

## I. Executive Summary

### *1. Respondents generally had a positive view of charities.*

Respondents spoke highly of charities, saying they are more necessary than ever and that they provide essential services to people in need. In general, charities were viewed as far more efficient than government agencies performing similar functions.

### *2. However, despite their generally high regard for charities, respondents said that charities routinely "waste" about 25 percent of what they take in.*

In spite of their generally positive views, respondents had a number of unfavorable impressions just beneath the surface, with most saying, for example, that charities routinely "waste" a lot of money. When asked to elaborate, respondents' said a charity's administrative costs should be around 25 percent, but that most charities do spend 50 percent or more on administration. Even the organizations that respondents' contributed to were felt by them to waste money. In essence, respondents felt that charities were well run only by comparison in that government agencies were felt to "waste" about 50 cents out of every dollar they spend.

### *3. To the respondents, a "charity" is an organization that helps those whose needs are basically medical or economic, and "charitable solicitation" involves raising money for such organizations, not churches, museums, universities or political groups.*

4. *While those who work for charities were also generally held in esteem, respondents felt that the senior management in many charities are regularly overpaid.*

When describing those who work for charities, respondents often used words like "caring," "compassionate," "dedicated" and "sincere." However, employees in lower and middle level positions were viewed as far more dedicated than senior personnel. Most respondents felt that top charity executives are overpaid compared to their private sector counterparts; compared to volunteers and lower level personnel, top management were also felt to be less dedicated and concerned about the charity's principle mission.

5. *Respondents spontaneously criticized two fund raising practices: telephone solicitation and the methods used by United Way. In essence, while there was much good feeling toward charities, respondents had many negative views just below the surface.*

6. *Respondents did not think there is a national problem with charitable solicitation in large part because they believe the public is generally well protected by existing laws and institutions.*

Respondents mistakenly believe that charities are:

- Limited in how much they can spend on administration; and
- Limited in what they can pay a professional fund raiser.

Respondents also tended to believe that:

- A charity's disclosure statement and tax exempt status are thoroughly reviewed by appropriate regulatory agencies, including the IRS and the Attorney General on a regular

basis; and

Cases of fraud and abuse are quickly investigated and that a charity's ability or license to raise funds can easily be revoked.

*7. Respondents felt that self-dealing or channeling a charity's business in a way that would financially benefit a member of the Board of Directors was objectionable.*

However, after considering the issue, many felt that if standard bidding practices were used and there was no favoritism shown, a charity should be able to do business with a Board member's company.

*8. Initially, most respondents felt that a number of other rather common fund raising practices should also be illegal. However, after considering the issue at some length and although expressing some reservations, most did not think that the following should be against the law:*

Hiring a fund raiser who keeps nearly all of the money raised;

Raising money through a direct mail, charity sweepstakes that implies the resident is already a winner; and

Selling more tickets than are available to a special event such as a circus or concert, then encouraging contributors not to go but instead to donate their ticket so that it can be used by a "needy child."

*9. Respondents had mixed feelings about self-enrichment or what is referred to legally as self-inurement, with many saying that as long as there is no attempt to bide what is going on and there is full public financial disclosure, people should be able to contribute to whatever they want.*

10. *Respondents favored four measures to protect the public in this area:*

- . Limits on the amount of money a charity can spend on administration (with flexibility built in for new or controversial groups);
- . Vigorous prosecution of fraudulent claims or misrepresentation;
- . Full disclosure laws that would enable the public to easily find out how much a charity spends on administration and fund raising; and
- . Active, continuous review of charitable activities by the state Attorney General's office, the IRS, the state Office of Consumer Affairs, etc.

## II. Introduction

This report on public opinion about charitable solicitation and the law is based on the results of five focussed group interviews or focus groups, each conducted with a cross section of a dozen or so typical citizens in the five major regions of the country in August, 1990. In the sessions, we assessed respondents' opinions about an issue and its various aspects at two points: before and after they learned more or thought about it to any extent. Some responses then are similar to those given in a telephone survey; the latter are what people think about the issue after they have a chance to think about it. We should emphasize, however, that focus groups, like all qualitative research, yield what are properly called hypotheses or observations, not definitive research findings within a statistically measurable range of sampling error.

We begin the analysis by examining what we call the public's "starting point," people's impressions of charities and those who work for them before learning more about the issue or thinking about it in depth. As the group interviews progressed, we often gave people information or asked them to pretend they were members of a charitable organization's Board of Directors. But at the start of a session, we asked the respondents to write down and then talk about what came to their minds when they thought about "charities" and "the people who work for charities." Our aim was to identify and flesh out the impressions held by the respondents and, inferentially, by the general public.

In the report we present the results using a metaphor of the Public Mind. Analytically, we treat the consensus views of the respondents as if they were the thinking of an individual – with all the inconsistencies and misunderstanding that may characterize anyone's thinking. In the Public Mind, just as in the mind of any individual, there are impressions and opinions about an infinite number of subjects, including the type of people who typically work for a charitable organization, what a typical

charity does, how it functions, raises funds, etc. Such impressions or, if widely held, such stereotypes form the basis for the opinions people have about other issues related to charities and charitable solicitation. In this first section, it is those stereotypes that we investigate and explore. The second section describes consensus views about the more complex issues respondents were asked to consider as the groups progressed.

In conducting this research, we are indebted to Dr. Virginia Hodgkinson of Independent Sector. Her analytic synthesis of existing public opinion data proved to be invaluable in preparing and conducting this research.

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The analysis and conclusions in this report are the views of the researchers at the Public Agenda Foundation and do not necessarily reflect the thinking of any of the experts interviewed or of anyone associated with the Program on Philanthropy and the Law at the New York University School of Law.

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### III. A Comment About the Interviews

#### With Twenty Experts on Charitable Solicitation and the Law

As background for the public opinion research, Public Agenda completed twenty confidential interviews with experts on philanthropy representing a wide range of experience and points of view (see Section VIII). These interviews were designed to inform the research by providing us with background information. They were explicitly confidential and consequently we do not summarize them in this report.

However, one finding was particularly noteworthy and deserves exposition. And so, without attribution, we present a brief summary of the views of 20 experts about one aspect of the general issue.

#### The Nature of the "Problem" of Charitable Solicitation and the Law

We asked most of the experts to describe what they saw as the main problems in the entire area of charitable solicitation and the law. In a few cases, we also asked them to pretend that they had a magic wand and could change any law, legal requirement or charitable solicitation practice that they wished. Among the twenty, there was a pronounced lack of consensus.

For example, some experts felt that, especially in the aftermath of the Supreme Court's decision in Riley v. National Federation of the Blind of North Carolina, Inc. which overturned a state's charity disclosure requirement among other regulations, the public was increasingly vulnerable to dubious or

unscrupulous charitable solicitation practices by a rapidly growing number of professional fund raisers. A number of experts lamented the fact that, without informing potential donors, a charity can legally spend virtually all of what it raises on fund raising and "education" -- which is sometimes nothing more than a few health tips included in a fund raising mailing. Or that the use of questionable fund raising practices, including charity sweepstakes, special events marketing, and telephone solicitation -- sometimes by organizations with "sound-alike" names (names and even mailing addresses that resemble those of the most renowned charities) -- mean that millions of dollars annually do virtually nothing to help those for whom the money was intended by the donor. These experts also argued that such practices, when discovered, leave the public with a bad taste in its mouth, that they sour the public mood by creating a "negative halo" that can embrace all charitable organizations which, in turn, could lead to a net decrease in both the public's confidence in charities and in the level of charitable contributions.

