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**Testimony of Daniel W. Walker, Preti Flaherty on behalf of
the Maine Independent Colleges Association**

In Opposition to

**LD 438, An Act to Allow Municipalities to Limit Nonprofit Property Tax Exemptions, and
LD 1795, An Act to Change the Calculation for Municipal Service Charges for Tax-exempt
Organizations**

Joint Standing Committee on Taxation

May 6, 2025

Senator Grohoski, Representative Cloutier, and the Member of the Taxation Committee,

My name is Daniel Walker, with Preti Flaherty, and I represent the Maine Independent Colleges Association (MICA). I testify today in strong opposition to LD 438 and LD 1795.

MICA represents 11 independent, nonprofit colleges and universities¹ throughout Maine that serve over 32,630 students, over 7,000 of whom are from Maine. These institutions are located in municipalities of all sizes across the State, from Maine's largest city to small tourist towns and farming communities. While they share the attributes of being independent and nonprofit, these institutions are highly diverse and serve very different aspects of the needs of Maine people. Collectively, the 11 institutions are an economic engine and an integral part of Maine's Higher Educational eco-system, as well as an important part of the Maine economy. Together they:

- Directly employ over 7,180 Maine workers.
- Support 14,300 jobs for Maine workers (both direct and indirect) with earnings in excess of \$632 million.
- Operating expenditures of over \$979 million.
- Capital expenditures of over \$200 million
- Have an estimated economic impact on Maine's economy of over \$2 billion each year.
- Generated \$51,839,000 in total taxes for state and local governments.
- Contribute over \$24 million in local community service.
- Provide over \$72 million in financial aid to Maine students.
- Provide access to facilities in all of their communities.
- Draw nearly 300,000 visitors to our state each year.

¹ Bates College, Bowdoin College, Colby College, College of the Atlantic, Husson University, Maine College of Art, Roux Institute at Northeastern University, St. Joseph's College of Maine, Thomas College, Unity College, and University of New England.

I attach MICA's Economic Impact Report, which we completed this year, which provides further detail on the significant impact that Maine's nonprofit private colleges have on the Maine economy and their local communities.

Although both of these bills were developed with the noble goal of attempting to provide tax relief to Mainers, MICA cannot support this bill, as it will be destructive to the fabric of nonprofits in the State of Maine, especially the private nonprofit higher education institutions. Currently, municipalities already assess service charges, e.g., water and sewer fees. These charges are evenly applied with clear standards across all property owners, including public, religious, nonprofits, and private property. However, LD 1795 picks and chooses between nonprofits and does not apply the proposed service charge equally across property owners. This is a disguised attempt at levying a property tax on a select group of nonprofits.

1. Imposing such a directed service charge on private non-profit colleges will only hurt access to higher education and workforce training for 21st century jobs.

A 20% tax on the assessed value of the real estate held by our schools would be a major blow to the ability of our schools to provide affordable higher education. About 2/3rd of future jobs will require a college education and only 1/3 of our workforce currently has a degree. Maine's Independent Colleges play a huge role in attaining that vision for Maine. These higher education institutions provide workforce training and the foundation for job creation with no help from the State. Understanding that these are tough economic times, imposing such harsh economic policies on private non-profit colleges and other non-profits will only hurt access to higher education (and other important social services).

2. Value of services and public benefits provided by private non-profit colleges and universities to their host communities and the region outweigh the value of the property tax obligation.

a. **Private nonprofit higher education is a major industry in many localities creating significant local economic activity.**

For example, one of the reasons the College of the Atlantic was founded was to combat Mount Desert Island's extreme seasonality by providing year-round economic activity of the students and employees.

St. Joseph's has developed Pearson's Farm, which is providing significant educational opportunities for its students and economic opportunities for the host community in Maine's farming economy.

UNE has developed its Portland Campus as the home of its Medical School and a healthcare educational center that provides essential free services to the Portland peninsula.

Colby has invested tens of millions of dollars in property development in Waterville's downtown, including creating a technology center, mixed-use facility (retail, civic and public

engagement space, and apartment units for 200 students), and a hotel. This alone has increased property taxes hundreds of thousands of dollars.

