



THE OREGON GUIDE TO PRIVATE FUND RAISING FOR LOCAL GOVERNMENTS

The Oregon Guide to Private Fund Raising for Local Governments was conducted as a LOC member service.

The Oregon Guide to Private Fund Raising for Local Governments

The City Center at the League of Oregon Cities
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About the City Center at The League of Oregon Cities

The Center is a service program of the League of Oregon Cities designed to meet a long-standing need of city officials for information to help them serve their cities better and more efficiently.

The Center's services are focused on the information needs of cities large and small, including:

- An Internet-based information resource center (print formats provided as needed)
- Research on and analysis of issues affecting cities, in cooperation with Oregon's academic community and municipal practitioners
- Compilation and analysis of city data
- Opportunities to connect with peers across the state for problem-solving
- A reference library

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“The raising of extraordinarily large sums of money, given voluntarily and freely by millions of our fellow Americans, is a unique American tradition. Philanthropy...charity...giving voluntarily and freely...call it what you like, but it is truly a jewel of American tradition.”

- *President John F. Kennedy*

Could Your City Use \$250,000?

Nonprofit organizations thrive on the altruism of citizens, and actively court donors for major gifts. Yet individual gifts to government agencies are often unexpected, as in the following account of a recent bequest,

“THE DALLES – A deceased Gilliam County wheat farmer willed \$250,000 to each of five regional agencies...He left money for Gilliam County, Wheeler County, The Mid-Columbia Health Foundation, Oregon State University’s Sherman Agricultural Experiment Station and Oregon Public Broadcasting” (Associated Press, 2003).

In this guide, we introduce the phenomenon of private giving to local governments, make a case for the importance of actively (rather than passively) attracting private gifts, and describe how local governments can initiate private resource development programs. We show how local governments can position themselves as attractive destinations for gifts, and we provide guidance on how individual donors can be solicited for assistance with community projects.

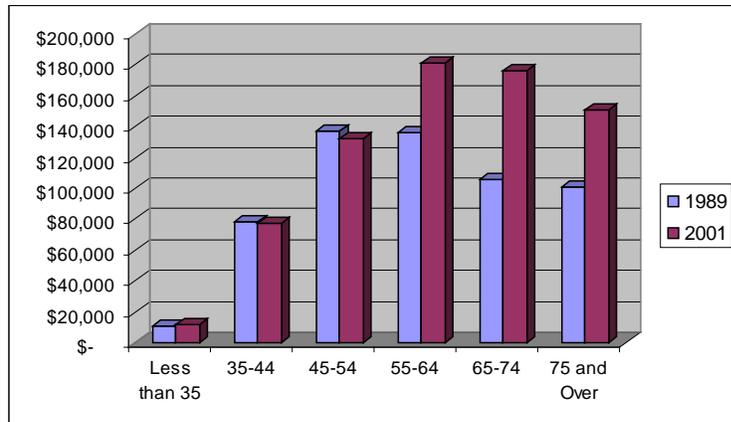
Local government managers are well aware that local tax revenues are constrained or declining, along with declining revenue transfers to local governments from state and federal governments. Gifts from donors can never replace broad-based tax revenue from residents, but can greatly enhance local governments efforts to improve quality of life, whether that be for preserving and restoring an historic train depot, building a skate park, or simply providing more services for families in need. Furthermore, many donors and government officials alike are unaware that donations to governments are tax deductible for the donor, as long as the donation is directed toward broad public benefit.¹

Private gifts to local governments have always been part of the American landscape, as evidenced by thousands of Carnegie libraries across the U.S. and small gifts like raffle tickets for local fundraising events. However, few sources have publicly acknowledged the techniques that government managers can use to increase those gifts. This municipal guidebook addresses these issues at a critical time, as considerable assets held by the WWII generation are on the eve of being passed to succeeding generations.

¹ Internal Revenue Code Section 170(a) states that an income tax deduction is allowed for any “charitable contribution.” Further, Section 170(c)(1) explains that the term “charitable contribution” includes gifts to “A State, a possession of the United States, or any political subdivision of the foregoing, or the United States or the District of Columbia, but only if the contribution or gift is made for exclusively public purposes.” Public purposes can include some benefit to the donor, but should broadly benefit the public.

Unlike previous generations of elders in the U.S., our current elders are wealthy, even after adjusting for inflation (see Graph 1). Some elders may not be visibly wealthy because their assets are primarily land-based. Yet this national “bequest wave” anticipated from our current elders has been cited to be anywhere from \$10 trillion (Avery and Rendall, 1990) to \$136 trillion (Havens and Schervish, 1999) over the next 50 years. Rural areas, especially those with primarily older residents, should pay careful heed to the coming wealth transfer. Many heirs of rural landowners and local business owners live in urban and suburban areas, so when the WWII generation passes away, inheritance funds will flow out of the rural area permanently. Although cities and counties with noticeably older populations will experience wealth outflow soonest (this decade), all local governments should be aware of the implications of wealth transfer in the near future, as some of the most generous charitable gifts come from elderly individuals and from estate bequests.

Graph 1: Median Household Wealth by Age Group, 1989 and 2001 Surveys

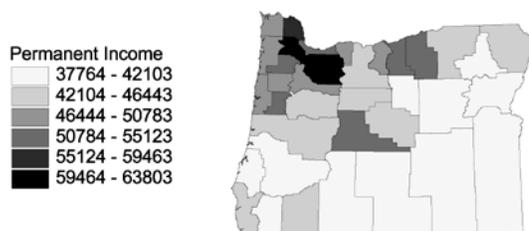


Sources: Aizcorbe, Kennickell and Moore (2003) and Kennickell, Starr-McCleure and Surette (2000), from Survey of Consumer Finances data. Figures are in 2001 dollars.

