

Blurring the Line Between Government and Charity

by Courtney Gross

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'Tis the season for eggnog overflowing in silver ladles, candle wax dripping onto menorahs and rich, sweet deserts - and lots of them. Beyond overindulgence, though, many New Yorkers see the holiday season as a time to give back.

Sending money to charities and nonprofits has become a holiday custom.

We give involuntarily to the government all the time - every paycheck, actually - so few of us would think of government agencies as likely beneficiaries of our year-end largesse. But along with our favorite private cause, another group of nonprofits - spin-offs of city agencies - would appreciate your help. (To find out how to evaluate charities, including the government funds, see [related story](#) .)

These quasi-government entities are, in fact, nonprofits aimed at closing the gap between government and private enterprise. Agency commissioners sit as members of their boards. The groups collect donations from the general public and foundations and then funnel the money back into specific citywide projects, most of which were left behind in the budget process or are seen as experimental enterprises, such as rewarding families financially for seeing a doctor. While such supplementary funding for government goes back to the 1980s, private fundraising has become more successful and more apparent during Mayor Michael Bloomberg's tenure - the city's major fund, for example, saw its donations increase by 50 percent from 2004 to 2006.

This type of philanthropy could be the latest installment of the blurring between the private sector and city government. It also represents another development in the increasingly complex relationship between the government and charity. Government already contracts with charities to perform work formerly done by government, such as managing social service programs, making charities more like government. Now, as it turns to private donors for voluntary contributions, government is becoming more like charity.

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Leaders argue nonprofit funds allow the city to spend money on neglected or experimental programs, but others question whether giving to the government is the most effective charitable cause. Is it donating to the needy or fueling a slick budgetary practice?

A Trend to Fund Privately

Private funding of government service has been gaining momentum. The largest city agency spin-off, the Fund for Public Schools, brought in more than [\\$39 million in direct public support last year](#) - more than twice the amount raised by the mayor's fund and far more than the [\\$3 million it boasted in 2000](#). The funding, officials said, has gone to a wide array of programming, from leadership training to libraries.

While private funding for public schools flourishes, the mayor's overall fund, or specifically the [Mayor's Fund to Advance New York City](#) established in 1994, has also seen an increase in contributions. Between 2004 and 2005 the Mayor's Fund, which disseminates funding to multiple city agencies, saw contributions increase from about \$10.7 million to about \$16 million, according to tax documents, and in 2006 it brought in another \$16 million.

These contributions, according to the mayor's office, come in varying amounts, from \$5 to the rare, but occasional, \$5 million.

Using private funds to support public programming, though, is nothing new. For instance, [American Express raised approximately \\$1.7 million](#) for the preservation of the Statue of Liberty and Ellis Island in 1983. Many of these funds have been around since then, initially as fundraising subsidiaries of their respective agencies.

The purpose of the funds has shifted over the years. What first started as a subsidiary to the [Department of Parks and Recreation](#) in 1989, the [City Parks Foundation](#) has now become its own full-functioning nonprofit, said Executive Director David Rivel. While the department handles maintaining the physical spaces of parks, the foundation organizes how New Yorkers use parks. The entire project, he added, is a joint venture.

"It is exactly analogous to a kid who grows up in our house," said Rivel of the organization's

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evolution. "It doesn't mean that the kid and the parent never talk again."

Some of the city's funds are still very much at an adolescent stage, so to speak. The [Fund for Public Health](#) in New York was launched by the [Department of Health and Mental Hygiene](#) in 2002, said Executive Director Rachael Pine.

So far they have funneled about \$10 million to the department for experimental programming, including testing for sexually transmitted diseases in the city's public schools. Their goal for now is to solicit funding for innovative pilot projects that may find their way into the city budget later on, she added.

Risky Business?

