

**CHARITABLE CONTRIBUTIONS FOR SEPTEMBER 11:
PROTECTING AGAINST FRAUD, WASTE, AND
ABUSE**

HEARING
BEFORE THE
SUBCOMMITTEE ON
OVERSIGHT AND INVESTIGATIONS
OF THE
COMMITTEE ON ENERGY AND
COMMERCE
HOUSE OF REPRESENTATIVES
ONE HUNDRED SEVENTH CONGRESS

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**CHARITABLE CONTRIBUTIONS FOR SEP-
TEMBER 11: PROTECTING AGAINST FRAUD,
WASTE, AND ABUSE**

TUESDAY, NOVEMBER 6, 2001

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ENERGY AND COMMERCE,
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:30 p.m., in room 2123, Rayburn House Office Building, Hon. James C. Greenwood (chairman) presiding.

Members present: Representatives Greenwood, Stearns, Burr, Whitfield, Bass, Tauzin (ex officio), Deutsch, Stupak, and DeGette.

Also present: Representative Markey.

Staff present: Jennifer Safavian, majority counsel; Casey Hemard, majority counsel; Ann Washington, professional staff member; Brendan Williams, clerk; Chris Knauer, minority investigator; and Bruce Gwinn, minority professional staff member.

Mr. GREENWOOD. Good afternoon. This hearing of the House Oversight and Investigations Subcommittee will come to order. The Chair recognizes himself for 5 minutes with an opening statement.

No people in the world are more cheerful givers than the people of the United States. This generosity springs from our enduring legacy of volunteerism and self-reliance. As early as 1831, Alexis de Tocqueville in his celebrated work *Democracy in America* observed that a citizen of the United States is taught from infancy to rely upon his own exertions in order to resist the evils and the difficulties of life. He looks upon the social authority with an eye of mistrust and anxiety, and he claims its assistance only when he is unable to do without it.

More than 70 percent of American households make annual charitable contributions to an astonishing array of worthy causes. Equally remarkable is the fact that more than 100 million Americans volunteer their time on behalf of their less fortunate neighbors. The monetary value of the time devoted to volunteer work is equally as staggering, an estimated \$225 billion a year.

Following the horrific events of September 11, the people of our magnificent Nation have extended their hands to help those in need in a measure unprecedented, even for Americans. Millions of our fellow countrymen, many of them children, have given freely of their time, their talents, their wallets, pocketbooks and piggybanks. We have given freely not only our money, but also our blood. More than \$1.2 billion has been collected by organizations working on re-

lief and recovery efforts. To put this number into some context, contributions following the Oklahoma City bombing totaled \$45 million. Hurricane Andrew evoked \$110 million in donations for the American Red Cross. Again, we are at \$1.2 billion for the September 11 event, and still the donations pour in.

All of us in Congress owe a profound and heartfelt gratitude to the patriotic American people who have responded to our Nation's greatest tragedy with an unprecedented charity. We have met the true test of giving, which John Wesley, the founder of the Methodist Church, described in these words: Do all the good you can, by all the means you can, in all the ways you can, in all the places you can, at all the times you can, to all the people you can, as long as ever you can.

Distributing the proceeds of this generosity both efficiently and fairly, however, poses unparalleled logistical challenges never before confronted by even the most experienced aid officials. It is for this reason that it is important to hear directly from the charitable organizations that have raised this unprecedented amount of money, to discuss their efforts to distribute these funds.

We will hear today from a representative of one of America's most honored organizations, the American Red Cross, including from its president, Dr. Bernadine Healy. You will also hear from representatives of the United Way and the New York Community Trust, two organizations that have worked together to create the September 11 Fund. And we will hear from the International Association of Firefighters.

The most donations to date have been received by the American Red Cross, which has received pledges and contributions totaling \$564 million, with at least \$437 million of that total already received. The September 11 Fund has received \$337 million in pledges and contributions, with \$250 million of that having been received so far. The International Association of Firefighters has raised almost \$51 million. To date, they have distributed \$20,000 to each family of the 340 firefighters, 3 EMS workers and 1 fire patrol officer who lost their lives in the line of duty on September 11.

With so much money raised and with so many charities involved, it is critical that the trustees who serve as stewards of these gifts provide the public with an accounting of how they will be distributed and to whom, for it is equally important that everyone who needs financial assistance receives that assistance and no one is overlooked.

All of us who hold public office appreciate the daunting task of determining how to distribute public funds equitably and efficiently. The shared responsibilities of these charities in managing these vast amounts of charitable contributions is no less a public trust. Unfortunately, recent reports have raised a number of concerns regarding the distribution of these funds. Accounts continue to surface of individuals who are either unable to obtain monetary assistance from any of the disaster organizations, nonprofit groups, foundations, government agencies and corporations involved, or who find the processes that are required to navigate to obtain the assistance too lengthy and too complex.

Mrs. Russa Steiner is just such an individual. I am sorry to say that Mrs. Steiner lost her husband of 32 years in the attack on the

World Trade Center. Mrs. Steiner has graciously offered to provide the subcommittee with her story and to explain to us what she has had to go through in an effort to receive the financial assistance she will need to keep her home and to educate her children. I wish she were appearing before us today under happier circumstances, and I am grateful that she has mustered the courage to testify so that others may gain from her efforts.

We will also hear from Liz McLaughlin. Tragically, Mrs. McLaughlin lost her husband Robert in the World Trade Center. Mrs. McLaughlin's experience with the various charitable organizations is different from Mrs. Steiner's, and I hope the two perspectives will assist us in getting a better picture of what victims' families are going through.

I am also pleased that Eliot Spitzer, the attorney general of the State of New York, is here today to explain his efforts with the relief organizations to ensure equitable fund distribution. And he has already started a public Website that describes what various charities are doing to provide relief. It can be located at www.wtcrelief.info. That is www.wtcrelief.info. We look forward to learning more about this site as well as a creation of a data base that these relief organizations can use to coordinate assistance to victims with other organizations. His vision and his leadership were the impetus for its creation.

We are also interested in reports of fraudulent solicitations that Attorney General Spitzer and others have had to contend with in aiding the victims of September 11. Sadly, I understand that there have been reports of potential scams targeting donors. As painful as it may be to acknowledge that there are people so lacking in human compassion that they would try to capitalize on the suffering of others, it is essential that any reports of fraudulent solicitations be investigated thoroughly and immediately. Anyone found to be responsible for these despicable acts must be swiftly brought to justice. That is why I am pleased that we have also before us today the Federal Trade Commission and the Better Business Bureau's Wise Giving Alliance. They are here to speak about complaints received and their investigations into these potential scams and abuses. They are also here to help us be aware of the potential for this type of fraud and to know how to guard against becoming victims of these scams.

I hope the testimony from today's witnesses will encourage the public to continue its outpouring of support while providing renewed confidence in charitable fund-raising. I hope that the information provided to us today can assist families of victims who are still in need of assistance. I thank our witnesses for their testimony.

And now I recognize the ranking member of the subcommittee, the gentleman from Florida, Mr. Deutsch, for his opening statement.

Mr. DEUTSCH. Thank you, Mr. Chairman.

Just to share a couple of thoughts. Up until September 11, I represented a community in south Florida that had the distinction of having the largest, at least in terms of monetary value, disaster in the history of America, which was Hurricane Andrew. And I think when we think about the disaster of Hurricane Andrew, even

though I represent south Florida, it obviously pales in comparison in order to many, really, if not thousands, literally tens of thousands of magnitude compared to what America and what New York in particular is facing and individuals are facing because of the September 11 disaster.

I think one of the things that has hit us in terms of September 11 is, again, just the magnitude, incomprehensible magnitude, of what occurred and has affected so many of us directly, personally. Five thousand people at least who perished—just on a personal note, my wife lost a cousin by marriage, a firefighter, who actually passed away at the World Trade Center on that date. But as someone who originates from New York and had the distinction actually to be a high school classmate with the attorney general from New York, so many Americans and people around the world feel they are New Yorkers now. Some of us are New Yorkers by birth. Some of us are New Yorkers by circumstance since September 11.

I happened to be in New York just this past weekend and been there previously since September 11 to visit Ground Zero, but I was there this weekend on some family issues and was in the Soho area. And it was a very bizarre experience because you can still smell the World Trade Centers. It is very, very eerie a number of weeks later. And just in a sense, our job in terms of this committee is really hopefully going to be constructive at this hearing today.

I think that much has been raised, and it is probably not enough. I spoke with someone involved in President Clinton's efforts in terms of scholarship funds, and the actuarial numbers for the children who lost a parent is probably going to be at least \$100 million, and that they are continuing to raise money—only about one-tenth toward their goal. And I think so many other needs are there. So I hope that no one leaves this hearing, even with the astronomical support of the American people that has occurred, to think that we have met those needs.

Obviously, there is a lot to learn in terms of just distributing the effort, but as someone who up to this point came from a community that had experienced, as I said, the largest disaster in American history—in fact, it is interesting, our slogan was the same slogan as has been so often stated now: United we stand. That was the name of the community organization in south Florida. And I am sure we will be successful. And I believe that this hearing hopefully will be a constructive effort in those regards.

Mr. Chairman, I would like to submit Mr. Dingell's statement for the record as well and yield back the balance of my time.

Mr. GREENWOOD. Without objection, the statement of the ranking member of the full committee Mr. Dingell will be incorporated into the record.

[The prepared statement of Hon. John D. Dingell follows:]

PREPARED STATEMENT OF HON. JOHN D. DINGELL, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF MICHIGAN

Mr. Chairman, I want to thank you for holding this hearing. In the aftermath of the cowardly attacks on innocent citizens on September 11, we all watched in awe at the bravery of the firefighters, emergency personnel, and police officers who, in selfless acts of heroism, rushed into the center of danger to save as many as they could. Immediately thereafter, we saw the American people also rush to the forefront and respond with a level of generosity and compassion as great as at any other time in our history.

Not only has the amount of money collected broken all records, but the fact that this money was collected largely without solicitation demonstrates the tremendous depth of caring and resolve that Americans feel. I am pleased to have learned that the Federal Trade Commission (FTC) has found no evidence of fraud in connection with funds collected to help victims of the September 11 atrocities. All complaints received by the FTC have been investigated and not a single case of fraud has been substantiated.

At the same time, I understand some have found the process of applying for assistance to be unduly burdensome. Therefore, I am very interested to know what the charities and other officials are doing to get needed assistance to people in the most efficient manner possible.

These tragic and horrific events have tested many of our institutions. None have been more tested than those charged with initial and early response, including charitable organizations. The American Red Cross, for example, operates under a congressional charter which holds it responsible for maintaining an adequate, safe supply of blood and blood products. Recognizing that its supply of blood is not adequate to deal with mass casualties from terrorist attacks, the Red Cross has begun to set up additional facilities. However, some have raised questions about the appropriateness of using contributions to its Liberty Fund to fund a program that will allow it to freeze and store blood for up to 10 years. Charities such as the Red Cross certainly must be prepared to provide all needed services should a terrorist attack occur in the future, and increasing the supply of frozen blood is a necessary and useful step. The only question is how best to fund these important programs.

Mr. Chairman, again I thank you for holding this hearing. The American public deserves to know that its generosity and benevolence is not being misdirected, and how their donations are being allocated to help those in dire need.

Mr. GREENWOOD. The Chair recognizes the chairman of the full committee, the gentleman from Louisiana, Mr. Tauzin.

Chairman TAUZIN. Thank you, Mr. Chairman.

Mr. Greenwood, I want to deeply express to you the appreciation of the committee for holding this very timely hearing. This public forum will allow charitable organizations, law enforcement authorities and other charity experts and members to explore several important issues surrounding the massive outpouring of contributions arising from the September 11 attacks upon our country, issues that are meaningful to tens of thousands of Americans who have sought to help many victims of these attacks. It also provides us an opportunity simply to appreciate this enormous heartwarming generosity of the American people.

Think about it with me. Since September 11, America has given more than \$1.2 billion—\$1.2 billion to charitable organizations working on the relief and recovery efforts related to these attacks. This amount dwarfs contributions following any previous disaster in our Nation's history. As others have mentioned, this is more than 25 times that which was generously provided to the victims of the Oklahoma City bombing and more than 10 times the amount of monies that were donated in the wake of Hurricane Andrew, a hurricane that we in Louisiana were familiar with as it tore through the heart of my district after ripping up the Florida communities. These figures do not account for the many, many ways that Americans are otherwise giving unselfishly of their time and effort to lend support to the victims' families.

Of course, this immense and sudden outpouring of relief efforts also creates some rather large logistical problems. Today we hope we can examine and perhaps ease many of the concerns related to making certain that the money goes to where people intended it to go. What mechanisms, for example, are being created to assure that funds directed to relief and recovery are distributed as effi-

ciently as possible; how the charity is keeping track of victims to ensure that nobody in need of assistance is left out.

There is no doubt that the charitable organizations at the heart of this influx of donations are providing very valuable and necessary services, yet questions have been raised about the disbursement of funds, particularly by charitable organizations that have many nonrelated projects to fund. So how can Americans be sure that the money they send out of the enormous generosity of their hearts is being distributed as they intended?

And finally, sad to say there is the ever present temptation for fraud in circumstances like these. Our responsibility as members of this committee is to help head off any scam artists in the marketplace who always show up and prey on America's best intentions with their own evil designs. So we look forward to the discussion about measures that guard against deception and scams: What people need to know to avoid the high-tech fraud schemes that everyone seems to be faced with these days, and what are the law enforcement authorities doing to protect against this and other types of charity fraud.

Some of the questions and discussions here today will touch an area troubling to donors, yet the hearing should be seen in the end as an effort to strengthen our trust in the charities that are doing so much to help Americans express a wonderful spirit of giving.

Again, Mr. Greenwood, I want to thank you on behalf of the committee for the hearing, and we look forward as always to the testimony of the witnesses who have generously given their time to explore these serious questions with us. Thank you, Mr. Chairman. [The prepared statement of Hon. W.J. "Billy" Tauzin follows:]

PREPARED STATEMENT OF HON. W.J. "BILLY" TAUZIN, CHAIRMAN, COMMITTEE ON ENERGY AND COMMERCE

Thank you, Chairman Greenwood, for holding this very timely hearing today. This public forum will allow charitable organizations, law enforcement authorities, other charity experts, and Members to explore several important issues surrounding the massive outpouring of contributions arising from the September 11 attacks—issues that are meaningful to the tens of thousands of Americans who have sought to help victims of these attacks. It also provides us an opportunity simply to appreciate this heartwarming generosity of the American public.

Think about it. Since September 11, Americans have given more than 1.2 billion dollars—1.2 billion dollars—to charitable organizations working on relief and recovery efforts related to the attacks. This dwarfs the contributions following any previous disaster.

As others have mentioned, this is more than 25 times what was generously provided the victims following Oklahoma City, more than 10 times what was donated in the wake of Hurricane Andrew. And these figures do not account for the many, many ways Americans are otherwise giving unselfishly of their time and effort to lend support to the victims' families.

Of course, the immense and sudden outpouring of donations to relief efforts also creates an immense logistical problem. Today I hope we can examine, and perhaps ease, many of the concerns related to making certain the money goes where people intended it to go.

What mechanisms, for example, are being created to assure that funds directed to relief and recovery are distributed as efficiently as possible? How are charities keeping track of victims to assure nobody in need of assistance is missed?

There is no doubt that the charitable organizations at the heart of this influx of donations are providing valuable and very necessary services. Yet questions have been raised about the disbursement of funds, particularly by the charitable organizations that have many other, non-related projects to fund. So how can Americans be sure the money they send to a general relief organization is distributed as they intended it to be?

Finally, sad to say, there's the ever-present temptation for fraud in these circumstances. One responsibility of the members of this Committee is to help head off scam artists in the marketplace who prey on American's best intentions with their own evil designs.

I look forward to our discussion today about measures that guard against deception and scams. What do people need to know to avoid the high-tech fraud that seems so easy to pull off these days? What are the law enforcement authorities doing to protect against this and other types of charity fraud?

Some of the questions and discussion today will touch on areas troubling to donors. Yet this hearing should be seen, in the end, as an effort to strengthen our trust in the charities that are doing so much to help Americans express their wonderful spirit of giving.

Again, I thank you Mr. Greenwood for holding this hearing, I look forward to an open discussion with the witnesses that appear before us today.

| Organization | Amount Raised | Amount Disbursed |
|-------------------------------------------------|----------------------------------------------|----------------------------------------|
| New York Times 9/11 Neediest Fund | \$43 million | \$9,500,258.26 |
| American Red Cross | \$564 million pledged (\$505 received) | \$154 million |
| Families of Freedom Scholarship Fund | \$30 million | \$0 ¹ (Awards begin 1/2001) |
| United Way September 11th Fund | \$337 million pledged (\$250 received) | \$47 million |
| New York State WTC Relief Fund | \$32 million | \$0 |
| NYC Firefighters 9/11 Disaster Relief Fund | \$51,972,262 ² | \$6,880,000 ³ |
| Savation Army | \$62,470,786 | \$8,500,000 |

¹ Given students' financial aid process, awards begin in January 2001.

² As of 11/5/01.

³ They have sent \$20,000 checks to 344 families. One \$10,000 check was sent out on 9/25. Another \$10,000 check was sent out on 10/19.

Mr. GREENWOOD. The Chair thanks the chairman of the committee and recognizes the gentleman from Michigan Mr. Stupak for an opening statement.

Mr. STUPAK. Thank you, Mr. Chairman, and thank you for holding this hearing.

Since September 11, countless Americans have reached in their pockets in response to the horrors perpetrated on our country by terrorists. They reached into their pockets and have given more than \$1.2 billion. This is by far the biggest charitable contribution response ever to an event, and we must make sure that the donor intent is honored. Hundreds if not thousands of people in my own district in northern Michigan have held dozens of fund-raisers and have made huge efforts to give money, food and equipment to those affected by the events of September 11. Ed Janisse of WCUP Radio and Mr. Paul Tesanovich representing the Keweenaw Bay Indian community drove over 19 hours from my district here to Washington, DC, to hand-deliver a check to the Red Cross. They drove all the way down here because they wanted to be absolutely sure that the money went straight into the hands of those directly involved with assisting the victims.

In making sure that victims are getting what they need, the Trial Lawyers of America have established Trial Lawyers Care, a nonprofit organization that will provide free legal services to victims and their families who file claims with the September 11 victims compensation fund. Over 1,500 attorneys throughout the country have volunteered to represent fund claimants throughout the process without a fee. That is the level of dedication and care we Americans are showing.

But where is the money going? American Red Cross has raised most of the money of all the charitable organizations. Through their Liberty Fund they have received pledges and contributions totaling \$564 million, over half a billion dollars. How can we be sure

the money is being used to benefit those most in need? Those are the questions we should be asking today throughout this hearing. I look forward to hearing the testimony of today's witnesses to shed some light on this urgent question.

Mr. Chairman, I thank you holding for this hearing and yield back the balance of my time as I look forward to hearing the witnesses.

Mr. GREENWOOD. I thank the gentleman for his statement and for yielding, and recognize the gentleman from Florida Mr. Stearns for 5 minutes for his opening remarks.

Mr. STEARNS. Mr. Chairman, thank you for holding this hearing, and I think all of us, given the outpouring of support for Americans since the tragedy of September 11, we as Members of Congress have a fiduciary responsibility to ensure that the contributions that are made by the American people are expressly for the purpose of aiding the fellow citizens in the wake of these attacks.

In my home State of Florida, we had Hurricane Andrew, and that raised about \$110 million, and that has been dwarfed by the contribution by Americans for this tragedy on September 11. And I would like to say, Mr. Chairman, publicly that there is a direct correlation or relationship between the degree of charitable contributions that this Nation has provided because of September 11 and the goodness of this Nation. And the goodness of this Nation is recognized by this outpouring.

Mr. Stupak mentioned he had a constituent who came down with a check. That is the kind of involvement the Americans have. When people look at this tragedy, there is goodness coming out through the Americans' hearts and its outpouring and a generous amount, and that alone should establish this Nation, throughout history, we have been charitable. But this is another case that we're charitable for ourselves.

As I mentioned earlier, we do have responsibility to look at some of the complaints perhaps from watchdog groups that have expressed alarm at the Red Cross that the money is not getting to the victims and their family members. And as the chairman Mr. Greenwood and Mr. Tauzin has indicated, there is a possibility of fraud, and we want to make sure that doesn't occur.

When you look at the average contribution from the American family, it is roughly about 3 percent of their income, and so there is an outpouring. There is a desire to help out.

Mr. Chairman, I have a bill involving charitable foundations, which I introduced to abolish an antiquated excise tax on nonprofit foundations' pay on their net investment income. But basically, if my bill passed, it would give the charitable foundations more money to help more Americans. And I hope my colleagues will help me pass this part of the stimulus package.

As I mentioned, one of our biggest challenges perhaps in this hearing is to understand—because the intentions of people are not being impugned, we are just trying to understand in a large measure this enormous amount of goodness and outpouring by the American people, how is it efficiently and effectively being used. And with our ability of telecommunications software and the like, we are able to focus that and understand where the money is going.

We have had, obviously, reports of scam activities, and we should get to the bottom of that. The FTC has indicated in its testimony that, “today the findings of fraud are few and far between.” So we cannot let the few and far between overwhelm the goodness that is occurring here. So with the three panels, keep that in mind, because I’m heartened that the Federal Trade Commission is going to continue to aggressively monitor and investigate these reports.

The findings of fraud are few and far between, but this hearing is very important, Mr. Chairman, as Mr. Tauzin has mentioned. You ought to be commended for bringing this to the forefront in allowing the American people to understand this. I look forward to the hearing, and I yield back the balance of my time.

Mr. GREENWOOD. I thank the gentleman from Florida, and I recognize the gentleman from New Hampshire Mr. Bass.

Mr. BASS. And I thank the chairman for holding this timely hearing and wish to associate myself with the remarks of my colleagues on this subject so as not to repeat myself.

I would add that, having read over the last week or 2 articles that begin to intimate that much of the generosity and outpouring of concern and compassion for those who were victims of September 11—I see, for example, today in the Wall Street Journal an article entitled “Giuliani’s Fund for Uniformed Survivors Has Yet to Disburse Any of the \$100 Million.” We are beginning to hear stories about that many survivors—we may hear some today—have yet to receive anything from any charitable organization beyond what their insurance company may have paid.

This is all very disturbing to me and certainly justifies this hearing, because the obligation that we have as the committee of jurisdiction and oversight here to assure that the public trust is held and that there is tremendous generosity that has been shown that has really unified this country doesn’t turn to cynicism and mistrust of government and charitable institutions is really paramount. And I hope that we can reassure America through this process that these funds that are really American peoples’ funds are going to be put to good use and going to wind up helping the victims of this horrible tragedy that occurred on September 11.

Now, as most of my colleagues and some of the witnesses may know, my friend from Florida Mr. Stearns, and Mr. Tauzin, and Mr. Deal and I and some other members of the committee introduced a bill called the American Spirit Fraud Prevention Act on October 2. The bill has been marked out of this committee. It would double penalties that the FTC may impose for violations of the FTC Act that aim to take advantage of emergencies and disasters, and this would apply to those fraudulently posing as charities and those perpetrating more commercial traditional scams.

In preparing the legislation, I was surprised to find that the FTC, which is the Federal Government’s principal consumer protection agency, actually has very little authority to protect citizens from false, misleading or deceptive practices involving organizations that might claim a charitable purpose. These organizations must, of course, answer to the IRS, but their focus is and should be the tax treatment and status and not consumer protection. These organizations are also regulated to a varying degree by State law, but it is not hard to imagine that one could easily file papers

with the State to create a shield for consumer protection laws while State charity overseers and tax examiners consider the true benefit of the organization.

I want to be clear, I believe that most charities, or basically almost every charity, do an amazing job and provide comfort and support that allows many Americans to simply get through the types of tragedies that we are talking about. Nevertheless, perhaps Congress should examine changing the oversight and consumer protection rules that apply to charities. And I am very much interested in hearing from whoever cares to comment, and I yield back.

Mr. GREENWOOD. The Chair thanks the gentleman from New Hampshire and recognizes for her opening statement the gentlelady the from Colorado Ms. DeGette.

Ms. DEGETTE. Thank you, Mr. Chairman. I don't have a formal prepared statement, and I just did get off an airplane so I could be here for this hearing.

Let me just say that I am concerned, as all of us are, that an unprecedented amount of contributions from everybody from multimillionaire rock stars and movie stars on down to the kids at Adams City High School and elementary schools in my district have contributed to this relief effort, and every single person who contributed to this effort has done so with the best of intentions that these funds will go to help the victims' families of this terrible tragedy, to help the firefighters' funds, to help all of the caregivers who helped. And it is our job as Congress to have ongoing oversight to make sure there is no fraud or abuse.

I think that the agencies, to my knowledge, have acted remarkably well and in an orderly fashion today. But the thing we need to balance is on the one hand getting relief to the families of those who died and getting it quickly. As the mother of two young daughters, I can only imagine what it must be like to suddenly lose the main breadwinner of the family and then to have to go around begging hat in hand even to pay the mortgage payment or to pay for Halloween costumes or Thanksgiving dinner or anything that constitutes the fabric of a family. On the one hand, we need to expedite those payments. On the other hand, we need to make sure that the processes that we put into place are not fraught with waste or abuse, which would be so easy because we are talking about such large sums of money.

I commend you for having this initial hearing. I am not sure what we will learn today in substance, but maybe we can get some parameters, Mr. Chairman, for future hearings of this subcommittee. And I look forward both to the testimony today and also for our future oversight of this issue and yield back the balance of my time.

Mr. GREENWOOD. The Chair thanks the gentlelady and recognizes the gentleman from Kentucky Mr. Whitfield for an opening statement.

Mr. WHITFIELD. Mr. Chairman, I also want to thank you for having this timely hearing. I think, as has been said many times already today, the American people have shown they are a compassionate people by contributing over \$1.2 billion to this incident alone. And all of us know and have read and have followed and have been admirers of the Red Cross, the United Way, Salvation

Army and many other charitable organizations throughout our country, and all of them have really good reputations, and I don't think that any of us think that they have involved themselves in any deliberate wrongdoing. However, I do think it is imperative with the amount of money involved—and I can imagine the complexity of distributing that much money, that it is a difficult process, and I hope today we can focus on those difficulties. And I am glad that the attorney general of New York is here today because I know that he was in the forefront of establishing a data base to help prevent duplicative payments and to help charitable organizations have a better understanding of who is receiving funds and who is not receiving funds, and I would like to hear about that.

