Philanthropy Supporting Government: An Analysis of Local Library Funding
Alicia Schatteman¹, Northern Illinois University
Ben Bingle², Northern Illinois University

This paper explores revenue sources of public sector organizations and how some rely on philanthropic funding to supplement public tax dollars. Data from the Institute of Museum and Library Services Survey are combined with financial information from library friends and foundation nonprofit organizations to understand the extent to which public libraries in Illinois are supported by philanthropic funds. A survey of library directors is used to provide additional context. The findings suggest a geographic disparity in finances among libraries in Illinois. These results allude to the phenomena of “donation over taxation” among some public sector organizations.

Introduction

Governments at all levels continue to face extraordinary financial challenges as the aftershocks of the Great Recession ripple through the contemporary public sector landscape. This has led some scholars to suggest that a “new fiscal ice age” has begun (Kiewiet & McCubbins, 2014). Fiscal challenges are, however, no recent phenomena (Cohn, 1907; MacDonald, 1948; Manvel, 1957; Schiff, 1918). Public organizations have been threatened by huge cutbacks many times before, particularly during the Great Depression. During the 1930s, local services were cut and budgets shrank. The Chicago Public Library faced severe cutbacks in hours, but they were eventually restored because of massive outpouring of support by Jane Addams and others (Herdman, 1943). State and federal governments stepped in to assist these libraries as they pulled out of the Depression. Yet, The Great Recession that began in 2007 has had overwhelming effects on the fiscal landscape that have been virtually unparalleled since the Great Depression. At the local level, governments encounter shrinking budgets, increasing demand for services, declining revenues, and costly infrastructure upkeep. In some instances, local governments have cultivated relationships with nonprofit organizations to help alleviate some of this strain, particularly in the area of service provision (Considine, 2013; Meek & Thurmaier, 2012; Feiock & Jang, 2009; Milward & Provan, 2000; Smith & Lipsky, 1993). Receiving less attention is local governments’ use of nonprofit organizations to leverage revenue in the form of charitable gifts.

New theories are needed to explain what is occurring when public goods become quasi-public goods, when tax dollars are leveraging philanthropic dollars. Many services began by being almost entirely funded by philanthropic dollars at the turn of the 20th century (e.g., health care and schools); next, they moved to being almost entirely funded by government, and then became totally reliant on government funding. Irvin and Carr (2005) are the only researchers that have attempted to examine philanthropy’s role in “forming separate ‘Friends of’ structures and

¹ Dr. Schatteman is an Assistant Professor of nonprofit management in the Department of Public Administration and the Center for NGO Leadership and Development in the School of Public and Global Affairs at Northern Illinois University. She received her Ph.D. from the School of Public Affairs and Administration at Rutgers University-Newark and a Master’s in Communications Management from the Newhouse School at Syracuse University. She teaches, consults, and conducts research in the areas of nonprofit strategic planning, financial management, and performance measurement.
² Mr. Bingle is a Ph.D. candidate in the Department of Political Science and the Outreach Coordinator and an Instructor with the Center for NGO Leadership Development in the School of Public and Global Affairs at Northern Illinois University. He holds a Master’s in Public Administration from Drake University.

foundations” for public services (p. 44). They suggest that libraries fall under nonessential government services, and therefore, during economic downturns, citizens may want to donate to that government service to preserve it. The donors may be negatively and personally affected should a public service, such as libraries, be reduced or harmed. Irvin and Carr (2005) call this the donor impact model. Furthermore, there needs to be an organizational structure put in place such as a foundation or a set of written procedures in order for local governments to receive philanthropic dollars. The authors suggest that further research is needed to determine how government “efforts provide the most efficacious way to attract private gifts” (Irvin and Carr, 2005, p. 45).

