

# | The Handle

## How American Cities Tax the Universities They Can't Tax

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Thirteen instruments, fifty regimes, and the drafting that decides them

*The amount is the last term in the expression. The form is the first.*

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*Independent researcher*

27 July 2026

Built on the Capture Instrument Inventory · 40 instruments, 27 states

## **The Handle: How American Cities Tax the Universities They Can't Tax**

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## Introduction — The Sentence Somebody Else Wrote

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For one week in October 2017 the state of Connecticut stopped paying its towns for the colleges and hospitals it had taken off their rolls.

The statute had not changed. It said, as it had said since 1999, that the state would reimburse a municipality seventy-seven percent of the property taxes it could not collect from a private college or hospital. Hartford had built a budget on that sentence. What Hartford had not built a budget on was the sentence beside it, which said the payment would be made within available appropriations, and three months into a fiscal year the state had entered without a budget, the available appropriations ran out. Hartford's mayor said the city could be out of cash by early November.

Nobody repealed anything. Nobody voted against Hartford. A payment that had almost never reached the seventy-seven percent printed in the law went to zero for a week, and the city found out the way cities always find out, which is by looking at what arrived.

This book is about the difference between those two sentences.

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The subject is old and the framing is usually wrong. Ask what a university owes the city it sits in and you have started an argument that has been running for seven hundred years and rarely produces reliable money for the city. Oxford and its townspeople were at it in the fourteenth century, and it ended with the town sealing a bond and binding itself to pay the university a hundred marks a year in perpetuity. The modern version has the same shape. The institution says it already contributes more than anyone counts; the city says its costs are real and its tax base is not. Both are substantially correct, which is why the argument is unwinnable and still going.

The question that produces money is narrower and duller. Not what a university owes, but what a city is already permitted to collect, and from which base, and whether anyone has to decide again for the money to keep arriving.

Scholarship on university payments rarely asks it that way. It studies the payments themselves: how much Yale gives New Haven, whether Boston's program works, and what makes an institution generous. This book spends chapters on those questions. The payment is still the last and smallest term in a long expression whose earlier terms are all statutory, and the earlier terms were fixed by people who were not thinking about universities, often a century before the university in question mattered to anyone.

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Three propositions organize what follows.

**The first is that the property-tax exemption exempts property.** That sounds like a tautology, and chapter two argues it is the most consequential sentence in American local finance. A government that wants money from an exempt institution has two choices: argue about whether the property qualifies, or find a base that is not property. The property base is where seven centuries of drafting have gone into the institution's defense. Pittsburgh, whose state gives its cities the sharpest exemption-challenge tool in the country, ran a parcel-by-parcel campaign from 2023 that cost about two hundred forty-seven thousand dollars in legal fees and came out, on the mayor's own accounting in April 2025, roughly forty-seven thousand dollars ahead. In this book, an instrument is the legal route by which money reaches a city. In the cases that follow, the most reliable instruments generally sit on a base other than exempt property: payroll, consumption, service, or a per-head charge on enrollment.

**The second is that the form of a fiscal link may govern its survival independently of its size.** A charge that does not have to be granted again has a better chance of outlasting a payment decided anew each year. Chapter twelve argues that from cases, says what would falsify it, and concedes that nobody has run the test. The claim is about survival and not about magnitude: a larger flow is better than a smaller one, and a flow subject to annual reduction and a flow subject to none are doing different jobs. Michigan State offered East Lansing twenty million dollars over eight years, on a schedule that peaked at two and three-quarter million and declined from there, not to levy an income tax. The talks collapsed, the city levied the tax, and net of the property-tax cut the city paired with it, the levy now delivers something over twice the best year the university ever offered, every year, with no expiry the university controls. Vermont's payment for the buildings of its state university has been seven hundred fifty thousand dollars since fiscal 1997, a cap set once and never moved, which prorates the state's own computed entitlement to about eight and a half cents on the dollar before inflation touches the remainder.

**The third is that the choices available to cities were usually made somewhere else.** Ohio put five words into its constitution in 1851. "Institutions of purely public charity." Pennsylvania took the same five in 1873, and cities are still litigating what they mean. A Wisconsin legislature set eighty acres in 1871, and in 2017 a budget-committee amendment added a second tier for an institution it declined to name. Delaware's House struck an inflation escalator out of a bill by voice vote in April 2025, and the amendment's synopsis recorded it in one line. A mayor sat in none of those rooms. Together, those state-level decisions often determine more about what a city can collect than later negotiations between a mayor and a university president.

. . .

The chapters are organized by instrument rather than by city because the same legal tool can appear in many places. A reader who wants to know what Athens did will find it, but the more useful lesson is why a work-site wage tax behaves differently from a residence-based one..

The first two chapters set the ground: where the exemption came from, and how differently the fifty states have drafted it. Chapters three through nine work through the instruments themselves, beginning with the wage tax, which reaches furthest, and ending with the bases the exemption never covered at all. Chapter seven interrupts that run with the one instrument aimed straight at the property, the exemption challenge, which reaches least. Chapter ten looks at the student as a fiscal asset rather than a cost. Chapter eleven is a contrast case: a state that granted the authority and then wrote the universities out of it. Chapter twelve asks what makes a flow last. Chapter thirteen asks what a city should build.

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The sources behind this book are not all equally strong, and the book does not treat them as though they are. Where a claim rests on law read directly, the source notes say so. Where it rests on an agency record, a calculation, reporting, or an incomplete record, they say that too. Open questions are left open.

The question throughout is simple: not what a university ought to pay, but what a city can actually collect, from whom, and for how long.

...

## Scope, sources, and how to read the provenance

This book looks at the ways American cities collect revenue connected to universities that are exempt from property tax. I call each of those approaches an instrument. An instrument may be a tax, a fee, a state payment, a negotiated contribution, or another legal way for money to reach the city. The university may pay directly, but often the money comes from employees, students, customers, or the state.

This is not a fifty-state survey. It covers the instruments found in the public record and follows them as far as the available evidence allows. A state that does not appear may simply be a state that was not examined. Its absence should not be read as evidence that an instrument is unavailable there.

The sources are grouped into five tiers. Tier A is primary law read directly, including constitutions, statutes, ordinances, ballots, and court opinions. Tier B is an official government or institutional document, such as a budget, financial report, payment record, or agency publication. Tier C is a figure calculated or estimated from identified data. Tier D is a reputable secondary source, including scholarship and published reporting. Tier E marks information that could not be obtained or verified. Tier E material is not used to support a claim. Where a missing source leaves a question open, the book says so.

Each chapter ends with grouped source notes rather than sentence-by-sentence footnotes. A source block may support several related facts or explain the legal history behind an entire section. These notes show what the chapter rests on and allow readers to find the same documents. They do not always connect each figure to a single page. That is a limitation of the format and should be understood as one.

The book also separates facts from analysis. What a law says, what a court held, what a city collected, and what an official said are presented as matters of record. Conclusions about why one approach lasts longer than another, or what a city should do, are arguments drawn from those records. The claim that the form of an instrument may affect how long the revenue survives is a proposition developed from the cases. It has not been tested across all cities or states.

Radford, Virginia, is where the question behind this book began. It appears here as one case among many. The book is not about Radford. It is about the choices state law gives cities, the choices it withholds, and what those differences mean when the bills come due.

## Chapter 1 — The Oldest Quarrel

. . .

On the tenth of February 1355, in a tavern on the corner of Oxford's Carfax, an argument about wine turned into three days of fighting between the university and the town. What happened next is the oldest recorded instance of the subject of this book, and almost everything you have read about it is wrong.

The famous version runs like this. Two scholars complained about the drink, threw it in the taverner's face, and the town rang its bells; the countryside came in with bows; sixty-three scholars were killed; and the settlement required the mayor and bailiffs to attend a mass every year on St Scholastica's Day and pay the university a penny for each dead scholar, a penance they performed for four hundred and seventy years until the university graciously released them in 1825.

Take that account apart and very little survives. The tavern story comes from Anthony Wood, writing three centuries later, and Wood was embroidering a document with an interest of its own: the statement of grievances the burgesses drew up after the riot. The town's own version, preserved in Oxford's medieval archives, tells it the other way around. In the burgesses' account the two named scholars and others with them threw the wine in the vintner's face and beat him with the quart pot; the bailiffs came to intervene; and then, in the roll's Anglo-Norman, *deux centz et plus des escolers armez, a fuer de guere*, two hundred and more scholars, armed, in the manner of war, beat the mayor and bailiffs and sergeants, and killed a child of about fourteen. The chronicler Robert of Avesbury counted about twenty halls broken into. The university's own letter to its bishop said five. The sources do not agree about who started it, how big it was, or what it cost.

The death toll is worse. Rashdall's *Universities of Europe in the Middle Ages*, still the standard scholarly account, spends six pages on the riot and gives no figure for the dead at all. The sixty-three, traced back through the encyclopedias that repeat it, rests on a 1971 popular local history and a 1999 literary guide to Oxford. No medievalist stands behind it. And the number appears to be an artifact of the settlement rather than a count of bodies, because when you read the settlement itself the sixty-two shows up in a different role entirely.

Here is the indenture, sealed on the fourteenth of May 1357, in the printed edition of the university's own muniments, translated by its Victorian editor: the town must arrange matters "so that sixty-two of the said citizens, of whom the said Chancellor or his Commissary shall approve, be present at the said mass, from the commencement to the end, and offer each a penny." The bishop's award says the same thing a different way, with the mayor, the bailiffs, and sixty of the more substantial citizens attending, each laying a penny on the high altar. The pennies count the penitents. Two details in the same documents put it beyond argument. The clause immediately before allows a citizen who cannot attend to send a substitute, and you cannot substitute for a corpse. And the bishop's award directs

that of the money offered, forty pence go to poor scholars and the remainder to the curate, which is a disbursement schedule; a body count has no residue to divide.

Somewhere in the retelling, sixty-odd men kneeling in a church became sixty-odd corpses, and the number has been repeated ever since by people who had no way to check it. The contemporary chronicler was more careful than his modern successors: Robert of Avesbury wrote that the scholars killed were many, *ut dicebatur*, as it was said, which is a fourteenth-century writer flagging his own hearsay.

I begin with the debunking because the true story is more useful than the legend, and because it is about money in a way the legend is not.

. . .

What the town actually lost at Oxford was its tax base, and it had begun losing it before the riot.

Oxford held itself from the Crown at a fee-farm, a fixed annual sum the borough owed the Exchequer in exchange for governing and taxing itself, set in 1199 at sixty-three pounds and fourpence. The town paid that sum out of seven revenue streams, and the seventh was the profits of the assize of bread and ale, and of weights and measures: the borough's authority to inspect what bakers and brewers sold, to fix the price and the loaf, and to fine those who cheated. It was a real and recurring municipal revenue.

By 1327 the town was petitioning the Crown for relief, because the assize had been taken away from it and put into the hands of the mayor and the chancellor jointly, and then of the chancellor alone. In 1352 the petition was granted. The fee-farm was reduced by five pounds, to fifty-eight pounds and fourpence, to reflect what the town no longer collected. H. E. Salter, who edited Oxford's medieval municipal archives, set the sequence out plainly, and it is the single most important fact in this chapter: three years before the riot, a named municipal revenue stream had already moved from the town to the university, and the Crown had formally written down the town's obligation to reflect the loss.

Sit with that five pounds, because the full arrangement is stranger and better than a simple write-off. Salter's sentence does not stop at the reduction. The assize passed to the chancellor "at a payment of £5 a year to the Exchequer." The Crown gave up nothing. It moved a revenue power from the town to the university, reduced the town's obligation by five pounds, and required the university to pay the same five pounds directly. The exempt institution was made to fund the compensation for its own exemption, and the compensation reached the superior government rather than the town.

Modern American cities have spent this entire book trying to build that arrangement and failing. It is what a mandatory PILOT would be. It is what New Jersey's per-bed hospital contribution approximates and what Newark, Delaware's per-student charge does outright. What Connecticut and Rhode Island and Vermont built instead is the version with the university left out: the state creates the exemption, the town bears the cost, and the state pays the compensation out of its own general

revenue, which means the compensation competes every year with everything else the legislature would rather fund. In 1352 the money came from the beneficiary. In 1978 it came from an appropriation, and an appropriation can be reduced to nothing, and in the fall of 2017 it was.

The fourteenth-century Exchequer, in this one narrow respect, drafted better than the twentieth-century General Assembly. It charged the party that got the benefit.

So the riot did not create the transfer. It completed it. The royal charter of the twenty-seventh of June 1355, granted while the town was still on its knees, placed under the chancellor's sole and exclusive jurisdiction the assize of bread, wine, and ale; the assize of weights and measures; forestalling and regrating; the correction of victuals; the punishment of anyone carrying arms, clerk or layman; the cleansing and paving of the streets; and, in Rashdall's phrase, the assessment and taxation of privileged persons. Rashdall's summary of what that added up to is the epigraph this whole book could carry:

"On every one of the long-standing subjects of contention between town and university the latter scored a permanent triumph. From this time forward the town of Oxford was practically governed by the university. The university thrived on her own misfortunes."

A university thriving on its own misfortunes is a phrase to keep. Oxford's scholars were the ones who died, and Oxford's university was the institution that emerged owning the town's market regulation, its street cleaning, and the power to tax its own privileged persons out of the burgesses' reach.

What that meant on the ground shows up a few years later, in a letter the mayor and bailiffs sent the chancellor. The town was being blamed for the price of bread, and it wrote back to say that the blame belonged to the man who now held the power to fix it. As for four loaves to a penny and the scarcity of bread, they told him, in Salter's translation, "the cause and fault lie with you who have the assize to keep, and with no one else."

That is a municipal government explaining to its citizens that it cannot regulate the bakers because the university regulates the bakers. Every complaint in this book, from a Pittsburgh mayor's about ambulances to a Radford council's about its electric fund, is a variation on it: the town is answerable for a condition it no longer controls, because the instrument that controlled it now belongs to the university.

The town also emerged owing money, and the shape of that debt is the most modern thing in the story. On the twenty-fourth of July 1355 the mayor, bailiffs and commonalty sealed a bond for five hundred pounds. The university later acquitted the whole of it on receipt of fifty. Rashdall, working from the Close Rolls, reports a separate two hundred and fifty pounds as compensation for all injuries except death and mayhem, and the chronicler Avesbury independently records the same figure, so there were evidently several instruments and this chapter does not pretend to reconcile them into one. Then, in May 1357, came the arrangement that made the penance permanent. On the fifteenth the town bound itself to pay the university a hundred marks a year, in perpetuity, as a rent-charge payable at St Mary's every St Scholastica's Day. On the sixteenth the university granted, by indenture,

that in any year the mass and all the articles were duly performed, the hundred marks would not be exacted.

Read those two deeds together. The annual penance was not a religious observance the town could abandon when the religion changed. It was the condition on which a perpetual debt was forgiven, year by year, at the creditor's pleasure. That is why it outlived the Reformation, and the dissolution of the monasteries, and the Civil War, and every other rupture that swept away the medieval church's other observances. Nobody kept doing it out of piety. They kept doing it because the alternative was a hundred marks. The university's own conduct proves the reading. After the Reformation had swept away the mass the penance was built around, the university did not treat the obligation as extinguished; it sued on the bond. When the town tried to stop in 1800, the university demanded the fine and the town paid it. Only in 1825, on the city's humble petition, was the university graciously pleased to forgo its rights.

The medieval town-gown quarrel, in other words, ended in a structured financial instrument: a rent-charge with an annual performance condition, enforceable in perpetuity, secured on a municipal corporation. The universities of the fourteenth century understood security interests. This book's cities, seven hundred years later, negotiate voluntary payments the university can stop whenever it likes.

. . .

Behind Oxford's charter sits a broader idea, and the broader idea turns out to have been manufactured rather than granted.

The two documents usually named as the foundation of university privilege are the *Authentica Habita*, issued by the Emperor Frederick Barbarossa for the scholars of Bologna around 1155 or 1158, and *Parens scientiarum*, the bull Pope Gregory IX issued for Paris on the thirteenth of April 1231. Both are constantly described as granting scholars exemption from taxation. Neither one does.

The *Habita* gave scholars safe conduct under imperial protection, freed them from the law of reprisals, which had allowed a merchant to seize any traveler from a city whose citizen owed him money, and let them choose their judge: their master, or the bishop, rather than the local magistrate. Pearl Kibre, whose *Scholarly Privileges in the Middle Ages* is the standard treatment, is precise about what came after. In time, she writes, the safe-conduct provision "was interpreted so as to cover a number of exemptions not specifically noted in the text." The exemption from tolls and tribute was read into the document by the glossators, by Odofredus and Accursius, and later by Bartolus, who held that the emperor had intended scholars freed from the burden of taxation. Hermann Conring's point, which Kibre reports, dates the claim of scholarly immunity from tolls to the end of the thirteenth century. Which is to say roughly a hundred and thirty years after the charter that supposedly granted it.

Gregory's bull is even further from the popular claim. It grants the masters of Paris the right to make their own constitutions about lectures, disputations, dress, and the burial of the dead, and about "the

prices of the lodgings or the interdiction of the same," authorizing them to suspend teaching if that power is taken away. The only money in it is *taxatio hospitiorum*: the university's authority to assess what landlords may charge students for rooms. In medieval Latin *taxatio* is valuation, not taxation. The most-cited tax exemption in the history of universities is a false friend.

What the medieval scholar actually had, underneath all the charters, was a status rather than an exemption. A student was a clerk, in the technical sense: tonsured, at least nominally in orders, and therefore answerable to church courts rather than the town's. Benefit of clergy is usually remembered as a way to escape hanging, and it was, but its fiscal dimension is the one that matters here. A person outside the town's jurisdiction is a person outside the town's assessment. The exemption did not have to be granted, because the scholar was never inside the base to begin with.

The church's own legislation reinforced the status without ever mentioning taxes. The Third Lateran Council of 1179 provided, in canon 18, that "Let no one demand any money for a licence to teach," which was a rule about simony and about keeping the schools open to poor scholars, not a tax provision at all. But it established the principle that teaching was a churchly function operating under churchly rules, and once that was settled the local magistrate's writ simply stopped at the schoolroom door.

Everything that follows in this book is an argument about where that door is. A modern university is not a church and its faculty are not clerks, and yet the structure of the claim has barely moved: there is a category of activity the ordinary fiscal authority does not reach, the institution decides what falls inside it, and the town argues about the boundary. Pennsylvania asks whether a hospital's payroll serves its charitable purpose. Philadelphia asks whether a football ticket is an educational transaction. Those are questions about where the tonsure ends.

It is worth saying who established this, because the correction is not mine. Pearl Kibre spent a career at Hunter College working through the charters, bulls and court records of scholarly privilege, and her 1962 book is still the place the question is settled; it is she who wrote that the safe-conduct provision came to cover exemptions "not specifically noted in the text," and she who traced the interpretive work to the glossators rather than the emperor. Hastings Rashdall, writing in 1895 and revised by Powicke and Emden in 1936, remains the standard narrative of the universities themselves, and it is Rashdall's own editors who quietly demolished his account of the Oxford riot in a footnote to his text. The scholarship has been careful. The popular retelling has not, and the gap between them is where the folk version of this chapter lives.

The real fiscal privileges, when they arrive, are royal and late. Philip IV of France exempted scholars in 1295 and 1297 from the levies for his war in Flanders, from tolls and tribute on their goods and chattels, and from customs duties and personal obligations. Read the list and notice what kind of relief it is. These are not exemptions from a general tax on wealth, because no such tax existed. They are releases from specific, enumerated obligations: this war levy, this toll, this duty to stand watch. A medieval king exempting a scholar was crossing items off a list. Edward III in 1347 freed the provost and scholars of Oxford's Queen's Hall, together with the brethren and sisters of a Southampton

hospital whose custody the college held, from tolls, dues, taxations, tallages, scutages, aids and contributions, so far as those charges arose from the hospital's own lands and goods. And an English judgement of 1290, in King and Parliament, states the rule by naming its exception. Those who wore the livery of clerks enjoyed the university's privileges; but if they engaged in merchandise, Rashdall records, they "were to be tallageable like the burgesses."

That sentence is the thirteenth century's version of the argument this book has followed through Pittsburgh and Seattle and Philadelphia. The scholar is exempt as a scholar. When the scholar trades, he pays like a tradesman. Seven hundred years later Pennsylvania taxes a charity's unrelated business payroll and spares its charitable payroll, and Philadelphia taxes the ticket to the football game and not the lecture, and both are drawing the same line the King's justices drew in 1290. Nobody in Harrisburg was consulting the medieval rolls. The line simply keeps reappearing, because the problem keeps having the same shape: an institution that is partly a charity and partly a business, in a town that would like to tax the business half.

. . .

The American colleges inherited the privilege, and they inherited it in writing, which makes the American story unusually easy to date.

Harvard's charter of the thirty-first of May 1650 contains the exemption in its own text, in the Massachusetts General Court's own spelling. All the lands and tenements and houses and revenues belonging to the president or the college, "not exceeding the value of five hundred pounds per annum," shall be "freed from all ciuill impositions taxes & rates"; all goods belonging to the corporation or to any scholar shall be "exempt from all manner of tolle Customes & excise whatsoever"; and the president, fellows, scholars and a capped list of servants shall be exempted from personal offices, militia service, watching and warding, with their estates "not exceeding one hundred poundes a man" free from all country taxes or rates.

Two things about that document matter more than the exemption itself. The first is that it is capped, twice: five hundred pounds a year of college property, a hundred pounds per person. The seventeenth-century Massachusetts legislature wrote a ceiling into a college tax exemption. No modern American state does. The second is the clause that closes it: "and none others." The exemption was drafted as an enumerated privilege with a boundary, not as a general status.

Yale's charter of 1745 carries the same structure and, remarkably, the same number: lands and ratable estate "not Exceeding ye Yearly Vallue of five Hundred Pound Sterling," plus the persons, families and estates of the president and professors in New Haven, and the persons of the tutors, students and resident servants, "freed and Exempted from all Rates Taxes Military Service Working at High Ways & other such like Duties and Services." Brown's charter of 1764 does the same without a cap.

And then the pattern stops. Princeton's charter of 1748 has no tax exemption in it. Neither does King's College in 1754, nor Dartmouth in 1769, nor the College of Philadelphia in 1755, nor Queen's College

in 1770. Exemption-in-the-charter is a New England habit, not a colonial norm. William and Mary, chartered by the Crown in 1693, got something different again. In place of a blanket exemption it received assigned revenue streams: nearly two thousand pounds in cash, a penny-a-pound duty on tobacco, the fees of the surveyor-general's office, and two separate ten-thousand-acre tracts. What it got in place of an exemption was a quitrent commuted to an annual ceremony: the college would deliver "two copies of Latin verses yearly, on every fifth day of November," in full discharge of all quitrents, services, customs, dues and burdens whatsoever.

A college paying its land dues in Latin poetry is a fair emblem of the arrangement this book has spent its length examining. The obligation is acknowledged, and then discharged in a currency the town cannot spend.

. . .

Before leaving the charters, notice what they had that nothing in this book has now.

Harvard's exemption stopped at five hundred pounds a year of college property and a hundred pounds per person. Yale's stopped at five hundred pounds sterling. Both were drafted by legislatures that plainly understood they were granting a subsidy and plainly intended to bound it. A college that grew past the ceiling would pay on the excess, like anyone else.

No American state caps a university's property-tax exemption today. Two states have something adjacent, and both are dead letters: Wisconsin caps a private college's exempt land at eighty acres, or a hundred fifty for a college founded before 1900 with at least five thousand undergraduates, and Washington caps it at four hundred, and no college is known to actually pay under either. The capping instinct survives in the statute books as a fossil. What replaced it is a status: exempt because of what you are, without limit, forever.

That is a real change and nobody appears to have made it deliberately. The caps did not get repealed after a debate about whether universities had grown too large to subsidize without limit. They simply were not carried forward when the states rewrote their tax systems in the nineteenth century around uniformity and its exceptions, and the exceptions were drafted as categories of institution rather than as quantities of relief. A seventeenth-century colonial legislature and a nineteenth-century constitutional convention were answering different questions. The first asked how much subsidy a college should get. The second asked what kind of thing a college is.

Every instrument in this book exists because the second question won. If the exemption had kept its ceiling, Harvard would be paying Boston on everything above the line, no task force would have been necessary, and the twenty-six cents on the dollar that Boston actually collects would be a historical curiosity. The design chapter at the end of this book argues that cities should stop brokering payments and start building handles. The oldest handle anyone ever built was a number in a charter, and it was abandoned without a fight.

Now the chronology, because it carries the chapter's argument.

The colonial exemptions were written against a fiscal world that no longer exists. Colonial taxes were mostly specific taxes at fixed rates on enumerated items, along with poll taxes, faculty taxes assessed on a man's trade, imposts and excises. When Harvard's charter freed the college from "Country taxes or rates," those rates existed, and it is an overstatement to say the exemption came first. What came later is the thing that actually matters now: the general, uniform, ad valorem property tax, the system that values everything a person owns and taxes it all at one rate, which is the system every city in this book runs on and the system the exemption now punches a hole in.

That system arrived in the nineteenth century, state by state, through constitutional uniformity clauses. Illinois adopted the first in 1818 and Missouri followed in 1820; Tennessee replaced its per-acre land tax with an ad valorem provision in 1834; and by the end of the century thirty-three states had written uniformity into new constitutions or amended old ones to require that all property be taxed equally by value. By 1932 the property tax supplied better than eighty-five percent of local governments' own-source general revenue.

Put the two dates together. The colleges' fiscal privileges were drafted into their founding documents in the seventeenth and eighteenth centuries, against a patchwork of specific levies. The tax those privileges now defeat was built in the nineteenth, on a principle of universality that the privileges contradict by definition. The exemption is not a carve-out from the modern property tax. It is older than the modern property tax, and the modern property tax was built around it.

...

The other half of the chronology is how completely that tax took over local government. By 1932 the property tax supplied better than eighty-five percent of what American local governments raised from their own sources. Not a major revenue source: very nearly the only one.

Hold the two developments side by side and the modern problem assembles itself without anyone intending it. Over roughly the same century, American states made the property tax into the entire fiscal foundation of local government, and made the charitable exemption into an unbounded status attaching to a kind of institution. Each decision was defensible alone. Together they guaranteed that any town whose land filled up with exempt institutions would lose the substance of its revenue rather than a slice of it, with no other base to fall back on and no ceiling on how far the loss could go.

That is why the towns in this book keep reaching for such strange instruments. A city that could tax income, or sales, or payroll, could absorb a large exempt landholder the way it absorbs any other feature of its geography. A city that has been given one base and then had a growing share of that base removed has to go looking for a different base entirely, which is what the stormwater fee and the amusement tax and the utility margin all are. Every one of those instruments is a workaround for a nineteenth-century decision to put all the weight on one leg.

Which brings us to the language, and to the strangest fact in this chapter.

When the states wrote their uniformity clauses, they had to say what was exempt from the uniformity, and the words they chose are close to identical across states that had no obvious reason to match. Ohio's constitution, ratified in June 1851, allows the legislature to exempt burying grounds, public school houses, houses used exclusively for public worship, "institutions of purely public charity," public property used exclusively for a public purpose, and personal property up to two hundred dollars for each individual. Pennsylvania's, adopted in November 1873, empowers the General Assembly to exempt public property used for public purposes, actual places of religious worship, burial places not held for profit, and "institutions of purely public charity."

Twenty-two years apart, four hundred miles apart, the same five words. And those five words are not decorative. "Institutions of purely public charity" is the phrase that, a century and a half later, let the Pennsylvania Supreme Court build a five-part test for what a charity must prove; that let Pittsburgh drag the largest nonprofit in the state into court parcel by parcel; that a school district outside Philadelphia used to strip a hospital of its exemption in 2023; and that the state's high court sanded down again in 2025. The chapter of this book about the sharpest handle any American city holds is a chapter about the consequences of a phrase that Ohio put in its constitution in 1851 and Pennsylvania copied in 1873.

Indiana, in 1851, used different words to the same end, excepting property used for "municipal, educational, literary, scientific, religious or charitable purposes." Illinois, in 1870, exempted property used exclusively for agricultural and horticultural societies, and for school, religious, cemetery and charitable purposes, and required that any such exemption be made only by general law.

How did the wording converge? There is no scholarly account of it that I have been able to find, and I want to be careful here: what follows is my argument from the record, not a consensus I can attribute to anyone. But the record does contain a delegate caught in the act of copying.

At California's constitutional convention on the second of January 1879, a delegate from Sonoma County named G. A. Johnson defended his proposed exemption language by explaining where he got it. His provisions, he told the convention, "are substantially the same as in the Constitution of Missouri of eighteen hundred and sixty-five." And then he read out the states that left the charitable exemption to the legislature: "Pennsylvania, Florida, Illinois, Indiana, Kansas, Minnesota, North Carolina, Ohio, Oregon, South Carolina, Virginia, and West Virginia." Twelve states entered into the record as a menu, by a man drafting a thirteenth.

That is how the language converged: not through a model act or a coordinating body, but through delegates in constitutional conventions reading each other's constitutions aloud and borrowing what they liked. Johnson's own clause was not adopted.

The convention also produced the clearest statement I have found of why the colleges were exempted, and it comes from a delegate who lost. On the third of January, John T. Wickes of Nevada County argued against taxing charitable, educational, or religious property, and gave his reason in a

sentence that any university president would sign today: "I am not in favor of taxing private educational institutions, because they save the State a vast amount of money."

That is the subsidy theory, stated on the floor of a constitutional convention in 1879, in the terms the sector still uses. The university relieves the government of a burden it would otherwise carry, so the government forgoes the tax. Pennsylvania's five-part test would later make relieving the government of a burden one of the things a charity must actually prove, which is Wickes's argument turned into a legal element and handed to the cities as a weapon.

There were dissenters. At Ohio's convention in February 1851, the delegate Charles Reemelin said plainly where he stood on the whole category: "With respect to church property, which is all private property, as contra-distinguished from public property, it is well known that I am in favor of taxing them all alike." His actual vote that day was on a narrower question and cut a different way, which is a useful reminder that a convention floor is not a referendum on principle. Ohio adopted the exemption, in the language Pennsylvania would borrow twenty-two years later.

Reemelin's argument and Wickes's argument are still the two arguments. One says exempt property is private property enjoying a public subsidy, and the subsidy should be visible and defended or else withdrawn. The other says the institution relieves the state of costs it would otherwise bear, which makes the exemption a settlement of accounts rather than a subsidy. Every mayor and every university president quoted in this book is repeating one of them, usually without knowing that a delegate said it better in a hall in Columbus in 1851.

The convention's handling of the phrase is worth recording. "Institutions of purely public charity," the five words Ohio wrote and Pennsylvania borrowed, were before the California delegates and were dropped from the substitute they adopted on the fourth of January 1879, by seventy-five ayes to twenty-four noes. The most consequential phrase in this book was considered in California, voted on, and left out.

And California, having heard Wickes, did not do what he asked. Its 1879 constitution exempts three classes of property: growing crops, property used exclusively for public schools, and property belonging to government. No church exemption. No college exemption. The state that grew into the largest system of public and private higher education in the world wrote a constitution that exempted neither, and left the whole question to be built up later by statute and litigation. The convergence was real and it was not universal, and the states that went their own way went their own way for reasons as local as everything else in this book.

. . .

One thing the medieval record makes harder to ignore than the modern one is that the town was not simply robbed.

A studium brought a town a great deal. It brought students who paid rent, which is why the rent-assessment power in Gregory's bull was worth fighting over, and it brought their servants and their

booksellers and their parchment-makers and their alehouses. It brought pilgrims to the shrines and litigants to the church courts. It brought, in the long run, the only reason anyone outside Oxfordshire has ever heard of Oxford. Towns competed for studia and grieved when they left; when the masters of Oxford dispersed after an earlier quarrel, some went to Cambridge and founded a university there, and the town they left behind did not celebrate.

The medieval bargain was legible in a way the modern one is not. A town gave up jurisdiction and revenue, and got trade and standing. Nobody pretended the transaction was charity in either direction. What has happened since is that both halves of the bargain have grown enormously and only one of them is measured. A modern university's economic contribution to its host is real and large and constantly asserted, in press releases, by presidents, and in this book by the trade associations quoted in the PILOT chapter. Its fiscal cost to the host is equally real and is measured only when a city bothers to compute it, which most do not.

That asymmetry is worth naming here rather than at the end, because it is the strongest argument against everything this book has documented. If a university generates more value for its town than the exemption costs, the exemption is better understood as a fee the town pays for a benefit it wants. Some towns plainly are in that position. Williamsburg is; Cambridge probably is. And some plainly are not, and the state auditor of Virginia has said so about one of them in writing. The honest position is that the answer varies by town and that almost nobody has done the arithmetic, and that in the absence of the arithmetic the institution's version has prevailed by default for seven hundred years.

Eight centuries separate the fee-farm of Oxford from the electric fund of Radford, and the through-line is not that universities are greedy or that towns are grasping. It is that the fiscal relationship between a university and its host has always been settled by drafting, in documents written for other purposes, by people who were not thinking about the town.

Oxford lost the profits of the assize because the Crown moved a regulatory power and then adjusted a fee-farm to match. The scholars of Bologna acquired a tax exemption because thirteenth-century lawyers read one into a twelfth-century safe-conduct. Harvard's exemption was capped at five hundred pounds because a colonial legislature in 1650 thought a cap was appropriate, and the cap vanished from American practice without anyone deciding it should. Pennsylvania's cities inherited the sharpest exemption-challenge tool in the country because a constitutional convention in 1873 borrowed five words from Ohio. And a small Virginia city cannot charge its university because a 1981 bill about state property excluded educational institutions from a definition.

There is one more continuity, and it is the one that should make a reader uneasy.

At every stage, the institution that ended up holding the privilege was also the institution that kept the records. Oxford's version of 1355 survives in the university's muniments, edited by university men and printed by a university press; the town's version survives too, but it took an archivist working on the city's own rolls to put it back into circulation, and the popular account that reached the encyclopedias is Anthony Wood's, written by an Oxford antiquary. The glossators who read a tax

exemption into Barbarossa's safe-conduct were law professors, which is to say members of the class the exemption benefited. Harvard's charter was drafted by a General Court containing Harvard's overseers. And the standard modern treatments of the exemption, the ones a city's finance director would find first, are written by scholars employed by exempt institutions.

None of that is a conspiracy and none of it implies anyone lied. It does mean that the account of this relationship that is easiest to find has, for seven centuries, been written from one side of it. The five hundred pound cap in Harvard's charter is not a secret, and neither is the £5 reduction in Oxford's fee-farm, and neither is the fact that Gregory IX never exempted anyone from a tax. They are simply not the parts of the story that get retold, because the people who retell it have no particular reason to retell them.

This book is an attempt to read the same seven hundred years from the town's side of the counter, using the town's own documents: budget transmittal letters, assessment rolls, council minutes, fee schedules, and the occasional letter from a mayor explaining that the price of bread is not his fault.

Those documents have one great advantage over the histories. A city writes its budget for itself, in the expectation that nobody outside the building will read it, and so it tends to say what it actually believes. When Orono's manager writes that the town has the service profile of a coastal suburb and the tax base of a mill town, she is not making an argument to a legislature; she is explaining an arithmetic problem to nine councillors. When Williamsburg's budget guide lists the taxes the city is authorized to levy and has chosen not to, it is doing inventory. When Baltimore's council analyst writes that a contribution came from an institution "in the district but not taxable," he is describing a line item.

Read enough of them and the seven-century pattern stops looking like a grievance and starts looking like a structure. That is the case the rest of this book tries to make, one instrument at a time, and it begins where the records begin, in a town that lost the right to inspect its own bakers and spent the next four hundred and seventy years paying a penny a head to be forgiven a debt it had been made to owe.

None of those decisions was made by the town that lives with it. That is the oldest thing in this book, older than the property tax, older than the United States, older than the idea that a university is a corporation at all. The quarrel is seven hundred years old. What changes, century to century, is only which document the town has to live inside.

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## Chapter 2 — One Exemption, Fifty Regimes

...

Everything in this book so far has treated the property-tax exemption as a fixed obstacle. The city wants money from the university, the exemption is in the way, and the interesting question is what the city reaches for instead. That framing is useful and it is incomplete, because the obstacle is not the same obstacle in any two states.

Consider four sentences of state law.

In Wisconsin, a private college's land is exempt up to eighty acres, and up to a hundred fifty if the college is a nonprofit, was founded before the first of January 1900, and enrolls at least five thousand undergraduates not counting online-only students. Everything above the cap is taxable as of right.

In Washington, a private nonprofit college's grounds are exempt up to four hundred acres, and the excess is taxable.

In Georgia, the exemption is statutory rather than constitutional, which sounds weaker until you read what it takes to change. The constitution continues the exemptions that existed on the thirtieth of June 1983 "in effect as statutory law until otherwise provided for by law," and then locks four things at two different heights. Homestead exemptions sit behind two-thirds of each house and a referendum. Three others sit behind two-thirds alone: "Any law which reduces or repeals exemptions granted to religious or burial grounds or institutions of purely public charity must be approved by two-thirds of the members elected to each branch of the General Assembly." Creating a new exemption is harder still, taking two-thirds of each house and a statewide referendum. Educational institutions appear nowhere in the protected list.

In Wisconsin again, the state constitution says nothing at all about charitable exemption. Its uniformity clause carries no enumeration of exempt purposes, so the whole exemption lives in a single statute the legislature could amend on an ordinary afternoon.

Four states, four regimes, and the differences are not cosmetic. They determine whether a city has anything to argue about, whether a legislature can be lobbied, whether a court can be asked, and whether a campus that grows past a line starts paying. The literature this book argues with treats the exemption as a constant and studies the variation in what institutions voluntarily pay. The variation is in the exemption.

...

The best available map of that variation is a legal typology the charity-law scholar Evelyn Brody published in 2016. Brody sorts the states into three boxes: seventeen whose constitutions mandate the exemption, twenty-five that grant the legislature authority to create it, and eight, plus the District of Columbia, whose constitutions say nothing about taxes or exemption at all. The first distinction

matters enormously. A mandated exemption is beyond a legislature's reach, so a city in one of those seventeen states that wants the rule changed has to amend a constitution. A permissive one can be narrowed by an ordinary bill.

Her counts do not hold entirely still, and a chapter about miscounting should say so rather than pick the convenient figure. The 2016 footnote says seventeen mandatory states and cites back to her own 2010 appendix, and that appendix is headed eighteen and lists eighteen. One of those two numbers is wrong and I do not know which.

Brody does not read her own survey the way this chapter does. Having assembled fifty-one jurisdictions of constitutions, statutes and high-court decisions, she concludes that "while the details of the charity exemption from property tax vary from state to state (and the District of Columbia), the regimes generally are more similar than not." That is a fair account of what she collected, and it is the opposite of this chapter's claim. The disagreement runs to which layer of the facts decides anything. Brody is comparing exemption regimes to one another and finding a family resemblance. This book is asking whether a particular city can collect a particular dollar from a particular campus, and at that resolution the details she sets aside are the entire answer. She concedes a good deal of it herself. Her article carries a section headed intrastate inconsistency, and thirty pages past the sentence above she returns to the point while introducing a survey of Minnesota county assessors: "inconsistencies in application also exist within states." What she does not do is treat that inconsistency as fatal to the family resemblance. This chapter does.

Put the states this book has actually examined into those two boxes and the boxes will not hold them. Three kinds of state fall outside the binary, and each of them turns out to matter.

The first is the state that is mandatory for one kind of university and permissive for the other. Arizona, North Carolina and Washington all run the two institutional forms under different constitutional regimes inside the same state. A public campus and a private college a mile apart are not merely taxed differently; they are governed by different provisions with different amendment procedures. Anyone reasoning about "the exemption in Washington" is reasoning about two things.

The second is Georgia's supermajority entrenchment, which converts some statutory exemptions into things sturdier than constitutional ones and leaves others where they were. Religious grounds, burial grounds and institutions of purely public charity sit behind two-thirds of each house. Colleges are not named. Georgia's educational exemption lives in an ordinary code section, and on the face of the constitution a simple majority could narrow it next session. Whether a Georgia college might claim shelter as an institution of purely public charity, and so enter the protected list through a different door, is a question I have not found decided, in a state with a great deal of purely-public-charity litigation about other kinds of institution. The summaries do record the supermajority. Brody's own appendix records it, in a parenthesis: Georgia requires a two-thirds vote of each legislative body to repeal the charity exemption. What no summary records is that colleges are not behind it.

The third is what happens inside Brody's silent box, which is where the typology stops being able to help anybody. Eight jurisdictions have constitutions that say nothing about taxes or exemption, and four of them turn up in this book: Connecticut, Oregon, Rhode Island and Wisconsin. Constitutionally they are identical, which is to say constitutionally they are blank. Operationally they have nothing whatever in common. Connecticut reimburses its towns at a statutory seventy-seven percent for private college property. Rhode Island runs the only comparable program in the country. Oregon inverts the ordinary public-private assumption in at least two statutes. Wisconsin caps a private college's exempt land at eighty acres and compels every private exempt owner in the state to file a biennial report. One constitutional category, four unrelated regimes, and the category predicts none of it.

Wisconsin does carry the weakest formal entrenchment of the four, with no constitutional enumeration at all and the whole exemption sitting in Chapter 70 where an ordinary bill can reach it. That is a real feature and a real vulnerability. Whether it is the weakest in the country I cannot say, because saying so would require reading fifty constitutions, and on the evidence of the discrepancy in her own appendix, nobody has done that carefully enough to be quoted on it.

The Georgia claim is worth pausing on for how it entered this project. It arrived as a reported fact, that Georgia entrenches its charitable exemption behind a supermajority, and it sat in the verification queue for months with the rest of the unread law. Reading the provision changed it. The entrenchment is real, it is narrower than reported, and the narrowing is the whole story: a legislature that wanted to reach Emory or Mercer needs fifty percent plus one, while a legislature that wanted to reach a soup kitchen needs two-thirds. None of that survives the summary. A reader should know throughout this chapter which claims rest on law that has been read and which rest on law that has been reported, because the two produce different books.

. . .

Before the argument, the arithmetic, because a variable nobody measures is easy to talk about loosely.

Two states publish enough to say something about what their college exemptions are worth. Connecticut, which has to compute the number in order to run its reimbursement program, put the grand-list value of PILOT-eligible private college and hospital property at fifteen billion eight hundred eighty-five million dollars for the 2024 list, up six and a half percent in a year. On the 2023 list, Hartford carried just under five billion dollars of exempt property of all kinds, and the state carried about seventy-four billion. Each of those is an assessed value struck at seventy percent of market and computed because a formula needed it, which is a different thing from what the property is worth.

Wisconsin, which requires private exempt owners to report biennially, put its exempt private real property at forty-one billion dollars and its colleges and universities at one billion seven hundred million, which is four and fourteen hundredths percent of the total. That percentage is the more

useful number, and it is smaller than the rhetoric on either side would suggest. In the state with an acreage cap and a constitutionally silent exemption and a reputation for legislative willingness to touch these questions, private higher education accounts for about one dollar in twenty-four of exempt value. Government property, religious property, and hospitals hold most of the rest.

Both figures come with a warning attached, and in Wisconsin's case the department supplies its own. Fifteen hundred thirty-five of the state's nineteen hundred thirteen municipalities filed, which is eighty percent. The department scales the remainder up by an adjustment factor built on equalized value, then cautions that compliance by the owners themselves is unknown and that "the estimated values in the table should not be deemed definitive." An estimate resting on an estimate, published because the statute requires publishing something. And Connecticut's number is a grand-list value computed for a reimbursement formula, which is to say it exists because somebody has to write a check against it. Where no check is written, no number is computed.

That is the pattern, and it should govern how anyone reads a national estimate. The states that publish are the states that pay. Connecticut counts its exempt college property because it reimburses towns for it; Wisconsin counts because a statute makes owners file. Illinois and Michigan and Pennsylvania, which reimburse nothing and require nothing, publish nothing, and their universities are among the largest in the country. Every national total in circulation is therefore built on the minority of states with a fiscal reason to keep score, and extrapolated across the majority that do not.

...

Now the admission this chapter is really about.

I set out to write a fifty-state survey of exemption regimes, and there is no such thing, in this project or anywhere else I have looked. The inventory that underlies most of this book is a careful, tiered, forty-plus-row dataset covering twenty-seven states, and it does not contain a column for the exemption. It codes routes *around* the exemption: which states let a city levy a wage tax, which let it charge a fee, which reimburse, which do nothing. The exemption itself appears in scattered notes about individual states, never as a variable.

That is not an oversight. It is the same gap Brody's typology has, arrived at from the other direction. Brody produced categories without outcomes; the empirical work produced outcomes without categories. The most comprehensive national accounting of what institutions actually pay their hosts is a census assembled by Adam Langley, Daphne Kenyon and Patricia Bailin in 2012, and it does exactly what its title promises: it counts payments in lieu of taxes, city by city, in impressive detail. It carries no state-law variables at all. So a reader can learn from Langley and his colleagues how much Boston collected and from Brody whether Massachusetts mandates its exemption constitutionally, and nothing published joins the two. Langley and his colleagues are candid about what their census could not see. "An undercount of the number of localities receiving PILOTs is inevitable for many reasons," they write, and they list the reasons: the ad hoc business of gathering information from newspaper articles, the difficulty of recognizing payments that meet the definition while going by

other names, the small number of jurisdictions that answered the survey, and the fact that information on small payments is often not public at all. Their own estimate is that they caught most of the large PILOTs and missed many of the small ones, so their count of two hundred eighteen localities runs low while their ninety-two point seven million dollars runs close. That is an honest accounting of a data problem in a census of payments. The equivalent problem in the law has never been described, because nobody has built the census that would expose it.

The legal typology has categories and no outcome data; the empirical inventory has outcome data and no exemption categories; and nobody has joined them. The nearest thing to a national accounting of what universities actually pay their hosts is a census of voluntary payments now fourteen years old, lightly refreshed once in 2016, with no state-law variables coded in it.

So the honest form of this chapter is not a map. It is an argument about why the map does not exist, and a demonstration, from the states where the law has been read, that the missing variable is doing more work than the variables everyone measures.

The reason the map does not exist is worth stating plainly, because it is the same reason the rest of this book was hard to write. Exemption law is state law, written in constitutions and tax codes and assessors' manuals, litigated in state courts, and administered by county officials with no obligation to publish anything in a common format. Two states can use identical words and mean different things; the same state can apply different rules to institutions across the street from each other. There is no federal registry, no uniform reporting, and no professional body whose job it is to keep the comparison current. A researcher who wants to know how forty-eight state legislatures treat a college's excess acreage has to read forty-eight tax codes.

And the data that would let anyone check the answer is missing in exactly the places it would matter most. Illinois and Michigan assessors do not value exempt university property at all: a University of Illinois parcel carries a net taxable value of zero at every level of assessment, and Michigan's public assessing search offers no exempt class whatsoever. Pennsylvania publishes no exempt-value data of any kind. Three of the largest higher-education states in the country cannot tell you what their universities' exemptions are worth, which means any national total anyone quotes is an estimate resting on the states that happen to keep records.

. . .

If the exemption varies by state, it also varies by what it is an exemption *from*, and that second variation is the architecture of this whole book.

The property-tax exemption exempts property. That sounds tautological and it is the most consequential sentence in American local finance, because a government that wants money from an exempt institution has a choice: argue about whether the property qualifies, or find a base that is not property. Every instrument in this book falls on one side of that line.

There are five bases in play. The **property** base is where the fight everyone knows about happens: the exemption itself, the service charge, the leasehold tax on private use of exempt ground, the special assessment, and the acreage cap. The **payroll** base carries the employee wage tax, the flat per-worker levy, and the employer payroll tax. The **consumption** base carries local sales, meals, lodging and admissions taxes. The **service** base carries the utility fee and the municipal utility margin. And the **person** base carries the per-student enrollment tax and population-driven formula aid.

Sort the book that way and the pattern is stark. Every instrument that has produced real, recurring, uncontested money for a city in these chapters sits on a base other than property. Athens bills the University of Georgia for stormwater and gets paid, at a reduced structure on the core campus. Philadelphia collects five percent on Penn's ticket sales, and Penn assesses the charge on its own athletic events and files monthly. Harrisonburg's electric commission drew about fourteen percent of its revenue from James Madison in its fiscal 2023 audit. Ohio and Michigan cities withhold on university paychecks. Newark, Delaware charges fifty dollars a head per semester, levied on the university rather than on students. Pittsburgh, working the property base, spent roughly two years and two hundred forty-seven thousand dollars in legal fees challenging exemptions parcel by parcel and came out, by the mayor's own April 2025 accounting, about forty-seven thousand dollars ahead.

The property base is by far the largest of the five, so nothing about that pattern turns on size. It turns on defense. The property base is the one the exemption was written to protect, and seven centuries of drafting have made that defense very good. A city fighting on the property base is fighting the institution's strongest position, on ground the institution's lawyers have occupied since the thirteenth century. A city on any other base is fighting somewhere nobody bothered to fortify, because nobody was thinking about universities when the fortifications went up.

The inventory that underlies this book states the principle in one line: base matters because exemption attaches to property, so every non-property base is a route around it. That sentence is the book's architecture. The chapters are ordered by base, not by state and not by size, because the base is what determines whether an instrument works.

. . .

Where the law has been read, one distinction cuts deeper than any other, and it is not the one the field talks about.

The field talks about nonprofit status: whether an institution is a 501(c)(3), whether it is a charity, whether it earns its exemption. This book has already shown that federal status is largely beside the point at the local level. What decides outcomes, over and over, is whether the university is public or private, and the two forms are not two variants of one legal object. They are governed by different provisions, they lose their exemption to different arguments, and in at least one state they are not even counted in the same dataset.

Wisconsin demonstrates the whole thing in a single statute. The eighty-acre cap sits in section 70.11(3), which reaches "incorporated" colleges, meaning private ones. The University of

Wisconsin's campuses are exempt as property of the state, under subsection 70.11(1), which carries no acreage cap at all. The drafting is messier than that summary suggests, since subsection (3) also carries a paragraph exempting buildings and leasehold interests on state university lands, and the two overlap. What matters is that no acreage limit reaches a public campus by either route. So the cap that appears in every summary of Wisconsin exemption law binds no public campus. And then the statute goes one step further than differential treatment. Wisconsin requires exempt owners to file a report on their holdings every other year, and the reporting statute excludes property exempt under 70.11(1) and (2) from the requirement. UW campuses do not appear in the state's exempt-property reporting at all, in any year, by design.

That is worth sitting with. A state has built a dataset of what its exemptions cost, and it has written its own universities out of the dataset. Not underreported: absent, by statutory exclusion. Anyone using Wisconsin's exempt-property numbers to reason about universities is reasoning about the private colleges only, and the state's own paperwork will not tell them so.

The rest of the statute makes the exclusion look chosen rather than overlooked. Subsection (3) specifies what the reporting form must capture and names categories by way of example: benevolent and educational associations, fraternal and labor organizations, nonprofit hospitals, private colleges, churches and religious associations. The department's own form runs to thirteen. The Department of Revenue publishes the result, and the table's heading declares the boundary: estimated value of exempt private real property. Colleges and universities came to one billion six hundred ninety-nine million eight hundred twenty-seven thousand five hundred dollars for 2024, four and fourteen hundredths percent of a forty-one billion dollar total. Places of worship held thirty-five and six-tenths percent of it.

The precision is illusory, and the illusion is instructive. Owners do not report a value; they mark a bracket, and the department multiplies parcel counts by bracket midpoints, assuming fifty-five thousand dollars for anything between ten thousand and a hundred thousand and a hundred twenty-five million for anything above a hundred million. So Wisconsin's figure for a church in Kenosha is a coarse guess dressed in nine digits. It is still infinitely more than the state records about its own campus in Madison, where the guess is not made at all.

A smaller asymmetry sits in the same section, of the kind only a drafter notices. Subsection (5) makes every filer reimburse the taxation district for the cost of processing its report, then adds a single sentence: "This subsection does not apply to a church that is required to file a report under sub. (1)." Churches file for free. Colleges pay to be counted. The state files nothing and pays nothing.

The eighty-acre figure dates to 1871 and stood untouched for a hundred forty-six years, which makes it sound like a settled compromise nobody bothers to reopen. In 2017 the legislature raised it, and the way it did so is a small masterpiece of drafting.

The amendment named no beneficiary. It created a second tier, a hundred fifty acres, open to any incorporated college or university meeting three conditions: nonprofit status, founding before the

first of January 1900, and total annual undergraduate enrollment of at least five thousand, "not including students receiving online instruction only." Read on the page, the criteria are neutral and general. Read against the state's actual roster of private colleges, they describe one institution.

The Legislature's own nonpartisan Fiscal Bureau declines the euphemism. Its January 2023 informational paper on property tax administration tabulates every exemption in Wisconsin law, and where the statute says "any incorporated college or university" satisfying three criteria, the Fiscal Bureau's entry reads "Grounds of Marquette University, not exceeding 150 acres." The agency whose job is explaining the law to legislators wrote down what the law does.

The vote came out of the Joint Finance Committee on the eighteenth of May 2017, twelve to four. The Associated Press reported that Senator Lena Taylor, a Milwaukee Democrat, objected that the change would hurt her city's finances, and that Representative Dale Kooyenga answered that the university is a good actor which pays its fair share in other ways, including free dental care. Neither legislator is quoted directly in the wire copy, so their positions survive and their words do not. The same motion raised the exempt acreage for Bible camps from thirty to forty, unanimously.

Milwaukee's officials have been describing the mechanism for years without being able to stop it. "Every year there are more requests to the Legislature," the city assessor, Steve Miner, told Urban Milwaukee in September 2021. "That's just a constant thing." Sixty-five or so requests a year, covering about a hundred parcels. Mayor Tom Barrett named the incentive in the same piece. "It's one of the burrs under my saddle, the ease with which legislators just throw in new exemptions," he said. "It's so easy for any group to go to the Capitol and say, 'can you just give me this?' And there is no negative impact for the Legislature."

Barrett's last clause is the political economy of the exemption in nine words. The body that grants it does not pay for it. A 2019 study by Milwaukee's treasurer and assessor put the exempt share of the city's real estate between seventeen and twenty-two percent, more than nine thousand eight hundred parcels and four and six-tenths billion dollars of value. All of it was authorized in Madison. All of it is absorbed in Milwaukee.

...

Washington runs the same split. Its four-hundred-acre cap reaches private nonprofit schools and colleges; public institutions are exempt as state property with no cap. The inventory records this as the same error, corrected twice: a summary that reports "the acreage cap" without saying which institutions it binds has told you almost nothing.

The Washington statute is unusually explicit about what its four hundred acres cover, and the list reads like a description of a campus: buildings and grounds designed for the educational, athletic or social programs of the institution, housing for students and religious faculty and the chief administrator, athletic buildings, "and all other school or college facilities, the need for which would be nonexistent but for the presence of the school or college." The only published appellate opinion I have found that discusses the four-hundred-acre limit at all is a 1992 dispute between St. Martin's

College and the Department of Revenue, and there the acreage was conceded by the state. Gerry Alexander, writing for Division Two in December 1992, recorded the Department's own concession that the property in question was "substantially less than the 400-acre maximum exemption permitted by statute," and the case moved on to whether an undeveloped, unmaintained strip between the campus and a highway was reasonably necessary for college purposes. The court held that it was, and the exemption stood. What is instructive is that the argument was about raw acreage rather than about buildings, which puts it closer to the cap than the concession suggests, and the state still did not think the cap was worth invoking. I have found no reported dispute in which any Washington institution came near the line.

And Oregon runs the split backwards, which is the case that should end anyone's confidence that public and private track one another. Oregon's transit districts levy a payroll tax, and the statute defining who owes it excludes organizations exempt under section 501(c)(3). Reed College is a 501(c)(3) and owes nothing. Portland State University is not one: its federal exemption runs through section 115, the provision for state instrumentalities. A separate Oregon statute then says a public university "is not considered a unit of local or municipal government or a state agency, board, commission or institution for purposes of state statutes," which puts it outside the reduced in-lieu rate the state pays for its own agencies. Portland State therefore falls between two definitions and remits the full employer rate on every paycheck, while Reed remits none.

The entire scholarly apparatus assumes the private nonprofit is the free rider and the public university is the unreachable sovereign. In Oregon the wealthy private college pays nothing and the public university pays full freight. It happens because three statutes were drafted in three decades for three purposes and nobody checked what they did in combination.

Oregon does it a second time, in the section governing property a nonprofit leases rather than owns. Section 307.112 extends the charitable exemption to property "of a taxable owner held under lease, sublease or lease-purchase agreement by an institution, organization or public body," then carves out by name "the State of Oregon, or a public university listed in ORS 352.002." Reed College leasing a downtown office floor keeps the exemption. Portland State leasing the identical floor of the identical building does not.

Connecticut runs the asymmetry in cash. Its reimbursement statute pays host municipalities seventy-seven percent of the foregone taxes on private college and hospital property and forty-five percent on state-owned real property, which is the bucket the University of Connecticut and the state universities sit in. Correctional facilities outrank both at a hundred percent.

Within any one town those rates hold their ratio, and a private campus is worth about seventy percent more to its host than a public one of the same assessed value. Across towns the ratio dissolves, and the reason is a second variable with nothing to do with universities. Connecticut sorts municipalities into three tiers by wealth and pays fifty-three, forty-three or thirty-three percent of the calculated grant depending on the tier. Run the arithmetic. A poor town hosting a public university takes forty-five percent of a fifty-three percent payment, which is about twenty-four cents

on the dollar. A wealthy town hosting a private college takes seventy-seven percent of a thirty-three percent payment, which is about twenty-five. The statutory preference for private colleges is real, and a formula written for an unrelated purpose very nearly erases it.

Rhode Island supplies the quietest version. The state runs one of only two programs in the country that reimburse towns for private nonprofit college and hospital property, and it has funded that program at or near the full twenty-seven percent since fiscal 2023, which by the standards of this book is a real achievement. The years before were rockier: appropriations were ratably reduced through much of the 2010s, bottoming at twenty-two percent of forgone taxes in fiscal 2014 before reaching full funding in fiscal 2017. Its flagship public university is not in the program at all, being state-owned and expressly carved out. South Kingstown, which hosts the University of Rhode Island, receives its entire reimbursement on account of a hospital. The celebrated program pays the state's own university town nothing in lieu of taxes for the university.

. . .

Regimes get tested one lawsuit at a time, and the tests reveal how much turns on which sentence a court is reading.

The cleanest example is also one of the oldest in this book, and the first thing worth noticing is who was not in the courtroom. When the City of Auburn, Alabama put an occupational license fee on people working within the city, a class of Auburn University employees sued, led by Edwin McPheeter. Their argument was the one every institution reaches for on its own behalf: the state's instrumentality cannot be reached by a municipality's levy, and a charge collected through its payroll reaches it. Auburn University itself was not a party to the case. No governmental unit was.

The Alabama Supreme Court, deciding the case in 1972, would not hear the instrumentality point at all, holding that employees complaining of burdens the ordinance placed on their employer were complaining of something that did not touch their own rights. "This does not concern appellants," the court wrote. On the substance it was equally short. "Imposing payment of the tax or license fee on the individual so engaged and employed," it held, "places no tax burden on Auburn University, the State, or the federal government as such."

The levy fell on the worker. The employer's exempt status never entered the analysis, and the university's exemption was left entirely intact and entirely beside the point.

That holding is the hinge the entire wage-handle chapter swings on, and what it did not require is as important as what it held. No finding about whether the university was a charity. No five-part test. No valuation of the campus, and no negotiation with anybody. It took a court noticing which noun the ordinance had made the taxpayer, and the university's own status became so irrelevant that the university did not bother to appear.

Pennsylvania supplies the mirror image. When West Chester's borough charged its state university for stormwater, Justice Kevin Brobson wrote for the state's high court in 2026 that the charge was a

tax, and a tax-immune state university does not pay taxes. Brobson reasoned about the charge rather than about the payer, asking whether the borough was discharging a public duty rather than selling a service, which means the holding is general: it turns on what kind of charge it was, not what kind of institution stood at the other end. Two qualifications belong on that. The borough never contested the university's tax-immune status, so immunity itself was never litigated, and three justices wrote separately, Mundy concurring while Wecht and McCaffery each concurred and dissented in part, which leaves the framework contested rather than settled. More importantly, a private nonprofit is not immune. Its protection runs through exemption, which is a different doctrine with different edges, so what the case decides for private nonprofits is a further question and not an obvious one. What the holding does settle is that a ruling which looks like a ruling about a public university is really a ruling about a charge.

Set the two beside each other and the lesson is not that courts favor universities or towns. It is that the outcome tracks the object of the analysis. Ask what the institution is, and you get the purely-public-charity litigation of Pennsylvania, the five prongs, and a quarter of a million dollars in legal fees to clear forty-seven thousand. Ask what the charge is, and you get Auburn, where the question resolved in a sentence because the charge was aimed at people rather than at a campus.

A city choosing an instrument is choosing which question a future court will be asked. That is the most practical thing this book has to say, and it is available to any city that reads its own regime carefully enough to know what questions are on offer.

...

The acreage cap deserves its own treatment, because it is the one instrument in this book aimed squarely at the exemption's home ground, and it is a dead letter.

Wisconsin and Washington are the only two I have found, and this chapter has already conceded that nobody has read forty-eight state tax codes, including me. Both reach private institutions only. Neither requires a locality to adopt anything or an institution to apply for anything, and on the face of the statutes land above the line is simply taxable, with no negotiation standing between the statute and the tax roll. Whether any assessor is instructed to act on that is a different question, and neither state's assessment manual answers it, which by this book's typology makes it the strongest possible form of claim. Wisconsin even supplies the thumb on the scale. Section 70.109 directs that exemptions "shall be strictly construed in every instance with a presumption that the property in question is taxable, and the burden of proof is on the person who claims the exemption." The statute instructs the assessor to doubt the college.

And no college is known to pay under either. Not "pays a little." No published source identifies a single university anywhere paying tax on excess acreage. Private colleges in Wisconsin do hold taxable parcels, and some hold a good deal, but none of it is attributable to the cap rather than to ordinary commercial or leased use of particular buildings.

There is one anomaly, and it is unresolved. The inventory records Beloit College at a hundred twenty-eight exempt acres against an apparent eighty-acre cap, sourced to a parcel search rather than to anything an assessor has said. Beloit is a nonprofit and was founded in 1846, so it satisfies two of the three conditions for the hundred-fifty-acre tier, but it enrolls something like thirteen hundred undergraduates against a threshold of five thousand. The college's own published description of itself settles nothing: a sixty-five-acre wooded campus and a twenty-five-acre stadium and sports complex, which is ninety acres of promotional copy with no indication of how the assessor draws the parcels. On the face of the statute those acres should not all be exempt. The inventory's own verdict is that this is worth an assessor's phone call rather than a citation, and it would be, if it held up, the first documented instance in the country of an acreage cap binding a college.

I raise it because the alternative explanations are more interesting than the anomaly. Perhaps the assessor has never applied the cap. Perhaps the acreage is recorded by a definition that does not match the statute's. Perhaps some parcels are exempt on another ground entirely. Every one of those possibilities describes a self-executing statute that is not executing, and the reason is the same reason the negotiated payment underdelivers and the reimbursement gets prorated: an instrument on the books is not an instrument in operation until somebody with authority decides to operate it. The acreage cap is what a perfect claim looks like when nobody picks it up.

...

Variation does not stop at the state line or at the base. It runs inside a single instrument, and the wage tax shows how far.

Two cities can both have a municipal tax on wages and reach entirely different sets of people, because the tax can attach to where a person works or to where a person lives. That single choice, called *situs*, decides whether a university is reachable at all. A work-site tax catches everyone employed on the campus regardless of where they sleep, which is exactly what a host city wants, since a university's workforce commutes in from everywhere. A residence-based tax catches the city's own residents wherever they work, which means the host city collects on the professors who happen to live in town and nothing on the thousands who do not.

The ladder has more rungs than that, and the inventory's own revision history is instructive about how easy it is to get wrong. An early version of the taxonomy recorded a single value per state, and the corrected version warns explicitly that a state can occupy more than one cell, and that recording one value per state was the error. Ohio and Michigan turn out to be work-site states that leak on remote work, because a tax that follows the job site loses the job site when the job moves to a spare bedroom. Several states run conjunctive systems where residence and work-site taxes coexist and credit against each other.

None of that appears in any summary that reports which states "have" a local income tax. And it is the whole question, because a state with a residence-*situs* wage tax has, from a university town's perspective, no wage tax at all.

This is the same failure this book keeps running into. An instrument gets named, counted, and compared across states as though the name meant one thing. Underneath the name sit drafting choices that reverse the outcome: whether the tax attaches to the worker or the employer, whether the fee is authorized by a statute that names it, whether the reimbursement is an entitlement or an appropriation, whether the acreage cap reaches public campuses, whether the student is counted at school or at home. Every one of those is a sentence somebody wrote. None of them is visible from a fifty-state table of who has what.

...

A word about how much of this anyone should believe, including the parts of it in this book.

The inventory underlying these chapters was audited by an adversarial reviewer, and the reviewer's summary of the exercise is the most useful sentence in the whole apparatus. The reviewer declined to extend any confidence to the portion the audit did not reach. The assessment reads: "Given the hit rate in what I did audit — three fatal, eleven major — I would not assume that untested set is clean."

That is the correct posture toward every claim in this field, including mine. State tax law is voluminous, poorly indexed, frequently amended, and reported by secondary sources that copy one another. The specific failure modes are consistent enough to name. A statute gets summarized without its conditions, so Wisconsin's hundred-fifty-acre extension loses two of its three requirements and becomes an enrollment test. A provision gets attributed to the wrong institutions, so an acreage cap that binds only private colleges is reported as binding the state's flagship. A repealed authority stays in circulation for years, so a list of states with local income taxes carries Arkansas and California long after both stopped having them. A count gets assembled from non-comparable things, so seventeen states become the standard figure for an instrument that does not exist in that form in seventeen states.

None of those errors requires anyone to be careless. They require only that a fact be copied once without being re-read, which is the ordinary metabolism of a literature. The inventory this book runs on records its own tier distribution honestly: a bit under six in ten of its cells rest on primary law or primary agency documents, and the rest on derivation, reputable secondary sources, or nothing better than a report. It also records, in its own text, that an earlier version's claim to rest no conclusion on an unverified cell was false and provable from its own tags.

I include this because a chapter arguing that everyone has mismeasured the exemption cannot then present its own measurements as beyond question. What I can say is that where this book states a statutory rule, the statute has usually been read, and where it has not been, the chapter says so.

...

Regimes also change, and Virginia shows how quietly.