I also saw a recent survey that said many if not most Americans have trouble finding the information they need to evaluate charities and make decisions about giving, and I think that is another area we can look in. But, as I said, I don't think this is a hearing that anyone is being accused of anything, but all of us hope that from the information gathered we can come out with a more effective system that will provide the necessary help for people who need it desperately at this time. And I yield back my time.

Mr. GREENWOOD. The Chair thanks the gentleman and thanks all the members for their opening statements.

[Additional statement submitted for the record follows:]

PREPARED STATEMENT OF HON. MICHAEL BILIRAKIS, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF FLORIDA

Mr. Chairman, I want to commend you for holding this hearing today to examine charitable giving in the wake of the September 11th terrorist attacks and to discuss ways in which charitable organizations deliver promised assistance to the victims and their families.

Since the devastating events of September 11th, Americans young and old have opened their hearts and their pocketbooks to help the victims of this terrible tragedy. To date, over \$1 billion has been raised for relief efforts, proving once again that Americans are the most compassionate and generous people in the world.

Mr. Chairman, I am alarmed at reports which suggest that charitable organizations are not acting in good faith to use the contributions of generous Americans to deliver timely assistance to the victims of September 11th and their families. How do we explain to elementary school children that their hard-raised contributions may *not* actually be used to help the families in need?

Today I am wearing a pin made by the students of Cypress Woods Elementary School in Tarpon Springs, Florida. These students sold patriotic pins for \$1 each and raised a total of \$3,500. This amount was matched by a corporation for a total of \$7,000. Another elementary school in Tarpon Springs, Brooker Creek, raised \$2,300 for relief efforts.

It would send a terrible message to these children and the community if charitable organizations do not use their contributions to directly aid the victims and their families.

I have introduced a resolution—H. Con. Res. 259—praising the people of the United States for their patriotism and generosity in donating their money, time, and blood to support the victims of September 11th. The resolution also commends charitable organizations for their hard work in providing assistance but urges them to use the funds collected for the purposes for which the money was given. H. Con. Res. 259 also urges charities to limit the extent to which donations are used for administrative costs and condemns individuals or groups that fraudulently use contributions for their own personal gain.

Mr. Chairman, I look forward to hearing from our witnesses today to assess the current situation and to determine what actions we may all take to improve the delivery of aid to those who need it most: the victims and families of September 11th. Many Americans lost their lives by the hands of terrorists on September 11th, and their memory and sacrifice for their country should be honored by providing for the needs of their families in a timely and effective fashion.

Mr. GREENWOOD. I would like to introduce the first of three panels. We have with us Mrs. Russa Steiner from New Hope, Pennsylvania, my constituent, and Ms. Elizabeth McLaughlin of Pellham, New York. And let me say it is an extraordinary thing to have witnesses here just 8 weeks after their loss. And this committee thought long and hard about even inviting victims such as yourself to be with us, and let me honor your presence by noting for the record that it was only because in each of your cases you thought you might be able to speak for and help other victims that you have agreed to come and testify, and we thank you for that.

Mrs. Steiner is accompanied by her attorney Mr. Robert Baldi.

And we also welcome the Honorable Eliot Spitzer, New York State attorney general. And we welcome Dr. Bernadine Healy, the president of the American Red Cross. And thank you for joining us today.

I believe you are aware that this committee is holding an investigative hearing, and in doing so, it is our custom to—it is our practice of taking testimony under oath. Do any of you have any objections to offering your testimony under oath?

Seeing no objections, I would also advise you under the rules of this House and rules of this committee you are entitled to be represented by an attorney. Mrs. Steiner has her attorney with her as much for moral support as anything else. Do any of the others of you wish to be represented by an attorney?

Seeing no such concern, I would ask you to rise and raise your right hand.

[Witnesses sworn.]

Mr. GREENWOOD. So saying, you are now under oath and may be seated.

And, Mrs. Steiner, we will begin with you. You are recognized for your statement. And, again, thank you for your courage in being with us today.

Mrs. STEINER. Thank you.

Mr. GREENWOOD. If you turn on your microphone and pull it very close, because it is rather directional.

**TESTIMONY OF RUSSA STEINER, NEW HOPE, PENNSYLVANIA,
WIFE OF WILLIAM R. STEINER, EMPLOYEE OF MARSH, INC.,
97TH FLOOR OF NORTH TOWER, WORLD TRADE CENTER,
NEW YORK, ACCOMPANIED BY ROBERT O. BALDI, ESQUIRE;
ELIZABETH McLAUGHLIN, PELLHAM, NEW YORK; ELIOT
SPITZER, NEW YORK STATE ATTORNEY GENERAL; AND
BERNADINE HEALY, PRESIDENT, AMERICAN RED CROSS**

Mrs. STEINER. Tuesday, September 11, began for me like any other. My husband awoke at 4:30 a.m. to prepare for a commute to a job that he loved. He left at 5:30 a.m. to get a head start on his workday, which had been his practice throughout his career. I fell back to sleep, which was my routine.

Since it was a beautiful Tuesday morning on my way to work at a nonprofit mental health facility, I stopped off at Rice's Outdoor Market. While walking through the aisles, I overheard a news bulletin on the radio which prompted me to ask a vendor to please repeat what I thought I had just heard, a plane hit the World Trade

Center. I remember saying to this vendor, my husband works there, and noticed her horrified expression.

I proceeded immediately to my car to phone my husband. Unsuccessful in my attempt, I went home and tried again to reach him, to no avail. I called work and explained that I would be in as soon as I heard from my husband. I next put on the television in our family room with the phone by my side and witnessed the second plane hit the South Tower, saw both towers crumble, and watched in disbelief as the horrors of that infamous day unfolded.

After speaking with our three children, my daughter Meredith, 23, who was at work in Philadelphia, my son Jordan, who is 21, attends the University of Delaware, and my youngest son Darren, 18, at Penn State, our two older children came directly home to be with me and to await the revelations.

While dealing with the confusion and shock of what was transpiring, we held out hope for a miracle not unlike 5,000 other families. We frantically took turns calling hospitals, radio and television stations, coworkers of my husband and researched the Internet to obtain information. In our desperation, we filed a missing person's report with the FBI and notified New York State and local police departments. We gathered and submitted dental records for my husband, DNA samples, and presented them to the authorities. We created missing posters, which family members placed around New York and on the Internet asking for any information on my husband's status.

After 3 weeks of being in shock and frozen at home, the status of the missing persons from the Ground Zero area changed from missing to missing, presumed dead. It was at this time that I realized that I had to address the extensive amount of mail that I had thrown in a box on September 11. As my husband customarily handled the mundane chore of family maintenance, I was both inexperienced and overwhelmed by the enormity of this task. In my attempt to manage our affairs, I forwarded a letter to our creditors explaining the situation, asking for consideration and extensions, if possible, without penalties.

As my children attempted to resume regular life, I continued at home by following all leads for assistance by calling numbers which would appear in the newspapers, on CNN, on MSNBC, and any referrals that were offered to me.

On Saturday, October 6, at 7:30 a.m., I left the house for the first time since September 11, along with an advocate from NOVA, who picked up my family for a trip to New York. She took us on an appointment to the New Jersey Family Assistance Center at Ground Zero. After the site visit, I left our three children at the family center in the company of volunteer companions because I did not want to subject them to the continuing pain of retelling our story, explaining our financial status or be subjected to asking for handouts. I visited the trailers with advocates who assisted me in navigating me through the mazes of service, charities and organizations that potentially we would qualify for, along with addressing the legal necessities. We returned home that day at 11:30 p.m.

As my husband was the sole supporter of our family and kept all records on his computer, I attempted to reconstruct documentation to satisfy all obligations and handle accessing benefits by myself in

order not to incur any additional expenses. As the majority of creditors have shown some compassion, I have also had to deal with threats to incur additional collection activities.

During this time, I have felt supported and been deeply moved by family, friends, neighbors, community members and total strangers. I was especially touched by an organization at the New Jersey Family Assistance Center, a Taiwan Buddhist Compassion Relief Organization, Tzu Chi Foundation, USA, who donated \$1,000 to my family on the spot. Additionally, Penn State University donated a scholarship for my younger son Darren, a freshman at their Altoona campus. Another act of kindness shown to us was by the Count Your Blessings Fund established by a Bucks County builder, C.W. Schrenck, who offered to pay a semester's tuition for my older son Jordan.

After 32 years of a successful and happy marriage, I am struggling to adjust to my new life situation both emotionally and financially. By sharing my personal experience with this committee, I hope it is beneficial to your investigation. I have requested that Robert Baldi assist me in sharing the specific information regarding details of all donations. Thank you.

[The prepared statement of Russa Steiner follows:]

PREPARED STATEMENT OF RUSSA STEINER, WIFE OF WILLIAM R. STEINER

Tuesday, September 11th began for me like any other. My husband awoke at 4:30 a.m. to prepare for a commute to a job that he loved. He left at 5:30 to get a head start on his workday which had been his practice throughout his career and I fell back to sleep, which was my routine. Since it was a beautiful Tuesday morning, on my way to work at a non-profit mental health facility, I stopped off at Rices Outdoor Market. While walking through the aisles, I overheard a news bulletin on the radio, which prompted me to ask a vendor to please repeat what I thought I heard. "A plane hit the World Trade Center". I remember saying, "My husband works there" and noticed her horrified expression. I proceeded immediately to my car to phone my husband. Unsuccessful in my attempt I went home and tried again to reach him, to no avail. I called work and explained that I would be in as soon as I heard from my husband. I next put on the television in our family room with the phone by my side and witnessed the second plane hit the south tower, saw both towers crumble and watched in disbelief as the horrors of that infamous day unfolded.

After speaking to our three children; Meredith (23) at work in Philadelphia, Jordan (21) at school at the University of Delaware and Darren (18) at Penn State, our older two children came directly home to be with me and await revelations.

While dealing with the confusion and shock of what was transpiring, we held out hope for a miracle, not unlike five thousand other families. We frantically took turns calling hospitals, radio and television stations, co-workers of my husband and researched the Internet to obtain information. In our desperation, we filed a "missing person's" report with the F.B.I. and notified New York State and local police departments. We submitted dental records and D.N.A. samples to the authorities. We created "missing" posters, which family members placed around New York and on the Internet, asking for any information on my husband's status.

After three weeks of being in shock and frozen at home, the status of the missing persons from "ground zero" changed from "missing" to "missing, presumed dead". It was at this time that I realized I had to address the extensive amount of mail that was thrown in a box since September 11th. As my husband customarily handled the mundane chore of family maintenance, I was both inexperienced and overwhelmed by the enormity of the task. In my attempt to manage our affairs, I forwarded a letter to all creditors explaining my situation, asking for consideration and extensions, if possible, without penalties.

As my children attempted to resume life, I continued at home by following all leads for assistance by calling any number which would appear in the newspapers, on C.N.N. and M.S.N.B.C. and any referrals offered to me.

On Saturday, October 6th at 7:30 a.m. I left the house for the first time since September 11th with an advocate from N.O.V.A. who picked up my family for a trip to New York. She took us on an appointment to the N.J. Family Assistance Center

and “ground zero”. After the site visit, I left our three children at the family center in the company of volunteer “companions”, because I didn’t want to subject them to the continuing pain of retelling our story, explaining our financial status or be subjected to asking for “hand-outs”. I visited the trailers with advocates who assisted me in navigating through the maze of services, charities and organizations that potentially we could qualify for, along with addressing the legal necessities. We returned home at 11:30 p.m.

As my husband was the sole supporter of our family and kept all records on his computer, I attempted to reconstruct documentation to satisfy all obligations and handle accessing benefits by myself in order not to incur additional expenses. As the majority of creditors have shown some compassion, I have also had to deal with dunning notices and threats to incur additional collection activities.

During this time, I have felt supported and been deeply moved by family, friends, neighbors, community members and total strangers. I was especially touched by an organization at the N.J. Family Assistance Center, a Taiwan Buddhist Compassion Relief Organization (Tzu Chi Foundation, USA), who donated \$1000 to my family on the spot. Additionally, Penn State University donated a scholarship for Darren, a freshman at their Altoona campus. Another act of kindness shown to us was by the “Count Your Blessings” fund, established by a Bucks County builder, C. W. Schrenck, who offered to pay a semester’s tuition for my older son.

After thirty-two years of a happy and successful marriage, I’m struggling to adjust to my new life situation, both emotionally and financially. By sharing my personal experience with this committee, I hope it’s beneficial to your investigation.

I have requested that Robert Baldi assist me in sharing specific information regarding details of all donations.

Mr. GREENWOOD. Thank you, Mrs. Steiner.

Mr. Baldi, you are recognized to add additional remarks.

Mr. BALDI. Thank you, Mr. Chairman. I have some statements that I prepared in writing, and I will try to go through them quickly because I don’t want to take up too much of your time.

It was my understanding that you wanted very specific information in terms of the process that a victim would go through in trying to get help from charitable organizations, so I met with Mrs. Steiner and tried to gather this information for you.

First of all, my name is Robert Baldi, and I am a lawyer who has had the honor of representing both William Steiner and Russa Steiner prior to the tragic events of September 11, 2001. I am here today not as Russa Steiner’s lawyer, but as a spokesperson whose purpose is to help provide you with information concerning the impact that the terrorist attack had on her life. She has asked me to speak because she still finds it difficult to discuss many of the events that are relevant to your investigation.

Russa and her family live in a community located close to Philadelphia. Some people would consider it a bedroom community of New York City. Many people commute from Bucks County to New York City. She and her husband Bill have been married 32 years at the time of his death. He was a successful executive with Marsh, Inc., a large insurance company with offices located on the floors 93 through 99 of the Twin Towers at the World Trade Center.

The first terrorist attack hit close to the 90th floor in the North Tower. For obvious reasons, nothing has been recovered associated with Bill, not a shred of DNA nor any personal effects. From what we can tell, most of Bill’s personal records were destroyed. Bill kept a lot of information on his laptop computer, which he took to and from the office. Russa has tried to gather information to help her get through this time.

Because Bill was a successful businessman, the children were able to afford the college of their choice. The Steiners have been paying the entire cost of the education for each of their children.

Because of Bill's income tax bracket, the children were not entitled to any financial assistance, and, therefore, the full tuition was being paid by the Steiners.

Their older daughter is a graduate—recent graduate of college. She is living with Russa and had been planning to go to law school. Bill and Russa were planning to pay her tuition. In fact, they told her that would be her gift when she graduated from college. Jordan is 21 years old and a senior at the University of Delaware, and Darren is a freshman at Penn State.

If you try to calculate the tuition that the Steiners paid in after-tax dollars, you can begin to appreciate the responsibility that Bill Steiner was carrying with him every day he went to New York.

Russa's financial future is now fragile and uncertain. She has had to seek the assistance of others, a situation which makes her extremely uncomfortable even today as we present this testimony to you. When the status of Bill went from missing to missing and presumed dead, Russa realized that bills had to be paid and then began the process of taking over the management of the family's finances, a task previously performed by Bill. As she mentioned, she wrote letters to creditors and got extensions of time. Neighbors and friends gave her newspaper articles and information that they came across to help her locate charitable organizations which would be able to provide her with assistance. There is an agency in Bucks County known as NOVA. This agency has appointed an advocate by the name of Mia Alan to help Russa.

Russa has spent many, many hours writing letters and making phone calls to various agencies. I have provided copies of some documents with some written material giving you some idea of some of the things she was doing. But to give you a sense of what the victim goes through, on October 6, 2001, Russa spent the day visiting Ground Zero. She was there with other victims' families. An advocate took her on that same day to trailers which are located on Liberty State Park, which were set up to help people such as Russa Steiner. She was escorted from trailer to trailer where she would wait in line to talk to someone to schedule an appointment. She then went to the next trailer to wait in line to schedule another appointment and ultimately returned to the various trailers at the appointed time to meet with representatives to tell and retell the story over and over again.

One of the trailers was sponsored by a Buddhist compassion relief fund known as the Tzu Chi Foundation. Russa knew nothing about this organization; however, when she went and told them her story, they issued her a check on the spot for \$1,000. This money was available to her immediately, no strings attached. I have supplied you with a copy of a letter which identifies the organization.

Russa also spent many hours visiting other trailers. Some of them were charitable organizations, some of them were government agencies. She went to the Salvation Army trailer, and she was told she would receive a holiday meal. We assume that at some point in the future someone will contact her from the Salvation Army to provide her family with a meal over one of the upcoming holidays.

She went and visited the Red Cross trailer. She brought with her copies of bills. She had contacted the Red Cross previous to this to

apply for the emergency family gift. She received a case identification number for that specific application. Separate and apart from that application that Russa had made by telephone, when she arrived in New York, her advocator told her to bring with her actual bills to be considered by the Red Cross. When she arrived on this day, she brought with her about 20 bills. The representative went through the bills and selected certain ones that the Red Cross agreed to pay. A separate disbursement order was then issued for each separate item selected by the Red Cross representative. Russa was then provided the disbursement order to be used as if it were a check to pay the specific bills.

I provided copies of the disbursement orders, which have been added as an exhibit to this statement. For your information, the Red Cross on that day provided the following disbursements to her in response to the 20 some bills that she gave them. They gave her a disbursement order for \$60 for a trash bill for services in Bucks County. You pay for your trash personally. And this was for about a 3-month period. They gave her \$227.50 for an electric bill for the month of September. They gave her a disbursement order for \$99.07 for one of the phone bills. She had several bills and they picked out one of them and gave her a disbursement order of whatever the name of the phone company was. They gave her a disbursement order for \$138 for the security company who had just recently repaired the burglar system in her home. They provided her with two separate disbursement orders made payable to a local grocery store in the amount of \$135 each and gave her another disbursement form which advised her they would be sending her \$450 at a later time. Several days later, she received a check in the amount of \$450, which was then for her to use for family maintenance.

Now, up until—and I say this, by the way—this information is being provided to you to give you facts and information. I offer this to you in a neutral fashion. I am just telling you the manner in which it came through to us. The total sum received from the Red Cross up until this morning had been \$1,244.57. This afternoon, shortly before this hearing, Russa Steiner was presented with a check in the amount of \$27,507.12, which I understand is the cash gift, which was in response to the application that I referred to that she had made earlier. In a document that I have provided to you was a list of charities contacted. I supplied to you the date that she originally contacted the charity and the response. This particular response of the \$27,000 is not on that because we received that this afternoon, but she is very grateful and wishes to thank the Red Cross for that and appreciates it very much.

She was told—and I think it becomes important just to put things in perspective, again, as a way of information-gathering—by a representative from the Red Cross that because she was able to obtain additional time from her creditors, they did not feel that her personal situation at that time was an emergency, and therefore she did not require funds on an emergency basis.

Russa had made many applications to organizations over the phone and by letters. One of the organizations is her local United Way. On September 28, 2001, she applied by phone to the New York City United Way September 11 Fund. On November 2, 2001,

that was last Friday, a representative from her local Bucks County United Way arrived at her house and presented her a check in the amount of \$1,500 from the local United Way. Now, I was coincidentally in the office when this arrived, and as I understand it—and this is the information that he provided to me—he did not have any idea that she was coming to testify here today, and we did not tell him that she was about to.

The gift from the local United Way was unprecedented. Normally the local United Way only provides assistance to agencies. The gentleman who delivered the check to Russa explained that the Bucks County local United Way is applying to or applying for the victims of—let me stop and explain. There are about 20 individuals identified in Bucks County, residents of Bucks County, who died in this tragedy. There may be more, but so far that is the number that the United Way is aware of. They are applying, we are told, for funds from the September 11 Fund. He explained that the September 11 Fund is the fund raised by the United Way of New York. It is our understanding that these funds will be distributed to the local United Way organizations. He advised me that 20 families were identified from Bucks County, and that they made a request for an initial grant, which, if they receive it, would provide Russa Steiner with \$3,000 per month for 3 months. The \$1,500 payment that the local organization has given to her from their own funds would be part of that ultimate \$9,000 grant, if, in fact, they receive that grant from the other organization.

By no means am I qualified to speak for the local United Way in terms of what their intent is or in terms of what their efforts have been. The gentleman who brought the check to Russa was very kind and gracious. The funds being provided to her were unrestricted. We have no information which tells us when or if the full \$9,000 grant would be approved, and we have no information to suggest if there would be any more money that would be distributed to her.

Russa has contacted many potential sources of aid. She promptly called the Families of Freedom Scholarship Foundation after hearing President Clinton and Senator Dole talk about the fund on television. She called September 29, 2001, to register her children. They called her back on October 5 and explained that the application would be sent out sometime close to the end of the year.

However, no money would be available for this year, and ultimately it would be based on financial need. This has been a very painful process for Russa and her family. People have been very kind. However, the Steiner family financial situation remains fragile. As she mentioned, Penn State was kind enough to provide a \$2,500 scholarship for the one young man who is in Penn State. Congressman Greenwood connected Russa Steiner with a local builder who raises money for charitable organizations. They have an organization they call Count Your Blessings. Micky and Margery Shrank, the creators of the foundation, have told Russa that they are going to pay one semester's tuition for one of the children at the school. Congressman Greenwood asked that she contact them. She faxed information to them, and they called back immediately and said that they were going to provide that support.

She and her family have monthly mortgage payments which have to be met. Though her mortgage company has given her a 6-months' reprieve while she tries to straighten out the finances, she will ultimately have to meet these financial obligations, or she and her children will have to remove themselves from their home where their children have been raised and where, of course, their closest connection to Bill remains.

Today—up until today, the money she has received from charitable organizations are as follows: The initial payment from Red Cross in the amount of \$1,244.57, the payment made—or that contribution made by Red Cross today in the amount of \$27,507. The United Way has provided her with \$1,500, and the Tzu Chi Foundation has provided \$1,000. The Count Your Blessings Tuition Fund has agreed to pay a semester for Russa Steiner.

Thank you.

[The prepared statement of Robert O. Baldi follows:]

PREPARED STATEMENT OF ROBERT O. BALDI, ESQUIRE ON BEHALF OF RUSSA STEINER

Good afternoon, my name is Robert Baldi. I am a lawyer who has had the honor of representing both William Steiner and Russa Steiner, prior to the tragic events of September 11, 2001. I am here today, not as Russa Steiner's lawyer, but as a spokesperson whose purpose is to help her provide you with information concerning the impact the terrorist attack had on her life. She has asked me to speak because, she still finds it difficult to discuss many of the events which are relevant to your investigation. I have agreed to help her provide you with some of the details.

Russa Steiner and her family live in a pleasant community located close to Philadelphia. She and Bill had been married 32 years at the time of his death. He was a successful executive with Marsh, Inc., a large insurance company with offices located on floors 93 through 99 of the Twin Towers at the World Trade Center. The first terrorist attack hit close to the 90th floor of the North Tower. For obvious reasons, nothing has been recovered associated with Bill. Not a shred of DNA, nor any personal effects. From what we can tell, most of Bill's personal records were destroyed. Bill kept a lot of information on his lap top computer, which he took to and from the office.

Because Bill was a successful businessman, their children were able to afford to go the college of their choice. The Steiners have been paying the entire cost of the education for each of their children. Because of Bill's income tax bracket, the children were not entitled to any financial assistance and therefore, the full tuition was being paid by the Steiners. Meredith, their oldest daughter, is 23, a graduate of the University of Delaware. She is living home and was planning to go to law school. Bill and Russa were planning to pay her tuition. Jordan, is 21 years old and a senior at the University of Delaware. Darren is 18 years old and a freshman at Penn State. If you calculate the tuition that the Steiners paid in after-tax dollars, you can begin to appreciate the responsibility Bill Steiner was carrying with him everyday he went into New York. Russa's financial future is now fragile and uncertain. She has reluctantly had to seek the assistance of others; a situation which makes her extremely uncomfortable.

Since Bill's death, Russa spent most of her time, sitting at home looking at the television set watching news reports, as events have unfolded. When the status of Bill went from "missing" to "missing and presumed dead", she realized that bills had to be paid and then began the process of taking over the management of the family's finances, a task previously performed solely by Bill. She wrote to her creditors and asked them for extensions of time while she tried to straighten things out. She copied down telephone numbers shown on television, advising her of sources of assistance. Neighbor's and friends gave her newspaper articles and information that they came across. Ultimately, the local Network of Victim Assistance Agency, known as NOVA, provided her with a wonderful advocate by the name of Mia Alan. Mia has helped her with this process. Russa has spent many, many hours, writing letters and making phone calls to various agencies searching for assistance for her family.

On October 6, 2001, Russa spent the day visiting Ground Zero with other victims' families and then an advocate took her to trailers located on Liberty Island, which have been set up to help victims of this horrible tragedy.

She was escorted from trailer to trailer where she would wait in line to talk to someone to schedule an appointment. She then went to the next trailer to wait in line to schedule another appointment and ultimately, return to the various trailers at the appointed time to meet with representatives to tell and retell her story. One of the trailers was sponsored by a Buddhist Compassion Relief Fund known as the Tzu Chi Foundation, USA. Russa knew nothing about this organization, however, when she told them her story, they issued a check to her in the amount of \$1,000.00. This money was available to her immediately, no strings attached. We have supplied a copy of the letter that was given to her by this most generous organization, along with their check. On October 6, 2001, Russa visited many other trailers, some of them were charitable organizations, others were government agencies.

Russa went into the Salvation Army trailer. She was told that she would receive a holiday meal. We assume that at some point in the future, someone will contact her from the Salvation Army to provide her family with a meal over one of the upcoming holidays.

While visiting the trailers, she was able to submit an application to the New York State Victim's of Crime Compensation Board, as well as the New York State Worker's Compensation Board. Approximately one week later both of the State agencies contacted her, each advising that she qualified for State Funds.

