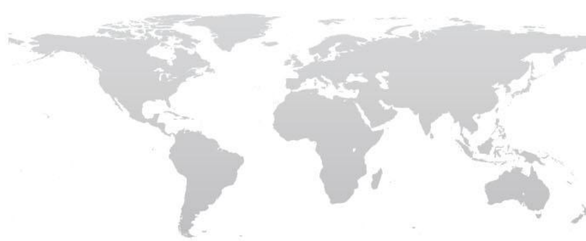
ISSUE BRIEF

Private Funding of Public Parks

Assessing the Role of Philanthropy

Margaret Walls

RESOURCES FOR THE FUTURE



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Resources for the Future

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Margaret Walls[1]

Key Points

- Many communities are looking to philanthropy to fill gaps in public funding for parks.
- Although some communities have achieved success with the philanthropic approach, it has drawbacks: free-riding, uncertainty in funding streams, "crowding-out" of government funds, costs associated with raising money, and inequities in what gets funded.
- "Old-fashioned" tax-based systems have been successful in many communities, especially those with independent park systems.
- More research is needed to identify effective and low-cost methods of raising voluntary donations for parks, as a complement to sustainable tax-based funding.

Introduction

Government funding for parks has declined in recent years. Cuts to state and local budgets after the 2008 financial crisis hit parks hard, exacerbating downward trends that many park systems were already experiencing. As a result, state and local governments have looked increasingly to philanthropy to fill the gaps.

Philanthropy has been responsible for some stunning park success stories. The efforts of private citizens completely turned around Central Park in New York City after the park deteriorated in the 1970s and early '80s. The Central Park Conservancy now has primary responsibility for the park's operations. Its success led New York City to embrace a similar approach in other parks; as a result, private park funding, through conservancies and other nonprofit organizations, is now standard practice in the city. Other cities also have turned to philanthropy for their parks, though generally on a smaller scale. And public-private partnerships have had some notable accomplishments as well; in these arrangements, park nonprofit organizations, for-profit entities, and local governments typically work together.

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A heavy reliance on philanthropy to fund any public good has drawbacks, however, and parks are no exception. The main issues are as follows:

- Free riding: a donations-based approach will almost always lead to underfunding because people can enjoy the benefits of the park without helping to cover its costs.
- Uncertainty in the year-to-year funding stream: voluntary donations are inherently uncertain, which makes it difficult to rely on them for ongoing operational expenses.
- "Crowding out" of public funds: as the private sector steps in with greater levels of funding, the public sector tends to step out and put its limited dollars toward other uses.
- The need to spend money to make money: foundations, conservancies, and other park nonprofits incur significant costs to raise money—executive salaries, proposal writing, and the myriad other costs involved in securing donations.
- Potential neighborhood "haves" and "have nots": park amenities may be targeted toward selective groups or areas rather than the entire community.

Advocates counter that parks are usually cleaner, nicer, and offer more amenities when conservancies and nonprofit groups play an active role. They point out that government budgets are severely constrained. Even when they have money, government agencies are often restricted in what they are allowed to do and how they can spend their money, whereas private nonprofit organizations have more latitude and are often more creative, supporters argue. In addition to the Central Park success stories, advocates point to hugely popular signature parks in other cities where conservancies play important roles: Chicago's Millennium Park, Prospect Park in Brooklyn, the High Line in New York, and the national parks in the San Francisco Bay Area, for example. Parks where nonprofits, local government, and the for-profit private sector form partnerships and work together are often held up as models of creativity. In some of these—Bryant Park in Manhattan, the Rose Fitzgerald Kennedy Greenway in Boston, and the new Brooklyn Bridge Park—local governments contribute no long-term public funding.

In this issue brief I discuss the various ways that private donations are paying for parks in the United States and evaluate the pros and cons of park philanthropy. I examine the roles conservancies and other nonprofits play in major urban parks. In some cases, these organizations act primarily as park advocates; in others, they partner with government to provide particular services and programs or invest in capital improvements; and in still others, they have taken on major roles in park operations. In some cities, the for-profit sector works with nonprofits in parks. I also look at other, more direct donation-based approaches, including the new "crowdfunding" movement.[2]

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[2] I set aside the broader topic of private financing of public goods more generally. But declines in public funding have led to a greater role for philanthropy and partnerships in provision of an array of public goods. Education is probably the most notable example, with large foundations such as the Bill & Melinda Gates Foundation contributing substantial sums, mostly

Notwithstanding the recent focus on private funding, the public dollars spent on parks in the United States still dwarf private dollars. Moreover, there are success stories in communities with little reliance on the philanthropic approach. Instead, they do it the "old-fashioned" way with tax dollars. I describe the park systems in some of these communities. Many of them include special park districts that are statutorily funded through sales or property taxes. When such taxes are put to a vote, they often pass overwhelmingly.

I conclude the issue brief with the following recommendations for a sound approach to park financing and suggestions for future research that could improve the prospects for parks:

- A sound approach includes reliable, tax-based funding for the park system as a whole. Whether at the local or state government level, taxes are essential to provide sustainable year-to-year funding for park operations.
- Communities should consider establishing a tax that is dedicated to parks and should aim for a tax with a broad base that imposes a relatively small economic burden, or deadweight loss, per dollar of revenue raised; the tax should be periodically taken to the voters for approval.
- Most communities should beware of an overreliance on philanthropy, whether through direct contributions or via conservancies and park nonprofits. Voluntary donations are unlikely to provide enough financial resources to solve the problems that exist in many park systems.
- Although conservancies and park advocacy organizations serve a useful role in some communities, they are not essential to having good parks, and many communities do well without them. Communities that are contemplating a greater role for private funding should consider bypassing these intermediaries in favor of direct donations, possibly through endowment, or trust, funds.
- More research is needed to identify the most effective and cost-effective approaches to generate donations for parks. Ideally, this research would include field experiments that allow careful comparisons of the benefits and costs of different forms of giving.

