

Statement for “Charities on the Frontline: How the Nonprofit Sector Meets  
the Needs of America’s Communities”

Sen. Rick Santorum

Chairman of the Subcommittee on Social Security and Family Policy

Senate Finance Committee

September 13, 2005

Good morning. Today we are here to discuss a topic close to my heart – the role of the charitable community in meeting the needs of our communities. I had originally planned this hearing to discuss the need for charitable giving in our country prior to Hurricane Katrina slamming the Gulf Coast, but I am now more convinced than ever that while we are asking so much of our nonprofit community we should do all we can to ensure that they have the resources to meet the diverse needs of both the hurricane victims and those in our communities throughout the nation that depend on them. I know that charities throughout this country work day in and day out to transform the lives of individuals, families, and communities, but rarely has their compassion and comfort been on such stunning display as in their incredible response to those affected by Hurricane Katrina.

I believe strongly that the philanthropic, generous nature of Americans is a big part of what makes America a great nation. Neighbors helping neighbors, those blessed with financial resources and talents walking alongside and learning from the least of these in our communities. In responding to the current tragedy, these social entrepreneurs have demonstrated the agility, flexibility and innovative thinking that has stood in such stark contrast to the bureaucratic response from all levels of government.

We have seen organizations such as America’s Second Harvest and the Florida Boulevard Baptist Church feed the hungry. We have seen that within 48 hours of Katrina, the nation's fraternal benefit societies were feeding, housing, and providing supplies, clothes, toiletries, cash and beds to those in need in shelters both in Houston and in New Orleans. During the first week of this effort, fraternal had already expended upwards of \$14 million on hurricane relief, a sum which is expected to increase as these efforts broaden. We see community foundations, such as the Baton Rouge Area Foundation, literally saving people’s lives. They helped Louisiana State University open a field hospital for 1,000 people in an old Kmart. And we see national organizations such as the YMCA of the USA providing program services such as emergency child care, recreation, and grief counseling. The YMCA has provided showers and other physical comforts and opened up their facilities as staging areas for relief, recovery and clean-up efforts. And the list goes on and on and on.

For years I have been working with Senator Joe Lieberman and this Committee on a broad package of incentives to encourage charitable giving through the Charity Aid, Recovery, and Empowerment Act (CARE Act). The CARE Act includes incentives for non-itemizers, IRA charitable rollovers, food donation incentives, and corporate giving incentives. In the 108<sup>th</sup> Congress, the CARE Act passed the Senate by a vote of 95-5. The House of Representatives passed companion legislation, the Charitable Giving Act, H.R. 7 by a vote of 408-13. Tragically for those in need, the bill was chosen as the first bill to not be allowed to go to conference after

passage by both chambers and thus prevented from becoming law in the last Congress.

The CARE Act is currently included in S. 6 in the 109<sup>th</sup> Congress. The recently passed Senate Budget included an amendment that I offered to reflect our ongoing support for completing this important package. With the urgent needs being faced by charities in both the affected areas and across the country, I call on my colleagues to expedite the consideration of this bill so we can ensure that charities have the means in both the short term as well as the long term to meet the needs of our communities.

We all know that the recovery from this disaster will not come quickly, so we should not take a path that assumes the need for assistance from the nonprofit sector is short-term. Although there was a surge of giving after both the 9/11 tragedy and the Asian tsunami, much of that giving was targeted at larger international organizations at the expense of some of our smaller, local charities that provide vital services such as domestic violence shelters, soup kitchens, after-school tutoring and mentoring programs, and drug rehabilitations services. As we respond to these needs we must choose to pursue a long-term response rather than succumbing to the politically desirable short-term fix. There are more than 1.2 million charities in this country, most of whom are small, focus primarily on their mission and struggle to make the best use of their limited resources. If we fail to do this now, we may find that in the years to come the organizations meeting the social services needs for the most vulnerable in our communities are still searching for the necessary funding when we could have been part of the enduring solution.

Although the topic of today's hearing is charitable giving, there remains the specter of a series of proposals that would collectively require the charitable community and its donors to bear a significant burden for dubious public benefit. There are enough laws on the books to ensure that donors are protected -- the question is enforcement. And an analysis of the alleged abuses presented as part of the June 2004 hearing of the full Committee found that 92 of the 94 cases were all covered under current law. In other words, current law, regulations and reporting requirements already covered the concerns raised in almost every instance.

Nonetheless, we all agree that we want to discourage inappropriate behavior by those who may seek to abuse the public's trust. In the last two years we have seen that the IRS has significantly increased its enforcement in the area of nonprofits. What we have not seen is whether that effort has reduced the need to legislatively address the concerns that have been raised by some on this Committee. I believe that we should work to ensure that the IRS has a robust enforcement process, including ensuring that the excise taxes collected to support the IRS enforcement in the nonprofit sector are actually used for that purpose and adding resources for enforcement as needed. In my opinion, we should not be moving to amend the laws until it is clear that the current laws are not working. Further, there is and has been aggressive enforcement at the state level. In my home state of Pennsylvania, the Attorney General's office works closely with the Pennsylvania Association of Nonprofit Organizations to enforce the state's laws and educate entities on how to remain in compliance.

