

file non profits

December 6, 1996

MEMORANDUM

TO: White House Transition Team -- Erskine Bowles, Skila Harris, Ron Klain, Evelyn Lieberman, Bob Nash and Maggie Williams
cc: Doris Matsui, Carol Rasco, Bruce Reed, Melanne Verveer

FROM: Peter Bahouth, Executive Director, Turner Foundation
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RE: Suggestions for Better Engaging Nonprofit and Philanthropic Organizations

President Clinton has done much to engage the nonprofit and philanthropic sector (inclusive of corporate social responsibility units). With comparatively modest investment, White House staff, Nonprofit Agency Liaisons and other agency staff have extended the Administration's reach, helped involve charitable groups and foundations in discussions of policies and programs in their substantive "problem areas," and begun to explore ways in which the federal government and the nonprofit sector (as a broadly defined component of civil society rather than simply as discrete problem-focused organizations and foundations) might better collaborate. The attached paper provides an overview of the Administration's past effort and identifies possibilities to elaborate on it during the next term. The suggestions offered are nonpartisan and will be appropriate into the future independent of political identification.

It is important to note that concurrent with devolution, the nonprofit sector itself faces a set of policy challenges (regarding tax-exemption, advocacy, competition with business, and other matters) which raise fundamental questions about its role and functions. We are in a period when the two of the principal institutions of social concern and public life -- the federal government and the charitable community -- are challenged by parallel dynamics.

We believe that this presents both a need and an opportunity for new partnerships in service to shared concerns for the public condition and the vitality of civil society. Thus, the suggestion that the second term of the Administration plow new ground by building on the prior work of President Clinton and his predecessors in creating collaborations that affirm shared social responsibility and which offer creative avenues for the continued engagement of the federal government and the public in the lives of our communities.

The ideas outlined in the paper are suggested as a coordinated whole; obviously, they might be implemented through a phased development process undertaken with a plan toward full commitment over the next four years. While the originators of this paper are individuals who have long considered and spoken to these issues, they do not purport to represent the nonprofit sector or its formal infrastructure. Rather, they -- as their sector -- represent a diversity of opinion and do not share common agreement on all points as a group. They have not sought broad endorsement of these detailed recommendations from nonprofit and philanthropic leaders, although they are confident that there is solid and significant (but not unanimous) support for each of them.

P.S. Items referenced in the paper and contact information on its authors are on file with Doris Matsui.

The Nonprofit Sector and the Clinton Administration: Building Civil Society

Summary

The nonprofit community plays a significant role in the delivery of services in this country and has a rich history of partnership with the federal government. An enhanced partnership can build a broader and stronger base of public engagement in, and support for, governmental and charitable initiatives to improve domestic and international conditions. Properly developed, this strengthened relationship will be at the heart of an increasingly healthy and robust civil society.

During the first term, the Clinton Administration made great strides in developing an improved relationship with the nonprofit sector on issue-specific areas (e.g., health care, housing). However, much more needs to be done to improve communication and coordination between the nonprofit sector and the federal government. During the second term, it will be very important to address nonprofit organizations as a sector and to address issues affecting the sector -- something the federal government has never done. In order to address the need and in a nonpartisan spirit, it is recommended that the Administration move forward with:

- **Strengthening and expanding work on the U.S. NonProfit Advisor**, which is a one-stop electronic link to government information for the nonprofit sector that is now in its developmental stage. This calls for modest allocation of agency resources to the initiative, participation in a conference to be jointly sponsored with the foundation community in order to identify content priorities, improved coordination with ongoing information policy initiatives, such as those to establish a Government Information Locator Service, and strengthened implementation of E.O. 12999, which provides for increased computer recycling to the nonprofit sector.
- **Developing a nonprofit policy agenda** in collaboration with nonprofit organizations and their funders. A series of small meetings would be convened during 1997, leading to a bigger, more formal meeting to address nonprofit policy concerns. The smaller meetings will focus on specific sectorwide issues and develop recommendations for an ongoing process to improve communications between the federal government and the sector. The bigger, more formal meeting would be held at the White House with the President.
- **Addressing the impact local flexibility/devolution will have on the nonprofit sector.** A service coordination/devolution project would be undertaken, working with the foundation and nonprofit community to identify ways of improving service delivery and maximizing local flexibility.
- **Creating a single point-of-contact within the government for the sector** to help operationalize the U.S. NonProfit Advisor, coordinate the development of the nonprofit policy agendas, implement the local flexibility/devolution project, monitor policy affecting the sector, and serve as liaison to the sector. One approach would be to create a White House Office of Extragovernmental Affairs, which would require its own staff people plus volunteers and additional nonprofit staff on temporary assignment. The Office would need to have grant/contract authority to carry out its functions, which could be done through the Small Business Administration if necessary.
- **Expanding the role for the White House's Nonprofit Liaison Network** both internal to their own departments and agencies, and in working together to advance common Administration agenda.

Introduction

There are roughly 1.2 million nonprofit organizations in the country; more than 600,000 of these organizations are charities and religious institutions, categorized under §501(c)(3) of the tax code. There are more than 35,000 independent, community, corporate and operating philanthropic foundations.

On average, about one-third of a charity's annual budget is dependent on federal grants and contracts, either direct or indirectly passed through state and local governments. Additionally, nonprofit organizations rely on the federal government for the development of effective programs and policies in various "problem areas," the opportunity to offer advice on changes in program and policy regulations, research data that is used to provide insight on significant issues of the day, and general information on social, environmental and other conditions of shared interest.

Neither partner has fully acknowledged and built on this partnership. Nor has the public understood or appreciated government's contribution to their lives through nonprofit intermediaries. People do not understand where and how their tax dollars work for them, and neither do many charities.

Yet, in many ways, the federal government has a mutually beneficial relationship with the nonprofit sector. Some of today's federal initiatives, such as Head Start or micro-enterprise development, began with foundation funding to charities prior to federal legislation. These efforts laid the groundwork for the federal government. Furthermore, as federal programs are implemented, the foundation community has provided resources to the nonprofit sector to monitor and evaluate them, and to provide federal officials with ideas for improving them.

This partnership between government, foundations, and charities is at the heart of improving service delivery in the country and in addressing social problems at their source. An enhanced partnership can build a broader and stronger base of public engagement in, and support for, governmental and charitable initiatives to improve domestic and international conditions.

Background

Even though there is a very close working relationship between the nonprofit sector and the federal government, there has been a history since 1981 of real and perceived attacks on the sector by the federal government. In the early 1980s, driven in part by a different view of the appropriate role and function of charities, the Reagan Administration launched an assault on the advocacy voice of nonprofit grantees through proposed changes to OMB Circular A-122, which lays out nonprofit cost principles. The proposal made unallowable for federal reimbursement all costs of "political advocacy," which was sweepingly defined as "attempting to influence a government decision" of any type -- legislative, administrative, or judicial -- at any level of government (local, state, or federal). The proposal also departed radically from standard and accepted cost allocation principles: No federal funds could pay the allowable costs of any staff, equipment, or facility involved in (tainted by) the slightest amount of political advocacy, even if the advocacy costs were paid with non-federal funds.

In the mid-1980s, the IRS proposed rules to implement changes in a 1976 tax law. As originally proposed, the changes were seen by the nonprofit sector as an attack on its involvement in public policy matters --

and running contrary to the intent of the 1976 tax law. During the Bush Administration, which raised the prominence of nonprofits by celebrating some types of voluntary action, several agencies, such as the National Endowment for the Arts, began implementing draconian provisions to limit the free expression of nonprofit organizations that received federal funds. This was similar to the approach taken by proposed changes to OMB Circular A-122, but was strengthened by a Supreme Court decision (*Rust v. Sullivan*).

None of the negative executive branch initiatives succeeded in being implemented, but they did leave an impression that the government discourages free expression by nonprofit organizations. At the same time as the perceived attacks, the government drew greater attention to the role voluntarism plays today. At times this focus on the role of volunteers in our society gave the impression that national problems could be solved through acts of individual altruism. Some in the charitable sector saw this as an effort to deny government responsibility for broad structural conditions and to denigrate the importance of advocacy and policy work by nonprofit groups.

Since 1994, Congress has launched several other attacks on the sector. Initially, House Majority Leader Armey sent letters to House colleagues urging them to tell their supporters to stop providing contributions to certain types of charities, including the Children's Defense Fund, NAACP, and the American Lung Association because they advocated what was seen as inappropriate federal intrusion in the free market. But that effort pales in comparison to the proposals that came from Reps. Ernest Istook, David McIntosh, and Robert Ehrlich to limit the advocacy voice of the nonprofit sector. Joined hand in hand with the Clinton Administration and with knowledge of the President's own concern for the issue, the nonprofit sector worked successfully to oppose the Istook amendments.

The Need

All of these attacks have left a feeling of distrust -- and have contributed to a pattern of very poor communication, and considerably less than desirable cooperation, between the nonprofit sector and the federal government.¹ The poor communication pattern is exacerbated by the fact that there is no government agency, such as the Small Business Administration or the Commerce Department, that interprets and interweaves the interests of the nonprofit sector with those of the federal government.

Nonprofit organizations care about issues that cut across government agencies and work with a variety of agencies on those issues. But there are government issues that cut across nearly all nonprofit organizations; these are issues which pertain to the sector as a sector. It is in the interests of both the nonprofit sector and the federal government that the Administration increase its capacity to address sectorwide (and issue-specific) agenda.

That this is a problem was made very clear during recent debate on a bill dealing with local flexibility. The proposed legislation (S. 88/H.R. 2086) would have had an enormous impact on the nonprofit sector and its ability to continue providing services. Yet there was no easy and effective way for the nonprofit sector to address the impact of the legislation with the Administration, except through specific issues areas (e.g.,

¹ This has been the focus of opinion and related pieces in nonprofit-oriented publications; they are available as background material.

education, labor, etc.). This paralleled prior experience on other issues, such as one that what was an emerging dynamic in the White House Conference on Small Business. The Conference was addressing competition between small for-profit businesses and the nonprofit sector. Small businesses were able to develop this agenda through the Small Business Administration, but nonprofit organizations had no equivalent, broadly-representative and concerned voice within the government.

The poor communication patterns also limit the ability of the government and the sector to develop proactive agendas for improving the quality of service delivery in the country or to improve collaborative efforts to maximize existing resources. For example, nonprofit organizations have long complained about the problem of uncoordinated and disparate grant application and reporting forms, as well as other grant management issues. Addressing these problems could mean targeting more resources to service delivery instead of the administration of such programs. Service integration and coordination has been a high priority for both the Administration and the nonprofit sector, but little dialogue has developed on such matters. There is not enough coordination between foundation supported research and government supported efforts. And the list could go on.

At the core, however, the potential of this partnership goes beyond the efficacy of particular programs. In ways which do not necessarily characterize the corporate sector, or even state and local government, the nonprofit/philanthropic sector clearly is allied with the federal government in concern for national conditions. While the frame of reference for many nonprofit and philanthropic organizations will keep abreast of government program devolution, the sector's infrastructure of national organizations will continue to assert the importance of programmatic and substantive national leadership. The nonprofit sector, as a sector, will likely continue to assert that there are baseline conditions below which no portion of the nation be allowed to fall, and clear and specific goals to which all ought to strive. The sector understands the importance of national standards, commonalities in data collection and analyses, and the role of national leadership in addressing problems at their source.

Additionally, our nation depends in great part on an increasingly healthy and robust civil society. By definition, the federal government can do much to facilitate such development, but it cannot become what it is not -- it cannot constitute civil society. Yet, to govern effectively, to assure the efficacy of its programs and the vitality of its efforts, to generate the engagement in public purposes and the support of public initiative, it must help nourish the nonprofit sector. It is that sector which must create and maintain the formal associative infrastructure of our neighborhoods, communities and nation. Thus, to strengthen the fabric of our society, the federal government needs to work in greater collaboration with the nonprofit sector.

The Goal

The objective should be to establish mechanisms to improve communication and coordination between the nonprofit sector² and the federal government in order to improve service delivery and the general health

² This memo is intended to address the needs of all nonprofit organizations, including organized philanthropies that fund nonprofit organizations. However, the emphasis is placed on building the federal relationship with charities (i.e., §501(c)(3) organizations).

and welfare of the public. The Administration has an opportunity and a clear rationale to develop new avenues for collaboration and to change patterns of communications between the sectors. By doing so, it will improve the lot of Americans not only over the next four years and also make a lasting contribution to the development of our nation by recrafting and refining its civic sphere.

The Administration took steps during the President's first term to begin building a better relationship with the nonprofit sector. It regularly consulted with the sector on specific issues (e.g., community development, children's services). In 1993 the President appointed Nonprofit Liaisons in every department and agency. The President also spoke to the importance of civil society initiatives in several speeches, but most importantly his Georgetown University address in April 1995.

This document outlines suggested actions for the Administration to take in its second term to continue in its efforts to strengthen the relationship with the nonprofit sector and improve the quality of services the government provides in partnership with the sector. The following five items include both process and project ideas (with the understanding that the process recommendations may result in still other recommendations). Each item will require federal expenditures, although there is a reasonable expectation that private philanthropy will continue providing at least equivalent amounts to these and related purposes. It should be stated clearly and explicitly that these suggestions are nonpartisan and considered to be appropriate no matter what the political identification of the Administration.

1. Strengthening and Expanding Work on the U.S. NonProfit Advisor. The Administration has begun a partnership with the nonprofit sector to build a one-stop electronic link to government information for the nonprofit sector. This electronic link, called the U.S. NonProfit Advisor (USNPA), is modeled after the U.S. Business Advisor, which is a World Wide Web site.

USNPA is targeted to the entire sector -- all 1.2 million nonprofit organizations -- with special emphasis on charities. A prototype of USNPA has been developed over the past six months and is available in an "alpha version" on the web. Based on input from federal agencies and nearly 200 national nonprofit organizations, the prototype will be refined and made publicly available as a "beta" version early in 1997. As with all "beta" versions, additionally changes in design and content, based on user feedback, will be necessary.

USNPA has been coordinated by the White House Office of Public Liaison. A task force of the agency Nonprofit Liaisons has helped develop the USNPA. Several non-governmental organizations have been instrumental in the development of the prototype and obtaining feedback about the service, including The Union Institute, OMB Watch and its Communications Catalyst project, and Independent Sector.³

Nearly all nonprofit organizations that have been surveyed are very excited about the possibilities of the USNPA. Unlike the small business community, which has the Small Business Administration, there is no

³ OMB Watch and The Union Institute, with support from the Charles Stewart Mott Foundation and the participation of other organizational partners, also are testing the possibility of creating "Nonprofit America." It would link together and expand nonprofit Internet sites and would connect them to the USNPA.

place where nonprofit organizations can go in the government to get information that is relevant to their needs. Furthermore, there is no comprehensive listing of government information that is relevant to the sector -- and there is no sure way to get information from the government that is essential to day-to-day or longer-term operations. USNPA may help nonprofits begin to meet their needs.

However, one fear voiced by nonprofit organizations is that timely, relevant information will not be available. If USNPA simply becomes a slick web site with little or stale content, nonprofit organizations will not use it - and a great opportunity will be lost. Additionally, nonprofit organizations have voiced hope that USNPA becomes more than simply a web site to disseminate government information. It could, for example, also become an interactive mechanism for discussing issues and policy matters, for identifying ways of improving service delivery, and more. In fact, it could become instrumental to establishing new and broader collaborations -- to generating community-based engagement in support of national objectives.

In the next term, several things must happen in order to fully implement the USNPA:

- Agencies must have the resources to make content available through the USNPA. This means that agency budgets must reflect the minimal resources needed for USNPA work. In particular, each department and agency should assign about two half-time-equivalents to the task of making sure information relevant to the nonprofit sector is generated and posted to the USNPA. This will require one policy/regulatory person and one technical person; each staff member must be part of the civil service system (i.e., not a political appointee). Some of the necessary costs are already being expended for the Nonprofit Liaisons.
- Agencies must continue to meet regularly in order to (a) shape the design of the USNPA, (b) discuss the types of information that agencies are posting to USNPA, (c) develop and better understand standards for posting information that are to be incorporated in the USNPA, and (d) discuss next steps for the USNPA. It is essential that nonprofit organizations be part of some, if not all, of these meetings.
- USNPA work must be coordinated with existing efforts to establish information policy standards (e.g., GILS). This means that a team of technical and policy experts need to be assigned to this task. The team could be comprised of some of the staff that will be working on USNPA from key departments and agencies.
- All of these activities need to be managed by a designated USNPA coordinator, who could be housed in a new White House office (see below). Personnel could be staffed through a collaborative effort with the nonprofit sector, with the possibility of one or two nonprofit staff assigned to learn about these issues/developmental initiatives through the Intergovernmental Personnel Act (IPA).
- The USNPA staff would provide substantive guidance to departments and agencies, through and beyond the nonprofit liaisons and other team members, regarding the development of their own nonprofit-focused information sites (as free-standing resources and part of USNPA).

- The President should emphasize agency implementation of Executive Order 12999, which is intended to increase the donation of recycled government computers to schools and other nonprofits. Additionally, the Administration should call on businesses throughout the country to donate used computers to nonprofit organizations. This should be coordinated with existing national computer recycling initiatives. Other types of Administration resources should be used: high speed supercomputer labs, extension services, etc.
- Assessment of the information priorities of the nonprofit sector should be undertaken so that government resources can best be marshaled. A conference will be convened in 1997 by the foundation community to identify the information needs of the nonprofit sector as it pertains to federal government information. The conference will commission papers that will be compiled into a publication that includes specific recommendations that the federal government and the nonprofit community can take to improve information dissemination.⁴

This new effort could be augmented by the federal government working with nonprofit organizations on the identification and collection of data necessary to assure national standards, and accord with national purposes, in an era of devolved program responsibility and authority.

The Administration should be a partner in hosting the conference. This will require the participation of key personnel from the White House and agencies. The Administration must also be prepared to address the recommendations from the conference.

- If the Administration does its share of building the USNPA, then the nonprofit community must also help by building the capacity of the nonprofit sector to use the service. It is hoped that a considerable portion of the cost of these initiatives will be borne by the nonprofit and foundation community. However, it is expected that the Administration will need to provide support for each of the next three years to help with outreach, capacity building, and expansion of the service.

2. Developing a Nonprofit Policy Agenda. Since there are many opportunities for collaboration between government and the nonprofit sector, a process needs to be put in place to address nonprofit concerns and to develop a nonprofit policy agenda. This agenda would not only contribute to the vitality of the nonprofit sector, but would create the context in which to ground and develop new collaborative partnerships with the federal government. The idea for developing a process came from Initial conversations with several foundations that provide funding for civil society issues and with nonprofit infrastructure organizations.

A series of small meetings involving federal officials, philanthropy, and nonprofit organizations should occur as soon as possible. These informal meetings will explore the advisability of a larger, more formal meeting to discuss common issues and concerns, as well as specific collaborative projects. The larger meeting would have two parts. The first part would be a meeting with the President and Vice President to discuss

⁴ The Bauman Foundation convened a similar meeting in 1994 with a focus on access to federal government information pertaining to sustainability of our communities. The conference report has been used widely in the government to address dissemination issues.

the importance of civil society issues, the need for collaboration, and the commitment of the Administration to improving the relationship with the nonprofit sector. The second part of the meeting would focus of specific sectorwide issues (as contrasted to subsector, issue-based topics -- e.g., education, community development).

The sectorwide issues to be discussed would be determined based on the smaller, informal meetings. However, several subjects have begun to emerge as key issues:⁵

- Lessons learned from efforts to integrate or coordinate services. The Administration has done much to foster innovation in service delivery through its empowerment zones, "ed flex" initiatives, and its welfare waivers. However, there has been little to no evaluation of what works and what does not. By combining information from the federal government and the nonprofit sector, there is greater opportunity to learn about how to improve service integration and coordination -- and where additional pilots should be tested.
- The impact of devolution on the nonprofit sector and how to structure further changes in a manner that will minimize adverse impacts (see below for further discussion).
- How the nonprofit community and the government can work to make the public more aware of the importance of the charitable community. Such efforts will further an active partnership between government and the nonprofit sector and can strengthen effective voluntarism.
- The importance of advocacy to the nonprofit sector and ways it can be strengthened.
- Sorting out the ability of the nonprofit community and the government to fill gaps in services and address unmet need.
- Ways to provide adequate resources for service delivery, public protections, and other charitable activities. This includes federal funding and charitable tax policy. As tax reform is likely to be a congressional issue, it is essential to fully understand how the tax system impacts on the charitable community.

Discussion on the substantive issues would likely occur in the smaller meetings, which would take place during 1997. At least one session would be on overall process, including setting timetables; another session will be devoted to follow-up process, including establishing liaisons for ongoing communication.

It is expected that most of the spade work for the larger meeting would be done in the smaller meetings. The larger meeting may involve approximately 20 senior people from foundations and nonprofit organizations and 10 to 20 key senior Administration officials. It would be held at the White House.

⁵ Other issues and greater specifics are available from a draft memorandum prepared previously for a policy-oriented discussion.

One key outcome of these meetings will be to establish an ongoing process for ensuring that the Administration hears the concerns of the sector and can work constructively with the sector on selected issues. At a minimum this will require the Administration to establish a working liaison with the foundation and nonprofit community. This could be done through the proposed White House office (see below). The nonprofit community would also have to agree to establishing a similar liaison approach so that communication is efficient and effective within the nonprofit community and between the sector and the government.

3. Addressing the Impact Local Flexibility/Devolution Will Have on the Nonprofit Sector. One of the most significant issues facing the nonprofit sector today is the issue of devolution and its impact on service delivery and coordination. The Administration supports local flexibility and minimizing unfunded mandates, but has not addressed the impact devolution may have on both the general public and the nonprofit sector. There is reason to believe that strengthened collaboration between the federal government and the sector will minimize some of the negative consequences of devolution and bring greater benefit. The philanthropic sector has recognized this and already is investing in this area.⁶

Simply put, many states and localities are working to minimize what they may view as the intrusive authority of the federal government to shape and control domestic programs. Thus, partnerships with the nonprofit and philanthropic sector offer an additional opportunity for collaboration to define and collect uniform data, develop and maintain national standards, promote best practices, and to provide continuing, substantive and programmatically-focused national leadership.

Such a partnership would involve both the "point-of-contact office" (such as the White House Office on Extragovernmental Affairs discussed below) and the Nonprofit Liaison Network (see below). Through a series of informal meetings exploratory meetings, then followed by a formal conference convened jointly with national nonprofit organizations and foundations, the Administration can initiate a research and development process to monitor and assess the impact and implications of devolution. Furthermore, it concurrently can promote and increase citizen participation in federal, state and local program service delivery and related policy-making through partnership with the nonprofit sector.

Such an effort could address, both generally and in the context of particular departments, agencies and programs: (a) definitions of local flexibility (e.g., how much flexibility can occur -- transfers of money and how much; who gets to decide on the local plans; etc.); (b) how to insure protections of federal standards; (c) how to create performance standards where none exist; (d) how to streamline the federal assistance process (federal and state); and (e) how to ensure the safety of the federal statistical infrastructure as well as insure that there is adequate programmatic data for national policy analysis.

To enable such an effort, the Administration should earmark support for a three-year service coordination/devolution project. This would bring it into active partnership with the philanthropic community which has and will direct significant resources to similar concerns. Furthermore, it will provide the Administration on-

⁶ The W.K. Kellogg Foundation alone has made grant commitments of more than \$17 million regarding devolution.

the-ground experience and assets prior to the drafting of likely legislative initiatives on these same matters.

4. Creating a single point-of-contact within the government for the sector. In order to implement many of the above items, a point of contact for the nonprofit/philanthropic sector needs to be established within the government. One approach would be to establish a White Office of Extragovernmental Affairs, which could provide a point of reference in the White House which institutionalizes concern for, thinking about, and contacts with the nonprofit sector in the same way that state and local governments currently enjoy. However, if a new Office were created, it should not be a parallel structure to the Office of Intergovernmental Affairs. Instead, the new office needs to be a hybrid, serving as a liaison to the nonprofit sector and simultaneously engaging in policy matters pertaining to the sector. As a result, the head of the new office needs to be part of senior management meetings and part of discussions undertaken by the Domestic Policy Council.

There will need to be a dedicated staff plus volunteers and additional nonprofit staff on temporary assignment under the Intergovernmental Personnel Act. The director of the office should be an Assistant to the President. The office, wherever housed, must have grant/contract authority to help it carry out activities covered by this memo. If the office were situated in the White House, it might be possible for the Office to use the grant/contract authority given to the Small Business Administration in order to carry out its functions.

The office should oversee implementation of the USNPA, including convening the "information priorities" conference, organize the meetings between the Administration and the nonprofit sector, oversee implementation of the local flexibility/service coordination project as well as monitoring the overall policy agenda, provide ongoing follow-up to these meetings, and otherwise advance the purposes addressed in this paper.

5. Expanding the Role for the White House's Nonprofit Liaison Network. The established network of Nonprofit Liaisons will hold responsibility for facilitating and reporting on department- and agency-based collaboration on each of the initiatives undertaken in association with this effort and will report to the director of the White House "point-of-contact" office (such as the Office of Extragovernmental Affairs). For instance, they will have gained internal acceptance and participation in building and maintaining the information base necessary to the USNPA, for the generation of any analyses or material necessary to the various issues covered on the Nonprofit Policy Agenda, for drawing appropriate staff into related White House activities, and for addressing issues such as devolution.

The Liaisons will conduct "outreach activities" (speaking engagements, headquarters and in-the-field meetings, etc.) to assure that nonprofit organizations and philanthropies have an opportunity to obtain information and provide critical commentary and suggestions regarding department/agency/program designs and operations. Additionally, they will meet regularly to provide one another and White House officials with the insights gained from their work in an effort to refine and improve various initiatives.

With an internal focus, the Liaisons will have responsibility for educating their department and agency colleagues about the value of collaboration and partnerships with the nonprofit sector. Beyond providing

information on Administration initiatives, they will highlight exemplary models and work to popularize such "best practices."

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Brian O'Connell, president of Independent Sector. He says the Clinton Administration has treated non-profit groups "with a degree of indifference and opposition that is disheartening."

Clinton and Non-Profits: a Mixed Record

Administration has asked them for insights on issues from AIDS to urban decay, but President is faulted on broad charity matters

By KRISTIN A. GOSS

WHEN BILL CLINTON was elected President, non-profit leaders jubilantly predicted a new era of cooperation with the federal government. Now, almost a year later, they are sharply divided over how well the President has lived up to their expectations.

Groups that work on specific issues—community development, AIDS, and child-and-family policy, to name just three—say that they have enjoyed access and influence at the highest levels of government and that some of the best ideas developed in the non-profit world are being embraced by federal policy makers. Indeed, at least two senior Administration officials—Secretary of Housing and Urban Development Henry G. Cisneros and AIDS Policy Coordinator Kristine M. Gebbie—have designated top lieutenants to work closely with non-profits and foundations.

But on a broader question—how well the Administration has recognized and supported the non-profit world as a whole—many leaders are bitterly disappointed. They charge that the Administration has failed to articulate how the \$700-billion non-profit world fits into its domestic agenda, notably the plan it announced this month to "re-invent government."

They also complain that the President has support-

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A 'Peace Dividend' of Donations

Gail Pressberg (right) of Americans for Peace Now says the Middle East agreement will be good for her organization. Many American Jewish and Arab organizations expect a "peace dividend" of increased contributions. Story on Page 25.

A Decline in Corporate Giving

Charitable donations by corporations fell in 1992, the first such drop in two decades. Story on Page 8.



MANAGING

Clinton and Non-Profits: Praise and Criticism

Continued from Page 1

ed—or not forcefully opposed—tax, postal-rate, and other policies that could threaten the health of large numbers of organizations.

Non-profits as an interest group "just seem to be irrelevant," says Brian O'Connell, president of Independent Sector, the charity world's principal voice in Washington.

"It is so discouraging from an Administration that seemed to represent a vastly different approach" from those of the Reagan and Bush Administrations, Mr. O'Connell says. "It is not only the same approach, but with a degree of indifference and opposition that is disheartening."

Mr. O'Connell says he has been under pressure by some of his 850 charity and foundation members to speak out, and he has decided to heed their advice. "We just realized that this Administration only seems to respond to its critics, and we have a lot to be critical about," he says.

Lack of a Liaison Is Called a Big Problem

A big problem, say non-profit leaders, is that the President has not appointed anyone to serve as a liaison with the non-profit world. That task has fallen, by default, to the Office of Public Liaison, which handles political constituency groups not represented elsewhere. Non-profit leaders complain that returning phone calls is not among the office's strengths.

"What you have is a gap," says Gary D. Bass, executive director of OMA Watch, which monitors the White House Office of Management and Budget. "The Administration comes up with an initiative, and there's nobody there to say, 'This is the impact on non-profits.'"

Melanne Verveer, Deputy Assistant to the President and a top adviser to Hillary Clinton, has served as non-profits' unofficial listener and lobbyist within the White House, though she has her hands full with the forthcoming health-care-reform plan. Ms. Verveer, a long-time friend of the Clintons and a former executive vice-president of the non-profit advocacy group People For the American Way, acknowledges that the Administration has not served the non-profit world as well as it might.

But she says the White House is working to "adopt some approaches here that might be more responsive." Two options being considered: assembling a team of people in the White House who would be responsible for hearing non-profits' concerns, and designating a person in each department—as HUD has done—to work with non-profits on different policy questions.

"The government has a lot to learn from non-profits," Ms. Verveer says. "The non-profit community has needs that oftentimes need to be addressed better than they're addressed. It is a two-way street."

Meeting Held With White House Officials

In one step toward improving the relationship, about 20 non-profit leaders met last week with seven representatives of the Administration, including Doris Matsui, deputy director of the public liaison office; Bruce Reed, Deputy Assistant to the President for domestic policy; Christine Varney, the Cabinet Secretary; and Ms. Verveer.

Part of the problem for the Administration is that the non-profit world has a wide variety of interests and interest groups, officials say, and sometimes its leaders have vague or differing agendas. But over all, Ms. Verveer says, "my guess, and my experience, is that in a number of areas we're working side by side with the non-profit community, both soliciting their views and working on joint policies and programs of interest. But it doesn't scream at you in every instance: Non-Profit Community."

Many non-profit leaders agree, arguing that after less than a year in office, the Administration has given them plenty of cause for optimism.

Among the efforts that charities are applauding: **Community development.** Non-profit officials say the Administration has been nowhere more receptive to their ideas than on the topic of revitalizing inner cities. (See story below.)

"We've not only had access, but frankly it's been a

Non-profits are missing their big chance with Clinton: My View, Page 42.

Urban-Development Groups Praise Administration for

CHARITY AND FOUNDATION LEADERS disagree about the Clinton Administration's record on many non-profit issues, but in one field almost everyone is encouraged: community development.

Groups that are working to revitalize inner-city neighborhoods say that the Department of Housing and Urban Development, once considered a backwater of government waste and stagnation, has been eager to reach out to non-profits and foundations for new ideas. Perhaps as importantly, HUD Secretary Henry G. Cisneros and his chief deputies have been willing to provide non-profit groups with money and simplified regulations to make their work easier.

Says Steven A. Minier, executive director of the Cleveland Foundation, who is helping to organize a meeting this month of Administration and foundation officials interested in urban issues: "This kind of cooperation and discussion is not brand new, but it's been accelerated in the Clinton Administration."

Among the moves that have drawn praise:

► The Secretary has asked Congress for \$25-million to invest in the National Community Development Initiative, which was begun in 1991 with \$62.5-million in grants and loans from seven foundations and one corporation to help revitalize inner-city neighborhoods. To receive the full \$25-million, the project would have to raise \$75-million in investments from foundations and corporations in a second round of fund raising. "Here's a guy with a terribly troubled department, with very little money, and he's proposed to reach out to the foundations," says Paul S. Grogan, president of the

problem—a welcome one—just in servicing all the demand for consultation and information," says Paul S. Grogan, president of the Local Initiatives Support Corporation, a New York-based group that provides financing and technical assistance to local community-development efforts.

In an interview, HUD Secretary Cisneros said he wanted to work more closely with non-profits.

"I'm looking for an effective relationship—a working relationship—because it is clear that we're not going to be able to perform solely with governmental funds," said the Secretary, who until his appointment served as a trustee of the Rockefeller Foundation and the Enterprise Foundation. (The latter provides financing and technical assistance to community-development efforts.) "The evidence has shown where you get collaboration and more involvement, you get better ideas and you end up with a better product."

To improve his department's ties to non-profits and foundations, Secretary Cisneros has appointed a former Mayor of St. Paul, George Laumer, to serve as director of a new Office of Special Actions in the Office of the Secretary.

Mr. Laumer says that Secretary Cisneros has given him responsibility for "a number of areas that he thought were under-addressed and under-served. Our relationship with non-profits is one of them."

"It's a very significant statement on his part." **AIDS.** In the new AIDS-policy office, Ms. Gebbie has

Local Initiatives Support Corporation, which provides financing and technical assistance to local community-development groups. "That's extraordinary."

► The President's proposal to strengthen community-development banking, announced in July, would provide \$382-million in new money, mostly through existing non-profit loan funds, credit unions, and other institutions, rather than creating a network of new banks as he had proposed during the campaign. Working through existing organizations

had been a key recommendation in a paper submitted to the White House by a coalition of eight community-development groups. "Ninety per cent of what was in the bill was recommended by people in the field," says Martin Trimble, executive director of the National Association of Community Development Loan Funds. The legislation is still pending.