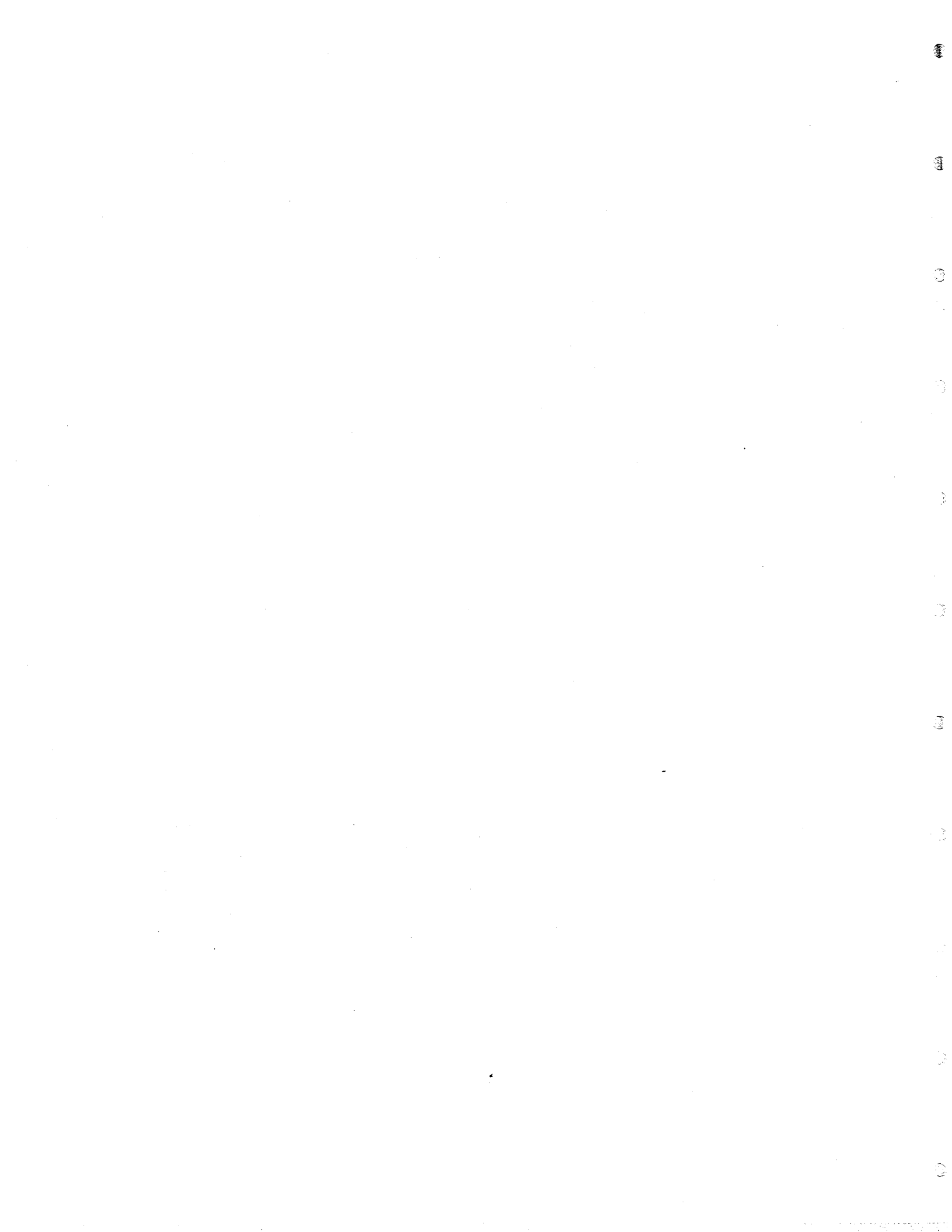
But other experts expressed radically different points of view. Some felt that the real issues in this area did not involve solicitation at all. They thought that questionable solicitation practices were relatively uncommon and a minor problem at most. The most pressing issues, they thought, ran the gamut from the misuse of funds to such broad questions as: "What should be the purpose of charity? To help the needy? Or to benefit and enrich the community as a whole?" Still others, citing the writing of commentators like Teresa Odendahl, questioned the premise of donations, arguing that too often charity amounts to little more than gifts by the wealthy to benefit the wealthy in the form of, for example, contributions to elite colleges and to rarefied cultural activities such as the opera. Finally, some experts talked about the enormous political and economic influence of charities at the local, state and national levels which is, they felt, too often not examined, reported, or checked.

In virtually every Public Agenda study about pressing national issues, we conduct the kind of leadership interviews used in this project. And in past projects, we have often found sharp disagreement in



leaders' thinking. We found, for example, a lack of leadership consensus about the seriousness of a problem -- such as in our work on the threat of global warming caused by the greenhouse effect. Or about the immediacy of the problem -- such as in our work on nuclear proliferation. Or about a problem's scope -- such as with U.S. economic competitiveness, its causes -- prison overcrowding, or its solutions -- foreign policy issues such as the Middle East.

Never before have we encountered so much discussion about whether a problem exists. Or if it does, whether it is major and increasingly serious, or a comparatively minor or even trivial concern compared to other issues involving charities in the U.S. Never before have we encountered such broad and deep leadership disagreement about a problem's very existence, let alone its importance.



**IV. The Public's Starting Point: Respondents'  
Views About Charities and the People Who Work for Them**

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OBSERVATION #1. In general, respondents had high regard for charities.

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a) When asked their impressions about charities in a general sense, the consensus among group discussion members was very favorable. They said that charities:

- . Do important work, especially in terms of health and welfare;
- . Help people who are in need, especially the sick and the poor; and
- . Are more essential than ever, playing a vital role in meeting real and chronic social needs.

These results are consistent with recent national survey data which found that 86 percent of Americans agree that "charities play a significant role in our society" and that 71 percent think that charities are more needed today than they were five years ago.<sup>1</sup>

When asked what came to mind about a charity, a New York area woman who works with the Girl Scouts said, "A charity is something that perceives a need in a community -- food banks, AIDS hospices, half-way homes or usually something that the government doesn't take care of. It's not welfare, it's things that fall through the holes [in the government's safety net]."

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<sup>1</sup> A study for Independent Sector by the Gallup Organization, 1988.

b) Nearly all of the respondents thought of "charity" in terms of nonreligious activities. Neither weekly contributions to nor the regular, religious activities of churches and synagogues were associated with or considered to be "charitable contributions." In fact, except for cases such as the Jim and Tammy Baker case involving the misuse of funds, the only time religion or a religious group was mentioned at all was either as a direct result of a question from the moderator or in reference to a religious organization's social program.

c) In addition, all of the following causes and organizations were rarely, if ever, mentioned in the discussions about "charities" except in response to a direct question from the moderator:

- . Political parties;
- . Veterans' organizations or voluntary associations that do good works such as the Lions Club, the Rotary Club, Knights of Columbus, etc.;
- . Organizations with a political agenda including women's groups such as NOW, environmental organizations such as the Sierra Club, the National Rifle Association, Common Cause, or public service groups such as MADD;
- . Groups that help animals such as the SPCA or that promote animal rights;
- . Institutions that promote culture and the arts including museums, libraries and universities; and
- . International -- as opposed to local and national -- organizations.

To the respondents, a "charity" is an organization that helps those whose needs are basically medical or economic, and "charitable solicitation" involves raising money for such organizations, not churches, museums, universities or political groups.

d) With virtual unanimity, people said charities are more effective, efficient or spend their money more wisely than do government agencies working in parallel areas such as providing food and health care

for the elderly and poor.

In each group, we asked respondents to compare the efficiency or effectiveness of a typical charity with a government agency that is working in the same area by, for example, providing health care and nutrition programs that help the elderly and poor. Without hesitation and literally with unanimity, group members in every one of the five sessions said that charities are far more efficient, spend their money far more wisely, and provide more program services per dollar of expenditure.

- "From my experience with Big Brothers, charities are pretty well run, pretty efficient," said a Nashville area housing manager.
- "Charities on the average are successful at targeting a need to fill and raising money to do it," said a female art director from the New York area.

e) However, many respondents reached this conclusion not because they think charities are especially well run, but because they believe the government at every level is exceedingly wasteful. On average, for example, respondents said that government agencies "waste" about 50 cents out of every dollar spent or that government could, if well managed, accomplish its functions with about half the revenue now spent. Below are just two of many comments about government waste and inefficiency.

