

**TO EXAMINE WHETHER CHARITABLE
ORGANIZATIONS SERVE THE NEEDS
OF DIVERSE COMMUNITIES**

HEARING
BEFORE THE
SUBCOMMITTEE ON OVERSIGHT
OF THE
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
ONE HUNDRED TENTH CONGRESS

FIRST SESSION

SEPTEMBER 25, 2007

Serial No. 110-60

Printed for the use of the Committee on Ways and Means



U.S. GOVERNMENT PRINTING OFFICE

49-409

WASHINGTON : 2009

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512-1800; DC area (202) 512-1800
Fax: (202) 512-2104 Mail: Stop IDCC, Washington, DC 20402-0001

COMMITTEE ON WAYS AND MEANS

CHARLES B. RANGEL, New York, *Chairman*

FORTNEY PETE STARK, California	JIM MCCRERY, Louisiana
SANDER M. LEVIN, Michigan	WALLY HERGER, California
JIM MCDERMOTT, Washington	DAVE CAMP, Michigan
JOHN LEWIS, Georgia	JIM RAMSTAD, Minnesota
RICHARD E. NEAL, Massachusetts	SAM JOHNSON, Texas
MICHAEL R. MCNULTY, New York	PHIL ENGLISH, Pennsylvania
JOHN S. TANNER, Tennessee	JERRY WELLER, Illinois
XAVIER BECERRA, California	KENNY HULSHOF, Missouri
LLOYD DOGGETT, Texas	RON LEWIS, Kentucky
EARL POMEROY, North Dakota	KEVIN BRADY, Texas
MIKE THOMPSON, California	THOMAS M. REYNOLDS, New York
JOHN B. LARSON, Connecticut	PAUL RYAN, Wisconsin
RAHM EMANUEL, Illinois	ERIC CANTOR, Virginia
EARL BLUMENAUER, Oregon	JOHN LINDER, Georgia
RON KIND, Wisconsin	DEVIN NUNES, California
BILL PASCRELL, JR., New Jersey	PAT TIBERI, Ohio
SHELLEY BERKLEY, Nevada	JON PORTER, Nevada
JOSEPH CROWLEY, New York	
CHRIS VAN HOLLEN, Maryland	
KENDRICK MEEK, Florida	
ALLYSON Y. SCHWARTZ, Pennsylvania	
ARTUR DAVIS, Alabama	

JANICE MAYS, *Chief Counsel and Staff Director*

BRETT LOPER, *Minority Staff Director*

SUBCOMMITTEE ON OVERSIGHT

JOHN LEWIS, Georgia, *Chairman*

JOHN S. TANNER, Tennessee	JIM RAMSTAD, Minnesota
RICHARD E. NEAL, Massachusetts	ERIC CANTOR, Virginia
XAVIER BECERRA, California	JOHN LINDER, Georgia
RON KIND, Wisconsin	DEVIN NUNES, California
BILL PASCRELL, JR., New Jersey	PAT TIBERI, Ohio
JOSEPH CROWLEY, New York	

Pursuant to clause 2(e)(4) of Rule XI of the Rules of the House, public hearing records of the Committee on Ways and Means are also published in electronic form. **The printed hearing record remains the official version.** Because electronic submissions are used to prepare both printed and electronic versions of the hearing record, the process of converting between various electronic formats may introduce unintentional errors or omissions. Such occurrences are inherent in the current publication process and should diminish as the process is further refined.

CONTENTS

Page

WITNESSES

Julian Wolpert, Ph.D., Bryant Professor of Public Affairs, Emeritus, Woodrow Wilson School, Princeton University, Princeton, New Jersey	5
Elizabeth T. Boris, Ph.D., Director, Center on Nonprofits and Philanthropy, The Urban Institute	11
Kevin M. Brown, Chief Operating Officer, American Red Cross	20
Susan V. Berresford, President and CEO, The Ford Foundation, New York, New York	25
Lesley Grady, Vice President of Community Partnerships, The Community Foundation for Greater Atlanta, Atlanta, Georgia	31
Byron Laher, Director, government and Labor Relations and Community Affairs, Greater Twin Cities United Way, Minneapolis, Minnesota, and accompanied by Marcia Fink, Director, Basic Needs, Greater Twin Cities United Way, Minneapolis, Minnesota	40

SUBMISSIONS FOR THE RECORD

African American Nonprofit Network, statement	60
American Arts Alliance, statement	62
Americans for the Arts, statement	63
Association of Art Museum Directors, statement	67
Association on American Indian Affairs, statement	71
First Nations Development Institute, Longmont, CO, statement	73
Greenlining Institute, statement	77
National Council of Nonprofit Associations, statement	78

**TO EXAMINE WHETHER CHARITABLE
ORGANIZATIONS SERVE THE NEEDS
OF DIVERSE COMMUNITIES**

WEDNESDAY, SEPTEMBER 25, 2007

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON OVERSIGHT,
Washington, DC.

The Subcommittee met, pursuant to notice, at 2:03 p.m., in room 1100, Longworth House Office Building, Honorable John Lewis (Chairman of the Subcommittee) presiding.

[The advisory announcing the hearing follows:]

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON OVERSIGHT

FOR IMMEDIATE RELEASE
September 17, 2007
OV-6

CONTACT: (202) 225-5522

Lewis Announces A Hearing to Examine Whether Charitable Organizations Serve the Needs of Diverse Communities

House Ways and Means Oversight Subcommittee Chairman John Lewis (D-GA) announced today that the Subcommittee will hold a hearing to review whether tax-exempt charitable organizations are serving the needs of diverse communities. **The hearing will take place on Tuesday, September 25, 2007, in the main Committee hearing room, 1100 Longworth House Office Building, beginning at 2:00 p.m.**

In view of the limited time available to hear witnesses, oral testimony at this hearing will be from invited witnesses only. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Subcommittee and for inclusion in the record of the hearing.

BACKGROUND:

There are more than one million tax-exempt organizations described in Internal Revenue Code section 501(c)(3). These organizations are required to be organized and operated exclusively for religious, charitable, scientific, educational, and certain other specified exempt purposes. They include, among others, public charities and private foundations. Currently, the assets of section 501(c)(3) organizations exceed \$2.5 trillion.

On July 24, 2007, the Subcommittee on Oversight held an overview hearing on the state of the charitable sector (growth and size). At the hearing, witnesses testified that the Federal Government is increasingly partnering with nonprofit organizations to address the specific needs of individuals and communities. Nonprofit organizations often bring an in-depth understanding of a particular geographic area or special population and have access to underserved populations.

The U.S. population (nearly 300 million) is becoming increasingly diverse. The U.S. Census Bureau estimates that approximately: 36.5 million Americans live in poverty; 100.7 million Americans are identified as minorities; 37 million Americans are age 65 and older; 106.9 million Americans live in urban communities; 116.8 million Americans live in rural communities; 41.2 million Americans have some level of disability; and 37.5 million Americans are foreign born. It further estimates that nearly 10% of the nation's 3,100 counties have a population that is more than 50 percent minority.

FOCUS:

This hearing will focus on whether charitable organizations are serving diverse populations and communities. The hearing will discuss: the extent to which philanthropic dollars are being directed toward diverse communities; the actions tax-exempt organizations are taking to deal with issues and challenges that have arisen in identifying the needs of diverse communities; and the partnerships between gov-

ernments and charitable organizations that are needed to reach and serve diverse populations. The Subcommittee will hear testimony on why developing a plan to serve diverse communities is important and beneficial.

In announcing the hearing, Chairman Lewis stated, **“Charitable organizations play a key role in our country’s ability to respond to the needs of its communities, which have become increasingly diverse. We must do more to serve all Americans no matter where they live and match charitable resources with the needs of diverse communities.”**

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Please Note: Any person(s) and/or organization(s) wishing to submit for the record must follow the appropriate link on the hearing page of the Committee website and complete the informational forms. From the Committee homepage, <http://waysandmeans.house.gov>, select “110th Congress” from the menu entitled, “Committee Hearings” (<http://waysandmeans.house.gov/Hearings.asp?congress=18>). Select the request for written comments for which you would like to submit, and click on the link entitled, “Click here to provide a submission for the record.” Once you have followed the online instructions, completing all informational forms and clicking “submit” on the final page, an email will be sent to the address which you supply confirming your interest in providing a submission for the record. You **MUST REPLY** to the email and **ATTACH** your submission as a Word or WordPerfect document, in compliance with the formatting requirements listed below, by close of business **Tuesday, October 9, 2007. Finally**, please note that due to the change in House mail policy, the U.S. Capitol Police will refuse sealed-package deliveries to all House Office Buildings. For questions, or if you encounter technical problems, please call (202) 225–1721.

FORMATTING REQUIREMENTS:

The Committee relies on electronic submissions for printing the official record. As always, submissions will be included in the record according to the discretion of the Committee. The Committee will not alter the content of your submission, but we reserve the right to format it according to our guidelines. Any submission provided to the Committee by a witness, any supplementary materials submitted for the printed record, and any written comments in response to a request for written comments must conform to the guidelines listed below. Any submission or supplementary item not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All submissions and supplementary materials must be provided in Word or WordPerfect format and **MUST NOT** exceed a total of 10 pages, including attachments. Witnesses and submitters are advised that the Committee relies on electronic submissions for printing the official record.
2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.
3. All submissions must include a list of all clients, persons, and/or organizations on whose behalf the witness appears. A supplemental sheet must accompany each submission listing the name, company, address, telephone, and fax numbers of each witness.

Note: All Committee advisories and news releases are available on the World Wide Web at <http://waysandmeans.house.gov>.

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202–225–1721 or 202–226–3411 TTD/TTY in advance of the event (four business days notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Chairman LEWIS. Good afternoon. The Subcommittee on Oversight will now come to order.

I want to thank each and every one of you for being here this afternoon.

The hearing today will deal with the whole question of charitable organizations—whether charitable organizations serve the needs of diverse communities. Today the Subcommittee on Oversight is holding a hearing to explore whether charitable organizations are serving the needs of diverse communities.

We have called this distinguished panel to help us examine whether there are better ways to identify, reach and serve all Americans.

Our country is growing. It is becoming more diverse, and we are a better nation for that diversity. These are people who share our values and share our hopes and our dreams. It could just as easily be you and I in need, one illness, one natural disaster, one accident, and we too could find ourselves in need.

We must make sure that we meet the needs of our diverse residents, our diverse population. This is not an easy task and we cannot do it alone. The Federal Government cannot be in every community and the Federal Government cannot identify every community's unique needs. This is the strength of nonprofit and charitable organizations.

One thing is clear. Our resources and the resources of the charitable community do not exactly match our needs. Sadly those with the greatest need are not always served.

We must ask the question, how well do we reach our diverse populations. The next question we must ask is how can we do it and do it better.

It is our challenge and our duty, our obligation, our mission and our mandate to serve all people in need. This is a social issue. This is a moral issue. This is American challenge.

So, today we call you here to ask for your help, your suggestions, your recommendations. We want you to speak openly, candidly and be frank with all of us. So, don't put your cards under the table, put them on top of the table, face up and tell us what we need to do and what we all should be doing.

Now I am pleased to recognize the distinguished Ranking Member, my dear friend from Minnesota, Mr. Ramstad, for his opening statement.

Mr. RAMSTAD. I thank my good friend Chairman Lewis for yielding and for holding this important hearing on the role of charitable organizations serving diverse communities, a very important topic.

As we all know, for many years the government, public charities, foundations, have been partners in helping those who are less fortunate. We often talk about expanding the social safety net for people in need, but we also must be sure there are no gaps in the existing safety net, that is diverse communities being served.

Just last month our home state of Minnesota became a place of great need, as you all know from the press accounts. First there was the eight-lane bridge collapse over the Mississippi River. Then there were deadly floods in southeastern Minnesota.

Charitable organizations such as United Way, Red Cross and numerous others rushed to help victims of the bridge collapse, to help families in rural Minnesota cope with the floods. They donated time, money, goods, even their own blood.

Ordinary Minnesotans joined the charitable organizations who provided the leadership in these efforts. But charitable organizations are not only good in disasters, they also respond in huge numbers to the daily needs of people of every background.

These are needs that too many of us take for granted, food, clothing, housing, healthcare, decent job; the basic needs of human beings. I'm pleased that Byron Laher and Marcia Fink from Minnesota are here today to tell us about how Greater Twin Cities United Way works with local charities to meet the needs of diverse communities. They do an especially excellent job of promoting the needs of diverse communities and serving those needs exceptionally well.

I've worked with United Way for a number of years, and I certainly appreciate the good work that Byron and Marcia and everyone at United Way, Twin Cities United Way, does.

Byron, Mr. Chairman, is director of public policy and a jack of all trades, as he calls himself, at Greater Twin Cities United Way. He has also directed a narcotics rehabilitation program for Catholic Charities in Minnesota. So, he brings a diverse background of serving people and is well recognized in our state as one of the true public servant leaders.

Marcia Fink is director of basic needs at Greater Twin Cities United Way, and we thank Marcia for being here today. Marcia also has a long and distinguished career, Mr. Chairman, including 15 years with the region's largest chamber of commerce.

Thank you for joining us, Byron and Marcia. Thank you, Mr. Chairman, for calling this hearing. I look forward to the testimony of this distinguished panel.

Chairman LEWIS. Thank you very much, Mr. Ramstad. Thank you very much for your comments and for being here, being such a wonderful partner in this whole effort.

Mr. Neal, would you like to make a statement, Mr. Richard Neal from the great state of Massachusetts, Springfield?

Mr. NEAL. No.

Chairman LEWIS. Thank you for being here, Richard.

Now we will hear from our witnesses. I ask each of you to limit your testimony to 5 minutes. Without objection, your entire statement will be included in the record. I will have all of the witnesses give their statements and the Members will ask questions of the panel.

It is now my pleasure and delight to introduce our first witness, Dr. Julian Wolpert of Princeton University. Thank you very much, sir, for being here.

**STATEMENT OF JULIAN WOLPERT, Ph.D.,
PROFESSOR EMERITUS, PRINCETON UNIVERSITY**

Mr. WOLPERT. Thank you for asking me to participate. I want to congratulate the Subcommittee chair, the Members and staff for their decision to focus on the important issue of charitable responsiveness to diverse communities.

The topic of American generosity expressed both through charitable donations and through willingness to support public sector safety net and social programs has been very prominent in my recent research. The time allotment today will allow me to present only a very brief synopsis of findings.

My research has shown that charity and volunteerism in the United States is largely confined within social, ethnic, racial, religious and localized communities, with little leakage to the stranger except for short intervals at times of crises.

The needs of diverse urban and rural, majority and minority communities are largely invisible to donors unless highly publicized in the aftermath of major tragedies like Katrina.

To the degree that our diverse communities are flush with resources, for example, Princeton alumni in the financial sector who need be little concerned with the responsiveness of nonprofit organizations to their needs. However if diversity is defined as synonymous with concentrated poverty and social needs. For example, among recent Hispanic and Asian immigrants, Native Americans, inner city black poverty zones, the rural south, charitable organizations are woefully short of resources commensurate with needs.

Little charity or volunteerism passes from wealthy suburbs to inner cities or rural areas or regions like Appalachia. Local charity in those needy communities, no matter how generous, makes only a small dent.

My estimates show that only somewhere between 10 to 30 percent of charitable contributions are targeted to the stranger. That is, outside one's own social group and locale.

We live and work in communities highly segregated by income, race and ethnicity and have little contact with the other. Charity remains circumscribe within class, ethnic and racial boundaries.

The poor and members of diverse communities and their needs are not prominent to donors. Contributors' contributions are overwhelmingly local, church, arts organizations, alumni organizations, et cetera. No clearinghouse or invisible hand operates at national or local levels to ensure that donations are adequate and well targeted to where they are most needed.

That is, the process is fragmented and atomized. Targeting decisions are made largely without rigorous analysis of social needs and priorities, and little attention is devoted to monitoring and evaluation of the services that are supported.

Furthermore, contribution levels are based more upon donor's ability to give than on levels of need.

Now charity has been highly effective in enhancing quality of life and the variety of educational, civic, cultural and health services available to the American population as a whole. However, the targeting is not charitable in the sense of distributional equity. That is, consistency of allocations with the distribution of fundamental social needs among our diverse communities.

Our systems of charitable institutions and tax deductibility for contributions are highly cost ineffective as mechanisms for redistribution of household income or social welfare.

The losses in Federal and state revenue from charitable deductions far exceed donor transfers to the needy. Redistribution has

been demonstrated to be far better through government appropriations than through tax remission or deduction measures.

Now the historical evolution of the charitable sector in the U.S. shows growing recognition that government bears the major responsibility. On the other hand, charity and philanthropy have reserved the role of first response to crises, development in testing of innovative service programs and advocacy for enhanced quality of life and greater inclusiveness in the American Dream. Now this is not a bad division of responsibility if done well.

I want to briefly describe a recent case study from research in New York city. It was a study of excess responsiveness and coverage of nonprofit services in New York city. It showed a high degree of unevenness and a number of significant gaps.

First of all, the middle and upper income communities have a very dense network of civic groups and services that go along with it. There is a strong preference given by nonprofit providers to downtown locations for the convenience of staff and board members, much to the detriment of people in the neighborhoods who really need the services.

There has been a slow response of extending coverage of nonprofit services to neighborhoods that are experiencing rapid demographic and social change. There are significant service gaps in communities with large numbers of recent Hispanic and Afro-Caribbean immigrants.

Service gaps in poverty neighborhoods are attributable to a shortage largely of government contracted programs because in those communities there is virtually no charitable support of the services that are provided. Those nonprofits are reliant for 80 to 90 percent of their revenues upon grants from Federal, state and local government.

Next, much greater financial failure, that is bankruptcy among nonprofits in poverty and immigrant neighborhoods due to failure in finding diversified funding resources. Now we can expect only modest changes at the margin or the level and targeting of charitable donations.

I've learned something valuable through prayer, that if you expect decent results you want to give God a decent break and you want to pray for something that is consistent with natural law or human nature; don't pray for things that are unlikely to occur. For this reason I believe strongly that any changes in our charitable system are likely to occur only at the margin with modest incremental forces.

The nonprofit sector is strong. It does a good job in many of the things that it does, even if it isn't charitable, and it has strong friends in Congress.

I'm not expecting to find major changes to occur, but I'm going to talk only about incremental changes. Progress in some metro areas has been achieved by making the needs of the communities more visible through regular needs assessments and inventories of service gaps. Make them more visible.

Next, taking advantage of natural and manmade catastrophes that uncover longstanding service needs—

Chairman LEWIS. Doctor, if you could, summarize. I've tended to let you go over your 5 minutes because your intervene—you had

the divine to intervene there for a moment, and I didn't want to interfere with the divine.

Mr. WOLPERT. He's no longer with me.

[Laughter.]

Chairman LEWIS. Okay. Okay. So, your 5 minutes is up. If you can, just close it out.

Mr. WOLPERT. Okay. The rest of my statement largely makes recommendations for redefining needs not necessarily through diversity but through categories, for example, serving those who have health problems associated with being poor so the need is targeted or the campaign is targeted toward groups who have high incidence of stroke and diabetes rather than necessarily with the ethnic communities.

Anyway, so the rest of my remarks are mainly suggests of what can be done at the increment, at the margin in order to improve the distribution of charitable resources. Thank you.

[The prepared statement of Mr. Wolpert follows:]

**Statement of Julian Wolpert, Ph.D., Bryant Professor of
Public Affairs, Emeritus, Woodrow Wilson School,
Princeton University, Princeton, New Jersey**

I want to congratulate the Subcommittee chair, members and staff for their decision to focus on the important issue of charitable responsiveness to diverse communities. The topic of American generosity expressed both through charitable donations and through willingness to support public sector safety net and social programs has been very prominent in my recent research. The time allotment today will allow me to present only a brief synopsis of findings. A list of references to my other writings on the topic has been added to the end of this statement.

What charity does well and not so well

My research has shown that charity (and voluntarism) in the United States is largely confined within social, ethnic, racial, religious, and localized communities with little leakage to the "stranger" except for short intervals at times of crises. The needs of diverse urban and rural, majority and minority communities are largely invisible to donors, unless highly publicized in the aftermath of major tragedies, like Katrina. To the degree that our diverse communities are flush with resources (e.g. Princeton alumni in the financial sector), we need be little concerned with the responsiveness of nonprofit organizations to their needs. However, if diversity is defined as synonymous with concentrated poverty and social needs (e.g. among recent Hispanic and Asian immigrants, Native Americans, inner city Black poverty zones, the rural south), then charitable organizations are woeful short of resources commensurate with needs. Little charity or voluntarism passes from wealthy suburbs to inner cities or rural areas or Appalachia. Local charity in those needy communities, no matter how generous, makes only a small dent. My estimates show that only somewhere between 10 to 30% of charitable contributions are targeted to the "stranger," (i.e. outside ones own social group and locale.)

The nonprofit sector is fragmented and atomized, much like local government

The targeting of donations is thus not very different from the functions of local government. We live and work in communities highly segregated by income, race, and ethnicity and have little contact with the "other" or the "stranger." Charity remains circumscribed within class, ethnic and racial boundaries. The poor and members of diverse communities and their needs are not prominent to donors. Contributions are overwhelmingly local (church, arts organizations, alumni organizations, etc.) No clearing house or invisible hand operates at national or local levels to ensure that donations are adequate and well targeted to where they are most needed. Targeting decisions are largely made without rigorous analysis of social needs and priorities and little attention is devoted to monitoring and evaluation of the services that are supported. Furthermore, contribution levels are based more on donors' ability to give than on levels of need.

Charity has been highly effective in enhancing quality of life and the variety of educational, civic, cultural, and health services available to the American population as a whole. However, the targeting is not charitable in the sense of distributional

equity, i.e. consistency of allocations with the distribution of fundamental social needs among our diverse communities. Our systems of charitable institutions and tax deductibility for contributions are highly cost ineffective as mechanisms for redistribution of household income or social welfare. The losses in federal and state revenues from charitable deductions far exceed donor transfers to the needy. Redistribution has been demonstrated to be far better achieved through government appropriations than through tax remission or deduction measures.

The historical evolution of the charitable sector in the United States shows growing recognition that government bears the major responsibility for safety nets and addressing issues of equity and distribution. On the other hand, charity and philanthropy have reserved the role of: first response to crises; development and testing of innovative service programs; and advocacy for enhanced quality of life and greater inclusiveness in the American dream.

Case study in New York City

My recently completed assessment of access, responsiveness, and coverage of nonprofit services in New York City showed a high degree of unevenness and a number of significant gaps in service provision:

- the much denser infrastructure and support networks for nonprofit organizations in long-established middle and upper income neighborhoods
- the preference by nonprofits to locate their service facilities in downtown commercial zones rather than in residential areas where they would be more accessible to users
- slow response in extending coverage of nonprofit services to neighborhoods experiencing rapid demographic and social change
- significant service gaps in communities with large numbers of recent Hispanic and Afro-Caribbean immigrants
- service gaps in poverty neighborhoods attributable to a shortage of donations and grants as well as government contracted programs
- much greater financial failure (i.e. bankruptcy) among nonprofits in poverty and immigrant neighborhoods due to failure in finding diversified funding resources
- numerous faith-based service providers lack the staff and facilities to provide the variety of services they claim to deliver to diverse communities.

Incremental improvements in charitable services to diverse communities

We can expect only modest change at the margin in the level and targeting of charitable donations. At the same time, we would not want to maim the golden goose that has accomplished so much on behalf of our cultural, educational, and religious life by inhibiting donor discretion.

Findings from my earlier research show that charitable institutions in partnership with government at all levels, and business leaders can help to make their targeting more responsive to the needs of diverse communities. Progress in some metro areas has been achieved by:

- making the needs of these communities more visible through regular needs assessments and inventories of service gaps
- taking advantage of natural and man-made catastrophes that uncover long-standing service needs to implement new charitable priorities that can endure beyond the crisis period
- encouraging greater voluntarism and partnerships across class and ethnic communities and across cities, suburbs, and exurban areas
- overt advocacy by nonprofit leaders for a greater government role when and where service needs clearly outpace the capacity of charitable institutions
- helping public, nonprofit officials, and business leaders to stress among other messages in charitable campaigns that:
 - The American notion of fairness implies helping to “level the playing field” especially for younger people
 - The adage that “we take care of our own” is not only insufficient but generally a license to discriminate in favor of the less needy
 - Households should plan their charitable decisions more systematically to ensure that gifts do not simply pay for services they themselves use.
 - Strong family values are prominent among our needy recent immigrants and could be better sustained through enhanced services that assist upward mobility
- Services to our diverse communities are a form of insurance that help to reduce the future incidence of social problems
- Community pockets with severe service gaps are reflections of civic neglect and are stigmatizing to their cities and regions

- Diverse communities consist of people like ourselves who share the same values and whose needs are likely to be very temporary
- Donor targeting of contributions tends to be highly self-serving while donors' forums and leaders of federated campaigns are generally better able to target donations where they are most needed.

References to studies of donor targeting by Julian Wolpert

- Patterns of Generosity in America: Who's Holding the Safety Net?*, Twentieth Century Fund, New York, NY, 1994.
- What Charity Can and Cannot Do*, New York: Twentieth Century Fund Press, 1995
- Fragmentation in America's Nonprofit Sector* in Paul Schervish and Virginia Hodgkinson, eds. *Care and Community in Modern Society*. San Francisco: Jossey-Bass, 1995.
- Rationalizing Selfishness, The American Prospect*, Fall, 1995.
- Giving and Region: Generous and Stingy Communities, in Charles H. Hamilton and Warren F. Ilchman, eds. *Cultures of Giving: How Region and Religion Influence Philanthropy*. San Francisco: Jossey-Bass, 1996.
- The Demographics of Giving Patterns in Dwight Burlingame, ed. *Critical Issues in Fundraising*. San Francisco: Jossey-Bass, 1996.
- Nonprofit Adjustment to Neighborhood Change, Proceedings, 25th Anniversary Conference, Association for Research on Nonprofit Organizations and Voluntary Action, New York, 1996
- The Role of Small Religious Nonprofits in Changing Urban Neighborhoods, Nonprofit and Voluntary Sector Quarterly, 1999
- How Federal Cutbacks Affect the Charitable Sector, in Lynn Staeheli, et al. eds. *Transforming American Government: Implications for a Diverse Society*. Thousand Oaks, CA: Sage, 1999.
- The Role of Philanthropic Foundations: Lessons from America's Experience with Private Foundations. Chapter 6 in Helmut Anheier and Jeremy Kendall (Eds.) *Third Sector Policy at the Crossroads: An International Nonprofit Analysis*. London: Routledge 2001
- Communities, Networks and the Future of Philanthropy. Chapter in C.T. Clotfelter and T. Ehrlich (Eds.) *Philanthropy and the Nonprofit Sector*. Bloomington: University of Indiana Press and American Assembly, 1999.
- Nonprofit Property Tax Exemption: Background, Challenges, and Implications, 2000 Lincoln Institute of Land Policy
- The Location of Nonprofit Facilities in Urban Areas. 2001. Lincoln Institute of Land Policy Working Paper WP01JW1
- New York City's Nonprofit Sector*, Toronto: Univ. of Toronto Press. 2003 (and supplementary *Technical Manual* on methodology. (with John E. Seley)
- Nonprofit Services in New York City's Neighborhoods*. Univ. of Toronto Press. 2003 (with John E. Seley)
- The Distributional Impacts of Nonprofits and Philanthropy. in Patrice Flynn and Virginia Hodgkinson (Eds.). *Measuring the Impact of the Private Nonprofit Sector on Society*. Plenum Publ. 2002.
- The Role of Philanthropic Foundations: Lessons from America's Experience with Private Foundations. Chapter in Helmut Anheier and Jeremy Kendall, Eds.) *Third Sector Policy at the Crossroads: An International Nonprofit Analysis*. London: Routledge 2003
- The Impact of 9/11 on New York City's Nonprofits: Temporary Setback or New Trajectory?" Community Studies Society Discussion Paper, 2002;
- Employment Growth in the Nonprofit Sector: Good or Bad News? Community Studies Society Discussion Paper, 2003;
- Nonprofit Response to Demographic Change: The Role of Government Support. Community Studies Society Discussion Paper, 2002;
- The Financial Squeeze for New York City's Nonprofit Human Service Providers*. Univ. of Toronto Press. 2004 (with John E. Seley)
- Redistributional Effects of America's Private Foundations Chapter 8 in: Prewitt, Kenneth; Toepler, Stefan; and Heydemann, Steven (Eds.) *Philanthropic Foundations and Legitimacy: U.S. and European Perspectives*. SSRC and Russell Sage. 2004.

Secular and Faith-Based Human Services: Complementarities or Competition? Community Studies Society Discussion Paper, 2004

Nonprofit Services in New York City's neighborhoods: An Analysis of Access, Responsiveness, and Coverage. The New York City Nonprofits Project, 2004

Financially Vulnerable Nonprofit Service Providers in Underserved Neighborhoods. The New York City Nonprofits Project, 2006

Chairman LEWIS. Thank you very much for your testimony. Your entire statement will be placed in the record.

Our next witness is from the Urban Institute. I am pleased to welcome Dr. Elizabeth Boris, the director of the Center on Nonprofits. Welcome.

**STATEMENT OF ELIZABETH T. BORIS, PH.D.,
DIRECTOR CENTER ON NONPROFITS AND
PHILANTHROPY, URBAN INSTITUTE**

Ms. BORIS. Thank you very much.

Chairman LEWIS, Ranking Member Ramstad and Members of the Committee, thank you for this opportunity to testify today.

