

PENN FOR PILOTS

Information
Session,
21 July 2020

Agenda:

- JWJ's campaign
(Devan)
- Can Penn afford it?
(Tulia)
- What Penn says
(Mary)
- Next Steps
(Amy)
- 35 Min for Q/A

The Campaign History



2014 student PILOTs protest at Amy Gutmann's house

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2018 rally on College Green for PILOTs, an end to the 10 year tax abatement by the Our City Our Schools coalition



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[inquirer.com](https://www.inquirer.com)

Philly school buildings need nearly \$5B in repairs, new report says

Kristen A. Graham

5-7 minutes

For the first time in 14 years, the Philadelphia School District has assessed the state of its aging buildings, and the results are staggering: The system identified more than 12,000 outstanding repairs.

It would cost nearly \$5 billion to do the work. Officials predict that they will need to spend \$3 billion in the next 10 years to address urgent problems.

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DANGEROUS LEAD DUST IN SCHOOLS

Of 14 elementary schools tested for lead by the newspapers, 10 had unsafe levels of toxic residue from flaking paint on windowsills, shelves or classroom floors. The Environmental Protection Agency considers lead a hazard if there is more than 40 micrograms of lead per square foot on floors, and more than 250 micrograms per square foot on windowsills.

School	Testing location	Micrograms per square foot
Olney	2nd floor classroom	9,800
Henry H. Houston	2nd floor stairwell	6,300
Olney	Autistic support room	5,900
J. Hampton Moore	2nd floor hallway	1,400
Abram S. Jenks	1st floor classroom	1,100
Abram S. Jenks	1st floor classroom	630
Cassidy	3rd floor classroom	520
William Dick	3rd floor student space	520
Cassidy	3rd floor classroom	490
Houston	2nd floor hallway	470

[See all samples](#)

SOURCE: Samples independently obtained by Philadelphia Media Network; Analysis conducted by International Asbestos Testing Laboratories

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Staffer tests for lead in dust in a second-floor hallway in J. Hampton Moore School (10/25/2017)

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The crisis in Philadelphia's public schools



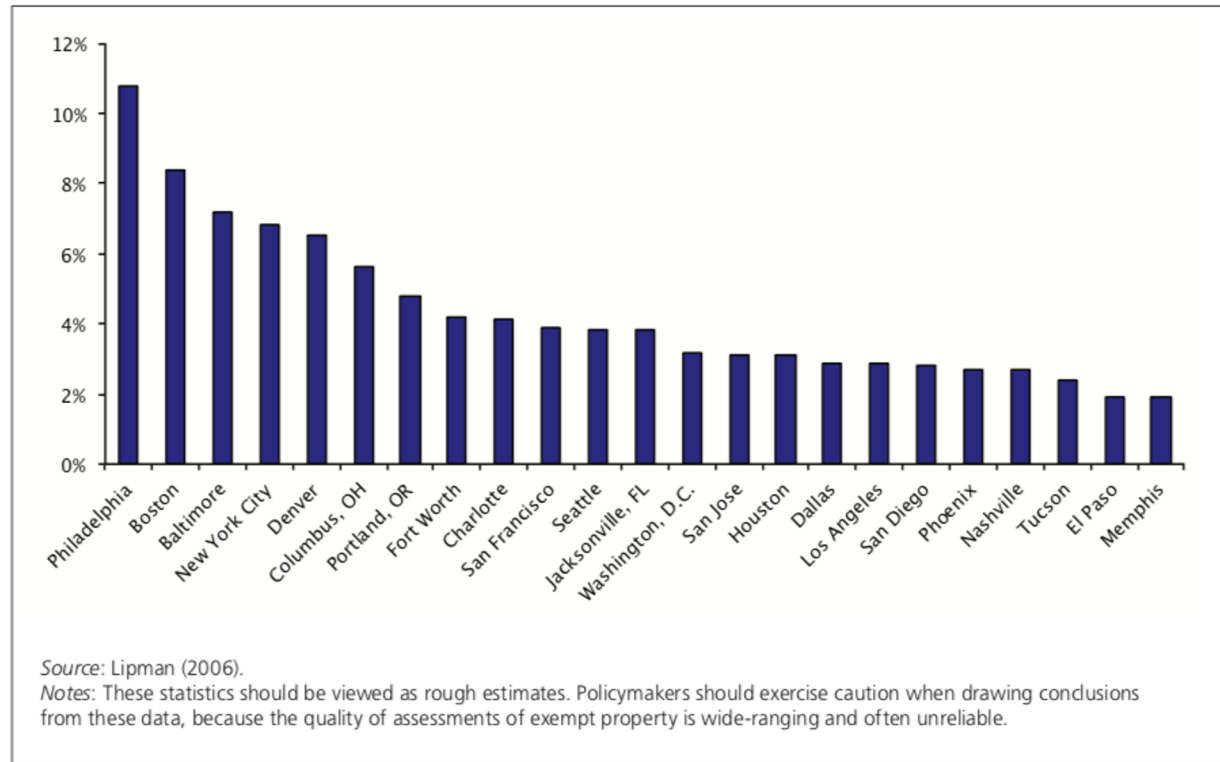
Dean Pagan was diagnosed with severe lead poisoning in November 2017

