

BUFFETT'S \$31 BILLION GIFT TO GATES PUTS SPOTLIGHT ON CHARITIES

Questions are raised about how well money is spent

By Charles Pope
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WASHINGTON -- Warren Buffett's \$31 billion gift to the Bill & Melinda Gates Foundation ignited a boomlet of praise and public curiosity about the work and aspirations of charities worldwide.

But as the euphoria of Buffett's record-breaking act recedes, his gift has triggered another, entirely different result -- intensifying questions in Congress and elsewhere about how well charities spend their money, how accountable they are to donors and government and the general condition of "civil society."

Among the questions being raised with renewed vigor are:

- Should charities controlling billions of dollars police themselves, or should government have a more muscular role?
- Will the enormously wealthy Gates Foundation distort where money is given?
- Are huge -- or even large -- charities better and more effective than small ones?

The answers to those questions and the decisions made by the Gates Foundation in the near future are likely to shape how foundations operate and how tightly government regulates them in the future. With Buffett's money, the Gates Foundation by itself is larger than the next nine largest philanthropies combined. As part of Buffett's pledge, the foundation is obligated to disburse at least \$3 billion a year.

Oversight

Traditionally, the Internal Revenue Service has allowed charities and foundations to largely regulate themselves. But amid abuses connected to convicted lobbyist Jack Abramoff and several high profile instances of self-dealing by the Red Cross and Nature Conservancy, some lawmakers are calling for tougher enforcement.

"We've heard a lot about inappropriate activity by non-profit groups connected to Jack Abramoff," Sen. Charles Grassley, R-Iowa, said. "The problem is much bigger than Jack Abramoff. We're seeing more and more charities used in the best interests of lobbyists and special interests, not the public. Some people are exploiting vagueness in the laws or a lack of enforcement to enrich themselves rather than serve the public."

Rick Cohen, executive director of the National Committee for Responsive Philanthropy, a liberal group that supports reforms is more direct. "The history of self-regulation is not good," he said.

At the same time, Cohen -- and other experts -- concede that the question gets tangled because the world's biggest philanthropy, the Gates Foundation, has a good record. Its senior managers and board members are modestly compensated and there is no evidence of the self-dealing that has tainted other charities. "They haven't been that indulgent," Cohen said.

Market power

Smaller charities may be forced to follow the Gates Foundation because that is where money will go. And if there's one thing Gates knows intimately, it's the value of market power. Will that distort the usually freewheeling discourse over the decisions charities make and priorities they set?

"If the Gates Foundation is funding all the experts in the field, they may self-censor themselves in commenting on what the foundation does," said Adam Meyerson, president of the Philanthropy Roundtable, a conservative consortium. Five other experts on charitable organizations recently joined Meyerson on a panel. Two of those experts said they were partially funded by the Gates Foundation.

Elizabeth Boris, director of the Center on Nonprofits and Philanthropy at the Urban Institute, a

non-partisan think tank, says there have been abuses at charities of all sizes. But, on balance, the system works well.

"The concern in the past is these are relatively unaccountable entities with little (government) oversight," Boris said. "But, would we be better off having the money going into the public treasury and having Congress make the decisions? No. On balance our society has been very well served by this arrangement."

Reforms pushed by Grassley have been approved in the Senate but have been stalled in the House. The package was deleted from a tax bill that passed Congress last month.

Aides to Grassley, however, say the senator has not given up hope.

He is considering putting the language on a pension bill being negotiated by a House and Senate committee.

Among other things, the bill would require great financial disclosure by charities, great transparency in how they operate and require that charities spend at least 5 percent each year of all "donor advised" funds. This benchmark is designed to prevent charities from rerouting money to other purposes.

"Tax-exempt organizations, including charities, control \$11 trillion in assets," Grassley said.

"The federal government forgoes the collection of about \$280 billion each year from these groups. Congress has a big responsibility to make certain that those who enjoy these special tax benefits are acting for the public good," said Grassley, who heads the Senate Finance Committee and therefore is in a position to force the issue.

Grassley is concerned by allegations that Abramoff used charities to funnel donations to promote a political agenda and to buy influence. Grassley's broader concerns are that some

charities and foundations are poorly run and not accountable.

Despite the renewed attention, most analysts doubt that Congress will approve Grassley's reform bill this year. Time in the legislative year is already short and there are more pressing priorities that will command Congress' attention.

Critics say the public isn't interested in how foundations are managed. Some argue that government has no place because private money -- not public dollars -- is being used. If private citizens want to misuse their private dollars, the argument goes, it should be allowed.

Grassley and Cohen, however, disagree. Public dollars are used, if indirectly, because charities and foundations earn lucrative tax breaks. "Once it's tax exempt it's public money being entrusted to a private group for the public good," Cohen said.

Nor is there a scandal to compel action. While there have been abuses, most have been small and isolated, far too small to trigger a broad public demand for action.

Buffett's gift, the Urban Institute's Boris said, "raised some questions" about how charities are governed. "But those questions have been around for a long time. And the truth is, most folks (who administer foundations) are in it to do some public good, not to scam the system."

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