Conservancies, Park Foundations, and Public-Private Partnerships

Conservancies, "friends of the park" groups, park foundations, and other park advocacy organizations have become an integral part of the urban park landscape in many cities. They also exist in smaller communities and at the state park level, but it is in cities where they have had their greatest influence. These organizations receive their funding mostly from donations and engage in activities ranging from construction of capital improvement projects to operation of

in a push for education reforms. Transportation projects often include private funding, as do libraries. Abraham et al. (2012, 2013) discuss these issues and the role the federal government has played in recent years in promoting the approach with its Social Innovation Fund, Investing in Innovation Fund, and other initiatives.

special activities and programs in parks to advocacy and lobbying on behalf of parks. In a handful of cases, they have taken on responsibility for ongoing operations and maintenance.

THE SUCCESS OF THE CENTRAL PARK CONSERVANCY

Many observers attribute at least some of the rise of such groups to the success of the Central Park Conservancy (CPC) in New York City. The CPC was founded in 1980 after a group of civic leaders and prominent citizens became concerned about the serious deterioration of Central Park. With private funds raised from individual and corporate donations and grants from foundations, the CPC invested in a number of capital improvement and renovation projects over the years. Gradually, over time, it took over more and more of Central Park operations. The organization now provides approximately 85 percent of the park's $46 million annual budget. The city pays the CPC an annual fee for its services; this fee was $4.7 million in FY2011, a year in which private contributions totaled $33.4 million. Since it began, the conservancy has raised more than $570 million from individuals, foundations, and corporations. Its net assets in FY2011 were nearly $215 million.[3]

OTHER URBAN PARK CONSERVANCIES

No other conservancy can quite match the scale of the CPC, but several others raise millions of dollars each year, some tens of millions, and take on active roles in their communities. Brecher and Wise (2008) counted 51 park-related nonprofits in New York City in 2007, of which 42 work in a single park and 9 provide city-wide functions. The Prospect Park Alliance in Brooklyn is probably the best known after the CPC. Like the CPC, it originated to address deteriorating park conditions. It is now responsible for a large part of Prospect Park's operations: approximately two-thirds of the park's annual operating budget is covered by the alliance, which spends $12 million per year.[4] One of the newest New York parks to rely heavily on donations is the High Line, a park constructed from an abandoned elevated rail line. Friends of the High Line, founded in 1999 when the park was first envisioned, also spends about $12 million per year.[5]

Millennium Park in Chicago was developed in the late 1990s and early 2000s through a combination of public funding and private donations. Millennium Park Inc., a nonprofit corporation, has responsibility for all park operations, maintenance, and programming, while the city retains ownership of the land—an arrangement similar to that for Central Park. In FY2009, the Chicago Department of Cultural Affairs spent about $7.5 million on the park, roughly 58 percent of the total operating budget of $12.85 million. The conservancy raises the remaining funds

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[3] Information available on the conservancy's website, http://www.centralparknyc.org, including financial information on the organization's IRS Form 990 and in its annual report.

[4] Financial information available on the organization's IRS Form 990 at http://www.prospectpark.org.

[5] Financial information available on the organization's IRS Form 990 accessed through Foundation Center's 990 Finder, http://foundationcenter.org/findfunders/990finder/.

through donations, corporate sponsorships, and park-generated revenues (Bruner Foundation 2009).

Other active park conservancies include the Pittsburgh Parks Conservancy, Houston Parks Board, and Louisville Olmsted Parks Conservancy, which work with multiple parks, and the Piedmont Park Conservancy in Atlanta, Philadelphia's Fairmount Park Conservancy, and Forest Park Forever in St. Louis, each of which works with a single signature park. These conservancies have annual operating expenses ranging from $2.5 million up to approximately $6 million. None of them have taken over operations and maintenance responsibilities.[6]

A number of other conservancies and foundations exist across the United States. While most are in cities, a few operate with county or regional park systems and in smaller communities. The Sonoma County Regional Parks Foundation, for example, fundraises for the regional parks that operate in this Northern California county. Many state parks have "friends of the park" nonprofit groups that work on their behalf, but most are quite small and focus mainly on volunteerism. A few states have foundations that fundraise and advocate for the state park system as a whole, but thus far, these efforts have had limited success. One exception is the California State Parks Foundation, which had operating expenses of $17 million in FY2012.[7] America's State Parks Foundation is a recently established nonprofit that accepts donations and advocates for state parks across the United States, but so far its resources have been extremely limited. The National Park Foundation, a congressionally chartered nonprofit that raises money for the national parks, spent $27.6 million in FY2012 (National Park Foundation 2012).

PUBLIC-PRIVATE PARTNERSHIPS

Public-private partnerships that operate without government funding, or with only a small amount of government funding, are becoming more common in cities. The Bryant Park Corporation is a not-for-profit private management company that has a long-term lease to operate Bryant Park in Manhattan. In FY2010, it had total operating revenues of $8.8 million, three-quarters of which came from user fees, concessions, and restaurant revenues from businesses in the park. A business improvement district was also created for the properties surrounding the park; those businesses pay an annual property assessment, which is determined by the corporation but cannot exceed 3 percent of property taxes collected by the city on those

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[6] IRS Forms 990 accessed through Foundation Center's 990 Finder, http://foundationcenter.org/findfunders/990finder/. Expenses are for FY2011 or FY2012, whichever is the most recent report as of November 2013.

[7] Financial information available on the nonprofit's IRS Form 990 available at http://www.calparks.org/whoweare/financial/cspf-form-990-fy12-20130510-public.pdf.

properties. Assessments totaled $900,000 in FY2010.[8] The park operates without any funds from the city.

