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ALLIANCE FOR JUSTICE

March 19, 2007

Hon. Henry Waxman
Chairman
House of Representatives
Committee on Oversight and Government Reform

Hon. Danny K. Davis
Chairman
House of Representatives
Subcommittee on Federal Workforces,
Postal Service, and the District of Columbia

Dear Chairman Waxman and Chairman Davis,

We are writing this letter to express our support for recent changes in the Combined Federal Campaign (CFC).

Alliance for Justice is a national association of environmental, civil rights, mental health, women, children and consumer advocacy organizations. Since its inception in 1979, the Alliance has worked to advance the cause of justice for all Americans, strengthen the public interest community's ability to influence public policy, and foster the next generation of advocates.

The CFC recently eliminated a requirement that organizations are not eligible for participation in the CFC if their administrative and fundraising expenses (AFR, also known as overhead) exceed 25 percent of their total revenue. In your letter to Office of Personnel Management (OPM) Director Linda Springer you expressed your disagreement with the change. We respectfully submit this letter to you to express the reason for our support of the change with the hope that you will reconsider your position.

We support the elimination of the 25 percent overhead requirement. Not only was it an administrative burden for OPM, but it denied fiscally responsible, well-run, and effective charities a chance to participate in the CFC based on an arbitrary percentage of overhead.

The AFR requirement is a bad standard to apply across the board to a diverse sector that comprises over 1 million organizations. Administrative cost is only one factor in evaluating a charity's fiscal health, effectiveness, efficiency, and commitment to mission and charitable purpose--and a questionable one at that.

The 25 percent requirement creates the misperception that administrative costs are simply waste. Administrative activities such as legal and accounting services, recordkeeping and contract management ensure that programs are running efficiently, complying with applicable laws and best practices, and that the government and donors are receiving the most complete and current information.

It is not an accident or luck that some organizations are well run, including those that are prudent with their limited resources. Most likely, they have spent time and money (administrative costs) on planning, needs assessments, evaluations, and legal and financial advice to determine how best to run their programs. All expenditures of a public charity must be directed at furthering an organization's charitable mission but these missions cannot be accomplished without some administrative costs that will be different for each individual organization.

In your letter to Director Springer, you state that you are worried that "the accountability and integrity of the program will suffer", equating accountable organizations with organizations that keep their administrative costs under 25 percent. However, charities are required to be accountable by federal tax law, regardless of whether they participate in the CFC or not. Charities must submit annual reports to the IRS, and are required by law to make those reports available to the public. There are also numerous websites – run by charities themselves – that evaluate charities' fiscal and programmatic health. Donors have numerous tools to investigate and ensure the efficiency and quality of the services charities provide.

We are opposed to retaining a provision that gives donors a false standard of program efficiency and quality. We hope that you consider our comments when evaluating OPM's list of previously ineligible charities.

We appreciate your time and attention to this matter. If you have any questions, please contact Jennifer Lowe-Davis, 202-822-6070.

Sincerely,

Nan Aron
President
Alliance for Justice