

**STATEMENT OF
POSTMASTER GENERAL/CEO
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BEFORE THE
SUBCOMMITTEE ON FEDERAL WORKFORCE, POSTAL SERVICE,
AND THE DISTRICT OF COLUMBIA
OF THE
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
UNITED STATES HOUSE OF REPRESENTATIVES
WASHINGTON, DC**

APRIL 24, 2008

Good afternoon, Chairman Davis, Congressman Marchant, and members of the Subcommittee. I am pleased to be here with you today as you examine the important issue of promoting and protecting effective and efficient fundraising in support of the needs of our troops and veterans.

The men and women of America's armed forces have exchanged the comfort of their families and the security of their homes to selflessly serve our nation despite the danger they face. Through more than 230 years of history, they have served in war and in peace – here at home and in every part of the globe. They have dedicated themselves to making our nation and the world a safer, better place. There is no group that has done more to earn our respect and support.

Throughout the nation, individuals and organizations work together to meet the needs of this distinguished group of Americans, and to show them that their sacrifice is appreciated. From something as basic as bringing a touch of home to a remote and battle-scarred base halfway across the world, to providing education, rehabilitation, and other important services to those who have returned, hundreds of organizations are helping our armed forces and our veterans every day.

Some are organizations of veterans themselves. Others are respected and trusted independent organizations. Each works hard to carry out its mission of service by reaching out and seeking the help of others. They do this in person, through public service advertising and announcements broadcast and in print, by telephone, through government and corporate grants, through the internet, and through the mail. They do it using their own, often limited resources. And they do it with the assistance of professional fund raising groups.

These are critical outreach efforts that make it possible for these organizations to continue their important work. Our experience in working with so many of them who depend on the mail to carry out their mission has been overwhelmingly positive. They have been dedicated to their goal of understanding the needs of our veterans, creating the programs that meet those needs, and calling on the people of America to help support them.

As the organization that serves as the delivery link between these fundraising groups and potential donors, the role of the Postal Service is simple: to provide the prompt, accurate, and affordable service they must depend on to support them in serving our veterans. The law makes it possible for these and other nonprofit groups to benefit from special postage rates, making a larger proportion of their funding available to support their mission. We, in turn, have established eligibility rules that are consistent with the law. They are based on two key factors – an organization's primary purpose and its nonprofit status.

We maintain an active and effective enforcement program to make sure that the nonprofit-rate mail accepted by the Postal Service is eligible for the claimed rates. The Postal Inspection Service, our Business Mail Entry Units, and our Rates and Classification Centers continue to do an excellent job in this area. The Office of Inspector General also has an important role in determining that we are properly administering our nonprofit regulations.

Of course, the Postal Inspection Service also investigates reports of fraud in connection with mail solicitations. Despite a steady increase in the number of nonprofit mailing permits – which today numbers more than 350,000 – we have experienced a 75 percent reduction in mail-related charity fraud complaints over the last several years. The Inspection Service's record of visible, aggressive, and successful investigation into allegations of fraud serves as a powerful deterrent in this regard. Our Postal Inspectors protect the mail directly and, through those efforts, provide potential donors with the necessary sense of confidence in their dealings with those asking for their support.

Previous hearings on this subject examined another aspect of charitable solicitations – situations in which veterans' organizations have used the services of professional fundraisers to help them reach out to the public through nonprofit-rate mail. This is a practice that is governed by what is commonly known as our "cooperative mail rule." It recognizes the fact that many nonprofit organizations may not have the means or expertise to directly produce fundraising mailings themselves. The rule makes it possible for them to contract with commercial fundraisers for these important services.

In 2003, we revised our rules on cooperative mailings to increase the level of protection for nonprofit organizations participating in this type of arrangement. Our action was based on concerns raised by Congress, by nonprofit mailers, by associations representing those mailers, and to be consistent with actions taken by more than half the States to guarantee that nonprofit organizations receive at least a specified percentage of any donations. It was our goal to avoid conflicts between individual state laws governing the operation of charitable organizations and mailing rules that apply to all nonprofit mailers, regardless of location. The majority of stakeholders were supportive of the rule change.

In implementing our revision, we recognized that the details of business relationships between various nonprofit mailers and commercial fundraisers would, of necessity, vary. In practice, this meant that the distribution of proceeds from a fundraising mailing could differ among individual mailers and, for an individual mailer, from mailing to mailing.

Overall, we believed that the new rule, while not directly dictating the specific terms of a business agreement between a nonprofit organization and a professional fundraising entity – an issue beyond the jurisdiction of the Postal Service – would increase the options available to some nonprofits, allowing more beneficial agreements than had previously been possible.

As earlier hearings have established, in some cases these relationships have resulted in significant financial advantages for the fundraiser. In one case, the nonprofit organization received only one dollar out of every four raised.

Speaking both as Postmaster General and as an individual who receives and responds to fundraising letters, I find this extremely disturbing. Beyond the obvious issue of the funds available to support a legitimate organization's work on behalf of veterans and other deserving groups, imbalances of this magnitude can unfairly affect public perceptions of groups asking for their generosity – not only through the mail, but by other channels as well. This can inhibit needed donations, further limiting the extent of help those organizations can provide. And because their services often complement and enhance those available through public agencies, there is an important public policy element to this issue.

Although this is an issue larger than the mail – because fund-raising campaigns are not limited to the mail – we believe the Postal Service can and must play an important role in maintaining an environment that is supportive of personal philanthropy by helping to raise awareness of this issue.

We have made it a policy of sharing information with nonprofit mailers that can help them to make the best decisions possible as they consider relationships with professional fundraisers. We are working with nonprofit mailers to use the benefit of their experience as the basis for improved educational materials and to develop more comprehensive training for both experienced and new nonprofit mailers. We will also expand our outreach efforts through the various mailing industry organizations that represent virtually every element of the postal community. The Postal Service's Consumer Advocate, and our employees who serve as touch points with nonprofit mailers, will be an important part of this effort.

Information and education are among the best tools available to us today to support the effectiveness of – and confidence in – nonprofit organizations that serve America's veterans and so many others in need of our generosity. Nonprofit associations, professional fundraisers, and other government agencies can also make valuable contributions by expanding this conversation.

We recognize that this is a complex issue, one that requires an approach that works for every nonprofit organization, whether they use the mail or other media to reach potential contributors. On behalf of the Postal Service, I offer you my full support and assistance in your efforts to develop and implement the solutions that work for veterans and the organizations that support them.

I appreciate the opportunity to discuss this issue with you today and I would be pleased to answer any questions you may have.

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