At the Urban Institute I direct the Center on Nonprofits and Philanthropy and also oversee the National Center for Charitable statistics where we collect data on the nonprofit sector and make it available for research.

The topic today is an important one, a unique civic culture exists in the United States largely based on giving and volunteering to improve communities in a variety of ways, by solving problems, preventing harm, generating knowledge, promoting civic participation and much more.

In my testimony I cover five questions. In my 5 minutes I'll only have time to touch on each.

Surveys reveal that people from every economic, racial, and ethnic group give and volunteer. They also create organizations. The most widely used source, Giving USA, says that total donations for 2006 equal about \$295 billion.

We're talking about who gives how much and to whom. An estimated 10 percent of contributions went for human services organizations, but this is clearly not the whole story.

Nonprofits are partners with government in providing many human services. Government is estimated to provide about 30 percent of nonprofit revenues, through grants and contracts and a variety of human and health-related services and others, so government shapes where most nonprofit contributions are really used.

Compared to the government sector however, the nonprofit sector is small. Nonprofits receive about 2 percent of personal income, government about 25 percent. The nonprofit sector is not a system—this echoes Julian's comments—Rather, it is a fragmented mosaic of mostly small organizations.

Sixty-one percent have less than \$250,000 in revenue per year. Fees for services are increasingly important source of support. Contributions are a small but vital part of nonprofit revenues, about 12 percent.

Who benefits from these contributions? All nonprofits and donations to them must serve public purposes, broadly defined. Break-downs by population groups are difficult to document. The informa-

tion is not required on tax forms or public disclosure documents and many types of activities are really for public benefit.

A new analysis by the Center on Philanthropy at Indiana University estimates that about 31 percent of individuals gave to nonprofits that explicitly address the needs of the disadvantaged. If contributions from foundations and corporations and estates are included that total is about 23 percent. These estimates are the best we have at the moment, and they are cobbled together from a variety of sources. You can't go to one place and find these data.

In terms of charitable beneficiaries, preliminary results of a study in my institution show that about 90 percent of nonprofits serve at least some low-income clients and that for a quarter of nonprofits their low-income clients range between 75 and 100 percent of those they serve.

So, about 40 percent of nonprofits focus on economically disadvantaged with half or more of their clients, but fewer nonprofits serve that proportion of ethnic and racial populations. Seventy percent of nonprofits, according to this survey, serve half or more white clients.

Foundation beneficiaries are from a sample that the Foundation Center collects. It's the largest 1,100 or so foundations, accounting for about a half of foundation grants. From there we learn that about 15 percent of foundation grant dollars serve human services; education, about 24 percent; arts and culture, 13 percent; health, 21 percent.

Well, what does this mean? About half of the foundation grants are for the general public. They're for the general good. We have no way of determining who they benefit. One might say that the indirect beneficiaries of those foundation grants might be more important in some senses, if they're for research or prevention.

So, there's very little public data available on the outcomes of nonprofit programs or of foundation grants, yet this information is what we are really required to assess if we want to understand the underlying question of who benefits from charitable contributions.

How do charities and foundations identify community needs? There are lots of ways; surveys, mostly; focus groups. There are all kinds of things that I'm sure our folks from Atlanta will talk about. The National Neighborhood Indicators project is one way of neighborhoods collecting data and making it available.

The weakness of needs assessment is that it's not done uniformly and that finding the resources to conduct needs assessment is very difficult.

Are there gaps between needs and services? There are undoubtedly gaps, especially for the poor. Charities that provide basic human services are largely funded by the government, and government itself only spends two to three percent of its budget on the under-served.

The makeup and needs of the poor are not uniform across the country. Neither are nonprofits. Contracts with charities often don't provide overhead so that in order to make ends meet they have to go out and raise additional revenues. There are all kinds of things that we could do to try to fix that problem.

How do we improve the quality and scope of data on nonprofit beneficiaries? First, we can mandate electronic filing of Forms 990

and, second, revise that form. They're very high on my agenda. We use those data all the time and we also have software on our website to help nonprofits fill them out.

But even with these enhancements the sector requires an investment not only from those of us in the nonprofit sector, but from government in systematic data collection and an integrated sector information system.

As this testimony demonstrates, we can piece together plausible stories from surveys and data from all kinds of sources, but it requires a Herculean effort and lots of time and money, and the results that we find have to be heavily qualified.

If knowledge about nonprofits is important to public policy in this country we must have the resources for creating, maintaining and making accessible data on the nonprofit sector. Thank you very much.

[The prepared statement of Ms. Boris follows:]

**Statement of Elizabeth T. Boris, Ph.D., Director,
Center on Nonprofits and Philanthropy, The Urban Institute**

Chairman Lewis, Ranking Member Ramstad, and Members of the Committee:

Thank you for this opportunity to testify today on the topic, "Whether Charitable Organizations Serve the Needs of Diverse Communities."

I am Elizabeth Boris, director of the Center on Nonprofits and Philanthropy at the Urban Institute, where I also oversee the work of the National Center for Charitable Statistics (NCCS). The Urban Institute conducts independent, nonpartisan analyses of a wide range of national issues. The Center that I direct focuses on nonprofit organizations and philanthropy. At our National Center for Charitable Statistics, we create and share with researchers and the public over 150 databases on nonprofit organizations derived mainly from the public reports that nonprofit organizations annually file with the IRS on Forms 990 and 990-PF. Researchers use NCCS data to assess financial trends and conduct in-depth surveys of nonprofit and foundation governance, administrative and fundraising costs, and much more.

The topic today is an important one. A unique civic culture exists in the United States. It evolved through the efforts of our diverse populations reaching back before the creation of this country and it continues to evolve with every new generation and immigrant group. In our culture, we expect individuals to contribute to their communities over and above their taxes and we honor people who give and volunteer to solve problems and improve conditions in their communities, in the larger society, and throughout the world. U.S. laws recognize the value of these contributions and exempt from taxes the 1.4 million nonprofit organizations that serve public purposes, and provide tax incentives to encourage giving to a subset of almost 900,000 charitable organizations that serve the public through educational, religious, scientific, literary, poverty relief, and other activities for public benefit (Wing et al. forthcoming).

To capture the diversity of nonprofit organizations in the United States, the National Taxonomy of Exempt Entities has over 630 categories that group organizations under eight major headings—arts, culture, and humanities; education; environment and animals; health; human services; international; public and societal benefit; and religion-related organizations.

In my remarks today, I will draw on our research and experience with data on the nonprofit sector and that of others. I will try to answer five critical questions:

- **Who gives, how much, and to whom?**
- **Who benefits from charitable contributions?**
- **How do charities and foundations identify the needs of their communities?**
- **Are there gaps between needs and services?**
- **How can we improve the quality and scope of data on charitable beneficiaries?**

Who Gives, How Much, and to Whom?

First, let's turn to the sector's scale. Nonprofits receive about 2 percent of personal income, compared with government's 25 percent (Steuerle and Hodgkinson 2006).

The nonprofit sector is not a system. Rather, it's a fragmented mosaic of mostly small organizations—61 percent reported less than \$250,000 in revenues in 2004. Most nonprofits, especially the larger ones, have a mix of revenue sources, but contributions provide only about 12 percent of the \$1.4 trillion in revenues of charities.

Some types of organizations rely more heavily on contributions, for example, international organizations (68 percent), environmental organizations (51 percent), and religious organizations (57 percent). Others depend more on fees for goods and services (including Medicare and Medicaid). For example, the top three sectors in terms of fee income are health (85 percent), human services (49 percent), and education (47 percent) (Boris and Steuerle 2006). Government is estimated to provide about \$317 billion of nonprofit revenues through grants and contracts for a variety of human and health-related services, as well as education, research, and much more (Abramson et al. 2006). Overall, giving is a small, but important part of nonprofit revenues.

The origins of nonprofits are telling. Most are created by social entrepreneurs to meet societal needs, protect cherished values, promote desired conditions, or prevent undesirable outcomes or activities. Most are local, though some work at state, regional, national, and international levels. Nonprofits are employers, employing about 9 percent of the U.S. workforce and providing volunteer opportunities that enrich the lives of millions of Americans.

There is no one definitive source of data for the amount of contributions and their beneficiaries. Over the past 25 years, we have improved the estimation techniques and survey data used in annual compilations, now researched by Center on Philanthropy at Indiana University and published in *Giving USA* (Giving USA Foundation). This is still a mix of more and less reliable sources. We have good data on amounts of contributions made by individuals who itemize donations on their income taxes, but we must rely on surveys to estimate contributions of those who do not itemize on their tax returns.

Surveys also provide information on the recipients of donations and are thus subject to the limitations of response rates and timeliness issues in addition to the problems that arise when different data sources are combined.

While Census data are available on giving and volunteering, we must use less definitive data to estimate who benefits from charitable donations. We can look at beneficiaries from three perspectives, (1) recipients of individual donations by conducting surveys; (2) recipients of foundation grants by doing surveys and analyzing grants; and (3) beneficiaries of nonprofit services, by making estimates based on surveys and program descriptions.

The basic facts about charitable giving, estimated in the 2007 *Giving USA* are the following:

- Total charitable donations for 2006 equal \$295.02 billion. Americans gave an estimated \$222.89 billion in 2006 directly and to foundations, and \$22.91 billion at death through their estates.
- Private and community foundations gave \$36.5 billion dollars for charitable purposes in 2006, and corporate foundations and giving programs gave \$12.72 billion.

Surveys reveal that people of every economic, racial, and ethnic group give and volunteer to nonprofit organizations. Sixty-eight percent of households in the 2004 survey made donations. The median gift was \$775 (Center on Philanthropy at Indiana University 2007). In addition, there is a growing diversity of givers from middle- and higher-income groups who are creating foundations and nonprofits, joining in giving circles, giving online, and engaging with charitable organizations of all types (New Ventures in Philanthropy 2007).

Who Benefits from Charitable Contributions?

Who benefits from individual and institutional contributions, and from the nonprofit services they support, is not well documented—because that information is complex to report and is not required on tax forms or on public disclosure documents. The Forms 990 that nonprofits annually file with the IRS do not require organizations to report the demographics of the people they serve. The forms also combine individual contributions with those from foundations and corporations, making it impossible to differentiate among those sources. Requiring a break-out of individual, foundation, and government contributions on the Form (as NCCS has recommended in its comments on the revised Form 990), would allow us to measure how much different types and sizes of organizations receive from each type of contributor. With that information, we will be able to determine where those contributions are going, right down to the neighborhood level.

Churches and other religious congregations receive the largest proportion of charitable donations and since they are not required to report to the IRS, researchers estimate the amounts from surveys. Congregations received almost a third of contributions, \$96.82 billion in 2007, according to data compiled for *Giving USA 2007* (figure 1). An estimated 59 percent of contributions to congregations are from the 42 percent of households with incomes less than \$100,000.

In contrast, an estimated \$29.56 billion (10 percent) of contributions in 2006 went to human services organizations. Many larger human service organizations serve multiple constituencies with a range of offerings. It is therefore difficult to tell whether a donation to a particular organization supports people in crisis, a capital campaign, or low-income child care provision. Similarly, it's hard to define "poor" populations and to disentangle how much of a given organization's programs serve a community support poor people, aged people, youth, women, ethnic minorities, disabled people, and other marginalized populations. The IRS does not require organizations to report on their clients' demographics. There are not uniformly used standards for reporting recipients.

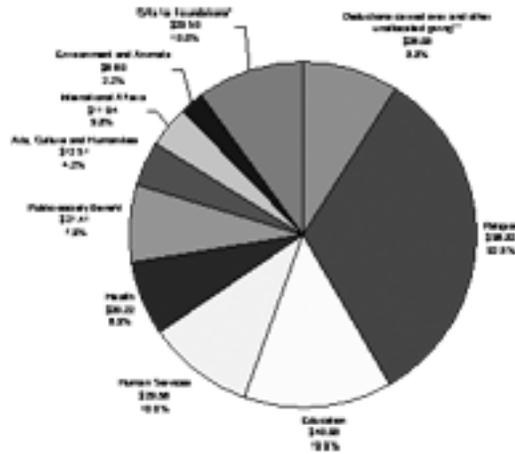


Figure 1. 2006 Contributions: \$295.02 Billion by Type of Recipient Organizations

Source: *Giving USA 2007*

Notes: All figures are rounded. Total may not be 100 percent.

* Foundation Center and *Giving USA* estimate

** Contributions to organizations that are not tracked (for example, government entities or scholarship donations to mutual benefit associations), deductions carried over, and unallocated giving are estimated at \$26.08 billion, or 6.6 percent of the total.

Individual Contributions

Individuals must itemize their annual contributions on their income tax forms if they seek a charitable deduction. When this information becomes available, it is the definitive source for the amounts itemizers give, although research by David Joulfaian (2001) indicates that, on average, high net worth households contribute about twice as much as they can deduct in any given year, suggesting that the amounts recorded for any one year may be undercounted. Recipient information is not available, however, and we do not have a comparable source for measuring donations from the majority of Americans who do not itemize contributions on their tax returns. We rely on surveys to assess how much and to whom different population groups give. These surveys are getting better but are still likely to undercount at the bottom and top of the income distribution. Still, survey data allow us to estimate broad categories of recipient organizations. Tax deductibility of gifts hinges on the contributions being made to organizations that have recognized "charitable" sta-

tus. Direct gifts to individuals and informal giving are not tax deductible, and thus are not counted.

A new analysis by the Center on Philanthropy researchers uses two surveys and data from other sources to estimate that approximately \$78 billion (31 percent) of the \$250 billion dollars that individuals gave to nonprofits in 2005 explicitly addressed the needs of the disadvantaged. If contributions from foundations, corporations, and estates are included, 23 percent of total contributions are specifically intended to benefit low-income people (Center on Philanthropy at Indiana University 2007). These estimates use the best data we have at present and represent an important advance. But, these complex combinations of less-than-adequate data must be used cautiously.

Charities' Beneficiaries

Organizations are required to describe on their IRS Forms 990 the accomplishments of their four largest programs, but they are not required to describe the people they serve. For some organizations, like colleges and universities, such reporting is likely to be quite easy because most track their students by multiple factors. For other types of organizations, it might be difficult to categorize the recipients of services. A soup kitchen may, by definition, serve the poor, but if it does not collect information from those it serves, it is not likely to know the ethnic, immigrant, disabled, gender, aged, or ex-offender status of that population. Collecting such information would require staff and or volunteers to gather the information, develop databases, input data, and generate reports and statistics. These steps might be difficult for small organizations, but not for larger charities with developed administrative infrastructures.

An Urban Institute study, *Nonprofit Governance in the United States: Findings from the First National Representative Study* by Francie Ostrower (2007), provides a rigorous and detailed analysis of nonprofit governance practices in the United States based on a stratified random survey of over 5,100 charities required to file the IRS Form 990. The survey asks questions about diversity of board members and of the people the organizations served. While early study reports do not focus on diversity issues, further analysis will do so. Preliminary results suggest that over 90 percent of nonprofits serve at least some low-income (below the poverty level) clients and that for a quarter of nonprofits, their low-income clients range between 75 and 100 percent of those they serve.

With regard to diversity, 70 percent of nonprofits have clients that are half or more white; 15 percent of nonprofits do not have any black (non-Hispanic) clients, and 3 percent serve 75 percent or more; 35 percent do not serve any Asians, and 0.9 percent serve 75 percent or more; 21 percent do not serve any Hispanic/Latino people and almost 2 percent serve 75 percent or more. For white (non-Hispanic) clients, 3 percent serve no whites, and 40 percent serve between 75 and 100 percent white clients. These preliminary findings indicate that while 40 percent of nonprofits focus on economically disadvantaged (half or more of their clients), few nonprofits serve that proportion of ethnic and racial populations.

Table 1. Beneficiaries of Charitable Organizations (percent)

Percentage of clients served	Low-income	Black (non-Hispanic)	Hispanic	Asian	White (non-Hispanic)
0	8.7	14.9	21.2	35.1	3.1
1-9	19.1	41.6	45.3	25	5.2
10-24	19.0	20.7	16.6	9	7.4
25-49	12.0	13.7	9.7	2	14.6
50-74	15.4	5.8	3.3	0.8	29.8
75-100	25.7	3.4	1.9	0.9	39.8

Source: National Survey of Nonprofit Governance (Ostrower, 2007)

To put the findings in context, about 13 percent of Americans live below the poverty level, but the proportion of various ethnic groups who live in poverty varies greatly. Almost 9 million of American blacks (25 percent) live in poverty, compared with almost 18 million (9 percent) of whites, over 9 million (21.5 percent) of Hispanics, and Asian 1.4 million (10.7 percent) (2006 American Community Survey).

These demographics and the differences by state and regions have an impact on those served by nonprofits that have not been sufficiently analyzed.

Underserved populations are not spread uniformly across the country. Neither are nonprofits. While nationally there are approximately 10.9 nonprofits per 10,000 people, the density varies by state and region. The states with highest density of nonprofits are Vermont with 26.9 organizations per 10,000 people, Alaska with 20, and Montana with 19.2—compared with low-density states, Nevada with 5.9, and Mississippi with 6.7. Among the most populous states, Texas had 8.3 nonprofits per 10,000 people; California, 10.4; and New York, 12.5. Rural states in the upper Midwest have a denser nonprofit infrastructure than Southern states (National Center for Charitable Statistics forthcoming). These findings underline the potential mismatch between nonprofit resources and populations, particularly in the South. Research has not addressed the reasons for the mismatch or strategies for addressing the gaps.

Foundations' Beneficiaries

The 71,095 private, corporate, and community foundations held assets of \$550 billion in 2005, a gain of 7.8 percent from 2004. They made grants of more than \$36 billion dollars, a 14.3 percent increase. Human services received the largest proportion of foundation grants, but in dollars (15 percent); education (24 percent); arts and culture (13 percent); and health (21 percent) (Foundation Center 2007).

Foundation grants are all reported to the IRS on Forms 990-PF, (and Form 990 for community foundations) but the beneficiaries of the grants are not required. The Foundation Center does survey a sample 1,154 of the largest foundations and classifies their grants of \$10,000 or more. The statistics cover about half of the money given by foundations, but are only indicative of grantmaking trends among the largest foundations, and are likely to underestimate grants to smaller, community-based organizations. Among the limitations of these data are the overlapping categories and the different ways that similar grants might be classified. If a foundation, for example, makes a grant for scholarships for single women heads of households, depending on the locale and strategy of the foundation, that grant could be categorized as one that benefits the poor, a particular ethnic group, women, youth, ex-offenders, or may be part of an economic development strategy for a particular community.

In 2005, nearly 54 percent of the reported grants (70,000) did not have a specific beneficiary. Those were classified as benefiting the general public. Among those with an identified beneficiary group, the greatest number, 30,044 with a value of \$2.97 billion, benefited children and youth. The second largest group with 25,647 grants worth \$2.58 billion was for economically disadvantaged populations. Grants for ethnic or racial minorities numbered 13,455 with a value of \$1.35 billion (Foundation Center 2007). These figures suggest that about 11 percent of grants benefit underserved populations. Without an analysis of the grants that fall below the \$10,000 threshold and those that benefit the general public, it is difficult to determine the utility of these figures. They probably underestimate grants to smaller organizations likely to be serving diverse constituencies. More generally, however, most grants of large foundations likely do not directly serve particular constituencies.

In a special report on *Social Justice Grantmaking* (2005), the Foundation Center assessed grants made to vulnerable population groups specifically to spur structural change and increase opportunities. The report documents that 749 of the 1,005 donors (whose grants were tracked by the Foundation Center) provided \$1.76 billion for social justice issues, up from \$1.15 billion given by 686 donors in 1998. These grants were given to 52,375 recipients, compared with 40,934 recipients in 1998. The proportion of all grant dollars for the group, however, was lower: 11 percent in 2002, compared with 11.8 percent in 1998. The report indicates that there may be a trend toward increasing numbers of foundations giving to social justice issues.

These data illustrate the variety of grants and grant recipients. They also illustrate the limitations of the data for a detailed analysis of giving that benefits low-income and minority populations. Foundations do target underserved populations, both directly and indirectly. It is not possible yet to measure adequately and at a reasonable cost the scope of either the direct or the indirect beneficiaries of the foundation field. And the indirect benefits may be among the most powerful. Foundation-funded research, for example, may reveal the dimensions of problems ex-prisoners face and may lead to programs designed to head off re-incarceration and to federal dollars to support such efforts. The research grants may go to an entity like the Urban Institute or to a university—and thus, in a cursory analysis, would not be categorized as benefiting underserved populations even though they do.

Finally, there is very little public data available on the outcomes of grants, yet this information is required to assess the underlying question of who benefits from foundation grants.

Evaluations of specific programs, for example of the National Community Development Initiative, can reveal how foundation funding leveraged resources and affected communities (Walker et al. 2002).

How Do Charities and Foundations Identify Community Needs?

Charities and foundations identify community needs in many different ways. Local governments, United Way agencies, and community and private foundations may all support efforts to determine communities' needs. Examples include a collaboration of major nonprofits and government that produced the *2007 Community Needs Assessment for Howard County, Indiana* (Bonnet and Hoke 2007), and *How Is the Region Doing: Human Service Use and Service Availability in Allegheny County, PA*, a study commissioned by the Forbes Fund of Pittsburgh (Gutierrez-Mayka and Bernd 2006). The Knight Foundation drew on Census, NCCS, and other data sources to develop very detailed economic and demographic portraits of the communities that it serves. The National Neighborhood Indicators Partnership furthers the development and use of neighborhood-information systems to guide policymaking and community building (<http://www2.urban.org/nnip/>).

Smaller organizations do not often systematically assess community needs. Human service charities are usually created to meet unmet needs and are often hard pressed even to make payroll. To raise operating funds, they must convince public and private funders of the needs they are meeting, and they must provide services that people are willing to pay for. In a sense, the nonprofit marketplace—especially foundations and government—requires a case to be made. Those who rely on individuals who give small amounts probably rely more on stories about needs.

The foundation field has many task forces and affinity groups to help donors explore the needs of ethnic and racial minorities, women, disabled people, gays and lesbians, neighborhoods, civic participation, health, education, community development, and more. Right now, one task force is looking at how to measure the diversity of foundation grantees, and another one is examining rural grantmaking. There are also efforts to share information and best practices. The Annie E. Casey Foundation, for example, developed a “Race Matters” toolkit designed to help address policies and practices that contribute to inequitable outcomes for children, families, and communities, with fact sheets on key areas (health, education, income security, etc.), a racial equity impact analysis tool, community building strategies, and an organizational self-assessment (<http://www.aecf.org>).

The weakness of needs assessment in the nonprofit world is that it is not systematic and regular in all communities. It is often piecemeal—a study of the needs of youth in one neighborhood and of housing shortages in another. Obtaining resources to conduct comprehensive needs assessments over time is often difficult. Another weakness is that there is rarely systematic information collected on the outcomes of the services already provided.

Are There Gaps between Needs and Services?

There are undoubtedly gaps between needs and services, especially for the poor. Charities are largely funded by government when they provide basic human services. The makeup and needs of populations at risk are not uniform throughout the country, and government resources and priorities differ. Contracts with charities to provide welfare-type services often do not reimburse the full cost of services or provide overhead as they do for business contracts, with the result that charities must spend their resources raising money from other sources, often forgoing infrastructure improvements that would make them more efficient (Miller 2005).

Part of the difficulty is that most giving is local, and communities differ in their makeup and needs. It is far more likely that a branch of a local youth group in Marshall Heights, or Bailey's Crossroads, Virginia, will serve Latino youth, than a branch in Potomac, Maryland, or Anacostia. National nonprofits with local affiliates can often help to cross-subsidize efforts from one locality to the next, but there are issues of donor intent that may limit their ability to take revenues from one area to serve another. Rather, nonprofits must raise additional revenues to serve low-income populations.

Governments sometimes provide incentives for individuals to direct their contributions to organizations serving low-income populations. In Arizona, the state government implemented a special tax credit for those who give to charities that certify that more than half of those they serve are below the poverty line. This strategy has raised additional resources, but mostly for large, well-known organizations (De Vita and Twombly 2004).

Immigrants are creating organizations to meet their needs. Often these come out of religious entities. In a study we are conducting of immigrant serving organizations, we identified several hundred organizations, most created in the past 15 years, that serve Latino, Asian, African, and Middle Eastern immigrants in the D.C. metro area alone. New immigrant groups seem to be following the time-honored pattern of setting up organizations for a variety of purposes. Those include religious worship and services, human services, cultural activities, education, language instruction, and many more. Among the Latino organizations, revenue is roughly equally derived from government, contributions, and fees, but over half of the organizations do not receive government revenues. As immigrant communities move to the suburbs, they are causing a rethinking about the location of groups that serve them. There is a newly emerging dimension of civil society beginning to flourish in our immigrant communities. These new organizations may require mentoring, seed funding, and capacity building as they learn the ropes.

How Can We Improve the Quality and Scope of Data on Charitable Beneficiaries?

As you might imagine, the quality and timeliness of data on nonprofit organizations concerns us greatly. We developed the nonprofit classification system, the National Taxonomy of Exempt Entities that the IRS and many researchers now use. We also collaborated with the IRS to scan the Forms 990 and partnered with GuideStar to make those images available to the public on both our websites. We recently analyzed the proposed changes to the Forms 990 and submitted our recommendations for improvement. We believe that electronic filing of Forms 990 will complete the revolution in nonprofit transparency that began with sharing images of Forms 990 with the public, because the quality and timeliness of the information will be enhanced. To that end, we developed and make available on our web site software that lets nonprofits complete their Forms 990 and transmit them to the IRS. Requiring nonprofits to complete Forms 990 in electronic format will facilitate more complete and timely reporting by nonprofits, and better data on the nonprofit sector.

Even with these enhancements, however, there is no doubt that the sector requires an integrated sector information system that links information on nonprofits, foundations, contributions, employment, Census, general social survey data, and others. There has been very little government investment in data that document trends in the nonprofit sector. As this testimony demonstrates, we can piece together plausible stories, but to do so requires Herculean efforts and resources that are rarely available. And the results of these efforts must be heavily qualified. If knowledge about nonprofits is important to public policy in this country, resources must be directed toward creating the infrastructure required to develop the information.

References

- Abramson, Alan, Lester Salamon, and C. Eugene Steuerle. 2006. "Federal Spending and Tax Policies: Their Implications for the Nonprofit Sector." In *Nonprofits and Government, 2nd edition*, edited by Elizabeth Boris and C. Eugene Steuerle (107–40). Washington, DC: Urban Institute Press.
- Bearman, Jessica E. 2007. "More Giving Together: The Growth and Impact of Giving Circles and Shared Giving." Forum of Regional Associations of Grantmakers. http://www.givingforum.org/s_forum/bin.asp?CID=1883&-DID=5316&DOC=FILE.PDF.
- Bonnet, Deborah, and Robert E. Hoke. 2007. "2007 Community Needs Assessment for Howard County, Indiana." [[city?]]: DBonnet Associates. http://www.unitedwayhoco.org/needs/prt_overview.pdf.
- Boris, Elizabeth, and C. Eugene Steuerle. 2006. "Scope and Dimensions of the Nonprofit Sector." In *The Nonprofit Sector: A Research Handbook*, edited by Walter W. Powell and Richard Steinberg (66–88). New Haven: Yale University Press.
- DeVita, Carol J., and Eric C. Twombly. 2004. "Charitable Tax Credits: Boon or Bust for Nonprofits?" Policy Brief no. 16. Washington, DC: The Urban Institute.
- Giving USA Foundation™. 2007. *Giving USA 2007*. Glenview, IL: Giving USA Foundation.
- Gutierrez-Mayka, Marcela, and Elisa Bernd. 2006. "How Is the Region Doing? Human Service Use and Service Availability in Allegheny County, PA." Tropman Reports. The Forbes Fund. <http://www.forbesfunds.org/docs/2006TropmanReports.pdf>.

- Independent Sector and the Foundation Center. 2005. *Social Justice Grantmaking: A Report on Foundation Trends*. New York: The Foundation Center.
- Joulfaian, David. 2002. "Charitable Giving in Life and at Death." In *Rethinking Estate and Gift Taxation*, edited by Gale. W., J. R. Hines, Jr., and J. Slemrod. (350–74). Washington, DC: Brookings Institution Press.
- Miller, Clara. 2005. "The Looking-Glass World of Nonprofit Money: Managing in For-Profits' Shadow Universe." *The Nonprofit Quarterly* 12(1).
- Ostrower, Francie. 2007. "Nonprofit Governance in the United States: Findings on Performance and Accountability from the First National Representative Study." Washington, DC: The Urban Institute.
- Steuerle, C. Eugene, and Virginia A. Hodgkinson. 2006. "Meeting Social Needs: Comparing Independent Sector and Government Resources." In *Nonprofits and Government, 2nd edition*, edited by Elizabeth Boris and C. Eugene Steuerle (81–106). Washington, DC: Urban Institute Press.
- The Center on Philanthropy at Indiana University. 2007. "Patterns of Household Giving by Income Group, 2005." <http://www.philanthropy.iupui.edu/Research/Giving%20focused%20on-%20meeting%20needs%20of%20the%20poor%20July%202007.pdf>.
- The Foundation Center. 2007. *Foundation Giving Trends: Update on Funding Priorities*. New York: The Foundation Center.
- U.S. Census Bureau. 2007. "2006 American Community Survey." [[city?]]: U.S. Census Bureau. <http://www.census.gov/acs/www/>.
- Walker, Christopher, Jeremy Gustafson, and Chris Snow. 2002. "National Support for Local System Change: The Effect of The National Community Development Initiative on Community Development Systems." Washington, DC: The Urban Institute.
- Wing, Kennard T, Thomas H. Pollak, Amy Blackwood, and Linda M. Lampkin. Forthcoming. *Nonprofit Almanac 2007*. Washington, DC: Urban Institute Press.