- "Government agencies usually have a budget and they know that if they don't use it, their appropriations are going to be cut next year," said a retired airlines pilot from Nashville. "One year I walked past the post office and they had jackhammers tearing up the sidewalk. They were taking up the sidewalk because they had money left in their reserve fund and they had to spend it to keep their appropriations from being cut [next year]."
- "Personnel problems are unchecked, special [interest] groups tug and tug, Congress, all the way down -- everybody wants to put in [requests for funding]. All you need to do is get three people together with the same idea, and you qualify for something [from the government]," said a mailman from the Cleveland area.

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IN SUM, the respondents thought that charities:

- Play an essential role in meeting the needs of the community, especially in the areas of health and welfare; and

- Are far more efficient and spend their money more wisely than government agencies providing similar services -- but not because they believe that charities are so well run but because they think the government is so inefficient.

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OBSERVATION #2. But in spite of their high regard, most respondents also said most charities "waste" much of what they take in, mainly by spending too much on "administration."

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- a) Nearly everyone felt that most charities waste a fair amount of money. Even those who contributed to particular charities said those organizations routinely waste money or spend too much on administration. For example, when asked if the charities that respondents give to waste money, nearly everyone said yes, even when referring to very well respected national charities such as the American Heart Association, the American Cancer Society, and national charities that help people with muscular dystrophy, lupus and diabetes, to name just a few.
- b) When asked how charities waste money, most group members pointed to what they saw as excessive administrative expenses. Some mentioned particular events such as a lavish, fund raising charity dinner, implying that a more modest meal in less elegant surroundings would have netted more money. A man in the Cleveland group said that most charities are "well oiled." Many mentioned salaries, especially of executives, a point discussed at length in Observation #4 below.
- c) When asked exactly how much most charities do spend on administration, most said about 50 percent of their contributions. But when asked how much they should spend, most respondents tended to say around 25 percent. Only a handful had what most would consider to be unrealistic expectations, saying, for example, that administrative costs should average ten percent or less.
- "I think [what most charities spend on programs versus administration] is about 50-50, and I think it should be 75 to 25 [program to administration]," a retail store manager said to general agreement in the Cleveland group.
  - "I would say [most charities spend] maybe 50 percent [on administration]," said a female safety

examiner from the Nashville area, again to general agreement. "It depends on what rent they're paying or whatever. But I think they should give out more than they keep, I think [administration] should be about 30 percent."

- "The actual [percentage spent on administration] is about 50 to 60 percent. The ideal would be about 30," said a female school crossing guard in the Los Angeles group.

d) Most respondents did not have a clear idea of exactly what administrative expenses were. For example, we can infer from people's comments that fund raising did not come to mind when they asked about administration. When asked to detail what such expenses involve, people mentioned employees' salaries or direct expenses for rent, telephone, heat, paper, etc. But no more than one or two people spontaneously mentioned fund raising costs as an administrative expense.

e) We should emphasize that respondents said charities do a good job of meeting important social needs in spite of the fact that they are believed to waste money. In contrast, the government, which was said to waste about 50 cents of every dollar, was not felt to be doing a good job. Respondents felt that government waste is so inordinate that more money is not the answer, not the way to reach unmet goals in education and health and welfare. But even those like the Nashville realtor cited below whose estimates of waste were very high felt that charities are essential, that charitable contributions are important, and that more money is needed for charities to achieve their goals.

- "I don't believe [charities should have] waste but they do," he said. "Let's say \$10 million is taken in by the United Way in Nashville and that only 20 percent of it, or \$2 million, actually goes to people who need it. Maybe [United Way] should strive to improve its efficiency, but you can't cut it out. There are people out there who need help, people who have got to have it. And even though a lot of money is wasted, a lot of it is getting to the right place."

f) Those who contributed to or were involved with small, local charities did not generally share the view that those charities waste 25 percent of what they take in. For example, a retired woman from



the Cleveland area described a program for the homeless at which she works as a volunteer.

- "As far as groups such as the Hunger Center," she said, "90 to 100 percent [of their donations goes to the charitable program] because it's a true one-on-one type of situation. This is the most efficient type of charity."

While a few people said that the larger, more established charities spend less on administration, most thought the opposite was true, that big charities tend to spend more on administration.

- "The larger the organization, the more people you have in administration," said a New York area man who was a retired food distributor. "More of the money collected is spent paying those people, less of the money is getting to the people it's intended for."
- "I think the bigger ones may get bogged down in their own bureaucracy," said an airport maintenance worker from the New York area.
- "They [established charities] start to diversify and, instead of sticking to their original purpose, they branch out and dilute their energies," said a female account executive from the Cleveland group.

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**IN SUM**, despite their high regard for charities, most of the respondents felt that:

- . Charities waste a lot of money and spend too much on administration;
- . Even the larger national charities routinely waste about 25 percent of every dollar donated; and
- . Charities should spend about 20 to 25 percent on administration, while most charities spend about 50 percent.

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OBSERVATION #3. Respondents had esteem for most of those who work for charities.

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a) When asked to characterize the people who work for charities, respondents used words like "caring", "dedicated", "sincere", etc. In general their comments were exceptionally favorable.

- [Someone who works for a charity is typically] "kind, caring, patient, considerate, someone who gets a reward from helping others," said a man who works as a telephone company manager in suburban New York City.
- "Someone who cares for others, is a good person, and they feel they are being of service. They are doing something for the public or others," said a saleswoman from the New York area.
- "The first thing that came to my mind was someone who was compassionate and gets a lot of personal satisfaction from doing the job," said a Nashville woman who works as an insurance processor.
- "I thought of someone who is devoted to helping people, has a charitable disposition, an honorable person, someone I'd admire, an unselfish type," said a male realtor from the Nashville area.
- "The [typical] person [working for a charity] would have strong convictions about what he or she is involved with," said a Nashville homemaker, "and be dedicated to that cause, whatever it is. A giving type of person."

b) Most of those who work at a charitable organization were felt to earn less than their private sector counterparts. In Cleveland, for example, 9 of 11 said that on average those who work for a charity are paid less.

- "I would say [an employee of a charity] is paid less," said a retired airlines pilot from the Nashville area. "If he is employed by a charitable organization, he is solicited or sponsored by a

nonprofit so he doesn't have any way to get a good salary."

- "I think that people who work for charities are generally paid less for comparable skills," said a telephone company manager from the New York area.

In both the New York and Los Angeles area groups, the consensus was that most of those working for charities earn about 25 percent less than they would if they had a similar job in the private sector.

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**IN SUM**, those interviewed:

- Held people who work for charities in esteem, describing them as dedicated, caring people; and
- Thought that those who work for charitable organizations earn about 25 percent less than their counterparts in the private sector.

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OBSERVATION #4. But respondents have considerably less regard for those who work in upper management.

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a) A number of respondents felt that senior people and top executives earn more, and sometimes much more money than their private sector counterparts.

- "Top management in those large charities makes big bucks, I mean big! The Red Cross used to have the highest paid president of any organization in the world," said a salesman from Dallas.
- "Field workers [who work for a charity] are paid a nominal or minimum wage," said a retired food distributor from the New York area. "But I think the directors and supervisors make more than their counterparts [in the private sector]."
- "The people on top [of a charity] are businessmen," said a New York area man who works for the postal service. "I'd say they make about the same or more [as their private sector counterparts], they're running or managing a business."
- "They [top managers] must be paid at least as much or better, the way they come up with those advertising blitzes and everything else like that," said man who worked as a floor manager in the Cleveland area.
- "The director of the United Way of Tennessee makes well over \$100,000 a year," said a male engineer from Nashville.

b) People felt that the dedication of those working for a charity, which is initially great, tends to fade as employees spend years in the field, receiving promotions and taking on more responsibility.

- "Well, [the people who work for charities] are idealistic when they start out. But once they get a little further up, I think they lose a little of it. It's a job, they're concerned about the same things a regular person would be, or that anyone in a nonprofit or corporate job would be

concerned about," said a female account executive from Cleveland.

- "I think the top man can make it cushy for himself," said a New York area elementary school teacher. "I don't think the top man [in a charity] really works for his money as much as the middle man in the organization."