If philanthropy is to become part of a revenue strategy for local government, then local governments need to understand the benefits as well as the costs. Nonprofit organizations, on the other hand, need to appreciate the potential impact of philanthropic dollars becoming a more integral part of government revenue at the local level, and how this will impact their own ability to engage in fundraising activities in the same philanthropic space. Local governments may create nonprofit “arms” to focus on fundraising efforts, which these “arms” can do much more effectively because of the 501(c)3 status that they may hold. This has happened in a number of different areas such as public schools and museums, for example. Governments provide the public service but they rely upon philanthropy to provide the funding. This indicates the phenomenon of the preference for donation over taxation. In essence, we have a lack of will between citizen expectation of services and government willingness to pay. This reality places public entities (i.e., libraries) in competition with nonprofit organizations for scarce community philanthropic dollars. Moreover, while local governments may focus on leveraging public tax dollars, nonprofits need to know how this new environment might affect their own ability to raise philanthropic dollars.

This research focuses on public libraries in Illinois, their finances, and their use of friends groups or foundations (i.e., nonprofit “arms”) to supplement existing revenue streams. We begin with a contextual overview of libraries in the United States before arguing that existing theories are inadequate for explaining the phenomenon of donation over taxation. Finally, an original dataset that combines survey data from the Institute of Museum and Library Services with philanthropic donation data from Guidestar, an organization that gathers and disseminates information on nonprofit organizations in the United States, is used to answer the following research questions: To what extent are libraries supported by public tax dollars?; To what extent do libraries have nonprofit fundraising organizations associated with the library?; and, To what extent are public libraries focused on fundraising beyond government support?

Public Libraries in Context

Public libraries date back to the earliest days of this country, with Benjamin Franklin starting the first lending library in 1731 (Library Company of Philadelphia, 2014). Today, there are nearly 10,000 public libraries in the United States, which can be found in almost every community, large or small. These institutions bring the community together and support a knowledgeable citizenry through public and open access to information. According to the Pew Research Center, nearly half of all Americans over the age of 16 used a public library in 2014.

Because they are public entities, many libraries have additional financial resources beyond tax dollars. They earn revenue from program fees, fines, or dues, but they may also seek additional funding from grants as well as gifts from individuals. As such, and despite being public organizations with taxing authority, libraries still rely on other sources of revenue. Scholarly research on library finances is quite undeveloped; however, there are a few examples of
philanthropic support of libraries are even less abundant. The most applicable may be Patrick Valentine’s (1996) case study of philanthropy’s role in public library development in North Carolina during the first half of the twentieth century. While his finding that philanthropy serves as a catalyst for bringing community resources together rather than acting as a primary driver of library development is important, Valentine’s study—by his own admission—is limited by “social, cultural, and political realities of the time and place” (p. 272). Attention now turns to a set of theories that arguably could provide insight to the topic at hand.

**Literature Review**

We primarily use a resource dependency lens to explore our research questions as they relate to public libraries’ reliance on public taxes. Resource dependency theory (RDT) “has become one of the most influential theories in organizational theory and strategic management” (Hillman, Withers, & Collins, 2009, p. 1404). RDT views organizations as dependent upon their environment for scarce resources that ultimately help the organizations survive and thrive (Pfeffer & Salancik, 1978). A resource is considered to be anything that is deemed valuable, such as information, capital, or other materials (Tillquist, King, & Woo, 2002). The interaction with those other entities produces dependency, which gives them some control or power over the dependent organization (Pfeffer & Salancik, 1978). The central premise of resource dependency theory comes down to survival: “the key to organizational survival is the ability to acquire and maintain resources” (Pfeffer & Salancik, 1978, p. 2). Furthermore, organizations seek to obtain resources to help avoid too much external control and maintain their own autonomy (Pfeffer & Salancik, 1978). Resource dependency theory is relevant to this study because libraries, through philanthropy, are diversifying their revenue streams and therefore protecting themselves financially against fiscal shocks. However, libraries are in a unique position in that they have a mandated revenue stream (i.e., public taxes), and therefore, diversification is a result of turning away from taxes to philanthropy by choice or, perhaps, political culture. This theory has not been extended in this way in previous studies.

**Hypothesis #1:** Public libraries are dependent on public funding to support operations.

**Hypothesis #2:** Reliance on public funding for public libraries varies with the library’s location (urban, suburban, and rural).

