



ASSOCIATION OF VERMONT
INDEPENDENT COLLEGES

...independent thinking for a collaborative world

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Albany College of Pharmacy
and Health Sciences
Union Institute & University

To: Property Tax Exemption Study Committee
From: Association of Vermont Independent Colleges (AVIC)
Date: November 13, 2013
Re: Private Higher Education Contributions

BACKGROUND

Each of the 19 private colleges comprising the Association of Vermont Independent Colleges (AVIC) works in partnership with local authorities to cooperatively determine how best to support priorities. These discussions have collectively engaged 31 municipalities and evolve in response to both institutional and local exigencies.

The AVIC membership is remarkably diverse, including religious, secular, and military affiliated institutions whose institutional enrollments range from approximately 100 students to more than 3,000. In total, these institutions educate over 19,000 students and confer more than half of all degrees awarded in the state. Those who graduate from Vermont's private colleges often stay in the state, boosting the skilled workforce and taxpayer base after spending their educational savings here.

Two main factors distinguish higher education from many other businesses and nonprofits. First, AVIC institutions perform a public good by educating students for the workforce, without any direct state appropriation. Second, these institutions annually bring more than 15,000 out-of-state students and their visitors to Vermont. Without these students, visitors, and the nearly 6,300 individuals employed by private institutions, the state would not receive an estimated \$10,468,000 in personal income taxes and \$5,512,000 in general sales taxes.

This figure does not include the many high school students and families who make the annual pilgrimage to the state during the college application process. These revenues are instrumental in subsidizing state services and keeping the state and communities financially healthy.

These educational institutions and their employees, students, and visitors generate thousands more “spin off” jobs throughout Vermont’s economy. For example, AVIC institutions are home to \$274.2 million in ongoing or planned construction from 2012-2014.

- The recently completed \$6.2 million biomass plant at one campus was constructed by Vermont contractors and will annually burn 13,000 tons of woodchips from suppliers within 100 miles of campus.
- During the past ten years, one college has undertaken 26 major projects that have cost nearly \$200 million. In addition, the college has identified 14 construction projects that are planned for the next five to ten years at a cost of just under \$110 million. This implies an annual future construction spending of approximately \$15 million, which is consistent with the past ten years. Roughly half of these projects use Vermont-based general contractors, although nearly all of them require local constructors for major portions of the work.

Similar impacts can be traced throughout the state economy via hotels, restaurants, ski areas, shops and other segments of the business supply chain. Offsetting possible burdens to the state, the total economic impact of private colleges and universities in Vermont is estimated to be about \$1.4 billion annually.ⁱ

INVESTMENTS

With an often lengthy history in their communities and longstanding traditions of cooperation, colleges represent the kind of community partner that many towns want. Drawn from hundreds of forms of cooperation, below is an overview of some.

- Valuable services:
 - One college operates a fire and rescue squad. The student-run Fire Protection and Emergency Medical Service is available 365/24/7 and serves Winooski, Colchester, Hinesburg, Essex, and surrounding communities. The fire unit receives 650-700 calls per year while the rescue unit receives 1,900-2,000 calls per year. There is no cost to municipalities for this service.
 - Two institutions operate free legal aid clinics for the community. One provides an estimated \$1.5 million in pro bono legal services each year to Vermonters in need. Another serves 250-300 clients per year.
- Students at independent colleges annually contribute nearly 790,000 volunteer hours to K-12 organizations. This support defrays the cost of educating Vermonters and introduces new learning approaches.
 - College basketball players from one college meet with 5th graders to explore mathematics through sports scoring methodologies and statistics and then remain in touch via email.

- One institution launched a Vermont Initiative whereby 30 Vermont K-12 schools received deeply discounted language software and professional development for teachers which in large part was underwritten by the college.

- Students and faculty at one college have been working with at-risk students from several local schools since 1999. Instead of being processed through the court system, the children develop an individualized educational plan and may access after-school tutoring and mentoring as well as connections to community-based project, craft, or trade opportunities. The program may be extended to those in elementary and middle school as well as students in foster care and on probation.

Vermont's private colleges also offer multiple scholarships targeting students in local high schools. One college, for example, encourages and pays for local students to fully benefit from the college experience by living on campus rather than at home.

- Sporting, musical, theatrical, and food events that are offered free or at low cost to the community also bring in visitors and dollars to support local businesses and charitable fundraisers, not to mention year-round access to sports facilities, library privileges, lectures, courses, and other diverse benefits that might not otherwise be feasible in sparsely populated areas.

- Investment in key downtown properties brings additional resources to communities and helps upgrade infrastructure to create a more favorable business climate.

- An institution recently signed an agreement with local authorities to defray by roughly \$350,000 the cost of upgrading water infrastructure. The college will also start participating as a ratepayer in this new system rather than maintaining its own system. The upgrade will address longstanding water pressure problems plaguing the local medical center and some neighborhoods during peak downtown usage or fire response.