The Brooklyn Bridge Park Corporation, a newer organization created in 2010 to manage the 85-acre Brooklyn Bridge Park, which lies along 1.3 miles of Brooklyn's East River waterfront, is similarly organized. Although it receives financial contributions from the city of New York and the state, those funds are to be used only for initial capital projects. Plans are that the park eventually will be self-sustaining. Development of properties that lie within the park footprint will generate most of the revenues for the park, and a separate entity, the Brooklyn Bridge Park Development Corporation, is managing the development process.

The Rose Fitzgerald Kennedy Greenway in Boston is another park that operates without money from the city, though it currently receives funding from the state Department of Transportation. The Orange County Great Park in Irvine, California, is financed with a combination of developer fees and lease revenues and user fees from the park, along with a small amount of money from donations. Both of these parks are new; the 15-acre greenway, which officially opened in 2008, was created where a demolished freeway had run through the city, and the Great Park, which is expected to eventually be about 1,400 acres, was originally a military base that had since been shuttered.

FINDINGS FROM TWO RFF SURVEYS

A 2009 Resources for the Future (RFF) survey of 44 urban park directors included questions about the role of park conservancies and advocacy organizations and the general level of philanthropy.[9] The survey asked the directors how much money was generated for their park systems by park foundations, conservancies, friends groups, or other private donors (wills, gifts, special fundraisers) in the most recent fiscal year. The 44 directors reported a total of $143 million, more than half of which came from New York City alone, but eight cities reported between $2 million and $12 million and only five reported receiving no funding. The survey asked what percentage of the money from this sector went to land acquisitions, capital projects, park and recreation programs, general park and facility repair, and other activities. The findings are shown in Figure 1.

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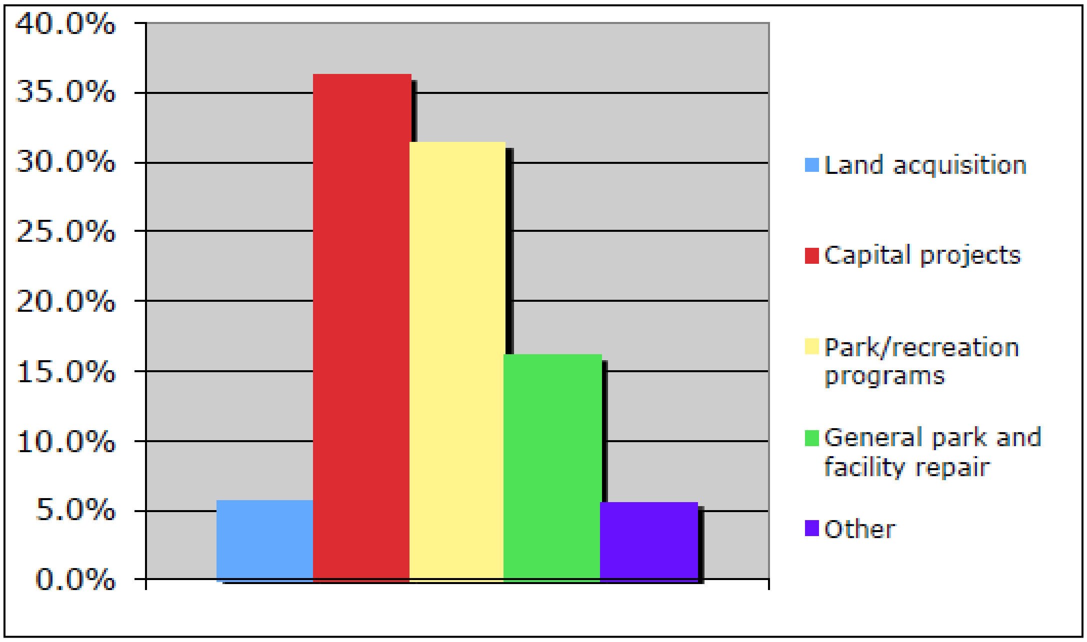
[8] Information available from financial statements on the corporation's website, http://www.bryantpark.org/static/pdfs/reports/Bryant_Park_FY_2010.pdf.

[9] The survey was carried out as part of the Outdoor Resources Review Group (ORRG) study. The ORRG was a bipartisan commission set up to study the state of the nation's outdoor recreation and conservation resources. It released a set of policy recommendations in 2009, backed by a research study by RFF researchers (Walls et al. 2009). See http://www.rff.org/orrg for the final ORRG policy report, the RFF research study, and several background papers, including one on urban parks that includes the survey results discussed here (Walls 2009).

Most of these groups spend their time and money on capital projects and park programs and not on routine operations and maintenance.[10]

Figure 1. Use of Funds Raised by Conservancies, Foundations, and Friends Groups for Urban Parks



Note: Figure shows percentage spent on each activity, averaged across respondents to RFF survey of urban park directors.

Source: RFF urban park directors survey, conducted in 2009. Forty-four cities in the sample. For more information, see Walls (2009).

Another part of the survey asked the park directors about the challenges they faced. The survey listed 12 specific challenges and asked whether each one was "not a challenge," a "minor challenge," "significant challenge," "major challenge," or "huge issue."[11] Sixty-five percent of respondents listed having adequate funding for operations and maintenance as a major challenge or huge issue. When asked about their single biggest issue, half responded with operations and maintenance. Thus it appears that there is often a mismatch between the park funding supplied by conservancies and the needs in urban parks.

