

## **TROUBLE WITH DONOR CHOICE; UNITED WAY: POOL OF MONEY IT CAN ALLOCATE IS SHRINKING**

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As its 2005 campaign kicks into high gear, officials at the United Way of Central New York worry that well-meaning donors will continue to dilute the agency's core mission by the decisions they make while filling out pledge cards.

Here, and across the nation, donors are directing their payroll deduction pledges to charities outside the United Way family of nonprofit groups. United Way officials worry that diminishes their ability to make strategic decisions on how best to address the community's most pressing needs.

In 2004, teams of volunteers many experts in human services spent 4,065 hours reviewing mountains of paperwork to determine which nonprofits would use the United Way of CNY's discretionary dollars most effectively.

But those decisions have \$1 million less of an impact today than in 2002 because the pool of discretionary dollars has contracted over that period from \$5.9 million to \$4.95 million, while revenues have remained flat.

Donor designation was adopted by the local United Way more than two decades ago in response to challenges by non-United Way charities around the country to its monopoly of workplace giving. Donors, too, demanded charitable choice.

Slowly, designations have eaten into the amount of dollars available for allocation. The result in Central New York is smaller allocations to the 39 United Way agencies or eliminating funding for other programs.

Early childhood issues and youth development were the highest priorities for the local United Way's volunteer community impact committee last year. But consider these decisions, effective July 1:

The allocation to the Consortium of Children's Services was cut by 52 percent, or \$20,000, including support for the Even Start Family Literacy program.

Funding to the financially strapped Boys & Girls Club of Syracuse was cut by \$45,425.

Money for the Central New York Girl Scout Council was reduced by \$30,000, and the Hiawatha-Seaway Boy Scout Council lost \$40,000.

One United Way nonprofit that suffered a deep cut, the RLS Career Center, went out of business three months after its allocation was reduced.

Agonizing over the allocation of fewer and fewer dollars has taken its toll on the community impact committee, which sets the allocations.

"The volunteers were saying this is too hard. It's like trying to be Solomon," said Mary Beth Frey, the former United Way vice president for community impact. She's currently executive director of the Samaritan Center, which also took a funding cut resulting from the process she was directing.

Because of a 2003 change in bookkeeping, it is impossible to precisely document the

correlation between increased donor designations and the decrease in unrestricted funds distributed.

Applying the old accounting standard over the past five years, the United Way estimates that the percentage of designations increased from 23.7 percent in 2000 to 30.48 percent last year, the same period that donations to the common pool of funds decreased by \$1 million.

Frey said she understands the desire of donors to better control their own philanthropy.

"People have loves and people have passions. People have things they're invested in," she said.

But, she added, the United Way makes a concerted effort to achieve the most effective distribution of dollars to many agencies, including those that might not occur to the average donor.

"There isn't any single program that will solve any community issue," she said.

Frank Lazarski, president of the United Way of CNY, said he asks donors to "consider the amount of work and effort that goes into our decisions."

He added, "We think we do our homework for you, and we think we do a pretty good job."

That said, Lazarski, like most United Way executives, is loath to imply that a donor who picks a specific charity for designation is making an uninformed choice. To them, he says, give half to your charity of choice and half to the common pool of funds.

Lazarski said the United Way of CNY board has assigned a committee to study the conflicting

needs to allow donor choice but encourage confidence in the allocation system.

Staff has just begun to analyze data concerning designations to answer the board's questions, he said: "Who are these designators? How much money are they giving us? And what are they telling us about their interests in the community?"

Lazarski and the board already knows the greatest number of designations in Central New York come from two groups of donors that cannot be swayed.

About 12.5 percent of the pledge total announced every year is money from the Combined Federal Campaign and the State Employees Federated Appeal. Both are set up to offer hundreds of charitable choices to government employees.

The United Way of CNY administers both campaigns but is prohibited from emphasizing United Way contributions.

There are 493 entries in the SEFA booklet of charitable options. The United Way of CNY gets the same three lines of small print as The Peregrine Fund, which "saves eagles, condors, falcons and other endangered birds."

Of the \$8.9 million pledged in the 2004 campaign, \$1.1 million came through CFA and SEFA. Only \$166,567 of that was directed to the United Way of CNY or its agencies.

The challenge to the United Way's dominance of workplace giving began three decades ago with lawsuits and demands by workers to use their payroll deduction charity for causes outside the United Way's agencies, according to Eleanor Brilliant of Rutgers University, who has made a careerlong study of the United Way. "The United Way had to respond to demands for choice," she said. "It was the workers who said, 'We want to have choices.'"

The United Way of CNY requires that designations be made to health and human services

charities registered with the IRS and charges 14 percent to process the donation.

Several national organizations have rallied around the flag of donor choice, including the National Committee for Responsive Philanthropy and the National Alliance for Choice in Giving.

But Brilliant said the proliferation of charities over the past two decades has prompted her to surprise colleagues by questioning unlimited choice.

"Maybe we have too many alternative options competing," she said. The question is what to do about it, without hurting donor choice.

#### Costs of donor choice

The United Way of Central New York charges 14 percent to administer a donor's payroll designation that is out of the United Way family of agencies. Here's how the costs break down in an actual example:

The pledge: \$1 every other week, for a total of \$26 a year.

United Way charge: 14 percent of the pledge, or \$3.64.

Net proceeds to charity: \$22.36.

Costs to United Way: Data entry, 25 cents; acknowledgement printing, processing and mailing, 15 cents; labor for quarterly payout, \$9; four quarterly checks and mailing, 88 cents; sending list of donors to charity, \$1.50; one-time cost to confirm charity nonprofit status, \$7 to \$48.

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