Medium and large-sized nonprofit organizations are aware of the imminent transfer of wealth, and have already set in place major gift development and planned (estate) giving programs. It behooves local governments to pursue similar objectives. As Newsweek columnist Gersh Kuntzman (2003, p. 1) states, “Private museums, symphonies, arts groups and nonprofit organizations have long been adept at shaking the tin cup at would-be philanthropists. But public panhandling is the hottest thing to hit government since the lottery.” If your community has a compelling vision for the future, with appealing projects that will enhance

local quality of life, why not join with nonprofit organizations in convincing longtime residents to share their legacy with generations to come?

Graph 2: Permanent (Current and Annuitized Wealth) Income in Oregon, 2000



Source: 2000 U.S. Census Data.

As with most states, personal household wealth varies widely by region in Oregon (Irvin, 2004), depending on the average age in the region and income from various investments, including retirement savings and property. The IRS estimated in 1998 that the State of Oregon had over 27,000 individuals with a net worth of over \$1 million (Johnson and Schreiber, 1998). Oregon ranks in the top third of

the states for per capita number of millionaires (Johnson, 2000). Although some urban and suburban areas have considerable wealth (as shown on Graph 2), selected areas of the state such as parts of Deschutes, Union, Morrow, Linn, and Jackson counties suggest that efforts to increase regional philanthropy could be successful.

Easy Targets for Private Gifts

Viewing the history of gifts to governments, one notices a pattern of generosity in the form of the following:

- Land for parks, schools, hospitals or cultural pursuits (history museum, arts center, etc.)
- Buildings of historic value to the community
- Financial assets to schools and libraries, often via “Friends of” groups
- Equipment, such as fire trucks, ambulances, computers, etc.

In our survey of 165 cities in Oregon, we found that libraries, for example, often have endowment funds to which citizens can direct contributions. Detailed results from the survey of Oregon cities are provided at the end of this report.

Based on a best practices assessment and the survey results a list of characteristics emerged showing what makes gifts attractive to donors. These are:

The asset cannot be directed toward some other purpose

Gifts of land, for example, cannot be moved elsewhere, and can easily involve legal restrictions imposed on the use or future sale of the land. When a donor donates a building, land, or property such as a piece of equipment for use by the Police Department, it is obvious to the donor or donor’s heirs whether or not the government entity is honoring the stipulations of the gift.

Financial assets, however, are more difficult to track after they are given. If a donor gives to an agency for a specific purpose, there is a danger that the agency will view it as an opportunity to rearrange interdepartmental expenditures, thereby reducing the intended impact of the gift. Since monitoring the finances of a nonprofit organization is a more straightforward task, donors more readily give financial gifts to nonprofit organizations rather than governments. In a later section we will discuss how to provide an internal accounting structure to make financial gifts to local governments as attractive as tangible gifts.

The gift idea captures the heart of the donor

It is no accident that parks, arts and cultural amenities, libraries, schools, animal rescue, children’s programs, and historic buildings attract gifts to local governments, while water and sewer systems, roads, human resources, and other behind-the-scenes but vitally important services must be financed solely with tax revenue. Since it is difficult to explain to the donating public the value of non-glamorous services such as sewer and drainage systems, the enterprising local government manager may want to concentrate his or her primary efforts on raising funds for the services that inspire donors.

The donation is for something that is seen as beyond the government’s responsibility

Donors may simply feel that the government’s job is to provide basic services, and the donor’s job is to elevate quality of life. Donors often do not wish to fund what they feel is traditionally the government’s responsibility. Instead, donors may prefer a role that extends beyond traditional bread-and-butter government services. A donors reports (Ostrower, 1995, 4):

“...basically we pay heavy taxes...and I feel that should do most of the work that I can do toward relieving poverty problems, although I respond to them as well...But basically, where the individual can make the biggest impact is in the quality of life – things that are hard for the government to do or justify, but that would have a big impact on everybody’s feeling of well-being.”

The goal for the government manager here, therefore, is to carve out projects that would significantly improve local quality of life, but might not be seen as the proper responsibilities of the government. A good example was provided by Angel Jones, Eugene’s Director of Library, Recreation and Cultural Services. Eugene’s Hult Center for the Performing Arts needed renovation to improve the acoustics of the main stage. As the City of Eugene was grappling with budget cutbacks caused by the recession, Jones explained to potential lead donors that the acoustics project could not depend on City funding. The donors responded by carrying the day, financing the \$1.5 million acoustic enhancements that transformed the Hult Center’s Silva Concert Hall into a venue with the highest sound quality to complement its beautiful interior.

With these three patterns of civic philanthropy in mind, note that the easiest way to tap private funding sources is start with the obvious funding candidates: Is the project tangible (buildings or equipment)? Is the project inspiring? Could it provide a significant boost to local quality of life? Is it for children? Can you guarantee that the gift will be stewarded properly and will go toward its intended use? These types of projects are the easiest for which to attract private assistance.

Wish Lists or Visions: Guidance for the Philanthropic Impulse

It is critical for any size of government to have a blueprint of its future. The blueprint need not be an inflexible master plan; in fact, it should be as flexible as possible to accommodate unforeseen economic and demographic changes. The blueprint can be produced by a formalized “visioning” process, or may be as informal as a short “wish list” of goals and projects for the community to achieve in the near and far future. Green and Haines (2002, p. 43) describe visioning:

“In theory, a community vision occurs through a group process that tries to arrive at a consensus about the future of place. The visioning process can be done by a neighborhood, a whole city, or by an organization....The basic advantage of visioning is that it allows for an expansive, innovative, and proactive future orientation. Visioning focuses on what strengths must be developed to reach a desired end state. It expands the notion of public participation beyond the other models and suggests that the community can design and create its own future.”