**Hypothesis #3:** Public libraries rely on fundraising to diversify their revenue.

For the purposes of this research, understanding principal-agent theory—the relationship between the public entity (i.e., library) and a fundraising arm of that library (i.e., friends group or foundation nonprofit)—is also useful. Young (1999) suggests that the relationship can be supplementary, complementary or adversarial. In the supplementary form, a nonprofit fills a need unmet by government. Nonprofits may also collaborate with government, acting as partners in the complementary relationship type. Feiock and Andrew (2006) further expanded Young’s typology into six categories: autonomous service provider, coordinated service ally, subsidized provider, contractor/agent, strategic competitor, partner, and advocate/lobbyist.

In the context of principal-agent theory, the nonprofit as agent is the most relevant for this paper. The objectives of the principal (i.e., the municipal government) are likely clear to the agent (i.e., an associated nonprofit organization like a foundation or friends group), although there may be some ambiguity in the nonprofit’s goals and effective control mechanisms (Hansmann, 1987).
While government cost savings is typically the reason given for engaging in contracting-out with nonprofit organizations, other reasons may actually be the case. In a study of local government and nonprofit managers, VanSlyke (2003) notes, “contracting for social services with nonprofit providers was used for politically symbolic reasons to demonstrate that government is getting smaller, working more efficiently by disengaging itself from direct service delivery and not encroaching on private markets” (p. 307). Therefore, government does shrink and public administrative capacity is reduced. In the case of public libraries, there is little incentive on the part of the nonprofit to increase earnings which may ultimately reduce investment by the municipal government over time. Further confusing the management situation, the nonprofit has a board of directors that is distinct from the municipal board which oversees the entire library. They legally operate separately and yet, are inextricably linked together by working toward the same financial mission. The nonprofit operates as an economic agent in the case of public libraries, but the existing body of literature does not address this distinction. Furthermore, nonprofits may be subsidizing the provision of public services through the use of their own resources like volunteers and endowments.

Hypothesis #4: The majority of public libraries have nonprofit fundraising organizations associated with the public library.

Hypothesis #5: The majority of public libraries are fundraising to diversify their revenue.

Methodology

For this research, municipal public libraries are used to examine how philanthropy is currently supporting these institutions in Illinois. Public libraries in Illinois are governed by the Illinois Local Library Act (1965) and the Illinois Public Library District Act (1991). Municipalities establish local libraries under the Illinois Municipal Code (1961). The Local Library Act dictates how libraries are to be funded from public tax dollars, with special distinction between cities below or above 500,000 residents. All public libraries in Illinois and all libraries in the Chicago (Cook County) and collar counties (McHenry, Lake, Kane, DuPage and Will) are shown in detail in Figure 1.

To answer our research questions, we first created a database using survey data from the Public Libraries Survey which is conducted annually by the Institute of Museum and Library Services (IMLS). The survey data were collected for fiscal year 2011 and released in June 2013. The survey frame consisted of all 9,291 public libraries. For this paper, we used only the responses for public libraries in Illinois (population 13 million). Out of a possible 626 libraries, 620 returned the survey resulting in a response rate of 99 percent.

We supplemented the survey data by first conducting a keyword search in Guidestar. We searched for nonprofit organizations with “library” in their name based in Illinois, which resulted in 353 results. Many of these results included private libraries and library associations. To narrow our research to public library nonprofit organizations, we then queried for “library” and “friends” (163 results) and “library” and “foundation” (68 results). We went through the combined results (231) and removed any organizations that were not affiliated with a public library (such as private and academic libraries), and this left 160 organizations affiliated with public libraries. We then matched the nonprofit organization to the public library and coded this list as 0 = no nonprofit organization, 1 = one friends or foundation nonprofit organization, or 2 = two or more friends or foundation nonprofit organization associated with a particular municipal public library. Next, pertinent financial details were added to the database for each of the nonprofit organizations.
Figure 1. Public Libraries in Illinois

identified, including total assets, annual income, and annual expenses using their IRS 990 form information for the most recent year available (2011). A new variable was created to determine the total amount of philanthropic support raised for the public library via the associated nonprofit organization. That sum was then divided by total operating revenue for that public library. To better understand the role of philanthropy in supporting libraries throughout Illinois, we also added a variable for county location to determine whether philanthropic support to libraries differed by geographic location. All Illinois counties were coded where 1 = Cook County (Chicago);
2 = Collar counties (DuPage, Kane, Lake, McHenry, Will); and, 3 = All other counties in Illinois (see Figure 1). The philanthropic support variable was analyzed via an Analysis of Variance (ANOVA) in order to compare means of the three geographic comparison groups. Philanthropic support was also assessed in relation to a variety of other variables via bivariate correlations. The variables included in this analysis are included in the Appendix.