► Assistant Secretary for Housing Nicholas P. Retsinas has begun a program in two cities—Richmond, Va., and Chicago—through which HUD sells repossessed housing to non-profit groups, rather than to private

investors, who HUD officials said often left the buildings to deteriorate. In a seven-month test phase, the department sold 200 houses, twice its goal, and now plans to spread the program to another 20 cities.

► The White House proposed making permanent the Low-Income Housing Tax Credit, which has helped channel hundreds of millions of dollars in corporate investments into development projects. Congress approved the idea in the tax measure passed last month. The tax credit has been key to the fund-raising success of many community-development groups, such as the Local Initiatives Support Corporation.



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appointed Warren Buckingham, who ran an AIDS service organization in Dallas financed by the Robert Wood Johnson Foundation, as her special assistant. A significant part of his job will be to serve as the liaison to non-profits.

Mr. Buckingham says that when he was hired Ms. Gebbie "made it clear to me that she wanted someone on her staff who had voluntary, community-level background and could be that voice in the office on a day-to-day basis."

Ms. Gebbie wants non-profits to send suggestions to her office as it crafts a cross-departmental AIDS policy and to evaluate that policy as it is put in place locally, Mr. Buckingham says.

The office is also considering asking foundations to support a fellowship program through which people who work for AIDS charities would serve up to one year in the federal AIDS office, as well as other projects to insure that local groups have a voice in Washington. Ms. Gebbie has already held two meetings with about 50 non-profits and one with representatives of Funders Concerned About AIDS, a group of grant makers. "We feel we have an open-door relationship with her office," says Michael Seltzer, who heads the organization.

"There's a very clear recognition on Kristine Gebbie's part that in nearly every community around the country, the heart and soul of the response to AIDS has been in the voluntary non-profit sector," Mr. Buckingham says. "We know for her office to work at this

highest level of the federal government, we need to be in close contact with that community."

National service. The President is scheduled to sign into law this week a \$1.5-billion national-service program, hailed by many charities as a boon both to them and to the communities in which they work.

The Administration has drawn praise for looking to the rapidly growing network of non-profit youth-service groups to carry out the program, rather than creating a new federal youth corps. The national-service program would provide people with education or job-training benefits in exchange for one or two years of service.

This month, Eli J. Segal, Assistant to the President and director of the Office of National Service, attended a five-hour meeting with about two dozen grant makers to discuss their role in everything from training non-profits how to apply for national-service money to financing program evaluation.

Nutrition. Bill Ayres, executive director of World Hunger Year, which assists grassroots poverty groups, says the Department of Agriculture is interested in setting up a national clearinghouse of hunger and nutrition groups to distribute information more quickly to them and to gain an understanding of which programs are successfully promoting self-reliance among the poor.

Tax breaks for gifts of property. The Clinton tax bill, enacted last month, delivered a big victory for the non-profit lobby. It expanded and made permanent a tax

break that enables wealthy donors to take full deductions for gifts of art, stocks, and other property that have increased in value. Previously, wealthy donors had been able to deduct only the purchase price.

We Believed They Understood the Non-Profit Sector

Still, many charity leaders say the tax victory and scattered departmental efforts amount to no more than points of light in an otherwise dark sky.

Says Robert M. Kardon, president of the California Association of Nonprofits, which represents more than 2,000 groups: "We believed they understood the non-profit sector better than any recent Administration. But it just hasn't risen very high on their agenda."

Among the Clinton Administration efforts that have drawn criticism:

Re-inventing government. Vice-President Gore this month released the report of his National Performance Review, which assembled recommendations from federal employees—"the people who know government best," in Mr. Gore's words—about how government can be more effective and efficient.

The decision not to consult more broadly did not suit many non-profit officials. They note that the report's recommendations make no mention of reforming the extensive—and, they say, troubled—relationship that has developed over the past two decades between the federal government and local non-profits providing

Continued on Page 36

ledge of Partnership

In an interview, Secretary Cisneros said he hoped to work more closely with national, community, and local foundations to finance community-development efforts.

"We're not going to be able to accomplish all we want solely with governmental funds, nor is it even correct to do so," he said.

In part to look at ways to improve collaboration with non-profit groups, the Secretary has appointed a former Mayor of St. Paul, George Latimer, as director of a new Office of Special Actions.

"His job is to develop the concept, to see what is possible," the Secretary said, "up to the level that we're ready to institutionalize."

Mr. Latimer is familiar with the philanthropic world: As Mayor, he led a major downtown redevelopment project financed in part by the McKnight Foundation in Minneapolis. His wife, Nancy, is a senior program officer there.

Potential for Collaboration

Secretary Cisneros said that several foundation efforts nationwide offer "the potential for collaboration."

Among the models he cited: the Cleveland Foundation Commission on Poverty, which issued a report in March calling for a neighborhood-by-neighborhood approach to community development that takes full advantage of strong leaders and institutions, such as libraries, as the centerpiece of reform.

The commission's findings formed the "intellectual basis" for a new federal program, the \$300-million Urban Revitalization Demonstration Program, according to Sen. Barbara Mikulski, the Maryland Democrat who chairs the subcommittee that appropriates money for HUD.

The Secretary visited Cleveland this month to deliver a \$50-million grant under the new program. The money

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Secretary of Housing and Urban Development Henry G. Cisneros (seated), in Cleveland this month, says the city won a \$50-million federal public-housing grant in part "because the Cleveland Foundation is a partner with us."

Clinton Administration Draws Mixed Reviews on Issues of Interest to Non-Profits

Continued from Page 31

health, education, job-training, social, and other services under contract.

Says California's Mr. Kardon: "It's a terrible mess."

Non-profits "have to deal with the government day in and day out as outsiders, and would've had a perspective," adds Pablo Eisenberg, president of the Center for Community Change, which works with grassroots groups nationwide. "Notably asked any of us."

Doug Sauer, who heads the Council of Community Services, which represents more than 300 non-profits in upstate New York, says the government "should look at totally reexamining the contractual relationships with community-based non-profits, and the extent to which that relationship actually hinders the social-policy outcomes they're looking for."

This month's report was only "the first step in a long, difficult process," says Elaine Kamarck, Vice-President Gore's senior policy adviser, and was intended to "get our own house in order" before looking at government's external relationships. Reports to be released over the next several months, including those focused on state and local governments and major federal departments, will have greater implications for non-profits, she says.

In the report on state and local governments, for example, non-profits would benefit from proposals that would ease restrictions on how federal dollars earmarked for certain categories of services may be used, Ms. Kamarck says. That would make it easier for cities and states to finance services that non-profit groups, rather than the federal government, see as local priorities. In addition, the report on the federal Department of Health and Human Services will include ideas for "streamlining contracts and procedures," she says.

Presidential inauguration. Several organizations have had no success in getting the President to use his bully pulpit to underscore the importance of non-profits in carrying out the nation's business. They

include Independent Sector; the National Council of Nonprofit Associations, which represents more than two dozen statewide coalitions; and the Union Institute, a Cincinnati university that runs a public-policy center in Washington

"I never thought we should have a non-profit office. What would they do? What would we want them to do?"

that arranged last week's White House meeting.

Non-profits have sent several proposals to the White House seeking:

► A high-level liaison to non-profits (as exists for state and local governments).

► A White House conference on non-profits.

► An executive order (which non-profit leaders have drafted and given to the White House) requiring all departments to involve non-profits in the planning, implementation, and monitoring of federal programs.

Ms. Varveer says the President is unlikely to fulfill any of those wishes anytime soon, and she herself is doubtful that the answer to non-profits' concerns lies in an executive proclamation. Even some non-profit leaders are skeptical about the suggestions.

"I never thought we should have a non-profit office," says Gerald Kaufman, a consultant to non-profit groups and co-chair of the National Council of Nonprofit Associations. "What would they do? What would we want them to do?"

He has the same questions about a White House conference: "I think we need to do a lot more thinking on our side, and we haven't done that."

Others say that a speech or order by the President would set a tone for a more serious and substantive role for non-profits in shaping public policy.

"Non-profits need to challenge the President and say, Look, if you want to give us more responsibility, there needs to be more access, more inclusion in macro-policy questions, and more resources," says Mr. Ayres of World Hunger Year.

Units on tax deductions. In spite of heavy lobbying by Independent Sector and other groups, President Clinton proposed in his federal budget blueprint that no changes be made in a law that discounts total tax deduction—those for home-mortgage interest payments, state and local taxes, and charitable gifts, among others—by an amount equal to 3 per cent of family income over \$108,250.

Independent Sector had asked that the charitable deduction be removed from the equation, but Mr. O'Connor says that the White House "wouldn't even entertain" the request, even though the group presented a proposal to make up for any lost revenue.

As officials at the Department of the Treasury, who asked not to be named, said the existing law had generally had no effect on charitable giving, and that the Administration saw "no overwhelming policy

justification for distinguishing charities from other important deductions like mortgage interest and medical premiums."

Lobbying and advocacy by non-profits. Some non-profit leaders sense a nervousness at the White House about their attempts to influence policy.

The first alarms sounded with the President's budget, which contained a provision, carried over from the Bush Administration, that would have prohibited non-profits from sending out advocacy mailings at subsidized postal rates. (It was thrown out by Congress.) In meetings with non-profit leaders, senior Administration officials said the provision was an oversight, but Independent Sector officials said they were not so sure.

"They were informed of this immediately," says Bob Smucker, the group's senior vice-president for government relations. "They had three months to take action."

In addition, as it was facing a Republican filibuster on its national-service bill, the Administration agreed to an amendment that would have barred any group that spent more than 20 per cent of its annual budget on influencing public policy from participating in the new service program. After intensive pressure from non-profit groups, the provision was killed. A top Administration official said the

White House had worked to get the provision out of the final bill.

Charity lobbyists also criticize the Administration for not procuring lawmakers to change a provision in a lobbying-disclosure bill that would create an additional set of reporting and record-keeping requirements for non-profits that lobby.

Not an Appropriate Activity.

Mr. O'Connell argues that those examples "suggest very clearly that this Administration believes that advocacy by voluntary organizations is not an appropriate activity."

Ms. Varveer, the White House aide, says that is not so. "I think a lot of it has to do with just not recognizing that these are important issues that need to be addressed," she says. "And I do think maybe some of us need to be better educated."

Some non-profit officials argue, however, that a "non-profit policy" cannot be expected to top the Clinton agenda, and that non-profits are largely to blame if they feel ignored.

Says Mr. Kaufman: "We aren't really getting together and forming coalitions, and saying, This is what we want out of the federal government."

"I can't blame them for not responding if we aren't pushing."

AWARDS

The following awards have been presented for work in philanthropy, fund raising, volunteerism, and non-profit management:

Art. The National Assembly of Local Arts Associates (Washington) has presented the 1993 Selma Roberts Ottum Award, which honors an individual who has made a meaningful contribution to local arts leadership, to Molly LaBerge, founder and executive director of COMPAS (Community Programs in the Arts) (St. Paul).

Associations. The American Society of Association Executives (Washington) has presented its 1993 International Achievement Award. The winners in the Top 10 International Programs category are the Publishing Machinery Manufacturers Institute (Washington) and the International Facility Management Association (Hawthorn), the winner in the Trade, Understanding, and Humanitarianism category is the National Telephone Cooperative Association (Washington), and the winner in the Effective International Management category is the Golf Course Superintendents Association (Lawrence, Kan.).

The International Section of the American Society of Association Executives (Washington) and the ASAS Foundation has awarded the 1993 International Fellowship in Kimberly Sivo-Casak International director of the Association of Banyan Users International (Chicago). Ms. Sivo-Casak will use the \$10,000 fellowship to create an international electronic communications network and to visit association counterparts in Western Europe.

Children and youth. Boys & Girls Clubs of America (New York) has presented the Herbert Hoover Humanitarian Award to Jeremiah Mithel, Jr., president of the JM Foundation (New York) and chairman emeritus of Boys & Girls Clubs, and the Albert L. Cole Distinguished Trustee Award to George V. Grimes, chairman and chief executive officer of Reader's Digest Association (Pleasantville, N.Y.) and chairman of the Board of Directors of the DeWitt Wallace-Reader's Digest Fund and the Lila Wallace-Reader's Digest Fund (New York).

Goodwill Industries International (Be-

thesda, Md.) has presented its 1993 Kenneth H. Kline Outstanding Management Award for Executive Excellence to Frank J. McCreary, executive director of Goodwill Industries (Omaha), which serves eastern Nebraska and southwestern Iowa.

Community and neighborhood development. The Community Development Society (Milwaukee) has presented its Friend of Community Development Award to Robert D. Havener, recently retired president and chief executive officer of Winrock International Institute for Agricultural Development (Baltimore, Ark.), for his work to strengthen rural communities in Arkansas.

The Neighborhood Reinvestment Corporation (Washington) has presented Dorothy Richardson Awards for Resident Leadership Development to four volunteers for their commitment to revitalizing their neighborhoods. The winners and their organizations: Ruth Headman of Neighborhood Housing Services (New Haven, Conn.), Ann Kennedy of Seneca Neighborhood Housing Services (Pa.), Rick Eas of Neighborhood Renewal Services (Easton, Mich.), and Carol Spofford of San Diego Neighborhood Housing Services.

Community service. The Akron Community Foundation (Akron) has presented its 1993 Bert A. Polisky Humanitarian Award to William F. Kassel, judge of the Summit County Juvenile Court (Akron), and to the late William F. Kassel, former president of Akron Welding and Spring Company.

The Sonoma County Community Foundation (Santa Rosa, Cal.) has presented its first humanitarian award to Jean Forreth Schmitz, wife of Charles M. Schmitz, creator of the "Peanuts" comic strip, for her service as a member of various boards and her work to establish the Volunteer Week program for the Volunteer Center and the Doula Project for at-risk mothers. The foundation has named the award after Mrs. Schmitz.

Corporate community service. The Polaris of Light Foundation (Washington) has named the following officers of its *Avanti* for Excellence in Corporate Community Service. The winners:

For large companies, Shell Oil Company (Houston) for its efforts to encourage volunteerism through internal programs for employees and support of such community

agencies as the Volunteer Center of the Texas Gulf Coast, and Tampa Electric Company (Fla.) for its employee-volunteer programs, including donations of supplies and labor for Hurricane Andrew clean-up efforts.

For medium-sized companies, Adams and Reese (New Orleans), a law firm that supports a program in which employees work with children, the elderly, and disabled and homeless people, and the Security Benefit Group of Companies (Topeka, Kan.) for its programs related to volunteerism, children, community development, and youth development.

For small companies, Farmers Bank & Trust Company (Henderson, Ky.) for its volunteer programs, which include annual events for senior citizens and employee participation in nonprofit programs.

The foundation also recognized four companies for their support of employee volunteerism: Allstate Insurance Company (Northbrook, Ill.), Coopers & Lybrand (New York), Ford Motor Company (Dearborn, Mich.), and USA (San Antonio).

Direct marketing. The Direct Marketing Association (Washington) has presented its 1993 DMA Professional First Prize Award to Carol Enters, founder of Carol Enters List Company (Falls Church, Va.), and its 1993 DMA Non-Profit Organization of the Year Award to Father Flanagan's Boys' Home (Bryn Mawr, Neb.).

Jewish federations. The Council of Jewish Federations (New York) has presented its 1993 CJP Gold Awards for Excellence in Public Relations to the United Jewish Federation of Greater Pittsburgh for its special brochure and poster and to the Jewish Federation of Greater Toronto for its newsletter and an invitation. Special recognition was also given to the Greater Miami Jewish Federation for its special public-relations campaign to recruit local communities devastated by Hurricane Andrew.

Volunteerism. Volunteers of America (Metairie, La.) has named Robert D. Haas, chairman and chief executive officer of Levi Strauss & Company (San Francisco), as the recipient of its 1993 Bullington and Maud Booth Award to recognize his leadership in philanthropy and the volunteer contributions of Levi Strauss employees.

Housing Secretary Says Foundations Will Be Key to Government's Work

Continued from Page 31

will enable the Cuyahoga Metropolitan Housing Authority to rehabilitate 500 units in two housing developments. In a departure from HUD's typical bricks-and-mortar approach, \$10-million of the grant is earmarked for community-service projects that involve residents in activities such as job training, literacy programs, and day care.

The two housing developments, located in neighborhoods that the commission has picked to test its redevelopment ideas, received the maximum allowable grant "because the Cleveland Foundation is a partner with us in that effort," Secretary Cisneros said.

The poverty commission was financed by \$1-million in grants over three years from the Cleveland and Rockefeller Foundations (on

whose board Secretary Cisneros served until joining the Administration). This year it received \$1.5-million from HUD to implement the recommendations, and the Cleveland Foundation has pledged to match that amount.

Mr. Minter says he did not have to push the commission's recommendations on HUD, as he discovered when he received an unsolicited phone call from Mr. Latimer.

Says Mr. Minter: "It's the first time in my experience at the Cleveland Foundation—18 years—that someone has picked up the telephone at his level to say, I've looked at the report and recommendations, and I think there's something significant here, and I'll tell you why, and this is the kind of stuff we'll have to do in other places."

—KRISTIN A. COSS



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OPINION

Commentary and Letters

Charities Are Blowing Chance to Get Clinton's Help

BY JAMES P. CLARA

NON-PROFIT ORGANIZATIONS are missing a major chance to re-invent their relationship with government.

This nation has never had a President who was more aware of the potential the non-profit world has to transform our society. Bill Clinton—as well as his wife and trusted adviser Hillary—know that charities and foundations have developed some of the most innovative ways to respond to social problems.

However, little has happened so far to change the relationship between the federal government and the nation's charities. That is mainly because non profit leaders have not taken aggressive action to put charities on the White House agenda.

The missteps started long before President Clinton took office.

Two years ago, most charity leaders believed George Bush's post-Gulf War popularity ratings would stay high forever. They expected that at least until the mid-1990's they would have to deal with an Administration that thought giving out a daily Point of Light Award summed for an official policy on non-profits. Non-profit executives expected that they would spend most of their time protecting the independence of charities and thought it unlikely that any new partnerships with government would be created. Very few thought a new vision was necessary.

Regardless of who won the 1992 election, that was a naive strategy. The fact was that the non-profit world had been changing so rapidly in the past 10 years—particularly in its relationship to government—that there was no status quo.

During the 1980's, Independent Sector, a coalition of grant makers and charities, was created; dozens of statewide non-profit associations were born; academic centers that studied philanthropy were started; basic statistical analyses on the size and scope of the charity world were undertaken for the first time; and trade journals like *The Chronicle of Philanthropy* were founded and thrived. The number of "independent sector" organizations regis-

tered with the Internal Revenue Service grew by 40 per cent in the 1980's. Today the IRS counts 550,000 charities in America. And on top of all that, government—particularly the federal government—was asking foundations and charities to support services and projects the government no longer wished to finance.

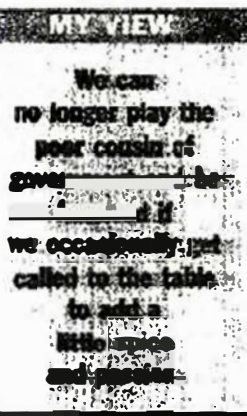
The landscape had changed so much in one decade that, by 1991, it was absurd for non-profit groups to continue to concentrate their lobbying efforts almost solely on protecting tax incentives for giving and the freedom to speak out on public-policy matters. A broader vision was required, but it was nowhere to be found.

In the early part of the Presidential campaign, most of the so-called political experts who worked for non-profits didn't think Bill Clinton had any chance to become the next President. Even though there was little active interest in Clinton in the charity world, senior officials of his campaign were frequently talking about non-profits as providing a "social laboratory" for ideas and expertise that could help government do its job better. In fact, Clinton aides who helped draft the party platform were so intrigued by the possibilities of working more closely with non-profits that they mentioned them by name in the document—stating that the non-profit world was where the "wisdom" and "energy" of the nation were concentrated. That

was the first time a Democratic platform ever formally recognized the importance of charities.

In early July, the campaign took another historic action by creating a special position for a liaison to the non-profit sector. I was asked to fill that job and to work out of campaign headquarters in Little Rock, Ark. One of the first things I did was to help arrange a meeting of non-profit officials to coincide with the party's convention in New York. Over 40 charity executives were invited to a meeting to discuss their views with one of the campaign's highest-ranking aides. For a short time, it seemed that non-profit groups were ready to "think big" about their collective future.

In spite of national publicity about the campaign's inter-



LETTERS TO THE EDITOR

Unrealistic Standards—and Unfair Criticism—for United Way

TO THE EDITOR:

The unique standard to which *The Chronicle of Philanthropy* and other media hold United Ways boggles the mind. "Giving to United Way Falls 4.1%, Worst Decline Since World War II" (August 10) is an example.

In 1992, United Ways endured the one-two punch of a national controversy and significant downsizing by companies whose employees are the mainstay of local United Way campaigns. Either condition could be expected to result in dramatic losses to any organization.

Yet United Ways collectively raised a remarkable \$3.04 billion in what should have been a devastating year.

The fact that the United Way movement nationwide only experienced a decrease of 4.1 per cent in 1992 is astonishing. In reporting that story, it makes sense to compare the results of local United Way campaigns in 1992 with those of previous years, as Bruce Millar does in his article. Yet one would expect a publication on philanthropy to dig deeper—to compare United Ways' 1992 fund-

raising results with those of other non-profits which have experienced similar situations.

While the combination of factors faced by United Ways in 1992 may have been unique, other charities have faced controversy and negative publicity. How did they fare? Were fundraising proceeds down by 4 per cent or was it 10 or 20 per cent? I suspect that in this light a 4.1-per cent decrease would emerge as a very respectable showing.

IRV KATZ

President
United Way of Central Indiana
Indianapolis

TO THE EDITOR:

This is written with respect to Robert Bothwell's recent letter to the editor ("Welcome to the 90's, United Way," July 27). My principal concern is with the statements that the United Way generally distributes the funds it raises to "fat mainstream nonprofits," and that there are no small United Way member agencies. I believe that those comments do a significant disservice to many agencies which depend on the United Way for a large part of their support. I am the volunteer treasurer

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September 21, 1993

THE CHRONICLE OF PHILANTHROPY • 43

PARLO EISENBERG

Here Are 3 Issues All Non-Profits Should Tackle

est in charities. I received a total of three letters and two phone calls from non-profit workers interested in helping the campaign work on ways to benefit philanthropy. Both phone callers started out their conversation with something like, "I apologize for taking up your time as I'm sure you are being almost swept away with a tornado of constructive suggestions now that the sector finally has someone to talk to..." There was no tornado. In fact, there was hardly a breeze.

NO MATTER HOW MUCH the campaign tried to reach out to charities—such as issuing a statement on its commitment to helping non-profit groups—we got virtually no response. The two most notable exceptions to this seeming failure of imagination and collective action were the National Council of Nonprofit Associations, which represents statewide organizations of non-profit groups, and Independent Sector. Both groups submitted a set of recommendations to all the Presidential candidates.

Millions of people either work for or volunteer at non-profit groups, and all of them had big stakes in the Presidential race. However, very few were taking action on behalf of the entire charity world. Even if we assume that people don't like getting themselves "dirty" with campaign politics, why didn't more happen during the "Presidential transition" period between November and January?

In early December, a senior transition official invited more than three dozen non-profit leaders to a meeting. In a session that lasted more than three hours, terrific ideas were suggested on what the Administration could do in its first 100 days, first year, and first term. Among the proposals:

- Government could draw on the expertise of non-profits and their clients to monitor and evaluate how well government programs served their intended beneficiaries.
- Federal agencies could change the way they develop contract bids and program regulations to emphasize what the "outcomes" of federally financed projects should be instead of just listing what must go into them. The current system gives non-profits little flexibility to design programs that might be more effective.
- Federal aid could be made available to help train non-profits to copy or adapt programs that other groups have proved to be effective and efficient.

A report on this meeting was sent to Mr. Clinton and many of his top advisers. Was the transition office swamped with mail and phone calls from excited non-

profit workers eager to make their case for a new partnership? Hardly. Almost no follow-up action was taken.

Perhaps non-profit leaders were waiting for other people to carry the ball for them. Perhaps they suffered from their perennial inferiority complex: Many seem to believe non-profits aren't taken seriously by government and they exacerbate the situation by not doing anything that will make government officials pay attention to them. However, as organizations that employ one out of every 15 workers in this country, we can no longer play the poor cousin of government and be flattered if we occasionally get called to the table to add a little spice and passion. We must stop whispering "Hello, out there. We're here," and instead start confidently asking, "What would you do without us? And, what more could you do working with us?"

CHARITY LEADERS seem to be waiting for a time when the needs of non-profits will come up on the official agenda of the White House. It is true that non-profit coalitions have been pressing the Administration on specific issues, such as children or homelessness or neighborhood development. But the sector as a whole seems to be operating with the same kind of defensiveness that it did during the Reagan-Bush years. Piecemeal attempts to push for policies that deal with single issues and Capitol Hill victories on specific provisions in the tax code are not in and of themselves sufficient.

It is not primarily up to the White House to make things happen for non-profit organizations. Administration officials are spending their time worrying about a lot of other issues that the American people explicitly elected them to take on. A new relationship between non-profits and government was not one of those issues. Even so, a new relationship is precisely what might make our governmental leaders better able to tackle the things they were elected to do.

We can re-invent ourselves and transform ourselves from the independent sector to the catalytic sector. It is up to non-profits to make the first moves and show our creative strength. Aren't we supposed to be the ones with the wisdom and energy? What are we waiting for?

James P. Clark is executive director of Access: Networking in the Public Interest, a Boston-based group that links job applicants to charities seeking new employees. During the 1992 Presidential campaign, he served as Bill Clinton's liaison to non-profit groups.

and a board member of Youth and Family Counseling Service, Westfield, N.J. We receive about \$90,000, or 30 per cent of our total support of about \$300,000, from several United Ways. We certainly do not regard this as "a pittance." Nor do I believe that we can be regarded as "fat," given our total assets of about \$100,000 after 75 years of existence and the fact that, for three of the last four years, we have operated at a loss. In fact, we probably qualify as "small." Lastly, I doubt that we have much power or influence in the seven communities that we serve.

I do not know what Mr. Bothwell's agenda is, as this is the first time that I have been made

Continued on Page 44



THE NON-PROFIT WORLD has become so parochial and so dominated by special interests that it has lost much of its ability to push for social change. Common ground, so frequently given lip service, often seems impossible to achieve.

Why has this happened at a time when non-profits have become increasingly powerful and sophisticated?

Part of the answer is the nature of the beast. Over the last 30 years, as many new issues and causes thrust themselves onto the public agenda, tens of thousands of additional non-profit groups have emerged. Groups that deal with issues affecting women, homosexuals, consumers, health, the environment, rural affairs, homelessness, and many other causes have persevered through hard times with great energy and determination. It's not surprising that, given their enormous diversity of interests, specialization has tended to crowd out broader interests.

This tendency has been reinforced by the intense competition for scarce philanthropic resources and the increasing emphasis that many foundations have put on grants for special projects. As donors have developed their own grant-making priorities, they have funneled money into organizations that are interested in pursuing projects that deal with particular problems. Groups have received money to undertake environmental-protection programs, housing projects, consumer-activism efforts, and activities that benefit children. General-support grants for comprehensive approaches to community problems have become harder to secure. Only a handful of foundations have shown any interest in supporting broad-based coalitions.

The nature of non-profit leadership has also changed. Many single-issue or special-interest organizations have attracted executives with passion about—and commitment to—the narrow missions of their organizations. Their boards have held them accountable for their efforts to carry out the charity's goals and have not rewarded those who try to promote change on a whole spectrum of issues. In the past few years, the scarcity of funds and the fight for survival have helped to restrict the horizons of many non-profit professionals.

Although it has become patently clear that our many social, economic, and ecological problems are interrelated, non-profit organizations continue to operate in ways that show little recognition of this complexity.

Environmental groups pay little attention to community-development and social-justice issues. Groups that work on education, health, and housing are frequently out of touch with one another. Urban-oriented organizations ignore the plight of rural groups, despite how related their work actually is. At the grassroots level, organizing networks can't seem to find the energy and common sense to work together. The list could be extended ad nauseam.

The fragmentation of the charity
Continued on Page 44

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OPINION

THE CHRONICLE OF PHILANTHROPY

The Federal Cutbacks: What Foundations Must Do

By MARGARET DUNKLE

SWIFT AND SEISMIC CHANGES in federal social policy mean that private foundations must play a bigger role than ever in helping children and families.

Unfortunately, too few in the foundation world seem to have grasped exactly how profoundly the changes now under consideration will affect the needy. To understand just what philanthropy has at stake, it is essential that grant makers pay close attention to what is happening on Capitol Hill.

Once the legislative dust settles, Congress is expected to approve \$20-billion less this year than last in budget categories that include many programs that affect children and the poor, like Head Start and job training. And that is just the beginning. Far deeper cuts are clearly in the picture. Meanwhile, even though the federal governments plans to spend more to finance Medicaid, the multibillion-dollar program that pays for health care to the poor and disabled, the increases will not keep pace with inflation—meaning some people may not get the care they need.

But those figures do not provide the entire story. Buried in the nooks and crannies of measures now pending in Congress are several trends that will shape social policies for years to come.

First, in a reversal of the social policy that has guided this nation for the past 30 years, the federal government is giving the states much of the responsibility for designing strategies to protect and help children and the poor. For example, proposals to overhaul the welfare system call for each state to decide when and how to provide families with cash assistance. That will decrease federal micro-management of state and local actions. But many, if not most, state governments are not ready to assume this larger role effectively. Some have part-time "citizen legislators" who are not sufficiently sophisticated. Others have too few staff members prepared to wrestle with complex social issues. Still others do not have computer systems that can coherently track whether government programs are meeting community goals.

Under the new federalism, grassroots groups and representatives of urban and rural areas will need to work

more closely with their state governments to assure that money is distributed equitably. State priorities and politics, not federal formulas, will determine which jurisdictions win and which ones lose.

Second, to balance the federal budget, the government will reduce spending, not raise taxes. Today almost no one talks about raising taxes; the serious discussion is about lowering taxes. With taxes off the table, there is enormous pressure to cut social programs. As a result, states and localities will have to do more with less.

In return for less federal money, states will get more flexibility in how they use it. States will have to file fewer reports, keep fewer statistics, and jump through fewer federal hoops. Proponents say that is a good trade: flexibility to design programs that serve the most needy, coupled with increased efficiency, will make up for cuts in money. Critics disagree, warning that administrative savings will be negligible as 50 state bureaucracies blossom. One worrisome indication that the critics might be right: The General Accounting Office, which advises Congress on how federal programs are working, discovered that after many federal social programs were clustered together in the 1980s and money was delivered to states in the form of block grants, many non-profit groups and others in the front lines of providing services ended up dealing with more state-imposed red tape than ever.

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THIRD, MANY BENEFIT PROGRAMS that used to be entitlements—like Aid to Families With Dependent Children—will no longer go to everyone who qualifies. Instead, states will be given a fixed amount of money and told to divvy it up. That approach makes it easier to control federal spending, but it also may mean trouble for the poor. If there is a recession, states will have more needy people but no more federal money to provide cash welfare assistance.

Fourth, charities will have a hard time being effective advocates and educating the public about the effects of governmental policy changes. Congress is now considering a provision that would limit the amount of private money that recipients of federal grants could spend on a

broad range of advocacy efforts. Even if that provision does not pass into law this year, it has momentum and will be debated again next year.

GIVEN THOSE FAR-REACHING TRENDS, how can foundations best use their resources? The demands on philanthropy as federal resources shrink will be great. However, there are several areas where foundations can make especially important contributions:

Help states and local governments set priorities and measure success. To succeed, states and localities will have to have clearly defined priorities and programs that include the non-profit and business worlds. They must also experiment with new—even radical—solutions and have concrete benchmarks to measure progress. Community foundations, which raise and distribute money in a single geographic area, can play an especially important role in bringing disparate factions together to determine priorities and figure out solutions. Community foundations have the credibility to be leaders because they do not stand to lose or win money because of government policy decisions. The Coalition of Community Foundations for Youth reports that local foundations from New Haven to Oakland, Cal., to Alabama are already convening representatives of non-profit groups, businesses, and government agencies to prepare for the shift in responsibility for social policy from the federal to the state level.

Foundations of all kinds can provide technical assistance and incentives to help states, cities, and towns to upgrade their technology and train their employees to assume their new roles effectively. Grant makers should also finance efforts to make sure government programs are meeting the needs of the people they are supposed to serve. States and localities will have virtually no time to prepare for the changes that are about to happen, so it is hard to overstate the importance of focused leadership by foundations and non-profit groups.

Build new bridges. In a highly partisan time when everyone is a specialist, it is not surprising that there is little meaningful dialogue among people from different political parties, levels of government, and types of organizations. Yet effective solutions to today's social problems will not result from sound-bite swipes, isolated discussions among one-issue experts, or the solitary efforts of any one branch or level of government. Rather, workable solutions are likely to emerge from connections and ideas that defy traditional labels, ignore conventional boundaries, and meet large social goals. By making grants to projects that get people from different walks of life to talk, share information, and make decisions, founda-

tions can do much to encourage solutions that make sense in tomorrow's world.