Of course, many communities do not have the resources to conduct visioning processes on a regular basis, but it is basic street-smart governing to at least have a list of optimal future scenarios to work toward. It is precisely those hopeful, earnest and sometimes unrealistic goals that will attract a major donor.

In order for an individual to part with his (or her) hard-earned assets, he must be convinced that the project is worthwhile and will make a significant and long-term difference in someone’s life or the quality of life of the whole community. Success attracts donations more than need does, so government officials should be cautioned not to preface a plea for donations with a sad tale of fiscal insolvency. Instead, the manager should concentrate on the clarity of the philanthropic goal and provide the donor with intriguing, inspiring gifts to purchase for the community. It is helpful if the government representative knows the donor, to be able to anticipate what gifts might pique his interest and desire to help make the project a reality. In some cases, a specific donor might be

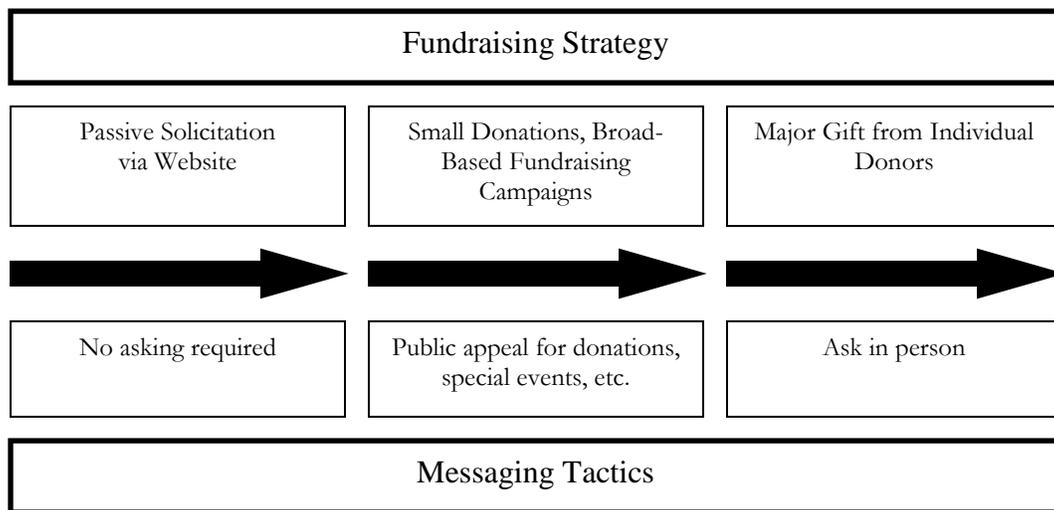
approached to fund just one project. In other cases, the City Manager or other local representative may have three or four intriguing projects for major donors to consider. Regardless of how many or what type of projects are pitched, the best way to draw in the donor is to simply listen to his or her ideas for community improvement (see Cialdini, 2000 for an entertaining list of persuasion techniques that are apropos to the fund raising process).

Action, Rather than Passive Hopes for Assistance

Donations rarely materialize because the donor recognizes that a government agency is doing a good job, or that a department is strapped for funds. Instead, one of the most powerful determinants of whether or not a donation is made is simply that the donor was asked. Most people are uncomfortable asking others for donations, whether for a church project, a nonprofit fundraising event, or a school scholarship program. Asking for a donation for a government project can feel even more awkward. However, if no one asks, it may never occur to the donor to consider the agency’s needs. By asking, one flatters the donor by recognizing his or her potential role in shaping local quality of life. As Schervish (1997, 114) describes, the major reason that wealthy contributors give is that they were asked. “...(B)eing asked directly by someone the contributor knows personally or by a representative of an organization the contributor participates in is a major mobilizing factor.”

There are many different ways to solicit donors for assistance, ranging from passive website solicitation² to in-person meetings with donors.

Figure 1: Donor Contact



The general rule in fund raising is that the most impersonal forms of resource development – direct mail campaigns, website solicitation, special events and mass media campaigns – may bring in donations from more people, but the donations are small. In contrast, the cultivation of individual donors yields much larger gifts. In rural areas where revenue needs are most pressing and wealth out-migration is imminent, it is fortunate that the process of asking for assistance is easier than in a larger, metropolitan area, where city managers know only a small percentage of their constituents.

² See the State of Oregon’s donation webpage at <http://scd.das.state.or.us/AR/Donation.htm>.

The familiarity of a small community makes it easier for local government representatives to approach donors with ideas for gifts.

Depending on the project, a government agency may want to encourage broad-based fundraising methods (small donations from many community members) or approach a very small number of potential donors. Eugene's Hult Center Silva Concert Hall acoustic renovation was a perfect project for a select group of lead donors to fund, because concert hall acoustics matter the most to a relatively small number of community members who regularly attend concerts. In contrast, the towns of Waldport and Tidewater raised \$11,500 to purchase a Jaws of Life for the Waldport Volunteer Fire and Rescue Department and the Tidewater Volunteer Fire Department in 2000-2001, taking a little over a year to raise the money with a homemade pie auction, Christmas wreath sales, a fundraising dinner at the Moose Lodge, a "car bashing" fundraiser (people paid to drive junker cars and bash into each other), an auction for donated prizes, and a manned "sausage dog" booth at Waldport's annual Beachcomber Days.³

Although Waldport's Jaws of Life efforts may seem unduly exhausting for an outcome of only \$11,500, note that this project probably did more to connect local residents with their local fire department than would any other public relations effort. Broad-based fundraising efforts draw in the public and promote community buy-in, so a community member can regard himself as a true owner, i.e. "there's the Jaws of Life I helped buy." Andrew Carnegie, more than 100 years ago, knew the concept of buy-in well, as he only donated libraries to communities that agreed to fund the purchase of books and staff. "... (since) this library is supported by the community, as Pittsburgh has wisely committed to do, all taint of charity is dispelled. Every citizen of Pittsburgh, even the very humblest, now walks into this his own library..." (Nielsen 1996, p. 35).