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Wealthy Nonprofits and Foregone Property Taxes in Philadelphia

Figure 1. Estimated Value of Exempt Property Owned by Nonprofits as a Percent of Total Property Value (2006)



Among US cities, Philadelphia (far left) has an unusually large amount of tax-exempt property owned by non-profits.

Penn's status as a "purely public charity" has been questioned since the 1990s.

Under the PA constitution, to be a tax-exempt "purely public charity," nonprofits must:

- 1) advance a charitable purpose;**
- 2) donate or render gratuitously a substantial portion of its services;**
- 3) benefit a substantial and indefinite class of persons who are legitimate subjects of charity;**
- 4) relieve the government of some burden; and**
- 5) operate entirely free from private profit motive.**



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The Campaign Now





**PENN FOR
PILOTS**

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Can Penn afford PILOTS now?

Tulia G. Falletti

Class of 1965 Endowed Term Professor of Political Science

Director Latin American and Latinx Studies Program

University of Pennsylvania

falletti@upenn.edu

Data

- Penn's 25 publicly available Annual Financial Reports, from 1991 to 2019:

<https://www.finance.upenn.edu/financial-reports/annual-financial-reports>

- Penn's 2017 Form 990: "Return of Organization Exempt from Income Tax, Part VII – Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors":

https://projects.propublica.org/nonprofits/display_990/231352685/10_2019_prefixes_22-23%2F231352685_201806_990_2019102116765996

Yes, Penn can certainly afford PILOTs

1. Change of endowment spending rate
2. Debt
3. Voluntary salary reduction for highest paid employees

In 2019:

