



City backs formula for taxing of nonprofit organizations

Nonprofits' group opposes guidelines for what it views as gifts to the city

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By Rich Lord, Pittsburgh Post-Gazette

Contributions by universities, hospitals and other nonprofit organizations to the city of Pittsburgh should be based on a fair formula, rather than the current pay-what-you-want system, several city officials said yesterday.

An umbrella group representing local nonprofit organizations, though, said there should be no firm guidelines governing what it views as gifts to the city.

The way nonprofit contributions to the city are handled now "is not fair," said acting Controller Tony Pokora, who is conducting a study of ways to set nonprofit groups' payments in lieu of taxes. "There should be some rationale. I think it should be based on their profits."

The spokesman for the Pittsburgh Public Service Fund, which represents 102 organizations that agreed to give the city \$13.25 million over three years to help with its financial crisis, disagreed.

"We're not looking for any model or anything that is going to help to guide us," said the Rev. Ron Lengwin, of the Catholic Diocese of Pittsburgh.

City fiscal overseers have asked the fund to consider extending its commitment beyond this year, and nonprofit group leaders are "reflecting on that," Father Lengwin said.

"There's no obligation for anyone to make a gift to the city. The gift is made out of goodwill, out of love to the city and concern for the city," he said.

Mayor Luke Ravenstahl said the establishment of some kind of formula could be part of discussions on extending the fund's agreement to pay, which he hopes will lead to a \$4 million- to \$6 million-a-year commitment in the future.

"Whatever they feel comfortable with, to enhance the current system as it stands, that's something we'll look at," the mayor said. "But I don't want to set any goals that may not be attainable."

His Democratic mayoral challenger, city Councilman William Peduto, said Pittsburgh "needs to lead [the state's] other cities" in asking for state-mandated payments by "universities, hospitals and insurers, period. Not churches, arts organizations, or the Girl Scouts."

Currently, tax-exempt groups make voluntary contributions to the fund, which passes them on to the city under a pact negotiated in 2005. For that year, according to documents obtained by the Pittsburgh Post-Gazette, donations ranged from \$10 by the Pittsburgh Ballet

Theater to \$1.5 million by the University of Pittsburgh Medical Center.

UPMC made a \$523 million profit that year and provided \$176 million in free health care. The ballet, by contrast, cancelled its orchestra to help pare a \$1 million deficit.

Although the fund gave some nonprofit groups optional guidelines for giving, there is no apparent relationship between their donations and their assets.

For instance, the University of Pittsburgh's \$800,000 contribution was around half of what it would have to pay the city if just one of its buildings, the Cathedral of Learning, was taxable. The building's assessed value of \$140.5 million would generate a \$1.5 million city tax bill.

That "shows that there's a structural problem in the city caused by our tax-exempt facilities," Mr. Pokora said.

He said the state should reimburse cities for some of the revenue lost because of the concentrations of nonprofit institutions within their boundaries, and that large, moneymaking entities like universities and hospitals should make additional payments.

"UPMC should be ponying up," he said. "The Little Sisters of the Poor, I don't think, should be paying a nickel."

The Little Sisters of the Poor pledged \$150 to the fund in 2005.

Some organizations haven't been able to make consistent payments. The Children's Museum, for instance, gave \$1,000 in 2005, but couldn't afford to contribute anything to the fund last year.

"Maybe in 2007 we will," said museum Director of Marketing Bill Schlageter.

The larger Carnegie Museums of Pittsburgh pledged \$12,000 in 2005.

Duquesne University spokeswoman Bridget Fare said that although her institution's initial contribution was \$10,000, it agreed to give \$100,000 for each of the three years covered by the pact. It is also making annual \$25,000 payments to the city under a separate deal related to non-taxed property.

The city is counting on \$5.7 million a year in payments from tax-exempt institutions, starting next year. That's about the same as the \$4.2 million it is to get from the fund this year, plus another \$1.5 million from pre-existing deals with organizations that will gradually expire.

"It'd be a gaping hole in the budget for them to cut us off at this point," said council Finance Chairman Dan Deasy. "A percentage of your [property] assessment -- I think that's a good idea -- or a percentage of your bottom-line revenue."

"There should be a long-term agreement in place that deals with exactly who the nonprofits [that will give to the city] are and what they're going to contribute to the city each year," said Councilman Jim Motznik. The amount is more important than the sources, he said. "I don't think it's important who gives what."

State Rep. Don Walko, D-North Side, has, for a decade, pushed for legislation that would have the state kick in money to make up for revenue cities lose because of due to the presence of large nonprofit institutions. State budget problems have made that outcome

unlikely, he said.

Big institutions "should make payments in lieu of taxes, and there should be some formula" mandated by the state, he said. "Politically, is that feasible? I'm not sure the answer is yes."

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