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**IN SUM**, the respondents felt that:

- Those in upper management positions are often overpaid and often earn more than their private sector counterparts; and
- The idealism and motivation people who work for charities initially bring to their jobs tends to fade over the years and be replaced by the same concerns about benefits, salary and vacation, etc. of employees everywhere.

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OBSERVATION #5: A large number of respondents spontaneously criticized two fund raising techniques: telephone solicitation and the methods used by the United Way.

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a) Numerous respondents spontaneously objected to charitable telephone solicitation.

- "I'm a giver," said a New York area woman who worked as a volunteer at a local food bank. "I give to a lot of charities and causes. But I get calls at home from people saying they're selling things to raise money for the handicapped and would I buy some light bulbs. When I say 'no,' they ask if I'd like to buy something else. They're hard to hang up on, and sometimes they get very rude."
- "I've had them ask me [to make a donation by giving] my credit card number over the phone," said a man from the Cleveland area.
- "I think what should be illegal," said a New York area man who worked in airport maintenance, "is the selling of telephone numbers and addresses unless you personally consent to do it. It's a violation of privacy."

b) Numerous respondents also spontaneously criticized the United Way. While a few mentioned administrative practices, most of the complaints were about fund raising methods.<sup>2</sup>

- "Our company tries to get 100 percent employee participation every year," said a male engineer from Nashville, "and they push for it. Whether you give \$20 or \$150, they want a minimum percentage to give them the recognition of a company that gives 100 percent."
- "Some of the large companies have United Way programs and they appeal to your compassionate side," said a female insurance claims processor from Nashville. "They really make

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<sup>2</sup> Even though the material quoted here is largely from the group discussions in Nashville and Dallas, the intensity and the spontaneous nature of respondents' comments lead us to suspect that such views are fairly common and wide spread, and that these two sessions were not exceptions.

you feel bad and you need to sign on the dotted line [agreeing to donate a percentage of your salary to the United Way] before you walk out of that meeting."

- "Some companies require their people to donate, whether the people want to or not. And that turns people off," said a man who worked as an insurance company investigator in the Dallas area.
- "Why not give to a charity directly, why not bypass Big Brother?" asked a Dallas salesman.
- "It's pressured, forced contributions," said a female safety examiner from Nashville. "When I worked in a hospital, they used to put cards in the windows of the nurses' station -- and that meant we better give."

c) However, these remarks should be understood in context: Many respondents contributed to the United Way in spite of such feelings. And nearly everyone thought that the United Way and its affiliated agencies meet pressing needs in the community, are generally well run, and do not spend an excessive amount of money on administration. Indeed, several people singled out the United Way for holding administrative costs down to a minimum.

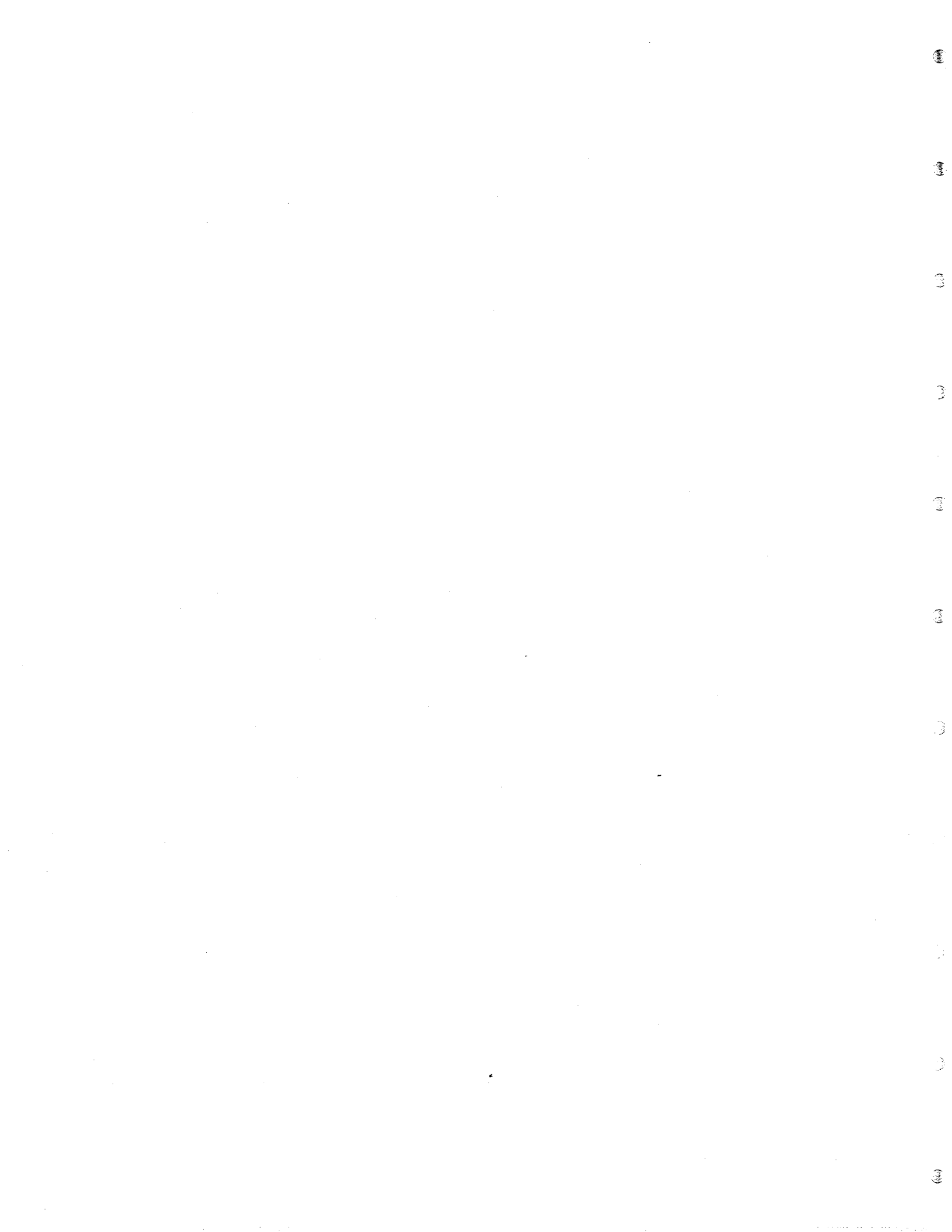
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**IN SUM, large numbers:**

- Objected to charitable telephone solicitations, saying it is an invasion of privacy; and
- Criticized United Way's fund raising practices, citing psychological coercion.

However, most also said that the United Way:

- Meets real community needs, helping those in distress who would not be helped by any other organization, including the government.





## V. Respondents' Views About Charitable Solicitation and the Law

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OBSERVATION #6. Respondents did not think there is much of a national problem with charitable solicitation and the law in large part because they believe the public is generally well protected in this area.

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- a) Before learning more about the issue or thinking about it to any extent, respondents felt that IRS requirements combined with oversight by the Attorney General, the Department of Consumer Affairs, private watchdog groups, and the news media serve to protect the public against charitable solicitation abuse or the misuse of funds. When asked about particulars, people's initial reaction in group after group was to say a practice was illegal. For example, in Los Angeles and Nashville, ten of twelve said a charity could not legally spend as much as 90 percent of its contributions on administration.
- "A charity can't spend more than 49 percent on administration," a Los Angeles woman said to general agreement. "They have to spend at least 51 percent [on programs or the people the charity is raising money for]. I did volunteer work for a group and I know, we had to look it up, that's what it is according to the laws of California."
  - "Most of them [charities] are so strictly audited that they almost have to be efficiently run," said a retired pilot from the Nashville area.
- b) Many also thought it would be illegal for a fund raiser to keep most of what he or she raised.
- "In this state there are two types of organizations: profit and nonprofit. The setup you just described [in which a fund raiser keeps most of what he or she raises] would come under [the

heading of a nonprofit and the appropriate State of Tennessee regulatory agency officials] are never going to approve that," said a Nashville homemaker.

c) Most respondents thought it was a clear violation of the law for a fund raiser to sell more tickets than there are seats to a charitable event. When asked about the propriety of such overselling, a retired teacher from Dallas said, "I'm going to call the Attorney General. That's selling things under false pretenses. And that," she added, "is fraud in the first degree."

d) Many respondents also said their state had rigid licensing and disclosure requirements, and that a citizen could rather easily find out from a charity what it spends on administration.