Until 2003, exempting a particular property in Virginia required a three-fourths vote of the members elected to each house of the General Assembly. A constitutional amendment ratified in November 2002 replaced that with an ordinance adopted by the local governing body, and the implementing statute followed the next year. In one amendment the exemption decision moved from the state capital to the county courthouse.

The statute that carried it contains a provision worth quoting for what it asks a locality to do before granting an exemption: weigh, among other things, "the revenue impact to the locality and its taxpayers of exempting the property." Virginia requires a fiscal-impact analysis before an exemption is granted. That is a genuinely unusual piece of drafting, and it is the closest thing in American exemption law to the caps in Harvard's 1650 charter: an acknowledgment, written into the instrument, that the exemption costs somebody something and that the somebody should be asked first.

It applies to the exemptions localities grant. It has no bearing on the university, whose exemption comes from being an arm of the Commonwealth and was never a local decision at all. Virginia asks its counties to count the cost of exempting a food bank and does not ask them to count the cost of exempting a campus.

...

Burlington's side of the arrangement has been on the record for a generation without shifting the number. Peter Clavelle, the city's mayor through most of the 1990s and again in the 2000s, told VT Digger in November 2019 that the position had never varied: "We've argued for decades now that the taxpayers should not bear the costs, that there's a group of beneficiaries at the hospital and university that should contribute." Miro Weinberger, who was mayor throughout, had put it as a capital problem three years earlier in the same publication. "It's a challenge for us to make the investment we need to when a very large percentage of our grand list is tax-exempt," he said in 2016. And Thomas Gustafson, UVM's vice president for university relations and administration, gave the reply nearly every university in this book gives, with more candor than most: "The city may not think we pay enough, and we probably think we pay too much."

Three officials, two institutions, one unmoved statute. None of them mentions the seven hundred fifty thousand dollar cap, and the silence is the point. What those men are arguing about is the university's own payment to the city, which is negotiated, revisited, and runs about one and two-tenths million dollars a year by the Joint Fiscal Office's reckoning, alongside a further seven hundred thousand for property taxes, stormwater fees and services. The state's statutory contribution for UVM's buildings is not negotiated, has not moved since fiscal 1997, and sits outside the argument entirely, in a subsection of Title 32 that nobody in that conversation has any occasion to raise.

...

Two smaller portraits make the point that a regime is a set of small drafting choices rather than a posture.

Vermont's program covers "buildings of the University of Vermont and State Agricultural College used for educational and not commercial purposes." Every word there is a boundary. Buildings, so the ground underneath them is outside the program, and the definitional section says so outright, counting UVM buildings while "excluding the value of land on which the buildings are located." Used for educational and not commercial purposes, so the parts of a campus that behave like businesses drop out. Then a separate subsection sets a ceiling: "The total of any grants under subsection (a) of this section for buildings owned by the University of Vermont and State Agricultural College shall be limited to a maximum of \$750,000.00."

Notice what that ceiling attaches to. It does not limit what Burlington receives. It is one statewide figure covering every UVM building in every Vermont municipality, collectively, and Act 63 set it to begin in fiscal 1997. It has not moved since. Ted Barnett, a senior fiscal analyst at Vermont's Joint Fiscal Office, laid the arithmetic out for legislators in a February 2025 brief: "The current statutory cap of \$750,000 represents a proration of 8.5% against the full value of \$8.85 million." Vermont pays about eight and a half cents on the dollar for UVM's buildings and nothing at all for the land they stand on.

The comparison Barnett drew in the same brief is the one that should sting. "The PILOT program issues payments for the full value of buildings in the State college system," he wrote, "but subjects University of Vermont buildings to a collective statutory cap of \$750,000." One state, one program, two treatments, and a subsection between them. Barnett also reported that the money is there for a fix: "PILOT Special Fund revenues would be sufficient to absorb this type of adjustment regardless of the metric chosen." The cap has held for twenty-nine years anyway.

Newark, Delaware is the same exercise run the other way. About forty-two percent of Newark's real estate is exempt, and roughly thirty-seven of those forty-two points belong to the University of Delaware. The city's own reckoning of what that costs runs to about six million dollars a year in forgone tax. The university's payment to the city was a hundred eighty thousand dollars a year and had not changed since 2001. Then Delaware amended the city's charter to authorize a per-student charge of up to fifty dollars a semester, reaching students enrolled in classes taking place within the city, and the city set it at the maximum. Tom Coleman, the city manager, put the expected yield between two million and two million four hundred thousand dollars, which is upwards of eleven times the frozen payment it supplements and still under half the forgone tax. And the statute indexes the fifty-dollar ceiling to the consumer price index beginning in January 2026, which is the drafting choice that will matter most and the one nobody will notice for a decade.

Neither Vermont's cap nor Delaware's charge was arrived at through any theory of what a university owes. Vermont picked a number in the 1990s and left it. Delaware picked a number in 2025 and indexed it to enrollment, which means it will grow with the thing that causes the cost. That difference,

between a fixed sum and a sum tied to a growing base, is worth more over a decade than any amount of goodwill, and it was decided by whoever drafted the sentence.

What all of this adds up to is a claim about where the interesting variation lives, and it is not where the field has been looking.

The scholarship on university payments studies the payments: how much Yale gives New Haven, whether Boston's program works, what makes a nonprofit generous. Those are real questions and this book has spent chapters on them. But the payments are the last and smallest term in a long expression whose earlier terms are all statutory. Whether the university is public or private, whether the state's exemption is constitutional or statutory, whether it is mandatory or permissive, whether it caps acreage, whether the city has a wage tax, whether a fee will survive a court, whether the state reimburses and at what proration, and whether the students count toward the town's population: all of that is settled before any mayor picks up a phone. By the time the negotiation starts, most of the outcome has been determined by people who were not in the room and were mostly not thinking about universities.

The exemption looks like a constant because it is written in near-identical words across many states, and this book's first chapter showed how those words got there: delegates in constitutional conventions reading each other's provisions aloud and borrowing what they liked. The convergence was real. It was also superficial. Beneath a shared phrase sit fifty different answers to who decides, who is covered, what it takes to change, and whether anyone is counting.

Which is why a book about how cities reach universities has to be, underneath, a book about drafting. Not because drafting is interesting in itself, but because it is where the decisions actually were, and because a city that understands its own regime can sometimes do something about it, and a city that treats the exemption as weather cannot.

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## Chapter 3 — The Wage Handle, and Whose Wages It Reaches

...

On the evening of January 20, 1970, roughly three hundred and fifty people crowded into the Auburn City Council chamber, the largest crowd anyone could remember at a council meeting, and about twenty-five of them took turns explaining why the city had no business taxing them for the privilege of going to work. Before the gavel, a man named Earl Kennamer of the Auburn Extension Service led an impromptu rally on the steps, holding a poster that read *Nay, Nay, We Won't Pay*. The crowd cheered him. Then everyone went inside and the council passed the tax anyway, five votes to three.

The tax was one percent of gross salary above \$2,080 a year, levied on everyone who worked inside the city limits. What made it worth a rally was who worked inside the city limits: Auburn University employed between four and five thousand people who lived in Auburn, and thousands more who commuted in from the county, and every one of them was about to owe the city a percentage of their pay. The University itself owed nothing. Its classrooms, its laboratories, its stadium, its land — all of it exempt, as state-owned educational property is exempt in every state in the country. The city had found the one thing about the University it was allowed to tax. Not the institution. The paychecks.

Mayor James Haygood made the argument that every mayor in this chapter makes, in nearly the same words. "The people who work for the University demand the city's services," he said. "If we are to provide these services, we must have the money." A one-percent city sales tax had gone down two weeks earlier under pressure from the business community. The city was staring at a \$136,000 deficit. The occupational tax was the fallback, and it was the fallback because it was the only base broad enough and untouchable enough to close the gap. The University was the largest thing in Auburn. Its workforce was the largest taxable object the city could reach.

The people at the podium understood exactly what was being done to them, and they had the oldest objection in American public finance. Roland Harris, who carried mail for the University, and two professors, David Dyer in mechanical engineering and Richard Eaves in history, all made the same point. It was unfair, they said, for people who lived outside the city and got nothing from it but the road they drove in on, to be taxed by a government they could not vote out. Taxation without representation. The complaint would echo through every wage-tax fight for the next half-century, in Montgomery and East Lansing and Athens, always from the same mouths: the commuters, the people the tax reaches precisely because they are not residents and cannot vote.

Four of the eight Auburn council members were University employees. One was a retired professor. When the vote came, three of the University men voted no — Hugh Reagan in history, Joseph Hood in agronomy, Paul Conner in the industrial laboratories. Voting yes was Cary Duncan Wright, property custodian for the Large Animal Clinic, who said he hated to pass any tax and would have to pay this one himself, and that it was "the most practical and fairest means to correct the deficit." The Student Government Association sent a representative to ask that the first \$2,080 of income be

exempted, to protect working students; the council agreed and wrote the exemption in, though it ran to everyone, not students alone. Then it passed the thing, and the University's employees sued.

. . .

The lawsuit is the reason we can say with confidence that a city may do this, and it is worth telling because the man whose name is on it was not a clerk with a grievance. Edwin Keith McPheeters was the Dean of Auburn's School of Architecture and Fine Arts. He had arrived from Rensselaer Polytechnic barely four months before the council adopted the tax, and his name went on the suit that five University faculty and staff brought to stop it. A clerical error in the Alabama Reports dropped the final s from his surname, and so the case that governs the whole question travels under a name its plaintiff did not have: *McPheeter v. City of Auburn*.

The employees argued that taxing them was a burden on government itself, because they performed the essential functions of a state institution, and a city cannot tax the state. This is the doctrine of intergovernmental immunity, and in 1939 it had already stopped meaning what the plaintiffs needed it to mean. The Supreme Court had held that year, in *Graves v. New York ex rel. O'Keefe*, that a nondiscriminatory tax on income earned working for a government is not a tax on the government. You can tax the worker without taxing the sovereign. The Alabama Supreme Court, affirming the tax on March 23, 1972, quoted the rule and applied it without hesitation. Justice Daniel T. McCall Jr., writing for a unanimous court:

*There is nothing in the statute ... that exempts employees in government from the effects of the tax ordinance. Therefore, if there is no principle of law clothing government employees with immunity, because they are such, we can conceive of no reasonable cause why they should be excluded from a tax that others bear.*

Everything in this chapter depends on the mechanism the court identified next:

*Imposing payment of the tax or license fee on the individual so engaged and employed places no tax burden on Auburn University, the State, or the federal government as such. The tax is not levied on the employer-employee relationship, but on the taxable event of rendering services or following a trade, business, or profession. The ordinance places the tax on an employee's privilege of working in the city limits of Auburn regardless of the person's employer or the place of residence of the employee.*

Read that again with the exemption in mind. The University is exempt because the tax attaches to property, and the University's property is immune. The wage tax does not attach to property. It attaches to the act of working in a place. Exemption has nothing to bite on, because the thing being taxed is not the institution and not its land but a person showing up to a job. The University's tax exemption, which defeats every attempt to reach it through the property roll, is simply irrelevant to a tax measured by what its employees earn. The court said so in as many words: the tax "is not even measured by a person's income, but only by his salary or wages earned. So in no sense can the Auburn tax be considered an income tax." It is a tax on the privilege of working, and the University cannot make its employees immune from it any more than it can make them immune from the speed limit.

The ordinance never purported to compel the University to withhold, and the court declined to reach the question, because no governmental unit was a party to the suit; the ordinance carried a fallback

that let the city collect directly from the employee if a government employer declined to deduct. Today the University withholds anyway, voluntarily. Its human resources office distributes the city's withholding certificate to its own employees. The distinction the case left open, between a city that may tax the workers and a University that cannot be conscripted to collect, has been closed in practice by an institution that simply collects. Every payday, the University subtracts the City of Auburn's one percent from its employees' checks and sends it downtown.

. . .

The doctrine did not stay in Alabama, and it did not stay small. In 1987 Jefferson County, which contains Birmingham, levied an occupational tax of one-half percent on anyone holding a position paid by any federal, state, county, or city employer. Every active federal judge in the Northern District of Alabama paid it, except two. William Acker, a Reagan appointee with a reputation for combustibility, and U. W. Clemon, the first Black federal judge in Alabama, a former civil-rights lawyer and state senator, refused. The county sued them in small-claims court for the money. Because every judge in the district owed or had paid the same tax and was therefore conflicted, the case had to be tried by a judge borrowed from Georgia, and it climbed from small claims all the way to the Supreme Court of the United States.

The Court ruled against the judges on June 21, 1999. Justice Ginsburg, writing for the majority in *Jefferson County v. Acker*, found the tax a nondiscriminatory levy on the judges' compensation, consented to by a 1939 federal statute, laying no demand on the federal government itself. "In practice," she wrote, "Jefferson County's license tax serves a revenue-raising, not a regulatory, purpose." The county did not license the judges or regulate how they judged. It taxed the privilege of working in Jefferson County, and a federal judgeship is, for this purpose, a job in Jefferson County like any other. The opinion cited *McPheeter* by name. The Auburn architecture dean and the two federal judges are links in one chain, and the chain holds: a local government may tax the wages earned inside its borders by the employees of an institution it cannot otherwise touch.

This is the handle. Where a town's fiscal relationship with its university runs through wages, it is the strongest instrument the town has, because it grows with the university instead of shrinking as the campus expands. When a university buys another building and takes it off the tax roll, the property base shrinks and the town loses. When a university hires another five hundred people, the wage base grows and the town gains. The wage tax inverts the incentive that the property exemption creates. For a town that can only tax property, a growing university is a slow fiscal bleed; for a town that can tax payroll, the same growth is a windfall. The later chapters of this book take up the other ways a town without a wage tax can still reach its university — the negotiated payment, the utility fee, the state that reimburses. But those are second-best, and most towns that rely on them do so because the wage handle was never theirs to use. Whether it was theirs turns on whether the state legislature happened to grant it, decades ago, for reasons that had nothing to do with any university.

Most did not.

The reference books will tell you that seventeen states authorize local income taxes. The number is close to meaningless, because it counts things that are not the same instrument and files them under one heading. Kansas is on the list, and Kansas prohibits municipal income taxes outright; what it authorizes is a tax on interest and dividends that reaches no one's wages. California is on the list on the strength of a San Francisco payroll tax repealed in 2021. Iowa is on the list for a surtax that school districts levy on their residents' state tax bills. Colorado is on it for a flat monthly head charge of a few dollars per worker that has no relation to what anyone earns. Strip out the prohibitions, the repeals, the investment-income taxes, the head charges, and the residence-based surtaxes collected by the wrong unit of government, and the list of states where a municipality can actually tax the wages a university pays its workforce shrinks from seventeen to a handful.

And even within that handful, having the instrument is not the same as being able to use it, because the wage tax varies in a single technical feature that decides whether it reaches a university at all. The feature is called *situs* — the rule that assigns a given dollar of wages to a taxing jurisdiction. *Situs* is where the money in this story is won and lost, and it divides the real wage-tax states into two camps that could not be more different in what they deliver to a university town.

In the first camp the tax follows the job. This is work-site *situs*, and it is what Auburn has. A person who works in the city pays the city, whether or not she lives there. The commuter who drives in from the county pays. So does the professor who lives one town over, and the administrator who bought a house across the county line for the schools. For a university town this is the arrangement that matters, because a university's workforce is drawn from a wide radius and a large share of it lives outside the municipal boundary. Work-site *situs* reaches that share. Ohio has it. Kentucky has it. Alabama has it. Philadelphia, uniquely in Pennsylvania, has it. These are the towns that can actually tax the university's people.

In the second camp the tax follows the home. This is residence *situs*, and it is nearly worthless to a university town, because the university's employees are exactly the people who tend to live somewhere other than the small municipality that hosts the campus. Maryland is the extreme case. Maryland has the heaviest local income taxation in the country, every county levying it at rates reaching 3.20 percent, and a university town in Maryland captures almost none of it, because the tax is levied by the county of residence, not the municipality of work. A Johns Hopkins employee who works in Baltimore City and lives in Baltimore County pays Baltimore County. The city that hosts the university, bears the cost of its fire runs, plows the streets its employees drive on, collects nothing. Maryland proves the point that a wage tax is not enough. You need a wage tax with the right *situs*, and *situs* is set in the state capital, not the county seat.

Pennsylvania shows both camps inside one state, and the contrast is instructive enough to be worth the detour. Everywhere in Pennsylvania except Philadelphia, the local wage tax is residence-priority: if you live in one town and work in another, a credit provision hands the revenue to the town where you live. The Legislative Reference Bureau's own manual concedes that under this rule municipalities

"do not derive significant revenue from nonresidents," and that school districts may not tax nonresidents at all. A Penn State employee who commutes into State College Borough pays his home township, not the borough that hosts the university. But Philadelphia operates under a different statute entirely, and that statute is the reason Philadelphia's wage tax is the largest municipal wage tax in the United States.

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The statute is the Sterling Act, and it was born in the worst year of the Depression, which is the only kind of year that produces an instrument this aggressive.

By 1932 Philadelphia was running out of money the way cities did in the early Depression, with property tax collections collapsing as owners stopped paying and relief costs climbing as unemployment spread. The city lived on the property tax, and the property tax was failing. Councilman Harry Trainer had an idea, and a Philadelphia state representative named Philip Sterling — not, as the act's fame sometimes suggests, a senator — carried it to Harrisburg as House Bill 214. It passed the House on a special-session night by a vote of 195 to nothing, and it did something no state had done for a city before. It empowered Philadelphia to tax essentially anything the Commonwealth was not already taxing. Persons, transactions, occupations, privileges, property, whatever the council could think of. Governor Pinchot signed it on August 5, 1932. A state senator from Philadelphia called it "the salvation of Philadelphia."

The first wage tax under the new power failed. A half-percent payroll levy drew such hostility from labor that the council killed it seventeen to nothing in November 1932, and the finance chairman said the bill had been buried "so deep, you won't find it in 10,000 years." It came back seven years later, and this time it reached the people the first version had spared. On December 13, 1939, Philadelphia adopted the nation's first municipal income tax, one and a half percent, and it applied to the roughly two hundred thousand people who earned their living in Philadelphia but lived outside it. Councilman Edward Kelley made the case in the language of every work-site tax since: those nonresidents "earn their living here" and should "pay a pro rata share of the cost of Philadelphia government." A New Jersey man who worked at the Philadelphia Navy Yard challenged the tax and lost; the Pennsylvania Supreme Court held in 1943 that the city could tax him even though he lived across the river, because he worked on this side of it.

Only Philadelphia has this power, and the reason is a phrase in the 1932 statute. The Sterling Act empowered cities of the first and second class, but the second-class grant carried a three-year sunset. Philadelphia was and remains Pennsylvania's only first-class city; Pittsburgh, a second-class city, got in briefly and aged out when its authority expired in 1935. When the legislature finally extended wage-tax power to the rest of Pennsylvania's municipalities in 1947, it wrote a residence-priority credit that sends commuter revenue home, and by a 1949 amendment it capped everyone else's rate at one percent. Both moves preserved Philadelphia's singular advantage. Philadelphia keeps every dollar of wage tax it collects from nonresidents. Everyone else in Pennsylvania hands that money to

the town where the worker sleeps. Two statutes, one state, and a university in Philadelphia is reachable in a way a university in State College is not. Neither town decided this. The legislature did, in 1932 and again in 1947.

The rates today make the stakes concrete. Philadelphia's wage tax, as of July 1, 2026, is 3.735 percent on residents and 3.425 percent on nonresidents. Penn, Drexel, Temple, and Jefferson all withhold it from every employee who works in the city. A university in Philadelphia hands its host government something on the order of three and a half cents of every dollar it pays its workforce. A university in almost any other Pennsylvania town hands the host nearly nothing, because the money follows the worker home. The exemption is identical in both places. The wage handle is not, and the wage handle is the difference.

The town on the other side of that sentence is State College, Pennsylvania, and it is worth standing in for a moment, because it is what most university towns actually look like. Penn State's University Park campus is one of the largest employers in central Pennsylvania. The borough that surrounds it cannot tax those wages the way Auburn taxes Auburn University's. Pennsylvania's residence-priority rule sends the wage tax of a Penn State employee who lives in a neighboring township back to that township. The borough that hosts the campus, that plows the roads its employees drive on and answers the calls its football Saturdays generate, keeps almost none of it.

What State College has instead is a fifty-two-dollar bill. Pennsylvania lets its municipalities levy a Local Services Tax, a flat annual charge on everyone who works in the jurisdiction, and unlike the wage tax it is work-site, so it reaches the commuter. State College levies the full amount the statute allows, fifty-two dollars a year per worker, and Penn State's payroll runs through it. Fifty-two dollars is the ceiling. It does not rise with a salary or grow with the campus. A one percent work-site wage tax of the kind Auburn levies would scale with the payroll into a figure many times larger. The Local Services Tax is capped by the state at the price of a tank of gas, because Pennsylvania handed Philadelphia the Sterling Act and handed everyone else a flat fee with a lid on it.

This is the ordinary case. Auburn, Athens, Lexington, and Philadelphia are the exceptions, the towns that happen to sit in states that built the road. Most university towns are State College: a large exempt campus, a small municipal government, and no instrument that grows with the institution it hosts. For them the wage handle was never a tool they chose not to use. It was a tool the state never gave them.

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The Local Services Tax that State College levies belongs to a small family of instruments, the flat per-worker charges that reach the people who work in a town no matter where they live or who signs their checks. They are the consolation prize of the towns the wage handle skipped, and West Virginia has built the purest version.

A West Virginia city may levy, on everyone who works inside its limits, a flat weekly fee to pay for police and fire and streets. The state code calls it a charge upon the users of the service, and that

phrasing is the whole point. It is a charge for a service the worker consumes by showing up to a job in the city, not a tax on property and not a tax on income, and a university's exemption, which runs to its property and its income, has nothing to bite on. Morgantown, home to West Virginia University, charges three dollars a week, split among the police, the streets, and public works, and raises about four million dollars a year from it. Huntington, home to Marshall, charges five. And the cities say plainly that the exemption does not save the university's workers: Huntington's own code states that the fee applies to for-profit businesses and not-for-profit organizations alike, and West Virginia University's payroll office tells its employees that the Morgantown fee will be withheld automatically from the paycheck of anyone who works inside the city.

There is one soft spot, and Morgantown's city attorney named it exactly. The city can require the university's employees to pay the fee as users of the service, he told the council, but the way the fee gets collected is employer withholding, and a state agency like West Virginia University cannot be compelled by a city to withhold. It does it anyway, voluntarily, the way the state agencies in Charleston do. So the liability reaches the worker regardless of the exemption, and the collection rides on the university's willingness to run it through payroll, and the universities, so far, are willing. The instrument is doctrinally strong and politically fragile. A bill to bar the fee on state employees, which would carve every West Virginia University and Marshall worker out of it, is introduced in the legislature every few sessions. It has not passed. It keeps coming back.

Colorado runs a smaller cousin. Denver charges a flat few dollars a month on every person who works in the city and earns above a low monthly floor, a head tax that lands on the university's employees like anyone else's. These flat charges are never large. Fifty-two dollars a year, or three dollars a week, or a few dollars a month, capped and unindexed, is a fraction of what a real wage tax on the same payroll would yield. But they are what a town has when the state handed it no wage handle, and they reach the one thing about the university a property-exempt town can otherwise never touch, which is that thousands of people come to work there every day.

A tax laid on the university's payroll rather than on its workers' wages is a different instrument, and it behaves in a stranger way, sometimes sparing the private university and taxing the public one. That instrument has its own chapter. What matters here is the worker-side handle. The wage tax and the flat per-worker fee both reach the university's people because the people are not exempt, and a town that holds either of them has a grip on the campus that no property exemption can loosen.

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Having the handle is one thing. Being allowed to reach for it is another, and here the states diverge again, because a wage tax the town cannot adjust is a wage tax frozen at whatever rate history left it.

Ohio makes its towns ask permission. Under Ohio law a municipality may not levy an income tax above one percent without the approval of its voters, and the ordinance has to be filed with the board of elections at least ninety days before the election. This is why the story of the Ohio wage handle is

a story of ballot measures, and why the best illustration of what it costs a town to use its own instrument is a small city in the Appalachian foothills that went to its voters twice in thirteen months.

Athens, Ohio, is Ohio University, in the way that Auburn is Auburn. The university is the town's largest employer and the largest consumer of its services; the city council president would note, in the middle of the tax fight, that about forty-five percent of the city's fire runs go to the Ohio University campus. The city's income tax is its lifeblood. In 2023 it supplied two-thirds of general fund revenue. The tax was not failing in any simple sense; total collections were rising. What was slipping was the university's share of them, and it was slipping for a reason that ran straight through the technical machinery of situs.

The erosion began with the pandemic. Ohio, like most states, taxes wages at the work site, on the Auburn rule. When Ohio University's administrative staff began working from home in 2020, an emergency measure let employers keep withholding as though everyone still came to campus. The legislature let that relief run through the end of 2021 and allowed employees to claim refunds for days worked at home; from January 1, 2022, the tax followed the employee's actual work location. An Ohio University employee working from a house in a neighboring township now owed that township, not Athens. The work site had moved from the campus to the spare bedroom, and the tax moved with it. City Auditor Kathy Hecht saw it coming in early 2022, when the city was already paying out an extra hundred thousand dollars in refunds to remote workers. "Absolutely there will be revenue loss, there's no doubt about it," she said. She expected hundreds of university employees to keep working from home, many of them living outside the city, and she noted the detail that makes the loss bite hardest: the employees with the flexibility to work from home tend to be the higher-paid ones. "We're not going to go broke," she said, "but we are going to have to make changes."

By late 2024 the city had put a number on it. Ohio University's withholding, as a share of the city's total income tax collections, had fallen from 42 percent in 2008 to 29 percent in 2023. The council president, Sam Cowl, named the cause without hedging: "The biggest issue is that we receive much less money from Ohio University in 2024 than we have in the past." The administration proposed raising the income tax from 1.95 to 2.25 percent and put it on the May 2025 ballot.

The framing deserves a second look, because the city reached for the more dramatic version of its own numbers. The share of collections from the university had indeed dropped from 42 percent to 29. But the actual dollars the university withheld had fallen only about ten percent. The share dropped mostly because the city's total collections had grown by more than a quarter over the same years, and a growing denominator will shrink any share. The city led with the scarier figure. Its own local paper, the Athens County Independent, fact-checked the claim and rated it "mixed." None of which means the revenue problem was invented; it means the city told a true story in its most alarming register, which is what governments do when they need their voters to say yes.

The voters said no. On May 6, 2025, the increase failed 835 to 625, a fourteen-point margin, on a turnout of about eleven percent of registered voters. There was no organized opposition, no committee, no PAC. The opposition was a handful of people at the podium and one letter to the paper.

A former state representative named Mary Abel told the council the increase on wage earners was really about fifteen percent, one of the largest since the tax began in 1964, and asked what belt-tightening had been done first. A business owner named Aaron Thomas said income tax proposals "prey on" students who vote for them and then leave before they have to pay. The letter, from a resident named Gabriel Spiezo, made the sharpest version of the case: the general fund had grown 21 percent in five years, from about sixteen million to more than twenty, and the money was going to negotiated compensation, not emergencies. "The city isn't short on revenue," he wrote. "It's simply spending more."

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What the city did next was learn to use an instrument it already had.

The council member most skeptical of the administration's case, Alan Swank, read the defeat as an instruction. "We've got to quit spending money on things that we don't need," he told the council a week after the vote, killing a shared-use path the city would have partly funded, reporting that businesses had told him the project was "one of the reasons the income tax went down." The city had asked for money and been told to cut first. It cut. It froze full-time hiring in February 2026 by council resolution, tying the freeze explicitly to keeping the general fund above its cash-balance minimum. It offered early retirement. It passed, in the treasurer's words, "a flatter budget than we'd ever seen." A regressive alternative, a thirty-dollar streetlight fee on every household, was floated and died under public resistance, which left the income tax as the only live option and let the city say so.

Then the city came back with a smaller number and a specific promise. The new proposal was 0.2 percent instead of 0.3, an increase to 2.15 rather than 2.25, framed as a response to the voters rather than a correction of them. Swank supplied the language: the May defeat "wasn't failure, rather feedback." And in April 2026, in what the local paper called the city's ultimate appeal, Mayor Steve Patterson pledged that if the levy passed he would restore Saturday bus service, suspended since 2020. A tangible thing, nameable, that a resident could picture. He made the promise after talking with the transit system's mobility coordinator, and he made it in public, on the record, contingent on the vote.

It passed. On May 5, 2026, the increase to 2.15 percent carried by ten votes, 993 to 983, out of a city of twenty-odd thousand. Thirteen months, two ballots, a hiring freeze, an early-retirement offer, a flatter budget, a dead streetlight fee, and a bus promise, all to move the city's take on its own workforce by two-tenths of a percentage point. That is the cost, in a state that makes its towns ask, of using the one instrument that reaches the university. Ohio gives Athens the handle. Ohio also makes Athens go to its voters to turn it, and turning it took the city the better part of two years and everything it had.

Something is missing from the two years of Athens argument. The city fought about withholding, about remote-work sourcing, about the share of fire runs going to campus, about the rate and the ballot and the bus. The university's tax exemption, the structural fact underneath all of it and the

reason the city cannot reach its largest service consumer through the property roll, surfaced in the public record I reviewed exactly once. At a committee meeting in November 2024, when a council member floated raising property taxes instead, Treasurer Josh Thomas observed that a property tax increase raises the question of who pays, "and Ohio University is a heavy user of city services, fire services in particular, but pays no property taxes." Then the point was dropped. It appears in the record as a reason not to pursue the property tax, not as a grievance to act on.

The silence is not suppression, and reading it as suppression would be a mistake. It is the rational thing. The exemption offers Athens nothing to argue about. It is a fixed constitutional fact with no lever attached, immovable from the county seat, closed decades ago in a state capital by people who never heard of Athens. The income tax is a live decision with a rate and a vote. A town argues about what it can change, and Athens can change the income tax and cannot change the exemption, so the exemption drops out of the conversation even though it is the largest number in the story. That is what state power over municipal revenue looks like from the ground. The town never has the fight at all, because the state removed the subject from the table before the town was born. The city spends two years and everything it has to move its take on the university by two-tenths of a percent, and the far larger sum it forgoes every year to the exemption is not even a topic, because there is no motion anyone in that room could make to touch it.

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Kentucky shows what the handle looks like without the leash. Kentucky cities levy an occupational license fee on wages earned in the jurisdiction, on the Auburn model of work-site situs reaching the commuter, and they levy it under a constitutional grant that carries no rate cap at all. A Kentucky city does not have to ask its voters. It raises the fee by ordinance, at whatever rate the council will bear.

The instrument is not marginal in Kentucky; it is the foundation. Occupational license taxes supply more than sixty percent of city tax revenue statewide. Lexington, home to the University of Kentucky, levies 2.25 percent, and the fee is the single largest source in its general fund. When Bowling Green, home to Western Kentucky University, raised its rate from 1.85 to 2.0 percent effective in 2024, it did so by a three-to-two vote of the board of commissioners, without a referendum, in a single evening. The commissioner who carried it, Sue Parrigin, made the case in the flattest possible terms: the rate had been two percent back in 2007, the city had cut it to 1.85, and "we are riding the ship, going back to 2 percent." An ordinance and a vote, in one evening, with no campaign.

Line up Kentucky's university towns and you get something Virginia can never supply, the same exemption held perfectly constant while the rate slides across a wide range. Lexington and the University of Kentucky sit at the top, two and a quarter percent. Bowling Green and Western Kentucky are at two, Richmond and Eastern Kentucky at two, Morehead and Morehead State at one and a half, Murray and Murray State at one. Five public universities, five identical property-tax exemptions, and a wage tax on their workforces that runs from one percent to two and a quarter, the difference set by nothing but which council chose which rate. A civic analysis of the Lexington budget

puts the University of Kentucky at the head of the city's top five sources of payroll-tax revenue, ahead of the county school system, Baptist Health, the city government itself, and Amazon. That is a startling list only until you see why it is true. The fee reaches the university's employees even though the university itself, a tax-exempt state institution, pays no tax on its net profits at all. Lexington cannot tax the University of Kentucky. It taxes everyone the University of Kentucky employs, and that is the richest vein in the city.

There is one narrow crack in the Lexington fee, and it is telling. The city exempts a small group of the university's people, the graduate research and teaching assistants whose stipends the tax office treats as academic support rather than wages, under a decades-old accommodation the university refiles for them each semester. It reaches only the assistants closest to the teaching and research mission, the doctoral and thesis students, and no one else. Every other worker on the university's payroll, from the custodians to the president, pays the full rate. Down the road in Murray, the university does not even extend that much: Murray State withholds the one percent from its student employees along with everyone else, and tells them so in writing. The handle reaches all the way down the payroll, students included, and the towns turn it because the state let them.

Western Kentucky University's employees pay the fee through payroll withholding, and the university, as far as the public record shows, said nothing at all: no institutional statement, no lobbying, no campaign. The contrast with what a university can do when it decides to fight is the subject of the next section, and it could not be sharper. In Kentucky the wage tax reaches the university's workforce automatically, by default, and no one finds it necessary to say out loud that this is how the town reaches an institution it cannot tax on the property roll. The Kentucky occupational fee is the East Lansing argument made unnecessary. The handle is simply there, uncapped and unremarked, and the councils turn it when they need to.

The one cloud on the Kentucky instrument is a collection fight rather than a rate cap. In 2025 a bill sponsored by two Louisville legislators, House Bill 253, proposed routing all local occupational taxes through a state web portal, on the stated rationale of easing the filing burden on multi-jurisdiction businesses. The cities read it as a mortal threat to their cash flow and mobilized against it through their league; Bowling Green's city manager called the occupational tax "our lifeblood" and said centralized collection "would be devastating." The bill failed in 2025 and its sponsors promised to refile. It is worth watching, because it is the shape of how these instruments die. A frontal ban is politically visible and hard to pass. A change in who collects and who remits is technical enough to move without anyone quite noticing that a city has lost control of its own revenue.

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The clearest demonstration of what a university town is actually doing when it reaches for the wage handle comes from a place where the university fought back, hired lobbyists, funded the opposition, mobilized its students, and tried to buy the tax off the ballot for twenty million dollars. That place is

East Lansing, Michigan, and the fight is documented down to the letters, because the city released them under the open-records law and Michigan State University posted them itself.

Start with what the fight was really about, because it was not, at bottom, the university. East Lansing had a pension hole. By 2017 the city's retirement system was funded at roughly fifty-four percent, with something like eighty-eight million dollars in unfunded liability, and by 2021 the gap had widened to about a hundred million. The city could not tax its way out through property, because Michigan's Headlee Amendment and Proposal A cap the growth of property tax revenue, and the state had cut its revenue sharing to the bone. Mayor Pro Tem Ruth Beier, an economist, laid out the arithmetic at a council meeting: the general fund had been about thirty-four million dollars in 2006 and was still about thirty-four million a decade later, despite twenty-five percent inflation, because the two revenue sources the city could grow were both capped or cut. "The biggest problem is revenue," she said. She would have loved a local sales tax on beer or marijuana; the Michigan constitution forbids it. That left property and income, and property was capped. The income tax was the only major new revenue the city could actually raise, and the income tax, in a college town, means the university's payroll.

The city said so out loud, which is what made the fight bitter. Michigan State occupies about a fifth of East Lansing's land, pays no property tax on it, and generates the service load — the game-day crowds, the emergency runs. A city councilman and MSU psychology professor named Erik Altmann openly acknowledged that the point of the tax was to reach the university's nonresident employees. The city paired the income tax with a property tax cut, five mills off the operating rate, to soften the blow for resident homeowners and win their votes. The Financial Health Team that designed the package estimated it would raise about ten million dollars gross, roughly half from residents, and recommended the property tax cut to hold residents close to even. The design was transparent: tax the commuting workforce of the university, rebate the residents, close the pension gap with the difference.

Michigan State did not take this quietly. In the summer of 2017 the university's president, Lou Anna Simon, and the city's mayor, Mark Meadows, exchanged a series of letters that read, in retrospect, like a ransom negotiation over an instrument of state law. Simon opened by calling the plan "harmful to both the City and the University" and warning that MSU would "work aggressively to educate its students and employees regarding the scope and nature of their potential tax liability." She attached a term sheet: two million dollars a year for five years to a joint city-university entity, if the city would forgo an income tax through 2022. Meadows rejected the premise and countered at five million a year for twenty years. Simon called that impossible, "committing \$100 million of University assets," and came back with twenty million over eight years. Meadows countered with twenty million over ten, plus a halved income tax, plus a demand that the university publicly support the tax's passage. Simon called that "a giant step backward."

Both sides stated the whole logic of the wage handle in those letters, and the whole case against it. Simon's objection was the commuter's objection, made on the commuters' behalf: the tax targeted

"employees who are not residents of East Lansing and thus will have no vote on the adoption of the tax." She invoked Altmann's admission that reaching those nonresidents was the goal. She argued the traditional justification for a commuter tax did not apply, because the university's employees "have already sacrificed once" through foregone wages, "and asking them to do so again to solve your own financial crisis is unfair." It is the Auburn mail carrier's argument in a university president's voice: you are taxing people who cannot vote you out, to pay for a problem that is not theirs.

Meadows answered with the host city's ledger. Since 2000, he wrote, state revenue sharing to the city had been cut 26 percent and the city had shed 130 employees, while state support for MSU had fallen only 14 percent and the university had responded by raising tuition 217 percent and growing its general fund from six hundred eighteen million dollars to one and three-tenths billion. "The City does not have the revenue options that MSU has." And then he put on the record the thing that turns this from a negotiation into a story about state power: "It is troubling that MSU has had one of its lobbyists recruiting members of the legislature to sponsor legislation that would eliminate the ability of voters in Michigan communities to decide whether they should be subject to a local income tax." Simon confirmed it. The university's government affairs office was, she wrote, "actively engaging in discussions in Lansing to explore how Michigan cities can have more flexibility to generate revenue," and the discussions reportedly included a moratorium on new local income taxes. The university was not just fighting the tax in East Lansing. It was trying to have the instrument removed from every Michigan city at once, in the state capital, where the city could not follow.

They reached a deal, twenty million over eight years for a no-tax pledge, and the MSU Board of Trustees killed it. The university put its money into the campaign instead. The vote-no committee, Citizens for East Lansing's Future, raised more than forty-three thousand dollars against the yes side's forty-six hundred, most of it from the regional chamber of commerce, with personal contributions from individual trustees and a university vice president. The vice president, Bill Beekman, gave the campaign its most quotable line: "How is it that we woke up one morning and discovered that we had a \$100 million problem? And why would I want to vote 'yes' to give more of my money to a group of people that woke up one morning and discovered they had a \$100 million problem?" The two largest student governments opposed the tax, worried about graduate students on fifteen-thousand-dollar stipends and custodial staff. On November 7, 2017, the income tax lost, 2,863 to 3,249, a margin of 386 votes out of about six thousand cast.

And then the university stopped fighting, and the tax passed.

What broke the stalemate had nothing to do with East Lansing. In January 2018 Lou Anna Simon resigned in the wreckage of the Larry Nassar catastrophe, and MSU spent the year in institutional free-fall under an interim president. When the city put a redesigned income tax on the August 2018 ballot, the university that had lobbied Lansing and funded the opposition and negotiated a twenty-million-dollar buyout went silent. Asked its position, a spokeswoman said MSU "does not have a comment or position on the proposal at this time." The campaign money dried up; the only reported

contributions to the no side came from the chamber and a farm-credit outfit. The tax passed on August 7, 2018, 4,526 to 2,894, all seventeen precincts reporting.

I cannot prove the scandal caused the silence, and the record does not let me. The 2018 measure was also redesigned in ways that made it easier to swallow: a twelve-year sunset, and a charter-locked split of the money, sixty percent to the pension and twenty each to public safety and infrastructure. The electorate was different too, an August primary rather than a November general. Any of the three could have moved the result. But the university that had spent 2017 fighting on every front simply stopped, in the year it had every reason to be looking elsewhere, and the tax it had beaten by 386 votes passed the moment it put its weapons down.

The tax worked as designed. It came in above projection immediately, about thirteen point eight million dollars in its first year against a ten-million estimate, and it put the burden where the city had aimed it. Once you net out the property tax cut that residents enjoy, the residents' net income tax payment in 2023 was just over seven hundred fifty thousand dollars. Nonresidents paid the full four point two million, and the largest single bloc of them was the commuting MSU workforce, the people the university had gone to war to protect. The city had built an instrument that taxed the people who could not vote on it and rebated the people who could, exactly as Simon had complained, and it was working exactly that way five years on.

The sunset is now the live question. The tax expires at the end of 2030, and the city treats renewal as existential; a 2025 forecast showed the fund balance exhausted by 2030 on the current path, and the mayor asked the finance officer whether the city would be facing bankruptcy in 2031. She said she couldn't answer. He said he thought they would. A citizen review committee recommended in July 2026 that the city put a renewal before the voters between 2027 and 2029, and, in the detail that shows the design hardening into permanence, that it eventually ask voters to make the tax permanent, paired with another property tax cut. The university, for now, is quiet. Whether it stays quiet through a renewal fight is the kind of thing that depends on who is running MSU in 2028 and what else is going on that year, which is to say it depends on everything except the merits.

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Michigan State tried to have the wage handle removed from every city in the state and failed. Alabama did to one of its own cities what Michigan State could not do to Michigan's, and it did it in under a month.

In February 2020 the Montgomery city council moved to adopt the same instrument Auburn had held for fifty years, a one percent occupational tax on wages earned in the city. Montgomery is Alabama's capital and one of its poorer big cities. It hosts state office buildings, two universities, and a large commuter workforce, on a property base too thin to fund the services all of it demands. The occupational tax was the obvious reach, and it was the reach Auburn, Birmingham, Gadsden, and two dozen other Alabama cities had already made.

The legislature moved faster than the city. On February 4, a Greenville representative named Chris Sells introduced a bill to bar any Alabama municipality from adopting an occupational tax without the legislature's specific permission. The House passed it a week later. On February 18 the Senate committee gave it a favorable report, eight to two, and that same night the Montgomery council voted its own tax through anyway, five to three, racing a bill it could see coming. It did not matter. The act Governor Ivey signed on March 3 was made retroactive to February 1, seventeen days before Montgomery's own vote. The city had adopted a tax that the state, by the time the ink dried, had already made illegal.

Mayor Steven Reed, Montgomery's first Black mayor, went to the Senate committee to plead the host city's case, and the exchange that followed is the whole town-gown fiscal relationship compressed into one hearing room. "Our city has very moderate revenue," Reed told the senators. "How do we pay our policemen, our firemen, our sanitation workers?" The committee chairman, a senator named Jimmy Holley, answered him not on the merits but on the man: "I remember you when you were a small boy, serving with your father." The committee voted the bill out eight to two.

Reed named it plainly the next day. "That is legislative overreach in its purest form," he told a television reporter. "It's a power grab in its worst form." His own city's delegation split against him. A Montgomery representative told the same station that occupational taxes should be "illegal across the whole country," because "we should not be taxing people who work without their ability to be represented." It was the commuter's objection again, the Auburn mail carrier's objection, now in the mouth of a state legislator and turned into a reason to strip a city of its revenue.

The dissent came from Birmingham. Senator Linda Coleman-Madison, a former Birmingham councilmember, put the host city's case and the home-rule case together and named the man who had built Birmingham's occupational tax decades earlier. "People from the outside use the roads," she said. "If they have an accident, local police have to respond. All of these amenities that people on the outside enjoy, those costs are being borne by the people that live in the cities. This legislative body, we should be working with local government, not tying their hands." She lost. The business lobby had wanted the bill, the legislature delivered it, and the Alabama Retail Association announced that businesses in the rest of the state could rejoice.

The freeze did not abolish the occupational tax. The twenty-six cities that already levied one, Auburn among them, kept it. What the state did was close the door behind them, so that the instrument became a grandfathered privilege of the cities that had reached for it before March 2020 and a foreclosed option for every city that had not. Auburn taxes Auburn University's workforce today because a five-to-three council vote in January 1970 got in ahead of a door no one then knew was closing. Montgomery reached for the identical instrument fifty years later and found it barred, by a legislature that took less than a month to bar it, retroactive to a date before the city had even voted.

To say the wage handle is set by state law is not a figure of speech. The town does not hold the handle. The state does, and the state can take it back between a Tuesday committee vote and a Thursday signing, from a city reaching for the same tool its neighbor had used for half a century. Whether a

university town can make its defining institution pay for the services it consumes is a question answered, and re-answered, in a building the town does not sit in, by people the town's commuters cannot vote for, for reasons that have nothing to do with the university.

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Step back from the particular fights and the shape of the thing is visible. A university town's ability to tax the one part of the university it is allowed to tax, the paychecks, is decided by three features of state law, none of which the town controls and all of which were set for other reasons in other decades.

The first is whether the state authorizes a usable local wage tax at all. Most do not, and the reference-book figure of seventeen states overstates it badly, because it counts prohibitions and repeals and investment-income taxes and surtaxes collected by the wrong unit of government. Strip those out and the states where a municipality can tax the wages a university pays are few. In all the rest the question is closed before it opens; the town has no handle, whatever the size of the university, and the campus grows against a frozen property base with no offsetting instrument. For most American university towns the wage handle was never on the table; the state never built the road.

The second is situs, and it is the feature that turns a nominal wage tax into either a real instrument or a dead letter. Work-site situs reaches the university's workforce; residence situs and county-level situs let it slip away to wherever the employees sleep. A state can authorize local wage taxation and still deliver nothing to its university towns, as Maryland does, by pitching the tax at the wrong jurisdiction. Situs is invisible to almost everyone, a technical rule buried in a withholding statute, and it is worth more to a university town than any rate.

The third is whether the town may adjust the rate on its own or must go to its voters. The handle may exist and still be nearly impossible to turn. Kentucky's councils move the fee by ordinance in an evening. Ohio's must run a campaign, and as Athens showed, the campaign can take two years and a bus promise and still come down to ten votes. The instrument can be present and functional and still be nearly immovable, if the state has bolted a referendum onto it.

Three features, all set in the state capital, none of them about the university at all. Auburn can tax Auburn University's people because Alabama allows a work-site occupational tax. State College cannot tax Penn State's the same way because Pennsylvania, outside Philadelphia, sends the money home. East Lansing can tax MSU's workforce because Michigan permits a city income tax, though it took the university's own year of catastrophe to clear the field for the vote. The exemption is a national constant, written into every state constitution in nearly the same words. The wage handle is a patchwork, and the pattern of the patchwork decides which university towns can make their defining institution pay for the services it consumes, and which ones watch it grow, building by building, off the tax roll.

Athens shows what this does to the conversation. A town with the handle argues about the handle, because the handle is the thing it can move. The exemption underneath, the largest fiscal fact in the

town's life, stays out of the argument. No one hides it. It stays out because no motion anyone in the room could make would touch it. The fight is over a wage tax, and the wage tax is a proxy for a door the state closed in a year no one now remembers.

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## Chapter 4 — The Employer's Payroll

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Every Oregon public university prices a paycheck the same way, on a state worksheet that adds the fringe costs onto a salary line by line: retirement, health, Medicare, and a column for mass transit. On the University of Oregon's budget office table for 2023, the mass-transit line for Portland State University reads 0.80 percent. For Oregon State, Western, Southern, and Eastern Oregon it reads zero, because those campuses sit outside any transit district. The University of Oregon, in the Eugene district, carries its own line at 0.78 percent. Reed College, Lewis & Clark, and the University of Portland sit inside Portland State's transit district and appear on no such worksheet at all, because as private charities they never file one and never pay. In the transit districts the public universities pay and the private colleges do not, and the reason is a single clause in a statute about buses.

Portland State remits the TriMet payroll tax, eight-tenths of a percent of its Portland payroll, year after year. Reed College, three miles south, does not. Reed ended fiscal 2024 with an endowment of eight hundred thirty million dollars and enrolls a student body in which fewer than one undergraduate in six carries a Pell grant. Portland State runs on a hundred-twenty-seven-million-dollar endowment, draws forty percent of its undergraduates from the Pell rolls, and sends nearly half of them into their families as the first to attend college. Set the endowments against the enrollments and Reed holds something like five hundred sixty-nine thousand dollars in endowment per student; Portland State holds about six thousand. The college with nearly ninety times the cushion is the one the tax lets walk. The university that educates the bus riders is the one that pays for the buses.

The money is not small and the need is not abstract. TriMet's payroll tax raised five hundred one million dollars in fiscal 2025, its single largest source of revenue, and it is not enough. On the twenty-third of July 2025, TriMet's general manager, Sam Desue Jr., announced service cuts and warned the legislature that the agency was out of room. "We are facing a fiscal cliff in 2030," he said, "so we must act now to balance our budget for the long term." The buses Desue was preparing to cut are the ones Portland State's students and its cafeteria workers and its adjuncts take to campus. The transit system is starved, it is funded in large part by a payroll tax, and the neighborhood's richest colleges are excused from paying it while the least-endowed university in the city is not.

This is the inversion, and it runs backward through the assumption the last chapter and most of this book rest on. The premise of the whole exemption fight is that the private nonprofit university is the free rider, the great tax-exempt landholder that consumes a city's services and pays nothing, and that the public university is the unreachable sovereign, an arm of the state a mere city cannot touch. In the TriMet district that picture is turned inside out. The sovereign pays and the free rider walks. What produced the result was a choice of words in a statute, a legislature writing "employer" one way rather than another, with no theory of who ought to pay behind it.

...

The instrument is the employer payroll tax, and it is the mirror twin of the wage handle in the last chapter, close enough to be mistaken for it and opposite in the one way that decides everything.

The wage tax of the last chapter is levied on the worker. It measures her wages and takes a percentage, and it reaches her no matter who signs her paycheck, because the thing being taxed is her act of earning, and a university's exemption belongs to the university, not to her. The employer payroll tax is levied on the institution. It measures the institution's payroll, the whole sum of what it pays its people, and charges the institution a percentage of that sum. Because the tax falls on the institution, the institution's exemption is back in play. But the exemption is a federal income-tax status, and a city's payroll tax is neither federal nor a tax on income, so the exemption does not reach it on its own. Whether the charity pays turns entirely on what the local statute chose to say.

That is why the employer payroll tax is the most drafting-sensitive instrument in this book. A legislature that wants to reach a charity's payroll need only decline to spare it, or say in so many words that the tax applies to charities whatever their status, and the payroll is taxable. A legislature that wants to spare charities writes them an exemption. Deciding whom to spare, a legislature has two different exemptions it might grant, the charitable one and the governmental one, and it can grant either, both, or neither. Everything about whom the tax reaches is a choice the drafter makes and almost never explains.

The proof is that different states, handed the identical instrument, have made every one of the available choices, and the choices sort the universities into patterns no single principle explains. Each city can defend its line. What none of them share is a common axis, so the outcomes refuse to line up. Five cities follow, and no two of them sort their universities the same way.

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The inversion lives in the Oregon statute, in the definition of a single word.

Oregon lets its regional transit districts levy a payroll tax on employers to run the buses, and the whole sorting sits in the statute's definition of who counts as an "employer." ORS 267.380 excludes, in so many words, "an organization exempt from taxation under section 501(c)(3) of the Internal Revenue Code," which is to say every private nonprofit college in the state. Then, in the same sentence, it doubles back: "except that 'employer' does include hospitals." A private nonprofit university escapes and a private nonprofit hospital does not, the first sign that these lines were drawn by hand. Then the definition reaches the other way and pulls in "the State of Oregon or any political subdivision," the governments, the public bodies, the state universities. The private colleges are carved out. The public university is carved in. Portland State pays because the statute names its category, and Reed is spared because the statute names Reed's.

The tax was not born reaching public universities, and its beginnings had nothing to do with them. In January 1969 the mayor of Portland, Terry Schrunk, appointed a seven-member commission to

rescue the region's failing private bus company, and by the end of that year the state had chartered a public transit district to take it over. On the eighteenth of December 1969 the new district's board adopted its funding source, an employer payroll tax, in an ordinance numbered two. For its first two decades the tax left state bodies alone. The legislature roped them in only in 1989, phasing the tax onto governments over several years until the state and its subdivisions paid at the full rate. The hospital clause was a later addition of its own. None of it was aimed at Portland State. The university was swept in as one item on a list of governmental employers, and the private colleges were swept out as one item on a list of exempt organizations, and the two lists happened to fall on opposite sides of the line.

A careful reader will worry at one thing, and resolving it makes the inversion sturdier. Oregon reorganized its public universities in the years around 2013, cutting them loose from direct state control and declaring each an independent public body. The statute that did it, ORS 352.033, says a public university "is a governmental entity performing governmental functions and exercising governmental powers" and, in the next breath, that it "is not considered a unit of local or municipal government or a state agency." One might think that change lifted Portland State out of the "State of Oregon or any political subdivision" clause and let it escape the way the private colleges do. It did not, and the reason is exact. Being cut loose from state-agency status did not make Portland State a charity. It stayed a governmental body doing governmental work, and the transit statute reaches governmental employers whether or not they carry the formal title of state agency. The reorganization changed how the tax was billed, not whether it was owed, and the 2023 budget worksheet with its 0.80 percent line is the proof that it is still owed and still paid.

Set the inversion beside the literature this book argues with, and the size of the reversal comes clear. The scholarship on university payments, the whole apparatus of PILOTs and reimbursements and the moral pressure behind them, takes for granted that the private nonprofit is the institution that ought to pay and does not, and treats the public university as a sideshow beyond a city's reach. Oregon taxed the sovereign and released the free rider because a transit district needed money, and the legislature, defining and redefining "employer" across the decades, wrote it in a way that fell like this. No theory of who ought to pay was ever in it. For all the attention the endowment and the exemption draw, the fact that turns the free-rider story on its head, at least in this district, sits somewhere duller, in a payroll-tax definition in the Oregon statutes, where the public university pays and the rich college up the road does not.

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Now cross to Seattle, where the same instrument sorts the universities the opposite way, and where the sorting was fought out in the open across four years.

Seattle's payroll tax began with a defeat. In May 2018 the city council, pushed by the socialist councilmember Kshama Sawant and her "Tax Amazon" movement, passed a charge of two hundred seventy-five dollars a year on each employee of the city's largest companies, to fund housing.

Amazon, then raising its downtown towers, paused construction planning in protest and joined Starbucks and other large employers to bankroll a referendum to overturn the charge at the ballot. Within a month the council folded. On the twelfth of June 2018 it repealed the tax it had just passed, seven to two. Councilmember Lisa Herbold, who moved the repeal, said the opposition had "unlimited resources" and the fight could not be won. Sawant, one of the two holdouts, called the retreat "a cowardly betrayal of the needs of working people." Amazon's spokesman called the repeal "the right decision for the region's economic prosperity."

Teresa Mosqueda was the other vote to keep the charge, and two years later she came back with a different design. The 2018 tax had been a flat sum per head, the same for a warehouse worker and a vice president, and it had drawn its enemies partly for that. Mosqueda's replacement fell instead on the payroll expense of a company's highest earners, a percentage of the compensation it paid its best-paid people, and she named it JumpStart. The council passed it on the sixth of July 2020, again seven to two, and Mayor Jenny Durkan, who opposed it, let it become law without her signature. Mosqueda said the day it passed that the plan would "jump start our recovery" with "a relief plan that centers workers, small businesses and our most vulnerable community members." The business community sued to kill it, the way it had killed the head tax two years before.

This time the tax held, and it held on the exact distinction the instrument turns on. The Greater Seattle Chamber of Commerce argued that the payroll tax was really a tax on the right to earn a living, dressed up as a business tax. In June 2022 the Washington Court of Appeals rejected that and upheld the tax, in an opinion by Judge David Mann that drew the line as cleanly as any court has. "The payroll expense tax applies to the privilege of engaging in business," Mann wrote, "not an employee's right to earn a living by working for wages." The Chamber had leaned on a 1952 decision, *Cary v. Bellingham*, that struck down a tax on employees; Mann turned it aside in a sentence. "In *Cary*," he wrote, "the income based tax was levied on the employee, while the payroll tax here is levied on the business itself." The tax fell on the business, and a business could be charged for the privilege of operating in Seattle. A month later the Chamber gave up. "The Chamber will not appeal," its president, Rachel Smith, announced on the eighteenth of July. "With two lower court rulings against us, it is unlikely that there will be a different outcome ... and no guarantee the court will even accept this case." The litigation was over, and Seattle has collected the tax since.

What matters for the university is whom Seattle chose to spare, and Seattle made the opposite choice from Oregon on both lines. It wrote no general charitable exemption into the tax. The city's own guidance says so in plain words: "There is not a general payroll expense tax exemption for non-profit 501 C organizations." A private nonprofit university in Seattle is therefore subject to the tax, the same as a bank or a software company, on the compensation of its highly paid people. But Seattle did exempt government, carving out "federal, state, and local government entities" on the old theory that a city cannot tax the sovereign. The University of Washington is a state institution. So the public university walks and the private one pays, which is precisely backward from Portland.

The private universities in Seattle clear the tax's thresholds without effort. In 2026 the tax reaches only employers with more than nine million dollars in Seattle payroll and only the compensation of employees paid above a hundred ninety-four thousand dollars a year, and a university with a president paid three-quarters of a million dollars and a faculty and administration thick with six-figure salaries is inside both. Seattle University's president, Eduardo Peñalver, was paid seven hundred eighty-one thousand dollars in the year ending June 2024, a single salary well over the per-person threshold, at an institution whose Seattle payroll clears the floor many times over. Individual tax filings are confidential, so there is no public invoice to hold up, and the honest thing is to say so rather than invent a figure. The legal question, though, is not confidential and not close: Seattle University is subject to the tax, and the University of Washington, larger and richer, is not, because one is a state institution and the other is a Jesuit corporation. Two universities in one city, one reached and one spared, sorted by the same governmental-versus-private line that Oregon drew in the opposite direction. Whether the public or the private university pays is not a fact about universities. It is a fact about which sentence a legislature wrote.

. . .

St. Louis runs the whole contrast inside a single institution, on one payroll and in one year, and it keeps the contrast alive by a mechanism a single wealthy man set in motion.

The earnings tax that anchors St. Louis's budget survives on a five-year clock. In 2010 Rex Sinquefeld, a retired index-fund pioneer who has spent part of a fortune trying to abolish income taxes in Missouri, bankrolled a statewide ballot measure, Proposition A, with more than ten million dollars of his own money. It passed, and it did two things. It barred any other Missouri city from adopting an earnings tax, and it forced the two cities that already had one, St. Louis and Kansas City, to ask their own voters to renew it every five years or watch it phase out over the following decade. Every five years since, St. Louis has had to defend the tax that funds better than a third of its budget against the standing possibility of losing it. In the spring of 2026 the city ran that gauntlet again.

Mayor Cara Spencer launched the renewal campaign in March, warning that losing the tax would be catastrophic for the city's finances. "We have to have the earnings tax," she said. Enterprise Holdings' chairman, Andy Taylor, wired the campaign a hundred thousand dollars. The Collector of Revenue, Gregory F.X. Daly, who administers both the earnings tax and the payroll tax, put the stakes in the language of arithmetic. "You can't just throw away two hundred ten million dollars," he said, "because you don't like how it's being spent." On the seventh of April the measure passed with eighty-five percent of the vote, the fourth straight renewal. In the neighborhoods, the reasons voters gave were plainer than the mayor's. "I know how critical that money is," said one downtown resident, De'Joneiro Jones. "It helps our ecosystem." Another, Willie Howard, saw it from the other side. "Those in power are after the mighty dollar," he said. "I want to be able to live a healthy and safe life."

The tax the voters were protecting is only half of what St. Louis levies on a payroll, and the other half tells the chapter's story. St. Louis levies two taxes on the same wages at once. One is an earnings tax

of one percent, levied on the employee, on everyone who works in the city. The other is a payroll expense tax of half a percent, levied on the employer, on the compensation the employer pays. The earnings tax carries no charitable exemption, so Saint Louis University withholds the one percent from its employees' paychecks and sends it to the city; the university even publishes the form its workers use to claim refunds for days worked outside the city, routed to its payroll office on Lindell Boulevard. The payroll expense tax does carry a charitable exemption, and it names the beneficiaries in a list that includes, in so many words, "not-for-profit educational institutions." So Saint Louis University pays none of the half percent. The same university hands the city a tax on its workers and is spared the tax on itself, on the identical payroll, and the only difference between the two is the word that says who owes: the worker, or the employer.

The earnings tax brings in more than two hundred million dollars, better than a third of the city's general revenue, and every dollar of Saint Louis University's share of it is withheld from the paychecks of its employees, who are not exempt. The payroll expense tax brings in about forty-five million, and Saint Louis University pays none of it, because the institution is exempt where the institution is the taxpayer. One statute points at the employee and the other points at the employer, and the university sits on opposite sides of the two, paying and not paying at once. A city that wanted to reach the university's payroll through the employer tax could do it by striking three words, "not-for-profit educational institutions," from the exemption. A city that wanted to spare the university on the earnings tax could do it by adding them. St. Louis did neither and both, and the result is the whole argument of this chapter rendered in one municipal revenue code.

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Denver draws the line finer still, and here there is simply no scene to report, only a document that states the asymmetry with a straight face.

Denver levies what it calls an occupational privilege tax, a flat monthly charge on each worker, split in two: a few dollars from the employee and a few dollars from the employer. The employee pays five dollars and seventy-five cents a month, the employer four dollars, for every worker who earns at least five hundred dollars in Denver in a month. The charge dates to 1969, when both halves were two dollars, and reached its current levels in 1988. What makes it belong in this chapter is the split in its exemption, and the city teaches that split in its own tax guide, in a worked example featuring a fictional "John Foundation." The foundation, the guide explains, having secured its exemption as a 501(c)(3), "would be exempt from the \$4.00 per month Business OPT per employee, but would be responsible for collecting and remitting the \$5.75 per month Employee OPT from each employee." The exemption, the guide says elsewhere, covers "governmental or charitable entities" on the employer side; "the Employee OPT provides no such exemption."

The document has a real institution behind it. The University of Colorado keeps a standing form, a "Request for Exemption From Local City Occupational Privilege Tax," that it files to shed the employer's four dollars a head while its employees keep paying their five-seventy-five. There is no

council fight to narrate here, no mayor in a room, no quotable antagonist; the tax is too small and too old to have generated one. Its role in this chapter is the clean structural echo of St. Louis, the same institution exempt as an employer and not as a payer, written even more nakedly than St. Louis wrote it, into an instructional example the city published to explain itself.

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Pittsburgh draws the line a third way, by purpose rather than by status, and it once sent a mayor into a room full of professors to defend it.

On the third of June 2003, Mayor Tom Murphy came to a University of Pittsburgh Faculty Assembly, about fifty professors and staff and administrators, to defend a new tax on the payrolls of the city's employers, nonprofits included. He did not soften it. The university and the hospitals were the engines of the city, he told them, and engines have costs. "There are costs associated with that [success]," Murphy said, "and we're asking you to help to pay those costs." The university's officers were ready for him. Robert Pack, a vice provost, answered that the city's future did not lie in reaching into Pitt's payroll. "The future of the city doesn't rest in getting thirty-two million dollars from the University of Pittsburgh each year through a payroll preparation tax," Pack said, putting on the table the figure Pitt estimated the tax would cost it. And he rejected the premise that the universities were bleeding the city. "This isn't a case where certain non-profits like Pitt and UPMC have somehow been voraciously gobbling up the city of Pittsburgh," he said. Pitt's vice chancellor for community relations, Renny Clark, warned that the tax was the first crack in something the university treated as sacred: allow a payroll tax now, he said, and "a couple of years from now ... some other entity would try to apply another tax."

The tax passed anyway, in a state law signed the next year, and the form it took is the point. Pittsburgh's payroll preparation tax reaches charities, explicitly refusing them the blanket exemption most such taxes grant, and then exempts the payroll a charity spends on its actual charitable work, taxing only the payroll attached to activities that are not charitable. The city's own regulation states the rule in a single breath: institutions of purely public charity "are not exempt from the Payroll Tax," but they "are exempt from Payroll Tax associated with activities that are related to the charitable purposes for which the Institution was formed." Read closely, the regulation does its sorting without ever consulting the federal exemption: it defines a "charity," for its own purposes, by Pennsylvania's Institutions of Purely Public Charity Act, not the federal Code, and it taxes the unrelated-business payroll of even a federally exempt charity. The University of Pittsburgh and its medical center pay the tax on their commercial edges and escape it on their core academic and clinical payrolls. The line runs through the middle of the charity, between the payroll that serves the mission and the payroll that does not, rather than between charity and non-charity. It is the most surgical of the choices in this chapter, and it is still a choice, written into a regulation, about which dollars of an exempt institution's payroll the exemption will cover.

A decade later a state senator tried to move the line, and the fight showed how settled the carve-out had become. In January 2013 Jim Ferlo announced a bill to extend the payroll tax to the region's largest nonprofits, those with two hundred fifty employees or more, while cutting the rate on ordinary for-profit employers in exchange. He framed it as an end to a dodge. "Million-dollar salaries and double-digit raises at our largest nonprofit employers have become commonplace," Ferlo said. "It's no longer acceptable for these corporate giants to hide behind their nonprofit status to avoid paying their fair share toward local government." The University of Pittsburgh's chancellor, Mark Nordenberg, dismissed the city's parallel effort to coax voluntary contributions from nonprofits as too narrow to matter; the university's spokesman would say only that it was "premature for us to comment on pending legislation." Nothing passed. The carve-out that Pitt defended in Murphy's presence in 2003 was the same one Ferlo failed to shrink in 2013, and it survived both.

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One institution keeps reappearing in the carve-outs, and it is the hospital, not the university.

Oregon exempts private nonprofits from the transit tax and then, in the same sentence, drags the hospitals back in. Seattle grants no general nonprofit exemption and then writes a special deduction just for nonprofit health care, a provision Councilmembers Teresa Mosqueda and Alex Pedersen built to shelter medical salaries in a defined band. In statute after statute the special provision is aimed at the hospital, which suggests the institution the drafters were watching most closely was the giant nonprofit hospital system, the entity with billions in revenue and an executive paid like a bank president and a charitable status that strains the ordinary meaning of the word.

The hospitals do not always deny it. Rod Hochman, who ran Providence, the West Coast system with revenue near twenty-nine billion dollars a year, said the quiet part out loud in a 2021 interview. "'Nonprofit healthcare' is a misnomer," Hochman said. "It's tax-exempt healthcare. It still makes profits, because last time I looked, whether it's Providence, Trinity or Tenet or any of us, my shareholders are my community." A system that size, run by a chief executive paid around ten million dollars a year, is what legislatures see when they write these carve-outs. By one accounting, nonprofit hospitals are about one percent of tax-exempt organizations and hold close to a quarter of all tax-exempt assets. When Seattle's council debated whether nonprofits deserved a break, Councilmember Dan Strauss made the distinction that hospitals force: "Not all nonprofits are providing a benefit to the community."