Invest in evaluation and research. Taken together, the Congressional proposals to overhaul social policy do not contain an overall strategy to assess whether the new approaches are successful. States, under increased pressure to channel scarce funds to direct services, are not likely to pay for such research. Foundations can fill that void, providing answers to the questions about accountability and effectiveness that Congress and local organizations will certainly ask five years from now. That holds true for street-by-street and neighborhood-by-neighborhood analysis by community foundations as well as major longitudinal studies by national foundations. The role of foundations in documenting how disadvantaged people fare under the new federalism will be especially critical.

Foster innovation and experimentation. Direct federal support for demonstration projects will soon dwindle. At the same time, states will have increased flexibility to test promising strategies on their own. Money from private grant makers, always an important catalyst in the laboratories of social learning, could provide critical incentives for states and localities to experiment with building new partnerships—from creatively blending federal, state, local, and private funds to re-tooling front-line staff members from various agencies so that they can provide one-stop shopping for families seeking cash benefits, job placement, housing, and health services.

Renew American democracy. The striking shifts in social policy we have witnessed in the past year make it clear that elections matter. Yet only two out of five eligible voters actually cast ballots in the last election. And poll after poll shows increasing public apathy, even hostility, to government at all levels—federal, state, and local. Efforts by foundations to strengthen American democracy—supporting voter registration, public forums such as town meetings, and less knee-jerk news coverage of politics—will be increasingly important as our country moves into the 21st century.

The Republican Congress, often with the support of the Clinton Administration, is headed towards fundamentally changing the form and function of federal social programs affecting children and families. Leadership from national as well as local foundations may well determine if this shift is, in the long-run, a crisis or an opportunity for poor Americans.

Margaret Dunkle is director of the Institute for Educational Leadership's Policy Exchange, a project that seeks to improve education and human-services policies that affect children and families.

ed with charities "have enriched themselves at the public's expense while non-profit organizations have been looted."

On Schedule A of the new Form 990, the IRS has added key employees and family members of charity officials to a list of people with whom the charity might have had transactions that raise potential legal concern, such as the sale of property, lending of money, furnishing of goods or services, and reimbursement of expenses. In the past, charities had to indicate whether they had had such transactions with "trustees, directors, principal officers, or creators, or with any taxable organization or corporation with which any such person is affiliated as an officer, director, trustee, majority owner, or principle beneficiary."

"The IRS clearly thinks that there will be some form of intermediate sanctions at some point in the future," said Ms. DeBoe, "and the service wants to start gathering more information to be ready for it."

Extension of Deadline

Under federal law, a charity generally must file a Form 990 if its annual gross receipts are more than \$25,000. If a charity's gross receipts are less than \$100,000, and its total assets at year's end are less than \$250,000, it may choose to file Form 990-EZ, a shorter form.

Under federal law, charities must make the forms available for public inspection. Charities also must file copies of the returns with most states, which use the forms to help regulate non-profits.

In a published announcement, the IRS said that because it has been slow to print and mail the new Form 990 and Form 990-PF, which foundations must file, some organizations might have difficulty in preparing their returns by the due date. To help, the IRS said it would give groups more time to file the forms without penalties.

Writing New Guidelines

Under the law, non-profits must file their Forms 990 no later than the 15th day of the fifth month after the end of their fiscal year. That means non-profits with fiscal years that ended on December 31, 1993, would have had to file the forms by May 15. The IRS now says that it will give those groups until July 15. Groups with fiscal years ending January 31 also would be given until July 15; their returns usually would be due on June 15 (Announcement 94-37, *Internal Revenue Bulletin* 1994-11).

A key reason for the delay, according to Marc Owens, director of the IRS Exempt Organizations Technical Division: The IRS needed time to write new questions for the Form 990—and draft new instructions—about non-profit lobbying activities. The federal tax law enacted last year denied tax deductions to businesses for their lobbying expenses. The new question affect several kinds of non-but not charities.

DeBoe and Mr. Owens out the Form 990 at the Washington Non-Profit Leadership Conference sponsored by Management Inc., as a newsletter on letters.

Administration Backs New Laws to Curb Charity Abuses

By KRISTIN A. GOSS

WASHINGTON

The Clinton Administration last week asked Congress to enact major new laws to crack down on financial abuses by charities and to make it easier for the public to scrutinize their operations.

Among the key recommendations in a proposal by the Treasury Department:

► Charity officials who receive excessively high pay would have to pay a penalty fee. The Internal Revenue Service would decide what is a reasonable salary by examining a number of factors including the official's duties, background and experience; the amount of time he or she devotes to the charity; and what comparable organizations pay those who perform similar services. Trustees or managers who approve exorbitant compensation for charity officials could also have to pay penalties.

► Non-profits, other than foundations, would have to mail copies of their informational tax returns to anyone who asks.

The recommendations were made before a hearing of the House Ways and Means Committee's Oversight Subcommittee. In two hearings last summer, members of the subcommittee called attention to numerous cases of misuse of funds by charities and found serious shortcomings in the Internal Revenue Service's ability to respond to such abuses.

The subcommittee's chairman, Rep. J. J. Pickle, a Texas Democrat, had asked the Treasury Department, which oversees the IRS, to advise him as he prepares to introduce legislation to tackle some of the problems that he found.

The department's recommenda-

tions closely mirrored those made by Mr. Pickle during his summer hearings. "I endorse what you said," he told Leslie B. Samuels, Assistant Secretary of the Treasury for Tax Policy, who presented the proposal at last week's hearing.

The Treasury Department's recommendations are aimed at strengthening the IRS's hand in stopping people from misappropriating, or wrongly benefiting from, charities' money. The service has complained to Congress that when it spots such abuses, often its only recourse is an extreme measure: revoking a charity's tax exemption. The IRS says that often harms the beneficiaries of the charity's services while leaving unscathed the person who broke the law.

None of the Treasury proposals would affect private foundations. Here are the key elements of the department's proposal:

Taxes on "excess benefits." Any "insider"—an officer, director, trustee, or other person with substantial influence over the charity—who received an unreasonably high salary or an excessive payment for property bought or leased by the charity would have to pay a financial penalty to the IRS and refund the excess payment to the charity. Insiders who paid too little to rent or buy a piece of property owned by the charity also would be subject to the requirement.

The "excess benefits" tax would equal 25 per cent of the portion of the payment that was unreasonable.

Sometimes, the person who received the excessive salary or payment could avoid paying the penalty tax. If he or she refunded the excessive amount to the charity, and if the charity could show that it

had made a good-faith effort to determine a fair payment in the first place, then the Internal Revenue Service might waive the penalty.

If the person refused to repay the excess benefit within a predetermined period of time, he or she would have to pay the IRS a penalty equal to twice the excessive portion of the salary or payment.

The excess-benefits tax would also apply to members of an insider's family, or to an entity in which the insider or his family had a "significant interest."

In addition, any charity trustee or manager who approved an excessive payment—such as a high salary for the president—while knowing that it would make the recipient vulnerable to the "excess benefits" penalty would have to pay a separate 10-per-cent tax on the unreasonable portion of the payment. (The amount the supervisor or trustee would pay would be capped at \$10,000.)

The excess-benefits tax would apply to people associated with charitable organizations that are exempt under Section 501(c)(3) of the Internal Revenue Code and advocacy groups exempt under Section 501(c)(4).

New tax-return requirements. Charities would have to provide copies by mail of their informational tax return, known as Form 990, to anyone who was willing to pay the costs of photocopying and mailing it. Currently, charities are required only to provide the 990 for inspection in their offices. Charities would have to state in their fund-raising letters that copies of the 990 were available.

The IRS also would require new information on the 990. A charity would have to disclose if it had paid

penalties for illegal lobbying and if it had been cited for providing "excess benefits" as described in the proposal. It also would have to report changes in its governing board and outside accountant.

In addition, the government would increase the penalties on charities that do not file timely complete, and accurate 990's. For groups with more than \$1-million in annual revenues, the penalty would be \$100 a day, up to \$50,000; for smaller charities, the penalty would be \$20 a day, up to \$10,000 or 5 per cent of the group's revenues, whichever is less. The penalty for all groups now is \$10 a day.

Bill Could Be Months Away

Within the next several weeks, Mr. Pickle's subcommittee is expected to present a report to the Ways and Means Committee detailing its proposal for new legislation. At the hearing, Mr. Pickle said he would like the Treasury Department to draft the legislation by early April, and Mr. Samuels, the Assistant Secretary, said the department could do so.

Still, it could be months before any comprehensive bill affecting charity regulation is considered. That is because any proposals dealing with charities would almost certainly be attached to a larger piece of tax legislation, but which bill that might be has not been determined.

The Senate has not yet made any move to crack down on charities. But Mr. Samuels said his office had talked to several Senators, whom he did not name, who were concerned about stamping out charity abuses.

"The system is not working as it should," Mr. Samuels said.

New Fund Would Allow Foundations to Pool Investments

Continued from Page 31

Fund for Nonprofit Organizations, which serves colleges, universities, and private schools. Started in 1971 with \$63-million in assets and 72 member institutions, the Common Fund now manages \$16.2-billion for 1,324 members.

Twenty years ago, the Common Fund won permission from Congress to operate as a tax-exempt investment pool that would not be directly regulated by the Securities and Exchange Commission. The foundation fund's planners have tried unsuccessfully for several years to persuade Congress to pass similar legislation to allow it to operate without SEC control. In 1992 Congress twice passed comprehensive tax bills authorizing the fund, but President Bush vetoed the measures for reasons unrelated to the investment pool.

Seeking SEC Approval

Last year the fund's organizers decided to put their hopes for Congressional approval on hold and instead register with the SEC, says David A. Salem, the fund's president and chief executive officer. That meant creating a set of mutual funds restricted by securities laws instead of an unregulated series of pooled funds as originally planned.

The TIFF Investment Program is

now under review by the SEC, according to Michael D. Jones, a spokesman for the commission. He was unable to say when—or if—the new fund would win permission to operate.

Twenty-two investment firms have already been selected to purchase and sell securities. If the program gets the go-ahead from the SEC, it will be open to independent, operating, company-sponsored, and community foundations. Participating foundations will not have to pay sales charges because the investment program is offering so-called no-load funds.

Here is how the five funds will work:

► The TIFF U.S. Equity Fund will invest primarily in stocks from domestic companies, with the goal of exceeding the total return of the Wilshire 5000 Index by 0.75 per cent. The Wilshire 5000 index is based on the performance of the approximately 7,500 U.S. common stocks that trade on a regular basis.

► The International Equity Fund will invest primarily in companies outside the United States. Its aim will be to exceed by at least 1 per cent the total return of the Morgan Stanley Capital International All Country World ex USA Stock Index. The index includes 1,700 companies traded on stock

markets in some 35 foreign countries.

► The Emerging Markets Fund will invest in companies primarily based in developing countries. It will aim to exceed the total return of the Morgan Stanley Capital International Emerging Markets Free Index by at least 1 per cent. The index includes approximately 800 companies traded on stock markets in 13 developing countries.

► The Bond Fund will invest primarily in domestic bonds. It will try to surpass the Lehman Brothers Aggregate Bond Index by at least 0.5 per cent. The index measures the total return produced by the approximately 6,000 bonds for which daily price quotations are readily available.

► The Short-Term Fund will invest primarily in fixed-income securities with maturities of less than three years to outperform the Merrill Lynch 182-Day Treasury Bill Index. The index is designed to track the performance of portfolios invested exclusively in six-month Treasury bills.

With all the funds, the expected returns are based on earnings after all expenses for doing business are subtracted.

At the start, much of the money that will be invested in the funds will come from the medium-size

and large foundations that have committed themselves to getting the project up and running. Mr. Landry of MacArthur says his foundation will be one of the original investors, although officials there have not yet made a commitment on the amount.

More information about the program can be obtained from the Investment Fund for Foundations, P.O. Box 5165, Charlottesville, Va. 22905; (800) 984-0084.

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[The Chronicle of Philanthropy, March 22, 1994]

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Charities to Get Help on Receipts for Donors to Payroll Campaigns

WASHINGTON The federal government plans to provide advice soon to non-profit organizations that are confused about how they should make reports to donors for certain charitable contributions made through payroll-deduction programs, a Clinton Administration official has announced.

Under a federal tax law enacted in August, donors cannot claim deductions for contributions of \$250 or more unless they have receipts from charities. As a result, charities are under pressure from donors to issue acknowledgments.

Michael L. Schultz, attorney advisor in the Treasury Department's Office of Tax Legislative Counsel, noted that when workers make contributions through payroll-deduction plans, charities often do not know the identities of the employees who contributed—or how much money each donated. That, he said, may make it impossible for charities to issue accurate receipts to donors.

To solve the problem, the Treasury Department expects to issue

regulations that would require employers and charities alike to file documents with the federal government that tell as much as they each can about the gifts. That way, Mr. Schultz said, the federal government would wind up with enough information to certify that the gifts were made. Mr. Schultz discussed the matter at the annual Washington Non-Profit Legal & Tax Conference sponsored by Organization Management Inc.

Marc Owens, director of the Internal Revenue Service's Exempt Organizations Technical Division, told the conference that the IRS was surprised by a problem that has turned up frequently during its audits of hospitals, colleges and universities: The way those organizations are mishandling a type of pension plan for their employees described under Section 403(b) of the Internal Revenue Code. Mr. Owens said a wide range of problems had been found with the plans, including the institutions' failure to give all employees a fair chance to sign up.

—GRANT WILLIAMS

NEW BOOKS

Activity-Based Management for Service Industries, Government Entities, and Nonprofit Organizations, by James A. Brinson and John Antos, describes a management technique that divides an organization's work into separate activities that can be individually assessed in terms of cost and performance. The authors contrast their technique to conventional cost-accounting systems and introduce a five-step procedure for calculating the cost of each activity. Case studies are used to illustrate ways in which non-profit and other organizations can identify the services, sectors, and clients that they can serve most effectively. Publisher: John Wiley & Sons, 605 Third Avenue, New York 10158-0012; (800) 225-5945; 364 pages; \$65; ISBN 0-471-01351-X.

Corporate Foundation Profiles, Eighth Edition, edited by Francine Jones, provides extensive information on 228 of the largest company-sponsored foundations in the United States. Most profiles include the foundation's address and telephone number, contact person, grant-making priorities and limitations, types of support provided, finances, governing board and principal staff members, sponsoring company, policies and guidelines for grant applications, and annual reports or other available publications. Also included is an analysis of each foundation's grant making by subject area and number and dollar amount of grants awarded. The directory also contains a list of 1,206 corporate foundations that award at least \$50,000 in grants annually, arranged by total giving. Information is indexed in four ways: by donors, officers, and trustees; by subject area; by types of support provided; and by state. Publisher: Foundation Center, 79 Fifth Avenue, New York 10003-3076; (212) 620-4230 in New York State or (800) 424-9836 elsewhere; 716 pages; \$145 prepaid, plus \$4.50 postage and handling; ISBN 0-87954-505-4.

Directory of Texas Foundations, 13th Edition, 1993/94 lists more than 2,250 private and community foundations operating in Texas and provides descriptions of 1,751. Entries provide data on grant-making priorities and restrictions, sample grants, finances, application process, and trustees. This new edition contains listings of 187 new foundations, and indexes information three ways: by trustees and officers, city, and grant-making areas. The Funding Information Center also publishes *Analysis of Texas Foundations, Third Edition, 1994*, which is designed for use in conjunction with the directory. Based on data reported by Texas founda-

tions, it is divided into two parts: giving priorities and grant-distribution patterns of the 100 largest foundations, and an analysis of grant distribution and foundation assets arranged by major cities and geographic regions. Publisher: Funding Information Center, P.O. Box 15070, San Antonio 78212-8270; (210) 227-4333; *Directory of Texas Foundations*; 260 pages; \$110 prepaid; *Directory of Texas Foundations and Analysis of Texas Foundations*; 496 pages total; \$159 prepaid; *Text and Grantsseekers Kit* (contains the two publications plus *The Texas Connection* newsletter); \$188 prepaid.

A Legal Guide to Starting and Managing a Nonprofit Organization, Second Edition, by Bruce R. Hopkins, discusses the various state and federal corporate, tax, and fund-raising laws that affect non-profit incorporation. Among the topics discussed: how to determine the category of non-profit to be established, fundamental distinctions between non-profit and for-profit organizations, lobbying and political activities, fund-raising regulation, employee compensation, for-profit subsidiaries, planned giving, and personal liability. The book concludes with two chapters that examine both the short-term and long-term prognoses for non-profits. The first edition was published in 1989; this new edition provides updated information on rules, regulations, and laws that apply to non-profits and fund raising. Publisher: John Wiley & Sons, 605 Third Avenue, New York 10158-0012; (800) 225-5945; 304 pages; \$19.95 paper and \$49.95 cloth; paper, ISBN 0-471-58506-8; cloth, ISBN 0-471-58507-6.

Taking Giving Seriously, by Paul G. Schervish with Obie Benz, Peggy Dulany, Thomas B. Murphy, and Stanley Saletti, contains six essays on the motivations that underlie philanthropic giving by wealthy individuals. The book is based on research conducted by Mr. Schervish at Boston College's Social Welfare Research Institute and on a seminar sponsored by the Indiana University Center on Philanthropy. "Taking Giving Seriously: the Responsibilities and Opportunities of Wealth." Mr. Schervish contributes two essays based on his study of 130 wealthy donors, which include a discussion of six characteristics he finds to be typical of most philanthropists. In their essays, the other authors relate their personal experiences as donors and founders of philanthropic organizations. Mr. Saletti's essay analyzes trends in giving by wealthy members of the "baby boom" generation and calls on that seg-

ment of the population to pay more attention to philanthropy and social responsibility. Publisher: Indiana University Center on Philanthropy, 350 West North Street, Suite 301, Indianapolis 46202; (317) 274-4200; 110 pages; \$9.95, plus \$4 postage and handling; ISBN 1-884354-00-9.

OTHER PUBLICATIONS

Building Resiliency: What Works! A Community Guide to Preventing Alcohol & Other Drug Abuse Through Positive Youth Development is based on topics discussed at a 1993 forum sponsored by the National Assembly and the Center for Substance Abuse Prevention. Intended for use by youth-development specialists, parents, educators, and others, the guide stresses the concept that it is necessary not only to prevent substance abuse among young people but also to help develop their skills and attitudes. Essential elements of youth-development programs that have proved effective, and ways in which community members can get involved in such programs are discussed. Publisher: National Assembly Publications, 1319 F Street, N.W., Suite 601, Washington 20004; (202) 347-2080; 94 pages; \$9.95, plus \$3 postage and handling for National Assembly members; \$11.95, plus \$3 postage and handling for non-members.

Identifying Characteristics of "Religious" Organizations: An Exploratory Proposal, by Thomas H. Jeavons, examines problems that may come up when determining whether or not to define an organization as "religious" and suggests various characteristics that can be used to definitively categorize religious groups and organizations. Publisher: Program on Non-Profit Organizations, Institution for Social and Policy Studies, Yale University, P.O. Box 154, 88 Trumbull Street, New Haven, Conn. 06520-0154; (203) 432-2121; 58 pages; \$5.50 prepaid; ask for PONO Working Paper No. 197 or ISS Working Paper No. 2197.

The Receipts and Benevolences of Presbyterian Congregations, 1973-1988, by Gregory A. Krohn, puts forth an economic model of the income of religious congregations and applies it to a national sample of 40 Presbyterian congregations over a 15-year period. Publisher: Program on Non-Profit Organizations, Institution for Social and Policy Studies, Yale University, P.O. Box 154, 88 Trumbull Street, New Haven, Conn. 06520-0154; (203) 432-2121; 29 pages; \$4.50 prepaid; ask for PONO Working Paper No. 199 or ISS Working Paper No. 2199.

IN BRIEF: Managing

President Clinton to Appoint Aides to Help Charities

President Clinton next month plans to announce the appointment of about two dozen "liaisons" to non-profit groups.

The liaisons will be the federal officials to whom charities take their suggestions about policies affecting the non-profit world. The liaisons also will hear non-profits' proposals for working more closely with federal agencies on social programs.

The liaisons represent every Cabinet department and various other federal bodies, including the Environmental Protection Agency and the Office of National Drug Control Policy.

"We see this network as a forum for the liaisons to communicate both among themselves and with the non-profit world," said Melanne Verveer, a deputy assistant to the President who has been in-

involved in creating the new positions.

President Clinton is scheduled to introduce the liaisons at a ceremony April 12 at the White House. At the gathering, to which some 200 charity and foundation officials have been invited, the President will discuss the "important role that non-profits play in our society," Ms. Verveer said.

The liaisons were named in response to non-profits' calls for better access to the Administration.

U.S. to Award \$26-Million for Technology Projects

The federal government is seeking proposals from non-profits for pilot projects showing how Americans can benefit from having access to advanced, interactive telecommunications and information technologies.

The U.S. Department of Commerce's National Telecommunications and Information Administration will give matching grants totaling \$26-million to non-profits and state and local government agencies for projects that serve the public interest while promoting the development of the national "information superhighway"—a broadband, two-way communications network that is ultimately expected to link the nation's homes, schools, businesses, and public and non-profit enterprises. The application deadline is May 12.

Application kits are available from Charles M. Rush, Acting Director, Office of Telecommunications and Information Applications, U.S. Department of Commerce, National Telecommunications and Information Administration, 14th Street and Constitution Avenue, N.W., Room H-4889, Washington 20230; (202) 482-2048. The fax number is (202) 482-2156; electronic mail can be sent to tiap@ntia.doc.gov.

Cal. Court Says Boy Scouts Must Admit Atheists

The Boy Scouts have no constitutional right to bar atheists, a California court has ruled.

The decision by a panel of the California Court of Appeal upheld a lower-court ruling prohibiting the Scouts' Orange County Council from excluding Michael and William Randall from membership. The 12-year-old twins were kicked out in 1989 after they refused to pledge their "duty to God," as required in the Cub Scout Promise. Their lawyer-father, James Grafton Randall, sued the Scouts in 1990 for allegedly violating the state's Unruh Civil Rights Act, which bars discrimination on the basis of religion, among other factors.

The appeals-court panel split 2-1 in favor of the Randall boys. The majority opinion said that the Boy Scouts are "businesses" subject to the Unruh Act. In his dissent, Justice David Sills said that the Scout

organization's rights to freedom of association and speech "take precedence over" state law, and that the Unruh Act "was never intended to coerce private groups like the Boy Scouts into lock-step conformity with the same rules that govern hotels and pizza parlors."

The Scouts said they would appeal the ruling to the California Supreme Court.

Marin Community Fund Charged With Racism

A black program officer at the Marin Community Foundation has charged that its administration practices racial discrimination.

In a complaint filed last week with the regional office of the federal Equal Employment Opportunity Commission, Larry L. Saxxon alleged that a continuing pattern of discrimination had forced several minority-group staff members to leave the foundation and created great stress among those who remain.

"The place is not appreciative of the diversity brought by people of color," Mr. Saxxon said in an interview. As a result, he added, the foundation "has one of the highest rates of staff attrition for a foundation of its size anywhere in the country."

Stephen Dobbs, the foundation's president, declined to comment on the complaint until he had had an opportunity to see it.

New York Jewish Group Changes Newspaper Deal

Under pressure from critics, the United Jewish Appeal-Federation of Jewish Philanthropies of New York has changed its policy for supporting local Jewish newspapers.

For 15 years, the UJA-Federation has subsidized *The Jewish Week*, a Manhattan weekly, by purchasing thousands of subscriptions at a discounted price, to give them away to the charity's donors. Publishers of other Jewish newspapers—and some UJA supporters—have complained that the UJA-Federation's relations with *The Jewish Week* are too close, giving the paper an unfair edge in competition for advertisers and subscribers (*The Chronicle*, November 16).

The new policy will permit the publishers of *Long Island Jewish World*, a weekly newspaper based in Great Neck, to send four promotional copies to each of the UJA-Federation's Long Island supporters. After the four issues have been sent, donors would be given choice of which paper they want to receive: *The Jewish Week*, *Long Island Jewish World*, regardless of their choice, the would not have to pay for the publication.

Under the new policy, the UJA-Federation would also reduce its payments to *Week*, which last year received \$825,000 from the c

[The Chronicle of Philanthropy, March 22, 1994]

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Statement by

THOMAS A. TROYER
Caplin & Drysdale
Washington, D.C.
on H.R. 823

The Lobbying Disclosure Act of 1993

SUBCOMMITTEE ON ADMINISTRATIVE LAW AND GOVERNMENTAL RELATIONS
COMMITTEE ON THE JUDICIARY

Room 2237 Rayburn House Office Building
10:00 a.m., March 31, 1993

My name is Thomas Troyer. I am a member of the law firm of Caplin & Drysdale. I represent a broad range of charitable and educational organizations, and I am the former chair of the Exempt Organizations Committee of the American Bar Association Tax Section. I appear today as counsel to INDEPENDENT SECTOR and a member of that organization's Government Relations Committee. I appreciate very much the opportunity to participate in this hearing.

INDEPENDENT SECTOR is a nonprofit coalition of over 850 corporate, foundation and voluntary organization members with national interest and impact in philanthropy and voluntary action. The organization's mission is to create a national forum capable of encouraging the giving, volunteering and not-for-profit initiative that help all of us better serve people and communities. I attach a list of INDEPENDENT SECTOR'S members.

I would like to focus my comments today on one specific aspect of H.R. 823 – the application of the legislation to charities. To do that as helpfully as possible for the Committee, I will touch on three principal points: (1) the special nature of charities and the law governing them as those facts bear on the purposes of H.R. 823; (2) the established congressional policy of encouraging charities to participate in lobbying activities and the character and effect of the tax law which embodies that policy; and (3) the amendments of H.R. 823 which these considerations demonstrate to be desirable.

- 1 -



UNIQUE NATURE OF CHARITIES AND LAWS GOVERNING THEM

The legislative history of the Lobbying Disclosure Act suggests that the fundamental aim of the legislation is to compel public disclosure of contacts with federal officials by individuals or organizations which seek to derive private financial benefit from those contacts. The scandals at HUD from 1981 to 1988 and the series of abuses surrounding the Wedtech Corporation, cited in the legislative history as archetypal illustrations of the need for the Act, are clear examples of contacts with federal officials seeking just such private financial benefit. Contacts of this sort almost invariably possess their special capacity to produce the results at which they aim by reason of the ability of the individual or organization making the contact – quite permissibly under existing law – to take active part in the political campaign process to support the federal official being contacted or the Administration of which he or she is a part.

Charities, by their very nature and by the special federal tax laws governing them, are barred from producing private benefit – financial or otherwise – and from participation in the political campaign process. To be entitled to tax exemption and qualification to receive deductible charitable contributions, they must be established for religious, educational, or other charitable purposes – all purposes which the law has long determined to be of public, not private, benefit. To reinforce that point, since its inception, the federal tax law has specified that "no part of the [assets of a qualifying charity may inure] to the benefit of any private [party]."

Moreover, the tax law has long prohibited charities from participating in any political campaign for or against a candidate for public office. That bar is strict and absolute. A charity may not contribute to, organize, manage, or be identified with a Political Action Committee. It may not contribute to a political campaign. It may not endorse a candidate for political office. It may not in any other way, directly or indirectly, support or oppose a political candidate's campaign.

A charity which violates any of these rules loses its tax exemption and qualification to receive deductible contributions. A charity which violates the political prohibition also becomes subject to special penalty excise taxes, and the individuals who manage the charity themselves become personally liable for additional penalty excise taxes under certain circumstances. To afford an additional safeguard against political campaign activity, the Internal Revenue Code grants the IRS the special, highly unusual power to seek prompt court injunctions against the proscribed conduct – without awaiting the end of the offending organization's tax year, as the IRS must do in virtually every other civil or criminal tax proceeding.

Charities, then, are uniquely and stringently prohibited from the kinds of abuse which underlie the need for the Lobbying Disclosure Act. INDEPENDENT SECTOR is not on that account arguing that the Act ought not apply to charities. It does, however, contend that, where other factors demonstrate the desirability of special and somewhat more limited

treatment of charities under the Act, these unique restrictions on charities justify that treatment.

CONGRESSIONAL ENCOURAGEMENT OF LOBBYING BY CHARITIES

Congressional Opening of Lobbying Process to Charities

Recognizing the fundamentally public nature of charities' purposes – and their strict exclusion from any involvement in political campaigns – Congress has since the mid-1970's squarely and forcefully encouraged robust participation by charities in the development of public policy.

For many years before that, the tax law specified that "no substantial part" of a charity's activities could consist of attempting to influence legislation. In the late 1960's, the IRS attacked the exemptions of several charities because of their legislative activities. Its attention drawn to the problem by the IRS actions, Congress in 1971 began a five-year process of relieving the statutory pressure and devising legislation which would enable charities to lobby vigorously. That process culminated in the 1976 enactment of legislation adding sections 501(h) and 4911 to the Internal Revenue Code – provisions that prescribe both a detailed statutory definition of lobbying and clearly defined, and quite liberal, limits on the amount of lobbying which a charity may conduct.

The legislative history is quite plain about the purpose of the Congressional effort:

Senator Nelson:

- o The present law [that is, the "substantial part" restriction] effectively inhibits a diverse, informed, and important segment of our society from presenting its views either to Congress or State and local legislative bodies, and deprives legislators of the experience and knowledge of these charities." 119 Cong. Rec. 5746 (daily ed. February 28, 1973)
- o "These organizations represent the public in many important areas such as health, education, and the environment. These groups have much information to contribute and a wide range of helpful experience that could greatly assist the consideration and enactment of this country's laws." 119 Cong. Rec. 5749 (daily ed. February 28, 1973).

Rep. Conable:

- o "The role of the charities in a pluralistic society – something we are all dedicated to – is constructive and the charities should not be muzzled." 119 Cong. Rec. 42632 (daily ed. December 19, 1973).

Sen. Muskie:

- o "It makes no sense to decide that these organizations operate in the public interest and grant them tax-exempt status and then silence them when they attempt to speak to those who must decide public policy." 117 Cong. Rec. 8517 (daily ed. March 30, 1971).
- o "These organizations can be a valuable source of information; they can broaden legislators' understanding of proposed legislation, and they can suggest valuable legislative alternatives." 121 Cong. Rec. 42028 (daily ed. December 19, 1975).

Sen. Dole:

- "Charities can be and should be important sources of information on legislative issues." 121 Cong. Rec. 42032 (daily ed. December 19, 1975).

In 1986, when the Treasury Department proposed unduly restrictive regulations interpreting the 1976 legislation, Congress promptly and forcefully reaffirmed its commitment to the legislative goal of encouraging charities' active participation in the lobbying process. Seventeen of the 20 members of the Senate Finance Committee joined in a highly critical letter to the Secretary of the Treasury, strongly urging withdrawal of the regulations. A considerable majority of the members of the Ways and Means Committee wrote the Secretary to the same effect. The Chairman of the Ways and Means Committee wrote a separate letter of his own expressing similarly grave concern about the proposed regulations. Treasury quickly suspended its proposal.

Treasury and the IRS then entered upon a four-year exercise which resulted in the 1990 adoption of final regulations fundamentally faithful to Congress' intent. The regulations are long and complex, but they provide detailed definitions and highly useful examples of the various requirements of the 1976 legislation.

Careful Development of 1976 Legislation and 1990 Regulations

Both the 1976 tax statute and the 1990 regulations were formulated in thoughtful, deliberate, measured processes. From 1971 to 1976, at least 11 bills were introduced with the essential objective of freeing charities from the existing tax restraint on their lobbying activities. In 1972, the Ways and Means Committee held three full days of hearings on the subject, receiving testimony from more than 100 witnesses. Thereafter, bills were drafted and redrafted, exposed for public and Treasury comment, and redrafted again. Additional hearings were held by the full Ways and Means Committee in 1976.

Carefully refined to resolve the concerns expressed from varying points of view during this process, the final bill was approved by the Ways and Means Committee in 1976. It had broad bipartisan support. The Chairman of the Committee, its senior Republican, Congressman Barber Conable, and many other members of the Committee joined in co-sponsoring it, and it was reported by the Committee and passed by the House without a single dissenting vote. Forty-three senators joined in sponsoring the Senate counterpart of the bill -- including Senators Muskie, Dole, Leahy, Baker, and Stevens. While it was finally enacted as a part of the Tax Reform Act of 1976, no objection to the bill was raised either in the Senate Finance Committee or on the Senate floor.

The 1990 Treasury regulations which interpret and elaborate on the legislation were developed in the same careful, thoughtful, and deliberate way as the legislation itself was. After the suspension of the 1986 proposed regulations, fundamentally revised regulations were drafted and proposed. Two sets of public hearings were held. Evolving drafts of the regulations were made public for comment. The Commissioner of Internal Revenue appointed a special Exempt Organization Advisory Group which, from 1987 to 1990, devoted its attention almost entirely to the regulations. Treasury and the IRS received a large number of written comments from the public. As one might expect from this deliberative process, the final regulations adopted in 1990 both adhere to the overriding Congressional purpose of the 1976 legislation and manifest a degree of care and sophistication -- most importantly, in their definition of lobbying -- rarely found in tax or other regulations.

Results of 1976 Legislation

From 1976 to the present, with only a temporary hiatus while the draconian 1986 proposed regulations were outstanding, a broad and diverse part of the charitable community has accepted the Congressional invitation to participate in the lobbying process. These charities range from such well-known national organizations as the American Heart Association, National Council on Aging, the American Lung Association, the National Audubon Society and Reading is Fundamental to a host of less prominent groups, such as local YMCAs, Citizens for Safe Drivers, the Travellers Aid Society, the Society for Pediatric Research, and the Coalition for Persons with Disabilities.