When she visited the Red Cross trailer she brought with her copies of actual outstanding bills. She had contacted them previously to apply for the Emergency Family Gift and received a case identification number for that specific application. Her advocate told her to bring actual bills for consideration by the Red Cross for emergency vouchers. This request was separate from her first phone application. The representative onsite at the trailer from the Red Cross, reviewed the bills and selected certain ones that they agreed to pay. A separate disbursement order was then issued for each separate item. Russa was then provided the disbursement order to be used as if it were a check, to pay the specific bills. Copies of the disbursement orders have been provided as an exhibit to this statement. The Red Cross has provided her the following disbursements:

1. \$60.00 for a trash bill for services 10/1/01-12/31/01—this is the cost for her to have her trash picked up at her house.
2. \$227.50 for the Steiners' electric bill for the month of September
3. \$99.07 for the Steiners' telephone bill for 9/15/01-10/14/01. The Steiners have several different phone bills. The Red Cross picked one of the monthly bills and issued the disbursement order.
4. \$138.00 for the Security company that provides a security service for the burglar alarm system in the Steiner house.
5. \$135.00 and \$135.00 (two separate disbursement orders) for food made payable to the Giant, Russa's local grocery store.
6. Several days later, a check arrived in the mail from the Red Cross to Russa in the amount of \$450.00. This money was made payable to Russa to use at she deemed fit for family maintenance.

The total sum received from Red Cross to date is \$1,244.57.

Russa was led to believe that there may be some additional money coming from the Red Cross from her phone application of September 28, 2001, for the Emergency Family Gift. There has been no suggestion of the amount or when it will come. A representative said to her that because she was able to obtain additional time from her creditors, they felt that she did not qualify for assistance on an emergency basis.

Russa has made many applications to organizations over the phone and by letters. One of those organizations is her Local United Way. On September 28, 2001, she applied by phone to the New York City United Way September 11th Fund. On November 2, 2001 a representative from her local Bucks County United Way arrived at her house and presented her a check in the amount \$1,500.00 from the local United Way. This gift from the local United Way was unprecedented. Normally, the local United Way only provides assistance to agencies. The representative explained that the Bucks County Local United Way is applying for money, for victims of Bucks County, from the September 11th Fund. He explained to us that the September 11th Fund is the fund raised by United Way of New York. It is our understanding that these funds will be distributed through the local United Way Organizations. I have been advised that 20 families have been identified from Bucks County. An initial grant has been requested which would pay to the Steiners a grant of \$3,000.00 per month for 3 months. The \$1,500.00 payment, just recently received, would represent a portion of the grant which has been applied for. By no means am I qualified to speak for the local United Way, in terms of what their intent is or in terms of what their efforts have been. The gentlemen who brought the check to Russa was very kind and gracious. The funds being provided to her were unrestricted. We have no information which would suggest when she will know if the full \$9,000.00 grant was

approved, or if and/or when there will be any consideration for providing her with additional money over and beyond the outstanding request for \$9,000.00.

Russa has contacted many potential sources of aid. She promptly called the Families of Freedom Scholarship Foundation after hearing President Clinton and Senator Dole talk about the Fund on television. She called September 29, 2001 to register her children. They called her back on October 5, 2001 and explained that the application would be sent out sometime close to the end of this year. No money would be available this year and ultimately, it would be based on financial need.

This has been a very painful process for Russa and her family. People have been very kind, however, the Steiner family financial situation remains fragile. Penn State was gracious enough to provide a \$2,500.00 scholarship for Darren. Congressman Greenwood connected Russa Steiner with a local builder, whose family has created a Foundation called "Count Your Blessings" tuition fund. Mickey and Marjorie Schrenk, the creators of the Foundation are arranging to pay a semester's tuition for Jordan at the University of Delaware. Nonetheless, the children's educational future is uncertain. Russa's ability to remain in her house is uncertain. She has monthly mortgage payments which have to be met. The mortgage company has given her a 6 month reprieve while she tries to straighten out finances. She will ultimately have to meet those financial obligations, or she and her 3 children will have to move from the home where her children have been raised, and where their closest connection to Bill remains.

By no means do I offer this comment in a judgmental way, but I would simply state that Russa's financial position right now is precarious. Russa has never had to ask people for assistance. Russa would never say to someone, that she needs financial help on an emergency basis. Nonetheless, part of the trauma associated with this horrible tragedy is not only the loss of her dear husband, but the financial uncertainty which now plagues the Steiner Family. To date she has received the following financial assistance from the following charities:

| | |
|-----------------------------------------|-----------------------|
| Red Cross | \$1,244.57 |
| United Way | \$1,500.00 |
| Tzu Chi Foundation | \$1,000.00 |
| Count Your Blessings Tuition Fund | 1 semester of tuition |

We will be happy to try and answer any questions that you may have for us.

LIST OF CHARITIES CONTACTED BY RUSSA STEINER

1. Red Cross

Russa Steiner applied over the phone on September 28, 2001 for what she was told was the "emergency family gift". She was assigned a case number and she immediately faxed her family expenses for their consideration. She has not received any response to date with respect to this request.

On October 6, 2001, she applied in person for disbursement orders with the help of her advocate. She received \$794.57 in disbursement orders on October 6, 2001. Several days later she received a check from the Red Cross for family maintenance in the amount of \$450.00.

Total sum received from the Red Cross to date: \$1,244.57

2. Tzu Chi Foundation

Russa Steiner applied in person at a trailer located at the New Jersey Family Assistance Center on Liberty Island. She received a check in the amount of \$1,000.00

Total sum received from the Tzu Chi Foundation: \$1,000.00

3. United Way

Russa Steiner applied over the phone for a United Way grant from the September 11th Fund on September 28, 2001.

On November 2, 2001 a check in the amount of \$1,500.00 was delivered to her from the Local United Way. The Local United Way has applied for additional funds from the New York United Way-September 11th Fund.

Total sum received from the Local United Way: \$1,500.00

4. Salvation Army

Russa Steiner applied in person at a trailer located in Liberty Island on October 6, 2001. She was told that she would be provided with a holiday meal at some time in the future.

5. New Jersey Realtor's Housing Relief Fund

Russa Steiner applied in person on October 6, 2001 at a trailer located at Liberty Island. During a follow-up phone call on October 15, 2001 she was told that they would forward her request to the National Branch in Chicago, because they only cover New York and New Jersey. She has heard nothing further from them.

6. Families of Freedom Scholarship Foundation

Russa Steiner called this foundation on September 29, 2001 after hearing Senator Dole and President Clinton discuss it on the television. She received a telephone call back October 5, 2001 advising her that applications would be sent at the end of the year. She was told that there would be no money available for this year and that future grants would be based on financial need.

7. Twin Tower Fund

Russa Steiner learned of this fund from television and made a telephone call to the organization on September 30, 2001.

8. Sylvan Learning

Russa Steiner applied by phone on September 28, 2001. She received a telephone call back on October 5, 2001. They suggested that she contact the Families of Freedom Scholarship Foundation.

9. Count Your Blessings Tuition Fund

This is a foundation created by Mickey and Marjorie Schrenck. At the suggestion of Congressman Greenwood, Russa Steiner applied October 29, 2001. She heard back the same day that they would be providing one semester tuition payment for one of the children.

Mr. GREENWOOD. Thank you, Mr. Baldi.
Mrs. McLaughlin?

TESTIMONY OF ELIZABETH McLAUGHLIN

Mrs. McLAUGHLIN. Thank you, Chairman Greenwood and the subcommittee, for inviting me here today. Honestly, I feel an awesome sense of responsibility to the nearly 4,700 families whose loved ones died on September 11. I think it is important that this committee and the millions of generous contributors across America know the unnecessary, and at times overwhelming, obstacles the surviving victims face when trying to receive assistance from the government and charities.

I hope that my testimony and the work of this committee will aid the victims' families in our efforts and improve upon the current system.

First and most importantly, I am absolutely amazed at the outpouring of support and generosity from the American people. When I drive through New York and elsewhere and I see flags raised, I feel like they are raised for me. I know if my husband Rob had died any other way under any other circumstances, that I would not have this kind of support, and I would not be here today. Rob was 29 years old, and our only child Nicholas was 9 months on September 11. We had just moved into our first home. It was a fixer-upper, and we sank our life savings into it. Rob worked at Cantor Fitzgerald on the 104th floor of the North Tower, and like most of the world, I watched the towers tumble that morning.

The events of September 11 have changed our lives forever, but now, Mr. Chairman, I am tired, and I want to spend time with my son. Shortly after the attacks, I saw news reports and telethons that continuously mentioned the fund-raising efforts for the families of the victims of September 11. I asked friends and family to see what funds were available. No one really had much information, but we were all hopeful that these organizations would help.

Rob was the sole source of income for our family, and I thought for the first time maybe I can keep my house. But then the real work began. You have to really focus, which some days is very hard to do, to satisfy the various registration requirements, qualifying criteria, keep up with policy changes, find out what groups sent money where, determine what documents need to be sent and to whom, speak to uninformed representatives and volunteers, repeat my story to the same organizations, sometimes 4, 5 and 6 times, countless faxings, sending e-mails and traveling in person, at least once a week, to reapply to the same organizations.

Before when I had friends and family helping me full-time, the task did not seem so daunting. We have contacted over 40 organizations. I have received some emergency funds. I have a different experience from Russa, and I thought I was doing everything right. I have an 18-page spreadsheet on all the charities and government organizations that we started on September 12, and it is updated every day. It has registration information, contacts, documentation required, follow-up required, but now as time goes on and my friends have less time to devote to this effort, the responsibility and pressure increased as my bills mount.

Ironically, I have a master's degree in not-for-profit management. I do understand the magnitude of this project for charitable groups is unprecedented. I appreciate the work they are doing for me and for thousands of other families. And I do think my situation could have been worse. But I don't think contributors to the various September 11 funds thought that their donations would be caught up in so much red tape and become such a source of frustration for the families. It seems this process could have been better streamlined and centralized so that families can move on with their lives.

That is why I am here today. It is not too late. Mayor Guiliani and the city of New York very quickly set up the Family Assistance Center in Manhattan, Pier 94. They gathered the charities, government organizations, legal assistance, translators, volunteers, food, counseling. Why then haven't these charities been able to get together and agree on one uniform application? Why haven't they been able to get together and develop a quicker way for families to receive these funds? We all have the missing person's reports, death certificates and any other proof needed to avoid fraud, but the charities are not sharing these documents or information with each other. The system is not believing—it is not working the way I believe it was intended. I know a family in my town of four children who lost their father on September 11. Their mother has to support all of these children now, both emotionally and financially. How can she spend each day making these phone calls, visiting these organizations and following up? Many charities are giving out funds on a first-come, first-served basis. Does that mean she will not receive the donations that she and her family will need?

Sadly, a friend of mine whose husband worked also at Cantor Fitzgerald who was 6 months pregnant told me yesterday morning, I give up. And that is one of the reasons I came today. I don't want to let her down, and you should not either. There are too many people who need help, and I think that is why these charities were set up in the first place.

Mr. Chairman, the American people have shown time and again that they are kind and generous. Because of the unspeakable tragedy to my family on September 11, I now am forever grateful to be experiencing firsthand this kindness and generosity, but as I testified, it has not been easy, and many people are not getting the help they need. I sincerely hope this committee will do everything it can to help the thousands of families suffering across this Nation more quickly and more easily receive the generosity that millions of Americans intended they receive. Thank you.

As I said—sorry—I have several different experiences and information that I would be happy to submit. I didn't decide to do this until about 11 o'clock last night. So I don't have—I am not quite as organized. But thank you.

[The prepared statement of Elizabeth McLaughlin follows:]

PREPARED STATEMENT OF ELIZABETH MCLAUGHLIN

Mr. Chairman. Members of the Subcommittee. My name is Elizabeth McLaughlin. Thank you Chairman Greenwood and the Subcommittee for inviting me to speak at this hearing today. Honestly, I feel an awesome sense of responsibility to the nearly 4,700 families whose loved ones died on September 11th. I think it is important that this Committee and the millions of generous contributors across America know the unnecessary—and, at times, overwhelming—obstacles the surviving victims face when trying to receive assistance from the government and charities. I hope that my testimony and the work of this committee will aid the victims' families in our efforts and improve upon the current system.

And, I think—with all due respect to their fine team—that the Arizona Diamondbacks should have thrown the World Series for New York.

First and most importantly, I am absolutely amazed at the outpouring of support and generosity from the American people. When I drive through New York and elsewhere and I see American flags raised, I feel like those flags are raised for me. I know if my husband Rob had died under any **other** circumstances, I would not have this additional level of support—and be able to be here today.

Rob was 29 years old and our only child, Nicholas, was 9 months old on September 11th. We had just moved into our first home, a fixer upper where we sank our life's savings. Rob was a partner at Cantor Fitzgerald on the 104th floor. Like most of the world, I watched the World Trade Center towers fall down that morning.

The events of September 11th have changed our lives forever. But now, Mr. Chairman, I am tired—and I want to spend time with my son.

Shortly after the attacks, I saw news reports and telethons that continuously mentioned the fund raising efforts for the families of the victims of September 11th. I asked friends and family to help see what funds were available. No one really had much information, but we were all hopeful that these organizations would help.—Rob was the sole source of income for our family, and I thought, "Maybe I can keep our house."

But then, the real work began. You have to really focus—which some days is very hard—to satisfy the various registration requirements; qualifying criteria; keep up with policy changes; find out what groups sent money where; determine what documents need to be sent and to whom; speak to uninformed representatives; repeat my story to the same organization four, five and six times; countless faxing, sending emails, and traveling in person each week to reapply.

Before, when I had friends and family helping me full-time, the task did not seem so daunting. We have contacted over 40 organizations. I have received some emergency funds, and I thought I was doing everything right. We developed an 18-page spreadsheet to organize the registration, contacts, proper documentation and required follow-up. Now, as time goes on and my friends have less time to devote to this effort, the responsibility and pressure increase as my bills mount.

Ironically, I have a Masters degree in not-for-profit management. I understand the magnitude of this project for charitable groups is unprecedented. I appreciate the work they're doing for me and the thousands of others families. I think my situation could have been worse. But I don't think contributors to the various September 11th funds thought that their donations would be caught up in so much red tape and become a source of frustration to the families. It seems this process could have been better streamlined and centralized so families can move on with their lives. That is the main reason I am here today. It is not too late.

Mayor Guiliani and the city of New York very quickly set up a family assistance center in Manhattan that gathered the charities, government organizations, legal assistance, translators, volunteers, food and counseling. Why then, haven't these charities been able to get together and agree on a uniform application? Why haven't they been able to get together and develop a quicker way for families to receive the funds? We all have missing persons' reports, death certificates, and any other proof needed to avoid fraud, but the charities are not sharing these documents or information.

The system is not working the way I believe it was intended. I know of a family with four children who lost their father on September 11th. Their mother has to support all of these children both emotionally and financially now. How can she spend each day making the necessary phone calls, visits and follow-up to these organizations? Many charities are giving out funds on a first-come, first-served basis. Does that mean she will not receive the donations that she and her family need?

Sadly, a friend told me yesterday, "I give up."

I don't want to let her down, and you should not let her down either. There are too many people that need help. Isn't that why these charities were set up in the first place?

Mr. Chairman, the American people have shown time and time again that they are kind and generous. Because of the unspeakable tragedy to my family on September 11th, I now am forever grateful to be experiencing firsthand this kindness and generosity. But, as I testified, it has not been easy, and many are not getting the help they need. I sincerely hope that this Committee will do everything it can to help the thousands of suffering families across this Nation more quickly and more easily receive the generosity that millions of Americans intended they receive.

Thank you. I will be happy to answer any questions the Committee may have.

Mr. GREENWOOD. Thank you, Mrs. McLaughlin. Thank you for being here.

And again, Mrs. Steiner and Mrs. McLaughlin, you are courageous, indeed, to come and be with us this afternoon, and we will do everything that we can to honor your presence and your efforts by making sure that the families—the other families for whom you speak—also are given what they need for them and for their children to make it through.

Mr. Spitzer, thank you for being here as well and you are recognized for 5 minutes for your testimony.

TESTIMONY OF HON. ELIOT SPITZER

Mr. SPITZER. Thank you, Mr. Chairman, Congressman Deutsch, distinguished members of the subcommittee. Thank you for inviting me to testify here today. The physical and emotional impacts of the events of September 11 are staggering, as we have just heard. Several thousand people lost their lives on that day. Thousands more were wounded, and thousands lost family members, jobs or homes as a result of this terrible attack. Virtually all of these individuals will require some form of temporary or long-term assistance, ranging from medical care to financial aid, to mental health counseling. As a result, our response to this tragedy must be guided by a single focus: addressing the needs of the victims and their families as promptly and coherently as possible.

The American people have responded to this call by pledging more than \$1.2 billion to the relief effort, and the charities entrusted with these funds must spend them in a manner that fulfills the will of the donors. In particular, the donations made specifically in response to September 11 attacks must be used exclusively for the benefit of those who have suffered as a result of those attacks. Moreover, the funds should be distributed in an equitable manner, ensuring that no victim is left unassisted.

Indeed, if this singularly important task is not performed well, then the public will lose faith in the entire not-for-profit sector. As New York's attorney general, I am charged with overseeing the charitable organizations that solicit funds or hold assets in our State, which includes the vast majority of the charities involved in the relief effort. Most of these organizations must register with the State and comply with annual financial reporting requirements. In addition, my office helps to ensure that the interests of the public are protected when charitable funds are raised and spent. Nevertheless, the essence of charity is its voluntary nature.

My office does not and cannot tell the charities how to spend money, and most Americans probably agree, as I do, that government should not control this private giving, which is a uniquely American phenomenon. Very soon after the September 11 disaster, it became clear to me that we needed to improve the coordination of the terrible response to the tragedy, and I have been working ever since to achieve that goal. While there was some initial resistance from some charities, that resistance has been largely overcome, and my office is now working cooperatively with many of the charities involved in this effort.

In particular, my office identified five critical areas that needed to be addressed: Improving the process for victims; improving coordination among charities; providing information to the public; preventing fraud; and addressing long-term issues. And we have made substantial progress toward achieving all of these goals. First, as we have heard, we need to make it easier for victims to learn what relief is available and to access that aid. Although thousands of victims have already received aid, others are having difficulty obtaining the relief they need. Many of these victims are baffled by the process, which involves submitting a dizzying array of forms and making daily phone calls to scores of different organizations offering assistance. We need to address these issues as soon as possible.

The good news is that the charitable organizers are responding positively to our efforts. For example, almost 100 charities and other private entities have already provided my office with detailed information about their programs and funding criteria, and we have created a public Web site for this information, www.wtcrelief.info. This Web site helps victims and their families locate charities that are providing aid, assists donors in deciding which charities to give money to and helps charities learn more about their colleagues' efforts.

In addition, I hope in the near future to develop a mechanism enabling individual victims and families to use this Web site to send information about their needs directly to the listed charities so that those charities can contact them more promptly.

At the same time, however, we must remember that many victims and their families do not have computers or are not proficient in English, and thus any Internet-based assistance can only fill a part of the existing needs, as a result, with need to streamline the written application process to the greatest extent possible. There is no reason why those affected by the September 11 tragedy must complete dozens of different applications for dozens of different organizations.

Instead, I have urged the major charities to work together and develop a single, uniform application available in as many languages as possible that all organizations will accept. We must strive to make the application process as easy for the victims as we possibly can.

A second goal has been encouraging the charities to work together to expedite the provision of aid, avoid duplication of services, and ensure fairness in providing relief. With over 200 major charities raising funds for September 11 relief, the challenge of coordinating will not be an easy undertaking, but it is an essential one. Fortunately, we are making substantial progress on this front. Last week, I announced a team of private firms, including McKinsey & Company, IBM, SilverStream Software, Qwest Communications and KPMG, that are working pro bono to create a private, secure listing of the grants that have been provided to victims and their families. This effort is modeled on a similar approach developed after the 1995 bombing of the Murrah Federal Building in Oklahoma City. Their jointly managed data base served a crucial case management role, helping ensure both the integrity of the process and the equitable distribution of relief.

Over the past several weeks, many of the largest charitable organizations, including the American Red Cross, the Salvation Army, the September 11 Fund, and Safe Horizon, which together account for approximately 80 percent of the charitable pledges, have agreed to participate.

My office is in the process of working with the charities to finalize the details of the data base, which will become an essential component of the efforts to prevent duplication and will also help them to reach and serve the broadest range of victims. I am pushing aggressively to get this data base created, and Congress similarly should express its desire that the data base be created quickly and utilized to the fullest extent possible.

The third critical goal is to ensure that the charities provide information about the use of the funds that they have received. Charities can provide assistance to the victims of the September 11 attacks only because of the long-standing generosity of the American people. The American people in turn expect to see that these funds are provided to those in need promptly and equitably. Services are still being provided to victims of the Oklahoma City bombing, even though more than 6 years have passed since that tragic event, and so we know that the needs of the September 11 victims and their families will continue for many years.

While the charities, therefore, should not spend all of the money immediately, they still must demonstrate to the American people that they are fulfilling their charitable mission. I am thus urging each charity to publicize on a regular basis the amount of money it has received, detailing how much it has spent and identifying the purposes for which its funds have been targeted. My office has volunteered to collect and aggregate the data and to place it on our Web site so that updated information is readily available in a central location.

Fourth, we must be vigilant in our efforts to prevent the diversion of funds from the victims through fraud, waste and abuse. We have already seen a few instances of individuals raising funds with

little assurance that the money will reach the victims of the September 11 attacks, and we have even seen isolated cases of unscrupulous individuals falsely claiming to be victims of this tragedy. Our responsibility in government includes the obligation to move swiftly and aggressively to enforce the laws against those who engage in fraud, and there are ways that Congress can help. In particular, Congress should modify those provisions of the Internal Revenue Code that impede disclosures to State law enforcement authorities regarding IRS audits and enforcement actions and should encourage greater disclosure of charitable fund-raising practices.

Finally, I have called for the creation of a permanent working group of the major charitable organizations and victim groups, which can meet on a regular basis to address the needs of victims who have not been assisted and to solve other problems in the process as they arise.

A similar working group was created in Oklahoma City and was extremely helpful in the response to that tragedy.

This kind of focused collaboration is especially crucial for the retail level charities, which are actually delivering cash assistance and services to individual beneficiaries. In addition to addressing the needs of individual victims, the working group can focus on some of the difficult questions that all charities are facing, such as balancing the desire to provide assistance quickly against the need to keep funds in reserve for the future; deciding how to allocate funds among the many survivors of a single victim; guarding against the prospect of individuals who may try to defraud the charities; and determining how to help undocumented aliens and other victims who are afraid to come forward.

On balance, the charitable organizations have done an excellent job in responding to the events of September 11. On behalf of all of us in New York, I wish to express our tremendous gratitude to all Americans—to all Americans and indeed people throughout the world who have contributed to this remarkable relief effort. Nevertheless, we must recognize the events of September 11 demand a team response. Only through an ongoing cooperative effort can we possibly hope to ensure meaningful and sustained care for the victims of this terrible tragedy. This cooperation is essential if the charities are to earn and keep the confidence of the American people. Faith not only in wise use of the donations raised for this crisis, but also faith in the integrity of our great tradition of private philanthropy. Thank you.

[The prepared statement of Eliot Spitzer follows:]

PREPARED STATEMENT OF ELIOT SPITZER, ATTORNEY GENERAL, STATE OF NEW YORK

Chairman Greenwood, Congressman Deutsch and distinguished Members of this Subcommittee, thank you for inviting me to testify before you today on the important issues that face us in the wake of the September 11th attacks and the charitable outpouring that followed that tragedy.

The physical and emotional impact of the events of September 11th is staggering. Several thousand people lost their lives at the World Trade Center, the Pentagon and in Pennsylvania, and so the relief effort plainly begins with an understanding of the thousands of grieving families and friends they have left behind. Many children will grow up without a parent, and thus families may need support for years.

In addition, thousands of people were injured as they fled the World Trade Center or tried to rescue others. Many will require years of medical treatment and other

assistance. Thousands of others in New York lost homes, jobs, businesses and sense of security. The individual and aggregate physical, emotional and economic losses are huge. The need for services ranging from education and training to mental health counseling is equally enormous and will endure for years to come.

Our response to this tragedy must be guided by a single overriding principle—the needs of the victims and their families must be addressed as promptly and coherently as possible.

The American people have already responded to this call, by opening their hearts and wallets in an unprecedented way. Charitable institutions have collected more than \$1.1 *billion* in donations and pledges, making appeals to their donors that directly cited the need for relief of this disaster. Collectively, the American public has great expectations that this outpouring of relief will make a difference for those who are suffering, both on an immediate basis and over the long haul.

As a result, the charities that have been entrusted with these funds must spend them in a manner that fulfills the will of the donors. In particular, the donations made specifically in response to the September 11 attacks must be used exclusively for the benefit of those who have suffered as a result of those attacks. Moreover, the funds should be distributed in an equitable manner, ensuring that no victim is left unassisted. Indeed, if this singularly important task is not performed well—with dignity, fairness, equity and justice for all of the victims—then the public could lose faith in the entire not-for-profit sector.

As New York's Attorney General, I am charged with overseeing those charities that solicit funds in our state, as well as the charitable organizations, including foundations and charitable trusts, which are created in or hold assets in our state. It is my duty to help ensure that the interests of the public are protected when charitable funds are raised and spent. I consider it a privilege to perform this important function, especially in this time of great need.

Nevertheless, the essence of charity is its *voluntary* nature. Americans decide individually, often in a manner closely linked to our individual views and faiths, how to make contributions to charities that serve our shared goals. There are many diverse ways in which relief can be provided effectively, in keeping with our country's strong tradition of private philanthropy.

In New York, most not-for-profit groups (other than religious organizations and certain other exempt entities, such as the Red Cross) are required to register with the state and comply with annual financial reporting requirements. My office makes those reports public, so that donors can make informed choices as they plan their contributions. We oversee not-for-profit groups, including those that are exempt from registration and reporting rules, to ensure that they use their charitable assets in ways that fulfill the intent of the donors and further the public interest. My office tries to ensure that charitable solicitations are truthful, that charities invest their funds carefully and that the officers, directors and trustees who manage not-for-profit institutions uphold their fiduciary duties to the beneficiaries of the charities they run.