Chairman LEWIS. Thank you very much for your testimony. I am pleased now to welcome Kevin Brown from the American Red Cross, the chief operating officer.

We will not hold it against you, Mr. Brown, for stealing our former IRS commissioner. Wish him well.

Mr. BROWN. I will. Thank you.

Chairman LEWIS. Thank you. We're very pleased to have you here.

**STATEMENT OF KEVIN M. BROWN, CHIEF OPERATING
OFFICER, AMERICAN RED CROSS**

Mr. BROWN. Thank you, Mr. Chairman. I am delighted to be here today on behalf of the American Red Cross.

Ordinarily, as you mentioned, Mark Everson, our president and CEO, would be here in my place. Unfortunately he had a previous commitment that does not allow him to be here today.

For the American Red Cross our mission is defined by our congressional charter to help our Nation prevent, prepare for and respond to disasters. Diversity is important to us because our mission is to help all, not some. Our services are only beneficial if they reach those who need them. We must ensure that the American Red Cross is reflective of all the communities we serve.

We realize that not all people turn to the Red Cross as their first line of defense when disaster strikes. For many, they turn to who they know and trust, be it their church or a local nonprofit or civic organization.

This was certainly true during Hurricane Katrina. Because the need was so great, hundreds if not thousands of local churches opened their doors to help their neighbors. Other local nonprofit organizations, those that typically would not be in the disaster response business, were selflessly giving all they could to care for people.

Several advocacy groups observed that we did not consistently meet the needs of diverse communities, that we lacked diversity in our staffing and volunteer ranks, and that we had not done enough before the storm to foster the right relationships with local and national organizations that serve diverse populations. We have taken this criticism to heart.

To this end, we have been working diligently over the past 2 years to partner with many new nontraditional disaster response organizations well before a disaster hits.

An example of this would be the Vietnamese fishing community in the Gulf Coast area. This community was not familiar with the Red Cross, and after Katrina struck they turned elsewhere for assistance. Unfortunately we did not know where they were or what their needs were and it took us days to reach them and provide needed resources.

We now have an agreement in place with Boat People SOS, a nationally recognized group that assists Vietnamese refugees and immigrants.

Just this past weekend as a tropical depression threatened the Gulf Coast, our local chapter in New Orleans activated their agreement with Boat People SOS, who was charged with running the Plaquemines Parish shelter in partnership with the Red Cross.

Similarly, over the past 2 years the Red Cross has trained over 1,100 volunteers from the NAACP to provide essential relief services, and they have deployed with us during several recent storms.

To be sure, while such partnerships have proven useful they are not the sole answer. For instance, the Red Cross needs to make further significant improvements on the staffing front and in our volunteer base.

I want to touch on one other point as well. In addition to disaster preparedness and response the Red Cross also collects, processes and distributes more than 40 percent of the blood used in our country.

We know that we need to approve the recruitment and retention of diverse blood donors for a couple of reasons. The first is that only 8 percent of eligible donors donate blood each year. Secondly, donations from diverse communities can help with specific needs like sickle cell anemia. Increased donors will help to alleviate these needs and contribute to a safe and available blood supply.

I would also like to acknowledge and thank my fellow panelists for their long support of the American Red Cross. The Ford Foundation has been a tremendous partner in helping us improve our post-disaster service delivery mechanisms, providing millions of dollars in support of these efforts.

The Community Foundation of Greater Atlanta was a strong supporter of our disaster response efforts during Katrina and is a consistent supporter of the American Red Cross of Greater Atlanta. The Twin Cities United Way is a strong supporter of disaster relief

and local Red Cross community initiatives in the Twin Cities. We are grateful for their friendship and continued support.

As you all know, there were some leadership changes at the Red Cross earlier this year when Mark Everson took over as our new president and CEO. New leadership provides new opportunities. I can tell you today that the Red Cross must do better in understanding that diversity is a strategy that can enhance all aspects of our mission.

Successful diversity initiatives result in better client services, increased staff and volunteer talent pools, stronger and more meaningful partnerships and increased financial and blood donations.

Together I know we can make the Red Cross the strong, diverse and inclusive organization it should be and that all Americans expect it to be. Thank you for the opportunity to testify today, and I'd be happy to answer any questions you may have.

[The prepared statement of Mr. Brown follows:]

Statement of Kevin M. Brown, Chief Operating Officer, American Red Cross

Chairman Lewis, Congressman Ramstad and Members of the Committee, I am pleased to be able to appear before you today as the Chief Operating Officer of the American Red Cross.

I want to thank you, Mr. Chairman, for holding this hearing today. While I have only been at the Red Cross for just a few short weeks, the issue of diversity—and of ensuring that our organization integrates diversity into all aspects of our mission and operational strategies—has been top of mind.

Today, I will focus my remarks on where we have been, lessons learned in particular from our response to Hurricane Katrina, and where we are going in the future. But before I do that, I want to address why it is important for nonprofit organizations to be mindful of integrating diversity initiatives into their organizational strategies—into recruitment, into strategies on engaging partners, and into service delivery.

The very nature of charitable organizations is to address needs—needs that, perhaps, are not met by government or social services, or that are better left with a “neighbor helping neighbor” model. Charities provide an important role in our nation—in communities from coast to coast. For the American Red Cross, our Congressional Charter mandates our mission: to help our neighbors prevent, prepare for and respond to disaster. Each and every day, our more than 700 chapters respond to more than 200 house fires and other disasters, in addition to providing first aid, CPR/AED, and other health and safety training programs to more than 11 million individuals each year. Our 35 blood regions collect, process and distribute more than 40% of all blood needed and used in the nation. Our two Service to Armed Forces Centers annually provide 650,000 emergency communications from 193,000 families to loved ones serving in our nation's armed forces. And our international relief operations respond to an average of 30 international disasters annually.

Most Americans recognize the American Red Cross as our nation's partner in disaster preparedness and response. As the landscape of our great country has changed over the past 125 years, the American Red Cross has to better adapt to changing demographics and ensure that our organization—at every level and across all our lines of business—is reflective of the communities we serve. This includes our paid staff and management, volunteers and blood donors, and contracting opportunities.

Our mandate is not to help *some* of the nation prepare and respond—rather, our mission is to help ensure that *all* in our nation are cared for. Simply stated, our programs and services are only beneficial if those who need them can access them. All people should feel comfortable coming to the Red Cross in times of need—and we need to ensure that we inspire faith, trust and confidence in our organization.

Mr. Chairman, this hearing is timely as September is National Preparedness Month. Just last week, the Red Cross President and CEO, Mark Everson, and six of our local chapter executives participated in a roundtable discussion with Representative Bennie Thompson, Chairman of the House Committee on Homeland Security, and his colleagues on the Committee to talk about community and individual preparedness. Our chapter executives highlighted progress they have made in engaging all their constituents in preparedness efforts—many through partnerships with diverse organizations, faith groups, businesses, and local civic organizations.

We know that it is often the most vulnerable communities that are most significantly impacted by disaster, which reinforces my point—in order for us to get to communities that need us, we need to reflect those communities at all levels throughout our organization.

This hearing is also timely because it is National Sickle Cell Awareness Month. Sickle Cell Anemia, which causes red blood cells to form an abnormal crescent shape, affects more than 70,000 people in the United States—mostly African Americans. One of the most common treatments for Sickle Cell Anemia is regular blood transfusions to help reduce the risk of stroke, damage to major organs that can lead to severe infections, and other complications that can arise from the disease. Many donors need blood transfusions every few weeks to help keep the effects of the disease at bay, and transfusions from blood donors of the same ethnic background are even more beneficial because they have less chance of causing complications for the recipient.

The American Red Cross collects more than 40 percent of the nation's blood supply annually. Statistically, we know that we need to improve the recruitment and retention of diverse blood donors, for a couple of reasons. The first is that only 8 percent of eligible donors donate blood each year. Secondly, donations from diverse communities help with specific needs like Sickle Cell Anemia. African Americans, for instance, are more likely to have Type O or B blood. On any given day in any Red Cross blood region in the country, there are shortages of Type O and B blood. Increased donors will help alleviate these needs and contribute to a safe and available blood supply.

For large, historical organizations, building relationships and changing the demographics of the organization take time, resources, and a solid commitment from leadership. Since Hurricane Katrina, the Red Cross has taken a hard look at our challenges with regard to reaching diverse groups and has put some policies and programs in place to help the organization meet these challenges. We recognize we have more work to do, and with new leadership comes new opportunities.

Where We Have Been

Before Hurricane Katrina slammed into the Gulf Coast, the American Red Cross knew that it needed to implement changes that would better serve diverse communities. There seemed, however, to be some reluctance in acknowledging or discussing publicly these needs. While the Red Cross previously had attempted to implement diversity programs that were designed to enhance our abilities to serve all communities, there were starts and stops and limited progress was made.

When Hurricane Katrina hit the Gulf Coast, however, issues became exacerbated and the organization was forced to publicly acknowledge and discuss problems of race, language, and culture in ways it had never done before. Indeed, the 2005 hurricane season proved to be more than 20 times greater than anything we have ever responded to in our 125-year history—and it turned out to be a defining moment for our organization.

While I will discuss lessons learned for the Red Cross in just a moment, I want to offer some initial observations. Over 220,000 trained Red Cross disaster services workers from all 50 states, the District of Columbia, Puerto Rico and the Virgin Islands gave their talents and time to respond to Hurricane Katrina. Accordingly, our self-assessment is not a reflection on the people who donated their time, money and talents so generously. Indeed, when we turned to the American people and told them that our relief efforts were going to cost more than \$2 billion, they responded with extraordinary charitable support. When we turned to the business community and said that we needed their expertise, several corporations, working collaboratively, shared with us their talent and innovation. I know that you will join me in agreeing that the challenges that existed, and those issues that still persist, are not a reflection of the devotion and kindness of our volunteers and donors. We appreciate and value all who came to help their neighbors in need, and continue to rely on volunteers to assure we can provide services today and in the future.

That said, through our response to Katrina the Red Cross learned that there are limits to our effectiveness in addressing the needs of diverse constituencies in a vast array of communities. These constituencies included, among others, the elderly, people with disabilities, African Americans, Latinos and Asian Americans. During the relief effort, some advocacy groups observed that the Red Cross had not consistently met the needs of a diverse segment of their communities. One group asserted that the Red Cross workforce lacked diversity from top to bottom, and, as a result, was not sufficiently sensitive to racial and cultural issues. Put another way, the sense was that the Red Cross lacked “cultural competence” in its response to Katrina. Other groups reported Red Cross communication failures with minority populations, particularly in remote areas along the Gulf Coast. Another recurring complaint was

that the Red Cross had not done enough before Katrina struck to foster the necessary relationships and develop agreements with local and national organizations that serve diverse populations.

We have taken this criticism to heart. As the nation's largest mass care provider, we have been successful in responding to disasters for more than a century. On larger relief efforts we have worked effectively with familiar partners like the Southern Baptist Convention and The Salvation Army. In very large events, like Katrina, many new groups step forward. In the midst of providing service during Katrina, we had difficulty helping these new groups become part of the community response. We need to improve our ability to work with these new, non-traditional disaster response organizations, and do so well before the disasters take place. This was a hard but valuable lesson for the Red Cross to learn. The Red Cross can, and must, take a lead role in helping them become part of the response.

Katrina also was a wake up call for the Red Cross that partnering is important in all disasters—not just major catastrophes. Since Katrina, the Red Cross, at the national level and throughout our more than 700 chapters nationwide, has worked diligently to create and foster strong partnerships with many new organizations that would typically not be in the disaster response business. Our chapters have been working with local community organizations—from faith groups and businesses to local civic organizations—to ensure that partnerships are in place so that organizations that selflessly step up to help their neighbors know in advance how to access supplies, resources, and expertise. For many people the Red Cross is not their first line of defense when disaster strikes. Instead it is their church, local civic group, or other community organization. Through such partnerships, Red Cross chapters are providing training and supplies to community and faith-based organizations to strengthen response efforts across the nation so that when a disaster strikes, these organizations will be better prepared to assist, and the Red Cross will be better prepared to identify and reach out to people who may need assistance. We have seen the benefit of working with these new partners in many significant responses over the past two years. I want to provide you with some recent examples:

- In preparation for this past weekend's tropical depression in the Gulf of Mexico, our Southeast Louisiana Chapter in New Orleans activated its preexisting relations with Boat People SOS, a nationally recognized group that assists Vietnamese refugees and immigrants. Boat People SOS personnel were charged with managing the Plaquemines Parish Shelter in partnership with the American Red Cross.
- In anticipation of the same storm, the chapter also activated its partnership with the Hispanic Apostolate to have Spanish-speaking volunteers on-call to provide translation services in New Orleans disaster shelters.
- On a national level, the Red Cross has worked with the American Translators Association to ensure that some 200 translators are available for deployment during disasters.
- With the landfall of the quick forming Hurricane Humberto two weeks ago, The National Baptist Convention's youth groups worked with our volunteers in Port Author, Texas to do door-to-door distribution of informational flyers while also assisting senior citizens with needed items such as ice, water and clean-up kits.
- In order to more effectively address disability related issues, the Red Cross has partnered with the National Disability Rights Network and other national disability advocates. At their direction, we have recently purchased 8,000 accessible cots and other items, including commode chairs and shower stools, which have been staged in key warehouses across the country.
- Over the past 18 months, the Red Cross has provided disaster training at several NAACP convention meetings. The objective was to increase capacity to serve diverse and vulnerable communities as well as build stronger relationships with faith-based organizations, civic organizations and special interest partners, supporting a more inclusive model of community-based disaster response.

While the work with our partners points to some progress, we understand that our collaboration must be sustained to truly benefit those we serve. Our vision for partnerships is that disaster relief organizations support one another for the common good through coordinated service. There is no market share on human suffering. Therefore, our work needs to be joint in nature and inclusive to all segments of the nation.

Where We Are Going

Earlier this year the American Red Cross underwent some major changes. In May, the President signed into law the *American National Red Cross Modernization*

Act that updated the Red Cross Congressional Charter, which had not been amended significantly since 1947. Under the new charter, the responsibilities of the Board of Governors and the President and Chief Executive Officer are clearly delineated—holding management accountable for its performance and making the Board a governance and oversight board. Additionally, the Act calls for the establishment of the Office of the Ombudsman, an independent office that will represent the interests of the public by investigating and addressing complaints reported by individuals. These are all important changes for the American Red Cross and I thank the Congress for its expeditious passage of this measure.

The Red Cross also has a new management team. New leadership provides new opportunities, and over the course of the past few months the issue of diversity has been discussed a great deal. While continuing an across-the-board effort on diverse partnerships, there is a recognition that we also need to build a more robust diversity program that fully integrates diversity in all of the Red Cross. For instance, we need to make further significant improvements on the staffing front and in our volunteer base.

The American Red Cross must do better in understanding that diversity is a strategy that can enhance all aspects of its mission. Successful diversity initiatives result in better client services, increased staff and volunteer talent pools, stronger and more meaningful partnerships, and increased financial and blood donations. When managers see the “business case” for diversity, they can support and drive diversity initiatives through their operations leading to meaningful results.

The American Red Cross must be accountable for producing results. With a diversity strategy in place, and operational goals for implementing diversity strategies throughout the organization, the Red Cross will be ready to start measuring results and holding people accountable for delivering on diversity initiatives.

Why are we doing this? Simply put, America is changing and the American Red Cross must do so as well.

Conclusion

Mr. Chairman, Congressman Ramstad and Members of the Committee, this topic is important and timely—not only for the nation and the charitable sector, but also for the American Red Cross. While some progress has been made through partnership efforts, there is much more to be done. With more than 700 chapters and 35 blood regions, the Red Cross is part of every community in our nation.

We are on a path to ensure that we represent all individuals in all our communities across the nation. This journey has started with partnership, but it will not end there.

I want to close with one thought about the Red Cross and our long history. The American Red Cross, as part of an international movement, is guided by seven fundamental principals. One of those principals is “[i]mpartiality.” This principal states “[i]t makes no discrimination based upon nationality, race, religious beliefs, class, or political opinions. It endeavors to relieve the suffering of individuals, being guided solely by their needs, and to give priority to the most urgent cases of distress.” The foundation of ensuring that we are representative of those we serve—and that we are a culturally competent and sensitive organization—is embedded in the principles of who we are. I think this is a very good starting point.

We have a tremendous amount of work to do, and we are going to need your help. Together, we believe we can make the Red Cross the strong, diverse and inclusive organization it should be—and that all Americans expect it to be. I look forward to working with you as we continue this journey, and I would be happy to answer any questions you may have.

Chairman LEWIS. Thank you very much for your testimony.
I'm pleased now to welcome our next witness, Susan Berresford, the president of the Ford Foundation. Thank you for being here.

STATEMENT OF SUSAN BERRESFORD, PRESIDENT AND CEO, THE FORD FOUNDATION

Ms. BERRESFORD. Thank you very much. Chairman Lewis and Members of the Subcommittee, thank you for holding this hearing today.

I was asked to explain how the Ford Foundation makes allocations, who makes those decisions, and to give you some examples of the programs we support. Ford's mission is to strengthen democratic values, reduce poverty and injustice, promote international cooperation and advance human achievement.

We commit 75 percent of our U.S. funding to the reduction of poverty and injustice. In the last fiscal year this totaled about \$220 million, and since poverty disproportionately affects women, minorities, immigrants and people in rural areas, they are the center of our work.

Most of Ford's work could be called strategic philanthropy addressing root causes. This differs from charitable philanthropy that addresses immediate needs such as hunger or homelessness.

We provide risk capital for pilot programs for research and for people tackling systemic injustice in education, housing and other areas.

How do we make decisions at Ford, and who makes them? Ford's trustees set program policy. and policy in other matters, such as investment and governance. Among our trustees who are U.S. citizens 40 percent are minorities, 23 percent are citizens of other countries, 62 percent are women.

The next president of the foundation, Luis Ubinas, will be the first Hispanic president. I was the first woman president. My predecessor Franklin Thomas, the first African-American president.

Forty-six percent of our professional grant makers are minorities. Together the board and program staff, with help from outside advisors, explore ways to help solve problems that fall within our mission statement, and ultimately the board approves our grant strategies and then allocates funds to those strategies and offices. Then they delegate to the president the authority to approve grants.

Now let me give you some examples in four categories. First strategy, we believe that people really matter and so we try to ensure diversity in the talent pools from which the U.S. draws leadership.

Since the early 1960s the foundation has given over \$175 million to the largest private philanthropic fellowship program that promotes diversity in the American professoriate.

The Ford diversity fellows program has given fellowships to approximately 5,000 scholars from rural and urban areas. Most now hold positions in academe. Fifty-5 percent are African American; 38 percent, Hispanic; six percent Native American.

Community colleges enroll more than 50 percent of Latinos and 40 percent of African Americans in higher education in our country. Since 1966 we've provided about \$33 million for these institutions.

We helped them improve the way student credits can be transferred upward in a system, how to keep tuition low and how to foster the community college's collaboration with schools who send students to them and employers who hire them.

The second strategy the foundation has is to give low-income people a chance to build assets, not just to earn income. Ford committed \$50 million as a guarantee so Fannie Mae would purchase mortgage loans made to families with low income and low credit scores.

This leveraged \$4.3 billion from Fannie Mae and created 50,000 new homeowners in low income families, 44 percent of them minority and 15 percent in rural areas. They have outstanding repayment rates.

Manufactured housing, as you probably know, accounts for two-thirds of all rural housing starts, but manufactured homes in mobile home parks often fail to create a lasting asset the way other homes do, so Ford invests in initiatives that enable people to buy the land their mobile homes sit on, to improve the structures and to raise building standards.

Another asset strategy we invest in for low-income families is children's savings accounts. These accounts are seeded at birth by investments from government and nonprofits. They buildup over time by private savings and public contributions. They can be used after 18 years of age to pay for college or school fees or invest in a downpayment for a home.

We fund a national demonstration program in eleven sites around the country that is working on this idea; 1,300 accounts, 78 percent of which are held by minority children. Since 2005 several bills have been introduced modeled on this program. We think it's a very exciting idea for national policy.

Third strategy: Ford has also provided decades of funding for legal advocacy organizations that establish standards of fairness in America. The NAACP Legal Defense and Education Fund, the Mexican-American Legal Defense and Education Fund and similar defense funds for Puerto Rican groups, for Native American and Asian-American groups.

Since the 1950s we've invested over \$265 million with these groups. We also support voter registration and education.

The last area I want to note quickly is the field of philanthropy itself. Ford supports grant-making associations that foster greater funding for minority communities, Minority Leadership in philanthropy, greater funding for rural communities and rural leadership. They are groups like the Hispanics in Philanthropy, Native Americans in Philanthropy, the Association of Black Foundation Executives.

I think you have before you a time line that shows 70 years of the Ford Foundation's funding for topics of this sort. It displays many more examples than I was able to give and we are very proud to have the diverse partners that we have reaching into the diverse communities in America.

Thank you.

[The prepared statement of Ms. Berresford follows:]

**Statement of Susan V. Berresford, President and CEO,
The Ford Foundation, New York, New York**

Chairman Lewis and members of the Subcommittee, thank you very much for the opportunity to appear before you today. I am Susan Berresford, President and CEO of the Ford Foundation, an independent, nonprofit, nongovernmental organization. Ford's mission is to strengthen democratic values, reduce poverty and injustice, promote international cooperation and advance human achievement.

We commit approximately 75 percent of our U.S. funding to the reduction of poverty and injustice. In the last fiscal year, this totaled nearly \$220 million of our \$300 million U.S. allocation. We fund people and organizations tackling systemic injustice in education, employment, housing, asset accumulation and other areas.

Since poverty disproportionately affects women, minorities, immigrants and rural communities, they are at the center of our work.

This year the Ford Foundation celebrates 70 years of delivering on a promise to improve lives and create opportunity. It has provided over \$13 billion for grants, projects and loans. These funds derive from an investment portfolio that began with gifts and bequests of Ford Motor Company stock by Henry and Edsel Ford. The foundation operated as a local philanthropy in the state of Michigan until 1950, when it expanded to become a national and international foundation. The foundation no longer owns Ford Motor Company stock and has no formal ties to the company. Its diversified portfolio is managed to provide a perpetual source of support for the foundation's programs and operations which are headquartered in New York, with offices in Africa, Asia, Latin America, the Middle East and Russia.

I would like to begin by making a distinction between charity and strategic philanthropy. Philanthropy encompasses charity that provides resources to deal with immediate needs such as sheltering the homeless, feeding the hungry, healing the sick and other acts of basic generosity. Ford, for example, has made grants in the aftermath of natural disasters in the Gulf Coast region and we helped nonprofits in New York and Washington respond to the events of September 11.

But there is another kind of philanthropy, one that offers the prospect of curing, rather than simply alleviating, problems. It involves the strategic use of resources to search for new ideas that can address root causes. Both charitable and strategic philanthropy have been present in U.S. philanthropy for many decades, and both will always be needed.

Most of Ford's work is in the category of strategic philanthropy. We see our role as a resource for innovative people and institutions worldwide, providing risk capital for pilot programs, research, institution building and developmental activity. Strategic philanthropy recognizes that bringing innovations to scale requires partners such as government, business and civil society which have capacity and reach far beyond the abilities of any single philanthropic endeavor.

Before I outline some of the ways in which we serve diverse communities I would like to provide you with a sense of who makes up the leadership and staff of the foundation and how the Ford Foundation makes allocation decisions.

Diversity of Leadership

Ford's Trustees select the president, set policy and overall spending targets. They ensure that the foundation's policies are implemented effectively. The composition of Ford's board and staff reflects our intent to draw on diverse talent. Among our Trustees who are U.S. citizens, 40 percent are minorities. Twenty three percent are citizens of other countries, primarily representing the regions in which we work. Sixty two percent of our Trustees are female. Our Trustees bring experience in business, nonprofit and governmental work. The next president of the foundation, Luis Ubinas, will be the first Hispanic president in Ford's history. I was the first female president and my predecessor, Franklin Thomas, who served for 17 years, was the first African American president.

Today 46 percent of our professional U.S. grant makers are minorities—up from 27 percent in 1996 when I became president. Fifty percent of all grant making staff are female. This diversity helps to ensure that we bring a variety of perspectives to our operations and grant making.

Allocation Decisions and Strategies

Our mission drives the programmatic and substantive nature of our work. The board and staff explore problems to which Ford resources can be applied, each bringing ideas to the table. Ultimately, the board approves the subject areas in which we work, the broad strategies in which we invest, and the allocation of funds to those topics and to our worldwide offices. The board delegates to the president the authority to approve grants from those allocations.

Program officers, our key grant makers, explore how foundation grants can have the greatest impact, supporting people with innovative and promising ideas. Program staff and grantees regularly report to the board on how strategies are working and board members travel each year to review program work on the ground in the U.S. and overseas.

The strategies for which we seek board approval most often aim to alter or build systems and organizations that can deliver lasting benefits to disadvantaged people. We offer patient capital and partnership, often sticking with people and organizations for years as they refine and test ideas and build to scale and significance.

I would like to offer a few examples of Ford support for systemic change led by courageous men and women who share our values and aims. This work extends to

both rural and urban America and represents efforts in a variety of areas, including education, economic opportunity, the arts, media, civil rights, and philanthropy.

Creating Access to Opportunity

People matter, so we try to ensure diversity in talent pools from which the U.S. draws leadership in various domains. Since the early 1960's, Ford has supported the largest private fellowship program that fosters diversity in the American professoriate. Originally called the Ford Minority Fellows program, now the Ford Diversity Fellows Program, it has provided over \$175 million for fellowships and related support for approximately 5,000 scholars from rural and urban areas, most of whom who now hold positions in academe. Fifty five percent are African American, 38 percent are Hispanic, and 6 percent are Native American. The program is run by the National Academy of Sciences, whose distinguished reputation lends prestige to the fellows' fine work.

In K-12 education, Ford has devoted more than \$35 million to Project Grad, developed in Houston schools under the civic leadership of Jim Kettleson, former Tenneco CEO. GRAD improves high school graduation rates and college-going in poor, urban communities. It has expanded from Houston to Los Angeles, Atlanta, Newark and other locations. Ford also invested heavily in research to determine how and where GRAD worked best. Our principal grantee was GRAD USA, led by a Hispanic educator.

Community colleges serve as a gateway to higher education among minority communities. More than 50 percent of Latinos and 40 percent of African Americans in higher education are enrolled in community colleges. Since 1996, we have provided over \$33 million for these vital institutions. This support has focused on making them more accessible, improving the way students credits are transferred, keeping tuition low, and helping students, particularly students of color, stay in school and prepare to enter the workforce. In California, we've recently provided nearly \$1 million to study how community colleges are serving diverse communities and to propose ways they can improve.

We have also provided \$100 million to historically black colleges and universities (HBCUs). And we have supported the United Negro College Fund with grants totaling over \$20 million since the early 1950s.

Developing Innovations that Improve Lives

The foundation believes that giving people a fair chance to build assets is critical to breaking the cycle of poverty and dependence. Our grantees create an infrastructure of financial and workforce development services that reach poor, remote and marginalized communities that the market has served poorly.

In housing, Ford committed \$50 million as a guarantee so Fannie Mae would purchase mortgage loans made to families with low income or low credit scores. Leveraging \$4.3 billion from Fannie Mae, 50,000 new homeowners have been created, 44 percent of them minority families with 15 percent located in rural communities. Now in its sixth year, this 10 year initiative is demonstrating that it is possible to identify low-income families who pay their bills reliably and can support mortgages that build family assets. The program is changing banking practice in communities across the US. This idea came to Ford from the Center for Community Self-Help in North Carolina, a leader in innovation related to home ownership and prevention of predatory lending.

In rural America, manufactured housing accounts for two-thirds of all housing starts, yet it often fails to be the dependable asset most urban homes are. The foundation invests in a variety of rural initiatives that enable people to own the land their homes sit on and seek to improve the building standards for manufactured housing. One grantee, the New Hampshire Community Loan Fund, has received \$8.4 million in grants and \$5 million in loans for this asset-building work. With over \$9 million in grants, the Corporation for Enterprise Development in Washington D.C. is working to improve building standards and financing mechanisms for manufactured-home owners.

One of the most innovative ideas to help low income families accumulate assets is the creation of Children's Saving Accounts. These accounts are seeded at birth by nonprofits and government and built up over time at key life intervals by contributions from families themselves and other donors. We support an ongoing national demonstration program in 11 urban and rural locations that includes 1,300 accounts, 78 percent of which are held by minority children. The accounts can be accessed only after age 18, building—through compound interest and deposits—assets that can then be applied to school fees, home down payments or other significant investments.

Since 2005, several legislative bills have been introduced to advance this idea. As we receive results of the multi-year experiment it is sure to be a resource for longer-term policy innovation. It has already prompted the creation of the Child Trust Fund program in the United Kingdom. This program came to the Ford Foundation from The Corporation for Enterprise Development, and a professor at Washington University in St Louis.

Strengthening Urban and Rural Communities

Since the 1960s Ford has been committed to community development in distressed urban and rural communities. We support efforts to create healthy, safe and strong neighborhoods where people can access employment, education and essential services. Early investments gave rise to Community Development Corporations (CDC) formed by residents, small business owners, congregations and other local stakeholders. Today there are 4,600 CDCs operating across the country. Additionally, nearly \$60 million has been invested in the creation of the Local Initiatives Support Corporation, or LISC, providing services to inner city residents. We also commit to long-term revitalization efforts in regions that are in economic transition and distress such as the Gulf Coast, Camden, New Jersey and Detroit, Michigan.

