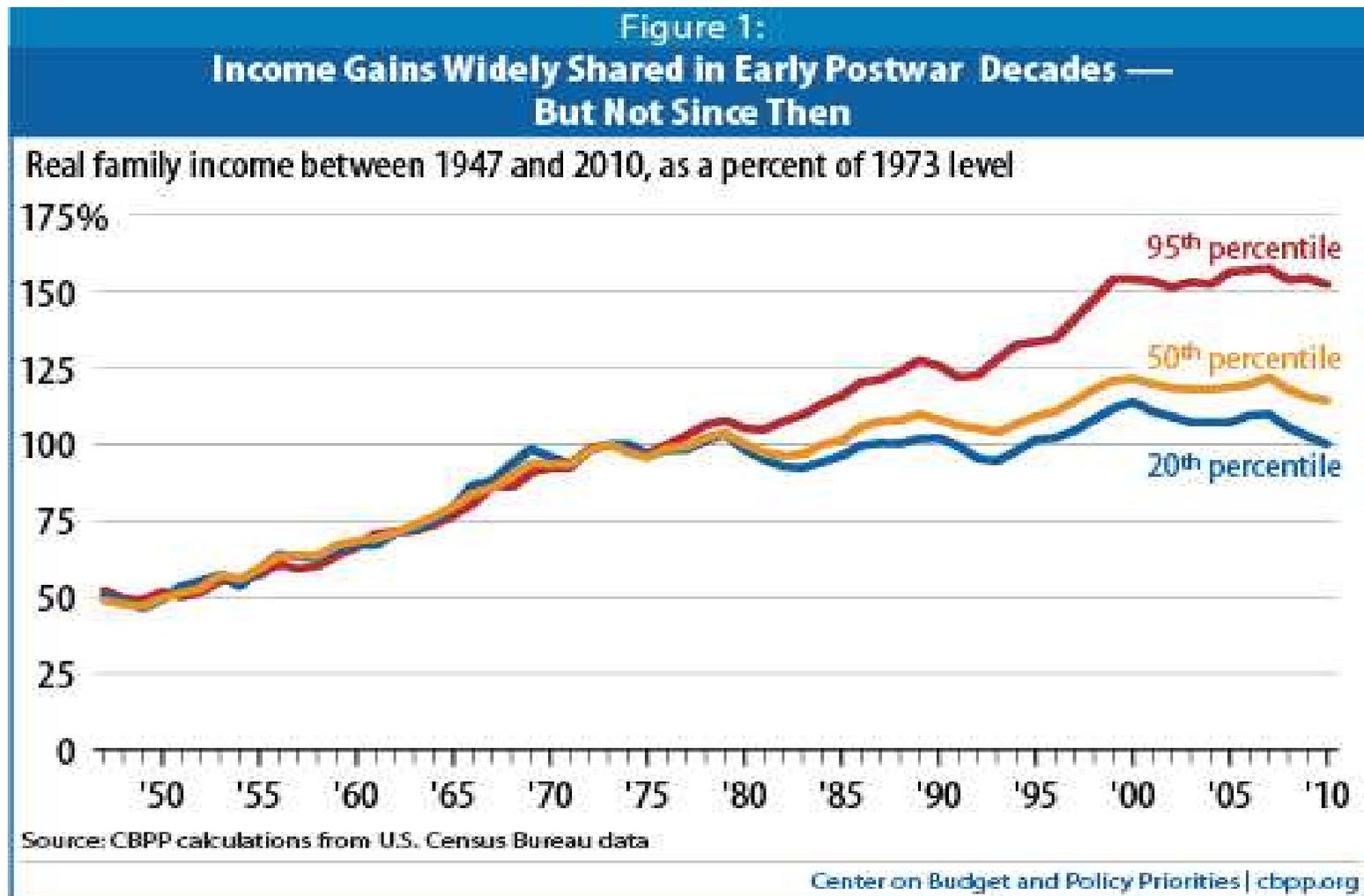
Income and Unemployment



Trends in Income Growth



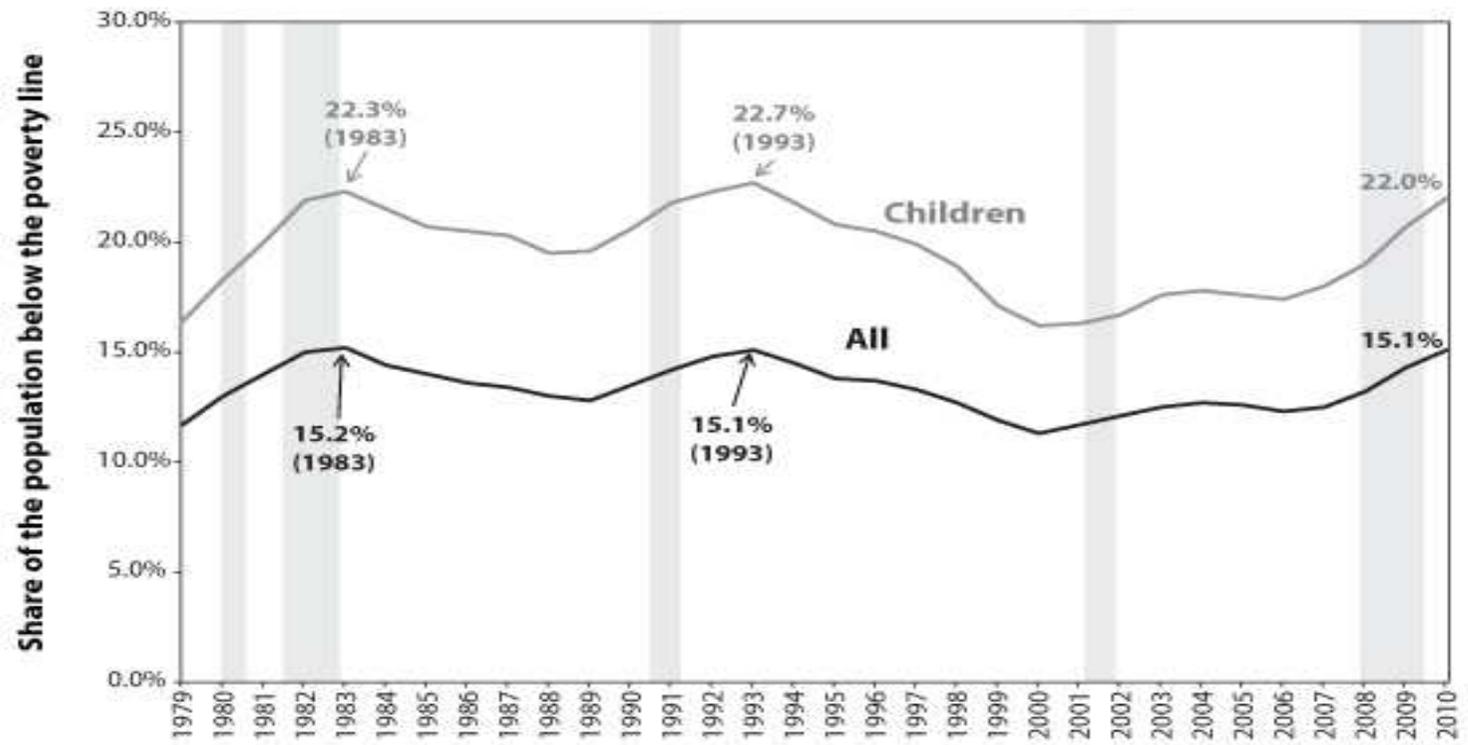
Trends in Income Inequality



Poverty Rate

FIGURE A

