

SHOULD RICH UNIVERSITIES PAY PROPERTY TAXES EVEN IF CHURCHES AND HOSPITALS DON'T?

JORGE KLOR DE ALVA
MARK SCHNEIDER

AUGUST 25, 2016

Recently we [published](#) an opinion piece in which we questioned the large property tax exemptions granted to rich universities under current state and local laws. These exemptions can amount to tens of millions of dollars each year *per institution* in foregone property tax payments that other property owners end up covering.

A common question prompted by the opinion piece concerned the property tax exempt status of other not-for-profit organizations. If we end the exemption for rich universities, people asked, why not other large not-for-profit property owners, especially hospitals and churches?

One answer to this question concerns social justice. By law, hospitals must treat anyone who shows up in their emergency room, regardless of income and regardless of whether they have insurance, while churches are typically open to all worshippers. In contrast, the rich universities we cited don't have to serve all comers, and, indeed, most do not open their doors very wide to low-income students.

Consider federal government data showing the percent of the student body of wealthy schools receiving financial aid through Federal Pell Grants. This data provide a sound indicator of the extent to which a school is educating low-income students since they are the only ones who get Pell grants. For comparison's sake, also look at the percentage of Pell recipients served by all four-year public institutions, including the state's "flagship" university, in the same states where the rich universities we studied are located.

For brevity's sake, here we show the percentage of Pell recipients at only four of the best known schools. But the pattern holds fast for every other university with a billion dollar plus endowment.

Harvard University: 17%
All Massachusetts public four-year colleges: 33%
University of Massachusetts-Amherst (state flagship): 34%

Princeton University: 15%
All New Jersey public four-year colleges: 40%
Rutgers University: 28%

Stanford University: 15%
All California public four-year colleges: 48%
University of California-Berkeley: 47%

Yale University: 11%
All Connecticut public four-year colleges: 35%
University of Connecticut-Storrs: 36%

The results are clear and consistent. The percentage of low-income students served in these rich universities is half or less the percentage of low-income students served by neighboring public colleges and universities.

In other [research](#) we documented how much more the public is subsidizing the education of students in these elite schools. For example, in 2013 Princeton received over \$100,000 per student

per year in public tax subsidies because the schools huge endowment is not taxed. In contrast, nearby Rutgers University receive only \$12,300 in direct state appropriations per student and the four-year state college in Montclair received merely \$4,700 per student. The disparity in the government money that goes to the other elite schools and to corresponding public institutions is similarly large.

If these rich institutions were educating more low-income students, helping them move into the middle class, perhaps the enormous public subsidies they enjoy from tax-exempt real estate and tax-exempt endowments might better withstand scrutiny. But these rich universities are clearly not open to low-income students to the extent that their public counterparts are. And taxpayers throughout the nation and in the cities and states where these institutions are located are subsidizing the education of wealthy students to a far greater extent than they subsidize the colleges their own children are far more likely to attend.

While Congress continues [investigating](#) the federal tax codes that make universities so rich, the cities that house these rich schools should themselves undertake a systematic review of local property tax laws. The facts uncovered would help them decide if the exemptions they grant are really in their residents' best interests.

Jorge Klor de Alva is president of the Nexus Research and Policy Center. He was previously a professor at Princeton University and the Class of 1940 Professor at University of California at Berkeley. In the 1990s he served as president of the University of Phoenix.

Mark Schneider is vice president and institute fellow at the American Institutes for Research. He is also the president of College Measures. He served as the U.S. commissioner of education statistics from 2005 to 2008 and is a distinguished professor emeritus of political science at the State University of New York, Stony Brook.