We strongly encourage local governments to approach individuals for major gifts because tremendous assets are held privately by high-wealth individuals. Yet we also encourage communities to continue broad-based fundraising projects. In fact, as most large nonprofits know, many projects are best financed with both a major gift campaign (early on, in a "silent phase") and a community-wide "public phase", where small donations are raised by a variety of events and mailings. It is common practice in nonprofit fundraising to ask major donors to lead the charge with a generous gift, then ask everybody in the community to follow suit with smaller gifts.

In addition to contacting potential donors with requests for assistance, it is important to have management structures in place to attract interest, and to position the government entity as a dependable destination for gifts. The next section, therefore, describes how local governments can set up the institutional framework to minimize conflicts of interest and encourage donations.

Setting Up an Accountability Framework

To safeguard against undue donor influence and conflicts of interest in provision of local government services, governments should establish a protocol to follow for cases when private donors are approached for funding. The guiding framework should address the following and very fundamental cautions:

- No donation should ever be accepted that does not benefit the public.
- No donation should ever be accepted that influences the government agency to provide preferential treatment to the donor now or in the future.

³ Email communication, Carol Gundlach, February 2004.

- No donor should ever be solicited in a manner which suggests future preferential treatment if the donation is made.
- No donation should ever be accepted that disproportionately benefits elected public officials or government employees.
- Every donation must be utilized (spent, etc.) according to both donor wishes and the needs of the public.

Centralized Resource Development Strategy

Providing guidelines for all city departments to follow in soliciting private funding will aid individual departments in avoiding common resource development mistakes. For example, donations of land and buildings require accompanying endowed funds for maintenance, security and insurance, lest their upkeep expenses draw resources away from current programs. Many city departments such as libraries, parks and recreation do their own resource development independently (Burlingame 1995, Lynch 1988, Spencer 2002, Steel and Elder 2000), and should already be well-acquainted with the practice of fund raising. Other departments, however, may be newcomers to the resource development process, and a centralized listing of best practices could prove invaluable.

Should municipalities or counties specifically employ a professional development manager to solicit major gifts and advise departments on their internal fundraising projects? Many of our survey respondents expressed discomfort with this idea. Even if a community had enough funds to devote staffing to such a position, respondents felt that this would not be well received by the public. If the public is uncomfortable with the idea of dedicating tax-funded personnel to a resource development function, then a different approach to centralization is advised. Key personnel (city managers, mayors, department heads) should be aware of their supporting role in encouraging private gifts to their government. This can be coordinated through occasional workshops on an as-needed basis. In addition, an existing manager can serve as a resource for philanthropic initiatives by providing guidance and informative materials to others, rather than actively soliciting on a full time basis.

Besides avoiding first-timer mistakes in accepting philanthropic gifts, centralized resource development can optimize the government-wide fund raising process. That is, if each department is courting donors for projects on their own without centralized coordination, donors may end up with multiple and competing requests for funds. Universities, with their compartmentalized schools and colleges, finesse this by requiring the academic departments to seek administrative permission before approaching foundations and potential major donors. The separate entities may not care for this centralized coordination, but it allows the university (and would allow a government) the chance to prioritize funding requests from private sources.

Finally, centralized oversight of departmental resource development can be an additional way to ensure that the donor is not receiving nor is perceived to be receiving personal benefits from the department in exchange for the gift. For example, a donation from a developer to the department in charge of land use planning would be a public relations disaster, even if the developer had only benevolent intentions.

Financial Management Oversight

One-time projects are natural targets for philanthropic gifts – these include city beautification efforts, special events like fireworks displays, restoration of historic buildings, equipment for fire and police departments, buildings for social services, land and improvements for parks, swimming pools, and other tangible products. Once the gift is received, the project is completed and the donor can easily verify that the money has gone toward its intended purpose.

Other projects are not as easily monitored for completion and provision. For example, if a donor gave \$1 million to the parks and recreation department specifically to help increase the quality of summer recreation opportunities by hiring more qualified summer counselors, how can he or she verify that more qualified counselors were hired? The parks and recreations department might view the gift as an opportunity to redistribute funds, ultimately resulting in no new benefit to the donor's intended cause. Perhaps no higher quality counselors are hired, but the parks and recreation department uses the funds instead to pay for additional lower quality counselors to be hired. This is the kind of scenario that scares donors away from financial gifts to government agencies. Donors can far more easily monitor their gifts to nonprofit organizations, where programs usually have dedicated budgets and a \$100,000 gift shows up clearly on the ledger.

Therefore, if soliciting financial gifts for ongoing (not one-time) services, the agency must find ways to provide an accountability framework to ensure donors that their gift does not cause redistribution of departmental funds. This can be ensured with a regularly scheduled audit conducted by an external agency, clearly separate fund accounting and a detailed contract at the time of the donation. The program that the donor wishes to fund can be separated out of the general budget with a dedicated fund (funded or enhanced by the donor). Widely used in the nonprofit sector as well as in the government sector (with intergovernmental transfers and grants), fund accounting allows the donor or an auditor to verify that donated funds are kept separate from general funds and spent specifically on the designated program. What complicates this arrangement in public agencies is the government's ability to keep the funds in the donor-designated account, while redirecting other general funds away from related program activities.