- b. These institutions provide a positive economic benefit to Maine by reversing the “brain drain” and attracting and retaining talented people (students, faculty, and staff) that are creating the businesses and jobs of the 21st Century.**

Maine has a difficult time retaining our young people. MICA institutions attract and retain young people, including students and faculty, to parts of our State that desperately need the influx of young people for the local economy and local culture.

- c. MICA institutions provide cultural and other benefits to local communities and society in general.**

MICA schools provide local access to their facilities, including museums, libraries, athletic facilities, trail networks, music performances, and lectures. And these activities also attract thousands of visitors to these host communities.

- 3. Provide services that government would need to provide if those services did not exist privately.**

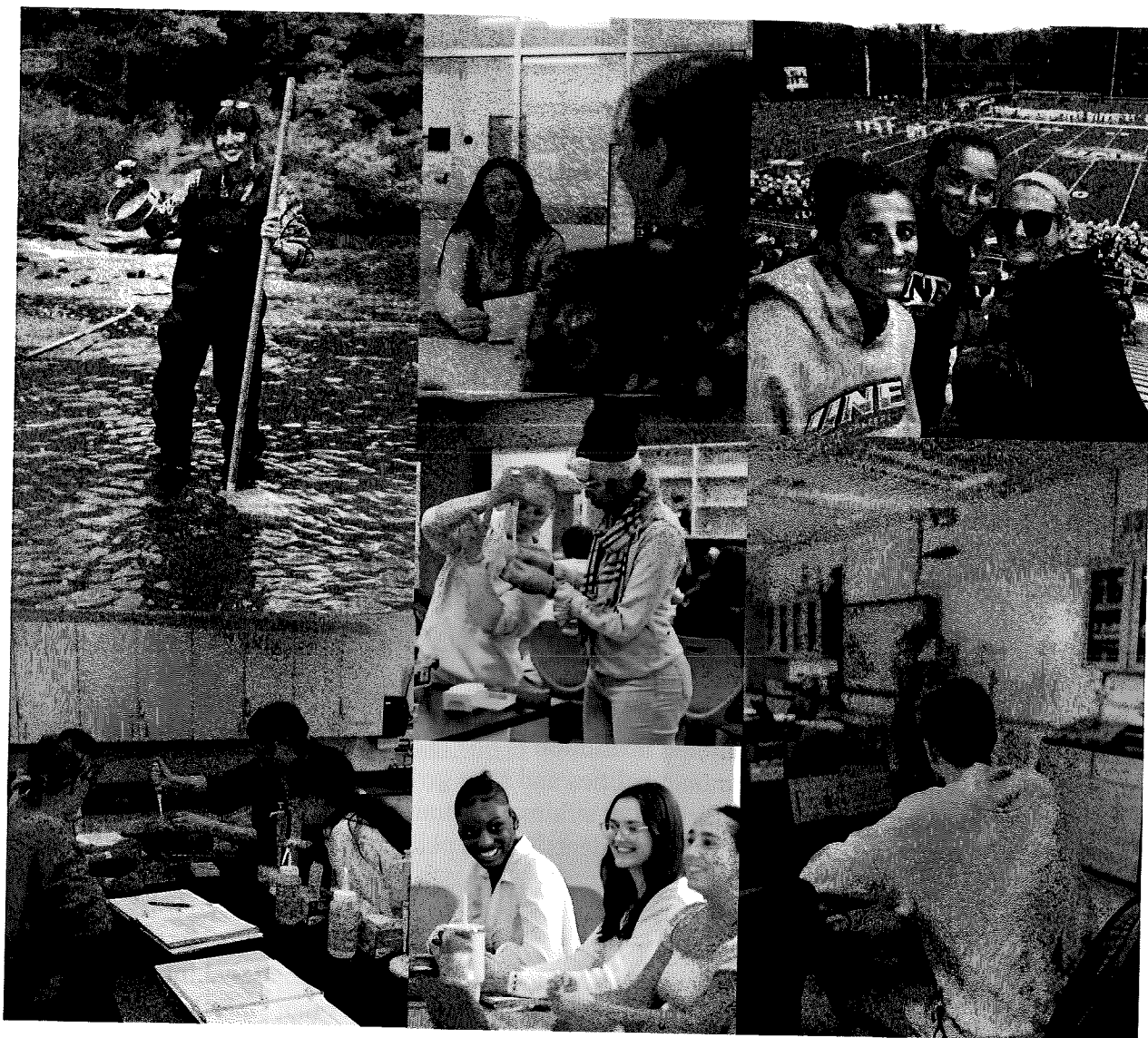
Taxing a private educational institution is just taxing one public service to pay for another. Without nonprofits, municipalities and state government would be forced in many cases to fund these services, putting far greater strains on municipal budget and the state budget. There would be increased demands to meet students’ needs placed on State educational institutions.