What that profit-seeking looks like from the patient's side became national news in 2022. The New York Times reported that Providence, advised by the consulting firm McKinsey, had run a program it called Rev-Up that trained its staff to press every patient for payment, to "ask every patient, every time," including patients who qualified for the free care the system was legally obligated to provide. The paper found low-income patients pursued by collection agencies over bills they had never owed. Senator Patty Murray of Washington, Providence's home state, demanded answers. The system whose chief executive called his community his shareholders was, at the front desk, chasing poor

patients for money the law said they did not owe. This is the institution the payroll-tax drafters keep reaching for by name, and it is easy to see why a legislature funding its buses or its housing would want the hospital in the net.

The university's treatment tends to be collateral to all this. When a legislature reaches for a word to catch or spare the hospital, the university is caught or spared by the same word, whichever one the drafter happened to hold when the hospital was in view. Oregon's clause excludes 501(c)(3) organizations to spare the ordinary charity and then names hospitals, the one category of charity too large for the transit district to lose. The private university rides free in the gap the hospital clause leaves open. Whether anyone weighed a university's treatment at all is not in the record; it fell on the sheltered side of a line that was drawn around the hospital. Seattle refuses every nonprofit a general exemption in order to reach the big earners, hospitals among them, and the private university is reached in the same net. These provisions read as though written with the hospital in view. The university stood nearby.

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A university's tax exemption is a federal income-tax status, the 501(c)(3) designation, and it exempts the institution from tax on its income and, on its own, from nothing else. Most people get this wrong, including many university administrators. It does not lift a local excise on the privilege of doing business, or a per-worker head charge, or a payroll tax, unless the government levying that charge has separately chosen to honor it. The word "tax-exempt," which the university wears like a shield, describes a narrow immunity that the employer payroll tax reaches straight around unless a drafter stops it. That is why the same institution can be exempt from the income tax, exempt from the property tax, and still owe a payroll tax to the city it sits in.

Pittsburgh's regulation is the clearest proof of the point, because it says so on its face. The regulation reaches "a charity that is exempt from federal tax under Section 501(c)" and taxes that same charity's unrelated-business payroll anyway, under the federal unrelated-business-income rule; and it defines "charity," for its own purposes, by Pennsylvania's Institutions of Purely Public Charity Act, not the federal Code. Federal exemption is simply not the operative key. Scholars who study the exemption say the same. "Property tax exemption does not necessarily track the federal regime," the charity-law scholar Evelyn Brody has written, and a state-and-local tax practitioner, Dawn Gabel, gave a 2022 essay the title "Nonprofit Doesn't Mean 'Not Taxable' for Many State, Local Taxes." Even the IRS tells nonprofits that their corporate status "does not automatically grant exemption from federal income tax," let alone from a city's payroll levy. The exemption everyone argues over was never as broad as the word makes it sound, and the employer payroll tax is where the gap shows.

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And yet the reach the doctrine allows is one most cities decline to take, and that makes the employer payroll tax a narrower and less stable handle on a university than the five cases so far suggest. It is narrow because in most cities that levy it, the university never reaches the rolls at all. San Francisco

built its entire business-tax system on an employer payroll tax, a flat one and a half percent of payroll that was for a generation the city's only major business levy, and from the start it exempted "an organization having a formally recognized exemption from income tax" under section 501(c). The University of San Francisco, a private charity, sat inside that exemption. The University of California's campus in the city, an arm of the state, sat outside the reach of a municipal business tax to begin with. The one American city that taxed nothing but payroll collected nothing from either of its universities.

Chicago drew its exemption the same way. For four decades the city ran an employers' expense tax, a head tax of a few dollars a month on each worker at its larger companies, and its list of exempt employers included not-for-profit, educational, and charitable organizations. Northwestern, the University of Chicago, DePaul, Loyola, and the city's nonprofit hospitals were exempt from it. The head tax reached the banks and the manufacturers and left the universities alone. That is the ordinary pattern of the instrument: the drafter who writes an employer tax usually writes the university out of it before anyone thinks to ask.

The head tax was also unstable, and it did not survive. On the fifth of October 2011, days into a plan to close a budget gap, Chicago's new mayor, Rahm Emanuel, stood up and pronounced the thirty-eight-year-old tax dead. "The Head Tax is a job killer," he said. "Eliminating the head tax is the right thing to do for businesses big and small and it's the right thing to do to secure Chicago's future." He credited its coming removal for winning new shifts at a Ford assembly plant on the city's Far South Side. A downtown alderman, Brendan Reilly, gave the case its bumper sticker: the head tax, he said, "is a sign on the highway saying, 'Please, please do not invest in the city of Chicago.'" The Chicagoland Chamber of Commerce cheered. A coalition of unions, the teachers and the police and the county workers, objected that the repeal handed the city's biggest corporations a twenty-million-dollar-a-year break, and they lost. The council obliged. The tax was cut in half in 2012 and gone by 2014.

No study since has shown that the head tax ever cost the city a job. The economist Audrey Guo, asked about it years afterward, gave the plain finding: "It really is hard to assign any kind of causation to the head tax." A four-dollar monthly charge that had never once touched a university had become, in the city's own telling, a highway sign warning employers away, and it was repealed for it.

San Francisco reached the same end by a longer road. Around 2011 its tech companies discovered that the city's payroll tax reached the stock-option windfalls their coming public offerings would generate, and that a single Twitter or Zynga offering could mean a tax bill in the tens of millions, and they let it be known they might leave. Twitter looked across the bay at Brisbane, where there was no such tax. The city's answer was to carve an escape hatch. In April 2011 the Board of Supervisors voted eight to three to exempt new payroll along a blighted stretch of mid-Market Street, the block Twitter was eyeing, from the tax for six years. The supervisor for the district, Jane Kim, called it a chance to "revitalize a long neglected part of our city." One of the three dissenters, John Avalos, warned that the city was setting "the wrong precedent." Within weeks another supervisor moved to strip the payroll tax off stock compensation citywide, and the direction was set. "We have a payroll tax that taxes job creation in the city," Mayor Ed Lee said the next year, and in November 2012 the city's voters replaced

the payroll tax with a tax on gross receipts by better than two to one. The payroll tax was phased down across the following five years and repealed outright in 2020, having never once reached the city's universities.

Newark, New Jersey, keeps a one-percent employer payroll tax to this day, and it too exempts the state and its instrumentalities, which is to say Rutgers's Newark campus and the New Jersey Institute of Technology and the state-chartered hospital, and it charges a private charity only on the sliver of its payroll that runs an unrelated business. The pattern holds across the family. Where the employer payroll tax exists at all, it usually leaves the university untaxed, swept clear by the same general exemptions that spare every other charity; where it reaches instead for the commercial payroll it was built to tax, it can draw the political fire that gets it cut. The drafting has mostly gone the university's way.

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Among the five cities that reach a university at all, no single principle reconciles them. Oregon exempts the private nonprofits and taxes the government, so the public university pays. Seattle taxes the private nonprofits and exempts the government, so the private university pays. St. Louis exempts the university from the employer tax and reaches it through a parallel employee tax, so the same institution both pays and does not. Denver exempts the charity from the employer half of a split tax and not the employee half. Pittsburgh reaches the charity only on its non-charitable payroll. One instrument, and five cities gave five different answers to the question of whether the university a city hosts pays a tax on its payroll.

It would be too easy to call the result arbitrary, and it is not quite that. A real principle is at work in each city, and each is defensible on its own terms. Seattle spares the government because a city cannot tax the sovereign, a rule as old as the country. Pittsburgh taxes the charity's commercial payroll and spares its mission payroll, drawing a genuine line between what a university does as a charity and what it does as a business. St. Louis exempts the institution where the institution is the taxpayer and reaches the worker where the worker is the taxpayer, which is the exemption behaving with perfect consistency. Each city applies a principle. The trouble is that they apply different principles, and weight them differently, and the principles pull in opposite directions, so the outcomes cannot line up. No master rule says the public university should pay and the private one should not, or the reverse. Which university bears the tax comes down to which principle a particular legislature reached for when it wrote a payroll tax to fund its buses or close its budget, and the university's treatment fell out of the language rather than driving it.

In the employer payroll tax the two lines that are supposed to organize this whole field come apart in the drafting. The line between charity and commerce and the line between public and private both bend to whatever a statute says. A charity is reachable, except where a statute spares it. The government is unreachable, except where a statute reaches it. Whether the public university or the private one bears the tax is settled by a definition of "employer" written in a state capital, and across

these five cities the definitions point every way at once. What the rest of the field treats as a question of principle, whether a university owes, turns in the payroll tax on a question of drafting, and the drafting was usually aimed at raising revenue, or at reaching the hospital, and not at settling the university's standing at all.

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## Chapter 5 — The Promise and the Appropriation

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For one week in October 2017, Connecticut simply stopped paying its towns the money it owed them for the colleges and hospitals it had exempted from their tax rolls, and the reason it gave was that there was no money to owe them with.

The state had gone into the fiscal year without a budget. Connecticut's reimbursement to its municipalities, the payment that stands in for the property taxes a town cannot collect on a university, is written into statute in the language of obligation: the state shall reimburse each town seventy-seven percent of the taxes it forgoes on private college and hospital property. But the statute carries four words that hollow out the verb. The payments are disbursed "within available appropriations." With no budget, there were no available appropriations. Keith Phaneuf of the Connecticut Mirror put the mechanism in a sentence that every municipal finance officer in the state already understood: "So if there is no new state budget, there are no available appropriations, which means cities and towns get nothing this week."

Hartford, then a bit more than half tax-exempt, was weeks from insolvency. Its mayor, Luke Bronin, said the city could be out of cash by early November. The director of the Connecticut Council of Small Towns said her members had three choices, all of them bad: drain their reserves, lay off their workers, or send out supplemental tax bills to homeowners in the middle of the year. One of the largest things the state owed these towns was a promise, and the promise, it turned out, was payable only if the legislature felt able to pay it.

The wage tax and the employer's payroll are tools the town holds in its own hand: once a town has such a tax, it levies it, collects it, and sets its rate, and no one can reduce what the town takes without changing the law of the state. Reimbursement is a different animal, a tool held by someone else. The town does not levy it or collect it or set it. The town waits for it, and what arrives is decided every year, in a building the town does not sit in, by people who have many other things they would rather do with the money. The statute says the payment is an entitlement. The appropriation says it is whatever the legislature appropriates. When those two disagree, and they disagree constantly, the appropriation wins.

Two states in the country reimburse their towns for the private colleges and hospitals they host. Connecticut is one. It promises the most and keeps the least of what it promises. The other is Rhode Island, which promises little and pays nearly all of it, and then withholds the whole arrangement from the one institution its own flagship university most obviously fits. A handful of states reimburse for the public campuses they own, and their programs run the same way: a formula that computes what the town is owed, an appropriation that funds a fraction of it, and a check that arrives smaller than the number the state's own arithmetic produced. This chapter is about what happens to a town when

its compensation for the exemption depends on a promise someone else keeps, or does not, rather than on a tax the town controls.

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Connecticut's promise is the largest in the country and among the least honored.

The reimbursement began in 1978 at twenty-five percent of the taxes a town forgoes on college and hospital property. The legislature raised it over the next two decades, to forty percent, to fifty, to sixty, and in 1999 to seventy-seven, where it has sat in the statute book ever since. Seventy-seven percent is a generous number. A town that hosts a great exempt university, and swallows the cost of policing it and fighting its fires and plowing the roads its employees drive, is told by the state that it will be made three-quarters whole for the taxes the university does not pay. The number is printed in the General Statutes. It has the force of law. And the full seventy-seven percent has almost never been appropriated.

Martin Looney, the president pro tempore of the Connecticut Senate and a New Haven man his whole career, said the quiet part in February 2021, when he described the seventy-seven percent his own state had promised for twenty-two years. He called it "aspirational." The word is worth holding onto. The legislator who knows the number best describes the largest reimbursement promise in the country as an aspiration, a thing the state hopes to be rather than a thing it does.

How far short the reality fell is documented in the ledgers of the towns that kept counting. Hartford's assessor tracked it year by year. Between 2011 and 2018 the city was shorted more than three hundred seventy-six million dollars against the reimbursement the statute promised. In a single year, fiscal 2018, Hartford received thirty million dollars in state reimbursement against roughly ninety million the formula said it was owed. The city was fifty-nine percent tax-exempt. It was being asked to run a capital city on the third of its due that the state got around to sending.

The deepest years were the worst. From the middle of the last decade through 2021, the legislature stopped running the formula at all. It suspended the statutory calculation and paid towns fixed dollar amounts set line by line in the budget, numbers that had no relation to the seventy-seven percent still printed in the law. A town could open the statute and read what it was owed, and open the budget and read what it would get, and the two documents described different worlds. In January 2021, twenty-seven Connecticut municipal leaders signed a letter to the governor, and their summary of where the promise had landed was flat and precise: in the last fiscal year, reimbursements for tax-exempt property "were below thirty percent of their statutory amount." Seventy-seven on paper. Under thirty in the bank.

The towns that signed were the university towns and the hospital towns, the places the exemption falls on hardest. New Haven, which hosts Yale. New London, which hosts Connecticut College and the Coast Guard Academy. Mansfield, which is essentially the University of Connecticut. Hartford. Bridgeport. And, telling the tale, wealthy Darien, whose Republican first selectman signed on to a

demand that the state better fund the poorer cities' reimbursement. The exemption is a statewide fact, and even the towns that do not suffer it can see what it does to the ones that do.

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The reform came in 2021. It does not raise the payment to the promise. It lowers the promise to the payment, and writes the reduced version into a new law, and calls the result a fix.

Looney's bill sorted Connecticut's hundred sixty-nine towns into three tiers by wealth, and paid each tier a fraction of the statutory rate. The bill set the poorest tier, the one holding New Haven and Hartford and Mansfield, at half of the seventy-seven percent, and a budget two years later nudged the fraction up to fifty-three percent. The arithmetic is worth doing slowly, because it is the arithmetic of the whole instrument. Fifty-three percent of seventy-seven percent is forty-one percent. The best-treated towns in Connecticut, the neediest ones, the ones the reform was built to help, now collect a reimbursement of about forty cents for every dollar of tax the exemption costs them, and that forty cents is the good outcome, the one the state chose to guarantee. The tiers below it get thirty-three cents and twenty-five.

The reform doubled New Haven's check, from about forty-one million dollars to about ninety, and the towns greeted it as the win it partly was. Michael Passero, the mayor of New London, had spent years on this fight, and in the final push he described himself as "Don Quixote fighting this fight." His framing of why the fight mattered is the cleanest statement of what the exemption does to a small city that anyone gave in the whole episode. "Because of our property tax system and the tax exemptions that are placed on our cities," Passero said, "the poorest tax bases in the state have to support the service for our affluent neighbors."

The reform also locked in the shortfall. It took the effective forty percent, the number that decades of underfunding had produced in practice, and it made that number the law. The seventy-seven percent did not go away; it still sits in the statute, still aspirational, now with a second statute beneath it explaining that aspirational is all it was ever going to be. And the new law carried a hold-harmless floor, a provision that no town could receive less than it had received in fiscal 2021, one of the leanest years on record. The floor sounds like protection. What it protects is the shortfall. It takes the dollar amounts of the underfunded years and freezes them into the permanent baseline, so that the years the state paid least become the years against which all future payments are measured. Whatever the legislature intended, the effect was to make the leanest years the permanent floor and move on.

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The most dependable payment New Haven receives for hosting a tax-exempt university comes from the university itself. The state's payment is the one that wavers.

Yale pays New Haven a voluntary contribution on top of whatever the state sends. The state's payment is larger in raw dollars, but it is a fraction of what the state promised and it arrives at the legislature's pleasure. Yale's is smaller, and it is the whole of what Yale pledged, and it comes every

year. In 2021 Yale agreed to raise it, adding fifty-two million dollars over six years, which lifted the annual payment from about thirteen million dollars to roughly twenty-three. In March 2026 the university raised it again, committing more than two hundred thirty million dollars through 2033 and bringing the annual payment to more than thirty million. Yale's president, Maurie McInnis, announced the increase in the same breath as the reason for it, which was that Yale was about to owe Washington a great deal more. "We're increasing our voluntary payments," she said, "as the federal tax on our endowment is rising." The new federal excise on Yale's roughly forty-billion-dollar endowment would run to something like three hundred million dollars a year, and the university, facing the largest tax bill in its history, chose that moment to give its city more.

What moved Yale was not the state's example and not the mayor's arithmetic. It was twenty-five years of organizing, and the organizing is the part of this story the reimbursement statutes cannot supply.

The campaign has a long institutional memory. Yale's unions built a community organization in 2000, ran a voter project in 2008, and in 2011 elected eighteen labor and dissident candidates to the thirty-seat New Haven Board of Alders, taking three-fifths of the body that approves the city's budget. New Haven Rising was formally established the following year, and by the summer of 2014 it had run more than two thousand people through a hundred neighborhood presentations. In December 2015 the campaign moved from meetings to civil disobedience, and by its own count a hundred thirty-four people were arrested outside Yale New Haven Hospital. In February 2019 the alders held a hearing to audit Yale's own hiring promises, and the numbers came apart under examination: against a pledge to hire a thousand New Haven residents, Yale reported twenty-five hundred and ninety-one, and the campaign's disputed count was eight hundred seventy-six. Laurie Kennington, who led one of the university's unions, put the burden back on Yale. "The only question now," she said, "is whether Yale will make fundamental changes to its hiring practices."

By the summer of 2025, with the 2021 agreement due to expire, the campaign was in the streets again. On the twenty-ninth of July several hundred people gathered at Scantlebury Park, off Ashmun Street and next door to Yale's own police department, and Marks described the machinery underneath the rally. "We are in direct contact with the people that live in this city," he said. "For six weeks, we have been knocking on doors." Tyisha Walker-Myers, who is both the president of the Board of Alders and the chief steward of Yale's blue-collar union local, listed what the doors had said: "Affordable housing, youth opportunities, education, good union jobs, we are here to fight for all of these things." Mayor Justin Elicker put the city's position in the language of a budget under federal pressure. "The reality is with a lot of the federal cuts," he said, "we need to see our local partners do more." Two months later, on the twenty-fifth of September, two thousand people filled Cedar Street outside the medical school.

The people of New Haven have made their view of the arrangement loud and specific, and their objection runs deeper than the size of the gift. What galls is that Yale gives at all in the way it gives, as a benefactor rather than a debtor. The organizing campaign, the unions and the community groups

and the door-knockers who have pushed Yale for a decade, frame the payment as the wrong kind of thing. "We do not need charity from Yale University," the president of the city's teachers' union said at a rally in January 2026. "We don't need charity from the seventeen billionaires who call Connecticut home." The president of the Board of Alders put the same thought in the language of obligation: "We can't continue to have this beautiful ivory tower sitting in the middle of our community and not give back." The word that recurs is charity, and it recurs as an insult. A gift, however large, arrives as the giver's choice, and a city that depends on a gift has agreed to be grateful. New Haven is done being grateful. It wants a claim.

The trap is now sprung. Connecticut offers New Haven a claim, a statutory entitlement of seventy-seven percent, and honors it at forty. Yale offers New Haven a gift, admits it is a gift, and pays it in full and on time and then raises it. The instrument wrapped in the language of obligation is the one that underdelivers; the frankly discretionary one is the one the city can actually count on. A town watching this happen would be forgiven for concluding that an entitlement no one is compelled to fund is a weaker thing than a payment someone wants to make. That conclusion is what the New Haven case suggests, and it is the reason the next chapter exists.

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While New Haven spent a decade trying to make Yale pay more, another government reached the same endowment and took several hundred million dollars from it without asking anyone.

The federal government began taxing large university endowments in 2017, when the tax law imposed an excise of one and four-tenths percent on the investment income of private colleges holding more than half a million dollars per student. It was a small rate on a very large base, and the universities absorbed it. In July 2025 Congress raised it and made it steep. The new schedule leaves the smallest of the affected institutions at one and four-tenths percent, charges four percent where the endowment runs past three-quarters of a million dollars a student, and reaches eight percent where it passes two million. Yale sits in the top tier. The day before the bill was signed, Yale's president, Maurie McInnis, told the university what it would cost. Congress had passed "an endowment tax of 8% on universities like Yale," she wrote, "a dramatic increase from the current 1.4% tax." Yale would pay "an estimated \$280 million in the first year it is in effect, and likely more in subsequent years." Then she named what the money would otherwise have done, and the last item on her list is the one this chapter cares about. It was money, she wrote, "that would otherwise support our students, faculty, staff, and local partnerships with the city of New Haven."

Hold the two numbers next to each other. Connecticut's entire reimbursement to New Haven, after the 2021 reform doubled it, runs to about ninety million dollars a year, and it is the largest such payment in the state. Yale's voluntary contribution to the city, after a decade of organizing and two negotiated increases, will pass thirty million and climb toward thirty-four. The federal excise on Yale's endowment, imposed without a negotiation, without a task force, and without any city's involvement, takes two hundred eighty million in its first year. The city spent twenty-five years

building the political power to move a payment by twenty million dollars. Washington moved two hundred eighty in a single line of a reconciliation bill.

The comparison is not quite fair, and the ways it is unfair are instructive. The federal tax reaches investment income, not property, so it is not an answer to the exemption at all; New Haven sees none of it, and Yale's argument is precisely that the money is coming out of the same pot the city wants. But the contrast does isolate what a town lacks. What the federal government has, and a city does not, is a base the institution cannot walk away from and a legislature that does not have to ask. When Yale raised its New Haven payment again in March 2026, McInnis tied the two together directly. "We're increasing our voluntary payments," she said, "as the federal tax on our endowment is rising."

And the tax turns out to be less inexorable than it looks, which is its own lesson about drafting. The statute reaches only institutions enrolling at least three thousand tuition-paying students. Princeton, whose endowment runs near four million dollars a student and which would have owed something like a hundred eighty million a year, expanded its financial aid instead, eliminating tuition for most families under two hundred fifty thousand dollars and dropping its count of tuition-paying students below the threshold. By the reporting, it now owes nothing, though the university declines to confirm the arithmetic and does not publish the headcount the answer turns on. A Princeton economist called the move a brilliant response to a punitive and discriminatory tax, and as tax planning it was. It was also a demonstration that a threshold written into a statute is a door, and that a rich institution will find the door. What makes this one worth recording is where the money went. Avoiding the tax cost Princeton forty-four million dollars in financial aid, which is to say the university escaped a levy on its wealth by spending the equivalent on its students, and it is the only institution in this book that answered a tax that way.

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Rhode Island keeps its promise, which makes its one absurdity stand out all the more.

Rhode Island reimburses its towns for exempt college and hospital property at twenty-seven percent, a modest number next to Connecticut's boastful seventy-seven. The difference is that Rhode Island pays it. The state's own budget documents carry the line without embarrassment: the program has been funded at or near the full twenty-seven percent since fiscal 2023. A Rhode Island town that hosts an exempt college knows what it will receive and receives it. The number is small and real. Set beside Connecticut, the lesson is almost moral. A modest promise kept is worth more to a town than a lavish promise broken, because a town can budget against the first and can only pray against the second.

And then there is Kingston. The University of Rhode Island, the state's public flagship, sits in the town of South Kingstown, and South Kingstown receives nothing for it. Not a reduced share, not a prorated fraction. The reason is a list. Rhode Island's reimbursement statute covers private nonprofit colleges, and nonprofit hospitals, and state-owned hospitals, and veterans' homes, and correctional facilities holding more than a hundred residents. It does not cover state universities. When the legislature built

the program in the 1980s and expanded it once, in 1988, it reached in to cover the state's own prisons and its own hospitals and its own veterans' facilities, and it left its own universities out, and it has never put them in.

The numbers make the omission vivid. South Kingstown's entire annual reimbursement from the state runs somewhere around a hundred eighty-six thousand dollars, and nearly all of it is for South County Hospital, the one nonprofit hospital in town. URI generates none of it. The university's facilities amount, by the town's own audited reckoning, to a quarter of all the state-owned buildings in Rhode Island. South Kingstown hosts a vast concentration of public university property and is reimbursed as though the campus were an empty field.

The town has stopped waiting for the state to notice. Buried in South Kingstown's comprehensive plan, in the chapter on the university, is a quiet administrative decision that reads like a shrug and lands like an indictment. The town will build its own database. It will track, building by building and child by child, the municipal costs that URI imposes, the schoolchildren from graduate housing and the services the campus consumes, and it will assemble that record "as the basis of discussions with URI regarding a potential Payment in Lieu of Taxes program to address these costs." The host town of the state flagship, unable to get a dollar from the state for hosting it, is quietly compiling the evidence to go negotiate its own payment directly with the university, the way New Haven negotiates with Yale, because the reimbursement statute that covers the state's prisons cannot see the state's college.

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Vermont did the opposite of Rhode Island. It wrote its university into the reimbursement statute by name, and then it capped what the university could generate at seven hundred fifty thousand dollars, and then it left the number alone for twenty-nine years while everything else got more expensive.

The Vermont program reimburses towns for state-owned buildings, and the University of Vermont's buildings are on the list. But one clause, added in 1997, says that the total payment for all buildings owned by the University of Vermont and State Agricultural College "shall be limited to a maximum of \$750,000.00." Every building UVM owns, the labs and the lecture halls and the dormitories and the offices, the whole exempt campus of the state's flagship, is worth to its host town, in reimbursement, no more than seven hundred fifty thousand dollars a year. The figure was set in 1997 and never indexed. Adjusted for the rising cost of everything the money buys, the cap would stand today near one and a half million. The gap between those two numbers is the quiet tax the freeze levies on Burlington every year, and it grows every year the cap holds.

What Burlington forgoes is much larger than what the cap returns. Tax-exempt institutions own forty-four percent of Burlington's land and nearly a third of its property value, and UVM and its medical center alone own a fifth of the city's real estate. If UVM were taxable, the city would collect about five million dollars a year from it in municipal taxes. The state hands back, for the entire university, three-quarters of one million, capped, frozen, and shrinking in real terms with every

passing budget. The reimbursement covers something like fifteen cents of each municipal dollar the exemption costs the city, and the fifteen cents erodes toward twelve, toward ten, as the 1997 dollars buy less.

The way Vermont funds the program is its own small revelation about how states treat this obligation. The reimbursement is financed by a skim. When Vermont towns levy local-option taxes, the state collects the money and keeps thirty percent of it, and part of what it keeps flows into the fund that reimburses towns for state property. Vermont funds its promise to host towns by taking a cut of municipalities' own consumption taxes. The obligation the state owes for its universities and its office buildings is financed, in part, out of money skimmed from the towns themselves.

Burlington has been fighting this fight since Bernie Sanders was its mayor. In 1987 the city sent the university's medical center a tax bill for two point nine million dollars, and the hospital sued, and the city lost; a charitable hospital, the court held, did not have to pay. A former mayor, Peter Clavelle, gave the town's case in the weary cadence of someone who has made it many times. "We've argued for decades now that the taxpayers should not bear the costs, that there's a group of beneficiaries at the hospital and university that should contribute." The argument is correct and it has not worked, because the thing that would answer it, a reimbursement that reflected what the university actually costs the city, is set in a statute the city cannot amend, at a number chosen in 1997.

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Wisconsin runs the most rational-looking version of this instrument in the country, and making the promise rational did not make the state keep it.

Wisconsin pays its municipalities for the services they provide to state facilities, and the statute is refreshingly specific about what counts. State facilities, it says, means all property the state owns and operates to carry out state functions, "including the branch campuses of the university of Wisconsin system." The payment is a computed figure. It rests on the assessed value of the state property in each town, weighed against the cost of the police and fire and trash services the town provides it. The formula produces a figure, town by town, that represents what the state's own method says each town is owed for servicing the state's buildings, its campuses among them. And then the statute adds the sentence that turns the entitlement back into a grant: if the appropriation "is insufficient to pay the full amount," the department "shall prorate payments among the municipalities entitled thereto."

It has been insufficient every year on record. For the payments landing in 2026, the formula computed that Wisconsin's towns were collectively owed about fifty-eight million dollars for servicing state facilities. The state appropriated enough to pay about twenty-six. Every town got the same fraction, forty-four cents on its computed dollar, and forty-four cents was the best rate in years. The prior cycle it had been thirty-eight. Wisconsin has a precise, value-based, defensible formula for what it owes its towns, and it has fallen short of that formula every year on record, funding a little over four-tenths of the answer its own arithmetic gives.

Madison is the sharpest case, because Madison hosts both the flagship university and the seat of state government, and so hosts more exempt state property than anywhere else in Wisconsin. The city's arithmetic, which its own communications office has taken to reciting, is not subtle. In 2023 Madison provided an estimated twenty point eight million dollars in police and fire services to the six hundred fifty-eight state facilities inside the city. The state paid back eight million. "They don't need to pay thirty-eight percent of their bill for services that Madison provided," the city's spokesman said, "when they have three billion dollars in surplus." The formula that year said Madison was owed more than twenty-one million. The city received eight. The difference, thirteen million dollars, is the amount by which the state's promise exceeded the state's payment, in one city, in one year.

When Madison pressed for the full amount, the Speaker of the Wisconsin Assembly, Robin Vos, offered the response that reveals what kind of instrument this really is. He suggested the state might just leave. "So what do they want? Us to move state government out of Madison?" he said, after a visit to the UW campus. "We could take and move that all out, because I betcha there's municipalities all around the state who would love to fill up their empty downtowns for the same payment we're giving the city." Set aside the bluster and look at the premise. The Speaker treats the payment for servicing state property as a favor the state confers, revocable and conditional, a thing the recipient had better be grateful for or risk losing, rather than a debt the state owes. That is the posture of a party that holds a handle the town does not. New Haven cannot make Connecticut pay seventy-seven percent. Madison cannot make Wisconsin pay its own formula. The town does the arithmetic, provides the services, and waits, and the state pays what it decides to pay and calls the difference the town's problem.

What makes the Wisconsin shortfall a deliberate act rather than an oversight is that the state overhauled municipal finance in the middle of it and left this program exactly where it was. In June 2023, at a firehouse in Wausau, Governor Tony Evers signed the largest rewrite of Wisconsin's local-aid system in a generation, a bipartisan deal that built a new local government fund, repealed the personal property tax, and let Milwaukee levy a sales tax of its own. The law created a dedicated account inside that new fund for exactly the payments this chapter is about, the ones the state owes towns for servicing state facilities. It plumbed the program into the new architecture, gave it its own line, and did not touch the formula or the shortfall. Two years later, when the state's municipal league said the state had lived up to its commitment and reversed twenty years of history, it was talking about shared revenue. The reimbursement for state buildings stayed where it had been since the Doyle administration.

The towns had to go get it themselves, and it took two more years. Madison built a public campaign around its thirteen-million-dollar gap. Oshkosh's council passed a resolution unanimously in the spring of 2025 urging the legislature to fund the program in full, its deputy mayor, Joseph Stephenson, putting it in the plainest available terms: "The state isn't paying its bills. To me, this is one of the top things you fund." Vos, pressed on whether he was serious about moving state offices out of the capital, treated the payment as a bargaining chip rather than a bill. "I'm just saying, let's wait and see," he said. "What are they willing to offer in exchange for [municipal service funding]?"

What they had offered so far, he said, was only a request to give them more so they could do exactly what they had always done, and that was not going to happen. In the summer of 2025 the biennial budget finally raised the appropriation by about seven million dollars a year, the first increase in more than two decades. It lifted the payout from a bit under thirty-eight cents on the computed dollar to about forty-four, and because the towns' entitlements kept growing at the same time, the raw gap between what the formula said they were owed and what they got actually widened. Forty-four cents is the improvement. It took a Speaker asking a city what it would trade, a unanimous council resolution three hours north, and a twenty-year wait to get there.

The smaller Wisconsin towns feel it worse, because in a small town the university dominates the tax base. Whitewater, home to a University of Wisconsin campus, was told by the state's own formula that it was owed a sum it did not receive; the city manager told a legislative hearing the city had lost out on more than half a million dollars the state said it was entitled to. Oshkosh, servicing a university and a correctional facility and a mental health institute, came up more than a million and a half short, and a city council member there began floating the idea of suing the state legislature over it. "All options remain on the table," he said. The towns are reduced to threatening to sue the state to make it pay the number the state itself calculated.

The sharpest Wisconsin voice belongs to a Republican mayor, which suggests the complaint is structural rather than partisan. Shawn Reilly, the mayor of Waukesha, whose city was shorted a couple hundred thousand dollars, was asked about the underfunding and dropped the diplomacy. "You should be colorblind, in regards to politics, for paying for police and fire services for your facilities," he said. "Which is the way the law was written to begin with. So it actually pisses me off, to be honest." The law was written to make the state pay for the services its property consumes. What decides whether the state pays is the appropriation, and the appropriation answers to a different set of pressures entirely, in which a small city's police budget competes with everything else a legislature would rather fund.

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Massachusetts is reopening its version of the promise, and the reopening shows how unsettled a university's place in it can be.

Massachusetts reimburses its towns for state-owned land under a program last substantially overhauled in 2016, and like Vermont's it pays on the state's own real estate, the forests and the office buildings and the campuses of the University of Massachusetts among them. The program has been underfunded and out of date for years, its payments keyed to a base year that stopped reflecting what the land is worth, and in August 2025 Governor Maura Healey created a commission to overhaul it. The commission spent the following year holding listening sessions in town halls across the state, in Greenfield and the hill towns and the places where the state owns a great deal and pays a little, and the towns showed up to say what host towns always say, that they carry a cost the state created and are not made whole for it.

The question the redesign leaves open is where the universities land in it. Twenty-nine communities that host colleges and universities have pressed to have higher education counted more squarely in the reimbursement, and the commission's early weight sat elsewhere, on geographic equity and on the rural towns whose land is forest and conservation easement rather than campus. Members of the commission have said the concerns of the college communities will feed the overhaul; whether the overhaul actually improves what a university town collects is the thing not yet written. Amherst, which hosts the flagship of the University of Massachusetts and forgoes millions on it, has spent years arguing that the state aid it receives is not a true reimbursement for the campus at all. A town that hosts a great public university, watching the state redesign the program meant to compensate it, cannot yet tell whether the redesign will reach its campus or pass it by. The promise is a document the state opens and rewrites, and the town with the university waits to read what the new draft says about it.

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Two states in New England promise nothing at all, and they are worth the trip, because the mechanisms by which they promise nothing are so much more deliberate than an absence has any right to be.

Maine has a constitutional command to reimburse its towns. Article IV of the state constitution directs the legislature to pay each municipality at least half of the property-tax revenue it loses to exemptions, and the language is mandatory: the legislature "shall annually reimburse each municipality from state tax sources." Then comes the clause that empties it. The command applies to exemptions "enacted after April 1, 1978." Maine's exemption for charitable and literary and scientific institutions, which is to say for its colleges and its hospitals, is far older than that. So is the exemption for the state's own property, which is to say for the University of Maine. Both fall on the wrong side of a date chosen in the 1970s, and neither has ever been reimbursed, and under the constitution as written neither ever can be.

The state applies the line with a bureaucrat's precision. Maine does reimburse its towns for other exemptions, the ones that happen to postdate the cutoff, and the state's own list of what qualifies runs to homestead and veterans and business equipment and tree growth. A 2026 task force reviewing the system explained, without evident embarrassment, that a single exemption can be pro-rated according to which of its clauses were enacted before April 1978 and which after, so that a town is made partly whole on one paragraph of a statute and not at all on the paragraph above it. The dividing line between a reimbursed exemption and an unreimbursed one is not the character of the institution, or the size of the burden, or the wealth of the town. It is the calendar. And the one payment in lieu of taxes that Maine law actually requires the state to make is for state-owned landfills. Maine pays its towns for hosting the state's garbage and not for hosting the state's university.

Orono, which is the University of Maine, keeps the arithmetic in its budget book. About forty-four percent of the town's real estate value is exempt. The university sends the town six hundred fifty-five

thousand four hundred thirty-one dollars a year, and it has sent exactly that for years: the line appears in the budget with the same figure in every column, prior actual, current budget, year-to-date, and proposed, with a variance of zero dollars and zero percent. The town manager, Sophie Wilson, described the bind in the flat register of a budget transmittal, writing that the council had "historically tried to balance community vision for Orono as a vibrant, full service and urbanized university community with the reality of its taxable valuation that is suited to support much smaller and often more rural municipal service profile." The most eloquent page in the file is the revenue schedule. Orono's accounts run in a row, and every exemption the state does reimburse has its own line: homestead, tree growth, veterans, business equipment. Then comes the line for the University of Maine, and it is not a reimbursement from the state at all. It is a check from the university, frozen, voluntary, and the largest exemption in town is the only one on the page that Augusta does not fund.

New Hampshire is blunter, and its statute is one sentence long. A municipality, the law says, "may enter into negotiations for a voluntary payment in lieu of taxes from otherwise fully or partially tax exempt properties, and may accept from such properties a voluntary payment in lieu of taxes." That is the entire program. A town may ask. Nothing requires an answer, and the state pays nothing. Its municipal association is still, in its 2026 legislative platform, asking the legislature to create a commission to study the question, which is the surest evidence that no such program exists. In 2025 two representatives filed a bill to let towns charge nonprofits a payment set at a quarter of the municipal rate. The municipal association supported it. The committee voted it inexpedient to legislate eighteen to nothing, and the House killed it on a voice vote sixteen days later.

What Durham has instead of a statute is a contract, and the contract is the most honest document in this chapter. More than half the assessed value of Durham is exempt from taxation, and the University of New Hampshire is the overwhelming reason why. In 2009 the university and the town signed a municipal services agreement in which the university conceded, in writing, the thing every institution in this book disputes. The parties acknowledge, the agreement says, "that UNH's presence in the Town currently results in the Town bearing an undue cost burden that is disproportionate to the cost of providing these services to the rest of the Durham community." Two paragraphs later comes the sentence that makes it a document about power rather than a document about fairness. "UNH's payment of the above amount," it reads, "is predicated on continuation of its current tax and regulatory status, and UNH reserves the right to cease payments if any change to that status occurs in the next Legislative session or in any subsequent session." The university put in writing that it would keep paying only so long as nobody tried to make it pay. The same condition was carried into the fire-protection agreement the two signed six years later, rephrased but unchanged in substance.

The result reads plainly in Durham's revenue ledger. The town budgets a million dollars a year in voluntary payments in lieu of taxes for 2026: nine hundred thousand from a retirement community, seventy-eight thousand from a housing nonprofit, thirty thousand from another. The University of New Hampshire, the largest exempt landholder in Durham by a distance, appears nowhere on that line. It pays about a hundred fifty thousand dollars toward policing, some road costs on the stretch of Main Street that runs through its campus, and negotiated shares of fire and water and sewer. In

Hanover, up the river, Dartmouth is the largest taxpayer in town by better than five times, on the commercial property it holds outside the exemption, and in 2019 it went to court seeking an abatement on thirty-eight of those properties, arguing the town had them assessed at nearly seventy percent too high. The town manager, Julia Griffin, did not expect the two sides to converge. "The very wide gap between our assessments on their in-town rental properties and their 'owner's estimate' (not an appraisal)," she said, "tells me we will not land anywhere near their number." Dartmouth's spokeswoman noted that the filing was statute-driven and the town had expected it. Even the cordial version of this relationship is a negotiation between parties of very unequal size, conducted with no state in the room.

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The seven states tell one story in seven dialects.

Connecticut promises seventy-seven percent and pays forty. Rhode Island promises twenty-seven, pays all of it, and forgets its own university exists. Vermont wrote UVM into the law, then capped the whole campus at a number chosen in 1997 and walked away. Wisconsin does the math to the dollar, funds two-fifths of the answer, and raised it only after twenty years and a public fight. Massachusetts is reopening its promise with the university towns pressing to be counted in and the outcome still unwritten. Maine wrote a constitutional guarantee and dated it so that no college could ever fall inside it. New Hampshire wrote one permissive sentence and left its towns to negotiate alone. The particulars differ, and the particulars matter, but the shape underneath is identical in every case, and it is the shape that defines this kind of handle.

This handle belongs to someone else, and that is its defining feature. The wage tax, once a state grants it, belongs to the town; the town turns it, and no third party has to decide anything for last year's collections to happen again. The take can still fall. A state can tighten the authority, and in Athens the base itself walked out of the building when the work went home. What cannot happen is the annual re-decision. The reimbursement never belongs to the town at all. It is re-decided every single year, in the ordinary course of writing a budget, by an appropriator weighing the town's exemption loss against every other claim on the state's money, and the town's loss loses, quietly, routinely, by the simple mechanism of a number in a budget being smaller than a number in a statute. There is no fight, no vote the town can win, no door it can walk through. There is only the annual discovery of what the promise turned out to be worth this time.

This is why the language of these programs is so consistently the language of obligation and the behavior so consistently the behavior of a gift. The statutes say shall. The appropriations say maybe. Connecticut's own reimbursement is disbursed "within available appropriations," and a Connecticut official, asked to describe the seventy-seven percent his own state had promised, could only call it "aspirational," and a Connecticut journalist could describe the state's mandatory reimbursement program as "voluntary, in a sense." An entitlement the appropriator can decline to fund functions as a gift, one the state has agreed to feel slightly guilty about not giving.

If the reimbursement a state owes is really a gift it chooses whether to give, then a town might reasonably prefer a giver who at least wants to give. Yale pays New Haven the one contribution the city can bank on, more dependably than the state pays its share, and raises it when its own costs rise. The universities, the supposed free riders, the institutions this whole book is about reaching, turn out in some towns to be the most dependable payer at the table, more dependable than the sovereign that promised in statute to make the town whole. That is a strange and important fact, and it points directly at the instrument the next chapter takes up: the payment the town negotiates with the university itself, the handshake in place of the statute, the gift made honestly as a gift.

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## Chapter 6 — The Negotiated Payment

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In December 2010, a task force in Boston delivered the mayor a plan to make the city's tax-exempt universities and hospitals pay more, and the plan had been written, in part, by the tax-exempt universities and hospitals. The president of Boston University sat on the panel. So did executives from two of the largest hospital systems in the city. They spent more than a year on it, and the formula they produced was a principled one, built on a real accounting of what the institutions cost the city. The weakness came later, and it came from two features the same report recommended. The number was twenty-five percent, and the payment was voluntary, and both of those facts are the subject of this chapter.

The instrument is the negotiated payment, the PILOT proper, the handshake a city works out with a university that owes it nothing. It is the oldest answer to the exemption and the one most people mean when they say a university should pay its fair share. It is also the weakest instrument in this book, because it rests on nothing but the institution's willingness, and a city that must ask cannot compel. Boston runs the most developed version of it in the country, the program other cities look to as the leading example, and Boston's experience is the clearest evidence available of what the voluntary payment can and cannot do. What it does is produce a number the city can put in a press release. What it collects, in cash, is about a quarter of what the city asks.

The chapter argues one thing across every city in it. A voluntary payment moves when the city holds something involuntary behind it, an approval the university needs or a lawsuit it wants to end or a political cost it would rather not pay, and it stalls where the city holds nothing but the ask. The size of the check tracks the leverage, not the goodwill.

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The Boston program was born in the wreckage of the 2008 recession, and its founding document is unusually honest about the squeeze that produced it. The mayor's PILOT Task Force, convened by Thomas Menino and chaired by a Boston tax attorney named Stephen Kidder, laid out the arithmetic in its 2010 report. The property tax was on its way to sixty-four percent of the city budget. State aid had fallen more than a hundred fifty million dollars in eight years. Proposition 2½, the Massachusetts cap, held down what the city could raise from the property it could tax. And fifty-two percent of Boston's land was exempt from property taxation altogether. A city cannot run on the half of itself that it is allowed to tax when the other half consumes the services too.

The composition of the task force is the first thing to notice about it, because it seated the payers at the table where the bill was written. Menino named nine people. The chair was Stephen Kidder, a tax lawyer with no stake in the outcome. Beside him sat Robert Brown, the president of Boston University, and Zorica Pantic, the president of Wentworth Institute of Technology, and a senior executive of Beth Israel Deaconess Medical Center, and the chief operating officer of Partners

HealthCare, four of the very institutions the program would ask to pay. The rest were a city councilor, the head of the Boston police patrolmen's union, an executive from John Hancock, and the director of a neighborhood development corporation in Dorchester. For fifteen months the group met, took public testimony, and in the spring of 2010 adopted its recommendations unanimously. Two university presidents and two hospital executives had helped set the size of the checks their own institutions would be asked to write, and had signed off on the result. That the formula they produced is nonetheless a principled one is a credit to the chair and a curiosity of the process. It is also a hint of why the program would never have teeth. An ask designed with the consent of the asked is an ask built to be survivable.

The task force built its recommendation on a single defensible idea. It asked how much of the city budget goes to the services that every property owner benefits from regardless of what the property is worth: police, fire, snow removal, streets. The answer, roughly and durably, was a quarter of the budget. So the task force recommended that the large exempt institutions contribute at that level, twenty-five percent of what they would owe in property tax if their property were taxable. The logic is clean and the number is modest. A university that would owe forty million dollars as a taxable enterprise is asked for ten, on the theory that ten is what it costs the city to police and plow and protect the university's own footprint.

Two features of the design matter more than the headline rate, because they are where the money leaks out. The first is a threshold: the ask applies only to institutions holding more than fifteen million dollars in exempt property, which exempts the small colleges and concentrates the program on the giants. The second is the escape hatch, and it is the mechanism that turns the whole program into what it became. An institution may satisfy up to half of its requested payment with "community benefits" instead of cash. A university that is asked for ten million dollars may pay five in money and meet the other five by counting things it does in the community, and the things it may count are broad, and the institution defines them.

And the payment is voluntary. The task force was explicit about this, and its reasoning is worth quoting, because it concedes the whole weakness of the instrument in a sentence. Any attempt to impose a legal requirement, the report said, "would face significant opposition and runs counter to the spirit of partnership." So the program would remain voluntary. The city would ask. The institution would decide. A quarter of the budget goes to services the exempt institutions consume, the task force found, and then it recommended a payment for those services that the institutions could decline to make, and many of them do.

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Boston, to its credit, publishes its compliance record every year in enough detail to indict the program from its own numbers.

In fiscal 2025 the city asked its exempt institutions for a hundred thirty-three million dollars. It reports that it collected seventy-six percent of the ask, which sounds like a program that mostly

works. That seventy-six percent is the number the city and the institutions cite, and it is a blend: cash plus the community-benefits credits an institution can claim without writing a check. Strip the credits out and the cash tells a different story. The cash that actually arrived was thirty-five and a half million dollars against a hundred thirty-three million requested, which is a cash compliance rate of twenty-six and a half percent. The city does not print that figure; it is arithmetic on the city's own cash and request totals. The seventy-six percent the city advertises and the twenty-six percent it banks are the same program described from two directions, and the gap between them is the community-benefits credit. The activists who track the program say the credit was designed to let institutions count what they already do; the report that created it called the credit a fair recognition of genuine non-cash contribution. Either way, its effect is to make the headline run well ahead of the money.

Sort the number by sector and it sharpens. The hospitals come far closer to the ask, meeting about ninety percent of it on the blended measure, though they too lean on credits for most of that. The universities do worse. The educational institutions of Boston were asked for seventy-three million dollars in fiscal 2025 and paid about fifteen million in cash, a cash compliance rate near twenty-one percent. The universities are the institutions this whole book is about, the great exempt landholders, and in the country's model PILOT program, in a good year, they pay about a fifth of a modest ask in money and meet the rest with credits or with nothing.

Harvard is the emblem. Harvard has fallen short of Boston's request for more than a dozen straight years, the shortfall arriving in the same shape each time. In fiscal 2025 Harvard was asked for about fourteen and a half million dollars, met the request at seventy-nine percent, and did it with roughly seven million in community-benefits credit and about four million in cash. Seventy-nine percent is the same seventy-nine percent it had paid the year before and the year before that; the cash inside it is under thirty cents on the requested dollar. Harvard holds something like a billion and a half dollars of exempt Boston property by the city's assessment, sits on the largest university endowment on earth, and sends the city about four million dollars in cash, counting the Arnold Arboretum and its law school's pro bono clinics toward the rest. A Bloomberg estimate put the cost of Harvard's exemption to Boston and Cambridge together at a hundred fifty-eight million dollars in a single year. The four million in cash Harvard sends Boston is a rounding error the university is legally entitled to and publicly praised for.

The activists have done the arithmetic the city soft-pedals. The PILOT Action Group, a coalition of unions and community and faith groups that formed in 2018, tracks the shortfall and publishes it. The credit draws its sharpest contempt, because it lets an institution count toward its city bill the scholarships and the clinics and the parks it runs for its own reasons and present them as payment. The city applies no common standard for what qualifies. The institution proposes, and the city generally accepts.

One institution declines to play at all, and its reason exposes the game. Boston College, asked for about five million dollars in fiscal 2025, filed no community-benefits report and paid four hundred thirty-eight thousand dollars in cash, under a tenth of the request, and claimed no credits toward the

rest. A college spokesman has stated its standing position plainly: Boston College declines "to participate in the Pilot program so as not to relinquish our tax-exempt status." The logic is worth unfolding, because it is the logic of the whole instrument turned against itself. Boston College's fear is that paying the city for services, voluntarily, might one day be used as evidence that it owes the city for those services, that a habit of writing checks could harden into a duty to write them, and that the exemption itself could be endangered by too much generosity. So the college writes as few checks as it can and guards the exemption that makes the whole conversation necessary. A voluntary program a university can undermine simply by joining it is a program built on a contradiction, and the most careful institutions see the contradiction and decline the invitation.

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The newest and largest deal in the program's history is made of exactly the thing the compliance numbers expose.

On the twenty-first of July 2026, Boston University signed a new five-year PILOT agreement with the city, and the city announced it as the largest in Boston's history, a hundred four million dollars. Mayor Michelle Wu framed it in the language every one of these announcements uses, the language of partnership and shared success and anchor institutions investing in the communities they call home. It was BU's first written PILOT agreement with the city in more than a quarter century, and the cash in it was real: BU's annual cash payment would climb from six point three million dollars to eight point three over the five years, a thirty-two percent increase over a figure that had not moved in years.

Read the structure and the hundred four million dollars comes apart in the hand. Of the headline total, the cash was about thirty-seven million over five years. The other sixty-seven million, nearly two-thirds of the number in the press release, was community benefits, the same credit that lets an institution count what it already does. The largest agreement in the history of Boston's program was, by its own arithmetic, roughly two-thirds things BU was doing anyway. Even at its most successful, negotiated hard and signed in writing and announced as a landmark, the voluntary PILOT delivers a cash payment that is a fraction of the exemption it offsets, wrapped in a headline built from things the university was already doing.

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What the word "voluntary" conceals is easiest to see in the one place Boston reliably gets a raise, which is the place it holds an approval the university cannot get anywhere else.

A large institution in Boston that wants to grow has to win the city's blessing for its buildings, and the blessing runs through a process called Article 80. The city's zoning code sends every large project into a public review of its impact on the neighborhood, and it requires universities and hospitals to operate under an Institutional Master Plan, a document the code defines as a comprehensive account of an institution's existing facilities, its long-range goals, and the projects it proposes to build. An IMP

is functionally a ten-year plan. To build almost anything of size, a university must have one, and to get one it must pass through the board of the city's planning agency, which votes on whether the plan is adequate, then the zoning commission, then the mayor. Along the way the institution is required to file a community-benefits package and, in the planning agency's own words, to "sign a cooperation agreement with the BRA that will enforce the community benefit commitments approved in the review process." The plan the university needs and the benefits the city wants are bolted together by design.

Watch the bolt hold. In the fall of 2025 Northeastern University was at City Hall seeking approval for a decade of expansion, and at the same moment the city was asking Northeastern for a PILOT of ten million dollars, roughly five times what the university had been paying. The vote on Northeastern's master plan sat unheld for several months while the two sides negotiated the payment. The university did not pay the ten million the city opened with. It settled at a cash payment climbing to two point six million dollars a year, up more than a third from the one point nine it had been paying, plus community benefits over the decade of the plan, and the plan then moved. A raise of more than a third in a season is more than Harvard's payment has moved in a decade, and the difference is that Northeastern needed a vote and Harvard did not.

Four months later the pattern repeated so cleanly it could have been staged. On the thirteenth of February 2026, the city and Wentworth Institute of Technology announced a new five-year PILOT the same day the planning agency's board approved an amendment to Wentworth's ten-year master plan, an amendment that cleared a nine-hundred-seventy-two-bed residence hall the institute wanted to build. The city's own press release put the payment and the plan in a single title. The Boston Globe was blunter, running the story under the words "As city approves new campus plan, Wentworth agrees to new annual payments." The PILOT cash was small, fifty thousand dollars in the first year rising to a hundred twenty-five thousand in the fifth, alongside a larger sum in community benefits. But the sequence was unmistakable. The plan the institute needed and the check the city wanted arrived in the same announcement, on the same day, from the same board.

Harvard, richer than either, illustrates the same mechanism at a larger scale, and shows where the money goes when it moves. In March 2025 the planning agency's board approved Harvard's ten-year master plan for its Allston campus together with a community-benefits package worth about fifty-three million dollars, ten million more than Harvard had first offered, and fifteen million of it in "linkage payments" the agreement tied explicitly to the city's approval of future projects. A city councilor for the area, Liz Breadon, described the leverage without embarrassment. "The Harvard land is a space to negotiate with Harvard," she said, "to find some spaces so we could build some more housing." The council member who chairs the committee that reviews these agreements, Sharon Durkan, stated the whole theory of the chapter in two sentences. "We need to approach institutions with a spirit of partnership and with intention," she said. "And when institutions need us, we have an easier time getting what we think we deserve."

There is a complication worth marking, because it runs the other way. The leverage moves the deal, but it tends to move it into community benefits rather than cash. Harvard's fifty-three million is overwhelmingly in-kind. Wentworth's cash is a rounding error next to its benefits package. The approval a city holds is real leverage, and it reliably produces a bigger number and a signed agreement, and the bigger number is mostly still made of the same soft credits the compliance figures expose. A handle gets the university to the table. It does not turn the payment into cash.

Boston's mayor did not invent this insight, and did not, as a city councilor, campaign on it. The record is worth stating plainly, because the program is often told as her project. The drive to make Boston's institutions pay more, before Wu became mayor in late 2021, belonged to other councilors, to Lydia Edwards, who said in 2020 that "there's aspects that should no longer be voluntary," and to Annissa Essaibi-George and Michael Flaherty, who complained that the institutions were "making PILOT payments on 2009 values while our residents are making payments on 2020 values," and to the PILOT Action Group that formed in 2018. Wu's contribution has come from the mayor's office. In the summer of 2024 she announced the first overhaul of the program since 2011, promising to reprice the ask against 2022 property values instead of the 2009 values still frozen into the formula, and to standardize the community-benefits credit the institutions had learned to fill with whatever they liked. Whether the overhaul reaches the cash is the thing not yet written. The formula still asks a quarter of what the institutions would owe, and a quarter is modest, and half of even that quarter can still be paid in kind.

...

Providence shows what the instrument produces when the pressure is real and the crisis is genuine, and it produces a deal the city calls a national model that still collects less than a fifth of what the university would owe if it paid like everyone else.

Brown University sits on College Hill above a city that has spent the century's every downturn near insolvency. Providence is roughly forty percent exempt by parcel and something like forty-four percent exempt by value, and Brown is the largest exempt holder on the hill, more than two hundred thirty buildings assessed at something like one and a third billion dollars. In 2011 the city came within sight of bankruptcy, and its new mayor, Angel Taveras, spent his term pressing Brown to give more. He put the case in the language of the taxpayer who covers the gap. "It takes the revenue collected from 19,000 taxpayers," Taveras said in 2012, "to account for the \$38 million in property taxes not paid by Brown University." He was careful not to overreach the claim. "I do not believe that Brown should solve our problems," he said, "but I do believe that Brown should be part of the solution." Brown agreed that year to a new payment, thirty-one and a half million dollars over eleven years, and the crisis passed, and the arrangement settled back into the low seven figures a year that a university of Brown's size can pay without noticing.

A decade later the pressure came from an unlikelier quarter. In the spring of 2023, as the city and Brown negotiated a successor agreement, Brown's own students turned on the university's

stinginess and organized against it. On a Friday in late April, timed deliberately to the day admitted students toured the campus, roughly a hundred students rallied on the Quiet Green with loudspeakers and demanded that Brown pay the city fifteen million dollars a year. Through the summer they packed the meetings. When the City Council held a three-hour hearing on the deal in late September, the chamber filled with undergraduates and graduate students, and a junior named Niyanta Nepal tied the payment to the university's own reckoning with its past. "My university claims to be grappling with its history and the trans-Atlantic slave trade," Nepal told the council, "but refuses to agree to a suitable PILOT payment that would help the city create better communities for its residents." A city councilor, Sue AnderBois, said she had never seen anything like it. "I was blown away by the advocacy we saw over the last couple weeks," she said. "This kind of turnout for students was, in my experience, pretty unprecedented."

The deal the pressure produced is, on its face, a landmark. On the twelfth of October 2023, in a signing at City Hall a week after the council approved it nine to one, Mayor Brett Smiley and Brown's president Christina Paxson and the council president Rachel Miller signed a set of agreements binding Brown and the city's three other colleges to pay Providence more than two hundred twenty million dollars in cash over twenty years, a hundred seventy-four million of it from Brown alone. Smiley reached for the superlative the occasion invited. It was important, he said, that the agreement was not only "meaningfully better and more generous, but one that could be held up as a national model." Paxson, for her part, was careful to frame it as a partnership rather than a bill. "This is not a completely transactional agreement," she said. "This is an agreement that gives us incentives to do even more." Miller placed it in the register of precedent. "This agreement raises the bar," she said, "for our relationship between not just these four nonprofit education institutions, but how the city works with all of our nonprofit institutional partners."

Do the arithmetic the signing did not, and the national model looks like every other voluntary payment in this book. Brown's cash payment rises under the deal to something like eight and a half million dollars a year, up from about four and a half. The city's own finance department had reckoned, the year before, that Brown would owe roughly fifty million dollars a year if its property were taxed at the commercial rate. Eight and a half against fifty is about seventeen cents on the dollar, and seventeen cents is the improved figure, the one that took a fiscal crisis and a student revolt and a year of negotiation to win, up from the nine cents Brown had been paying before. A university with a six and a half billion dollar endowment agreed, under real and sustained pressure, to pay its host city something under a fifth of what the exemption costs the city, and both sides called it historic, and by the standard of the instrument they were right to.

...

Providence and Boston are the developed cases, and a national instrument cannot be argued from two cities in the same corner of the same region. The pattern holds in the smaller places too, and two Massachusetts towns show it from opposite ends: the city with too many colleges to bargain with one at a time, and the town with one rich college and one that nearly died.

Worcester is a city of two hundred thousand people and roughly a dozen colleges, and it has spent fifteen years assembling voluntary PILOTs one institution at a time, with results that map the ceiling of the patient approach. Its research bureau found that about twenty-nine percent of the city is owned by tax-exempt organizations, some five billion dollars of property that would yield around a hundred fifty-seven million dollars a year if it were taxed at the commercial rate. The colleges are a piece of that, and the city has coaxed a few of them into agreements. Worcester Polytechnic signed the first big one in 2009, Clark University followed in 2010, and the pattern of those deals is instructive: modest sums, escalating slowly, negotiated when the institution wanted something and quiet when it did not. When WPI signed, its president took pains to fence the precedent off. The institute, he said, "does not intend for this agreement to serve as a model for any other tax-exempt institution's financial relationship with the city." Fifteen years of this bilateral patience has produced a set of PILOTs the colleges themselves value at around two million dollars a year, against the hundred fifty-seven million the exemption costs.

Worcester's voters lost patience with the patience. On the ballot in November 2025 the city put a non-binding question asking whether the city should require its private colleges to put half a percent of their endowments into a locally administered community fund every year. Five college presidents had signed a letter that spring warning that such a demand would undermine their financial health at a time of declining enrollment and federal cuts. The voters passed it anyway, by roughly three to one. It carries no legal force, because a city cannot in fact require a charity to spend its endowment, which is why the question could only ask. But the vote reset the table. A returning city councilman, Gary Rosen, had been making the case for years in the plain language of services rendered. "Our colleges and universities use police protection that all of us, our residents, our commercial taxpayers, pay for," Rosen said. "Fire protection, we all pay for it. They don't." He kept a running tally of the prize. "If you combine the endowments of our eight private colleges and universities," he said, "it totals close to four billion dollars. We should have a PILOT program with each one." When Rosen pressed the administration to go get it, the city manager, Eric Batista, gave the answer that defines the instrument's limit. Expanding the deals, Batista said, "would require universities to reopen existing contracts and negotiate new terms." A voluntary agreement cannot be enlarged by the city that wants more. It can only be reopened by the institution that already has what it wanted.

Amherst supplies the counterpoint the whole instrument depends on, which is that a voluntary payment is a function of the payer's willingness and the payer's willingness is a function of the payer's wealth. Amherst College sits on an endowment of three and a half billion dollars, more than a million dollars a student, and its campus in the town would owe something like seven and a half million dollars a year if it were taxable. In February 2025 the college announced a voluntary contribution to the town of two and a half million dollars over three years, about seven hundred fifty thousand a year, and its president, Michael Elliott, framed it in the warm language the instrument runs on. "I want the residents of Amherst to know," Elliott said, "that we are deeply committed to the long-term success of, and our partnership with, the town." The town manager, Paul Bockelman, answered in kind, calling the college "a valued partner in addressing the many challenges before us." Seven

hundred fifty thousand against seven and a half million is about a tenth of what the college would owe, and the college can afford it without a second thought, which is exactly the point about willingness.

Three miles away, the willingness ran out because the money did. Hampshire College, one of the Five Colleges around Amherst, nearly closed in 2019. Its president, Miriam Nelson, resigned in the middle of the crisis, and her resignation letter is a document about the ability to pay that sits underneath every one of these negotiations. "Last May," she wrote, "when I learned from Jonathan Lash that our entering class was again going to be significantly smaller than expected, it was clear this would trigger a chain of negative events threatening our long-term viability." She had notified the board, she wrote, that she was resigning "effective at 4:00 this afternoon." A college fighting for its survival has nothing to give its town, and a college with three and a half billion dollars has whatever it decides to give, and the instrument that is supposed to compensate a town for hosting a college treats those two cases identically, which is to say it asks both and compels neither. The town of Amherst also hosts the flagship campus of the University of Massachusetts, tens of thousands of students on land the town cannot tax at all, because a public university is state property beyond a municipal reach, and the town's separate strategic-partnership payments from the university, roughly a million dollars a year, are a subject for the reimbursement chapter rather than this one. What Amherst gets from its colleges, public and private, is what the colleges decide to give.

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Every case so far has found the leverage in an approval, a crisis, or a ballot. Princeton found it in a courtroom, and the result is the sharpest illustration in the chapter of what an involuntary handle is worth, because there the handle was the exemption itself.

In 2011 a group of about thirty residents of Princeton, New Jersey sued to strip Princeton University of its property-tax exemption. The suit, captioned *Fields v. Trustees of Princeton University* and argued by a local attorney named Bruce Afran, made an argument the university had never had to answer in court. Princeton had become, in part, a commercial enterprise. Since 2005 it had distributed roughly a hundred fifty million dollars in patent-royalty profits to faculty inventors, above their salaries, much of it flowing from a single anticancer drug, Alimta, that the university had licensed to Eli Lilly. An institution handing its professors a share of drug royalties, the plaintiffs argued, was not using all of its property exclusively for exempt educational purposes, and the parts that generated private profit should be on the tax roll like anyone else's. Afran put the stakes in terms of the town rather than the doctrine. "We don't want Princeton to just be a preserve of the well-off," he said. "So we designed this lawsuit to try to stabilize the tax base, to give these more disadvantaged families a chance to keep up."

The university was confident it would win and settled anyway. Weeks before the case was to go to trial, in October 2016, Princeton agreed to pay about eighteen million dollars, most of it directed to lower-income homeowners in the town. Its president, Christopher Eisgruber, was careful to concede

nothing about the exemption. "We had every confidence," he said, "that the courts ultimately would have affirmed the University's continuing eligibility for property-tax exemption." Paying the eighteen million was simply, he said, "a better expenditure of funds than continuing to incur the considerable costs of litigation." That sentence is the whole lesson of the chapter turned inside out. The university did not pay because it owed. It paid because a lawsuit it expected to win was cheaper to end than to fight, which is to say it paid for the same reason Northeastern paid, because someone across the table held something it wanted, in this case an end to the litigation and the risk, however small the university rated it, that a court might put its campus on the roll. Take away the suit and Princeton's payment reverts to the ordinary voluntary contribution it makes in the years no one is suing it, a few million dollars a year on a campus worth vastly more, given because the university chooses to give it.

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The critics and the institutions have been arguing about all of this for fifteen years, and both sides are partly right, which is what makes the argument permanent.

The critics hold that the program is a failure on its own terms. It collects a quarter of a modest ask in cash. It rests, still, on property values from 2009, because the city has never revalued the exempt property the way it revalues the taxable kind, so the ask itself is frozen a decade and a half out of date. It lets institutions meet half the bill with self-defined benefits and counts hundreds of millions of dollars of such benefits with no standard for what qualifies. And it cannot enforce any of it, because the whole thing is voluntary by design. Davarian Baldwin, who has studied these fights across the country, put the structural point most bluntly. The wealthy universities, he said, "bully these cities because of the economics they bring." A city that depends on the university for its jobs and its prestige and its growth is a city poorly positioned to send that university a bill it can enforce.

The institutions answer that the payments are voluntary, that the value they provide dwarfs the cash the city wants, and that pressing them harder would come out of their mission. They note, accurately, that the pressure is arriving at the worst possible moment, as the federal government cuts university research funding by amounts that dwarf any PILOT, and that a university laying off staff cannot easily write the city a larger check. There is a real argument here about whether a great university is better understood as a burden on its host or as the engine of the only prosperity the host has, and the book takes that argument up later. For the purpose of this chapter, the institutions' strongest point is also an admission: the payment is voluntary, they remind the city, and a voluntary payment is one the payer may decline, which is precisely the weakness the whole instrument cannot escape.

Across the river from Boston, Cambridge shows what the absence of even Boston's flawed apparatus looks like. Cambridge hosts Harvard and MIT, two of the wealthiest universities on the planet, and it runs no formula, no task force, no annual scorecard. It negotiates one institution at a time, bilaterally, deal by deal. Harvard signed a one-year payment of six million dollars with Cambridge in 2025, up from under five the year before, with a longer agreement stalled while the university waited out the

federal funding storm. MIT operates under a decades-long agreement of its own. Two of the richest institutions in the world sit in a city that is substantially their creature, and the arrangement between them is a handshake renewed a year at a time. If Boston's program is the model, Cambridge is the reminder of what most cities actually have, which is less than that.