But my office does not and cannot tell the charities how to spend money—and most Americans probably agree that government should not control this private giving process.

As regulators, our goal in general has been to help donors' efforts to obtain information more easily concerning what each charity has done and pledges to do with the funds it collects from the public. Here, with the magnitude of the September 11th tragedy, and the huge numbers of its victims, we must also pay special attention to helping those individuals and families obtain the information they need to locate the assistance they deserve.

Very soon after the disaster, it became clear to me that we needed a coordinated charitable response, and that we could not afford to wait for that coordination to evolve over an extended time period. I therefore have tried to use my office to jump start the necessary collaboration. While there was some initial resistance from some charities, that resistance has been largely overcome, and my office is now working very cooperatively with many of the charities involved in this effort.

In particular, my office identified five critical areas that needed to be addressed, and we have made substantial progress toward achieving all of these goals:

1. making it easier for victims to learn what relief is available, and to access that aid;
2. creating a victims database, to facilitate coordination, avoid duplication and ensure fairness in the aid distribution process;
3. providing the American public with information about the amount of donations received and expended, and the purposes of those expenditures;
4. investigating and prosecuting any instances of fraud and abuse that arise; and

5. ensuring that a working group of charities and victim advocates is established, to solve problems as they arise and swiftly identify gaps in the services required to meet victims' needs in the future.

I will devote the remainder of this testimony to a more detailed discussion of each of these initiatives.

Victims' Need for Access to Information and Streamlined Process:

The government agencies and charitable organizations that have stepped in first to meet victims' most immediate and acute needs have distributed tens of millions of dollars in aid, but already reports of delays and gaps in service are emerging. Although thousands of victims have already received aid, many others are still in need. Moreover, almost all are baffled by the process, which involves a dizzying array of forms and scores of phone calls, ever-changing assistance personnel, perceived delays in receiving relief and, as yet, very little explanation of how to go about accessing relief for longer-term expenses. These problems are very troubling.

The lack of coordination also affects the charities, particularly those seeking to support longer-term needs of the victims, which are finding it difficult to identify the victims they have pledged to serve. It is certainly reasonable for those charities—as well as charities whose relief focuses on broader, community-wide losses—to take additional time to assess the needs, consult with other charities and develop effective service plans, but that process should be as open as possible, so that the victims and donors can monitor progress. As yet, we know very little about the plans for this portion of the charitable dollars raised.

One of my top priorities has been to bring all of the various charities together in an effort to address these issues—particularly the problems faced by the victims—as quickly as possible. The good news is that the charitable organizations are responding positively to our efforts. For example, almost 100 charities and other private entities have already provided my office with detailed information about their programs and funding criteria, and we have created a public website for this information: www.wtcrelief.info.

This website—which has been up and running for more than a month—contains a search function which helps victims and their families locate those charities that are providing the precise type of assistance the victims need. Increasingly, as more data is accumulated each day, this website also includes contact information and other guidelines, so that victims will find it easier to obtain relief.

The website can also easily be used by donors in deciding which charities to give money to. Donors can find the charities that are providing the specific kinds of assistance they wish to support, can link to those charities' financial reports on an independent website (www.GuideStar.org), and in many instances can link directly to the charities' own websites to get more information or donate on-line.

The www.wtcrelief.info website also provides charities with a vehicle to learn more about their colleagues' efforts, so that they can work closely with those serving the same goals as their own, and can identify those needs that may be receiving less attention.

I hope in the near future to work out with the charities a mechanism enabling individual victims and families to use our www.wtcrelief.info website to send information about their needs directly to the listed charities, so that those charities can contact them more promptly. My goal, which I know the charities share, is to facilitate outreach by the charities to the victims, especially those who are frustrated, fearful or otherwise experiencing barriers to assistance.

We must remember, however, that many victims and their families do not have computers, or are not proficient in English, or both, and thus any Internet-based assistance can only fulfill a part of the existing needs. As a result, we need to streamline the written application process to the greatest extent possible. Although it is wonderful that so many organizations are stepping forward to provide assistance, this outpouring of support can result in confusion and reams of paperwork for the victims. While many of the victims who lost a close family member or were injured or displaced by the tragic events of September 11th have completed extensive applications in seeking their initial emergency relief grants, there is no reason why they must be required to chase down and complete multitudes of different applications for dozens of different organizations in order to have their longer-term needs met.

Instead, I have urged the major charities to take the lead in developing a single, uniform application—available in as many languages as possible—that all organizations will accept. We must strive to make the application process as easy for the victims as we possibly can.

Importance of a Victims Database to the Charities' Coordination:

With over two hundred charities raising funds for September 11th relief, the challenge of coordinating this effort began eight weeks ago and will continue for many years to come. The charitable organizations that have tapped the reservoir of public generosity so successfully must now work together as never before to expedite assistance, avoid duplication of services, prevent fraud and ensure fairness in providing relief. This will not be an easy undertaking.

That is why I have recruited talented professionals from the private sector to create a victims database, which can maintain a private, secure listing of the grants that have been provided to victims and their families. Just last week, I announced a team of private firms, all of whom are providing services and products for this database effort on a *pro bono* basis. The team is coordinated by McKinsey & Company, and includes IBM, SilverStream Software, Qwest Communications and KPMG. I greatly appreciate the willingness of these entities to assist in this important effort.

My role in the creation of this database has been as a catalyst, setting forth the parameters and seeking to have the database up and running as quickly as possible. In particular, the database must include strict security measures to protect the privacy of the victims and their families from unauthorized disclosure.

This effort is modeled on a similar effort developed after the 1995 bombing of the Murrah Federal Building in Oklahoma City. I am grateful to the staff of Oklahoma City's charities, including the United Way and the Oklahoma City Community Foundation, for sharing their wisdom, expertise and experience to aid us in developing our database. Despite the magnitude of the tragedy in Oklahoma City, because most of the victims worked directly for the government and the number of families impacted was smaller, the charities could meet around a table on a regular basis and work through the issues family-by-family. Their jointly-managed database served a crucial case management role, helping ensure both the integrity of the process and the equitable distribution of relief.

In contrast, the scale of the September 11th disaster—with thousands killed and tens of thousands suffering severe physical, emotional and economic losses—is much more vast. Our challenge is to find a way for the charities to work together smoothly and with the same sense of shared purpose as their Oklahoma City counterparts.

Over the past several weeks, many of the largest charitable organizations—including the American Red Cross, the Salvation Army, the September 11th Fund (the joint venture of United Way and the New York Community Trust) and Safe Horizon, which together account for approximately 80% of the charitable pledges—have agreed in principle to participate. These charities have acknowledged the need for the database, and indeed have expressed a desire to operate it themselves, rather than having it run by a government entity. It is important to emphasize, however, that the cooperation of the charities is essential to the success of the database, because only they have the information necessary to make it work, and the level of commitment varies among the many different charitable entities.

My office is still in the process of working with the charities to finalize the details of the database, which will become an essential component of their efforts to prevent duplication and fraud, and will also help them collectively reach and equitably serve the broadest range of victims. These are very important goals, and as a result I am pushing aggressively to get this database created as soon as possible. Congress similarly should make clear that it is demanding a coordinated response to this tragedy, and should urge the charities to create the database quickly and utilize it to the fullest extent possible.

Obligation to the American Public:

The charities must recognize that they are only able to provide assistance because of the overwhelming generosity of the American people, and that the American people, in turn, expect to see that these funds are provided to those in need promptly and equitably. There have been several publicized cases of victims who have not been able to obtain needed relief, and unfortunately this has overshadowed the fact that tens of millions of dollars have already been provided to thousands of individuals.

One of the other lessons of Oklahoma City—where services are still being provided to victims more than six years after that tragic event—is that the needs of the victims for services and funds will continue for many years. This clearly will be true in the aftermath of the September 11 disaster as well, and thus programs must be carefully designed and funds prudently managed so they remain available to meet evolving needs. The charities cannot and should not spend all of the money immediately. A coordinated process by which the charities account for their progress

will demonstrate that they are fulfilling their mission and remaining faithful to their public trust.

I am thus also urging each charity to publicize, on a regular basis, the amount of money it has received, detailing how much it has spent and identifying the purposes for which its funds have been targeted. My office has volunteered to collect and aggregate the data, and to place it on the www.wtcrelief.info website, so that updated information is readily available to the American people in a central location. Over the long term, I will work to expedite and improve the charities' disclosure of their programs, priorities and finances in other ways, to better inform and empower the donating public.

Vigilance Against Fraud and Abuse:

As if the challenges ahead were not enough, we have seen evidence of a few individuals whose commitments to charity are questionable at best. Some of these have sought to raise funds from the public, making references to September 11th, but with little assurance that the funds raised will in fact serve that goal. Likewise, a handful of unscrupulous individuals have falsely claimed a connection to the tragedy—a supposedly lost loved one, for example—and have sought to profit from the generosity of an unsuspecting public.

Thankfully, only a trickle of such fraud has emerged thus far. With the scale of this tragedy and the corresponding scale of the charitable outpouring, however, we must remain vigilant against fraud and waste if we are to preserve public confidence in the charities doing the work so desperately needed.

Our responsibility in government includes the obligation to move swiftly and aggressively to enforce the laws against those who mislead the donating public or defraud the charities trying to serve the real victims here, and there are ways that Congress and the state legislatures can help.

At the federal level, Congress should modify those provisions of the Internal Revenue Code that impede disclosures to state law enforcement authorities regarding IRS audits and enforcement actions, and should encourage greater disclosure of charitable fundraising practices. At the state level, I have recommended changes to New York State law to facilitate enforcement actions against those who engage in fraudulent charitable solicitations. Our existing law enforcement tools, together with the legislative and policy changes I have proposed, will better serve our goal of ensuring truthful solicitation and trustworthy distribution of funds.

Need for Ongoing Working Group:

Because of the unprecedented scope of the September 11 tragedy, the process of delivering aid to victims will be long and complex, and many problems will arise. As a result, I have called for the creation of a working group of the major charitable organizations and victims groups, as occurred in Oklahoma City, which can meet on a regular basis to address these problems as they occur. Indeed, I have been encouraged by the charities' efforts to develop their own working group during the past two weeks. This kind of focused collaboration is particularly crucial for the "retail" level charities, which are actually delivering cash assistance and services to individual beneficiaries.

Such a working group—which must include victim representatives—will be able to coordinate their relief effort, and discuss the many thorny issues that all charities are facing. For example, the charities:

- must balance the desire to provide assistance quickly against the need to keep funds in reserve to cover other future needs;
- must decide how to allocate funds among the many "survivors" of a single victim, which can include spouses, ex-spouses, children, grandchildren, domestic partners, parents, siblings and others;
- must also guard against the prospect of individuals who may try to defraud the charities (and thus defraud the public which has relied upon them to provide relief and not waste their donations on the undeserving); and
- must determine how to help undocumented aliens and other victims who are afraid to come forward.

There are no "right" answers here but, as the guardian of charitable assets in New York, I believe that it is essential for the charities and victims to sit down and coordinate their approach to these types of major issues. In addition, I believe that all of us—government officials, charities, victims and their advocates—will benefit from a structure that can respond quickly when it becomes evident that a particular victim or category of victims has somehow been missed by the system and needs immediate help.

On balance, the charitable organizations have done an excellent job in responding to the events of September 11th. On behalf of all of us in New York, I wish to ex-

press our tremendous gratitude to all of the Americans, and indeed, people throughout the world, who have contributed to this remarkable relief effort. However, the charities must understand the importance of coordinating their response to the disaster without further delay.

Although each charity involved has its own unique mission, they must recognize that the events of September 11th demand a team response. Only through an ongoing cooperative effort can we possibly hope to ensure meaningful and sustained care for the victims of this terrible tragedy. This cooperation is essential if the charities are to earn and keep the confidence of the American people—faith not only in wise use of the donations raised for this crisis, but also faith in the integrity of our great tradition of private philanthropy.

Mr. GREENWOOD. Thank you, General Spitzer. We appreciate your presence and your testimony.

Dr. Healy, thank you for being with us, and you are recognized for your testimony.

TESTIMONY OF BERNADINE HEALY

Ms. HEALY. Well, it is clear that life in America changed forever on the morning of September 11. The events were extraordinary, and we responded in a way actually not seen since the world wars, and the historical point during the world wars, the American Red Cross raised in today's dollars in excess of several billion dollars, the same kind of level of philanthropy. Immediate and emerging efforts to alleviate the human suffering brought on by these hard attacks required activation of most of our lines of service. Disaster relief and recovery, blood services, international work and our Armed Forces emergency work. We sought blood, we sought financial donations, and we recruited volunteers to meet those needs.

Early on and in lockstep with our board, we defined what we needed to do. We also created an entirely new fund, a separate fund, the Liberty Fund, as an independent separate segregated account created wholly to hold and disperse funds for this new kind of disaster, which clearly still engulfs our Nation today and surely for tomorrow. The Liberty Fund was borne out of a strong and immediate recognition that the victims of September 11 were those lost, their families, the relief workers, those displaced from their homes, and those victims of terrorist attacks yet to come, such as the anthrax victims.

The victims were also citizens grieving, healing and in search of preparedness, and our military suddenly called to serve in a new theatre of war. There is no question that the immediate response and highest priority, as it always is of the American Red Cross, is to move in very quickly to assist those in need at Ground Zero, and we had three Ground Zeros: in New York, in Pennsylvania and at the Pentagon.

We did our usual disaster kind of work on relief and recovery at the sites, mainly a kind of social service, shelter, food, mass care, but we also developed an entirely new program called the family grant program, a gift to families like Mrs. Steiner, like Mrs. McLaughlin. We did it immediately, quickly, and our purpose, even though we only had about \$50 million in the bank at the time to cover what we knew was at least a \$200 million effort initially, we said, we are going to get a family gift program out, get this money out the door, and we developed a one-page sheet of paper that had to be filled out and that required no receipts, and I am terribly distressed about Mrs. Steiner's experience, required no receipts and

was purely based on the need of that family up to roughly \$30,000, with a letter going with that check that said, if you need more, come back to us.

This was intended for the first 3 months. I do know that Mrs. McLaughlin told me just before that she was pleased that she received almost \$27,000 from the Red Cross, applying in September 24, getting her check on September 26, cashed on October 1. That is the way it was supposed to happen, a quick turnaround, in this case, within 48 hours. Unfortunately, we failed Mrs. Steiner, and there is no excuse for that.

Clearly, proper stewardship of the Liberty Funds, when we are talking about \$100 million, \$200 million, now \$500 million or more, was one of our highest priorities from the very beginning. A strict allocation of the money that was raised was put into the separate account, but also with a very clearly defined categories of use that were put under the oversight of a team of external auditors from KPMG, and one of those senior partners had experience in fraud—was experienced in fraud and abuse.

Let me address a few issues that have been raised recently that I think should be clarified. First, the American Red Cross, to my knowledge, has never described its work as limited only to those people who were lost on September 11 and their family, in New York, and Pennsylvania and the Pentagon. We worked with them vigorously. Everything that we thought we could do, everything that was within our mission, we did.

Now, other charities have said that, that it is only for the people who were lost on that day. We heard that background noise, so we repeatedly communicated to the public our range of service, through our chapter network, through PSAs, through contacts with donors, Web sites, in numerous TV appearances, press releases, in several—in full-page ads in several major newspapers listing the range of services, how much money we have raised and what it was being spent for. Very much along the lines of what Attorney General Spitzer has outlined. Perhaps not everyone heard it, but we certainly have tried, and we will continue to try and get that message out.

Another issue that we must clarify is that we have helped over 25,000 people, and we have not flip-flopped on whether or not we could put personal information on these people that were helping, whether it be spiritual or mental health counseling, whether it be a cash grant, into an open common data base that could be accessible to numerous other groups, either from government or from charities. We have delayed participation because of a long-standing board policy protecting confidentiality of those victims, of those we helped. And as of today, that confidentiality policy has not changed. We will provide names, however, as we have said all along, if the victims, if the Mrs. Steiners and if the Mrs. McLaughlins, sign a waiver of confidentiality, which is the same process that we used in Oklahoma City, or a similar process that we used. You must have the confidentiality. If someone does not want us to release the help that we gave them, we will protect them if they wish us to.

I think the third issue is that from the very first attack, blood preparedness loomed large. Sadly, because of the high mortality,

significant blood needs did not materialize. We had already determined, however, we had determined months, if not a year before, that preparedness for terrorism in this country requires a strategic blood reserve of frozen O-type blood. Frozen blood lasts up to 10 years, and such reserves can be created when you have high levels of blood donations, as we have seen recently in the wake of September 11.

We moved quickly on a scaled-up freeze program in order to amass what we hope will be 100,000 units of frozen blood, which means the next terrorist event will not put the entire medical system at risk if we suddenly need 50,000 units of blood. We cannot choose between the victims of a terrorist attack and those suffering throughout the country in hospitals everywhere. The blood reserve, the frozen blood reserve will also be available if it is needed for our military, particularly in the face of a ground war.

The Liberty Fund is being used for phone banks, 800 numbers, outreach to victims, for auditing costs and for other functions, but all must be related—again, all expenses disbursed from this fund must be related to the designated purposes of the fund, related to September 11 and its aftermath, preparedness of this country as well.

And those purposes alone, September 11 and its aftermath, we created separate funds under external auditor scrutiny to assure that no unrelated disbursements would be made and to assure that all of our communications on those disbursements will be accurately reported to the public and to anyone who wishes to have that information on a moment's notice, including you, Mr. Chairman.

In summary, our responsibility throughout this horrible national disaster, one that we have in the American Red Cross never seen before on our homeland, has been to see that the resources marshalled are spent wisely and caringly. We exercised judgment—some people may not agree with some of the categories of use that we have outlined, but we have experience in these areas, and exercised our judgment in the best interest of what we thought was wise and caring stewardship of these precious resources.

I believe that they have been and will continue to be used wisely and caringly. This is what the American Red Cross Liberty Fund is all about.

[The prepared statement of Bernadine Healy follows:]

PREPARED STATEMENT OF BERNADINE HEALY, PRESIDENT, AMERICAN RED CROSS

Life in America changed forever on the morning of September 11, 2001. We realized that what has taken place is extraordinary, and the American Red Cross was called upon to respond in an extraordinary way, and in a way we had not been called on to serve for many decades. The immediate and emerging efforts of the American Red Cross to alleviate human suffering brought on by the attacks of September 11 required activation of many lines of service—disaster relief and recovery, blood services, international, armed services emergency services—and we sought contributions of blood and financial donations to meet those needs. The generous contributions of blood and money came in for victims: victims of the opening salvo of this new kind of war, victims fearing and grieving across America, and victims yet to come.

Early on and in lockstep with the Board we defined those response requirements and created an entirely new fund, the Liberty Fund, as a separate and segregated account to hold and disburse funds related to this ongoing new kind of disaster. Why did we believe it necessary to establish a new fund? For many reasons. This

is a disaster unlike any other in U.S. history. This is not a “regional” disaster; it is not only about the hideous events that occurred in New York City, Pennsylvania and at the Pentagon. Rather this is a disaster that continues to affect our entire nation, at this time and as we look ahead. This account from the outset has been open to public review. We want it to stay that way and we believe the American public wants it as well.

Proper stewardship of the Liberty fund was our highest priority. Strict allocation of money raised nationally and across the country into this separate account with clearly defined categories of use was placed under the oversight of a special team of external auditors, KPMG. The team included prominently one partner who was skilled in fraud and forensic auditing. (They also reviewed disbursement methods for the large cash gift program.) The discrete categories of use of these funds was articulated in our earliest telephonic meetings with the Board, fund raising directives throughout our nearly 1100 chapter and blood units across the country, through personal and written contacts with major donors, on our fund raising web site, through PSA’s, and numerous TV appearances, press releases, during a press conference and through full page ads in three major newspapers. Our activities were communicated in formal and informal meetings with the United Way and the Salvation Army.

The American Red Cross has come through a time of heroic service to our country. The outpouring of support by the public has been unprecedented, and a statement of their support for the work we have been doing. When one is dependent on contributions for support of that work, no one ever knows whether the blood or financial donations will be adequate to meet the task. We believed we needed over 300 million dollars for our immediate response and have laid out details for that use. We estimated that roughly 200 million dollars would likely be needed over the next year to eighteen months beyond that to prepare the organization for readiness for an ongoing new kind of war. Those investments—in volunteer mobilization, chapter development for response to weapons of mass destruction, expanded blood security, and continuity of operations efforts—are still under discussion. Also, we have not decided as to how large a reserve of funds the Liberty Fund should hold to assure the same kind of response to another attack that could involve as many or more victims.

In the world of charitable contributions one never knows how fast and how large donations will be. I can assure you that the level and rapidity of contributions has far surpassed any persons imagination. Already we have 500 million dollars contributed and some additional pledged. Donations that have been specifically pledged for families, for blood, for help with international victims, or for other uses have been applied accordingly.

Donors must be fully aware of the work of the organization they donate to and the range of their services, and the challenge for all charities—service organizations like the Red Cross or grant makers like United Way—is to find the perfect vehicle so that ever donor making spontaneous gifts are know the purposes for which their gift might be used.

This new kind of war engulfing America that started on 9/11 is evolving; the responsibilities of the American Red Cross to the communities we serve is evolving. As long as we keep the public fully aware of our work to the best of our ability, the trust with the American public will be secure.

National Obligations and Historical Responses:

The American Red Cross draws its authority from a Congressional charter, functions as an auxiliary to the government in times of great national calamity, and has defined and broad based responsibilities to this nation as part of the Federal response plan in times of national mobilization such as war or weapons of mass destruction preparation and response at the local and federal level.

In recent time most of our disaster responses have been one dimensional self-limited responses within the silo of our disaster operations group. The vast majority of the 60,000 disaster responses are single family fires within local communities. The large hurricanes or floods that require a national coordination and a national appeal are still local disasters with a self limited group of victims and a definable time line. They virtually never require the mobilization of other Red Cross established lines of service such as Blood, Armed Forces Emergency Service, or International services.

The events of September 11th and its aftermath is a true national disaster with no clear end in sight. The present yet unfolding bioterrorist attacks on innocent civilians occurring now, and the reported threats of further biological, explosive, nuclear and chemical attacks that convulse our TV screens follow that first series of events of 9/11. Most horrifically, Americans wherever they live face an uncertainty

and vulnerability that was simply not perceived as real two months ago. In this context, the American Red Cross under its mission draws heavy responsibility.

Many have described the attacks on the World Trade Center, the Pentagon and the downing of an airplane in Pennsylvania as the opening battle in a new kind of war. For us, our response today does more closely mimics our responses during World War I and World War II. During those times our American Red Cross mobilization also involved multiple lines of service at both the local and national level. We oversaw major volunteer mobilization of nurses to serve in the theaters of war, nurses and health aids visiting families at home; physiatrists, ambulance drivers, and family assistance workers. We carried out extensive armed forces emergency services, and worked internationally with our allies and civilian populations displaced or harmed by battle.

In World War II we also took on the vital and new effort of providing blood services, blood drawn from American volunteers which was sent overseas for our own military those of our allies ("Blood for Britain" program). We served as part of America's civil defense effort and almost every family had a Red Cross volunteer. Fund raising during that time was the largest in the history of any charitable organization and in today's dollars exceeded several billions of dollars.

The Liberty Fund in support of September 11th and its aftermath:

The Liberty fund was borne out of a strong and immediate recognition that the victims of 9/11 were those lost, their families, the relief workers, those displaced from their homes, and those victims of terrorist attacks yet to come. The victims were citizens grieving and healing and in search of preparedness. The victims were our military and their families suddenly called to serve in a new theater of war.

Immediate Disaster Response

Our first priority was to the immediate disaster response in three different cities; and that work continues. Early on we estimated that we needed at least \$200 million to meet those obligations to victims and their families and made commitments before even a quarter of that amount was in hand. As it turns we have already carried out the largest response we have ever made directly to victims in the recent history of the organization, with over 120 million dollars of the 200 million estimated already spent or in process.

Our response also included emotional and spiritual counseling contacts that exceeded 100,000 carried out by thousands of volunteers; over 10 million meals and snacks; manning respite centers for rescue workers and compassion centers for social service support for the grieving families. Ground zero labor included help with evacuation and mass care. Early on we developed program to get cash gifts quickly into the hands of families who had just lost breadwinners and who confronted cash flow short falls. These gifts, on behalf of the American people, are intended to tide families through until other resources such as life insurance or longer term assistance would become available.

So far more than 25,000 people have received some kind of help, and the work continues. Our relief efforts extend to victims of anthrax, and must be there as well to others who might suffer in the uncertain time ahead. The latter costs which are not factored in the 200 million dollars should be covered by reserves in the Liberty fund after other designated distributions are made.

Blood Services

Blood service and preparedness is another vital responsibility of the American Red Cross that has been challenged by the unfolding events of 9/11. For over a year we had been developing plans for our response to weapons of mass destruction attack, attacks which we had previously designated the "disasters of tomorrow"

In our planning for response to a WMD attack we determined that we would need a strategic reserve of frozen blood, the universal O type, screened and tested and available for transfusion within a matter of hours. Frozen blood is good for ten years, and can be stored at depots throughout the country. After the 9/11 terrorist attacks, we not only positioned existing blood products near the attack sites, but also responded to the thousands of additional volunteers that came forward to give blood donations—even when they knew that there were almost no survivors who needed it. In the long waiting lines we suggested a return at a later time but most wanted to give then. They did it to "do something" and they did it for needs of tomorrow. Working closely with the FDA we quickly scaled up our plans to freeze the extra O blood which was now becoming available to be ready for the period of uncertainty in which other WMD events were being threatened.

During peacetime our inventory of blood is razor thin: on average 2 days, roughly 40,000 units. This level so quickly fluctuates that it is not even adequate for peace time. I can assure you such inventory levels are woefully inadequate in times of un-

certainty and this new kind of war. Were there a sudden need for 50,000 units of blood, our customary inventory would be more than wiped out—and its diversion would essentially shut down medical care for the thousands of other Americans needing blood for elective operations, trauma, cancer therapy, transplants, chronic anemia, and other life threatening illnesses.