Penn's Total Revenues: \$11B

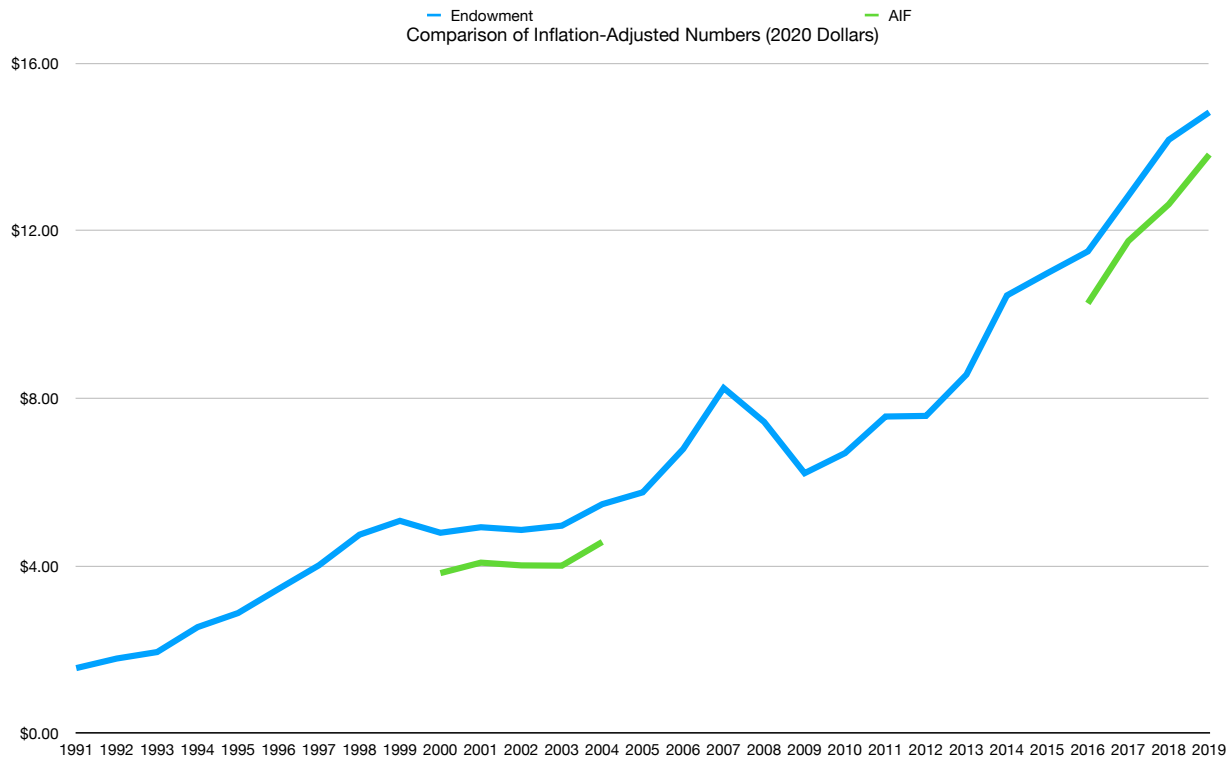
Property, plant & equipment: \$8B

Total Assets (including property): \$28B

Total Liabilities: \$8.6B



1. Endowment



1. Endowment Spending Rate

- “Effective for Fiscal Year 2018, the University revised its spending rule formula to align the target spending rate for both the financial aid and non-financial aid endowments at 5.0%.”

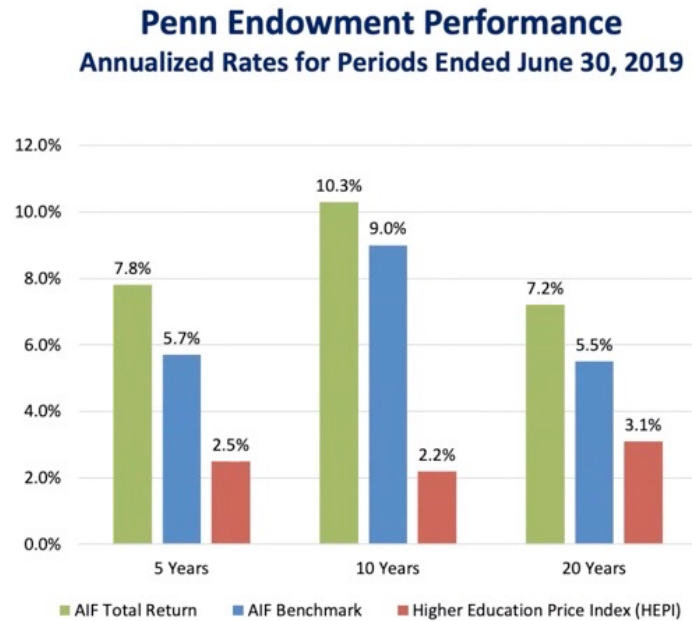
However,

- In FY1981 spending rate was 6.7%
- In FY2014: spending rate was 6.5% for financial aid funds and 4.7% for all other funds.
- And by PA law the university spending rate could go up to 7%.