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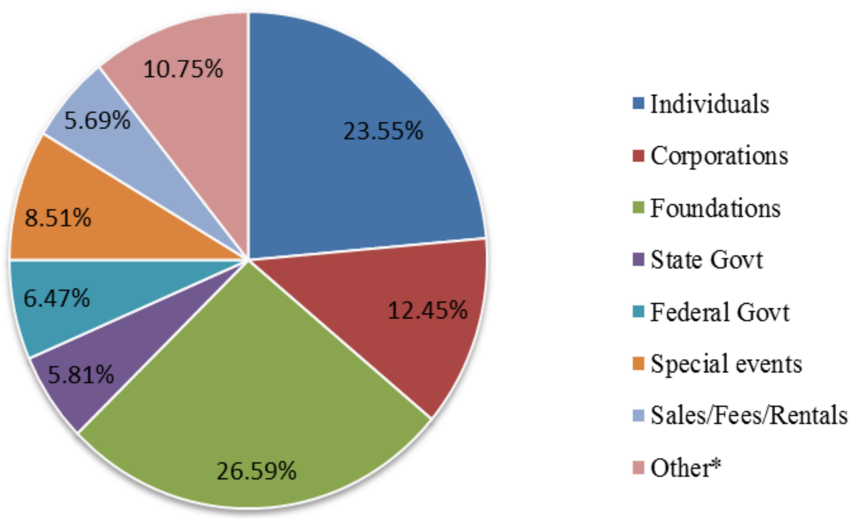
[10] Advocacy and lobbying on behalf of parks, particularly to help ensure continued public funding, are included in the "other" category. I discuss this further below.

[11] The challenges included such things as inadequate park acreage, staffing problems, and crowding/congestion in parks; four challenges were funding-related. See Walls (2009) for more details.

Another RFF survey, also carried out in 2009, questioned conservancies and urban park advocacy organizations directly.[12] Seventeen surveys were returned, and respondents answered questions about their operating budgets, the sources of their funding, the types of activities they engaged in, and the particular challenges they faced. The median operating budget for the survey participants was $600,000, with a substantially higher mean of $2.8 million due to some large conservancies in the sample. Figure 2 shows the sources of funds for the organizations. Individual donations and corporate contributions together accounted for 36 percent of all funding. An additional 26.6 percent came from foundations, which in turn get their money from individual and corporate donations as well as endowment income. Self-generated revenues from fees, sales, and rentals as well as special events accounted for approximately 14 percent. The "other" category in the chart totals 10.8 percent; this is primarily made up of investment income and also some local government contributions.

Figure 2. Sources of Funding for Selected Conservancies and Park Foundations



*Other includes mainly investment income and local government funding.

Note: Percentage of annual revenues from each of the sources, as reported by 17 respondents to 2009 RFF survey of conservancies and park advocacy organizations.

Source: Resources for the Future 2009 park conservancies and advocacy organizations survey. Survey available upon request from the author.

We asked the conservancies the extent to which they engage in various activities grouped into the following four categories: capital projects, park operations and maintenance, land acquisitions, and other activities. Each of the four categories included a list of individual activities. For each of

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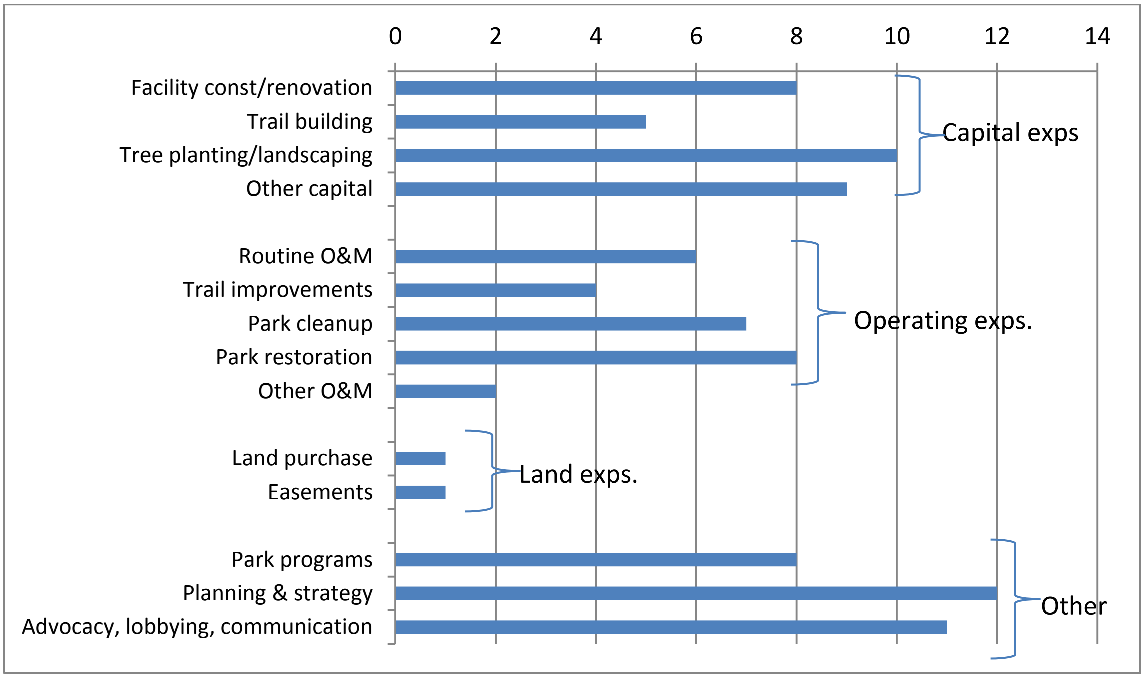
[12] This survey was also part of the ORRG process and was conducted in spring 2009. The survey was facilitated by the City Parks Alliance (CPA), and I am grateful to Catherine Nagel of CPA for providing contact information and supporting the survey.

these activities, we asked respondents to say whether they “don’t engage in the activity” or whether the activity is “low priority,” a “significant priority,” “high priority,” or a “major focus.”

Planning and strategy and park advocacy, which were listed under the “other” category, turned up as the two most important activities for these 17 conservancies and nonprofits. All respondents indicated that they engage in park planning and strategy, and all but two said they engage in park advocacy. Figure 3 shows the number of respondents who listed a particular activity as a “high priority” or “major focus.” Of the 17 respondents, 12 listed planning and strategy and 11 listed advocacy, lobbying, and communication as a high priority or major focus. No other single activity showed up as often as these, although about half of respondents listed at least one of the capital project categories as a high priority or major focus.