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Boston is the best case, and that is the reason its numbers matter so much.

Every city that hosts a great exempt university looks at Boston as the place that solved this, or came closest. Boston built the task force and the formula, publishes the annual reports, signs the agreements, and has kept asking across three mayors. It has done more than any other city to make the voluntary payment work. And it collects, in cash, about twenty-six cents on the dollar of its own modest ask, on property values fifteen years stale, from institutions that meet most of the bill with things they were already doing and can walk away from the rest. If this is the model, the model manages the appearance of the problem more than it solves it.

The instrument leaks for a reason that is structural and not fixable by better administration. A voluntary payment is a gift, and a gift is the giver's to withhold, and an institution that can withhold a payment will tend to withhold the part that costs the most, which is the cash. Everything Boston has built, the formula and the credits and the reports, is an elaborate apparatus for making a voluntary payment feel obligatory without ever making it so. The apparatus works until the institution decides it would rather not, and then it produces a press release and a shortfall.

The exceptions in this chapter are the proof of the rule, because every one of them is a place the city stopped relying on goodwill and reached for something the university could not walk around. Boston gets a real raise from the university that needs a master plan approved, and only a soft blended number from the university that needs nothing. Providence moved Brown with a fiscal crisis and a student revolt, and moved it to seventeen cents on the dollar, which is what a hard year of real pressure buys. Princeton's residents moved the university with a lawsuit over the exemption itself, and collected eighteen million by threatening the one thing a voluntary program never touches. Worcester's colleges gave two million dollars a year to a city that asked politely and reopened nothing, until the voters reached past the colleges to the ballot. The cash rises when the city holds a handle. The ask, by itself, gets Harvard's seventy-nine percent, most of it in credits, year after year, and there is nothing the ask alone can do about it.

That is the finding this chapter carries into the rest of the book. The voluntary payment is the instrument everyone reaches for first and the one that collects the least, and the cities that pull real money out of it are the cities that found, somewhere, an involuntary handle to set behind the voluntary ask. The question in every city is not whether the university will give. It is whether the city holds anything the university needs badly enough to pay for.

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## Chapter 7 — The Lever That Doesn't Work

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Between May 2021 and April 2022, the county's 911 dispatchers logged a hundred forty-six emergency calls from a single building in Pittsburgh. The building is Litchfield Towers, three connected high-rises that hold about eighteen hundred University of Pittsburgh students, and the calls were the ordinary catalogue of what happens when you stack eighteen hundred nineteen-year-olds in three towers: overdoses and alcohol emergencies, fire alarms, welfare checks, people stuck in elevators, and, one night, a firefighter dispatched to a student who had set off the smoke detector by microwaving macaroni and cheese without adding water. Every one of those calls was answered by a city paramedic or a city firefighter, paid by the city, dispatched from a city station. The towers are assessed at about forty-five million dollars. If they were taxable, they would owe the city something like three hundred sixty-three thousand dollars a year. They are not taxable. They are owned by the University of Pittsburgh, and on the property roll the University of Pittsburgh, like every university in this book, pays nothing.

Pittsburgh, unlike most of the cities in this book, has a legal tool to do something about that. Pennsylvania gives its municipalities a sharper version of a weapon few cities have at all: a way to drag a tax-exempt hospital or university into court and make it prove, parcel by parcel, that it deserves the exemption in the first place. Pittsburgh has picked up that tool and swung it, hard, under three mayors across a dozen years, against the largest nonprofit in the state. The net proceeds of the most recent round of that campaign, after the lawyers were paid, came to about forty-seven thousand dollars. This chapter is about why the sharpest handle in the book produced so strikingly little money, and about the harder question underneath that failure, which is whether the handle failed at all or only worked in a slower and stranger way than anyone swinging it intended.

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The tool is worth understanding, because most cities would like to have it. In most states a nonprofit's property-tax exemption is a settled thing a city cannot reopen. Pennsylvania is different, and the difference is constitutional. The state constitution exempts only "institutions of purely public charity," and in 1985, in a case called Hospital Utilization Project, the state supreme court built a five-part test for what those words demand. An institution claiming the exemption must advance a charitable purpose, donate or render gratuitously a substantial portion of its services, benefit a substantial and indefinite class of persons who are legitimate subjects of charity, relieve government of some of its burden, and operate entirely free from private profit motive. Fail any one of the five and you are not a purely public charity, and your property can be taxed. And a taxing body can force the question in court.

The legislature tried to soften what the court had sharpened. In 1997 it passed Act 55, which wrote gentler, more forgiving versions of the five prongs into statute and handed nonprofits a set of safe

harbors, and for fifteen years the statutory version was what governed. Then, in 2012, the supreme court took it back. In a case about a religious summer camp in Pike County, it held that the constitutional test comes first, that an institution must clear the older and harder five-part bar before the statute's safe harbors apply at all, and that the legislature could not make the exemption easier than the constitution made it. The lawyer who would soon lead Pittsburgh's charge against UPMC described the moment in the plain relish of a man handed a tool. The court, he said, had looked at the free ride the legislature gave in 1997 and said, wait a second, that really isn't the proper standard. The harder test was back, and the burden sat on the institution to prove it belonged.

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The institution on the other end of the tool is UPMC, and its scale is the reason the lever is so tempting and so heavy to move.

The University of Pittsburgh Medical Center is, in law, a nonprofit charity. It is also a health system with revenues past thirty billion dollars a year, more than forty hospitals, operations in four states and three foreign countries, and the standing of the largest nongovernmental employer in the Commonwealth of Pennsylvania. In its most recent year it cleared more than three hundred eighty million dollars in surplus. Its chief executive was paid better than thirteen million. Forty-four of its people earned more than a million dollars each. It owns a great deal of Pittsburgh, almost all of it exempt. The city and county controllers estimated that if UPMC's property were taxable it would owe something close to fifty-eight million dollars a year across all the local taxing bodies, with about fourteen million of that flowing to the city alone.

UPMC's exemption is not a rounding error in Pittsburgh's budget, and neither is the exemption around it. Nonprofits own about a fifth of the city's property. Only sixty-one percent of Pittsburgh is taxable at all. Add up every exempt nonprofit parcel and the controllers put the city's annual loss at about fifty-four million dollars, of which the five largest institutions, the big universities and health systems sitting on more than four billion dollars of exempt property, account for about thirty-four and a half million. That is the prize the lever is built to reach. A city that could make its purely-public-charity test bite on even a slice of that would rewrite its own budget. So Pittsburgh tried, and the trying is a matter of public record across three administrations, which is what makes it the necessary case in this book.

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The first swing came in March 2013, from a mayor already on his way out.

Luke Ravenstahl, in the last year of his term, opened two fronts against UPMC at once. He sued in county court to make the system pay the city's payroll tax, from which it claimed a charitable exemption, and demanded six years of it in back taxes. And he challenged the exemption on UPMC's Pittsburgh properties before the assessment board, arguing the system was no purely public charity at all. He said so bluntly. "It's very clear to me," Ravenstahl said, "that the University of Pittsburgh

Medical Center is not an institution of purely public charity." His outside counsel ran down the five prongs and argued UPMC failed most of them, pointing to a billion dollars of surplus over two years, the executives paid over a million, the facilities the system had closed in poor neighborhoods. If it looks like a duck and quacks like a duck, the lawyer said, then it is a duck.

UPMC did not flinch. It called the challenge an attempt to punish an institution for displeasing certain unions and certain politicians, noted that Pennsylvania was the only large state with no public hospitals and cast itself as the safety net that filled the gap, and then it turned and sued the city in federal court, alleging a campaign to target and damage it and invoking the constitutional rights of its nearly sixty thousand employees. The invocation was audacious, because in the payroll-tax case UPMC was arguing the opposite. To escape the payroll tax it contended that the parent corporation had essentially no employees at all, that the workers were employed by its forty-odd subsidiaries, so that the city, as one court filing put it, could not identify a single person employed by UPMC. The company that called itself the largest employer in Pennsylvania told the city it employed no one.

The payroll-tax suit collapsed on that very question, when a judge dismissed it on the ground that the city had sued the parent rather than the subsidiaries that did the employing. The charity challenge never reached its merits at all. When Bill Peduto took office in 2014 he dropped the whole effort, concluding the city could not possibly win, and the fight left a mess behind it. It had already blown up a quiet older arrangement, a public service fund into which about a hundred nonprofits had paid a few million dollars a year, voluntarily, for roughly a decade. In reaching for the lever, the city knocked over the tip jar, and got nothing to replace it.

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Peduto spent his mayoralty on the other approach, the friendly one, and it produced a lesson in how little goodwill yields when nothing stands behind it.

In April 2021, weeks before he lost his primary, Peduto unveiled a nonprofit called OnePGH and announced that the city's four largest tax-exempt institutions, UPMC and the Highmark health system and the University of Pittsburgh and Carnegie Mellon, would put a hundred fifteen million dollars over five years into a community fund. The number sounded large. Set against what the four saved through their exemptions over the same years, it was a fraction, and much of it turned out to be money the institutions were already spending on their own initiatives, relabeled. The city controller called it a charade and a bad deal for taxpayers. A council member called the structure a shadow government. When Ed Gainey took office in 2022 he cut the city's ties to OnePGH within months, and his deputy mayor confirmed the plain fact underneath the announcement: the monetary commitments had not moved forward. A hundred fifteen million dollars had been pledged, almost none had been paid, and the pledge dissolved the moment its author left office.

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Gainey had campaigned on making the nonprofits pay, and in office he went back to the lever and swung it harder and more methodically than anyone before him.

His administration pulled the files on something like a billion dollars of exempt property and began challenging the exemptions parcel by parcel, in exactly the way the 2012 decision allowed. The first round, in 2023, contested twenty-seven parcels. The second, in 2024, escalated to a hundred four, fifty-seven of them owned by UPMC or a UPMC hospital, and reached for the biggest targets on the map. UPMC's children's hospital, assessed at four hundred twenty-six million dollars, would owe the city alone about three point four million a year if its exemption fell. Gainey made the case in the language of services rendered and unpaid, the language this book keeps hearing from mayors. The institutions, he said, should pay their fair share for the paving of the roads in front of their hospitals, for the crews that bring patients to their doors, for the police and fire teams that keep their students safe. It is the Litchfield Towers argument, made from the podium: the city answers the calls, and the caller pays nothing.

Then the machinery of the thing ground the campaign down.

A challenged parcel enters a process before it becomes anything. It goes first to the county assessment appeals board, six to nine months. From there to the court of common pleas, about a year. From there it can climb to the Commonwealth Court. And at every rung the institution's lawyers are waiting, and every loss the institution suffers, it appeals. Of the twenty-seven parcels in the first round, twelve failed outright, three were withdrawn, and twelve succeeded, and the institutions appealed all twelve of the wins. The money that actually reached the city from that first round, after the appeals, was about a hundred thousand dollars a year. In the second round, of the hundred four parcels, an assessment board found twenty-one taxable, and those too went up on appeal, worth a few hundred thousand dollars more that the city has mostly not yet seen.

Here is the accounting that gives the chapter its title, and it comes from Gainey's own mouth. As of early 2025, the sprawling parcel-challenge campaign had brought the city, in realized revenue, about two hundred ninety-four thousand dollars. The legal fees the city had paid to run it came to about two hundred forty-seven thousand. The net was about forty-seven thousand dollars. Both figures are Gainey's accounting of the parcel-challenge campaign he restarted by executive order in January 2023; the dozen years is the arc of the whole effort, across three mayors and two rounds of litigation, and the older Ravenstahl round's costs are not inside these numbers. The fifty-four-million-dollar figure is the whole exemption universe, far more than the campaign ever put in play; the honest comparison is realized capture against challenged value, and even at that scale the campaign ran nearly even, the revenue barely clearing the cost of chasing it.

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The campaign had a second front that never reached a courtroom, and it is the part of the story that has to be told carefully, because it rests on leaked emails and unnamed sources and denials, and no one outside the room can be sure what happened.

While Gainey pressed the parcels, his administration was also negotiating with UPMC directly, and the negotiation became tangled in a fight over whether UPMC's own workers could unionize. The mayor had won his 2021 election with heavy backing from SEIU Healthcare Pennsylvania, the union that had spent years trying to organize UPMC, and two of his senior aides had come from the union's own staff. In April 2023 a Pittsburgh television station reported on leaked emails suggesting that a top SEIU official had helped shape the mayor's talking points before a meeting with UPMC's chief executive, and that the city's price for a partnership with UPMC included a path for the union to organize the system's workers. A year later a second station reported that the governor, Josh Shapiro, had brokered an arrangement in the fall of 2023 under which UPMC and other large nonprofits would pay the city more than they had before, and that the Gainey administration had turned it down because it did not include UPMC's agreement to let the union in.

The administration denied the framing directly. The mayor "has never walked away from, or turned down, a potential PILOT agreement over unionization," his communications director said. UPMC, for its part, said the mayor already had the system's commitment to pay into a program that was fair and equitable, so long as it reached the other large nonprofits too. What is not in dispute is the shape of the thing. A mayor elected with union money reached for the exemption lever and the negotiating table at once, the union's central demand rode alongside the city's fiscal one, and the money the governor is said to have assembled did not arrive. Whether the unionization demand sank a deal or whether there was never a deal to sink is exactly the kind of question the record cannot answer, and it is the kind of question that trails a campaign run on leverage rather than on a self-executing tax. A wage tax generates no backroom in which a union demand and a tax demand can get confused. This campaign generated several.

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There was, at one point, a moment when it looked like real money might move, and the story of how it slipped away complicates every neat account of what does and does not work.

In February 2024, Gainey came out of a meeting with UPMC's chief executive, Leslie Davis, believing he had a deal: twelve and a half million dollars a year for ten years, a hundred twenty-five million dollars, overseen by a board the city would mostly appoint. He said he agreed to it in the room. That same evening, by his telling, UPMC added a condition, that the payment be split with surrounding Allegheny County, and Gainey balked, because he had negotiated for the city and the county had never been at the table. Then UPMC's spokesman flatly denied there had ever been anything to agree to. There has never been a deal on the table, he said. There have been lots of asks, but there has never been a deal. A hundred twenty-five million dollars either evaporated on a technicality or never existed, depending on which man you believe, and there is no way from the outside to know which. The episode settles nothing about whether the lever works. It shows only what the money in these fights is made of, which is promises, and promises between a city and a thirty-billion-dollar hospital are slippery things.

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The money that finally moved came after the swinging stopped, and it is here that the chapter has to be careful about what it claims.

Gainey lost his primary in May 2025, to a challenger who had spent the campaign calling the parcel strategy talk and rhetoric that produced no results. Corey O'Connor took office in January 2026, and within months UPMC and Highmark pledged the city a fleet of emergency vehicles worth forty-five million dollars over five years, Highmark buying twenty million in fire and first-response equipment and UPMC twenty-five million in ambulances and medical gear, on top of a ten-million-dollar gift of ambulances UPMC had made in January. At a City Hall press conference on the twenty-fifth of June, the executives spoke the warm language of institutions giving because the moment was right and the region had momentum. Highmark's chief executive, David Holmberg, put it simply. "We believe that this is the right time and place to show up," he said. "This region has momentum." O'Connor called it a historic day, a thing talked about across many administrations and finally done. The city controller, Rachael Heisler, said the plainer thing, that she hoped the agreement would "serve as the standard for subsequent agreements with our other large nonprofits." By the standard of everything before it, the sum was real. Measured against the whole exemption loss it was under a fifth, it bought vehicles rather than filling the budget, and it was a gift with no legal force, arriving under a mayor who had stopped threatening.

The tempting reading is that the pattern is the proof: swing the lever and get nothing, put it down and get paid. Ravenstahl swung and got a countersuit and a dismissal; Peduto asked and got a pledge that vanished; Gainey swung through a hundred thirty-one parcels and netted forty-seven thousand dollars; O'Connor asked and got forty-five million. But four administrations differ in far more than their posture toward the lever, and a single city carrying this many confounds cannot carry a clean causal claim. There is a rival reading, and it is at least as strong. The voluntary money that came to O'Connor may be a lagged return on the very threat Ravenstahl and Gainey built, the accumulated weight of a decade of challenges finally making a friendly settlement look, to UPMC, like the cheaper option. On that reading the lever did not fail. It worked slowly and indirectly, the way a threat works, softening the ground for a handshake years later, and the institutions' own stated reasons, that the moment was right and the region had momentum, are the diplomatic surface over a calculation the litigation helped force.

The chapter cannot cleanly choose between those stories, and it should not pretend to. What survives either way is the one hard number. The direct instrument, the court challenge that was supposed to make the exemption bite, produced about forty-seven thousand dollars net across the campaign Gainey restarted in 2023. Whether the threat behind it earned an indirect return in the 2026 gift is genuinely uncertain and probably unknowable from one city. The money that moved, moved as a favor. The money the law was supposed to compel never came.

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Why the direct lever collects so little is structural, and the structure reaches well beyond Pittsburgh.

The economists who study these fights had seen it coming. Daphne Kenyon of the Lincoln Institute, which has tracked payments in lieu of taxes across the country for years, has found that cities do worse, not better, when they reach for the courtroom. Coercive tactics, including challenges to a nonprofit's tax-exempt status, she and a colleague wrote in 2016, "sometimes 'work' in the sense that they lead to large PILOTs, but they backfire at least as often, driving nonprofits away from the negotiating table and leaving the city with no PILOT, a damaged reputation, and possible legal fees." The mechanics are plain. A parcel challenge is slow. The institution is patient and well-lawyered and will appeal every loss, so the money is years away even when the city wins. The institution can restructure itself to be harder to tax, as UPMC did in filing its workforce under subsidiaries. And the courts can move the doctrine back the other way at any time.

Pittsburgh had proved the finding on itself before the economists published it. The public service fund that Ravenstahl's challenge knocked over in 2013 had been exactly the collaborative arrangement the research recommends: about a hundred nonprofits paying a few million dollars a year into a common pot, quietly, without a lawsuit anywhere near it. The moment the city reached for the courtroom, the fund collapsed, and it did not come back. The threat added nothing to the voluntary money and destroyed what was already there, leaving the city with less than it started with. It took a dozen years, four mayors, two rounds of parcel litigation, and finally the departure of the mayor who had pressed hardest before anything resembling that old pot returned, and what returned was narrower than what the lawsuit had scattered, a fleet of ambulances rather than a fund the city could spend as it chose. A city that already held a voluntary arrangement reached for a compulsory one it could not win, and ended the decade with neither the payment it had chased nor the arrangement it had scattered. That is the deepest cost of the lever, and it never shows up in the ledger of what the challenges collected.

They did, in the middle of the campaign, and the case that moved it is worth following, because it shows the ground shifting under a city's feet in real time. The case came from the other side of the state, from Pottstown, a small town outside Philadelphia whose hospital had been bought in 2017 by Tower Health, a nonprofit system on an expansion spree. The Pottstown School District, hungry for the revenue, challenged the hospital's exemption, and it made the Pittsburgh argument in miniature: a hospital that pays its parent millions in management fees and ties its executives' bonuses to financial performance is not operating free from private profit motive, and so fails the fifth prong of the purely-public-charity test. The numbers were on the district's side. The management fee the Pottstown hospital paid Tower Health climbed from four and a half million dollars in 2018 to nearly eleven million in 2019 to more than twenty-three million in 2020, better than fivefold in two years, while the hospital's executives drew bonuses running from a fifth to nearly half of their base pay. In February 2023 the Commonwealth Court agreed with the district and stripped the exemption. Tying forty percent of the bonus incentives to the hospital's financial performance, the court held, was "sufficiently substantial to indicate a private profit motive." A companion case from Chester County, quoting the trial judge there, had put the same charge in language a good deal hotter, calling the

system's leadership "corporate health care raiders" whose goal was to "drain the juice out of the hospitals until there was nothing left but a dried-out husk and then leave, close the doors, or sell what was left." The exemption looked genuinely vulnerable, and every city with the tool watched.

Then, on the thirtieth of May 2025, the Pennsylvania Supreme Court reversed and handed the exemption back. Chief Justice Debra Todd, writing for a five-to-two court, held that the size of an executive's pay and the size of a management fee, by themselves, do not defeat a charity's exemption. "The size of compensation of Tower Health's executives and the amount of the management fees which the Hospital paid Tower Health," she wrote, "are insufficient by themselves to render the Hospital ineligible for a tax exemption under the HUP test." A hospital is ordinarily its own corporate entity, the court reasoned, and the fact that its parent behaves like a business does not, absent a reason to pierce the corporate veil, drag the subsidiary out of the exemption. Two justices dissented, and the dissent is the sharper statement of the position the cities need. "Corporations need to pick a lane," Justice Sallie Mundy wrote, "and if they want to be tax exempt, they need to pick the charity lane, which under HUP means they must operate entirely free from a profit motive." Bonuses that rise with a profitable year, she argued, are a profit motive by definition. She lost. The fifth prong that Pittsburgh needed to be sharp had, in the middle of its campaign, been sanded down by the court that owned it, and the sanding came with the same institution's fingerprints on it, because the hospital that won the case was a nonprofit hospital of exactly the kind Pittsburgh was chasing.

The irony sat in the hospital's own books. Tower Health had bought the Pottstown hospital in 2017 as one piece of a five-hospital expansion that went wrong almost at once. By the time the case reached the state's high court the system was hemorrhaging money, an operating loss of two hundred twelve million dollars in fiscal 2022 and another hundred forty-two million the year after, its credit downgraded deep into junk, two of its hospitals closed and a third sold and hundreds of its workers laid off. A system that could not stop losing money had spent years in court defending its right not to pay property tax, and won. On the other side of that fight was a school district. Pottstown stood to gain something like nine hundred thousand dollars a year if the exemption fell, and its superintendent, Stephen Rodriguez, translated the abstraction into the currency a school runs on. "A million dollars is, you know, ten, twelve teachers," he said. The district lost the ten or twelve teachers to a hospital that was itself going broke, because the test asks whether an institution pursues profit, not whether it manages to earn any.

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The institution the lever keeps reaching for, in Pittsburgh and everywhere else, is the nonprofit hospital, and it is worth asking why a hospital should be the charity a city most wants to tax. The answer is that the modern nonprofit hospital has drifted furthest from the almshouse the exemption was written for. It runs revenues in the billions, pays its executives like the corporations they compete with, spins off for-profit subsidiaries, reports its charity to the government on a tax form, and gives away, in free care, a share of its revenue that has thinned for decades. Senator Chuck Grassley has spent years pressing the question of whether such institutions still earn the exemptions

they hold. Watchdogs tally the seven-figure salaries: by one count at least forty nonprofit-hospital chief executives in Pennsylvania alone cleared a million dollars in a single recent year. The charity that pays like a business and competes like a business is the charity a city looks at and asks what, exactly, the word is still doing. That is the question the exemption challenge puts to a court, and two states have pushed it further than Pennsylvania has.

The lever looks different from a distance, and two other states show what it does when it actually bites, which is to turn, almost immediately, into something other than a tax.

New Jersey ran the experiment first and hardest. In June 2015 a state tax court judge, Vito Bianco, looked at Morristown Medical Center, a nonprofit hospital run by a system tangled up with for-profit subsidiaries, and did what no Pennsylvania court has done to UPMC: he stripped almost the whole campus of its exemption. His opinion is the most quoted sentence in this entire field. "If it is true that all non-profit hospitals operate like the Hospital in this case," Bianco wrote, "then for purposes of the property tax exemption, modern non-profit hospitals are essentially legal fictions." The hospital, he found, "called all the shots" over its for-profit affiliates, and by commingling charitable and commercial activity it had forfeited the exemption. Then he said the thing that turned the victory into a negotiation. If the exemption for modern nonprofit hospitals was to exist at all in New Jersey going forward, he wrote, "it is a function of the Legislature and not the courts" to say on what terms.

What followed proves the point the lever keeps making. Morristown did not put the hospital on the tax roll and leave it there. Within months the town and the hospital settled, the hospital agreeing to pay about fifteen and a half million dollars in back taxes and penalties and, going forward, to have roughly a quarter of its campus taxed at something like a million dollars a year. The town's mayor, Tim Dougherty, sounded less like a victor than a man relieved to be finished. "I'm glad it's over and we have a settlement," he said. "It's a fair settlement." Across New Jersey some thirty-five more nonprofit hospitals were challenged by their host towns in the decision's wake, and the challenges too resolved into payments, a few hundred thousand dollars a year here and there, Trinitas in Elizabeth near a quarter million and the JFK Medical Center in Edison near half a million, each negotiated in the shadow of a court that had shown it would strip an exemption if pushed. The legislature did what Bianco invited. It tried in 2015 to set a statewide schedule of hospital "community service contributions," a few dollars per bed per day; Governor Chris Christie pocket-vetoed it; and in 2021 Governor Phil Murphy signed a version into law, three dollars a day per licensed bed, with the hospital paying either that or whatever it had negotiated, whichever was larger. New Jersey swung the lever successfully, and the swing produced not a tax on the hospital but a per-bed fee and a table full of settlements. The exemption, challenged hard enough to break, reformed itself into a payment.

Illinois took the same lesson and wrote it into a formula. In 2010 the Illinois Supreme Court denied the charitable property-tax exemption to Provena Covenant Medical Center, finding that the hospital gave away only a sliver of its services, well under one percent of its revenue, too little to count as a charity at all. The decision put every nonprofit hospital in the state on notice, and the legislature

answered within two years by pricing the exemption rather than defending it. A 2012 statute told Illinois hospitals exactly how to keep it: provide charitable services worth at least as much as the property taxes you would otherwise owe, and the exemption is yours. The courts then circled the new bargain warily. In 2017 the state supreme court had a chance to strike the statute down and sidestepped the question on a procedural technicality; only in 2018, in a case called *Oswald*, did it uphold the formula outright, holding that a hospital could satisfy the statute and the constitution at once. Illinois had converted the open-ended question a court kept reopening into a number a hospital could hit on purpose, and the fight, for the most part, stopped. Where New Jersey turned the lever into a settlement, Illinois turned it into a tariff.

Set the three states beside one another and the shape of the instrument comes clear. Pennsylvania has the sharpest version of the tool, a constitutional test the legislature cannot loosen and a taxing body can invoke against any parcel at any time, which is exactly why the fight there never ends and never resolves: the doctrine keeps moving, the institution keeps appealing, and Pittsburgh nets forty-seven thousand dollars. New Jersey and Illinois had blunter tools and got more out of them, precisely because the money arrived once the fight stopped being about the exemption and started being about a payment. The lever, wherever it is pulled, does not deliver a stream of property tax from a great nonprofit. At its most effective it delivers a negotiated contribution or a statutory fee, which is to say it delivers, after enormous effort, a version of the very voluntary payment the last chapter showed the city could not compel. The threat of losing the exemption is worth something. What it is worth is a deal.

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UPMC's defense is not frivolous, and the chapter owes it a fair hearing. Pennsylvania is the rare large state with no public hospital system, and UPMC has argued for years that it is the safety net filling the gap, treating patients no one else will and keeping open, at a loss, services a for-profit would have shed. Some of that is true. A great nonprofit hospital carries real charitable weight, delivers real uncompensated care, and does relieve the government of burdens it would otherwise bear, which is the fourth prong of the very test the city invokes against it. The trouble is that the same institution runs like a business at its commercial edges, pays like one, and grows like one, and the purely-public-charity test asks a court to decide, prong by prong, where the charity ends and the enterprise begins. That is a genuinely hard question, and its hardness is the institution's best defense. A city needs a clean answer to collect. The institution needs only to keep the answer muddy, and a thirty-billion-dollar system with a wall of lawyers is very good at keeping an answer muddy.

The mismatch behind all of this is temporal as much as legal. An institution like UPMC measures time in decades and litigates on that clock; a mayor measures time in a single four-year term and needs a win before the next election. UPMC can lose a parcel, appeal, lose the appeal, appeal again, restructure the ownership underneath the parcel, and refile, and none of that runs on the mayor's clock. Ravenstahl left office with his suits unresolved. Peduto inherited them and dropped them. Gainey inherited the wreckage, rebuilt the campaign, and lost his primary before it paid. Each mayor swung

a weapon whose swing takes longer than a mayoralty, against an opponent for whom a decade is a planning horizon. The institution never has to win the argument. It has only to outlast the person making it, and it always can.

Peduto, who had tried the stick and the carrot and failed with each, named the deeper problem as well as anyone. There is no agreement to be had with the nonprofits through legal force, he said, looking back. The law does not really let a city tax a genuine charity, and a great hospital or a great university can almost always make itself look enough like a charity, in a slow enough proceeding, to outlast any single administration's patience. The handle exists. It is written into the constitution and sharpened by the courts and rare enough that other cities envy it. But the institution it is fixed to barely moves, or moves so slowly and at such cost that the movement is easy to mistake for stillness.

This is the lesson Pittsburgh teaches, and it stands the wage tax of chapter three on its head. The wage tax is self-executing. The city sets the rate, the employer withholds it, the money arrives, and the institution cannot litigate its way out of a tax on its own workers' paychecks. The exemption challenge collects nothing on its own. It has to be fought for, one parcel at a time, through years of appeals, against an opponent who can afford to fight longer than any mayor can afford to wait, and if the fight ever succeeds the prize is a settlement the city could have tried to negotiate without ever going to court. What sorts the two instruments is whether they collect automatically or must be won. Grandeur has nothing to do with it, and the handle that must be won tends to lose to the institution that can outlast the city. Pittsburgh held the grandest exemption weapon in the country, and it spent a dozen years demonstrating that a weapon you have to swing is worth less than a small tax that collects itself.

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## Chapter 8 — The Fee That Is Not a Tax

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In the fall of 2025 and the spring of 2026, two state supreme courts looked at the same instrument, a charge a city levies on property owners to pay for draining away their rainwater, and reached opposite conclusions about what it is. In October the Supreme Court of Georgia held that the charge is a fee, the kind a tax-exempt university pays. Six and a half months and a few hundred miles later, the Supreme Court of Pennsylvania held that a charge built the same way is a tax, the kind a tax-exempt university escapes. Then the Supreme Court of the United States was asked to take the Georgia case, and in June 2026 it declined, and let both rulings stand. The same water, running off the same kind of parking lot, is billable in Athens, Georgia and unbillable in West Chester, Pennsylvania, and the difference is a word.

The instrument is the stormwater fee, and it is the quietest and least studied of all the ways a city reaches a university, and in some respects the most promising. It ignores the exemption entirely. A property tax cannot touch a university because the university is exempt from property tax. A stormwater fee is a charge for a service, the way a water bill or a sewer bill is, and a service charge is indifferent to whether the customer is a charity. What it asks is whether the customer uses the service. And a university uses a great deal of stormwater service, because stormwater service is drainage, and drainage is a function of how much of the ground you have covered with something water cannot pass through, and a university is, seen from above, a vast expanse of roof and parking lot and arena and plaza, impervious acre upon impervious acre, every one of them shedding rain the city must carry away.

That is the promise. The peril is in the word.

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Begin in Georgia, because Georgia is where the instrument works.

Athens-Clarke County, the consolidated government that contains the University of Georgia, has run a stormwater utility since 2005. It bills every developed property in the county a charge computed from impervious surface, a base charge plus a component for the quantity of runoff a property sheds and a component for the pollutants that runoff carries. Undeveloped land pays nothing. Roads and sidewalks are exempt. Everything else pays, and everything else includes the churches and the nonprofits and, the county says plainly, the University of Georgia. A university that owes the county nothing in property tax owes it a stormwater bill, and pays it.

The bill is not enormous, and the reason it is not enormous is itself instructive, because it shows the instrument being tuned. Athens-Clarke runs a menu of credits that shave the quantity and quality portions of the charge for property owners who manage their own runoff. There is a credit for detention ponds that hold stormwater back, a credit for water-quality measures, an education credit,

and a reduction for parcels that drain directly into the county's designated rivers and creeks rather than into the public system. A landholder as large and as engineered as the University of Georgia, with its detention basins and its frontage on the Oconee, qualifies for several, and its net bill runs well below what its raw impervious acreage would suggest. The county has built an instrument that bills the university as of right and then lets the university earn the bill down by doing the very thing the fee exists to encourage, which is handling its own water. The exact figure the university pays is not published; getting it would take a records request. The principle, though, is settled and public: Athens bills UGA, and UGA pays.

The legal spine that lets Athens bill a state university is an opinion of the Georgia attorney general, issued in 2013, and the whole edifice rests on it, so it is worth stating precisely. State property, the opinion says, is exempt from property taxes. But state property "is subject to fees for services." A local government may charge the state for stormwater management as a condition of connecting to the public system, so long as the charge is a fee and not a tax. The distinction is the entire ballgame, and Georgia's courts had already drawn it, in a 2004 case that established the fee-versus-tax line and again in 2013, when they applied it to Athens-Clarke's own charge and held it a fee, because it buys a specific service rather than raising general revenue. The attorney general simply carried the holding across to the state's own institutions. A fee reaches the university that a tax cannot, because the university's immunity runs to taxes, and this, the state's lawyer concluded, is not one.

The fee-versus-tax distinction is old and national. Georgia did not invent it. What Georgia did was handle the line with unusual care. Its courts had drawn the fee-versus-tax line in a 2004 case and sharpened it in 2013 against Athens-Clarke's own charge, holding each time that a charge buying a specific, measurable service is a fee even when the payer is exempt and even when the payer had no real choice about connecting to the system. That care is what let the attorney general reach the state's own universities without straining: if the charge was a fee against a private landowner, it was a fee against the Board of Regents too. The credit menu is the other half of the design, and it is what makes the fee defensible rather than merely clever. A charge that simply taxed impervious acreage would look like a property tax measured in square feet. A charge that bills for runoff and then rebates the bill for every pond and swale that keeps runoff out of the public system is unmistakably paying for a service, because it charges more when the university uses more of the service and less when it uses less. Georgia's real work was in the design. It built the charge so that a court, looking at it, would keep seeing a service sold rather than a tax collected.

In October 2025 the Georgia Supreme Court affirmed the fee one more time, in a case whose challengers were a group of taxable commercial and residential owners rather than the university, arguing the charge was really an unconstitutional tax dressed as a fee. The court disagreed and held again that it is a fee. But the decision is a strange and revealing document, because the court affirmed the fee while half-disowning it. The charge stands on the strength of precedent, the presiding justice wrote for the court, even as she noted that some members of the court doubt whether the earlier decision binding them was rightly reasoned. The chief justice wrote separately to say the doubt out loud. Over time, he warned, the court had let governments "evade the uniformity requirement by

imposing charges that look a lot like taxes but are called something else, like fees or assessments," and he could not see the special benefit to the charged property that the fee label is supposed to require. Georgia's highest court upheld the instrument that reaches its university and, in the same breath, questioned whether the instrument is what the state has spent decades calling it. The fee survives in Georgia. It survives on a label its own guardians are no longer sure of.

The losing owners took the fight one rung higher. They petitioned the Supreme Court of the United States on a federal theory, that the charge was a taking of their property without compensation. They could not petition on the fee-versus-tax question itself, which is a matter of state law. The petition was distributed for the justices' conference in June 2026, and on the fifteenth of that month the Court denied it, in the one-line disposition that ends most cases that reach it. The denial mattered for its timing more than its content. Six weeks earlier, the Pennsylvania Supreme Court had looked at a charge built the same way and reached the opposite result. But the fee-versus-tax split is state law, and no federal court sits to harmonize two states that read their own constitutions differently. The denial reconciled nothing, and was never going to. A university's stormwater bill would stay enforceable in Georgia and void in Pennsylvania, and no court above the two states had any appetite to make them agree.

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Now cross into Pennsylvania, where the label failed.

The borough of West Chester, outside Philadelphia, is home to West Chester University, one of the fourteen campuses of the Pennsylvania State System of Higher Education, a state institution and therefore immune from taxation. In 2016 the borough created a stormwater fee, built the way Athens-Clarke's is built, a charge on developed property computed from impervious surface, and it gave the charge a hopeful name, the Stream Protection Fee. The university's north campus sits inside the borough and covers about thirty-two acres of impervious surface, nearly eight percent of all the impervious area in West Chester. The borough billed the university about a hundred thirty-two thousand dollars a year for handling the water that ran off it. The borough's own engineers estimated that if the university had to manage that stormwater itself it would cost it well over four million dollars in capital, something like a hundred seventy-eight thousand a year annualized, so the fee was, if anything, a bargain. The university refused to pay it. For 2017, 2018, and 2019, the invoices went out and came back unpaid, and the borough sued.

The people who built the fee understood the stakes better than anyone, because they had watched the university walk away from three years of invoices. After the intermediate court sided with the borough but before the state's high court took the case, West Chester's sustainability director, Will Williams, told the borough council what a loss would mean. "Grants will be a big part of filling that missing revenue going forward," he said, "if the Supreme Court doesn't see the case our way." A council member, Bernie Flynn, counseled patience: "Nothing has changed until the Pa. Supreme Court

hears the case. Business as usual." The borough filed better than a million dollars in grant applications that year against the possibility that the case our way was not the way it would go.

The Pennsylvania Supreme Court decided the case on the last day of April 2026, and the opinion opens, quoting a stormwater textbook, with a sentence no reader forgets. "For hundreds of millions of years," it begins, "rain fell and nobody cared, mainly because there were no people." Then the court took the borough's fee apart. The test it applied asks first, before anything about proportion or service, whether the government is acting like a private business or performing a public duty. Where a municipality "is duty bound to provide a service for the public benefit and in the absence of a voluntary, contractual relationship between itself and those receiving the service," the court held, "the associated charge is a tax." Managing a community's stormwater, the court reasoned, is a public duty the borough owes whether or not any particular property owner wants it, and the university never signed a contract for the service. So the charge is a tax. And the university, being an arm of the Commonwealth, does not pay taxes. West Chester's hundred-thirty-two-thousand-dollar bill was a tax in the shape of an invoice, and the university walked away from it.

The court was not unanimous, and the split is worth seeing, because it shows how close the instrument came to surviving. The decision was four to three. The three in dissent, Justices Wecht, McCaffery, and Donohue, would have treated the charge as a fee. McCaffery, joined by Donohue, would have sent the case back to weigh whether the hundred-thirty-two-thousand-dollar bill was fairly proportioned to the benefit the university received, treating stormwater the way the law treats water and sewer service, as something a customer uses and therefore owes for. Wecht went further and would have made the university pay outright, writing that a stormwater management system "is a service for which a municipal entity may assess a fee." A single vote the other way and the fee would have held, and West Chester University would be paying its bill, and this chapter would read differently. What defeated the instrument was one vote, cast on the last Thursday in April, and not anything you could call a principle.

The stakes were not lost on the sector, which is why the borough went into the case surrounded. Behind West Chester, filing briefs on its side, stood a coalition that read like a census of everyone who bills for stormwater in Pennsylvania: Radnor Township, the Pittsburgh Water and Sewer Authority, the cities of Philadelphia and Lancaster, State College Borough, the state association of boroughs, the township supervisors, and the Chesapeake Bay Foundation, which cared because the fees pay for the pollution controls that keep the bay from dying. Every one of them understood that the case was not really about a hundred thirty-two thousand dollars in Chester County. It was about whether the model they all used to fund clean water would survive a university's refusal to pay.

When the vote came, it did not, and the people who fund stormwater across Pennsylvania read the opinion with something close to alarm. The Chesapeake Bay Foundation's vice president for litigation, Paul Smail, called it "a gut punch to everyone working for cleaner rivers and streams in Pennsylvania." An attorney for the foundation, Trisha Salvia, said the plainer thing about what the ruling had done to settled expectations. "The short answer," she said, "is right now there are a lot of

unknowns." A senior lawyer at the environmental group PennFuture, Emma Bast, admitted the decision blindsided the people who watch this area for a living: "I don't think anyone would have predicted this outcome." The reactions ran from the specialist to the apocalyptic. Andy Yench, who teaches stormwater management for Penn State's extension service, put the widest reading on the record. "It seems this ruling," he said, "throws into jeopardy the entire stormwater utility fee model." Ellen Kohler, who directs research at the University of Pennsylvania's Water Center, heard the same wide echo in the phone calls she was getting. "The language of the decision is really broad," she said, "and I have heard municipal leaders question whether they need to consider other fees given this decision."

The reasoning is the mirror image of Georgia's, and the mirror is exact. Georgia asks whether the charge buys a specific service and answers yes, so it is a fee. Pennsylvania asks whether the government is discharging a compelled public duty and answers yes, so it is a tax. Both courts are looking at the same charge, on the same kind of impervious surface, funding the same kind of drainage, and each has reached for the half of the old fee-versus-tax doctrine that points where it was already going. The instrument did not change between Athens and West Chester. The sentence a court chose to say about it changed.

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The consequences of the Pennsylvania decision ran outward fast, and the fastest of them had begun before the high court ever ruled.

Once the intermediate court sided with West Chester University in 2023, the Commonwealth's other state agencies drew the obvious lesson and stopped paying their own stormwater fees. In Harrisburg, the state capital, the municipal water utility found itself short. Capital Region Water calculated that the state's refusal was costing it nearly three hundred eighty-seven thousand dollars a year, close to a million and a half in all, and its board chairman, Marc Kurowski, laid the contradiction out in a sentence. "The commonwealth issues a mandate to address stormwater runoff," Kurowski said. "Capital Region Water puts in place a plan to address stormwater runoff. The state then refuses to pay for the mandate it imposed and the problems to which it contributes." The utility's external-affairs manager, Rebecca Laufer, made the point that the state was the only holdout. "No other government entities have indicated an unwillingness to pay their stormwater fee," she said. "This includes the city, county, and federal government." A bill was introduced in the legislature to force the Commonwealth to pay. It had not passed when the Supreme Court handed the state universities the ruling that made refusal a right rather than a gamble.

The scramble the decision set off across Pennsylvania is the fragility of the instrument made visible. A model that had quietly funded clean-water compliance in hundreds of municipalities became, in an afternoon, a question mark over every one of them, and the answer turned out to depend on which statute each town had happened to cite when it wrote its charge years before. The townships that had reached for the right code section kept billing. The boroughs that had improvised under general

powers stopped. And the state universities and agencies, which had been paying all along, learned that they had been paying a tax they were never obliged to pay, and quit.

The immediate problem the ruling created is that a tax, unlike a fee, is a tax as to everyone. If West Chester's charge is a tax the university can refuse, it may be a tax that other exempt owners can refuse too, and a tax the borough had no authority to levy in the first place, and a tax it may have to refund. The lawyers who read the opinion for their municipal clients said so within days. Brett Flower, of the firm Eckert Seamans, called it "a case of first importance for all municipalities and municipal authorities," and flagged the question hanging over every fee already collected: the court, he noted, "did not address whether a refund of previously collected fees must be remitted, either to tax immune or private owners of property." Charlotte Katzenmoyer, who runs Capital Region Water, warned that the burden would land where it always lands when an exempt institution walks. If the ruling stood, she said, it "will shift the burden to residents and small business."

And yet the instrument did not die in Pennsylvania, which is the final twist and the one that matters most for anyone trying to use it. It survived wherever a government had attached it to a different legal hook. West Chester lost in part on an accident of what kind of government it is. It is a home-rule borough, and it had improvised its charge by ordinance, resting on general powers rather than on a statute that named the thing it was doing. Pennsylvania's second-class townships operate under a different code, one that authorizes stormwater fees in so many words, keyed to the characteristics of the property benefited, and the court had said nothing about that authority. So the townships kept billing, and their lawyers told them to keep billing, because their charge sat on a statutory hook the court had not touched. Municipal authorities that levy stormwater charges under yet another statute, one that empowers them to impose fees but bars them from levying taxes, were left in a grayer place, told the ground might hold and might not.

The Pennsylvania bar drew a narrow and useful lesson from the decision. The fee lives or dies on how it was drafted: on which statutory authority the government reached for, and on how carefully it wrote the charge to read like the purchase of a service rather than the performance of a public duty. The variables that decided West Chester were drafting choices, every one of them. A charge levied on "each and every" developed property looks compulsory; a charge tied tightly to a service the owner can decline looks voluntary. A charge whose revenue funds general public-health goals looks like a tax; a charge whose revenue is spent remediating the specific runoff the payer produces looks like a fee. A home-rule ordinance is weaker ground than a code section that names stormwater fees outright. One firm, writing up the lesson for its clients, reduced it to a slogan about where the case was really won and lost: the vulnerability, it wrote, "is not litigated into existence, it is designed." The same city, billing the same university for the same water, wins or loses on the sentences its lawyers wrote three years before the university refused to pay. The instrument is potent because it reaches the exemption and fragile because a court can rename it out of existence, and the whole of that distance is a matter of drafting.

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Pennsylvania and Georgia are both stories about public universities, which are immune from a tax and so live or die on the fee label. The private university has no such immunity, and the fee reaches it more simply, which a fight in upstate New York shows in the plainest terms.

Ithaca, New York, is a small city built into the hills below Cornell University, and it had watched for a century as the university spread across the best of its land and paid it almost nothing, because Cornell, a private nonprofit, is exempt from the property tax that funds the city. In 2014 the city built a stormwater user fee, a charge on impervious surface just like the ones in Athens and West Chester, and it made little secret that the point of the fee was to reach the university the tax could not. Cornell's stormwater bill came to something like a hundred thirty thousand dollars a year. The mayor, Svante Myrick, put the arithmetic of the exemption in a sentence that a small city's resentment could have been distilled into. Ithaca, he said, "would be a better place to live if Harvard were here instead of Cornell," because if the university that owned the town paid the town what a taxable owner would, "the streets would be better paved, we'd have more police officers and the taxes would be lower." The fee was a way to reach a fraction of what the university did not pay. "They're only going to pay more," Myrick said of Cornell, "because they generate more stormwater."

The fee did what a tax could not, and the council members understood exactly why they liked it. "I like the fee," one alderperson, Ducson Nguyen, said, "because it's a way of extracting value from Cornell, which otherwise doesn't pay taxes to the city but benefits from our stormwater management infrastructure." The university, for its part, did not fight the principle. Cornell's own water and wastewater manager, Chris Bordlemay, told a 2014 council hearing that the university supported the idea. "I do support the concept of a stormwater utility," he said, "and charging a rate based on the impervious surface area of a property." What Cornell resented was the framing, the way its low property contribution kept being held up beside its stormwater bill as evidence of what it owed and did not pay. "I just think it's unfair," the university's president, Martha Pollack, said, "to look at one narrow number." The narrow number was the point. It was the number the city could actually collect. Every other number, the value of Cornell's exempt land, the property tax it would owe if it were taxable, the gap between what the university took from the city and what it gave back, was a number the city could talk about and never bill. The stormwater fee was the one line on the university's ledger the city got to write.

Cornell was not giving the city nothing. It made a voluntary contribution to Ithaca every year, north of a million dollars, the kind of negotiated payment an earlier chapter of this book is about, and like every payment in that chapter it was the university's to set and the university's to withhold. The stormwater fee sat beside it as the small, hard, involuntary counterpart. A hundred thirty thousand dollars is a sliver of what Cornell gave voluntarily and a smaller sliver still of what it would owe if its campus were taxable. But it was the sliver the city could put on an invoice and expect to be paid, the one figure in the whole relationship that did not turn on the university's goodwill. The city would rather have had the tax. It could not reach the tax. So it reached for the fee, and the fee, unlike the gift beside it, arrived whether Cornell was feeling generous that year or not.

The fee did not settle the argument; it institutionalized it. Every budget season the city set its stormwater rate, and the residents watched their own share of it climb, from forty-eight dollars a year toward fifty-seven, while the university's far larger bill became the annual occasion for the city to say out loud what it could not otherwise collect. When Myrick vented about Harvard in the fall of 2018, he was doing it after a budget meeting, with the stormwater rate in front of him and Cornell's exemption behind every line of it. The fee gave the resentment a number and a calendar, though it never closed the gap between what the university took from the city and what it gave back, a gap far too wide for a stormwater bill to bridge. What the fee gave the city was one place, once a year, to make the university pay something it could not refuse. A small compelled payment made every year turned out to be worth more to a city than a large voluntary one it had to ask for, because the compelled payment did not depend on the city staying in the university's good graces, and the voluntary one always did. It was the difference between a debt and a donation. The city could collect neither in full, and it chose, sensibly, to secure the one it could enforce and keep arguing about the one it could not.

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The fee-versus-tax line that decided both Athens and West Chester is old, and it runs through every state, and the university reappears on both sides of it depending on where you stand.

Florida drew the line in 1995 and drew it toward the city. Its supreme court, in an opinion by Justice Ben Overton, upheld a county stormwater assessment against a church that was exempt from property tax, because the assessment bought a specific benefit and was fairly apportioned to it, and a special benefit fairly apportioned is not a tax. The churches had filed a class action to escape the charge, and had won a refund at trial, and the state's high court took it away from them. Florida later wrote a statute letting municipalities exempt churches and elementary and secondary schools from such assessments if they choose, and the list stops there, pointedly short of colleges. A Florida university is assessable, and the exemption its property enjoys does not reach the fee.

Minnesota drew the line the other way, in 2016, and collapsed a revenue stream doing it. Its supreme court, Justice David Lillehaug writing, held that St. Paul's charge for maintaining the streets in front of people's property, which the city called an assessment, was really an exercise of the taxing power, and forced the city to find another way to raise the twenty-six million dollars the charge had produced. The city's lawyer, Samuel Clark, put the best face he could on a loss, noting that the city could still collect its assessments if it changed how it justified them. "It's not a question of if the city can collect assessments," he said, "but how it goes about doing so." The instrument there was a street-maintenance charge rather than a stormwater fee, and Minnesota's stormwater fees rest on firmer statutory ground, but the move is the same move Pennsylvania made a decade later: a court looks at a charge a city calls a fee, decides it is a tax, and the money stops.

North Carolina drew the line in an attorney general's opinion in 1993, and drew it around the state university. The city of Charlotte billed the University of North Carolina at Charlotte for stormwater,

and the university's own lawyer, Bill Steimer, asked the attorney general whether it had to pay. The answer was no. "The University is under no present obligation to pay the bill the city has submitted for stormwater drainage services," the opinion concluded, though it added that the university "may elect to contract with the city for those services" if it found them a useful bargain. The logic lands within a breath of Pennsylvania's, thirty-three years early: a sovereign cannot be charged for a public service it did not agree to buy. The opinion reaches only the state campus. Its reasoning implies the private college down the road, which enjoys no such immunity, would have to pay, the same split that puts Cornell on the hook in Ithaca and West Chester University off it two hundred miles away. Two colleges, identical from the sky, sort by an accident of ownership the sky cannot see.

What the three opinions share is the recognition that the label is doing constitutional work. A tax must be uniform and lawfully authorized, and it cannot reach a sovereign or an exempt owner; a fee escapes those constraints by being, in the law's eyes, the purchase of a service. So the entire question in every one of these cases collapses to whether the charge buys something specific for the payer or raises money for the public at large, and courts answer that question by temperament nearly as much as by doctrine. Florida looked at a church's runoff and saw a specific benefit conferred. Minnesota looked at St. Paul's streets and saw a public good the city owed everyone. When Pennsylvania looked at West Chester's stormwater it saw a public duty, and when Georgia looked at the identical charge it saw a service sold. The doctrine is a coin, and which face lands up decides whether the university pays.

. . .

Stormwater is only the most common version of the instrument, not the only one, and the cleanest illustration of what the fee does that a tax cannot comes from a city that reached its university through the bus system rather than the storm drain.

Corvallis, Oregon, home to Oregon State University, funds its buses through a transit operations fee levied on every utility account in the city. The city adopted the fee in 2010, and it was, by the city's own account, a deliberate migration. Bus service had been paid for partly out of the property tax, and the property tax does not reach Oregon State, so the city moved the cost onto a fee that does. The charge lands, the city says, on "all Corvallis utility customers, residential, commercial, non-profits, and OSU Housing," and it made the buses fareless, and it reaches the university the way the stormwater fee does, by charging for a service rather than taxing a property.

What makes Corvallis the sharpest case in the chapter is that the city has run the experiment both ways, and knows the difference from the inside. In 2013 the city needed money for public safety and considered asking the university to help pay for it. A committee looked first at funding the improvements with a surcharge on water bills, which, as the local paper reported, "would have put OSU in the funding loop," because a utility surcharge is a fee the university pays. Then it changed course and recommended a property-tax levy instead, and the moment it did, the university's participation turned from automatic to optional. Oregon State's vice president for university

relations, Steve Clark, drew the line the university always draws. "While we do not believe that we can make PILOT payments," Clark said, the university "can support the university's educational mission, including contributing to the safety of Oregon State faculty, staff and students," which is the courteous way an exempt institution says it will give what it chooses and owes nothing. The city manager, Jim Patterson, put the ask in the only language a city has when it holds no handle. "We're community partners," he said. "Here's the need, and we'd like you to participate, voluntarily." A city councilor, Hal Brauner, saw where the road ended if the university said no and the city pressed. "If OSU says no and we have a lawsuit," Brauner said, "then nobody is a winner." The same university, in the same city, in the same decade, pays the transit fee without a murmur and treats the property-tax levy as a favor it may decline, and the only thing that changed between the two was whether the charge was a fee or a tax.

The transit fee is small, a few dollars a month on every utility account, and it raises something like four hundred thousand dollars a year, most of what the city once drew from the property tax to run its buses. It is a small sum, and Oregon State pays it without complaint, which is exactly the point. The fee is beneath fighting. It collects itself, and the university pays it the way it pays its water bill, without a negotiation or a lawsuit or a press release. The property-tax levy the city weighed in 2013 was larger and would have been fought, because a tax is a thing a sovereign university can refuse and a fee is not. A city choosing between the two is choosing between a bigger number it may never collect and a smaller number it certainly will, and Corvallis, having tried the tax and drawn the university's courteous refusal, kept the fee.

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The stormwater fee reaches the university precisely by not being a tax, and that is the whole of its power. The exemption is a shield against taxes, and the fee slips around the shield by being something else, a charge for a service the university unmistakably consumes, scaled to a footprint the university unmistakably has. Where it holds up, it does what no PILOT and no reimbursement can: it bills the university as of right, every year, growing as the campus grows, indifferent to whether the university wants to pay. There is no annual negotiation to lose and no benefit package to bargain over, only an invoice for water the campus sent down a public drain. Boston sits down with Harvard and negotiates a figure. Athens mails the University of Georgia a bill.

But the same feature that gives the fee its power gives it its weakness. It reaches the university by not being a tax, and whether it is a tax is a question a court decides, and courts decide it both ways, sometimes in the same season, sometimes while doubting their own answer. The instrument's whole strength rests on a classification that is contested at the highest level of two states at once and that the Supreme Court of the United States has now declined to settle. A city that builds its finances on the stormwater fee is building on a distinction that a single opinion can erase, as West Chester discovered when a hundred thirty-two thousand dollars a year became, overnight, a tax it was never allowed to charge, and as Capital Region Water discovered when the whole Commonwealth stopped paying at once.

The fee is at once the strongest instrument in the book at reaching the exemption and among the most fragile at holding its reach. It reaches by going around the exemption instead of fighting it, and it is fragile because going around the exemption is a technicality, and technicalities are the kind of ground that shifts. The wage tax reaches the university and holds against courts, because no court is going to call an income tax something other than what it is. It holds less well against geography: Athens kept its ordinance intact and lost revenue anyway when the work site moved into people's houses. The stormwater fee reaches the university and trembles, because its whole existence depends on a court agreeing to keep calling it a fee. What Georgia and Pennsylvania proved, six and a half months apart, is that the agreement is not guaranteed, and the instrument is only ever as solid as the label.

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## Chapter 9 — Around the Exemption

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Every month, the University of Pennsylvania files a tax return with the City of Philadelphia. The university pays no property tax on its campus, holds a federal charitable exemption worth tens of millions a year, and is by every measure the law recognizes one of the great tax-exempt institutions in the country. And every month its athletics department totals the receipts from its ticket windows, calculates five percent, and sends the money to city hall. Penn's own finance office states the obligation without a trace of protest: athletics "is required to assess the 5% amusement tax on sporting events," and the return is due monthly. The university that cannot be taxed on its stadium is taxed on the tickets it sells to sit in it.

The property-tax exemption is a narrow thing. It exempts property. It keeps the land under the stadium and the steel of the stadium off the assessor's roll, and it says nothing about the transaction at the ticket window, the private business leasing the concession stand, the sidewalk the city cleans in front of the gate, or the electricity that lights the field. Those are different bases, and a base the exemption does not cover is a base a city can still reach. A city that hosts a great exempt university, and cannot put the campus on its tax roll, is not helpless, only blocked on one base and free on the others. The instruments in this chapter are what a city reaches for once it stops trying to tax the parcel: the transaction, the private use of the ground, the benefit the city confers on the campus, and the rate the university pays for city power. None of them is a property tax, which is exactly why the exemption does not stop them.

...

Start with the transaction, because it is where the university most plainly collects a tax on itself.

A consumption tax is levied on a sale and paid by the buyer. The seller does the arithmetic, adds the tax to the price, collects it at the register, and remits it to the government. When the seller is a tax-exempt university, none of that changes, because a sales tax falls on the customer's purchase, which the exemption does not touch, and the university is only the cash register. This is why Penn's athletics department files a monthly return: the exemption that shields the university's buildings has nothing to say about the fan who buys a ticket, and the city taxes the fan.

Cities that reach college athletics this way tend to write the reach in by name, because the general exemption for charitable and educational events is exactly where a careful amusement tax stops being general. Philadelphia's amusement tax exempts events run by religious, educational, and charitable organizations, and then carves the exemption back for one category. Penn's own tax-compliance office quotes the rule against the university: the exemption "shall not apply to athletic games or contests between universities or colleges," unless the proceeds go to a nonprofit wholly unconnected to the competing schools. The college football gate is written into the tax explicitly. Pittsburgh's amusement tax reaches the same events by a different route, defining "amusement" to

include football, basketball, and baseball games and providing no charitable exemption that a college's status could fit through, so a ticketed college game in Pittsburgh is taxed at five percent like any other show. Chicago does it at nine percent, and its reduced rate for live cultural performances covers theater, music, and dance but not sports, which leaves DePaul University's basketball games at the ten-thousand-seat Wintrust Arena inside the tax. In each city the university's charitable status protects its lectures and its recitals and stops at the edge of the court.

The dining hall is the harder case, and a fight in Blacksburg, Virginia shows why. Virginia lets its localities tax prepared food, and Blacksburg levies the tax at six percent, but the state law that authorizes it exempts food a college sells to its own students and employees. A university sells food to more than its students. Virginia Tech runs concession stands at its football games, operates the Inn at Virginia Tech and its conference center, and feeds a stream of visitors, campers, and conference-goers who are neither students nor employees, and every one of those sales sits outside the exemption. The town's position is that the public-facing sales are taxable like anyone else's. The university's position, for years, was that collecting the tax was effectively optional, because a town cannot easily compel a state institution to act as its tax collector, and Virginia Tech became the only one of Virginia's fifteen public universities to hold out.

The holdout produced a local campaign with a name built for a lawn sign. In the summer of 2010 the town's restaurant owners organized as "Play Fair, Tech," and they could see the arithmetic. A meal bought on Main Street carried the six percent. The same meal bought from the university, to a customer who was not a student, arguably did not, and the university's kitchens competed with the town's on an advantage the town's restaurants could not match. Ranae Gillie, who owns Gillie's and Bollo's, put it plainly: "I think it's very unfair that those places don't have to pay meals tax." Michael Sutphin, on the campaign's steering committee, reduced the principle to a sentence: "Although all of our community's visitors benefit from town services, only those who eat or sleep off campus pay for them." Virginia Tech's spokesman, Larry Hincker, answered with the state-agency shield in its purest form. "There is nothing in state code that allows a state agency to collect a local tax," he said, and on the university's own dining halls the position did not move.

The university gave ground only where a private company stood between it and the register. Virginia Tech's athletic concessions were run by an outside vendor, Centerplate, which collected local taxes wherever it operated, so at the home football game against East Carolina on the eighteenth of September 2010 the town's six percent appeared for the first time on a stadium hot dog, about eighteen cents on a three-dollar sale. The dining halls, run by the university itself, kept the exemption. The Inn at Virginia Tech stayed its own separate argument. The seam the fight exposed is exact. The exemption runs to the university's sales to its own community, it stops at the university's sales to the public, and the line between the two is a line a town can stand on.

Philadelphia's arrangement raises an obvious question the chapter has so far dodged, which is what any of this actually costs a university. Penn does not publish the figure. One university does, because it spent sixty years complaining about it.

Knoxville has taxed admissions to University of Tennessee football and basketball games, on and off, since 1951. The city levied the tax that year and collected eighteen thousand two hundred dollars from the university before the state attorney general ruled in 1952 that the university was exempt. It came back in 1983 as a negotiated compromise between the city's law department and the university's administration, and by the 2010s it ran at five percent, four and a half points to the city and a half point to the county, on top of every other charge until a Tennessee football ticket carried better than fourteen percent in combined tax. When Knox County repealed its half in August 2014, the university's athletics department published its own accounting, and it is the only number of its kind in this book. The five percent amusement tax, it said, "has resulted in an annual \$1.6 million financial burden to Tennessee Athletics." Across the fiscal years from 2003-04 through 2012-13 the department had paid "nearly \$13.6 million," and projected another eight million over the following five years. Then it made the complaint that gives the instrument its shape. "No other University (or sports entity) in America," the statement said, "is forced to pay a municipality a tax based on ticket sales for playing home games in their own facilities." And it noted, with some bitterness, that the tax reached only the university's own games: by the department's account, concerts and other ticketed events in the same two buildings were not taxed at all.

The university's grievance was accurate, and the reason it was accurate is the doctrine underneath this whole family. A city taxing admissions is not taxing a charity, so a charity's exemption is beside the point. What can stop such a tax is sovereignty, and only a public university has it. The point was settled in Colorado in 1972, when Boulder tried to collect its admissions tax on University of Colorado events and the state supreme court told it that it could not make the Regents into its tax collectors. The city's brief, quoted in the opinion, tried to argue its way past sovereignty by questioning whether the thing being taxed was education at all. "It is debatable," the city wrote, "whether an intercollegiate football game or a folk rock musical is an essential part of a liberal education." The court noticed that neither side had offered any evidence on the point, and, in a passage that reads like a shrug, declined to find that football was so bound up with the educational process that a home-rule city could not tax its spectators. So Boulder got to tax the football tickets and not the lectures, the art exhibitions, the concerts, or the plays, which the court put beyond its reach. By the city's own reckoning the anticipated take was forty-one thousand dollars a year from football against nine thousand from everything else the university did, which tells you what the city had been after. Chief Justice Edward Pringle, dissenting in part, would have gone further. When a university "offers entertainment functions to the general public for a price," Pringle wrote, "then it must be considered in the same category as any private enterprise offering entertainment."

Morgantown tried the same thing on West Virginia University in the 1980s and lost, and it lost on a narrower ground than sovereignty. West Virginia's statute lets a city tax amusements conducted "for private profit or gain," and the city's case was an attempt to prove that a football program is exactly that. It rested on depositions from the university's own employees establishing that the athletics department was a separate, self-supporting unit whose money did not flow to the academic side. The court was unimpressed by the implication. There is "no individual person, company, or interest that

stands to profit from university-sponsored events," it held in 1987, and the profits "are not 'private.'" Summary judgment went to the Board of Regents and the state's high court affirmed it. The tax remains on Morgantown's books and reaches whatever else it can. In the city's audited results for 2024, amusement tax collections came to one thousand three hundred ninety-one dollars against a budgeted four thousand, while the hotel occupancy tax brought in just under one and two-tenths million. A sixty-thousand-seat stadium sits inside the city limits and the amusement tax cannot touch it, so the city taxes the hotel rooms the stadium fills instead, at something like eight hundred times the yield.

Sort the cases and the rule is not about charity at all. Penn pays, DePaul pays, and Lehigh files with Bethlehem, because they are private corporations and a charitable exemption was never a shield against a tax on somebody else's ticket. The public universities escape, and they escape by different routes, which is the part worth noticing. Colorado escaped because a city cannot conscript the Regents into collecting its tax, even though the tax on the ticket was upheld. West Virginia escaped because its legislature had written the tax to reach only private gain. Penn State is simply the Commonwealth. Each is a different sentence in a different statute, and each produces the same result. Tennessee, the one public university that pays, pays because its own administration negotiated a compromise in 1983 rather than litigate. Same instrument, same five percent, and what decides it is never the university's wealth or its charitable standing. It is the charter, and the accident of what somebody drafted.

There is a second way the consumption tax reaches a university, and it is the more lucrative one, and it never touches the institution. A university generates an economy around itself. On six or seven Saturdays each fall, a college football town fills every hotel room within an hour's drive, seats every restaurant twice, and moves a volume of beer and barbecue that a small city feels in its budget, and the city taxes all of it. In June 2026 the tourism office for Tuscaloosa County, home to the University of Alabama, announced that visitor spending had passed a billion dollars for the first time, about a fifth of everything spent in the county that year. Kelsey Rush, who runs the office, tied the figure to the town's ordinary functions. Visitor spending, she said, "helps us improve quality of life through events, through paving roads, through supporting our schools and our hospitals." Behind the billion sat about 1.1 million paid hotel-and-rental nights and a hundred thirty-six million dollars in lodging revenue, and a county lodging tax rode every night of it. The university paid none of that. The fans paid, the hotels paid, the restaurants paid, and the city collected on the crowd the university drew without ever sending the university a bill. This is the move in its plainest form: when you cannot tax the thing, tax the economy the thing creates.

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The University of California owns the land under a faculty subdivision at Irvine, and the professors who live there pay property tax on it. The land is the university's; the private use of it is not, and the tax follows the use.

A university's exemption depends on the university's own use of its property. The land is exempt because the college uses it for college purposes, and universities do not use all of their land themselves. They lease pieces to private businesses, ground-lease parcels to developers, and let faculty build homes on campus land under long leases, and in each case a private party is using exempt public ground for a private purpose. A private purpose is not the university's exempt purpose. The land can stay off the tax roll while the private use on top of it is pulled onto a roll of its own. The instrument is a leasehold or possessory-interest tax, and it taxes the tenant's beneficial use rather than the owner's title.

California settled the principle on a campus, and it settled it against the university's own lawyers. The Regents of the University of California own the land beneath University Hills, a faculty-housing development at UC Irvine, where professors buy their homes and ground-lease the land under them. Some two hundred sixty of those homeowners, with the university's counsel arguing their side, sued to have their interests, sitting on exempt Regents land, treated as exempt too. They lost. In *Connolly v. County of Orange*, decided in 1992, the California Supreme Court held the interests taxable, and Justice Marvin Baxter drew the line in a sentence: the leasehold interests "are privately owned interests used for the private owner's residences," and so "are not property used exclusively for university purposes." However close a professor's home sits to the lecture hall, it is the professor's use and not the university's. The possessory interests went onto the Orange County roll, and the University Hills households, now more than seventeen hundred across the for-sale homes and the rentals, have paid the county twice a year ever since. The campus is exempt. The faculty subdivision on the campus is not.