Finally, we conducted an online survey of municipal public library directors in Illinois asking them about their fundraising capabilities and responsibilities. Out of 626 public libraries in Illinois, we located 525 email addresses of library directors. An online survey link was sent to each of these email addresses, which generated 117 responses (22.3 percent response rate).

Results

The ANOVA and bivariate correlations offer a preliminary, yet insightful, glimpse of the reliance on philanthropic support of public libraries.

Hypothesis #1: Public libraries are dependent on public funding to support operations.

Nearly all public libraries rely on other income besides local tax revenue. Table 1 summarizes the revenue sources for public libraries in Illinois. The median dollar value for federal revenue is $0 because only 28.1 percent of all libraries receive federal support for their public library, whereas, 93 percent of all libraries receive some kind of state support.

Furthermore, we also calculated the percentage of total revenue deriving from all sources of revenue. Results of this analysis appear in Table 2. “Other” revenue includes all non-tax revenue such as fines as well as philanthropy (i.e., donations and grants). The Public Libraries Survey does not break down this amount further which is why we also captured financial data from associated friends and foundation groups.

Hypothesis #2: Reliance on public funding for public libraries varies with the library’s location (rural, urban and suburban).

Next, we explored whether there was any variation in libraries situated in different geographic areas of the state, specifically comparing public libraries in Chicago (Cook County), the collar counties, and beyond. The closer libraries are to Chicago, the more reliant they are on local government (see Table 3). As the percentage of operating revenue from local government

Table 1. Summary of Revenue

<table>
<thead>
<tr>
<th>Revenue Type</th>
<th>Mean</th>
<th>Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Government</td>
<td>$1,088,061</td>
<td>$172,008</td>
</tr>
<tr>
<td>Support</td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Government</td>
<td>$47,687</td>
<td>$8,497</td>
</tr>
<tr>
<td>Support</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal Government</td>
<td>$5,440</td>
<td>0</td>
</tr>
<tr>
<td>Support</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Support</td>
<td>$61,470</td>
<td>$17,457</td>
</tr>
</tbody>
</table>
Philanthropy Supporting Government

Table 2. Percentage of Total Revenues

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Local Government Support</td>
<td>83.16%</td>
<td>88.62%</td>
</tr>
<tr>
<td>% Other Support</td>
<td>12.03%</td>
<td>5.77%</td>
</tr>
</tbody>
</table>

decreases, reliance on philanthropic funding sources increases. This disproportionately occurs outside of Cook and the collar counties. Using bivariate correlation analysis, the relationship between local government funding and philanthropic funding is statistically significant (p < .01). Therefore, libraries in less populous areas (i.e., outside of Chicago and the collar counties) have fewer financial resources at the local level, and they must raise a larger percentage of their operating budget through philanthropy than their peers in Chicago and the nearby suburbs. There is also a positive and statistically significant relationship between reliance on “other income” and county code. This suggests that the level of a library’s reliance on philanthropic revenue increases the farther away it is from Cook County.

Hypothesis #3: Public libraries rely on fundraising to diversify their revenue.

According to the correlation results in Table 4, when all cases are considered (N=170), there is a negative and statistically significant relationship (p<0.01) between the percentage of local government support and the percentage of operating income derived from library friends or foundation organizations. The relationship is positive when correlated with state government funding (p<.05). When Chicago is removed from the analysis (N=169), a positive significant relationship emerges between the percentage of operating income derived from philanthropy and federal government funding. The relationship between total paid full-time equivalent staff is almost positive and statistically significant (p<0.01) with total operating revenue, which was expected.