Figure 3. Priorities of Conservancies and Park Nonprofits



Note: Number in 2009 RFF survey of conservancies and park advocacy organizations that reported selected activity as a “high priority” or “major focus.”

Source: Resources for the Future 2009 park conservancies and advocacy organizations survey. Survey available upon request from the author.

Because of the small sample size, the results of the RFF survey should be used with care. In addition, the survey was conducted several years ago, and things may have changed in important ways since then. But the survey confirms some basic understandings about these organizations. First, they are indeed financed largely by donations. On average, 63 percent of their annual revenues come from individual and corporation donations and foundation grants. Second, their priorities are planning and strategy, as well as park advocacy, lobbying, and communication, followed by capital projects. Most of these organizations are not taking on park operations and maintenance.

SOME DRAWBACKS OF A HEAVY RELIANCE ON PHILANTHROPY

Park nonprofit organizations have accomplished a lot in some parks in some cities. In many cases, dedicated park advocates stepped in to raise funds to save local parks that were neglected. Dramatic improvements were achieved as a result. But as the move toward private funding expands to more and more communities, it is important to take a step back and consider some of the drawbacks of relying on philanthropy to pay for public goods.

Free Riding

A park, particularly an urban one, is a good example of a pure public good. It is usually nonrival in consumption—that is, except in cases of severe congestion, one person's enjoyment leaves just as much for the next person. And it is nonexcludable—that is, it is difficult, or prohibitively costly, to charge a price to keep people out.[13]

These public good characteristics of parks can lead to a free rider problem. People have an incentive to allow others to pay while they enjoy the good for free. This is a major drawback of relying on donations to fund parks. The approach will work only in unusual situations. Central Park may be one of those unusual situations—nearby residents may get enough enjoyment from the park that they are willing (and able) to pay enough on their own to support the park. Other New York City parks, such as the High Line, also receive substantial donations from nearby residents (Ulam 2013). There are still free riders, if you will, but the benefits for those who pay are large enough to cover the costs of providing the good. This outcome is not the norm. As more communities look to New York City as a leader in park philanthropy, they should guard against the assumption that they can achieve similar outcomes.

Crowding Out

Most conservancies do not intend to fully fund parks. Even the CPC did not envision at the outset that it would one day be responsible for 85 percent of Central Park's operating costs. But the level of government funding almost always falls when the amount from other sources rises. In the case of Central Park, the CPC gradually took on the operating and maintenance expenditures necessary to maintain the capital improvement projects it funded. Over time, this led to more responsibility for the annual costs of operating the park. A similar trend occurred in Brooklyn's Prospect Park. Declines in government funds when other sources increase have been documented in other

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[13] Many, though not all, state parks charge entrance fees, and it is possible in urban settings to charge fees for use of particular recreation facilities, but charging fees for most urban parks would be difficult.

settings. For example, state general fund revenues have dropped when dedicated, or earmarked, revenues have become available for state parks (Walls 2013).

Uncertainty in Funding Levels

Donors may give to a certain cause one year but to a different cause the next. This creates uncertainty in the annual budgets of nonprofits that rely on donations and uncertainty in park funding.[14] Naturally, then, these organizations are reluctant to take responsibility for covering ongoing park costs. This is one reason why their efforts tend to go toward park advocacy, strategy, and planning—activities that can be dialed up or down with the level of available funding. But these are activities that arguably have less direct benefit to park users. Organizations also may underwrite one-off capital improvements but usually with a specific campaign to raise the funds up front. It is typically easier to raise money from private donors for specific and tangible improvements, but this can leave local government holding the bag for ongoing maintenance of these new facilities.

Costs of Fundraising

One of the biggest drawbacks to a donation-based funding system is the cost associated with raising money. Table 1 shows total annual operating expenses for a selected group of park nonprofits and the percentage spent on nonprogrammatic activities as reported on the organizations' IRS Forms 990. These organizations spent a total of $135 million, 18 percent of which was spent outside of parks—in other words, on management salaries, fundraising, and other activities designated for tax purposes as non-program-related.[15] While it is well recognized that using taxes to fund public goods imposes an excess burden, or deadweight loss, on the economy—that is, a distortion of resources away from their most productive uses—this table highlights that a similar kind of cost exists in the case of philanthropy.

In public-private partnerships, other costs have raised eyebrows. In Irvine, California, the new Orange County Great Park is being financed with developer fees and lease revenues, as well as a small amount of donations to an affiliated foundation, and managed by a nonprofit corporation. Controversy has swirled over pricy consultant contracts, cronyism, and a widely perceived lack of progress on development of the park (Nazar 2013; Elmahrek 2012). According to a *Los Angeles Times* story, only $38 million out of $200 million spent over the first eight years of the project went to actual construction in the park, and only about 200 of the promised 1,400 acres were

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[14] Two of the nonprofit organizations in the 2009 RFF survey no longer exist. One of them merged with another organization, and the other closed its doors after it lost its major source of funding.