Poverty rates for total U.S. population and children 1979–2010



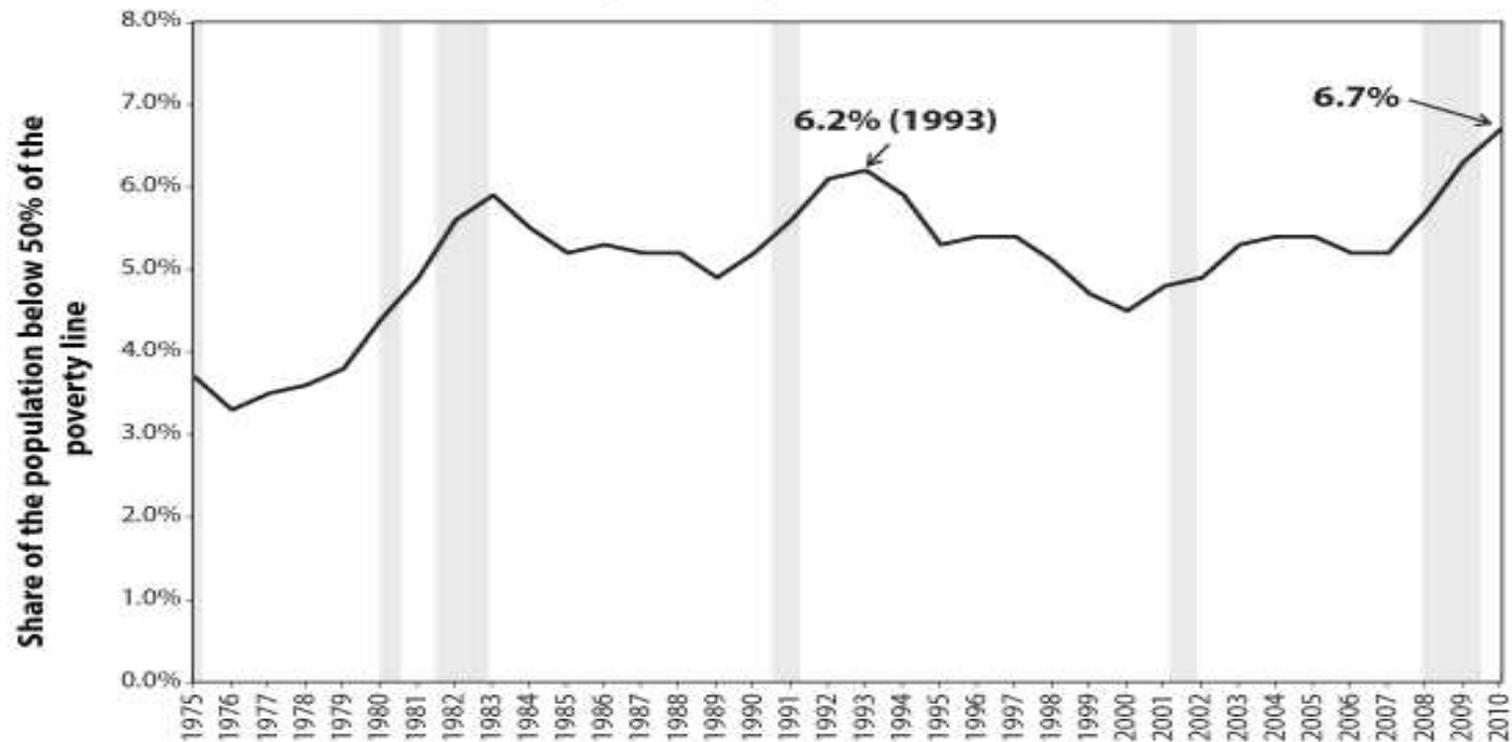
Note: Shaded areas denote recession.

Source: U.S. Census Bureau, Historical Poverty Tables.