Nearly \$70 million has been invested in rural communities in recent years. With loans of \$6.5 million, we support Southern Bancorp, the largest rural development bank in Arkansas and Mississippi to address the needs of the poor. In Maine, we provided \$4 million in grants and \$7.75 million in loans to help Coastal Enterprises develop the Portland Fish Pier, enabling fisherman and fishing co-ops to gain efficiency that makes them more competitive in domestic and international markets. We have supported the First Nations Development Institute with \$11 million over the past 10 years to invest in economic development in Native areas.

Supporting Civil Rights

Ford has also been at the forefront with decades of funding for the legal advocacy organizations that have helped establish standards of fairness in our country. We have funded the NAACP Legal Defense and Educational Fund, Mexican American Legal Defense and Educational Fund, the Native American Rights Fund, the Puerto Rican Legal Defense and Education Fund and Asian American Legal Defense and Education Fund. Our support to these and other key civil rights organizations since the 1950s exceeds \$265 million.

We support work in the area of voter registration and participation that also helps ensure that our diverse populations can be heard in public fora. Since the early 1980s over \$13 million has been granted to support the Leadership Conference on Civil Rights Education Fund for these and other efforts. Ford also granted \$3.2 million to the National Coalition on Black Civic Participation, a network of 80 membership organizations committed to increasing civic participation. They operate in 12 states, including California, Georgia, Ohio and Wisconsin. Support has also been extended to organizations such as Asian and Pacific Islander American Vote, Inc.

In southern rural areas, grassroots work on civil rights includes \$6.5 million to lift black rural women out of persistent poverty. The Southern Rural Black Women's Initiative focuses resources on leadership and economic development, along with training to ensure women's full participation in economic, civic and social life. More than 1000 women are participating across Georgia, Alabama and Mississippi. In eight southern states, black land ownership has dropped from 19 million acres to 1.5 million acres over the last 70 years. A foundation initiative totaling over \$2.3 million is focused on helping African American families retain, manage and add value to these natural assets.

The foundation has also launched the Four Freedoms Fund, to support grassroots organizations working to promote civic, social, economic integration and civil rights for immigrant communities. We have invested nearly \$10 million in this donor fund which has already provided support to over 65 organizations in 28 states.

Giving Voice to Diverse Cultural Expression

In a free society artistic and cultural expression contributes to our understanding of human experience. Over the last five years more than \$20 million has supported minority-led arts organizations and projects. Ford helped found the Dance Theatre of Harlem and its community outreach programs, helping it to grow with nearly \$7.7 million over the years. We are the nation's largest and most enduring private funder of Native American communities, with more than \$80 million in support over the past 20 years. This includes a recent commitment of \$13 million to establish a Native American Arts and Culture Fund. A recent grant to the National Association of Latino Arts will support the Fund for the Arts, a national grant program to benefit Latino artists and small to mid-size Latino arts organizations.

Over \$9 million was granted to support the development of the memorable award-winning documentary “Eyes on the Prize,” and recently we provided funds to renew copyrights to keep the series publicly available. In the last five years \$12 million has gone to the support of minority filmmakers.

Recognizing the importance of a robust, diverse media to American democracy, the foundation has supported media initiatives that reflect and give voice to America’s diverse communities, and that promote diversity in the newsroom. We support media outlets serving diverse populations, granting \$3.3 million in the past two years to the growth of ethnic media. This includes New America Media, a network of 700 ethnic news organizations. In all we have committed \$60 million over five years to spark innovation in public media, focused on diversifying sources of programming and reaching new audiences.

The last area I would like to touch upon is philanthropy itself. Ford has invested in strengthening the voice of minorities within philanthropy, providing more than \$22 million in grants to professional associations and networks working to increase philanthropic support for minority communities and to expand minority leadership throughout philanthropy. Leading this effort are Hispanics in Philanthropy, Native Americans in Philanthropy, National Center on Black Philanthropy, the Association of Black Foundation Executives, Asia American/Pacific Islanders in Philanthropy, First Nations Development Institute and many others.

Ford’s Enduring Commitment

I have had the privilege of working at the Ford Foundation for 38 of its 70 years. The Ford timeline you have received displays the many ways that Ford has dedicated resources to reduction of poverty and injustice, and other aims. I am proud that we have a diversity of grantee partners doing this work with us—partners from distinguished public agencies such as the National Academy of Sciences and non-profit non-governmental groups like GRAD USA, the Center for Community Self-Help, the NAACP and MALDEF, to universities, academics, and leaders from American business. Only when all sectors of our society align resources for equality and fairness will we see lasting results.

Ford’s board and staff are proud to be a resource for the idealistic social movements of our time and the innovative ideas of diverse people.

I want to thank Chairman Lewis and the members of the Subcommittee for bringing attention to the contributions of foundations and other nonprofits to our American ideals and to struggles for equality among our diverse people.

Chairman LEWIS. Thank you very much for your testimony.

Our next witness is from the great city of Atlanta. Please welcome Lesley Grady from the Community Foundation for Greater Atlanta. She is the vice president of community partnership. Welcome.

STATEMENT OF LESLEY GRADY, VICE PRESIDENT OF COMMUNITY PARTNERSHIPS, THE COMMUNITY FOUNDATION FOR GREATER ATLANTA

Ms. GRADY. Thank you very much. Mr. Chairman and distinguished Members of the Subcommittee, thank you for the opportunity to appear before this Subcommittee to discuss how charitable organizations serve the needs of diverse communities.

As vice president of community partnerships I am responsible for grant making, community leadership and education of our donors.

The Council on Foundations, a membership organization of more than 2,000 grant-making foundations and giving programs worldwide, recently created national standards for community foundations. It defines a community foundation as a public charity with a long-term goal of building permanent funds established by many individual donors for the benefit of residents in a particular geographic area.

We make philanthropy happen by connecting donors, nonprofits, community leaders and institutional partners at the same table. Community foundations exist all over the world. They account for 1 percent of all U.S. grant-making foundations but almost 9 percent of giving.

The Community Foundation for Greater Atlanta serves a 23-county region, including the urban core of metro Atlanta, suburban areas just outside the perimeter, and ex-urban and rural counties as well. We provide funding to nonprofits through local funds, donor advised funds, competitive grant-making programs and strategic initiatives targeting specific community issues.

The Community Foundation for Greater Atlanta ranks in the top 10 of community foundations by total giving and in the top 20 for asset size, yet while these numbers provide a statistical background for the power of community foundations the real power comes from connecting people and ideas to make our communities stronger.

One of the ways we reflect diverse communities is by having strong diverse governance. The Community Foundation's board nomination process identifies persons reflective of the communities' demographics, using primary indicators such as race and gender, but also ethnicity, geography, socioeconomic background, profession, religious and political affiliation.

Our staff as well reflects more than seven nationalities and is diverse by age, religion, sexual orientation, political affiliation, marital status and education.

One of the main roles of the Community Foundation is to provide services to donors. We make philanthropy easy for our individual and family donors so they continue to support charitable organizations.

But the most important thing we do is to educate and engage our donors. One of our donors family came to us with several passions. The father had grown up in foster care and was interested in supporting youth in need. The children were interested in animal welfare. The entire family wanted to support a faith-based organization.

We introduced them to a unique nonprofit called Noah's Ark, a facility serving as a home for abused children as well as a rehabilitation center for wildlife and abused animals. The foundation brought eleven intergenerational members of this donor family from the suburbs of Atlanta to rural Henry County to visit Noah's Ark, and as a result the family recommended a \$25,000 grant.

The Community Foundation also supports diverse populations through our grant-making. We have local affiliates in five counties and regional outreach staff who work in the counties furthest from us to better engage and understand their needs.

For the past 16 years we have implemented the neighborhood fund, which provides small grants to resident groups of five or more as well as a personal coach to assist and to improve their communities. Neighborhood fund grants are awarded for projects such as neighborhood cleanups, seniors walking clubs, voter registration drives and more.

The foundation stays connected the region's changing population by bringing diverse groups to the table to talk about the issues in

our region and figure out how we can pool resources of time, expertise and assets to create potential solutions.

Since the time it was called GRID, gay-related immune deficiency, the Community Foundation has been involved in HIV/AIDS by providing more than \$9 million in grants as well as strong community leadership since 1981 through partnerships with major institutions such as the Ford Foundation, our local United Way and our donors.

As the issue has changed and new HIV infection is now concentrating in people of color and people who are poor, homeless and incarcerated we have renewed our efforts, and recently established a leadership team of the AIDS fund to provide focused strategic attention to the issue.

This team is co-chaired by Dr. David Satcher, former U.S. Surgeon General and a board member of the Community Foundation, and Sandy Thurman, former director of national AIDS policy under the Clinton Administration.

Finally, the Community Foundation conducts research on the critical issues addressing our community. We sponsor global snapshots produced by the Atlanta Regional Commission. These publications profile various ethnic communities, their demographics, their customs, economic impact, where they live and the organizations that serve them. Recent snapshots include profiles of Cubans, Bosnians, Ethiopians, Iranians, Japanese and Haitians.

Other recent research efforts include a study, Giving a Shared Inheritance, to understand the patterns, trends and motivations of African-American philanthropy in metro-Atlanta. We also did recent research on the intersections between health and homelessness.

For all of our research we go directly to the sources, service providers, public officials as well as persons impacted by the issue. We take all of this knowledge and use it to inform our grant-making, leadership and education of donors.

The Community Foundation for Greater Atlanta is not unique. We are one of more than 700 community foundations in this country that all strive to fully represent the dynamic and diverse communities we serve. It is a constant learning process, but the only way we can be successful we know is by truly representing the diverse voices that make up our community.

Thank you very much.

[The prepared statement of Ms. Grady follows:]

**Statement of Lesley Grady, Vice President of Community Partnerships,
The Community Foundation for Greater Atlanta, Atlanta, Georgia**

Mr. Chairman and Distinguished Members of the Subcommittee:

Thank you for the opportunity to appear before this subcommittee to discuss how charitable organizations serve the needs of diverse communities. My name is Lesley Grady, and I am the vice president of Community Partnerships for The Community Foundation for Greater Atlanta.

The Council on Foundations, our membership organization of more than 2,000 grantmaking foundations and giving programs worldwide, recently created national standards for community foundations. The Community Foundation for Greater Atlanta has achieved these standards. They define a community foundation as the following:

- A tax-exempt, nonprofit, autonomous, publicly supported, non-sectarian philanthropic institution with a long term goal of building permanent, named compo-

nent funds established by many separate donors for the broad-based charitable benefit of the residents of a defined geographic area, typically no larger than a state.

- The governing body retains variance power by which it may modify any restriction or condition on the distribution of assets, if circumstances warrant. Further, with respect to assets held in trust, the governing body must have the power to replace any participating trustee for breach of fiduciary duties under state law or for failure to produce a reasonable rate of return of net income.
- Serves a particular geographic area such as a municipality, county, state, metropolitan area or closely related aggregation of such areas that are considered for some purposes as a community, typically no larger than one state. An organization serving a single greater metropolitan area would satisfy this criterion even if that greater metropolitan area included part of several states. This criterion excludes national and multi-national organizations.
- Governing body ensures that the governing documents include policies for size of the board, required number of meetings annually, limits of members' term, and structure and responsibilities of standing committees.
- Has a long term goal of securing resources to address the changing needs of the community it serves.

Community foundations exist all over the world with approximately 700 here in the United States. They account for 1 percent of all U.S. grantmaking foundations but almost 9 percent of giving. According to the Foundation Center in 2006 their estimated giving rose 13.2 percent to a record \$3.6 billion—surpassing independent and corporate foundations. In addition, community foundations prioritized giving for children and youth and the economically disadvantaged in 2005.

The Community Foundation for Greater Atlanta serves a 23-county region of metro Atlanta. In that region we provide services to the urban core of Atlanta, the suburban areas just outside the perimeter and to exurban and rural counties as well. We provide funding to nonprofit organizations through local funds, donor advised dollars, competitive grantmaking programs and strategic initiatives. The Community Foundation for Greater Atlanta ranks in the top 10 of community foundations by total giving, the top 20 for asset size and has approximately 650 individual and family donors.

While these numbers may provide a statistical background to the power of community foundations, the real power comes from being a local source of community aid, leadership and awareness. Each community foundation is different because each community it represents is different. Community foundations exist to respond to the specific needs of a geographic community, to build a permanent endowment through assets contributed by many donors and to act as community leaders addressing a variety of current and long-term needs.

Governance:

One of the most important ways a charitable organization can reflect diverse communities is through a strong governance structure. The Community Foundation's Board is a diverse group of influential community leaders. We feel it is crucial to our long-term success as a community foundation to elect members who are representative of the 23-county service area known as metropolitan Atlanta. The Community Foundation has a written nomination policy and process that aims to elect persons reflective of the community's demographics with respect to primary indicators of diversity such as race and gender, but also with respect to ethnicity, geography, socio-economic background, profession, and religious and political affiliations. As a guide to assessing the community's demographics, The Community Foundation uses the census data for the Atlanta metropolitan statistical area as defined by the U.S. Census Bureau. The Community Foundation's staff is another critical area of diversity. The current makeup of our staff includes individuals who are African American, Caribbean, Latina, Nigerian, Caucasian and Asian American. In addition, the staff is diverse by age, religion, sexual orientation, political affiliation, marital status and education.

Donor Services:

One of the main roles of The Community Foundation for Greater Atlanta is as a donor service provider. We want to make philanthropy easy for our donors so they continue to support charitable organizations. We do this by taking care of the due diligence and the administrative tasks of managing their record keeping, grantmaking, tax reporting and investment oversight. But the most important thing we do for our donors is to educate and engage them. We work with both individual and family donors and help them to discover their philanthropic passion by connecting them with causes they care about. We take donors and their families on site

visits to learn how a nonprofit accomplishes their work. We create reports or issue briefs on how a topic such as the environment is affecting Atlanta and what nonprofit organizations are doing right now to make a difference. We help donors serve on boards and volunteer committees so they become fully ingrained in that organization. We connect donors with issues and causes they might not discover otherwise, and that is how we connect diverse communities.

One of The Community Foundation's strategic initiatives focuses on the challenging transition for foster youth out of the foster care system. Each year in Georgia approximately 400 youth in foster care reach the age of 18 and emancipate from the foster care system without the basic support, family network, community connections, jobs, housing, health insurance and other resources needed to become self-sufficient responsible adults. Our Metropolitan Atlanta Youth Opportunities Initiative focuses on making this transition easier for foster youth through individual development accounts, youth leadership boards and employment opportunities. When one of our donors expressed an interest in children's issues and asked The Foundation staff to research particular areas of need, we informed him about several opportunities including the challenges of dental care for foster youth. Many youth in the foster care system have limited to no dental coverage and therefore have no way to repair tooth decay. The result is having their teeth pulled. Missing teeth not only affect potential employment, but it also affects an individual's self-image. That donor was so moved by the stories of these youth that he designated dollars from his donor advised fund to cover dental expenses for foster care youth. The only way he learned about this issue and connected with this cause is through The Community Foundation sharing of our knowledge. That is how one donor connects to diverse communities.

We established the Center for Family Philanthropy in 2000 to help engage and educate the next generation in philanthropy. The Center for Family Philanthropy provides family-centered grantmaking and educational and estate planning services to donors and their families. Through the Center, families work with an advisor to develop an individual plan featuring the family's values and interests, and also to develop a general and annual plan for grantmaking. We coordinate and manage families' grantmaking processes; provide information and education services, personal site visits and customized reports; and we provide opportunities for collaborative funding. We do this to encourage families to engage their children in philanthropy at an early age. Families can begin the process of developing life-long philanthropists by involving young children in family volunteer opportunities.

One of our Center families came to The Community Foundation with several ideas that made each family member passionate. The father had grown up in the foster care system and was interested in supporting youth in need, several of the children were interested in animal issues and the entire family wanted to support a faith-based organization. What they ended up discovering through The Community Foundation was a unique nonprofit organization called Noah's Ark—a facility serving as a home for abused, orphaned and troubled children as well as a rehabilitation center for wildlife and other abused, injured and orphaned animals. The Community Foundation brought 11 intergenerational members of this family from the suburbs of Atlanta to rural Henry County to learn more about the work of Noah's Ark. Through this site visit the family made a recommendation to support this group with a \$25,000 grant from their fund, and they continue to ask about ways to help Noah's Ark. That is how we connect multiple generations of philanthropists to communities in need.

Grantmaking:

The Community Foundation also reaches out to diverse populations through our grantmaking from local funds, donor advised dollars, competitive grantmaking and strategic initiatives.

We serve a 23-county region and in order to reach the many individuals who make up that region we make sure we never stay in one place. We conduct grantmaking orientations for nonprofit organizations and constantly move them around to make sure we are reaching the entire region. Understanding the issues that matter to the multitude of cities, suburban townships, unincorporated areas and rural communities that comprise the Atlanta region is a daunting task. But we know that the charitable objectives of donors and their families often transcend city or county lines. Believing that stimulating philanthropy anywhere in the region ultimately stimulates philanthropy everywhere in the region, The Community Foundation currently works with Local Funds in Clayton, Fayette, Morgan, Newton and North Fulton. The Foundation helps Local Funds build their capacity to identify local issues and local assets and supports their local grantmaking efforts with a match as well. In addition, our staffing structure includes a regional outreach staff

divided up into three regions. Each of these individuals works out in the field to engage and understand that community's needs and bring that knowledge back to our donor base. In this way, the potential of each community is enhanced and each can work with the other to strengthen our region.

One of our strategic initiatives called The Neighborhood Fund focuses on building local leadership throughout that 23-county area. Established in 1991 with a grant from the Charles Stewart Mott Foundation and a matching grant from one of our donor-advised funds, The Neighborhood Fund provides low- and moderate-income neighborhoods of metro Atlanta critical resources for accomplishing community-based projects; building the leadership skills of residents; and enhancing the organizational capacity of the group implementing the project. Through the years, the range of local projects supported by the Neighborhood Fund has been remarkable. Many different issues have been addressed, such as youth development, senior safety and health, employment, environmental improvement, voting, recreation and cultural appreciation. Viewed as a whole, these projects demonstrate an inspiring degree of grassroots imagination, talent and resolve. In addition, these projects are tackled in a wide variety of communities from the urban core of the city of Atlanta to the rural towns in Walton and Morgan Counties. One example of this local leadership in action was within Atlanta's Allen Road complex. Residents organized to bring retail and other services to their side of the street, because seniors were afraid to cross the busy road. With a \$5,000 grant, a beauty parlor and a snack shop were started in 1997. In 2004, The Community Foundation received a check for \$1,400—the micro enterprises had become so profitable that the residents returned the grant dollars to the Neighborhood Fund, so others could create positive change in their own neighborhoods.

Another aspect of the Neighborhood Fund is our Neighborhood Fund Leadership Institute. We believe that the individuals who make up their communities can be and should be the ones leading others to make positive transformations where they live. Strong leadership is the foundation of a neighborhood's capacity to address needs and effect change. The Neighborhood Fund Leadership Institute teaches individuals how to build strong, resourceful communities and increases the ability of citizens to organize their communities. For emerging leaders in the counties of our service area, we provide a free structured curriculum developed in partnership with the University of Georgia's J.W. Fanning Institute of Leadership. It includes asset-based community development helping participants identify and utilize untapped resources in their community; project planning teaching participants to utilize a results-based model to develop high-impact projects; volunteer recruitment and management helping participants understand the needs of community volunteers and acquire techniques for recruiting, managing and promoting teamwork; values identification leading participants to examine the challenges and benefits of diversity, and to develop strategies for working effectively with different values, ideas about leadership and communication methods; family economic success guiding participants to address the economic well-being of their neighborhoods through a process-driven approach to community development; community organizing teaching participants to link individual resident challenges to larger social issues and concerns, and developing strategies for moving the community agenda forward; and organization development helping participants learn the fundamentals of running an effective organization including fundraising, board development and group dynamics. Our leadership institute graduates continue to inspire and lead their communities. Since 2001, we have graduated nearly 120 metro Atlanta residents from The Neighborhood Fund Leadership Institute. We have graduates such as Nate Dyer (2006) who has lead young people in the Vince City community to take on leadership roles and have actively challenged the school system for changes in public education. One of our first graduates, Peggy Harper, is an active member of the Atlanta community and was the former Neighborhood Planning Unit President. She also sits on several boards including the Atlanta Renewal Community Coordinating Responsible Authority (ACoRA) Program. We have supported other counties and groups as they create their own model for their community including Clayton, DeKalb and a Latino Leadership Institute. The institute is now a mechanism for partnerships with groups such as The Center for Working Families and Weed and Seed referring and supporting residents from the communities they sponsor to participate in the program. Once individuals have completed the Leadership Institute program they are then encouraged to submit an application for a planning, project or community investment grant to apply their leadership capabilities in a concrete way that will benefit their neighborhood.

In 1994 The Community Foundation for Greater Atlanta applied for and received funding from the National Lesbian and Gay Community Funding Partnership to implement a grantmaking program of services to Lesbian, Gay, Bisexual and

Transgender (LGBT) youth and to assemble an advisory committee to guide the grantmaking process that reflected diversity in sexual orientation, age, race, ethnicity, gender and socio-economic status. That funding required a unique opportunity for The Community Foundation—it was contingent upon us raising matching funds from our donors. Through education and engagement The Community Foundation was able to raise that local donor match and from 1994–1999 created and helped sustain programs and bring resources to support LGBT youth issues through the Lesbian and Gay Funding Initiative. We were given the opportunity to focus on any issues affecting the lesbian and gay community, and we chose to focus on children and youth because of our knowledge base in that area. We knew, for example, that LGBT youth were three times as likely to commit suicide as other youth. Through the Lesbian and Gay Funding Initiative for youth, The Community Foundation was able to marry both knowledge and funding and match that with local dollars. Successes from this initiative include creation of Georgia's first community center focused exclusively on supporting LGBT youth, scholarship support for LGBT youth, support for the first gay-straight alliance in a Georgia high school and staff training in working with gay and lesbian youth for mainstream youth programs. We created the first institutional response to LGBT youth including the first conference in the state on this population as a result of our funding Youth Pride, an organization in Atlanta dedicated to service and support for gay, lesbian, bisexual, transgender and questioning youth. Youth Pride celebrated their 12th birthday this year and is today funded by United Way, Fulton and DeKalb County government and other mainstream funders. Our focus on this population launched citizen conversation about the population enough that brought other mainstream funders to the table.

In 1998 The Community Foundation became one of six community foundations in the nation to receive a planning grant from the Charles Stewart Mott and Ford Foundation's Intergroup Relations Program. In response to changing demographics in the metro Atlanta region, The Community Foundation wanted to encourage more productive intergroup relations to ultimately lead to increased harmony among various cultural and ethnic groups. With a more unified community, broader regional concerns such as the environment, health and youth issues can be addressed with input from all of Atlanta's constituencies. This program not only brought non-traditional voices to the decision making table, it also linked different refugee and immigrant populations with each other and with long-time residents, enabling them to share ideas, find solutions to common problems, and work on specific issues. Funds provided grants and technical assistance to a wide range of community enhancing programs focusing on collaborative projects. One such project occurred between the Newtown Florist Club and El Puente in Gainesville, Georgia. Newtown Florist Club is a 50 year-old community-based organization working to ensure environmental justice for Newtown, a low-income community in Gainesville, and the surrounding Southside communities. The organization's constituency has been poor and working-class African Americans, but recently they had begun reaching out to the city's growing Hispanic population. El Puente is a community-based organization that focuses on grassroots outreach and organizing in the Hispanic community and also advocates for the needs and interests of people of color. Together they received funding to build bridges between Latino and African-American youth and adults in order to promote cross-cultural understanding through a community dinner promoting diverse cultures and through an inter-racial forum for youth.

Community Leadership and Convening:

The Community Foundation for Greater Atlanta has always been more than a grantmaker and donor services provider. One of the main ways we are able to serve more diverse populations is through our role as a community leader and convener. The Community Foundation has gained the confidence of local and national funders as a social entrepreneur with a proven track record of leadership in creating effective responses to emerging community issues that have had long-term impact on the greater Atlanta community.

As a community leader we see it as both our responsibility and our unique niche to bring diverse groups to the table to talk about tough issues affecting our region and how we can pool resources of time, expertise and assets to create a potential solution. We see strategic initiatives as a way to respond to community challenges by taking advantage of opportunities representing innovative ways of addressing existing or emerging issues; supporting projects that could develop significant information for the nonprofit sector to improve effectiveness; and bringing together the partners, resources and information to respond to critical issues while our community builds a broader base of support for sustaining that response.

Following are examples of our work as a community leader serving diverse communities:

The Community Foundation's first grant addressing HIV and AIDS was in 1981 when it was known as GRID—Gay Related Immune Deficiency. At the time many other local foundations were reluctant to address the disease because of its stigma. The Atlanta Gay Center received a grant to work with the Fulton County Health Department to educate employees about the disease and how to work with the gay population. The Community Foundation continued grantmaking toward HIV/AIDS throughout the 1980s with a major grant from the Ford Foundation. Other funders began to recognize the importance of this work, and in 1991 we launched the Atlanta AIDS Partnership Fund in partnership with our local United Way and the National AIDS Fund. To date we have awarded more than \$9 million to AIDS service organizations. The most important aspect of this grantmaking is that 1/3 of our grantmaking committee is living with HIV/AIDS and has a voice in funding the organizations that provide AIDS services. Earlier this year The Community Foundation also created a leadership team of the AIDS Fund to increase the region's awareness and involvement in the HIV/AIDS crisis by bringing focused, strategic attention and leadership to the table. Dr. David Satcher, President of the Center for Primary Care, Morehouse School of Medicine, former U.S. Surgeon General and Board member of The Community Foundation, and Sandy Thurman, President, International AIDS Trust at the Rollins School of Public Health at Emory University and former Director of National AIDS Policy under the Clinton Administration co-chair the Leadership Team. While HIV infection rates remain stable in the United States, its impact is significant where HIV hits hard. As the National AIDS Fund describes in its recent publication, *One Epidemic*, HIV is fueled across the world by "a universal set of social and structural inequities," such as poverty, poor health care, inadequate education, homophobia and racial/ethnic inequalities. The face of AIDS is also changing. In the United States, the disease first affected gay white men. Medical advances and strong prevention efforts developed within this community in the initial years succeeded in reducing infection rates and developing safer sex practices that decreased new infections among this group. Yet the disease did not go away. It has spread to new groups where the risk has not been understood, where prevention education has not been focused, where medications are not affordable or available, and where social factors put people at increased risk for chronic HIV/AIDS and other health problems. New HIV infection is concentrating most in people of color and people who are poor, homeless, incarcerated, have other health challenges, unprotected sex and/or use drugs. Their infections are more likely to progress to AIDS because these communities have limited or no access to health care and often do not get the level of treatment needed to reduce the virus's destruction of their immune system. While African Americans make up 29% of Georgia's population, they represent 77% of new AIDS cases in Georgia and 63% of all existing AIDS cases in Atlanta were among this group. African-American women account for 87% of all women with AIDS in Atlanta. The AIDS Leadership Team will bring renewed energy and focus to a disease that ranks Georgia 4th in the number of new AIDS cases nationally.

In an effort to increase awareness of Atlanta's growing diverse population, The Community Foundation serves as a sponsor of the Atlanta Regional Commission's "Global Atlanta Snapshots." The snapshots are designed to help community, elected and business leaders become more familiar with the culture, language and customs of the increasingly diverse population living and working in the Atlanta region. The snapshot publications celebrate the rich ethnic and cultural diversity that our region now enjoys by profiling various members of Atlanta's ethnic communities illustrating their customs, economic impact, where they live and organizations that serve them. Recent snapshots include profiles of Cubans, Bosnians, Ethiopians, Iranians, Japanese and Haitians. The Community Foundation also serves as a member of the Atlanta Regional Commission's Global Atlanta Works Advisory Committee, which works within each of the region's counties to promote diversity.

Community Foundation has recently launched a new initiative called the Atlanta Neighborhood Indicators Project in collaboration with the Atlanta Regional Commission, Georgia State University, Emory University and the Annie E. Casey Foundation to provide organizations and individuals with user-friendly, neighborhood-level demographic and statistical data. The purpose of this initiative is to democratize data and make it accessible for all residents so they can be empowered to use information to address critical community issues. The primary goals of the Atlanta Neighborhood Indicators Project are to broaden ac-

cess to information, to monitor quality of life by following conditions and trends at the neighborhood level, and to inspire public conversation and collaboration on the important issues that affect our Atlanta communities.