The agency might want to promise not to redistribute funds in response to the gift, yet a simple "redistribution constraint" policy or contract provision may be difficult to adhere to over time, as budgets must change with changing community needs and revenue sources. A more flexible redistribution constraint might seek to maintain the same ratio of spending on certain services, compared to the department's or city's overall budget. For example, a donor offering \$1 million to the parks and recreation department to hire more qualified counselors and increase the quality of summer recreation programs might insist that a ratio of 60% of the parks department expenditure from tax revenue is to be spent on counselor salaries. That way, the gift has a better chance of supporting recreation programming, even if tax revenue fluctuations change the overall level of parks funding. The form of these contracted redistribution constraints is up to the creativity of the government managers and the donor as they collaborate to ensure both confidence in stewardship of the gift and the greatest impact from the donation.

Contracts reassure the donor that the agency will follow donor wishes and dedicate the funds to their intended purpose. On the other hand, contracted redistribution constraints may complicate efforts to govern in a way that is responsible to the broader public, not just the donor. Also, detailed auditing requirements are costly, reducing the amount of funds available for services. Adhering to a donor contract is analogous to following regulations and outcomes reporting requirements for receiving state and federal grants. If the oversight is too costly and restrictions too onerous, then the government should not accept the gift, just as they might decline the opportunity to apply for a state or federal grant with similar cost or restriction concerns.

Foundations, Guilds and "Friends of" Groups

Setting up a nonprofit arm under the umbrella of a public agency provides a way to reassure donors that their donations are kept financially separate from general department funds. It also provides an organizational structure that is conducive to fundraising and volunteer recruitment. Departments that receive donations more often – libraries, cultural services, parks & recreation, police and fire departments – are obvious candidates. This form of organization (especially if a foundation is established) provides a way to set up an endowment fund so that periodic large gifts from donors

result in a steady payout of supplemental funds for government services. However, we want to stress that it is not necessary to set up a formal nonprofit entity in order to receive donations for a department, since donations to governments are deductible from income taxes, and in some cases, estate and capital gains taxes.

Donations from Businesses

Both the solicitation process as well as the stewardship of corporate gifts follow the same guidelines as with individual donors. However, some businesses have more formalized application procedures in place (requests for proposals), and in some cases, applying for a business donation is a simplified version of a grant proposal to a foundation or government agency. Also, businesses quite often link their marketing needs to their philanthropy. In exchange for substantial financial support of a special event or building construction (baseball stadia, for example), businesses receive name recognition. Naming rights are a common way to honor both individual donors and business donors for their generosity, and does not imply any preferential treatment. One example is corporate sponsorship of a 4th of July fireworks display. It is obvious that the business does not substantially benefit from its sponsorship, as the event is provided for the enjoyment of the community. In the end, however, it should be noted that businesses provide only a fraction of giving in the US. Private individuals account for 83.8% of giving in the US, while businesses contribute 5.1% (and foundations contribute 11.2%). Therefore, businesses should not be the only community partners solicited for community enhancement projects.

Volunteers

Volunteers form the basis upon which most nonprofit organizations thrive. By getting involved, volunteers gain confidence in the organization and see where they can contribute to fill in gaps of service. One study, using nationwide data from 1998, showed that the average household annual contribution for volunteering households was \$1339, while the average contribution for non-volunteering households was only \$524 (Weitzman et al., 2002). These data tell us that involved citizens are generous citizens. Nonprofit organizations strive to accommodate volunteers in a variety of organizational roles, from assistance with special events to regular yet unpaid positions of importance in the organization. Government agencies have similar needs for volunteers, and some departments (such as parks, voluntary fire departments, and animal control) have positions regularly staffed by dedicated volunteers. Even infrastructure-related departments often have volunteer input in the form of citizen working groups.

Since volunteers are active in many civic capacities, it is not much of a stretch to involve them in municipal fund raising projects. Respondents to the survey (described later) provide the best illustration of the natural role that citizens may play in this regard:

“For us, it works better to have citizen committees responsible for fund raising or the city just letting the public know of potential projects that may only be possible by receiving donations.”

“Request for donations should be from local citizens not from city employees.”

“We have ‘friends’ groups that do a very good job at raising funds for specific projects and so it is not necessary to expense public funds for the staff to do that work, too.”

Greenfield (2001) emphasizes that volunteers at nonprofit organizations often have more credibility than paid staff in soliciting funds from individuals. The same holds true for government resource development from private giving. A fellow citizen can state the case for the city very emphatically, avoiding perceived conflicts of interest that might arise from salaried government employees making a similar pitch. However, there still must be an initial catalyst from the government (in the form of an enthusiastic discussion about future city projects) to get a volunteer group in motion. In addition, the agency should monitor the fund raising process to make sure that the volunteer groups are not misrepresenting the city.

Seven Steps to Organizing a Private Funding Resource Development Plan

Starting from the assumption that a local or regional government is not going to set aside funds for a dedicated resource development professional, we provide the following checklist of sample strategies for managers to follow.

1. List policies for soliciting and accepting donations from individuals and businesses. Point out that donations are often deductible from income taxes, capital gains taxes, and estate taxes.
2. Compile a list of future projects (even including a few “dream” projects) that could provide a starting point for discussion with major donors.
3. Guide departments in setting up nonprofit arms, such as foundations or “Friends of” groups, where appropriate.
4. Locate department employees who might serve as reference sources for private resource development. For smaller cities, identify those who are most likely to come in contact with donors (for example, the city manager).
5. To assist employees in their fund raising efforts, list tips and best practices for linking various projects with appropriate fund raising methods, from special events for broad-based community support to major gift solicitation from leading donors. Also, provide broad guidelines on ethics and specific guidelines that might be appropriate for different departments.
6. For major gifts, link desired projects with a few possible major donors. Engage community stakeholders by soliciting their reactions and ideas on projects. Ask.
7. For smaller gifts, provide on-line donation instructions and other broad-based funding mechanisms such as donations linked to special events. Utilize volunteers for these activities, and make sure that the volunteers have a fun and productive experience as they participate in the fund raising process.