Percentage of Population in Deep Poverty

FIGURE C

Share of the population below half of the poverty line, 1975–2010



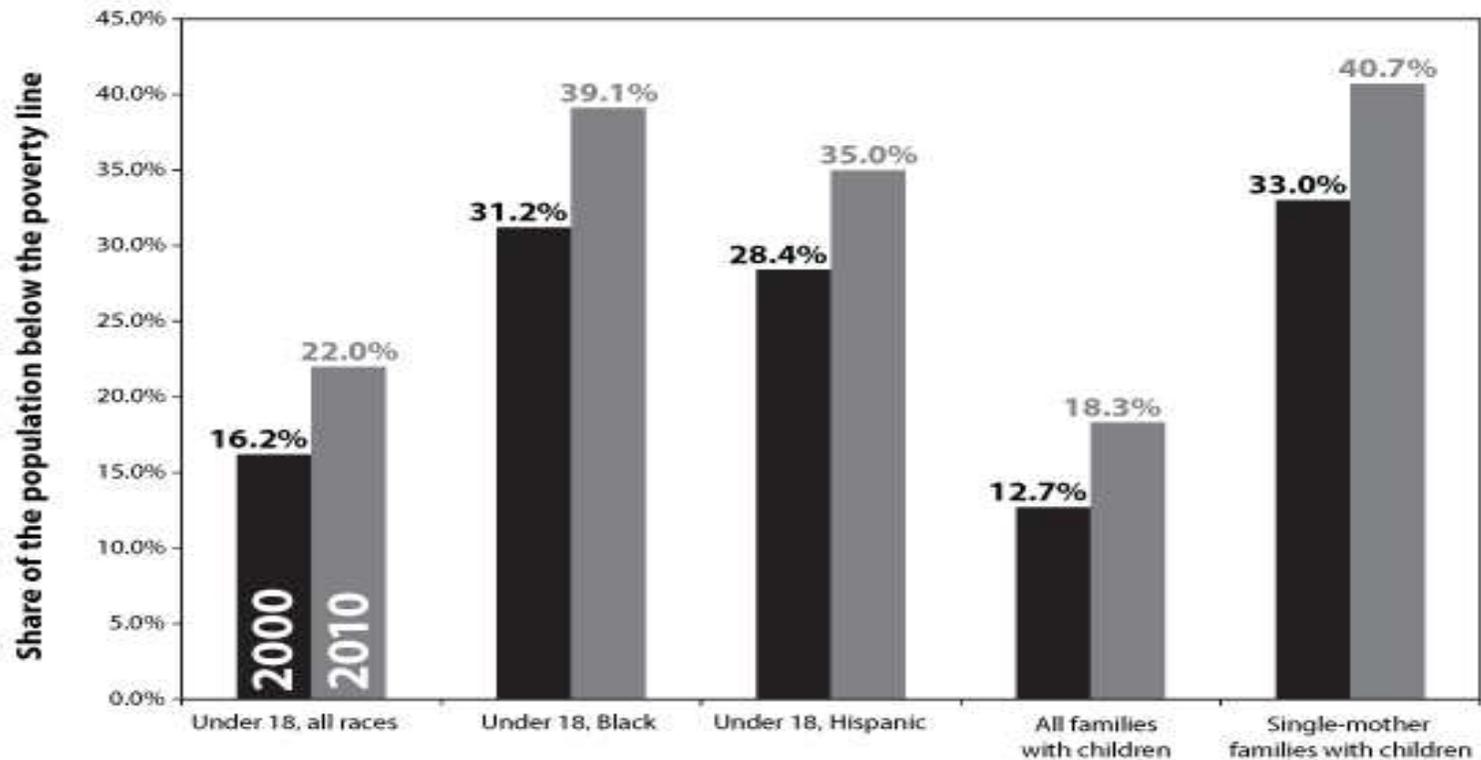
Note: Shaded areas denote recession.

Source: U.S. Census Bureau, Historical Poverty Tables.

Poverty Rates Among Children and Families

FIGURE E

Poverty rates for vulnerable populations, 2000–10



Source: U.S. Census Bureau, Historical Poverty Tables.



Economic Hardships among Families

– Pre-Recession

- Substantial economic hardship among poor families
 - Half of poor families faced two or more hardships and 37% faced three or more (CBPP, 2004)
- Economic hardship more widespread than just among those under poverty line
 - 36% of “near poor” households faced 2 or more hardships and 23% faced three or more (CBPP, 2004)



Economic Hardships among Families – Post-Recession

- Percentage of families facing hardships has increased
- Number of hardships has increased
- Institute for Women's Policy Research (2011)
 - Increase in economic hardship from 2007-2010
- Pew Research Center (2010)
 - Approximately 55% of Americans can be classified as losing ground as a result of the recession
 - Many of these individuals were already struggling



Child Well-Being

- Young people growing up in low-income households are more likely to experience a range of negative outcomes:
 - Housing instability and homelessness
 - Lower educational attainment
 - Health and/or mental health problems
 - Childhood maltreatment
 - Involvement in justice systems
 - Teenage parenthood



Child Well-Being

- Well-being of children in middle-class families is declining (FCD, 2011)
 - 1992-2000 experienced gains in child well-being
 - 2000-present many of the gains have been erased
 - More middle-class families are relying on public programs for services
- Child well-being is higher in states where more resources are invested in children (FCD, 2012)



Family Support Policies and Services

- Federal, state, and local policies and programs:
 - Major social welfare policies
 - Employment assistance
 - Housing and food assistance
 - Health, mental health, substance abuse
 - Pre-Kindergarten programs
 - Education system
 - Child welfare/juvenile justice systems



