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Statement of Sen. Chuck Grassley  
Testimony before the Committee on Oversight and Government Reform, House of  
Representatives  
Hearing, “Assessing Veterans Charities”  
Thursday, Dec. 13, 2007

Mr. Chairman: I want to commend you and the Ranking Member, Congressman Davis, for holding this hearing today. The American people are enormously giving – donating billions of dollars every year to charities. We here in Congress have a responsibility to ensure that these charities that receive these donations are operated in a manner that is in keeping with the intent of these donors and that the charities provide real benefit to those in need and bring real improvements to their communities.

As chairman and now ranking member of the Finance Committee, I have been looking hard at charities since 2001 and I have often been troubled by what I have seen. While there is no question that a strong majority of charities do much good, there are unfortunately too many occasions where we see real problems.

Since I’ve been looking at charities, I’ve seen serious issues at our biggest charities – Red Cross, United Way, the Smithsonian and Nature Conservancy to name just a few. These are charities that had forgotten their charitable mission and failed to meet the intent of their donors. I’ve been pleased that my oversight has led to real reform at these organizations and sometimes changes in the law.

In addition, my oversight has found unfortunately problems of a different nature – snake oil salesmen who use the generous tax laws for charities to their own benefit. For example, we’ve seen people trying to take big tax cuts from donating antelope heads – claiming the antelope head is worth the cost of the safari trip to Africa where they shot the antelope. Unfortunately, this is just one of many, many examples.

Mr. Chairman, charities are a vital part of our nation. We need to ensure that the public continues to have confidence in these institutions. Congressional oversight is critical in ensuring that charities stay true to the course – and also to make certain that the IRS is properly enforcing the law and that the current laws are adequate. For that reason that I think it is very important that your committee – the Committee on Oversight and Government Reform – takes a hard look at charities.

Charities receive billions of dollars in tax breaks – tax breaks that are subsidized by the taxpayer.

Charities also receive billions of dollars in government grants, contracts and payments. Charities represent a bigger part of the economy than people might realize – just a little under 10 percent of the economy and the workforce.

I applaud your hearing today looking at the issue of charities that are supposed to benefit veterans. Our veterans need to know that Congress is taking a hard eye at these charities to ensure that veterans are appropriately benefitting from donations. I will be very interested in learning of your findings and recommendations and I expect there will be many common areas for reform which I hope we can work on together.

However, I encourage you to not limit yourself to just today's hearing on veterans' charities. As you conduct further investigations, you will sadly find that there are many similar problems throughout the charitable sector. I especially would encourage you to look at the many nonprofit hospitals that get big tax breaks but provide little to nothing in the way of charity care to the poor. At the same time some of these nonprofit hospitals charge the uninsured more than the insured for medical services and then will often hound the uninsured with bill collectors and bankruptcy.

The positive benefit of the sunshine your committee can provide in the charitable sector is enormous. For example, I have in recent months been talking about some universities that are sitting on big endowments but spending very little on helping low and middle income families meet the costs of tuition.

I am very pleased that in response to my efforts from the bully pulpit, Harvard University announced earlier this week that it would be increasing the amount of tuition assistance for families below a certain income level. Now other universities are planning similar announcements and there is a big ripple effect. In my view, Harvard's step is a first step not a last step. But I think as more members speak to this issue and others in the charitable field, much good can be accomplished. Sunshine can make a difference.

Mr. Chairman, I want to close by just encouraging this Committee to also focus on the areas of governance in the charitable sector. So often, I see problems with charities because there is not in place basic governance – that is independent, active board members that are minding the store. Your committee should consider the possibility of requiring basic good governance structures and best practices – similar to those advocated by the Nonprofit Panel and watchdog groups such as the American Institute of Philanthropy – as a requirement for charities that participate in the Combined Federal Campaign or receive federal grants and contracts. I believe these are reforms that are well within your Committee's jurisdiction.

I think that such actions would help give donors higher confidence that their gifts are being spent appropriately and also ensure that taxpayers monies are better protected. I thank you again for inviting me to testify. I greatly appreciate your work in this area – it is much-needed and there is much good to be done.