What the doctrine costs is public, parcel by parcel, because Orange County posts every tax bill it issues. A house at 7 Cervantes Court in University Hills carries two parcel numbers. One belongs to the Regents and covers the ground; the county values that interest at eleven thousand eight hundred sixty-eight dollars and taxes it at zero, because it is university land. The other is a possessory-interest parcel, described on the bill in the county's own words as "POSSESSORY INTEREST @ UCI FACULTY HOUSING," and it carries a land value of two hundred sixty-five thousand seven hundred nine dollars, a building value of four hundred eleven thousand two hundred two, and, after the homeowner's exemption, a tax of seven thousand seventy dollars and seventy-four cents a year, payable in two installments, with a ten percent penalty and a twenty-three dollar cost if the second one is late.

Read the pair together and the instrument is complete in a single address. The county values the Regents' ownership of the dirt under that house at eleven thousand dollars and collects nothing on it. It values the professor's right to stand on the same dirt at more than a quarter million and collects in full. The exemption did not shrink; the private use simply sits on top of it, on its own line of the roll, and the private use is what gets taxed. Other houses in the subdivision run higher. One on Whistler Court carries a land value of nine hundred thirty-six thousand dollars against a house assessed at less than half that, which is to say the right to occupy university ground is worth more than twice the building standing on it, and the annual bill is fourteen thousand three hundred eighty-five dollars and eighty-two cents. The university's own housing authority tells buyers what to expect

in advance, and the disclosure concedes the whole doctrine: a University Hills homeowner does not own the ground and pays property tax to the county anyway, on the value of the leasehold estate under the house.

Connolly, the opinion that made all of this lawful, never names an assessed value, a tax amount, or a ground rent anywhere in it. These bills are what Connolly costs, thirty-four years on.

The same mechanism reaches commerce on the same campus and reaches it much harder. A parcel in UC Irvine's research park, carried on the roll as a possessory interest in a ground lease with office and research buildings on it, runs to a tax of eight hundred eighteen thousand two hundred twenty-three dollars and seventy-eight cents a year, payable in two installments of more than four hundred thousand each. Two neighboring parcels on the same street carry seven hundred twenty-six thousand and six hundred nine thousand. Three addresses on university ground, better than two million dollars a year, and not one dollar of it is a tax on the university, which owns the land under all of it and pays nothing.

California's own assessment manual states the boundary with unusual clarity, because it prints the two cases on facing pages. Taxable: ground leases provided to faculty for residential purposes on land owned by a state university, citing Connolly. Not taxable: student-occupied residences on university-owned property. The professor's house is a private use of exempt ground. The dormitory across the road is the university's own use of it, and the exemption holds. The line does not run between kinds of housing or kinds of people. It runs between a use that serves the university's purpose and a use that serves someone's private one, and a state assessor can be made to see the difference from a parcel map.

The mechanism is not a California peculiarity, though the other states draw the line with more machinery. Washington levies a leasehold excise tax on private tenants of public property, at 12.84 percent of the rent, collected in lieu of the property tax the tenant would owe if the land were private. It then writes its universities a specific rule: for a leasehold interest in property owned by the University of Washington or Washington State University, the statute grants a credit that caps the excise at what ordinary property tax would have been, but only on parcels worth more than ten million dollars. The threshold names its target without naming it. The parcel behind it is the University of Washington's Metropolitan Tract, the blocks of downtown Seattle the university owns and leases to private developers, and when the credit reached the Senate Ways and Means Committee on the thirtieth of March 2017, the university sent its own lobbyists to ask for it, alongside the bill's sponsor, Senator Dino Rossi. The hearing record describes the tract as "hurt by what we believe was unintended." The legislature knew precisely which campus land its leasehold tax was reaching, and it chose to soften the reach. Kentucky's statute reads more aggressively at first glance, providing that when exempt property is leased to a private party for a business conducted for profit, the leasehold becomes taxable at the ordinary property rate. Read to the end, though, it pulls its own teeth on the public campus: the same section exempts the property of any state-supported educational institution, so a for-profit tenant on the ground of the University of Kentucky is carved back out. What

stays exposed is the private college, whose land the carve-out never mentions, and no public record shows the provision turned against a campus tenant of any kind. In Kentucky the instrument is litigated against retirement homes and commercial pads, not universities, and it sits closer to a latent power than a working one. But the logic is the same in all three states. The exemption is a statement about who owns the land and how the owner uses it, and it runs out at the edge of a private use.

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A charity's exemption beats a general tax and loses to a special assessment, a line the Massachusetts high court drew in 1914 in a case *Williams College* won.

The rule that decides the third instrument turns on the difference between a tax and an assessment. A tax is levied for general revenue and asks nothing in particular of the taxpayer in return. A special assessment is levied for a specific improvement and returns a specific benefit to the property that pays it: the repaved street it fronts, the cleaned and patrolled district it sits inside. Because the assessment buys the property something identifiable, courts have long treated it as unlike a tax, and the exemption that spares charitable property from taxes has never automatically spared it from assessments. *Williams College v. Williamstown* is the leading American statement of the line. Chief Justice Arthur Prentice Rugg wrote that the exemption "has been decided to extend only to taxes imposed for the usual public purposes and not to include special assessments for particular benefits." The college itself walked, because the charge before the court, a fire-district levy, was held a general tax and abated. The rule the opinion announced is the one that binds. Massachusetts still cites the case in its guidance to assessors, telling them that charities "ordinarily eligible for full or partial exemptions from annual property taxes" are "not exempt" from a betterment or special assessment. When the improvement is real and particular, the college gets something for its money, and the college can be made to pay. Charities in the state have paid such assessments since the nineteenth century, the Boston Seamen's Friend Society among them.

The modern form is the business improvement district, a defined zone whose owners pay a recurring assessment to fund cleaning, security, and streetscape inside it. Where a university's parcels fall in such a district, the university can be assessed like any other owner, and some pay without visible complaint. The Regents of the University of California hold thirteen parcels inside the Downtown Berkeley district, and for fiscal 2026 their assessment on those parcels runs to two hundred nineteen thousand four hundred sixty-seven dollars. A public university untouchable on the property tax writes the downtown district a six-figure check every year, because California's rule under Proposition 218 is blunt: a government agency "must pay assessments on properties they own" in such a district "just like private property owners, unless they receive no benefit." John Caner, who has run the Downtown Berkeley Association since the district formed, keeps the pitch unglamorous. "Working on gum stains and graffiti isn't glamorous," he said, "but it's an essential part of what's needed." The exemption that defeats a tax does not defeat a benefit charge.

Cleveland shows what the benefit base does when a statute simply forgets to exempt anyone. Ohio's special-improvement-district law lists the owners who are not members of a district and therefore cannot be assessed, and the list is long and specific: the state, the federal government, churches that did not ask to join, counties, townships, municipalities, park districts. A private university appears nowhere on it. So in University Circle, the dense mile of Cleveland that holds Case Western Reserve University, the hospitals, the art museum, and the orchestra, a private university is simply an owner of real property, and it is assessed like one. The district's service plan sets the assessment on "equal parts serviceable frontage, gross certified value, and land area," and the word doing the work in that sentence is *gross*, because gross certified value counts the exempt property the taxable rolls do not. When the district's organizers filed their petitions with city council in April 2023, Case Western and University Hospitals signed them. The institutions asked to be assessed. Documents submitted to the council projected the university's share at about one and a third million dollars a year, and Gary Hanson, then the interim president of the nonprofit that runs the district, explained the logic in terms of what the neighborhood had become. The need for public safety, Hanson said, had grown "as University Circle becomes, in effect, a second downtown."

Tempe demonstrates the same principle from the opposite direction, on a single spreadsheet. The downtown district's proposed assessment roll for 2026 lists every parcel and what it owes, and the Arizona Board of Regents appears on it thirteen times. Six of those parcels carry dollar figures, from twenty-eight hundred dollars to fifty-five thousand, and together they come to a hundred eighty-two thousand three hundred ninety-seven dollars and twenty-eight cents, very nearly a tenth of everything the district assesses. The other seven entries carry the word "Exempt." The same owner, on the same roll, in the same district, in the same year, is billed on some of its ground and excused on the rest, and the state law that authorizes the district specifies that owners of property not subject to taxation may not sign the petition that creates it. Arizona State can be assessed and cannot vote.

Baltimore ran the experiment and got a stranger answer, and the paperwork is worth reading slowly. The Charles Village district, which covers the blocks around Johns Hopkins University's Homewood campus, is funded by a surcharge on the property tax, which means it cannot reach an exempt owner at all: the city charter says in one sentence that property exempt under state law from ordinary property taxes is exempt from the district's charges. The enabling ordinance says the same thing and then, in the very next clause, invents the way around it, authorizing the district to "create and enter into partnerships" with owners "otherwise exempt from ordinary property taxes" providing for services "in exchange for payments arranged by contract, donation, gift, services in kind, or other mechanism." Hopkins pays eighty thousand dollars a year under that clause, and a Hopkins-owned building on St. Paul Street pays sixty-two thousand more. Tony Leva, an analyst for the city council, explaining where the district's money comes from, put the situation in twelve words that could serve as the epigraph for this entire chapter. The additional revenue, Leva wrote, had come from an "\$80,000 contribution from Johns Hopkins University which is in the district but is not taxable." The district's budget carries a standing printed heading for money like this, "Exempt Property Contributions," and Hopkins' eighty thousand is allocated on the same line it appears on: four

thousand to administration, forty thousand to sanitation, thirty-two thousand to safety, four thousand to outreach. Ninety percent of what the university pays goes to street cleaning and safety patrol, which is to say the university is buying, by contract, exactly the services an assessment would have charged it for. The two payments together come to better than a tenth of the district's entire budget. The law forbade the charge and the parties built the payment anyway, and the only difference between Baltimore and Cleveland is that Cleveland could compel it.

This benefit base has an edge, and two cases mark it. One is the limiting case from the fee chapter: when a city dresses a tax in the language of a charge but the thing it funds is diffuse and owed to the general public rather than to the paying parcel, the courts call it what it is. West Chester lost its stormwater charge against a state university on exactly that ground. In April 2026 the Pennsylvania Supreme Court held the charge a tax, and Justice P. Kevin Brobson explained why it failed as a fee: the stormwater benefit "inures to the general public more so than to the owner of the particular property from which the stormwater flowed." West Chester University, an arm of the commonwealth, was immune from a tax, so calling the charge a tax was exactly what let it walk. A benefit charge reaches exempt property only so long as it is genuinely a benefit charge. St. Paul learned the same lesson a decade before West Chester did, and its version is closer to the bone, because the city had said out loud what it was doing. Minnesota's capital funded street maintenance through a right-of-way assessment charged by frontage, and the city's own council resolution explained the design: a major purpose of the assessment, it said, "is to distribute the costs of street maintenance among all properties that benefit, including tax-exempt and taxable properties." The state supreme court held in 2016 that the charge was an exercise of the taxing power, reversed, and sent the case back, noting the reason for the unusual mechanism without any apparent sympathy. St. Paul was the only municipality in Minnesota funding street maintenance this way, the court observed, at least in part because as the state capital it "is home to an atypically large number of properties that are exempt from local property taxes." The charge had reached the University of St. Thomas for about fifty-five thousand dollars a year; under the replacement program the university expected to be billed something closer to twenty-two and a half thousand. What the city turned to next was the instrument this book keeps arriving at. It began designing a voluntary payment program for its nonprofits, and the tone of that debate tells you what a city does once the compulsory route closes. Doug Hennes, the university's vice president for government relations, asked reasonably enough for a program that made sense for nonprofits whether large or small, and said he hoped "we could avoid any public shaming." Council member Jane Prince was less accommodating. The city should at least try, Prince said, "and if it involved a little shame, I'm all for that." A benefit charge that is honest about being aimed at exempt property is a benefit charge a court can recognize as a tax.

The other edge is political. Philadelphia's University City District, the zone around Penn and Drexel, is funded not by assessment but by voluntary contribution, a structure suited to a district where most of the land is exempt and a mandatory assessment would have been a fight. The institutions pledged more than seventy percent of the district's cost at its founding in 1997, and when the money got tight two years later the district's first director, Paul Steinke, named the ceiling on that model: "In the long

term, we can only hope that the commercial base of University City expands so that a mandatory assessment might be feasible, but at present it is not." In that same year Penn, its health system, and the children's hospital together supplied \$2.3 million of the district's \$3.8 million budget. The institutions pay as members rather than assessees, which is the fee chapter's lesson in another key. Where the city could not compel, it settled for the payment the university was willing to make.

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The fourth base appears on no tax roll at all, and a small Virginia city is rebuilding its version of it in public this summer.

When a city owns its electric utility, it sells power to everyone inside its borders, the exempt university included, and it can price a margin into the rates and move that margin into its general fund. The university pays the rate. The exemption does not enter into it, because a utility bill is not a tax, and the money the city earns on the university's consumption is invisible to every accounting the exemption governs. It does not reduce the university's charitable status, does not appear as a levy, and shows up on no assessor's book. It is the difference between what the power costs the city and what the city charges for it, collected month after month on one of the largest electric loads in town.

The margin is a cousin of the service fee, close enough to blur, and the line between them is worth drawing. A fee is a discrete charge for a named service, a line on the bill whose survival hangs on whether a court will call that line a fee or a tax. The margin rides inside the price of a commodity the university cannot do without, a markup on power rather than a charge for a service, and it rarely has to answer the fee-or-tax question at all.

Radford, Virginia owns its electric department, and Radford University is among its largest customers, and the two are bound together tightly enough that the city says so out loud. For the 2026 budget the city's electric fund was balanced at about twenty-nine million dollars and carried a transfer of three point nine million into the general fund, the margin the city earns on selling power moved over to pay for ordinary government. The margin had already begun to fail. The year before, the electric reserve ran into the negative by four hundred thirty-three thousand dollars, leaving nothing to move. And the deeper threat was structural, because the university is building its own generation. Craig Meadows, the interim city manager, told the council in the spring to start ratcheting the transfer down, and put the budget in the plainest terms. "This is going to be a tough budget," Meadows said. "We need to do what we need to with revenue, and if that's too bitter a pill, we've got to talk about what programs." When the university's cogeneration plant slipped past its June start date, the city found itself exposed to buying open-market power for a load it had assumed the campus would carry. Its answer, on the twenty-second of July 2026, was an ordinance, numbered 1834, setting a standby-power tariff on the university, a charge for the backup capacity Radford University will draw whenever its own plant is down, with the market cost of that power passed straight through to it. The council adopted it. A city cannot let its largest ratepayer walk away from the fund that pays for its police without reaching for something to put in its place.

Radford's numbers are small because Radford is small. The same arrangement, audited and published, runs an order of magnitude larger sixty miles up the valley, and Harrisonburg is where the instrument can actually be measured.

Harrisonburg owns its electric commission, and James Madison University is its anchor load. The city's code tells the commission what to send over each year, and it does so in two parts, the second of which is the interesting one. The amount turned over each year, unless the council votes to reduce it, shall be not less than five percent of the commission's gross revenues, and then, on top of that, "an amount equivalent to such city taxes as would be assessable if the electric system were not municipally owned." The city has written into its own code an add-on charge whose stated measure is the property tax nobody can levy. The margin is one thing; the explicit tax equivalent sitting beside it is the city conceding, in ordinance language, exactly what the arrangement is for.

What makes Harrisonburg the useful case is that the university's share of the utility is a reported figure rather than a guess. The commission's financial statements put its charges to James Madison University at about fourteen percent of total revenue, and the same statements give a total a bit over seventy-five million dollars, which puts the university's annual bill somewhere near ten and a half million. The commission's distribution to the city that year was five million two hundred thousand dollars. Allocate that transfer across customers in proportion to what they pay, and the university's share of it comes to something in the neighborhood of seven hundred thousand dollars a year, quietly funding general government. The arithmetic is a proportional estimate rather than a traceable payment, because the transfer is a fixed sum the council sets and not a percentage skimmed off each bill. But the direction is not in doubt, and neither is the order of magnitude.

Set that beside what the university pays the city on purpose. James Madison's direct voluntary contribution to Harrisonburg runs in the high two hundred thousands. The implicit payment, on any reasonable allocation, is roughly two and a half times the explicit one, and only the explicit one is ever negotiated, announced, or reported in the local paper. Nobody sits down to bargain over the rate margin. It arrives every month in a bill the university cannot meaningfully decline, because the commission's own rules require that all electric service on a customer's premises, other than emergency service, standby service, or approved cogeneration, "shall be supplied exclusively by Distributor." The university runs steam and chiller plants and a modest solar array, and it operates no cogeneration, which is the one category of self-supply the rule would have let it use. The body that sets this charge, run by a general manager named Brian O'Dell, meets at seven in the morning on the fourth Tuesday of the month.

Fort Collins states the theory outright, which is rare enough to quote. Its city code adds a charge it calls a payment in lieu of taxes and franchise, six percent, onto the components of every electric bill, and the city's budget explains what the money is doing: the payment, it says, "compensates the General Fund for the revenue it would receive if the Utility were privately owned." The top customer of the city's electric utility is listed in the annual financial report simply as "University," because customer identities are not disclosed, and it accounts for nearly eight percent of all electric revenue,

ranked first. And the budget contains, a page later, the sentence that proves the mechanism by its absence. The city's stormwater utility pays no such charge, because, as the budget explains, there are no for-profit taxable utilities providing stormwater services. The margin exists only where a taxable private analogue exists to be imitated. Set that against the fee chapter's West Chester disaster and the pair is almost too neat: the charge a city calls a stormwater fee is the one a court struck down as a tax, and the charge a city admits is a tax substitute survives untouched, because nobody has to call it anything at all. It is inside the price of electricity.

Two more cases mark the edges of the instrument, and both are cases of escape. Gainesville has one of the largest utility transfers in the country, and its general fund has historically leaned on that transfer for something like thirty percent of municipal operations, for the reason a credit analyst stated plainly: a large portion of Gainesville is tax-exempt. The University of Florida is much of the reason it is tax-exempt, and the university long ago put most of its campus load beyond the city utility's reach, generating its own power and buying the rest from a private utility whose territory carves the campus out. And yet the university remains the single largest source of revenue the city's utility has, at nearly eleven million dollars a year across gas and water and reclaimed water and the electricity it still buys, which by itself is enough to make it the sixth-largest electric customer on the system. The campus escaped most of the electric margin by a line on a map and is the utility's biggest customer anyway. What the transfer is for has never been much of a secret in Gainesville. Tony Cunningham, the utility's general manager, described it to the city commission as a stand-in for the taxes the city cannot collect: the transfer, he said, "has always been represented as a proxy for property tax, franchise fees, and return to shareholders." A commissioner, Bryan Eastman, laid out at the same meeting what the city had given up everywhere else, and the list is the negative image of this chapter. "We are not taxing land at all," Eastman said, "we have a zero percent franchise fee on telecommunications, a zero percent franchise fee on water, a zero percent franchise fee on wastewater, and we're taking zero percent dividend out of GRU." Columbia, Missouri went further and escaped the whole thing. Its city charter orders the council to build the tax into the rates, directing it to set charges sufficient to pay the general fund "an amount substantially equivalent to that sum which would be paid in taxes if the water and electric light works were privately owned," and the city now draws better than eighteen million dollars a year out of its water and electric systems that way. The University of Missouri barely appears on the customer lists, because it generates more than eighty percent of its own electricity at its own plant and pumps its own water from its own wells. It built its first central powerhouse in the rebuilding after a fire destroyed its main academic building in 1892, and it never gave the plant up, and it is the one institution in town the rate margin cannot reach.

Radford is the vivid case because the seam is showing, but the structure is common in the college towns that own their utilities. Tallahassee is the sole electric provider to a city that contains Florida State University, and its electric utility moved more than thirty-six million dollars into the general fund in 2024, a policy-set share of gross power revenue that has climbed every year. Florida State pays those rates like every other customer, its exemption irrelevant to the margin folded into them.

The transfer is large enough to draw fire. A Leon County commissioner, Bill Proctor, has attacked it as taxation of people who cannot vote on it, telling the city "you take their utility monies of which 30% is utilized by you to undergird general city government operations." When a reporter asked the city to defend the practice, the city manager referred the question to a trade association and the mayor declined to comment. Newark, Delaware runs a municipal electric system, and the University of Delaware is among its heaviest loads, big enough that the city is expanding its grid with a new thirty-seven-million-dollar substation. In each of these towns the university is a captive ratepayer of a city that sells it power at a markup and spends the markup on general government, and no exemption touches the arrangement, because there is no tax to exempt, only a bill, and the bill is paid.

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Four instruments, and they do not all do the same thing, which is the honest and more interesting version of the claim. Three of them tax the university itself on a base the property exemption never covered: the transaction at the ticket window, the private use of the campus ground, the benefit the city paves into the parcel. The consumption tax has a second reach beyond that, out onto the hotels and restaurants the university fills, where the city captures the institution's economy without touching the institution. And the utility margin does something stranger than any of them, because it collects no tax at all and needs none: a city that owns the power lines prices its return into a bill the university pays as a customer, and the whole transaction happens where the tax law cannot see it.

What unites them is a lesson about the exemption's size rather than a base they share. The exemption is a wall around one base, the property base, and it is a good wall; nothing in this book gets over it. It is also only one wall, and the cities that collect real money from their universities are the ones that walked around it to a base it never enclosed.

The point sharpens against its one exception. There is an instrument in this family that goes straight at the property base, the statutory acreage cap, which lets a state tax a college's land above a set number of acres, eighty in Wisconsin or a hundred fifty for the largest schools, four hundred in Washington, with the excess taxable as of right. It is the one tool in this chapter aimed at the exemption's home ground, and it is a dead letter. No college is known to actually pay under it. The caps sit in the statute books, self-executing in theory and dormant in fact, reaching for the one base the exemption defends hardest and collecting, as far as any public record shows, nothing. The instruments that collect are the ones that gave up on the parcel; the instrument that went straight at the parcel collects nothing. The lesson could not be printed more clearly if a legislature had set out to prove it on purpose. The exemption is strong, but only on its own base. The money is on the others.

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## Chapter 10 — Who Bears the Levy: The Student as Asset

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On the first of April 2020, the day the United States counts itself, the college towns were empty. The universities had sent their students home three weeks earlier, in the first week of the pandemic, and the dormitories that were supposed to be full of the people the census was about to count were dark. In Ithaca, where roughly a fifth of the county is undergraduates, just under half of Cornell's fifteen thousand undergraduates live off campus, and most of its graduate students do, in apartments the university has no contract with and no way to report. The mayor of Ithaca, Svante Myrick, understood exactly what was at stake and said so three weeks after Census Day, in the flat language of a man reading a ten-year forecast. "There are all these formulas that come from the federal government for revenue to get our fair share of our taxes back," Myrick said. "In terms of transportation, affordable housing, even road repair. When the census does a count, it determines those revenues." Then the sentence that is the reason this chapter exists. "If we are undercounted we will not receive our fair share of tax revenue for the next ten years."

The Census Bureau tried. On the fifteenth of March, seventeen days before Census Day, it put out a statement telling universities that their students should still be counted at school. "Even if they are home on census day, April 1," it said, "they should be counted according to the residence criteria which states they should be counted where they live and sleep most of the time. We are asking schools to contact their students and remind them to respond." The Bureau's director, Steven Dillingham, wrote to college presidents in June to say it again: students are counted "at the address they reside while attending college rather than back home with their families," even if they left town early. The rule was never in doubt. What was in doubt was whether anyone would execute it in a country that had just closed.

What made the failure close to structural was that the universities could not simply hand over the answer, and in the places where they could, the law got in the way. A campus can report the students who live in its own dormitories, because it has a housing contract with each of them and a bed assigned to a room with an address. It cannot report the ones who live in apartments across the street. Cornell's campus-community liaison, Kate Supron, explained the gap to the Ithaca Voice in the plainest terms available. "Off-campus, there is no way for Cornell to report on the students because we don't have housing contracts with them," Supron said. "They live in the community, so they have to respond individually." Two miles away, Ithaca College's director of strategic planning ran into the federal student-privacy law. "The federal Educational Rights and Privacy Act prohibits us from sharing the data with any third party," Doreen Hettich-Atkins said, and she described the college as working with the Bureau to hand over what data it lawfully could.

Read those two sentences together and the census problem in a college town is nearly unsolvable by anyone's good intentions. The students the town most needs counted are precisely the ones no institution has standing to count: they are adults living in private apartments, on leases the university

never sees, protected by a privacy statute written for entirely different reasons. The Bureau eventually asked colleges for directory information on off-campus students, and by the end of July 2020 six hundred twenty-three institutions had agreed to provide it and three hundred eighteen had actually done so. What the Bureau committed to do with what it received turned out to be narrower than it sounded, as a later exchange with Congress made clear.

The interesting thing about that spring is what the town officials said out loud, because they said the quiet part with a candor the rest of this book rarely gets. The town manager of Elon, North Carolina, Richard Roedner, told the student newspaper exactly why he wanted students counted where they were not. "Even if you happen to be home for those two weeks," Roedner said, "don't count yourself there; count yourself here because by rights, this is where you're a resident and selfishly, it benefits us." A city council member in Ames, Iowa, Gloria Betcher, watched the count fail in real time and reached for the only metaphor available. "From our perspective," she said, "this is like watching an accident in the long term. We are watching these cars approaching each other and seeing that they're going to crash. It's not surprising to us, but it is surprising that nothing is being done to stop the accident." Tempe's deputy city manager put the consequence in a single line: "The potential undercount of students during this pandemic will have negative financial impacts for the city for years."

Every one of those officials was describing an asset. Not a burden, an asset. The student who consumes the town's police and fire and roads, whose presence this book has so far treated as a cost the exemption refuses to cover, is also a head that the state counts and pays for. Per-capita aid formulas do not care that the head sleeps in an exempt dormitory. They count residents, and a student is a resident, and the money arrives every year without a negotiation, without a task force, without a vote, and without anyone from the university signing anything. It is the purest as-of-right revenue in this book, and it comes to the town *because of* the university.

It is worth pausing on why that is legally true, because the assumption is doing a great deal of work and it is not self-evident. A state paying per capita has to decide who counts, and states have not always counted the people who live in institutions. Michigan's revenue-sharing statute is typical: it directs that a municipality's population be reduced by half of the persons confined in certain state-supported institutions. Read the exclusion closely, though, and the class it names is narrow. It reaches "wards, patients, or convicts." The clause about state-supported institutions describes where such persons are domiciled; it does not enlarge who they are. A student in a dormitory at a state university is not a ward, not a patient, and not a convict, and Michigan's treasury has never treated one as institutional population. The arithmetic confirms the reading: East Lansing's constitutional revenue sharing works out to a hundred six dollars and fifty-two cents a head across its whole population, which is the statewide rate exactly, and it could not be if fifteen thousand dormitory residents were being counted at half weight.

So the student counts, fully, as a resident of the town where the university stands. That is the foundation the entire asset rests on, and it is a drafting outcome like every other one in this book: a

legislature listing the people it wanted to discount, in a statute about something else, and not thinking to put students on the list.

If that revenue were large enough, the argument of this book would invert. A town hosting a great exempt campus would be, on net, ahead. So it is worth asking, seriously and with numbers, whether it is.

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The answer is no, and the shape of the no is more interesting than the no.

Set the two sides against each other in the same town. On one side, what the town gives up: the exempt assessed value of the university multiplied by the effective tax rate, which is the property tax the town would collect if the campus were taxable. On the other, what the town gets back: the students counted in the municipality multiplied by the per-capita aid rate. Run that comparison across a set of university towns chosen to give the second side its best chance, and the second side never wins. Not in one town.

In Radford, Virginia, the forgone tax on the university runs to something like six and three-quarter million dollars a year. The student-driven aid is zero. Not small, zero, for reasons this book takes up in the next chapter. In Harrisonburg, hosting James Madison, the forgone tax is better than twenty-four million and the student-driven aid is again zero. In East Lansing, Michigan, home of a great land-grant university, the city forgoes something on the order of thirty-two million and takes in about two and a quarter million in constitutional revenue sharing attributable to its students, which is somewhere between five and seven cents on the dollar of what it gave up, and closer to one or two cents if you count the whole overlapping levy rather than the city's own slice.

The case that was built to break the finding is Orono, Maine, and Orono is where it gets interesting. Maine's revenue-sharing formula is the most favorable in the country to a town hosting an exempt campus, for a reason nobody designing it seems to have intended. The state distributes its Local Government Fund in proportion to a town's population multiplied by its property tax burden, and it defines that burden as taxes assessed divided by the town's state valuation, which counts only *taxable* property. An exempt campus is outside the denominator. So the campus shrinks the divisor while its students inflate the multiplier, and Maine ends up compensating a university town twice over through a formula that never once mentions exempt property. Orono draws four hundred sixty-two dollars a head against a statewide average of a hundred ninety-seven, which is to say two and a third times the state rate, on less than nine-tenths of one percent of Maine's population receiving better than two percent of the money. Waterville, which hosts Colby, draws about four hundred ten.

And Orono recovers a third. The forgone tax on the University of Maine comes to about eight million seven hundred thousand dollars a year, which is an exempt base of roughly four hundred nine million dollars struck at the town's committed rate of twenty-one and thirty-five hundredths mills. Against that, the student-driven share of Orono's state aid is about three million. One caveat belongs on the numerator: the working test this figure comes from cites the town's exempt valuation elsewhere as

three hundred seventy-three and a half million, which at the same rate would give just under eight million, and the two figures are not reconciled in the source. The ratio moves from thirty-four percent to thirty-eight and the finding does not move at all. Credit the town's entire state check to the university, every dollar of revenue sharing whether the students drove it or not, and it reaches sixty-three cents. The most structurally favorable arrangement in the United States, in the one state whose formula accidentally pays twice for hosting exempt property, still leaves the town giving up more than it gets. And the direction of the error runs the safe way: Orono's exempt valuation is almost certainly understated against a campus of more than three and a half million square feet, and understating it shrinks the loss and flatters the ratio.

Orono's own budget documents make the position visible in a way no ratio can. Each year the town manager sends the council a transmittal letter, and the letter includes two lists of comparable Maine municipalities. The first ranks Orono by population, and its neighbors on that list are York, Falmouth, Kennebunk, Wells, Standish, Kittery, Lisbon, Brewer, Topsham, and Cape Elizabeth: the prosperous coastal towns and the commuter suburbs, the places with money. The second ranks Orono by per-capita taxable valuation, and there the neighbors are the Penobscot Nation, Van Buren, Milo, Mexico, East Millinocket, Millinocket, Charleston, Houlton, Limestone, and Smyrna: the mill towns and the far north, the places the mills left. Orono is the size of Falmouth and as poor, per taxable dollar, as Millinocket. It has the service demands of the first list and the tax base of the second, and the university is the entire reason for the gap. The town manager, Sophia Wilson, wrote the bind into the same letter: councils had "historically tried to balance community vision for Orono as a vibrant, full service and urbanized university community with the reality of its taxable valuation that is suited to support much smaller and often more rural municipal service profile."

The other thing Orono's letters record is what happens to the compensating aid when a state needs money. Maine's revenue sharing is set in statute at five percent of certain tax receipts, and the statute still says five percent. Wilson's 2021 letter describes what happened to it: "In FY2010, the State Legislature began its annual raids, reallocating these designated funds to balance the State budget, until sinking to a low of 2% in distributions from FY16 through FY19." That year Orono budgeted about six hundred twenty-two thousand dollars less than full funding would have produced. The aid that partly offsets the exemption is itself an appropriation, subject to exactly the annual re-decision the reimbursement chapter described, and a town relying on it is relying on a promise of the same species.

Down the Kennebec in Waterville, which hosts Colby, the same arithmetic produced a genuinely unusual moment. In 2018 residents petitioned the city council to ask Colby and Thomas College to cover a five-year cut in the property tax rate, from twenty-five dollars and twenty-seven cents to eighteen ninety-five, worth something like fifteen million dollars. More than a thousand people signed it. The council rejected it four to one, with one member abstaining because she worked for Colby. What is worth keeping is the state legislator's framing of why the town was in that position at all. "I spend a lot of time in Augusta explaining to people we're only 13 square miles and about one-third of our property is off the tax roles," said Representative Colleen Madigan, "so a lack of revenue

sharing is hurting us more than other towns proportionally." Then the question that ends every version of this argument: "I think there needs to be a more sustainable solution than asking two educational institutions in town to lower our property taxes for five years. What happens in year six?"

The Maine Municipal Association has made the structural case to the legislature in almost the same words. Service-center communities, its lobbyist Kate Dufour testified in 2019, "attract people from a larger region for jobs, housing, retail, recreational opportunities, and social services programs" and are "called upon to provide governmental services to a population that is much larger than their property tax base can support." Three-quarters of all charitable and literary and scientific exempt property in Maine, she told the committee, sits in the fifty communities with the largest taxable retail sales, most of which are service centers, and the average tax rate across those communities runs better than two mills above the statewide figure. The towns that host the institutions pay more per dollar of what they are allowed to tax, which is the exemption's cost showing up on somebody's bill after all.

That is the finding, and it is a negative one. The student is a real asset, the aid is real, as-of-right money, and it is materially smaller than the exemption it might have offset. Unrestricted state aid runs about three percent of municipal general revenue nationally and reaches a tenth or more in only eight states. The channel exists. It is simply not big enough to carry what the exemption takes away.

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The reason it is not big enough turns out to have almost nothing to do with how generous a state is, and that is the finding worth more than the hypothesis it replaced.

Compare Normal, Illinois with Orono, Maine. Maine pays more than twice as much per capita in unrestricted aid as Illinois does. And yet Normal looks better on the offset, dramatically better, because of something that has nothing to do with aid at all. When Illinois State University's campus comes off the tax rolls, the Town of Normal loses its own share of the overlapping levy, and its own share is eighty cents of a combined rate of eight dollars and twelve cents. The school district takes five dollars and seven cents of that; the town takes a tenth of the total. But the state aid, when it arrives, goes entirely to the town. Normal forgoes about a tenth of the loss and collects a hundred percent of the compensation.

Now Radford. A Virginia independent city is a consolidated unit: it is the city, and it is the county, and it is the school division, all at once. There is no other layer of government to absorb any part of what the exemption takes. When Radford University's campus comes off the roll, Radford forgoes the municipal share and the county share and the school share simultaneously, because it *is* all three. There is nobody upstream to share the loss with.

So the apparent offset tracks how thin a slice of the overlapping levy the host municipality happens to bear, and hardly at all how much the state pays per head. A town that bears a tenth of the loss and collects all of the aid will look like the system is working. A town that bears the whole loss and collects

all of the aid will look like it is being robbed, and the two towns can sit in states with identical formulas. This is quantitative evidence for something this book has argued from other directions all along: that the independent city is a distinct fiscal animal, and that what looks like a place-based misfortune is an artifact of how a state stacked its taxing layers.

It is worth stating the one place the finding is genuinely soft. Work out the break-even, the exempt market value at which the aid would exactly offset the forgone tax on the municipal share alone, and for Normal it lands somewhere between four hundred twenty-five million and one and a half billion dollars. The upper end of that range is the same order of magnitude as a plausible valuation of Illinois State's campus. In a town that bears a thin enough slice of the levy, the offset could in principle close. That is the only soft spot anywhere in the data, and it exists purely because of levy-share architecture, which is the finding restating itself.

A hard constraint sits underneath all of this and deserves to be said plainly. Illinois and Michigan assessors do not value exempt university property at all. Not approximately, not on a separate roll: a University of Illinois parcel in Champaign County carries a property class of tax exempt and a net taxable value of zero at every level of assessment, from the township assessor through the board of review to the state's equalized figure, and Illinois State's two hundred twenty-four parcels in McLean County read the same way, and Michigan's public assessing search for East Lansing offers no exempt class whatsoever. Any forgone-tax figure for an Illinois or Michigan university town is therefore an estimate built on an outside valuation, and anyone who prints one as though the assessor produced it is fabricating. That is a limit on what can be known in two of the largest higher-education states in the country.

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There is a second mechanism here, quieter than the first, and it inverts the intuition that winning a fight is better than losing one.

Return to the spring of 2020. The count failed in college towns, and the towns knew it almost immediately. East Lansing's population came back at forty-seven thousand seven hundred forty-one, down eight hundred thirty-eight from 2010, in a decade when the university had not shrunk. The city manager, George Lahanas, put the city's position in writing the day after the local news broke it. "While we lost a minor amount of residents based on our Census numbers, we do believe we were undercounted," Lahanas wrote. "Counting students in a university community during normal times is difficult and the COVID-19 pandemic certainly made it more challenging." In State College, the borough manager, Tom Fountaine, said the borough had seen the undercount coming: "We knew at the time and had reported on a number of occasions that there were some substantial undercounts in key precincts in State College as well as in the surrounding townships." In Bloomington, Indiana, the mayor, John Hamilton, was blunter about a count that came in below the 2010 figure. "It's just not a credible number," Hamilton said, and then gave the reason without blaming anyone for it. "The simplest explanation is that the count was done after the university told students, 'Don't return to

Bloomington and go back to your parents' homes.' I'm not blaming anybody. The university did the right thing to protect its students."

So the towns went and got it fixed. The Census Bureau opened a program called the Post-Census Group Quarters Review, which let a local government submit its own administrative records for dormitories and other group quarters and have the count corrected. Boston filed in September 2022 and won. The city's submission put forty-one thousand seven hundred seventy-six students in student housing in 2020, some six thousand more than the Bureau had counted. Massachusetts officials welcomed the correction and noted what everyone involved already knew, that counting students is hard in an ordinary year and was close to impossible in the year the campuses closed. Big Rapids and Marquette and East Lansing filed too, and so did Bloomington, and the Bureau completed every case by the end of 2023.

Now read what the correction actually does, in the Bureau's own words on its own program page. "This operation cannot change 2020 Census counts or data products, such as apportionment and redistricting." Approved updates, it says, "will be provided to the Population Estimates Program." The census count is final. What the correction reaches is the *estimates* series, the annual interpolation the Bureau publishes between censuses. Everyone who handled Boston's correction understood the limit: it would not disturb redistricting, which was long since settled, and it would move the annual population estimates and everything downstream of them.

The program is also, by design, invisible. The Bureau states on the same page that no errata table will be published, and that under the federal confidentiality statute it cannot disclose the specifics of any submitted case. So a town files, and the Bureau reviews, and the case is marked complete, and no public record says whether the town was right or by how much. The count that was wrong stays on the books as the official count; the correction, if there was one, disappears into an estimates file; and the only people who know what happened are the town and the Bureau. A researcher trying to establish which college towns won cannot do it, because the answer is sealed.

Whether that matters to a town's bank account depends entirely on a drafting choice its state made years earlier, in a statute nobody read as being about universities. Michigan's revenue-sharing law keys distribution to the decennial census and accepts only corrections "to the statewide federal census that are published by the bureau of the census," and the state's own fiscal agency has said that population adjustments not resulting from the decennial census are typically not factored into the distribution. Minnesota's statute reads through to the state demographer's estimate, which does incorporate the correction. Same federal program, same successful challenge, opposite fiscal consequence, and the variable is which base a state legislature happened to write into its formula.

Which means East Lansing and Big Rapids and Marquette can each have won their cases and still be paid, until the 2030 census, on a count taken the month the campuses emptied. Marquette filed in June 2023 with data from Northern Michigan University confirming the city's own belief that its students had been missed, and its assistant city manager told the commission the city hoped to get both the count and its revenue-sharing apportionment fixed. The first of those was achievable. The

second runs into a clause in a Michigan statute that has nothing to do with universities and decides the whole question anyway.

What a decade of being paid on a wrong number amounts to was put on the record two years later, under oath, by a mayor with a much larger city than any of these. Detroit challenged its own 2020 count, won a correction on its group quarters and lost on its housing units, and in July 2022 Mike Duggan testified before a Senate committee about what the failure meant. "We know we can't go back and fix the 2020 Census or replace hundreds of millions of dollars in federal funding already lost," Duggan told the senators, "but we hope that, with your help, the Census Bureau will take positive steps to give our City much needed relief going forward." That is the whole structure of the thing in one sentence: the loss is already booked, it cannot be recovered, and the only available remedy is a better process next time. A college town's version is smaller in dollars and identical in shape.

This is the asymmetry, and as far as I can find, nobody has written it down. A town wins its census challenge and is paid on the number it disproved. The correction is real, the Bureau's records now say so, and the money does not move.

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The chapter owes an honest accounting of what would undercut it, and there are three things.

The first is that not every undercount is an undercount. When Bloomington's numbers came in low, careful local reporting found that roughly three-quarters of the drop in the campus area was explained by a real decline in enrollment, not by a failure to count anyone. A Bureau spokesman, asked about the gap between its estimates and its count, gave the agency's working rule: "Differences between the estimates and census counts are interpreted as error in the estimates and not the census counts." A town convinced it was robbed is not always right, and a chapter that treats every college town's complaint as proof would be doing the thing this book criticizes mayors for.

The second is the serious scholarly objection, and it comes from an unexpected quarter. The Prison Policy Initiative has spent two decades arguing against prison gerrymandering, and in the course of it has had to knock down the claim that counting people in a place brings that place money. Its analyst, Aleks Kajstura, has put the argument plainly and repeatedly. "One of the most common arguments against prison gerrymandering reform is the fear, among people in prison towns, that their communities will lose out on funding," she wrote in 2020. "It's a fear based on a misunderstanding of how federal and state funds are allocated." The money, she argues, is not a per-head sum: "while it's true that a lot of funding depends in some way on Census data, this funding isn't a lump sum that can be converted to a dollar amount per head." Most federal money goes to states as block grants, unaffected by where within a state a person is counted, and she had argued a decade earlier that much of the rest moves through formulas "far too sophisticated to be fooled by where the Census counts incarcerated people." Federal money for low-income schools, she notes, keys to the number of low-income children or to enrollment in subsidized lunch programs rather than to total population.

That argument is correct about what it addresses, and a book making the opposite case has to say where it parts company. It parts company in two places. The first is that the Initiative is arguing about incarcerated people, who are systematically excluded from the poverty and enrollment measures those targeted formulas run on; a student is not, and a student's presence moves the very measures Kajstura says the formulas actually use. The second and more important is that the argument is about *federal* money. This chapter's arithmetic is about state money, and specifically about state statutes that read, in so many words, that funds shall be distributed in proportion to the number of residents. Michigan's constitutional revenue sharing is a per-capita distribution, and East Lansing's per-head receipt lands on the statewide rate to the penny. No amount of sophistication in a federal formula reaches a state statute that says population and means it.

The third complication is that the federal side is genuinely large and genuinely hard to pin down. Andrew Reamer's accounting at George Washington found three hundred sixteen federal programs distributing better than one and a half trillion dollars a year using census-derived data, which is not a small channel by any measure. And Reamer's own summary of what that means is properly cautious: it is a lot of money, it is complicated, and it depends, because the sensitivity of that spending to local census accuracy differs enormously from program to program. Both things are true. The channel is huge, and how much of it any given town's headcount actually moves is not knowable from the outside.

The politics, at least, understood the stakes. In August 2020, Elizabeth Warren and the entire Massachusetts congressional delegation, eleven signatures in all, wrote to the Census Bureau asking it to commit to using university directory information to count off-campus students. Their letter states the asset argument in a single sentence: college towns "rely on the allocation of shared resources, representation, and funding based on the enumeration of individuals in the community." And then the warning, which was accurate. "It is imperative," they wrote, "not to lock these municipalities into an artificial and unwarranted lack of representation and resources for the next decade."

The exchange around it is a small study in how an agency says yes and means less than it sounds like. The delegation had written in March; the Bureau's director wrote back on the first of July agreeing that the Bureau was now asking colleges to submit records for their off-campus students; and the August letter was the delegation pressing him to commit to actually using them. He answered in October, and the commitment turned out to be narrower than the promise it resembled: the Bureau would use the directory information to help enumerate addresses for which it had received neither a completed self-response nor an interview with a census taker. Which is to say the data would be used to fill gaps the Bureau already knew about, at addresses it already had. A student living in an apartment the Bureau had never associated with anyone would remain, so far as the count was concerned, nowhere at all. Nobody misled anyone. The commitment was simply written the way commitments in this book are always written, precisely enough to be honored and narrowly enough not to solve the problem.

Set this instrument beside the others in the book and one feature separates it completely. Every other handle requires a counterparty. The wage tax needs an employer to withhold. The negotiated payment needs a president willing to sign. The exemption challenge needs a court, and years, and a lawyer on retainer. The fee needs a drafter careful enough to survive a judge, and the reimbursement needs an appropriator who feels like paying this year. Each one can be refused, litigated, renegotiated, or quietly underfunded, and the earlier chapters are largely a catalogue of exactly that happening.

Population aid has no counterparty at all. Nobody at the university is asked for anything. Nobody at the state house votes on the town's share specifically. The formula runs, and the check comes, and it comes whether relations between town and gown are warm or poisonous that year. Tompkins County's Michael Lane, who chaired the county's complete count committee, described the mechanism as the plainest thing in local government: "both state and federal funding is apportioned by population and if we're undercounted we won't get our fair share of various grant programs, everywhere from local construction to help for our local colleges and universities." That is a description of money that arrives because of arithmetic rather than because of anybody's goodwill, which by this book's own typology makes it the strongest kind of claim a town can hold.

And it is the smallest. The one instrument in the book that nobody can refuse is also the one that recovers, at its generous extreme, a third of what the exemption costs. The town holds an unbreakable claim to an inadequate sum. Whatever else this says about municipal finance, it complicates the tidy lesson the rest of the book keeps offering, which is that a town should prefer the handle nobody can take away. It should. It should also notice that the handle nobody can take away was sized by a formula that was never thinking about universities, and that nothing about its unbreakability makes it big.

Step back from the arithmetic and look at what the whole apparatus assumes.

A town hosting a university is compensated for that university in exactly one way that requires nobody's consent: it is paid for the bodies. Not for the buildings, which are exempt; not for the payroll, unless the state granted a wage tax; not for the services the campus consumes, unless the town negotiated a payment nobody can compel. It is paid a per-head rate for the students, on a count taken once a decade, under formulas written for entirely different reasons. The student is the only part of a university that a general-purpose state formula can see.

And that is a strange thing to build a fiscal relationship on, because the student is the part of the university that is least like property and most like weather. Enrollment moves. A dormitory closes for renovation and a town's population falls by twelve hundred. A pandemic empties a campus in the week before the count and a decade of aid is set on the number that resulted. The exempt buildings, meanwhile, do not move at all. They sit there, permanently off the roll, generating a permanent loss that no formula adjusts and no census corrects.

So the two sides of the ledger run on completely different clocks. The loss is fixed, continuous, and immune to correction. The compensation is variable, decennial, and correctable only into a series that a state may or may not have written into its law. A town that wanted to argue this in front of a legislature would have to explain that its permanent loss is being offset by a temporary and mismeasured gain, and that the mismeasurement cannot be fixed in the direction that pays.

It is worth saying how little company this finding has. The causal claim underneath it, that a student counted in a town brings that town money, is asserted constantly by the people who lobby for cities: the National League of Cities, the Michigan Municipal League, the town-gown association, the city managers' association. It is asserted always in one direction, as a warning about the risk of an undercount, and always without a number. Nobody nets it. The standard scholarly treatment of the exemption, the Lincoln Institute's, frames forgone revenue as a loss and considers only two offsets against it, voluntary payments and state reimbursement programs keyed to exempt value, both of which this book has already shown to underdeliver. The closest that literature comes to the population channel is a single clause observing that forgone revenue matters less to a government that leans more heavily on state aid, which is a general cushion argument and not this one.

So the student body has never been treated as a standing fiscal asset, the per-capita aid has never been netted against the forgone property tax in university towns, and the correction asymmetry appears to be undescribed. Two of those three gaps are now closed, and the answer in both cases went against the interesting hypothesis, which is the ordinary fate of interesting hypotheses.

The student is an asset. That is the true and useful half of the finding, and it is a corrective to a literature, including the earlier chapters of this book, that codes the university purely as a fiscal burden. The other half is that the asset has been valued by accident, at a rate nobody set with universities in mind, through formulas that measure the one part of a campus that walks away every May. Set against a permanent hole in the tax roll, it does not close. Orono, which has the best version of this arrangement in the country, recovers a third of what it gives up, and it recovers a third because of a divisor in a revenue-sharing formula that has never once mentioned a college.

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## Chapter 11 — Nothing at All

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The Auditor of Public Accounts of Virginia monitors localities for fiscal distress, and in 2024 she looked at the small city of Radford and decided it did not qualify. The city was transferring money out of its electric fund every year to keep the general fund solvent, which is the kind of thing the monitoring system watches for, and the city's management explained why. The report records the explanation without adopting it: "an annual average of approximately 45 percent of the city's real estate is not taxable, due to the uniqueness of the city's tax base including a significant number of nontaxable churches and one of the Commonwealth's higher education institutions, Radford University, within the city limits."

Two years later the Auditor reached the other conclusion. In a recommendation letter for state assistance in March 2026, Staci Henshaw wrote that Radford meets the criteria for fiscal distress, and named the cause: "One primary factor contributing to the city's budgetary challenges is its unique tax base that includes Radford University."

Read that sentence as what it is. A state officer certifying, in an official letter recommending state aid, that hosting a state university is a primary factor in a city's inability to pay its bills. The Commonwealth's own accountability office says the presence of a Commonwealth institution is why a Commonwealth city needs rescuing.

And then the Commonwealth does nothing about it, which is the subject of this chapter.

Every chapter so far has been about a handle. This one is about their absence. Eight Virginia independent cities contain a public four-year institution, nine institutions in all, and in five of those cities the university is large enough to dominate the tax base: Fredericksburg, Harrisonburg, Lexington, Radford, Williamsburg. Charlottesville is the instructive near-miss. Almost everyone assumes the city hosts the University of Virginia, and almost all of the Grounds, including the Rotunda and the stadium, sit in Albemarle County; what lies inside the city line is the medical center and a couple of hundred acres. The single most famous town-gown pairing in the Commonwealth turns out to be a county's problem, decided by where somebody drew a municipal boundary. Not one of those cities has a wage tax, because Virginia grants none to any locality. None has an employer payroll tax, for the same reason. None receives a state reimbursement for the exemption, because Virginia has no such program, for state-owned property or for anything else. Several states do reimburse their towns for state property, and Vermont's statute names the buildings of its university outright. Virginia's does not exist. None can challenge the exemption in court, because a state university's exemption is not a discretionary local grant that a taxing body can reopen. What is left is the negotiated payment, and what the negotiated payment produces in Virginia is what it produces everywhere: a modest voluntary check that the university sets and can stop.

Virginia is therefore the control condition for this entire book. If the argument is that form matters more than amount, and that form is set by drafting the town did not write, then the test case is a state where the drafting foreclosed nearly everything. What does a city do when it has been left with nothing?

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Start with what Virginia did leave, because the story is not that the state forgot. The state remembered, wrote an instrument, and then wrote it so it could not reach a campus.

Title 58.1 of the Virginia Code contains a chapter titled "Payments in Lieu of Real Property Taxation." Virginia has a PILOT chapter. It authorizes localities to impose a service charge on tax-exempt real estate, to be measured against the cost of providing police and fire protection and collecting refuse. It has been on the books for decades. And it contains, at the front of the section governing property owned by the Commonwealth, a definition that decides everything. The property a locality may charge, the statute says, "shall not include hospitals, educational institutions or public roadways or property held for the future construction of public highways."

Educational institutions. The academic buildings, the laboratories, the libraries, the stadium, the dormitories, the whole campus: statutorily invisible to the one instrument Virginia built for exactly this problem. A locality hosting a state university may impose a service charge on state property and may not impose it on the university.

Then, in the next breath, the statute names the exception. A service charge "may be levied on faculty and staff housing of state educational institutions, and on property of the Virginia Port Authority, regardless of the portion of state-owned property located within the county, city or town." So the reach is not zero. It is faculty and staff housing, and a port authority, and nothing else. The General Assembly looked at a university campus, carved out every part of it that generates the service demand a city complains about, and left the houses where the professors live.

The rate rules make the same point twice. On non-Commonwealth exempt property, the general cap is twenty percent of the locality's real estate tax rate, with a single carve-out: fifty percent "in the case of faculty and staff housing of an educational institution." The one category of university-adjacent property Virginia lets a city reach is also the one it lets the city charge at more than double the ordinary ceiling. Somebody thought about faculty housing specifically, and thought about it hard enough to write it a separate rate. Nobody, apparently, thought the library was worth mentioning except to exclude it.

A third provision closes the circle. Any locality that enacts a service charge on state property must notify the Governor and every affected state agency in writing at least twelve months before the ordinance takes effect. That is not an administrative step. It is a year-long political tripwire, and any city manager can calculate what a year of the Governor's attention is worth against a charge capped at a fifth of the tax rate on the buildings the statute permits.

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It is worth sitting for a moment with what the one permitted target says about the drafters. Of everything a university owns, Virginia lets a city charge the houses where the faculty live. Not the stadium that fills sixty thousand seats and empties them onto city streets. Not the medical buildings, not the residence halls that generate the emergency calls, not the parking decks. The professors' houses.

There is a coherent theory available for that choice, and it is the theory this book met in the leasehold chapter: a faculty house is a private residence sitting on exempt ground, occupied by a household that uses the city's schools and streets exactly as its neighbors do, and it is the one piece of a campus that is unmistakably private use rather than institutional use. California reached the same conclusion by an entirely different route and taxed the possessory interest under the professor's house at Irvine. Virginia's drafters were not being arbitrary.

But look at the effect rather than the theory. Faculty housing is the smallest category on any campus and the one that has been shrinking for fifty years, as universities got out of the landlord business and professors bought houses in town like everyone else. The instrument Virginia left available is aimed at a form of university property that is disappearing. A city that adopted the service charge in 1985 and has watched its university sell off its faculty houses since has an ordinance on the books, a rate printed in a state survey, and almost nothing to charge it against.

The instrument's history explains its shape, and the date is worth having.

The service charge began broader. In 1981 the General Assembly amended the Code to restrict the use of the charge on Commonwealth real estate to localities where such property, *excluding hospitals, educational institutions, roadways, and land held for future highways*, exceeds three percent of the value of all real estate in the jurisdiction. That is the drafting moment this book is about. In one amendment the legislature both narrowed who could charge and defined the campus out of the base, and it did so in a year nobody now remembers, in a bill about state-owned property generally, with no university named anywhere in it. Every Virginia city that has since wondered why it cannot reach its campus is living inside a decision made in 1981 by people who were thinking about something else.

Now the part I had wrong, and the correction is sharper than the error.

I had assumed the service charge was a dead letter, an instrument nobody uses. It is not. Twelve Virginia cities, seven counties, and one town reported imposing a service charge of some kind, and five of the six small university cities are among them. Charlottesville charges eighty-two cents per hundred dollars on state educational property. Fredericksburg charges eighty cents, and its published description of what the charge falls on reads, in full, "College faculty housing." Lexington charges fifty percent of its real estate rate on education faculty and staff housing. Richmond charges on faculty and staff housing and on state government facilities. Harrisonburg charges seventeen cents

on private nonprofit property. Williamsburg charges twelve cents on state-owned property and a dollar eight on privately owned exempt property.

Walk the list and the pattern is unmistakable. Charlottesville's charge falls on state educational property. Fredericksburg's falls on college faculty housing. Lexington's falls on education faculty and staff housing, at fifty percent of its real estate rate. Richmond's falls on faculty and staff housing and on state government facilities, at three different rates depending on the category. Harrisonburg's is printed at the same seventeen cents in both the state-owned and the privately-owned columns, against a description naming private nonprofit property. Williamsburg charges twelve cents on state-owned property and a dollar eight on privately owned exempt property, which is nine times as much, because the private exempt owner is not shielded by the Commonwealth's carve-out. Counties do it too: Albemarle, which surrounds Charlottesville and contains most of the University of Virginia, charges on state educational property by a formula set in the Code.

So the cities did reach for the tool. They adopted it, wrote it into their fee schedules, and print the rate every year in a state survey. And it collects almost nothing, because the statute pointed it at faculty housing and forbade it from the campus. The instrument is not unused. It is used and inert, which is a more damning thing to be. Fredericksburg levies eighty cents per hundred dollars on college faculty housing, and across four years of its city manager's budget transmittal letters the University of Mary Washington, state-owned property, and tax exemption go unmentioned. The city uses the tool and does not consider it worth discussing.

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The second Virginia mechanism is stranger than a simple failure to compensate. It routes money away from the university town, by design and in plain statutory language.

Virginia distributes a share of its state sales and use tax to localities for public education, and it distributes it by population: specifically, by the number of persons aged five to nineteen in each locality, estimated by the University of Virginia's demographers rather than counted by the Census Bureau. That is an ordinary enough formula until you reach the sentence about college students. Persons attending an institution of higher education, the statute provides, are counted "within the school division in which the student's parents or guardians legally reside."

The previous chapter established that the student is an asset: a head that per-capita formulas count and pay the host town for, automatically and without anyone's consent. Virginia's one population-driven distribution takes that asset and assigns it, by statute, to the town the student came from. A nineteen-year-old living in a dormitory in Radford is counted, for this purpose, in Fairfax or Virginia Beach or wherever her parents pay their mortgage. Combine that with the absence of any unrestricted per-capita municipal aid in Virginia, and the result is the zero that appeared in the last chapter's table twice. Radford forgoes something near six and three-quarter million dollars a year on Radford University and receives, in student-driven aid, nothing. Harrisonburg forgoes better than

twenty-four million on James Madison and receives nothing. That zero is the output of a program running exactly as drafted, rather than the absence of one.

It applies to every Virginia university town alike, to Blacksburg and Charlottesville and Lexington and Farmville and Williamsburg, and I have not found a Virginia official on record complaining about it. The anti-mechanism operates in silence, which is the most reliable sign that a drafting choice has become invisible to the people it governs.

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What a city does when it has been left nothing is worth watching closely, because Virginia's cities have had a long time to work it out.

Williamsburg is the purest case, because it is tiny and its university is enormous relative to it. Almost half the assessed acreage in the city carries no taxable value at all, and the College of William & Mary alone accounts for something over eleven hundred acres, roughly a fifth of the city. The city collects, in exchange, a hundred sixty-five thousand dollars a year. It says so in its own budget book, in a paragraph that concedes the whole structure without seeming to notice: "The City provides fire and emergency medical services to William & Mary. As a state agency, the university is exempt from local taxation. In light of this, the university committed to providing financial support to the City in the amount of \$165,000 per year to partially defray the cost of providing these essential services on campus." The word is misspelled in the original. The sentence is otherwise a complete statement of this book's subject: the city provides, the university is exempt, and therefore the university has committed to partially defray.

Williamsburg also shows why the university is never quite the whole story, and the chapter should say so. Of the city's roughly forty-eight hundred assessed parcels, five hundred seven carry no taxable value, and together they cover about twenty-five hundred acres, which is very close to half the assessed acreage in the city. William & Mary accounts for something over eleven hundred of those acres. Colonial Williamsburg accounts for another six hundred, across nearly two hundred parcels, and pays nothing on them either. The restored eighteenth-century town that made Williamsburg famous is, on the assessor's roll, the same kind of object as the college: a large charitable landholder occupying the middle of a small city and generating enormous visitor traffic across streets the city maintains.

That matters for the argument in two directions. It weakens any claim that the university alone explains Williamsburg's position, because it plainly does not. And it strengthens the structural point, because the city's answer to both exempt landholders was identical and had nothing to do with either of them. Williamsburg did not go after the college or the foundation. It raised the meals tax, raised the lodging tax, and created an admissions tax, which is to say it taxed the visitors that both institutions exist to attract. When a state forecloses the instruments that reach an exempt owner, a city stops distinguishing among its exempt owners at all. They become one undifferentiated fact about the tax base, and the city goes looking for a base somewhere else.

What Williamsburg did next is the lesson. An earlier edition of the same budget document, when the payment was a hundred twenty thousand dollars, carried a section listing revenue sources the city had available and was not using. One entry read: "State Code Section 58.1-3840 allows cities or towns to charge excise taxes on admissions, which the City does not impose." Six years later, it imposed one. In the spring of 2025 the city raised its meals tax by a point and a half, raised its lodging tax by two points, and created an admissions tax at ten percent. The city manager, Andrew Trivette, explained the logic in a sentence that could stand as the epigraph for every college town in a foreclosed state. "By increasing the excise tax rates," Trivette wrote, "we can spread the cost of services across not only our thousands of residents but also our millions of visitors as well."

Read that against the chapter on consumption taxes and the move is familiar: when you cannot tax the institution, tax the economy the institution creates. But read it against Virginia's foreclosures and it is something more pointed. Williamsburg went through its own budget book, found the instruments it had not yet used, and used them, because the instruments that would actually reach the university were closed. The restaurant owners understood who was paying. Thirteen speakers came to the April hearing, among them Mary Ellen Power, a co-owner of two of the city's best-known restaurants, to oppose all three increases on behalf of the businesses that would collect them. The mayor, Douglas Pons, did not pretend the vote was painless.

Radford ran the same play in the same season. In April 2025 its council raised the meals tax from five and a half percent to six and a half, the lodging tax from eight to eight and a half, and the real estate rate from sixty-nine cents to eighty-two, a thirteen-cent increase in a single year. Its mayor, David Horton, described a city that had discovered its own position late: "A lot has come to light throughout the process. We thought we were in a different place 12 months ago." The vice mayor, Seth Gillespie, gave the reason the way every council gives it. "The revenue, I can promise you, none of us had any joy in increasing those," Gillespie said, "but we want to be able to fund our schools, take care of our people ..."

The state's own numbers say why Radford had no other move. Of the hundred thirty-three Virginia localities the state ranks by revenue capacity per capita, Radford is last, and has been last in every year of the series. Not low, last. A city with the least capacity in the Commonwealth to raise money hosts a Commonwealth institution that takes better than a third of its real estate off the roll, and the Commonwealth's answer is a service charge that cannot touch the campus and a school-funding formula that sends the students home.

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Something in the Virginia data cuts against the easy version of this chapter, and it is the most useful thing in it.

If the absence of instruments were the whole story, all of these cities would be in trouble, and they are not. Rank Virginia's hundred thirty-three localities by revenue capacity per person and the university cities scatter across the range. On the most recent figures Fredericksburg, which hosts the

University of Mary Washington, sits near thirty-nine hundred dollars a head; Williamsburg, nearly half of whose acreage carries no taxable value, above three thousand; Harrisonburg, hosting the largest of these universities, around eighteen hundred. Radford sits at about fourteen hundred, and has been the lowest-capacity locality in the Commonwealth in every year the state has published the series.

Four of the five are fine, or at least ordinary. One is not. And every one of them faces the identical legal position: no wage tax, no payroll tax, no reimbursement, no exemption challenge, a service charge that cannot see the campus, and a school-aid formula that counts its students in their parents' hometowns. The instruments are equally absent in all of them. The outcomes are not remotely equal.

What separates them is what else the city has. Williamsburg has a tourist economy of national scale sitting on top of the college, which is why it could reach for a meals tax and a lodging tax and an admissions tax and expect them to produce real money; a city with millions of visitors can spread its costs across them, exactly as its manager said. Fredericksburg has a location on the interstate between Washington and Richmond and the commercial base that comes with it. Harrisonburg has poultry processing and a highway and a metropolitan trade area. Radford has Radford University, and a small manufacturing base, and the New River.

So the exemption's damage turns out to be a function of something other than the exemption: whether the city has anything else to tax. A university town with a diversified base experiences the exemption as an annoyance and taxes the visitors instead. A university town without one experiences the same exemption as an existential fact and lands on the auditor's distress list. This is the substitution finding, and it explains something the earlier chapters could not: why cities in identical legal positions report such different degrees of grievance. The grievance tracks the substitute, not the loss.

It also sets a limit on how far the instrument argument can be pushed. Handing Williamsburg a wage tax would be pleasant for Williamsburg and would not change its situation much. Handing Radford one would change Radford's entirely. The value of an instrument is inversely proportional to how many other things the city can tax, which means the places that need a handle most are, reliably, the places with the least political weight to go to a legislature and ask for one. Radford is one of the smallest independent cities in Virginia. It has one delegate's worth of attention in Richmond, and the drafting that governs it was done in 1981 by people thinking about state office buildings.

Harrisonburg is the case that complicates the chapter, and it should be allowed to.

James Madison University keeps buying land. The city's own comprehensive plan says so without heat: "JMU continues to expand through the purchase of properties generally contiguous with its campus. Because JMU is a state institution, properties purchased by the JMU Board of Visitors and the JMU Foundation are removed from the City's real estate tax rolls." Every acquisition is a permanent subtraction from the tax base, executed lawfully, by an institution doing exactly what a growing university does. The university's voluntary payment to the city has moved from two

hundred sixty thousand dollars in 2023 to three hundred thousand, where the city's budgets have held it flat through 2027.

And no Harrisonburg official is on record complaining about any of it. The public posture is partnership, and it is not fake. The mayor, Deanna Reed, put it at a town-gown forum on campus in terms nobody else in this book has used about a university: "There is no Harrisonburg without JMU, and there is no JMU without Harrisonburg."

That is a real position and the chapter should not sneer at it. A city of fifty thousand hosting a university of twenty thousand is not a victim of an occupying power; it is a place whose entire economy is the university, and whose officials know it. But hold Reed's sentence next to the auditor's, sixty miles down the interstate, certifying that hosting one of these institutions is a fiscal distress condition. Both are true. What the pairing shows is that the absence of instruments does not produce conflict. It produces a particular kind of peace, in which the city says partnership because partnership is the only register available to it. A city with a wage tax can afford to be blunt. A city with nothing has to be gracious.

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To see how contingent all of this is, cross one state line.

Newark, Delaware hosts the University of Delaware, and for sixty years it was in Virginia's position, or worse. The university has paid the city a hundred twenty thousand dollars a year since 1965 and has never raised it. It added sixty thousand a year for public safety in 2001 and has never raised that either. Two payments, frozen in nominal dollars across six decades, while the university grew into the city around it.

The city manager, Tom Coleman, described the trap in March 2025 in words a Virginia city manager could have spoken verbatim: "Since there is no sales tax and there is no local share of an income tax, the economic activity that they bring, which is legitimate, does not flow to the city to help us pay our bills." The economic activity is real, and the city cannot reach it, because the state never gave it a base that would.