- "Yes, there is disclosure," a Los Angeles woman said. "They [charities] have to issue a [full disclosure] statement each year."

e) Most thought that a charity's practices were regularly reviewed by the IRS and other agencies and that a charity engaging in untoward activity would lose its ability (or license) to raise money in their state.

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**IN SUM**, the respondents tended to think the public is well protected in this entire area and to mistakenly believe that charities:

- . Are strictly limited in how much they can spend on administration; and
- . Are limited in what they can pay a professional fund raiser.

They also tended to believe that:

- A charity's disclosure statement and its tax exempt status are thoroughly reviewed by appropriate regulatory agencies, including the IRS and the Attorney General on a regular basis;
- Cases of fraud and abuse are quickly investigated and that a charity's license or ability to raise funds can easily be revoked; and
- A number of common charitable solicitation practices are illegal, including overselling seats for an event.



## Reactions to Seven Hypothetical Cases

After exploring group members' views about the issue in a general sense, we presented them with seven hypothetical cases regarding charitable solicitation and the law, asking them to react and evaluate each. The cases were developed on the basis of our expert interviews and designed to reflect what the experts saw as the most pressing or controversial issues within the general area of charitable solicitation and the law. While there are existing laws and regulations in certain areas such as self-enurement, self-dealing and the use of sound-alike names, the precise boundaries of what should and should not be permissible are not crystal clear. Other cases involve controversies that have recently been litigated or are subjects of debate.

With some of the cases, the groups were asked to pretend they were a Citizens' Advisory Committee working for the governor and state legislature. Sometimes we also asked them to pretend they were members of a charity's Board of Directors and to decide whether they would approve of a particular fund raising approach.

The seven cases involve a charity that:

1. Has unusually high administrative costs
2. Hires a fund raiser who keeps almost all the money raised
3. Is headed by people who may be enriching or inuring themselves
4. Has a Board of Directors member involved in possible self-dealing
5. Sells more tickets than it has seats to a special event
6. Raises money through the use of a direct mail sweepstakes
7. Uses a sound-alike name

## CASE #1: A Charity With Unusually High Administrative Costs

Respondents were asked about a charity that spends a very large percentage of what it raises, upwards of 80 percent, on administration.

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1.1 Respondents were very concerned about how much of its contributions a charity spends for administration, arguing that if the percentage is too high, the very purpose of a charity's existence is called into question.

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A number of people, including a man from Dallas, suggested that if administrative costs were 80 percent or more, "you might as well not even have a charity because it's not going to do anyone any good."

A fair number of respondents, including nearly everyone in Nashville and many in the Los Angeles group, felt that spending so much on administration was against the law.

- "There is a tax-exempt status that all nonprofit organizations have to comply with every year to renew their nonprofit status," said a UCLA student. When asked whether that status would be revoked if a group spent 90 percent on administration, he said, "Definitely!"

Others, though not sure what was legal, had strong feelings too.

- "I don't know if it's legal or not [to spend 90 percent on administration], but morally, it doesn't seem right," said a man who worked in retail sales in the Los Angeles area.

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1.2 However, most respondents quickly saw that it might be expensive to establish a new charity and that, especially in its first few years, a charity's administrative expenses might legitimately be very high. They also saw that a controversial group might need to spend more on administration.

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In their role as members of a Citizens' Advisory Committee, the groups in Los Angeles and Nashville were asked to react to the following: The head of a new charity wanted to "register" in order to raise money in their state. However, since the new organization would need time to get established, about 90 percent of the money raised in the first five years or so would be spent on administration and fund raising activities such as compiling a mailing list and donor base. Respondents were asked if they, as a Citizen's Advisory Committee, would "give their approval" so that the organization could raise money in their state.

a) A few respondents did not like the idea.

- "I have a problem with the concept of someone going around setting up charities to make money for himself. I would say no organization should be given the leeway to get started by using all the money it raises. Morally and legally [the answer should be 'No']," said a man who was a retired California state employee.

b) However, most quickly saw that a new or controversial organization might legitimately need to spend more on administration.

- "Your first year you are going to have certain start-up costs [including] a new copier and a new phone system," said a self-employed Nashville area man.

c) Most also said it would be hard to judge exactly how much an organization could legitimately spend

on administration.

- "I believe there's no formula, I believe the government should not even think of any preset formula because I don't think anyone can agree on the proper percentage of funds [to spend on administration]," said a male engineer from the Los Angeles area.
- 

1.3 However, such exceptions notwithstanding, most of the respondents felt that there should be regulations in this area.

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a) Though they did not reach consensus on exactly what the regulations should involve, most respondents favored setting a flexible but legally binding limit on how much a charity can spend on administration.

- "The state could say you have two years to set up your charity," suggested a college student from Los Angeles. "If you don't do it by that time, you must pay back [a certain percentage] of the money [raised]. There has to be some type of financial accountability."
- "The state could have a sliding scale. If 90 percent goes back [for administration] in the first year, then it should be maybe 75 percent the second year, and down further [after that]," said a man from Nashville who described himself as an entrepreneur.
- "The best way for the government to handle this is to give [a new charity] nonprofit status and review things [periodically, on a case-by-case basis]," said a male engineer from the Los Angeles area.

b) When asked to consider the costs of regulation, respondents dismissed them as negligible, saying most of the work is already done on a regular basis, that an organization's tax exempt status is regularly reviewed, and that any incremental increase in costs would be well worth the expense.



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IN SUM, the group members:

- Expressed deep concern about how much a charity spends on administration, with many saying there are legal limits on what that percentage can be;
- Said if such limits do not exist, they should, as this is definitely something the government should review regularly;
- Wanted to revoke an organization's tax exempt status or its "license" to raise money if it spent "too much" on administration; and
- Dismissed concerns about costs, saying they were already being born.

However, most also saw that:

A new or controversial charity might legitimately need to spend more or even a lot more on administration, especially until it became established or better known, and that flexibility to deal with such a case should be built into the law, that the government should not set and enforce a rigid formula.

CASE #2: A Charity Hires a Fund Raiser Who Keeps Nearly All the Money Raised

Several groups were asked whether a charity should hire a professional fund raiser who would keep a very large percentage, about 80 to 90 percent, of what he raises. First, group members were asked to pretend they were members of a charity's Board of Directors and to consider the following "pitch" from a potential fund raiser.

"At the end of the year, I'm going to come back and give your charity a check for a million dollars and you don't have to do a thing. I'm a successful fund raiser and I know I can raise that much money for you. All you have to do is let me use your organization's name.

"However, I want to be up front with you: I plan to keep most of what I raise. In fact, I plan to clear ten million dollars and I'll keep nine. But you'll get one million, and you don't have to do a thing -- just let me use your organization's name."

Respondents were then asked whether the charity should hire the fund raiser and also, in their other role, whether such arrangements should be legal.

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2.1 In the role of a charity's Board of Directors, the groups thought this was an unacceptable practice and something a charity should definitely not do.

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a) Most group members felt that hiring a fund raiser who would keep 90 percent of what is raised was totally unethical.

- "That just stinks," said a Nashville area homemaker. "It takes away the meaning of what [donating to a charity] is all for."
- "Get lost!" a male security guard from Dallas said.
- "It's morally wrong and if it's not illegal, it should be," said a female hospital worker from the Los Angeles area.

b) A few group members even thought the practice would be illegal.

- "I'd call the Attorney General [if a fund raiser came to me with a scheme like that]," said a Cleveland area department store manager.
- "I think that's dishonest, it's ripping people off," said a woman who teaches elementary school in the New York area.