[15] The percentage varies across conservancies (and from year to year, though the table does not show that). The Houston Parks Board is the lowest, at 9.3 percent in FY2011; in previous fiscal years, its expenses have been much larger than the $3.5 million it spent in FY2011, and the percentage spent on fundraising and management activities was substantially lower, about 4 percent. This conservancy, unlike the majority, focuses most of its attention on land acquisition.

developed; moreover, half of those acres are used for commercial farming (Barboza 2012). The Rose Fitzgerald Kennedy Greenway, also managed as a public-private partnership, has faced some similar criticisms, though on a smaller scale. Questions have been raised about executive salaries at the conservancy, and there has been some public outcry over the size and types of development springing up adjacent to the greenway (Grillo 2012).[16]

Table 1. Annual Operating Expenses of Selected Park Nonprofit Organizations

Nonprofit organization	Total annual expenses (in $ millions)	Percentage spent on fundraising, management, and other nonprogrammatic expenses
Golden Gate National Parks Conservancy (San Francisco)	$47.0	15.0
California State Parks Foundation	$17.4	23.6
Prospect Park Alliance (New York City)	$12.5	19.5
Friends of the High Line (New York City)	$11.9	26.8
Boston Harbor Island Alliance	$10.1	4.9
Battery Park City Parks Conservancy (New York City)	$9.5	12.5
Pittsburgh Parks Conservancy	$5.8	22.1
Rose Fitzgerald Kennedy Greenway (Boston)	$4.2	24.6
Forest Park Forever (St. Louis)	$4.0	32.0
Parks & People Foundation (Baltimore)	$3.5	18.2
Houston Parks Board	$3.2	9.3
Louisville Olmsted Parks Conservancy	$1.6	18.7
Millennium Park Inc. (Chicago)	$1.2	15.6
National Parks of New York Harbor (New York City)	$1.1	18.1
Seattle Parks Foundation	$0.9	33.3
Los Angeles Parks Foundation	$0.8	19.6
TOTAL	$134.7	17.9

Note: Expenses are for FY2011 or FY2012, whichever is the most recent report as of November 2013.
Source: IRS Form 990 for each organization, accessed through Foundation Center's 990 Finder, http://foundationcenter.org/findfunders/990finder/.

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16 The Massachusetts Department of Transportation wants to eventually reduce its contribution to the greenway to zero. This has put additional fundraising pressure on the conservancy.

Idiosyncrasies and Inequities in What Gets Funded

When people donate money to charity, it is natural for them to give to causes that are near and dear to them. This explains the outpouring of financial support for the Central Park Conservancy from nearby residents and businesses. It also explains the level of support for other signature parks in major cities. And because the cities are home to some very wealthy residents and profitable businesses, the level of financial support is high. This can create two problems. First, donors may have an outsize role in determining *what* gets funded. Second, inequities can arise across a park system.

The first problem nearly occurred at Brooklyn Bridge Park in New York City, where plans to include a velodrome in a new indoor recreation facility were linked to a $40 million donation from a noted cycling enthusiast.[17] The park also has been under fire from Brooklyn residents who are displeased with the extent of development in the park, including condos with private yard space on what is considered public land (O'Neill 2012; Foderaro 2012). Even Central Park sometimes receives criticism for achieving a certain aesthetic that fits a particular type of park user.

Similar complaints about amenities have been lodged against other parks that rely heavily on park-generated revenues. The Rose Fitzgerald Kennedy Greenway, which has struggled to raise sufficient funds, has turned to a variety of money-making ventures such as naming rights in the park, user fees, and an elaborate carousel. Damrosch Park in New York City, which is operated by the Lincoln Center for the Performing Arts, is often closed for private events. Irvine's Orange County Great Park has balloon rides and a contract for regular performances by Cirque du Soleil. In Milwaukee, a beer garden was installed to raise money. Bryant Park in Manhattan has long been criticized for the amount of revenue-generating activity conducted in the park.

Perhaps more important, philanthropy can create "haves" and "have nots" across a park system. Several news stories and reports have been written about the disparity in New York City parks (Brecher and Wise 2008; Ulam 2013). As Central Park shines, problems with parks in poorer parts of the city have come to light. New York may have reached a tipping point on this issue in the fall of 2012 when a hedge fund billionaire, who is a regular park user and whose home has views of the park, wrote a $100 million check to the Central Park Conservancy (Foderaro 2012). Although this was initially applauded, it didn't take long for critics to voice their views. The Central Park Conservancy's endowment stood at $144 million at the time of the gift; some questioned whether such a large donation going to a single, already well-funded enterprise really counted as (tax-deductible) philanthropy (Salmon 2012b; Powell 2013).[18] The donation prompted a New York

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[17] The donor eventually backed off and looked for another site for the velodrome.

[18] See Soskis (2013) for more discussion on the Central Park gift and the types of organizations, more generally, that are recipients of the very largest philanthropic gifts.

state senator from Brooklyn to introduce a bill that would require conservancies with annual operating budgets greater than $5 million to donate 20 percent to a Neighborhood Parks Alliance, which would redistribute the money to the city's underfunded parks (Squadron 2013). Such a bill is unlikely to pass, but its mere introduction shows the level of concern reached in some quarters of New York, where philanthropy and public-private partnerships have become standard practice.

Other Donation-Based Funding Methods

Park foundations and conservancies are visible forms of park philanthropy, especially in urban settings. But in some cases, donations can be given directly to parks or park systems, bypassing these intermediaries.

Two approaches that generate substantial revenues are used by some state park systems: state lotteries and motor vehicle registration fees. At first glance, neither may seem like philanthropy. However, people who purchase lottery tickets are essentially donating to state parks (along with any other public goods and services financed by the lottery proceeds). Three states—Colorado, Oregon, and Minnesota—raise between $18 million and $36 million for their state parks each year through sale of lottery tickets (Walls 2013).[19] Studies by economists have shown that a lottery is an inefficient way to finance a public good in comparison with a tax, primarily because a significant portion of collected revenues—usually 50 percent or more—is paid out in prizes (Borg and Mason 1988; Clotfelter and Cook 1987). However, lotteries tend to be more efficient than other voluntary schemes, as offering the chance to win a prize tends to encourage giving (Morgan 2000).

Some states have used sales of specialized license plates to fund state parks. These systems have not generated large amounts of money, but newer programs using vehicle registration fees are faring better. In these programs, there are no specialized plates; vehicle owners either make a direct donation or purchase an annual park pass as they register their vehicles. In either case, the purchase is voluntary. Michigan's Recreation Passport, for example, generates approximately $20 million per year and is purchased by 25 percent of vehicle owners (Olson 2012). The fee started at $10 and rises over time with the rate of inflation. The relative ease of collection is an advantage of the approach.