Survey Data

To determine the extent to which local communities conduct fund raising activities, and to examine receptivity of government managers towards philanthropic efforts, we surveyed 238 cities in Oregon via the Oregon League of Cities. Persistent efforts (detailed in the Appendix) to coax busy managers to complete the survey resulted in a response rate of 65%, with a final data set of 165 cities from 35 of Oregon’s 36 counties. Figure 1 provides descriptive statistics on the 165 responding cities:

Figure 1: Descriptive Statistics of Sample

	Mean	Median	Standard Deviation
City Population	10,223	1,780	44,115
City Incorporation Date	1909	1904	30.5

	<u>Number of Cities</u>	<u>Percentage of Responding Cities</u>
Urban/Rural Status⁴		
Urban	14	8.5%
Rural	151	91.5%
Economic Health⁵		
Distressed	121	73.3%
Not Distressed	44	26.7%
Geographic Area of Oregon		
Eastern	22	13.3%
Western	63	38.2%
Southern	27	16.4%
Coastal	13	7.9%
Central	40	24.2%

- To your knowledge, have local citizens donated to the city in the past five years?**

Yes	121	73.3%
No	40	24.2%
No response	4	2.4%
- Does your city have a resource development plan outlining a process to raise funds?**

Yes	2	1.2%
No	160	97.0%
No response	3	1.8%
- Does your city or individual departments have a written procedure by which citizens or businesses may make donations?**

Yes	11	6.7%
No	151	91.5%
No response	3	1.8%

⁴ The “urban” cities have a population over 30,000 and are located within the urban growth boundary of a metropolitan area. This information is supplied by the Oregon Economic and Community Development Department.

⁵ Distressed” cities are either in an economically distressed county or are in a distressed community within a county that is not economically distressed. Information on employment rates, income statistics, and industrial diversity is gathered into an eight-point gauge by the Oregon Economic and Community Development Department.

4. **Does your city have rules or guidelines limiting donor contributions or avoiding conflicts of interest with donors?**
- | | | |
|-------------|-----|-------|
| Yes | 11 | 6.7% |
| No | 154 | 93.3% |
| No response | 0 | 0% |
5. **Does your city have rules or guidelines governing city government use of donated funds (such as spending policy in designated funds)?**
- | | | |
|-------------|-----|-------|
| Yes | 54 | 32.7% |
| No | 108 | 65.5% |
| No response | 3 | 1.8% |
6. **Does your city have rules or guidelines on accepting gifts of property (land or buildings) from individuals?**
- | | | |
|-------------|-----|-------|
| Yes | 18 | 10.9% |
| No | 144 | 87.3% |
| No response | 3 | 1.8% |
7. **Do individual departments conduct fundraising activities?**
- | | | |
|-------------|-----|-------|
| Yes | 52 | 31.5% |
| No | 110 | 66.7% |
| No response | 12 | 1.8% |
8. **If yes, check all the means allowed to conduct fundraising.**
- | | | |
|--|----|----------------|
| Phone solicitation | 6 | |
| Annual giving | 9 | |
| Capital (Building) | | |
| Campaigns | 10 | |
| Direct Mail | 12 | |
| Special Events | 40 | |
| Other | 16 | |
| No response | | 111 out of 165 |
| Number of responses with more than one answer: | | 25 out of 165 |
9. **Has your city in the past five years built a new public use facility (examples include new parks, recreation centers, libraries, etc.)?**
- | | | |
|-------------|----|-------|
| Yes | 72 | 43.6% |
| No | 92 | 55.8% |
| No response | 1 | 0.6% |
10. **If yes, were any of these projects funded in part by private donations, either by individuals or businesses?**
- | | | |
|-------------|----|-------|
| Yes | 57 | 34.5% |
| No | 44 | 26.7% |
| No response | 64 | 38.8% |
11. **If yes, what percentage of the total cost of the project did the donations cover? (If your city has multiple examples, estimate an average percentage for all projects.)**
- | | | |
|--------------|-----|-------|
| Over 75% | 11 | 6.7% |
| 50-75% | 2 | 1.2% |
| 25-50% | 12 | 7.3% |
| 5 – 25% | 21 | 12.7% |
| Less than 5% | 11 | 6.7% |
| No response | 108 | 65.5% |

12. If your city has received cash (or other financial assets such as stocks) donations in the past five years, what is the total financial value of the donations received?

Less than \$1,000	36	21.8%
\$1,000 - \$10,000	34	20.6%
\$10,000 - \$50,000	28	17.0%
\$50,000 - \$100,000	9	5.5%
Over \$100,000	14	8.5%
No response	44	26.7%

13. If your city has received property (land or buildings) donations in the past five years, what is the total financial value of the donations received?

Less than \$1,000	25	15.2%
\$1,000 - \$10,000	5	3.0%
\$10,000 - \$50,000	15	9.1%
\$50,000 - \$100,000	8	4.8%
Over \$100,000	15	9.1%
No response	97	58.8%

14. If your city has received donations for renovation or construction of buildings in the past five years, what is the total financial value of the donations received?

Less than \$1,000	24	14.5%
\$1,000 - \$10,000	11	6.7%
\$10,000 - \$50,000	7	4.2%
\$50,000 - \$100,000	4	2.4%
Over \$100,000	13	7.9%
No response	106	64.2%

15. If your city has received other donations in the past five years, what is the total financial value of the donations received?