As we have witnessed in the aftermath of Hurricane Katrina, charitable organizations are the social entrepreneurs helping those in need – in the affected area of Louisiana, Mississippi and Alabama, and around the country. We should continue to encourage and provide incentives to

those blessed with significant resources as well as those called to share the wealth they have with others in their communities. Acting on these incentives now will have positive real world consequences in the lives of those in need. Today, we are privileged to have representatives from three organizations that responded to the needs in the Gulf region, as well as two respected tax analysts as we discuss the CARE Act proposals to provide incentives for charitable giving.

First, we will hear from one of my constituents, Luke Hingson. Mr. Hingson is President of the Brother's Brother Foundation, a 47-year old organization in Pittsburgh founded by his father Dr. Robert Hingson. Brother's Brother Foundation – or BBF – has received top honors from Charity Navigator, earning an overall rating of four out of four stars. More importantly, donations are managed well by BBF staff who work hard to keep their administration and operating cost below one percent of the value of program services. On Friday, September 2, 2005, BBF shipped twelve pallets of new clothing, kid's kits and plastic drinking cups for use by Hurricane Katrina survivors, with the transportation provided by South Hills Movers of Bethel Park, Pennsylvania. Additionally a shipment of 5,000 pairs of new CROCS shoes leaves for Atlanta later this week. Finally, BBF works closely with another of my constituents, Joe Geiger from the Pennsylvania Association of Nonprofit Organizations, and I am pleased Joe can join us today as well.

Next we will hear from Major George Hood, Director of National Community Relations and Development for the Salvation Army. Major Hood was commissioned as an officer in The Salvation Army in 1968 and has since followed an extremely diverse career path that includes 20 years of nonprofit leadership and an additional 15 years in corporate marketing and business administration. The Major currently serves at The Salvation Army National Headquarters as the National Community Relations & Development Secretary. In this role he holds administrative responsibility for marketing communications, public relations, government relations and corporate relations for The Salvation Army in the United States. Major Hood's career includes assignments in Fitchburg, Massachusetts; Columbus, Ohio; Philadelphia, Pennsylvania; Cleveland, Ohio; and Hempstead (Long Island), New York. Born and raised in Hamilton, Ohio, Major Hood is a graduate of Indiana Wesleyan University and The Salvation Army School for Officers' Training. He holds a BS in Management from Indiana Wesleyan and is currently studying for a Masters in Management from the same university.

And then we are pleased to welcome Dr. Bob Reccord, the President and CEO of the North American Mission Board of the Southern Baptist Convention. Dr. Reccord became the first president of the North American Mission Board in June 1997. Prior to leading the Mission Board's team, Dr. Reccord served as senior pastor of First Baptist Church in Norfolk, Virginia, and Bell Shoals Baptist Church in Brandon, Florida. Dr. Reccord is a published author, including a book co-written with Houston Astros' pitcher, Andy Pettitte entitled *Strikezone! Targeting a Life of Integrity and Purity*. He is a featured speaker for Promise Keepers and has also served as an adjunct professor at Southeastern Baptist Theological Seminary. Dr. Reccord is a graduate of Indiana University and received his Master of Divinity and Doctor of Ministry degrees from Southwestern Baptist Theological Seminary.

As we move to the academics on the panel, we welcome Dr. Bill Gale from the Brookings Institute and Dr. Gene Steuerele from the Urban Institute. Dr. Gale is a Senior Fellow at the Brookings Institution. He is deputy director of the Economic Studies Program and Co-Director

of the Tax Policy Center, a joint venture of the Brookings Institution and the Urban Institute. Interestingly, his co-director is Dr. Steuerele sitting beside him. Before joining Brookings, Dr. Gale was an assistant professor in the Department of Economics at the University of California at Los Angeles, and a senior staff economist for the Council of Economic Advisers. He has co-edited three books and co-authored a numerous academic articles. He contributes a regular column in *Tax Notes* magazine, and has published in a wide variety of popular media outlets. Dr. Gale received his B.A. in economics from Duke University and his Ph.D. in economics from Stanford University. He also studied for a year as an undergraduate at the London School of Economics.

Dr. Steuerle is a senior fellow at the Urban Institute and Co-Director of the Urban-Brookings Tax Policy Center. In addition he is a columnist for Tax Notes, and the author or editor of 11 books and more than 150 reports and articles. Under President Reagan, he served as economic coordinator and original organizer of the Treasury's tax reform effort and later as the Deputy Assistant Secretary of the Treasury for Tax Analysis. He has also served as the President of the National Tax Association, Chair of the 1999 Technical Panel advising Social Security on its methods and assumptions, President of the National Economists Club's Educational Foundation, and Resident Fellow at the American Enterprise Institute.