Library budgets overwhelmingly derive from local government funding (see Table 3). One implication of the findings outlined here is that library friends groups and foundations are stepping up to raise a greater percentage of the operating budget when local government funding is not adequate. Beyond that, however, is the finding that a positive relationship exists between the percentage of budgets derived from philanthropy and state government funding (for all cases and when Chicago is removed) and federal government funding (when Chicago is removed). Since most libraries do not rely heavily on state and federal government revenue, does this relationship

Table 3: Geographic Comparison of Local Government vs. Philanthropic Funding

<table>
<thead>
<tr>
<th></th>
<th>Percentage of Operating Revenue from Local Government</th>
<th>Percentage of Operating Revenue from Philanthropy</th>
</tr>
</thead>
<tbody>
<tr>
<td>COOK COUNTY</td>
<td>93.2%</td>
<td>.99%</td>
</tr>
<tr>
<td>COLLAR COUNTIES</td>
<td>92.9%</td>
<td>.59%</td>
</tr>
<tr>
<td>ALL OTHER COUNTIES</td>
<td>81.7%</td>
<td>4.74%</td>
</tr>
</tbody>
</table>
Table 4. Correlation Analysis of Library Resources in Illinois

<table>
<thead>
<tr>
<th></th>
<th>Total staff</th>
<th>Total operating revenue</th>
<th>Percent from local government</th>
<th>Percent from state government</th>
<th>Percent from federal government</th>
<th>Percent from friends or foundations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total staff</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All</td>
<td>.996**</td>
<td>.964**</td>
<td>.105</td>
<td>.012</td>
<td>-.024</td>
<td>-.013</td>
</tr>
<tr>
<td>Chicago Removed</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>.964**</td>
<td>.314**</td>
<td>-.582**</td>
<td>-.580**</td>
<td>-.220**</td>
<td>-.220**</td>
</tr>
<tr>
<td>Percent from local</td>
<td>All</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>government</td>
<td>.105</td>
<td>.110</td>
<td>-.580**</td>
<td>-.519**</td>
<td>-.220**</td>
<td></td>
</tr>
<tr>
<td>Chicago Removed</td>
<td>.288**</td>
<td>.314**</td>
<td>-.582**</td>
<td>-.519**</td>
<td>-.220**</td>
<td></td>
</tr>
<tr>
<td>Percent from state</td>
<td>All</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>government</td>
<td>.012</td>
<td>.006</td>
<td>-.580**</td>
<td>.297**</td>
<td>.166*</td>
<td></td>
</tr>
<tr>
<td>Chicago Removed</td>
<td>-.118</td>
<td>-.142</td>
<td>-.582**</td>
<td>.297**</td>
<td>.166*</td>
<td></td>
</tr>
<tr>
<td>Percent from federal</td>
<td>All</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>government</td>
<td>-.024</td>
<td>-.025</td>
<td>-.519**</td>
<td>.297**</td>
<td>.085</td>
<td></td>
</tr>
<tr>
<td>Chicago Removed</td>
<td>-.099</td>
<td>-.106</td>
<td>-.519**</td>
<td>.297**</td>
<td>.166*</td>
<td></td>
</tr>
<tr>
<td>Percent from friends</td>
<td>All</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>or foundations</td>
<td>-.013</td>
<td>-.010</td>
<td>-.220**</td>
<td>.166*</td>
<td>.085</td>
<td></td>
</tr>
<tr>
<td>Chicago Removed</td>
<td>-.075</td>
<td>-.068</td>
<td>-.220**</td>
<td>.166*</td>
<td>.085</td>
<td></td>
</tr>
</tbody>
</table>

N = 170 when all libraries with friends groups or foundations are included; N = 169 when Chicago is removed. Pearson correlations are reported. *** p < .001; ** p < .01; * p < .05.

suggest that those who seek other governmental funds are also more aggressive in their pursuit of philanthropic donations? Moreover, this may also imply that donors may be less inclined to give to their local library when they perceive they have already “done their part” via taxation. This may also explain the discrepancy among Cook and collar counties, which have a higher property tax.
burden on average than any of the other counties in the state. It could be that at the local level, donations are crowded out by governmental support; yet, when citizens are not as close to the source of government funding (i.e., state and federal), there is a crowding in phenomenon.