It takes roughly 2 days or more to obtain, screen and test blood for use, too late for those who need blood now. We cannot afford for this nation to face a shortage of ready safe blood as some fear we might face now with supplies of certain antibiotics or vaccines.

Recovery and Preparedness in our Communities:

American Red Cross work includes preparedness within our communities: grieving and healing services; information about weapons of mass destruction, including bioterrorism; and about family preparedness. To be ready for the uncertainties of weapons of mass destruction we have to mobilize a new kind of volunteer. This would include what we have termed the Mercy Battalion of trained medical personnel skilled and willing to respond under our Federal Response Plan as auxiliary to the federal government in such settings as quarantined mass care shelters, immunization settings or caring for patients in a hospital overflow shelter. Our Armed Forces Emergency service work has expanded nationally and at the chapter level as reservists were called up and our troops deployed for a possible ground war.

In the setting of the huge outpouring of donations for the September 11th terrorist attacks, it is essential that there be strong public review. With so many different charities receiving donations for very specific purposes and in some cases more limited designation than our Liberty Fund—such as those solely for rescue workers, or those solely for families of victims or for college scholarship programs for children of those lost—it is not surprising that confusion develop in the minds of the public over exactly what each group is doing. For this reason coordination among charities is important, as is public clarification of the different efforts.

Let me address a few issues that have come up recently:

- The American Red Cross to my knowledge has never believed or stated that its work or its request for donations were limited only to those who were lost on 9/11 and their families. Other charities have said that. Our messages referred to the broad range of services in which service to the direct victims of the 9/11 attack was our highest priority. In fact within days of the attack when we had some \$50 million available our goal was to get needed cash into the hands of those victims who needed it as soon as possible. But we also had other work to do in terms of the uncertainty of the times ahead with regard to future attacks and the need for preparedness.
- We have provided assistance to over 25,000 people. We must set the record straight on one frequently repeated misstatement in the press and that is that we have flip-flopped on whether to participate in a New York data base by including the names of those recipients. Let me quote from a November 2 letter written by the Red Cross Chairman of the Board of Governors and the Interim CEO to The New York Times correcting their reporting to the contrary: “The American Red Cross has an organization-wide policy protecting the confidentiality of those we serve. The American Red Cross President Dr. Bernadine Healy, by declining to participate in the New York Attorney General’s database of relief recipients, upheld this Red Cross Board of Governors Policy. The Red Cross operated under the same policy after the tragedy of Oklahoma City: Recipients’ names were not released without a signed waiver providing permission to release this information. As of November 2, 2001 this confidentiality policy has not changed.” (copy attached)
- Blood preparedness has always been of high priority for us, and that was apparent from the very first attack on the World Trade Center. Even though the blood demands that we might have expected did not materialize because so few survived, we believe that preparedness for another attack requires a strategic blood reserve of frozen O type blood. Such a reserve can only be created when there are high levels of blood donation as we have seen in the aftermath of 9/11. Since red blood cells outdate in 42 days, we accelerated our investment in a scaled up freezing program to assure that we could begin freezing the “extra O’s” immediately. In our judgement this is one of our finest investments towards national preparedness in the wake of 9/11.
- The Liberty fund is being used for telecommunications, phone banks, auditing and other support functions but they *must* be related to the 9/11 purposes of the fund and those purposes alone. The reason for creating a separate and clearly identified fund under external auditor scrutiny was to assure that no unrelated or unspecified disbursements be made.

After the attacks of September 11th we worked tirelessly to respond to these hideous attacks and their aftermath, and set about raising the blood, the money and the volunteers necessary to respond. We laid out the work we needed to do and the resources we needed to accomplish them in as precise a way as we could as the emergencies were evolving. Our responsibility throughout has been to see that the resources marshaled are being spent wisely and caringly. I believe they have been and will continue to be used wisely and caringly. This is what the American Red Cross Liberty Fund is all about.

Mr. GREENWOOD. Thank you very much, Dr. Healy. Appreciate your testimony as well.

And the Chair recognizes himself for 5 minutes for purposes of inquiry, and let me address my first question to you, Dr. Healy, and let me ask the \$564 million question, if I can. And that is this: In the 8 weeks since the events of September 11, thousands and thousands of Americans have reached into their pockets and their checkbooks and written—given their money to the Red Cross. Can you assure them today that every dime of those contributions will go to heal the wounds that this country sustained on September 11?

Ms. HEALY. That is absolutely the commitment that I have made, that we have made, and I know that that commitment will continue. One of the most important issues from the very beginning is that these resources, not be put in an account in the general Red Cross disaster account that covers floods and hurricanes and disaster requirements of our chapters, but that it be segregated, held separately apart so that there would be no question about how well it could be audited, there would be no question about how the money was going to be used and there would be no question about the fact that it would be used for the specific requirements outlined and approved by our board, which were the events related to September 11 and to the aftermath, the healing of America, the preparation for future attacks. Already we have seen a—

Mr. GREENWOOD. And let us assume that, God willing, there are no more future attacks, we have no way of knowing. The Red Cross has no way of knowing. But at what point could you imagine the Red Cross feeling sufficiently confident that the aftermath has passed and that the—to the extent that there remains a surplus collected in the name of September 11, that that would then be plowed back to the existing families who you are now serving?

Ms. HEALY. We outlined, in just estimates, that the need response, the next 6 months, including our family gift program, would be in the range of about \$300 million. That is also the early preparedness on blood. That roughly \$200 million—and this is up for discussion now. But the \$200 million would cover sort of longer term, maybe the next 18 months, dealing with preparing our Nation for weapons of mass destruction in our communities where we have chapters, expanding the blood reserve, if we believe it should be expanded beyond 100,000 units. Also looking at continuity of operations for the Red Cross, there are some of our facilities. If you knock them out, we could cripple America's medicine. And also to make sure that all along the way our chapters are preparing and ready to help people, including bringing in new kinds of volunteers, a mercy battalion. We don't have the volunteers today that can respond to shelters that need immunization, vaccination, hospice care. We need a new kind of volunteer to prepare.

Now, to get specifically to your question, we have to make decisions, because the outpouring has been more than the Red Cross expected. We were hoping for about \$300 million. What we have to determine is how much should stay in the Liberty Fund. Should it be the \$500 million, which sort of outlines a 2-year plan? Should we have some reserves? If 5,000 people are harmed tomorrow, do we go out and ask for another billion dollars from the American public, or do we carefully steward the money that is here and make sure that we do have some reserves so that we can, as equitably, deal with the next attack if there are large numbers of people, as we have the first?

We have extended our programs to the victims of anthrax, a small number, but if the number is larger, do we have the reserves to deal with this? These will be discussions. This is an evolving issue. These will be discussions held with the board, with management, and in one press conference where I laid out all of these range of services of the Red Cross, I was asked that question, Mr. Greenwood, and I guess my answer hasn't changed. And that is after a period of time, maybe a year, 2 years—and it is not going to be us that will determine that time. It will be what unfolds in this country and in the world.

Perhaps after 2 years, if it appears that everything is at peace and we don't have these threats, if the Red Cross does no longer have to respond almost in a war mode with a war fund, then in its discretion, the Board of Governors will be able to take those dollars and reprogram them in some other way. What is most important is that if that reprogramming occurs, it be done in a public way and that it be used in some way in the spirit of how that money is collected. And as long as it is done publicly, I think we will be okay.

Mr. GREENWOOD. Let me squeeze another question in here for Mrs. Steiner and Mrs. McLaughlin, because I think it is related. Could you just tell us what your long-range concerns are? Let us assume that you receive from various organizations something on the order of 30, 40, 50,000 dollars. That sounds like it might get you through some portion, a year or so, at best. What are your long-range views for your—you have a 10-month old child, Mrs. McLaughlin. Mrs. Steiner, you have three children of college age. What are your concerns for the long run?

Mrs. McLAUGHLIN. The first concern of every spouse is going to be how do you keep your home, can you keep your home? If I receive 30-, \$40,000, unfortunately, I could not keep my home. I can sell it. I can go to an apartment. My concerns really are for my son's future. My family and friends have—because of concerns about the charities and because of a lot of information in the press, especially recently, set up a private education trust for my son that people are now donating to directly instead of to the charities. That is the big one.

Mr. GREENWOOD. Mrs. Steiner.

Did you have something else you wanted to add, Mrs. McLaughlin?

Mrs. McLAUGHLIN. No. I just—about the 2-years-down-the-road comment with the Red Cross reprogramming some of these funds,

does that mean that I will wait 2 years to hear from the Red Cross again?

Ms. HEALY. I don't think so.

Mr. GREENWOOD. Well, we are—unfortunately, we can't do this in an interrogatory way, but we will try and get your question answered for you. If you would just slide the microphone there to Mrs. Steiner.

Mrs. STEINER. Similar concerns, the keeping of my home and the education of my children to currently—

Mr. GREENWOOD. Is the microphone turned on there? Push the button. It is on. Okay.

Mrs. STEINER. The same concerns, the keeping of the home and the education of my children. And, again, it would be similar, the \$30,000 only goes so far.

Mr. GREENWOOD. Okay. Thank you, Mrs. Steiner.

Mr. SPITZER. Mr. Chairman, is it proper for me to make an observation with respect to an answer that Dr. Healy gave?

Mr. GREENWOOD. Certainly, with—

Mr. SPITZER. I am out of order on this. I suppose I am concerned by what I hear, which is that I see the Red Cross, which has raised hundreds of millions of dollars that was intended by the donating public to be used for the victims of September 11. I see those funds being sequestered into long-term plans for an organization not being spent on victims.

I hear words like continuity of operations, reserves, reprogramming, and we have two victims here at this table who haven't received the money they need. This is anathema to the—what the American public expects. When people were writing their checks for \$100, \$200 or \$10,000, and sending them in in response to the PSAs that the Red Cross was running, they believed victims were going to get that money. I speak now as a New Yorker, and I also speak for the victims in Pennsylvania, the victims in Virginia. They are supposed to get this money. This is not for continuity, and it is not for reprogramming. And this is an issue that demands our attention.

Mr. GREENWOOD. My time has expired, but I will assure that you have time to respond to that comment. The Chair recognizes the gentleman from Florida, Mr. Deutsch.

Mr. DEUTSCH. Thank you, Mr. Chairman. Mrs. McLaughlin and Mrs. Steiner, I assume at this point you are familiar with what Congress did in terms of setting up a fund that the taxpayers of America and all Americans will participate in. Have you thought through—are you going to participate in that fund, or have you thought what options you have personally in terms of the long-term options you have? If you both can respond just about the fund. Are you aware of it?

Mrs. McLAUGHLIN. Are you referring to the airline bailout?

Mr. DEUTSCH. The Federal Government compensation fund that we have actually set up as a no-fault fund for victims of the September 11 disaster. Are you familiar with it?

Mrs. McLAUGHLIN. No.

Mr. DEUTSCH. Mrs. Steiner?

Mrs. STEINER. Me either.

Mr. DEUTSCH. I can tell you a little bit about it. The Congress, in the aid package that we passed the week of September 11, set up a system which no one has applied for yet, but a no fault compensation fund where the American people—and it might end up being—the estimates will it will be about a \$10 billion fund, where a victim family can apply on a no-fault basis without proving any fault of any party, get compensation effectively for the—what would normally be through a wrongful death action, and the American people would supply that, and I guess I am disappointed that neither one of you are aware of it. But that is the concept of a long-term solution. To Mr. Spitzer, I mean, obviously you are aware of it. I mean, is there some, you know, effort to let people know that the Federal Government has stepped up to the plate and said that—as much again, the \$1.2 million that was raised—this is directly for victims, would be the estimates are about \$10 billion.

Mr. SPITZER. Congressman, you are absolutely correct. The largest fund will be the Federal claim fund that you create as part of the airline bailout package. I think the reason it may not have received as much attention yet is that the Department of Justice, the U.S. Department of Justice and Attorney General Ashcroft will have to within, I think, the next 45 days or so, now issue regulations, appoint a special master, and I hate to sound bureaucratic, but hopefully that process will be initiated within a 45-day timeframe, at which point every victim will, I presume, and of course your data base of victims will be useful to contact them, will be told of the availability of this application process, and there will be almost an unlimited reservoir of funds there for the benefit of victims. And I think you are right. There has not been sufficient attention focused on that very worthwhile fund that Congress created, and I applaud you for having done that.

Mr. DEUTSCH. And, again, I really truly am disappointed that you are not aware of it, even with all the agencies talking to you, that you have—that, again, what is the concept of it is that, you know, obviously nothing that the Federal Government can do can ever replace your loss. I mean, by any stretch of any imagination, but I think collectively what Congress decided is that we all share directly in this loss, and as the American people, in a sense, we have said as the elected representatives of the American people, that we want to do that. So effectively, we have already appropriated that for the long-term solution, and the idea is literally not a year fix, not a 2-year fix, but really a fix that hopefully will put you at at least a financial situation to try to make you whole.

That really is the concept of what the Federal Government is trying to do, and I know it is—I mean, hopefully this is—I mean, after you are on the panel, I mean, either through the Attorney General, through, you know, myself or your own Members of Congress, hopefully someone can explain specifically how that would work.

Dr. Healy, I want to at least give you the opportunity to respond to what Mr. Spitzer said, and I share with him a real concern, because I don't believe anyone that wrote a check to the Red Cross, as important as frozen blood is, you know, in terms of the September 11 fund, I don't believe anyone who wrote a check expected that it would be used for frozen blood. And, you know, as good as what I describe the Federal Government, I think what is clear is

that effort has been pointed out, is first of all, not everyone is going to choose to go that route for a variety of reasons, and there are many people that are just going to fall through all sorts of cracks.

You know, how do you respond to him, particularly, and, again, I can—unfortunately, we might be faced with other disasters of extravagant, and hopefully we won't, but when they come, you know, we are going to—you know, whatever we—you know, hurricane just missed south Florida. That could have been another disaster. It was a category 4. Andrew was a category 4. I mean, eventually we know there will be other disasters, and when we go back to people and we ask them for support in those situations, how are you going to respond based upon what you testified to?

Ms. HEALY. Well, first, with the other disaster fund, for example, hurricanes, if we have money left over from one hurricane, like Hurricane Floyd, we leave it in that fund and we will use it for the next hurricane, and that is widely publicized. We say for this disaster and similar disasters. So in a way, this is a similar thing, except we are limiting it to this extraordinary situation, which is a new kind of war.

With regard to whether—you know, I often think about World War II. It was World War II, and the assistance to those who died in World War II and the work that we did as American Red Cross, was it limited only to Pearl Harbor, or did we have an obligation to recognize that the event surrounding Pearl Harbor were part of our organization as an American Red Cross. Remember, we are an organization that is a social organization that has major responsibilities, internationally, with regard to blood services and blood readiness. We have obligations with regard to disaster relief and recovery on an ongoing basis, and in keeping with our general policies, if there were another disaster tomorrow and we have reserves in the Liberty Fund, we would offer the very same services, the same cash grant programs, the same mental and spiritual counseling, the same social services that we have offered in New Jersey—in Pennsylvania, in New York, and at the Pentagon. We would offer that to this group. We might need to raise more money, but we would have some reserves.

With regard to reprogramming, I think it is important to say that we have listed, we have outlined the range of obligations the Red Cross has to this Nation, the first of which is the first \$200 million or more that is dedicated solely, solely to the victims. We have outlined the range of services, which, by the way, also—which—and they are there. They are articulated. They are clear, but if we no longer needed it for those specific programs or there was a need—for example, scholarship programs for children of the victims, which is not a customary thing the Red Cross does, I would—I believe that in the wisdom of the board of Governors, they would see, if we were then at peace, that whatever money remains in there is put into programs that relate specifically to the Liberty Fund.

We do not take money out of our disaster reserves for hurricanes and spend them on something that is not related to those disasters. We would not take money out of the Liberty Fund and spend it on any of the other programs—any other program unless it is already clearly articulated publicly in every way. I think the American Red

Cross has, from the beginning, gotten out in every way it could and said, no, we are not the September 11 fund of the United Way, which has said repeatedly only for the victims and their families of these three attacks.

Actually, no, I think it is just New York City. We did a lot of work at the Pentagon. I mean, we did a lot of work in Pennsylvania. You know, our enterprise, our organization, with its huge infrastructure, has obligations which go beyond what specifically happened at the World Trade Center. That doesn't mean that first and foremost, we aren't helping those people. In fact, I think the American Red Cross was the first to get out, for example, with the family grant program.

We have been working tirelessly at Ground Zero with the rescue workers, as well as with the families, the compassion centers. So we are there. We are on sight, and we are also providing the grants. And I make one final comment, and that is, even our family grant program is designed in a quintessential American Red Cross way, namely, to do what we can do to get someone immediately back on their feet with dignity and to do it in those first several months before other agencies, other Federal agencies, life insurance, whatever, kicks in. After 3 or 4 months, other resources will come available.

Where people are most vulnerable and where they should not be allowed to be beggars, where they should not have to go hat in hand to their next-door neighbor or go to their bank and say, you know, well, we are going to dump you if you don't pay your mortgage. We clearly develop that family grant program for that first 3 or 4 months, and in the list of things that we cover, by the way, without any receipts. That was supposed to be just on the good faith of the person who applied on this one-page sheet of paper. What is your rent? What is your mortgage? We covered it for 3 months. And then we sent a letter. We said, if you need more beyond this first 3 months, ask us. It is a grant program. It is tax free, and it is there without any strings attached, and it is there with almost no documentation except what our auditors required, which was Social Security numbers, addresses and, you know, very simple demographic information.

We have been very excited by this. We have gotten fabulous, fabulous letters in response to the thousands of people we have helped already. I still cannot excuse the fact that Mrs. Steiner had such a difficult time, however.

Mr. GREENWOOD. Thank you. The time of the gentleman has expired. The Chair recognizes the chairman of the full committee, Mr. Tauzin, to inquire.

Chairman TAUZIN. Thank you, Mr. Chairman. Mrs. McLaughlin, Mrs. Steiner, let me first express to you the enormous sorrow that we all feel for you and your families and the families of all the victims. I think we all became New Yorkers on September 11, and Pennsylvanians and members of the Pentagon. I think that is why Americans responded so enormously. We felt, as Americans, a sense of—a belonging with you as you went through this. And I think this is sort of central to the inquiry we make today. What did Americans intend when they responded so generously to all of

these requests for donations and these special organizations that were set up?

Finding the donor's intent is not always easy, Mr. Spitzer, you know that, but it is important in this inquiry. And so I want to turn to you, Dr. Healy, for a brief set of questions.

First of all, did you resign your position with the American Red Cross. Is that correct?

Ms. HEALY. That's correct.

Chairman TAUZIN. What date did you resign?

Ms. HEALY. Last week, I think last Thursday.

Chairman TAUZIN. And you have been replaced by Mr. Decker, is that correct.

Ms. HEALY. Uh-huh.

Chairman TAUZIN. At least temporarily.

Ms. HEALY. Yes, uh-huh.

Chairman TAUZIN. Now, part of the reasons you gave for resignation included, I understand, your decision to keep the Liberty Fund money separate from the organization's main relief fund, and that was a difference of opinion you had with other members of the board; is that correct?

Ms. HEALY. Well, initially, but they basically finally agreed with it. There were a few people who had some issues out in the chapters, but that has been resolved.

Chairman TAUZIN. But part of the reason you resigned was that you differed with the board on keeping this money separate for this disaster?

Ms. HEALY. I believe that the money should be kept secret—kept—hardly secret, very public, but it has to be kept separate. It is easier to audit. It is easier to have public disclosure.

Chairman TAUZIN. And you cited this as one of the reasons for your resignation, a difference with the board on that point. Is that correct?

Ms. HEALY. There was a board issue about whether or not the creation of the separate fund would require a full vote of the board. There was some differences of opinion about it. The chairman of the board was completely supportive of the separate account. It was resolved, and on the last board meeting, it was adopted fully by the full board.

Chairman TAUZIN. The two announcements by the board, which I know we are going to get to in a separate panel, which I want to relate to and I want your thoughts on. The first is an announcement on October 31 that the Liberty Fund—let me read it. The American Red Cross has raised enough money to help victims of the terrorist attacks and will stop asking for donations, according to Mr. Decker. The Liberty Fund held \$547 million in pledges as of Monday, and Mr. Decker, the chair's temporary leader, said it was known from the start that the fund was for a specific event, the September 11 attacks, and would eventually be closed.

Do you agree with those statements, that the fund was for a specific event, would eventually be closed, and that, in fact, the Red Cross had enough money in this account on October 31 that it should stop raising money for that account?

Ms. HEALY. All I can comment on is that the board and management were in complete lockstep on the specific uses of this fund,

that the fund should be held separate, and with regard to when it should be closed, you know, that is another decision. But I do want to stress something, that in the first 24 to 48 hours of this horrible attack on this country, the largest check that came in was for \$3 million for the strategic blood reserve.

Chairman TAUZIN. But Dr. Healy, I don't want to—I really want to get to—I mean, I have limited time. The second announcement I want to refer to is October 29 in which the American Red Cross announced that only a portion of the funds, only a portion of the funds of that \$547 million, approximately \$320 million, would in fact be used for disaster related to the September 11 attack. That part of the money would actually be used for other activities, including blood reserve; a telecommunications upgrade, et cetera.

Now, those two announcements seem to be in diametric opposition to one another. On the one hand, the Red Cross is announcing that only three-fifths of this fund is going to be used for these families, as I think Americans generally intended when they saw a special fund created for September 11. Only three-fifths would be used for that—for the families. The rest would be used for other purposes.

Ms. HEALY. Well—

Chairman TAUZIN. But wait. And then not 2 days later, the Red Cross announces that the fund has all the money it needs for the—to help these families in this disaster and that it no longer will accept money into this account unless somebody specifically asks that it be going into this account. Don't you find—don't you find that awfully strange, that if only three-fifths of the money is going to be used for these families and these families are telling us they are not getting the help that was intended for them, that the Red Cross would announce that it is got all the money that it needs for this account and it will collect no more money for it, but by the way, we are going to use part of it for other purposes. Isn't that rather strange?

Ms. HEALY. Well, what I can tell you is from the very beginning, we put it on our Web site—in fact, I have included with my testimony the list of the priorities that are critical to Red Cross—

Chairman TAUZIN. I know that. I live in hurricane areas. I know there are other priorities.

Ms. HEALY. No. No. These all had to do—

Chairman TAUZIN. I know all the other priorities. What I am concerned about, and I think the representative of the New York Attorney General's office is equally concerned, is that if the American public responded so generously for funds created for this specific event, to have two-thirds of that money siphoned off for other purposes around then to announce within 2 days that the fund basically is going to be closed and any other money that is going to come in is going to go into general purposes now, because there is enough raised for the families.

Ms. HEALY. I do not know about that final announcement, but what must be stressed.

Chairman TAUZIN. Something is wrong.

Ms. HEALY. There is a judgment that is made about how America must respond to the events of September 11. The American Red Cross, from the very beginning, let that be known, in PSA an-

nouncement. It was for the threats that we are facing, including the uncertainty—

Chairman TAUZIN. Dr. Healy, if the Red Cross had announced that it wanted Americans to donate for this and other terrorist events and future events—

Ms. HEALY. That is what we have announced repeatedly.

Chairman TAUZIN. If the Red Cross announced that that is what it wanted, I am sure the American Red Cross would respond. We trust the Red Cross. We all do. We donate to it all the time. Our Congressional families were lined up, members, their staffs, their wives and their husbands, to donate blood and to help out, across America. That is not at issue here. What is at issue here is that a special fund was established for these families—

Ms. HEALY. No. It was established for—

Chairman TAUZIN. It was especially funded for this event, for September 11, and it is being closed now because we are told enough money has been raised in it, but we are also being told parenthetically, by the way, we are going to give two-thirds of it away to other important Red Cross needs. And at the same time, we hear from families here that their needs are not being addressed. Now,—

Ms. HEALY. The American—

Chairman TAUZIN. There is a disconnect, Ms. Healy.

Ms. HEALY. But please let me try and clarify it.

Chairman TAUZIN. I know you are not with the Red Cross, and we have got other Red Cross members who are going to testify a little later on, and they are going to have to respond to these questions, but I wanted to raise them while you are here. Let me say, to your benefit, thank you for insisting that the funds be kept separately. Thank you for resigning if you had a difference with the board over that point. But I really wonder what the board is going to tell us when they come up here on the next panel as to why these decisions have been made to close this fund and at the same time spend a large part of this fund on purposes other than the September 11 event.

Ms. HEALY. But I have to—I do have to get this very clearly stated for the record, and that is, if you look even at some of the documents that I have attached to my testimony, the American Red Cross immediately saw that for the American Red Cross to respond to this new kind of war, for us to respond to the events of September 11 and the aftermath, whether it be anthrax, whether it be a nuclear hit, whether it be a chem/bio attack, to respond to that, we absolutely had to make sure that all of our lines of service were active. We activated internationally. There were numerous international people who were involved in these attacks, and we had to work with our international colleagues abroad. We absolutely have to think about our military. We have major roles with the military. Within days we were mobilizing troops. This is the aftermath of September 11, and we said specifically and repeatedly, it is for the events of September 11 and its aftermath, and related to terrorist attacks on this country—

Chairman TAUZIN. But why would you close the fund—

Ms. HEALY. I didn't make the—

Chairman TAUZIN. Right. Let me make the question, put it on the record. If the fund was really about September 11 and all the aftermath, which we don't even know yet what the aftermath looks like.

Ms. HEALY. Sadly, right.

Chairman TAUZIN. We know some of it. We know the anthrax attacks. We know the possibility every week we are being told that these people want to try another event as big or bigger than September 11. Why on earth, if that is the fact, why would the fund be closed?

Ms. HEALY. Well, first, it is a fact, and I think I have documentation that I can provide as much as you want. This is an investigative committee. We would be pleased to provide any information that shows from the very beginning the specific things we outlined. By the way, blood is essential. So is bone marrow, frozen bone marrow. This will be a crisis in this Nation if we are suddenly faced with a terrorist attack that provides—that we have to provide 100,000 units of blood to. If we do not have that blood, we will shut down American medicine overnight, people who need blood for cancer treatment, for anemias, for ruptured spleens on highways. We cannot afford—

Chairman TAUZIN. My time has expired, Dr. Healy. I would just ask this question, because I agree with you. If all of that is true, why would you shut down the fund?