Groups like these have made a great many useful contributions to public policy debates on a variety of issues. For example:

- o The American Council of the Blind provides information to policymakers on the impact of their decisions on those whose vision has been impaired. When Congress considered reduction of the postal subsidy supporting the Blind and Visually Handicapped Mailing Privilege, the Council demonstrated the effect of the proposed reduction for those who would, under it, be unable to afford postage for braille and recorded materials.

- o State and local Mental Health Associations regularly provide Congress and other policymakers information on a emerging needs for research on, and treatment of, mental health problems.
- o The National Council on the Aging, in its work with the Senate Committee on Aging and other federal officials, has provided important assistance in creating the Senior Services Employment provision of the Older Americans Act and other matters within its field of concern.
- o Chapters of the American Cancer Society from all around the country regularly point up critical needs in cancer research and treatment for Congress and the Executive Branch.

While charities have made much use of the lobbying latitude granted them by 1976 legislation, little or no evidence of abuse of that latitude has been found. Indeed, IRS officials have repeatedly and publicly stated their satisfaction with the 1976 legislation and with the 1990 regulations.

AMENDMENTS DESIRABLE IN H.R. 823

As this Subcommittee, and the Congress, now work to apply the Lobbying Disclosure Act to charities, it is vitally important to proceed with the same sensitivity to encouraging charities' energetic participation in the lobbying process so evident in the congressional tax law actions beginning in 1971. To assist you in doing so, INDEPENDENT SECTOR'S Lobby Disclosure Steering Group has developed a set of six proposed amendments to H.R. 823. A copy of those amendments, and a detailed statement of rationale for each, is attached. I will confine my remarks here to a brief discussion of the most important amendments.

The Definition of "Lobbying." As we have seen, charities are already operating under a detailed and carefully devised tax law definition of lobbying. H.R. 823 would require charities to learn, teach their staffs, and comply with a second complex definition. While similar in many respects, the two definitions are different in others. For example:

- o Under the tax definition, discussions of a possible policy initiative become lobbying only when the concept ripens into a "specific legislative proposal." Under H.R. 823, even the earliest of general discussions appear to constitute reportable lobbying.
- o Under the tax definition, lobbying does not include responding to a written request for technical assistance from a committee or subcommittee whether that response is provided in writing or, as is often the case, through participation by charities' personnel in brainstorming sessions with committee members or their staffs. H.R. 823 excludes only a written response from the

definition of lobbying; participation in oral give-and-take discussions would be reportable as lobbying.

- o The tax law definition encompasses only efforts to influence legislation, and does not include efforts to influence Executive Branch decisions. The H.R. 823 definition includes both.

While INDEPENDENT SECTOR acknowledges, and appreciates, the effort already made to reduce the burden of the H.R. 823 definition by allowing charities to base their lobbying expenditure reports on the tax law definition, the root problem remains. Charities would still be required to understand and comply with the Lobbying Disclosure Act definition to track and report their lobbying contacts and the issues on which they lobby.

To resolve the problem, it seems appropriate to take account of the unique legal constraints which, together, govern charities alone among the individuals and organizations to which H.R. 823 applies. As we have seen, charities are required to serve purposes which the law has determined beneficial to public, not private, interests; the tax statute specifically precludes them from affording any private individual or organization financial or other benefit; and they are foreclosed from any participation whatsoever in the political campaign process by strict and absolute rules, enforced by several tiers of severe sanctions.

Accordingly, it appears consistent with the aims of the Lobbying Disclosure Act to apply the tax definition of lobbying to charities. Particularly for smaller charities, that step will eliminate the confusion, misunderstanding and intimidation of complying with a new, different and complex definition of the term; and it will thereby remove the Lobbying Disclosure Act's quite likely deterrent impact upon precisely those activities in the public policy arena which Congress, beginning in 1976, has so strongly sought to encourage through the tax laws. INDEPENDENT SECTOR consequently recommends that H.R. 823 be amended to allow charities to base their registration and reporting duties on the tax definition of lobbying.

The Definition of "Lobbyist." For many organizations -- including many local charities -- the obligation to register under H.R. 823 will turn on whether they have any employees who constitute "lobbyists" under the Act. Unfortunately, the Act's definition of "lobbyist" is highly subjective, encompassing any employee engaged in lobbying contacts "other than an individual whose lobbying activities are only incidental to, and are not a significant part of, [the employee's] services."

INDEPENDENT SECTOR believes that it is important to clarify this standard by providing an objective test for determining when an employee becomes a lobbyist.

Accordingly, INDEPENDENT SECTOR recommends that H.R. 823 be amended to provide a bright line test under which lobbying contacts will be treated as incidental and not significant if an employee devotes less than 10 percent of his or her time to them.

The Expenditure Threshold. Subjecting the very many local charities engaged in lobbying to H.R. 823's registration and reporting requirements would have a profound deterrent effect on their participation in the public policy process. To avoid this highly undesirable result, INDEPENDENT SECTOR recommends increasing the semi-annual expenditure threshold from \$1,000 to \$10,000.

The Administering Agency. By assigning responsibility for regulation of lobbying disclosure to the Justice Department, Congress risks sending a signal precisely opposite to that which it has been sending charities from 1976 to the present – that lobbying has become a suspect activity which must be overseen by the federal government's principal law enforcement agency. INDEPENDENT SECTOR believes it would be far more appropriate to assign administrative responsibility for the Act to the Office of Government Ethics.

CONCLUSION

The fundamental, compelling objective of the 1976 tax law is, within carefully defined parameters, to encourage vigorous participation by charities in the lobbying process. The law achieves that objective when it frees a large national charity to participate in a significant national issue. More commonly, it achieves that end when it frees state and local charities to present their views to federal officials. The public policy work of the American Cancer Society is highly important. The work of a Texas charity promoting the arts is also important. So, too, is that of a Massachusetts Mental Health Association or a Kansas YMCA, a California or Ohio United Way, a North Carolina or Pennsylvania Junior League, or a Minnesota, South Carolina, or Virginia charity for the handicapped.

Indeed, these groups and their work are more than important. They are an essential part of the functioning of our democracy. In permitting such charities broad access to federal officials, the 1976 tax law performs a function of vital significance to the workings of our democratic process. The Lobbying Disclosure Act should be appropriately amended so that it does not impede or deter this critical work of our charitable community.



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October 21, 1994

Ms. Carol Rasco
Assistant to the President for
Domestic Policy
Executive Office of the President
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Carol:

It was good of you and Doris to meet with John Kemp, Executive Director, United Cerebral Palsy Association; Frank Monahan, Director, Office of Government Liaison, U.S. Catholic Conference; Tom Troyer, Caplin and Drysdale; Bob Smucker, Vice President, INDEPENDENT SECTOR (IS); and me to discuss how IS might work more closely with the Administration on key IS Government Relations priorities that will come before the next Congress. You had mentioned being in touch with Bob Rubin and Bruce Lindsey regarding our issues and we hope it will be possible to meet with them shortly after the election.

There are two matters of pressing concern, one even more immediate than the other.

The matter of greatest urgency is the Lobby Disclosure Act, which we understand will be introduced early in the next Congress. As Tom Troyer pointed out, INDEPENDENT SECTOR fully supports disclosure of lobbying activities by charities. However, that disclosure should be based on IRS definitions of what constitutes lobbying and not under a new and substantially different set of rules being proposed under the Lobby Disclosure Act. It's my clear sense that charities will aggressively oppose the Lobby Disclosure Act if it is not modified to permit charities to disclose under the IRS rules.

The President and the First Lady have stated repeatedly the importance of strong advocacy by charities for their causes and clients. Support of our position on the Lobby Disclosure Act would help immeasurably to buttress that advocacy.

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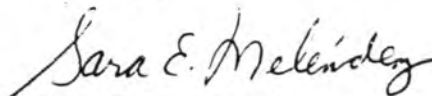
The second issue is omnibus legislation which we plan to have introduced early in the next Congress. We are seeking Administration's support for that measure which will include dropping the charitable tax deduction from the 3% floor, providing a charitable tax deduction for generous nonitemizers, permitting tax deductions for gifts of appreciated stock to private foundations, establishment of a "common fund" for investments of foundations, intermediate sanctions and increased disclosures of a charity's IRS 990 Form, and perhaps dropping the cap from tax exempt bonds.

The need for this legislation is clear. As Frank Monahan pointed out, new INDEPENDENT SECTOR research on giving and volunteering shows that giving has fallen a full 25% since 1989 and volunteering has declined from 54% in 1989 to 48% in 1993. The research also demonstrated, once again, that those who contribute to charity are more likely to volunteer.

Charities have suffered a double whammy in recent years from reduced giving and volunteering. Add to that the fact that support for human services has dropped \$77 billion from 1980 to 1994 and it becomes exceedingly clear that unless these issues are addressed, the independent sector is simply not going to be able to provide the services that are central to the kind of society that all of us want.

Again, thanks for meeting with us. We hope to meet again with you and others whom you might designate, soon after the election.

Sincerely,

A handwritten signature in cursive script that reads "Sara E. Meléndez".

Sara E. Meléndez

cc: John Kemp
Frank Monahan
Tom Troyer
Bob Smucker

GOVERNMENT RELATIONS INFO AND ACTION FOR INDEPENDENT SECTOR MEMBERS AND ADVOCATES

INDEPENDENT SECTOR Opposes the Lobby Disclosure Act of 1993 as Presently Written.

- The Lobby Disclosure Act of 1993 would have the effect of requiring many nonprofits to needlessly keep a second set of detailed records of their lobbying activities. ✓
- INDEPENDENT SECTOR (IS) fears the record keeping burden would be a major disincentive to lobbying. ✓
- Organizations are urged to sign on to the enclosed letter to Congressman Jack Brooks, Chairman of the House Committee on the Judiciary.
- Please contact now your House members and the President urging IS's proposed change in the legislation.

BACKGROUND

The Senate has passed legislation which would have the effect of requiring public charities to keep a second set of detailed lobbying records, in addition to records already required under the complex rules of the Internal Revenue Service. The legislation, HR823, is on a fast track in the House, having been approved by the Subcommittee on Administrative Law and Governmental Relations of the House Committee on the Judiciary. The full House may vote on the measure in February, so it is very important for you to send your message now to House members and the President, urging them not to support the legislation in its present form. Ask them to support permitting nonprofits to disclose their lobbying activities under existing Internal Revenue Service rules, and to oppose requiring them to disclose their lobbying activities under the new, complex set of definitions being proposed in the Lobby Disclosure Act of 1993.

PRINCIPAL PURPOSE OF THE LOBBY DISCLOSURE ACT

The principal purpose of the Lobby Disclosure Act of 1993 is to compel public disclosure of contacts with public officials by those who seek private financial benefit from those contacts. The scandals at HUD from 1981 to 1988, and the abuses surrounding the WEDTECH Corporation were cited in legislative history as illustrations of the need for this legislation.

DISCLOSURE REQUIRED BY THE ACT

The Lobby Disclosure Act of 1993 (LDA) requires disclosure of lobbying contacts with federal agencies and committees of Congress, disclosure of the issues lobbied, and disclosure of the amounts spent on such lobbying. Nonprofits are already required to report the amount they spend on lobbying, as lobbying is defined by the IRS. The LDA would require us also to disclose issues lobbied, and lobbying contacts with committees and agencies.

INDEPENDENT SECTOR POSITION ON DISCLOSURE

INDEPENDENT SECTOR is absolutely committed to the principle of public disclosure of our sector's lobbying and advocacy efforts aimed at influencing public policy. Moreover, we recognize the need to clarify certain federal registration and reporting requirements for lobbyists and to improve compliance and enforcement. Nonprofits have stated from the outset our willingness to disclose our contacts with federal agencies and committees of Congress and the issues we lobby - in addition to lobbying expenditures - which we already report to the IRS.

PRINCIPAL PROBLEM WITH THE LOBBY DISCLOSURE ACT

The big problem with the LDA is it would require voluntary organizations to report under a second set of complex rules governing lobbying. We are now required to report lobbying expenditures under Internal Revenue Services Regulations. Those rules, issued in 1990, run 47 pages. Nonprofits are struggling to understand these important but complex rules and to be required now to master a second set of complicated rules (another 47 pages?) is likely to result in many groups being scared off or concluding that to be engaged in public policy debate simply isn't worth the significant additional record keeping burden.

The differences between the reporting now required by the IRS and that which would be required by the Lobby Disclosure Act of 1993 are substantial. Attachment A provides a list of the differences between the LDA, as passed by the subcommittee in the House, and the IRS rules. The list gives clear evidence that to comply with the LDA, public charities would have to keep a second set of detailed records on a substantially different set of lobbying rules.

According to a list compiled by the IRS showing how much individual charities spend on lobbying, the House legislation would apply to the more than 1,000 national, state and local voluntary organizations that spend more than \$2,500 semi-annually on federal, state and local lobbying (as lobbying expenditures are defined by the IRS). The legislation would apply to them if the organization also had an employee who spends more than 10% of his/her time on federal lobbying. The effect of the legislation would be to require record keeping by all organizations that think they might spend \$2,500 semi-annually on lobbying and have an employee who might spend more than 10% of his/her time on federal lobbying.

Many organizations can't be certain at the start of a six-month period how much they will spend on lobbying or how much time will be devoted to it. It's likely that many organizations, to be safe, would simply discontinue their lobbying altogether, or at least stop that activity when they began to approach the time and dollar threshold limits.

It's also clear that the legislation, in its present form, will place a special burden on small charities because they will be least able to comply with the additional record keeping burden. For larger groups, the legislation will divert funds from services.

A REASONABLE SOLUTION TO THE DOUBLE REPORTING BURDEN

There is a reasonable solution. Nonprofits have maintained from the outset of the legislation that despite the lack of evidence of abuses, they would be willing to provide the disclosure information, including committees and agencies lobbied, the issues on which we lobbied, as well as that which we already disclose to the IRS on our lobbying expenditures. However, we want to report the lobbying disclosure information required by the LDA, as the IRS has defined lobbying, not under the different, complex set of lobbying definitions being proposed by the LDA.

ACTION REQUESTED

We urge you to sign on to the attached letter (Attachment B) by faxing Attachment C to us by January 20. Even more important, send your own letter to your member of the U. S. House of Representatives and to the President. Urge them to oppose HR823, the Lobbying Disclosure Act of 1993, as now written and ask for modification that would permit nonprofits to report their lobbying disclosure activities under IRS rules defining lobbying--not under the new lobbying definitions being proposed by the Lobby Disclosure Act of 1993 . The legislation probably will come up for vote in February, so we urge you to act now.

While it is very important to contact all members of the House, members of the House Committee on the Judiciary (Attachment D) are particularly important. All members of the House and the President may be contacted as follows:

House Members

The Honorable _____
United States House of Representatives
Washington, D.C. 20515

Dear Mr./Ms. _____:

Sincerely yours,

President

The President
The White House
Washington, D.C. 20510

Dear Mr. President:

Sincerely yours,

Differences Between the Definitions of Lobbying by Charities

Under the Lobbying Disclosure Act of 1993 and the Internal Revenue Code

This analysis was developed for the
Alliance for Justice and other public charities
concerned about the Lobby Disclosure Act of 1993 (HR 823)

(Note: The phrase "for tax purposes" used below refers to the definition of lobbying applicable to public charities under the Internal Revenue Service regulations.)

1. For tax purposes, lobbying includes only efforts to influence legislation and administrative decisions relating to the legislation. Under H.R. 823, lobbying includes efforts to influence every form of executive branch decision making.
2. For tax purposes, discussions of public policy issues become lobbying only when the concept ripens into a "specific legislative proposal." Under H.R. 823, even the earliest of general discussions appear to constitute reportable lobbying.
3. For tax purposes, efforts to influence legislation that might affect the existence of a nonprofit organization, its powers and duties or its tax exempt status, need not be recorded or reported. Under H.R. 823, such "self-defense" lobbying must be reported.
4. For tax purposes, technical assistance provided in response to a written request from a committee or subcommittee, including oral brainstorming sessions, are not reported as lobbying. Under H.R. 823, technical assistance activities may trigger an obligation to register unless they are made in writing, and all technical assistance, no matter what form it takes, must be recorded and reported by a registrant.
5. For tax purposes, testimony delivered by representatives of a nonprofit organization at the invitation of a committee or subcommittee is not included in the definition of lobbying. Under H.R. 823, the testimony and all of the work done in preparation for it must be recorded and reported.
6. For tax purposes, an organization's communications with its members regarding legislation is either excluded from the definition of lobbying altogether or is treated as direct lobbying. Under H.R. 823, all membership communications constitute grassroots lobbying.
7. For tax purposes, communications with the public regarding legislation do not constitute grassroots lobbying unless they include a call to action. Under H.R. 823, the definition of grassroots lobbying may include public education and other activities that do not include a call to action.

8. For tax purposes, direct lobbying only includes communications with a member or employee of a legislative body. Under H.R. 823, communications with members-elect, who have not yet taken office, and communications with unpaid volunteers of a member are both treated as direct lobbying.

9. For tax purposes, expenditures for research, reports and other activities need not be reported as lobbying expenditures, even though they are subsequently used in connection with lobbying, except under carefully defined circumstances. Under H.R. 823, the circumstances under which the subsequent use of nonlobbying materials must be reported are not clearly defined.

10. For tax purposes, nonpartisan analysis, study or research is excluded from the definition of lobbying. Under H.R. 823, such reports, studies and other balanced materials appear to be included.

11. For tax purposes, payments by nonprofits to other organizations are generally not treated as lobbying expenditures unless they are earmarked for the purpose of lobbying. Under H.R. 823, the payments that would have to be reported appear to be broader.

12. For tax purposes, expenses for activities that have a lobbying and a nonlobbying purpose need not be reported entirely as lobbying expenditures under certain circumstances. H.R. 823 does not address this issue, leaving open the possibility that the full cost of mixed purpose expenditures will have to be reported or that different allocation rules will be required.

13. For tax purposes, expenditures that must be reported in connection with lobbying activities are narrowly defined. Under H.R. 823, expenditures for all "efforts in support of" lobbying, including "preparation and planning activities, research and other background work" must be recorded and reported.

14. For tax purposes, some nonprofit organizations are required to report their lobbying activities on an aggregate basis with their local or state chapters or other affiliated organizations. Under H.R. 823, these affiliated organizations would be required to file separate reports.

January , 1994

Honorable Jack Brooks
Chairman
Committee on the Judiciary
U.S. House of Representatives
Washington, D.C. 20518

Dear Mr. Chairman:

We are writing to express our deep concern about the potential harmful effects of H.R. 823, the Lobbying Disclosure Act of 1993, on the public policy activities of nonprofit organizations. While the Act, now pending before the Judiciary Committee, attempts to make important and needed changes to existing registration laws, it would also subject nonprofits to multiple and inconsistent reporting and recordkeeping requirements that will deter nonprofit organizations across the country from engaging in education and advocacy on a wide range of issues. With some adjustment, we believe the Act can accomplish its aims without adversely affecting the advocacy activities of nonprofits, which are already subject to comprehensive lobbying regulations. Unless these changes are made, we must regretfully oppose H.R. 823.

At the outset, we note that nonprofits strongly support the purposes of the Lobbying Disclosure Act. We are committed to the principle of public disclosure, including that of our lobbying and advocacy efforts aimed at influencing public policy. Moreover, we recognize the need to clarify certain federal registration and reporting requirements for lobbyists and to improve compliance and enforcement. We agree also with the need for a single administrative structure applicable to all lobbying entities and organizations.

But unlike any other sector of society, nonprofit organizations are already subject to a complex array of restrictions and reporting requirements under the Internal Revenue Code for lobbying. In 1990, after four years of discussions with the nonprofit sector and other interested parties, the Internal Revenue Service issued comprehensive and detailed regulations that, after enormous, diligent effort, have been implemented widely in the nonprofit community. Nonprofits have spent countless hours and dollars creating recordkeeping systems and training our employees to comply with these rules.

H.R. 823, as reported by the Subcommittee on Administrative Law and Governmental Relations on November 22, 1993, recognizes the unique circumstances facing nonprofit organizations by allowing charities to meet some but not all of the registration and reporting requirements of the Act by relying on their reports filed with the IRS. Notwithstanding this provision, the root problem remains; nonprofits would still be subject to a second, different set of requirements under other provisions of the Act.

For example, in order to determine whether they are required to register under the Act, nonprofits will have to determine whether they employ one or more "lobbyists," a term that is defined in section 3(11) of the Act by reference to a wide range of public policy and educational activities that do not constitute lobbying for purposes of the Internal Revenue Code. (A list of the significant differences between the definition of lobbying under the Internal Revenue Code and Regulations and the Act is attached.) In order to submit reports under section 5(b)(2) of the "specific issues" upon which they engaged in significant lobbying activities, nonprofits would be required to use a definition that includes many activities not treated as lobbying under the Internal Revenue Code and that, therefore, are not now included in their recordkeeping and internal reporting systems and would now have to be separately maintained.

In order to submit reports of the total expenses incurred in connection with grass roots lobbying communications under section 5(b)(5), nonprofits would similarly be required to include activities that the IRS has not classified as grassroots lobbying, particularly communications directed only to their members. The cost of the additional recordkeeping systems and the burden of training their employees to comply with a second set of complicated definitions and requirements will be enormous. Unless these differing arrangements are changed, some groups will forego the effort and expense, choosing instead to end their participation in the

development of public policy. That circumstance would have the unfortunate and unintended result of depriving Congress and the Executive Branch of nonprofits' expertise, which is distinct from that of for-profit entities.

The problem of duplicative and inconsistent regulatory systems could be eliminated if nonprofits were allowed to rely fully on the tax code's definitions of lobbying in fulfilling their registration and reporting obligations under the Act. Under this proposal, nonprofits would be required to register and to file reports under the same conditions and at the same time as all other registrants, and they would be subject to the same enforcement procedures. However, they would not be forced to implement costly and burdensome new recordkeeping systems in addition to the ones they have already put into effect. We believe this proposal is responsive both to the salutary goals of the Act and the unique legal constraints already imposed on the nonprofit sector.

Congress has on several recent occasions recognized and sought to encourage the vital role played by charities in the development of legislative and other public policies. In order to maintain our ability to continue serving this important public role, we respectfully request that H.R. 823 be amended to bring it into line with existing obligations under the Internal Revenue Code. We believe that the IRS rules regarding lobbying by nonprofits strike a reasonable balance between accountability and the need to encourage nonprofit organizations to participate in the formulation of public policy. The Lobbying Disclosure Act not only fails to strike this balance, it makes accountability so complicated that it discourages the very participation that the IRS has only recently clarified.

We welcome the opportunity to continue to work with you and your staff to craft a bill that would be acceptable.

Sincerely,

ALLIANCE FOR JUSTICE
AMERICAN ARTS ALLIANCE
AMERICAN ASSOCIATION OF MUSEUMS
AMERICAN CANCER SOCIETY
AMERICAN CIVIL LIBERTIES UNION
AMERICAN COUNCIL ON EDUCATION
AMERICAN LIBRARY ASSOCIATION
COUNCIL ON FOUNDATIONS
INDEPENDENT SECTOR
MEXICAN AMERICAN LEGAL DEFENSE AND EDUCATIONAL FUND
NAACP LEGAL DEFENSE FUND
NATIONAL COUNCIL OF LA RAZA
NATIONAL COUNCIL OF NONPROFIT ASSOCIATIONS
NATIONAL PTA
NATIVE AMERICAN RIGHTS FUND
NATIONAL WILDLIFE FEDERATION
NATURAL RESOURCES DEFENSE COUNCIL
PEOPLE FOR THE AMERICAN WAY
OMB WATCH

(INDEPENDENT SECTOR FAX NUMBER (202) 416-0580)

Please add our name to the letter to Congressman Brooks.

Name of Organization (please print)

Please fax this response by January 20 or mail it to INDEPENDENT SECTOR by that date.

INDEPENDENT SECTOR
Government Relations
1828 L Street, N.W.
12th Floor
Washington, D.C. 20036

THE WHITE HOUSE

WASHINGTON

September 15, 1993

MEMORANDUM TO MELANNE VERVEER

FROM: Doris Matsui
Deputy Assistant to the President
White House Office of the Public Liason

SUBJECT: List of attendees of the September 14, 1993
Non-Profit Sector briefing.

Per your request, enclosed is the list of people who attended the Tuesday, September 14, 1993 Non-Profit Sector briefing.

Ms. Nan Aron
Executive Director
Alliance for Justice
1601 Connecticut Avenue, NW
Suite 601
Washington, DC 20009
202/332-3224

Mr. Gary Bass
Executive Director
OMB Watch
1731 Connecticut Avenue, NW
4th Floor
Washington, DC 20009
234-8494

Ms. Christine Benero
Director of Washington Office and
Director of Governmental Affairs
Association of Junior Leagues
International
1319 F Street, NW
Suite 604
Washington, DC 20004
393-3364

Ms. Kathleen Bonk
Co-Director
Communications Consortium
1333 H Street, NW
Washington, DC 20005
202/682-1270

Ms. Lauren A. Cook
Assistant to the President for
Public Policy
Council on Foundations
1828 L Street, NW
Washington, DC 20036-5168
466-6512

Mr. Arnie Coraf
Industrial Areas Foundation
Baltimore, MD
410/750-1556

Ms. Suzanne Feurt
Program Officer
Charles Stewart Mott Foundation
1200 Mott Foundation Building
Flint, MI 48502-1851
(313) 238-5651

Mr. Ronald Field
Senior Vice President
Family Service America
1319 F Street, NW
Suite 204
Washington, DC 20004
202/347-1124

Mr. Arnie Graf
Industrial Areas Foundation
,
410/750-1595

Ms. Leslie Harris
Director of Public Policy
People for the American Way
2000 M Street, NW
Suite #400
Washington, DC 20015
467-2390

Ms. Linda Lancaster
The National Assembly of National
Voluntary Health & Social Welfare
1319 F Street
Suite 601
Washington, DC
202/393-2080

Mr. John Michael McCloakey
Chairman
Sierra Club
408 C Street, NE
Washington, DC 20002
(202)547-1141

Ms. Emily Gautz McKay
National Council of La Raza
810 First Street, NW
Suite 300
Washington, DC 20002
202/289-1380

Ms. Ann Mitchell
Executive Director
National Council of Nonprofit
Associations
1828 L Street, NW
Suite #505
Washington, DC 20036
202/785-3208

Mr. James Parkel
Director of Corporate Support
Programs
IBM Corporation
Old Orchard Road
Armonk, NY 10504
(914)765-5242

Ms. Diana Pearce
Women and Poverty\Wider
Opportunities for Women
Director of Women and Poverty
Project
1325 G Street
NW
Washington, DC 20005
202/638-3143

Mr. Mark Rosenman
Vice President, Social
Responsibility
The Union Institute
1731 Connecticut Ave, NW
Suite #300
Washington, DC 20009-1146
202/667-1313

Mr. Michael Seltzer
Executive Director
Fundors Concerned About AIDS
310 Madison Avenue
Suite 1630
New York, NY 10017
(212)573-5533

Ms. Kathleen Sheekey
Co-director
Advocacy Institute
1730 Rhode Island Avenue, NW
Washington, DC 20036
202/659-8475

Ms. Hildy Simmons
Managing Director, Community
Relations & Public Affairs
J.P. Morgan & Co. Inc
60 Wall Street
New York, NY 10260
(212)648-9664

Ms. Susan Smith
Public Policy Associate
Red Cross
17th & D Streets, NW
NW
Washington, DC 20006
639-3165

Mr. Robert Smucker
Senior Vice President
Independent Sector
1828 L St., NW
Washington, D.C. 20036
202/223-8100

Ms. Linda Tarr-Whelan
President and Executive Director
Center for Policy Alternatives
1875 Connecticut Ave, NW
Suite 710
Washington, DC 20009
202/387-6030

Jo Sachiko Uehara
Interim National Executive Director
YWCA of the USA
726 Broadway
5th Floor
New York, NY 10003
212/614-2868

Summary of
Statement by

THE HONORABLE CHARLES C. BROWN, JR.
on behalf of
INDEPENDENT SECTOR

To argue that nonprofit organizations receiving federal grants should be barred from substantial advocacy reflects a fundamental misunderstanding of the historic relationship between nonprofits and government.

Nonprofits have always been involved in both service delivery and advocacy, and the public benefits from these dual roles. Both by providing an alternative to direct governmental delivery of public services, and by enabling individuals to speak out effectively on public policy issues, nonprofits serve to limit rather than expand the power of the state.

Barring federal grantees from substantial advocacy activity is neither grant reform nor good government. No one knows better the extent of a community's needs for services or how best to improve the effectiveness of federal programs than the nonprofits on the front lines of service delivery. Excluding these nonprofits will diminish, not protect, the policy process.

Existing law properly prohibits the use of grant funds to cover either the direct or the indirect costs of lobbying. This rule is enforced by federal auditors, and the level of compliance appears to be quite high. There is simply no justification for imposing more restrictive rules and burdensome new administrative requirements at a time when nonprofits are being called on to expand their services to help offset cuts in federal spending. This is particularly true when no similar restriction is proposed for federal contractors, who would remain free to lobby with their nongovernment funds.

Finally, conditioning the receipt of federal grant funds on grantees' renunciation of their First Amendment right to lobby with private funds raises serious constitutional concerns. While Congress can refuse to subsidize grantees' lobbying, and can require strict separation of federally-funded and privately funded activities, it cannot limit grantees' right to lobby with their private funds.

Statement by

THE HONORABLE CHARLES C. BROWN, JR.

on behalf of

INDEPENDENT SECTOR

HEARINGS BEFORE THE SUBCOMMITTEE ON NATIONAL ECONOMIC
GROWTH, NATURAL RESOURCES, AND REGULATORY AFFAIRS
HOUSE COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT

Room 2154, Rayburn House Office Building
2:00 p.m., June 29, 1995

My name is Charles C. Brown, Jr. I am the President Judge of the Court of Common Pleas of Center County Pennsylvania and Chairman of the Public Policy Committee of the YMCA of the USA. The YMCA of the USA is a member of INDEPENDENT SECTOR, on whose behalf I am appearing today.

INDEPENDENT SECTOR is a nonprofit coalition of 800 corporate, foundation and voluntary organization members with national interest and impact in philanthropy and voluntary action. The organization's mission is to create a national forum capable of encouraging the giving, volunteering, and non-for-profit initiative that help all of us better serve people, communities and causes. The organization of INDEPENDENT SECTOR and its mission derive from its members' shared commitment to fundamental values relating to the creation and maintenance of a truly free society.

I appreciate very much the opportunity to present this testimony, but I am deeply troubled by Chairman McIntosh's comments in announcing this hearing. Along with Representatives Istook and Ehrlich, Chairman McIntosh has decried what he characterizes as a "vicious cycle [of] taxpayer abuse" in which federal grantees use federal grants to lobby for still more federal funding without any effective government oversight or public accountability. To put an end to these alleged abuses, Chairman McIntosh and Representatives Istook and Ehrlich have drafted legislation that would impose major new restrictions on the political advocacy activities of federal grantees.

The Historic Relationship Between Nonprofit Organizations and Government

The Chairman's comments, and his legislative proposal, reflect a serious misunderstanding of the historic relationship between private nonprofit organizations and government. Federal grantees are not, as the Chairman's comments suggest, children of the federal government whose role is to be seen but not heard, mere tools for the delivery of federally-funded services. On the contrary, in every field of social endeavor, private nonprofit initiatives long preceded any federal involvement. Nonprofit organizations are neither creatures of nor parasites on big government.

Instead, in a very real sense these organizations reflect Americans' strong preference for less government and more private initiative. Since before the founding of the Republic, private nonprofit associations have played two essential roles in our public life. First, they have allowed private citizens to address a host of public concerns without recourse to government action. But second -- and equally important -- they have provided, along with political parties, the principal vehicle through which groups of citizens could join together to express their beliefs about the proper role of government.

As such, private nonprofit organizations are vital mediating institutions between the individual and the state. Both by minimizing the need for direct government action and by giving voice to individuals who would otherwise be largely powerless in the face of state power, the nonprofit sector creates the essential social context for our system of democratic pluralism.

The leaders of many of the world's emerging democracies have come to recognize this importance of nonprofit institutions as a bulwark against a totalitarian state, and are working to nurture a U.S.-style nonprofit sector. We should be no less concerned about preserving this aspect of our tradition than they are about replicating it.

These historical and international perspectives must inform our understanding of the evolving partnership between nonprofits and government. Over the past half century, the American people have chosen to expand the federal role in funding a broad range of public services. However, to limit the power of a centralized federal bureaucracy, Americans have chosen to have the major portion of these services delivered not by government but rather through the pre-existing network of community-based nonprofit organizations. Thus:

Church basements have become the site of federally-funded Headstart programs;

Boys and Girls Clubs receive federal funds to start clubs in public housing projects;

YMCAs use federal funds to bring more low-income children into after-school child care programs;

Goodwill Industries receives federal funds to expand training programs for the disabled;

Federal grants enable Catholic Charities to expand programs for the homeless.

As this partnership has evolved, both sides have been concerned about preserving their distinct roles. To safeguard their fundamental autonomy, many nonprofit organizations have set limits on the amount of government funding they will accept and have adamantly defended their right to continue to speak out on public issues. Likewise, the federal government, while acknowledging the advocacy rights of private, nonprofit organizations, has required that they pay for such activity with private funds.

