

The RSC's shoddy record on charities

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During the past two years, nearly every major newspaper in the nation has run a litany of stories about scandals in the accountability and ethics of some nonprofits institutions, including the nation's very largest charities such as the Nature Conservancy, the American Red Cross, the United Way and several philanthropic foundations.

These stories led the Senate Finance Committee to conclude that the nation's laws and regulations governing charitable accountability were out of date and insufficient to deal with the growth and complexity of modern-day charities.

With bipartisan leadership from Committee Chairman Chuck Grassley (R-Iowa) and ranking member Sen. Max Baucus (D-Mont.), the Senate included charitable accountability reforms in last fall's tax reconciliation bill (S. 2020, the so-called "Tax Relief Act of 2005"). It was aimed at preventing some of the more egregious abuses recounted by witnesses at the committee's hearings and roundtable discussions on charities in 2004 and 2005.

The charitable provisions didn't make it into the final bill, but Grassley and Rep. Bill Thomas (R-Calif.) have vowed to return to them in separate legislation this summer.

Major targets were increased penalties on charities and foundations for "self-dealing transactions" and investments jeopardizing charitable purposes; improvements in the accountability of "donor-advised funds," including a requirement that such funds spend at least 5 percent of their assets on charitable activities annually; and accountability standards for the little-known category of well-heeled private foundations known as "supporting organizations."

All told, these are minimal reforms that barely address the range of abuses presented to the Finance Committee, but they are apparently too much for members of the Republican Study Committee (RSC), the powerful group of very conservative members of the House of Representatives led by Indiana Republican Mike Pence.

In a letter Rep. Mark Souder (R-Ind.) circulated on behalf of the RSC to House and Senate conferees working on tax reconciliation legislation, the RSC cautions its colleagues to be "very wary" (the RSC's italics) of the charitable accountability provisions contained in the Senate bill. The letter suggests that the proposed regulations will cost foundations and charities \$1 billion that would be "taxed" under the legislation.

It's hard to recognize Mike Pence and his RSC colleagues as friends of charity and philanthropy. Any number of RSC policy initiatives during the past year would have gutted nonprofit rights and charity revenues.

For example, it was the RSC that tried to attach restrictions to legislation establishing an affordable-housing trust fund that would have disqualified nonprofits that do nonpartisan voter registration with non-federal funds. There's not a credible nonprofit housing provider or advocate that didn't object strenuously to this nonprofit free-speech gag effort.

It was also the Republican Study Committee that called for new federal expenditures to rebuild the hurricane-devastated Gulf Coast region to be matched with corresponding and greater cuts in other federal urban and rural community economic-development programs. No lusty cheers from the nonprofit sector on that score.

Now comes the RSC bemoaning the charity accountability provisions in the tax act. The Senate Finance Committee didn't make these recommendations in ignorance but worked hand in glove with a blue-ribbon panel convened by the nation's premier charitable and philanthropic trade associations.

The RSC claims that the majority of nonprofit misdeeds revealed in the Senate Finance Committee hearings could have been addressed under current law if the law were simply enforced. But then the RSC letter opposes the use of foundation excise-tax revenues, originally devised to pay for the oversight functions of the IRS tax-exempt division, for that purpose. So in

other words it calls for enforcement of the existing, ineffectual nonprofit statutes but without appropriating a nickel to the federal or state authorities mandated to do the work.

Where did the RSC get this idea? Senator Grassley's recalcitrant committee member, Pennsylvania's Rick Santorum (R), has long been circulating his own letter that no new laws are needed. Santorum should talk. His own charity, the Operation Good Neighbor Foundation, spends three-fifths of its money on administrative and fundraising costs, failed to register with state authorities as required by law for its charitable solicitations, employs his campaign fundraising staff as the foundation's staff, has the office co-located with his senatorial reelection campaign headquarters and rents the office space from a firm owned by the foundation's executive director - who happens to be a Santorum campaign functionary. These and other dubious Operation Good Neighbor Foundation practices hardly constitute a platform for charitable accountability.

Maybe these RSC guys were asleep at the switch, but one of the most egregious examples of charity and philanthropy of recent times was Jack Abramoff's scandalous misuse of the Capital Athletic Foundation's tax-exempt funds. None of the RSCers called out Abramoff and his foundation, despite the extensive interactions of many with the now-disgraced lobbyist. For example, RSC member Rep. John Doolittle (Calif.) has been closely associated with Abramoff's lobbying interests, and Doolittle's wife, Julie, was recruited by Abramoff to do fundraising for his disreputable charity and has also been linked to Rep. Tom DeLay's (R-Texas) former aide Ed Buckham's dubious nonprofit ventures, now being investigated by the Justice Department.

The RSC should be reminded that the tax-exempt money in private foundations, donor-advised funds and philanthropic supporting organizations are supposed to be used to help the public, not to further enrich the donors. Even conservative Republicans ought to get that.

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