Improving Child and Family Well-Being

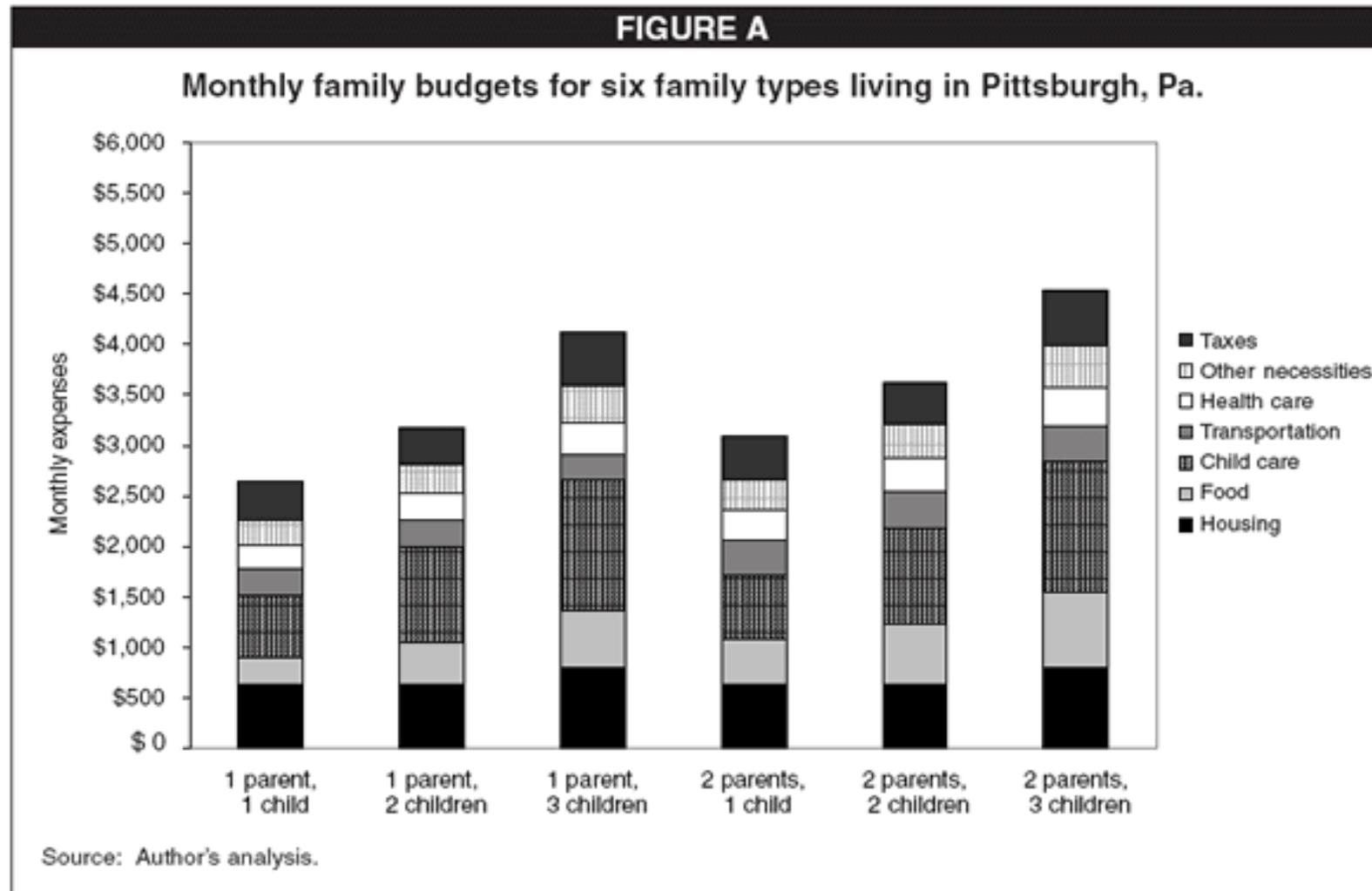
- Many positive effects, but substantial needs remain
- Federal and state budget cuts represent a challenge
- Many programs address symptoms, not causes
- Lack of good, stable jobs that pay a sufficient wage and provide safe and fair working conditions



Measures of Income Sufficiency

- Poverty threshold
- Basic Family Budgets (Economic Policy Institute, 2004)
- Self-Sufficiency Standard (Center for Women's Welfare, 2010)
- Income required to adequately afford a safe and decent standard of living
 - Taxes, health care, transportation, child care, food, housing, and other necessities

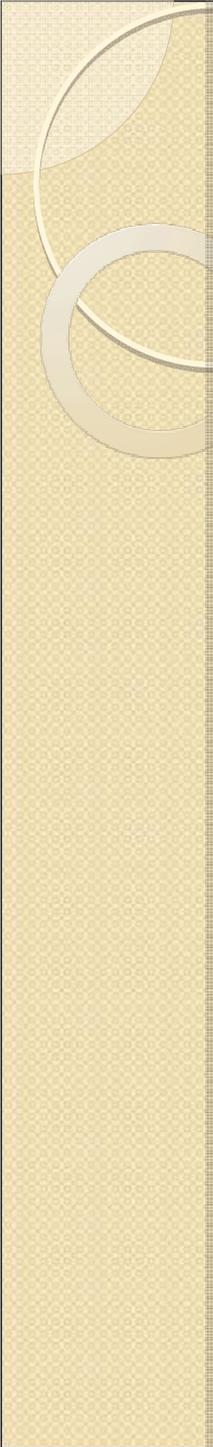
Basic Family Budget, Pittsburgh (2004)





Self-Sufficiency Standard

- Income necessary for different family configurations in Pittsburgh (2010):
 - One adult, one preschooler = \$36,412 (250% FPL)
 - One adult, one preschooler, one school age child = \$47,857 (261% FPL)
 - Two adults, one preschooler, one school age child = \$52,009 (236% FPL)
- Full-time minimum wage work one adult (2010) = \$15,312