The Existing Bar on the Use of Federal Grant Funds for Lobbying

Accordingly, the OMB rules governing nonprofit organizations that receive federal funds require strict financial separation of grantees' privately funded and federally funded activities. Since 1984, these rules have expressly prohibited the use of federal funds to pay the costs of lobbying and electioneering. Strict accounting standards require federal grantees to make a reasonable allocation of overhead costs between federally and privately funded activities and to demonstrate that none of the overhead costs properly attributable to lobbying or political activities have been charged to the federal grant. Grantees' records are subject to review by federal auditors, who have the authority both to require repayment of lobbying or political costs charged to the federal grant and to impose penalties for willful violations.

The large percentage of federal grantees that are exempt from tax under section 501(c)(3) of the Internal Revenue Code -- the exemption category for charitable, educational, religious, and scientific nonprofits -- are subject to even more stringent tax law restrictions. All section 501(c)(3) organizations are absolutely barred from partisan political activity. Section 501(c)(3) organizations classified as "private foundations" are likewise prohibited from lobbying, while those organizations qualifying as "public charities" are subject to strict limits on the portion of their budget that can be devoted to lobbying.

By requiring strict financial separation of federal grant activity and privately funded advocacy, the OMB rules strike an appropriate balance between the government's legitimate interest in avoiding federal subvention of lobbying and political activity and the right of citizens' groups to use their private resources to speak out on public issues.

Significantly, in the early 1980s the Reagan administration considered, but ultimately rejected, more restrictive rules that would have required physical as well as financial separation -- that is, would have required federal grantees to establish wholly separate facilities and staff for their federal grant programs and privately-funded advocacy. The practical impossibility of achieving such physical separation would have forced most grantees to choose between federal funds or private advocacy, a choice that would have hardly served the public interest.

Included as part of the same proposal -- and also ultimately rejected -- was an expansion of the definition of lobbying to encompass efforts to influence executive branch as well as legislative decisions. OMB quite properly concluded that federal policy should encourage, not discourage, grantees from working with federal agencies to improve the effectiveness of the federal programs in which they participate.

The Case Against Additional Restrictions on Privately-Funded Advocacy by Federal Grantees

Current federal grant rules recognize that the public benefits precisely because many nonprofit organizations' missions encompass both advocacy and service delivery. No one has a deeper understanding of a community's needs for low income child care, a battered women's shelter, a hospice, or a sheltered workshop than the community-based nonprofits working day in and day out to provide these services. No one has a better grasp of how to improve the effectiveness of federal programs than the nonprofits on the front lines of service delivery. These groups' volunteer and staff leaders rightly see it as their civic duty to contribute their wisdom and commitment to the public policy process.

This synergy between advocacy and service delivery can be just as important in the case of organizations whose primary focus is advocacy. Nonprofits that have earned the trust of a community or special needs group through effective advocacy on their behalf often lend that credibility, and their substantive expertise, to federally-funded research or public education programs, dramatically increasing the effectiveness of these federal efforts.

The YMCA provides a perfect example of how the public benefits from the dual role of nonprofits as advocates and service providers. Autonomous local YMCAs in nearly a thousand communities across America provide a broad range of community services, including child care, youth and adult fitness programs, outreach programs for at-risk youth and families, and an increasing array of programs for senior citizens. In 1993, government grants accounted for 7 percent of total YMCA revenue nationwide, and for some YMCAs the percentage was substantially higher.

YMCAs also believe that we have a civic responsibility to actively participate in the public policy process on issues related to our mission of promoting "strong kids, strong families, and strong communities." I attach a resolution adopted by the YMCA National Board in 1989 on "Goals of YMCA Involvement in the Public Policy Process." Consistent with the principles set forth in this resolution, local YMCA boards participate in an active grass-roots process to define a YMCA public policy agenda and to present that agenda to public officials at the federal, state, and local level.

The principal result of YMCA advocacy is not more government or less government but better government. Let me illustrate with a simple example:

YMCAs are the largest single provider of after-school child care in the country. In 1989, the House version of what became the Child Care and Development Block Grant would have made public schools the only eligible recipients for federal school age child care funds. The YMCA of the USA gave Senator Hatch a list of scores of communities around the country that had chosen YMCAs -- not the schools -- to run school-based child care programs. Local YMCAs simultaneously urged their Representatives and Senators to support a more flexible approach. This information and advocacy enabled Senator Hatch to lead a successful effort to prevent Congress from overriding local decisions and imposing a single federally-mandated approach to school age child care.

At a time when millions of Americans are increasingly disaffected from the political process, YMCAs are promoting precisely the sort of constructive grass-roots participation essential to the renewal of our democratic institutions. YMCAs also provide the federal government with a community-based delivery system for federally-funded services that is both cost-effective and highly responsive to local concerns and values.

As the YMCA experience makes plain, the fact that many nonprofits engage both in the delivery of federally-funded services and in advocacy on federal, state, and local issues is a fundamental strength -- not a weakness -- of our American system. The advocacy activities of nonprofit federal grantees are no more remarkable, or troubling, than lobbying by General Motors, Boeing, and other government contractors or, indeed, lobbying by private citizens in defense of their Social Security and veterans benefits or their farm subsidies.

Should every individual or group that receives substantial federal benefits -- grants, contracts, transfer payments, loans, etc. -- be barred from political advocacy or permitted only an insubstantial amount of advocacy? Presumably, those criticizing the advocacy activities of federal grantees would never propose such a general rule. This highly selective nature of their concern is deeply troubling.

A review of draft legislation prepared by Chairman McIntosh and Representatives Istook and Ehrlich reinforces these concerns. The draft legislation would:

Prohibit an organization from receiving federal grants for a six year period if in any year the organization's expenditures on political advocacy equal or exceed five percent or more of the first \$20 million of its privately-funded expenditures, and two percent of additional privately-funded expenditures;

Broaden the impact of this rule by establishing an extremely broad definition of political advocacy; and

Impose major new record-keeping and reporting burdens on federal grantees.

We recognize that this legislative proposal is still being revised. However, our concerns arise not from the details of the proposal but from its basic premise -- that the public suffers when organizations that receive federal grants also engage in substantial advocacy activity. For all of the reasons discussed above, this premise is simply wrong. Existing requirements that grantees not spend grant funds for lobbying or political activity should, of course, be strictly enforced. However, additional restrictions are not only unnecessary but would be highly damaging to the long-standing partnership between government and the nonprofit sector. As Members of Congress consider the proposed restrictions, we urge them in particular to bear in mind the following:

There is no principled basis for limiting the advocacy activities of federal grantees but not of federal contractors.

Conditioning the receipt of federal grant funds on grantees' renunciation of their First Amendment right to lobby with private funds raises very serious constitutional concerns.

While Congress can constitutionally refuse to subsidize grantees' lobbying and require strict separation of federally-funded and privately funded activities, it cannot constitutionally limit grantees' right to lobby with their private funds.

Burdening nonprofit grantees with major new record-keeping and reporting requirements will consume resources that would otherwise be available to expand services. At a time when nonprofits are being called on to help offset the cuts in federal social programs and the public is demanding less bureaucracy and greater cost-effectiveness in government programs, imposing burdensome new administrative requirements would be a big step in the wrong direction.

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For all of these reasons, on behalf of Independent Sector and its member organizations, I strongly urge Chairman McIntosh and Representatives Istook and Ehrlich not to go forward with their proposed legislation.

Sara E. Melendez

Advocates for the Social Good

THE WASHINGTON POST
MONDAY, JULY 31, 1995

In 1989 the House had passed a child care bill that said only public schools could receive federal money for after-school child care. But scores of communities already had selected YMCAs or other private charities. Fortunately, local Y's and many others communicated this fact to Congress, and it decided not to impose a single, federally mandated approach to child care.

These local YMCAs engaged in advocacy. According to a series of editorials in The Post, and to pending legislation in Congress, charitable organizations that receive any federal

Taking Exception

grant funds should be strongly discouraged from doing practically anything that could influence public policy.

As a coalition of 800 charities and donors, we believe this idea would hurt many of our members. It would also threaten a tradition that has been as important as a free press to making our democratic system work: the tradition of people forming groups to confront a social problem or do a social good.

A point made in The Post's editorials—that providing direct services to needy individuals does “the most to help people in distress”—does not ring true with most charities. Did providing services to slaves once help them more than advocating for abolition? Or, for a more recent example, during the 1994 Rwandan refugee crisis, should international charities have focused their limited resources on feeding a small number of refugees or advocated a quick response by governments—a response credited with saving tens of thousands of lives?

Most of these international charities did both, which suggests another misconception in The Post's editorials that is reflected in the legislation: that there is a dichotomy between “traditional nonpolitical charities” and “political organizations and advocacy groups.” Reality is not nearly so simple.

As a recent Post article pointed out, the Girl Scouts as well as the Boy Scouts, the YMCA as well as the 4-H Council, the Heart Association as well as the Cancer Society, all do some advocacy. They see it as part of their mission. Which is why Rep. John Mica (R-Fla.) was so surprised to get almost no support from charities when he proposed to restrict the federal government's fund-raising drive to “traditional health and welfare agencies,” a proposal he has wisely withdrawn.

The fact that most charities both provide services and do advocacy is also the reason why legislation in Congress would be so destructive. Rep. David McIntosh (R-Ind.) and a few colleagues have drafted a bill that would have a chilling effect on charities. It would severely limit the right

“Perhaps the most amazing thing about this proposal is that there is no evidence of a need for it.”

of charities to speak out if they accept federal grants to provide services—a partnership the federal government has encouraged (the average charity gets about a third of its money from governments, only about a fifth from private contributions). The bill would prohibit federal grants to charities that spent more than 5 percent of their private funds on advocacy in any of the previous five years.

Even worse, “advocacy” is defined extremely broadly to include nearly any activity that might indirectly influence legislation or an action by a government agency. A heartwarming story in a local newspaper about how a charity's federally funded program helped a poor family could easily be construed as “an attempt to affect the opinions of the general public or any segment thereof.” Even going to court on behalf of a tenant or consum-

er or anyone else could be construed as advocacy.

And while the trigger is federal funding, the bill would not simply count advocacy that targets the federal government: It also includes things such as going to a zoning board to get permission to build a hospital or to a mayor to get the city to pay for liability insurance so restaurants can give excess food to a local food bank.

To make sure every charity complied with this law, all charities receiving funds would have to file yet another report each year detailing their advocacy activities and spending.

Perhaps the most amazing thing about this proposal is that there is no evidence of a need for it. Lobbying by charities is already limited by the IRS. And charities are prohibited from using their federal money to lobby; they

are required to follow strict accounting procedures and face severe penalties for violations. If a charity is reimbursed for overhead, it must further prove that not a penny of this money was spent on lobbying.

Even Newt Gingrich says he is uncomfortable with the bill, saying he advised its proponents “to go very carefully, make sure you understand what you are doing.”

But The Post, despite its ardent support for free speech, at least partly supports the legislation. The Post suggests that advocacy by nonprofits may “explain the recent decline in contributions.” Yes, surveys we conducted of individual households show that average giving declined between 1989 and 1993. But the obvious explanation for this decline is the recession: Economic uncertainty decreases charitable giving.

Most Americans support the right of charities to advocate. A recent poll of 800 federal employees found that 88 percent believe they should be able to support “charities that speak out on behalf of the people they help.”

The writer is president of Independent Sector, a coalition of 800 charities and donors.

Senate Gift Limits: 98 to 0

IT TOOK way too long and the proposal was almost gutted, but the Senate in the end took an important step toward reining in the rule of freebies. The final 98-to-0 vote on tough new gift rules reflected the Senate's sense of how the public feels on this matter. But the battle was much tougher than the vote suggested. It took bipartisan work to win the new rules.

The new rules, which take effect in January, ban those "charity" golf and tennis outings that gave senators free vacations. They also impose a \$100 annual ceiling on gifts from any single source, ban lobbyist contributions to senators' legal defense funds and bar lobbyists from financing their "policy" retreats. Earlier versions were tougher, but the final product is reasonable and represents progress.

With the executive branch of government living under a stringent regime on these matters, it made no sense for Congress to continue to give itself a pass. The House should now follow suit. Surely the House's self-styled revolutionaries don't want to run behind normally cautious senators in making a tangible commitment to new arrangements.

Several efforts were made to gut the change. By a 60-to-39 vote, the Senate rejected an amendment by Frank Murkowski (R-Alaska) that would have kept the charity trips alive. The Senate almost spoiled a good thing by voting

narrowly for an amendment by Trent Lott (R-Miss.) that not only doubled the aggregate gift ceiling from \$50 to \$100 but also exempted any gift of under \$50 from applying to that limit. This meant senators could accept unlimited numbers of gifts (and meals) worth less than \$50. Restaurants could have done a booming business in \$49.99 Lobbyist Blue Plate Specials.

Fortunately, an amendment from Sen. Paul Wellstone (D-Minn.) was adopted that pretty much closed the loophole. It accepted the higher overall limit, but said all gifts of more than \$10 would be counted toward it.

The initial pressure for the gift ban came from reform-minded Democrats who had to buck disapproval within their own party—Sens. Levin, Wellstone, Feingold and Lautenberg. But the final victory would not have been possible without Sen. John McCain (R-Ariz.), who has emerged as a voice for reform and who worked out a sensible compromise. He was joined by a large group of freshmen Republicans who remembered what they told the voters last fall: Mr. McCain and Mr. Feingold are now working on a bipartisan approach to cleaning up campaign financing. That's a tougher and more important job, but the gift ban suggests that party concerns need not doom it.

Advocacy Among the Nonprofits

THERE HAVE been complaints that nonprofit organizations are using federal funds, indirectly, to lobby against their cuts in the budget. It's quite true that a lot of nonprofits—health and welfare agencies, environmental organizations, labor unions—get federal grants. The government, as a matter of policy, has used nonprofits for many years as agents to run its social and educational programs. It's also true that most of these organizations also believe they have a responsibility to speak out on the public issues in which they are interested. But there are already specific laws prohibiting the use of any of this money for lobbying or anything like it—and they should be obeyed.

The House Appropriations Committee now has reported legislation to forbid all federal grants to any nonprofit organization that oversteps new and tighter limits that it would set on advocacy. The amounts of tax-exempt money that a charity can spend on political lobbying is a legitimate issue. A contribution from Sara E. Melendez, president of Independent Sector, appearing on the opposite page, chides us for having raised it in previous comments. We remain unrepentant.

But the Appropriations Committee's proposal, in our view, does go too far and too recklessly.

The sponsors of the new proposal, led by Rep. Ernest J. Istook Jr. (R-Okla.), object that some organizations use federal funds to replace private money that is freed for political work. It's not a new concern, and the regulations have been considerably tightened over the years, most recently in 1990.

If a nonprofit runs a federal program, this proposed legislation would limit its spending on public advocacy to 5 percent of its total spending up to \$20 million (not counting its federal grants) and 1 percent beyond that point. One peculiar result is that, because of the structure of the present tax laws, this new rule would constrain small charities much more sharply than the big ones. Is this really what Congress intends?

The committee's bill also would impose an extraordinary new definition of political advocacy. For the first time, it would include public interest litigation such as civil rights suits. Public interest suits give representation to many citizens who would otherwise have no voice in the great issues that this country resolves in its law courts. The effect of this unwise bill would be to discourage nonprofit organizations from participating—a change, we believe, for the worse in American tradition and public policy.

**SARA MELENDEZ
OPENING REMARKS
INDEPENDENT SECTOR PRESS CONFERENCE
NATIONAL PRESS CLUB
JULY 19, 1995**

WELCOME. I AM SARA MELENDEZ, PRESIDENT OF INDEPENDENT SECTOR, AN ORGANIZATION OF 800 CORPORATE, FOUNDATION, AND VOLUNTARY ORGANIZATION MEMBERS WITH NATIONAL INTEREST AND IMPACT IN PHILANTHROPY AND VOLUNTARY ACTION.

INDEPENDENT SECTOR OPPOSES THE PROPOSAL OF CONGRESSMEN ISTOOK, MCINTOSH, AND EHRLICH, WHICH CAN ONLY BE VIEWED AS AN EFFORT TO STILL THE VOICE OF CHARITABLE ORGANIZATIONS. THEIR DRAFT BILL WOULD PROHIBIT FEDERAL GRANT FUNDS FROM BEING USED FOR WHAT THEY TERM "POLITICAL ADVOCACY", WHICH INCLUDES A NUMBER OF ACTIVITIES NOT NOW CONSIDERED LOBBYING UNDER THE INTERNAL REVENUE CODE.

NONPROFITS THAT ENGAGE IN THAT ACTIVITY, EVEN WITH THEIR PRIVATE FUNDS, WOULD BE INELIGIBLE FOR FEDERAL GRANTS IF MORE THAN 5% OF THEIR NON-GRANT RELATED FUNDS WERE USED FOR POLITICAL ADVOCACY.

I AM RELEASING TODAY A STATEMENT SIGNED BY 300 ORGANIZATIONS OPPOSING THE ISTOOK, MCINTOSH, EHRLICH LEGISLATION. MOREOVER, A COALITION OF MORE THAN 200 ORGANIZATIONS HAS BEEN FORMED BY INDEPENDENT SECTOR TO WORK IN OPPOSITION TO THIS PROPOSAL.

FOLLOWING ARE THE REASONS WE STRONGLY OPPOSE THIS LEGISLATION.

1) NONPROFITS ARE PROHIBITED BY CURRENT LAW FROM SPENDING--EITHER DIRECTLY OR INDIRECTLY--ANY OF THEIR FEDERAL GRANT MONEY ON LOBBYING. CONGRESSMEN ISTOOK, MCINTOSH, AND EHRLICH HAVE ABSOLUTELY NO PROOF OF A PATTERN OF ABUSE IN NONPROFIT SPENDING OF FEDERAL TAX DOLLARS ON LOBBYING.

2) TO ARGUE THAT NONPROFIT ORGANIZATIONS RECEIVING FEDERAL GRANTS SHOULD BE BARRED FROM SUBSTANTIAL ADVOCACY REFLECTS A FUNDAMENTAL MISUNDERSTANDING OF THE HISTORIC RELATIONSHIP BETWEEN NONPROFITS AND GOVERNMENT. NONPROFITS HAVE ALWAYS BEEN INVOLVED IN BOTH SERVICE DELIVERY AND ADVOCACY, AND THE PUBLIC BENEFITS FROM THESE DUAL ROLES. BOTH BY PROVIDING AN ALTERNATIVE TO DIRECT GOVERNMENTAL DELIVERY OF PUBLIC SERVICES, AND BY ENABLING INDIVIDUALS TO SPEAK OUT EFFECTIVELY ON PUBLIC POLICY PROGRAMS, NONPROFITS SERVE TO LIMIT RATHER THAN EXPAND THE POWER OF THE STATE.

3) BARRING FEDERAL GRANTEEES FROM SUBSTANTIAL ADVOCACY ACTIVITIES IS NEITHER GRANT REFORM NOR GOOD GOVERNMENT. NO ONE KNOWS BETTER THE EXTENT OF A COMMUNITY'S NEEDS FOR SERVICES OR HOW BEST TO IMPROVE THE EFFECTIVENESS OF FEDERAL PROGRAMS THAN THE NONPROFITS ON THE FRONT LINES OF SERVICE DELIVERY. EXCLUDING THESE NONPROFITS WILL DIMINISH, NOT PROTECT, THE POLICY PROCESS.

4) EXISTING LAW PROPERLY PROHIBITS THE USE OF GRANT FUNDS TO COVER EITHER THE DIRECT OR THE INDIRECT COSTS OF LOBBYING. THIS RULE IS ENFORCED BY FEDERAL AUDITORS, AND THE LEVEL OF COMPLIANCE APPEARS TO BE QUITE HIGH. THERE IS SIMPLY NO JUSTIFICATION FOR IMPOSING MORE RESTRICTIVE RULES AND BURDENSOME NEW ADMINISTRATIVE REQUIREMENTS AT A TIME WHEN NONPROFITS ARE BEING CALLED ON TO EXPAND THEIR SERVICES TO HELP OFFSET CUTS IN FEDERAL SPENDING. THIS IS PARTICULARLY TRUE WHEN NO SIMILAR RESTRICTION IS PROPOSED FOR FEDERAL CONTRACTORS, WHO WOULD REMAIN FREE TO LOBBY WITH THEIR NONGOVERNMENT FUNDS.

5) FINALLY, CONDITIONING THE RECEIPT OF FEDERAL GRANT FUNDS ON GRANTEES' RENUNCIATION OF THEIR FIRST AMENDMENT RIGHT TO LOBBY WITH PRIVATE FUNDS RAISES SERIOUS CONSTITUTIONAL CONCERNS. WHILE CONGRESS CAN REFUSE TO SUBSIDIZE GRANTEES' LOBBYING, AND CAN REQUIRE STRICT SEPARATION OF FEDERALLY-FUNDED AND PRIVATELY FUNDED ACTIVITIES, IT CANNOT LIMIT GRANTEES' RIGHT TO LOBBY WITH THEIR PRIVATE FUNDS.

TODAY WE ARE URGING ALL WHO ARE INTERESTED IN PROTECTING THE RIGHTS OF NONPROFIT ORGANIZATIONS TO SPEAK EFFECTIVELY ON BEHALF OF THEIR COMMUNITIES, CAUSES, AND CLIENTS, TO OPPOSE THIS CONGRESSIONAL EFFORT TO MUZZLE THE VOICE OF VOLUNTARY ORGANIZATIONS.



Serving the Public Good

A Position Statement on Advocacy By Nonprofit Organizations

The nonprofit sector plays a key role in our society today. In partnership with government, nonprofit organizations are engaged in service delivery, research, educating the public, and much more – in general, they work to build a better world, at home and abroad. People across the country use nonprofit organizations to learn more about key issues of the day, and to link up with other citizens to create a more powerful voice. Nonprofit organizations, themselves, also speak to policymakers and the public on behalf of the people they serve. Advocacy by the nonprofit sector has led to significant improvements in people's lives at the local, state, and federal level.

Because nonprofit organizations do not stand to profit by lobbying and can provide enormous insight on public policy issues, Congress has encouraged them to lobby, but has placed detailed restrictions on charitable organizations on the amount of money that can be used for these purposes. Nonprofits also are barred from using any federal funds for lobbying and partisan politics.

Nonprofit organizations faithfully comply with all these restrictions and support enforcement of penalties if the rules are ever violated. However, some in Congress are proposing to go beyond current restrictions to silence the advocacy voice of the nonprofit sector. They would, for example, expand the lobbying restrictions to include all advocacy activities, bar certain organizations that engage in advocacy from receiving any federal grants, and prohibit federal employees from making workplace contributions to nonprofits that engage in advocacy. Such efforts will have a chilling impact on the democratic process as well as the rights of individuals and organizations to participate in public policy debates.

We strongly oppose any effort to restrict the advocacy voice of the nonprofit sector. Curtailing the historical responsibility to speak to the public and to policymakers on behalf of the people nonprofit organizations serve would be a severe blow to our democratic freedoms.

Endorsed by,

A NATIONAL FORUM TO ENCOURAGE GIVING, VOLUNTEERING AND NOT-FOR-PROFIT INITIATIVE
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MDP CONSULTING
METRO HUMAN NEEDS ALLIANCE
MINNESOTA COUNCIL OF NONPROFITS
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(NFPRHA)

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**INDEPENDENT SECTOR POSITION ON THE PROPOSAL BY
CONGRESSMEN ISTOOK (R-OK), MCINTOSH (R-IN), AND EHRlich (R-MD)
THAT WOULD BAR THE USE OF PRIVATE CONTRIBUTED DOLLARS BY
CHARITIES THAT ARE FEDERAL GRANTEES AND ENGAGE IN SUBSTANTIAL
POLITICAL ACTIVITY.**

INDEPENDENT SECTOR opposes the Istook, McIntosh, Ehrlich proposal, which can only be viewed as an effort to still the voice of charitable organizations. Their draft bill would prohibit federal grant funds from being used for what they term "political advocacy" which includes a number of activities not now considered lobbying under the Internal Revenue Code. Nonprofits that engage in that activity, even with private funds, would be ineligible for federal grants if more than 5% of their non-grant related funds were used for political advocacy. Following are the reasons that we strongly oppose this proposal.

- To argue that nonprofit organizations receiving federal grants should be barred from substantial advocacy reflects a fundamental misunderstanding of the historic relationship between nonprofits and government.
- Nonprofits have always been involved in both service delivery and advocacy, and the public benefits from these dual roles. Both by providing an alternative to direct governmental delivery of public services, and by enabling individuals to speak out effectively on public policy issues, nonprofits serve to limit rather than expand the power of the state.
- Barring federal grantees from substantial advocacy activity is neither grant reform nor good government. No one knows better the extent of a community's needs for services or how best to improve the effectiveness of federal programs than the nonprofits on the front lines of service delivery. Excluding these nonprofits will diminish, not protect, the policy process.
- Existing law properly prohibits the use of grant funds to cover either the direct or the indirect costs of lobbying. This rule is enforced by federal auditors, and the level of compliance appears to be quite high. There is simply no justification for imposing more restrictive rules and burdensome new administrative requirements at a time when nonprofits are being called on to expand their services to help offset cuts in federal spending. This is particularly true when no similar restriction is proposed for federal contractors, who would remain free to lobby with their nongovernment funds.



– Finally, conditioning the receipt of federal grant funds on grantees' renunciation of their First Amendment right to lobby with private funds raises serious constitutional concerns. While Congress can refuse to subsidize grantees' lobbying, and can require strict separation of federally-funded and privately funded activities, it cannot limit grantees' right to lobby with their private funds.

We urge IS Members and other charitable organizations to oppose this Congressional effort to muzzle the voice of voluntary organizations.

Key Concerns About A Proposed Anti-Advocacy Bill

The following are key concerns about a June 27, 1995 "discussion draft" bill developed by Reps. Ernest Istook (R-OK), David McIntosh (R-IN), and Robert Ehrlich (R-MD) that would prohibit organizations that advocate above a certain expense level from receiving federal grants, and would prohibit use of federal funds for advocacy -- even when specifically authorized by law.

- **Nonprofit organizations do not use federal funds to lobby.** Nonprofit organizations are currently prohibited from using federal funds for direct and grassroots attempts to influence legislation. Furthermore, if a nonprofit federal grantee wishes to receive reimbursement for indirect costs, the grantee must provide additional information about all lobbying activities in order to assure that indirect costs in no way subsidize lobbying activities. Penalties include having to repay all "associated" costs for lobbying, immediate suspension or termination of grants, and debarment from all future federal funds. Thus, even for very minor violations, there already are powerful enforcement penalties. So why the need for the bill? There is no evidence of significant grant abuse; if there were, the solution would be to improve enforcement, not rewrite law.
- **The bill would undermine the historical partnership between the nonprofit sector and the government.** The nonprofit sector plays a key role in our society. People across the country use nonprofit organizations to learn more about key issues of the day, and to link up with other citizens to create a more powerful voice. In partnership with government, nonprofit organizations are engaged in service delivery, research, public education, and much more -- in general, they work to build a better America. This partnership puts the nonprofit sector in a unique and well-qualified position to comment on gaps in service delivery, identify problems and strengths with existing law and regulation, and, in general, help to reinvent government to make it more efficient and responsive to public need. The nonprofit sector has become the advocacy voice for vulnerable populations and those that do not have the resources or skills to assert their basic rights. While there is a wealth of perspectives within the sector, there is one common theme: we speak for the public good, not a private interests.
- **The bill would gag nonprofit organizations.** The Istook/McIntosh/Ehrlich bill, under the guise of fixing a problem that doesn't exist, would cut off the ability of nonprofits to provide commentary to local, state, and federal governments, and would have a chilling impact on the entire nonprofit sector. And although Congressional leadership has spoken of strengthening public charities, the message of the bill is clear: you should be seen (and do the work), but not heard. Such efforts only work to undermine the strength of the nonprofit sector.

Alliance Justice^{for}

A National Association of Organizations Working for Equal Justice

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NONPROFIT ADVOCACY

Lobbying and other advocacy by nonprofit organizations supports the public interest. The assumption of the current attack on nonprofits is that advocacy by nonprofit organizations is detrimental to a democratic society and should be punished by the withdrawal of federal funds used to support other activities. This premise is fundamentally flawed.

Nonprofit organizations are voluntary, diverse and competitive. They encourage government and non-governmental structures to respond to the needs of the poor, people of color, women, and others who face significant odds in their pursuit of a quality life. They make sure that many voices and points of view are heard so that the best possible answers will emerge out of the crucible of democratic debate. They provide voices for dissent.

The purpose of the current effort, specifically the McIntosh proposal, is to suppress the ability of nonprofit organizations to use their own financial resources to inform and educate the public about how proposed government policies will affect them and to stifle their ability to communicate dissenting views to federal, state and local legislators.

There is no need for further legislation to curb perceived abuses.

A wide array of laws and regulations already exist:

- OMB grant rules prohibit use of federal funds for electioneering. The Internal Revenue Code also bars partisan political activity by section 501(c)(3) organizations.
- OMB grant rules bar the use of federal grant funds for lobbying. Grantees are subject to stringent audit requirements to enforce this limitation.
- Federal grantees are forbidden by statute from using grant monies to lobby for additional funds. Comprehensive reporting requirements aid in the enforcement of this prohibition.
- IRS rules already limit lobbying by section 501(c)(3) organizations that receive tax deductible contributions. Reporting and disclosure requirements promote public scrutiny of nonprofits and deter abuse.

-over-

Federal grantees are already prevented from using federal dollars to lobby and strict audit requirements ensure effective enforcement of this restriction.

- OMB Circular A-122 prohibits the use of federal fund for carrying on political and lobbying activities.
- OMB Circular A-133 requires organizations receiving more than \$100,000 in federal funds from more than one federal program to contract with an independent certified public accountant, to carry out an independent and comprehensive audit of the organization's books and of its compliance with federal financial and program requirements.
- Circular A-133 ensures audits of all but the smallest grant recipients. Audits usually must be conducted annually; in no case can they be less frequent than every two years. Government retains the right to conduct additional audits as it deems necessary.
- There are significant sanctions for organizations that violate the prohibition on the use of federal funds. Sanctions include reimbursing the government for misspent funds, suspension or termination of grants, and the suspension or debarment of the grantee from receiving further awards.

The Internal Revenue Code Restricts Lobbying by Nonprofit Organizations.

- The IRC limits the extent to which charitable organizations may lobby. Public charities may not engage in lobbying as a substantial part of their activities. Organizations that have elected under section 501(h) are subject to clearly defined lobbying expenditure limits: 20% of the organization's first \$500,000 of exempt purpose expenditures. Grassroots lobbying expenditures are limited to no more than 25% of the total allowable lobbying expenditures.
- Organizations with annual receipts in excess of \$25,000 must file a detailed information tax return with the IRS that, unlike returns filed by businesses, must be made available for public inspection upon request.

The McIntosh proposal's definition of prohibited advocacy extends to activities traditionally recognized as forwarding a charitable purpose.

- The definition of "political advocacy" includes engaging in administrative agency proceedings, an area that has not previously been restricted in light of the substantial contribution that nonprofit organizations make in informing federal bureaucracies of the reality of community needs and community problems.
- The draft would bar litigation, except that directly involving the nonprofit as a defendant, if agents of the federal, state or local government are parties.
- Litigation has long been recognized as a legitimate tool for advancing the public interest. Public interest law firms are acknowledged under the Internal Revenue code as charitable organizations, and are clearly permitted to use litigation to further their charitable purposes.



**INDEPENDENT SECTOR
and
The Independent Sector**

INDEPENDENT SECTOR is a national coalition of over 800 voluntary organizations, foundations and corporate giving programs with national interest and impact in philanthropy, voluntary action and other activity related to the educational, scientific, health, welfare, cultural and religious life of the nation. Based in Washington, D.C., the organization was founded in 1980. Its mission is to create a national forum capable of encouraging the giving, volunteering and not-for-profit initiative that helps all of us better serve people, communities and causes.

The organization represents a broad and diverse third segment of American society, which, along with government and business, impacts our everyday life. There are over 600,000 organizations in the independent sector and with religious congregations (which also provide a broad array of community services), that number jumps to 983,000. Adding small, community groups and local chapters of larger groups, estimates put the total at close to two million.

The sector's share of total national income was nearly 7% in 1990. Today, total annual revenues in the sector are \$416 billion, coming from contributions, fees and foundation, corporate and government grants. Over \$100 billion is contributed annually by individuals.

The 1990 census showed that 7.8 million people are employed in the independent sector, representing 6.7% of all employed persons in the U.S. Nearly 90 million volunteers are giving time in health, social services, environmental protection, the arts, youth service, education, religious congregational projects, sports and recreation, civil rights, scientific research, housing and more.

Contact: John Thomas, Héctor Ericksen-Mendoza or Sharon Stewart
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*file
non profits***The Chronicle of Philanthropy**

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THE CHRONICLE OF PHILANTHROPY

Thursday, August 22

Ms. Melanne S. Verveer
Office of the First Lady
Fax: 456-6244

Dear Melanne,

Thanks for returning my call this morning, especially given the insanely busy schedule you must be on this week. This note is just to give you a little more information about why I'm calling and why I think it's so important to try to talk to you before our story goes to press next Wednesday.

As I mentioned to Megan, we're working on a front-page story on President Clinton looking at what the past four years under his leadership have meant for non-profit leaders and the people their organizations serve. I'd like to hear how the past four years have shaped your opinions about the relationship between the federal government and charities.

