



Private Funding of Public Parks

Assessing the Role of Philanthropy

*With private donations making up an increasingly large share of city parks' revenue, **Margaret A. Walls** explores the downsides of a heavy dependence on philanthropy.*

In 2012, a hedge fund manager made headlines by donating \$100 million to the Central Park Conservancy, the largest gift in the park's history. Though the gesture was initially applauded, it soon faced scrutiny from critics who questioned whether a gift to an already well-funded park should be considered tax-deductible philanthropy, especially when parks in other parts of New York remain chronically underfunded.

This gift highlighted the complicated, ongoing relationship between public parks and their incorporation of private donations. Many communities currently look to philanthropy to fill gaps in park funding—but is this a good idea? The overall increase of philanthropy's role merits a closer look, as well as whether traditional tax-based methods might be better long-term solutions.

Conservancies and Public–Private Partnerships

Conservancies, “friends of the park” groups, foundations, and other park advocacy organizations have become part of the park landscape in many urban areas. Much of their funding is received through donations, which is mainly used for capital improvement projects, special park activities and programs, and lobbying and advocacy on behalf of the parks. In some unique situations—for example, Central Park—these organizations also are covering park operating costs.

Public–private partnerships that use little or no public funding are also becoming more common in urban environments. In these partnerships, operating revenue comes from a range of outside sources that stretch beyond donations, including user fees, concessions, and restaurant revenue. Money also can be drawn in through property development and in-park fees, as well as from households and businesses located immediately outside of the park's

boundaries. For example, the Bryant Park Corporation—a nonprofit, private management company that operates Bryant Park in Manhattan—created a business improvement district for properties surrounding the park, and those businesses pay the park an annual property assessment. The corporation determines this amount, but it cannot exceed 3 percent of property taxes collected by the city.

Questions about park-based groups were included in a 2009 survey conducted by researchers at RFF, who polled urban park directors about their operations and funding. The 44 directors disclosed that a total of \$143 million was generated by donors, conservancies, and foundations in the most recent fiscal year, with only five reporting that they had not received any private contributions. In a separate RFF survey, park organizations were confirmed to be largely funded by donations: 63 percent of the annual revenue of those surveyed was marked as having come from individuals, corporations, and foundations.

The two surveys reveal a mismatch between the park funding supplied by conservancies and the biggest needs of today's urban parks. Half of the directors considered finding enough funding to manage and maintain their parks their single biggest problem. But most of the conservancies and other park organizations reported that planning, strategy, lobbying, and advocacy were their main focuses.

Philanthropy Drawbacks

Many nonprofit park conservancies and organizations have made positive impacts on their communities, and some have restored failing parks to top form. But an increased use of private funds for public parks makes it a good time to take a step back and assess the drawbacks associated with a heavy dependence on philanthropy:

» *Free Rider Problem.* Parks are good examples of pure public goods that are both nonexcludable and nonrival in consumption. This means that they may be subject to a “free rider” problem if paid for by philanthropy. That is, people will have an incentive to give nothing themselves while allowing donors to pay for the park’s expenses.

» *Uncertain Funding Patterns.* Donors may choose to give during some years but not during others, creating uncertainty for a park’s administrators regarding their ability to meet the park’s needs on a year-to-year basis. The free rider issue can exacerbate this problem. This unpredictability makes park organizations typically unwilling to commit to covering ongoing park maintenance and operating expenses.

» *Crowding Out.* Most conservancies don’t intend to fully fund public parks; even the Central Park Conservancy didn’t initially envision that it would one day handle 85 percent of the park’s operating costs. However, government funding always falls when alternative sources of revenue grow.

» *Fundraising Costs.* It takes money to raise money. Though it’s well known that using taxes to fund public goods places a burden on the economy by diverting resources away from their most productive uses, philanthropy comes with an analogous burden: the cost associated with raising money. An analysis of 16 park organizations’ Internal Revenue Service 990 forms, which all nonprofit organizations are required to file, revealed that 18 percent of their spending occurred outside of parks, on expenses such as management salaries, fundraising, and other activities unrelated to the programs themselves.

» *Idiosyncrasies and Inequalities.* People give money to causes that are most important to them. Because many cities have wealthy residents and businesses willing

to give sizable gifts, donors can end up having a significant say in what gets funded. Additionally, inequalities can emerge across a park system when parks in wealthy areas are given more attention than those in less wealthy neighborhoods.

Old-Fashioned Funding: Taxes

Philanthropy can play a useful role in the support of public parks, but it isn’t essential to their success. Many communities are succeeding with the old-fashioned approach, taxes. Some of the most successful communities that have made public funding work do so through the use of a special park district, a special-purpose unit that enjoys a significant amount of administrative and fiscal independence from local governments. These districts, which sometimes span multiple jurisdictions, are usually given some form of taxing authority and can issue tax-backed bonds for capital projects. Most special park districts rely on a combination of dedicated sales or property taxes along with user fee revenues to fund their operations. Though they must balance their operating budgets according to the limits of these sources, special park districts are not at risk of seeing their revenue swept into a general fund, as many city and state governments can do with their park systems.

To ensure the long-term success of public parks, communities should consider establishing a dedicated park tax designed to target a broad base, in order to incur a small economic burden per dollar of revenue raised. The tax should be periodically taken to voters for approval. Currently, dedicated sales taxes are used to fund state parks in places like Missouri, Minnesota, and Arkansas and a special park district near St. Louis, Missouri. Special park districts in Charleston, South Carolina; Oakland and Alameda County, California; and Columbus,

Ohio, are among others that rely on dedicated property taxes. The budgets of these park systems are supplemented with revenues generated through everything from cottage and campsite rentals to concerts, races, and music festivals. No matter the method used, building a foundation on public funding can provide parks with the long-term financial sustainability needed to help them remain permanent fixtures in their communities for years to come.

Rethinking Philanthropic Contributions

No single financing method will be the best approach for all park systems, but using taxes to provide them with base funding should become a universal approach. A dedicated tax would probably lead to a drop in general fund revenues, though the loss of some of these highly uncertain funds would not outweigh the benefits of the tax. A more predictable revenue stream would allow park directors to better plan and budget, and maintaining an independent system, such as a special park district, provides an incentive for good management practices.

Is there a role for philanthropy in all of this? The short answer is yes. However, the real question lies in what this role should be. In some cities, conservancies and other park organizations are well established. But other communities should explore the potential of direct-giving mechanisms through the establishment of endowment or trust funds. Ultimately, these funds might be able to provide sustainable year-to-year funding through their interest earnings.

More research is needed to explore when and where philanthropy can be best put to use in parks with a public funding base. But this research should include discussions about how best to deal with the drawbacks associated with philanthropy mentioned above, as well as how to prevent private donations from crowding out public support in all cases. Above all, communities should temper their expectations of what philanthropy can achieve, both now and in the future. ●

FURTHER READING

Walls, Margaret. 2014. *Private Funding of Public Parks: Assessing the Role of Philanthropy*. Issue brief 14-01. Washington, DC: RFF.