Less than \$1,000	45	27.3%
\$1,000 - \$10,000	14	8.5%
\$10,000 - \$50,000	10	6.1%
\$50,000 - \$100,000	2	1.2%
Over \$100,000	6	3.6%
No response	88	53.3%

16. What sort of interaction occurs with potential donors? Check any that seem applicable.

	Total Responses
We actively solicit some gifts from people with resources.	32
Now and then we might approach someone.	69
None: The gifts come out of the blue.	94
No response	17 out of 165
Number of responses with more than one answer:	36 out of 165

17. Who coordinates donations to your city? Check any that seem applicable.

	Total Responses
Finance Director	18
Department Directors	28
City Council	33
Mayor	34
City Manager	68
Other	31
No response	27 out of 165
Number of responses with more than one answer:	45 out of 165

18. Does your city or individual departments offer naming rights to new city buildings, wings, or rooms?

Yes	26	15.8%
No	132	80.0%
No response	7	4.2%

19. Does your city have any endowment funds or foundations for certain city services?

Yes	43	26.1%
No	119	72.1%
No response	3	1.8%

20. If yes, check all services which the endowment funds or foundations benefit.

	Total Responses
Social Services	2
Roads and Transportation	1
Museum	2
Fire Department	5
Police Department	7
Parks and Recreation	18
Library	34
Other	16
No response	114
Number of responses with more than one answer:	25

21. How would you describe the general attitude in your city about private funding for local government projects? Check any that apply.

	Total Responses
This community has some wealth, and we expect continued success in funding key city projects with private donations.	16
This community has some wealth, and we are pursuing ways to increase donations in the next decade or two.	17
This community is all tapped out, but somehow people manage to donate surprising amounts to community projects.	36
This community has some wealth, but donations are rare and are expected to remain so.	61
This community is all tapped out and not likely to have any more donated funds for the next decade or two.	30
No response	16 out of 165
Number of responses with multiple answers:	9 out of 165

Any other comments?

[The answers to questions 22 and 23 were open-ended, and a summary of these comments is provided after the following quantitative analysis of the survey results.]

Quantitative Analysis of Survey Results

Regression Analysis

Utilizing regression analysis we sought to determine the effect of demographic factors (location, size of the population, economic status) as well as attitude and organizational effort toward philanthropy on the prevalence of philanthropic activity in the city. That is, does city attitude (hopeful, pessimistic), the state of the regional economic, size of the city,⁶ or organizational structures (such as having guidelines for accepting donations) influence the amount of philanthropic gifts received by the city?

The results illustrated a strongly positive link between the amount of organizational effort (expressed in an index summarizing questions 2-8, 16, 18 and 19) and the actual experience in receiving philanthropic gifts (summarized from questions 1 and 12 to 15). Additionally, larger cities are more likely to report philanthropic gifts, as there is a positive relationship between population size and the success index. Cities reporting more positive expectations about philanthropy (“attitude”) are shown to have more philanthropic activity, but the causal direction is unclear here. Lastly, an interesting “non-result” is the lack of statistical significance of the “distressed economy” indicator. That is, none of the distressed cities were any more or less likely to be gathering philanthropic gifts than cities not in economic distress.⁷

Qualitative Analysis of Open-Ended Survey Responses

Question 22 provided an open-ended forum for respondents to describe their reaction to the idea of designating salaried personnel for private fund raising initiatives:

What do you think would be the added benefits or drawbacks of having city-employed staff focused on fund raising from private individuals?

To analyze the 114 responses to this question while minimizing personal bias, we structured the process so that the two authors first independently reviewed the responses, categorizing and noting themes with sample quotations illustrating the main themes. Then, two external reviewers received our analyses plus the original survey responses, and reviewed our findings for agreement and accuracy. Finally, we summarized the results sent to us by the two external reviewers.

Drawbacks described by the respondents overwhelmingly outweighed reported benefits. Following are the drawback themes which occurred often in the responses:

Drawbacks

Theme 1 (52 responses):

Not cost-effective (lack of staff time, city money, and community resources).

Sample Quotes:

“It would come at the expense of current operations with little prospect of any benefit or return.”

“We are a very small city...We have 3 employees, who wear a variety of hats, leaving no time from duties to spend on fund raising from a population of which 67% are poverty (level) or below

⁶ The rural/urban indicator variable was removed from this regression because it was correlated with population and did not add any significant information to the analysis that the population variable did not already capture.

⁷ Further data analysis provided in Irvin, Renee and Carr, Patrick. (2004) “The Emerging Role of Philanthropy in Local Government.” working paper, submitted May 2004, [Public Budgeting & Finance](#)

- & are working pretty hard to just slide by themselves.”
- “Our city does not have adequate resources to have a city staff person spend time on fund raising activities.”
- “We are a very small community and have extremely limited personnel and a lot of residents who are on fixed incomes.”

Theme 2 (16 responses): Negative public perception

Sample Quotes:

- “If we had paid staff that focus only on raising funds from our community, some citizens may complain that taxes are being used to get more money out of an already “poor” community.”
- “I believe that any fund raising efforts by city staff would not be well received by the public.”
- “Taxpayers are beginning to assume private donations can “fund government services” leading to failure of operating levies and bond issues for capital improvements.”

Theme 3 (7 replies): Competition with Other Groups/Organizations

Sample Quotes:

- “In our community, I think we would be seen as competing with social service agencies and the schools, and the public perception is those entities need the donations far more than the City.”
- “We don’t want to be in competition with other charitable organizations or foundations; we could rather partner with them on projects rather than compete for their resources.”
- “There are already a lot of organizations focused on fundraising in ____.”

Theme 4 (6 replies): Conflicts of Interest/Legal Problems

Sample Quotes:

- “Probably legal matters/conflicts of interest which may apply.”
- “I feel this can produce giant conflicts of interest and should be avoided by employees of local government.”
- “Conflicts develop when donor has expectations that conflict with staff responsibilities.”

Benefits

Theme 1 (10 replies): Additional Revenue

Sample Quotes:

- “The added benefit, of course, would be generation of additional revenues.”
- “It would assist in stabilizing funding and building community value/participation.”
- “Any ability to increase capital resources is a plus.”