The Community Foundation continues to focus on convening and outreach to diverse and emerging residents and donors. We were an integral member in developing the Southeastern Network of African Americans in Philanthropy or SNAAP!—a membership organization of African-American grantmakers and associates from the fundraising field who are committed to strengthening African American philanthropy in the greater Atlanta community. SNAAP has engaged national and local leaders to focus its visions for developing collective strategies to accelerate black giving and volunteering. The Community Foundation recently partnered with the Ford Foundation, the Marguerite Casey Foundation, the San Francisco Foundation and four other community foundations to release the “Economic Development through a Racial Lens” study. The project began in 2001 in response to the riots in Cincinnati and the aftermath of the shooting death of an African-American man by police. This study captured the opinions of city residents about race and economic development and provided recommendations and strategies on how investments made by philanthropic, governmental, business and community stakeholders can strategically connect the important issues of race and economic development. The Community Foundation has been instrumental in starting a regional Civic League in Atlanta to offer a community mechanism for civic engagement. Every community needs a strong business, public and nonprofit sector, but more important is a vehicle for community members to share their voices. With a small membership fee the Civic League offers broad participation from all individuals to think through those civic issues of the community and promote an engaged and informed citizenry. And The Community Foundation comps all of the fees for any individuals graduating from our Neighborhood Fund Leadership Institute so they can automatically put their leadership skills to work in this forum. Recently The Community Foundation also funded a training of the trainers workshop to promote the use of Study Circles. Study Circles have been proven effective throughout the U.S. as a successful way to bring small groups of people together to discuss tough topics through honest conversation in a safe environment. We funded the training session for other nonprofit organizations to see if they would be willing to incubate a discussion around race in Atlanta through their natural networks. The Community Foundation realizes that these Study Circles aren’t about one organization tackling an issue. Instead we’re encouraging an almost viral effect of many of these circles happening everywhere in different settings to tackle the tough issue of race. The Community Foundation also is working with a community committee to convene forums on “Emerging Issues in Ethnic Philanthropy.” Sponsored by the Association of Black Foundation Executives and Hispanics in Philanthropy, the forums seek to identify more effective ways to link philanthropic and nonprofit leaders of color to mainstream philanthropies. Each forum engages a broad, inclusive audience of African American and Latino leaders from philanthropy, business, politics, health, education and the law from throughout the region.

Research:

In addition to our community leadership and our grantmaking, The Community Foundation for Greater Atlanta conducts regular research on the critical issues affecting our community and our sector. We believe that one of the main ways to engage a community is by building and sharing knowledge with that community. Through our research projects we are able to share new issues with donors, communicate innovative practices with nonprofits and educate community leaders and partners about strategic ways to approach complex problems.

In June 2001 The Community Foundation for Greater Atlanta conducted a survey called Social Capital in metropolitan Atlanta. “Social capital,” a concept popularized by Harvard political scientist Robert Putnam, refers to “community connectedness,” encompassing social networks—that is, the extent to which people are involved with others at home, work, play and in public affairs—and feelings about reciprocity and trust. A growing body of research makes a strong case that social capital can promote many other important societal goods. Communities with higher levels of social capital are likely to have higher educational achievement, better performing governmental institutions, faster economic growth and less crime and violence. Individuals living in communities with higher levels of social capital appear to live happier, healthier and longer lives. The Community Foundation for Greater Atlanta funded a survey of 510 Atlantans randomly selected from five representative metropolitan Atlanta counties to measure Atlanta’s stock of social capital. This local survey was

conducted as a part of the national Social Capital Benchmark Survey conducted by the Saguaro Seminar at the John F. Kennedy School of Government at Harvard University.

In 2003 The Community Foundation launched a study called *Giving: A Shared Inheritance* to create a framework for understanding and engaging the African-American giver and volunteer in Atlanta. The study was undertaken to provide a research-based foundation for understanding the patterns, trends and motivations of African-American philanthropy. The study findings were drawn from thousands of individual responses and several focus groups. The Community Foundation assembled a team of advisors representing philanthropic, academic, business and civic sectors. These local and national thought leaders brought deep knowledge and real-world experience to enrich the context for the study. They also carried the dialogue created by the research into the communities in which they lived and worked, helping to keep all participants in touch with Atlanta's relevant societal pulse. In addition, The Community Foundation held several forums for nonprofits to share research findings from the study to help the sector have a greater understanding of serving diverse donors.

In October 2004 The Community Foundation partnered with the Healthcare Georgia Foundation to commission a study focused on the health of Atlanta's homeless population called *Homelessness and Health: Wicked Problems, Small Wins*. We interviewed people closely associated with work on homelessness and health in Atlanta—from homeless shelters and medical providers to the Mayor's Commission on Homelessness and the Metro Atlanta Tri-Jurisdictional Collaborative on Homelessness. We also interviewed foundation staff across the country, and held a dialogue with 15 Atlanta homeless people. We reviewed local and national research and planning documents, and explored writings about strategies to address these complex issues. The outcome was a 52-page document of diverse findings, through which we gained greater insight about where homelessness and health intersect. Being homeless aggravates health conditions, imposes additional barriers to health care, makes recovery difficult and burdens the community's already scarce health resources. Health conditions can also cause people to become homeless—particularly individuals who are already vulnerable because of poverty and other factors. In addition to being one of the many challenges of homelessness, health offers a unique opportunity for practitioners and public and private funders to work together on homelessness. Specifically, funding strategies to improve physical and mental health, reduce barriers to care and connect the resources of mainstream and community-base health organizations can go far toward breaking down the complexity of homelessness and reducing its prevalence in the Atlanta region and the state.

The Community Foundation for Greater Atlanta is not unique. We are one of more than 700 community foundations in this country that strives to fully represent the dynamic and diverse communities we serve. We are not finished with this effort nor do we ever expect to be. It is a constant learning process and we work hard at it everyday. But the only way we can be successful in meeting our mission of building healthy, vibrant communities is by truly representing the many diverse voices that make up those communities.

Chairman LEWIS. Thank you very much for your testimony.

I'd like to recognize the Ranking Member, Mr. Ramstad for presenting our last two witnesses.

Mr. RAMSTAD. Thank you, Mr. Chairman. I again want to welcome and thank the two representatives here today from Minnesota, from the Greater Twin Cities United Way, Byron Laher, who is director of public policy and Marcia Fink, who is director of basic needs.

Thank you both for being here and look forward to your testimony. I yield back, Mr. Chairman.

**STATEMENT OF BYRON LAHER, DIRECTOR, PUBLIC POLICY,
GREATER TWIN CITIES UNITED WAY**

Mr. LAHER. Mr. Chairman, Members, thank you. Good afternoon and I wanted to acknowledge my appreciation for the opportunity to address you.

Our United Way serves nine counties in Minnesota, encompassing the metropolitan area of Minneapolis and St. Paul. A few statistics about our community, the Twin Cities population is 2.7 million people. Our median income is \$57,000 and 15 percent of our population is people of color.

Our service area encompasses all of Minnesota's third, fourth and fifth congressional districts, plus significant parts of two and six. Our United Way is the second largest in the country.

Last year we raised \$86 million and invested in 450 programs through 200 agencies to advance the common good. Marcia Fink will describe what United Way is doing to help people meet basic needs, food, housing, job training, transportation and more, and to support their efforts to achieve financial stability.

[The prepared statement of Mr. Laher follows:]

**Statement of Byron Laher, Director, Government and Labor
Relations and Community Affairs, Greater Twin Cities United Way,
Minneapolis, Minnesota, and accompanied by Marcia Fink, Director,
Basic Needs, Greater Twin Cities United Way, Minneapolis, Minnesota**

Mr. Chairman, members of the subcommittee:

Good afternoon, and thank you for the opportunity to address charitable organizations serving diverse populations and communities. My name is Byron Laher; I am the Director of Public Policy at Greater Twin Cities United Way which serves nine counties in Minnesota, encompassing the metropolitan area of Minneapolis and St. Paul. My colleague, Marcia Fink is the Director of Basic Needs at Greater Twin Cities United Way and will talk specifically about how we invest in programs and serve diverse communities.

To begin, a few statistics about our community and background on Greater Twin Cities United Way: The Twin Cities population is 2,714,000 people. Our median income is \$57,520, and 15% of our population is people of color. The service area of Greater Twin Cities United Way encompasses all of Minnesota's third, fourth, and fifth Congressional Districts plus significant parts of two and six. Our United Way is the *second* largest in the country, in terms of money raised from the community. Last year we raised \$86 million and in turn, invested in 450 programs through 200 agencies, addressing the most pressing human service needs in our area. This programming is grouped into three community impact areas: Meeting Basic Needs, Nurturing Children and Families and Supporting Health and Independence.

Marcia Fink will describe what United Way is doing to help people meet basic needs—food, housing, job training, transportation and more—and to support their efforts to achieve financial stability while overcoming obstacles associated with poverty. It will be no surprise to committee members that this segment of our community, those needing help in any of our impact areas, are often hardworking, low-income individuals and families. And diverse populations are *over*-represented in the low-income segment of most big cities.

(Marcia) Mr. Chairman and members of the subcommittee, good afternoon; I am honored to have this opportunity. As Byron stated, I am the Director of Basic Needs, one of *three* community impact areas at Greater Twin Cities United Way. Our service area, the greater twin cities of Minneapolis and St. Paul, is becoming more diverse each year. We have one of the largest concentrations of Hmong and Somali in the United States. In Congressman Ramstad's District, nearly 10% of the population is foreign-born and a large portion are Somali.

In order to serve a rapidly changing population, Greater Twin Cities United Way supports a 2-1-1 information and referral call center. This service provides referrals for people in need of food and shelter, job resources, healthcare, childcare and more. The service is multilingual, offering Hmong, Russian, Somali and Spanish translations; it is staffed 24 hours a day, seven days a week and is a free service. We have one of the largest United Way 211 call centers in the country. Last year, United Way's 2-1-1 staff made over 440,000 referrals—217,000 of which were for basic needs such as food, shelter, utility and transportation assistance. Information being submitted for the record provides detailed caller demographics and more specifics.

For instance: 87% of our callers are female and one-third are single moms. Almost 40% of our callers earn less than \$10,000 a year and 64% earn less than \$20,000.

And on these incomes these callers typically support *three individuals!* Most significantly, for the purpose of testimony before this subcommittee, *60% of those calling 2-1-1 are people of color.*

Why do I tell you this? The Greater Twin Cities United Way provides the resources to help those most in need, and statistics of our 2-1-1 callers demonstrate those in need are predominantly people of color.

We constantly strive to identify the most pressing needs in our community, through sound research, focus groups and surveys of those needing help. We use this information to determine how best to direct the donations entrusted to us. We routinely evaluate the effectiveness of all the programs and agencies we invest in. We review their services and whether they are responding appropriately to changing demographics, languages and specific cultural dynamics based on the gap which has been identified through research.

In my area of Basic Needs alone (remember, one of three impact areas) Greater Twin Cities United Way is investing over \$15 million *each* year, including several programs in Congressman Ramstad's district. One of our partner agencies is Community Emergency Assistance Program, or "CEAP." Last year, Basic Needs programs through CEAP provided 639,000 pounds of food, enough to make 741,000 meals for over 4,500 (unduplicated) families or 16,000 individuals. CEAP has helped 1,157 individuals or 283 families obtain housing. This agency's Meals on Wheels program has delivered 33,000 meals to senior citizens and adults with disabilities. *CEAP's clients are 60% people of color.*

United Way supports many programs centered around financial stability and helping low-income families break the poverty cycle. Research shows that many of our communities of color experience generational poverty, particularly African Americans and American Indian populations. Approximately 35% of those served in financial stability programs are individuals of color; *more than double* the 15% identified as individuals of color our total population.

One of the financial stability programs at CEAP is called "Ways to Work" and is supported by United Way. Through low-interest loans, the program helps low-income, credit-challenged individuals purchase a reliable car allowing them to get to work dependably. Last year, we invested in eight agencies and loaned over \$1 million to 348 families; these individuals received financial education classes and credit counseling as well.

Let me share one specific story that shows the difference that can be made through researched, effective programs that support hardworking, diverse families get ahead.

Crystal Williams is a wife, mother, a member of the Army National Guard and African American.

She was hired by her current employer as a shift manager earning \$9 per hour. But she was ambitious and soon was offered a position as assistant manager with a significant increase in salary. However, the position required that she have a car. She was approved for a low-interest loan to purchase a reliable car. In June of last year Crystal purchased a '93 Oldsmobile with 76,000 miles for \$3,100. Crystal got that promotion and is now making \$27,000 a year with benefits. She not only makes her loan payment every month, she is making them early!

In Crystal's words "it has made my life easier, not only to get to work, but also to get my family to appointments, get groceries and attend my kid's activities. I don't have to depend on others to get places, and it has helped me to build my credit." Crystal's life is just one that was improved in a variety of ways due to a United Way agency.

Stories like this are repeated thousands of times in the Twin Cities and throughout the country by more than 1400 independent United Ways and their funded partner agencies. United Way identifies the *most* pressing needs of our communities, like hunger, school readiness, job training and the need for education and assistance with financial stability.

And these issues most often impact low-income individuals and families and communities of color. We partner with effective programs and agencies to meet those needs, and we continually work to increase the resources available to invest in that work. Last year we raised \$86 million and in turn, invested in 450 programs through 200 agencies. Next year we hope to do more.

Thank you again for the opportunity to speak with you, and I would be happy to answer any questions you have.

**STATEMENT OF MARCIA FINK, DIRECTOR, BASIC NEEDS,
GREATER TWIN CITIES UNITED WAY**

Ms. FINK. Mr. Chairman, Ranking Member, Congressman Ramstad and other honored Members of this Subcommittee, thank you again for the opportunity to be here today.

I'm the director of basic needs, which is one of three impact areas at Greater Twin Cities United Way. Our service area, the Greater Twin Cities of Minnesota, includes St. Paul and Minneapolis, and it's becoming more diverse each year.

We have one of the largest concentrations of Hmong and Somali in the United States. In Congressman Ramstad's district nearly 10 percent of the population is foreign born and of that 10 percent many are Somali.

In order to serve a very rapidly changing population, United Way supports a 211 information and referral call center. This service provides referrals for people in need of food, shelter, job resources, health care, child care and many more things. The service is multi-lingual, offering Hmong, Russian, Somali and Spanish translations. It is staffed 24/7, and it is a free service for anyone calling in needing help.

We have one of the largest 211 call centers in the country. Last year our 211 staff made over 400,000 referrals. Half of those were for basic needs such as food, shelter, utilities, transportation. Information being submitted for the records provides detailed caller demographics and more specifics.

For instance, 87 percent of our callers are female and one-third are single moms. Sixty-four percent of our callers earn less than \$20,000, and sixty percent of those calling 211 are people of color.

We constantly strive to identify the most pressing needs in our community through sound research, focus groups and surveys of those needing help. We use this information to determine how best to direct the donations entrusted to us. We routinely evaluate the effectiveness of all the programs and agencies we invest in. We review their services. We also review whether they are responding appropriately to changing demographics, multiple languages and specific cultural dynamics which have been identified through our research.

In the area of basic needs, which is one of the three impact areas at United Way, we invest over \$15 million each year, including several programs in Congressman Ramstad's district.

One of our partner agencies is Community Emergency Assistance Program or CEAP. Basic needs programs through CEAP provided enough food to make meals for over 4,500 individuals and CEAP has also helped over 1,000 individuals obtain housing. CEAP's clients are 60 percent people of color.

United Way supports many programs centered around financial stability and helping low-income families break the poverty cycle. Research shows that many of our communities of color experience generational poverty. In our area we had a disparities report that showed that African Americans and American Indians have generational poverty issues that exceed others. So we've invested more intentionally in programs that serve those, and we have doubled the amount of investment in those areas.

One of the programs at CEAP, the organization I just mentioned, is called Ways to Work, and it's supported by us, United Way. Through low interest loans the program helps low income people purchase cars that allow them to get to work and be dependable employees.

Let me just share one specific story that shows the difference that can be made through researched, effective programs that support hardworking diverse families to get ahead. Crystal Williams is an African-American woman, wife, mother, and she's also a member of the Army National Guard.

She was hired by her current employer as a shift manager earning \$9 an hour. She was ambitious. She wanted to earn more money and she was offered the position as an assistant manager with a significant increase in salary, but that position required her to have a car.

She was approved for a low interest loan to purchase that car and in June last year she did purchase that car. She got a promotion and she's now making \$27,000 a year with benefits. It has made a huge difference for herself and her children and her family.

Crystal's life is just one that was improved in a variety of ways due to a United Way agency and a United Way funded program. There are thousands of stories like these across America in more than 1,300 independent United Ways.

United Way has a tradition of identifying the most pressing needs of our communities like hunger, school readiness, job training and the need for education and assistance with financial stability. These issues we know mostly impact low income individuals and families and communities of color.

We partner with good programs and agencies to meet those needs and we continually work to increase the resources available to invest in that work. Last year we raised \$86 million and in turn invested in 450 programs through 200 agencies. We always plan to do more each year.

Thank you again for the opportunity to speak with you and Byron and I will be happy to answer any questions you may have.

Chairman LEWIS. Thank you very much for your testimony. Each one of you, you've been so wonderful, so helpful.

You probably heard the bell meaning that we have votes, so we have a limited time, and I'm not going to ask any questions. I'm going to defer to the ranking Member and take Members on both sides. Mr. Ramstad.

Mr. RAMSTAD. Mr. Chairman.

Chairman LEWIS. Maybe we will follow—rather than the 5 minute rule maybe we can follow the 3 minute rule.

Mr. RAMSTAD. Two minute rule.

Chairman LEWIS. Okay. That's agreeable. Two minutes.

Mr. RAMSTAD. Mr. Chairman, very briefly, Mr. Brown, as you know, before you and Mark Everson took over the leadership of the Red Cross, I chaired a hearing in the last Congress on the charitable response to Hurricane Katrina which revealed some serious problems with accommodating people with disabilities.

I want to ask you specifically how the Red Cross is incorporating groups that represent people with disabilities now in the disaster planning process. If you could, briefly.

Mr. BROWN. Sure. In the interest of time I'll try to give you one example. We partnered with a group called the National Disability Rights Network.

Frankly, we don't have the expertise in-house to know what the needs are for all persons with disabilities. Pursuant to their advice recently we purchased \$8,000 cots that are more accessible. We also purchased commodes and other types of devices that should prove beneficial the next time we have that type of disaster.

Mr. RAMSTAD. Well, thank you. I wanted to get that on the record because I've heard from a number of disabilities groups, groups representing people with disabilities saying that you've been very responsive. In fact, you even called my office for suggestions of groups to include in the planning process.

As you know, Congressman Langeman and I chair the bipartisan Disabilities Caucus, so thank you for your efforts on behalf of those people.

Mr. BROWN. We appreciate your help, sir.

Chairman LEWIS. Thank you. Mr. Neal is now recognized.

Mr. NEAL. Thank you, Mr. Chairman.

We've had great testimony this afternoon but I want to speak about one of the difficulties that some charities have in offering assistance to segments of our communities.

I'd like to direct my question to Dr. Boris.

Recently I've been discussing many of these issues with one of my constituents, Lowell Putnam, who runs his family scholarship fund, and it's existed for decades. I believe his family lineage traces back as the only Catholic family to sign the Declaration of Independence.

The Putnam family is really an institution in western Massachusetts, and I think the same could be said for a lot of other communities around the country. Family charities can certainly help to provide the connection to local concerns and needs.

Ms. BORIS, what has been your experience with family run charities?

Ms. BORIS. There are many, as you said, that are all over the country; large and small. My experience is they really reflect the values of the donors.

Often families, whole families get behind, for example, a family foundation, which this sounds like, to meet the needs and especially in scholarships. Many of the small foundations do a lot of scholarships. So, my experience has been they've been very important to their local communities. Some of the larger foundations are also family foundations, and they do more international or national work. So, I would say they are part of the framework of philanthropy throughout the country.

Mr. NEAL. Just another thought. Mr. Putnam has expressed to me at a couple of intervals his concern that there is—under the recent changes in the law it's more difficult for them as a family to have some influence on how the scholarships are actually parceled out.

Ms. BORIS. I think some of the new regulations have been put in place to avoid people benefiting their own families with their own philanthropy, and that may make it a little more difficult, but I think that there are ways to put processes in place so that the

scholarships, just as an example, can be given to disinterested—outside of the family group.

Mr. NEAL. Thank you.

Mr. Chairman, thank you for looking into this and we want to address some of the concerns raised by family charities under the new pension act requirements, but at the same time we want to foster the good work of those that are involved. Thank you very much.

Chairman LEWIS. Thank you, Mr. Neal.

Mr. Becerra, you're now recognized.

Mr. BECERRA. Mr. Chairman, thank you very much. My understanding is that we will be coming back to ask further questions, and we thank the panelists for their testimony.

Chairman LEWIS. We plan to come back if Members of—we will come back.

Mr. BECERRA. We're hoping that the panelists can stay and we understand if they can't but we have a very interesting subject, and Mr. Chairman, thank you for holding this hearing. To all those who have testified, thank you very much.

I will withhold any questions. I will make a couple quick points and since we will have a chance to come back in 30 minutes we can hopefully talk further.

One, I am very interested in following up on what I think is an important activity that goes on with our charitable organizations, that is the giving that's growing but I think unfortunately not growing fast enough into communities of need.

Many have compared this to the redlining that occurred in the financial services industry, and I think a number of us want to make sure that we encourage people to make charitable contributions and encourage entities to establish themselves as charitable organizations.

Many of us also believe that when only a third of the money that is given for charitable purposes goes ultimately toward helping those who are poor or needy and we know that two-thirds of those poor or needy live in principally minority communities something is wrong and there are lots of folks taking advantage of the tax break and we have to do a better job since government hasn't been able to do it all by itself.

But we know that there are organizations like the Ford Foundation, and Ms. Berresford you deserve mighty congratulations on the work of the foundation, trying to target well and do the job of helping communities that really are looking for that opportunity. So, I'm hoping that we'll have a chance to come back to ask some questions.

I know, Mr. Brown, that Red Cross is making changes in trying to address a number of the needs that surfaced as a result of Katrina but there are many things that we have to talk about and I hope that you'll give us that chance to ask those questions.

Thank you, Mr. Chairman. I yield back.

Chairman LEWIS. The Committee will stand in recess for 15 minutes. We will go and vote and we will be right back.

Our colleague is saying it may be a little longer than 15—near the end, so it would be between 15 and 20 minutes. We'll be back. So, pace yourself and be patient with us.

[Recess.]

Chairman LEWIS. Thank you very much for being so patient. We had a vote that we didn't expect, but we're back.

Let me ask the president of the Ford Foundation, first of all I want to thank you for all your great work and thank each of you for all your great work. But I remembered the work of the foundation and I think at the table you may be the largest, right?

Would you agree?

Ms. BERRESFORD. The second largest foundation, I think, yes, Gates being larger.

Chairman LEWIS. No, no. But you're the largest in this room.

Ms. BERRESFORD. Yes.

Chairman LEWIS. Right.

Ms. BERRESFORD. Small person in the largest foundation.

Chairman LEWIS. The Ford Foundation like some of the others, when you speak, when you make a decision do you think others in the foundation community tend to listen, say, well, the Ford Foundation made this decision; the Ford Foundation did one, two, three; the Ford Foundation did a, b, c?

Do you think you have others to come along, maybe one of the smaller foundations that get out and do something in sort of a pilot program or demonstrate something that encourage others to come along?

Ms. BERRESFORD. We work very often with other donors. Sometimes they bring very good ideas to us. The example I gave of creating \$50,000 new homeowners among low income, low credit score families, that was brought to us by a North Carolina organization, the Center for Community Self Help that had been supported by North Carolina donors.

They came to us saying, you're a national donor, can we now take this thing that worked in one state nationally? So, sometimes it works that way.

Other times we create a partnership in which we invite others in. We created something called the Dream Fund, which was to work on the issue of affirmative action and how to get more equity in education and employment. We went out and put a challenge of \$10 million on the table and invited others in and more people came as a result of that. So, I think it works both ways.

Chairman LEWIS. I know you have a long history of being supported—that effort you mentioned, the fellows program. In another period in our history I would meet Ford fellows, especially in the south and people took so much pride in being a Ford fellow and they got out and did good work. Have other foundations, other charitable organizations picked up on the idea of recruiting a particular person or group of individuals with certain skills to go into a community or go to a college or university or to work with a community organization and do good work?

Ms. BERRESFORD. Yes, I think providing fellowships is one of the most common and popular kinds of philanthropy for people who are concerned with new leadership and helping people step up who haven't had so many opportunities. So, you see many family foundations doing this kind of grant-making. We heard an example of one earlier, who give fellowships and then there are other large

foundations, Commonwealth, Carnegie, many others who make fellowship investments as well.

It's a very important aspect of philanthropy.

Chairman LEWIS. I understand that the Ford Foundation has steady ways to effect large-scale social change, to reduce poverty and injustice worldwide. Have you discovered anything, have you learned anything that you care to share with us?

Ms. BERRESFORD. I think the question of what impact comes from is very important. I think there are five or six components of it.

One is to have a specific goal, not just to set out to do good in a vague way but to have a very specific goal of some way you're going to help a group of people. Second is to have a strategy to achieve that result that is informed by the beneficiaries as well as the foundation and experts. Third is to make sure you have enough money.

You have got to mobilize resources of people and money, and you have to then create some kind of an information system and ways of having a dialog with the people in the program to see if it's working. Nothing works perfectly; you want to be able to change things.

Then finally you have to invest for the long term. These are not easy problems to overcome. If you want to do something on scale it takes a while to build to scale. Ultimately you want to be able to share your lessons with other grant makers.

I think you have before you something called Grant Craft that we have supported now for a number of years. We've tried to distill the lessons of good grant making through this and share it very widely. It's available free on the net and one of the new guides that's online is called Grant Making with a Racial Equity Lens, just to give you an example of maybe 20 or 30 such things that we have to share with other grant makers.

Chairman LEWIS. So, in this day and age of technology, in another period we didn't have this sort of ready-made tools and instruments where people can get the information to draft a proposal, to submit a proposal to a foundation, to a possible funding source.

Is there something that can be done to make information more accessible to people without the technology? How do you get information out, say, into some community organization, some group in rural Mississippi or in rural Alabama, south Georgia or New Mexico or Minnesota? You need something, maybe we can help.

Ms. BERRESFORD. There are now across the country a growing number of regional associations of grant makers that get down to the local level, let people know what good proposals are, where they can direct them. That's a very important resource.

Then organizations like the Council on Foundations, very important. There are also associations of grant makers concerned with health, concerned with world development. They all help people figured out where to direct their proposals, so I think we can build this to a much more robust and broad system than it is but we have the components of that to build now, I think.

Chairman LEWIS. Other members of the panel have anything you'd like to add? Is there something that Members of the Committee on Ways and Means, that we should be considering doing

to make grant making or finding a way to rewrite the Tax Code to make it easier and simpler for you to give money away? You're into money giving, right; resource giving.

Ms. GRADY. I would like to encourage Members of Congress to support H.R. 1419, the Good IRA Rollover Act. I believe that it is an excellent strategy to further democratize philanthropy. It allows folks who have IRAs—if you work, you get an IRA. It allows everyday people who I consider myself and many of us too to be able to use our IRAs to help charitable organizations and to support charitable goods and good in the community. So we really encourage that you sign up and support that.

The other, I think, is to really begin to get to know and understand this world of philanthropy and the sector. I'd actually like to thank Representative Jones for her promotion of the Congressional Philanthropy Caucus because you learn from relationships and from understanding each other's worlds and from being together and learning what terms mean and the morals and the values that each other have, and I think that's a good starting point to figure out how we can better work together to improve the communities that we all care about.

So those are two very distinct but important ways that I think we can begin this journey.

Chairman LEWIS. Let me—my colleague is here, and I know she wanted to ask some questions. But at one time—I'm just sort of curious, one time in our recent history there was this sort of mindset that the foundation community, they want to be too visible, they want to get in the way. You want to sort of stay under the curve. You were afraid that somebody would come down on you, maybe the IRS.

Ms. GRADY. Maybe.

Chairman LEWIS. You don't have that fear anymore, do you? I mean back in the 1960s, back in—I guess the big tax reform act that we had in 1969—and there was this fear that if you got in the way, you got out of line—so some members of the foundation community became somewhat cautious.

Have you thrown, for the most part, caution to the wind? Do you just go out and just try to do the best with the resources you—I'd just like to hear the response from—

Ms. BERRESFORD. Well, I think the growth of the number of foundations is an example of the robustness of the field, really. We've doubled the number of foundations in the last 20 years or so, and I think you find a lot more confidence now among the institutions in pursuing their varied visions.

I think the most important thing is to make sure that the variety of views, the diversity of American philanthropy be protected. That's what really makes philanthropy so healthy. It's not just directed toward one field. It's not just directed toward one kind of subject. It's a very diverse field.

I do think that hearings like this one are very important, and I hope you'll continue to do this and do it in other parts of the country because I think it helps focus the field on disadvantage and on people who are marginalized and where the money is going and whether there could be some shifting in emphasis.

Hearings like this are very important in that way.

Chairman LEWIS. Thank you very much.

Mr. LAHER. Mr. Chairman, if I could just come back to your first question, I really think if you could return to the non-itemizer deduction and allow all people who are contributing to charity to get a deduction it would go a long way toward bringing more people into the field and more—much more diversity into the support of charities, which in turn will change the way charities see themselves and how they're viewed by the people in their own communities.

I know it's an expensive issue, and you've had a number of conversations about it here and in this body and in the full Committee, but I think it's an important thing that as a country we need to look seriously at.

Chairman LEWIS. Thank you very much.

The gentlelady from Ohio is now recognized, Ms. Tubbs Jones.

Ms. TUBBS JONES. Thank you, Mr. Chairman. I want to thank you for your leadership on this Subcommittee. I requested that I have an opportunity to serve on oversight with you because of all your leadership over the years, and I just want to thank you for that.

Good afternoon, ladies and gentleman. I thank Ms. Grady for giving recognition about the Philanthropic Caucus and we hope to over time have an opportunity to sit with your designee to really have a chance to have some discussion about what philanthropy means and how the Congress and your organizations can work toward similar ends.

I was worried for a moment there that we were getting lost and going after charities and nonprofits and not really being focused on that which we ought to be focused on.