I also want to make sure the President and Mrs. Clinton's views on this subject are fully developed. I've heard numerous stories from non-profit leaders about how knowledgeable and articulate they are on philanthropic issues, particularly when speaking about why they opposed recent attempts in Congress to restrict lobbying by charities. But I'm concerned that the responses I received from the Clinton/Gore Campaign Office today in response to questions we faxed in early July don't fully convey the President and Mrs. Clinton's views on these issues. I'll fax a copy of our questions and the responses we received with this note.

Please call me at 466-1203 (work) or 328-8884 (home) if you have a few minutes to talk. If I'm on my phone when you call, please have the receptionist try to interrupt me or leave a message and I'll call you right back. If you want to fax anything to me, the fax is 466-2078.

Best wishes,


Jennifer

CLINTON GORE 96

Questions and Answers for the Chronicle of Philanthropy

1. What can or should the federal government do to encourage volunteerism? Would that be one of your goals as President? If so, what would you do?

The history of America is a history of volunteerism. Americans have always worked together to resolve concerns, to fight injustice, to rebuild communities, and to comfort those in need. We need only look to the more than 89.2 million volunteers who work tirelessly throughout the year to see that we are still a people who care for one another and who daily seek positive change by reaching out to others. President Clinton believes that the federal government has a responsibility to create the conditions in which community partnerships can flourish. He is working to do so through policy initiatives and personal example.

Government cannot give anybody a guaranteed success story, but it can give people the tools they need to make the most of their own lives. Education is the most important of all of these tools. In his first few months in office, President Clinton created the National Service Trust Act of 1993 which established a domestic Peace Corps -- AmeriCorps -- offering young people the opportunity to pay for their college tuition by performing community service. AmeriCorps established a definition of national service that is clear but broad. National service is work that addresses unmet educational, environmental, human, or public safety needs. It enriches the lives of those who serve, instilling the ethic of civic responsibility that is essential to our democracy. National service does not displace or duplicate the functions of existing workers. AmeriCorps encourages Americans of all ages to join together and serve our country.

Another part of President Clinton's plan is to build on the National and Community Service Act that was passed in 1990, and the already flourishing programs that already exist in every state in this country. National service is not going to be a federal bureaucracy; it is going to be operated at the grassroots helping to solve the real problems of everyday Americans. It will be locally-driven because we must trust our communities to make their own decisions. In our small counties and in our largest cities -- in every community across the land -- citizens are renewing America through service.

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AUG-22 96 15:06 FROM:

2. Has the AmeriCorps program succeeded in encouraging community responsibility? Should it be maintained, expanded, or abandoned?

Young AmeriCorps volunteers are partners with our communities -- with nurses, pastors, police officers -- doing work that otherwise would not get done. They are walking a police beat, teaching kids, building homes, helping seniors, cleaning up litter, fighting fires, immunizing children, doing all kinds of things to make communities and our children stronger and better for the future. AmeriCorps gives us better citizens, stronger communities, and more education. With AmeriCorps, we renew the ethic of service that has always been a key to our greatness.

Some people say we should cut AmeriCorps to save money or because, they say, it is new or inefficient. President Clinton strongly believes that view is wrong. We have 45,000 young people working all across America for a minimum wage, earning money for college. AmeriCorps volunteers help make schools safe in Los Angeles, tutor second graders from Kentucky, and repair neighborhoods in Philadelphia. Instead of just talking about problems, AmeriCorps volunteers are solving them. With AmeriCorps, we renew the ethic of service that has always been a key to our nation's greatness. That is what AmeriCorps is all about. President Clinton is fighting to keep it going.

3. How effective do you think charities and foundations have been in their attempt to influence public policy?

President Clinton opposes restrictions, proposed by Republicans in Congress, that would censor advocacy by non-profit organizations. He believes that these proposals would negatively affect organizations that have contributed enormously to the public debate in the United States. In addition, some of the pending legislation would severely restrict the ability of organizations to bring valued, expert counsel to policy makers as they wrestle with difficult issues.

The President strongly supports measures to reduce the influence of special interests in our halls of government, but believes there are more effective ways to achieve that goal than restricting advocacy of non-profits.

4. What steps, if any, would you take to help the federal government work more closely with charities and foundations?

Throughout his Administration, President Clinton has encouraged partnerships between government and the charitable nonprofit sector and he will continue to do so. These relationships are now more important as the new role of the federal government evolves. As the President noted in his State of the Union address, in this era of smaller government, Americans must work together through charitable, civic and religious organizations to enable all of our people to make the most of their own lives.

Charities and foundations, working throughout our nation and the world, play a critical role in helping communities and individuals. Their experience and expertise are invaluable to government efforts to make informed policy choices. And, in this era of smaller government it is clear that the private voluntary philanthropic sector will have an even greater role. President Clinton recognizes that government must continue to partner with charities and foundations to develop the best policies to help those individuals and communities who are in need.

A critical component of these partnerships is sharing information about policies and strategies. The Clinton Administration will continue to help make new information technologies accessible to the nonprofit sector. We have already provided grants through the National Telecommunications and Information Administration of the Commerce Department to assist training and support efforts for the use of new technologies by the nonprofit charitable sector. We are also exploring opportunities to adapt the Small Business Administration's US Business Advisor on-line service to the needs of the charitable sector.

In our efforts to ensure that we have the best information as we formulate policy, the Clinton Administration opposed the imposition of unnecessary and bureaucratic restrictions and reporting requirements, such as the "Istook Amendment." Government needs to hear from charities and foundations, who possess the knowledge and expertise from their experience that can be of immeasurable help to policy-makers.

President Clinton is also considering further ways the federal and nonprofit sectors can examine and make recommendations about the role of charities and foundations in the coming century.

5. Would you continue to have federal liaisons to the nonprofit world within the Cabinets, as established by the Clinton Administration? If so, what would their role be? If not, why not?

In 1994, we appointed Administration Liaisons to the nonprofit community. These liaisons serve as designated contacts within their agencies to the nonprofit community and provide opportunities for collaborative efforts with the Administration. President Clinton will continue the Nonprofit Liaison network and he is always looking for ways to expand their role.

The liaisons have played a critical role in facilitating communication between the federal government and the nonprofit community. For example, they are now working together developing a web site that will make accessing information about their agencies much easier for the nonprofit world.

Our Liaisons will provide an important link between the nonprofit organizations and policy makers who are developing programs that adapt to the new, smaller role for federal government. The Nonprofit Liaisons can serve as a vehicle for innovative strategies and for making Administration views and initiatives known in the nonprofit world.

AUG-22-96 15:07 FROM:

6. How has your personal experience with nonprofit groups helped shape your views about their effectiveness?

President Clinton's family has long been involved with nonprofit charitable groups. In fact, his first trip to Washington was as a member of a local nonprofit youth group, Boy's Nation. That trip had a profound impact on him and helped him to understand the importance of nonprofit organizations and the benefits they have to offer every citizen and all communities. Mrs. Clinton has served on boards of a number of charitable and civic groups. President Clinton, Mrs. Clinton, and their daughter, Chelsea, have all actively participated in community service through their church. In addition, within the Clinton Administration are a number of individuals who came to government service after working with the charitable and foundation sector.

The President appreciates and encourages Americans to get involved with their local charitable, civic, and religious groups. These groups are the fabric of our society. When Americans become active members of these nonprofit organizations, they share the responsibility of making their communities a better place to live. It shows that they care about the environment in which they presently live, but more importantly, they are concerned about the future of America's children.

A Chronicle of Philanthropy survey

Please respond by July 19. Fax (202) 466-2078

Charitable giving

Question 1: For decades, the federal government has tried to stimulate charitable giving by offering a tax deduction to donors. Many of the tax-overhaul plans now being proposed would scrap the deduction—or make it less valuable to taxpayers, therefore potentially causing giving to decline. What is your view on whether the charitable deduction should be maintained, decreased, or expanded?

Question 2: Do you think it is the government's responsibility to stimulate charitable giving? If so, are there ways beyond the current charitable tax deduction that would achieve that goal? For example, would you allow people who do not itemize on their tax returns to claim charitable deductions? Do you favor a tax credit for donations to charities that serve the poor? To other groups as well?

Question 3: As President of the United States, would you disclose your own charitable giving to the public, as a way to encourage Americans to give more—or is giving such a private act that it should not be the subject of public scrutiny?

Volunteerism

Question 4: What can or should the federal government do to encourage volunteerism? Would that be one of your goals as President? If so, what would you do?

Question 5: Has the AmeriCorps program succeeded in encouraging community responsibility? Should it be maintained, expanded, or abandoned?

Question 6: Would you support the Points of Light Foundation's efforts to name an exemplary volunteer every day and have the White House get involved in the selection and announcement?

Lobbying by Non-Profit Groups

Question 7: How effective do you think charities and foundations have been in their attempt to influence public policy? Would you support the legislation that passed the House last year to deny federal grants to charities that devoted more than 5 per cent of their budgets to lobbying?

(continued)

Welfare

Question 8: Do you see charities playing an expanded role under a revamped welfare system? If so, should charities receive more federal money to deliver social services? Or, should they raise more private money to take care of the poor, therefore allowing the federal government to cut back some of its spending on the needy? If so, how do you respond to the concern many charities have expressed that they cannot raise enough money to offset government cuts in social services?

Question 9: Under current law, churches with a spiritual component to their social-service programs are prohibited from receiving federal grants. But many members of Congress have suggested lifting that prohibition. Is that a measure you support? Why or why not?

Public-Private Partnerships

Question 10: What steps, if any, would you take to help the federal government work more closely with charities and foundations?

Question 11: Would you continue to have federal liaisons to the non-profit world within the Cabinets, as established by the Clinton Administration? If so, what would their role be? If not, why not?

Question 12: How has your personal experience with non-profit groups helped shape your views about their effectiveness?

file na profits

FAX MESSAGE

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THE CHRONICLE OF PHILANTHROPY

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The Newspaper of the Non-Profit World

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Mixed Reviews for Clinton

Charities praise his grasp of issues but are dismayed by welfare changes and reductions in federal aid

By JENNIFER MOORE
and GRANT WILLIAMS

NON-PROFIT LEADERS expected a lot from Bill Clinton when he moved into the White House nearly four years ago.

They knew that the President was unlikely to increase their federal aid, but they hoped he would make them his partners as he tackled the country's problems.

Now, as Mr. Clinton makes his bid for a second term, charity leaders are divided over his performance.

Some charities charge that the President has hurt them—and the people they serve—by approving steep cuts made by the Republican-led Congress this year in low-cost housing, the arts, and other federal programs. They are also deeply unhappy about the recently enacted overhaul of the welfare system.

Others say the Administration has failed to collaborate with them in developing major policies.

But many in philanthropy say both federal and non-profit leaders simply expected too much from Mr. Clinton's first term. "Where the disconnect has happened is in people's expectations of what could happen and how fast," says Lauren Cook, a consultant to the Council on Foundations on public-policy issues.

White House officials say many people underesti-

Continued on Page 26



CYNTHIA JOHNSON / GAMMA LIAISON

Charity leaders praise Bill Clinton (shown here at a discussion on family issues) for his work on AmeriCorps and enterprise zones, but complain that he has not sought their counsel enough.

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A Mega-Giver Looks West

The billionaire George Soros (right), who has set up foundations throughout the former Soviet bloc, is increasing his giving in America, where he wants to deal with social problems like crime, bad schools, and teen-age pregnancy. Story on Page 9.

Reeling From the Welfare Bill

New federal welfare provisions enacted last month pose the most serious challenge that charities have faced in the past 15 years, say some officials, and could transform much of the non-profit world. Story on Page 38.



LISA QUINONEZ / BLACK STAR

A complete guide to this issue appears on Page 4.



Doris O. Matsui, a top aide to President Clinton, says that non-profit groups and Administration officials are now beginning to develop "a real partnership."

MICHAEL VENTURA FOR THE CHRONICLE

Mixed Reviews for Clinton

Continued from Page 1

mate the importance the Clinton Administration places on charities and their causes. "It is so deeply rooted and inculcated in just how we think around here," says Melanne S. Verveer, a top aide to First Lady Hillary Rodham Clinton. "It affects the work that we do all the time."

Still, Administration officials say they hope to do more. Projects already under way include a new White House World-Wide Web site that would provide non-profit groups with federal-grant information and make it easier for them to communicate with government officials.

Many Give President High Marks

Most non-profit leaders give President Clinton high marks for his grasp of the issues that affect their organizations. They praise his expertise on subjects like national service and international relief and development, as well as on policies that make a difference to charities of all kinds, such as changes in the tax deductibility of charitable gifts.

Mark Rosenman, head of the Union Institute's Washington office, recalls going up to the President after he gave a speech last summer and asking him to oppose Congressional efforts to restrict lobbying by charities that receive federal aid.

Much to his surprise, Mr. Clinton launched into an in-depth discussion of the restrictions and his reasons for opposing them.

"He then started talking about strategy," says Mr. Rosenman, "about how the non-profit sector ought to position itself on this issue." The President made it clear he would lend his support to charities but could not "carry our water," Mr. Rosenman says.

The proposal was ultimately defeated, in part because of Mr. Clinton's behind-the-scenes opposition. "President Clinton's support was not there as fully as some of us would have had it," says Mr. Rosenman, "but it was there in ways that have not characterized previous Administrations."

In fact, charity officials say, the forthcoming election presents a rare opportunity: Both major party candidates seem to have a strong understanding of charity issues.

Bob Dole, the Republican Presidential nominee, created the Dole Foundation for the Employment of People with Disabilities, and his wife, Elizabeth Hanford Dole, heads the American Red Cross. (An

examination of the Doles' record on charity matters appeared in the May 2 *Chronicle*.)

The challenge, say charity leaders, will be to make sure the next President turns his awareness of non-profit issues into actions that strengthen their organizations and include them as key players in shaping policies.

New Literacy Program Introduced

Many non-profit leaders point to two key Clinton Administration efforts as examples of what they hope to see from the White House:

- AmeriCorps, a national-service program that provides people with education or job-training benefits in exchange for one or two years of service with charities or government agencies. Mr. Clinton has called the program—which pairs federal money and private donations—one of his crowning achievements and a model for how the federal government can work as a partner with charities. Last week, the President announced a \$2.75-billion "America Reads" effort to combat illiteracy with the help of AmeriCorps volunteers, charities, and others.

- Empowerment Zone Enterprise Communities, a neighborhood-development program that makes grants to cities and towns so they can devise ways to fight poverty and other problems. Grant makers—including the Annie E. Casey, Ford, and Rockefeller Foundations—are helping community groups and local governments apply for the federal money and put it to good use.

"This is the largest antipoverty effort in the last 20 years," says Janet E. Levy, a senior associate at the Casey Foundation. Ms. Levy plans to hold a meeting of about 20 foundations this month to discuss whether they might join together to finance an evaluation of the first round of recipients, which received \$1-billion in federal grants and \$2.5-billion in federal tax incentives in 1994.

The AmeriCorps and enterprise-zone programs "exemplify the kind of relationships between government and non-profit and foundation leaders that were part of the vision of this Administration," says Ms. Cook, who worked with state and local governments to form partnerships with non-profit groups when she was at the Council of Governors' Policy Advisors.

George Latimer, a former top aide to Secretary of Housing and Urban Development Henry G. Cisneros, says the enterprise-zone program shows that "the Clinton Administration is acknowledging the role of philanthropy in more overt ways than what has been done before."

'We Could Have Done a Better Job'

But Mr. Latimer, a former Mayor of St. Paul, says that the federal government as a whole has only begun to absorb the lessons the non-profit world has to offer. For example, he says, "philanthropy has been at the cutting edge of the human-service component that we know is essential to successful welfare reform. I think we could have done a better job of drawing upon that experience than we have."

Many charity leaders say that if President Clinton had taken their advice, he would not have signed the welfare bill last month. The President describes the new law, which limits people to five years of welfare in their lifetimes, as an important "first step" toward improving the system of helping the poor. Some charity leaders charge that the new law expects people with few skills and little, if any, experience, to

Continued on Page 28

Dole Scales Back Planned Tax Credits for People Who Give to Help the Poor



Republican Presidential nominee Bob Dole (above with his running mate, Jack Kemp) has reduced his proposed tax break for people who give to antipoverty charities from \$500 to \$100.

BOB DOLE, the Republican Presidential nominee, has dramatically scaled down his proposal to provide new tax breaks to people who support antipoverty groups.

In a major speech in May, Mr. Dole said he wanted to allow individuals to subtract from their tax bills as much as \$500 a year for their gifts to charities that help the poor (*The Chronicle*, June 13). Now he says he wants to reduce that amount to \$100 next year.

What's more, Mr. Dole now wants to limit the number of groups that would qualify for gifts and says that the credits would expire after two years.

The apparent reason for the changes: Mr. Dole wants to reduce the credit to offset in part the cost of his proposal to cut personal income taxes by 15 per cent.

The changes make a big dent in the proposal's price tag. The original plan would have cost the Treasury as much as \$120-billion from 1997 through 2002. But Mr. Dole's revised plan would cost only \$5.2-billion over two years, according to an analysis by the Congressional Joint Committee on Taxation.

Easing the Government's Burden

Mr. Dole says charity tax credits are important because an upturn in giving to antipoverty charities would make it unnecessary for the fed-

eral government to provide as much aid to the poor as it does now.

President Clinton has not said whether he would support tax credits for donations to the poor. His aides have said that such credits, however worthy in concept, could be too much of a strain on the Treasury.

Mr. Dole's initial tax-credit plan would have allowed individuals to subtract from their income-tax bills up to \$500—and married couples up to \$1,000—of the donations they give to charities that help the needy.

\$400 Maximum in 1998

Under Mr. Dole's revised plan, in 1997 individuals would be allowed to receive a tax credit on gifts of up to \$100—and married couples up to \$200—to charities that help needy people.

In 1998, the credit would increase to \$200 for individuals and \$400 for couples. The tax credit would expire at the end of 1998 unless Congress and the President agreed to renew it.

Taxpayers would be allowed to count 50 cents of every dollar they donate toward the tax credit, up to the maximum allowed.

Donors who itemize deductions are now allowed to claim a write off for gifts to charities of all kinds, up to 50 per cent of annual income. Tax credits provide a better financial deal for

Continued on Page 28



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Charity Leaders Divided Over Clinton's Performance

Continued from Page 27

find permanent work too quickly—and does not provide the money for services to help them stay on the job. (For details on the welfare law's effects on the non-profit world, see Page 38.)

Numerous non-profit officials also charge that the President accepted too many cuts in the 1996 fiscal year budget that he and Congress negotiated in the spring. That budget cut the National Endowment for the Arts by 39 per cent and the Department of Housing and Urban Development by 25 per cent. President Clinton was able to save AmeriCorps from elimination but had to accept a 15-per-cent cut this year.

"From the White House's perspective they probably feel like, Hey, we did a good job even to hold on to HUD," says Linda Shaw, executive director of the North Carolina Low Income Housing Coalition. "But from the field, you have to sometimes wonder, Well, what did we save? If all you've got left is a skeleton and there's no meat on it, then what have we got?"

Still, Ms. Shaw and other charity officials say Mr. Clinton has been put in a tight spot by the Republican Congress.

"In many ways the question has not been, How good has it been under the Clinton Administration, but rather, How bad could it have been without the Administration in place acting as a bulwark," says David Edelman, managing director of the Delaware Theatre Company in Wilmington. "The answer to that is, It would have been a disaster for the non-profit sector." Mr. Edelman's group receives approximately 10 per cent of its \$1.7-million annual budget from federal and other government sources for programs such as training schoolteachers in the arts.

Responds to Charities

President Clinton draws praise from many groups for being more responsive to charities than previous Administrations.

"We often meet with chief policy

people, and we get our calls answered or returned," says Ron Pollack, executive director of Families U.S.A., a health-reform group in Washington. "That's unusual."

But Carol Porter, co-founder of Kid Care in Houston, says she was saddened when her invitation to Mrs. Clinton to visit the group was not accepted. Ms. Porter says non-profit organizations like hers—which delivers more than 20,000 meals each month without the help of government money—have much to teach the federal government. "They haven't come to talk to people like Carol Porter," she complains.

Use of the Internet

The Clinton Administration says that reaching out to charities around the country would be a high priority during a second term, and the Internet would be a prime means for such communications. The new World-Wide Web site for charities is being designed to resemble an existing on-line White House service for business leaders (<http://www.business.gov>). The site, which is now being tested by a small group of non-profit leaders, could be in operation as early as this fall.

The Web site has been developed by Administration officials designated as non-profit "liaisons." In 1994, President Clinton asked the heads of each of the Cabinet departments and several other agencies to name at least one top official who would be responsible for spending at least part of his or her time working with non-profit groups. (A list of the liaisons appears on Page 30.)

Charity officials praised the move, but by most accounts it got off to a slow start. Many non-profit leaders interviewed for this article said they were not even aware of the program.

Doris O. Matsui, a deputy assistant to the President who coordinates the program, acknowledges that it took time for the liaisons to figure out what they should do. But the new electronic project, she

Bob Dole Scales Back Tax Break for Donors to Antipoverty Groups

Continued from Page 27

donors than do deductions because people subtract a credit directly from their tax bills.

Under the latest Dole plan, a person who owed \$10,000 in income taxes and who gave \$200 to a qualifying charity in 1997 could reduce his tax bill by \$100—to \$9,900. In addition, the taxpayer could deduct the remaining \$100 of his gift as a charitable contribution.

85% Rule

Fewer charities would qualify for donations under Mr. Dole's revised tax-credit plan than under his original proposal.

The candidate first wanted to allow credits for donations to organizations that spend at least 75 per

cent of their total budgets on direct services to the poor; the new plan would raise the proportion to 85 per cent.

Mr. Dole's tax-break proposal would not be offered for contributions to museums, colleges, hospitals, and other charitable institutions that serve people in all income brackets.

That restriction has drawn fire from some non-profit officials who say it is unfair to single out one type of charity for such an incentive.

Other charity leaders worry that any rise in donations caused by the new tax incentive would be too small to offset cuts in federal spending on welfare and other programs.

—JENNIFER MOORE
AND GRANT WILLIAMS



David Edelman of the Delaware Theatre Company: "We haven't seen enough of the President talking about the arts in this country."



John S. Barry of the Heritage Foundation says President Clinton's non-profit liaisons may lead charities to pay too much attention to Washington: "You almost become addicted to Washington money and start losing sight of the communities you've been active in."

says, has given the program a second wind.

Ms. Matsui says charity and foundation leaders have done a lot in the past year to help the liaisons understand the diversity of the non-profit world. "There's a growing awareness that there are a lot of things that are pretty common to the sector," she says. "And that's

the beginning of a real partnership. Now we say, Okay, what are the things that we can work on together? What are the things we don't work together on?"

Some observers, however, think the Clinton Administration has moved in the wrong direction by naming non-profit liaisons in Washington at a time when deci-

sions are being turned over to states, counties, and cities.

"If I'm a community activist or someone who's running a homeless shelter and I turn to the liaisons, then I'm turning to Washington," says John S. Barry, an economic policy analyst at the Heritage Foundation. "And what happens then is that these local organiza-

tions get so caught up in dealing with Washington and with almost the self-importance of that. And then if you start introducing money into the process, what happens is you almost become addicted to Washington money and start losing sight of the communities you've been active in."

Even though the election is two

months away, many charity leaders already have long lists for what they want the winner to do.

Some may press for a White House conference on non-profit issues. Others plan to ask the next President to appoint a high-ranking adviser—a "non-profit czar"—who could make sure the White

Continued on Page 30

Platforms: What Democrats and Republicans Say About the Non-Profit World

Following are excerpts from the campaign platforms approved by the Republican and Democratic Parties at their national Presidential nominating conventions last month:

Democrats

Arts. We believe in public support for the arts, especially for high-quality, family-friendly programming. ... We are proud to have stopped the Republican attack on the Corporation for Public Broadcasting—we want our children to watch "Sesame Street," not "Power Rangers."

Housing and homelessness. Fulfilling his 1992 pledge, President Clinton made the low-income housing tax credit permanent, encouraging private developers to build more affordable housing. This tax credit is making it easier for families to get housing, and we will stand against Republican attacks on it. ... We have dramatically increased help for the homeless, and shifted focus from temporary shelters toward permanent solutions designed to move people back into the mainstream, into jobs, and a home of their own.

Volunteerism and national service. Across America, in far too many places, the bonds of community that tie us together and remind us that we rise or fall together, have too often frayed. Today's Democratic Party believes we must reawaken the strong sense of community that

has helped America to prosper for 220 years. ... When Americans work together—in our homes, our schools, our houses of worship, our civic groups, our businesses, labor unions, and professional associations—we can meet any challenge, and realize every dream. ...

Today's Democratic Party believes every American has a duty and a responsibility to give something back to their community and their country. In the past three years, 45,000 Americans have performed national service as part of the AmeriCorps program President Clinton and the Democrats fought so hard to create—and we [thank] those Republicans who joined a bipartisan effort to preserve AmeriCorps when Speaker Gingrich's House tried to kill it.

We applaud the American spirit of voluntarism and charity. As we balance the budget, we must work even harder in our own lives to live up to the duties we owe one another. We must shrink the government, but we cannot shrink from our challenges. We believe every school and college in America should make service a part of its basic ethic, and we want to expand national service by helping communities give scholarships to high school students for community service. We challenge Americans in all walks of life to make a new commitment to taking responsibility for themselves, their families, their communities, and their country.

Republicans

Aid to international charities. Human nature and aspirations are the same everywhere, and everywhere the family is the building block of economic and social progress. We therefore will protect the rights of families in international programs and will not fund organizations involved in abortion.

Lobbying by recipients of federal aid. We will end welfare for lobbyists. Every year, the federal government gives away billions of dollars in grants. Much of that money goes to interest groups which engage in political activity and issue advocacy at the taxpayers' expense. This is an intolerable abuse of the public's money. A Republican Congress will enact legislation, currently blocked by Bill Clinton's Congressional allies, to make groups choose between grants and lobbying.

We will establish Truth in Testimony, requiring organizations which receive government funds and testify before Congress to disclose those funds. Our "Let America Know" legislation will force public disclosure of all taxpayer subsidies and lobbying by groups seeking grants. We will permit "private attorney general" lawsuits against federal grantees to ensure better enforcement of anti-lobbying restrictions. A Republican Administration will impose accountability on grantees, to reveal what the

public is getting for its money, and will end the process of automatic grant renewal. We will halt the funding of frivolous and politicized research grants.

Religious and fraternal organizations. Because of their vital role in fostering charity and patriotism, we oppose taxing religious and fraternal benefit societies. ...

To ensure that religiously affiliated institutions can fulfill their helping mission, we endorse Republican legislation to stop discrimination against them in government programs. ...

We assert the right of religious leaders to speak out on public issues. We condemn the desecration of places of worship and are proud that Congressional Republicans led the fight against church arsons. We believe religious institutions and schools should not be taxed. When government funds privately operated social, welfare, or educational programs, it must not discriminate against religious institutions, whose record in providing services to those in need far exceeds that of the public sector.

Role of government and charity. As a first step in reforming government, we support elimination of the Departments of Commerce, Housing and Urban Development, Education, and Energy, and the elimination, defunding, or privatization of agencies which are obsolete, redundant, of limited value, or too

regional in focus. Examples of agencies we seek to defund or to privatize are the National Endowment for the Arts, the National Endowment for the Humanities, the Corporation for Public Broadcasting, and the Legal Services Corporation. ...

While recognizing a role for government in dealing with social ills, we look to mediating institutions—religious and community groups, private associations of all kinds—to take the lead in tackling the social ills that some government programs have only worsened. ...

Not everyone can make it on their own. Government at various levels has a role—and some aid programs do work well—and so do private individuals and charitable and faith-based organizations, whose record of success far outshines that of any public welfare program. To promote personal involvement with anti-poverty efforts, we call for a Charity Tax Credit that will be consistent with the fundamental changes we propose in the nation's system of taxation.

Volunteerism. We encourage State governments to adopt reforms similar to those we propose to restore fairness to the federal system: ... Restore limited liability to non-profit organizations—churches, civic, and community groups, and the volunteers who sustain them—to provide protection against profit-seeking lawsuits and to encourage volunteerism.

Charities Divided Over Clinton

Continued from Page 29

House considers how changes in Administration policies would affect philanthropy.

Many non-profit leaders say they also hope the next President will use his bully pulpit to help increase understanding among elected officials and the public about what non-profit groups do and what benefits they provide to society in exchange for their tax exemptions.

Mr. Edelman of the Delaware Theatre Company says he would like to watch the evening news and see the President at an arts organization or other charity, just as Mr. Clinton is often seen touring small businesses to draw attention to the issues they face.

"We haven't seen enough of the President talking about the arts in this country," says Mr. Edelman.

Congressional Races Critical

Perhaps as important as the Presidential election, many charity leaders say, are the Congressional races, which will determine which party controls the House of Representatives and Senate for the next two years.

Congressional Republicans have vowed to review the tax code next year and to consider changes. If Congress tries to make significant alterations, non-profit leaders say, they will look to the President to preserve tax breaks that stimulate charitable giving.

Bob Smucker, senior vice-president for government relations at Independent Sector, a Washington-based coalition of major charities and foundations, says he hopes the next Administration will do more than that. He wants the next President to add tax incentives to increase giving, such as allowing people who do not itemize deductions to get a write-off for their charitable donations.

The big task for the next President and Congress will be to figure out how best to attack social problems with limited government resources.

"We know that the old way of doing things, the way of big federal government, has been discredited," says Chuck J. Supple, president of Public Allies, a Washington-based group that places young adults in year-long "apprenticeships" with public-interest and community-based groups as well as government agencies. "We're on the verge of a tremendous transition."

Mr. Supple, who previously had served as a federal liaison to non-profit groups when he was an official at the Corporation for National Service, which runs the AmeriCorps program, says government, charities, and businesses need to figure out how best to work together.

"We're about to have those discussions," he says. "But we're still sort of holding on to the door frame like a kid on his first day of kindergarten, not wanting to go into the next century."

Clinton Administration Liaisons to the Non-Profit World



Patricia DeVeaux



Art Agnos



Nicholas Gess



Douglas Hall



Patricia McNeil

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MEMO

October 17, 1994

TO: Melanne Verveer

FR: Bob Smucker *MSB*

RE: Suggestions for comments by the First Lady at our Annual Meeting

Enclosed is an October 6 memo from Rick Jasculca to Patti Solis regarding the First Lady's involvement at our Annual Meeting.

As you can see, the theme is youth and volunteerism. My hope is that a bridge could be built from that theme to the importance of the involvement of youth in advocacy. The enclosed statements President Clinton made in his campaign and later at the reception for nonprofit leaders are certainly pointed in the right direction.

A statement to the effect that opportunities should be open for youth to learn advocacy and lobbying skills in nonprofit organizations, would be especially helpful. I would take it one step further and urge a strong statement to the effect that government at all levels should avoid actions that might impede such opportunities.

We have several reasons for urging such a statement.

- 1) As you know, we just escaped by a hairs breadth being saddled with substantially increased, and needless, disclosure under the Lobby Disclosure Act. It's my guess that charities will oppose the Lobby Disclosure Act (we didn't oppose it this time around) in the next Congress if it doesn't permit us to disclose our lobbying activities under IRS rules.
- 2) You probably know that National Service volunteers may not be involved in advocacy or lobbying. We continue to think that was a mistake and hope to come back to the issue again in the upcoming Congress.

So, a strong statement from the First Lady in support of nonprofit lobbying and advocacy could help to set the tone for the next Congress.



I just wanted to be certain you know what our agenda will be in the advocacy/lobbying arena in the next Congress so you'll know why we are hopeful that the First Lady will make a strong statement of support of that activity.

Enclosures

cc: Sara E. Meléndez
John Kemp
Brian Foss



Contact: Jim Clark
(501) 370-3468

STATEMENT ON THE NON-PROFIT SECTOR

We believe that, as stated in the 1992 Democratic Party Platform, "the wisdom, energy, and resources required to solve our problems are not concentrated in Washington, but can be found throughout our communities, including America's non-profit sector, which has grown rapidly over the last decade."

We note that this extraordinary growth has been largely created by our society's social, cultural, and environmental non-profit entrepreneurs.

We believe that the non-profit sector is one of the primary determining factors in the health and vitality of America's communities, just as we recognize that government at all levels increasingly has relied upon non-profit organizations to provide certain services more efficiently and more effectively than can government bureaucracy.

In this era of constrained government resources facing up against increasingly complex social problems, greater collaboration, more effective government contracting, and a deeper understanding of the consequences of government's actions affecting the non-profit sector are required at all levels of government.

America's public challenges can only be addressed by drawing upon all of the creativity, knowledge, and initiative located across business, government, and the non-profit sector combined. We must leverage the resources of the non-profit sector and the experience of people working in the non-profit sector to help solve problems as part of a larger effort that involves all members and sectors of society.

A Clinton/Gore Administration will work to create further incentives for private investment for the public good. We will explore various ways to



make it easier to donate money to support the work of non-profit organizations, including making full use of the President's "bully pulpit" to underscore the importance of private participation in the non-profit sector.

A Clinton/Gore Administration will work to encourage further the role of the non-profit sector as the primary mechanism for citizen participation and as a force for empowerment of each and every individual.

We will seek to create an environment and set a tone wherein creative, substantive service to our nation and our respective communities are the civic norm rather than the heroic exception. And, we will re-examine and clarify the lobbying restrictions placed upon non-profit organizations.

And, we will strive to ensure full use of the creativity, initiative, and entrepreneurial spirit of the various service corps, conservations corps, and other private, non-profit organizations in our plan to allow participants in the proposed National Service Trust Fund to pay back their loans through community service.