So Newark asked the legislature for a new one. In 2025 the General Assembly amended the city's charter to add a power no Virginia city has. The council, the new language reads, "shall have the right to levy and collect a tax from any college or university that hosts in-person classes located within the boundaries of the City of Newark in an amount of up to \$50 for each fall and each spring semester, per full or part time undergraduate or postgraduate student." And the amendment says out loud what it is reaching for, extending the power to institutions that "are considered subdivisions or agencies of the State of Delaware or are otherwise tax exempt, including but not limited to the University of Delaware."

The bill passed the House thirty-nine to nothing and the Senate nineteen to nothing, and the governor signed it in June 2025. Delaware requires a two-thirds vote to amend a municipal charter, and this

one drew no dissent in either chamber. Its sponsor, Representative Cyndie Romer, had filed a version the year before that died in committee, and she was blunt about why the second attempt succeeded: "It was extremely obvious that the university was not willing to come to the table with any realistic options or offer on the table of how they can contribute to the City of Newark." Governor Matt Meyer framed the signing in the language of services rendered. "Each year, the City of Newark welcomes thousands of students living off-campus," Meyer said, "students who depend on the Newark Police Department and the Aetna Hose, Hook & Ladder Company to respond to emergencies. In recent years, funding for those essential services has simply not kept pace with demand."

The university fought it and lost, and its argument is worth recording because it is the one every institution in this book reaches for eventually. The university's director of government relations, Caitlin Olsen, told the council in 2024 that "using our students as a vehicle for tax increases is an affront to all that our relationship stands for." The city enacted the tax by ordinance in July 2025 and set the rate at the full fifty dollars in August. The university announced it would absorb the charge into tuition and not itemize it on student bills, which is to say the students are the vehicle after all, just silently.

Newark now has a per-student levy that reaches a state university as of right, produced by a legislature that decided to grant it. A hundred and thirty miles down the interstate, a Virginia city with the same problem has a service charge that cannot see the campus and a school-aid formula that sends its students home. Nothing about the two cities differs except what somebody drafted.

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Virginia is not alone, and it is worth establishing that the foreclosed state is a type rather than a quirk.

Georgia is the closest structural parallel, and it is closed by a different route in each direction. Local income taxes are not merely absent; they are prohibited by name, in a statute whose heading is "Prohibition of local income taxes" and whose text provides that on or after May 20, 2010 "there shall be no local income taxes whatsoever levied or collected by any political subdivision of this state, and no local income tax returns shall be required." The exemption cannot be reopened either, though by a plainer route than Virginia's. The University of Georgia is public property, exempt by statute as "all public property," and the state constitution carried the 1983 exemptions forward "as statutory law until otherwise provided for by law." There is no local determination to challenge and no discretionary grant to reopen; a taxing body that wanted the campus on the roll would have to persuade the General Assembly to change the statute. And Georgia makes no reimbursement to the towns that host its campuses.

What Athens-Clarke County has left, then, is the ask, and the ask surfaced in the mayoral race that ran through 2025 into the spring of 2026. A school board member named LaKeisha Gantt ran partly on the proposition that the university should pay something. "I believe we have a wonderful opportunity here to partner with our institutions and ask for payment in lieu of taxes," she said, and put the burden in terms of who currently carries it: residents pay taxes on homes they own or

through the rent that covers a landlord's bill, and "it's time for UGA to contribute a small fraction of the tax burden the rest of us pay." She finished third. In a consolidated city-county containing the University of Georgia, the only instrument the state leaves was placed before the voters as a novel idea and did not survive the primary.

North Carolina forecloses by an even simpler route. A city there, the statute says, "shall have power to impose taxes only as specifically authorized by act of the General Assembly," and no income tax has ever been authorized. State property is exempt by the constitution itself, mandatorily, and the exemption statute relieves government property of any obligation even to apply for it. There is no application, so there is no local determination, so there is nothing for a taxing body to challenge. The state does not pay localities for the property it holds, and the county commissioners' association says so in its own advocacy materials: "The State of North Carolina does not pay local property taxes to local units of government for state-owned property." Eight hundred eighty thousand acres of state land, and nearly twelve thousand state buildings worth twenty-six billion dollars, and no mechanism at all.

...

Newark's route out is worth studying precisely because it was so unglamorous. The city did not win a lawsuit or negotiate a landmark agreement or shame a university into generosity. It went to its state legislature and asked for a sentence. The sentence it got is fifty-three words long, it names the university it is aimed at, and it passed without a single dissenting vote in either chamber. That is the entire mechanism: a legislature deciding, on an ordinary Tuesday, that a city may charge a thing it previously could not.

Which means the Virginia cities' position is not a fact about universities, or about Virginia's economy, or about the relative virtue of anybody involved. It is a fact about what their General Assembly has and has not enacted, and it could be changed the same way Delaware changed it. Nothing in the Virginia Constitution forbids a per-student charge. Nothing forbids amending the service-charge chapter to strike two words from a definition, which is all it would take to let a Virginia city reach a campus the way it can already reach a port authority. The 1981 exclusion of educational institutions was an ordinary legislative act and could be undone by an ordinary legislative act.

That nobody has tried is the chapter's last observation, and it is not a small one. The Virginia Municipal League does ask, every year, for what this chapter is about. Its finance policy statement holds that the state and federal governments "should make payments-in-lieu-of-taxes for tax-exempt properties in amounts equal to the cost of the local services provided." The words "university," "college," "higher education," and "state-owned" appear nowhere in it. The League has a standing demand for exactly the payment its university cities need and has never once named the institutions that would pay it. Nor does anyone ask to change the retail sales-tax distribution that routes college students to their parents' localities. The cities that are hurt by these provisions are not asking to have them changed. Radford is last of a hundred thirty-three in revenue capacity and raises its meals tax

instead. Williamsburg inventories its own unused excise authorities and imposes an admissions tax instead. Harrisonburg says partnership. Six cities live under a set of foreclosures none of them chose, and the collective response is to find something else to tax and not to raise the subject in Richmond.

There is nothing mysterious in that. A city asks a legislature for what it thinks it can get, and a small city that has been told no for forty years stops framing the question. But it does mean the foreclosure is now self-maintaining. The drafting silenced the constituency that would have complained about the drafting.

Two honest complications belong here, because a control condition proves nothing if it is described more starkly than it is.

The first is that Georgia's foreclosure is not total. Athens-Clarke County levies local-option and special-purpose sales taxes, and a consolidated government wrapped around a university of nearly forty-four thousand students collects a great deal on the commerce those students generate. It cannot tax the campus and it can tax the town the campus fills, which is the same perimeter move Tuscaloosa runs on football weekends and Williamsburg now runs on tourists. A state that forecloses the direct instruments and leaves the consumption base has not left its city with nothing. It has left the city with a base that grows when the university grows, and that reaches the university's economy without ever touching the university.

The second is that "the state pays nothing" and "the university pays nothing" are different claims, and only the first is reliably true. North Carolina's constitution exempts state property and the state makes no payment on it, and the county commissioners say so in their own advocacy materials. But Chapel Hill's transit system is jointly funded by the town, Carrboro, and the University of North Carolina, and the university's share is the largest of the three, better than half the operating cost and more than both towns pay combined. That is a real transfer of real money from a state university to its host communities, arrived at by contract rather than by tax. Every foreclosed state in this chapter probably has arrangements like it: a fire-service agreement, a shared facility, a cost split on a road. They do not appear in a survey of tax instruments because they are not taxes, and a chapter that counted only instruments would miss them. What can be said is narrower and still holds. Where the instruments are foreclosed, whatever the university pays is the university's to set, to cap, and to stop.

...

The chapter's argument is a negative one, and negatives are where a thesis is most easily overstated, so it is worth being exact about what Virginia proves.

It does not prove that a Virginia university town is poorer than a Pennsylvania one. Williamsburg is not poor. It does not prove that the exemption is the largest fact in any of these cities' budgets; Harrisonburg's officials would say the university is the largest fact in their economy, and they would be right. And it does not prove that instruments are the only thing that matters, because Newark, Delaware spent sixty years with a frozen payment before it went and got one.

What Virginia proves is narrower and harder to escape. Two cities can host equivalent universities, face equivalent service demands, and end up in entirely different fiscal positions, and the difference can be traced to sentences in state codes that were written without either city in mind. Radford is last of a hundred thirty-three localities in revenue capacity, and the state auditor names the university as a reason, and the state's answer is a service charge that excludes educational institutions by definition and a school-aid formula that counts Radford's students in their parents' hometowns. Neither of those provisions was aimed at Radford. The exclusion was written in 1981 into a bill about state property. The student-counting rule is a sentence inside a sales-tax distribution. Nobody in Richmond ever decided that Radford should have nothing. The drafting decided it, twice, on the way to somewhere else.

One more thing Virginia proves, and it is the one that carries into the design chapter. Every foreclosure in this chapter was cheap to create and would be cheap to undo. Two words in a definition put the campus beyond the service charge. One clause in a sales-tax distribution sends the students home. Neither took a constitutional amendment, a referendum, or a fight. And the reverse is equally cheap: Delaware's legislature restored a city's reach with fifty-three words and no dissenting votes. The asymmetry is not in the difficulty of the drafting. It is in who is paying attention when the drafting happens, and in 1981 nobody from Radford was in the room.

That is what a control condition is for. The rest of this book has shown cities using handles of wildly different strength and getting wildly different results. Virginia shows what the same cities look like with the handles removed, and the answer is that they raise the meals tax, thank the university for its partnership, and appear on the auditor's list.

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## Chapter 12 — Why Form Outlives Amount

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Two sentences of Connecticut law have governed the same transaction since 1978, and since 1999 the first of them has read seventy-seven percent. It says the state will pay its towns that share of the taxes they cannot collect from private colleges and hospitals. The second says the payment is made within available appropriations. In the autumn of 2017 the available appropriations were nothing at all, and towns that had built budgets on the first sentence found out they had been living under the second.

Nobody repealed anything. The seventy-seven percent is still in the General Statutes. It was there through the week the checks did not come and through the four months the state ran without a budget, and it is there now. What the towns discovered was that the number in the statute had never been the operative term. The operative term was the phrase about appropriations, which converted an entitlement into a request, and the request had to be granted again every single year by a body with a hundred other claims on the same dollar.

This book has spent eleven chapters watching the same thing happen in different clothes. A city finds a way to reach a university, the way works, and then some years later it stops working or it keeps working, and the difference has almost nothing to do with how much money was involved. It has to do with who is standing between the city and the money, and how often that person gets to decide again.

...

The instruments in this book sort onto three levels, and the sorting variable points at the future rather than the present. Once the money is flowing, the thing worth knowing is who can reduce it and how often they get the chance.

**Level one** is a charge nobody re-decides. A tax on a base, collected as of right, remitted by the payer without anyone's permission. Philadelphia's five percent on ticket sales is level one: Penn assesses the tax on its own athletic events and files monthly, and no official in either institution has to agree to anything for the money to arrive. Ohio and Michigan cities withholding on university payroll are level one. Harrisonburg is the case that shows why the levels have to be applied to a specific flow rather than to an arrangement: James Madison's payments into the municipal electric commission, roughly fourteen percent of the commission's revenue at its fiscal 2023 audit, are level one, because the margin is inside a commodity price and the university pays it the way it pays for anything else it buys, while the commission's transfer onward into the city's general fund is a fixed sum the council sets each year, which is level two. The money is captured automatically and appropriated discretionarily. The defining feature of level one is not that the amount is large. Newark, Delaware's fifty dollars a semester is small. The defining feature is that between the levy and the treasury there is no meeting.

**Level two** is a flow a third party re-decides on a schedule. Connecticut's seventy-seven percent is level two. So is Rhode Island's program, which was ratably reduced through most of the 2010s, bottoming at twenty-two percent of forgone taxes against a statutory twenty-seven. So is Vermont's payment for the buildings of the University of Vermont and State Agricultural College, which has sat at seven hundred fifty thousand dollars since fiscal 1997 and which the Joint Fiscal Office's Ted Barnett computed in February 2025 as "a proration of 8.5% against the full value of \$8.85 million." The cap reaches only that one component of a broader state-buildings program; Vermont pays for its state college system's buildings at full value. Level two flows are usually created by people who meant well. The state acknowledges that it caused the town's problem by exempting the property, and undertakes to fix it. What the undertaking cannot do is bind a future legislature, so the fix arrives annually and competes annually.

**Level three** is a payment the payer decides. Every voluntary PILOT in this book is level three. Boston's program, Providence's agreement with Brown, the good-neighbor contributions negotiated in a dozen cities: the institution decides what it will pay, revisits that decision when it likes, and has no legal obligation on either side of the number. Level three is the form the field studies most and the form the field understands least, because a payment made at the payer's discretion tells you about the payer's mood, and a mood is a poor foundation for a fiscal year.

The claim of this chapter is that these three levels predict persistence better than any amount does. A small level-one charge outlives a large level-three payment. A level-two entitlement is a level-three payment with a statute wrapped around it, and the statute does less work than it appears to.

. . .

Before that claim can go anywhere it has to survive an objection, and the objection is good enough that it belongs here rather than in a footnote.

Level one does not mean nobody can reduce the flow. In the American system it cannot mean that, because a municipality's power to tax is a delegated power and the delegating body keeps the ability to take it back. Property taxes across most of the country sit under some combination of rate caps, levy limits, assessment freezes and rollback provisions, most of them adopted since the late 1970s, all of them written by state legislatures that can tighten them further. California's Proposition 13 did not repeal the property tax. It capped the rate at one percent of full cash value, replaced market-value assessment with a rolled-back acquisition-value basis drifting upward at no more than two percent a year until the property changes hands, required two-thirds of each house for state tax increases and two-thirds of local voters for special taxes, and flatly forbade any new tax on real property at any margin of approval. It did all of that to an instrument that would otherwise be the purest level one in American public finance. A city collecting under a levy limit is collecting as of right up to a ceiling somebody else set and can lower.

So the honest definition is narrower than the one that would be convenient. Level one does not mean the flow is immune from reduction. It means the flow requires no periodic affirmative decision by a

third party in order to continue. That is a real distinction and it survives the objection. A levy limit constrains the ceiling; it does not require a legislature to vote every March in order for last year's collections to happen again. Connecticut's college towns needed a vote every March. Philadelphia collects on Penn's ticket sales without one.

The difference is between a constraint and a condition. A constraint bounds the flow. A condition suspends it pending someone's approval. Level two runs on conditions, and conditions are what fail.

That line leaks in one place and the leak is worth marking, because it is a whole family of American property taxes rather than an edge case. A large class of local levies expires unless voters reauthorize them. Washington's school enrichment levies run two to four years and lapse. Michigan's eighteen-mill non-homestead operating levy has to be approved by the school electors and cannot be authorized for more than twenty years at a time; a district that fails a renewal loses the money outright. Georgia's special-purpose sales taxes run five years and require a fresh referendum to reimpose. Colorado's waivers of its revenue limits are routinely written to expire on a stated date. Those are taxes on a base, self-executing while they last, and conditional on a vote that arrives on a schedule. Michigan goes further and rolls rates down automatically when values rise, so restoring them takes an affirmative vote that state law will not let anyone call a renewal.

The levels are a description of instruments and not of statutes, and a statute can put a level-two condition on a level-one instrument whenever it likes. What the reauthorization family shows is that the condition is the thing to look for, and that finding it requires reading the enabling act rather than the name of the tax.

...

The phrase that undid Connecticut's towns is worth following, because it is not one state's drafting accident. It is a standard clause, and it appears wherever a legislature wants to promise something without promising it.

Connecticut pays "within available appropriations." Vermont's grants run out of a special fund and are capped by statute, as applied to University of Vermont buildings, at a figure fixed in the 1990s. Rhode Island reimburses at a statutory twenty-seven percent and ratably reduces the payment when the appropriation falls short, which it did in most years between 2014 and 2022, bottoming at twenty-two percent of forgone taxes in fiscal 2014. Rhode Island is the encouraging case in this book rather than the discouraging one: it reached full funding in fiscal 2017 and has been at or near it since fiscal 2023. Even so, the mechanism that lets a state pay twenty-two percent of what its own statute promises is the same mechanism in all three states. Every one of them passed a law acknowledging that it had shifted a cost onto a town and undertaking to carry that cost itself. Every one of them then wrote in a mechanism by which the undertaking could be reduced without being repealed.

That is not cynicism on anyone's part. A legislature that binds a future legislature to a fixed sum has created an entitlement, and entitlements are the hardest line in any budget to move, which is exactly why drafters put escape clauses in them and why finance committees insist. The clause is the price

of the statute existing at all. A bill that promised seventy-seven percent unconditionally would probably not have passed, and the towns would have had nothing rather than something.

What the clause does is relocate the decision. Before it, the question was whether the state owed the town money. After it, the question is whether the state can afford the town money this year, and that question gets asked in a room where the town is one line item among hundreds and has no vote. Tom Barrett, when he was mayor of Milwaukee, described the same asymmetry from the exemption side, and his formulation is the tightest available. Legislators grant exemptions freely, he said, because "there is no negative impact for the Legislature." The body that decides does not bear the cost.

The appropriations clause is that principle running the other direction. A legislature that prorates a reimbursement is not cutting its own services. It is cutting a town's, at one remove, and the arithmetic reaches the town's budget without ever reaching the legislature's. Level two exists because the cost of the decision and the authority to make it sit in different buildings.

Chapter one found the medieval version of this and found that the medieval version was better designed. When the Crown moved the assize of bread and ale from the town of Oxford to the university in 1355, it reduced the town's fee-farm by five pounds to compensate for the lost revenue, and then required the university to pay the same five pounds to the Exchequer. The party that got the benefit funded the compensation. Nothing in that arrangement required an annual decision by anybody, because there was no appropriation in it: there was a smaller number in a standing obligation and a matching payment from the beneficiary. Six and a half centuries later Connecticut built the same compensation out of general revenue, which meant it had to be granted again every year, and in 2017 it was not.

...

The book's own cases are the first evidence, and the first thing to do with them is to look for the ones that go the wrong way, because a chapter that only exhibits its confirmations has proved nothing.

Two of them go badly wrong, and both are level one.

The acreage cap is the most perfect level-one instrument in this book and no published source records it ever producing a dollar. Wisconsin caps a private college's exempt land at eighty acres and Washington caps it at four hundred. Neither requires a locality to adopt anything or an institution to apply for anything, and on the face of the statutes land above the line is simply taxable. Neither state's assessment manual tells an assessor what to do about it. Wisconsin even instructs the assessor which way to lean, directing that exemptions "shall be strictly construed in every instance with a presumption that the property in question is taxable." On the page it is the strongest claim in the book. In practice no published source identifies a single college anywhere paying tax on excess acreage, and the only Washington appellate case that discusses the four-hundred-acre limit is one where the Department of Revenue conceded the property was well under it. One piece of evidence cuts the other way and belongs here. In May 2017 Wisconsin's Joint Finance Committee voted twelve to four to create a second tier of a hundred and fifty acres, on criteria that describe exactly one

institution, and the Legislature's own Fiscal Bureau prints the entry as the grounds of Marquette University. Legislatures do not spend a budget committee's afternoon raising a cap that binds nobody. Whatever the eighty-acre limit was doing, it was live enough to be legislated around.

A statute that nobody picks up produces the same revenue as no statute at all, and the typology tells you what a flow will survive while telling you nothing about whether it will start.

There is a third failure and it is the one the typology least expects, because nobody decided anything at all.

Athens, Ohio taxes wages at the work site, which is the rule that made the instrument reachable in the first place. When Ohio University's staff went home in 2020 the state let employers keep withholding as though nothing had changed, and then in January 2022 it stopped, and the tax followed each employee to wherever the work was actually being done. City Auditor Kathy Hecht watched it start. "Absolutely there will be revenue loss, there's no doubt about it," she said in early 2022, and she named the part that bites hardest, which is that the employees with the flexibility to work from home are the better-paid ones.

Nobody re-decided Athens' wage tax. No council voted, no legislature prorated, no university withdrew. The ordinance is unchanged and the rate is unchanged and the revenue fell, because the base walked out of the building. The three levels track who can reduce a flow by deciding to. They say nothing about a flow that shrinks while everyone involved is holding perfectly still, and remote work is going to do more of that to more American cities than any legislature will.

That is the third thing the typology does not cover, alongside whether a flow will start and what it costs to establish. A level-one instrument is protected against decisions and exposed to everything else.

The second failure is Pittsburgh, where a campaign that ran under three mayors across a dozen years produced, on the mayor's own April 2025 accounting of the parcel challenges, about two hundred and ninety-four thousand dollars of realized revenue against two hundred and forty-seven thousand in legal fees. Net, forty-seven thousand dollars. That was level-one work in the sense that a successful challenge puts a parcel on the roll permanently. It was also nearly worthless, because the cost of establishing the claim consumed the claim. The typology says nothing about acquisition cost, and acquisition cost is sometimes the whole story.

Now the cases that go the other way, including the ones that embarrass the typology from the other side.

Level three sometimes persists for a very long time. Providence and Brown have been renegotiating the same relationship for decades and money has kept arriving through most of it. Boston has sought payments from its nonprofits since the 1930s, built a program around them in 1983, and put the current formula-driven version in place for fiscal 2012, and the whole apparatus has produced real revenue every year despite having no legal force whatever. A level-three payment backed by a

durable institutional relationship can outlast a level-two entitlement backed by a statute, and any theory that predicts otherwise is wrong on the record. What level three cannot do is survive a change of mind, and the record on that is equally clear: Boston's participating institutions pay a shifting fraction of what the program asks, and the fraction moves with nothing more than institutional preference.

The instructive comparison is Newark, Delaware, because the city ran both forms in sequence. The University of Delaware's payment to the city stood at a hundred and eighty thousand dollars a year, and its two halves had been frozen since 1965 and 2001 respectively: a hundred and twenty thousand as a general subvention beginning in 1965, plus sixty thousand for the police department added in 2001, neither of which has risen since. Six decades of a level-three payment and the larger part of it never moved once, which is what a level-three payment looks like when the payer is content. The city's own reckoning is that the 1965 figure, carried forward for inflation, would exceed one million one hundred thousand dollars today. Then the state amended the city's charter to authorize a per-student charge, the city set it at the statutory maximum, and the city manager Tom Coleman put the expected yield between two million and two million four hundred thousand dollars. The same institution, the same city, the same underlying facts, and an order of magnitude between them. Getting there took eighteen months of the university lobbying against the bill and two legislative sessions, and it still ended in unanimous votes in both chambers. The university's willingness to pay never changed. What arrived was a sentence that stopped asking.

And the sentence that would have mattered most across a generation is the one that did not survive the legislature. The bill arrived in Dover carrying a clause tying the fifty-dollar ceiling to inflation, and it was stripped by amendment before passage. That deserves its own treatment and this chapter returns to it.

. . .

Three levels is a simplification of something continuous, and the thing it simplifies is frequency.

What actually varies is how often somebody gets to reconsider. A wage tax is reconsidered when a council amends an ordinance, which is to say almost never and never on a schedule. A state reimbursement is reconsidered every budget cycle, on a schedule, by people who have to reconsider it whether they want to or not. A voluntary payment is reconsidered whenever the payer's circumstances change, which is unpredictable and can be often. The levels are just three regions on that axis, and the reason they are worth keeping as three is that the axis is not smooth. There is a genuine discontinuity between an instrument that requires a decision and one that does not, because a decision that must be made will eventually be made badly.

Frequency has a mirror image that this book has mostly underplayed. An instrument can also grow without anyone deciding, and that turns out to be the rarest and most valuable property of all.

Newark, Delaware's per-student charge is tied to enrollment, so it rises when the university grows, which is when the university's cost to the city rises. That is one automatic escalator, and the bill

arrived in Dover carrying a second. House Bill 34 as introduced adjusted the fifty-dollar ceiling annually by the consumer price index beginning in January 2026. House Amendment 1 removed it on the fifteenth of April 2025, by voice vote, and the amendment's synopsis states its purpose without embarrassment: it "removes the provision relating to annually adjusting the tax by the Consumer Price Index." The law as enacted authorizes up to fifty dollars per student per semester and says nothing at all about inflation.

That is this chapter's argument with a named actor and a date on it. Somebody in the Delaware House read a two-line escalator, understood what it would do across thirty years, and took it out. Nothing else in the bill was touched. Newark's charge will hold its nominal value and lose its real one, on the same schedule as every other frozen sum in this book, because a single amendment adopted by voice vote in April removed the only clause that would have prevented it.

Vermont is the completed version of that experiment, and it is doing two kinds of damage at once. The obvious one is inflation against a nominal figure held since fiscal 1997. The larger one is that the seven hundred fifty thousand dollars was never the entitlement. It is a ceiling on an entitlement, and Barnett's arithmetic shows how far below it sits: seven hundred fifty thousand against a full value of eight million eight hundred fifty thousand is a proration to eight and a half percent. Vermont pays its state college system for the full value of its buildings and pays the University of Vermont eight and a half cents on the dollar. One program, one statute, two treatments, and a subsection between them.

So the Vermont story runs deeper than a missing escalator. A cap set in one year and left there prorated the entitlement to about a twelfth of itself before inflation touched anything, and inflation then worked on the remainder for a further twenty-nine years. Newark has been handed the first half of that arrangement and has been spared, so far, only because its charge is young.

It also complicates the levels, usefully. Vermont's payment behaves like level one in that nobody re-decides it, and like level three in that its real value erodes toward nothing. A flow that requires no decision to continue can still require a decision to keep up, and a statute that freezes a nominal figure has built a slow version of the same failure. The full statement of the variable is not just who can reduce the flow. It is who has to act for the flow to stay whole, and the best instruments are the ones where the answer is nobody.

. . .

The political-economy literature has been circling this problem for thirty years, mostly at the national level and mostly in developing countries, and it supports the direction of the argument without testing the argument itself.

Mick Moore's formulation is the one worth having. Writing in 2004, he distinguishes states that live on income they had to work for from states that live on income that simply arrives. "Rentier states live largely off unearned income," he writes: "the state is resourced with little organizational or political effort on the part of the state apparatus, and especially little such effort in relation to their domestic populations." Tax states, by contrast, depend on "earned income that places considerable

organizational, bureaucratic, and political demands on the state apparatus." His summary claim is the first sentence of the paper. "Sources of state revenue have a major impact on patterns of state formation."

Moore is not a cautious witness and it would misrepresent him to make him one. He calls the underlying proposition valid and convincing, judges that the fiscal sociology paradigm proves its worth, and holds that variations in the sources of state revenue to a significant degree explain differences in the form of states. He founded the research centre built on that claim. What he withholds is narrower and worth having exactly: he declines to say what governance dividend a country would get by shifting its revenue mix, writing that he is unable to provide anything like an answer to that question. He also notes, of fiscal contract theories derived from European history, that they "score more highly on inherent appeal and plausibility than they do on rigorous specification or testing," and then immediately says they would carry little resonance were there not a parallel body of contemporary work pointing the same way. That is a scholar sharpening his own case, not abandoning it.

So Moore endorses the explanatory claim and reserves judgment on the prescription. This chapter is making an explanatory claim about American cities and a prescriptive one about what they should build, and only the first half has him.

Carlos Gervasoni brought the same idea down to the subnational level in 2010, studying the Argentine provinces, and found that provinces receiving disproportionately large central transfers while forgoing local taxation were systematically less democratic. His phrase for what the transfers buy is "fiscal federalism rents," and revenue-sharing rules provide provincial incumbents with those rents in amounts that "allow them to restrict democratic contestation and weaken checks and balances." That is the level-two pathology stated at the scale of a province.

His mechanism, though, is not mine, and the distinction matters. Gervasoni's insulation runs through the economy rather than through the ballot: heavy transfer-funded public spending makes the provincial government the dominant employer and buyer, which strips opposition politicians, media and business of any independent base. His own name for the mechanism is the economic autonomy of political actors. The story in this book is about discretion over a flow, which is a different variable that happens to travel with his.

Lucie Gadenne's 2017 study of Brazilian municipalities is the cleanest empirical result in the neighborhood. She separates the effect of tax revenue from the effect of grant revenue, and finds that a program-induced rise in a municipality's own tax revenue produces a four to five percent increase in the stock of classrooms in use per thousand school-age residents, along with a measurable rise in a quality index, while grants produce nothing at all on either dimension. Her own summary is blunt: increases in grants "over which municipalities have the same discretion as taxes have no impact on any measure of local public infrastructure." The coefficient on grants comes in at zero, rather than merely smaller than the coefficient on taxes.

Her headline estimates come from different sets of municipalities, and I owe a correction here to my own earlier reading of her. The 2015 working-paper version of this study described itself as "limited in its capacity to test whether tax and transfer revenues would be spent differently by the same government," and I had taken that sentence as her settled caveat. She withdrew it. Between the working paper and publication she narrowed the wording from the same government to all governments, and she added the test: a sub-sample of two hundred and fifty-seven Brazilian municipalities that fall inside both research designs, where both effects can be estimated on the same governments. On that sub-sample they do spend the two kinds of money differently, with the tax coefficient significant and the non-tax coefficient at one hundredth of a percent and indistinguishable from zero.

The honest criticism of Gadenne is therefore not that she failed to run the within-government test. She ran it. It is that two hundred and fifty-seven municipalities is a small base for the claim, and that the standard error on the grant side is loose enough to be consistent with a range of small effects.

The closest thing to an American test comes from Adam Dynes and Lucy Martin, who in 2021 ran survey experiments on elected municipal officials in the United States. Their officials rated grant-funded projects as substantially more likely to be misused and more likely to diverge from what citizens wanted, and the gap was large: a coefficient of negative forty-four hundredths on policy incongruence and negative thirty-three on misuse, on a linear probability scale where the authors themselves describe the shift as jumping over thirty percentage points. The mechanism the officials described is the one the theory predicts. Constituents think of local taxes as their own money, watch what happens to it, and punish misuse. Grant money belongs to somebody else. Dynes and Martin found that oversight by the granting agency does not fill the gap, writing that granting agencies are perceived as willing and able to punish misuse but that this "does not appear to be strong enough to compensate for weak bottom-up accountability pressures for grants."

Their finding also contains the concession this chapter needs to make. What they measured is what officials believe, not what officials do. The same study ran two vignette experiments testing how revenue source affects budget allocations, and those returned null findings, which the authors excluded from their main analysis after respondents told them the vignettes were unrealistic. The exclusion is disclosed in a published footnote and the full account is in their appendix, so nothing is hidden. What it leaves is an American evidence base showing that officials think revenue source matters a great deal, and showing nothing about whether it changes what they do.

...

The literature also contains a result that goes hard against the whole family of arguments, and it deserves more room than the confirmations.

Brandon de la Cuesta, Helen Milner, Daniel Nielson and Stephen Knack ran experiments in Ghana and Uganda testing whether citizens demand more accountability for tax revenue than for oil revenue or foreign aid. The theory says they should. The theory is why anyone believes taxation builds states.

They found no tax premium at all. Roughly half of all citizens took action to monitor every source they were shown, and neither Ghanaians nor Ugandans demanded more accountability for taxes than for oil or aid when the revenue went to the government. Similar experiments on members of parliament, measuring beliefs rather than behavior on a convenience sample of five hundred, found no premium either. The authors' own framing is that this runs "against strong expectations from prior research," and they are careful to call their nulls meaningful rather than merely imprecise.

The design had a fourth arm, and it is the one place the experiment found a difference. Aid routed through non-governmental organizations, bypassing the government entirely, produced measurably more accountability pressure. So the finding is sharper than a null. What failed was the boundary between tax and non-tax revenue. What held was the boundary between money the government controls and money it does not, which is a distinction about discretion rather than about legal category, and which is closer to this chapter's variable than to the one the experiment set out to test.

Follow-up work by the same group rescued something, and what it rescued changes the shape of the claim. The variable that does move accountability is not the legal category of the revenue. It is whether citizens feel they own it, and whether they can see it. Feelings of ownership can be manufactured: a simple intervention raised felt ownership over oil and aid windfalls enough to produce demands the authors describe as indistinguishable from those attached to taxes. And in the other direction, taxes that are hidden inside prices produce less willingness to punish leaders than taxes people can see, which led the same authors to conclude that reliance on indirect taxation may limit taxation's accountability dividends.

Both halves of that cut at this book. If a grant made visible behaves like a tax, then the legal form of the instrument is not what does the work, and my three levels are describing a correlate rather than a cause. And if a tax buried inside a price behaves like a grant, then Harrisonburg's electric margin, which is exactly a charge hidden inside a commodity price, is a worse instrument than its level-one classification suggests.

I do not have an answer to that, and I want to be plain about the shape of the gap rather than paper it. The accountability literature is measuring whether citizens monitor a government that has money. This book is measuring whether the money keeps coming. Those are different dependent variables, and evidence about the first does not settle the second. A revenue stream can be perfectly durable and produce no accountability at all, which is roughly what an electric-fund transfer is. But the two questions share a premise, and the premise took damage in Ghana.

. . .

The typology says nothing about what an instrument costs to run, and the costs run in opposite directions across the three levels in a way that partly offsets the whole argument.

Level one is cheap to operate and can be very expensive to establish. Once Philadelphia's amusement tax reaches intercollegiate athletics, the city's ongoing cost is a form in a filing system; the university does the work. Getting there is another matter. Pittsburgh's parcel-by-parcel challenge is the extreme

case, where establishing the claim consumed the claim, but the pattern is general. Every level-one instrument in this book was created by somebody who had to win an argument first, usually in a legislature and sometimes in a court, and the argument took years.

Level three inverts it. A voluntary payment costs nothing to establish beyond the willingness to ask, which is why so many cities have one. It then costs something every year forever, because the relationship has to be maintained, the case has to be remade, and somebody senior has to spend time on it. Boston's program has produced real money since 2012 and has also produced fourteen years of meetings. That cost never appears in any accounting of what a PILOT yields, and it should, because it is the reason small cities do not have PILOT programs. A city of thirty thousand does not have a staff member who can spend a quarter of her time on a university relationship.

Level two is the worst of both. It has to be established through a legislature, which is expensive, and then defended in that legislature every year, which is also expensive, and the defending is done by lobbyists for an association of municipalities rather than by the town that needs the money. The town pays dues and hopes.

Sorted by total cost of ownership rather than by durability, the ranking changes. A negotiated payment is the cheapest way for a city to get its first dollar from a university, and this book has been hard on it throughout. That hardness is about the second decade rather than the first. What a PILOT cannot do is survive indifference, and indifference is the ordinary condition of any institution toward any obligation it has not been given a reason to remember.

...

There is an older objection that is more dangerous than any of the empirical ones, and this book's whole enterprise is exposed to it.

In 1993 Bruno Frey and Felix Oberholzer-Gee interviewed three hundred and five residents of two adjacent communities in central Switzerland about whether they would accept a nuclear waste repository. Slightly more than half said yes. The researchers then offered those same respondents compensation, at one of three randomized amounts, and support collapsed. Their sentence is worth quoting exactly: "While 50.8 percent of the respondents agreed to accept the nuclear waste repository without compensation, the level of acceptance dropped to 24.6 percent when compensation was offered."

The obvious explanation is that the offer was too low, and the paper forecloses it twice. The amount was randomized across three levels and had no significant effect on acceptance. Then the researchers returned to those who had refused and offered more, up to eight thousand seven hundred dollars a year against a median household income of four thousand five hundred and sixty-five dollars a month, and exactly one respondent changed his mind. Their conclusion is that pricing a civic obligation destroys the obligation. Where public spirit prevails, they write, using price incentives to muster support for a facility that is socially desirable and locally unwanted "comes at a higher price than suggested by standard economic theory because these incentives tend to crowd out civic duty."

The application to this book is direct and unflattering. Much of what universities give their host cities today is level three, and level three runs on exactly the civic motivation Frey and Oberholzer-Gee watched evaporate. A university that contributes because it believes it should is in the fifty point eight percent. A university handed a per-student charge with a statutory citation is in the twenty-four point six. If converting a voluntary contribution into a legal obligation crowds out the disposition that produced the voluntary contribution, then every recommendation in the next chapter buys a durable small payment at the cost of a fragile large one.

Three things can be said against that, and none of them is conclusive.

The first is that the domains differ in a way that matters. Frey and Oberholzer-Gee were asking people to accept a hazard next to their houses, which is a sacrifice, and civic duty is the only currency in which such a sacrifice is ordinarily paid. A university being billed for stormwater is being asked for money, which is the currency it already uses for everything. The crowding-out mechanism requires an intrinsic motivation to crowd out, and it is not obvious that a research university's finance office has one.

The second is that the record does not show the collapse. Newark, Delaware replaced a frozen voluntary payment with a statutory per-student charge and the university has not withdrawn from the city. Philadelphia has taxed Penn's ticket sales for years without Penn ceasing to be a civic actor in Philadelphia. If crowding out operates here, it operates weakly enough to be invisible at the scale this book examines.

The third is weaker than I first thought it was, and the correction runs against me. I had taken the authors to have raised strategic misrepresentation and left it open. They raise it and then close it. Strategic behavior, they reason, would produce the most opposition where no compensation was offered, and "this is just the opposite of what actually occurred"; and of those who refused, under five percent said the amount was insufficient. They conclude that strategic behavior "can be ruled out for the majority of the respondents." What remains is that a majority is not everyone, and that the five percent figure is self-reported. That is a thin objection and I am not going to inflate it.

None of that disposes of the objection. A reader who thinks the entire project is a mistake has Frey and Oberholzer-Gee to point at, and the dose-response finding is the part that should worry me most. Raising the offer moved one person. That describes a market that was never there, rather than one failing to clear.

...

The chapter's title used to make a stronger claim than the evidence allows, and the correction is worth stating rather than quietly performing.

The earlier version of this argument said that form beats amount. Adam Langley's study of American cities through the Great Recession makes that indefensible as written. Looking across the Fiscally Standardized Cities from fiscal 2008 to fiscal 2011, he found that revenue structure explained about

seven percent of the variation in how city revenues changed, while local economic conditions explained roughly six times as much. If the question is which cities' revenues held up through a downturn, the answer is mostly about housing prices and employment, and the composition of the tax base is a minor term.

The distinction I want to draw from that has to be narrower than it first looks, because the obvious version of it does not survive contact with Langley's own table. Langley's research question is macroeconomic sensitivity: which cities' revenues held up through a housing collapse. Mine is vulnerability to a discretionary decision by an identifiable third party. Those are different questions. What I cannot claim is that his revenue-structure term excludes mine. State aid is thirty-two percent of the revenue mix he decomposes, the largest single category, ahead of the property tax at twenty-four. A large part of what he is calling structure is transfer dependence, which is the thing this chapter says matters.

Two features of his own results keep the distinction alive. When he regresses local state-aid change against state revenue change, the fit is under a tenth, meaning roughly ninety percent of the variation in what states did to their cities is not explained by what was happening to state economies. That residual is where discretionary decisions live. And his account of the timing is itself a discretionary story: federal stimulus funds postponed large cuts in state aid, which is to say a decision made in Washington determined when decisions in state capitals would land on cities. Langley also flags his own headline as recession-specific, noting that the unprecedented fall in housing prices made revenue structure matter less than it had in previous downturns.

So the honest position is weaker than the one I wanted. Revenue structure is a minor term in explaining how city revenues moved through the Great Recession, and part of what makes it minor is that the recession moved everything at once. The claim here is that form outlives amount rather than that form beats it. A larger flow is better than a smaller one and nothing in this chapter says otherwise. What the levels are meant to predict is which flow is still arriving in fifteen years, and Langley's unexplained state-aid residual is evidence that the question is real without being evidence about how much it is worth. Vermont's seven hundred fifty thousand dollars was a serious sum in 1997.

...

The method has a defect that has to be named, because a reader who knows the literature will name it first.

In 1990 Barbara Geddes published the paper that taught a generation of political scientists to distrust exactly the kind of book this is. Her demonstration is that selecting cases on the basis of their outcomes biases the conclusions, and her statement of why is the clearest available. "The crux of the difficulty that arises when cases are selected on the dependent variable," she writes on page 132, "is that if one studies only countries A and B, one can collect only half the information needed, namely what A and B have in common. Unless one also studies countries C through G (or a sample of them)

to make sure they lack factors X through Z, one cannot know whether or not the factors identified are crucial antecedents of the outcome under investigation."

This book found its cases by looking for places where cities got money from universities. That is selection on the dependent variable, and the correction Geddes prescribes is to go and find the cases that lack the outcome. Two chapters do that on purpose. The Virginia chapter is a control condition, a state with the statutory authority and no meaningful collection. The chapter on the lever that does not work is a study of an instrument that fails. And this chapter has admitted two more: the acreage cap, which is a perfect level-one claim that no published source records producing a dollar, and Pittsburgh, where the level-one strategy cost as much as it earned.

That is a partial correction and not a full one. What the book does not have is a systematic sample of cities that tried an instrument and got nothing, because a city that tried nothing and got nothing generates no documents to find. The reachable record is biased toward action, and every claim in this book rests on a sample assembled from the reachable record. Geddes adds a line that I take as licence to have written it anyway: her aim, she says, is "not to discredit arguments or belittle authors—who are, after all, working within accepted conventions—but to demonstrate the deficiencies of the conventions."

...

One asymmetry runs underneath all of this and none of the literature addresses it.

The sentence that determines an instrument's level is almost never written by anyone who will live under it. Connecticut's appropriations clause was written in a legislature. Vermont's cap was set by an act in the 1990s. Wisconsin's eighty acres date to 1871 and the hundred-fifty-acre tier to a budget committee vote in 2017. The Alabama ordinance that reached Auburn's employees was drafted by a city that got lucky in its choice of noun. In every case the operative language was fixed by people who were solving a different problem, often decades before the university in question mattered to anybody, and the city that eventually benefits or suffers had no part in it.

That is the finding that made this book worth writing, and it is a finding about drafting rather than about universities. A mayor negotiating with a president in 2026 is working inside a space whose walls were built by legislative drafters in 1871 and 1978 and 2003. The negotiation determines a number. The drafting determined whether there would be a negotiation at all, what it could be about, and whether its outcome would survive the next budget.

Cities have almost no influence over the drafting, and that is the practical problem this book cannot solve. A city can choose among the instruments its state has already authorized, which is the subject of the next chapter, and it can lobby for new authority, which is slow and usually fails. What it cannot do is rewrite the sentence it is living under. The most consequential decisions in municipal-university finance were made by people who were not thinking about municipal-university finance, and they are not available to be consulted.

. . .

Level two has one advantage the other two cannot match, and a chapter that spent this long attacking it owes the point.

Level two is the only level that scales. Connecticut's reimbursement covers fifteen billion eight hundred eighty-five million dollars of grand-list value, and at its statutory rate it is by an enormous margin the largest transfer in this book. No wage tax reaches that. No stormwater fee reaches that. A per-student charge at fifty dollars a semester produces a couple of million dollars in a town of thirty thousand, which is transformative for that town and irrelevant at the scale of a state. The reason states built reimbursement programs rather than authorizing local taxes is that reimbursement is the only mechanism proportionate to the size of the problem, and the problem in Connecticut is measured in billions.

That is a serious argument and it has a serious answer. A large flow subject to annual reduction and a small flow subject to none are not competing for the same job. The reimbursement is insurance against a structural cost; the wage tax is a line in an operating budget. A town needs both, and what it must never do is treat the first as though it were the second. New Haven budgeting against seventy-seven percent was budgeting against a number the state had reserved the right to change. Accepting the money was never the error. Planning as though the money were a tax was.

The design implication runs the other way from where most advocacy goes. Municipal associations lobby to raise reimbursement rates, which is rational, and the rate is the term least likely to be honored. The terms worth fighting for are the ones that determine whether the payment requires a decision: a dedicated fund rather than a general appropriation, a charge on the exempt institution rather than a draw on general revenue, an escalator that runs without a vote. Every one of those is less satisfying to win than a higher percentage and every one of them survives longer.

What would show this chapter to be wrong is straightforward enough to name. If level-two flows turned out to be honored at their statutory rates as reliably as level-one flows are collected, across a decade and across states, the argument collapses. If level-three payments turned out to be as stable as level-one collections once institution size and city size are controlled, it collapses. If the cities with the most level-one instruments turned out to be no better off in year fifteen than comparable cities with negotiated payments of equivalent initial value, it collapses. The first of those has now been partly tested and it survived: Kass and her colleagues found lump-sum aid falling roughly twice as far as earmarked aid over the same decade. The second and third have not been tested at all, and both are buildable from state comptroller filings and the census of governments. Bhatt, Rork and Walker's null is the standing warning that a test of this kind can come back against the theory, because one already has.

. . .

The last thing to say about the typology is what it is.

No study I could find holds the revenue source and the amount constant while varying only who holds discretion to reduce the flow, which is the narrow thing the three levels measure. Gadenne varies whether revenue is tax or transfer. Dynes and Martin vary whether a project is tax-funded or grant-funded. De la Cuesta and colleagues vary whether revenue is tax, oil or aid. Every one of those compares across revenue sources.

A broader claim, that nobody has tested any version of this, is one I nearly made and it would have been false. In 2020 Amanda Kass, Michael Pagano and Farhad Kaab Omeyr built a fifty-state typology of unrestricted state aid to cities, sorted by institutional form: lump-sum programs where a legislature sets the amount each year, tax earmarking where a statute assigns a fixed share of a named tax, and constitutional dedication. Those are these three levels under other names. They tested persistence against the Census of Governments for 2007, 2012 and 2017, and the result separates the two failure modes this chapter has been trying to pull apart. Aid in earmarking states fell about ten percent from 2007 to 2012 and then held flat. Aid in lump-sum states fell six percent and then fell another eleven. Their explanation is the one I would have written: unlike the earmarking states, whose declines tracked their own economies, "state governments in lump-sum states took legislative action to reduce state aid."

Work cutting the other way exists and is peer-reviewed. Bhatt, Rork and Walker in 2011 held the recipient and the function constant, varied whether state higher-education funding was earmarked or drawn from the general fund, and found that fungibility did not differ across recessions and expansions. Earmarking bought no differential protection. Eric Patashnik, studying federal trust funds across seven cases, argues the reverse: that earmarked financing raises the transaction costs of changing a commitment and makes it more durable than an annual appropriation.

And the natural experiment sits unexamined in Michigan, which runs two revenue-sharing programs off the same sales tax to the same municipalities. One is written into the state constitution as a fixed share distributed per capita, requiring no decision by anybody. The other is statutory and set every year. The constitutional share has held roughly consistent for decades. The statutory share collapsed, and the program that replaced it in 2011 cost local governments over a hundred and seventy million dollars in its first two years. Same tax, same recipients, same state, two forms, and as far as I can tell nobody has published the comparison.

So the levels are a proposition rather than a result, and the proposition has been partially tested by other people under other names, with results that mostly favor it and at least one that does not. What would test the narrow version is a design nobody has run: two cities receiving the same sum from the same kind of institution, one through an instrument requiring an annual decision and one not, followed long enough to see which is still receiving it.

Until somebody runs it, the argument stands on what the cases show. A town that has to be granted its money every year will eventually meet a year in which it is not. Connecticut's college towns met theirs in 2017 and the statute that said seventy-seven percent did not help them, because the statute had never been the operative sentence. Somewhere in the same session a Pennsylvania university

was withholding city wage tax from a payroll and remitting it without anyone having asked, in an amount nobody voted on, and it arrived.

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## Chapter 13 — Build Handles

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In the summer of 2017 the president of Michigan State University offered the city of East Lansing twenty million dollars not to levy an income tax, and the talks collapsed.

The correspondence is in the public record because a local news organization obtained it. On the twenty-first of July, Lou Anna K. Simon wrote to Mayor Mark Meadows offering roughly two million dollars a year for five years if the council would agree not to put an income tax on the ballot. Meadows countered at five million a year for twenty. Simon said that was impossible and came back with two million a year for ten. On the fourth of August she restructured the offer into a declining schedule, two and three-quarter million for two years, two and a half for four, two and a quarter for two, twenty million dollars over eight years, in exchange for a ten-year pledge not to levy the tax.

Meadows countered again. He wanted twenty million over ten years, plus a half-rate income tax anyway, plus something Simon had not been asked for before. "The University will publicly support our effort to pass an income tax," his letter said.

Simon's reply called the new proposal "a giant step backward." She objected to any tax "that targets University employees, especially those who do not reside in East Lansing, which at least one of your colleagues on the City Council has admitted is the goal of the ballot initiative." She had already made clear what would happen if the city proceeded: in the event an income tax was implemented, she wrote, the university would "work aggressively to educate its students and employees regarding" how to reduce their liability to the city. Later that month she called the twenty million "an extraordinarily generous offer" and told Meadows, "I believe an income tax is bad public policy which will adversely affect the City and the University in the future."

Meadows wrote back on the twenty-third of August with a sentence that belongs on the wall of every city hall in a university town. "The City does not have the revenue options that MSU has."

He also accused the university of working the state capital against him, of having "one of its lobbyists recruiting members of the legislature to sponsor legislation that would eliminate the ability of voters in Michigan communities to decide whether they should be subject to a local income tax." That, he said, "would be like prohibiting universities from raising tuition." Simon did not deny the lobbying. She replied that the university was engaging in discussions in Lansing about how Michigan cities might have more flexibility to generate revenue.

No agreement was reached. Neither side quite walked away: Meadows was still pressing Simon to reconsider the city's last proposal at the end of August, and the university confirmed the impasse in a statement that September. Then the city went to the ballot.

...

It lost the first time, and how it lost is the most useful thing in this chapter, though not for the reason I first thought.

The November 2017 income tax question failed, 2,863 for and 3,249 against, in a city where about six thousand people voted on it out of nearly twenty-five thousand registered. There were two questions on that ballot, one authorizing the tax by ordinance and one amending the charter to cut the property tax cap from twenty mills to thirteen, and it is tempting to say the city lost because it let voters split them. That is not what happened. The property-tax question was drafted to operate only "in fiscal years in which the City levies, assesses and collects an income tax," so a voter could not take the relief and refuse the levy. The city's own explanatory material said so twice.

What voters actually did was coherent and slightly cruel. They passed the property-tax cut, 3,832 to 2,175, and defeated the income tax that was its only trigger. The cut went into the charter and sat there, inert, until the tax passed a year later and switched it on.

The city then did something most cities skip after losing a referendum. It asked why. It surveyed residents about what structure they would support, and it rewrote the question.

The August 2018 version was a single charter amendment, and the city's rendering of it is worth reading as a piece of drafting rather than as a ballot measure. (The county's official text punctuates slightly differently.)

*Shall Section 11.1 of the East Lansing City Charter be amended to authorize an excise tax on income for 12 years commencing January 1, 2019 implementing reduction of the City property taxes from a maximum of 20 mills to a maximum of 13 mills and requiring the net income tax revenue to be dedicated as follows: 20% to police and fire protection; 20% to the maintenance and improvement of streets and sidewalks, water and sewer systems and parks, recreation, and City-owned facilities; and, 60% to supplemental payments for unfunded pension liabilities for retired city employees.*

Three things changed, and the pairing was not one of them, because the pairing had always been there. The tax moved out of an ordinance and into the charter, which is a harder thing to alter later. It acquired a twelve-year term where the 2017 version had none. And it acquired three earmarks, one of which, the sixty percent for pension liabilities, told voters exactly which hole the money was filling. The 2018 language also never states a rate; it authorizes an instrument and leaves the ceiling to state law.

So the lesson is not about welding. It is about naming: name the term, and name the destination. What lost in 2017 was an open-ended levy for general purposes. What won in 2018 was a twelve-year levy against a pension liability.

Meadows explained the change years later, at a council meeting in March 2025, in one sentence. Residents, he said, "were willing to pay an income tax if they knew what the money was going to go for."

It passed on the seventh of August 2018, 4,526 to 2,894 on the election-night count from all seventeen precincts, on a turnout of about thirty-one percent.

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The results are the reason this chapter exists.

The instrument has outperformed its projection, and stating by how much requires more care than I first gave it, because the figures in circulation are not measuring the same thing.

The city projected about ten million dollars a year in gross collections, against roughly five million in forgone property tax, for a net of about five million. Gross collections now run just under sixteen million: the city's treasurer, Andrea Smith, told council in March 2025 that this was the third consecutive year at about that level. The city's own published accounting reports that between July 2018 and June 2024 the tax delivered thirty-eight million two hundred sixty-one thousand two hundred eighty-six dollars to its three earmarked purposes, of which nearly twenty-three million went to pensions, and that figure is net of both the property-tax reimbursement and administrative costs.

Compare like with like and the gain is real without being spectacular. Gross, ten million projected against sixteen collected, up about sixty percent. Net, five million projected against about six and a third delivered, up about twenty-eight percent. Against Simon's best offer, which peaked at two and three-quarter million and declined from there, the instrument is worth something over twice as much, every year, without an expiry the university controls. That is the honest comparison and it is less dramatic than the one I was tempted to make.

The pension plan that was fifty-two percent funded at the end of 2019 was sixty-seven percent funded at the end of 2023.

The distributional fact is the one that explains why the university fought so hard, and it has to be stated in the right order or it inverts.

On gross collections, East Lansing residents pay the larger share. For tax year 2023 the council was shown residents at about seven million four hundred thousand dollars and non-residents at about four million two hundred thousand, which is roughly sixty-four to thirty-six the residents' way. The netting is what flips it. Residents alone received the property-tax reduction, worth about six million seven hundred thousand that year, so their net contribution falls to something over seven hundred fifty thousand dollars while the non-resident figure does not move at all. The city separately reports the split as sixty-nine percent non-resident and thirty-one percent resident for fiscal 2024, on a method it does not publish.

The mechanism is the point rather than the decimal. A city of forty-odd thousand people arranged to be taxed and then handed itself a rebate that the people working in its offices and laboratories did not get. One caveat belongs on it: the millage cut went to property owners, which includes commercial landlords and the owners of student rentals, so treating the whole of it as a benefit to resident taxpayers overstates how cleanly the swap worked.

There is a democratic problem sitting inside that design and it should be said out loud rather than admired past. The people who pay most of this tax do not vote on it. They will not vote on its renewal either. East Lansing built an instrument whose burden falls on a constituency with no say in whether it continues, which is exactly the arrangement that American local government is usually criticized for imposing on the powerless, running here in the other direction.

. . .

Two courts, fifteen months apart, in two states, took up the design question this chapter is really about.

In February 2025 the Michigan Supreme Court struck down East Lansing's utility franchise fee. The city had been collecting it through the Lansing Board of Water and Light, and the court held it was a tax that voters had never approved, in violation of the Headlee Amendment. The reasoning is a checklist any city should read before drafting anything: the charge "was imposed for a general revenue-raising purpose," it "was not proportionate to any costs the City incurred in LBWL providing electrical services," and it "was not voluntary." Applying those factors, the court wrote, "we hold that the franchise fee is a tax." It cost the city something between one and a half and two million dollars a year, plus refunds.

In April 2026 the Pennsylvania Supreme Court did the same thing to West Chester Borough's stormwater charge, and Justice Kevin Brobson stated the rule in a form that travels. "In this regard, the law is clear," he wrote: "Where a municipality is duty bound to provide a service for the public benefit and in the absence of a voluntary, contractual relationship between itself and those receiving the service, the associated charge is a tax."

Justice Dan McCaffery, concurring and dissenting in part and joined by Justice Donohue, pressed the equity. The majority's own account of his position is the one worth quoting, because it shows the court seeing exactly what it was doing: he "focuses heavily on the perceived unfairness of our decision," Brobson wrote, and criticizes the majority's "fail[ure] to consider the corresponding impact" on the communities surrounding the university. The majority's answer is the sentence a city should carry into any drafting session. "Our decision," it holds, "must be based on the law, and not what we as individual Justices believe is or is not 'fair.'"

It is tempting to read those two together as a rule, and I drafted one: call it a tax and take it to the voters, because the fee route gets recharacterized. The rule does not survive contact with the rest of this book, and the way it fails is worth more than the rule was.

Start with what the two cases actually did. *Heos* did not strike the charge down outright; it reversed the Court of Appeals on who the taxpayer was and sent the case back. And *West Chester* is not about voters at all. The words voter, referendum and electorate do not appear in the opinion. What decides it is that the university is an arm of the Commonwealth and therefore immune from taxation, and a footnote extends that immunity to special assessments as well. Which means the advice inverts in

Pennsylvania: persuading a court that your charge is a tax is precisely how you lose, because the institution is immune from taxes and not from fees.

Then look at the fee cases that worked. Athens-Clarke County's stormwater charge was upheld against the University of Georgia and the state's highest court declined to revisit it. Ithaca's fee reaches Cornell. Corvallis's transit fee is paid by Oregon State. A Michigan appellate court upheld Ann Arbor's stormwater charge against a Headlee challenge four months before *Heos* came down. Ohio and Texas have gone the same way. In every one of those places the fee label is the only thing that reaches the institution, and a city that took this chapter's original advice would have talked itself out of the instrument that works.

So the rule is jurisdictional, not general. In Michigan and Pennsylvania the fee label is fragile and a city relying on it should know the ground can move. In Georgia, Ohio and Texas the fee label is the whole game. And voter approval cures nothing that an enabling act does not authorize: California courts struck down a parcel tax that had passed at the ballot box, because the district lacked the power to levy it in that form.

What generalizes is smaller and duller than a rule. Find out which way your own courts have been reading the fee-versus-tax line, before you draft, because the answer differs by state and the instrument that is safest in one is worthless in the next.

. . .

A city that has read this far wants to know what to do on Monday, and the honest answer starts with a document nobody enjoys reading.

Read your own enabling act first. Not the university's budget, not the endowment figure in the newspaper, not what the city down the road negotiated. The state statute or charter provision that says what your city is permitted to levy determines the entire space of possible outcomes, and almost every city in this book discovered its options by accident rather than by reading. East Lansing could do what it did because Michigan's Uniform City Income Tax Act exists. Newark, Delaware could not do what it did until Delaware amended its charter, which took two legislative sessions and a bill that died in committee first. Virginia's cities cannot do the equivalent at all, because the statute that appears to authorize service charges on state property excludes educational institutions by name.

Then ask which base is available, because that question decides more than the rate does. Property is the base the exemption was written to defend and the base where seven centuries of drafting favor the institution. Payroll, consumption, service and person are the four bases the exemption does not reach, and every instrument in this book that produces reliable money sits on one of them.

If the answer is payroll, the next question is situs, and getting it wrong wastes the instrument. A tax that attaches to where a person works reaches everyone employed on the campus. A tax that attaches to where a person lives reaches only the faculty who happen to live in town, which in most university towns is a minority of the workforce. Pennsylvania's earned income tax credits the residence tax

against the work-site tax, so Pennsylvania towns capture their own residents. Ohio and Michigan run work-site rules, which is why East Lansing's instrument reaches sixty-nine percent non-residents and why a Pennsylvania borough copying it would collect a fraction as much. The two taxes have the same name and do different jobs.

...

The terms that determine what an instrument is worth in twenty years are almost never the terms anyone argues about.

Nobody argues about indexation. Newark, Delaware's bill arrived in Dover with a clause tying its fifty-dollar ceiling to the consumer price index, and House Amendment 1 removed it by voice vote on the fifteenth of April 2025, with a synopsis stating that it "removes the provision relating to annually adjusting the tax by the Consumer Price Index." The debate was about whether to charge the university. The clause that determined whether the charge would still be worth anything in 2045 was deleted without a recorded vote. Vermont is the same story finished: seven hundred fifty thousand dollars, set to begin in fiscal 1997, unmoved for twenty-nine years.

Nobody argues about the base the charge is tied to. Newark's per-student levy rises with enrollment, which is the thing that causes the cost, so the instrument tracks the problem without anyone deciding that it should. A fixed sum does not.

Nobody argues about whether the money comes from a dedicated fund or a general appropriation, and that determines whether the flow needs a vote each year. This is the single highest-value change available to a municipal association lobbying its legislature, and it is not the change municipal associations lobby for. They lobby for higher rates. Connecticut's rate is seventy-seven percent and its towns have had payment suspended outright in a bad budget year. Rhode Island's rate is twenty-seven percent and its towns have been paid in full since fiscal 2023. The lower number delivered more, because the argument that matters was never about the number.

And nobody argues about who funds the compensation. The oldest arrangement in this book got that right and every modern one gets it wrong. When the Crown moved the assize of bread and ale from the town of Oxford to the university in the fourteenth century, it reduced the town's fee-farm by five pounds and required the university to pay the same five pounds to the Exchequer. The exempt institution funded the compensation for its own exemption. Connecticut, Rhode Island, Vermont and Maine all built the modern version, in which the state pays the town out of general revenue, which means the payment competes annually with everything else a legislature would rather fund. A state that wanted to fix this permanently would stop appropriating and start charging the beneficiary.

...

A city that reaches for an instrument should expect the argument to get personal, and East Lansing is the best-documented example of how personal.

Bill Beekman, then a vice president at Michigan State, spoke against the 2017 measure and made clear he was speaking for himself and not as the university. He had also by then moved to Meridian Township, so he was arguing about a ballot he would not be voting on, and he framed his objection as what he would think if he were an East Lansing resident walking into the booth. He began by conceding more than most opponents do, allowing that the state had been unkind to Michigan municipalities and that the city had a limited number of ways to solve its problems. Then he asked the question every city in this book has heard in some form. "I guess I'd have to ask how is it that we woke up one morning and discovered that we had a \$100 million problem," he said of the city's pension liability. "And why would I want to vote 'yes' to give more of my money to a group of people that woke up one morning and discovered they had a \$100 million problem?" We all have to balance our personal budgets and be personally responsible, he went on, and then: "you can either be whiny about it and ask for a handout or you can figure out how to solve your problem." On the design of the tax itself he was more precise and more damaging. The city, he said, was "trying to build an Ohio Turnpike. You sting the people traveling through."

That last line is the strongest version of the case against everything in this chapter, and it should not be waved away. An instrument aimed at non-residents taxes people who receive some city services and vote on none of them. Beekman was describing a real defect, and the fact that he was describing it while defending his own paycheck does not make it less real.

Meadows answered the political charge rather than the structural one, and his answer was effective. "I cannot think of a legitimate reason why the University is so deeply opposed to the local income tax," he said. "After all, they expanded their medical schools to Grand Rapids and Detroit, both of which have the highest local income taxes in Michigan." Detroit's rate is the heaviest in Michigan and Grand Rapids sits in the tier just below it, above the twenty-odd cities levying the statutory minimum. A university that operates comfortably inside both has a hard time arguing that a local income tax is unlivable.

What a city should take from the exchange is procedural. The opposition will not be conducted in the language of fiscal federalism. It will be conducted in the language of municipal incompetence, and the specific charge will be that the city created its own problem and is now asking the institution to solve it. Pension liability is the most common form of that charge and it is often partly true. East Lansing's answer was to name the liability on the ballot rather than deny it, which converted the attack into the case for the measure.

...

What follows is the menu, which is the thing the field does not publish. Five bases, what each requires, who it reaches, and how each one fails. None of it is a recommendation to any particular city, because the enabling act decides that and the enabling acts differ. It is the set of things that have been made to work somewhere.

**The property base.** This is where the exemption lives and where the fight everyone knows about happens. The instruments are the exemption challenge, the service charge, the leasehold tax on private use of exempt ground, the special assessment or business improvement district, and the acreage cap. What they share is that every one of them requires somebody to establish the claim before any money moves, usually against counsel who does this for a living. The exemption challenge is the purest example and Pittsburgh is its verdict. The special assessment looks like the quiet exception, because a district levy on frontage or square footage is not a tax on exempt value. In practice most enabling acts close it: Wisconsin bars a business improvement district from assessing exempt property, the District of Columbia limits its levy to taxable property, and Virginia's reaches only property subject to local taxation. The one clear instance of a university actually assessed is Berkeley, where California's constitution reaches state agencies directly, and no private university was found paying one anywhere. The acreage cap is the strangest item on the whole menu: Wisconsin and Washington both cap a private college's exempt land, neither statute requires a locality to adopt anything or an institution to apply for anything, and no published source records either one ever producing a dollar. Neither state's assessment manual instructs an assessor on what to do above the line, which may be the whole explanation. A perfect claim nobody has picked up is worth exactly what an imperfect claim nobody has picked up is worth.

**The payroll base.** The employee wage tax, the flat per-worker levy, and the employer payroll tax. This is the base with the deepest record of success in this book, for a structural reason: the tax falls on the worker or on the employer as an employer, so what the institution is never has to be litigated. When Auburn's employees challenged the city's occupational license fee in 1972, the argument they raised was intergovernmental immunity, the university being an instrumentality of the state, and the Alabama Supreme Court held they had no standing to raise it, since a burden on their employer was not a burden on their rights. Charitable status was never in the case at all. The word does not appear in the opinion. Situs governs the yield. The flat per-worker levy is the underused variant, because it needs no income measurement and no withholding apparatus. Pennsylvania's, Denver's and West Virginia's are the documented ones, and West Virginia's is the purest.

**The consumption base.** Local sales, meals, lodging and admissions taxes. The admissions tax is the sharpest instrument on this list and the least used. Philadelphia collects five percent on ticket sales, and the ordinance's exemption for religious, educational and charitable events expressly does not reach athletic contests between colleges, so Penn assesses the charge on its own games and files monthly. A university with a stadium is running a commercial entertainment business inside an exempt shell, and the consumption base reaches it without anyone having to argue about the shell. The limit is that it only works where the institution actually sells something at scale.

**The service base.** The utility fee and the municipal utility margin. Harrisonburg's electric commission drew about fourteen percent of its revenue from James Madison at its fiscal 2023 audit, and the university pays it the way it pays any supplier. This is the most reliable capture on the menu and it carries two warnings. The first is that a margin buried in a commodity price is invisible, which protects it politically and, on the evidence of the accountability literature, may strip it of every civic

benefit a tax is supposed to produce. The second is that the transfer from the utility into the city's general fund is usually a sum a council sets annually, so the money is captured automatically and appropriated discretionarily. A city relying on this should look hard at which of those two flows it is actually describing when it says the university pays.

**The person base.** The per-student enrollment charge and population-driven formula aid. Newark, Delaware built the first modern American instance of the first, at up to fifty dollars per student for each fall and spring semester, levied against the university rather than against students. Its virtue is that it rises with enrollment, which is the thing that generates the cost. Formula aid is the other side of the same base and it is the one nobody notices: where a state distributes money per resident and counts students in the town, the students are an asset, and where the census counts them somewhere else, the same students are a pure cost. That allocation was decided by people writing a formula who were not thinking about college towns at all.

The pattern across the five is the one this book has been making since the second chapter. The property base is the one the exemption was drafted to defend, and it is defended well. The other four were fortified against nobody, because nobody was thinking about universities when the fortifications went up.

. . .

Three things a city should not do, all of them things cities in this book have done.