- 4. Competitive disadvantage.**

Assessing a service charge on Maine non-profit private educational institutions specifically will place them at a competitive disadvantage with other states’ institutions and with the public colleges of Maine, which are not included in this bill. MICA institutions serve over 7,000 Maine students. Imposing a service charge without similar costs being imposed on the University of Maine System, the Community Colleges, and Maine Maritime Academy drives a further wedge in our tuition prices that Maine students pay.

Private nonprofit colleges and universities are a tremendous resource to their local communities and to the State. As a whole, they already provide around \$14,541,000 in local property taxes to their host communities and provide a host of other services, including donations of faculty and student time, and use by the community of its facilities.

Thank you for the opportunity to submit these comments, and we look forward to working with the Committee on these issues. Please oppose LD 438 and 1795. Thank you.



Maine Independent Colleges Association (MICA)

Economic Impact Report

Economic Contribution of Maine's Independent Colleges to the Maine Economy 2023

Maine's private colleges play a significant and multidimensional role in Maine's economy. Collectively in 2023, Maine's private colleges:

- Spent \$979,029,000 on operations and invested \$201,787,000 on capital expenses on their campuses
- Directly employed 7,180 people enrolled 32,630 students
- Provided 4,230 Maine students with \$72,580,000 in scholarships

Table 1: MICA Direct Spending and Employment

Operating Expenses	Capital Expenses	Direct Employment ¹	Students Served ²
\$979,029,000	\$201,787,000	7,180	32,630

As this economic activity rippled through the Maine economy, it created additional demand for goods and services. In total, Maine's private colleges supported:

- \$2,057,764,000 in total economic output in the Maine economy
- \$632,193,000 in total earnings to Maine workers
- 14,300 jobs for Maine residents
- \$1,336,115,000 in regional Gross Domestic Product, or value-add
- \$51,839,000 in state and local taxes

Table 2: MICA Total Economic Contribution to the Maine Economy

Output	Earnings	Employment	GDP	State Taxes
\$2,057,764,000	\$632,193,000	14,300	\$1,336,115,000	\$51,839,000

In addition, Maine's private colleges supported local communities by awarding 4,230 scholarships to Maine students, volunteering 142,270 hours in their local communities, and by offering community members access to meeting space, facilities, and more.

Table 3: Institution Additional Economic Benefits to the Local Community

# Scholarships to Maine Students	\$ Scholarships to Maine Students	Volunteer Hours	% Offering Access to Facilities
4,230	\$72,580,000	142,270	100%

¹ Does not include student employees.

² Includes all students, including students not currently residing in Maine; however, only students living in Maine were included in the economic analysis.

More Details

This analysis conservatively quantifies the economic contribution of Maine's private colleges, collectively and individually, from three places:

1. Spending on operations and employees: Colleges and universities are often one of the largest employers in their regions. **In 2023, Maine's private colleges spent \$979,029,000 on operations and employed 7,180 people.**
2. Spending on property and infrastructure investments: The expansion and maintenance of college facilities also supports the local economy. Construction projects, in particular, create jobs for local contractors and demand for local materials and services. **In 2023, Maine's private colleges invested \$201,787,000 in capital expenses on their campuses, including \$173,436,000 on construction projects.**
3. Student and Visitor Spending: College students also contribute significantly to the local economy through spending on housing, transportation, entertainment, and daily living expenses. The influx of students, especially in smaller towns or cities, can be a substantial source of revenue for local businesses. Likewise, visitors from outside of the region who visit the college spend money on food, hotels, recreation, and other services. These visitors may be parents of college students, alumni, or be motivated to visit the region for the sporting, cultural, and community events that colleges host. These activities enhance the cultural vitality of the community as well as boost spending in the local economy. **In 2023, students, parents, and alumni spent \$105,277,000 in the Maine economy.** (Note that this is a conservative estimate of student and visitor spending; in fact, significantly more money was spent by students and visitors but because of difficulty in collecting this data accurately, this analysis only includes a small portion of student and visitor spending.)