For a moment—I represent the city of Cleveland. Most of you know that—where we have some wonderful, wonderful foundations like Gund and the Cleveland Foundation, some other, smaller foundations operating.

I'm always concerned that as we talk about diversity and philanthropy that there is this divide. It's almost like the Internet divide, you know, where we talk about—digital divide is the word I want. Somehow we have to begin to help poor and working poor folks understand philanthropy outside of the tithing in a church so that they feel a part of it.

I've been happy to be a part of Cleveland Saves in Cleveland where we've begun to try and help people save, and I think Ford gave us a bunch of money for that back in the day and we're really thankful for it and it's going very, very well. But all of us need to engage in that because otherwise it ends up being the rich who can give to nonprofits and philanthropy and those on the other end who don't, and it becomes a habit.

Once you get engaged in the habit it's something that you do over and over again, and I would—without getting an answer from anybody at the moment, I would like to encourage all of you to think about that in those terms and think about whether or not part of the dollars that you would spend in choosing—some money is spent in building community and helping people understand—schools. But maybe we need to put it into how do we build community through—and if it's not giving of money, it's giving of time in

that we reward the giving of a time as much as we give rewards at giving of money.

Time is such a precious item. I was watching some show the other day and they were talking about this woman who had three kids, and that she got up in the morning, took her kids, dressed them, took them to the sitter or school and then she went to work and then she got back on the bus and went back home and picked them up and all the things that we are involved in.

Let me second move particularly to the Red Cross and Mr. Brown. I was in—I know you get this all the time but I was in Louisiana and the thing that struck me most and the thing that I heard from more of my constituents of color who were educated and experienced was, well, you haven't been trained in American Red Cross training, so we can't allow you to help out the Red Cross, when people were in dire need.

I'm not trying to be combative at all, but I sure hope that you have had an opportunity based on that experience because when I went to visit I found that everybody in receipt of the service was of color and everybody giving the service was of the majority. That creates a real tension that I did not care for. I could leave; some of the other people were stuck there.

So, I would be interested in knowing what have you done since that experience to diversify the standby folks who are ready to make a move when another catastrophe occurs.

Mr. BROWN. It really taught us a couple lessons. The criticism is well taken.

The first thing we can do is try to engage people in partnerships before storms arrive. By that I mean the example we had this past weekend. We have 4,000 to 5,000 Vietnamese fishermen who are on the southeast Louisiana coast.

When Katrina hit, we did not have a relationship with them. The Red Cross simply did not have a way of speaking their language, understanding their—what they need, understanding their culture.

We now have a partnership with Boat People SOS. That is the group, a national group that has a linkage to the fisherman. We have provided disaster training to Boat People SOS. We provide provisions, supplies, that sort of thing.

They actually were going to run a shelter for us this past weekend. Fortunately the tropical depression didn't materialize in the New Orleans area. They were actually going to run the shelter for us to make sure that these fishermen would be cared for in the event of a disaster.

It's that sort of thing that we need to do all over the country. There are many nontraditional groups that aren't in the disaster business, but we can train them and provide them with supplies and the type of thing you need in the event a storm happens. So, we can do that ahead of time. That's one of the things we're doing right now.

Ms. TUBBS JONES. Real happy to hear that and that's a great thing going on, but there are people who speak the same language, live on the same corner, go in the same store and don't communicate, so I hope that you'll figure out how you do it to people who speak the same language as well.

I know you've been here quite a while so I'm anxious to volunteer if I have any time left from anybody who wants to ask me a question or volunteer to help me or say, "I don't like what you're saying," or whatever it is you want to say, if anybody is looking.

If you're not I want to encourage all of you to make sure someone from your organization is involved with our caucus. I expect that we're going to have an opportunity to do great things. I am an optimist and look forward to having an opportunity to work with you and others.

My colleague Robin Hayes is my cochair from South Carolina and so we've got a Republican, a Democrat, a male and female, a black and a white, and we're all diverse. So we're trying to hook it up, and I thank the Chairman for the opportunity to say hello if nobody has anything they want to say.

Please, Ms. Grady.

Ms. GRADY. I'd just like to share—thank you for your comments, and I'd like to share just some learnings that we had in Atlanta when we completed a two-year study and community conversation around African-American philanthropy.

What we found was exactly as you expressed. There was a level of discomfort with many African-Americans, even who had wealth, on all economic spectrums with considering themselves as philanthropists. That term was one that they could not own.

They were volunteering. They were giving money. They were giving time. But they were not comfortable with the notion of being a philanthropist because you've got to be rich to be a philanthropist. So, I think that you're absolutely right, and thank you for your comments. It really is a community conversation and transformation around what is philanthropy; the givers, the volunteers, the people who secure the funds, the recipients, everyone together. I think it's the sector.

Another thing we learned from the study was that many non-profits would have volunteers, particularly African Americans because that was the focus, who were volunteering regularly without fail, and they never asked them for money. You know, they never thought of them as being potential donors but just volunteers. So, I think as a sector we have to think about that.

Then we found that individually there is a level of savvy that was not existing around how to manage your money in a healthy financial way. So many folks talked about helping others, helping their neighbors, helping their family, putting out lots of money in different ways in informal philanthropy but not going through agencies where they could get a tax writeoff and do a planned gift and so forth.

So, there's this individual opportunity as well. But I really appreciate your comments because I think we got to break down that word and really talk about what it means, and that's just doing good with and for other people.

Ms. TUBBS JONES. Did you ever have a chance to meet a gentleman by the name of Steven Rowan that used to be with the Cleveland Foundation?

Ms. GRADY. Yes, yes.

Ms. TUBBS JONES. He is my pastor at Bethany Baptist Church, and we are blessed to have a pastor who is a lawyer. He is a doctor

of divinity, has had years of experience in foundation work, and so we're trying to move along, but I thought maybe you would have had a chance.

The last thing—I promise this is the last thing, Mr. Chairman. I'm working with a group of eighth grade girls right now. I just decided to adopt them one day. I went to the school. I think that is another location, even though we focus in on education, in the process of education we might try and see whether or not that's a place where we might start talking about philanthropy, just like we might do financial schools or financial—teaching children finance. We might want to teach them that in the process of what they learn and make it part and parcel of the educational process, just another idea from a lowly public servant.

Thank you, Mr. Chairman. I appreciate it.

Oh, hold on one second. Ms. Fink, yes.

Ms. FINK. Yes, thank you. First of all, Congresswoman Tubbs Jones, I would like to thank you again for cochairing the House Philanthropic Caucus, and I also want to thank you for being a sponsor of the Savings for Working Families Act.

We have been working with individual development account programs in the state of Minnesota. United Way has two of them going and they are phenomenally successful. Low income people want to be able to create some assets. They want to save. We have not had any problem getting people to subscribe to those saving and we have some great stories.

We have also—part of one of our projects was working with high school students at a public high school, and that's been phenomenally successful too. So, again, thank you for your support of that.

Ms. TUBBS JONES. Ms. Berresford.

Ms. BERRESFORD. I would just mention a very interesting program about youthful philanthropy, picking up on your point. We've funded something in New York called Common Cents that's now spreading around the country, and what it does is kids from schools all through the New York school system go out and collect all the pennies that people keep on their bureaus in a little box or a pile somewhere.

Last year they collected \$650,000 worth of pennies. Each school was credited with how much it then collected and then kids in the schools sat together and figured out, well, how are they going to spend that money in their own community for people in need, and it's a very interesting thing about the moral engagement of kids, about activism in your community, as well as some of the underutilized talents of kids and the underutilized resources of pennies.

I think it's going to spread around the country in a very interesting way.

Ms. TUBBS JONES. Since my colleague is still writing over there, I have one last question. I promise.

I hope that in the course of the work that you're doing that all of your agencies are looking at your relationship with minority businesses to help grow your communities. We have laws that require government to do it. We have moral engagement that other people do but if truly you're going to be the philanthropic organizations that represent the nation it would be very, very important that you help increase the communities of color within your area

because I can—I always talk about—I can build houses in my district, I can improve the schools in my district but if I don't have jobs and a business community or sample for my kids to see then I've not done my job.

They need to have jobs, and they need to also see people like them who are running businesses in their communities. So, if you're doing anything, if you are—if you're not, let me help you.

Chairman LEWIS. Before I recognize the gentleman from—let me just thank my colleague and the gentlelady from Ohio also for organizing and co-chairing this wonderful caucus. Thank you for your great interest and for being here.

Before I recognize my colleague and Member from California, let me just try something on you here. I don't want to preach to you, but our country is changing. It's a different country. It's becoming so diverse. I speak a great deal about we all live in one house, the same house, that it doesn't matter whether you're black or white or Hispanic or Asian American or Native American, whether we're rich or poor, gay or straight, we all live in the same house, whether we're Protestant, Catholic, Jewish.

But something is happening in America, and I think the foundation community, the nonprofit sector must be out there pushing and pulling and having to build this greater sense of community, this greater sense of one house, that you have to lead the way. You have to find a way of what I call getting in the way.

As one organization—and I don't want to single out any particular organization. I don't want to get in trouble here. But there's a group—and I just want to try something out on you. It's based in California, whether you ever heard of this group.

I was in Little Rock yesterday for the twenty-fifth anniversary of the Little Rock nine, and the representatives—something called Sojourn to the Past. It was started by an American high school history teacher, and since 1999 this young man had been recruiting high school students and bringing them to the south in groups of 100.

They're black, they're white, they're Asian American, they're Hispanic, they're Native American. They spend 10 days driving through the south studying, learning about what happened.

These young people are going to be—I meet them now all over the country attending colleges and universities all over America. They're going to be better citizens. I know they're getting some resources, Mr. Becerra, from the California legislature and from private individuals and maybe some foundations out there, I don't know.

But if we, if the foundation community and organizations in different parts of our country can get out there and help create another group of leaders to bring us together as one house, one people—have you ever thought about something like that? Or maybe you're doing something like that? Anyone want to react? Do you know what I'm talking about?

Ms. BERRESFORD. Well, I think first of all your point about understanding history is very important, and finding first of all materials like the wonderful series Eyes on the Prize and making sure that schools have that, the school systems use that in their teaching of American history.

Then I agree with you entirely, kids getting out and working together and having a common experience—we all live separately. We all occupy somewhat different worlds and we overcome some of the sense of distance and perhaps distrust if we do something together. So I think any kind of youth programs that bring people together working on a common effort, youth service, that kind of thing, very, very valuable.

Chairman LEWIS. Thank you. Ms. Grady.

Ms. GRADY. I'd like to recognize and cue in on the notion of leadership building because I think that is probably the most important thing that foundations, particularly community foundations, which are tied to geographic regions, can do. It's to support leadership development.

We have for the past eight years operated the Neighborhood Fund Leadership Institute. It's grassroots leaders. It's folks who everyday are taking our blood pressure and driving us in trains and don't have time to fly up to Washington and talk and don't get leave from their job to do that but live in a community and want to make a difference.

So on Saturdays they get up and they come to this leadership institute and the curriculum is in part with the University of Georgia. They learn about community issues, economic development, how to communicate, diversity in their community and so forth and then they begin to connect their local issues to the larger social dynamics and economic dynamics of the region and then of the country and it gets bigger and bigger.

You just find them opening up in a very different way and become much more—much clearer and more deliberate about what they can do alone and then what they can do with a larger group. They bring in their young people and they bring them all. We've graduated 120 now from about seven of our counties and it just continues to be an amazing experience and all around just that local leadership of everyday folks who can really make a difference.

Chairman LEWIS. Thank you. Now I recognize Mr. Becerra, my friend.

Mr. BECERRA. Mr. Chairman, thank you.

To the panelists thank you for graciously waiting for us to return. You know, we're in the process of engaging in a conversation or a debate on the reauthorization of the state health insurance program for children, and many of us believe that it's shameful that at this day and age we still have millions of American children who don't have access to health care and don't have health insurance. We'll get there partway if this legislation that we have in the Congress gets signed by the President, who has threatened to veto it, but maybe we'll make some progress.

I think clearly there's a lot that we all still need to do with regard to serving the needs of all Americans. As we think about that and in this Committee, for our purposes, since we have responsibility over the Tax Code, the more we talk about tax reform or hear about it there is this desire to reexamine some of these tax expenditures that we have out there, many of which cost a great deal of money, whether it's the deduction for health insurance that we allow employers or whether it's the mortgage interest deduction or

of course the charitable deduction that's allowed for charitable contributions.

Many are saying we have to refocus and find out if in fact these tax expenditures and the money that they cost the Treasury is worth the value in having those tax expenditures. So, I'm glad you're here because I think we're going to examine that question.

With regard to you today and this issue before us I think we will want to take a look at whether or not we're serving the best purpose in having individuals deduct from their taxes that they would otherwise provide to the Federal Government moneys that are going to charities and foundations so that we serve the general welfare of our people.

A lot of us want to find out if that last part is still correct, that we're serving the general welfare of our people. I think, Dr. Wolpert, I think you mentioned in some of your work and testimony that most people give to charities which serve them, so your local church, the local service organization, you tend to give to that which is within your circle of familiarity, which obviously makes sense.

But it also means that chances are—if you're a fairly wealthy American, chances are that you give to causes that are within your reach and your circle, and if you're a poor American chances are there is very little within your reach and there's very little you can give to those who are within your reach, which would then ask the question or pose the question, well, then, do the wealthy, who are getting this tax break for money they would have to pay to the Federal Treasury for purposes like SCHIP, health care, education, the war in Iraq, are we being best served by allowing people who can make contributions not provide tax dollars to the Federal Government to serve the general welfare.

If it's true that you give to those that are within your reach, and if it's true that—let me see. I have a statistic here that wealthy people give a smaller share of their contributions for the purpose of serving the needy than do other Americans then it seems like maybe there is something going on here, especially when you look at family foundations that are formed by, in most cases, obviously, folks that have the wherewithal to start these foundations.

Do you think it's time for us to examine who gives the money and in more detail where it goes?

Mr. WOLPERT. Yes.—I think as a long-range goal, that's very important to do. But to make some short-run progress in helping the affluent to be more charitable, there are a number of things that can be done. Because I think—I mean, you know, the issue is the hungry children, the children who don't have a chance to go to college. We want to help them before Congress is able to do something as complex as remove a deduction.

The studies have shown that volunteerism helps enormously. That is, if you can get the wealthy to use some of their time in voluntary activities, whether it's in a shelter or in a Big Brother program, it leads almost invariably to sizable financial contributions. It's important for the wealthy to find out that the people they're helping are people like themselves, who have similar values, who are not, quote, "different."

Mr. BECERRA. Would you—and, Dr. Boris, I'd like you to join in on this particular question—would it be worthwhile to examine our tax treatment of gifts, gifts based on where they are focused?

Mr. WOLPERT. Well, we already know that they're focused and they're not redistributive. I mean, we already know that. We have good information on that.

Mr. BECERRA. So, you could probably incent noble activity by providing a better return for your contribution if you direct—if through Tax Code say that you will treat charitable gifts more generously under the Tax Code if they are directed at the general welfare, or direct general welfare of serving those who are in need?

Mr. WOLPERT. It depends on the part of the country. That is, if you live in a state like Massachusetts or New York where you have a relatively generous public sector which keeps a relatively high safety net, then it seems quite all right morally for affluent people to give their money to support the arts and culture and museums, okay.

In parts of the country where there is a relatively parsimonious public sector at the state level or community level, in that way, it's kind of inexcusable that the wealthy do not—because their lobbying has been very helpful in keeping local taxes low—it's incumbent on them morally to be, quote, “more charitable.” They are, to some degree.

Mr. BECERRA. Dr. Boris, any comment?

Ms. BORIS. A couple of thoughts. First of all, the tax rates have gone down, and if you're talking about tax incentives, there's a major disincentive in a sense for charitable giving. But if we think about where—

Mr. BECERRA. You're not encouraging us to increase the tax rates are you?

Ms. BORIS. Personally, I think you should. That's my values. Many people feel that, you know, providing for basic needs really should come out of government because it can be equitably distributed across the country.

Mr. BECERRA. Right.

Ms. BORIS. Not to rely on charities, which are here and there and everywhere. So, that's one point. Also, at the top end of the income scale, you know, there are individuals who are giving way beyond what they could ever deduct, and at the bottom end of the income scale, they can't deduct anything. So, you're talking about a small slice in the middle that you would encourage probably not a small slice, but, you know, a middle class kind of slice, that you would encourage.

Now Arizona, the state of Arizona, has a tax credit, which is targeted to—only to charities which serve 50 percent or more of those who are low income. When we looked at, you know, what was the result of that, more money has flowed into those charities, but nobody certifies that they're 50 percent or more low income, and the money now is going to the larger organizations that are more visible instead of to maybe smaller organizations that may still be doing good community work. Our data are just really lousy on this who benefits.

Mr. BECERRA. Do you think it's possible to collect good data?

Ms. BORIS. On who benefits? We could do better. But we don't have access to the records of, you know, where people's income tax goes. We have to do surveys of both nonprofits and income and individuals and foundations to get better data.

At my center, we could go—we started down this road. We're not quite there yet. But we know where the charities are all located. We also know from the 990, you know, what proportion are contributions. Unfortunately, we can't disentangle right now foundations and individuals.

Mr. BECERRA. Right.

Ms. BORIS. But we could get down to the zip code if we had, you know, the resources to do it and tell you where the money is going. But it's not the same as where individuals of wealth are giving their money or individuals of middle class are giving their—that's all survey, and it's very expensive.

Mr. BECERRA. Mr. Chairman, I know my time has expired. If I may ask just one last question, and we can pose other questions in writing. I really would love to follow up with some of you on this. But let me ask one last question. Administrative expenses.

My understanding is that in many cases, foundations include their administrative expenses as part of the amount that they consider to have gone in grant or giving. In some cases, my understanding is that some foundations have very high overhead. So, therefore, a large percentage of the grant is bottled up in administrative expenses which really go to no purpose to help a particular community in need. Any comment on whether it's an issue, first of all? Secondly, if there's something that we should be doing with regard to the issue of administrative expenses by foundations.

Ms. BORIS. That's an issue that I'm studying right now, and the reality is that the administrative expenses are really quite low across the foundation world. There are some examples of high administrative expenses. Some of the ones that we've looked into, what has happened is there are direct charitable programs that the foundations are doing with their own staff, and so we found one that had I think like 80 percent administrative expenses, and we have to find out who this is. We found out that they have a staff of a hundred researchers who are doing all kinds of research, and they give, you know, small amount of grants and a lot of, you know, in-kind kind of work that they're doing.

I wouldn't say that it is a huge problem in terms of, you know, most of the foundations in the U.S. don't even have staff, so there are no charitable expenses at all. What the telling factor is, as soon as they hire a staff person that enables them to do the grant work, then the charitable expenses take a, you know, quantum leap. But, still, in terms of other organizations, I don't think that we would say that there's a huge number out there who are gaming the system.

Mr. BECERRA. Appreciate that. I thank you all for your comments. I look forward to your further participation as we continue to study this issue.

Mr. Chairman, I thank you very much for holding this hearing, because I do believe there will be a value in trying to get a better sense of the value of the charitable component in the Tax Code and how we can make it an even better and more targeted approach to

try to help us address the general welfare of our communities in this country. So, I thank you, Mr. Chairman. I yield back the balance of my time.

Chairman LEWIS. I thank the gentleman from California for your line of questioning. I just want to sort of close this out if the young lady from Cleveland, from Ohio may not have another question?

Ms. TUBBS JONES. Of course I have, but I'm not going to ask it. Thank you, Mr. Chairman.

Chairman LEWIS. Thank you. Before we adjourn, and you all have been so wonderful, so patient, and maybe, Ms. Grady, maybe one of you or any of you may want to respond. You know, in our country there have been in recent years, in recent days, there has been so much bashing of a certain segment of our society. As they—say in a city like Atlanta and some other cities and states, there's a growing diverse population. We hear the debate on the floor. We hear on the floor people bashing people, saying they're here and we're not going to provide services. They're not legal.

I saw a T-shirt the other day I believe put out by the American Friends Service Committee, and I've been tempted to put it on the floor but they'd probably throw me off the floor. It said "No human being is illegal." No human being is illegal. There are people that are afraid, politicians, elected officials are afraid to do things—to do what I call the right thing, the moral thing. Is there something that foundations can do and say to the government, say to those in elected positions, this is the right thing to do? Provide services, meet basic human needs, when it comes to health care, when it comes to education. Is somebody doing that someplace in America? Is somebody going to do it, because it's the right thing to do, it's the moral thing to do, it's the fair and just thing to do?

Ms. GRADY. I might respond again by speaking to the importance of really supporting civic voice. I mean, government has a voice, you know, the corporate sector has a voice. But where is it that everyday folks are able to get together around issues that are important—around their community, around regional issues, around child welfare, around the environment, to be able to have a voice, come together, learn from each other, and then begin to mobilize, to move an agenda forth?

I believe that happens by providing folks with the tools and the skills and the knowledge and the access to each other and to experts to be able to do that. So I think that foundations can support that by investing in leadership programs and school-based programs, teaching philanthropy at a young age, and really increasing that civic voice and capacity of communities so that they can speak for themselves and not be intimidated by a perceived lack of power or influence or knowledge.

Chairman LEWIS. Thank you. Yes, sir?

Mr. LAHER. Mr. Chairman, I don't want to create the impression that we live in a Pollyanna or that I am one, but the 200 program—200 agencies that we fund in the Twin Cities are just filled with small organizations who are doing their charitable work because they believe in it. They believe it's the right thing to do. To use your words, it's the moral thing to do.

The agency that Marcia talked about, Community Emergency Assistance Program, \$2 million budget, 22 staff in a community that has 10 percent people of color and they're serving 60 percent people of color because they've come—and many of them are Somali, and they've come to our country for a different life, and supported by about 50, 60 different churches who really want to help people. We see it every day. Part of the reason people like myself and Marcia stay in this field is because we see what those individuals are willing to do, for the whole purpose of helping somebody other than themselves.

Chairman LEWIS. Yes, Madam President?

Ms. BERRESFORD. I think the point about moral voice is very important. I think we've all said it, and you've said it wonderfully. We need to have people who speak in more than sound bytes, and I think we need to have dialogs between the nonprofit sector, the business community, and government about what really guides our country and makes it great.

I think we need to hear from people about where they think their values came from, what their values mean for them and what it animates them then to do, because that is inspiring, it creates protection for other people to step out and do something, and we don't have enough of that. We have much too much of the sound byte communication. I think if we can figure out fora in which we sit together and talk about these things in more than just a moment on the news, we will begin to restore the kind of community that we're all Americans, we're one house that you're speaking of.

Chairman LEWIS. Well, I thank you so much, and thank each of you for the words, your statement, your testimony. You made a wonderful contribution how we can better serve the interests of our diverse communities. We appreciate your patience. There being no further other business before the Committee, the Committee will stand adjourned.

Thank you so much.

[Whereupon, at 4:31 p.m., the hearing was adjourned.]

[Submissions for the record follows:]

Statement of African American Nonprofit Network

Thank you for convening a hearing on this important issue and for the opportunity to provide comments and background information on how the African American Nonprofit Network (AANN) is addressing the issue of diversity in the nonprofit sector in the National Capital Region. Our own experience has been that there is a need for significantly greater diversity at the volunteer and senior staff level of nonprofit organizations and that recognition led us to develop the African American Nonprofit Network.

Our Mission

The mission of the African American Nonprofit Network is to significantly change the landscape of African American leadership in the National Capital Region so that nonprofit organizations can better empower the constituents they serve and have a positive impact on the community.

Why We Were Established

AANN was established in response to the acute shortage of African Americans in leadership positions within the nonprofit sector, especially those organizations serving the diverse communities of the National Capital Region.

In order to adequately serve diverse communities, AANN believes it is important to have diverse nonprofit leaders who can understand and appreciate the unique needs of the region's children, youth and families. AANN seeks to become a valuable resource that serves as the connector of African American executives and volunteers and the nonprofit organizations that serve diverse communities.

A recent national study by the Urban Institute highlighted the acute shortage of minorities on nonprofit board positions finding that "Among nonprofits whose clientele is over 50% African American, 18% include no African American trustees. Among nonprofits whose clientele is 25% to 49% African American, 36% have no African American board members." Among nonprofits whose clientele is more than 50% Hispanic, 32% have no Hispanics board members.

What We Do:

AANN's core group of local and national leaders with experience in both the nonprofit and for-profit sectors, brought together their considerable personal and professional networks of talented African American professionals to form a powerful network of African Americans who serve as conduits for distributing information on nonprofit board and staff leadership opportunities.

AANN's efforts focus on increasing a nonprofit organization's access to talented African American candidates to fill senior staff positions such as executive director, CEO, CFO, COO, as well as board positions.

Currently AANN has two established services: 1) a Positions Alerts program in which we assist nonprofits by distributing senior staff leadership position descriptions through our network and 2) a Board Matching program in which we assist nonprofits in identifying talented African American as candidates for their boards.

Since our formation in January 2007, AANN has begun to see success in matching African American professionals with nonprofit organizations. As we continue our outreach to nonprofit organizations and expansion of our network of professionals we expect to see significant impact on the landscape of nonprofit organizations serving diverse communities in the National Capital Region.

Again, thank you for convening this hearing on such a timely and important topic.

African American Nonprofit Network (AANN)

Board of Directors

President

Ike Fields, Chief Operating Officer, Integrated Resource Technologies

Vice President

Maxine B. Baker, Former President & CEO, Freddie Mac Foundation

Directors

Neil Albert, Deputy Mayor, District of Columbia

Vicky Bailey, President, Anderson Stratton International, LLC

James Forman, Jr. Associate Professor, Georgetown University Law Center

Terri Lee Freeman, President, Foundation for the National Capital Region

Artis Hampshire-Cowan, Sr. V.P., Board of Trustees, Howard University

Kimberly Keating, President, Keating Advisors

William Keyes, President, Institute for Responsible Citizenship

Brig Owens, Partner, Bennett & Owens

Jeffrey Penn, Vice President for National Recruiting of Mentors, Big Brothers, Inc.

Ed Robinson, Consultant, Witt/Kieffer

Kenneth Slaughter, Partner, Venable, LLP

LeRoy Thompson, Managing Director, Top Management Assistance

N. Joseph Watson, President & CEO, StrategicHire

Executive Director

Wanda L. Pierce

Statement of American Arts Alliance

On behalf of the American Arts Alliance and its member organizations—American Symphony Orchestra League, Association of Performing Arts Presenters, Dance/USA, National Alliance for Musical Theatre, OPERA America, and Theatre Communications Group—I am happy to share with the subcommittee the extraordinary charitable efforts being made by performing arts organizations that enhance the quality of life of all Americans.

The American Arts Alliance is a national network of more than 4,100 member organizations and individuals comprising the professional, nonprofit performing arts and presenting fields. For more than 30 years, the American Arts Alliance has advocated for national policies that recognize, enhance, and foster the contributions the performing arts make to America.

Performing arts organizations and artists provide unique, diverse, and essential benefits that create and sustain vibrant communities across the country. Nonprofit performing arts organizations provide learning opportunities for all citizens, inspire creativity and imagination, and provide common ground for citizens to come together to build better communities.

The arts illuminate the human condition, history, contemporary issues, and our future.

The performing arts are an essential public good, and performing arts organizations open the doors to full arts participation in America—by offering access to educational opportunities for all, places to gather and belong, and giving citizens an appreciation of our nation's culture and heritage through excellent artistic programming.

The arts help democratize our citizens. Communities of all sizes across the United States look to the arts to generate economic activity and to improve the education of our citizens. Collectively, the performing arts reach millions of people daily. It simply is not true that only the wealthy elite are attending performances in a few concert halls around the country. Here are a few examples of the broad, diverse reach of the arts:

- Over 3.5 million people, including a large number of at-risk children are served by the more than 1,283 outreach and education programs of 202 non-profit theatres in the U.S.
- More than 37,000 orchestra concerts in 2004–2005 reached audiences of more than 28 million listeners, and approximately 1,800 orchestras exist in all 50 states.
- 2 million people attended education and community programs served by U.S. and Canadian companies during the 2004–05 opera season.
- 16 million people attended over 27,000 musical theatre performances in 35 states and 7 countries in one year.
- 3.3 million people attended dance performances before even counting the millions who attend small dance companies' performances in 2005.
- 6 million audience goers attend a performing arts event each week according to the Association of Performing Arts Presenters.

Millions of people attend nonprofit performing arts events across all income and socio-economic groups and, through diverse artistic programming and community engagement activities, performing arts organizations increase access to the arts for all. A commissioned Urban Institute report revealed:

- 77% of presenting organizations develop programs and performances for students K–12
- 75% of presenting organizations offer free tickets through programs serving the poor, elderly and youth groups.
- 54% of presenting organizations offer special services for persons with hearing, sight, or mobility impairments.

The Institute for Innovation in Social Policy issued a report in 2005, "Arts, Culture, and the Social Health of the Nation." The findings of the report found that "arts and culture represent a vital component of social well-being. They create critical social bonds, webs of affiliation that strengthen the nation, deepen our tolerance, and grace our lives in unique ways." The report found strong support by people at all income levels that place a high value on the arts.

The Phoenix Symphony is an ideal example of the kind of efforts being made by orchestras across the country to serve diverse communities and its citizens through a network of funding efforts. The Phoenix Symphony's education programs are introducing more than 50,000 students to music through education and youth-engagement programs. As part of these efforts, the Phoenix Symphony has for seven years

partnered with the Salt River Pima-Maricopa Indian Community. The program called, One Nation, has successfully promoted cross-cultural awareness and increased access to music education for hundreds of Native American children and families.