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2.2 In addition to ethical considerations, most group members were opposed on practical grounds: they felt that such an approach would inevitably become public knowledge and thereby damage a charity's reputation.

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Group members felt that such a policy would be extremely short-sighted and that if word of it got out to the public, the charity's reputation (and future fund raising ability) would be damaged, perhaps irreparably.

- "We'd bear any liability because it's our [hypothetical charity's] name that's being used," said a Cleveland area female account executive.
- "Next year when it comes time to do fund raising again, a large majority of the people are going to remember [how much was spent]," said a corrections officer from the Dallas area. "So it's going to take five or ten years for this to go out of people's minds."
- "What you'll do is ruin the name of our organization by doing that," said another man from the Dallas area. "The charity will be out of business in five years."

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2.3 However, as they thought about it, a large minority said there were situations in which such a practice would be acceptable or passable.

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However, as they began to consider the issue at greater length, a number of respondents suggested there were times when a charity might legitimately hire a fund raiser who would keep almost all of what was raised. One man brought up the example of a hospital on the verge of bankruptcy.

- "I can see where it would be difficult for a lot of groups to say 'no,' to this idea," a Dallas area investment analyst said. "If it's a small organization or a hospital that's about to close its doors, they're going to fall for it. Especially if [the public] would not find out."

In two other groups, respondents agreed that if a charity, especially a hospital or a group that provides medical services, were on the verge of bankruptcy, it might, as a last gasp maneuver, legitimately hire a fund raiser who would keep a very large share of what was raised. But in each case, respondents made it clear that this was a desperate strategy to be used only by a charity that is truly helping people.

Taking all these results together leads us to conclude that most group members changed their mind and did not feel that paying a fund raiser 90 percent of what he raises should be illegal after they had considered the issue at some length.

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2.4 Respondents did not necessarily object if a fund raiser were well paid.

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a) Once we discovered that the groups opposed hiring a fund raiser who would keep 90 percent of what was raised, we lowered the percentage and asked about one who would keep 66 or 50 percent. In those cases, the moderator said, a fund raiser who will raise \$10 million will give the charity a third or a half of what is raised while keeping the remainder.

A few respondents objected to the very idea of paying a fund raiser on a percentage basis.

- "It's immoral," said a sign maker from the Los Angeles area. "It's like hiring an agent."

b) But most did not share that view. While not enthralled by the idea of anyone becoming rich by raising money for charity, most respondents, in their roles as members of the Board of Directors, felt that hiring a fund raiser on a percentage basis was not objectionable per se. Far more important than the amount a fund raiser keeps, group members suggested, was the percentage of contributions going to the charity. That is, most were far more comfortable hiring a fund raiser who makes several million dollars annually and whose income represents one-tenth of what he raises (a million dollars a year) than about a fund raiser who makes much less, say \$100,000, but whose income is nine-tenths of what he raises.

- "What's important is how much [of the money raised by a fund raiser] goes to do good," said a female dental assistant to general agreement in the New York area group.

- "If [the fund raiser is] good at his job, he should be well paid," said a retired New York area food distributor.

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2.5 In their role as a Citizens Advisory Committee, many concluded that the best way to deal with this practice is through disclosure.

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Especially after wrestling with some of the complexities of the issue, including what would be passable for an organization in desperate straits, most respondents said the best way to deal with the issue is through disclosure in which informed donors would be the judge.

- "As long as everything [the percentage going to the fund raiser and to the charity] is disclosed," said a Los Angeles area school crossing guard, "that would be a different story."
- "You have to have complete disclosure," said a realtor from the Nashville area.

---

**IN SUM**, group members felt that hiring a fund raiser who keeps 90 percent of what he raises was:

- . Unethical and, many felt, illegal too; and
- . Also wrong for pragmatic reasons in that it would damage a charity's reputation and ability to raise funds in the future.

However, as they considered the issue, many respondents saw circumstances under which a charity, such as a hospital on the verge of bankruptcy, might legitimately accept such an arrangement. And most did not object to the idea of paying a fund raiser on a percentage basis in principle or to the idea that a fund raiser might earn a lot of money; more important was the share of what was raised.

Rather than setting requirements, most said the way to deal with the issue is through disclosure.

### CASE #3: Possible Private Enrichment

The groups were asked about the propriety of someone working for a charity who makes a great deal of money or uses a charity's contributions for personal enrichment. "Is that wrong?" the groups were asked. "And if so, why?"

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3.1 Group members felt that it was unethical to use charitable contributions for one's own enrichment or inurement.

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a) Most group members were concerned about cases like the one involving Jim and Tammy Baker in which people enrich themselves using a charity's contributions. The group in Dallas was asked what was wrong about what Jim and Tammy Baker did.

- "The way they lavished things on themselves," said an electronic engineering technician. "It's the way they got the money, they didn't take the money to spread the Gospel."
- "Their dogs were living better than some people do," said a female insurance company investigator. She added that [spending contributions on yourself is] "definitely wrong, the purpose of the charity's advertising says it exists to help people."
- "There is a limit," said a Los Angeles woman who works as a part-time bilingual aide, "a moral limit."

b) A woman from the Los Angeles area raised a different question.

- "If you're classified as a religious organization, how is it fair for someone to have all this income and those luxuries without paying taxes?"

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3.2 However, especially in Dallas and Nashville (where three respondents in each session described themselves as fundamentalist or born again Christians) and after thinking about the issue at some length, group members were split on whether self-enrichment should necessarily be illegal. If people like the Bakers make no secret of the fact that they are using charitable contributions to enrich themselves, many respondents said, donors should be free to give to whomever they want, including the Bakers or to people like them.

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A number of respondents said that while they personally found it objectionable that people would enrich themselves on charitable contributions, they felt that as long as everything was out in the open and that potential donors knew that someone like the Bakers were, in the words of one woman, "living high on the hog," the practice should not be illegal. Especially in the Dallas and Nashville groups, respondents felt that people should be free to give money to whomever they wanted.

- "As long as you're out front with what you're going to do with the money," said a man from the Nashville area who worked as an aircraft supervisor, "if people want to give money to you, that is their prerogative."
- "By law I feel that the Attorney General has to let you do that [enrich yourself from charitable contributions] if you want to do it," said a Nashville area man. "If you can find some poor fool to give you money, then you have that right."
- "I think it's morally wrong," said a retired blue collar worker from the Dallas area, "but it's not illegal."



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IN SUM, respondents felt that:

It was unethical for someone to live well off of charitable contributions;

But they were divided about whether it should be illegal; a number of people, especially in Dallas and Nashville, said if someone makes no secret about the fact that he is lavishing himself with charitable contributions, people should be free to, in the words of one man, "give their money away foolishly."

CASE #4: Possible Self-Dealing

As members of a charity's Board of Directors, group members were asked to pretend that another Board member who owns a local printing company offered to do any printing the charity needs, saying to other Board members: "Go get the best price you can and my company will match it." The group was then asked whether the charity should give that company its business?

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4.1. Respondents were uncomfortable with the idea that a member of its Board of Directors might direct a charity's business to his own company, seeing it as a real conflict of interest.

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- "There is a conflict of interest. You [the Board member who owns the printing company] are supposed to be working for whatever the cause is. But you're also in business and trying to make money," said a sign maker from Los Angeles.
  - "Ultimately you [the Board member who owns a printing company] are making a profit from the labor, thought, work and the contributions from the charity," said a student from the Los Angeles area. "You're making money from the charity."
  - "If you were on the Board of Directors of a charitable organization," a retired State of California employee said, "I would expect you to donate the work."
- 

4.2 Some opposed any involvement, even when the price was competitive and standard bidding practices had been followed.

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a) When the price was clearly competitive and all standard practices had been strictly followed, a few still objected.

- "I think that [a charity's business] should be out and away from the business [interest of any Board member] altogether," said a woman who worked as a school crossing guard in the Los Angeles area.

b) But most others felt that there were circumstances under which a Board member's company could take on such work.