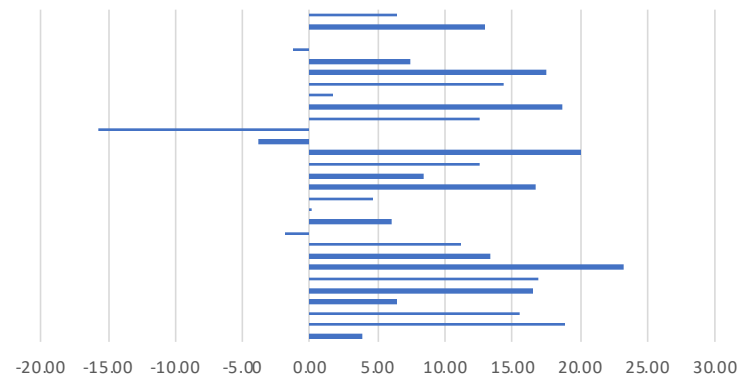
1. Endowment Spending Rate

- Moreover,



Source: Carnaroli's Faculty Senate Presentation, 6/25/20

One year endowment performance, %



And one year average performance:
9.11% since 1995

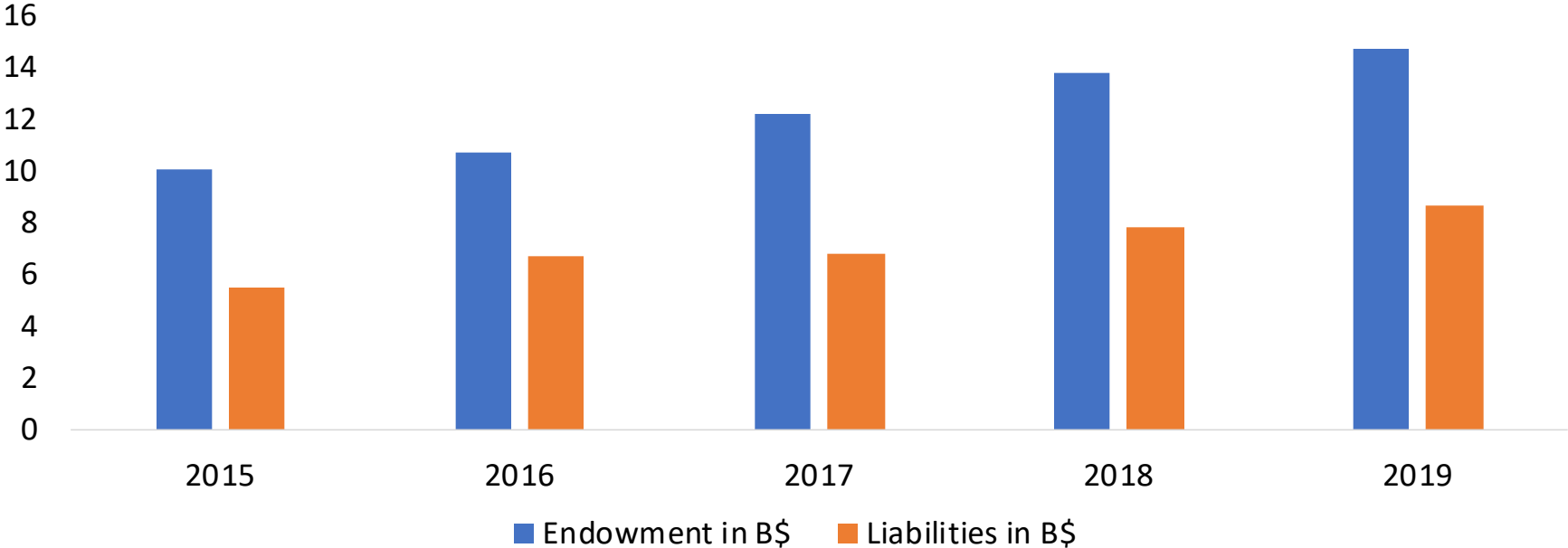
Increasing spending rate to FY1981 level →
198M extra