- One college helped start a much desired co-op in a town of 3,600, with the college president purchasing the building (which had a six-figure lien and was nearly impossible to sell), and students providing funds as a gift in addition to providing collateral for a larger business loan.

AVIC member institutions additionally work with a wide range of community members on an ongoing basis to identify unmet needs and reach specific goals or segments of the community. Examples include:

- Faculty and staff at one college were instrumental in helping farmers access a mobile flash freezing unit to pilot the freezing of products. This allowed products from many sources to be donated to food shelves, senior centers, and other parts of the charitable food system. The college also provided access to a commercial kitchen facility where various sizes and products were tested for use in schools, stores, and hospitals.

- Students raised funds for veterans in one institution's fourth annual 50-mile march. The money will go directly to a local transition home and support center for homeless veterans.
- One college is currently in negotiation with a telecommunications provider for an easement that would allow placement of a tower designed to increase both internet speed and access in the southern Vermont region.

It is our view that these kinds of partnerships should be encouraged. A focus on opportunities for support and economic development that capitalize on a particular institution's unique strengths and mission are preferable to state regulation.

Financial

AVIC believes it is sound state policy to promote the non-profit sector and to relieve the government of providing all health care, all social services, and all education. As the tax exemption only applies to properties being used for an institution's educational mission, colleges nevertheless are often significant taxpayers in their communities. Of the 17 private colleges that own property in Vermont, 14 currently pay taxes for an approximate total of more than \$2 million.

In addition to the payment of property taxes, AVIC member colleges have a broad range of voluntary arrangements in place, cumulatively estimated to represent another \$1.3 million on a yearly basis. The colleges also provide an additional \$615,000 annually for community groups ranging from the local visiting nurse association to town food shelves to community childcare.

Taken together, these figures represent \$3.9 million in calculated benefits to communities. However, these do not even begin to quantify the volunteer hours, the free space, the library access, the technical support for writing grants and business plans, and the many more forms of support that enhance community life and that resist easy categorization. For example, by purchasing waterfront property, one college has ensured that the general public still has full access to prime waterfront through the campus, including connections to a bike path and beach. Many Vermont private colleges have also been instrumental to ensuring the ongoing preservation and maintenance of landmark buildings, such as an historic 1868 building said to be one of the 15 most important buildings in northern New England.

In some cases, financial contributions are tailored to meet very specific town needs. For example, one institution agreed to a payment of \$600,000 a year for a period of 30 years to help fund construction of a new, in-town bridge that has greatly enhanced traffic flow and downtown accessibility while improving safety by increasing access for police, fire, and ambulance services.

Given the number and variety of private colleges in Vermont, this is only a sampling of their contributions to and investments in communities across the state. An attached addendum provides a more detailed overview. By mandating and monetizing that which is largely taking place in the spirit of volunteerism and cooperation, there is little question that community relationships would erode. Moreover, adverse financial impacts would follow as the majority of AVIC members do not enjoy significant financial reserves.

Were the private colleges in Vermont facing mandatory financial contributions as is under discussion in this study committee, costs might necessarily have to be passed along to employees or students in the form of negative wage impacts or increased tuition costs. In the worst case scenario, institutions that have limped through the economic downturn might even find themselves in the position of needing to close their doors.

We urge committee members to take into consideration the qualitative and quantitative factors addressed in this memo and not to subject the private colleges in Vermont to mandatory financial arrangements that we fear would result in unintended negative outcomes.

ⁱ Links to existing economic impact studies completed by private higher education institutions may be found on the AVIC website: www.vermont-icolleges.org/impact-reports.html.

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November 5, 2013

Susan Stitely
Association of Vermont Independent Colleges
PO Box 254
Montpelier, Vermont 05601

RE: AVIC and State Taxes

Dear Ms. Stitely:

I have prepared an estimate of the Vermont personal income taxes and general sales taxes generated for the state treasury through the economic activity of the Independent State Colleges. For 2013 my estimates are:

\$10,468,000	in personal income taxes
\$5,512,000	in general sales taxes

The estimates are based on AVIC's survey that determined the total wages paid by its member colleges in school year 2009/10. I adjusted this to 2013 payrolls based on wage growth in the private higher education sector in Vermont as reported by the Vermont Department of Labor in its *Quarterly Survey of Employment and Wages*.

I then used the Redyn model, a dynamic input-output model, to estimate the total Vermont wages generated through the multiplier process based on the payrolls of the Independent Colleges. I further used the Redyn model to estimate the total personal income and general sales tax payments collected by the state treasury that were generated from the economic activity of the Independent Colleges. The estimates above are from that analysis. The Redyn model is routinely relied on by various branches of Vermont state government including the Joint Fiscal Office and the Public Service Board.