Conclusion

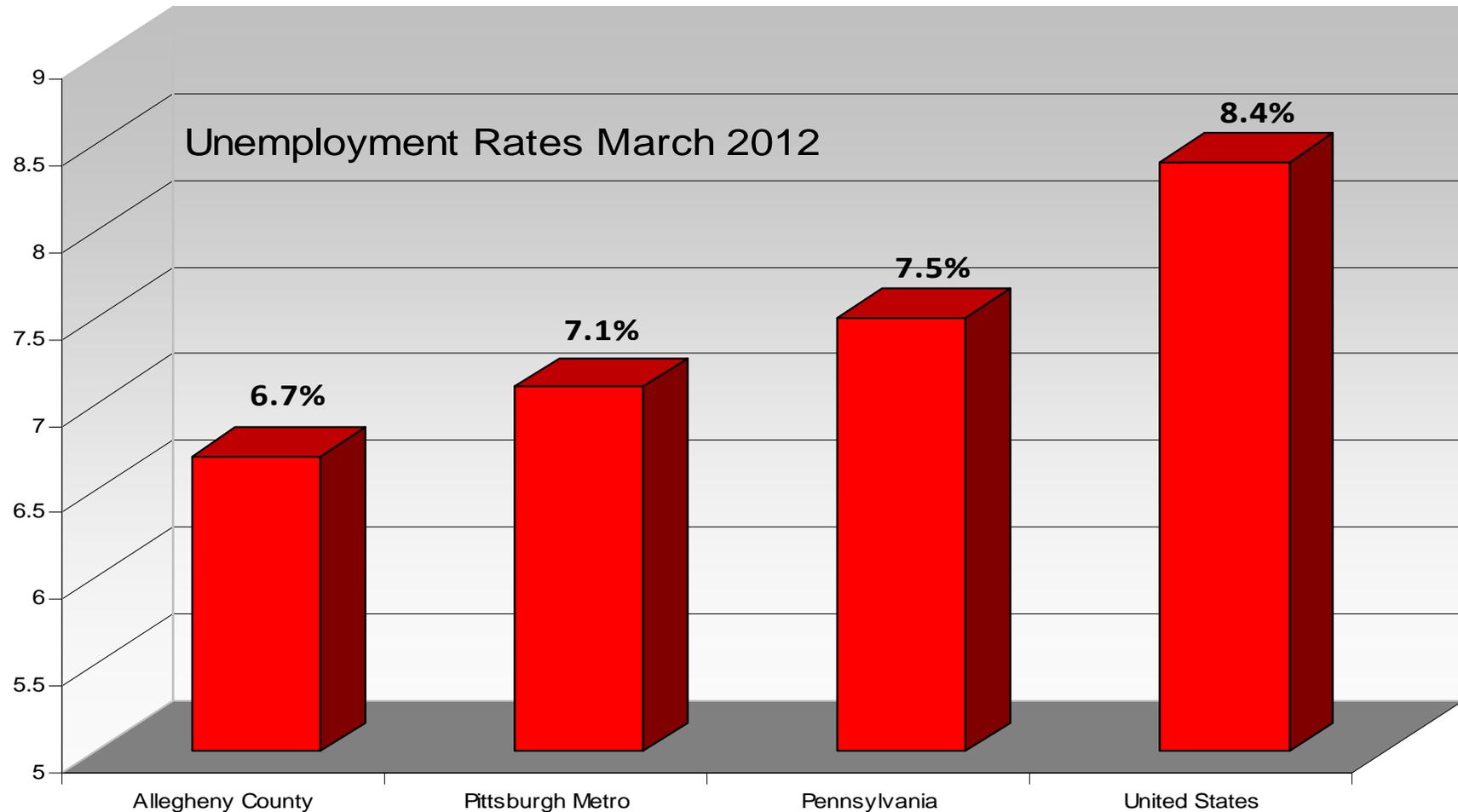
- Many families are struggling
- Struggles affect child well-being
- Evidence that public policy has alleviated the hardships of many families
- Inadequate to meet their needs
- How can we further assist families?
 - Involves providing necessary supports
 - Focusing on jobs



Pittsburgh's New Economy: Making It Work for Everyone

Pittsburgh City Council, June 26, 2012

Pittsburgh: "Rust Belt" in Recovery?



Source: Bureau of Labor Statistics Unemployment in the Pittsburgh Area by County, <http://www.bls.gov/ro3/urpitt.htm>, accessed June 20, 2012

Pittsburgh: “Rust Belt” in Recovery?

- “Eds and Meds” at heart of economy
- 1 in 4 Allegheny County families have incomes below 200% of poverty level (a level used by economists as a proxy for a “self-sufficiency income”)
- Inadequate wages and benefits

Source for 1 in 4 families below 200% of poverty level: Keystone Research Center Analysis of the American Community Survey