As this economic activity rippled through the regional economy, it created additional demand for goods and services. The total economic contribution of Maine's private colleges can be seen through four indicators: economic output, earnings, employment, and value-added (regional gross domestic product).

1. Economic Output represents the value of all goods and services produced in the region in support of the colleges' activities: **In 2023, Maine's private colleges supported \$2,057,764,000 in total economic output in the Maine economy.**
2. Earnings represents the wages and salaries paid to workers in the region who are employed directly or indirectly by the colleges or by the industries that benefit from the colleges' activities: **In 2023, Maine's private colleges supported \$632,193,000 in total earnings to Maine workers.**
3. Employment, which is defined as the number of full- and part-time jobs supported by the colleges' activities in the region. **In 2023, Maine's private colleges supported 14,300 in total jobs.** (Note that this does not include student employees.)

4. Gross Domestic Output (also called value-added), which is defined as the additional value that is created at each stage of production in the economy; that is, the difference between the total output of an industry and the intermediate inputs used by that industry. **In 2023, Maine's private colleges supported \$1,336,115,000 in regional gross domestic product, or value-add.**

Table 4: Institution Total Economic Contribution to the Maine Economy

	Output	Earnings	Employment	GDP
Operations	\$1,567,203,000	\$491,925,000	11,495	\$1,059,912,000
Capital Expenditures	\$342,292,000	\$107,427,000	1,985	\$181,309,000
Student & Visitor Spending	\$148,269,000	\$32,841,000	820	\$94,894,000
Total Economic Contribution	\$2,057,764,000	\$632,193,000	14,300	\$1,336,115,000

In addition, the wages and salaries related to the economic activities of Maine's private colleges – including earnings to their employees and the employees of the businesses who support the colleges – generate tax revenue for local and state governments. **In 2023, the earnings supported by Maine's private colleges generated \$51,839,000 in total taxes for state and local governments.**

Table 5: Taxes

Total Earnings	Income Taxes	Sales Taxes	Property Taxes	Total Taxes
\$632,193,000	\$21,492,000	\$15,806,000	\$14,541,000	\$51,839,000

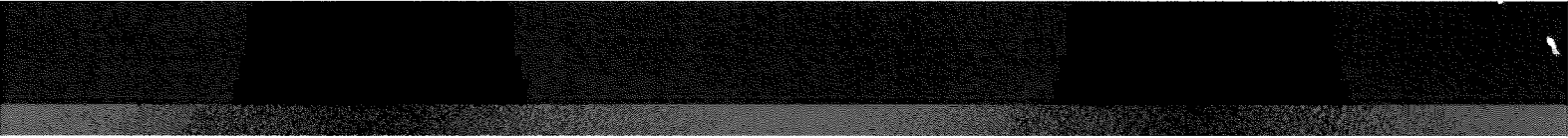
Additional Economic Contributions

The economic contribution estimated in this analysis – while significant – is nonetheless conservative in that it is focused solely on spending. It does not include other important aspects of Maine's private colleges' economic contributions related to research and innovation, business incubation, workforce development, or visitors to cultural and sporting events. These contributions are an essential part of the economic value that private colleges provide but, because they are difficult to quantify, are not included in this analysis. These additional economic contributions include:

Research and Innovation: Higher education institutions serve as hubs for research and innovation, often leading to the development of new products, services, and technologies which can attract businesses and industries to the area, particularly in fields like biotechnology, engineering, and information technology.

Business Incubation and Support: Many colleges offer support to local businesses through business incubation centers, which provide resources, mentorship, and office space to startups and entrepreneurs. This helps new businesses grow and succeed, contributes to job creation, and helps diversify and regional economies.

Workforce Development: Perhaps most importantly, colleges equip students with the skills that local businesses need. This helps create a skilled workforce that is essential for local businesses. By aligning their curriculum with industry demands, colleges ensure that their graduates are ready to meet the needs of local employers, reducing training costs and increasing productivity.



Visitors to Conferences and Cultural or Sporting Events: Many colleges convene conferences, house culturally significant museums, and/or host cultural and sporting events. These activities attract overnight visitors who spend money in the local economy on accommodation, food, shopping, and other goods and services. These visitors are not included in the economic analysis above because of the difficulty in collecting accurate visitation and spending information.