Thank you, Mr. Chairman.

Mr. GREENWOOD. The Chair thanks the gentleman. The gentleman's time has expired. And the Chair recognizes the gentleman from Michigan Mr. Stupak.

Mr. STUPAK. Thank you, Mr. Chairman.

Attorney General Spitzer, you outline a number of things that New York does for charities, like they have to register and have to have financial reports and things like that. Are there any time limits when they have to distribute funds to get them out there? What I am hearing from the families today is they are waiting and waiting and waiting.

Mr. SPITZER. There is not a statutory deadline by which funds received must be distributed, but we have in our general supervisory authority the capacity—if we see that funds are not being used for an appropriate purpose, the capacity to step in and get appropriate judicial relief. If an entity were merely letting funds sit in a bank account without being distributed at all, we, of course, would take appropriate action. There is not a requisite percentage each year which must be allocated.

Mr. STUPAK. Is there entitlement before your State would take action?

Mr. SPITZER. There is not a defined moment in which there is a trigger, but we are obviously—we have, to give you an order of magnitude, 40,000 separate charitable entities that register with us, and so we maintain a level of scrutiny that is appropriate.

Mr. STUPAK. You indicated that since September 11, you have been urging them to a single application. What kind of response have you received from that idea?

Mr. SPITZER. There is interest, but it has not yet happened. And I think it would be—as we have heard today from these victims,

it would certainly alleviate much of the extraneous paperwork. There are legitimate reasons articulated by charities, different needs, different inquiries that make it not as simple a task as one might presume. Having said that, the concept is right. Many colleges have a common application form. There are many organizations in the world that have managed to develop a common simple process by which people can apply, make their information available, and it's something in this day and age that we can and should do.

Mr. STUPAK. Dr. Healy, if I may—and I hate to keep going over the same old area, but the reserve fund, when you testified that some would be held in reserve, and it may be 2 years, I think everybody, at least on this side of the aisle, wrote that down and said—I mentioned my constituents drove 19 hours to make sure they got their checks to the American Red Cross. They expected that check to be used now, not 2 years from now. How do you answer those people that gave to Liberty Fund and thinking now or hearing now for the first time like we have that is being held in reserve and may be used for other purposes.

Ms. HEALY. Well, first I think that when a charity goes out and in this case an organization like the Red Cross, which is a huge service organization, goes out and asks the public for funds, the most important thing in the world to do is to try and communicate what you're asking funds for. In our case, we needed help in three areas, and we shouldn't ignore the other two. We went out right away and said, we need blood.

Mr. STUPAK. Which you got, and now you have too much.

Ms. HEALY. We didn't have too much. We made a decision to drive our inventories up to wartime level.

Mr. STUPAK. Let's keep going.

Ms. HEALY. Blood, volunteers and money to do our services. We laid out our services, which were for the victims—

Mr. STUPAK. For the victims.

Ms. HEALY. We did not say that. What we said is for the events of September 11 and their aftermath. We have worked for over a year and a half on a weapons of mass destruction program, but we have to prepare for that.

Mr. STUPAK. Dr. Healy, you didn't get money from people in case something in the future may happen.

Ms. HEALY. Yes, we did, for preparedness. We got money.

Mr. STUPAK. Did you solicit—when my constituents came here—and I am sure it is like everybody else here—we didn't come with the idea and give you checks and say, oh, this is for the future in case there is anthrax. We came on the heels of September 11 to make sure the money got to the people where it was needed, not for something that may happen like anthrax. Or you mentioned a nuclear weapon and mentioned all kinds of things in your testimony. That is not what the people opened their hearts and their wallets for. It's for the families, and they opened it for now. If you want something for in the future, now that things have settled down—if you thought, we'll do it on the heels of September 11 and open up the gates and put up for everything we ever needed, then I think you took advantage of a very tragic situation. That is the way we see it up here—at least I see it.

Ms. HEALY. But we communicated from the beginning. I remember hearing the reports on the September 11 Fund in New York that said only to the victims and their families, and that is not what we ever communicated. Now maybe there was a lot of noise out there that implied to the contrary, but we communicated in virtually every way we possibly could. I think I probably spoke numerous times on TV, on radio, saying that these are the lines of service that have been activated. We must raise money for them.

Mr. STUPAK. Even in your testimony today, you said that the American Red Cross is there to provide that bridge for 3 to 4 months before life insurance and everything else.

Ms. HEALY. And we did that.

Mr. STUPAK. Right. You did that. But then why isn't all the money there for the people who really need it in the first 3 to 4 months?

Ms. HEALY. You certainly could argue that the entire billion dollars was only for 5,000 victims, and everyone should get \$200,000, and it adds up. When the Red Cross went out to solicit contributions, we did it very specifically for these events and their aftermath. We specifically repeatedly communicated that this was also about preparing for terrorism.

Mr. GREENWOOD. The time of the gentleman has expired.

Ms. HEALY. We have to continue to get that message out. I can tell you that anybody who said this—

Mr. STUPAK. I don't disagree that when you went out and solicited money—when the Red Cross actually went out and made a personal appeal—and you said you got one check for \$3 million, that was probably a personal appeal—if you really did personal appeal, I agree you probably said, we need it for this, this, this and whatever else comes in the future. But the people who drove like from my district 19 hours and all the people who sent in the \$5, the \$500, the 50 bucks, whatever they could afford, it wasn't for all these things in the future, but for these families, and that's where it should be, all of it; not reserve, not future, all of it.

Ms. HEALY. But actually the math adds up pretty well back at the envelope, because basically we have solicitations of major corporate donors where we talked about the range of services always. We have several discretionary grants for over—one for \$15 million. We also on our Website listed the whole range—and I think we have gotten \$60 or \$70 million on the Website where when it pops up, you see what we are spending those donations on. We also send these directives out to all of our chapters across the country. They knew exactly what we were raising money for, and they are outlined in the attachment to the testimony, which includes first and foremost the victims.

Mr. STUPAK. The chairman has told me my time has expired. I would just say that even on our Website, we listed the Liberty Fund so people could donate, and it was for the victims. We didn't intend for all the rest of these, so if Members of Congress got it wrong—

Ms. HEALY. But a lot went to the victims.

Mr. GREENWOOD. The time of the gentleman has expired.

The Chair recognizes the gentleman from New Hampshire Mr. Bass for 5 minutes to inquire.

Mr. BASS. Thank you very much, Mr. Chairman.

Dr. Healy, you are tenacious in your spin, but the reality of it is, and you get the message clearly from this committee, is that the Red Cross raised a huge amount of money as a result of the events of September 11. And I read between the lines it was really not \$500 million, it is close to a billion actually. But you used, just a second ago you said, a total of a billion dollars. I don't know what that refers to, but in this Liberty Fund alone, you raised over \$500 million. We have the discrepancies in statements made by Red Cross officials over time.

The answer to Mrs. McLaughlin's question is that she is going to wait 2 years. The board of directors is going to reprogram the money that is going to go to something else. It may go, it may not. But the fact is, sad to say, that according to your own testimony, about \$200 million of the \$500 million is going to go to the victims and the victims' issues, and the rest of it is going to go somewhere else. And I don't care what it says on the back of an envelope or in a PSA and so forth. You know that if you asked Americans where they thought the money was going when it was going to the Liberty Fund, they thought it was going to the victims of the disaster.

The implication that we are never going to be able to raise another dime in the future for any other disaster, military or otherwise, and this is all the Red Cross is ever going to see, and the Americans' charity is now at an end I think is really just plain spin. I respect what you did by resigning last week, but the fact is this is a good example of this and perhaps other organizations are trying to work their way out of a very embarrassing situation. And I dearly hope that the board of the Red Cross will reconsider its decision to divert at least the intent—and I think it was a very specific intent—of Americans to support the victims, people like Mrs. McLaughlin and Mrs. Steiner who are facing day-to-day tragedies in their own lives, to use the money for things other than telecommunications and frozen blood.

You have an item today on your Website that says you are going to use \$1.7 million of the Liberty Fund for telecommunications upgrade, and I would ask Mrs. McLaughlin—I'm not going to ask you to answer this—whether or not you think that is critical to your lives or any other people who are involved in this thing.

It is frustrating, Dr. Healy. And we are going to get more specific information from witnesses who follow you, but I think that the Red Cross and other charities are going to have over the coming months a lot of explaining to do because we have raised unprecedented amounts of money in this country to help the victims, and it is incumbent on us, our subcommittee, as overseer of this to make sure this money goes to those people. I am sorry that it is hard to understand the technicalities of your argument, but the reality of it is if you give it the elephant foot test, Americans thought they were helping people like Mrs. Steiner and Mrs. McLaughlin, and only a small amount of those funds have gone for that purpose. And I yield back to you, Mr. Chairman.

Mr. GREENWOOD. The Chair recognizes the gentlelady from Colorado for 5 minutes to inquire.

Ms. DEGETTE. Thank you, Mr. Chairman.

First of all, I would like to say to Mrs. McLaughlin and Mrs. Steiner, I also will never be able to fully know what you are going through, but I want to emphasize that as an American and also as a mother, and I want to say on behalf of everybody up here and every single Member of Congress, that as representatives of your government, I want to apologize that many of you have been reduced to going around acting like beggars in the last few months instead of having to spend that time with your family, and if there is anything we can do to work with both private charitable agencies and government, we will do that.

And I have a lot of questions, and the Chair tries to limit me in particular to 5 minutes, so I will—if we have some time at the end, sir, I will be happy to let you answer. But I did want to let the two of you know we all feel that way.

And I want to ask you, Mr. Spitzer, you talked about coordinating between these various charitable agencies, and you're right. It is not an appropriate government function so often. But I'm wondering if that our experience after the Oklahoma City tragedy has taught us how we could expedite this coordination. You said there was some coordination, and how far are we along toward being able to do that?

Mr. SPITZER. The first answer is yes, we learned a great deal in Oklahoma City, and we have used that model for—to learn those lessons and have tried to apply it in New York City, Pennsylvania and Virginia as well. We are not far enough along. We have, as I said in my opening statement, encountered some early resistance from the charities. I think we have overcome that, and we are continuing to do everything we can do. The charities most recently have been very cooperative and sitting down together as recently as yesterday to work on the details, but we cannot move quickly enough.

Ms. DEGETTE. Do you have some sense of how quickly this will be done so these humiliations aren't visited upon the victims?

Mr. SPITZER. I would certainly hope, given the involvement of IBM, KPMG, I would say 2 to 3 weeks we would hope to have a template that is up and running. Again, it is contingent, though, on getting the data and the cooperation of the charities, and we expect it. They are there, and they understand.

Ms. DEGETTE. Thanks.

In a glancing nod to the title of this hearing, protecting against fraud, waste and abuse, have we seen very many examples, if any, of fraud, waste and abuse in all of these charities?

Mr. SPITZER. The answer is we have seen some, but very few. The affirmative story of the generosity of the American spirit so far outweighs the few instances of fraud, although we are prosecuting them vigorously. There are few so far.

Ms. DEGETTE. Dr. Healy, I also appreciate you coming today, and I want to ask you a couple of questions following up on some of the others that were asked. You testified that you were able to give Mrs. McLaughlin close to \$30,000, and just this morning, you were able to give Mrs. Steiner a fairly substantial amount, at least to get her through. Can you please tell me the numerical number of families who you have given over \$25,000 to as of this date?

Ms. HEALY. I do not have that specific number. We can provide it for you.

Ms. DEGETTE. Do you have any ballpark estimate?

Ms. HEALY. I think the average number of the grants is in the range of slightly under \$20,000.

Ms. DEGETTE. How many of those have you given to date?

Ms. HEALY. The overall number is in excess of 2,500. And by the way, we expected 5,000 people to come forward, and we have—even had full-page ads saying, please come forward. Have your neighbor help you fill out the form.

Ms. DEGETTE. It is your testimony today that what happened to Mrs. Steiner would be an anomaly?

Ms. HEALY. I certainly hope so. We have had problems with the disaster operations center. We are upgrading it.

Ms. DEGETTE. Mr. Chairman, if I could ask unanimous consent to have Dr. Healy supplement her testimony to give us the exact—obviously, because of confidentiality, I don't want to know the names of the folks—but the exact numerical amounts of money and who they've gone to?

Ms. HEALY. Pleased to do that.

Ms. DEGETTE. What timeframe could you do that?

Ms. HEALY. We could probably do that within 24 hours.

Ms. DEGETTE. Mr. Chairman, if I could ask unanimous consent to have that supplemented.

Mr. GREENWOOD. Unanimous consent is not required. The lady of Colorado has made a request. Dr. Healy has agreed to supplement that.

Ms. DEGETTE. I would like to follow up on one last thing. Of the funds in the set-aside fund that you talked about, how many of them—what is the amount that was solicited by the Red Cross, and what is the amount that was unsolicited by the Red Cross?

Ms. HEALY. I think that the American Red Cross goes out on a general appeal. We have PSAs—

Ms. DEGETTE. I don't need that kind of answer. Do you have a numerical number? Of the \$1.2 billion raised since September 11, some of it is in this Liberty Fund, right?

Ms. HEALY. No. The American Red Cross has raised with pledges about \$550 million.

Ms. DEGETTE. How much of it is in this fund?

Ms. HEALY. All of it.

Ms. DEGETTE. You raised \$550 million for that fund. And how much, as best as you can ascertain, were solicited and how much of it was sent in by people like Congressman Stupak's constituents and mine and everybody else?

Ms. HEALY. You mean a spontaneous donation? I think we can get you that number based on the size of the contribution. I would say probably at least \$100 million are from larger donors. About \$70 or \$80 million in that range came in from the Internet.

Ms. DEGETTE. Do you use the size of donation to determine whether it was solicited or unsolicited?

Ms. HEALY. No. No. All of it is solicited—

Ms. DEGETTE. Oh, so your view is all of the money that came to the Red Cross was solicited, and therefore—

Ms. HEALY. Maybe the way to say this is that when an event occurs, when a major disaster occurs—do you know that during World War II, we had billions of dollars coming in. The public knows the Red Cross. They know we are there for blood.

Ms. DEGETTE. You've given this answer. We're pretty clear on that. But what I am saying is that what you are hearing from the Members of Congress here—in fact, USA Today quoted a Red Cross volunteer from Ohio who said, my mother and my little sister donated money, and it was intended to go to the New York disaster relief fund. And people I know, they thought that that money was going to Mrs. McLaughlin and Mrs. Steiner and people who worked in Windows on the World as busboys and everybody else. They didn't think it was going to the telephone system. My question is—

Ms. HEALY. You must allow me to clarify the telephone systems. Only ones that relate to reaching our victims. We had to have 1-800 lines to get out and call people.

Ms. DEGETTE. I am not arguing that you need to upgrade your telephone systems.

Ms. HEALY. Please don't say that. We are not upgrading our telephone systems.

Ms. DEGETTE. If you will just allow me. If you can answer my question, it would be helpful. How much of the money—and maybe you will have to supplement your answer—is from unsolicited donations, and how much is from solicited donations? How much was just from school kids who sent in their money to help the families? And how much of it was it from people who said the Red Cross has a variety of needs, telephone service to get out to victims, blood marrow, blood, all these things that are important and we don't disagree with? Do you know that?

Ms. HEALY. I don't know if we can get you that information.

Ms. DEGETTE. Thank you. That's all I need.

Mr. GREENWOOD. Thank the gentlelady from Colorado and recognize for 5 minutes the gentleman from Kentucky Mr. Whitfield.

Mr. WHITFIELD. Thank you, Mr. Chairman.

Ms. Healy, I will go over this once more, but there is a total in the Liberty Fund that was contributed to the Liberty Fund of \$550 million; is that correct?

Ms. HEALY. That is in the range of pledges. I think the actual cash is around—well, a lot of it has been expended. I think \$150 million has been expended in that range. So that has already gone out the door, with \$50 million of that going directly to the family grant program and fairly expensive activities at the Ground Zero operations. Remember, we are in Pennsylvania. We are at the Pentagon. We are helping in a broader range of services. I'm a New Yorker. It wasn't just New York.

Mr. WHITFIELD. But \$50 million went to family grants, and \$100 million went directly to sites to help in various ways.

Ms. HEALY. It may be less than that, but I can get you the specific numbers. But it's in that general range.

Mr. WHITFIELD. And how was it determined the size of the family grant?

Ms. HEALY. What we did is—and I must say it was done at a very difficult time. It was actually Cantor Fitzgerald who came in

to see us and said, we are desperate and have people who have lost their breadwinner. Eighty percent of the people who died in this event were men in their late 30's who had wives who weren't working, had young families. A large number of them lost their breadwinner. They had a cash-flow shortfall.

We have never really done what we did with this family grant program. Normally in a hurricane or another typical natural disaster, people's homes get destroyed, but their economic well-being is intact, their breadwinners. Here their homes are fine, but they lost their breadwinner, and we determined immediately how can these people grieve and mourn if they are worried about paying their rent, paying their mortgage, paying college tuitions.

We actually started at the top of the World Trade Center and worked down in a very proactive way to contact these companies and say, help us get in touch with people who have lost—who are facing these cash-flow problems, who have this need. We filled out a very simple form that said, No. 1, how many people are in your family; No. 2, what is your rent or mortgage; No. 3, what are your funeral expenses. We paid up to \$10,000 if they weren't otherwise covered. And No. 4, what other cash-flow needs do you have now? And those have been in the category of credit card payments and tuition, in some cases medical bills. We added all that up. We did not ask for receipts. We wanted to turn it around in 1 to 2 days, and we looked at that number and we wrote them a check. We capped it at \$30—only because we didn't know if we could possibly raise enough money to meet that. At this point, we have \$50 million cash on hand.

It was actually kind of a big commitment that we made because we knew we would probably—if we did it for one person, we would do it for everybody, that it would possibly be \$100 million. So we bit the bullet, we went ahead and made a commitment to the program and made a commitment to everyone. We aggressively went out, as I said, spoke to the employees. When there weren't employers that we could work with, we then went and opened the compassion center. People had the forms. We would do it over the telephone. We had full-page ads asking people to help other people, a neighbor, whomever, to come in if they lost someone. There were a lot of people who weren't even associated with companies.

Mr. WHITFIELD. The \$550 million pledge, generally what percent of the pledge amount do you receive?

Ms. HEALY. Of roughly 500? Roughly 500 has been received. About \$60 million or \$50 million is still pledged. And most of that money, by the way, comes in as a general contribution to this disaster. It does not come in to say for the victims. Whenever it says for the victims, it goes right into the for the victims fund, which is very big, \$200 million.

Mr. WHITFIELD. This is for Mrs. Steiner and Mrs. McLaughlin. If you—from your personal experiences, if you were meeting with the board of, say, the Red Cross or the United Way or the Salvation Army or any of these charitable groups, what recommendation would you make to them that would make it easier for you?

Mrs. STEINER. Perhaps I would say if people donated specifically for the event, and I know the magnitude of disbursing the funds is great, perhaps a down payment toward their livelihood or to sub-

stitute their financial obligations that their husbands can no longer provide would be a good start. And then as they work out the details, they could get back to the victims with additional money.

Mr. WHITFIELD. Do you feel that the 27,000 is an adequate amount or—

Mrs. STEINER. That is something I just received this afternoon, so I haven't really considered it into—

Mr. WHITFIELD. In your perspective, it was not timely. You went through a lot. Just the time that it took for you to receive that money was a real problem.

Mrs. STEINER. Yes.

Mrs. McLAUGHLIN. My experience was a little different. And like Dr. Healy said, I did indeed receive a large check from the Red Cross very, very quickly. And it was a very easy process; probably the easiest of all the charities, in fact the easiest of all the charities. However, I call back every 3 days to see if they've lifted the cap. I understand the purpose of the cap initially for fund-raising concerns, but it is has been almost 2 months. The money has been raised, but the cap has not been lifted.

Mr. WHITFIELD. Which cap are you referring to?

Mrs. McLAUGHLIN. The cap of \$30,000 for this family grant program that the Red Cross pretty generally capped at \$30,000. So while the letter that arrived with the check stated that we could come back if we needed more, that hasn't been my experience.

Mr. BALDI. Can I say—add something for Mrs. Steiner? When I got involved in this, and when she contacted me, I want you to know the first thing she said to me was she was concerned about her expenses. And I frankly was overwhelmed because I thought there would be no problem for her expenses, because my perception, as was everybody else in my office, as I think many people, is that all these victims are taken care of. So it wasn't until I uncovered the information that I showed you earlier in terms of how little or relatively little she had received up until this afternoon, I was stunned to see what wasn't out there when I heard constantly the money that was being raised, the hundreds of thousand dollars.

So I would add something to the board, which is as follows: I think there is a public perception that everyone is taken care of. Under the wisdom of the organizations, those people are not taken care of in a larger scope—and I am not saying if it's right or wrong, because other people can make that decision—then I think that the world ought to be—they ought to know that your friends and neighbors who you think have now been covered by all of this money aren't.

And I think that there is a cruel injustice that is going on. In Mrs. Steiner's situation, she got creditors to delay payments, but there is going to be a time when she's going to have to make payments to them, and they are going to be substantial.

Mr. WHITFIELD. Your point is that out of a \$550 million pledge, that Mrs. Steiner, as an example, between September 11 and today, prior to today, had received about maybe \$1,600.

Mr. BALDI. Right. But in addition, you haven't considered the United Way. You can keep talking about the Red Cross. The United Way funds, as far as I know, are in the same category. And I don't know what's happened at the United Way fund. And these

people also have no sense of what to expect. I mean, the other problem they have, if someone could sit down with them and say, look, just so you can make your planning, I know you're hearing that we have collected \$500,000, but you should understand you are only going to get about \$20,000, or you are going to probably get X amount, something so they can make plans. So these two people can say to their family, look, this is what we can expect to see over the next 6 months, over the next year.

That's what they need is information. So I would suggest that is what needs to come out to them. Thank you.

Mr. WHITFIELD. Thank you.

Mr. GREENWOOD. The time of the gentleman from Kentucky has expired, and the gentleman from Massachusetts Mr. Markey is recognized for 5 minutes to inquire.

Mr. MARKEY. Thank you, Mr. Chairman, very much.

Dr. Healy, first of all, I would like to say that if reports are true that because of your advocacy that the Israelis should have been able to use the Star of David as part of their Red Cross symbol as opposed to the cross or the Crescent and any way any of your board members were angered by your efforts to accomplish that goal so that Israel could use the Star of David, then those people should be ashamed of themselves. And if in any way they used this incident as a way of punishing you from trying to protect Israel in its ability to maintain its own identity, then it is truly a disgraceful event in the history of the Red Cross, because I believe that you and Mr. Spitzer should have been able to find some way of reconciling, along with everyone else here, the differences, rather than having your board escalate this to a point where you are not going to be there.

And I think that that is something that is going to be a great loss to the country, because you are a great Public Health Service doctor, which is what we need in this position at this time, a Public Health Service doctor, because obviously, you were interested in trying to extend the parameter of protections. I think that the other people here led by the attorney general of New York, who is a personal friend of mine, were trying to protect other legitimate interests as well—very legitimate interests, and I think it is a sad day when we reach a point like this where we are having a hearing on a subject like this, because I think that everyone at the table is as well-intentioned and sincere as Americans can be in a time of war. There are different perspectives people are taking as to how we should respond to that war in this particular area, and I think that is very honorable, but I think that it really is—and again, I go back to this first point, because reports are quite extensive about the extent to which many of your board members opposed your efforts to ensure that Israel have that ability to use the Star of David.

And so I guess, Mr. Chairman, the only thing I wanted to say—and I come here with your permission because I am not a member of this subcommittee—that I respect Dr. Healy and Attorney General Spitzer, both in ways that reflect the seriousness of the subject that is being discussed. And I think that a little more time should have been given, to be honest with you, by the Red Cross board so that efforts could have been attempted, which would have pre-

cluded the necessity of us having this hearing. And that is ultimately what I think the attorney general was trying to accomplish. And I think ultimately Dr. Healy would have been in that position as well.

And so that's all I really wanted to say. So I thank all of you for everything that all of you are doing with millions of people in trying to deal with this state of war that we're in, and hopefully all other institutions can learn from what happened here so that we try to resolve conflicts in a peaceful way.

Ms. HEALY. Mr. Markey, could I make a comment? I couldn't agree with you more when you say this is a war. What happened on September 11 was the first attack in this war—the first battle of this war. We have not won this war, and we are facing some public health crises because every American is now vulnerable. They are vulnerable emotionally, and they are vulnerable physically. They are vulnerable—if there is an attack tomorrow, we must be prepared.

The American Red Cross has played a vital role in preparedness as well as a response to disaster. It has played a vital role in the first battle of the war and in the last battle of a war. And the American Red Cross has a role which is separate and distinct from United Way or some of the other charities. Our role is to operate on our multiple lines of service to help the victims of today and yesterday, but to prepare for those Americans out there across this country who are facing vulnerabilities because we are indeed at war.

To that extent, the Liberty Fund is a war fund. It has evolved into a war fund. We must have blood readiness. We must have the ability to help our troops if we go into a ground war. We must have the ability to be there for the victims of tomorrow, not just the victims of yesterday.

Mr. MARKEY. Let me ask you, Doctor, do you believe that given more time that you would have reconciled the differences with the other parties at the table today?

Ms. HEALY. Oh, absolutely, because we all have the same humanitarian purpose, Mr. Markey. With regard to Mr. Spitzer, we were just trying to resolve the issue of getting waivers. You can't break confidentiality. It's like a patient and a doctor. If the victim will grant a waiver of confidentiality to the Red Cross, we will share those names in a data base. They have to say we can. That is a standing policy. We are evolving to a resolution there, and I am very happy about that.

With regard to the issue of whether or not blood is part of our response to this horrible, horrible war we are in and frozen blood, which is a unique approach to dealing with the terrible blood shortages that we have faced and that we would face in a WMD attack, we would face a shortage. There would be Americans out there who could not get blood if we don't respond now.

Mr. MARKEY. I would like to ask my friend, the attorney general, whether or not he believes that if the Red Cross board had given Dr. Healy more time, that a reconciliation of positions would have been or could have been reached.