Perhaps, most importantly, a Clinton/Gore Administration will seek to place its relationship with the non-profit sector in the context of a larger effort to strengthen "community" in America. Volunteerism, philanthropy, associational activity, and professional work in the non-profit sector are all integral components of the American democratic experience and public life. Our plan to rebuild America is based around the simple premise that we must put people first... for a change.

MEMORANDUM/October 6, 1994

TO: Patti Solis

FR: Rick Jasculca

RE: **Hillary Clinton's Interaction With Young People at the Independent Sector Annual Meeting in Chicago**

We are pleased that Hillary Clinton is planning to attend the Independent Sector Annual Meeting in Chicago which will be October 23 - 25.

As you know, we have identified 14 Chicago-area young people who will participate in the conference by serving on a panel or introducing a plenary session. Their excitement about taking part in the conference will no doubt intensify when they learn that they may meet Hillary Clinton and receive a personal invitation from her to visit the White House.

We understand that Ms. Clinton would like to interact with the young participants. Following are ideas on how we can make this happen.

Declaration of Volunteerism

Before the conference, each young person will describe (in 30 words or less) what volunteering means to them. Each of these statements will make up the giant "Declaration of Volunteerism" that will be on stage. One by one, all 14 students will go forward and add their velcro-backed portion of the declaration that includes their statement. They will then tell Ms. Clinton and the audience what volunteering means to them. Ms. Clinton can comment on their statement or ask questions about their volunteer work and escort them to a smaller, fancier scroll version of the declaration that will be sitting on top of an antique desk. The students and Ms. Clinton will each sign this declaration with a quill pen to make it official. After the last student has signed the scroll, one of the students will present Ms. Clinton with the declaration, as their pledge to continue volunteering and to encourage other young people to do the same.

Show And Tell

Objects often help to tell a story. So, to help Ms. Clinton and the audience experience the different types of volunteer work each student does, the teens will each bring an object to help tell their volunteer story. For example, these objects may be books and other materials used by a volunteer who tutors inner-city children ... or the martial arts uniform that is worn by the volunteer who shares this art with people who are physically challenged. Ms. Clinton would be able to ask questions of the students about their volunteering and the objects they have shared.

Show And Let Them Tell

Each of these ambitious teens has helped a number of people by volunteering in Chicago-area communities. All 14 student participants could bring a person whom they have helped. Each student would introduce their guest and give a brief summary of how their relationship has helped to motivate the student to continue community service. The guest can also tell what a difference the young volunteer has made in his/her life. Ms. Clinton can join in this dialogue with the volunteers and their guests.

Building Bridges Between Young Volunteers and People in Need

The theme of the conference is building bridges. It is obvious that these outstanding young people are building a bridge, of sorts, through the work that they are doing -- a bridge between young volunteers and people in need. On stage, we can have a small bridge constructed of light wood and chicken wire, for example. The students, with Ms. Clinton nearby, will then complete its construction by adding objects, such as T-shirts, uniforms and other materials that represent the volunteer efforts of the 14 young people. The students will place their objects on the bridge. Each student's journey across the bridge will symbolize his/her reaching out to help others. They will then invite Ms. Clinton to cross the bridge with them.

We look forward to discussing these ideas with you.

U,W,2 - CLINTON-NON-PROFITS, KED -
clinton-non-profits
REMARKS BY PRESIDENT CLINTON AT RECEPTION FOR NON-PROFIT
ORGANIZATIONS

EAST ROOM, THE WHITE HOUSE
WASHINGTON, DC
5:00 P.M. EST
TUESDAY, APRIL 12, 1994

.STX

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PART OF THAT PERSON'S OFFICIAL DUTIES.

PRESIDENT CLINTON : Thank you very much. (Applause.) Thank you. Thank
you very much.

Ladies and Gentlemen, Secretary Shalala, Secretary Cisneros, and the many
other people in our administration who are here who have long supported the
nonprofit sector of this country and worked in it. I suppose no one qualifies in that
regard more than the first lady. (Applause.) Since I first met her, I've seen Hillary
serve on children's advocacy boards, legal services boards, hospital boards,
foundation boards. I was counting outside, I haven't checked with her, but I know
that she's helped form three nonprofit organizations and been associated with at

least a dozen others. I appreciate the fact that she found a little time for me over the years. (Laughter.)

I say that because I have learned not only as a governor and a public official and now as president, but also in my own family, the incredible importance of the work that all of you do and those whom you represent. When I ran for president, I said as clearly as I could that I thought the national government had a responsibility to do many things that we were not then doing, but there were many things we could not do, and that in the absence of a partnership with people in community organizations all across this country we would surely never become the nation we ought to be.

I'd like to make a few remarks about that, but I think it is appropriate, since we're talking about citizenship in its best form, that I also make a couple of comments at the outset about a subject very much in the press today.

Since Justice Blackmun announced his retirement last week, I have been working to find an able replacement. Last night, Senate George Mitchell, who was my leading candidate for the Court, came to see me and asked me what I wanted him to do. And I said, Well, I want to talk to you about it; I'd like to appoint you to the Supreme Court, if you think we can do our work here for the country this year, in pursuing health care reform and the other things we have to do.

And he looked at me and said, You know, I've always wanted to be on the Supreme Court, and no one can predict what it would be like if I were nominated and then confirmed while sitting in the Senate and leading this fight, what the impact would be. I have thought of all the ways we could do it and all the various scenarios and I'm only sure of one thing, I cannot imagine that the impact would be good, in terms of our ability to pass health care, welfare reform and any of the other things we want to do.

But his special concern was with regard to health care reform. And so he said, I believe I should stay in the Senate and serve my term out and try to lead this country to health care reform. That's after all the job I was given, and it's my job till next January, and I'm sorry that the timing is not good but I think it's the right thing to do.

I said, Well, why don't we sleep on it and see if we can think of a way to do it? This morning early, I called him on the phone and he said, I still see it the same way. And I said, Well, I haven't any thunderbolt of insight about how your analysis is wrong. So he said, I still think I ought to do not what I want to do but what I should do. And he seemed as comfortable with that decision as any one that I've ever seen him make.

I say that because this country needs more people who devote themselves not only to what they would like to do but what they think the country needs . He has dedicated himself to doing something that, if successful, this health care reform would be the work of a generation in America. His leadership role is crucial. I value it, and I'm grateful for it. And so, I would like to begin by thanking him, on behalf of this country, for his willingness to forego a great personal opportunity, in anticipation of an enormous struggle with an uncertain result, for a result that is worth the careers of many of us.

I thank him for that.

The interesting thing, as I look out at this crowd of you, and I see so many of you whom I've known for so many years, and I think of all the struggles that you have been in with an uncertain result, determined to make life better for people in any number of ways.

In 1840 Alexis de Tocqueville said if Americans want to proclaim a truth or propagate some feeling by the encouragement of example, they form an association. (Chuckles.) Well, today, at the dawn of a new century, we're full of associations. Every now and then I hear from one I don't like all that much. (Laughter.) Sometimes I hear from those I like very much things that I wish I didn't have to hear. That is a part of what makes America a special place.

Every item, as I said earlier, of the national agenda I have sought to pursue so vigorously ultimately depends upon people in their private capacities doing

things differently. Much of what I try to do here is designed to empower people to live up to the fullest of their own capacities and to face their problems in their own ways most effectively. Whether that's true in health care reform, or education reform, or crime prevention, or using national service through the sterling work that Eli Segal has done to permit people to solve their problems at the grass-roots level. You can see it in every initiative. The whole notion that the government has to empower people to take control of their own lives depends upon the ability of people to organize effectively, to lobby their government, to influence our policies, and also to tell us what they know is the truth.

Just today we received what I have seen year after year as one of the best examples of that kind of action with the release of yet another report from the Carnegie Corporation, and this one, I think, one of the best that I have ever read, on how we can better meet the needs of our youngest children. This report is nearly three years in the making, and I think now it's fair to say it's the most comprehensive analysis of the condition of American children aged zero to three. It awakens us to the fact that millions of our infants and toddlers are living in shameful conditions, but also, and even more importantly, offers a coherent set of solutions about what we ought to do about it.

In an attempt to be a better partner with all of you and what you are doing, we are establishing today a nonprofit liaison network of 26 different liaisons in every important government department and agency to work with all of you, to emphasize in an organized way how much we value your good work, your input into our policies, your advocacies of things that still need to be done.

One of the most important things in this complicated age of zillions of problems is that I identify what it is as president I can do and what it is I need someone else's help to do. Of all the things that we can spend our time on here in the White House and in this government, which things are most important and which things will spark the largest release of energy in a positive and constructive

way around the country? You have to help us make that decision. For, in truth, that's a decision that we make anew here constantly as we deal with the difficulties as well as the opportunities that come to this place.

I hope this is the beginning of an even better partnership. I thank you very, very much for what you do. And I want to say again I cannot succeed as president unless you succeed and unless you succeed in mobilizing millions of our countrymen and women for the important tasks that faces us. I honestly believe that we may be at dawn of a new American renaissance, a period when we are able to face with greater energy and greater hope and a greater sense of community and common purpose the challenges before us than has been the case in a generation.

If we do it, we will make the beginning of the 21st century the most exciting time in American history to be young, to grow, to come to maturity, and to make a life. If we don't, we will have squandered a greater legacy. The only way we can do it is if somehow there is a role for all of us, not just those of us in high office. You provide that role for all of us, and I will do my best to help you play it.

Thank you very much. (Applause.)

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October 18, 1994

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Mrs. Hillary Rodham Clinton
 First Lady
 The White House
 Washington, DC 20500-2000

Via Telecopy

Dear Hillary:

Needless to say, I am immensely pleased to hear that you have agreed to speak to Independent Sector's Annual Conference in Chicago next week. Your audience will include the leaders of a broad and diverse group of important philanthropic organizations from around the country. Your appearance will do very much to cement the warm relationship of the Administration with the nonprofit community which you and the President so forcefully began with the White House conference last spring.

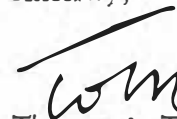
As I mentioned when I was first in touch with you about the IS Conference, a topic of major continuing concern to IS has been legislative advocacy by philanthropies. It is far from the only work of IS, but it has been central to the organization from the time of its original formation.

To give some sense of the IS views on the point to whomever is doing preparatory thinking for you about your remarks, I attach a copy of testimony I did several years ago for IS in the Ways and Means Committee. To avoid the need for reading through five long, dreary pages, I have marked the key paragraphs.

I very much look forward to seeing you in Chicago next week, and if I can help in any way before then, by all means have one of your people get in touch with me.

With warmest personal wishes.

Sincerely,


 Thomas A. Troyer

Attachment

Statement by

THOMAS A. TROYER
Caplin & Drysdale
Washington, DC

COPY

HEARINGS BEFORE SUBCOMMITTEE ON OVERSIGHT
COMMITTEE ON WAYS AND MEANS
U. S. HOUSE OF REPRESENTATIVES

Room 1100, Longworth House Office Building
9:30 a.m., March 12, 1987

My name is Thomas Troyer. I am a member of the law firm of Caplin & Drysdale. I represent a broad range of charitable and educational organizations, and I am the former chairman of the Exempt Organizations Committee of the American Bar Association Tax Section. I appear today on behalf of Independent Sector. I appreciate very much the opportunity to participate in this hearing.

I would like to focus my comments on one part of the terrain which is the general subject of your hearing -- the highly important law that Congress adopted in 1976 to enable public charities to elect liberalized tax rules for their legislative activities. The Ways and Means Committee in particular spent a good deal of time and effort in developing that law. Nonetheless, memories fade; a multitude of important matters have consumed the Committee's attention over the intervening decade; and the membership of the Committee and the Congress have naturally changed over that time.

That said, it seems to me well to highlight three key aspects of the 1976 law: (1) the fundamental objective of the Committee and Congress in developing and enacting the statute; (2) the measured, deliberate process by which the law was formulated; and (3) the experience we have had with the statute since 1976.

Prefatorily, let me underscore two points about the tax laws governing charities that are left entirely unchanged by the 1976 law. First, since 1954 the tax provision for charities has squarely and absolutely ruled out any participation in political campaigns. From the beginning, that bar was absolute; Congress quite consciously left it intact as the 1976 law passed; and it remains so today. Second, the 1976 liberalizations were made available only to eligible public charities. Private foundations cannot make use of them. The very strict limitations that Congress specifically designed for the legislative activities of private foundations in 1969 were untouched by the 1976 law, and they, also, remain in effect today.

CONGRESSIONAL OBJECTIVE

For many years the Internal Revenue Code specified that, for a charity to be tax-exempt and eligible to receive deductible charitable contributions, "no substantial part" of its activities could consist of attempting to influence legislation. Over those years, neither the courts nor the Internal Revenue Service provided any real guidance about the meaning of the "substantial" test. The result was that the charitable community generally gave a very wide berth to any comment on any issue of public policy.

In the late 1960's, one charity departed from that precept -- and in a highly publicized case, lost its eligibility to receive charitable contributions by lobbying to prevent the flooding of the Grand Canyon. Several other charities were threatened with loss of their exemptions because of their legislative activities.

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As those cases became known, they pointed up the fundamental irony of denying access to the public policy and legislative processes to charities -- institutions by their nature formed for public purposes, rather than to advance the private financial interests of shareholders, employees, or others.

In 1971, Congress turned to the problem. In March of that year, Senator Muskie introduced the first of a series of bills designed to clarify and liberalize the tax law restriction on public charities -- and thereby to encourage them to participate more fully in the formulation of public policy at the local, state and national levels.

The legislative history is quite plain about the purpose of the Congressional effort.

Senator Nelson:

- ° "The present law governing legislative activities of public charities is unduly restrictive, difficult to administer, and undemocratic. The present law effectively inhibits a diverse, informed, and important segment of our society from presenting its views either to Congress or State and local legislative bodies, and deprives legislators of the experience and knowledge of those charities." 119 Cong. Rec. 5746 (daily ed. February 28, 1973)
- ° "These organizations represent the public in many important areas such as health, education, and the environment. These groups have much information to contribute and a wide range of helpful experience that could greatly assist the consideration and enactment of this country's laws." 119 Cong. Rec. 5749 (daily ed. February 28, 1973).

Rep. Conable:

- ° "The role of the charities in a pluralistic society -- something we are all dedicated to -- is constructive and the charities should not be muzzled." 119 Cong. Rec. 42632 (daily ed. December 19, 1973).

Sen. Muskie:

- ° "It makes no sense to decide that these organizations operate in the public interest and grant them tax-exempt status and then silence them when they attempt to speak to those who must decide public policy." 117 Cong. Rec. 8517 (daily ed. March 30, 1971).
- ° "These organizations can be a valuable source of information; they can broaden legislators' understanding of proposed legislation, and they can suggest valuable legislative alternatives." 121 Cong. Rec. 42028 (daily ed. December 19, 1975).

Sen. Dole:

- ° "Charities can be and should be important sources of information on legislative issues." 121 Cong. Rec. 42032 (daily ed. December 19, 1975).

THE EVOLUTION OF THE STATUTE

The 1976 statute was the product of a careful and deliberate process that took place over a period of five years. Broader efforts followed the 1971 beginnings. In 1972, bills were

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introduced in both the House and the Senate. The Ways and Means Committee held three full days of hearings on the subject in 1972. More than 100 witnesses submitted testimony at those hearings. Russell Train, the Chairman of the Council on Environmental Quality, testified strongly about the capacity of charities to make important contributions to the consideration of public policy -- and, specifically, legislative policy -- and urged the Committee to allow charities sufficient freedom to make those contributions. Members of Congress, the Chairman of the Tax Section of the American Bar Association, and a wide range of other organizational representatives and individuals testified in favor of liberalization of the existing tax restraint on charities' legislative activities.

At least eleven bills with that essential objective were introduced from 1971 to 1976. During this period, there were a great many meetings among Ways and Means Committee members, other interested members of Congress, the staff of the Joint Committee on Internal Revenue Taxation, Treasury, and representatives of the charitable community. These discussions produced repeated revisions of the draft legislation. The Joint Committee draftsmen devoted many days and much hard thought to devising and refining legislation that would meet the objectives of Congressional proponents and, at the same time, resolve concerns expressed by Treasury or by one or another member of Congress.

Additional hearings were held by the full Ways and Means Committee in 1976. The Coalition of Concerned Charities, consisting of some 80 public charities, expressed its support for the final bill. The Treasury representative supported the bill without reservation, stating Treasury's belief in its worth for the legislative process and the Department's understanding that it comprised both a clarification and a liberalization of existing law.

The statute that emerged from this painstaking process drew very broad bipartisan support. Chairman Ullman had long been a vigorous proponent. The Committee's senior Republican, Congressman Barber Conable, had for some time led the effort to press the legislation to enactment, and he introduced the final bill. Among the members of the Ways and Means Committee who sponsored that bill were Congressmen Gibbons, Rangel, Vanderjagt and Prenzler. The forty-three Senators who joined in sponsoring the Senate counterpart of the Ways and Means Committee bill included Senators Muskie, Dole, Baker, Cranston, Stevens, and Leahy.

The statute that resulted is a detailed addition to the Internal Revenue Code, reflecting the care employed in its development. In essence, it enables eligible public charities to elect to spend, for their legislative activities, fixed percentages of their total annual expenditures for charitable purposes. Electing charities can spend no more than one-fourth of those fixed ceilings for grassroots legislative activity. Very helpfully, the statute defines with some precision classes of activities that are not to be considered attempts to influence legislation.

RESULTS SINCE 1976

The 1976 statute has been in effect for a decade now. About 3,300 public charities have elected to be covered by it. Although they are so far a small part of the universe of theoretically eligible organizations, they represent an important and diverse part of the charitable community. They include, for example, such well-known national charities as the National Council on the Aging, the American Lung Association, the National Audubon Society, Reading is Fundamental, and the several national charities about which other members of this panel will testify in detail. The list also includes a host of less prominent names. Local charities bulk large in it. A sample gives a sense of the group:

- 4 -

Citizens for Safe Drivers
 Able Disabled of Beaver County [Pa.]
 Dallas Zoological Society
 Travelers Aid Society
 Connecticut Library Association
 Keep Austin Beautiful, Inc.
 Suicide Prevention of Florida, Inc.
 Alaska Foster Parents Association
 Brandon [Oregon] Historical Society
 Buckley [Washington] Beautification
 Club
 Ketchikan [Alaska] Youth Football
 League
 San Carlos Volunteer Firemen, Inc.
 Society for Pediatric Research
 Birmingham Music Club, Inc.
 Elizabeth City [N.C.] Girls Club
 Friends of the Zoo [New Orleans]
 Morgan County [Alabama] Association
 for Retarded Citizens
 Committee to Preserve Assateague Island

Tennessee Conservation League
 American College of Allergists, Inc.
 Arizona Opera Company
 Big Horn Education Fund, Inc.
 Coalition for Persons With
 Disabilities
 Society's League Against Molesters
 Prince William League for the
 Protection of Natural Resour. [Va]
 Brothers Keeper Mission, Inc.
 Salt Lake Acting Company
 Colorado Association of Soil
 Conservation Districts
 County Sheriffs of Colorado, Inc.
 Society for Traditional Music
 Junction City Arts Council [Kan]
 House of Neighborly Service
 Junior League of Topeka, Inc.
 Old Fort Historic Sites, Inc. [N.C.]

I know from my own experience as counsel to a variety of charitable organizations that the 1976 law has had its intended effect of clarifying the standards and enabling public charities to communicate their information and views, within the statute's specifically stated limits, on legislative matters. Groups like those I have listed have made a great many useful contributions to public policy debates on a variety of issues at all levels of government. For example:

- ° The American Council of the Blind provides information to lawmakers on the impact of policy decisions on those whose vision has been impaired. When Congress considered reduction of the postal subsidy supporting, among other things, the Blind and Visually Handicapped Mailing Privilege, the Council demonstrated the effect of the proposed reduction for those who would, under it, be unable to afford postage for braille and recorded materials.
- ° The New York chapter of the National Parks and Conservation Association urged the State legislature to put the Environmental Quality Bond Act to a referendum. Approved by the voters, the Act, among other things, provides for State purchase of land for permanent preservation.
- ° The Girls Club of Alabama (Birmingham) addresses itself to such concerns as teenage pregnancy, the development of self-esteem in the community school system, and the prevention of sexual abuse. Concentrating particularly on modes of preventing teenage pregnancy, it has worked with the Mayor's Commission of Women, the State legislature and members of Congress.
- ° The United Handicapped Federation of Minnesota succeeded in its work to save the planned expansion of the Metro Mobility Para-Transit Program from state budget cuts. The program's expansion entails service to and from the metropolitan area surrounding St. Paul and Minneapolis. About 10,000 disabled riders benefit.
- ° The National Council on the Aging, in its work with the Senate Committee on Aging, provided important assistance in creating Title V of the Older Americans Act, the Senior Services Employment provision. The Act adds a new component to federal support of services to senior citizens that contrasts with previous emphasis on services to dependent persons. By offering increased

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employment opportunities, the Act is intended, over time, to reduce dependence upon government services.

Former Florida Governor Graham organized the Everglades Coalition -- composed of groups such as the Florida Audubon Society and the Wilderness Society -- to examine the problems of the water system in South Florida. The Coalition's work involved both state and federal laws concerning budgets, water restoration, and other issues affecting the water supply.

Charities like these -- and activities like these -- do not appear on the front page of the New York Times. Most of them do not appear on any page of any paper anywhere. Dan Rather does not tell us about them on the evening news.

For a Subcommittee assessing the legislative activities of charities, nonetheless, they are the real world. Day in and day out, groups like these work with city councils, county councils, members and committees of state legislatures and, from time to time, Congress. To the extent that the tax law permits them to do so, some of these charities encourage other citizens to express their views to those governmental bodies. Undramatic though most of it is, that citizen activity on public issues is just what the 1976 tax law was intended to encourage -- and just what it has produced for the charities electing it.

I hope that it will soon be clear that its beneficial effect continues -- and that more charities will be encouraged to elect it. Most made preliminary judgments about the 1976 law soon after its enactment, and a good many decided to postpone final choice until regulations appeared. One can readily understand their hesitation: the law represented a sharp departure from the exceedingly negative tax rule by which both public charities and their lawyers had been conditioned for more than forty years. Supportive exposition, in the strongly positive spirit of the new law, was much in order.

Regulations did not appear, though, until the proposal of last November. I know that Subcommittee does not want this hearing to include discussion of the proposed regulations and the considerable controversy which has attended them. I very much hope, however, that the controversy will conclude with regulations which carry out the fundamental, compelling objective of the 1976 law.

The law achieves that objective when it frees a large national charity to participate in a significant national issue. Much more commonly, it achieves that end when it frees a local charity to talk to its local officials. The public policy work of the United Way of America is highly important. The work of the Birmingham Girls Club is also important. So, too, is that of the Minnesota Handicapped Federation, the Morgan County Association for Retarded Citizens and the Tennessee Conservation League.

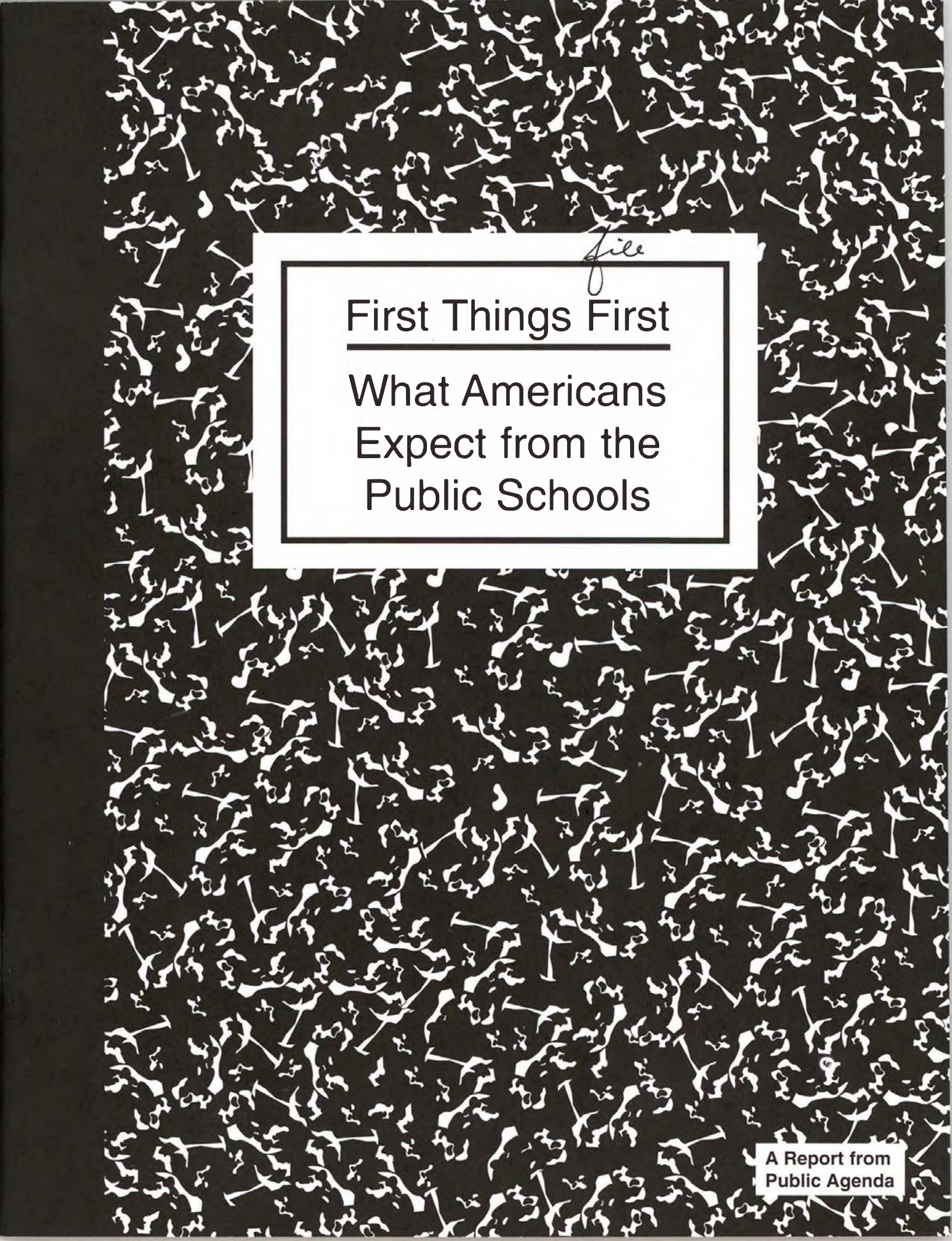
Indeed, these groups and their work are more than important. They are an essential part of the functioning of our democracy. In permitting such charities broader access to their representatives in city, county, state, and national legislative bodies, the 1976 law performs a function of vital significance to the workings of our democratic processes. Public charities should receive powerful encouragement to use it.

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First Things First

What Americans
Expect from the
Public Schools

A Report from
Public Agenda



Contact: Jim Clark
(501) 370-3468

STATEMENT ON THE NON-PROFIT SECTOR

We believe that, as stated in the 1992 Democratic Party Platform, "the wisdom, energy, and resources required to solve our problems are not concentrated in Washington, but can be found throughout our communities, including America's non-profit sector, which has grown rapidly over the last decade."

We note that this extraordinary growth has been largely created by our society's social, cultural, and environmental non-profit entrepreneurs.

→ ^{They} We believe that the non-profit sector is one of the primary determining factors in the health and vitality of America's communities, just as we recognize that government at all levels increasingly has relied upon non-profit organizations to provide certain services more efficiently and more effectively than can government bureaucracy.

→ In this era of constrained government resources facing up against increasingly complex social problems, greater collaboration, more effective government contracting, and a deeper understanding of the consequences of government's actions affecting the non-profit sector are required at all levels of government.

→ America's public challenges can only be addressed by drawing upon all of the creativity, knowledge, and initiative located across business, government, and the non-profit sector combined. We must leverage the resources of the non-profit sector and the experience of people working in the non-profit sector to help solve problems as part of a larger effort that involves all members and sectors of society.

A Clinton/Gore Administration will work to create further incentives for private investment for the public good. We will explore various ways to



make it easier to donate money to support the work of non-profit organizations, including making full use of the President's "bully pulpit" to underscore the importance of private participation in the non-profit sector.

A Clinton/Gore Administration will work to encourage further the role of the non-profit sector as the primary mechanism for citizen participation and as a force for empowerment of each and every individual.

We will seek to create an environment and set a tone wherein creative, substantive service to our nation and our respective communities are the civic norm rather than the heroic exception. And, we will re-examine and clarify the lobbying restrictions placed upon non-profit organizations.

And, we will strive to ensure full use of the creativity, initiative, and entrepreneurial spirit of the various service corps, conservations corps, and other private, non-profit organizations in our plan to allow participants in the proposed National Service Trust Fund to pay back their loans through community service.

Perhaps, most importantly, a Clinton/Gore Administration will seek to place its relationship with the non-profit sector in the context of a larger effort to strengthen "community" in America. Volunteerism, philanthropy, associational activity, and professional work in the non-profit sector are all integral components of the American democratic experience and public life. Our plan to rebuild America is based around the simple premise that we must put people first... for a change.

TEL No.2023470161

Jun 26.92 1:43 No.001 P.04

together. Republican leaders have urged Americans to turn inward, to pursue private interests without regard to public responsibilities. By playing racial, ethnic and gender-based politics they have divided us against each other, created an atmosphere of blame, denial and fear, and undone the hard-fought battles for equality and fairness.

Our communities form a vital "third sector" that lies between government and the marketplace. The wisdom, energy and resources required to solve our problems are not concentrated in Washington, but can be found throughout our communities, including America's non-profit sector, which has grown rapidly over the last decade. Government's best role is to enable people and communities to solve their own problems.

America's special genius has been to forge a community of shared values from people of remarkable and diverse backgrounds. As the party of inclusion, we take special pride in our country's emergence as the world's largest and most successful multiethnic, multiracial republic. We condemn antisemitism, racism, bigotry and negative stereotyping of all kinds. We must help all Americans understand the diversity of our cultural heritage. But it is also essential that we preserve and pass on to our children the common elements that hold this mosaic together as we work to make our country a land of freedom and opportunity for all.

Both Republican neglect and traditional spending programs have proven unequal to these challenges. Democrats will pursue a new course that stresses work, family and individual responsibility, and that empowers Americans to liberate themselves from poverty and dependence. We pledge to bolster the institutions of civil society and place a new emphasis on civic enterprises that provide "bottom up" solutions to our nation's problems. Through common, cooperative efforts we can rebuild our communities and transform our nation.

Combating Crime and Drugs. Crime is a relentless danger to our communities. Over the last decade, crime has swept through our country at an alarming rate. During the 1980s, more than 200,000 Americans were murdered, four times the number who died in Vietnam. Violent crimes rose by more than 16 percent since 1988 and nearly doubled since 1975. In our country today, a murder is committed every 25 minutes, a rape every six minutes, a burglary every 10 seconds. The pervasive fear of crime disfigures our public life and diminishes our freedom.

None suffer more than the poor: an explosive mixture of blighted prospects, drugs and exotic weaponry has turned many of our inner city communities into combat zones. As a result, crime is not only a symptom but also a major cause of the worsening poverty and demoralization that afflicts inner city communities.

MARK ROSENMAN

The Clinton Administration Could Bring Exciting Times for Non-Profits...

IF BILL CLINTON'S CAMPAIGN was any indication of how the non-profit world will fare under the new Administration, the next four years should be tremendously exciting.

In these days of transition, it is essential that non-profit leaders make clear their hopes and expectations of the new leadership in Washington.

We have many encouraging signs that President-elect Clinton will be receptive. So far he has:

- Made sure that the Democratic Party platform noted that non-profits would be key players in a Clinton Administration's efforts to cure social ills.

- Appointed a campaign adviser to handle non-profit issues and asked senior campaign aides to meet with non-profit leaders.

- Issued a statement promising to "explore various ways to make it easier to donate money to support the work of non-profit organizations, including making full use of the President's 'bully pulpit' to underscore the importance of private participation in the non-profit sector."

While the prospect of increased collaboration between the White House and non-profits is encouraging, we must always remember that government and philanthropy are two very distinct entities with different roles and functions. At times, it is possible for a true partnership, but not always. Non-profits are advocates for those people and causes not fully or well-enough served by our political institutions, and they must always feel free to criticize elected leaders. Non-profit officials should not squelch their advocacy or lower their voices as the assumed price of collaboration with the new Administration.

For meaningful collaboration between government and philanthropy, we must:

- Establish effective mechanisms through which the wisdom and experience of non-profit organiza-

tions can both inform policy making and the implementation of new programs.

- Make it easier for non-profits to support themselves and carry out their programs.

- Find ways to get more people to participate in public life.

While non-profits hold no monopoly on either compassionate concern or direct experience in solving social problems, they quite often have a front-line view of how government actions have affected people. What's more, non-profit organizations deliver more government-supported human services than do governments themselves and employ about 10 per cent of the total work force.

We need to work together to develop mechanisms so that those charged with making government policy can easily get access to the wisdom derived from non-profit experience. This needs to happen not only when policies are first being shaped, but after they are put into operation. By providing government leaders with feedback on the actual operation and impact of government programs, non-profits can assist the nation's leaders to better understand and more effectively serve the public interest.