Do not fight on the property base first. Pittsburgh holds the most permissive exemption-challenge authority in the country and spent about two hundred forty-seven thousand dollars in legal fees on a parcel-by-parcel campaign that, by the mayor's own April 2025 accounting, netted about forty-seven thousand. The property base is where the institution's lawyers are strongest and where the case law is deepest against you. It is also, in fairness, where the largest sums notionally sit, which is why cities keep going there.

Do not treat a negotiated payment as a base to build on. Every voluntary payment in this book is a payment somebody can stop, and the ones that have not stopped have mostly frozen instead. The University of Delaware paid Newark a hundred twenty thousand dollars a year starting in 1965 and added sixty thousand for the police department in 2001, and neither figure moved again. Six decades. Boston's participating institutions pay a shifting fraction of what the program asks and the fraction moves with institutional preference. Liz Breadon, who chairs the Boston council committee that oversees the program, put the structural fact plainly: it "is voluntary, so they could just say, 'Oh, we're done, goodbye, we're not paying anything.'"

Do not assume asking harder will work. Boston's assessing commissioner, Nick Ariniello, described the ceiling from inside the most sophisticated PILOT program in the country: "We've kind of reached this equilibrium where the major players contribute or they've made determinations not to. It's not that we don't keep asking them, but they're unlikely to change their minds or change their levels of

contribution at this point." That is what a mature voluntary program looks like. It is not a failure of effort.

...

The order of operations matters as much as the choice, and East Lansing's sequence generalizes better than its instrument does.

Establish the number before choosing the instrument. East Lansing had a pension liability it could name. Newark had a six-million-dollar estimate of forgone tax and a hundred-eighty-thousand-dollar payment sitting next to it. A city that cannot say what the gap is will negotiate against a number the institution supplies, and the institution's number will be a description of what it already gives.

Ask before levying, and ask in writing. Not because asking works, but because the record of having asked is what makes the levy defensible later. East Lansing's correspondence with Simon is the reason nobody could call the 2018 ballot question opportunistic. The city had a written offer of twenty million dollars and could show precisely why it was not enough.

Take it to the voters as a tax if it is a tax. That is the *Heos* lesson and the *West Chester* lesson and it is the most expensive advice in this chapter, because an election costs money and can be lost.

Name the hole. Sixty percent to unfunded pension liability did more work than any argument about fairness, because it converted an abstract grievance into a line a voter could check.

Put a term on it. A twelve-year authorization is easier to pass than a perpetuity and it forces a public reckoning at a date certain. It also means the instrument can die, which East Lansing is now discovering.

...

Those recommendations are not all worth the same, and a chapter that has spent twelve predecessors insisting on the difference between a finding and an inference owes an accounting of which is which.

Four rest on evidence in this book. Read your own enabling act first is the strongest thing here, and it is strong because every case in these chapters turns on a provision somebody either found or failed to find. Get the situs right rests on a real comparison across states with the same instrument and different rules. Index it rests on Vermont's twenty-nine frozen years against Newark's stripped escalator. Establish the number before choosing the instrument is prudence rather than a finding, and I would keep it anyway.

The rest are reasoning, and some of them lean on a conclusion the previous chapter expressly declined to draw. Prefer the durable instrument over the negotiated one is the three-level typology used as a decision rule, and chapter twelve said in terms that the typology is a proposition nobody has tested and that a durable instrument is not immune from reduction. This chapter's own ending proves the point against itself: East Lansing's instrument sunsets in 2030, has been rate-frozen since

1995, and faces a renewal electorate most of whom do not pay it. Pick a base other than property is close to circular, since a book that assembled its cases by looking for places where money arrived will naturally find that the money arrived somewhere. Name the term and name the destination rests on one city, in which three things changed at once, and the chapter has no way to say which of the three did the work. Tie it to a growing base rests on an instrument about a year old with no yield record. Charge the beneficiary rather than appropriating rests on one fourteenth-century arrangement and no modern instance anywhere. And ask in writing before levying has no supporting case at all; I believe it and I cannot show it.

Nor should the crowding-out objection be treated as answered. I called East Lansing the strongest evidence against it, and a fair reader could take the same facts the other way: the city refused the voluntary money and the university responded by promising to help its employees minimize what they owed. That is at least as consistent with the worry as against it.

None of that makes the advice worthless. It makes it advice, which is what a final chapter can honestly offer when the research design underneath it was built to describe rather than to prescribe.

...

None of which is available to most of the cities that need it, and the reason is staffing rather than law.

Boston runs the most sophisticated voluntary program in the country and it takes a permanent apparatus: an assessing department that values exempt property, a council committee that oversees the asks, and a mayor who will spend political capital annually. A city of thirty thousand has none of that. It has a manager who is also the personnel director, and a part-time attorney on retainer.

That asymmetry is why the level-three instrument, which looks cheapest, is the one small cities can least afford. A negotiated payment costs nothing to establish and something every year forever, and the something is senior staff time that a small city does not have to spend. An as-of-right instrument costs a great deal once, in a referendum or a legislative campaign, and then costs almost nothing, because the payer does the work. East Lansing's income tax is administered by the institution's own payroll system. Philadelphia's amusement tax is filed by Penn.

For a small city the calculation therefore runs opposite to intuition. The expensive instrument is the affordable one. What a small city cannot do is run a decade-long relationship-management program, and that is precisely what the field's only published guidance tells it to do.

...

The counterargument to all of this is real and this book has not answered it.

Providence's mayor, Brett Smiley, negotiated a long agreement with Brown rather than reaching for an instrument, and his reasoning is not naive. "The only way this works is through negotiation," he said in 2023. "There is no actual legal leverage the city has, and it is such a hot-button topic for the institution, I didn't feel it was constructive to broach that issue." He wanted something "durable, long-

lasting" rather than "haggling over cash payments every year," and a twenty-year agreement is a real answer to the volatility problem even though it is legally voluntary the whole way through.

Newark's city manager, Tom Coleman, did reach for the instrument, and did not enjoy it. "None of us wanted to have to do this," he said. "We'd much rather work something out together with the university." He reached because the alternative had run out: "We're at a critical juncture where we've got to come up with a new revenue source, and the status quo isn't going to do it."

And the crowding-out objection from the previous chapter is not disposed of. Turning a civic contribution into a legal obligation may destroy the disposition that produced the contribution. East Lansing is the strongest available evidence against that worry, and it falls short of conclusive. The city turned down twenty million dollars of goodwill, built something worth several times more, and Michigan State stayed in East Lansing. It did promise to help its employees minimize what they owed. Whether that counts as the predicted collapse or as ordinary institutional self-interest is a judgment call, and a reader is entitled to make it differently than I do.

. . .

Almost everything above is addressed to cities, which are the actors with the least power in this system. The actors with the most power are state legislatures, and three changes available to them would do more than anything a city can do alone.

Charge the beneficiary. Every American reimbursement program pays the town out of general revenue, which makes the payment an appropriation and an appropriation is a decision that must be made again. The fourteenth-century Oxford arrangement charged the university directly and reduced the town's obligation by the same amount, so nothing had to be granted twice. A state that adopted that structure would not have to appropriate anything, and its towns would stop discovering in October what the promise turned out to be worth.

Index what you cap. Vermont's seven hundred fifty thousand dollars and Newark's fifty dollars are both nominal figures with no escalator, and in Newark's case an escalator was drafted and removed by voice vote. The cost of indexing is zero in the year of enactment and it is the difference between an instrument that works in 2050 and one that does not.

Authorize rather than negotiate. Delaware's contribution to Newark was not money. It was a sentence in a charter permitting the city to act, passed by two-thirds of both chambers, and it cost the state nothing. Massachusetts has had a version of the same bill filed in four consecutive sessions and it has died by study order every time, without a floor vote. Pennsylvania's constitutional amendment has not been refiled since 2016. Michigan has not touched its municipal income tax ceiling since 1995, which is the binding constraint on the best instrument in this book.

A legislature that did all three would be handing its cities an instrument, an escalator and a payer, at no cost to its own budget. That none has done so is not an accident of drafting. A state that authorizes

a city to tax a university has made an enemy of the university, and the university has lobbyists in the capital while the city has a manager who is also the personnel director.

...

The institution's position deserves better than this book has given it, and the strongest version is not the one universities usually make.

Universities rarely argue that they owe nothing. What they argue, and what is substantially true, is that they already pay a great deal that never appears in the fiscal comparison: they employ people who pay local taxes, they draw students who rent apartments that are on the roll, they run hospitals and museums and libraries that the city would otherwise have to fund or do without, and they underwrite the property values that make the exempt share look worse than it is. The University of Delaware's statement on the Newark charge made the reasonable version of the point: "The University of Delaware and the City of Newark have a shared interest in the city's betterment, financial viability and overall strength. We are understanding of and sympathetic to the city's needs."

The harder objection is about incidence, and it is the one cities answer least well. A tax on a nonprofit university is paid by somebody, and the candidates are students through tuition, employees through wages, or the institution's academic mission through reduced spending. The University of Delaware responded to Newark's charge by folding it into tuition, which was a pricing decision rather than something the statute required, and which converted a levy on an institution into a charge on nineteen-year-olds. Newark's council anticipated the framing and rejected it in advance. "The University is not paying its fair share," Corinth Ford wrote. "We did not levy a tax on UD students. We are charging a per capita amount to the UNIVERSITY to offset the impact of the increasing student population on the City's infrastructure, particularly police and fire services." She is right about the statute and the university is the one who decides who actually bears it.

That is a genuine limit on everything recommended here. A city can choose the legal taxpayer. It cannot choose the economic one, and an institution with pricing power will move the burden to whoever has the least ability to refuse it. Anyone advocating these instruments should be honest that the student is frequently the last stop.

The reason to advocate them anyway is that the alternative distributes the same cost to a different set of people who also did not choose it. When Newark collected a hundred eighty thousand dollars a year for six decades while forgoing something like six million, the difference did not vanish. It was paid by Newark's residents, in taxes on houses and in services the city did not provide. Somebody was always bearing this. The question a legislature answers when it authorizes an instrument is which somebody, and declining to answer is itself an answer that has been running in most states for a century and a half.

...

Pennsylvania went further than any other state in this book, and its statute is the clearest statement anywhere of what a voluntary payment actually is. It is also, on inspection, not quite what the Legislature's own deskbook says it is, which is its own small lesson about reading the law rather than the summary of the law.

Start with the provision nobody summarizes. The Institutions of Purely Public Charity Act of 1997 requires an institution to satisfy five criteria, one of which is that it must relieve the government of some of its burden. Section 5(f) sets out the ways an institution can satisfy that criterion, and the sixth of them is that the institution "has a voluntary agreement under section 7." A payment in lieu of taxes, in any amount, on any terms, wholly satisfies one of the five things a Pennsylvania institution must show in order to be a purely public charity. There is no threshold, no proportion, and no multiplier, because none is needed. The agreement itself is the qualification.

Then the statute prices a second criterion. An institution that has entered into a voluntary agreement may credit the payment at a multiple of its face value, and the multiples are steep: a hundred and fifty percent where the contribution is up to fifteen hundredths of one percent of the institution's program service revenue, two hundred and fifty percent between that and a quarter of one percent, three hundred and fifty percent at or above a quarter of one percent. Those are cliffs rather than brackets; an institution that crosses a line credits its entire contribution at the higher rate.

The credit is more indirect than it first looks, and the indirection matters. It does not run against the community-service criterion itself. It runs into the definition of uncompensated goods and services, which is one of the terms in which that criterion can be met, so the payment becomes a definitional input rather than a direct payment toward the test. Run the arithmetic at the most favorable setting and a contribution at the three-hundred-fifty-percent trigger produces credit worth something under one percent of program service revenue against a criterion that can require five percent of the institution's costs. A dollar buys three dollars and fifty cents of a thing that is itself a fraction of one route to one criterion.

So the accurate statement is the reverse of the intuitive one. The multiplier, which sounds like the dramatic provision, is the weaker of the two. The provision that actually does the work is the plain one that says a voluntary agreement satisfies the government-service criterion outright.

The third piece is about who holds the presumption. An institution can assert a rebuttable presumption that it qualifies, and once asserted the challenging municipality bears the burden of proving otherwise by a preponderance of the evidence. Institutions above a revenue threshold can assert it only if they hold a state sales-and-use-tax exemption and have a voluntary agreement with a political subdivision where they do substantial business. The threshold is usually reported as ten million dollars, which is what the statute printed in 1997 and what the deskbook prints today, and it is wrong: the act directs the Department of Revenue to raise it by one percent every year from 1999 onward, so the real figure has been compounding for nearly three decades and now sits somewhere above thirteen million.

The presumption also has a limit the summaries omit. It can be asserted only against a political subdivision with which the institution actually has an agreement in effect. A PILOT with the city buys a shield against the city. It buys nothing against the county or the school district, which are separate taxing bodies with separate standing to challenge.

Read those together and Pennsylvania has built something no other state has. A voluntary payment satisfies one of the five qualifying criteria on its own, counts at up to three and a half times face value toward a second, and purchases a burden-shifting presumption against whichever government accepted it. The state has not merely permitted institutions to pay voluntarily. It has written the reasons to.

What the state has not done is what the deskbook implies. Institutions may form public service foundations that collect contributions and disburse them to local governments, and the deskbook says flatly that where an institution is involved in one, the local government "is not permitted to seek a voluntary agreement with the institution directly." The statute says something narrower on all three counts. A foundation is established upon mutual agreement with a political subdivision, so the municipality is a consenting party rather than a bystander. What is barred is a subdivision that actually receives a distribution from the foundation going on to "assess or seek a separate contribution for services" from participating institutions. And a separate subsection expressly preserves the ability of any institution, any foundation, and any political subdivision to enter voluntary agreements. The bar is on double-dipping for services, not on negotiating.

That distinction matters more than a footnote, because the act also says in terms that nothing in it prevents a political subdivision from challenging whether a particular parcel is being used to advance a charitable purpose. Whatever a foundation forecloses, it does not foreclose the courthouse.

...

One more finding, and it is an absence.

The guidance a city can actually use is thinner than the field's size would suggest, and I nearly overstated that into a falsehood. My first draft of this section said no playbook exists. One does.

The Government Finance Officers Association published a study of Boston's program in February 2022, as part of an initiative on municipal revenue, and it is written exactly the way a practitioner document should be. It asks what lessons other local governments can take from Boston's experience and sets out five of them, on the stated reasoning that a deeper understanding should allow for more successful replications. It was reviewed by one of the Lincoln Institute researchers whose census this book leans on throughout. I missed it because I looked at GFOA's page titled "Payments in Lieu of Taxes," found federal-lands advocacy dated 1966, and stopped. That is precisely the failure this book spends thirteen chapters documenting in other people: reading the summary and not the thing.

The Lincoln Institute's material is also more prescriptive than I first allowed. Its 2010 report carries a design table telling a municipality to set a target for contributions, choose a basis for calculating

them, set a threshold for which nonprofits to include, and reach multiyear agreements. That is a specification, whatever the deferential tone around it.

What survives, stated carefully, is narrower and still worth saying. The literature is thin, concentrated in two organizations, and almost entirely derived from a single city. The National League of Cities has nothing of its own. The Michigan Municipal League has nothing, in the one state where East Lansing's instrument is replicable today. The Massachusetts Municipal Association has nothing of its own, in the state that hosts the model everyone studies. Pennsylvania's Local Government Commission gives the subject several careful pages in a deskbook written for legislators, which explains how the regime works rather than what a municipality might do inside it.

And all of it is about the voluntary payment. A city manager who needs to know whether her state's wage tax follows the work site or the residence, whether her stormwater fee will survive her own supreme court, or whether her charter permits a per-student charge, will not find that anywhere in the professional literature. The negotiated payment has a small guidance literature. The other eleven instruments in this book have none, and that absence is the one this book was written into.

. . .

What East Lansing actually did, stripped of the local detail, is the shortest version of this chapter.

It read its own enabling act and found an authority the state had granted in 1964 and last touched in 1995. It chose a base the exemption does not reach. It picked the situs that captured the workforce rather than the residents. It lost, asked why, and rewrote the question so the sweetener could not be separated from the levy. It named the hole the money would fill. It accepted a twelve-year term instead of demanding forever. And it declined twenty million dollars in voluntary money in order to build something nobody would have to grant again.

The instrument now sunsets at the end of 2030. The city's finance committee recommended in July 2026 that voters be asked to extend it sometime between 2027 and 2029, and if that succeeds, to seek permanence sometime after 2037. The rate cannot be raised, because Michigan's statutory ceiling has not moved since 1995 and no legislature has shown any interest in moving it. When Meadows asked the city's chief financial officer in February 2025 whether East Lansing faced bankruptcy in 2031, Audrey Kincade answered, "I can't answer that question," and Meadows said, "I think we are."

That is the honest end of the story. The best-designed instrument in this book has a clock on it, was capped by a legislature thirty years ago, and depends for its survival on a renewal vote in which most of the people who pay it have no vote at all. It is still worth several times what the university offered to make it go away.

There is a design lesson in that clock and it is the one this chapter is least able to resolve.

A term-limited instrument has to be renewed, and renewal is a different political problem than adoption. In 2018 East Lansing asked its residents to approve a tax most of them would not pay, in

exchange for a property tax cut most of them would receive, against a university most of them did not work for. That is close to the easiest ballot question in American public finance. In 2029 it will ask the same residents to renew a tax that has been collected for a decade, after the property tax cut has been fully absorbed into everyone's expectations and no longer feels like a benefit, with the pension liability substantially retired and the most persuasive line on the original ballot no longer available. The case that won will have spent itself.

A perpetual authorization avoids that and costs something real: it removes the moment when a city has to justify itself, and it makes the instrument harder to pass in the first place. The city's own finance committee recommended in July 2026 that voters be asked for a ten-year extension between 2027 and 2029 and then, if that succeeds, for permanence sometime after 2037. That is a sensible sequence and it is also an admission that the term was a device for getting the thing adopted rather than a considered view about how long it should last.

Whichever a city chooses, it should choose knowing that the renewal electorate is not the adoption electorate, and that the argument that worked once will have been used up.

. . .

Twelve chapters ago this book started with two towns arguing about the price of bread.

Oxford and its university had been quarrelling for a century when the Crown settled it by moving the assize from the town to the chancellor, and the town wrote to say that the blame for the price of bread now belonged to the man who held the power to fix it. The mechanism that produced that letter is the mechanism that produced Mark Meadows writing to Lou Anna Simon in 2017 that his city did not have the revenue options that her university had. A superior government decided which party would hold which power, and the parties then spent centuries arguing inside a space neither of them had drawn.

Everything in between has been variations. Ohio wrote five words about institutions of purely public charity in 1851 and Pennsylvania copied them in 1873, and cities are still litigating what they mean. A Wisconsin legislature set eighty acres in 1871 and another one added a second tier in 2017 for an institution it declined to name. Connecticut promised seventy-seven percent in 1999 and then suspended payment entirely during the 2017 budget impasse, because of a phrase about available appropriations that nobody was arguing about when it was written. Delaware's House stripped an inflation escalator by voice vote in April 2025 and the synopsis recorded it in one line. Not one of those decisions was made by a mayor, and every one of them determined more about what a city would collect than any negotiation a mayor ever conducted.

That is the argument. The fiscal relationship between an American city and the university inside it is set by drafting, most of it old, most of it done for other reasons, almost none of it done by anyone who would live under it. The amount a university pays its host is the last and smallest term in a long expression whose earlier terms were all fixed before the conversation started.

Which is why the useful question is not what a university owes. That question has been asked for seven hundred years and has never once been answered in a way that produced money. The useful question is narrower and duller and answerable: what does this state's law already permit, which base does it reach, who has to decide for the money to keep arriving, and what would have to be written differently.

Cities that ask the first question negotiate. Cities that ask the second one build handles.

. . .

## Appendix A — The Instrument Inventory

...

### What this is, and what it is not

This inventory is the coded file the book was built on: **40 instruments across 27 states, plus 2 rows that record whether a state publishes parcel-level exempt valuations** and code no instrument at all. Each instrument row carries the family it belongs to, whether it exists in that state, who the taxpayer is, what the enabling step is, and how well the coding is sourced.

**It is not a fifty-state survey, and nothing in it should be read as one.** Chapter two argues at length that no such survey exists in any published source, including this one. What is here is what could be read to a primary source or a primary agency document in the time available. A state absent from a family's table is absent because it was not coded, not because the instrument is unavailable there. Appendix B renders that gap as a table so its size can be measured rather than guessed.

Four limits belong on the front page rather than in a footnote.

**Sourcing is uneven and the table says so.** Of 42 coded rows, **22 rest on primary law read directly (Tier A), 10 on a primary agency or government document (Tier B), and 10 on a reputable secondary source (Tier D).** Slightly under half the inventory therefore rests on something other than the statute itself, and where a chapter leans on a Tier D cell it says so in that chapter's notes. The tier records how a coding was made, not how impressive its citation looks: a row that cites a statute and is coded D means the statute was read about rather than read.

**The renegotiation level is a proposition, not a finding.** Chapter twelve sets out the three levels and then concedes that no study anywhere tests the variable they measure. The level column records where an instrument sits in that scheme. It does not record evidence that the scheme predicts anything, and the distribution of levels in this file is a fact about what was coded rather than a fact about what American cities can reach.

**Absence in the `exists` column is a legal finding where the law was read, and only there.** 7 rows code an instrument as unavailable; **6 of those rest on Tier A or B**, which means the text was consulted and the instrument genuinely is not there. The remaining 1 rest on a secondary source and should be read as a reported absence, not a verified one. A state simply missing from a table was never coded at all. Those are three different things and conflating them is how fifty-state claims get manufactured.

**The file cannot test the book's central claim.** Every column here is an independent variable. Nothing records yield, conflict, legitimacy, or political temperature, so the proposition that form outlives amount cannot be tested against this file in either direction. Adding states would not fix that. It is a different instrument that is missing, not more of this one.

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## The families

| #  | Family                                  | Level | Coded |
|----|-----------------------------------------|-------|-------|
| 1  | Employee wage or income tax             | L1    | 12    |
| 2  | Flat per-worker work-site levy          | L1    | 3     |
| 3  | Employer payroll tax                    | L1    | 5     |
| 4  | Service charge on exempt property       | L1    | 1     |
| 5  | Statutory acreage cap                   | L1    | 2     |
| 6  | Leasehold or possessory-interest tax    | L1    | 1     |
| 9  | Utility or service fee (not a tax)      | L1    | 4     |
| 11 | Enrollment or per-student tax           | L1    | 1     |
| 12 | Population-driven formula aid           | L2    | 6     |
| 13 | State reimbursement for exempt property | L2    | 4     |
| 14 | Negotiated PILOT                        | L3    | 1     |

**By level:** 29 instruments require no periodic third-party decision (L1); 10 are re-decided on a schedule by a third party (L2); 1 is decided by the payer (L3). 2 further rows record data availability rather than an instrument and carry no level.

The single L3 row is the negotiated PILOT, which is the instrument the scholarly literature is almost entirely about. That is worth noticing and it is not evidence of anything: this file was assembled by looking for routes around the exemption, so it was always going to be thick in as-of-right instruments and thin in negotiated ones. The distribution reflects the search, not the country.

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## The inventory

### 1. Employee wage or income tax · L1

| State | Instrument        | Exists     | Situs            | Rate / cap                                                                          | Enabling step                       | Taxpayer reached           | Tier |
|-------|-------------------|------------|------------------|-------------------------------------------------------------------------------------|-------------------------------------|----------------------------|------|
| AL    | Employee wage tax | yes-frozen | work-site        | Auburn 1%; Birmingham 1%; Opelika 1.5%; Gadsden 2% · cap none (reasonableness test) | local act only since 2020-02-01     | all employers incl. exempt | B    |
| AR    | Employee wage tax | prohibited | n/a              | 0                                                                                   | n/a                                 | n/a                        | D    |
| IN    | Employee wage tax | yes        | residence-county | Monroe 2.14%; Tippecanoe 1.28%; Delaware 1.50% · cap 2.9% county-wide from 2028     | county council; municipal from 2028 | n/a                        | A    |

| State | Instrument                       | Exists      | Situs                    | Rate / cap                                                                                                           | Enabling step                       | Taxpayer reached                                         | Tier |
|-------|----------------------------------|-------------|--------------------------|----------------------------------------------------------------------------------------------------------------------|-------------------------------------|----------------------------------------------------------|------|
| KS    | Employee wage tax                | prohibited  | n/a                      | 0                                                                                                                    | n/a                                 | n/a                                                      | A    |
| KY    | Employee wage tax                | yes         | work-site                | Lexington 2.25%; Bowling Green 2.0%; Richmond 2.0%; Murray 1.0% · cap none for cities; 1% for counties               | ordinance                           | all employers incl. exempt EXCEPT UK graduate assistants | A    |
| MD    | Employee wage tax                | yes         | residence-county         | 2.25%-3.30% · cap 3.30%                                                                                              | county ordinance                    | n/a                                                      | D    |
| MI    | Employee wage tax                | yes         | conjunctive              | East Lansing 1% resident / 0.5% nonresident; Detroit 2.4%/1.2% · cap nonresident = 50% of resident rate              | referendum                          | all employers incl. exempt                               | A    |
| NY    | Employee wage tax                | yes-limited | mixed                    | NYC resident only; Yonkers resident surcharge plus NONRESIDENT earnings tax                                          | state act                           | n/a                                                      | D    |
| OH    | Employee wage tax                | yes         | work-site remote-leaking | 1.95% Athens (2.15% approved 2026-05-05 eff TY2027); Kent 2.25%; Bowling Green 2.15% · cap 1% without voter approval | referendum above 1% + 90-day filing | all employers incl. exempt                               | A    |
| PA    | Employee wage tax (Act 511)      | yes         | residence-municipal      | 1% base split muni/school district · cap 1% with 7 exceptions                                                        | ordinance                           | all employers incl. exempt                               | A    |
| PA    | Employee wage tax (Philadelphia) | yes         | work-site                | 3.735% resident / 3.425% nonresident from 2026-07-01 · cap none                                                      | state enabling act                  | all employers incl. exempt                               | A    |
| VA    | Employee wage tax                | no          | none                     | 0                                                                                                                    | n/a                                 | n/a                                                      | A    |

- **AL** — CONTROLLING PRECEDENT IS A UNIVERSITY CASE - Auburn taxed Auburn University's employees and won. *Jefferson County v. Acker* 527 U.S. 423 (1999) carries it to SCOTUS. Act 2020-14 froze the universe; codification contested 11-51-198 vs 11-51-106.

Source: Ala. Code 11-51-90; *McPheeter v. City of Auburn* 259 So.2d 833 (1972); Act 2020-14

- **AR** — Repealed the enabling sections. No Arkansas locality ever levied one.

Source: Act 96 of 2023 eff. 2023-07-31

- **IN** — SEA 1 grants municipalities over 3,500 their own LIT up to 1.2% from 2028 WHILE PRESERVING RESIDENCE SITUS - level of government and situs are independent variables.

*Source:* IC 6-3.6-8-3(a); SEA 1 (2025)

- **KS** — 'No city shall have power to levy and collect taxes on incomes from whatever source derived.' Sole exception taxes gross earnings from money notes and evidence of debt - an INTANGIBLES tax with no wage base.

*Source:* K.S.A. 12-140; K.S.A. 12-1,101

- **KY** — Credit runs CITY over COUNTY (68.197(7)) - vertical credit among work-site levies, never to residence. CAVEAT: KRS 68.197 gates at counties of 30,000+; Rowan County (Morehead) is ~24,600 and falls outside. Lexington EXEMPTS UK Research/Teaching/Graduate Assistants per Royster Memo.

*Source:* KRS 92.281; KRS 68.197(2)(a); Lexington Reg 13-4 (5th ed. Dec 2000)

- **MD** — NEGATIVE CASE: residence-county situs means the host CITY captures nothing - Baltimore City receives nothing from a Hopkins employee living in Baltimore County.

*Source:* Maryland local income tax

- **MI** — 24 cities levy. East Lansing effective 2019-01-01, SUNSETS end of 2030, charter-locked allocation, paired with a 7-mill cap reduction (20 mills to 13), per the August 2018 ballot text.

*Source:* MCL 141.501 et seq.; MCL 141.503(2)(b); City of East Lansing

- **NY** — CORRECTED from v0.2 'residence' - Yonkers levies a nonresident earnings tax on work performed in the city. Yonkers hosts Sarah Lawrence.

*Source:* NY personal income tax; Form Y-203

- **OH** — OU withholding fell 42% (2008) to 29% (2023) of Athens city income tax; dollar decline only ~10%. Remote-work sourcing post-2021 assigns remote days to residence.

*Source:* ORC 718.04(A); 718.03; 718.011

- **PA** — Deskbook concedes municipalities derive little from nonresidents; school districts may not tax nonresidents

*Source:* 53 P.S. 6924.101 et seq.; credit at 6924.317; withholding at 6924.512

- **PA** — CORRECTED from v0.2. Outside Act 32 residence rule. Penn Drexel Temple Jefferson all withhold. Largest municipal work-site wage tax identified in this inventory.

*Source:* Sterling Act 53 P.S. 15971 et seq.

- **VA** — Enacted 1989 c.245; never adopted by any locality (unverified negative)

*Source:* Va. Code 58.1-540 et seq. repealed by Acts 2013 c.766 cl.4

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## 2. Flat per-worker work-site levy · L1

| State | Instrument                           | Exists | Situs     | Rate / cap                                                                             | Enabling step            | Taxpayer reached                                                                            | Tier |
|-------|--------------------------------------|--------|-----------|----------------------------------------------------------------------------------------|--------------------------|---------------------------------------------------------------------------------------------|------|
| CO    | Flat per-worker work-site levy       | yes    | work-site | Denver<br>\$5.75/employee/month<br>employee side; \$4.00<br>employer side              | ordinance<br>(home rule) | employee side<br>reaches ALL;<br>employer side<br>EXEMPTS<br>charitable and<br>governmental | B    |
| PA    | Flat per-worker work-site levy (LST) | yes    | work-site | up to \$52/year · cap<br>\$52 combined                                                 | ordinance                | all employers<br>incl. exempt                                                               | B    |
| WV    | Flat per-worker work-site levy       | yes    | work-site | Huntington<br>\$5.00/week;<br>Morgantown<br>\$3.00/week · cap none<br>(reasonableness) | ordinance                | all employers<br>incl. exempt                                                               | B    |

- **CO** — SPLIT INCIDENCE. \$500/month earnings threshold likely excludes student employees, graduate assistants and adjuncts - UNVERIFIED and material. Aurora REPEALED eff. 2025-01-01. Boulder and Fort Collins do not levy, so CU Boulder and Colorado State are outside the instrument.

Source: Denver DRMC 53-237 to 53-325; Denver Tax Guide Topic 61

- **PA** — ADDED at Panel 01 - absent from v0.2 entirely. State College levies the full \$52; Penn State University Park payroll runs through it. Exemptions are income/veteran-based NOT employer-based (Tier C pending read of 6924.301.1 exclusion list).

Source: 53 P.S. 6924.301 et seq.; Act 7 of 2007; DCED; State College Borough

- **WV** — Morgantown FY2026 budgeted \$4.2M. Marshall administers Huntington's fee; only exemption is working outside city. FEE/TAX TEST NOT YET RUN - funds police/fire/streets, i.e. general public benefit, so likely vulnerable under West Chester rationale.

Source: WV Code 8-13-13 (amended 2025 RS - version read undated)

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## 3. Employer payroll tax · L1

| State | Instrument                              | Exists                | Situs     | Rate / cap                                                                  | Enabling step                    | Taxpayer reached                                                              | Tier |
|-------|-----------------------------------------|-----------------------|-----------|-----------------------------------------------------------------------------|----------------------------------|-------------------------------------------------------------------------------|------|
| CA    | Employer payroll tax                    | repealed              | n/a       | 0                                                                           | n/a                              | n/a                                                                           | B    |
| IL    | Employer payroll tax (head tax)         | authorized-<br>unused | work-site | n/a                                                                         | ordinance<br>(home rule<br>only) | n/a                                                                           | D    |
| OR    | Employer payroll tax (transit district) | yes                   | work-site | TriMet<br>0.8237%; LTD<br>0.80% · cap<br>0.8% with<br>phase-in<br>exception | special district                 | PUBLIC<br>universities<br>taxable;<br>501(c)(3)<br>EXEMPT except<br>hospitals | A    |

| State | Instrument                        | Exists     | Situs     | Rate / cap                                                     | Enabling step | Taxpayer reached                                                       | Tier |
|-------|-----------------------------------|------------|-----------|----------------------------------------------------------------|---------------|------------------------------------------------------------------------|------|
| PA    | Employer payroll tax (Pittsburgh) | yes        | work-site | 0.55% of payroll expense                                       | ordinance     | charity-purpose payroll EXEMPT; UBIT and for-profit affiliates taxable | A    |
| WA    | Employer payroll tax (Seattle)    | yes-narrow | work-site | 0.746% on compensation above \$189371 (2025) / \$194452 (2026) | ordinance     | PRIVATE nonprofits only                                                | D    |

- **CA** — SF Payroll Expense Tax FULLY REPEALED. No California city levies a payroll or employee tax.

*Source:* SF Proposition F (Nov 2020), generally eff. 2021

- **IL** — CAUTION: s.6(e) full text restricts taxes 'upon or measured by income or earnings OR UPON OCCUPATIONS' and is a grant-required provision. Home rule attaches automatically only above 25,000 - Charleston (EIU) and Macomb (WIU) are not automatically home rule.

*Source:* Ill. Const. art. VII s.6(e)

- **OR** — INVERSION SUSPENDED pending ORS 267.430 - state entities still paying under ORS 291.405 at the 1989 rate are EXEMPT. Also ORS 352.033/352.138 make Oregon public universities 'independent public bodies' NOT state agencies. TriMet is a transit district, outside the stated inclusion criteria. UO escapes LTD because Eugene-Springfield MSA is below the 400,000 gate.

*Source:* ORS 267.380(1)(a)(C); 267.380(1)(b); 267.410; 267.420; 267.430

- **PA** — Core academic and clinical payroll escapes

*Source:* 53 P.S. 6924.303(a.1); City of Pittsburgh Payroll Tax Regs II(g)

- **WA** — CORRECTED from v0.2 'premise-breaking case'. GOVERNMENT ENTITIES ARE PREEMPTED so University of Washington is OUT. Payroll floor \$8,837,302 (2024) / \$9,074,409 (2026). Whether Seattle bills any private university is UNVERIFIED.

*Source:* Seattle SMC 5.38; Greater Seattle Chamber v. City of Seattle No. 82830-4 (2022)

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#### 4. Service charge on exempt property · L1

| State | Instrument                        | Exists           | Situs | Rate / cap                                                                                                      | Enabling step               | Taxpayer reached                          | Tier |
|-------|-----------------------------------|------------------|-------|-----------------------------------------------------------------------------------------------------------------|-----------------------------|-------------------------------------------|------|
| VA    | Service charge on exempt property | available-narrow | n/a   | up to 50% of RE rate on faculty/staff housing · cap 50% faculty-staff housing / 20% general / 100% Commonwealth | ordinance + 12-month notice | state or private institution housing only | A    |

- **VA** — CORRECTED from v0.2 'foreclosed'. Academic core is carved out; faculty/staff housing is carved back IN. School costs included in the base for that category. No known locality levies it.

Source: Va. Code 58.1-3401(C); 58.1-3403(A) para 2; 58.1-3404; accessed 2026-07-22

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#### 5. Statutory acreage cap · L1

| State | Instrument            | Exists | Situs | Rate / cap                                                                               | Enabling step | Taxpayer reached                            | Tier |
|-------|-----------------------|--------|-------|------------------------------------------------------------------------------------------|---------------|---------------------------------------------|------|
| WA    | Statutory acreage cap | yes    | n/a   | 400 acres                                                                                | none          | PRIVATE nonprofit schools and colleges only | D    |
| WI    | Statutory acreage cap | yes    | n/a   | 80 acres; 150 if nonprofit AND founded before 1900 AND undergrad >=5000 excl online-only | none          | PRIVATE (incorporated) colleges only        | A    |

- **WA** — Public institutions exempt as state property with NO cap - same error corrected in WI

Source: RCW 84.36.050

- **WI** — CORRECTED: three CONJUNCTIVE criteria not enrollment alone. UW campuses sit under 70.11(1) with NO acreage cap. No documented instance of any university paying under the cap. Anomaly: Beloit College 128.1 exempt acres vs apparent 80-acre cap.

Source: Wis. Stat. 70.11(3); 70.11(1)

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## 6. Leasehold or possessory-interest tax · L1

| State | Instrument                    | Exists | Situs | Rate / cap                | Enabling step | Taxpayer reached                          | Tier |
|-------|-------------------------------|--------|-------|---------------------------|---------------|-------------------------------------------|------|
| WA    | Leasehold/possessory interest | yes    | n/a   | measured by contract rent | none          | private lessees of exempt public property | D    |

- **WA** — Contains a provision specific to state universities. ADDED at Panel 01.

Source: ch. 82.29A RCW

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## 9. Utility or service fee (not a tax) · L1

| State | Instrument          | Exists  | Situs | Rate / cap                         | Enabling step | Taxpayer reached                   | Tier |
|-------|---------------------|---------|-------|------------------------------------|---------------|------------------------------------|------|
| FL    | Utility/service fee | yes     | n/a   | varies                             | ordinance     | reaches ad-valorem-exempt owners   | D    |
| GA    | Utility/service fee | yes     | n/a   | rose 3.75% July 2025 and July 2026 | ordinance     | UGA billed by Athens-Clarke County | D    |
| MN    | Utility/service fee | yes     | n/a   | varies                             | ordinance     | reaches exempt property            | B    |
| PA    | Utility/service fee | blocked | n/a   | n/a                                | n/a           | n/a                                | D    |

- **FL** — CORRECTED: s.170.201(2) is PERMISSIVE ('if the municipality so desires'), covers religious institutions used as a place of worship OR EDUCATION, and governs MUNICIPAL SPECIAL ASSESSMENTS while Sarasota was a COUNTY case.

Source: Sarasota County v. Sarasota Church of Christ 667 So.2d 180 (Fla. 1995); s.170.201(2)

- **GA** — CAUTION: Homewood is a UNIFORMITY challenge by TAXABLE commercial owners, not an exempt-property case. CERT PENDING at SCOTUS No. 25-1090. Five-category credit system (quantity/quality/education/agriculture/riparian) - UGA plausibly qualifies for four.

Source: AG Op. 2013-3; Homewood Associates S25A0555 (Ga. 2025-10-15)

- **MN** — CORRECTED from v0.2 'blocked'. First Baptist (2016) concerned a RIGHT-OF-WAY maintenance assessment, was REMANDED not invalidated, and is a different instrument.

Source: Minn. Stat. 444.075

- **PA** — Stormwater charge held to be a TAX. Rationale is general not entity-specific; likely reaches private nonprofits too. Second-class townships stand apart. PRIMARY OPINION NOT YET RETRIEVED.

Source: Borough of West Chester v. PASSHE (Pa. 2026-04-30)

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## 11. Enrollment or per-student tax · L1

| State | Instrument                 | Exists | Situs | Rate / cap                                            | Enabling step                       | Taxpayer reached       | Tier |
|-------|----------------------------|--------|-------|-------------------------------------------------------|-------------------------------------|------------------------|------|
| DE    | Enrollment/per-student tax | yes    | n/a   | \$50 per student per semester · cap statutory maximum | state charter amendment (17 months) | University of Delaware | A    |

- **DE** — SUBSTITUTION CASE: barred from a wage tax by a 50,000-population floor (22 Del. C. 901), Newark taxed enrollment instead.  $\$50 \times 2 \times 24,412 = \$2,441,200$  as a ceiling; the base is narrower (students taking classes in Newark), so the working range is \$2.0M-\$2.4M. Collections untested. NO ESCALATOR: the CPI adjustment in HB 34 as introduced was struck by House Amendment 1 on 15 Apr 2025 by voice vote. FEE/TAX TEST NOT YET RUN.

Source: 85 Del. Laws ch. 34 (HB 34 as enacted); Newark City Council 2025-08-11

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## 12. Population-driven formula aid · L2

| State | Instrument                    | Exists                 | Situs                     | Rate / cap                                                                                                               | Enabling step | Taxpayer reached | Tier |
|-------|-------------------------------|------------------------|---------------------------|--------------------------------------------------------------------------------------------------------------------------|---------------|------------------|------|
| IA    | Population-driven formula aid | no-municipal           | residence-school-district | cap 20% aggregate                                                                                                        | n/a           | n/a              | A    |
| IL    | Population-driven formula aid | yes                    | n/a                       | LGDF<br>\$180.21/capita<br>MFY2026; +MFT<br>\$21.60 +TRF<br>\$23.68; ~\$225 total                                        | none          | n/a              | A    |
| ME    | Population-driven formula aid | yes-amplified          | n/a                       | Orono<br>\$462.23/capita vs<br>\$196.70 statewide                                                                        | none          | n/a              | A    |
| MI    | Population-driven formula aid | yes                    | n/a                       | \$106.21/capita constitutional<br>(UNRECONCILED:<br>note gives<br>\$106.52);<br>\$146.25<br>combined for<br>East Lansing | none          | n/a              | A    |
| OH    | Population-driven formula aid | yes-but-not-per-capita | n/a                       | \$44.20/capita statewide                                                                                                 | none          | n/a              | A    |
| VA    | Population-driven formula aid | no-and-adverse         | n/a                       | \$0                                                                                                                      | n/a           | n/a              | A    |

- **IA** — School district and county surtax on STATE INCOME TAX LIABILITY, imposed on individuals RESIDING in the district at year end. Municipalities have no authority at all. Iowa City and Ames capture zero.

Source: Iowa Code 257.21(2); 422D.2

- **IL** — Strictly per capita on federal census certified by Secretary of State; special municipal censuses count. Pritzker SFY2027 proposes cutting 6.47% to 6.28%.

Source: 30 ILCS 115/2(a); IML State Shared Revenue Estimates

- **ME** — PAYS TWICE FOR EXEMPT PROPERTY: aid proportional to population x tax burden, where burden = taxes assessed / STATE VALUATION and state valuation counts only TAXABLE property. Exempt campus shrinks the denominator while students inflate the numerator. Recovers roughly a third: 34-38% on TEST-01's two unreconciled exempt-valuation figures (derived, Tier C).

Source: 30-A M.R.S. 5681(4-A) and (4-B); Maine Treasurer FY2026 rev. 2025-05-02

- **MI** — Students NOT excluded - the 50% haircut covers 'wards patients or convicts' only. East Lansing computes at \$106.52/capita = statewide rate. CORRECTION ASYMMETRY: PCGQR wins reach only the PEP base; MCL 141.903(1) accepts only corrections published by the Census Bureau.

Source: Mich. Const. art. IX s.10; MCL 141.903(1); Treasury FY2026 payment file

- **OH** — NOT per capita - 'relative need' formula. Athens direct municipal share is \$132,516 (CY2025).

Source: ORC 5747.50; 5747.51 apportionment read in full

- **VA** — ANTI-MECHANISM: education sales tax uses ages 5-19 via Weldon Cooper estimates and assigns higher-ed students to the school division where PARENTS reside

Source: Va. Code 58.1-638; Governor's Aid to Localities 2026-28

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### 13. State reimbursement for exempt property · L2

| State | Instrument          | Exists | Situs | Rate / cap                                                            | Enabling step | Taxpayer reached                                                          | Tier |
|-------|---------------------|--------|-------|-----------------------------------------------------------------------|---------------|---------------------------------------------------------------------------|------|
| CT    | State reimbursement | yes    | n/a   | Tier 1 53% x 77% statutory = 40.8% before hold-harmless and proration | none          | private nonprofit colleges; public campuses in the 45% state-owned bucket | A    |

| State | Instrument                        | Exists | Situs | Rate / cap                                                                                             | Enabling step | Taxpayer reached                                                                     | Tier |
|-------|-----------------------------------|--------|-------|--------------------------------------------------------------------------------------------------------|---------------|--------------------------------------------------------------------------------------|------|
| RI    | State reimbursement               | yes    | n/a   | 27% statutory; 27% delivered FY2026 and FY2027; 26.7% lowest delivered in FY2023-FY2027; 22% in FY2014 | none          | private nonprofit higher ed and hospitals; state hospitals/veterans/corrections >100 | A    |
| VA    | State reimbursement               | no     | n/a   | \$0                                                                                                    | n/a           | n/a                                                                                  | B    |
| WI    | State reimbursement (state-owned) | yes    | n/a   | proration 44.14% CY2026                                                                                | none          | state facilities INCLUDING UW branch campuses                                        | A    |

- **CT** — TIER 1 RATE ONLY - most of CT's 169 towns are not Tier 1. NOT an effective rate. Formula SUSPENDED FY2016-FY2021 and replaced by fixed legislative line items. DO NOT cite cga.ct.gov chapter 201 - still prints 50/40/30.

Source: CGS 12-18b; 12-20a; 12-19a; PA 21-3; PA 23-204 s.139; OPM 2026-02-05

- **RI** — CORRECTED from v0.2 '25.9% delivered' - that was a REJECTED gubernatorial recommendation. URI IS ABSENT FROM THE PROGRAM ENTIRELY: South Kingstown receives \$169,364, all from South County Hospital. Providence \$37,144,858 of \$49,049,142 = 75.7% BUT denominator includes hospitals.

Source: R.I. Gen. Laws 45-13-5.1; RI SFO FY2027

- **WI** — CORRECTED: s.20.835(5)(a) no longer exists. Appropriation \$25,584,200/yr (DOA webpage typos this as \$24,584,200). Madison \$9,375,292,900 facility value -> \$22,962,148 entitlement -> \$10,134,418 paid. STATE FACILITY VALUE IS NOT UNIVERSITY VALUE - UW System is 73% of the chargeback. History of Payments 1980-2025 = 46-year panel.

Source: Wis. Stat. 70.119; s.20.835(5)(r) per 2023 Act 12; DOA entitlement report

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#### 14. Negotiated PILOT · L3

| State | Instrument       | Exists | Situs | Rate / cap                                                                                              | Enabling step       | Taxpayer reached                                     | Tier |
|-------|------------------|--------|-------|---------------------------------------------------------------------------------------------------------|---------------------|------------------------------------------------------|------|
| MA    | Negotiated PILOT | yes    | n/a   | 25% of full-tax equivalent target; 26.6% cash realized program-wide · cap 50% community-benefits offset | voluntary agreement | institution-level; entangled with IMP and Article 80 | B    |

- **MA** — FY2025: \$133,636,851 requested, \$66,605,114 CB credits, \$35,521,742 CASH = 26.6% (education sector 21%). BU deal \$104.3M over five years, 64% non-cash, expires 2030-06-30. IMP LINKAGE IS REAL - the Northeastern release announces PILOT and IMP together.

Source: City of Boston FY25 PILOT Recap 2026-04-01; BU agreement 2026-07-21

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## Data availability, which is not an instrument

2 rows in the file record whether a state publishes parcel-level exempt valuations. They code no tax and belong to no family. They are listed separately because filing them under a tax family would count 'we checked whether the assessor publishes exempt values' as coverage of a tax instrument, which is how a coverage percentage gets inflated without anyone lying.

| State | Exempt-value data | Tier | Source                                                            |
|-------|-------------------|------|-------------------------------------------------------------------|
| CT    | available         | B    | data.ct.gov rny9-6ak2 (2025); pqrn-qghw (2024); xgef-f6jp MFI     |
| IL    | none              | B    | Champaign Cty parcel 46-21-18-178-023; McLean Cty 224 ISU parcels |

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## What is not in here

Seven things a reader might reasonably expect and will not find.

**A state-by-state table of the exemption itself.** The inventory codes routes *around* the exemption. It does not code the exemption. Chapter two is built on that absence and explains why it matters.

**Local-option sales, meals, lodging and admissions taxes (family 8).** Large in university towns and entirely uncoded here. Philadelphia's amusement tax and Knoxville's appear in the chapters because they were read directly; the family as a whole was never surveyed and has no rows in this file.

**Municipal utility margins (family 10).** Among the most reliable captures the chapters found and the hardest to see, because the charge sits inside a commodity price rather than in any tax account. Harrisonburg, Columbia and Radford appear in the chapters. This file has no rows for the family at all, so the reliability claim rests on the chapters and cannot be checked here.

**Special assessments and business improvement districts (family 7).** No rows in this file. Chapter thirteen reports what could be established, which is that most enabling acts exclude exempt property and the one clearly documented assessed university is Berkeley.

**Yield.** Almost nothing here records what an instrument actually collected. The file codes authority; revenue is a separate question and the two are related much more loosely than anyone would like.

**A denominator.** Comparing forgone revenue across states means little without each city's own levy as the base, and that figure is not in this file. A ten-million-dollar exemption is a different problem in a town with a forty-million-dollar levy than in one with four hundred million.

**Several states the chapters argue from primary sources.** Vermont, New Jersey, North Carolina, Missouri, Tennessee, New Hampshire and the Massachusetts state-owned-land program all carry substantive chapter argument and have no rows here. The inventory was built earlier and to a narrower purpose; where it and a chapter disagree about what was examined, the chapter and its panel log are the record. Appendix B lists the gap in full.

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## Appendix B — The Coverage Map of the Coded Inventory

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### Why this table exists, and what it measures

**This appendix measures the coded inventory. It does not measure the book.** That distinction governs every number below and it is stated first because the number most likely to be quoted out of this appendix is a coverage percentage, and the percentage describes a file that was built before the chapters were written and to a narrower purpose than the chapters served.

Appendix A lists what the inventory examined. This one lists what it did not, which is most of it.

The original plan for this book included a fifty-state survey of the instruments by which American cities reach tax-exempt universities. No such survey exists in the published literature, which is the argument of chapter two, and it does not exist here either. What follows is the honest substitute: **every state and the District of Columbia against every instrument family in the scheme, with each cell either coded or blank.**

There are 51 jurisdictions and 14 instrument families, which makes **714 cells. 39 of them are filled.** That is **5.5 percent coverage**, and the remaining 675 cells are not findings of absence. They are places nobody looked.

Three of the fourteen families — 7, 8, 10 — have no coded rows anywhere and appear below as columns of unbroken blank. They are shown rather than dropped, because dropping them would shrink the denominator and raise the coverage figure by deleting the emptiest part of the map. On an eleven-family grid the same 39 cells would read as 7.0 percent.

**A mark records that the question was asked, not that the instrument exists.** 10 of the 39 filled cells record that the instrument is unavailable, prohibited, repealed or authorized and unused; those are set in lowercase. All four of Virginia's marks are negative findings, which makes the state that ties for best-covered in this table also one of the emptiest in substance.

The letter in a cell is the evidence tier for the coding: **A** the statute read in its own text, **B** a primary agency or government document, **D** a reputable secondary source. The scheme also carries **C**, derived, and **E**, unverified; neither appears in this file. A blank cell means the question was never asked, and the distinction between a blank and a mark matters more than anything else in this appendix, because conflating the two is precisely how a claim about fifty states gets manufactured out of work on 27.

This table is offered so that any reader can measure the gap rather than take the author's word for its size, and so that anyone who wants to fill a cell knows exactly which one is empty.

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## The map

|    | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 |
|----|---|---|---|---|---|---|---|---|---|----|----|----|----|----|
| AL | B |   |   |   |   |   |   |   |   |    |    |    |    |    |
| AK |   |   |   |   |   |   |   |   |   |    |    |    |    |    |
| AZ |   |   |   |   |   |   |   |   |   |    |    |    |    |    |
| AR | d |   |   |   |   |   |   |   |   |    |    |    |    |    |
| CA |   |   | b |   |   |   |   |   |   |    |    |    |    |    |
| CO |   | B |   |   |   |   |   |   |   |    |    |    |    |    |
| CT |   |   |   |   |   |   |   |   |   |    |    |    | A  |    |
| DE |   |   |   |   |   |   |   |   |   |    | A  |    |    |    |
| DC |   |   |   |   |   |   |   |   |   |    |    |    |    |    |
| FL |   |   |   |   |   |   |   |   | D |    |    |    |    |    |
| GA |   |   |   |   |   |   |   |   | D |    |    |    |    |    |
| HI |   |   |   |   |   |   |   |   |   |    |    |    |    |    |
| ID |   |   |   |   |   |   |   |   |   |    |    |    |    |    |
| IL |   |   | d |   |   |   |   |   |   |    |    | A  |    |    |
| IN | A |   |   |   |   |   |   |   |   |    |    |    |    |    |
| IA |   |   |   |   |   |   |   |   |   |    |    | a  |    |    |
| KS | a |   |   |   |   |   |   |   |   |    |    |    |    |    |
| KY | A |   |   |   |   |   |   |   |   |    |    |    |    |    |
| LA |   |   |   |   |   |   |   |   |   |    |    |    |    |    |
| ME |   |   |   |   |   |   |   |   |   |    |    | A  |    |    |
| MD | D |   |   |   |   |   |   |   |   |    |    |    |    |    |
| MA |   |   |   |   |   |   |   |   |   |    |    |    |    | B  |
| MI | A |   |   |   |   |   |   |   |   |    |    | A  |    |    |
| MN |   |   |   |   |   |   |   |   | B |    |    |    |    |    |
| MS |   |   |   |   |   |   |   |   |   |    |    |    |    |    |
| MO |   |   |   |   |   |   |   |   |   |    |    |    |    |    |
| MT |   |   |   |   |   |   |   |   |   |    |    |    |    |    |
| NE |   |   |   |   |   |   |   |   |   |    |    |    |    |    |
| NV |   |   |   |   |   |   |   |   |   |    |    |    |    |    |
| NH |   |   |   |   |   |   |   |   |   |    |    |    |    |    |
| NJ |   |   |   |   |   |   |   |   |   |    |    |    |    |    |
| NM |   |   |   |   |   |   |   |   |   |    |    |    |    |    |

|    | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 |
|----|---|---|---|---|---|---|---|---|---|----|----|----|----|----|
| NY | D |   |   |   |   |   |   |   |   |    |    |    |    |    |
| NC |   |   |   |   |   |   |   |   |   |    |    |    |    |    |
| ND |   |   |   |   |   |   |   |   |   |    |    |    |    |    |
| OH | A |   |   |   |   |   |   |   |   |    |    | A  |    |    |
| OK |   |   |   |   |   |   |   |   |   |    |    |    |    |    |
| OR |   |   | A |   |   |   |   |   |   |    |    |    |    |    |
| PA | A | B | A |   |   |   |   |   | d |    |    |    |    |    |
| RI |   |   |   |   |   |   |   |   |   |    |    |    | A  |    |
| SC |   |   |   |   |   |   |   |   |   |    |    |    |    |    |
| SD |   |   |   |   |   |   |   |   |   |    |    |    |    |    |
| TN |   |   |   |   |   |   |   |   |   |    |    |    |    |    |
| TX |   |   |   |   |   |   |   |   |   |    |    |    |    |    |
| UT |   |   |   |   |   |   |   |   |   |    |    |    |    |    |
| VT |   |   |   |   |   |   |   |   |   |    |    |    |    |    |
| VA | a |   |   | a |   |   |   |   |   |    |    | a  | b  |    |
| WA |   |   | D |   | D | D |   |   |   |    |    |    |    |    |
| WV |   | B |   |   |   |   |   |   |   |    |    |    |    |    |
| WI |   |   |   |   | A |   |   |   |   |    |    |    | A  |    |
| WY |   |   |   |   |   |   |   |   |   |    |    |    |    |    |

**Family key.** **1** Employee wage / income tax · **2** Flat per-worker levy · **3** Employer payroll tax · **4** Service charge on exempt property · **5** Statutory acreage cap · **6** Leasehold / possessory interest · **7** Special assessment / BID · **8** Local option sales, meals, lodging, admissions · **9** Utility or service fee · **10** Municipal utility margin / franchise fee · **11** Enrollment / per-student tax · **12** Population-driven formula aid · **13** State reimbursement · **14** Negotiated PILOT

**Lowercase** marks a cell where the finding was that the instrument is not available or not used.

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## What the map shows

**By family.** Coverage is uneven.

| Family                            | Jurisdictions coded | Of 51 |
|-----------------------------------|---------------------|-------|
| 1. Employee wage / income tax     | 11                  | 22%   |
| 12. Population-driven formula aid | 6                   | 12%   |
| 3. Employer payroll tax           | 5                   | 10%   |

| Family                                            | Jurisdictions coded | Of 51 |
|---------------------------------------------------|---------------------|-------|
| 9. Utility or service fee                         | 4                   | 8%    |
| 13. State reimbursement                           | 4                   | 8%    |
| 2. Flat per-worker levy                           | 3                   | 6%    |
| 5. Statutory acreage cap                          | 2                   | 4%    |
| 4. Service charge on exempt property              | 1                   | 2%    |
| 6. Leasehold / possessory interest                | 1                   | 2%    |
| 11. Enrollment / per-student tax                  | 1                   | 2%    |
| 14. Negotiated PILOT                              | 1                   | 2%    |
| 7. Special assessment / BID                       | 0                   | 0%    |
| 8. Local option sales, meals, lodging, admissions | 0                   | 0%    |
| 10. Municipal utility margin / franchise fee      | 0                   | 0%    |

The best-covered family is **employee wage / income tax**, at 11 jurisdictions, or 22 percent of the jurisdictions on the grid. 7 of the 14 families rest on a single jurisdiction or none. That ranking is close to circular: the best-covered family is the one chapter three was written about, and coding follows the writing.

**By state.** 3 jurisdictions have three or more families coded: **PA** (4), **VA** (4), **WA** (3). 20 have exactly one. **24 jurisdictions have nothing coded at all:** AK, AZ, DC, HI, ID, LA, MS, MO, MT, NE, NV, NH, NJ, NM, NC, ND, OK, SC, SD, TN, TX, UT, VT, WY.

That last list is not a claim that those states lack instruments. Several of them almost certainly have wage taxes or reimbursement programs this project never opened. It is a list of the places where the question has not been asked.

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## Where the map and the book disagree

**The map codes the inventory, and the book outran the inventory.** Seven jurisdictions carry substantive chapter argument built on primary sources and have no rows in the coded file at all. They are blank above. The blank is a defect in the map, not a gap in the book.

| Jurisdiction | Chapters            | What the chapters build on it                                                   |
|--------------|---------------------|---------------------------------------------------------------------------------|
| VT           | 1, 2, 5, 11, 12, 13 | the \$750,000 UVM cap and the local-option skim; 32 V.S.A. §§ 3701, 3703(c)     |
| NJ           | 1, 3, 4, 6, 7       | Morristown/AHS and the per-bed hospital contribution; the Newark payroll tax    |
| NC           | 1, 2, 8, 10, 11     | UNC-Charlotte stormwater and the Attorney General opinion; Elon                 |
| MO           | 1, 4, 9             | Columbia's charter-mandated utility margin, better than eighteen million a year |
| TN           | 1, 9                | the UT Knoxville amusement tax, \$1.6M a year                                   |
| NH           | 5                   | the Durham/UNH municipal services agreement                                     |

| Jurisdiction | Chapters | What the chapters build on it                                                   |
|--------------|----------|---------------------------------------------------------------------------------|
| MA           | 13       | the state-owned-land program, named in the inventory's own family-13 definition |

The pattern in it is not random. Missouri's instrument is the municipal utility margin and Tennessee's is the local-option amusement tax, which are two of the three families the file never coded at all. North Carolina's is the utility-or-service fee, a family the file does code, without North Carolina in it. The chapters that lose the most from this map are eight, nine and eleven.

Where the map and a chapter disagree about what was examined, the chapter and its panel log are the record, and this table understates what the project examined.

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## Notes on Sources and Provenance

What follows is the sourcing for the book, chapter by chapter. Each entry gives the evidence a chapter rests on as source blocks — one block per evidentiary spine rather than a citation for every sentence. The front-matter section "Scope, sources, and how to read the provenance" defines the tier letters (A through E) and the reading conventions these notes use; read it first if you have not. Quotations flagged during the build as paraphrase, reported speech, or an automated-fetch truncation are never presented here as verbatim, and the items that could not be sourced to a primary document at all are listed separately in the project's open-items record rather than smoothed over.

### Introduction

**The Hartford opening.** The opening scene is Hartford, not New Haven: in the autumn of 2017 Connecticut entered a fiscal year without a budget, the state PILOT reimbursement ran out "within available appropriations," and Mayor Luke Bronin said the city could be out of cash by early November. The statute (Connecticut General Statutes §12-18b, reimbursing 77 percent of uncollectable college and hospital property taxes, subject to available appropriations) and the 2017 impasse are established and sourced in Chapter 5; New Haven belongs to the January 2021 material there. Tier A/D.

**The four legislative-drafting anchors.** The introduction's claim that the decisive language was written by people who did not live under it draws four examples, each sourced in a later chapter: Ohio's 1851 constitutional phrase "institutions of purely public charity," copied by Pennsylvania in 1873, sourced in Chapters 1 and 7; Wisconsin's 1871 eighty-acre cap and the 2017 Joint Finance Committee second tier for an unnamed institution, sourced in Chapters 2 and 9; Connecticut's 1999 reimbursement promise and its 2017 suspension, sourced in Chapter 5; and Delaware's House striking an inflation escalator by voice vote in April 2025 (House Amendment 1 to HB 34), sourced in Chapters 11, 12, and 13. Tier A throughout, at the chapters named.

### Chapter 1 — The Oldest Quarrel

**The St. Scholastica's Day riot and its settlement.** The account of the 1355 Oxford riot and the penitential settlement rests on the 1357 indenture printed in the *Munimenta Academica* (ed. Anstey, i. 195–199), from which the chapter takes the sixty-two penitents each offering a penny, the substitution clause, and the forty-pence residue. The chapter explicitly does not use the popular "sixty-three scholars killed" death toll (Tier E: Rashdall gives no toll in six pages; the figure traces to a 1971 local history and a 1999 literary guide), and does not use "about thirty townspeople" (found nowhere; Mortimer estimates about twenty and says no reliable figure exists). Hastings Rashdall's *The Universities of Europe in the Middle Ages* (III.95 and the editors' notes) is the framing secondary authority (Tier B). The £250 penalty is corroborated by Avesbury as a third witness, with his own *ut*

*dicebatur* hedge noted; the paraphrase-in-quotes error in the bread letter was corrected to its verbatim reading, "and with no one else."

**The assize as a funded pass-through.** The chapter's central structural point — that the assize of bread and ale passed to the chancellor "at a payment of £5 a year to the Exchequer," so the exempt institution funded the compensation for its own privilege — is read from the same charter record and framed as a pass-through rather than a write-off or a reimbursement. The university's later suit on the bond after the Reformation is drawn from the same documentary tradition. This is the medieval antecedent of the mechanism the modern states conspicuously failed to build, and the chapter presents the parallel as argument.

**The constitutional-exemption texts.** The nineteenth-century American constitutional material is quoted from the constitutions as adopted rather than from Thorpe's 1909 compilation, which prints them as amended (his Ohio Art. XII §2 is the 1906 text, not the original). The chapter notes that Wikisource is unreliable for these texts. The California convention's vote to strike the exemption phrase (75 to 24) is drawn from the convention debates (Tier A). Ohio's debates are pinpointed to the Scott and Bascom imprint.

**Positioning against the prior literature.** Before claiming originality for the convergence thesis, the chapter cites and distinguishes William Brickman (1966) and the recent student note, Catalbasoglu, 99 N.Y.U. L. Rev. 1721 (2024) (Tier B). Several apparatus pinpoints are fixed for deposit: Kibre, *American Historical Review*, p. 556 n.45 (not 550); Rashdall III.95. The chapter is honest that the "sixty-three" negative is not disproven but not exhaustively tested, because four full-text search routes were blocked; and that some secondary texts (Mortimer, Denifle, Brickman) were read under access restrictions, with claims softened accordingly.

## Chapter 2 — One Exemption, Fifty Regimes

**The two national datasets the chapter joins.** The chapter's framing — that the legal typology and the payment data have never been combined — rests on Evelyn Brody's constitutional survey (17 states mandating exemption, 25 granting legislative authority, 8 plus DC silent; her typology is ternary, and the chapter was corrected to say so) and on the PILOT census of Adam Langley, Daphne Kenyon, and Patricia Bailin (Lincoln Institute WP12AL1, 2012, lightly refreshed 2016), quoted verbatim on the inevitability of an undercount and on its count of 218 localities and \$92.7 million. The chapter states the census codes no state-law variables (Tier A/B). *Cross-book note:* the "seventeen states" numeral here is Brody's count of constitutions and is distinct from the local-income-tax "seventeen" debunked in Chapter 3; they compete for the same number, not the same item.

**Wisconsin, the whole argument in one statute.** The sharpest claim rests on the Wisconsin statutes read verbatim: §70.11(3), reaching "incorporated" (private) colleges under three conjunctive criteria (nonprofit; founded before January 1, 1900; at least 5,000 undergraduates excluding online-only); §70.11(1), exempting UW campuses as state property with no acreage cap; §70.109, directing that

exemptions "shall be strictly construed ... with a presumption that the property ... is taxable"; and §70.337(3), (5), and (7), which enumerate private colleges as a reporting category while excluding §70.11(1)–(2) property, so UW campuses are absent from the state's exempt-property data by design (Tier A). The magnitudes are from the Wisconsin DOR, *Tax Exemption Devices 2025-27*, Tables 2 and 3 (colleges and universities \$1,699,827,500, or 4.14 percent, of a \$41,029,882,500 total labelled "PRIVATE" real property) (Tier B). Wisconsin's constitutional silence (Art. VIII §1 uniformity clause, exemption entirely statutory) frames it (Tier A).

**Marquette and the 150-acre tier.** The second-tier cap is read from §70.11(3)(a) verbatim; the Legislative Fiscal Bureau's *Property Tax Administration* (Informational Paper 17, January 2023, Attachment 1, p. 24) prints the entry as "Grounds of Marquette University, not exceeding 150 acres," dated 1871/2017 (Tier A/B). The Joint Finance Committee vote (12–4, May 18, 2017) and the Taylor/Kooyenga positions are from AP via WMTV, which carries no direct quotations, so both legislators are rendered as positions only. The chapter names no 2017 act, because the statute's history line lists both 2017 a. 59 and 2017 a. 222 and neither act text was read.

**Milwaukee's voices, carefully scoped.** Assessor Steve Miner and Mayor Tom Barrett are quoted verbatim from *Urban Milwaukee* (Bruce Murphy, September 29, 2021, verified against raw HTML); the chapter notes explicitly that neither man is speaking about the acreage cap, but about exemptions generally (Tier D).

