Strapped Cities Press Colleges to Ante Up

By Jennifer Levitz

SMITHFIELD, R.I.—As various town-grown battles simmer throughout New England, this small community has just received a rare weapon: the right to bill a local university for public-safety services.

Gov. Lincoln Chafee recently signed legislation granting the town the ability to charge private Bryant University an annual fee for taxpayer-funded police, fire and rescue response. The law may be the first of its kind, and the university’s president has said he plans to challenge it in court.

Daphne Kenyon, a visiting fellow at the Lincoln Institute of Land Policy in Cambridge, Mass., predicted other localities wrestling with budget shortfalls will be watching. “It’s no longer thought that if you’re a nonprofit, you don’t have to pay anything,” she said.

Most states, including Rhode Island, exempt colleges, churches and other federally designated nonprofits from property taxes. But in recent years, communities—most of them in the college-dense Northeast—have increasingly pressured schools to contribute to the public till. After tense negotiations, Providence last year secured millions in additional voluntary payments from Brown University and other colleges. Most major Ivy League schools now make similar payments to host communities.

They are not called “taxes,” but Bryant University President Ronald Machtley said that is essentially what Smithfield wants to impose, violating the longstanding practice of leaving nonprofit organizations off the tax rolls. He called the law, signed last Thursday and covering only Smithfield and Bryant, “blatant extortion.”

“We’ll sit down and try to negotiate,” Mr. Machtley said, “but we’re not going to roll over and play dead. We’ll go to court.” He has led the university since 1996.

The clash between Bryant and Smithfield stretches back more than a decade, and the law could force a resolution in the fight without ever facing a legal challenge. But Ms. Kenyon said public sentiment has begun to shift over granting special status to nonprofits—especially large institutions with healthy endowments—when local budgets are squeezed.

“It’s about fundamental fairness,” said one of the bill’s sponsors, Democratic State Rep. Stephen Archambault. “They use a resource in the town that everyone else uses, and we’re in a very tough economy.”

The school has 3,500 students and occupies a leafy 428-acre campus in the bedroom community about 15 miles outside Providence. Its buildings are valued at nearly $150 million, which, if taxed, would bring Smithfield $5.3 million annually, according to the town assessor’s office.

Rhode Island reimburses Smithfield more than $450,000 annually for a portion of taxes lost from Bryant. But local officials say it isn’t enough.

“The amount of runs police and fire make to that campus are huge,” said Town Manager Dennis Finlay, a Bryant graduate who said the town gets more than 300 public-safety calls a year from the school, with 50 arrests.

The legislation allows the town to bill Bryant $250,000 to $350,000 that the town estimates the university uses in police, fire and rescue services annually if the two sides don’t come to an agreement by March.

Mr. Machtley said public-safety calls to Bryant aren’t a disproportionate burden on the town, and noted that Bryant handles its own trash and plows its own roads. Bryant also says it makes annual cash payments and “in kind” contributions totaling $1.5 million a year, and that including the $5.3 million would actually cover its sewer and water bill.

The school hosts the town’s annual Fourth of July fireworks, grants scholarships to local students and offers free use of its campus for school graduations. Its presence also attracts visitors and generates economic benefits, Mr. Machtley said, strolling the campus’s brick paths this week.

“The day Mr. Chafee, a Democrat, signed the bill was a dark day for Rhode Island,” said Mr. Machtley, a former Republican congressman.

Mr. Chafee said the legislation isn’t about “taxing a nonprofit or undermining its IRS protections.” He said he hopes it will bring the town and Bryant together to “strike a balanced and fair relationship.”