- "[The printing company] should be required to put in a bid, like every other competitive vendor," said a Los Angeles area hospital worker to general agreement. "If [that bid] is the lowest, I could see that it would serve the charity [to use the Board Member's company]."

---

IN SUM, the group saw this as:

- A dangerous area for a charity to even get close to; and
- Clearly wrong in both an ethical and legal sense.

However, many also felt that if all bidders were treated exactly alike and that standard practices were strictly followed, a board member's company could do the work if it were the lowest bidder.

## CASE #5: The Use of Special Events Marketing

Both as members of a charity's Board of Directors and as a Citizens' Committee, respondents were asked about the propriety of one type of special events marketing: a fund raiser who oversells the number of tickets to an event such as a circus, knowing that many who bought tickets will not come. The group was told that donors would be asked to give their ticket back to the charity so that someone else, for example, a needy or handicapped child, could go free of charge. Under these circumstances, the fund raiser would sell perhaps 1000 tickets for a 200-seat event, knowing from experience that no more than 200 would show up.

---

5.1 Group members were initially incensed about the practice, calling it deceitful and illegal.

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a) In addition to the amount spent on administration, respondents were most upset by anything that smacked of outright misrepresentation or fraud. And so, especially on first hearing, the idea of deliberately selling more than the available number of seats sounded outrageous to many of them.

- "That's what Jim and Tammy Baker were doing," said a male electronic engineering technician from Cleveland, "selling more than they had."
- "I think it's deceitful, that's lying to people, straight out," said a Nashville area woman who worked as an insurance adjustor. "You're raising money under false pretenses."
- "If a charity is saying one thing and doing another, it is subject to suit by the Attorney General of Texas," said a security guard from Dallas.

b) Several people also said the use of so-called needy children was shameful.

- "What about the children?" a Dallas homemaker asked. "You just gathered up these children, you don't care about them."

c) As members of a charity's Board of Directors, most respondents saw this approach as something that an upstanding charity should not do.

- "Don't connect my name with it!" a Dallas area salesman said.
- 

5.2 However, a few group members did not object. And as they considered the issue at greater length, a large number, especially in Dallas, reached the conclusion that as long as fraud were not involved and anyone who bought a seat could go if he wanted, the practice should not be illegal.

---

a) A man in the Dallas group was familiar with this approach and saw no problems with it.

- "One of the biggest fund raising organizations in town, a sheriff's organization, raises money exactly this way," a security guard said. "They send out dance tickets for a cop who got shot and hold a dance at the Ramada. I buy five tickets and send them back."

b) After considering the issue at some length, the Dallas respondents reversed themselves and unanimously said the practice should not be illegal – as long as outright fraud is not involved. That group insisted that anyone who paid for a ticket and wanted to come must be able to come. But as long as that condition was met, the group did not object.

—  
IN SUM, most group members initially felt that overselling a special event and especially when donors to surrender their ticket so that it could be used by a needy child was:

- . A deceitful and perhaps even illegal scheme; and
- . That the use of "needy children" was shameless.

As members of a charity's Board, they felt that:

- . This is not something a principled charity should do.

However, in their role as advisors to the government, group members:

- . Had mixed feelings about the idea, with many, especially in Dallas, eventually deciding the practice should not be illegal as long as fraud is not involved.

**CASE #6: Direct Mail Sweepstakes Suggesting the Resident is a Winner**

In several groups we asked about fund-raising mailings featuring a sweepstakes. In several cases we used actual charity mailings along with one sent by a national magazine designed to get new subscribers. In both imaginary roles, as a charity's Board of Directors and a Citizen's Advisory Committee, group members were asked to assess three pieces.

The first piece, in which rub-off tickets looked like the windows of a slot machine, was designed so that a "winning ticket" guaranteed to pay as little as ten cents looked like a \$250 winner.

The second piece featured a bingo game in which it was suggested that the more money you donate, the better your chance to win.

The third piece, a sweepstakes sent by a major national magazine to get subscriptions, was designed so that without opening the envelope, it appeared as if the recipient had won a million dollars.

Both charity pieces clearly indicated that a contribution was not necessary in order to win. A close reading showed that what was suggested -- that the ticket was a \$250 winner or that the more you donate, the better your chances -- was in fact not the case. And the national magazine piece also clearly indicated that the recipient could enter the sweepstakes without subscribing.

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6.1 Many respondents initially objected to the idea of a charity using a sweepstakes to raise money, mainly because they thought it amounted to trickery or was unrelated to what a charity should be about.

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a) In their role as members of a charity's Board of Directors, most group members initially said they would not endorse using a sweepstakes.

- "It's somewhat over the line," said a man from the Los Angeles area. "It's kind of a subversive way of raising a large amount of money."
- "It is a hook to attract people," said a Cleveland area store manager. "I think it takes advantage of the uneducated."
- "These organizations for the most part are trying to raise money any way they can," said a female account executive from the Cleveland area.
- "I hate the whole spiel," said a Dallas woman who designed department store catalogues. "[If the Board approves this approach], I'm out of here, I won't be a member of this Board or have anything to do with this charity." When asked why she felt that way, she said, "Because we are so far removed from the purpose of the charity."

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6.2 But as advisors to the government, most did not think the practice should be outlawed.

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a) In their other role, as members of a Citizens' Advisory Committee, most felt differently. For example, a Cleveland area account executive working for a Wall Street firm who had been contemptuous of the first example, reacted totally differently to the example featuring bingo.



- "Bingo's my favorite game," she said. "If I got this at home, I have to be honest and admit I would definitely send it back. Probably with a contribution too."
  - "I think the public is smart," said a female insurance investigator from the Dallas area. "They'll know this is a fund raising appeal and while they might win something, they'll know the bottom line is that the money is going to the charity."
- b) A Dallas area security guard compared a fund raising sweepstakes to what school children do.
- "There's probably a lot of us here whose kid comes home from school and for five dollars, you get a chance to win something," he said. "And you never win. All you're doing [with sweepstakes marketing] is magnifying the same approach."
- c) The New York area group's primary concern was whether there actually was a sweepstakes that someone could win. As long as they were assured on that point, they did not object at all. In several groups, people said the proceeds from their state's lottery go to help senior citizens or another worthy purpose.
- "The lottery's here, what's the difference [between that and a charity sweepstakes]?" asked a Los Angeles area man.
- d) Still others noted that religious organizations raise money using similar methods.
- "What about bingo by the Catholic Church?" a Cleveland man asked.
- e) In fact, many respondents objected more strongly to the piece sent out by the national magazine than they did to the two charity sweepstake pieces.
- "Now that [the magazine mailing that suggested the recipient had won a million dollars] should be illegal," a woman from the Cleveland area said.

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6.3 The more they considered the issue, the more they said that, as members of a charity's Board of Directors, there were circumstances under which they might endorse this approach.

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As they considered this issue, many respondents felt that a sweepstakes was not so objectionable. Several raised practical concerns, asking, for example, how much would the charity net after the prize money was awarded or saying they might feel differently if the prize were donated -- comments suggesting that administrative costs are a major concern but also that the idea of a sweepstakes per se was not unacceptable. We should also emphasize that group members were assured that the sweepstakes were not fraudulent. Since fraud was one of group members' primary concerns, this result should be understood as conditional acceptance.

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**IN SUM**, as members of a charity's Board of Directors, most group members:

- . Initially felt that a sweepstakes mailing like the examples shown would be "over the line," deceptive, and unrelated to the charity's purpose.
- . But after considering the idea, many felt that under certain circumstances (e.g., if a prize were donated), they might approve of their imaginary charity using some form of sweepstakes to raise funds.

As members of a Citizens' Advisory Committee, they felt that:

- . as long as there was no fraud involved, such mailings should not be outlawed, especially when they considered that numerous organizations, including church groups, use bingo and raffles in order to raise money.

CASE #7: Charities Using Sound Alike Names

Two groups were asked about charities that use names and mailing addresses that are very close to the names and mailing addresses of prominent, well respected national charities. Were these organizations merely trying to deceive the public? If so, what, if anything, should be done about it?