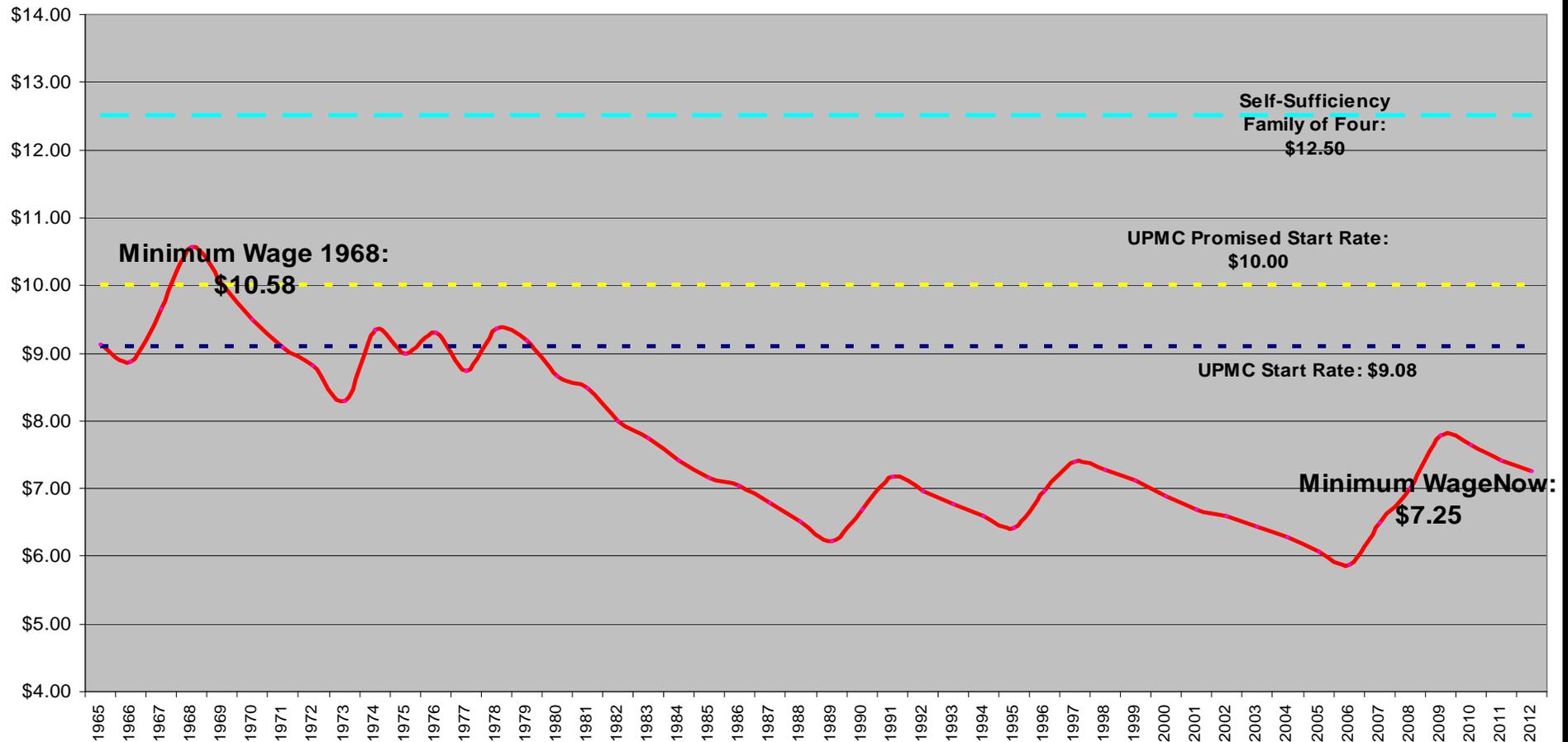
Health Care (and UPMC): Outsize Economic Importance

- 1 in 5 private sector workers are in health care
- Steel industry at its peak: 80,000 workers in Mon Valley (1940s)
- UPMC alone: 55,000, incl. over 36,000 in Metro Pittsburgh era

Sources: 80,000 steelworkers from John P. Hoerr, *And the Wolf Finally Came: The Decline of the American Steel Industry*, University of Pittsburgh Press, 1988; UPMC employment figure from *Pittsburgh Business Times Book of Lists*, 2011, p. 152

UPMC Wages Set a Standard for the Region

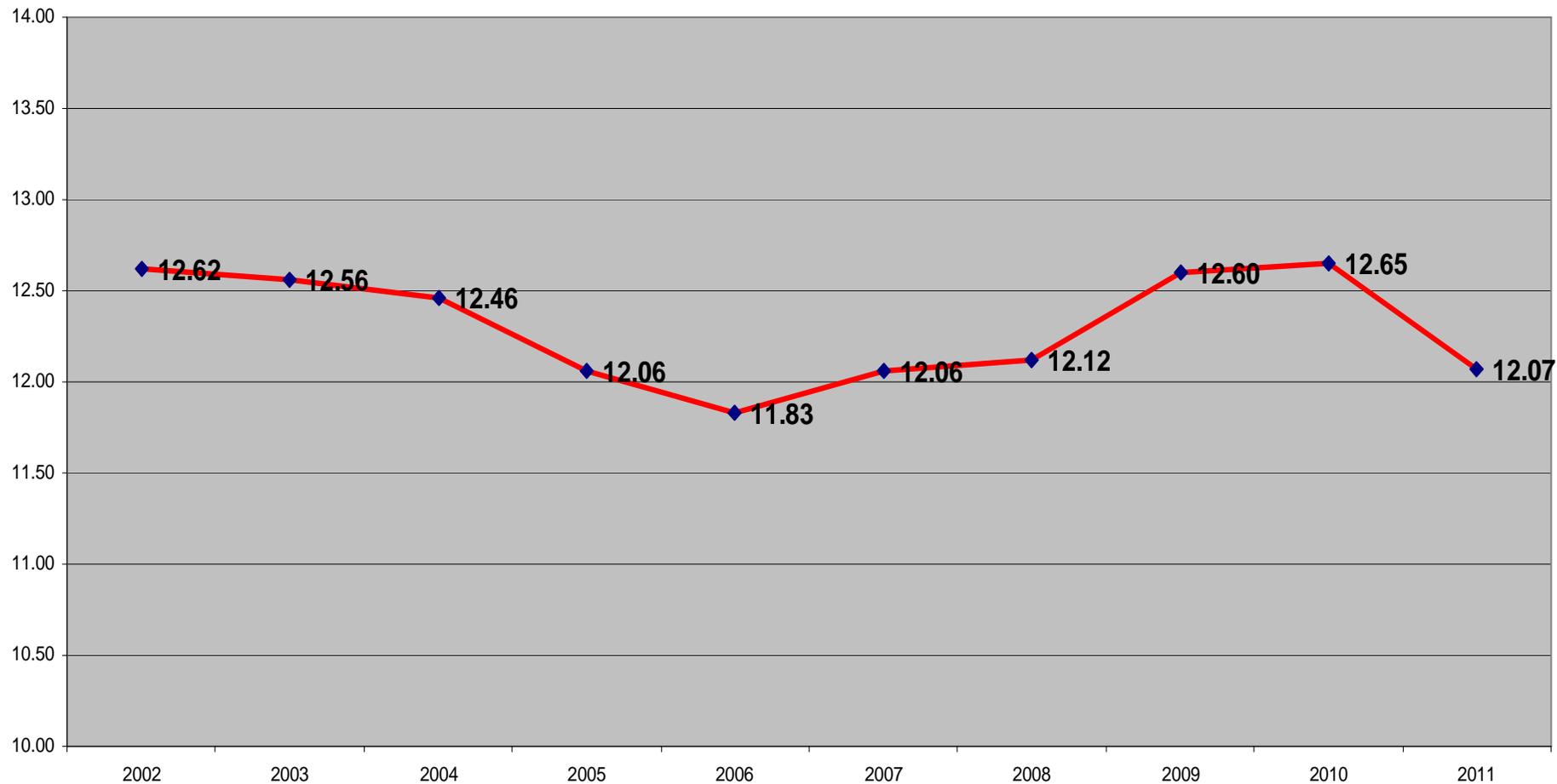
Real Value of Federal Minimum Wage Since 1965
(2012 dollars)