Since many of these funds were kicked off in the early 1980s, they have been seen as a launching pad for experimental policy programs in city government. For example, [Opportunity NYC](#), a pilot program launched in September, offers low-income families financial incentives for getting a job or an annual checkup and is funded from private donations made to the mayor's fund. Because the program could be considered controversial, using private funds instead of taxpayer dollars allows the city to test it out with far less political consequences, City Hall observers said.

"I think the original intention and the continued intention is that we develop new models and new programs and test them out," said Ali Hodin-Baier, executive director of the [Aging in New York Fund](#), which was launched by the [Department for the Aging](#). "We are a pilot testing ground."

The funds also provide a means for people who want to aid a certain public service. Officials at multiple funds said donors, foundations and even private citizens feel more comfortable donating to a nonprofit rather than to a city agency - where, some officials said, there is no guarantee your contribution will fund the necessary renovations to your neighborhood park or rather a new desktop computer for a press secretary.

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Government as Charity

While the funds provide government with some clear benefits -- money, for one -- they also raise questions. For one, is government a legitimate charity? Certainly many would argue that the causes they support are in fact charitable. The mayor's fund, for example, aids a program within the Department of Cultural Affairs called [Materials for the Arts](#), which collects unwanted supplies from companies and individuals and then gives them to community organizations and public schools that need them. The Fund for Public Schools administers scholarship programs and also awards grants to schools that show a commitment to the arts, among other [initiatives](#).

Some, however, see these fundraising entities as entirely offshoots of city agencies. "They are kind of special purpose funds," said [Howard Husock](#), vice president of programs and the director of the Manhattan Institute's Social Entrepreneurship Initiative. "They are not charitable institutions."

One way of looking at it is as a "voluntary tax payment," said Husock of those that choose to individually contribute to these experimental programs.

The privately financed programs require no budget appropriations and thus no approval from the City Council. Because they are privately funded, the experimental initiatives may bypass a certain level of scrutiny other city services are subject to. If a nonprofit, quasi-government agency is collecting your donations, is a political leader held accountable if something goes awry?

When Government Goes Private

Ultimately, these funds point to the shifting and transitory relationship between a nonprofit, charity and government.

"We are taking a lot of what has traditionally been within the public purview and pushing it out to private organizations," said David Birdsell, the dean of the [School of Public Affairs at Baruch College](#). "What it does raise is a number of important questions for public administration."

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Though some programs have been successful and subsequently absorbed into the city's budget allocations, many of them have had their critics.

One of the largest initiatives within the Fund for Public Schools is the [Leadership Academy](#) - a controversial and expensive institution meant to train principals. Since its inception in 2003, critics have claimed the academy was [not worth the cost](#) - which was nearly \$75 million for the first three years - even though it was funded by private donors.

Elsewhere, some have questioned whether private funding will inevitably cause [inequality](#). A citizen who has not contributed could have less say over how privately funded programs are run than another citizen who has written a check. When private donors direct funds to their neighborhood park for instance, other areas of the city may be left out.

"The criticism that some would make is that it would allow higher quality services that benefit themselves," said Husock.

A Philanthropist Behind the Wheel

Private fundraising and government may have met their perfect match with the current mayor. Some estimate that Bloomberg himself has donated hundreds of millions of dollars to local causes throughout the city. Beyond his own wealth, Bloomberg also has connections and a knowledge of private fundraising.

"It's different perhaps in scale in this administration, but not in kind," said Birdsell. "It speaks to the ability of this mayor, given his unparalleled personal resources, to sustain his activities without the armature of government."

Beyond where this funding is headed - whether a New Yorker agrees with the experimental project or not - many argue innovative and possibly successful programs are being tested across the city to New Yorkers' benefit. Since its not coming out of the pocket of taxpayers, the work, officials said, merely supplements city services and doesn't replace them.

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"Bloomberg came to town with the mission that private fundraising was a good way to augment what government can do," said Rivel. "A nonprofit could actually be more responsive over a long period of time and make sure certain services were delivered even when administrations change."

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