NON-PROFITS can also help increase public involvement in government by serving as a medium for organized and continuing communication between the President and people from throughout the country. This becomes critically important as the Clinton Administration takes on structural problems beyond the reach of charitable programs.

The federal government can do a great deal to help non-profits be more effective. It can also, by

Continued on Page 36

Clinton Could Bring Exciting Times for Non-Profits

Continued from Page 35

its example, encourage state and local governments to do the same. To begin, the Clinton Administration can welcome and support non-profit advocacy. It can, with relatively little cost to the government, find ways to increase the amount of money that goes to non-profits. It can do much to reduce growing problems with non-profit and volunteer liability and in obtaining and getting paid for government contracts to provide services. The federal government also can help the charity world become more accountable while minimizing unnecessary regulation and overly burdensome reporting requirements.

For both non-profits and governments to serve the public good, we must have an active and involved populace. While the Presidential campaigns created an animated

and popular public debate, the rueful fact is that the percentage of the electorate actually casting ballots was still well below the numbers from the 1950's to the early 1970's. As a people, we still are relatively disengaged from public life. We need far more involvement of all this nation's citizens if we are to renew our communities and attend to our social needs effectively.

Non-profits provide the principal infrastructure of public life beyond political processes. Only if the non-profit world is strong can we attend to those needs unmet by business or government. An informed, energized, concerned, and engaged populace must be the most legitimate end of both government and non-profit endeavor. Charities and elected officials can create new ways to help people understand and comment on important

public issues through activities like brown-bag lunches and informal discussion groups, community meetings, and issue forums. That not only will give people easier ways to participate, but will give government leaders a simple way to find out what the citizenry wants.

Perhaps this opportunity represents the greatest challenge to both the Clinton Administration and non-profit leaders. Although we may need to criticize each other at times, it is vital that we commit ourselves to working together on the awesome tasks ahead.

Mark Rosenman is vice-president of the Union Institute in Cincinnati. He directs the Institute's Office for Social Responsibility and its Center for Public Policy in Washington.

TO: Melanne
FROM: Anne, Nicole

Here are suggested remarks for Eli Segal. Anne is waiting for the "strong statement" made by the President during the campaign. If you like the outline, we will get the specifics on the HUD example. Please edit.

**Suggested Remarks for Eli Segal to
the Annual Meeting of the INDEPENDENT SECTOR**

I am pleased to be here with you today on behalf of the President and the First Lady to ^{bring} ~~send~~ their personal greetings to all of you gathered for the annual meeting of INDEPENDENT SECTOR.

The President and the First Lady are keenly aware of the important contributions that the non-profit sector makes to our communities and to our country. The non-profit sector has for years been pushing for a renewed spirit of service in America. During his first months in office, the President has echoed and underscored that call, particularly through his deep support of the National Service Bill, which I am proudly here to speak with you about.

The President is particularly supportive of the important progress made through public and private partnerships, partnerships which the non-profit and independent sectors have been instrumental in fostering. [Fill in example from HUD]

I am pleased to be able to give you an update on the work the Administration has done to ensure that we work together toward our many common goals. There was recently a meeting at

So many issues
There have been invaluable
consultations + construction

the White House, in which many of your members met with
Administration representatives to voice their concerns and to
suggest ways to strengthen the bond between the non-profit
sector and the Clinton Administration. Following that meeting,
we began -- and are now in the process of solidifying -- a system
whereby each Cabinet level department will have a non-profit
sector liaison on its staff. So, for example, there will be a
person at the ^{Dept of Health & Human Services} ~~Department of Justice~~ whose responsibility it will
be to act as point person ^{on} ~~for~~ ^{specific & opportunities} ~~the concerns voiced to him or her~~
by your members. We are very excited about this development, as
it promises to keep the Administration abreast of the important
work that you and your members are doing.

communication with the non-profit community has been and will be on the rise.

[Talk about the National Service Bill and what it will mean
for the non-profit / independent sector communities]

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FROM: Anne, Nicole

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As they have said, they know "that the non-profit
sector

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[Talk about the National Service Bill and what it will mean for the non-profit / independent sector communities]

to strong bond
fail & better
Under missing

Compromises Non-profit common
establish structures with adv
to advance our mutual
goals - for, ex HHS. resp
pt. person spec concerns &
opportunities to work w/ that depart.

October 14, 1993

TO: Marge
FROM: Melanne, Nicole
RE: Meeting with Mr. Maurice "Hank" Greenberg

The First Lady met with Mr. Greenberg last week and suggested that he arrange to meet with Ira and Gary Claxton to discuss workers compensation as it relates to the President's plan. Mr. Greenberg is involved with the Business Roundtable and heads the AIPAC task force to advise the President.

Please schedule this meeting through Brad Welling at 783-8031. Thanks.

TEL No.2023470161

Jun 26.92 1:43 No.C01 P.02

DRAFT
JUNE 25, 1992

1992 DEMOCRATIC PLATFORM
"A NEW COVENANT WITH THE AMERICAN PEOPLE"

PREAMBLE

Two hundred summers ago, this Democratic Party was founded by the man whose burning pen fired the spirit of the American revolution -- who once argued we should overthrow our own government every 20 years to renew our freedom and keep pace with a changing world. In 1992, the Party of Thomas Jefferson founded invokes his spirit of revolution anew.

Our land reverberates with a battle cry of frustration that emanates from America's very soul -- from the families in our bedrock neighborhoods, from the unsung, workaday heroes of the world's greatest democracy and economy. America is on the wrong track. The American people are hurting. The American Dream of expanding opportunity has faded. Middle class families are working hard, playing by the rules, but still falling behind. Poverty has exploded. Our people are torn by divisions.

The last 12 years have been a nightmare of Republican irresponsibility and neglect. America's leadership is indifferent at home and uncertain in the world. Republican mismanagement has disarmed government as an instrument to make our economy work and support the people's most basic values, needs and hopes. The Republicans brought America a false and fragile prosperity based on borrowing, not income, and so will leave behind a mountain of public debt and a backbreaking annual burden in interest. It is wrong to borrow to spend on ourselves leaving our children to pay our debts.

We hear the anguish and the anger of the American people. We know it is directed not just at the Republican administrations that have had power, but at government itself.

Their anger is justified. We can no longer afford business as usual -- neither the policies of the last 12 years of tax breaks for the rich, mismanagement, lack of leadership and cuts in services for the middle class and the poor, nor the adoption of new programs and new spending without new thinking. It is time to listen to the grassroots of America, time to renew the spirit of citizen activism that has always been the touchstone of a free and democratic society.

TEL NO. 2023470161

JUN 26 1992 1:43 NO.001 P.03

the Arctic National Wildlife Refuge and other environmentally critical areas. To protect the public health, we will clean up the environmental horrors at federal facilities, insist that private polluters clean up their toxic and hazardous wastes, and vigorously prosecute environmental criminals who endanger the safety and health of individuals and communities. We will oppose Republican efforts to gut the Clean Air Act in the guise of competitiveness. To avoid the mistakes of the past, we will actively support energy-efficiency, recycling, and pollution prevention strategies.

Responsible Government. Democrats in 1992 intend to lead a revolution in government, challenging it to act responsibly and be accountable, starting with the hardest and most urgent problems of the deficit and economic growth. Rather than throwing money at obsolete programs, we will eliminate unnecessary layers of middle management, cut administrative costs, give people more choices in the service they get, and empower them to make those choices. To foster greater responsibility in government at every level, we support giving greater flexibility to our cities and states in achieving Federal mandates and carrying out existing programs.

Responsible officials. All branches of government must live by the laws the rest of us obey, determine their pay in an open manner that builds public trust, and eliminate special privileges. People in public office need to be accessible to the people they represent. It's time to reform the campaign finance system, to get big money out of our politics and let the people back in. We must limit overall campaign spending and limit the disproportionate and excessive role of PACs. We need new voter registration laws that expand the electorate, such as universal same-day registration, along with full political rights and protections for public employees and new regulations to ensure that the airwaves truly help citizens make informed choices among candidates and policies. And we need fair political representation for all sectors of our country -- including the District of Columbia which deserves statehood status.

III. RESTORING COMMUNITY

The success of democracy in America depends substantially on the strength of our community institutions: families and neighborhoods, public schools, religious institutions, charitable organizations, civic groups and other voluntary associations. In these social networks, the values and character of our citizens are formed, as we learn the habits and skills of self-government, and acquire an understanding of our common rights and responsibilities as citizens.

Twelve years of Republican rule have undermined the spirit of mutual dependence and obligation that binds us

The Union Institute

Office for Social Responsibility
Center for Public Policy
Center for Women

April 9, 1993

via fax

MEMORANDUM

TO: Bruce Reed
FROM: Mark Rosenman
RE: Budget -- Nonprofit Postal Subsidy

I am afraid that there is a serious problem in the Budget recommendation (Appendix-1130) regarding the Postal Service's preferred rate treatment of nonprofit organization. The Budget uses the exact Reagan/Bush OMB proposal which was successfully fought repeatedly by the charitable community; it works against the Administration's position on citizen participation in governance and contravenes a long history of congressional concern for promoting nonprofit involvement in the policy-making process.

The Budget specifies that the postal subsidy should be "terminated or restricted for ... third-class nonprofit mail containing advertising or including political advocacy material, and educational material for organizations that are not schools" This means that mailings by groups which frequently advocate, such as the Children's Defense Fund or the Sierra Club, would not in most cases be eligible for the rate. Even efforts by the American Cancer Society to educate the public about new carcinogens or by Mothers Against Drunk Driving to inform families about changes in children's drinking patterns would be excluded.

While the nonprofit sector always is concerned about any erosion in much needed subsidy, this problem goes beyond dollars -- it serves to limit nonprofits in what they might do to encourage public discourse about important issues or to provide citizens and policy-makers with information necessary to effective governance. It sends the clear message that the Administration wishes to single out and limit nonprofit advocacy and public education efforts.

The same dollars savings in the postal subsidy can be achieved in other ways. Any economies considered essential by the Administration ought to be spread across the subsidy as a whole through manipulation in rates, not by targeting particular kinds of charitable activity. I do not argue against the exclusion of unrelated business-income advertizing from nonprofit's third-class rates or restrictions regarding it in second-class. However, to focus on nonprofit advocacy and public education does not well serve the Administration, the charitable community or the citizenry.

Please let me know how we might address this problem.

Post-It™ brand fax transmittal memo 7671 # of pages = 1

To: MELANNE VERVEER	From: MARK
Co. V-I	Co.
Dept.	Phone #
Fax #	Fax #

1731 CONNECTICUT AVENUE, NORTHWEST
WASHINGTON, D.C. 20009-1146
TELEPHONE: (202) 234-8494
FAX: (202) 234-8584

OMB WATCH

TO: John Monahan
Melanne Verveer

FROM: Gary Bass, OMB Watch
Mark Rosenman, Union Institute

DATE: December 17, 1992

RE: **Reversing the Negative Impact of the *Rust v. Sullivan* decision**

On May 24, 1991, the Supreme Court ruled against a challenge to HHS Title X family planning regulations that restrict abortion counseling in family planning clinics receiving federal funds. In *Rust v. Sullivan*, the Court upheld the 1988 HHS rule, declaring that:

- Government control of speech in a project it is subsidizing does not violate the First Amendment because organizations receiving those federal funds remain free to speak outside the government-funded project. According to Justice Department testimony, "In a sense, when the government funds a certain view, the government itself is speaking. It therefore may constitutionally determine what is to be said."
- Government can require that a subsidized project be physically separated from activities supported by the organization's private funds, rather than limiting separation to financial and bookkeeping separation. A key component of the HHS regulations supported by the Supreme Court state that family planning "programs be organized so that they are physically and financially separate from other activities which are prohibited... Thus...while accounting separation is necessary, it is not sufficient." The regulations provide examples of ways to separate operations physically, such as having separate personnel and facilities.

While widely known that the *Rust* decision affects family planning clinics, it is less known that the decision could also have a "gag" effect on any program involving government subsidy. In the extreme, *Rust* could mean that libraries are forced to ban certain books from facilities that receive government support. In at least four cases, the Justice Department, using *Rust* arguments, has sought to impose content restrictions and prior restraints on the materials or activities of government-funded organizations and individuals. At least one agency, the National Endowment for the Arts, proposed physical separation of advocacy-related activities from federally subsidized activities, not mere accounting separation as is the norm.

President-elect Clinton has repeatedly stated that he intends to revise the HHS regulations, but the manner in which he does it has broad implications for how *Rust* is interpreted in the Executive Branch. The simplest solution to undoing the HHS "gag" rule is to issue an interim final rule reversing the regulation or suspending its implementation. An interim rule would avoid the need for detailed agency and OMB clearance which takes considerable time. The disadvantage to this approach is that it will not reverse the trend created by *Rust*; in other words, it will leave in place the potential of a "gag" governmentwide.

A more direct approach is to issue an Executive Order within the first days of office that sets out policy principles for government agencies in administering federal subsidies. The key principles that should be prescribed are:

- Agencies cannot impose viewpoint restrictions as a condition of federal support;

- Agencies cannot create burdensome financial separation practices, such as requiring physical separation of projects supported with federal subsidies versus those with private subsidies, beyond legal and accounting separations;
- Taxpayers' funds cannot be used to lobby Congress; and
- These principles should apply to all recipients and subrecipients of federal support (e.g., state and local governments, their subgrantees, tribes, etc.)

The E.O. should instruct OMB to revise any governmentwide grants management rules that are inconsistent with the Order. Each agency should review its regulations or policy directives to assure consistency with the Order; for rules that are inconsistent, the agency would be required to immediately issue an interim rule suspending the past practice, and then proceed to develop rules that are consistent with the Order. OMB's grants management office would be charged with insuring governmentwide consistency of the final rules that are published following the interim rule.

Attached is a draft Executive Order that provides the principles and requirements as described above. The draft Order also instructs agencies to include federal grantees in decision-making processes concerning grants management, in order to assure adequate and continuing representation of those groups affected. This added provision is intended to insure that another situation, like the "gag" rule, does not occur again.

Executive Order No. ____**DRAFT**

Executive Order No. ____ of DATE
Improving Grants Management

By the authority vested in me as President by the Constitution and laws of the United States of America, and in order to identify core principles about use of federal subsidies, improve the partnership between government and the voluntary sector, and promote government behavior that does not stifle the capacity of the voluntary sector to engage in policy debates, it is hereby ordered as follows:

Sec. 1. *Principles on Use of Federal Subsidies.* Except as specifically authorized by statute:

(a) No agency shall impose viewpoint restrictions, including restrictions on communications and artistic content, on any individual or organization as a condition of receiving or applying for any federal subsidy except as prescribed in paragraph (c);

(b) No agency shall impose requirements for separation between projects that unduly raise the cost of performance or burden the right to free expression. Any requirements that are imposed shall provide for legal and accounting separation only, as validated in *Regan v. Taxation with Representation*;

(c) No federal funds or nonfederal matching funds shall be used to attempt to influence federal legislation, directly or indirectly; and

(d) No agency or other recipient of federal subsidy shall impose restrictions on subrecipients that are inconsistent with these principles.

Sec. 2. *General Requirements.* (a) Within 30 days, the Director of the Office of Management and Budget shall review existing OMB grants management policies, including cost principles, and promulgate changes that may be needed to assure consistency with Sec. 1 of this Order;

(b) Agencies shall review existing regulations, guidelines, manuals, and other policy directives concerning use of federal subsidies to assure consistency with Sec. 1 of this Order. When inconsistent --

(i) The agency shall issue within 30 days an interim final rule or other means to make the policy consistent with Sec. 1 of this Order or discontinue the implementation of the policy until such time as the agency makes the policy consistent with Sec. 1.

(ii) Regulations issued subject to paragraph (b)(i) shall be exempt from regulatory review procedures;

(iii) The agency shall submit proposed changes to OMB to assure consistency with other agency proposals; and

(iv) In coordination with OMB, the agency shall pursue final regulations consistent with OMB directives, subject to provisions of the Administrative Procedure Act, in an expedited manner.

(c) In promulgating new regulations, guidelines, manuals, and other policy directives concerning use of federal subsidies, agencies shall make them consistent with Sec. 1 of this Order.

(d) Agencies shall implement appropriate steps to promote the inclusion of federal grantees in the policy and regulatory decisions of the agency with regard to grants management.

Sec. 3. Definitions. For purposes of this Order:

(a) Federal subsidy includes any federally-derived grant, subgrant, cooperative agreement, contract, subcontract, tax exemption, payment to individuals, noncash benefit, sponsorship, or other approaches cited in the Grants and Cooperative Agreement Act.

(b) Nonfederal matching funds include anything of value required by agency regulations, guidelines, manuals, or other policy directives concerning use of federal subsidy to be provided by a recipient or subrecipient as a condition for receiving a federal subsidy.

The Union Institute

Office for Social Responsibility
Center for Public Policy
Center for Women

December 17, 1992

MEMORANDUM

TO: John Monahan
Melanne Verveer

FROM: Mark Rosenman (Vice President, Social Responsibility)

RE: White House Assistant for Nonprofit Affairs

Background

Beyond government, the nonprofit sector (which includes organized philanthropy) is the principal mechanism for attending to the public good. It provides services, undertakes development, and advocates for those people and causes most in need of a voice. It is the medium through which government can help people help themselves, and it is a critical vehicle for democratic participation in civil society and in community renewal.

There are over a million nonprofit organizations with about 600,000 of them providing human, cultural, environmental and other services, attending to social, moral, economic and physical development and community renewal, and otherwise being involved in public interest work. The sector's expenditures total more than \$370 billion annually, equivalent to about 7% of the GDP. Government provides about 30% of annual nonprofit revenue with the remainder coming from private philanthropy, dues, fees and earned income.

The federal government has depended on the nonprofit sector as an active partner in every area of national need, but has not attended adequately either to its development or to the efficacy of collaboration. Reductions in the federal role in domestic affairs have increased public need and shifted burden to the nonprofit sector. There has been no concomitant effort to strengthen and rationalize the partnership between government and the sector; in fact, the reverse has been true under Reagan/Bush administrations.

It is important to recognize that the nonprofit sector is far more than an aggregation of problem- and issue-oriented organizations. It is a critical part of the social structure of America, a distinction from other nations first recognized by Alexis De Tocqueville in 1831 and even more pronounced today.

While the topical expertise of specific organizations and subsectors of the nonprofit community should be made easily available to governmental entities with parallel concerns, it is only by institutionalizing a broader perspective in the White House that process and structural issues might be addressed

Page 2

adequately and proactively. An understanding of the societal role and value of the nonprofit/philanthropic sector must imbue thought and action throughout the Administration.

In the last twelve years, the relationship between government and the nonprofit/philanthropic sector has been harmed seriously. The partnership has turned sour, more and more adversarial. Budget cuts, regulatory restrictions, assaults on advocacy, and the general tone of the government all have contributed to a chill in the relationship. No single action by the Clinton Administration will undo this history and correct the problem. Rather, the establishment of a true, working and effective partnership will require a concerted, proactive and continuing initiative.

Need

There are three distinct areas in which active partnership between the federal government and the nonprofit/philanthropic sector requires continuing attention if the potential of collaboration is to be realized: (1) improving the efficacy of both public and private human, social, economic and environmental services and development; (2) enhancing the general climate and structural conditions necessary to facilitate the work of the nonprofit sector; and (3) increasing the effectiveness of efforts at the revitalization of civil society and the reanimation of public life.

From two meetings of nonprofit sector leaders and Transition officials, as well as through communication from local and state-level organizations received by The Union Institute, it has become clear that the appointment of a high-placed White House Assistant is considered necessary to the realization of this collaborative potential.

Attached to this memorandum are documents which elaborate the enumeration above: (1) the report on a "Nonprofit Roundtable" conducted by staff of the Presidential Transition Office in Little Rock; (2) a memorandum which guided the discussion at a meeting of nonprofit leaders with Transition Office staff in Washington; and (3) an "Opinion" piece from *The Chronicle of Philanthropy*.

Recommendation

The President should appoint a high-level Assistant for Nonprofit Affairs charged with a number of responsibilities, including:

- ◆ To serve as a liaison to the nonprofit sector, consulting continually with diverse groups of its leaders, in identifying ways to strengthen the sector, formulating and promoting relevant policy and legislative recommendations for the President's consideration, and providing the President with suggestions as to how he might best promote the continuing development of the sector.
- ◆ To work with federal departments and agencies to develop mechanisms for community, state and national nonprofits to have input on agency policy and regulatory development, program design and implementation, and oversight and evaluation. This might include nonprofit representation on federal boards and commissions; establishment of nonprofit advisory groups and/or forums associated with each department and agency; nonprofit organized [community-based, state and national] hearings on various federal agenda; using nonprofits to monitor, evaluate and suggest improvements in federal program from the perspective of their end-users; and increasing "protection and advocacy" components in federal programs.

Page 3

- To work to strengthen citizen inclusion in government by using the nonprofit sector infrastructure to create two-way communication mechanisms between people at the grassroots and the White House. This might include creation of a President's Citizen Corp, with designated community-based nonprofits routinely communicating with the White House about public sentiments. Community-based forums to address and report on issues or themes identified by the President also will be needed.

Options

It is important that the new White House office be given prominence in the Administration. For example, the Assistant could serve as a liaison to the Domestic Policy Council, the National Economic Council, and the international affairs staff, representing nonprofit interests and capacities at the highest levels in the White House and Administration. The President might wish to make a public statement announcing the Office while simultaneously instructing agencies to work with the new Assistant to promote a more diverse and inclusive government.

The design for this highly-placed Office, and the public prominence of the Assistant, is modeled after the Reagan Administration's use of the Assistant for Intergovernmental Affairs which launched and successfully advanced "the new federalism."

The proposed Assistant on Nonprofit Affairs would be able to achieve a fundamental shift in the deleterious relationship which has existed recently between the nonprofit/philanthropic sector and government. The Assistant can promote active partnership in collaboration for the public good.

NOTE: The Union Institute, established in 1964, is an accredited university serving adult students nationally in nonresidential baccalaureate and doctoral degree programs from its headquarters in Cincinnati, Ohio. Its Washington, DC-based Office for Social Responsibility houses a Center for Public Policy which has worked since 1985 to strengthen the nonprofit sector. The Office and its Center are among the university's applied research efforts intended to help realize the public service mission of higher education; both are directed by Dr. Rosenman.

The Union Institute

Office for Social Responsibility
Center for Women

FAX TRANSMITTAL FORM

Date 12/29/92

To MELANNE VERVEEN

From MARK ROSENMAN

Your FAX 973-1045

This document consists of 7 pages, including this cover sheet.

Our FAX number is (202)265-0492.

For voice communication, please call (202)667-1313.

COMMENTS: THE FOLLOWING PAGES ARE: ① THE CAMPAIGN PIECE
I DID ON A "NONPROFIT SUACADNET", ② A DESCRIPTION OF OUR
"FORUM ON PUBLIC/PRIVATE SOCIAL CONCERN" WHICH MIGHT BE A
VEHICLE TO DO SOME OF WHAT WE TALKED ABOUT THIS MORNING,
③ THE LONGER WINDSPREAD PIECE WHICH SPEAKS TO SOME OF
THE "INSTRUMENTAL" STEPS (IT STILL NEEDS WORK)

THANKS - AS USUAL - FOR YOUR COOPERATION.

CLINTON CAMPAIGN
Nonprofit Sector Ideas

President's Citizen Corps — On nomination by a nonprofit organization which agrees to host and provide administrative support, President appoints a Citizen Corps volunteer in every election precinct. The volunteer agrees to serve as the President's liaison to his or her neighbors, to organize public forums about important community issues (some of which may be suggested by the President from time-to-time), to gather complaints or suggestions about the operation of federal programs, and to otherwise provide the President with both the pulse and wisdom of the citizenry. President creates a mechanism to receive and organize information from the Citizen Corps volunteers, to abstract it and report it to him and to channel it to the appropriate federal departments/agencies for response.

♦ Provides new opportunity for people to be actors in government; provides new models for citizen participation (most effective volunteers spotlighted through annual awards, newsletters, etc.); provides new avenue of access for the President to the people; strengthens link between nonprofit sector and democratic/political processes; allows government access to creative intelligence of, direct feedback from, community-level people (the "mother wit" of the community); minimal expense involved; creates a cadre of volunteers who have special links to and identification with the President (lapel pins, certificates, etc.); begins to rebuild precinct-level democratic infrastructure.

Nonprofits' SubCabinet — White House asks each Cabinet Secretary to invite public-interest nonprofit organizations (as contrasted with special-interest lobbies) and philanthropic foundations to create subcabinet panels of some of the most creative thinkers in areas of Secretaries' departmental concerns. Panels are organized in parallel to each Department's principal divisions, and asked to provide Secretaries with ideas and concerns of relevant nonprofit organizations working in those thematic areas. Each Secretary appoints a high-level departmental liaison to the nonprofit subcabinet. White House helps coordinate establishment and maintenance of subcabinets.

♦ Provides new avenue for government access to creative intelligence and insight of "best and brightest" in nonprofit world; strengthens substantive link and collaboration between nonprofit sector and government; establishes "positions" for nonprofit and philanthropic leaders White House wishes to recognize/honor/utilize; only modest expense; creates a cadre of nonprofit and philanthropic leaders who have special links to and identification with the White House and the Cabinet.

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THE FORUM ON PUBLIC/PRIVATE SOCIAL CONCERN An Overview

Crime, failures in public education, lack of affordable housing and health care, drug abuse, and other domestic social problems are being addressed by programs initiated and supported by governments, foundations, and the business community. Yet, there has been no formal structure or mechanism joining these sectors together with the goal of improving the quality and effectiveness of resources and programs. No forum of governments, foundations, and the business community has existed to discuss common objectives, to share knowledge, strategies and experience, and to consider the connections between philanthropy and public policy. The Union Institute Center for Public Policy, with support from the Ford and Kellogg Foundations, is addressing this need through the establishment of the **Forum on Public/Private Social Concern**.

The Forum is an information exchange for leaders in government, foundations, and business designed to broaden the base and open the channels of communication among the sectors. The Forum encourages participants to take a fresh look at issues, to examine social problems and potential solutions in a structural context.

Each year, the Forum hosts a series of informal, off-the-record meetings to:

- review background papers which present overviews of specific problems;
- hear presentations on existing and proposed strategies and models which offer the best possibility of problem solution;
- enable participants to discuss, debate, and analyze funding intervention and program strategies; and
- promote cooperation in policy development, program design, and funding efforts.

The Forum works to infuse new ideas and the practical experience of current and potentially successful program models into public and private funding policies and decisions. It exposes policy makers, analysts, and funders from each sector to one another's experience, with the expectation that long-term relationships may develop and knowledge from each sector may inform decisions in the others.

With the guidance of an Advisory Board of experts from each sector (see reverse side), the Forum, in its first year, examined issues of disadvantaged young men in urban areas. During the year, sessions were held dealing with structural impediments, the need for comprehensive programs, and the value of cultural diversity in policy and program planning and design. Three papers and an annotated bibliography were produced and are available for purchase from the Center.

In its second year, the Forum will focus on the **relationship between public will and public policy**. It will examine the public's role in the development of policy, the role of the media in informing the populace, the relationship of knowledge to public participation, and the opportunities for philanthropy to become involved in the policy process. Most importantly, it will address ways to create the informed public will necessary to enable government and the charitable sector to be more responsive to public concerns and effective in their efforts to tackle pressing social issues.

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Recasting a Social Agenda: New Questions Searching for New Answers

Can activists of diverse ideology, race, ethnicity, class, age and gender agree on the critical question facing Americans for the next decade? Do the conditions of our society and the desire of Americans support such an inquiry and an agenda? The answers seem to be a resounding YES!

The Union Institute and The Johnson Foundation recently cosponsored an "exploratory conversation" on these questions at Wingspread, the Foundation's renowned conference and education center. With representation from such distinct groups as the Heritage Foundation and the Black Student Leadership Network, with thinkers from such divergent entities as the progressive J. Roderick MacArthur Foundation and the conservative Hudson Institute, and with support from the conservative Bradley Foundation through the Charles Stewart Mott Foundation to the Joyce Foundation, there was agreement. Furthermore, there was a belief that if this conversation was repeated around the country with other diverse groups, they would come to a similar set of conclusions.

From every perspective, belief system and base of experience, it was concluded that the critical challenge before America is to:

**build a reconstructed sense of community which transcends individualism
in service to the commonwealth.**

It also was quickly concluded that such an endeavor is not a technical problem, but rather one that must be grounded in shared ethics and morality, be imbued in personal and social thought and action, and inform a common, central understanding of what it means to be part of American society. In this regard, we use the term commonwealth to define the "public good" as inclusive of the notion that the welfare of each of us depends on the welfare of all of us. We use "reconstructed community" as a vision for a connectedness in public life and for shared experience and resources which obviate romantic efforts at recapturing old fashioned, homogeneous neighborhoods and static social groupings.

Participants in the Wingspread conversation noted that our nation currently is crippled by what one young woman called a *secular Creedal Gap*, a profound disparity between the promise of America and the realities of peoples' lives, especially for the young. There was surprising consensus that the unmitigated and unmoderated pursuit of individualism has created a poverty of will, ravaged any notion of commonwealth, denied us much of the vibrancy of being American, and even has paralyzed us in our ability to adequately serve and nourish individuals.

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America cannot afford to lose another generation of young people -- from our inner-cities, suburban or rural areas -- to the isolation, loneliness, disillusionment and abandonment born of this Creedal Gap. It must make real the promise of *One People* and *A Nation Indivisible*. We need the leadership of both government and the nonprofit/philanthropic sector to work actively toward the reconstruction of community and a sense of commonwealth. It is only through such an approach to human, social, economic and environmental problems that we can restore civil society and successfully rebuild our nation.

The commonwealth must be nurtured precisely so that it can nurture the individual, and so that social programs can be effectively reframed with such purpose. Public and private leadership must begin using a vocabulary that makes it legitimate and important for individuals and organizations across the country to work toward the reconstruction of community and for the commonwealth. Leadership must better address an inspirational and instrumental agenda for those engaged in thinking about our society's future and for those fostering creeds by which we live. The realms of both the intellect and the heart need to be recast in a broad cultural framework, a language and a purpose that appeal to young and old, to those of diverse background, circumstance and condition, if we are to reconstruct community and promote commonwealth.

A number of problematic issues were seen as critical to the assumption of personal responsibility for the common good and the reconstruction of community. Each of them needs to become a focus of thoughtful attention and action if we are to be enabled to realize this vision. Among the more critical elements are to:

Value Base

- ◆ Develop definitions and identify the values of a reconstructed community in order to yield a unifying vision of commonwealth shared by diverse people, one which will motivate them to act with an expanded understanding of self-interest. This must include a normative expectation of the extent of the personal price appropriately paid for the common good.
- ◆ Develop means for effective socialization to the values, norms, attitudes, behavior, and thinking and action processes necessary to community, with critical roles to be played by public leaders, schools, mass media, peers, and family.

Enabling Action/Removing Barriers

- ◆ Create opportunities for action at all levels -- at various scales appropriate to peoples' understandings and commitment, from the individual family up to the entire society -- with attention to the efficacy of resource investments.
- ◆ Focus action for individual responsibility and community-building more on the prevention of problem-causing dynamics than on the remediation of their impact.

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Economics

- ♦ Create an economic base adequate to move beyond notions of competitive scarcity, or establish an equitable and popularly accepted distributive mechanisms to deal with scarcity between and within communities, while assuring equity in the generation of revenue and other resources necessary to community and commonwealth.
- ♦ Establish resource investment and accountability criteria and processes for private and public expenditures keyed to their efficacy and outcomes (instead of input and operating mandates) for personal responsibility, community and commonwealth, while effectively assigning the costs of deleterious individual and institutional behaviors to those responsible for them.

Power

- ♦ Provide access to the power necessary to personal responsibility and community-building, while working to obviate the power of those who seek to reinforce and maintain the *status quo*.
- ♦ Reinvent/relocate institutions and the processes of decision-making in ways which affirm individual responsibility in the context of community and commonwealth.

Action Tenets

- ♦ Encourage and help people to assume responsibility for the full range of their choices and actions, with reinforcement through effective sanction and reward systems set in the context of community and commonwealth.
- ♦ Value, legitimate, and sustain diverse approaches to enhancing individual responsibility and community-building, and to establishing a healthier balance of personal and institutional demands.
- ♦ Establish capacity-building mechanisms which concurrently contribute to the development of individuals and of community, which legitimate and value continuing development (instead of treating people and programs as inadequately finished products), and which focus on individual strengths (instead of deficits), respecting diverse people for their potential contribution to community and the commonwealth.
- ♦ Develop (through orientation, training, and appropriate opportunity and reward systems) those in positions to advance the human and other resources necessary to personal responsibility and community building.

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Conclusion -- The Beginning

While these issues can be addressed only through significant thought and action (and the allocation of the resources necessary to undergird such a quest), those involved in the Wingspread conversation believe that their conclusions represent an exciting beginning. From their diversity and their disparity -- in perspective, experience and values -- came a unifying vision. That this conversation led quickly, with a seeming inevitability, to the call for reconstructed community and commonwealth clearly evinces its significance.

Our nation has an opportunity to move forward boldly and imaginatively, freeing itself from the paralysis of sectarian battles over old answers to the wrong questions.

We need to continually replicate the Wingspread conversation among ever broadening groups of diverse people, building community through that process itself, as we engage the more instrumental question necessary to realize the larger, common vision.

Mark Rosenman
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