Mr. SPITZER. Let me challenge the premise of the question is that there was a reconciliation between us individually that was needed.

I think Dr. Healy and I always got along very well. I think I would say that there was policy dispute, and I have said this publicly before, and I don't mind saying it again.

I traveled down to the Red Cross offices and had a meeting with the then general counsel of the Red Cross and Dr. Healy to try to prevail upon them to adopt the notion of a data base, which at first Dr. Healy rejected with some rather vehement statements and said, we will not do this. I thought at the end of that meeting that we had an understanding that the Red Cross would proceed with something that I thought was vital and continues to be vital for the fair, equitable and rapid distribution of the proceeds. Subsequent thereto, Dr. Healy again made comments outright rejecting her willingness to participate in this.

So this is not between Dr. Healy and me individually. I think that there was a disagreement which Dr. Healy—Dr. Healy felt deeply, and I respect her view. I disagree with her about the viability of the Red Cross's participation, but there is now an agreement between the Red Cross and my office and the other charities, and we are going forward.

So I think that whether it was an individual disagreement or not is irrelevant to the victims sitting here who need funds. What we need to do is get together and get this data base going, and we are doing it with the Red Cross. And so we are doing that, and I look forward to working with them.

Mr. GREENWOOD. The time of the gentleman has expired.

Bit of housekeeping before we dismiss and thank this first panel. Dr. Healy, could you provide some additional information to the committee; to wit, we would like copies of transcripts from radio and television and newspaper advertising, copies of that that your Red Cross used to solicit funds; any press releases that you used for the express purpose of soliciting funds; and the application forms that you used for the victims. And also, if you could provide us a breakdown from the Red Cross Website. There are a number of categories, immediate disaster relief, family gift program, international family assistance, immediate blood readiness and strategic blood reserve, Armed Forces service, community outreach, direct support costs. If you could give us an additional breakdown or description of what is meant by each of those subcategories, that would be helpful to us in our deliberations as well.

[The material is retained in subcommittee files.]

Mr. GREENWOOD. Without objection, the statement of the gentleman from Florida Mr. Bilirakis will be included in the record.

Let me thank the panel for your patience and for your testimony and your help today, particularly again to Mrs. Steiner and Mrs. McLaughlin for the courage that you have shown to be with us. I hope that you have confidence that your time with us will help the other 5,000 families that have suffered as you have.

And thank you, Mr. Baldi, for joining Mrs. Steiner.

Attorney General Spitzer, thank you for your leadership in this regard and for being with us.

And Dr. Healy, thank you for fielding all of the hardest questions today and for being buffeted by members of the committee. I hope that we are not guilty of the admonition against making sure that no good deed goes unpunished. And indeed the Red Cross has

served this country mightily for decades, one of our finest American institutions, and let us chalk up whatever differences there may be within and without the Red Cross to the extraordinary nature of these circumstances and go forward together still respecting to the highest degree the work of the American Red Cross.

Thank you to the panel. You are excused.

And we will now call the second panel to come forward. And allow me to introduce the second panel. Mr. Bob Bender, the Executive Director of the American Red Cross in Greater New York; Mr. Michael Farley, the Vice President, Chapter Fund-Raising, of the American Red Cross; Mr. Chris Amundsen, President and CEO interim of the United Way of America; Mrs. Joyce Bove, Vice President for Grants and Special Projects, September 11 Fund New York; and Mr. Vincent Bollon, Secretary-Treasurer of the International Association of Fire Fighters.

If you, lady and gentlemen, would take your seats at the witness table, we will proceed. I thank you for your presence and the testimony you are about to give. Each of you, I am sure, are aware and made aware that this is an investigative hearing, and it is the practice of this subcommittee to receive testimony from witnesses under oath. Do any of you object to testifying under oath?

Seeing no such objection, pursuant to the rules of the House and pursuant to the rules of this committee, you are entitled as a witness before this subcommittee to be represented by an attorney. Do any of you wish to be represented by an attorney?

Seeing no affirmative answers, I would ask you to rise and raise your right hand so I may swear you in.

[Witnesses sworn.]

Mr. GREENWOOD. You are now under oath, and we will begin with Mr. Bender. Thank you, sir, for being with us, and we look forward to your testimony, and you are recognized for 5 minutes for that purpose.

TESTIMONY OF ROBERT BENDER, JR., EXECUTIVE DIRECTOR, AMERICAN RED CROSS IN GREATER NEW YORK; MICHAEL FARLEY, VICE PRESIDENT, CHAPTER FUNDRAISING, AMERICAN RED CROSS; CHRIS AMUNDSEN, PRESIDENT AND CEO, INTERIM, UNITED WAY OF AMERICA; JOYCE M. BOVE, VICE PRESIDENT FOR GRANTS AND SPECIAL PROJECTS, SEPTEMBER 11 FUND NEW YORK COMMUNITY TRUST; AND VINCENT J. BOLLON, GENERAL SECRETARY-TREASURER, INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS

Mr. BENDER. Thank you very much. Just to talk a little about what the Red Cross is doing at this point in time, we have registered and have cases on 25,000 families. That means that we have talked to 25,000 families. We provided assistance in most cases when assistance was needed. We spent in the neighborhood of \$120 million in direct assistance to families in 8 weeks. We have reached out to families in a variety of different ways, including trying to contact them if we can get names; trying to go to buildings.

I should explain that there are three types of basic assistance that the Red Cross is providing: one to families that have either experienced loss or serious injury; a second to the residents, the people who are affected in the immediate area of the World Trade

Centers because they resided there; and a third group were some folks who were economically impacted in the immediate World Trade Center area because of employment disruptions. And we have tried to be helpful in all three cases.

The family grant program, which was explained earlier by Dr. Healy, was for the families who experienced loss or serious injury. That program was originally a stated need program, and it was for 3 months in a variety of categories. I should say that the program has been announced to be extended, and it is going to go on for any number of months, certainly the first year and maybe much longer than that as needs develop in the family. And in each of these cases, we really work with the family. We begin providing immediate assistance, and most of that is done on a stated-need basis. And then beyond that, we begin to work with families, talk with families, trying to identify with them their needs, and will, in fact, attempt to either provide those needs or try to link them up with other organizations that are, in fact, performing services that we are not.

We have also had over 120,000 mental health contacts with people. The contact is not a casual contact. It is at least a 15-minute interview with people, our conversation with people with a describable outcome. These are people who are both the rescuers, the families. We have worked with the rescuers and established centers for them so they can find comfort and can find peace during a very turbulent time and a very traumatized time for them.

So there's a variety of things that we are doing for the rescuers and families out of this horrible tragedy in New York and in the other parts of the terrorist act, and we are doing those, and it's real, and we were there. We were there within 20 minutes after the first plane hit. We had staff and volunteers at the World Trade Center. We had staff and volunteers run away from the World Trade Center when the collapses began. We lost some equipment, damaged some equipment as those buildings collapsed. The Red Cross has been there right from the very first. We will continue to be there. Our commitment is to be there as long as we need to. We're still working with families in Oklahoma City. We expect we will be working with families for years into the future.

And I should say, we do not know all the needs of families. We are trying to identify those. We don't all need—actually recognize all the needs we are going to have in the community for mental health and so forth. There is a lot of work trying to figure that out, trying to talk to people, trying to interview people, trying to prepare the community for what it faces. But we do not know the full need, the full parameters of need, and that is something we are really investigating.

One other point, the coordination. Attorney General Spitzer indicated that we are working together. We are an organization coordinating. We are working with any number of agencies in the community to coordinate. We are working with the attorney general's office, and there is going to be an establishment of a data base that provides benefits and understanding about benefits.

There is confusion about where to get benefits. The nonprofits in the community are well aware of that and are really trying to find ways to simplify the process to make the process known to people,

to find easy ways to access the process. And we haven't been very successful in that effort, but we are continuing.

So coordination is beginning to occur. Coordination of benefits is beginning to occur as well as coordination of activity. There are conversations going on to try to simplify the process because we are well aware of that. And for all of us involved in the relief effort, it is not an absolutely perfect effort, and that when mistakes are made, and when we find we made an error about a family, about a case, we try to go back and try to rectify that area as quickly as possible because we have an enormous system that we put into New York City in the first month, 2,000 people, actually 2,500 people from across the country. We have about 28,000 volunteers now working in the system. And when you have that many people focusing on relief, there are going to be differences. The system is not going to be perfect. We try to resolve that as best we can.

I think that, in fact, the Red Cross, has, in fact, done its job, and it is going to continue to do its job for years in the future on this event.

[The prepared statement of Robert Bender, Jr. follows:]

PREPARED STATEMENT OF ROBERT BENDER, JR., EXECUTIVE OFFICER, GREATER NEW YORK CHAPTER AND MICHAEL FARLEY, VICE PRESIDENT, CHAPTER FUNDRAISING, AMERICAN RED CROSS

INTRODUCTION

Within moments of the first plane tearing into the World Trade Center on that terrible morning of September 11th, 2001, the tragic events that transformed this nation also began the largest disaster response in the history of the American Red Cross—our nation's oldest, most experienced and most trusted humanitarian organization. A terrorist event is unlike any other disaster and requires the American Red Cross to be prepared to serve the American people in accordance with our Congressional Charter.

The American Red Cross, along with each of us here today, could not possibly have anticipated the scope of such an event nor have been fully prepared for the impact this would have on the lives and families of those affected. As we always do, the Red Cross immediately began providing emergency relief and emotional support to a nation stunned by the brutality of an unprecedented attack on American soil. We, like all other first responders, were overwhelmed in those first chaotic and uncertain hours following the attack. By 10 a.m. there were hundreds and thousands missing at ground zero in New York, at the Pentagon and at the Pennsylvania crash site. All of America was on edge. Rumors flew. No one knew what would happen next. At the World Trade Center, there was Red Cross staff unaccounted for, we were without phones, and our emergency response vehicles couldn't get to the site.

Chartered by Congress in 1905 to maintain a system of national and international relief, it is the mission of the American Red Cross to help people prevent, prepare for and respond to emergencies. The Red Cross is an essential partner with federal response agencies during disasters through its lead role for mass care under the Federal Response Plan. Our primary focus is on the human needs of those affected, and we respond to both the physical and emotional devastation experienced by people during and after a disaster. Our duty yesterday, today and tomorrow is to serve humanity with dignity, valor, and compassion.

IMMEDIATE RESPONSE TO THE EVENTS OF SEPTEMBER 11TH, 2001

The New York Times on October 21st described part of the scene immediately following the attack on the World Trade Center: "...The survivors, blanketed in the gray mist of urban disaster, headed north and east. The attack's human spores bearing their stories, their fear, throughout the city." In the initial hours and days, we took the steps necessary to establish order out of chaos and support those whose world had just been torn apart—those in New York walking out of the gray dust to nowhere, those at the Pentagon fleeing from the intense heat and flames, and those families urgently wanting to hear about loved ones whose planes never

arrived. First at the scene in some 67,000 disasters each year, the Red Cross goes to where the people are (be it at bus stops, subway stations, the East-West highway in New York City, the Pentagon parking lots or a pasture in Pennsylvania. Thousands of times over, in New York, Washington and Pennsylvania, we met the needs of those affected with a compassionate presence. This presence was possible because the Red Cross has build a nationwide network of chapters that we can draw from, we are staffed with dedicated employees, and rely on a vast "Army of Mercy" in the words of FDR—our millions of volunteers.

We do not wait for people to come to us, but reach out to find those in need. Our immediate disaster response efforts have served 25,000 families by providing direct assistance for food, shelter, and clothing. For example, in apartment buildings surrounding the World Trade Center, we found elderly people afraid to venture beyond their rooms. Many were absent their health care assistants. Red Cross workers filled prescriptions and made sure that their daily needs were met. Since the attack, we have provided more than 9 million meals (100,000 meals a day—to families and rescue workers. We found firemen, police, emergency medical crews and responders of all sorts who needed water, shelter, a change of clothes, a place to rest, or a place that could provide silence and solace.

Our Air Incident Response Teams, always on immediate alert, were dispatched to each departure site and every scheduled arrival site for the four flights hijacked that day. We also provided teams to the United Airlines' Headquarters in San Francisco and American Airlines' Headquarters in Dallas. Mental health, grief counseling and spiritual support and other referrals were extended in each location. Dozens of Red Cross chapters nationwide mobilized to help travelers stranded at airports across the country. It truly has been a tragedy that has reached across America.

In a time of tremendous uncertainty, we ensured that blood would be available wherever needed. We mobilized our national blood system to preposition stocks around the New York metropolitan area, to meet a need, which unfortunately never came. But we had to be ready. And we were.

OUTPOURING OF SUPPORT BY THE AMERICAN PEOPLE

As always in the face of tragedy, the American spirit is indestructible. Just as this heinous act was unprecedented in its destruction, the response from the people of America is inspiring—people waiting hours in long lines to donate blood, flooding phone lines to volunteer their time in any way that was needed, and personally delivering financial contributions. There was a need for people to connect with other people and to do something, anything, to help. We have been deeply honored by the examples of selflessness: American Airlines flight crews giving blood in honor of their colleagues who perished, school children taking collections and organizing car washes, coins collected in bags, and volunteers coming to our door by the thousands. Even Congress set new records for blood donations two days after the attacks.

The generous financial and in-kind assistance that the American Red Cross has received from individuals, companies, foundations is unprecedented. This is being handled with utmost openness, accountability and integrity. *Therefore, we established the Liberty Disaster Relief Fund, a separate, segregated account that was created to hold and disburse funds related to the September 11th attacks, its aftermath, and other terrorist events. This fund is structured to ensure that every dollar raised will go to help people who are and will be affected by acts of terrorism as well as to ensure the Red Cross will help people whenever and wherever terrorism strikes.* We believe the establishment of this account is the best way to assure absolute transparency, clear accountability and demonstrate our commitment to donor intent.

The tremendous outpouring of support by the American people has enabled the Red Cross to fulfill its mission following these attacks. In just 7 short weeks, the Red Cross has received pledges and contributions totaling \$564 million. To date \$154 million has been spent or committed, \$120 million for direct assistance to 25,000 families in the form of cash and vouchered assistance to cover their emergency needs including food, clothing and temporary shelter. While we have a balance of funds uncommitted at this date, we will hold aside these contributions to be made available for emerging needs. We have adapted quickly to the level of support and generosity demonstrated by the American people. To have responsibly disbursed \$120 million to 25,000 families in less than 7 weeks is extraordinary and is unprecedented in the nonprofit world.

Included in these figures is assistance provided under a new initiative for families who lost loved ones on September 11th. For families who lost breadwinners, a family gift program has been established to cover 3 months of financial needs—rent, mortgages, childcare, and food. To date, Red Cross has spent or committed \$47.9

million to more than 2,300 families who have been helped through the receipt of emergency gift checks. We will continue to work with these families beyond the initial period to evaluate how else we might support them in the months ahead.

All of America is grieving. The wife of a Red Cross employee in Washington, D.C. is constantly haunted by visions of her husband being killed in an attack on the nation's capital. The father of a nine-year-old in Memphis, Tennessee wonders how he can stop the nightmares of his child who dreams about planes crashing into buildings. For these people and others, we have had close to 135,000 mental health and grief counseling contacts.

All of our financial assistance is being provided in the most expeditious way possible. A simple one-page gift form is the only paperwork required, which is processed promptly with checks issued overnight. The forms can be done by fax, phone or electronically, and are available through the Family Assistance Center and at other family assistance sites in New York City, or any one of our 1,000 chapters located in communities nationwide.

We do not wait for families to contact us for this assistance. We have implemented an aggressive outreach program. Early in October, we placed advertisements in major newspapers appealing to families to come forward and receive assistance. We've also contacted employers of the World Trade Center, floor by floor, to reach out to their employees, searched hospital lists and the list of confirmed deceased. Forty Red Cross employees and volunteers are dedicating their days to calling and contacting families who might qualify for cash or other assistance. All told, we've contacted about 3,300 families, and the number grows daily.

Because this tragic event also injured and killed foreign nationals, the Red Cross has extended its reach to families across the globe through our International Family Assistance program. To date, we have opened more than 169 cases involving the families of foreign nationals. The Red Cross international aid package includes: financial assistance for travel to and from the United States, lodging, meals, local transportation, crisis counseling, advocacy and referral with U. S. agencies, repatriation of remains, funeral expenses, tracing services, and information about embassies and consulates. We are being assisted by our partner Red Cross and Red Crescent societies the world over.

FINANCIAL STEWARDSHIP AND CHARITABLE FRAUD

The American people have rushed to support our efforts with an unprecedented surge of generosity. In response, the Red Cross has put in place stringent accounting measures at both the National Headquarters and throughout our chapters to ensure stewardship of these funds. Our internal audit staff and KPMG, our external auditors, began reviewing and testing control processes and procedures for donations and disbursements the week following the terrorist attack. That testing continues. National Headquarters has instructed the corporate external auditor, KPMG, to begin fiscal year 2002 audit testing of contributions immediately, and have directed chapters to require the same of their auditors and independent CPAs.

Federal statutes prohibit the use of the American Red Cross name and emblem by commercial concerns and unauthorized solicitations (Title 18 USC § 706) and provide for fines and imprisonment (Title 18 USC § 917). In order to ensure that all donations are collected on behalf of the Red Cross is received and properly acknowledged for tax purposes, we have established formal agreements with groups and businesses that have helped to raise funds. A third-party group can conduct a fundraiser provided their local Red Cross chapter approves it and a signed letter of agreement has been received.

This committee has provided leadership in the area of protecting charitable organizations from fraudulent use of the Internet and other media in soliciting funds. We applaud your efforts to prevent such activity. As one of the country's largest non-profit organizations, we have effective firewalls and tight security protocols in place to detect and trace these activities. On September 14, the Red Cross sent an e-mail message to 30,000 previous online donors. This message included a URL link to an official, secure online donation site. The American Red Cross and its online partners (aol.com, yahoo.com, paypal.com, libertyunites.com, and wells Fargo.com) accept credit card information only through a secure portal on a Web site, not through an e-mail message. When Internet scams have been detected, we have worked closely with the Federal Trade Commission and the Department of Justice, and taken aggressive steps taken to shut them down.

Symantec, an information technology security firm, retained by Red Cross notified us on October 17, 2001, about the Septer.Trojan computer virus for potential credit card donors. The virus came in the form of an executable file attached to an e-mail message that appears to come from the American Red Cross, United Way and the

September 11th Fund. The American Red Cross Office of General Counsel contacted law enforcement authorities immediately about this fraudulent act.

COORDINATION OF RELIEF EFFORTS

We typically lead and champion cooperation with other relief agencies to insure we don't duplicate efforts and to protect against any gaps in services. The Red Cross leadership and the Attorney General of New York, Eliot Spitzer, have been engaged in a constructive dialogue on a means of improving access to the vast disaster relief resources now marshaled to help the victims of the September 11th attacks. We are hopeful that a system will be established to enable disaster relief recipients to maximize the relief resources available to them.

THE ROAD AHEAD

The American Red Cross will be with the survivors and families affected by this tragedy for as long as it takes. Our decades of experience with disaster victims tell us that assistance will be needed for years to come. We need to ensure that the resources entrusted to us by the American people will be available to meet these future needs.

Family Assistance Centers were established for the loved ones of those lost in the World Trade Center and the Pentagon. The Center is still operating at full strength in New York City. A one-stop relief center, families can avail themselves of the full breadth of Red Cross services in an environment where confidentiality, dignity and compassion are the hallmark attributes. We are committed to this outreach, and will work with those affected for years after this event.

In other ways, our work has just begun. The site of the World Trade Center, now called "The Pile", is emblematic of the work ahead and the human needs we will serve. There, work that is physically arduous, always dangerous and emotionally draining will continue for another 9 to 12 months. Construction workers, firemen, police, and emergency medical technicians are not forgotten. We are operating special respite centers on-site. It is a place away from the noise and the dirt, where workers can come to find food, shelter, a change of clothes, a place to sleep, or to read a card written with special care from a child. This is a place to refresh the body and the spirit in order to go back, once again, to their work. This is another example of a new service for us, a service we adapted to the needs of those involved in this disaster.

We now find ourselves in the grip of a biological attack. We are assisting the families of those directly affected from anthrax exposure. We have offered immediate financial assistance through our Family Gift Program, and we are contacting 16 victims who are or have been hospitalized for anthrax. Further, because the current attack has understandably created public anxiety, we are reaching out to communities with public awareness and education materials. We will continue to develop these materials to address the community education requirements regarding biological and chemical agents.

CONCLUSION

The American Red Cross today is helping *tens of thousands* of people affected by acts of terrorism in the United States. We were among the first on the scene and we will be helping people for as long as it takes. The clear focus of our Liberty Disaster Relief Fund is to ensure that every dollar raised will go to help people who are and will be affected by acts of terrorism as well as to ensure the Red Cross will help people whenever and wherever terrorism strikes. We thank you Chairman Greenwood and Representative Deutsch for holding this timely and important hearing.

Mr. GREENWOOD. Thank you, Mr. Bender, for your testimony.

Mr. Farley, you are recognized for 5 minutes for your testimony.

TESTIMONY OF MICHAEL FARLEY

Mr. FARLEY. Thank you, Mr. Chairman. We have submitted a formal written statement, and hearing the questions of the committee, I have taken copious notes, and what I would like to do is perhaps paraphrase my formal statement, but just make a few comments and then address some questions that had been raised during the first panel.

And I would like to start by saying first and foremost how overwhelming this entire experience has been for this country and the American Red Cross: 4 airline disasters; 5,000 people missing; mobilization of 44,000 disaster workers, 43,000 of them trained volunteers; raising of \$564 million; an incredible outpouring of public support. This was an overwhelming experience for us. We had the discipline of years of disaster relief experience, but even with that, we were learning in the moment and on the fly, because every element of our system was tested and stretched to be responsive to the community.

And I guess I would like to share with you four commitments that drive our staff and our board at the American Red Cross that are really the foundations of how we proceed in doing our work and showing the trust—executing the trust that you, the American public, has placed in us, which is an enormous responsibility.

The first commitment is that we first and foremost are committed to meet the needs of the victims of this tragedy. That is why we are here. That is what we do. We are very proud of the fact that in 7 weeks' time, we have directed over \$120 million in direct cash assistance in a variety of forms to over 25,000 families. That is an incredibly challenging task to do responsibly, to be flexible and yet to be consistent. But that is our first commitment, to be there for the victims of this tragedy.

And in addition to that, because of the very nature of this tragedy, we know that the needs of these victims will emerge for years to come. In Oklahoma City we have the experience of seeing that today there are still 30 to 40 families that continue to need assistance. It's the very nature of being a victim of disaster, and all the more so with terrorism, the elements and psychology of post-traumatic stress play out for years to come.

We were among the first agencies on the ground when the tragedy occurred. We will be among the very last until all the needs of those victims are met to the best that we understand them in the years ahead. And we have a responsibility to store the resources we've been given, to direct them to those needs of the victims as we understand them in the years ahead.

The second commitment is one of full disclosure. We want to preserve the trust of the American public and the work of the Red Cross, because without that, we can't do our work in disaster response. And it was for that reason that the Liberty Fund was created through the direction of Dr. Healy and endorsed by the board of the American Red Cross. There was never a question as to whether or not these funds should be segregated and treated differently than other kinds of disaster relief funds. The issues that were debated internally were how exactly do we do that, what procedures do we undertake to make that work. And in order for us to make true to our commitment to full disclosure and to be good stewards of the outpouring of American support, we engaged an external third-party auditor, KPMG, to work with us to develop the guidelines not only for the fund, but also how the execution of the disaster response effort is being played out in the field among our 1,050 chapters across the country to assist them, to make sure that their procedures are in place and consistent with what we need to do.

There were questions about donor intent, and those are good questions and important ones because it's something that we value very highly. If a donor has come to the Red Cross and said, I want to restrict my gift to the New York City World Trade Center relief operation, that designation is honored. If a donor comes to us and says, I want my gift to be directed toward the development of a blood reserve because I understand how critically short the supply is of blood, and not knowing where this tragedy is going to lead us, I think that is an important part of what we do, and you, Red Cross, can direct our funds to toward that end. There are other designations in play. All of those designations are honored by the American Red Cross when we understand specifically what they are. And for those cases when the American public, in hearing our ads asking for support, gives us a contribution online or hands a check to a disaster response worker, and it's turned into a center, then we believe that there is a general understanding that is to support the overall work of the Red Cross, which is first and foremost directing support to victims, but also supporting those ancillary activities that make victim assistance possible in the first place.

Like transporting our volunteers to Ground Zero and like preparing a communications system that allows the victims to call us and ask, "Where do I go to get assistance?" so we are committed to full disclosure for what we are doing.

The third commitment is that we are totally committed to collaboration. Bob Bender and Attorney General Spitzer have been working together with our national leadership to look at ways in which we could collaborate with other responding agencies, and the reason for that is we need to make sure that there is a safety net of healing in place to catch all the needs of the victims, and one agency alone is not sufficient to meet those needs. But together we can do, I think, a terrific job in responding to the direct needs of those victims. So we have a commitment to collaborate with our responding agencies to ensure that the information is there about the services available, as well as how the funds are being used and where the clients are so that we can best connect services to clients.

There are a lot of details that go with that, but I think one of the lessons of this tragedy is that we need to play together in a way like we have not done before, because the entire situation of terrorism has changed the way we live and the way we work together.

And the fourth commitment is finally to evaluate the uses and purposes of the Liberty Fund so that we ensure that the donor intent is honored and that we are able to respond to the needs of the victims of this tragedy and to other situations which emerge from it so that we can make sure we are directing those funds in the best way possible.

That commitment to evaluate what we do will be undertaken by our board. Those are policy issues. There are also activity that needs to be done in light of the donor intent, as we understand it, for the use of those funds. So those are some—four ideas, commitments that we have, and I would like, I think, at this point to open—or pass on my time to the next presenter.

Mr. GREENWOOD. Thank you, Mr. Farley. Mr. Amundsen, we thank you for your testimony. You are recognized for 5 minutes.