Crowdfunding is a new approach to philanthropy that is being used in some communities to finance park projects and activities. This approach relies on small monetary contributions from a large number of people, usually over the Internet. Websites that do donation-based

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[19] In Arizona, the Heritage Fund was designated to receive approximately $10 million per year from lottery revenues, to be spent in state parks and on conservation programs. However, the state legislature began sweeping the money into the general fund starting in 2010.

crowdfunding include Citizinvestor, Indiegogo, Neighbor.ly, CrowdRise, the United Kingdom's Spacehive, and Finland's Brickstarter, among others. In November 2013, park-related projects listed on Neighbor.ly included a large park renovation project, two playground projects, a baseball field, and a dog park. At the same time, Citizinvestor listed park projects involving tree planting, construction of an observation deck, an environmental restoration project, and installation of trash bins; Indiegogo had a range of park restoration projects of various types in several different locations. The Citizinvestor website was created for the express purpose of funding approved local government projects in cities without the funds to pay for them; only government agencies are allowed to list projects on the site.

According to the crowdfunding industry's estimates, $1.5 billion was raised in total for all crowdfunding worldwide in 2011 (Crowdsourcing 2012). Of this money, 41 percent was based on donations (rather than debt, equity, or rewards). This means that a total of $615 million was raised in one year for all public projects and charitable activities. Some observers have questioned the accuracy of the industry's estimates, viewing them as overly optimistic (Salmon 2012a). But if park projects in the United States account for, say, 1 to 5 percent of this total (pure speculation), this means $6 million to $30 million might have been raised for US parks through crowdfunding.

Crowdfunding is in its infancy; it is too early to say whether it will lead to significant increases in funding for parks. It suffers from most of the same shortcomings mentioned above. Some of these may even be exacerbated. For example, the problem of haves and have nots could be worsened, because crowdfunders tend to fund projects that directly benefit them.[20] Crowding out government funding could be exacerbated as well. And news stories have been written about community residents' dissatisfaction over being asked to pay for things that they feel their taxes should already be paying for (Hopkins 2013). A virtue of crowdfunding, though, is the reduced costs associated with generating contributions and the efficiency of using the Internet to solicit and collect donations.

The Old-Fashioned Method of Funding Parks: Taxes

Some communities and state park systems continue to make public funding work. Among the best examples are special park districts (SPDs), independent, special-purpose governmental units that have substantial administrative and fiscal independence from general-purpose local governments. They usually have taxing authority and can issue bonds. Often they are multijurisdictional, covering a wide geographic region that includes several counties or municipalities, though some

[20] Colorado Springs was forced to turn off streetlights because citizens voted down a tax increase that would have kept them on. After the vote, residents of some neighborhoods used Citizinvestor to pay to keep the lights on in their own neighborhoods, at a cost higher than the original proposed tax increase (Hopkins 2013). In Oakland, California, in response to a rise in crime, a group of neighborhood residents used crowdfunding to raise money for private neighborhood security guards (Gonzales 2013).

represent a single jurisdiction. SPDs tend to lie somewhere between state and city parks; although they are located near cities, they often provide large natural areas for parks and recreation.

Most SPDs rely on a combination of dedicated property tax revenues and user fee revenues to fund their operations. Bonds can be issued for capital projects, with the property tax revenues backing the bonds. In data compiled by Dickinson (2009), 13 special park districts covered an average of 55 percent of their costs with property tax revenues. A few SPDs rely on sales taxes. Because they operate under an “enterprise fund” model, SPDs must balance their operating budgets each year relying only on these funding sources. On the other hand, they are not at risk of having their revenues swept into a general fund, as are many parks departments in city or state governments.

Three SPD success stories are the Charleston County Park and Recreation Commission in South Carolina; the East Bay Regional Park District, which covers Alameda and Contra Costa Counties and part of Oakland, California; and Great Rivers Greenway in the St. Louis metropolitan area. The Charleston County Park and Recreation Commission (CCPRC) relies relatively less on property tax revenues than other SPDs and has a wider source of funding for its enterprise fund. The property tax rate is 3.8 cents per $1,000 of assessed value, which raised $10.5 million in FY2011, a year in which operating expenses totaled $35 million. The tax costs an average household only about $20 per year (CCPRC 2011; O’Rourke 2012). Other sources of revenue include cottages and campsite rentals, fishing pier leases, popular water features at a couple CCPRC parks, facility rentals, an equestrian facility, and a newly constructed skate park. Several events in the parks also bring in revenue, including a holiday festival of lights and a large number of concerts, dances, races, and triathlons. The CCPRC receives corporate sponsorships for many of these events. The revenues earned in the parks cover operations of the events and activities but also cross-subsidize nature-based parks, dog parks, and other areas that do not charge user fees. Charleston County receives some philanthropy but tries to limit the use of those funds to subsidizing low-income residents’ participation in programs and activities and construction of new facilities in disadvantaged areas (O’Rourke 2012).

The East Bay Regional Park District (EBRPD) is widely viewed as a premier park system. It has highly valued natural and scenic resources within easy reach of the large Bay Area population. At approximately 30 cents per $1,000, its property tax rate is higher than Charleston County’s, but the tax revenues cover 80 percent of the district’s annual operating budget (Doyle 2012). Most of the remaining revenues come from concessionaires and leases in the parks. The EBRPD FY2012 operating budget totaled $173 million, larger than many state park system budgets, and it covers the cost of operating a large park district with 65 parks covering 173.5 square miles of land (EBRPD 2012). A local nonprofit called the Regional Parks Foundation supports EBRPD, but its financial contributions are relatively small, at only $1 million annually (EBRPD 2012). As in

Charleston County, a fairly large amount of the philanthropic funding goes to programs for less-advantaged youth.