Theme 2 (8 replies): Community Awareness/Participation

Sample Quotes:

- “It would be beneficial to initiate fund raising for a special community project as it would heighten awareness in the community. The project could engage the community in working together.”
- “Benefits are making it a community project.”
- “Need is brought to the community, community has a choice to fund or not.”

Theme 3 (2 replies): Project Development

Quotes:

- “Development of facilities that would not be possible otherwise.”
- “The ability to leverage funds for match to accomplish community priority projects.”

The very large number of responses stating that the city is too small to fund any sort of organized fund raising effort, as well as reports of possible negative public perception, suggest that most municipalities would be better off educating existing staff, rather than specifically hiring personnel to accomplish fund raising goals. In addition, the drawbacks described above elucidate two concerns

that have not yet been addressed in this report. First, any fund raising efforts might best be approached in a low-key manner, so that residents do not perceive that the city is tapping the same resources for funding that local nonprofit organizations seek. Second, demonstrated strength in private fund raising could, in theory, lead to a greater sense of dependence on donated revenue for projects formerly funded by tax revenues. This dependency could be exacerbated by well-publicized fund raising efforts.

In a more global view, the dependency on private revenues for government services formerly funded by broad-based tax revenues is an increasing trend across all forms of regional governments. With the increasing disparity of wealth in the U.S., it is not surprising that nonprofit organizations and now governments alike are seeking financial assistance from high-wealth individuals. The point of this guide is to encourage local governments to seek resources from private funding sources if those local resources do exist. Government entities should seek those resources in a manner that optimizes the gift, creates no conflicts of interest, and provides broad public benefits.

Finally, question 23 of the survey (“**Any other comments?**”) provided the last word for 31 respondents. Eleven respondents used the opportunity to describe successful efforts or advise on raising funds in their community:

“Partner with non-profits and other governments or foundations.”

“Our city administrator created a ...Community Trust Fund in this FY budget. His vision is hopefully to receive monies from individuals that could build this fund up to do special projects in the community.”

“Each city should keep an eye open for opportunities that can come up at any time....Large estates selling off property and belongings or creating foundations or trust funds would be another thing to watch out for.”

Five respondents echoed the “drawbacks” noted in question 22 by describing how little resources were available in their community.

“The few businesses and many citizens feel they are tapped out with their contributions to the local schools, volunteer ambulance service, and other organizations.”

“We receive very few donations. Our community is composed of elderly residents and most are on fixed incomes.”

“For the most part the citizens think the utility rates are high enough and that is their contribution.”

An interesting point arises from these last two sets of comments. Local government fund raising can differ from typical nonprofit fund raising by focusing on estate giving, rather than annual fundraisers (special events or letter campaigns, for example). That is, a very small town in our survey (with a city staff of three) described its success in looking for gifts from large estates. The fact that residents feel tapped out and overwhelmed by requests from strapped school districts or nonprofit organizations doesn't mean that residents are not interested in naming the city in their will for receipt of a cash or property gift. Gifts from income are different from estate gifts. Thus, a rural elderly couple living on a fixed income may have very little to donate on an annual basis, yet have valuable land-based assets that would be a tremendous gift to the public when the property is bequested.

Conclusion

We undertook this project because it was obvious that giving to local governments is not unknown, even though it is unstudied. However, private philanthropy to local governments is a piecemeal phenomenon. In some communities – even very small rural towns – fund raising is very strategic in its targeting of individuals for major gifts. In other communities, however, the idea of fund raising is dismissed very quickly as unrealistic and burdensome. It is for those communities that this article’s information is most pertinent. Whenever elders pass away, businesses, homes and property are sold, and assets are passed to a new generation. Elderly residents who grew up and made their lives in the community are quite willing to consider a gift to the community they love. If the city doesn’t ask, it may not occur to the potential donor that the city even wants their assistance. Even if the city has few personnel to pursue philanthropic gifts and a distressed economy, that does not rule out the possibility of receiving generous estate gifts when property is transferred to a new generation.

Private philanthropy can be a supplemental economic development resource. Retention of assets in the community should be valued alongside the more traditional economic development focus of attracting new assets to the community. Often, philanthropic gifts fund “extras” that couldn’t be justified for public safety, infrastructure, or human services needs, yet these gifts fund important quality of life enhancements. Things of beauty (trees, landscaping, decorative lighting, renovated buildings) and fun (swimming parks, bike paths, concerts) play an important role in attracting families, building community pride, and encouraging more community involvement. The biggest barrier involved in obtaining philanthropic gifts for local governments may be that local governments are uncomfortable asking for donations. Serendipitously, our survey respondents provided the solution to that discomfort: Local governments should pursue private philanthropy indirectly by having volunteers do the asking.

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Appendix: Survey Response

Survey Response Results and Timeline As of March 2, 2004 Resource Development Survey	
November 19, 2003	<ul style="list-style-type: none"> • E-mails to all 238 cities were sent announcing the survey and providing a link to complete it. Information was requested by December 5, 2003
December 5, 2003	<ul style="list-style-type: none"> • 45 web site responses received
December 15, 2003	<ul style="list-style-type: none"> • A second e-mail was sent requesting the information and providing a link to complete the survey. At this time a paper copy of the survey was also mailed to all 238 cities with a cover letter from the Oregon League of Cities City Center Manager.
January 15, 2004	<ul style="list-style-type: none"> • 54 responses received by mail • 15 by web site submission
January 15, 2004 – February 12, 2004	<ul style="list-style-type: none"> • 124 cities contacted by phone • 59 additional web site submissions • 1 additional response received by mail
Total	<ul style="list-style-type: none"> • 174 total responses, 165 of which had completed responses. • 55 by mail • 119 by web site submission • 65% Response Rate of 238 incorporated cities in Oregon