

Hearst Castle's fee waivers scrutinized

By Stephanie Snyder, California Watch

While nearly 70 of California's state parks fought to escape closure from budget cuts, the crown jewel of the park system – Hearst Castle – waived \$611,000 in private event fees over the last decade for select individuals and organizations, including the politically connected.

Hearst Castle, the lavish 165-room estate on a San Simeon hill overlooking the Pacific coast and Highway 1, has been the venue of choice for 125 events since 2002, ranging from weddings to fundraisers, birthday bashes to cocktail parties.

Most of the excused events were hosted by local partnerships, but politics also played a role in deciding who had to pay full price and who didn't, said Nick Franco, superintendent for the state Department of Parks and Recreation's San Luis Obispo Coast District.



Hearst Castle waives fees for those with connections.

Photos/LTN

More than a fifth of the total – \$124,450 – was waived for the birthday party of former state Superintendent of Public

Instruction Jack O'Connell and a charity race led by Maria Shriver while she was California's first lady. The race benefited an international nonprofit, Best Buddies.

The waived fees stood to benefit not only Hearst Castle, but also the 11 other parks in the San Luis Obispo Coast District.

"The money stays in the district where earned and it first goes to cover the cost of the event – staffing, security, garbage, clean up, damage to facilities," state parks department spokesman Roy Stearns said in an email. "But it is also seen as funding that can help make improvements to the parks within the district to improve maintenance, visitor services and the like."

Two parks in the district – Limekiln State Park and Morro Strand State Beach – were set to close in July, but both received reprieves through last-minute funding from a private parks management company and the district. Budget cuts had added them to the state's 70-park closure list, though a recent investigation revealed that the department was not suffering as much as it seemed – it had been sitting on a \$54 million surplus for years.

The rate for a three-hour event at Hearst Castle is \$11,100, but that nearly doubles to \$22,100 if more than 50 people are expected to attend. The ultimate decision of whether to charge the event fees is left up to the district superintendent.

Franco said he always weighs two questions: "What is the benefit we're getting, and what's the impact on our operation?" If the impact on the facility is high, there should be a large benefit to Hearst Castle, he said; if the event is low-key, any sort of benefit is appreciated.

Less than a year after Gov. Arnold Schwarzenegger took office, his wife, Shriver, helped launch a Best Buddies charity race at Hearst Castle in October 2004. For the first five years of the annual race, Hearst Castle did not charge a dime – fees

that would have brought in more than \$80,000.

“There’s obviously politics that come into play with big events like that,” Franco said. “It plays into it when the first lady is one of the sponsors of the event.”

Asked why Best Buddies did not pay the state to use Hearst Castle for the first five years of the charity race, Shriver’s spokesman Matthew DiGirolamo responded in an email that he has “no knowledge of this and neither does Maria Shriver.”

The inaugural race in 2004 brought in close to \$1.6 million in gross receipts, followed by a fairly steady annual increase to \$2.7 million in 2008, according to tax filings for Best Buddies.

Hearst Castle started charging Best Buddies the event fee in 2009, after the maximum event rate was raised from \$16,050 to \$22,100. The charity race grossed nearly \$3 million in 2009 and \$3.2 million in 2010, according to the nonprofit’s tax filings.

Use of the Julia Morgan-designed property has been discounted for more than the politically connected. Hearst Castle employees pay a nominal \$100 to host weddings, engagement parties and baby christenings, while Hearst family members pay nothing.

The state’s former schools superintendent got a significant discount, too. After leaving office in January 2011, O’Connell hosted a 60th birthday party on two nights, one in October and one in November, which typically would have cost \$44,200 for the event permits alone. Hearst Castle did not require the longtime politician to pay the standard fee for two nights of bringing 55 anticipated guests to tour the facilities and swim in the famous Neptune Pool, followed by a reception, said Jim Allen, Hearst Castle’s marketing director.

“I honestly didn’t think about it that deeply,” Franco said.

“If I think about it now, I certainly could have charged him that fee – whether or not he would’ve paid it, I don’t know.”

According to Franco, instead of directly paying the state park for his birthday party, O’Connell donated \$10,000 to the nonprofit Friends of Hearst Castle – a cooperating association of the California Department of Parks and Recreation that supports the preservation of Hearst Castle and assists with community outreach and education. According to the nonprofit group’s tax forms, O’Connell also donated another \$5,000 during the 2011 fiscal year.

O’Connell assumed he had paid full price to host the events, he said, and he wasn’t aware that his \$10,000 check was considered a donation rather than a payment to the state park.

“I just sent what was requested,” O’Connell said. “I paid what was asked.”

In 2011, special event fees were waived for four other events at Hearst Castle, according to data from the parks department’s San Luis Obispo Coast District. For two of those events, donations instead were made directly to Friends of Hearst Castle, as they were in O’Connell’s case. Between 2002 and 2011, no donations appear to have been made to the Friends of Hearst Castle in lieu of event fees.

There is a greater guarantee that money will stay at Hearst Castle if it is spent on donations to Friends of Hearst Castle instead of special event fees to the state park, which can be used elsewhere in the district. Friends of Hearst Castle is contracted by the state to give all revenue above expenses back to the state park – a contribution that the nonprofit’s vice president and former treasurer called “significant.”

“We submit to the state how much money we raise as far as fundraisers, how we got that money and how much money we basically give back to art preservation,” said Vice President Kristin Rasmussen. “That’s the whole point of a cooperating

association – to go back and preserve what’s there.”

Janelle Beland, who was appointed the parks department’s acting director less than three months ago after her predecessor resigned over the \$54 million surplus, said she does not expect the relationship between parks and cooperating associations to end anytime soon.

“We’re spread too thin,” Beland said, adding that the benefits of such relationships are clear when park closures appear imminent. “Decisions were being made – before we found out about the surplus funds – of having to look at potentially closing parks, and these organizations and groups stepped up to help.”

One of those groups, the Coe Park Preservation Fund, recently asked for a refund of \$279,000 in light of the surplus.

Beland said the parks department now is taking a “longer-term look” at how partnerships with cooperating associations and donations to nonprofits intended for state parks should be structured systemwide.

When asked if parks should be collecting donations instead of state park fees, Beland said donations should be collected “in addition to” state fees, “not instead of.”

Friends of Hearst Castle ended the 2011 fiscal year with a profit of \$148,000, according to the nonprofit’s most recent tax filings. But the organization struggled in prior years, which Franco blamed on the recession.

Friends of Hearst Castle had a \$77,000 deficit in fiscal year 2010, down from a deficit of \$152,000 in 2009 and \$211,000 in 2008. The organization fared better financially in 2011 in part because the executive director died and has not yet been replaced.

The San Francisco Chamber of Commerce donated \$1,000 to

Friends of Hearst Castle for an event in June 2011 that typically would cost \$11,100. On a larger scale, Savor the Central Coast – an annual food and wine festival – donated \$15,000 and \$3,000 worth of outdoor furniture to Friends of Hearst Castle to host the September 2011 reception instead of being charged \$22,100 by the state.

In the case of the festival, presented by *Sunset* magazine and the San Luis Obispo County Visitors and Conference Bureau, Franco said benefit fees were waived in exchange for four months of free promotion for Hearst Castle in the magazine.

This year's Savor the Central Coast, held last month, included tapas and wine during a \$125-a-head "Enchanting Evening at Hearst Castle" – and another waived \$22,100 fee partly offset by an expected \$20,000 donation, Franco said.