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7.1 Respondents thought that charities using "sound alike" names were exploiting the reputation of a well-known, established group and clearly trying to deceive the public. However, they also quickly saw how difficult it is to police this area but felt that this area must be part of a larger body of law and thus something where regulations already exist.

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a) The Los Angeles and Cleveland area groups were asked about charities that use "sound alike" names and similar mailing addresses to well known national charities. With unanimity, the groups felt that such organizations were, in the words of one group member, "parasites," trying to live on the reputation and good work of a nationally renowned charity.

- "I think you should go after that and have it stopped. It's false," said a Cleveland area woman who was a retired machine operator.

b) However, most also quickly saw this would be a difficult area to police, with many saying that "sound alike" cases are frequent in terms of commercial products, etc., and that there are established rules and regulations in this area.

- "You have to file that name in California," said a man from that group. "But any organization can use words like 'cancer' and 'American' and 'society.'"

- "It's not right but it's done all the time," another man from the Los Angeles area said. "It's not illegal. There are a whole lot of laws about this stuff already on the books."

---

IN SUM, the group saw the use of sound alike names as:

- . An unethical attempt to deceive the public and trade on the reputation of a well respected, established organization; and
- . An area that, though hard to police, is already covered by law.

And therefore they thought that charitable organizations, like other organizations with a reputation, are already subject to at least some legal protection.

**VI. The Public's Agenda: Respondents Considered Judgments About  
What Should and Should Not Be Illegal After They Learned More About the Issue**

**Actions Favored by the Respondents:**

1. Vigorously prosecute fraud or misrepresentation
  2. Limit how much a charity can spend on administration
    - a) Develop and enforce flexible standards that accommodate new or controversial groups with a legitimate need to spend more on administration; and
    - b) The costs of regulation were considered negligible, with people thinking the information is something the government already collects -- or should collect.
  3. Implement full disclosure laws so donors can easily learn how much a charity spends on administration and fund raising
    - a) Accounting problems (such as how to count educative materials in a fund raising mailing) were not felt to be insurmountable;
    - b) Other considerations, such as any possible "chilling effect" on a charity's right to free speech, were not considered serious; and
    - c) The costs of such regulation were felt to be negligible.
  4. Actively review and oversee charitable practices through the state Attorney General's office, the IRS, the news media, private watchdog groups, etc.
- 

**Areas Where Respondents Felt Regulation Was Less Important:**

1. Special events marketing -- as long as fraud is not involved;
2. The use of sweepstakes -- as long as fraud is not involved;
3. Possible self-dealing -- as long as standard procurement practices are followed and absolutely no favoritism is shown; and
4. Private enrichment or inurement -- as long as potential donors know what is going on.



## VII: Methodology

Five focussed group interviews, each lasting about two hours, were held in the principal regions of the country in the summer of 1990. The interviews were conducted with a cross section of the population using quotas based on sex, age, race and education. Lines of questioning were developed and modified from group to group so that each session was similar but not identical.

To qualify for each session, respondents had to have given at least \$100 to either a religious or a nonreligious cause or charity within the previous twelve months. Many of course gave to both religious and nonreligious organizations. In Dallas and Nashville, special efforts were made to recruit people who described themselves as a "Fundamentalist" or "Born Again Christian", with three such people included in each of those two sessions.

City	Date	Number of Respondents
Nashville, TN	August 7, 1990	11
Dallas, TX	August 8, 1990	12
New York area (Edison, N.J.)	August 20, 1990	11
Cleveland, OH	August 22, 1990	11
Los Angeles area (Marina Del Rey)	August 29, 1990	12
<u>Total number of group respondents</u>		<u>57</u>

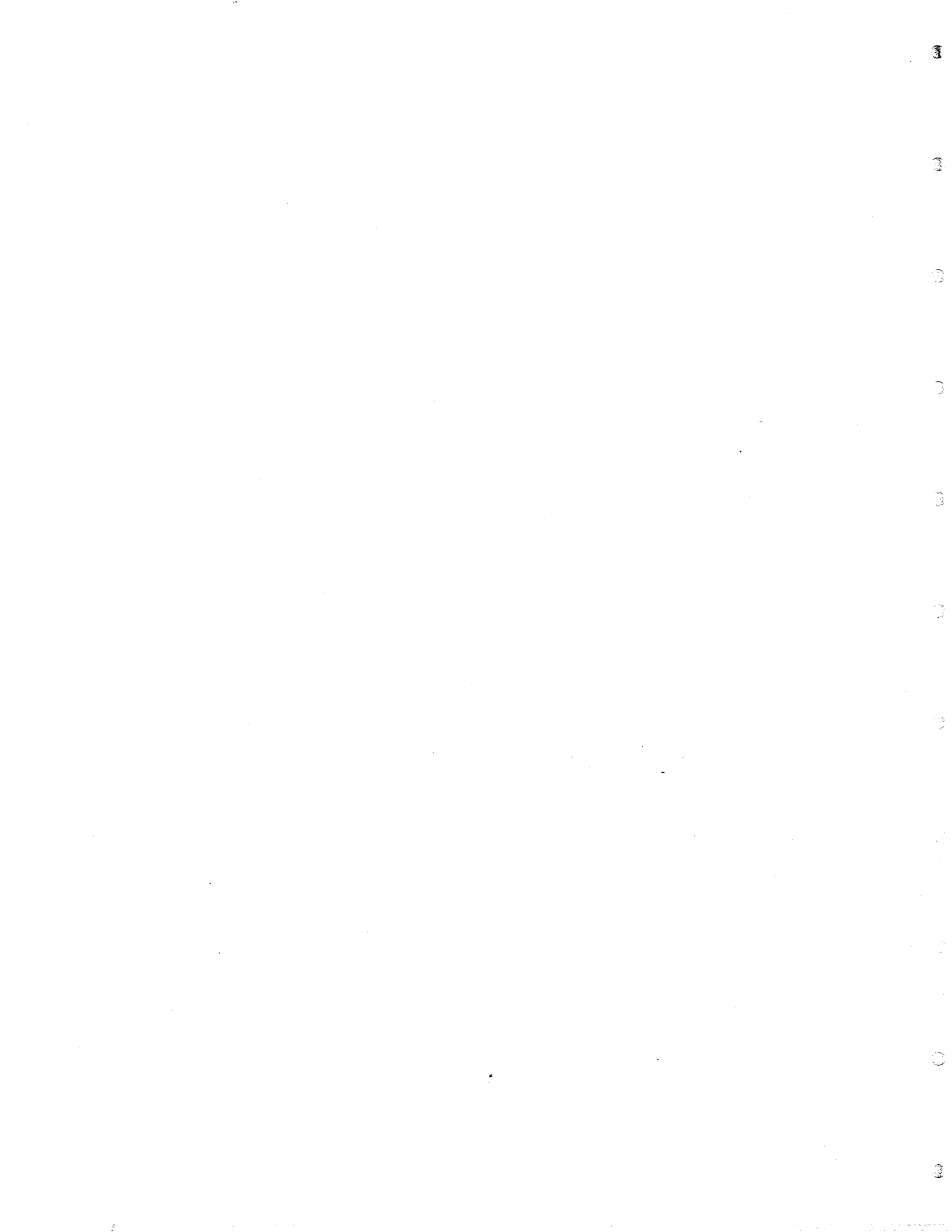
### **Timing of the Group Discussions: August 7 to August 29, 1990**

The first two groups took place in the immediate aftermath of the Iraqi invasion of Kuwait amid reports that U.S. troops were being sent to Saudi Arabia and as oil and gasoline prices skyrocketed. One question we asked ourselves was: In view of events in the Middle East, would people in the groups see the issue of charitable solicitation and the law as a comparatively low priority and something that deserved little attention in light of events? The answer was no. Respondents had little trouble focussing on the subject; groups typically ran overtime because respondents found the subject so interesting; and literally not a single person suggested that this topic was insignificant compared to what was happening elsewhere. To the contrary, group members felt that questions about charities and charitable solicitation practices were interesting and important.



VIII: Experts Interviewed

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