Sources. Value of minimum wage at <http://www.dol.gov/whd/minwage/chart.htm> adjusted for inflation using the Consumer Price Index (CPI); UPMC start rates from <http://www.post-gazette.com/stories/business/news/upmc-nonclinical-staff-pursue-union-636736>; self-sufficiency standard from Diana M. Pearce, PhD, *The Self-Sufficiency Standard for Pennsylvania 2010-2011*, PathWays PA, May 2010, Table 52, p. 72 online at http://www.pathwayspa.org/10-11_SS_Standard.pdf

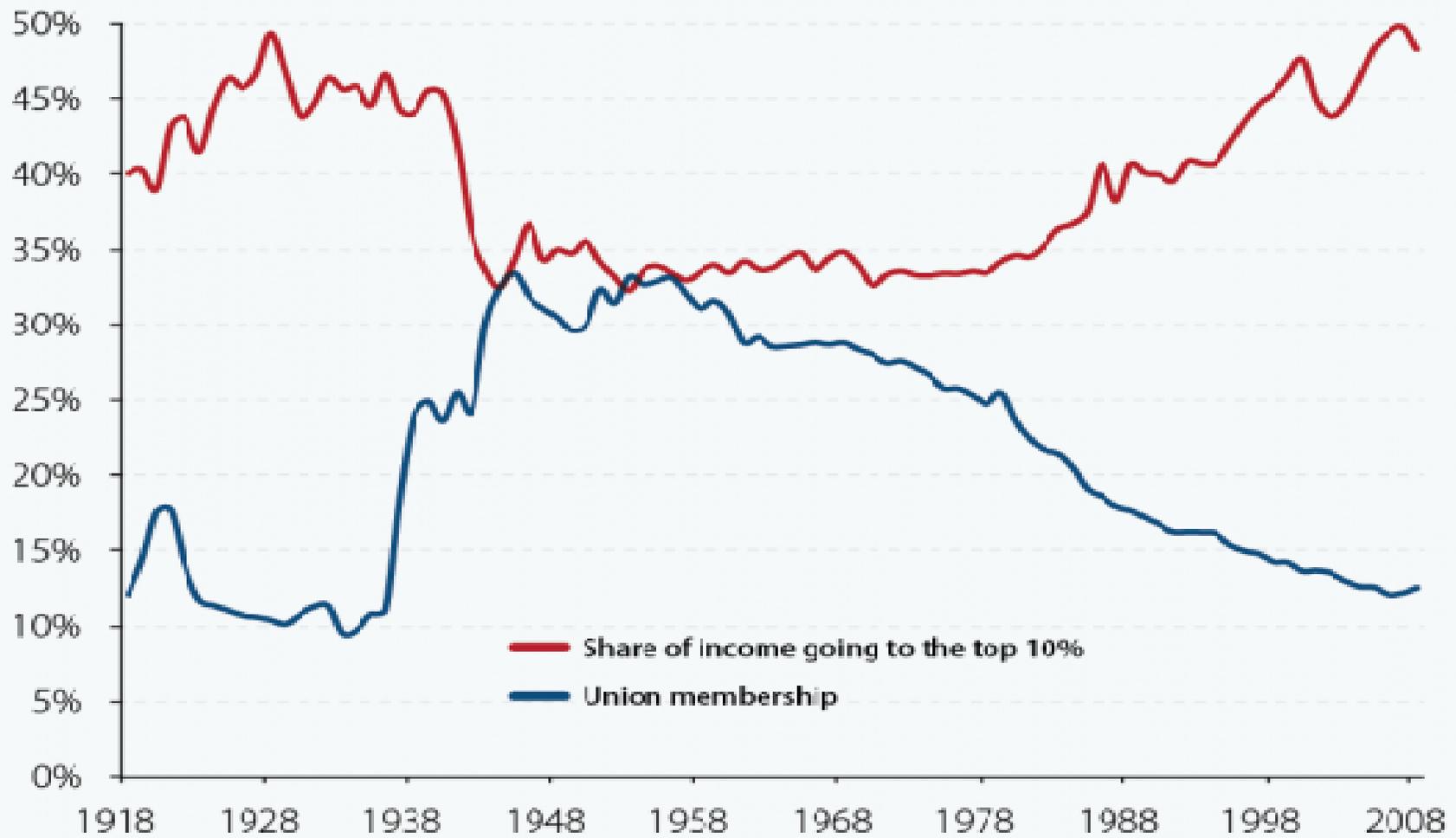
Health Care Wage Standards: Outsize Economic Importance