**Hypothesis #4:** The majority of public libraries have nonprofit fundraising organizations associated with the public library.

The dataset then revealed how many public libraries have nonprofit fundraising organizations, which varies by geographic location (see Table 5). The highest percentage of libraries with associated nonprofit organizations are located in the collar counties (i.e., the suburbs). Most libraries outside of the urban and suburban areas do not have a nonprofit group attached to them.

Our results indicate that as the percentage of operating revenue from local government decreases, reliance on philanthropic funding sources increases (p<.01). Therefore, if libraries are not receiving adequate funding from government sources via taxation, then they must supplement that revenue from other revenue streams. Urban libraries are the most reliant on local government support for their funding (93.2 percent of their operating budget derives from local government support, on average), as shown in Table 3. Suburban libraries are almost exclusively supported by government revenue (92.9 percent), but they also have the largest percentage of libraries with nonprofit organizations attached (64 percent). This enviable position suggests that libraries in the collar counties have both solid government support and access to philanthropic dollars from their affiliated nonprofit organization. Yet, it is important to restate that libraries outside of Cook and the collar counties are most reliant upon philanthropic dollars as a percentage of their operating budget.

**Hypothesis #5:** The majority of public libraries are fundraising to diversify their revenue.

To test this hypothesis, we used the results of the Illinois Library Director Survey (N=117). Nearly 70 percent of library directors spent less than ten percent of their time on any fundraising responsibilities. Three-quarters (75.2 percent) of all libraries do not have anyone else on staff involved with fundraising responsibilities, either as their main job or part of their job functions. Of those libraries that do have other staff responsible for fundraising, 46 percent spend less than 10 percent of their time on fundraising functions.

With regard to library board members, they tend to get involved in large capital campaign fundraising for the library, but there is much less involvement with ongoing fundraising related to fulfilling operational needs. One director admitted that the library’s board was not involved at

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**Table 5: Percentage of Libraries with Friends Groups or Foundations**

<table>
<thead>
<tr>
<th>Percentage of Libraries with Friends Groups or Foundations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cook County</td>
</tr>
<tr>
<td>Collar Counties</td>
</tr>
<tr>
<td>All Other Counties</td>
</tr>
</tbody>
</table>
all “with the exception of a couple of trustees who are also involved with our Friends of the Library group.”

In terms of types of support beyond local government taxes, libraries are most likely to pursue donations from individuals (85.7 percent) and state funding (82.1 percent). Some libraries do not pursue other funding sources because of capacity issues. One respondent replied, “I am the only full-time employee. We have one part-time employee who works 15 hours per week. There is not enough time to pursue most of the fundraising sources mentioned.” Respondents like this are not alone in their focus on providing core library services. Other survey respondents indicated that libraries themselves are also not generally eligible for many grants because they are public entities, so they may use their nonprofit friends group as a way of applying for grants only available to nonprofit organizations. There is also the perception that since the library is already funded by taxes, they may be less competitive for grants. But this perception may also be due to “The fact that [libraries] are supported by property tax which is unpopular in general, and [their] limited donor pool which consists of only local residents who are heavily solicited by numerous local organizations.” The local community is a competitive environment for philanthropic dollars, making it challenging for public entities to solicit donations in a context that puts them in direct competition with other community nonprofit organizations who may receive no direct government support.

**Conclusions**

This project resulted in the creation of a new dataset that was built by merging the Public Libraries Survey with financial data from Guidestar. While this dataset could be substantially bolstered by collecting historic financial data and combining it with previous Public Libraries Survey results, we believe it lays the foundation for future scholarly research. Additionally, this project has identified geography as a significant factor when studying philanthropic support of public entities such as libraries. We believe these benefits outweigh some of the major limitations of the study, such as lack of generalizability (i.e., focused solely on Illinois libraries) and inclusiveness of friends groups and foundations (i.e., those that have not filed IRS 990 returns are not included in the analysis).