**Washington, Oregon, Connecticut, Vermont, Georgia, Virginia.** Washington's RCW 84.36.050(1) is read verbatim (the "nonexistent but for the presence of the school" language), with WAC 458-16-270 confirming; *St. Martin's College v. Department of Revenue*, 68 Wn. App. 12 (Div. II, December 17, 1992, Judge Gerry Alexander), is the only appellate opinion pairing "400 acres" with the statute, and there the Department of Revenue conceded the buffer strip was under the cap (Tier A). Oregon's transit-payroll inversion (ORS 267.380) and lease exemption (ORS 307.112, carving out public universities by name) are read verbatim, and the chapter's corrected mechanism has Portland State paying because it is not a 501(c)(3) rather than because it is the state (Tier A). Connecticut's §12-18b rates (77 percent for college and hospital property, 45 percent for other state property) are verbatim, with UConn's placement in the 45-percent bucket an inference; the chapter shows the arithmetic by which municipal-wealth proration (53/43/33 percent) collapses the apparent 70-percent gap to about 6 percent (Tier A/C). Vermont's cap is corrected to 32 V.S.A. §3703(c) ("a maximum of \$750,000.00"), a statewide collective cap on all UVM buildings excluding land (§3701(1)(A)), set by Act 63 effective FY1997, with Ted Barnett of the Vermont Joint Fiscal Office (February 7, 2025) and Burlington officials quoted verbatim — none of whom mentions the cap, which is the chapter's point (Tier A/B/D). Georgia's constitutional supermajority (Art. VII §II ¶IV) is read verbatim and genuinely omits educational institutions; O.C.G.A. §48-5-41 was read only via a Justia capture (Tier D, spot-check before publication), and the open question — whether a Georgia college could enter ¶IV as an "institution of purely public charity" — is stated in-text and left unresolved. Virginia's 2002 amendment (Art. X §6, ratified November 5, 2002, effective January 1, 2003) and §58.1-3651(B)(7),

moving the exemption decision from a three-fourths legislative vote to a local ordinance, are exact (Tier A).

**The McPheeter correction.** *McPheeter v. City of Auburn*, 288 Ala. 286, 259 So. 2d 833 (1972), is quoted only for the two verbatim strings the reporter contains ("This does not concern appellants"; and the holding that imposing the fee on the individual "places no tax burden on Auburn University, the State, or the federal government as such"). The chapter corrects three panel-caught errors: Auburn University was not a party ("no governmental unit is a party to this suit"); the court expressly declined to reach the instrumentality argument; and a composite quotation appearing nowhere in the reporter was cut. Lead plaintiff Edwin McPheeter is named (Tier A).

## Chapter 3 — The Wage Handle, and Whose Wages It Reaches

**The governing case law.** The chapter's claim that a city may tax the wages earned within it by the employees of an institution it cannot otherwise reach rests on a chain of three opinions read verbatim. *McPheeter v. City of Auburn* (Alabama Supreme Court, affirmed March 23, 1972, Justice Daniel T. McCall Jr. for a unanimous court) upheld Auburn's occupational tax against five university faculty and staff; the chapter notes the clerical error in the Alabama Reports that dropped the final "s" from Dean Edwin Keith McPheeters's name. *Graves v. New York ex rel. O'Keefe* (U.S. Supreme Court, 1939), holding that a nondiscriminatory tax on government-derived income is not a tax on the government, is the doctrine McCall applied. *Jefferson County v. Acker* (U.S. Supreme Court, June 21, 1999, Justice Ginsburg), which cited *McPheeter* by name and found the county's license tax a revenue measure laying no demand on the federal government, closes the chain (Tier A).

**The Auburn 1970 opening scene.** The opening is confirmed verbatim in every element against the digitized *Auburn Plainsman* (issues of January 15 and January 22, 1970, full OCR): the crowd of about 350; Earl Kennamer of the Auburn Extension Service with his "Nay, Nay, We Won't Pay" poster; the 5–3 council vote; the note that four of eight council members were university employees; Mayor Haygood's "\$136,000 deficit"; and the sales tax defeated two weeks prior. (Councilman Wright's middle name OCRs as "Juncan" but is "Duncan.") Tier D, digitized primary.

**The Sterling Act origin.** The Pennsylvania Sterling Act material — the 195-to-0 House passage of July 19, 1932, quoted from the *Philadelphia Inquirer* front page (via the paper's 2018 retrospective) — is confirmed; the official Journal roll call is search-only on HathiTrust or physical at the Pennsylvania State Archives. The origin detail (a Representative, not a Senator; HB 214; the 17–0 kill and its "10,000 years" line; the 1939 first municipal income tax) is verified and load-bearing (Tier A/D).

**Athens, Ohio — the two-year fight to raise the rate.** The account of Athens taking the better part of two years to move its income tax by two-tenths of a point is drawn from the council record and reporting. The May 6, 2025 defeat (835 to 625, ~11 percent turnout) and the May 5, 2026 passage (993 to 983) are sourced to the vote records; former state representative Mary Abel, business owner Aaron Thomas, resident Gabriel Spiezo's letter, and Councilman Alan Swank are quoted from

contemporaneous reporting and council minutes (Tier B/D). The Ohio remote-work reversion date is corrected to January 1, 2022, per the Ohio LSC fiscal note on HB 110 (Tier A). The East Lansing 2017 margin (381 votes) is verified exact (Tier B).

**Kentucky — the instrument as foundation, and the collection threat.** The Kentucky material — occupational license taxes supplying more than 60 percent of city tax revenue statewide, Lexington's 2.25 percent, and Bowling Green's 2024 rise from 1.85 to 2.0 percent by a 3–2 commission vote — is sourced to state and municipal records, with Commissioner Sue Parrigin quoted ("riding the ship, going back to 2 percent") (Tier B/D). The 2025 collection fight is corrected to House Bill 253, sponsored by two Louisville legislators (Jared Bauman, primary, and Daniel Grossberg), per the official legislative record; the bill died in House Appropriations and Revenue with no 2026 refile in the record. The chapter notes the secondary errors it corrects (a KLC item's "Rachel Roarx"; an Owensboro paper's "HB 254"). Bowling Green's city manager is quoted calling the tax "our lifeblood" (Tier D).

**Philadelphia rates and the verified scaffolding.** The Philadelphia wage-tax rates (3.735 percent resident / 3.425 percent non-resident, effective July 1, 2026) are exact (Tier A). The panel confirmed the mechanism is sound and the scaffolding not invented; the chapter's earlier overstatement of the instrument's meaning, and one misnamed justice, were corrected.

**East Lansing vote totals — the corrected figures.** The 2018 East Lansing income-tax result is carried as 4,526 to 2,894 (all seventeen precincts, re-verified against WKAR's election-night count on 27 July 2026), replacing a transcription error (3,137–2,309) that matched no located source; the 2017 margin is 386 votes against 2,863–3,249. Both this chapter and Chapter 13 now carry the same pair with the same honest label: election-night press tallies. *Open item:* the Ingham County official canvass could not be retrieved through five routes as of 27 July 2026; the remaining route is a telephone call to the county clerk, not a records request.

## Chapter 4 — The Employer's Payroll

**Portland and the Oregon inversion.** The claim that Oregon's transit payroll tax reaches private nonprofit universities while exempting the public ones rests on two statutes read in full: Oregon Revised Statutes 267.380(1)(b), which excludes 501(c)(3) organizations from the definition of "employer" "except that 'employer' does include hospitals," and ORS 352.033, which makes a public university "a governmental entity performing governmental functions" that "is not considered ... a state agency" (both Tier A, read against the statute text). The bureaucratic evidence is the University of Oregon Budget and Resource Planning "Oregon Universities Actual OPE Rates" table (September 2023), on which Portland State carries a "Mass Transit — 0.78%" fringe line while Oregon State and the regional publics read 0.00% and the private colleges (Reed, Lewis and Clark, University of Portland) never appear because they do not file (Tier B). The tax's origin and scale: TriMet Ordinance No. 2 of December 18, 1969; public bodies phased in 1989; the hospital carve-in added 1997; rate 0.8237% effective January 1, 2025; payroll-tax yield roughly \$515 million in FY2025, about 56

percent of operating revenue (Tier B). Sam Desue Jr. (TriMet general manager) quoted from the TriMet newsroom release of July 23, 2025 (Tier B); Andria Johnson named as the Portland State officer who remits, without a quotation attributed to her. Reed's derived TriMet liability (~\$1.75M/yr) and the per-student endowment comparison are labelled estimates in the text (Tier C).

**Seattle and the JumpStart payroll tax.** The holding is *Seattle Metropolitan Chamber of Commerce v. City of Seattle*, King County Court of Appeals opinion of June 21, 2022, Judge James Mann writing: "The payroll expense tax applies to the privilege of engaging in business, not an employee's right to earn a living by working for wages," distinguishing *Cary v. Bellingham* (1952) (Tier A, to be re-checked against the official reporter before deposit). The legislative sequence — head tax of \$275 per employee (May 14, 2018), repeal 7–2 (June 12, 2018), JumpStart passage 7–2 (July 6, 2020), Mayor Durkan's return unsigned (July 17, 2020), effective January 1, 2021 — and the named figures (Teresa Mosqueda as author, Kshama Sawant, Rachel Smith of the Chamber, Eduardo Peñalver of Seattle University) are drawn from the council record and contemporaneous reporting (Tier B/D). Rachel Smith's statement that the Chamber would not appeal is quoted from July 19, 2022 (Tier B/D). City guidance that "there is not a general payroll expense tax exemption for non-profit 501 C organizations" is quoted verbatim from [seattle.gov](http://seattle.gov) (Tier B). Seattle University president compensation (\$781,288, FY2024 Form 990) supports the claim that the private university is subject while the public University of Washington is exempt (Tier B).

**St. Louis, one city with two payrolls.** The paired-instrument claim — a one-percent earnings tax that reaches Saint Louis University's employees and a half-percent payroll expense tax that exempts the university itself — rests on the Collector of Revenue's exemption language ("... not-for-profit educational institutions ... are exempt from the Payroll Expense Tax," Tier B) and on SLU's own refund form, titled "ST. LOUIS UNIVERSITY — CLAIM FOR REFUND OF ST. LOUIS EARNINGS TAX WITHHELD FROM SALARY," which establishes that the university withholds the one-percent earnings tax from its employees (Tier B). Proposition E renewal at 85 percent (April 7, 2026); the 2010 Proposition A (Sinquelfield) that forced the five-year renewal cycle and barred new city earnings taxes; yields (earnings tax ~\$208.5M, ~36 percent of general revenue; payroll expense tax pool ~\$44.7M of which SLU pays nothing) from the Collector's figures and contemporaneous reporting (Tier B/D). Mayor Cara Spencer and Collector Gregory F.X. Daly quoted from STLPR (March 6, 2026) and NextSTL (March 30, 2026); voter quotations (De'Joneiro Jones, Willie Howard) from the *St. Louis American*, April 9, 2026 (Tier D). *Deliberately excluded:* the "carve this pot up" line attributed to Spencer, the 2016 Slay/Green/Reed quotations, and any exact 2026 vote counts, all flagged unverified in the build ledger; the text uses STLPR's rounded "85 percent."

**Denver, the document as character.** The chapter's thinnest case runs on a document rather than a scene, and the notes say so. Denver Tax Guide Topic 61, Example 5 ("John Foundation"), quoted verbatim: a 501(c)(3) "would be exempt from the \$4.00 per month Business OPT ... but would be responsible for collecting and remitting the \$5.75 per month Employee OPT from each employee" (Tier B); the guide's exemption language ("There is also an exemption provided in the Business OPT

for governmental or charitable entities ... The Employee OPT provides no such exemption," Tier B); and the University of Colorado's actual "Request for Exemption From Local City Occupational Privilege Tax" form (Tier B). Rates (\$5.75 employee, \$4.00 employer per month; \$500/month threshold), enacted 1969, raised November 1, 1988. *Excluded:* the two "Lewis quotes," flagged in the ledger as paraphrase in the source, not quotation.

**Pittsburgh's payroll preparation tax.** The 2003 scene — Mayor Tom Murphy at a University of Pittsburgh Faculty Assembly, June 3, 2003 — is sourced to the *University Times* (issue of June 12, 2003), from which the quotations of Murphy ("there are costs associated with that, and we're asking you to help to pay those costs"), Robert F. Pack (the "\$32 million" and "gobbling up the city" lines), and G. Reynolds Clark (the exemption reported as "sacred") are taken verbatim (Tier D). State Senator Jim Ferlo's 2013 line is quoted from January 24, 2013 (Tier D). The tax itself: Pittsburgh Payroll Tax Regulations §202(g), quoted verbatim on the treatment of Institutions of Purely Public Charity (Tier B); rate 0.55 percent; Act 222 of 2004, effective January 1, 2005; keyed to Pennsylvania Act 55 and IRC §511 rather than to 501(c)(3). This is the payroll tax only, kept distinct from the exemption-challenge fight in Chapter 7.

**The hospital carve-out theme.** The recurring observation that these payroll and transit taxes were drafted with hospitals in mind and caught universities incidentally is inference drawn across the five cases above, not a sourced legislative finding; the 1997 Oregon "except hospitals" amendment and the 1969 origin are the documented anchors, and the text does not attribute a motive to any named 1969 or 1997 legislator.

## Chapter 5 — The Promise and the Appropriation

**Connecticut's state PILOT, the tiered reimbursement.** The chapter's account of Connecticut reimbursing municipalities for tax-exempt college and hospital property rests on the statute as amended twice: House Bill 6516 (2021) set the three reimbursement tiers at 50, 40, and 30 percent, with the poorest tier (Tier 1) at 38.5 percent of the 77-percent statutory rate; Public Act 23-204 (2023) raised the tiers to 53, 43, and 33 percent, lifting Tier 1 to 40.8 percent. The text states the 2021 bill set the leanest tier at roughly half the 77-percent standard and that "a budget two years later nudged the fraction up to fifty-three percent"; the forty-cents-on-the-dollar figure is the current effective Tier 1 rate. The characterization of the state paying about 40 percent of its own promise is drawn from the reimbursement history, not asserted as a permanent rate.

**Maine, the exemption the state will not reimburse because of its date.** The structural finding — that Maine reimburses municipalities for post-1978 exemptions but not the college and charitable exemptions, which predate the line — rests on the Maine Constitution, Article IV, Part 3, §23, quoted verbatim on the 50-percent reimbursement of losses "because of the statutory property tax exemptions or credits enacted after April 1, 1978," and on 36 M.R.S. §661, which repeats the date (Tier A). The college and charitable exemptions sit at 36 M.R.S. §652(1)(A)–(B), whose statutory history begins in 1965 and therefore predates the line; within the same subsection, §652(1)(E),

veterans' organizations, is reimbursed, and Maine Revenue Services' reimbursable list names only that paragraph (Tier A/B). The Real Estate Property Tax Relief Task Force report (January 2026) is quoted on the pro-rating of the single exemption and on the majority's refusal to recommend a mandated PILOT; the one mandated PILOT in Maine statute is 38 M.R.S. §2175-B, state-owned landfills (Tier B). Orono's frozen University of Maine payment (\$655,431, identical in every budget column, line 4058) and Town Manager Sophie Wilson's April 25, 2023 budget transmittal are quoted from the town budget (Tier B); the 44.32-percent exempt share is the author's calculation from the FY2022 valuation (Tier C). Maine revenue sharing — 30-A M.R.S. §5681(5), which still reads five percent while listing in its own text the years the state transferred two or three — and Governor Mills's August 8, 2022 restoration statement complete the "promise versus paid" thread (Tier A/B). *The chapter states that no reported scene exists of Orono officials confronting the university or the state; the grievance is documentary, and the text says so.*

**New Hampshire, the leverage clause in writing.** The claim that New Hampshire authorizes only voluntary PILOTs and pays nothing itself rests on RSA 72:23-n, quoted in full (a municipality "may enter into negotiations" and "may accept ... a voluntary payment"; 1996) (Tier A). The Durham–UNH Municipal Services Agreement, OCR'd from the scanned original signed by Kenneth B. Cody (October 23, 2009) and Richard Cannon (October 26, 2009), supplies both the conceded injury (§1, the town "bearing an undue cost burden that is disproportionate") and the chapter's money quote (§3, UNH's payment "predicated on continuation of its current tax and regulatory status," with the reserved right to cease payments "if any change to that status occurs"), the same clause reappearing at §16 of the Fire Protection Service Agreement effective January 1, 2016 (Tier A). Durham's 2026 General Fund revenue detail (prepared by Gail Jablonski) shows the town collecting roughly a million dollars a year in voluntary PILOT from a retirement community and two housing nonprofits and nothing from UNH, which owns about 40 percent of assessed value; Todd Selig's October 31, 2025 budget letter records the ~\$150,000 UNH policing payment (Tier B). Exempt magnitudes are from the September 19, 2023 USPAP appraisal (UNH \$1.48 billion, 40.75 percent of all Durham real estate) (Tier B); percentages are the author's (Tier C). HB 625 (2025), to enable municipal levies on nonprofits at 25 percent of the municipal rate, is quoted from its title and docket, "Inexpedient to Legislate," reported 18–0 and adopted on a voice vote — supported by the municipal association and killed unanimously (Tier A/B). Hanover/Dartmouth's 2019 abatement petition and the FY2025 top-ten-taxpayer table (Trustees of Dartmouth College, \$8,285,147) round out the state (Tier B/D). *Excluded per ledger:* the Hanover "Payment in Lieu of Taxes" enterprise-fund lines, which are not Dartmouth PILOTs.

**Wisconsin, Act 12 and the municipal-services shortfall.** The corrected arc — a 2023 reform that rebuilt the revenue architecture around the state-facility reimbursement account without fixing the shortfall, followed by a partial fix two years later — rests on 2023 Wisconsin Act 12 (signed June 20, 2023), which created Wis. Stat. 25.491 routing the municipal-services payment account into a new Local Government Fund (Tier A; the text cites the section and notes the subsection number is uncertain between sources). The Joint Finance Committee report (November 14, 2024) gives the 37.62-percent proration; the Department of Administration's 2025 figure gives 44.14 percent (Tier

B). The program was created in 1973 and last fully funded in 1980 (Tier D). The chapter states the first increase in over twenty years came in the 2025–27 biennial budget, not in Act 12, lifting proration toward roughly half — so the shortfall is not described as still frozen in 2026. Robin Vos (February 13, 2025) and Oshkosh deputy mayor Joseph Stephenson (May 9, 2025) are quoted from contemporaneous reporting; Jerry Deschane's "reversed about 20 years of history" is flagged in the text as referring to shared revenue, not to the facility-reimbursement formula (Tier D).

**The federal endowment tax, the handle no city holds.** The escalation from the 2017 flat 1.4-percent excise (IRC §4968) to the 2025 tiers (1.4/4/8 percent by per-student endowment, applied only to institutions with at least 3,000 tuition-paying students, effective for tax years beginning after December 31, 2025) is sourced to the 2025 reconciliation act signed July 4, 2025, quoted from the American Council on Education summary, projected to raise \$761 million over ten years (Tier B). Yale president Maurie McInnis's July 3, 2025 "Update on tax legislation" is quoted on the 8-percent rate, the estimated \$280 million first-year cost (Yale's own figure, used in preference to the bundled "\$300M"), and the money "that would otherwise support ... local partnerships with the city of New Haven"; her March 6, 2026 reversal ("increasing our voluntary payments as the federal tax on our endowment is rising") is the pivot (Tier B/D). Princeton's escape — expanding financial aid to drop its tuition-paying headcount below 3,000 rather than shrinking its endowment — is sourced to the *Daily Princetonian* (May 2026), with Burton Malkiel and Colgate's Joseph Hope quoted; the text therefore does not state a flat "8 percent on the wealthiest" for 2026, because the tier turns on a manageable headcount (Tier D). *Excluded per ledger:* the unsupported "\$50M if taxable" figure and the bundled "\$300M."

**New Haven, the organizing behind the payment.** The scenes that ground Yale's voluntary payments in pressure rather than goodwill are sourced to contemporaneous reporting: the July 30, 2025 Scantlebury Park rally (Rev. Scott Marks of New Haven Rising, Board of Alders president Tyisha Walker-Myers, Mayor Justin Elicker) and the September 25, 2025 Cedar Street march of about 2,000 (Lisa Stevens, Local 34; Bob Proto, Local 35) (Tier D). The deeper history — the December 2015 civil disobedience with 134 arrests, the February 21, 2019 aldermanic hearing contesting Yale's hiring pledge, and the movement's origins from 2000 through 2012 — is drawn from *The Nation* (February 5, 2016), *The New Journal* (May 1, 2019), and *Dissent* (Winter 2015) (Tier D). The deals themselves: the November 17, 2021 agreement (\$135.4 million over six years, lifting the annual toward roughly \$24 million from a prior ~\$13 million), with Peter Salovey and Henry Fernandez quoted; and the March 6, 2026 agreement (over \$230 million through FY2033, annual payments rising toward roughly \$30 million), with Elicker quoted (Tier B/D). Yale's tax-exempt property (~\$4.1 billion, roughly half of New Haven's exempt total; 60 percent of the city's real estate exempt) and budget director Michael Gormany's \$75–90 million estimate are from NBC Connecticut (January 14, 2021); the constitutional root of Yale's exemption is stated by Senator Looney in the same reporting (Tier D). *Excluded per ledger:* the January 2026 "\$110M/yr union demand" (headline only, unread) and any statement of the 2026 deal's term in years, which the sources dispute; the text says "through 2033."

## Chapter 6 — The Negotiated Payment

**Providence and Brown.** The 2023 agreement scene — the October 12, 2023 City Hall signing by Mayor Brett Smiley, President Christina Paxson, and Council President Rachel Miller, following the Council's 9–1 approval on October 5 — and the student pressure behind it (the September 29, 2023 three-hour Council hearing; the April 2023 admitted-students-day rally on Brown's Quiet Green) are drawn from Brown University releases and Rhode Island reporting. Smiley, Paxson, and Miller are quoted from the Brown release of October 12, 2023, and Smiley again from the September 5, 2023 release (Tier B). Student and council voices — Niyanta Nepal and Sue AnderBois — are quoted from *Rhode Island Current* (September 29, 2023), and spokesperson Brian Clark from the *Brown Daily Herald* (Tier D). The earlier arc is Mayor Angel Taveras in 2012 (NBC/AP), quoted on the \$38 million in unpaid Brown property taxes and on Brown being "part of the solution," and Aaron Regunberg's 2012 "sit up on our hill" line (Tier D). Figures: Brown's direct commitment (\$174.7 million over twenty years), the four-institution total (\$223.5 million, up 138 percent over the prior deals), the FY2023 endowment (\$6.6 billion), 230-plus buildings assessed near \$1.3 billion, and the ~\$50-million-if-taxed estimate from the city's January 2022 report; the payment-fraction rise from roughly 9 to 17 percent is the author's calculation (Tier B/C/D). *Excluded per ledger:* the "Category 5 hurricane" line (no primary cite), the conflicting "\$60M/10yr" figure (the text uses \$31.5M over 11 years for 2012), the "largest private landowner" superlative, and the paraphrase-in-quotes attributed to Simmons and Quinn.

**Worcester and the endowment ballot.** The national frame — the November 4, 2025 non-binding ballot question asking the city to require private colleges to put 0.5 percent of endowment into a community fund, passing at about 74.8 percent (16,269 to 5,484) while its sponsor lost her seat — rests on the official ballot text, quoted verbatim (Tier A), and on Worcester reporting. Councilor Gary Rosen (on colleges using police and fire protection they do not pay for, and the ~\$4 billion combined endowment of eight colleges) and City Manager Eric Batista (expansion would mean reopening contracts) are quoted from the *Worcester Guardian* (~April 1, 2026) (Tier D). WPI president Dennis Berkey's statement that the 2009 PILOT was not meant "to serve as a model" is quoted from wpi.edu (May 12, 2009) (Tier B). The five presidents' April 2025 opposition letter is quoted from the *Worcester Business Journal*, flagged for exact-wording verification. Figures: roughly 29 percent of the city tax-exempt, ~\$157 million foregone if taxed (Worcester Regional Research Bureau, FY2015), colleges self-reporting ~\$2 million a year in collective PILOT (Tier B/D). *Excluded per ledger:* the conflicting "\$20M annually" versus "\$20M over 25 years" figures and the unverified "behemoths" fragment; the election date is November 4, 2025.

**Amherst, the ability-to-pay counterpoint.** Amherst College's February 6, 2025 announcement of a \$2.5-million, three-year voluntary contribution is sourced to the college's own release, with President Michael Elliott and Town Manager Paul Bockelman quoted verbatim (Tier A/B). The counterpoint — a tax-exempt college too fragile to fund anything — is Hampshire College president Miriam Nelson's April 5, 2019 resignation letter, quoted from hampshire.edu (Tier A). Figures:

Amherst's FY2024 endowment (\$3.55 billion), campus assessed at ~\$367 million (~\$7.7 million a year if taxable), the \$750,000 annual gift at roughly 10 percent of what would be owed (author's estimate); UMass Amherst is state property under a Strategic Partnership Agreement (~\$1.025 million a year), not a property-tax PILOT (Tier B/C). *Excluded per ledger:* the Amherst Student's self-labelled paraphrases and the "\$300K/\$0 not made whole" claim, attributed in the text to residents' argument rather than asserted.

**Boston, the master-plan leverage.** The mechanism — universities and hospitals building only under an approved ten-year Institutional Master Plan reviewed through Article 80, with a required cooperation agreement — is sourced to the BRA/BPDA Citizen's Guide (Tier B). Two same-day pairings show the leverage: Wentworth's five-year PILOT announced the day the BPDA Board approved its IMP amendment (February 13, 2026), and Harvard's Allston IMP approval with a ~\$53-million community-benefits package including \$15 million in linkage payments conditioned on city approvals (March 13, 2025); Mayor Wu, the *Globe* headline, and Councilor Liz Breadon are quoted from boston.gov and the *Crimson* (Tier B/D). The honest timeline correction — that Wu's PILOT record is mayoral, and the pre-2021 council drive belonged to Lydia Edwards, Michael Flaherty, and the PILOT Action Group — is drawn from *Herald* reporting (Tier D). Council PILOT Committee chair Sharon Durkan's thesis line ("when institutions need us, we have an easier time getting what we think we deserve") is quoted from the *Globe* (April 2, 2026), flagged for re-verification at the fact panel (Tier D). The numbers are verified to the City of Boston Assessing FY2025 PILOT Recap: \$133.6 million requested, \$35.5 million cash, \$66.6 million benefits credited, a city-stated 76 percent "request met," against a derived cash-only rate of 26.6 percent; Harvard at 79 percent blended but 28.9 percent cash, short for the thirteenth year running (Tier A/B, with the cash-only rate Tier C). *Excluded per ledger:* the Dubb, Chan, and Kamosa paraphrases and the garbled "56% cash FY23."

**Princeton, the exemption challenge as leverage.** The 2011 residents' suit (*Fields v. Trustees of Princeton University*), brought by about thirty residents with attorney Bruce Afran and funded by the Eleanor Lewis bequest, and its October 14, 2016 settlement weeks before trial for roughly \$18.2 million, are sourced to contemporaneous reporting. The fresh legal hook — that the plaintiffs argued Princeton had gone commercial, distributing ~\$150 million in patent-royalty profits to faculty inventors, notably from Alimta — is drawn from the same coverage. Afran (*Wall Street Journal*), President Christopher Eisgruber (*Princeton Alumni Weekly*/Stateline), and former mayor Yina Moore (*Nonprofit Quarterly*) are quoted (Tier D). The settlement's composition (\$10 million in property-tax relief to ~870 lower-income homeowners, \$1.25 million to the Witherspoon-Jackson neighborhood, added municipal payments) and the ongoing voluntary PILOT (~\$2.8 million rising ~4 percent a year) complete the case (Tier D). *Excluded per ledger:* the identity of the lead plaintiff and the "\$8M/yr voluntary" figure, which conflates categories; the text uses ~\$2.8–3.5 million.

**The involuntary handle behind the voluntary payment.** The chapter's synthesis — that PILOTs harden only where the city or its residents hold something the university cannot walk around (Boston's discretionary master-plan approval, Princeton residents' litigation, Providence's organized pressure, Worcester's ballot), and stay soft where nothing involuntary stands behind them

(Harvard's 79-percent-blended, 28.9-percent-cash record) — is inference drawn across the five cases above and labelled as the chapter's argument, not as a sourced finding.

## Chapter 7 — The Lever That Doesn't Work

**Pittsburgh, the SEIU and Shapiro episode.** The 2023–24 storyline — that a union sought to condition a city–UPMC payment on a unionization agreement, and that a governor-brokered arrangement was rejected for lacking one — is written in the chapter as allegation and denial, carefully attributed, not as fact. Episode A (leaked emails around a June 2022 Gainey–Davis meeting; SEIU's alleged shaping of talking points; the ~\$350,000 SEIU spent on Gainey's 2021 race) is from KDKA/CBS (April 10, 2023), with the mayor's office denial that it "has not made any demands" and Silas Russell's on-record line quoted (Tier D). Episode B (that Gainey asked Governor Shapiro to intervene and the administration rejected the fall-2023 arrangement) is from WPXI (April 9, 2024), with press secretary Maria Montaña's denial and UPMC's Paul Wood quoted (Tier D). The chapter notes that by the March 2025 PublicSource account the fight was a \$125-million deal with no mention of SEIU or Shapiro, so the episode is treated as a bounded storyline, not a through-line. *Excluded per ledger:* the Silas Russell leaked-email quotations, reported as substance rather than words.

**Pittsburgh, the 2026 O'Connor pledge.** The June 25, 2026 City Hall scene — Mayor Corey O'Connor, Highmark CEO David Holmberg, UPMC CEO Leslie Davis, and City Controller Rachael Heisler announcing a joint \$45-million, five-year pledge (Highmark \$20 million, UPMC \$25 million) for the aging fire and EMS fleet — is sourced to contemporaneous reporting, with O'Connor ("a historic day"), Holmberg ("This region has momentum"), and Heisler quoted verbatim (Tier D). UPMC's separate \$10-million January 2026 gift and the resulting combined figure round out the case. The context figures — UPMC's exemption at roughly \$14 million to the city (part of \$58.3 million across all taxing bodies including school districts), and the net \$47,000 the city realized (\$294,000 collected less \$247,000 in legal fees, PublicSource, March 12, 2025) — anchor the chapter's argument that the sharpest lever nets almost nothing (Tier B/D). *Excluded per ledger:* the "on offense" characterization, not found in any source.

**Pottstown and Tower Health, the doctrine sanded down.** The Pennsylvania Supreme Court's May 30, 2025 decision (*Pottstown School District v. Montgomery County Board of Assessment Appeals; Appeal of Pottstown Hospital, LLC*, No. 95 MAP 2023, argued September 10, 2024) is read verbatim from the opinion PDFs. The procedural history — trial court for the hospital (2021), Commonwealth Court reversing for the school district (February 10, 2023, Judge Fizzano Cannon), Supreme Court reversing back 5–2 (Chief Justice Todd for the majority; Justice Mundy in dissent, joined by Donohue) — and the load-bearing quotations (Todd on executive compensation and management fees being "insufficient by themselves"; Mundy's "pick a lane"; Fizzano Cannon on the 40-percent bonus tie) are all quoted from the primary opinions (Tier A). The financial specifics — management fees Pottstown Hospital paid Tower Health rising from \$4.45 million (FY2018) to \$23.17 million (FY2020), uncompensated care, Tower's FY2022–23 operating losses, and the school district's ~\$900,000 exposure — are from the opinion and reporting, with Superintendent Rodriguez ("10, 12 teachers")

quoted (Tier A/D). *Excluded per ledger*: the "corporate raiders" line, which belongs to the Brandywine companion case in Chester County Common Pleas and is attributed there, not to Pottstown.

**New Jersey, Morristown — the strip that converted to a payment regime.** *AHS Hospital Corp. v. Town of Morristown*, 28 N.J. Tax 456 (Tax 2015, Judge Bianco, decided June 25, 2015), denying the medical center's exemption except for three ancillary facilities, is read verbatim, including the "legal fictions" passage in full (with its conditional "if it is true" clause intact), the deference-to-the-legislature holding, and "the Hospital called all the shots" (Tier A). The settlement (\$15.5 million in back years, ~\$1.05 million a year going forward, about a quarter of the campus taxed) and Mayor Dougherty's "fair settlement" line are from reporting (Tier D). The post-Morristown wave (~35 more New Jersey nonprofit-hospital challenges) and the legislative response — the 2016 bill pocket-vetoed by Governor Christie (January 19, 2016) and the 2021 law signed by Governor Murphy (P.L. 2021 c.17, February 22, 2021: \$3 per bed per day, \$300 per satellite ER, 2-percent escalator) — establish the conversion from strip to statutory payment (Tier B/D). *Excluded per ledger*: the media misquote of the "legal fictions" line that drops the conditional.

**Illinois, Provena to statute to Oswald.** *Provena Covenant Medical Center v. Department of Revenue*, 236 Ill. 2d 368 (2010, decided March 18, 2010, plurality by Justice Karmeier), denying the charitable exemption on "de minimis" charity care, is the strip; the charity-care figures are labelled Tier C (bot-gated in the source). The conversion is Public Act 97-688 (signed by Governor Quinn, June 14, 2012), codified at 35 ILCS 200/15-86, granting the exemption where charitable services meet or exceed estimated property-tax liability (Tier A); *Carle* (2017) dodged the constitutional question and *Oswald v. Hamer* (2018 IL 122203, unanimous) upheld §15-86 facially. The point the chapter draws is that Illinois turned the lever into a formula (Tier A).

**Pennsylvania's HUP test, and why it is the sharpest and still nets little.** The doctrinal spine is *Hospital Utilization Project v. Commonwealth*, 507 Pa. 1 (1985), the five-prong test whose fifth prong requires operating "entirely free from private profit motive," rooted in the constitutional phrase "institutions of purely public charity" (Pa. Const. art. VIII §2); *Mesivtah* (2012) requires clearing the constitutional test before Act 55's safe harbors apply; SB 4 (2015), which would have let the legislature set the standard, died in House committee (Tier A). The synthesis — that where the lever "works" it converts to a negotiated payment (New Jersey) or a statutory fee (Illinois) rather than a court-compelled windfall, and that Pennsylvania's sharpest tool must be won parcel by parcel against a well-lawyered institution — is the chapter's argument. Its thesis authority is the Lincoln Institute brief by Kenyon and Langley (Nonprofit PILOTs, November 2016), quoted verbatim that coercive tactics "backfire at least as often" (Tier A).

## Chapter 8 — The Fee That Is Not a Tax

**West Chester v. PASSHE — the fee held to be a tax.** The Pennsylvania Supreme Court decision (*Borough of West Chester v. PASSHE and West Chester University*, No. 9 MAP 2023, decided April 30, 2026), holding the borough's Stream Protection Fee a tax from which the state university is immune,

is read from the opinion (Brobson majority; Wecht concurring and dissenting, quoted that "a stormwater management system is a service for which a municipal entity may assess a fee") (Tier A). The human cast is drawn from local reporting: Borough Sustainability Director Will Williams (February 18, 2023, on grants filling the gap) and Councilman Bernie Flynn from Hello West Chester; and the sector reaction to the ruling — Paul Smail of the Chesapeake Bay Foundation ("a gut punch"), Andy Yench of Penn State ("throws into jeopardy the entire stormwater utility fee model"), Ellen Kohler of the Penn Water Center, and Ron Grutza of the state boroughs association — from the *Inquirer* and *Lancaster Online* (June 2026) (Tier D). The law-firm reading that this is "a case of first importance" (Brett Flower, Eckert Seamans) and that the fee-versus-tax line "is designed" rather than "litigated into existence" (attributed to the Obermayer firm alert, wording to verify) frames the chapter's drafting argument. West Chester University's escaped bill (~\$132,000 a year) and the borough's \$1-million-plus in backfill grant applications are the figures (Tier D). *Excluded per ledger*: the two conflicting PASSHE-spokesperson quotes and the Metrick line pending verification.

**Ithaca v. Cornell — the stormwater fee built to reach a university.** The 2014 Ithaca impervious-surface stormwater user fee, adopted largely to reach tax-exempt Cornell (~\$130,000 a year) where property taxes could not, is sourced to double-fetch-verified reporting. Mayor Svante Myrick's signature line — that Ithaca "would be a better place to live if Harvard were here instead of Cornell," with better-paved streets and lower taxes — is quoted from the *Cornell Daily Sun* (November 13, 2018), and his 2014 line on Cornell paying "because they generate more stormwater" from the *Ithaca Voice* (Tier D). Alderperson Ducson Nguyen (on the fee "extracting value from Cornell"), Cornell's water manager Chris Bordlemay (supporting the concept at the July 16, 2014 hearing), and President Martha Pollack ("unfair to look at one narrow number") complete the scene (Tier D). Fee figures (residential \$48 rising to \$57; Cornell's voluntary contribution ~\$1.2–1.34 million) are from the same reporting.

**Corvallis — the university that pays the fee, and the tax it could refuse.** Corvallis's Transit Operations Fee (established by the City Council in 2010, fareless from February 1, 2011), billed to all utility customers "including OSU Housing" to move bus service off the property tax and onto a fee that reaches exempt Oregon State, is quoted from the city's own explanation (Tier B; FY2026 rate ~\$6.07/month, ~\$400,000 a year). The foil is the 2013 proposed public-safety property-tax levy OSU could refuse, from the *Gazette-Times* (April 10, 2013): OSU's Steve Clark (the university cannot make PILOT payments but can "support ... the safety of Oregon State faculty, staff and students"), City Manager Jim Patterson ("Here's the need, and we'd like you to participate, voluntarily"), and Councilor Hal Brauner ("nobody is a winner") — with the committee's own record that it began with a water-bill surcharge that "would have put OSU ... in the funding loop" before recommending a property-tax levy instead, showing the city knew a fee reaches OSU where a tax does not (Tier D). *Excluded per ledger*: the "envious bus system" paraphrase.

**The survey anchors — Florida, Minnesota, North Carolina.** The doctrinal spread of the fee-versus-tax line across states rests on three primary sources. Florida: *Sarasota County v. Sarasota Church of Christ*, 667 So.2d 180 (Fla., December 21, 1995, Justice Overton), upholding a stormwater

assessment against a church exempt from ad valorem taxes but not special assessments (Tier A). Minnesota: *First Baptist Church of St. Paul v. City of St. Paul*, 884 N.W.2d 355 (Minn., August 24, 2016, Justice Lillehaug), holding a street-maintenance "assessment" to be a tax, with City Attorney Samuel Clark's official statement quoted ("not a question of if ... but how") (Tier A/B). North Carolina: the September 27, 1993 attorney-general advisory opinion (AG Easley), requested by UNC-Charlotte's university attorney after the city billed the university for stormwater, quoted verbatim that the university is "under no present obligation to pay" but "may elect to contract" — the mirror image of the Georgia opinion (Tier A). Athens-Clarke/UGA is kept as reported doctrine and figures only, with no named official put into a spoken scene, because none was found (the chapter says so).

**The Harrisburg ripple.** The optional coda — that after West Chester University's 2023 Commonwealth Court win, Pennsylvania state entities stopped paying local stormwater fees, leaving Capital Region Water short ~\$386,956 a year — is from Spotlight PA via BCTV (May 24, 2024), with board chair Marc Kurowski and external-affairs officer Rebecca Laufer quoted (Tier D). Charlotte Katzenmoyer's ratepayer warning is quoted from *Lancaster Online* (Tier D).

## Chapter 9 — Around the Exemption

**Amusement and consumption taxes.** The anchor scene is Blacksburg's "Play Fair, Tech" fight of 2010: at Virginia Tech's September 18, 2010 home game against East Carolina, the town's 6-percent meals tax was charged on stadium concessions for the first time, a partial win that held only because a third-party vendor ran athletic concessions while Tech kept refusing at its own dining halls on state-agency grounds. Ranae Gillie (Gillie's & Bollo's), Tech spokesman Larry Hincker, former councilman Paul Lancaster, steering-committee member Michael Sutphin, and Mayor Ron Rordam are quoted verbatim from the *Collegiate Times* (September 30, 2010) and *Roanoke Times* (July 22 and September 24, 2010) (Tier D). The perimeter scene is Tuscaloosa: Visit Tuscaloosa's June 23, 2026 announcement that 2025 visitor spending topped \$1 billion, with CEO Kelsey Rush quoted from the release and WVUA23 (Tier B); the gameday framing and "the university pays none" are the author's narration, not Rush's words. The doctrine — Philadelphia's 5-percent amusement tax and its intercollegiate-athletics carve-back (attributed to Penn's Division of Finance page, not the primary code), Pittsburgh's tax reaching football and basketball, Chicago's 9-percent rate reduced only for large live cultural performances — is read from the municipal finance sources and codes (Tier B). *Excluded per ledger:* the two fabricated Amy Zubaly quotes and any attribution of the amusement carve-back to the statute itself.

**Leasehold and possessory interests.** The anchor is *Connolly v. County of Orange*, 1 Cal.4th 1105 (February 27, 1992), in which about 260 University of California, Irvine faculty homeowners at University Hills sued to have their ground-leased possessory interests treated as exempt and the California Supreme Court held them taxable, with UC's own general counsel litigating for the homeowners and losing. Justice Baxter's holding is quoted verbatim (the leasehold interests "are not property used exclusively for university purposes") (Tier A); the community's present scale (1,714 households) is from the January 22, 2025 UC Regents meeting record (Tier A). The machinery is

Washington's leasehold excise tax (RCW 82.29A, 12.84 percent "in lieu of the property tax"), with the UW/WSU cap for parcels over \$10 million (RCW 82.29A.120, sunseting 2032) aimed at UW's downtown Metropolitan Tract; the March 30, 2017 Senate Ways and Means hearing is sourced to the SB 5768 Senate Bill Report, with the pro-testimony summary quoted as the report's summary rather than as any single person's words (Tier A). Kentucky's KRS 132.195, which taxes a for-profit tenant's possessory interest but exempts state-supported institutions, is read as latent-as-to-campus with no known campus payer (Tier A). *Excluded per ledger*: the homeowner sublease term (only the 99-year master lease is sourced).

**Special assessments and business improvement districts.** The doctrinal anchor is *Williams College v. Williamstown*, 219 Mass. 46 (October 23, 1914), which the corrected record shows the college won — the Supreme Judicial Court abated a fire-district charge as a general tax the exemption reaches, stating the tax-versus-special-assessment line in dicta. Chief Justice Rugg is quoted verbatim on the "clear line of demarcation," and the modern restatement is Massachusetts DOR IGR 2021-1 (February 2021), which cites the case for the rule that charities are not exempt from special assessments (Tier A/B); *Boston Seamen's Friend Society v. Boston*, 116 Mass. 181 (1874), is the charity-actually-paid citation. The live case is the Downtown Berkeley Property-Based Improvement District, where the UC Regents' 13 parcels are assessed \$219,467 for FY2026 under Proposition 218; executive director John Caner is quoted from *Berkeleyside* (June 29, 2011) (Tier B/D). The voluntary edge is Philadelphia's University City District, founded 1997 with no compelled assessment; Paul Steinke is quoted from the *Daily Pennsylvanian* (December 8, 1999), and the 70-percent founding institutional share is verified to the *Penn Almanac* (June 17, 1997) (Tier D/B). The limiting edge is West Chester (April 30, 2026), where the stormwater charge was held a tax and the state university won immunity — Justice Brobson quoted verbatim (Tier A). *Excluded per ledger*: the "~40% today" University City District figure (unverified) and any claim that Williams College was made to pay a betterment.

**The municipal utility margin.** The anchor is Radford, appearing here as one instrument among many, not as the book's subject. The city owns its electric department, Radford University is a top load, and for FY2025–26 the electric fund (\$28,867,505) kept the \$3.9-million transfer to the general fund while the electric reserve went \$433,000 negative; on July 22, 2026 the council adopted a Standby Power Service tariff (Ordinance 1834) with pass-through provisions for the university's load. Interim City Manager Craig Meadows is quoted on the budget from the *pcpatriot* (March 26, 2025) and Radford News Journal (March 4, 2025), with permanent City Manager Todd Meredith (in office from June 2025) kept distinct; the figures come from the city public notice and reporting (Tier B/D). The text does not quote the cogeneration, transfer, or standby lines attributed to Meadows or utilities director Tim Logwood, which are reporters' paraphrases, and it does not describe Ordinance 1834 as itself a general-fund transfer, because it is a cost pass-through. Tallahassee's electric-to-general-fund transfer under City Policy #224 (\$32.37 million in FY2022 rising to \$36.88 million in FY2024, from the 2024 Annual Report to Bondholders) is the larger parallel, with Commissioners Bill Proctor and Jeremy Matlow quoted from the *Tallahassee Democrat* (January 27, 2023) and City

Manager Goad's declined comment noted as reportable silence (Tier A/D). Newark, Delaware, where the city runs municipal electric serving the University of Delaware, adds Mayor Jerry Clifton, City Manager Tom Coleman, and Councilman Travis McDermott from the *Newark Post* (~November 19, 2024) (Tier D). *Excluded per ledger*: any Radford University load-share percentage (no figure found) and the fabricated Tallahassee utility-authority quotes.

**The acreage cap, the dead-letter closer.** The chapter closes on the one instrument aimed at the property base itself — Wisconsin's 80/150-acre and Washington's 400-acre exempt-acreage caps, under which excess acreage is taxable as of right — and the finding that no college is known to pay under either, sourced to the enabling statutes (Tier A). The pluralist thesis is thereby demonstrated on purpose: the instrument pointed straight at the base collects nothing.

## Chapter 10 — Who Bears the Levy: The Student as Asset

**The 2020 undercount in college towns.** The chapter's spine — that the April 1, 2020 census counted college towns with their campuses emptied by the pandemic — is built from officials speaking on the record. Ithaca Mayor Svante Myrick's forecast that an undercount would cost "our fair share of tax revenue for the next ten years" is quoted from the *Ithaca Voice* (April 27, 2020) (Tier D). The undercount claims of East Lansing (city manager George Lahanas, on the population coming back at 47,741, down 838), State College (borough manager Tom Fountaine), and Bloomington, Indiana (Mayor John Hamilton, "just not a credible number") are quoted from local reporting and municipal statements (Tier D). The mechanism — that the Census Bureau's post-count correction "cannot change 2020 Census counts or data products" and reaches only the estimates series — is quoted verbatim from the Bureau's Post-Census Group Quarters Review program page (Tier A/B). The Bureau's Census Day operational statement (CB20-RTQ.06, March 15, 2020) and Director Dillingham's letters anchor the timeline; the panel corrected the order, placing Dillingham's July 1, 2020 reply before the August 12 letter and the narrow directory-data commitment in the October reply.

**Detroit as the large-city mirror.** Mayor Mike Duggan's July 2022 Senate testimony — that the city "can't go back and fix the 2020 Census or replace hundreds of millions of dollars in federal funding already lost" but hopes for relief "going forward" — is quoted from the hearing record and stands as the whole structure of the injury in one sentence: the loss is booked, unrecoverable, and remediable only prospectively (Tier A/D).

**The formula-aid clause that decides the question.** The Michigan revenue-sharing statute (MCL 141.903), with its "wards, patients, or convicts" reading, is read verbatim and confirmed three ways, including the per-capita arithmetic; Minnesota's parallel statute is also cited (Tier A). Marquette's June 2023 challenge, with Northern Michigan University data, is drawn from reporting (Tier D). *Open item*: the Michigan formula-aid per-capita figure (\$106.21 versus \$106.52) awaits the Treasury FY2026 payment file for final reconciliation.

**The serious scholarly objection.** The counter-argument — that counting people in a place does not straightforwardly bring that place money — is sourced to the Prison Policy Initiative's Aleks Kajstura, quoted from her 2020 and 2010 writings that the funding "isn't a lump sum that can be converted to a dollar amount per head" and that most formulas are "far too sophisticated to be fooled by where the Census counts" people (Tier D). The scale of census-guided spending (George Washington Institute of Public Policy: 316 federal programs, \$1.504 trillion, FY2017, per Andrew Reamer) is the counterweight figure (Tier B).

**Orono and the compensating aid that is itself an appropriation.** Orono town manager Sophie Wilson's letters record Maine revenue sharing set in statute at five percent (30-A M.R.S. §5681) while the state "began its annual raids" down to two percent from FY2016 through FY2019, costing Orono about \$621,752 in one year — the same annual re-decision the reimbursement chapter described (Tier D/A).

**The political record.** The August 12, 2020 letter from Senator Elizabeth Warren and the Massachusetts delegation (eleven signers), asking the Census Bureau to use university directory information and warning against locking municipalities into "an artificial and unwarranted lack of representation and resources for the next decade," is quoted from the letter itself (Tier B). The Waterville, Maine referendum (1,071 signatures; 4–1, with Winifred Tate abstaining as a Colby employee) is drawn from the local record (Tier D). *De-quoted per panel:* the re-precincting line, Galvin, Hobbins, and the Michigan House Fiscal Agency statement, all unreachable this pass and rendered without quotation.

## Chapter 11 — Nothing at All

**The statutory spine.** The chapter's account of what Virginia does and does not permit rests on the code read verbatim: §58.1-3403(A), which affirmatively excludes "hospitals, educational institutions or public roadways" from chargeable Commonwealth property while carving in faculty-and-staff housing; §58.1-3401(C), whose service-charge caps are 20 percent general and 50 percent for faculty-staff housing (scoped to non-Commonwealth property); §58.1-3403(E)'s full-rate cap; §58.1-3404's twelve-month notice to the Governor; and §58.1-638 on the school-age basis (ages 5–19, keyed to where the student's parents reside, via the Weldon Cooper Center rather than the Census). The no-local-income-tax point is anchored on §58.1-300, an express prohibition, with the local-option income tax repealed in 2013 (Tier A). The service charge is characterized as widely adopted but inert (twelve cities, seven counties, one town), not unused.

**The two-stage Radford fiscal-distress record.** The chapter's corrected opening runs on two documents from the Auditor of Public Accounts (Staci Henshaw). The 2024 *Local Government Fiscal Distress Monitoring* report (June 30, 2024) concluded that Radford does *not* meet the fiscal-distress criteria and recorded the "approximately 45 percent ... not taxable" sentence as the city management's own explanation, with the transfer identified as coming from the electric fund; the report disclaims being an opinion on fiscal health. The March 2026 recommendation letter for state

assistance reverses that, with Henshaw writing that Radford *meets* the criteria and naming "its unique tax base that includes Radford University" as a primary factor. The chapter runs on the 2026 letter and keeps the 2024 report as the earlier, skeptical reading (Tier A/B).

**The comparative Virginia data.** The per-capita fiscal-stress figures (Radford \$981.31, last of 133; Harrisonburg \$1,477.51; Williamsburg \$2,196.08; Fredericksburg \$2,611.12) are from the DHCD/Commission on Local Government fiscal-stress report; the service-charge adopters and rates are text-extracted from the Weldon Cooper Center's *Virginia Local Tax Rates 2019* (Section 7, Table 7.1) (Tier A/B). The count of independent cities hosting a public four-year university is corrected to eight (Charlottesville is a near-miss because UVA's Grounds sit in Albemarle County), with the six named where the university dominates.

**Williamsburg — the town that reached for the visitor instead.** The Williamsburg sequence is sourced to the city's budget documents: the earlier guide noting the unused admissions-tax authority (§58.1-3840), and the FY2025 guide recording the 2025 move to raise meals and lodging taxes and create a ten-percent admissions tax. City manager Andrew Trivette is quoted on spreading cost across "millions of visitors," and William & Mary's director of government relations Caitlin Olsen is quoted opposing the tax ("an affront to all that our relationship stands for"); the university's decision to absorb the charge into tuition without itemizing it is drawn from the same record (Tier B/D). Radford's real-estate rate is corrected to a rise from 69 to 82 cents.

**The 1981 drafting moment, footnoted against a false correction.** The origin of the educational-institution exclusion is fixed to 1981 Va. Acts ch. 602 (HB 1231), effective July 1, 1981, per Tax Bulletin 81-15 (June 16, 1981), which describes both the three-percent threshold and the exclusion. Because the LIS credit line jumps 1973 to 1982 (a 1984-recodification artifact) and omits the 1981 chapter, the chapter footnotes this so a future checker does not "correct" it to 1982 (Tier A).

**The Delaware counterpoint.** The University of Delaware/Newark material is anchored on 85 Del. Laws ch. 34 (2025), approved June 24, 2025 (Tier A). *Open flags (Tier E):* the chapter carries no CPI escalator for the Delaware charge (House Amendment 1 may have stripped it while the bill-document view still shows it); the Newark ordinance number and August 2025 rate resolution are unverified (city site login-gated), and no number is invented; Governor Meyer's statement is Tier D with no official release; the Harrisonburg "Councilmen Lament Lost Tax Revenue" scene is unverified pending library retrieval and is not relied upon.

## Chapter 12 — Why Form Outlives Amount

**The typology literature the chapter builds on and distinguishes.** The claim that no one had tested the persistence of these institutional forms is narrowed, because Amanda Kass, Michael Pagano, and Farhad Kaab Omeyr built exactly this typology — lump-sum, tax earmarking, constitutional dedication — and tested it (Lincoln Institute WP20AK1, "How States Provide Cities with General Revenue," September 2020, against the Census of Governments for 2007, 2012, and 2017). Their finding is quoted verbatim (earmarking states down about 10 percent then flat; lump-sum states

down 6 percent then another 11, because "state governments in lump-sum states took legislative action to reduce state aid") (Tier B). The chapter also names the genuine counter-finding of Bhatt, Rork, and Walker (*Regional Science and Urban Economics* 41(4), 2011), which holds recipient and function constant and finds earmarking bought no differential protection; Patashnik, *Putting Trust in the U.S. Budget* (Cambridge, 2000); and Michigan, which runs constitutional and statutory revenue sharing off the same sales tax — the natural experiment no one has published (Tier B).

**The accountability evidence.** The claim that own-source taxation is policed more tightly than transfers rests on Adam Dynes and Lucy Martin, *Political Behavior* 43(3):1113–1136 (2021), quoted verbatim with the coefficients correctly ordered (–0.44 on policy incongruence, –0.33 on misuse; the "over thirty percentage points" translation is the authors' own), and the dropped-null-vignette concern confirmed clean against published footnote 5 and Appendix E (Tier B). Bruno Frey's crowding-out work is pinned to p. 749 (the 50.8/24.6 sentence, correct against a field that miscites it to 750) and p. 753 (Tier B). The de la Cuesta et al. null result is quoted from *PNAS* p. 17717 ("Against strong expectations from prior research"); the chapter notes the December 16, 2019 correction (116(52):27162, a wrong-dataset export error the authors report leaves conclusions unchanged) and prints none of the five changed numbers (Tier B). Gadenne (p. 274, exact), Moore (four strings at pp. 297, 304, with the composite hypothesis dropped and Moore's own number-agreement slip preserved), Gervasoni ("fiscal federalism rents," his own scare-quoted phrase, labelled economic autonomy), and Geddes (the crux passage word for word) round out the comparative-politics apparatus (Tier B). *Not used:* Mancur Olson's 1969 "fiscal equivalence" article (Tier E, paywalled and unobtainable this session; the formulations circulating in the secondary literature are others' paraphrases and never appear in quotation marks as Olson's).

**The acreage-cap and constraint-versus-condition material.** The Wisconsin and Washington acreage caps, the strict-construction sentence (§70.109), and the 2017 Joint Finance second tier are reused from Chapters 2 and 9 (Tier A). The distinction between a constraint and a condition is conceded to break on a family of American property taxes that lapse without reauthorization — Washington school enrichment levies (RCW 84.52.053), Michigan's 18-mill non-homestead levy (MCL 380.1211(5)), Georgia SPLOST (O.C.G.A. §48-8-111), Colorado de-Brucing waivers — and on forced reductions like Proposition 2½ and the Headlee rollback; this is stated in a new passage (Tier A). Proposition 13 was rewritten in full after the panel found two of three elements wrong: it is not a freeze but a rolled-back acquisition-value basis reassessed on transfer, and its supermajority rule is mischaracterized three ways (Tier A, with *S.F. v. Farrell*, 1982).

**The in-book facts reused, and the Delaware correction.** Facts carried from their own chapters (each previously panelled): Connecticut's 77 percent and "within available appropriations," corrected to a one-week October 2017 suspension to match Chapter 5; Vermont's §3703(c) \$750,000 cap and Barnett's 8.5-percent proration; Pittsburgh's roughly two years, \$247,000, and \$47,000 net; Philadelphia's 5 percent with Penn filing monthly; Harrisonburg at 14.20 percent (FY2023 audit); Rhode Island bottoming at 22 percent in FY2014 and at or near full since FY2017. The Delaware detail is corrected at its root: HB 34 (85 Del. Laws ch. 34, signed June 24, 2025) contained a CPI-U

escalator as introduced, but House Amendment 1 removed it by voice vote on April 15, 2025 (synopsis quoted); the error propagates because the legislature's document view serves the as-introduced text, and this chapter carries no escalator (Tier A).

## Chapter 13 — Build Handles

**Pennsylvania's Institutions of Purely Public Charity Act — the design core.** The chapter's central legal material is Act 55 of 1997, read directly from the *Pennsylvania Legislator's Municipal Deskbook*, 7th ed. (2025), pp. 147–152, verified identical in the 6th ed. (2020), so it is longstanding law (Tier A). The headline finding, which the draft had missed, is §5(f)(6): a voluntary agreement under §7, in any amount and with no multiplier, outright satisfies the government-service criterion, one of the five an institution must meet. The chapter corrects the draft's overstatements: the §7(c) multiplier credits only toward §5(d)(4)(viii), a definitional input, and at the 350-percent trigger is worth about 0.875 percent of program service revenue (not "revenue") against a criterion that can require 5 percent of costs, in cliffs rather than a sliding scale; the rebuttable presumption sits in §6, not §5 or §7, with a \$10-million threshold indexed 1 percent a year from 1999 (now above roughly \$13 million, a figure computed rather than retrieved and flagged Tier E), and running under §6(a)(3) only against a subdivision that has an agreement in effect. The foundation bar is refuted as the draft stated it: §7(b) bars only a subdivision that receives a distribution from seeking a separate contribution, foundations form "upon mutual agreement," and §7(e) preserves voluntary agreements — so the deskbook's rendering of a bargained term as an imposition was cut as a statement of law. The Pittsburgh public-service-fund inference was cut entirely: §5(h)(2) preserves a subdivision's right to challenge a parcel's charitable purpose regardless of classification, and the "roughly a hundred nonprofits" figure was unsourced.

**East Lansing — the drafting case, rebuilt around what actually changed.** The corrected account rests on primary documents: the November 2017 income-tax result (failed 2,863 to 3,249) came by ordinance, while the property-tax cap cut from 20 to 13 mills passed 3,832 to 2,175 and sat inert in the charter until 2019; the 20-to-13 cap was adopted in November 2017, not by the 2018 amendment; and the charter referendum was August 7, 2018 (city ballot-language page, Tier A), whose text — authorizing the excise tax for 12 years with the 20/20/60 earmark split — is quoted verbatim. The chapter's lesson is corrected from a refuted "two questions welded into one" (the 2017 cut was already expressly contingent on the city collecting an income tax) to "name the term and name the destination." The revenue figures are distinguished: about \$16 million a year gross (Treasurer Andrea Smith to council, March 2025, Tier D) is not the same measure as the \$38.26 million net allocated to the four earmarks FY2019–FY2024 (city published figures, Tier B), and the chapter says so. The Simon–Meadows negotiation correspondence is Tier D throughout: East Lansing Info obtained the letters by FOIA and the quoted strings are ELi's rendering of primary documents the author has not seen, with MSU's own September 2017 statement (Tier B) independently confirming that the negotiation happened and produced no agreement. Whether MSU makes any

separate payment to East Lansing is treated as unverified, because no figure or agreement document was found.

**The two courtroom cases, and why the design rule was demoted.** *Heos v. City of East Lansing*, No. 165763 (Mich., February 3, 2025), is read from the slip opinion (Tier A); it reversed on who the taxpayer was and remanded rather than striking the charge, and the words "university" and "tax-exempt" do not appear. *Borough of West Chester v. PASSHE*, No. 9 MAP 2023 (Pa., April 30, 2026), is now verified against the slip opinion at the state courts site (upgrading the Tier D note carried in Chapters 2 and 7); footnote 6 extends the state university's immunity to special assessments, so persuading a court that a charge is a tax makes the university more immune, not less. On that basis, and against Chapter 8's own upheld fee cases (Athens-Clarke/UGA, cert denied June 2026; Ithaca/Cornell; Corvallis/OSU) plus *Platt Convenience v. Ann Arbor* (Mich. App., October 2024) and *Borikas v. Alameda USD*, the chapter demotes the "first design rule" to a jurisdictional observation.

**The playbook-absence finding and the practitioner voices.** The claim that no replicable municipal playbook exists is a verified positive finding, not an assumption: the GFOA published a Boston PILOT study in February 2022 (which the author initially missed by reading GFOA's page titled "Payments in Lieu of Taxes," dated 1966 federal-lands advocacy, and stopping — the exact failure the book documents); the Lincoln Institute's 2010 report carries a prescriptive design table; and the Urban Institute's 2021 city-revenue study contains zero occurrences of "PILOT" or "lieu of tax" (confirmed by grep of extracted text) (Tier A/B). Practitioner quotations are Tier D, each read from raw HTML: Liz Breadon (*Boston Globe*, May 31, 2025), Nick Ariniello (PublicSource, June 6, 2022), Brett Smiley (*Inside Higher Ed*, October 19, 2023), and Tom Coleman (*Inside Higher Ed*, February 19, 2024).

**Newark, Delaware, and the standing exclusions.** The Delaware instrument is read from the enacted text (85 Del. Laws ch. 34, Tier A): the levy runs against the university, not against students, and UD's decision to fold it into tuition is a pricing choice, not the statute; the CPI escalator was stripped by House Amendment 1 and survives only in the as-introduced bill (the third chapter in which that escalator has had to be removed). *Deliberately excluded per the gather's DO-NOT-USE list*: any Jorge Elorza quote (Tier E); Ithaca Mayor Laura Lewis (partial quotes inside paraphrase); Janet Lillie as a quoted source; the Massachusetts 25-percent/\$15-million and Rhode Island 2-percent endowment figures (they exist only in bills that died and were never enacted); any claim that Delaware preempted Newark (it authorized); any claim Connecticut cut its tiers (PA 23-204 §139 raised them, 50/40/30 to 53/43/33); and any claim New Jersey's 2021 hospital-contribution act reached universities (zero occurrences of "university" in the enacted text).

## A note on method and sources

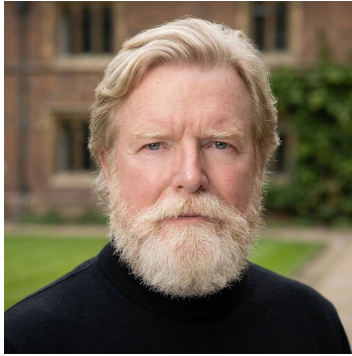
This book was built inventory-first. Before any chapter was drafted, the mechanisms by which a city can reach an exempt university were catalogued as instruments, and each instrument was worked up into a reported-asset ledger that required a named person, a dated scene, and a verbatim quotation from a primary or reputable source before a case could be written. The chapters were drafted from those ledgers, not from memory, and a chapter was not considered to cover an instrument until it carried that instrument at the depth the wage-tax chapter sets as the book's benchmark.

Every chapter was then read by an independent adversarial reviewer against the primary sources, and the reviewer's findings — including the ones that overturned a chapter's opening premise — were applied and logged. Several chapters record the corrections in their own Sources sections, because the corrections are part of the provenance: the Connecticut reimbursement ratio that collapses under proration, the Pennsylvania charity test whose multiplier is weaker than a first reading suggested, the East Lansing ballot lesson that was rebuilt when the record showed the two questions were never truly separable, the fabricated concessions caught where a chapter had conceded on a scholar's behalf something the published work did not concede. Where a claimed quotation could not be found in the reporter or the record, it was cut. Where a figure could be computed but not retrieved from an official source, it is labelled as computed. Where a document could not be reached at all, the claim was scoped to what the record supports.

The tiers named in the scope section govern the whole book. Primary law was read from official text; quotations for scenes were pulled from raw pages rather than from automated summaries, after summarizers were caught inventing details during the research. Description and inference are separated throughout, and the renegotiation typology is carried as a proposition rather than a finding.

A closing list of every claim that could not be sourced to a primary document travels with the manuscript, so that the handling of each open item is legible in one place and a later pass resolves rather than re-opens it. As the audited financial records behind the utility-margin chapter are completed, those figures should be refreshed against them.

## About the Author



Tommy N. Turner is an independent researcher and writer based in Williamsburg and Christiansburg, Virginia. His work examines how institutions govern power under conditions of asymmetric information, compressed timelines, and misaligned incentives. He writes under his personal name only.

This book belongs to a line of fiscal work on small cities and the institutions inside them. Its direct predecessors are *Fiscal Crossroads: An Options Analysis of the City of Radford, Virginia* (2026), *The Quiet Option: How Radford Drifted Into Fiscal Distress* (2026), and *Virginia College-City Fiscal Comparison: Charlottesville, Harrisonburg, Williamsburg, Radford* (2026). That last one put four university towns side by side and produced the question this book answers. Radford appears here as the origin of that question and as one case in chapter eleven, together about two percent of the text; the book is organized by instrument rather than by city because the single case turned out to be the least interesting thing the research found.

His other research runs in two further lines: how American universities have structured their response to generative AI since 2022, and the fiscal and environmental policy of data centers across Virginia, Georgia and Tennessee. His public writing appears in the Richmond Times-Dispatch, the Virginian-Pilot, the Daily Press, the Roanoke Times, Cardinal News, Virginia Mercury, and the Virginia Gazette. Deposits are collected under ORCID 0009-0005-7422-9881.

Turner spent roughly three decades in senior corporate banking, banking technology, and consulting before turning to independent research. He holds an MBA in finance from the Goizueta Business School. He has also completed the Higher Education Teaching Certificate offered by Harvard's Derek Bok Center for Teaching and Learning.

In July 2026 he joined the advisory board of *Data Centers and the Southern Energy Buildout: Implications for Electricity Costs, Energy Transition, and Energy Justice*, a study led by Kristin D. Phillips of Emory University and Jola Ajibade, funded by the Alfred P. Sloan Foundation, which began in April 2026 and runs to 2029. He is not employed by Emory University and holds no grant from the Sloan Foundation. The seat carries a small honorarium. It has nothing to do with this book, and it is named here because a book that spends thirteen chapters on what institutions decline to disclose should not decline to disclose it.

The research and writing of this book were neither commissioned nor funded by any government, university, foundation or advocacy organization. It draws on public sources throughout, with two exceptions named where they appear: the project's own capture instrument inventory, which is unpublished, and the reviewer logs quoted in the introduction.

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**A note on method. The author used AI assistance in preparing this work and is responsible for its content.**

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