One Nation received National Endowment for the Arts funding and support from the Arthur M. Blank Family Foundation to help expand the program from a small pilot project to a school-year long project. Over time, individual donors and other members of the community have endorsed the project attracting additional funding, and increasing public participation and attendance. A teacher at the Salt River High School, Chris Wakely, has noted, "One Nation has had a huge impact on our students, not just musically, but also socially and behaviorally."

Programs like One Nation happen daily in communities across our country providing lifelong learning opportunities. Few investments realize the economic, not to mention the intangible, intrinsic benefits that only arts make possible.

The nation's nonprofit performing arts organizations are supported by a delicate balance of foundation, corporate, government and individual support. Over and over again, civic leaders and arts supporters have designated their donations to be used for ensuring the vitality of the nonprofit performing arts organizations that anchor their communities, and often specifically provide funding to ensure broad reach into our diverse communities as well as sponsor free tickets and performances.

Wealthy patrons gifting large donations to build symphony halls, performing arts centers and theatres make headlines. Yet in reality for every multimillion-dollar gift there are thousands of smaller gifts made by citizens across the economic and social spectrum to support the arts. A recent 2006 report by PEW Charitable Trust, looking at the arts and culture institutions in Philadelphia found that "the vast majority of contributions (96%) came from individual donors, who made 266,000 contributions to the fundraising efforts of arts and cultural organizations in the region. The average contribution was \$300 from individuals."

The arts belong to everyone, and are supported by a broad network of donors. According to a survey of 800 random households in 10 American cities, the vast majority of citizens believe that the presence of live, professional performing arts in the community improves the quality of life, promotes understanding of other cultures, fosters pride in the community, and contributes to the education and development of children. The same study found that communities with performing arts organizations attract "super-citizens"—volunteers, voters, philanthropists and other active, civic-minded participants. Those that attended live professional performing arts tended to volunteer and vote more often. Frequent attendees volunteer at a rate of 86%, as opposed to 53% of non-attendees.

Individual citizens of all income levels and from all socio-economic backgrounds play an important role in keeping the performing arts alive and ensuring their accessibility to all citizens. We must embrace the intentions of these donors, and encourage their charitable and philanthropic efforts, which contribute to our health and vitality as a nation.

The performing arts are an indispensable part of our society. Charitable donations to the arts guarantee their future access by all Americans. And, the arts ensure the best for America's future; children increase their academic achievement through arts and music education, and this is especially true in our underachieving schools; performance centers anchor community revitalization efforts in our blighted cities; audiences find common ground across racial, social and economic boundaries. The performing arts provide inspiration and hope.

The arts belong front and center in our charitable giving portfolio, with full tax benefits granted to every donor.

Statement of Americans for the Arts

Mr. Chairman, Americans for the Arts would like to take this opportunity to respond to the question of whether or not charitable organizations are serving the needs of diverse communities. This is not only a question of an allocation of resources any organization commits to a particular racial, cultural, or ethnic group, but also whether non-profits appropriately value the diverse perspectives that compose their communities. Given the country's increasing changes in demographics, an additional inquiry was raised in the subcommittee hearing as to whether or not the leadership of these same non-profit organizations is culturally sensitive to the demands of a population with constantly shifting cultural needs. We believe that in the arts field, these questions are being addressed by both national charitable orga-

nizations and the local non-profit agencies in pursuit of cultural equity. While our service to the field has not yet attained total equity, we are striving to administer programmatic responses that one day will.

Americans for the Arts, a 5,000 member non-profit organization dedicated to Americans for the Arts is the nation's leading nonprofit organization for advancing the arts in America. With 45 years of service, we are dedicated to representing and serving local communities and creating opportunities for every American to participate in and appreciate all forms of the arts. Americans for the Arts and local arts agencies across the country have made the goal of cultural diversity a foundational principal. This commitment is demonstrated by a host of programmatic initiatives that recognize the importance of cultural diversity not only in access to the arts and the inclusion of diverse perspectives, but also in the composition of those organizations.

More can be done in the arts field to advance multicultural expression and access, as more can be done in the other charitable fields to provide greater expansion of resources to diverse groups. Whether they are defined as under-represented cultural minorities or as underserved segments of the population, we believe steps are being taken by our organization and countless other local arts agencies across the nation to develop methods and programs to fully realize the goal of providing access to the arts and arts education for all Americans.

Americans for the Arts Initiatives

Over the years, Americans for the Arts through its programmatic initiatives, *Animating Democracy*, *Art. Ask for More*, and the *Americans for the Arts Annual Convention*, has steadfastly pursued the goals of cultural diversity and equity.

In our programming, we always strive to present varied voices. Americans for the Arts, has always made an effort to include a diverse representation of the field through speakers at the annual conference, Arts Advocacy Day, and other events. In 1990, Maya Angelou was the Nancy Hanks Lecture followed by Barbara Jordan in 1993, Carlos Fuentes in 1996, and Billy Taylor in 1998. Annual Convention keynotes over the years have included Congressman John Lewis, Maynard Jackson, Ossie Davis, Henry Cisneros, August Wilson, Russell Simmons, Ray Suarez and many more. Our current Emerging Leaders Initiative identifies leaders of color in a more natural way. Proactive recruitment through scholarships and positions on leadership councils has promoted age, gender, geographic, and cultural diversity.

Animating Democracy: A national arts and civic engagement program

Animating Democracy's two main grant making initiatives—the Animating Democracy Lab (1999–2004) and the Animating Democracy/Working Capital Fund Exemplar Program (2005–2007) have both focused support on leading small and medium sized organizations that have encoded true diversity into core values, mission, and practice. These include mid-sized African-American, Latino, Native American, and Asian American arts groups that are building sustainable organizations that support their artistic and community missions and serving as role models for the field. Through Animating Democracy's work with these cohorts of grantees, Americans for the Arts has learned to structure meetings and learning experiences that embrace and honor multiple cultural traditions. We have shined a light on the creative and progressive practices of these leading organizations, documented a significant body of their work and best practices for the benefit of the field, and brought their leaders and stories into circles where cultural policy is discussed and formed.

Art. Ask for More. National Public Service Awareness Campaign

- Americans for the Arts launched a Public Service Awareness (PSA) Campaign focusing on the importance of arts education for children in 2002, including television ads featuring African American and Hispanic (in Spanish) artists.
- Additionally, Spanish language radio and print ads featuring the Spanish artist "Francisco de Goya" were also released in Spanish language in 2004.
- A second phase of the PSA campaign is currently in production and will also feature ethnic and racially diverse artists as well as Spanish language ads as part of the national campaign.

Americans for the Arts Annual Convention

- Americans for the Arts hosts Cultural Diversity peer group roundtables during each Annual Convention. For the past two years, the group has programmed joint peer group sessions with the Emerging Leader and Cultural Diversity peer groups.
- The theme of the 2006 Annual Convention in Milwaukee, WI, *Living Cultural Democracy: Arts in Changing Communities*, was centered on diversity and shift-

ing demographics including issues of diversity: cultural, generational, geographic, economic, gender, etc.

Economic Development in Diverse Communities

Arts & Economic Prosperity III: The Economic Impact of Nonprofit Arts and Culture Organizations and Their Audiences documents the key role played by the nonprofit arts and culture industry in strengthening our nation's economy. This study demonstrates that the nonprofit arts and culture industry is an economic driver in communities—a growth industry that supports jobs, generates government revenue, and is the cornerstone of tourism.

Nationally, the nonprofit arts and culture industry generates \$166.2 billion in economic activity every year—\$63.1 billion in spending by organizations and an additional \$103.1 billion in event-related spending by their audiences. The study is the most comprehensive study of the nonprofit arts and culture industry ever conducted. It documents the economic impact of the nonprofit arts and culture industry in 156 communities and regions (116 cities and counties, 35 multicounty regions, and five states), and represents all 50 states and the District of Columbia.

This research provides another aspect of how the arts sector relates to diverse communities: the potential of arts organizations to provide economic development possibilities in aspiring communities. This link is most specifically found in a local study by University of Pennsylvania researchers, “More than other social institutions, arts and cultural organizations thrive in economically and ethnically diverse neighborhoods. . . . Arts and cultural organizations are dominant in economically diverse neighborhoods. In ethnically and economically diverse neighborhoods as well, arts groups compose 10 percent of all organizations, nearly twice their proportion in homogeneous neighborhoods (5.6 percent).”¹ Arts organizations, perhaps more than any other local charitable organization, can have a profound effect on the economic activity in a developing neighborhood.

Local Arts Agencies Initiatives

Local arts agencies are Americans for the Arts' key constituency and advancing full and affordable access to the arts are at the heart of their mission. Local arts agencies meet community needs by using the arts to address social, educational, and economic development issues as well as by supporting “art for art's sake.” They make grants, provide services to artists and arts organizations, and present arts programming to the public. Typically, local arts agencies lead community cultural planning—a community-inclusive process of assessing local cultural needs and mapping a plan of implementation.

Of the 4,000 local arts agencies today, three quarters are private non-profit organizations, of which many are designated official arts agencies for their communities and entrusted with granting government funds. The remaining quarter are government agencies. Because of their quasi-governmental structure, many local arts agencies are able to execute their mission with increased access and greater service to their communities.

In a comprehensive national review published by Americans for the Arts profiling local arts agencies addressing cultural diversity and cultural equity, several trends and conditions emerged.

- *Success requires moving beyond numbers and statistics.* By integrating cultural diversity with all agency programs and addressing issues of attitudinal change, recognizing that cultural diversity and cultural equity issues need to be included in areas other than funding.
- *Leadership is a fundamental element to provide assistance in building diversity.* Arts administrators must recognize that individuals both within their organization and out in the community must work together to make a difference. When individuals representing both the traditional and multicultural organizations step forward and declare the need for cultural diversity and equity and the commitment to working on its achievement, there is a greater likelihood that the community will respond.
- *Foster an attitude in which there is a mutual respect and consideration for all those involved.* The process is not a “bottom/down” or “expert and novice” approach. All viewpoints deserve to be aired, and the process is one which validates the diversity of experiences and establishes understanding and respect for differences.
- *Continued and long term commitment on the part of the agency and the community to deal with the complexities and hardships of achieving cultural diversity is necessary.* Communities that have sustained significant changes in the areas of cultural diversity and equity have done so as a result of continued efforts over a period of at least five or more years.

- *Policy statement that defines cultural diversity for the community.* Development of specific language which defines cultural diversity and equity for the entire community and agency. This provides clarity for those involved in the process.

Most agencies addressing cultural diversity and equity issues are doing so through a formal planning process. This process may be agency driven or at the request of the community. In many cases, cultural diversity and equity are defined as part of a comprehensive cultural planning process. In other cases, consideration of cultural diversity and equity are the intended outcome of a targeted plan.

We would like to provide the committee with successful program examples that demonstrate the commitment from our members and organization. These examples also demonstrate the response from local arts agencies and governments to the increasing needs of culturally diverse communities through local initiatives in the arts and also through federal arts in education grants and assistance.

Local Arts Agencies Program Outreach Examples

Alexandria Commission for the Arts, The Alexandria Cultural Plan, Alexandria, Virginia

The Alexandria Commission for the Arts, sponsored in part by a grant from National Endowment for the Arts, embarked upon a cultural planning process to identify goals and objectives for the next five years. Although cultural diversity and equity were not explicit goals of the plan, opportunities to address these issues were present.

Goal One: Create public awareness and build public interest in the participation and support of Alexandria's cultural resources. Of eight objectives and strategies, two were particularly pertinent to addressing cultural diversity and increased access to underserved audiences.

- Expand the visibility of Alexandria's arts organizations of color through collaborative marketing and marketing technical assistance by working in partnership with Alexandria's churches and neighborhood associations to better publicize performances and events.
- Create neighborhood art/cultural development plans utilizing Commission granting programs and services to help further neighborhood-based cultural development, through the support of new and emerging organizations and through support of programming that is neighborhood focused. Provide technical assistance and collaborative opportunities for audience development/marketing for neighborhood-based organizations and artists, to enable them to become more visible throughout the city.

Goal Two: Utilizes Alexandria cultural resources to address community needs. The following objectives and strategies reflect opportunities for greater participation by the entire community:

- Develop and expand models for partnerships between arts and Neighborhood Recreation Centers to address social and community development needs;
- Expand the Commission's role in programming, utilizing the recreation centers, building on the 1994 Kennedy Center/Dance Theater of Harlem Community Residency model of special workshops and classes open to residents regardless of financial ability to participate.
- Ensure the development, upgrading and maintenance of appropriate performing visual, and education arts facilities for Alexandria by continuing to develop plans for the proposed arts incubator, modeled after small business incubators, to serve small and emerging cultural organizations.

The Los Angeles County Arts Commission, Los Angeles County, California

The Los Angeles County Arts Commission is a local arts agency, acting in an advisory capacity to the County Board of Supervisors and granting over \$4 million in county funds annually. Its mission is to foster excellence, diversity, vitality, understanding and accessibility of the arts in Los Angeles County. It provides leadership in cultural services for the County, including information and resources for the community, artists, educators, arts organizations and municipalities.

In response to the findings of *Arts in Focus*, Los Angeles County (the Arts Commission in partnership with the Los Angeles County Office of Education) embarked on a year-long, community-based planning process. In 2002, the County Board of Supervisors, the County Board of Education and the County Arts Commission unanimously adopted *Arts for All: Los Angeles County Regional Blueprint for Arts Education*, which presents a series of policy changes, educational initiatives, and establishment of a new infrastructure to ensure all 1.7 million students receive a high-quality K-12 arts education. This program was profiled in testimony by the

Commission's Director of Arts Education before the U.S. House of Representatives Labor, Health and Education Appropriations Subcommittee earlier this year.

Inner-City Arts, Los Angeles, California

Inner-City Arts, a non-profit organization in Los Angeles provides arts learning services to students in the L.A. unified school district. Their three-year *Arts in the Middle (AIM) Project* will expand and rigorously evaluate an innovative, cohesive model for delivery of arts-based instruction to remedial grade six English learners. The Project's strategy will extend community resources to under-resourced urban middle schools in order to improve academic performance among English learners by integrating standards-based arts education within the core Language Arts curricula of grade six students. The Project's target population is remedial grade six students who are at extreme high risk of academic failure due to low levels of English Language Development. Assuming it is successful, the goal is to replicate it within other Los Angeles schools. This project directly supports the school district's 10-year plan for arts education. This program is currently funded, in part, through an Arts in Education grant from the U.S. Department of Education.

Civic Arts Commission, Civic Arts Funding Program, Berkeley, California

Like many smaller local arts agencies, the City of Berkeley has limited funds to grant for arts activities. However, the Civic Arts Commission has developed a policy statement that defines its commitment to organizations of color and underserved communities. The following language is included in the Funding Program Guidelines:

The City of Berkeley is committed to:

- The growth and stabilization of Berkeley arts organizations and its artists.
- The support of organizations and artists that represent diverse cultures including ethnic and racial minorities, deaf and disability cultures, seniors, youth, gay, lesbian and feminists.
- The empowerment and equal representation of cultural perspectives that have been traditionally/historically via access to funding programs.
- Encouraging collaborations between organizations, artists, and the communities in which the applicants reside.
- Activities that contribute to the development and enhancement of the Berkeley community or specific neighborhood or particular constituencies.

The Civic Arts Program maintains its commitment to organizations of color and underserved communities by awarding a majority of its funds to organizations dedicated to providing activities to Berkeley's diverse communities. Subsequently, large budget organizations (which Berkeley defines as organizations with budgets over \$150,000) can apply only for Community Outreach and Arts in Education projects. All other small and emerging organizations can apply for support former funding categories in addition to, Project and Production Support, Technical Assistance and General Operating support. Criteria to evaluate applicants focuses on specific diversity outreach activities.

Conclusion

The mission of Americans for the Arts, like its local arts agency stakeholders, is to provide access to the arts for all. Serving the needs of underserved and under-represented communities is an inherent central goal of that mission statement. Through national arts organizations diversity initiatives, cultural plans that foster economic development in aspiring neighborhoods, and outreach efforts by local arts agencies, the non-profit arts sector strives to meet the challenges shared throughout the philanthropic community.

We would like to thank you for the opportunity to share our work and hope the Subcommittee will continue to support the efforts of the non-profit arts field.

Footnote: ["Re-presenting the City: Arts, Culture, and Diversity in Philadelphia." Mark J. Stern and Susan C. Seifert., University of Pennsylvania, School of Social Work, April 1999]

Statement of Association of Art Museum Directors, New York, New York

The Association of Art Museum Directors (AAMD) is composed of the directors of 170 of the leading art museums in the United States, with additional members in Canada and Mexico. We are grateful for the opportunity to submit written testimony for the record on the issue of whether philanthropy serves diverse commu-

nities. The following statement addresses philanthropic grants to museums. It also addresses how museums serve their communities, regardless of funding source.

Art museums are among the most used and cherished institutions in their communities.

- Total annual attendance at AAMD member museums in the United States is approximately 50 million.
- Most AAMD institutions report that between five and ten percent of their attendance is in the form of organized school groups.

Additional children are served by individual visits, outreach, and on-line programs. Given the parlous state of art education in the public schools, especially in inner-city schools, art museums are the sole source of exposure to visual art for many at-risk children and youth. Any discussion of philanthropy and diversity must take these facts into account.

Beyond the numbers, though, it is important to state what museums stand for. As a former museum director said just last month,

Our museums reflect creativity, history, culture, ideas, innovation, exploration, discovery, diversity, freedom of expression and the ideals of democracy. Today, museums matter more than ever, as museums protect and preserve our culture and civilization. In these dark and dismal days of nationalism; religious wars; terrorism and torture; museums present the highest ideals and achievements of humankind to be admired and cherished.

America's museums were founded in many cases by generous individuals who believed that art should belong to the people. Their attitude was in marked contrast to Europe, where collections formed by royal and aristocratic patrons were often unavailable to a broader public. The public-spirited generosity of American donors both of art and of funding then and since is a living tradition that has enabled museums to offer affordable access to unique collections. The motto of the Taft Museum of Art in Cincinnati expresses it with succinct elegance: One Family's Treasure. Art for All. In the same city, the Cincinnati Art Museum offers free admission due to the generosity of donors stretching back to 1906, when Mary Emery established a fund to make Saturday admission free to all; free general admission for children was subsequently endowed by local corporations; and finally, a generous gift from The Richard and Lois Rosenthal Foundation established free general admission for everyone at all times.

All of AAMD's members share a commitment to serving the public through exhibitions that inspire, entertain, and confront the issues of the day. They offer educational programs and classes for people and families of all ages, origins, and socioeconomic status. Their programs for teachers—showing how to connect works of art to school curriculum in every academic subject—are irreplaceable. All partner with other community institutions, including health, human service, and education organizations, applying the unique resources of the arts to serving a wide variety of purposes. Our institutions are anchors in their communities, often serving as the centerpiece of new or revitalized neighborhoods, providing jobs, attracting tourists as well as residents, and in a less literal sense, helping to form the community's identity—its sense of self.

There is still too little diversity in the top leadership ranks—a reality that we are committed to changing. Our adult audience, while diverse, is still not diverse enough. Nevertheless, education and community engagement—not just outreach, but actual engagement—are at the heart of museums' missions. It is worth citing a landmark report that our sister organization, the American Association of Museums, issued in 1992 after two and a half years of intensive work. Titled "Excellence and Equity: Education and the Public Dimension of Museums," it sets forth guidance on ten basic principles for museums, of which the first three are:

- Mission: Assert that museums place education in the broadest sense of the word at the center of their public service role.
- Audience: Reflect the diversity of our society by establishing and maintaining the broadest public dimension for the museum.
- Learning: Understand, develop, expand, and use the learning opportunities that museums offer their audiences.

These principles are now universally accepted in our field, and art museums are committed to using their encyclopedic collections, which range over five thousand years and are drawn from every known civilization in every part of the world, to speak eloquently to diverse audiences. Museum collections are a primary resource for people who wish to learn more about their own heritage, regardless of race, religion, ethnicity, or economic resources. America's non-profit system ensures that

these collections are held in trust for the public—not just part of the public, but all of it, and not just for today’s audiences, but for the future as well.

To prepare this testimony, AAMD polled the members of its Education Committee. Their response was immediate and overwhelming. Here is a small sample of what they had to say:

The director of the Delaware Museum of Art reports:

The Museum currently has over 60 partnerships with community groups such as Kuumba Academy, a charter school for the arts that mostly serves economically needy children, the Latin American Community Center, Girls Inc. and other agencies that service disadvantaged people. Since my arrival in 2005, I have met personally with many community leaders to ask them how the Museum can meet their needs. They have responded unanimously that while their people need many basic services they also need the creative outlet and emotional oasis that only an art museum such as the Delaware Art Museum can provide . . .

The director of the Queens Museum says that his museum “is in America’s most diverse county, and a large section of our audience is immigrants. Therefore it makes sense that:

- We employ a community organizer to work in our 90% “minority” local community;
- We conduct free digital media (and other) classes in Spanish;
- Our admission is by voluntary contribution;
- All events are free;
- Family workshops at the Museum cost \$2 for materials;
- Our most expensive program is an art camp at \$50 per week, and scholarships are available;
- Two fully trained art therapists on staff work with special needs communities;
- 50% of executive staff and 60% of overall staff members are people of color;
- Our staff speaks eight languages; and so on.”

At the Baltimore Museum of Art, the tour most requested by school groups—and BMA welcomes 20,000 students each year—is the African collection, because the study of Africa is a curriculum element in Baltimore’s public schools, and the museum affords a unique means for children to learn about the continent’s history and culture. Its African collection was founded in 1947 by wealthy white donors and it continues to be the most rapidly growing collection in the entire museum. The museum is planning a major reinstallation for which important financial support has been received from the city government. Surely it is significant that a city with no lack of social needs sees fit to invest in its art museum. We note also that just last year a donor endowed a free admissions policy, for all, and in perpetuity. Since that policy went into effect last October 1, attendance at family programs has grown by 88 percent.

In Flint, Michigan, with a population of which 53% is African American, and with statistics that are high in unemployment, poverty and illiteracy, the recently redesigned and greatly expanded Flint Institute of Arts has risen as a symbol of renewal and a catalyst for change. It offers a wide range of exhibitions and educational programming which provide an invaluable resource to the community—educationally, socially, economically and culturally. Located in the heart of the city, the FIA serves nearly 100,000 visitors each year, of which 30% are students (kindergarten through 12th grade), in public schools and alternative educational programs. Admission to FIA galleries is free of charge and most FIA programs (classes, films, etc.) are discounted. However, the FIA is not funded by Federal, State, County or City dollars. One third of the FIA’s annual budget is supported through income from endowments; another third is from earned income. The remaining third is from the financial support of generous, civic-minded individuals. It is arguable that eliminating inducements like tax deductions will reduce the frequency and amount of gifts given, in which case, the underserved will continue to be just that—underserved.

The Frick Art & Historical Center in Pittsburgh offers free and reduced rate programs to schools and families in need. Thanks to foundation grants, over the past year it has provided scholarships to 450 students, teachers and families. Additionally, the Frick provides free programs to schools and community service organizations in neighboring areas where the population is predominately African-American. Over the course of ten years and through four distinct community programs, nearly 12,000 children and chaperones from at-risk, high-poverty areas have been introduced to art, history and science through the collections and grounds at the Frick. All of the community programs are multi-visit and interdisciplinary, providing the students with an opportunity to learn about art and history in a variety of hands-

on experiences. Because of grants the museum is able to continue offering these community programs at no charge along with free busing, snacks and program materials that allow the children to participate in creative take-home projects. During the 2006–07 school year, the museum collaborated with the Homewood-Brushton YWCA's Departments of Teen Services and Children and Youth to design and implement weekly or bi-weekly art and history programs. Goals for the teens stressed positive mentoring and leadership skills and incorporated the core values of the YWCA: Caring, Respect, Excellence, Safety and Trust.

At the Montgomery Museum of Fine Arts, located in Montgomery, Alabama, exhibitions and works of art in the collection by African-American artists are a focus. The museum has, for more than twenty years, welcomed and provided free tours (with free art-making in the studios) for 3,000 third graders from the Montgomery Public Schools. The museum also provides free outreach presentations to kindergarten classes and presents a special art-related puppet show followed by a tour for preschoolers. Other system-wide tours include public school seventh and eleventh graders at times when exhibitions have a direct relationship with the schools' curriculum. The makeup of the students on these tours is a direct reflection of the diverse Montgomery community.

Expanding the museum's offerings and appeal to other segments of the community, based on age, gender, ability economics, education and schedule is one of the museum's top priorities. All public areas of the museum meet or exceed ADA standards. The museum has designed programs for Korean families and for senior citizens, appealing to groups from assisted-living centers as well as individuals, and it has held initial planning meetings on addressing the small but growing Hispanic audience's interests and needs. Its 4,000 square foot ARTWORKS interactive gallery is an ideal starting place for visitors with vision or hearing disabilities; the museum offers (with advance notice) "do touch" White Glove tours for the blind that closely guide and supervise sighted or blind visitors while they touch selected sculptures from the Museum's permanent collection.

The Montclair Art Museum (MAM) in Montclair, New Jersey exists to collect, preserve, present and interpret American and Native American art and to stimulate creativity in ways that educate, inspire and connect people of all backgrounds so that a deeper understanding and appreciation of America's diverse cultural heritage enhances the overall quality of life in our community, region, and world. It is committed to being an inclusive and diverse organization that respects and welcomes individual differences among people in order to offer the most meaningful art experience to the widest possible audience. It strives to cultivate an environment that fosters productivity, creativity and individual satisfaction by celebrating such differences as race, gender, nationality, age, religion, sexual orientation, and physical abilities.

Located in one of the most fully integrated suburban communities in the US, and with a Museum Board leadership that has included two Presidents and a Chairman who are African-American in the last six years, MAM attracts a racially diverse membership and audience. However, there are many other segments of the population that it works to serve; at-home mothers and caregivers of small children, families who home-school, seniors, and all age groups in between. School-age children from all counties in Northern New Jersey and the metropolitan area visit the museum, as well as autistic children and other children and adults with special needs. The museum's Yard School of Art enriches the surrounding communities year in and year out by offering courses that have often been cut from many public school curricula. It offers free admission on Friday mornings in an effort to attract and sustain senior and other audiences and those from disadvantaged communities, and wherever possible educational events are free, as are the very popular Family Days that happen quarterly. The museum recognizes that key to new audience development is the participation of the museum's minority stewards, trustees, docents and other volunteers who will play integral roles in working to develop sustainable relationships with the target audiences.

The Barnes Foundation in Merion, Pennsylvania has spent the past six years working to present educational programs to the students in the Philadelphia School District. For five years, the Foundation has presented a program, Patterns in our Culture which was designed for first and second grade students. Looking at patterns in art, literature, mathematics, music and dance, the program tied into the overall curriculum of the school.

Currently the Foundation is partnering with the Philadelphia Museum of Art and three other institutions to build a curriculum for the entire fourth-grade of the Philadelphia School District. Art, Literacy, Museums seeks to increase the targeted students' and teachers' knowledge of the visual arts and museum experiences, illustrate how the study of art can be used to advance literacy skills, and provide a new

model for art institutions working together to create basic programming that will increase their impact in the community. This program is fully subsidized by the participating institutions through contributions.

The Philadelphia Museum of Art serves 75–80,000 Philadelphia school children annually. It reports that a single grant from a foundation enabled 13,927 Philadelphia public school students to take part in lessons at the museum. At all times, children who are twelve years of age or younger are admitted to the museum free of charge, and students and seniors receive discounts every day. Classroom groups from Philadelphia's public schools participate for free in programs serving K–12 children. Another grant, from a different funder, allowed the museum to serve nearly 6,000 people with visual and hearing impairments, mental and developmental disabilities, and physical impairments, as well as adults living in isolation or in residential centers. The museum has also received grants for outreach programs for Chinese-American, African-American, and Latino residents.

The Blanton Museum of Art recently opened its spacious new home at The University of Texas at Austin with a mandate to serve as a “gateway” between university and the wider community of Austin and Central Texas. Its “Art Central” program provides high-quality, multi-visit museum experiences for 1,000 fourth-through-sixth graders in the Austin school district each year. A growing body of research attests to the effectiveness of multi-visit museum programs in raising not only visual literacy, but overall school achievement. The Blanton reaches out to schools that cannot afford regular museum trips by providing free bus transportation to its Art Central classes. These vital educational programs which have served over 30,000 underserved schoolchildren in Austin would not be possible without the generous support of private donors and corporations.

The museum offers free admission every Thursday to all visitors, and free admission every day to children 12 and under. In its first year of operation in the new building, it welcomed 177,000 visitors. Of this number, 53,000 were free community visits—30% of all visitors. 33% of visitors are non-Caucasian (12% Hispanic). The Blanton's ability to continue to offer high-quality programming for free to so many members of our community is entirely dependent on the generous support from individuals and corporations without whose donations we would have to reduce our service to the outside community drastically. Indeed, this new cultural resource itself would not exist without the generosity of individual donors who understood the importance of sharing the Blanton's cultural treasures with the entire community.

The Museum of Contemporary Art San Diego has addressed diversity in many ways over the past twenty-plus years. All of the museum's exhibition wall labels, texts, etc., are presented in English and Spanish, regardless of the exhibition subject matter. Latinos are represented on both the staff and the board of trustees. Many exhibitions have addressed related themes, most recently the 2006 exhibition, *Strange New World/Extraño Nuevo Mundo: Art and Design from Tijuana/Arte y diseño desde Tijuana*. The museum has several school programs, including one that serves Title I schools in the poorest areas of San Diego. The museum has received numerous major grants for its community programs and audience development activities. These include grants of \$500,000 or more from The Pew Charitable Trusts, the Wallace Foundation, and The James Irvine Foundation.