There are ample opportunities for future research on this topic. At a basic level, this study could be replicated in other states or shifted from libraries to other governmental entities such as public schools or park districts. Carrying out this work would serve to enrich the arguments put forth here and enhance external validity. By collecting additional data such as tax rates and community demographics (e.g., education levels, percentage of households with children, etc.), it might be possible to better understand how charitable giving to the public sector varies depending on community characteristics. There is also an opportunity to explore whether community members place more trust in nonprofits than governmental entities, and whether or not this plays a role in their decision to donate to public sector organizations. Furthermore, future study could examine if nonprofit organizations perceive philanthropy to local government as either a threat or a new reality in the competition for charitable donations.

This research offers several insights for scholars, practitioners, and policy makers into the ever-changing relationship between local government and the nonprofit community. For practitioners, the evidence here may be useful for public library directors and library boards as they plan, organize, and implement fundraising campaigns on their own, or utilize nonprofit organizations affiliated with the library. Libraries outside of Cook and the collar counties may want to consider creating a friends or foundation group if they do not already have one, and place a strategic emphasis on raising philanthropic funds.
For local government officials, this research suggests that they may need to consider (or reconsider) the role of nonprofit affiliated organizations for public libraries, and determine the optimal balance between taxation and donations to maintain a public good. Should public libraries be saddled with all the tasks associated with library administration and service provision, as well as fundraising tasks (either in-house or in partnership with a nonprofit organization)? Will this emphasis on fundraising detract from their mission of education, literacy, and public programming? Is fundraising part of the new normal for public entities who can no longer afford to go it alone without the assistance of nonprofit organizations and philanthropic dollars? Only time will tell if the experiences outside of Chicago and the collar counties will become a larger consideration for those public libraries that are closer to the urban core of Illinois. Beyond libraries, the findings uncovered here may be applicable to other public sector organizations such as park districts and public schools. Future research is necessary to understand if this is the case, whether geographic location has a similar influence, and how other public agencies seek out and secure philanthropic donations.

For nonprofit organizations, government has traditionally served as a funding source. Very little has been written about nonprofits supporting government. But, as this research has shown, public sector organizations are competing with nonprofits for philanthropic support, deciding to attract donations over taxation.

Although this article explores the extent to which public libraries are dependent on government funding and philanthropy, we are left with a larger normative question which is: Should governments be financially supporting public services, like those offered by libraries, at 100 percent funding levels? This is a public policy issue and resolution of this query is heavily dependent on the public’s support for taxes (typically quite low) and the value that public libraries can demonstrate in this digital age. In light of this pressure, public libraries have already turned to philanthropy to sustain or grow operations either internally or by creating a nonprofit fundraising arm. Although publicly created and publicly funded, public libraries are no longer entirely dependent on public funds, and therefore, in order to survive, they must turn to other revenue streams with philanthropy being the most obvious. This is supported by the resource-dependency theory which suggests as public funds for libraries decrease, other funds are needed to shore up resources. Further, the principal-agent theory suggests that libraries benefit from public funding, but the nonprofit fundraising arms used to obtain this funding simply act as agents of government, in this case, raising funds that are not allocated through taxation.

The tide is turning, but we do not know how prevalent the notion of donation over taxation has become. Will there be a day when public libraries are more dependent on private funds than public funds? This is a cautionary tale.

References


Appendix: Description of Variables

- **LOCGVT** Operating revenue from local government
- **STGVT** Operating revenue from state government
- **FEDGVT** Operating revenue from federal government
- **OTHINCM** Other operating revenue (i.e. revenue not included in LOCGVT, STGVT, and FEDGVT)
- **TOTINCM** Total operating revenue (i.e. sum of LOCGVT, STGVT, FEDGVT, and OTHINCM)
- **TOTSTAFF** Total paid full time equivalent (FTE) employees
- **FRIENDSFOUND** Whether or not library has an associated friends group or foundation
- **PERFFINCOME** Percentage of operating income derived from friends group or foundation
- **CNY_TYPE** Classification of Illinois counties (i.e. Cook County, Collar Counties, All other counties in Illinois)