Great Rivers Greenway (GRG) is a smaller and newer park district. It was created by a referendum that passed in 2000 and is funded by a 1/10 of a cent sales tax in St. Louis City, St. Louis County, and St. Charles County. The tax generates about $10 million annually. In FY2012, total revenues were $13 million; the remaining funds came primarily from capital grants from the US Department of Transportation for trail construction. GRG is focused mostly on creation and maintenance of hiking and biking trails and establishment of an extensive network of greenways along the rivers in the region. A regional plan adopted in 2004 envisions 600 miles of interconnected greenways, which will provide recreational benefits (including river access), mitigate flooding, and protect water quality (GRG 2004). Local citizens seem supportive of the sales tax approach. In 2013, they approved the "arch tax," an additional 3/16 of a cent sales tax to pay for improvements to the Gateway Arch grounds in downtown St. Louis and for other regional parks (Hunn 2013).

Dedicated taxes are used not just by SPDs but also by some cities, counties, and states. Kansas City, Missouri, funds its parks with a dedicated sales tax. A half-cent tax was approved by 63 percent of voters in August 2012, replacing a property tax and other sources of funds. Missouri funds its state parks similarly, and when that sales tax is taken back to voters every 10 years, it passes resoundingly, receiving 76 percent approval in the most recent vote (Walls 2013). The state parks in Minnesota and Arkansas are also funded in part with a dedicated sales tax. In August 2013, voters in King County, Washington, home of the city of Seattle, approved an additional property tax of $0.1877 per $1,000 of assessed value to be used for parks and trails. This tax replaces two expiring property taxes totaling $0.13 per $1,000 of assessed value that had been approved by voters in 2007. Forty-seven percent of the revenues collected will be spent on basic operations and maintenance.[21] Interestingly, the county has resisted the use of philanthropy to fund park upgrades and capital projects (Powell 2013).

The Best Approach to Park Financing

It is unlikely that a single financing approach will work best for all park systems. What works in New York City will not work in a small town, and what works for one state park system may not work for another. But taxes should provide base funding for virtually all park systems. In my view, communities should consider adopting a dedicated tax that provides funding for an independently run park system. Although a dedicated tax is likely to lead to a drop in general fund revenues, those revenues are highly uncertain in the best of times in many states and communities. With a

[21] Information on the levies can be found at http://www.kingcounty.gov/recreation/parks/about/levy.aspx.

more predictable stream of revenues from a dedicated tax, park systems would be better able to plan and budget each year. Having an independent system, like an SPD, provides incentives for proper budgeting and management. Moreover, it removes the risk that park revenues will be swept into the general fund.

What kind of tax to use for parks is open for discussion and could vary by locale. All taxes impose an excess burden on the economy. The ideal tax will impose the smallest burden per dollar of tax revenue generated. This can usually be achieved with a tax that has a broad base, thus allowing for a low tax rate, and is placed on a good or service with a relatively price inelastic demand. A general sales tax could meet these requirements, and it has worked well in the communities and states that have adopted it. But other taxes and fees merit further study. These include property taxes, real estate transfer taxes, taxes on businesses located in special “park improvement districts,” developer impact fees, and others. More research is needed on the pros and cons of these approaches in particular settings. Whatever approach is used, the tax should be taken to the voters in states that allow ballot initiatives. This encourages buy-in from the public and forces the parks agency to be responsive to the needs of all citizens.

Is there a role for philanthropy? The short answer to this question is yes. But a more important question is what exactly the role should be. Conservancies and park nonprofits, while mainstays in some cities, are not likely to provide sustainable, long-term financial solutions for parks in most communities. Instead, communities should explore direct-giving mechanisms, perhaps through establishment of endowment, or trust, funds. This would lead to the most direct benefit to parks and park users.

This leaves open the best way to raise money for those funds. This is a difficult question. A nascent research field focused on the “science of philanthropy” is starting to develop, though little work has been done specifically on parks.[22] One of the leaders in the field, economist John List at the University of Chicago, has worked with colleagues to study various features of charitable giving programs. Using laboratory and large field experiments, these researchers, and others, have compared lotteries with simple donation schemes; looked at the effects of challenge grants and matching grants; studied the influence of naming the leadership donor in a challenge grant versus preserving anonymity; and analyzed the use of a specific “ask” and the size of the ask when soliciting donations.[23]

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[22] The Science of Philanthropy Initiative at the University of Chicago (http://www.spihub.org/) is a hub for this field of research.

[23] These research studies include Lange et al. (2007), Rondeau and List (2008), Landry, et al. (2010), Karlan et al. (2011), Karlan and List (2012), and Edwards and List (2013). For more studies, see the Science of Philanthropy Initiative website, http://www.spihub.org/, and John List’s webpage, http://home.uchicago.edu/jlist/.

Much can be learned from this extant research, but similar experiments to study what works best for parks would be especially useful.[24] Although it is not feasible for all individual communities to conduct such research, some studies could be carried out that provide broader lessons learned. Coupled with a mechanism for sharing this knowledge across states and locales, these experiments could shed light on what philanthropic approach would work best for parks.

As a part of any effort to generate philanthropy for parks, communities should guard against many of the problems I discussed above. They should consider how best to prevent, or limit, crowding out of public funds. They should also think carefully about how and where the private funding will be used to meet the needs of the community—first, of course, having a good sense of what those needs are—and how to minimize inequities in the system. Above all, they should temper their expectations for what philanthropy can achieve.

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[24] A set of field experiments by Francisco Alpizar and colleagues focuses on eliciting donations to a national park in Costa Rica (Alpizar et al. 2008; Alpizar and Martinsson 2012). Their treatments were designed to analyze (a) the difference in giving when donations are anonymous versus publicly acknowledged; (b) how a donation reference point affects the level of giving, in particular when prospective donors are told how much others give; and (c) whether reciprocity matters—that is, whether people give more if they receive gifts in exchange for their donations.

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