In conclusion, we suggest that discouraging gifts to the arts by reducing their tax deductibility would have a counter-productive effect. It would lessen institutions' growing ability to serve the very populations whom Members of Congress most wish charity to serve, and would deprive those populations of the chance to participate fully in civil society and to have access to collections and programs that speak to their specific needs and interests. The social safety net has many strands; weakening any single strand only diminishes the safety net's overall integrity. We must insist that supporting the needy and supporting the arts are not mutually exclusive enterprises, and that the arts provide unique and irreplaceable service to this nation. Our service is not perfect, but the way to improve it is to provide more resources, not less.

Thank you again for the opportunity to provide testimony on this important issue.

Statement of Association on American Indian Affairs

The Association on American Indian Affairs is an 85 year old Indian advocacy organization with offices in Rockville, Maryland and Sisseton, South Dakota. We are governed by an all-Native Board of Directors who are members of tribes from all

regions of the country. Our current work is focused in four main areas: youth/education, cultural preservation, health, and tribal sovereignty. We work both nationally and at the grass roots level.

AAIA was instrumental in obtaining the original Tribal Government Tax Status Act of 1982. The main purpose of that Act was to ensure that the federal tax code treated tribal governments in a manner comparable to states and their subdivisions. The legislation recognized that tribal governments were exercising their sovereign authority in providing essential services to their members and that they needed the same financial tools as states if they were to adequately serve their constituents.

That Act has enabled tribes to obtain financing for and to fund a variety of essential governmental services. However, inequities between state and tribal governments persist.

One such inequity involves that ability of tribes to create and/or support 501(c)(3) non-profit charitable organizations. As you may know, 501(c)(3) organizations provide a variety of critical services throughout this country in areas such as health and education—services that are greatly needed throughout Indian Country.

In order to maintain its charitable status, a 501(c)(3) organization must receive a substantial amount of public support—in most cases, at least 1/3 of its revenues must be generated from the public. Otherwise, it is classified as a private foundation. “Public support” is defined to include grants from “governmental units.” Because tribal governments are not referenced in the applicable section of IRS code (section 170(c)(1)), however, tribal governmental funds are currently not classified as “public support”. Thus, tribal support for a non-profit organization serving its community could jeopardize its classification as a public charity.

In addition, States are empowered by the Code to create organizations that support charitable activities. These organizations can be accorded 501(c)(3) status. The IRS code does not provide for similarly created tribal organizations to be recognized in this manner.

Why does it matter whether tribes can create and/or support charitable organizations? The primary reason is that public charities are often better able to raise outside funds to support their missions. Although tribes sometimes receive direct support from private sources such as foundations, many foundations only support charitable organizations. In some instances, foundation governing documents specifically place that limitation upon a foundation. In addition, the ability for tribes to form inter-tribal organizations that would be eligible for tax-exempt and foundation financing is inhibited by this “glitch” in the current code.

Recently there has been an effort, spearheaded by Senator Max Baucus and others, to encourage foundations to direct more funding to rural America. If tribal communities have viable and vibrant non-profit organizations operating in their communities, it is much more likely that they will benefit from these efforts. As explained in excellent testimony submitted to this committee by the First Nations Development Institute, foundations currently provide only a miniscule percentage of their funding to tribal communities.

A Joint Tax Committee revenue chart indicates that these legislative changes will cost only \$1 million over 10 years—a de minimis amount. (JCX-36-04, Estimated Budget Effects of H.R. 1528, the “Tax Administration Good Government Act,” as Passed by the Senate of May 19, 2004, Provision VII., Line 2.) These provisions were passed by the Senate previously in the 108th Congress as part of the “Tax Administration Good Government Act”, but that Act never became law because the differences between the House and Senate bills (on issues unrelated to these tribal provisions) were never resolved.

These proposed amendments to the tax law are non-controversial, truly technical and can provide important assistance to tribal communities with minimal cost. We urge you to support their enactment.

Proposed amendments to Section 7871 of the Internal Revenue Code:

“Section 7871(a) (relating to Indian tribal governments treated as States for certain purposes) is amended by striking ‘and’ at the end of subparagraph (C) of paragraph (6), by striking the period at the end of subparagraph (B) of paragraph (7) and inserting ‘; and’, and by adding at the end the following new paragraph:

- (8) for purposes of
- (A) determining support of an organization described in section 170(b)(1)(A)(vi), and
- (B) determining whether an organization is described in paragraph (1) or (2) of section 509(a) for purposes of section 509(a)(3).’”

Statement of First Nations Development Institute, Longmont, Colorado

Thank you for the opportunity to submit testimony for the record of this important hearing on whether charitable organizations are effectively serving the needs of diverse communities.

Our statement reviews the involvement of First Nations Development Institute and other non-profit organizations in serving the needs of American Indian people and reservation communities. It then assesses the potential of non-profits to stimulate and develop Indian reservation economies, and the role of traditional and alternative philanthropic organizations in this effort. First Nations believes that tribal government funded charities are poised to play a key role in addressing the needs of Indian Country. Our statement concludes with a call to Congress, especially the Ways and Means Committee, to enact corrective tax legislation in order to remove barriers to the effective operation of charitable organizations that are formed and funded by Indian tribal governments. Such legislation is broadly supported and could be enacted at virtually no revenue cost to the federal Treasury.

First Nations Development Institute—27 years of Successful American Indian Reservation-based Development

First Nations Development Institute is a national American Indian-led 501(c)(3) non-profit organization that was founded in 1980. Through a three-pronged strategy of educating grassroots practitioners, advocating systemic change, and capitalizing Indian communities, First Nations Development Institute is working to restore Native control and culturally-compatible stewardship of the assets they own—be they land, human potential, cultural heritage, or natural resources—and to establish new assets for ensuring the long-term vitality of Native communities. First Nations was founded with the belief that: “when armed with appropriate resources, Native peoples hold the capacity and ingenuity to ensure the sustainable economic, spiritual, and cultural wellbeing of their communities.”

Throughout its 27-year history, First Nations’ mission has been, not only to eliminate poverty, but to build healthy and sustainable reservation economies. Although the reasons for reservation poverty are multiple and complex, only solutions provided by Indian people, for Indian people, through the control of their assets, and crafted by their own development strategies, within the values of their own cultures, will succeed. First Nations’ strategic intent has always been to be the leader in empowering and training Indian leaders and Indian people in their ability to control their assets and become self-sufficient and self-sustaining communities.

First Nations Development Institute sponsors a comprehensive range of economic development programs, including programs that provide tribes and Native non-profits the training and tools required to effectively organize and develop the institutional capacity necessary to become active partners in giving and receiving philanthropic dollars. Recognizing the large cultural and funding gaps between mainstream foundations and Indian communities, First Nations Development Institute began its unique and innovative grant-making program in 1994. As of August, 2007, First Nations’ grant-making program has given over \$13 million dollars to over 500 tribal and Native non-profit programs (this includes 515 grants to 331 organizations).

Always working to lead the way in addressing Indian Country’s most pressing issues, First Nations created and implemented its “Strengthening Native American Philanthropy” (SNAP) program in 1995 to actively address the need for more information about the emerging Native non-profit and grant-making sectors. Through SNAP, First Nations has been able to perform innovative research and collect much needed data related to American Indian controlled foundations including philanthropic grant-making foundations sponsored by tribal governments. Through the programmatic side of SNAP, First Nations has also provided five American Indian foundations the support and start up assistance required to become long-term self-sustaining organizations.

In 1994, First Nations launched the First Nations’ Eagle Staff Fund, a grant-making and technical assistance effort that brought together a collaboration of philanthropic organizations interested in supporting Native economic development. In 1996, after two full years of grant-making, First Nations assessed the applicants, as well as those receiving grants and were surprised with the results. The majority were Native non-profit organizations instead of the anticipated tribal governments.

Emerging Non-Profit Sector and Potential for Economic Development

Over the past 30 years, the Native non-profit sector has grown significantly in size, scope and effectiveness. First Nations’ own Native Asset Research Center (one of Indian Country’s premier research organizations), in an effort to identify this growing phenomenon so that they could conduct outreach, launched a two-year

study of the emerging Native non-profit sector. Based on 1995–96 IRS and internal data sources, over 1,500 Native-controlled non-profit organizations were identified.

This landmark First Nations' study, *The Emerging Sector: Non-profits in Indian Country*, showed that almost 83% of the organizations responding (a 35% response rate) were founded since 1970 as compared to 75% in the general society, indicating younger Native organizations. And if the trend of Native non-profit start-up were to continue through the second half of the 1990s as it had in the first five years, then more Native non-profits will have been founded in the 1990s than in any previous decade. (http://www.firstnations.org/publications/TheEmergingSectorDraftApril2003_webversion.pdf)

The majority, or 51% of the organizations, identified as being located in urban areas. However, 60% of all organizations indicate they serve both an urban and a rural/reservation-based constituency. This could indicate continuing close links between urban and rural/reservation communities as well as the continuing migration of Native peoples between rural/reservation-based communities and urban centers. A closer look reveals that those groups that serve only a rural/reservation-based constituency are of more recent origins than the general group. This is an indication of a trend of more Native non-profits at the reservation-level. This has significant implications for the economy of reservations and the role and relationship with tribal nations.

Reservation-based non-profits accounted for three percent of employment in the tribal economy. This is compared to the overall U.S. economy where six percent of all employment is in the non-profit sector. Given the average \$250,000 in annual revenue, one can begin to estimate the economic impact this growing sector plays in the Native economy. These 1,500+ non-profits would represent \$387.5 million in annual economic impact. Using a dollar multiplier, which is presumably higher for non-reservation based non-profits, elevates the impact of the Native non-profit sector. Given that 46% of these non-profits are rural or reservation-based, where dollar multiplier is typically not much higher than 1:1, the impact is \$178.25 million annually for reservation economies. An additional \$209.25 million flowing to non-reservation/urban communities, where the dollar multiplier is typically higher, (e.g. a conservative estimate of 2:1), makes the economic impact attributed to the non-reservation non-profit sector of \$418.5 million annually.

The overall impact of the American Indian non-profit sector in 1994 was approximately \$600 million annually. Ten years later, we believe that the growth in the sector (based on a conservative 5% annual growth rate) would place its economic impact approaching \$1 billion annually.

Potential to Meet the Unmet Needs of Reservation Non-Profits

Despite the increased and best efforts by Tribes to self-finance the emerging American Indian non-profit sector, the sector continues to struggle to receive an equitable share of public philanthropic dollars. According to the National Indian Gaming Association, the vast majority of gaming operations engage in some form of philanthropic activity, accounting for at least \$100 million in 2004 alone. There are at least 53 Native-controlled grant-making foundations in the nation, and the majority of them, or 33, are affiliated with tribes (only 17 are gaming tribes). These 53 Native grant-making organizations provide funding for a broad range of social, economic, educational, and cultural programs.

Although there are a few well-heeled national foundations that have clearly been leaders in providing funding for American Indians, they stand nearly alone among their peers. Multiple studies show a severe deficit in grant-making to American Indians, a deficit that is out of proportion with the population and its needs.

A 1998 Foundation Center study found that the total foundation funding allocated to American Indians from 1992 through 1996 varied between 0.5 and 0.9 percent of total giving. More recently, a 2002 Foundation Center study confirmed this same trend for the period 1997 through 2000, with funding allocated to American Indians ranging between 0.5 and 0.8 percent of total giving. According to Sarah Hicks and Miriam Jorgensen in "Philanthropy in Indian Country: Who is Giving? Who is Receiving?":

The American Indian grantmaking by large U.S. foundations accounted for a mere 0.287 percent of independent, corporate, community and operating foundations' overall grantmaking resources in 1989, a statistic which apparently rose to 0.302 percent in 2002—Even if it were possible to include grants under \$10,000 and grants from smaller foundations in the analysis, it is unlikely that grantmaking to American Indian issues totals any more than 0.5 percent of the U.S. foundation sector's overall resources. This percentage calls attention to the substantial gap between the amounts of funding directed toward Native America (less than 0.5 percent) and the population size (1.5 percent of the total U.S. population). In the face

of still other considerations—such as the proportion of American Indians who are poor, tribes' major institution-building and service provision needs, and the sheer volume of innovative approaches to social and civic concerns evolving in Native America—the lack of foundation engagement is truly startling.

Even worse, a 1996 study by Ewen and Wollock found that in many cases, funding by mainstream foundations to Native issues “does not even go to Native people or organizations, but rather to non-Indian museums or universities that study Indians.” Foundation giving to American Indians in 2000, when reviewed by foundation type, showed that private foundations gave 0.6 percent, corporate foundations 0.3 percent, and community foundations a mere 0.2 percent.

American Indian foundations play an important role in directing philanthropic dollars toward economic and social development projects in Native communities. Take for example the Cherokee Preservation Foundation, which was established on November 14, 2000, as part of the Second Amendment to the Tribal-State Compact between the Eastern Band of Cherokee Indians and the State of North Carolina. The Cherokee Preservation Foundation's purpose is to improve the quality of life of the Eastern Band of Cherokee Indians and strengthen the western North Carolina region. The Cherokee Preservation Foundation is funded by gaming revenues generated by the Eastern Band of Cherokee Indians. It is an independent foundation that is not part of or associated with any for-profit gaming entity. The Foundation's focus is on project planning and capacity initiatives that will enhance the Cherokee culture, facilitate economic development and job opportunities, and improve the environment. The Foundation is helping the Eastern Band of Cherokee Indians and its neighbors address challenges that include the loss of jobs from manufacturing plant closures, potential environmental degradation due to increased traffic and localized growth in specific areas, the deteriorating growth of small and medium businesses in the region, and a decline in visits from tourists to Cherokee cultural events and institutions. Since Cherokee Preservation Foundation began making grants in 2002, it has awarded 375 grants totaling more than \$30.7 million.

American Indian charitable giving is needed to help fill in the deficit in non-Native philanthropic giving in Indian Country. As noted above, however, most American Indian non-profits are affiliated with Tribes and, as such, are hampered because they do not enjoy the same status as other government sponsored non-profits. The fix is simple, of negligible cost and simply makes good sense. The problem and proposed solution are explained below.

A Fix to the Tax Code Is Needed to Foster Effective Native Philanthropy

Due to a glitch in the tax code, Indian tribal government support provided to charitable organizations is not treated the same as federal, state, and local government support. Further, tribal foundations structured as “supporting organizations” are not treated the same as foundations set up by units of federal, state, and local governments. This failure to treat tribal government grants as “public support” could result in a donee charity failing the public support test and being classified as a private foundation.

In this statement for the record, First Nations Development Institute provides the background for the problem, as well as an explanation of two proposals: (1) treating tribal government charitable funding as public support and (2) treating tribal foundations as supporting organizations. These proposals are not only good policy, they are also low-cost. A Joint Tax Committee revenue chart shows that the proposals would cost only \$1 million in foregone tax revenues over 10 years. See Joint Committee on Taxation, May 20, 2004 “Estimated Budget Effect of H.R. 1528, The “Tax Administration Good Government Act,” as Passed by the Senate on May 19, 2004” (Fiscal Years 2004–13). (<http://www.house.gov/jct/x-35-04.pdf>, the tribal philanthropy provision score is shown at VII.2).

Background

When an Section 501(c)(3) organization is formed, it is not only necessary to qualify as a charity in order to secure and maintain tax-exempt status, it is also critical to determine the sources of the charity's support in order to be classified as a *public charity* as opposed to a private foundation. Why would one care about “public charity” vs. “private foundation” status? For a number of reasons, including the ability to utilize tax-exempt financing, to receive grants from private foundations and certain other donors, and to operate in the governmental arena without being subject to burdensome tax rules aimed at regulating privately funded and controlled foundations.

Unfortunately, there is a glitch in the Tax Code with respect to 501(c)(3) organizations (when such organizations are formed under state or tribal law) if they are funded primarily by Indian tribal governments or controlled by such governments.

While the Tax Code generally treats government grants and other funding as “public support” (for purposes of classification of the supported 501(c)(3) as a public charity, it does not treat tribal government funding the same as funding from the federal, state or local governments.

This omission was never intended—it was simply that no one thought about the possibility of Indian tribal governments providing funding for charities when this section of the Code was drafted. Similarly, another route to public charity status—being structured as a “Supporting Organization” to a federal, state, or local government—is also technically closed to charities set up to support tribal governments because of the failure of Section 7871 to address the public charity status of tribal organizations.

To remedy this technical glitch, First Nations Development Institute supports the two tax code amendments briefly described below:

1. Treatment of Tribal Government Support as “Public” Support
2. Treatment of Tribal Foundations as “Supporting Organizations”

These provisions have previously been included in a bill passed by the Senate. *See* Section 153 of the Tax Administration Good Government Act (H.R. 1528, 108th Congress, Senate-passed version). Passage of these provisions (scored in 2004 by the Joint Tax Committee as costing only \$1 million in tax revenues over a ten year period) is critical for all of those tribal governments who are sponsors and funders of non-profit charities (e.g., health care clinics, health and wellness centers, tribal museums and cultural centers).

First Nations calls upon Congress, especially the Ways and Means Committee, to enact two conforming tax code provisions that would put Indian tribal governments and the charitable organizations they form and provide funding for on par with those charities funded and controlled by federal, state, and local governments.

Explanation and overview of the two provisions:

1. Tribal Government Funding Issue

Statute:

- Section 170(b)(1)(A)(vi) of the Internal Revenue Code contains a “public support” test which can be met through the receipt of grants from the “governmental units” referenced in Section 170(c)(1).
- Section 170(c)(1) references state and Federal Governments, but not tribal governments.
- Section 7871 (a Code section added by the Tribal Governmental Tax Status Act) treats Tribal Governments as States for other related purposes (e.g., deductibility of contributions under Section 170), but not for the purpose of the public support test.

Analysis:

- If tribal support is not treated as public support, tribal-funded foundations may experience difficulty obtaining classification as a public charity.
- Although individual Tribes can avoid private foundation classification by using an unincorporated fund for grant-making, an incorporated charity funded exclusively by one tribe or inter-tribal foundation funded by two or three tribes could have difficulty qualifying as a public charity.

Legislative Solution:

- Amend Section 7871 to provide that tribes will be treated like states for purposes of determining support under Section 170(b)(1)(A)(vi). ***See Section 153, H.R. 1528 (Tax Administration Good Government Act) (108th Cong., as passed by Senate on May 19, 2004).***
- Note: H.R. 1528 was never enacted because a House-Senate conference on the bill was not held.

2. Supporting Organization Issue

Statute:

- Section 509(a)(3) accords public charity status to organizations formed to support organizations described in Section 509(a)(1) or (2).
- Section 170(b)(1)(A) references Section 170(c)(1), which lists various governmental units (but not tribal governments).
- Section 7871 treats Tribal Governments as states for charitable contribution purposes generally, but not for this specific purpose.

Analysis

- For the same reasons set forth in Section B.1 above, organizations that meet the supporting organization test because they are organized and controlled by a tribal government of a federally recognized tribe should be treated as public charity.

Legislative Solution:

- Amend Section 7871 to provide that tribes will be treated like states for purposes of determining whether an organization is described in paragraph (1) or (2) of Section 509(a) for purposes of Section 509(a)(3). **See Section 153, H.R. 1528 (108th Cong., as passed by Senate on May 19, 2004).**

In conclusion, First Nations' research shows that public charitable organizations are generally under-serving Native communities. This is a problem that must be addressed and First Nations Development Institute thanks the Oversight Subcommittee for its efforts to understand and assess the problem through this hearing.

Of particular importance is to clarify that tribally-funded charitable organizations are treated the same for tax purposes other government-funded foundations and public charities.

The Native non-profit sector in Indian Country is finding its feet. In doing so, it is providing much needed services that governments are not in a position to provide—domestic violence assistance, alternative financing, counseling, entrepreneurship training, etc. With private philanthropies' woeful under-investment in American Indian communities, Tribes have no choice but to create and fund their own charitable organizations. But once they take the steps necessary to create high-impact, social-investment organizations, both tribal government donors and donee organizations need to be assured that these critical institutions will receive the same tax treatment as those found in the public and charitable sectors outside of Indian Country.

Today, we ask you to continue your support of American Indian people in rediscovering their right, and their power, to hope, dream and succeed. Gunalcheesh (Thank you).

First Nations Development Institute submits this statement exclusively on its own behalf, and not on behalf of any individual, entity, or other organization. The Association on American Indian Affairs and the National Congress of American Indians have worked with First Nations Development Institute in developing the legislative proposals described herein.

Statement of Greenlining Institute

The Greenlining Institute is a multi-ethnic advocacy and public policy center that focuses on issues of philanthropy to underserved communities and the economic empowerment of our nation's minorities. Our members include the three largest African-American churches in California, the Hispanic Chamber of Commerce, the Black Business Association, the Latino Issues Forum and the Mabuhay Alliance of San Diego.

Absence of Diversity at Foundations

Over one third of the nation is minority and an estimated two thirds of the poor, particularly the underserved poor are minorities. Low-levels of philanthropic giving to the poor weakens the ability of the hundreds of thousands of low income organizations serving the poor to effectively serve the poor.

For years, advocates of civil rights and diversity have been concerned with the lack of diversity in the foundation sector. There are numerous studies and research reports that echo these concerns. In fact, Steve Gunderson, President of the National Council of Foundations, clearly admits that *"There is not a study out there that says that foundations are appropriately serving minority communities on a percentage basis."*

Greenlining has compared current foundation practices to the redlining practices of banks, insurance companies, and other corporations.

Efforts in California to Hold Foundation's Accountable

The Chairs of the Legislative Latino, Asian and Black Caucuses in California have been national leaders on efforts to hold foundations accountable to communities of color.

Joe Coto, Chair of the Latino Caucus, Alberto Torrico, Chair of the Asian/Pacific Islander Caucus, and Mervyn Dymally, Chair of the Black Caucus, held a hearing on April 24, 2006 to discuss foundation diversity practices. Unfortunately, only a very small number of foundation leaders chose to participate in this important discussion. The hearing revealed that some corporate foundations are outperforming private foundations in reaching the poor and underserved.

Proposed Overview Hearing on Foundation Diversity

We applaud you for Overview Hearings on Tax-Exempt Charitable Organizations. It is our hope that you will follow-up with **Overview Hearings on Diversity in the Foundation sector**. This proposed hearing could mirror other successful hearings on diversity. For example in 2004 the Financial Services Committee held a successful hearing entitled *Diversity in the Financial Services and Access to Capital for Minority-Owned Businesses: Challenges and Opportunities*. Although this hearing did not necessarily lead to legislation, the hearing itself, along with subsequent resolutions from Congress, transformed the way the financial services sector responds to issues of diversity.

Other Pertinent Issues to Explore

Two issues that have not yet been explored but are being raised informally and often quietly to avoid potential foundation retaliation are:

1. Whether foundations should count their administrative expenses as part of their grants when these expenses often equal 20 percent of grant dollars particularly when foundation staff and boards are not sufficiently diverse; and
2. Whether foundations are informally conspiring to restrict their grant giving to five percent of assets when their annual returns are generally in double digits. A 2 percent increase in grant giving from 5 to 7 percent of assets would increase foundation giving by approximately 15 billion a year, a sum greater than the total cash philanthropy of all corporations in America.¹

We would like to request a meeting with you in the near future to discuss the issues raised in our letter. We would be willing to travel to Washington D.C. to meet with you and your staff. We will call your office within a week to see if we can schedule a meeting.

We applaud you for your significant contributions to justice and equality and look forward to working with you to ensure philanthropy effectively reaches our nation's poor and underserved.

Statement of National Council of Nonprofit Associations

Thank you for your attention to the critical issue of charitable organizations' service to diverse communities and for the opportunity to provide information on this topic. On behalf of the National Council of Nonprofit Associations (NCNA), we are pleased to submit comments in reference to the committee's hearing, "Charitable Organizations and Diverse Communities."

The National Council of Nonprofit Associations (NCNA) is the network of 42 state and regional nonprofit associations serving over 22,000 members. NCNA links local organizations to a national audience through state associations and helps small and midsize nonprofits:

- Manage and lead more effectively;
- Collaborate and exchange solutions;
- Save money through group buying opportunities;
- Engage in critical policy issues affecting the sector; and,
- Achieve greater impact in their communities.

NCNA's network of state associations provides direct assistance and builds capacity for the nonprofit sector. They understand the challenges nonprofits face daily as

¹We raised this particularly in the context of some foundations contending that to give more to underserved minorities might displace the amount they give to American icons such as the opera, symphony, and ballet.

they work to serve and respond to the needs of diverse communities. It is with direct experience and information from those on the front lines that we offer our comments to the question at hand.

We appreciate the comments from our colleagues in the field that testified on September 25, 2007. Their issues and recommendations are important. However, what was missing in the testimony was the extent of the problems facing charities trying to reach diverse communities and the urgency of the problems they are confronting. An overwhelming majority of charities (70%) have budgets of less than \$1 million. Because of their size, the challenges they confront are overwhelming, especially in terms of demand for their services.

America's nonprofit organizations are on the front lines of the battles against society's most pressing problems: drug addiction, AIDS, homelessness, hunger, illiteracy, crime, immigration, civil, and voting rights. Nonprofits provide care for our most vulnerable citizens—the young, the sick and the aged. Government has cut back funding for these essential services and left the nonprofit sector holding society's safety net. Nonprofits are reaching out to businesses and individuals to fill the gap left by government disinvestment, but even with the best will in the world—and Americans are extraordinarily generous donors and indefatigable volunteers—charitable donations and volunteers alone cannot do the job. To keep the safety net strong we need a partnership of the government, business, and nonprofit sectors working together for the public good.

From the perspective of the small and often unheard nonprofits we offer the following general observations in three areas: budget constraints, relationship issues and proximity problem.

Budget Constraints: Direct and Indirect Funding Opportunities are Insufficient

Fewer dollars are directed to organizations serving diverse communities, both from organized philanthropy and individual giving. Organizations serving diverse communities are likely to be located within the communities they are serving. They are grassroots and tend to be small. Because they are not part of a larger, heavily funded entity, they must rely upon the generosity of individuals to support their programs. The complexity and requirements of applying for public funds is often out of the reach of these small organizations. Many public funding programs require matching grants or require an organization to "front" the payment of services while awaiting reimbursement. These smaller organizations do not have the resources to cover the costs of delivering much needed services while awaiting reimbursement or payment for services rendered.

There are numerous examples of larger, more established organizations seeking to partner with grassroots organizations that have access to diverse communities. Such partnerships between these large, well-funded organizations and smaller, locally-based groups seldom involve adequate transfer of funds to support the local group's work. In many cases, these larger groups operate on a national level and devolve the outreach efforts to a grass-roots local nonprofit. While the underlying premise—that an indigenous organization familiar with the needy population may be better-positioned to address that need—is sound, the operating costs required to perform this service are not fully appreciated.

Relationship Issues: Government and Small Nonprofit Partnerships are Embryonic

Historically speaking, small nonprofit organizations have very little direct partnership experience working cooperatively with larger governmental structures. While familiar with the protocols of town and/or county operations, these levels of government often function differently from national agencies. Additionally, federal-level government agencies seek assurances of quality service and sound guiding principles before funds may be directed to these small nonprofit groups.

Small nonprofit organizations possess the ability and know-how to serve their communities. They are often doing the most innovative and exciting work. If an inability to serve does exist, it likely stems from limited or restrictive funding. However, the front line nature of these small organizations puts them face-to-face with pressing problems, voiced by communities in need. Unlike a silent stack of regulatory forms, hungry mouths cry for attention and small nonprofit groups try to do what they know to be right—they respond. They direct their money at people, not paperwork. Unfortunately, this does little to establish trust—in either direction—or a track record which the Federal Government may use as justification for expanded funding. Restrictions on public or philanthropic funds often do not provide the flexibility that allows front line nonprofits to deal with the most pressing issues at hand.

Proximity Problems: Federal Government is Buffered from Causes and Suffering

As noted above, the distance between the Federal Government and some of the underserved diverse populations shrouds the urgent needs of these communities. Letters and emails expressing the critical need for funding do not command attention in the way that the unblinking eyes of a hungry child motivate immediate intervention. Ringing telephones do not resonate with the same solemnity as the knocking of a single mother at the front door of the small community shelter. Despite the commitment and concern of government officials, lawmakers, and leaders, the isolated nature of these diverse and underserved communities makes it difficult for those in Washington, DC to truly appreciate the urgency of these problems.

Another distance, also of great concern to those who strive to improve the ability of nonprofits to serve diverse populations, is the growing gap in service levels between well-served (high-profile, accessible) populations and these diverse (largely minority, heavily rural) groups. Efforts to connect nonprofit organizations with needy populations should, in theory, use a blind eye in evaluating who amongst the disadvantaged receives critical, life-preserving aid. But in the current situation, where our eyes are not trained to recognize all who require our attention, judicious oversight is sometimes necessary. Indeed, to ensure that such blindness does not enable discrimination but rather prevents prolonged inequality, money must be raised for the exclusive purpose of serving diverse communities. The responsible use of charitable funds transcends “how” it is used to include “who” it helps. Our awareness of the “who” is incomplete, rendering our efforts, no matter how noble, inefficient.

In summary, we agree with the intent of the hearing that developing a plan to serve diverse communities is important and beneficial to the well-being of our entire country. We encourage the committee to consider the budget, relationship and proximity constraints inherent in serving diverse communities when making future recommendations. We appreciate this opportunity to share our perspective and observation and welcome the chance to continue to inform this very important dialogue.