Increasing spending rate to 7% → 232M extra

2. Debt



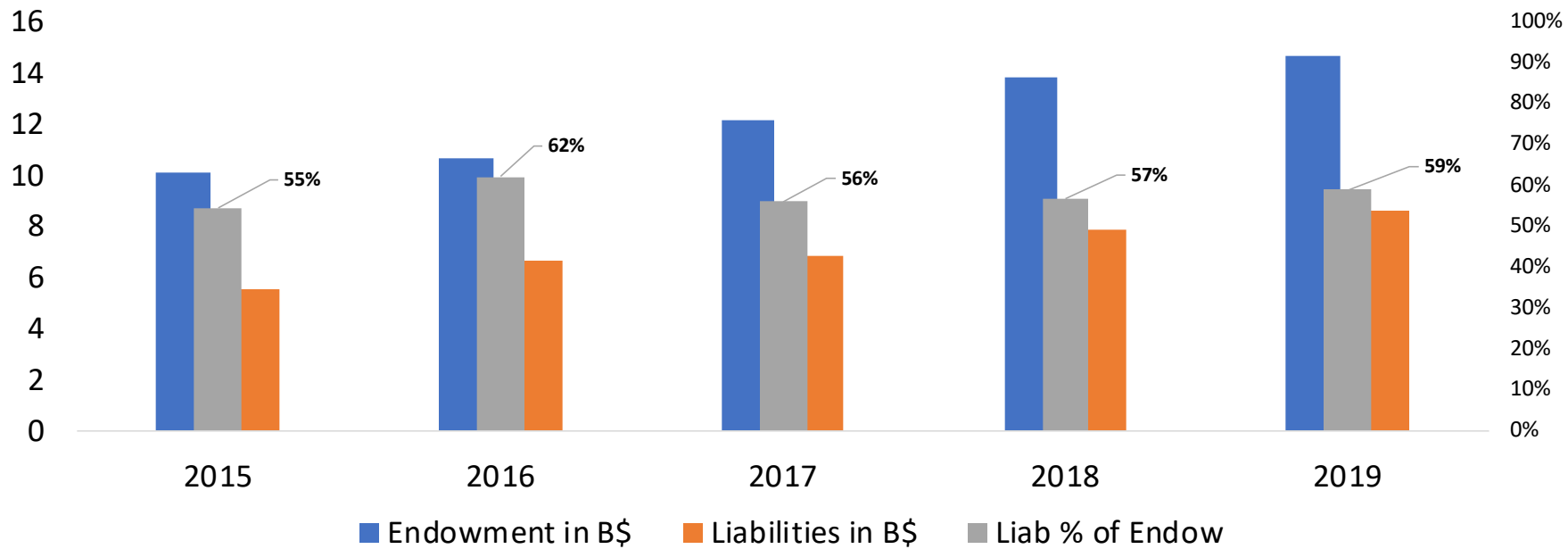
Penn Total Liabilities and Endowment



2. Debt



Penn Total Liabilities and Endowment



Increasing debt from 59 to 62% of endowment, to FY2016 level, → 489M extra

3. Voluntary Salary Reduction

- Brown, Cornell, Duke, Notre Dame, Georgetown, University of Michigan, among others: salary reductions of 15 to 20% for top executives and administrators.
- Vincent Price: “ best and most equitable path ... [in] this difficult moment.”
- At Penn 20% salary reduction of 39 highly compensated employees
→ 10M extra

Conclusion

Paying PILOTS is a matter of priorities:

- Increasing spending rate to FY1981 level → 198M extra
- Increasing debt to FY2016 level → 489M extra
- Voluntary salary reduction of 39 employees → 10M extra

→ Paying PILOTS is the *just* and *right* thing to do,
particularly in the context of the pandemic.

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“Penn’s position against PILOTs, based on the unique characteristics of Philadelphia’s tax structure and Penn’s enormous contributions to the city and to education, has been made clear over the years. The petition only rehashes prior arguments and Penn’s position has not changed.”

David L. Cohen, president of the university’s board of trustees

Philadelphia Inquirer, July 8, 2020

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THE CITY OF PHILADELPHIA AND ITS HIGHER EDS: SHARED GOALS, SHARED MISSIONS, SHARED RESULTS

OCTOBER 17, 2013

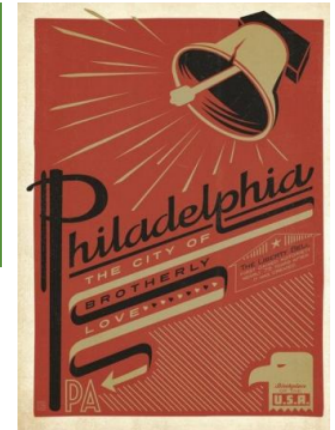
REPORT SUBMITTED TO:

The Philadelphia Higher Education
Government Relations Officers Group

REPORT SUBMITTED BY:

Econsult Solutions, Inc.
1435 Walnut Street, Suite 300
Philadelphia, PA 19102

**FOR MORE INFORMATION AND TO VIEW THE FULL
REPORT, VISIT WWW.PGROPHILLY.ORG**



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Econsult Report claims:

- ❖ Philadelphia relies more on wage taxes than property taxes.
- ❖ Philadelphia Model: collaborative, mutually beneficial relationships between higher eds and the city.
- ❖ Cities with PILOTS: conflictual, “transactional” relationships result in cutbacks in higher ed investments in city.



REALITIES:

- Philadelphia schools depend on property taxes.
- Universities that pay PILOTS engage in very similar community activities and programs.
- Penn's contributions to the city are typically one-way initiatives based on university administration, faculty, and students' interests, priorities and calendars.



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CONFLICT OR
COLLABORATION?

- Penn can choose.