Median Healthcare Support Occupation Hourly Pay, in 2012 dollars



Source: BLS Occupational Employment Statistics, online at http://www.bls.gov/oes/2011/may/oes_38300.htm and similar urls for 2003-2010. Source for 2002 is http://www.bls.gov/oes/2002/oes_6280.htm. Figures adjusted for inflation using the Consumer Price Index

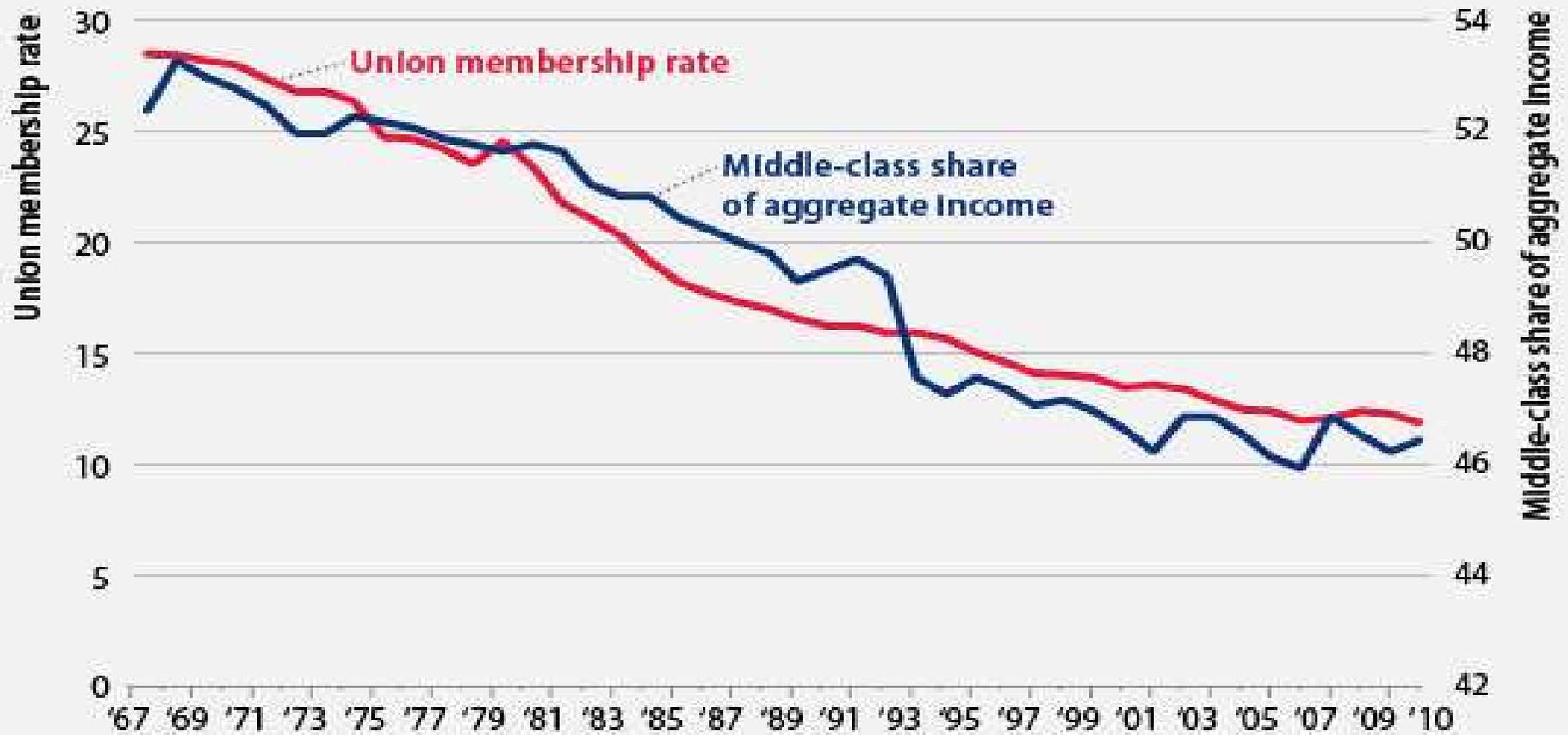
Unions and shared prosperity



Source: Author's analysis of *Historical Statistics of the United States*, unionstats.com, Piketty and Saez 2003, and *The World Top Incomes Database*



As union membership rates decrease, middle-class incomes shrink



Sources: Union membership rate is from Barry T. Hirsch, David A. Macpherson, and Wayne G. Vroman, "Estimates of Union Density by State," Monthly Labor Review, Vol. 124, No.7, July 2001. Middle-class share of aggregate income is from United States Census Bureau.

Center for American Progress Action Fund



Health Care and UPMC: An Opportunity for Social Innovation

- Lifting low-paid health care occupations would not have a big impact on costs
- Done right, improving low-paid health care jobs can boost health care quality & efficiency
- Social innovation in health care would complement TRWIB/CMU/PA AFL-CIO innovative new apprenticeship in manufacturing

What Else You Got?

- Inequality undercuts upward mobility (the American Dream), economic performance, democracy
- In other words, inequality threatens America's identity and its soul
- If not the growth of private-sector unions hungry to partner in raising quality and skills, then what?