TESTIMONY OF CHRIS AMUNDSEN

Mr. AMUNDSEN. Thank you. Good afternoon. Thank you for this opportunity to discuss how United Ways across the country have responded to the September 11 tragedy. United Way of America is a national service and training center for the 1,400-member United Way system. Each United Way is independent, separately incorporated and governed by local volunteers. United Way of America's role is to equip United Ways as well as their corporate and philanthropic partners with the tools they need to make immeasurable impact in the communities that they serve.

In 2000, United Ways collectively raised nearly \$4 billion to address the local needs of communities. But United Way is much more than a fund-raiser. Listening to the diverse voices in their communities, local United Ways are identifying the most urgent needs and focusing their efforts on priority issues. These issues vary from community to community, but United Ways across the country are working to strengthen and support families, help children to succeed, build vital and safe neighborhoods and promote self-sufficiencies.

This work is at the heart of the United Way mission. Communities across the country have instituted programs to address the immediate needs and to combat the ripple effect of the September 11 attacks. As you will hear, the September 11 Fund, a crisis response effort established by the United Way of New York City and the New York Community Trust, is currently making allocations to agencies, providing direct financial assistance, emergency services, counseling and other critical community supports.

On September 11, United Way of America received its first corporate gift to the response to this tragedy from the Williams Company of Tulsa, Oklahoma. Later that day this gift became the first corporate support of the September 11 Fund. We received many other generous gifts, as did local United Ways in support of the fund.

Next, the United Way of America convened a group of crisis veterans from local United Ways that have dealt with terrorist situations such as Oklahoma City, natural disasters like Hurricane Andrew in Miami and other traumatic events, such as the Columbine shootings in Colorado. This group and their lessons learned were made available for Ground Zero, United Ways and others to advise them on how to deal with this crisis.

Other vital programs have been launched in communities country-wide. Right here in Washington, the United Way of the National Capitol Area has brought together a volunteer governance committee to oversee the disbursement of funds that have been raised to benefit those affected by the attack on the Pentagon. In addition, our hometown United Way is helping to coordinate health and human service agencies responding to the crisis and linking victims to those agencies so their immediate and long-term recovery needs will be met.

Included in my written testimony is the United Way in Service to the Nation report.

In the wake of the September 11 tragedy, United Ways across the country have been doing what they do best, mobilizing their community to deal with their most urgent needs. Both United Way donors, contributors are being—donor contributions, excuse me, are being put to use, helping children cope with loss and fears, readying families facing military deployment, promoting tolerance and assisting families affected by the layoffs and the economic impact of the tragedy.

Let me give you a few examples. Dealing with the stress and grief associated with the tragedy of unprecedented magnitude can be a tremendous burden. We all know that a crisis like this is especially hard on our children. Many United Ways have brought their efforts to bear on this area of concern by communicating with children through the support of counseling and other services directed at children.

United Way in Detroit, Michigan, convened a meeting of more than a hundred children from United Way agencies, players from the Detroit Lions football team, and various social workers and counselors to discuss the events of September 11.

Many employees, especially in the airline industry and tourism industry, were laid off as a result of this economic downturn. United Ways, especially those in high tourism areas, are acting quickly to deal with these particular needs. The United Way in Orlando, Florida is leading an effort with local foundations to provide immediate financial assistance to workers in the tourism and travel industries who have lost their jobs or are experiencing reduced incomes. They will also develop long-term plans for a community safety net for times of crisis.

Looking ahead, United Way Board of Governors is in the process of developing a national response committee which will, among other things, develop a national crisis response plan for the United Way system that will ensure a swift, coordinated and effective response to any future major national crisis.

The events of September 11 will have a lasting effect on people and communities across the country. Beyond the lives and the buildings shattered by the attack, the images of devastation that we have witnessed as a Nation will forever tarnish our sense of security.

United Way is a living, breathing part of the communities directly impacted by the terrorist attacks. Long after the rescue teams have disbursed, the United Way will be there to heal lives, families and communities.

Thank you.

[The prepared statement of Chris Amundsen follows:]

PREPARED STATEMENT OF CHRIS AMUNDSEN, INTERIM PRESIDENT AND CEO, UNITED WAY OF AMERICA

Good afternoon. Mr. Chairman, Mr. Ranking Member, members of the Subcommittee, thank you for this opportunity to discuss how United Ways across the country have responded to the September 11th tragedy.

UNITED WAY OF AMERICA

I am the Interim President and CEO of United Way of America. United Way of America is the national service and training center for the 1,400 member strong United Way system. Each United Way is independent, separately incorporated, and governed by local volunteers. United Way of America's role is to equip United

Ways—as well as their corporate and philanthropic partners—with the tools that they need to make a measurable impact in the communities they serve.

United Ways collectively raised nearly \$4 billion in last year's campaign. But United Way is more than a fundraiser.

Listening to diverse voices in their communities, local United Ways are identifying the most urgent of needs and focusing their efforts on priority issues. These issues vary from community to community, but United Ways across the country are working to strengthen and support families, help children and youth succeed, build vital and safe neighborhoods, and promote self-sufficiency. This work is at the heart of the United Way mission.

UNITED WAY SYSTEM RESPONDS TO RECENT TRAGEDIES

Communities across the country have instituted programs to combat the “ripple effect” of the September 11th attacks. As you have heard/will hear the September 11th Fund, a crisis response effort established by the United Way of New York City and The New York Community Trust, is currently making allocations to agencies providing direct financial assistance, emergency services, counseling and other critical community supports. On September 11th United Way of America received its first corporate gift in response to this tragedy from Williams. Later that day, this gift became the first corporate support of the September 11th Fund. We received many other generous gifts, as did Local United Ways, in support of The Fund.

Next, United Way of America convened a group of crisis veterans from local United Ways that have dealt with terrorist situations, such as Oklahoma City, natural disasters like Hurricane Andrew in Miami, and other traumatic events, such as the Columbine shootings. This group, and their lessons learned, were made available for the ground zero United Ways and others to advise them on how to deal with the crisis.

Other vital programs have been launched in communities countrywide. Right here in Washington, the **United Way of the National Capital Area** has brought together a volunteer governance committee to oversee the disbursement of funds that have been raised to benefit those affected by the attack on the Pentagon. In addition, our hometown United Way is helping to coordinate health and human service agencies responding to the crisis, and linking victims to those agencies so their immediate and long-term recovery needs will be met.

Included in my written testimony is the “United Way in Service to the Nation” report. In the wake of the September 11th tragedy, United Ways across the country have been doing what they do best—mobilizing their communities to deal with their most urgent needs. Local United Way donor contributions are being put to use helping children cope with loss and fears, readying families facing military deployment, promoting tolerance and assisting families affected by the layoffs and the economic impact.

Let me give you a few examples. Dealing with the stress and grief associated with a tragedy of unprecedented magnitude can be a tremendous burden. We all know that a crisis like this can be especially hard on our children. Many United Ways have brought their efforts to bear on this area of concern by communicating with children through the support of counseling and other services directed at children.

- The United Way in Detroit, Michigan convened a meeting with more than 100 children from United Way agencies, players from the Detroit Lions football team and various social workers and counselors to discuss September 11th.

Many employees, especially in the airline and tourism industries, were laid off as a result of the current economic downturn. United Ways, especially those in high tourism areas, are acting quickly to deal with these particular needs.

- The United Way in Orlando, Florida is leading an effort with local foundations to provide immediate financial assistance to workers in the tourism and travel industries who have lost their jobs or are experiencing reduced income. They will also develop long-term plans for a community safety net for times of crisis.

Looking ahead, United Way of America's Board of Governors is in the process of developing a national response committee which will, among other things, develop a national crisis response plan for the United Way system that will ensure a swift, coordinated and effective response to any future major national crisis.

The events of September 11th will have a lasting effect on people and communities across the country. Beyond the lives and buildings shattered by the attack, the images of devastation that we witnessed as a nation will forever tarnish our sense of security. United Way is a living, breathing part of the communities directly impacted by the terrorist attacks. Long after the rescue teams have dispersed, United Way will be there to heal lives, families and communities.

Thank you for your time.

Mr. BASS [presiding]. The Chair recognizes Joyce—is it Bove?
Ms. BOVE. Bove.
Mr. BASS. You are recognized for 5 minutes.

TESTIMONY OF JOYCE M. BOVE

Ms. BOVE. Thank you. My name is Joyce Bove, and I am Vice President of the New York Community Trust, which together with the United Way of New York City, created the September 11 Fund to meet the immediate and longer term needs of victims, families and communities affected by the events of September 11. I have submitted formal written testimony, and at this point I am just going to summarize three main points.

First, the September 11 Fund began immediately. In its first 8 weeks, it reviewed and awarded 80 grants totaling \$47 million to meet a range of emergency needs through established relief and other nonprofit agencies. As a result, more than 15,000 checks have been written, most on the spot, to individual victims and families for rent, mortgage payments, utilities, tuition and other cash needs. More than 4,600 people have received crisis counseling. More than 2,000 adults and children, including 700 rescue workers, have received disaster mental health services. More than 1,000 people who have lost their jobs have met with career advisers. More than 500 children were counseled in bereavement groups. Replacement ambulances and training were provided. Funeral expenses, not covered elsewhere, have been met.

In order to make sure people knew what is available to them, toll free hotlines were established, and a comprehensive resource referral guide was created for individuals, families, businesses and agencies seeking information and assistance on disaster relief. It is used at the Family Assistance Center and throughout the city and is available online as well.

Second, to address longer term needs, the efforts of the September 11 Fund must be coordinated with other funders and service providers. Even though \$300 million seems like a great deal of money and is a great deal of money, it is far from enough to meet all the needs of all of the various victims of September 11. In order to make sure that no one is left behind, we are working and will continue to work closely with the many government and nonprofit organizations to understand the needs of the many different kinds of victims, to understand which institutions will provide help and to see where we must move in to fill the gaps.

Third, every single dollar raised by the September 11 Fund goes directly to grants to meet the needs of victims, their families and affected communities. We have raised all of the fund's administrative costs separately. In addition, the fund relies heavily on the knowledge and expertise of the United Way and the New York Community Trust, as well as other experts on loan to us from foundations and businesses.

So much more needs to be done, but we are proud of the work that we have done today and are working energetically with others to develop a fair and effective response to the September 11 tragedies. We know it is important that our program be accountable, both to the public and the millions of donors who have put their trust in us. We invite the committee and the public to follow the

decisions we make and the results that they generate through our Web site, www.September11fund.org, where we post information regularly.

In summary, the September 11 Fund is focusing on the needs of victims, their families and the affected communities by providing funds to experienced, front-line agencies for emergency needs. We will continue to support coordination efforts and are working hard with others to develop programs for longer term needs that are effective, fair and leave no one behind.

Thank you.

[The prepared statement of Joyce M. Bove follows:]

PREPARED STATEMENT OF JOYCE M. BOVE, VP, PROGRAMS & PROJECTS, THE NEW YORK COMMUNITY TRUST

Mr. Chairman and Members of the Subcommittee: Good Afternoon. I am Joyce Bove, Vice President of the New York Community Trust, which with the United Way of New York City created the September 11th Fund. Thank you for holding this hearing on an issue that concerns us all: ensuring that we provide aid and support to the victims of September 11th, their families and affected communities. I would like to report on The Fund's activities to date and plans for the future.

I will start by providing you with some background on who we are. The September 11th Fund was established by The United Way of New York City and the New York Community Trust to provide a way for millions to help meet the immediate and longer-term needs of victims, their families, and the communities affected by the terrorist attacks of September 11.

Both of these organizations have a long history of helping people help others. They do so by finding, choosing and funding nonprofit organizations and agencies with the expertise and ability to provide whatever help is needed. Using the expertise and experience of both organizations, the September 11th Fund was able to move quickly, making over 80 emergency grants to meet the broad array of needs that have arisen and will continue to arise as a result of the tragedies of September 11th.

The Fund began immediately to make grants that meet emergency needs. Thus far, we have made a total of \$47 million in grants—supporting agencies that provide cash assistance, legal counseling, grief therapy, job training and placement and other services for victims. We believe that we've made it possible for over 16,000 people to find and get the emergency help they need. However, the Fund must also help meet the longer-term needs of victims, their families and affected communities, and we are working with others to do just that. At the core, what every one of us wants is to help people and communities rebuild their lives.

To date, more than a million people and many corporations and foundations have pledged a total of \$337 million to the September 11th Fund¹. More than \$250 million has already been collected. Administrative costs of the Fund have been raised separately by The New York Community Trust and The United Way of NYC—therefore 100% of donations to the September 11th Fund will go directly to grants to help victims, their families and affected communities.

There are three points about the work that we are doing that I would like to make:

First, immediate needs are being met in the fastest way possible, by experienced disaster relief agencies. Since the first tragic days of the attack, the September 11th Fund has been providing emergency grants to organizations directly serving immediate needs of victims and their families. We have made it possible for thousands of people to receive cash support, legal advice, grief counseling and other emergency needs.

Second, to address longer-term needs, the efforts of the September 11th Fund must be coordinated with other funders and service providers. Even though \$300 million is a great deal of money, it is far from enough to meet all the needs of all of the victims of September 11th. In order to make sure that no one is left behind, we are working and will continue to work closely with the many government and

¹The Fund is made up of two funds—a general fund formed by the United Way and the New York Community Trust, and a fund from the national telethon, "Tribute to Heroes", that was broadcast on the major television networks. Both funds are intended to aid victims and their families; the general fund also is intended to support the communities affected by the September 11th attacks.

private organizations: to understand the needs of the many different kinds of victims, to understand which institutions will provide help, and to see where we must move to “fill in the gaps”.

Third, every dollar raised by The September 11th Fund goes directly to grants to meet the needs of victims, their families and affected communities. We have raised all of the Fund’s administrative costs separately. In addition, the Fund relies heavily on the knowledge and expertise of the United Way & The New York Community Trust, as well as other experts on loan from foundations and businesses.

Now, please allow me to detail the relief efforts of the September 11th Fund to date.

MEETING EMERGENCY NEEDS

On September 11th, the United Way of New York City and the New York Community Trust created The September 11th Fund as a joint response to the terrorist attacks on America.

That very day, a web site was created to accept online donations and describe the Fund’s purpose and goals. Over the next three days, the Fund organizers hosted a series of meetings with disaster relief and other nonprofit agencies to anticipate emergency needs and coordinate efforts. We received our first grant proposal on September 19th (even before we had published a formal “Notice of Available Funds”). On September 22, eleven days after the tragedies occurred, Safe Horizon began distributing checks to victims using funding from The September 11th Fund.

In its first eight weeks, The September 11th Fund has reviewed and awarded 80 grants totaling \$47 million to meet a range of emergency needs through established relief agencies. As a result:

- more than 15,000 checks have been written—most on the spot—to individual victims and families for rent, mortgage payments, utilities, tuition and other cash needs
- more than 4,600 people have received crisis counseling
- more than 2,000 adults and children, including 700 rescue workers, have received disaster mental health services
- more than 1,000 people who have lost their jobs have met with career advisors
- more than 500 children were counseled in bereavement groups
- replacement ambulances and training were provided
- funeral expenses that were not covered elsewhere have been met

In order to make sure people know what is available to them:

- toll-free hotlines were established and
- a comprehensive resource referral guide was created for individuals, families, businesses and agencies seeking information and assistance on disaster relief. It is used at the Family Assistance Center and throughout the city and is available on line, as well.

As with all established grant-making institutions, grant recipients must provide regular reports on the use of their funds, the results of their services, and financial accounting of their expenditures.

And while our staff—composed of individuals from the United Way of New York City and the New York Community Trust, as well as the Ford Foundation and others—responds to hundreds of proposals and meets with countless service providers and government agencies, we are simultaneously assessing longer-term needs.

MEETING LONGER-TERM NEEDS

Which brings me to my second point: longer-term assistance must be coordinated in order to determine fairly and accurately the needs of victims, their families and communities, and available sources of support.

To coordinate assistance efforts, The September 11th Fund was among the first supporters of a central database that would both make it easier for those in need to apply for assistance, and for charitable organizations to assess those needs and limit the duplication of efforts. Because we are mindful of the privacy rights of individuals, we are working closely with New York State Attorney General Eliot Spitzer and the front line providers of support to victims, the Red Cross, Safe Horizon, the Salvation Army, and others.

Even without a database, there is a remarkable amount of coordination taking place. Government agencies from the Federal, State and City work every day with the front line charities, such as the Red Cross, Safe Horizon and Salvation Army. They meet frequently to coordinate their programs and unplug bottlenecks. As an organization that helps fund these efforts, we are encouraging even greater coordination.

One of our major tasks in developing a program is to understand the range of people and institutions affected by this tragedy and their needs. None would argue that the family of someone who died, or someone who was severely injured shouldn't receive aid, but many of our donors also recognize the needs of those who lost their jobs, who lost their homes, or who have been traumatized as a result of helping out at Ground Zero or the Pentagon. Others have pointed out that September 11th also destroyed the homes of hundreds of nonprofits and small businesses.

Many of the needs of these victims can and will be provided for by others—by government programs or special purpose charities. Nonetheless, a traditional role for philanthropy is to help those who “fall through the cracks”. For example, what about the second families of victims who are not eligible for government aid? And elderly parents who are not technically dependents, but who were receiving help with rent or mortgage payments? Should we not make sure that all victims receive help?

Equally important, we must recognize that victims have a range of needs. Clearly financial security is important, but so, too, is counseling and grief therapy, legal and financial advice, and help with new jobs and restored homes.

Some of these needs may not be apparent for quite some time. It may be months, sometimes even years, before a family realizes that they need counseling. We need to ensure that we provide adequate resources for these needs as they arise.

We are already beginning the work necessary to develop this long-term program. We have already established a Board of Directors, drawing from the United Way, the New York Community Trust, the entertainment industry and others from business and civic life. That Board is chaired by Franklin Thomas, former president of the Ford Foundation. We have hired a small staff, and will continue to rely on the expertise of some of the best grantmakers in the country from the New York Community Trust, United Way, the Ford Foundation and others.

Over the next weeks and months we will make critical decisions about funding priorities, analyze the needs of those who are affected by the September 11th tragedy, and seek to meet those needs that are not being met by others. We will do so, as with the emergency grant program, by providing grants to organizations with the expertise and ability to do so, as quickly, efficiently, and fairly as possible.

Since developing this program necessarily involves working with government agencies and other charities, and since some of these have not yet decided how they can and will help, the process will take some time. This is another reason we consider it so important to meet the emergency needs immediately. Our emergency grants are helping do so.

Now, for my third and final point.

The September 11th Fund is a lean organization that relies heavily on resources donated by The United Way of New York City, the New York Community Trust, and others. *None of our administration costs come out of The Fund.* Instead, several foundations contributed funds specifically for this purpose. The September 11th Fund currently operates with a (tireless) staff of four. Thanks to the experts at the NY Community Trust, the United Way of New York City and others who are donating their time and expertise, grants that normally would take 4-6 months for approvals are being researched and awarded much more quickly, sometimes within one week. This is only possible because these staff members have years of experience in the nonprofit community, specifically funding emergency assistance and community needs.

Our distinguished board chairman, Franklin Thomas, and our board of directors, made up of leaders from the philanthropic, business and social service communities, are also contributing their time, as well as resources from their institutions.

We are proud of the work that we have done to date, and are working energetically with others to develop a fair and effective response to the September 11th tragedies. We know that it is important that our program be accountable, both to the public and the millions of donors who have put their trust in us. We invite the committee and the public to follow the decisions we make and the results that they generate through our web site, www.september11fund.org, where we post information regularly.

In summary, the September 11th Fund is focusing on the needs of the victims, their families and the affected communities by providing funds to experienced front-line agencies for emergency needs. We will continue to support coordination efforts, and are working hard with others to develop programs for long-term needs that are effective, fair and leave no one behind.

Mr. GREENWOOD. Thank you, Ms. Bove. Mr. Bollon, you are recognized for 5 minutes for your testimony. Thank you for being with us.

TESTIMONY OF VINCENT J. BOLLON

Mr. BOLLON. Mr. Chairman, thank you for the opportunity to appear before you—this subcommittee today. My name is Vincent Bollon, and I am General Secretary Treasury of the International Association of Fire Fighters, which represents more than 245,000 professional firefighters and paramedics who protect 80 percent of the Nation's population. I am also Secretary Treasurer and a director of the New York Firefighters 9-11 Disaster Relief Fund.

I have a deep personal interest in the subject of today's hearings, because I am and always will be a New York City firefighter. I have served as President of the Uniformed Fire Officers Association of New York City and the Secretary Treasurer of the Uniformed Fire Fighters Association of New York City. I was a member of the Fire Department Board of New York for 33 years.

The second I saw the Twin Towers collapse, I knew I had a lot of personal friends lost. We know now that 344 firefighters and emergency medical service personnel died in the line of duty on September 11. To put things in perspective, the most firefighters ever lost due to one incident prior to September 11 was 24.

We lost so many members on September 11 because they continued to climb up the stairs to evacuate the World Trade Center, even after the second airplane struck. Their rescue efforts saved thousands of civilian lives. The tragedy will have an enormous financial impact on the fallen firefighters' families. Years after the memorial services are held, hundreds of mortgages will still have to be paid, hundreds of dependents will still need to be fed and clothed, and hundreds of children will still need to be educated.

The IFF acted quickly to respond to these needs. Working with the executive board of our two New York affiliates, we immediately established the New York Firefighters 9-11 Disaster Relief Fund as a nonprofit charitable corporation. The purpose of this fund is to provide humanitarian aid to the families of firefighters and emergency medical service personnel who died in connection with the destruction of the World Trade Center. It is authorized to receive and distribute funds to provide financial aid to the families in meeting their living expenses. These funds will go directly to the families.

The fund has abided by the highest ethical and legal standards governing charitable fund administration. The fund's board of directors decided that the fund would not lend its name to any solicitation activity that even hinted at commercial exploitation of the fund's name, and we have employed no professional fund-raisers. When we learned that the fund was included on several prominent Internet Web sites, we carefully reviewed the laws of all 50 States to determine our obligation under each State's charitable solicitation laws, and we have applied to register the fund in each of the States that required a charitable solicitation registration.

We also established contact with the New York Attorney General's office regarding its efforts to both track down fraudulent fund-raising efforts and to coordinate charitable assistance relief for the September 11 victims.

As of this morning, the New York Firefighter 9-11 Disaster Relief Fund has raised approximately \$63 million. We have made two distributions of \$10,000 a piece to each of the 344 families, amounting

to nearly \$7 million, to help meet the immediate financial needs. We made the first of these two distributions more than a month ago. The fund's board of directors is now developing the criteria to ensure that the families' humanitarian needs will be met in a manner consistent with our fiduciary duties and applicable law, including the Internal Revenue Code.

We also have been extremely careful to ensure that the money donated to the firefighters' families was not wasted on unreasonable administrative expenses. I am proud to report to this subcommittee that to date less than two-thirds of 1 percent of the money donated to this fund has been committed to administrative costs, and as a 501(c)(3) organization and a registered charity, we will submit publicly available reports to the Internal Revenue Service and the States detailing the amounts we have raised and paid out.

We also continue to work on a daily basis to ensure that no one is using our good name of our fund or logo of the IFF to defraud the public. For instance, we recently shut down one fund-raiser who was soliciting funds over the Internet in the name of our fund into an account that had no connection with our fund. As the fund, we strive to meet the humanitarian needs of the families of our fallen firefighters with minimal administration cost and in a straightforward and honest manner. No firefighter should have to think about who will take care of his family when he is entering a burning building to save your life.

I would be happy to entertain any questions from the members of the subcommittee. Thank you.

[The prepared statement of Vincent J. Bollon follows:]

PREPARED STATEMENT OF VINCENT J. BOLLON, GENERAL SECRETARY-TREASURER OF THE INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS AND SECRETARY-TREASURER OF THE NEW YORK FIREFIGHTERS 9-11 DISASTER RELIEF FUND

Mr. Chairman, I thank you for the opportunity to appear before this subcommittee today.

My name is Vincent J. Bollon. I am the General Secretary-Treasurer for the International Association of Fire Fighters (the "IAFF"), which represents more than 245,000 professional fire fighters and paramedics who protect 80 percent of our nation's population. I am also Secretary-Treasurer and a director for the New York Firefighters 9-11 Disaster Relief Fund, which was established by the IAFF to provide humanitarian assistance to the families of fire fighters and emergency medical services personnel who died in connection with the destruction of the World Trade Center on September 11, 2001.

I have a deep personal interest in the subject of today's hearings, because I am, and always will be, a New York City fire fighter. Prior to serving as General Secretary-Treasurer for the IAFF, I was President of the Uniformed Fire Officers Association of New York City. I have also served as an officer for the New York City Uniformed Fire Fighters Association, and I was a member of the Fire Department of New York for 33 years.

The second I saw the Twin Towers collapse, I knew I had lost personal friends. We know now that 344 fire fighters and emergency medical service personnel died in the line of duty on September 11. To put things in perspective, the most fire fighters ever lost due to one incident prior to September 11 was twenty-four, during an incident that occurred more than 100 years ago. We lost so many of our members on September 11 because they continued to enter the World Trade Center and climb the stairs as they were trained to do even after the second airplane struck. The number of fire fighter casualties was made even worse because fire fighters both coming off their shifts and coming on their shifts responded to the alarms. I am both proud and humbled to tell you that their rescue efforts saved thousands of civilian lives.

For our New York fire fighters, it is still September 11. I cannot find the words to describe the impact that this event has had on the surviving members of our two New York locals and the hundreds of widows and fatherless children that our fallen heroes have left behind.

But I can describe the enormous financial impact that this horrible tragedy will have on the fallen fire fighters' families. Years after the memorial services are held, hundreds of mortgages will still have to be paid, hundreds of dependents will still need to be fed and clothed, and hundreds of children will still need to be educated. And this only begins to describe part of the financial needs that will arise in the future for the families of the fallen fire fighters.

The IAFF has always played a role in assisting the families of fire fighters who are lost in the line of duty. The sheer enormity of the events of September 11, however, called for something more than our traditional response. As early as the afternoon of September 11, when we began to receive inquiries from around the world about how to assist the fire fighter victims of this tragedy, it became apparent that we would play a major role in managing this assistance. We decided that, above all, we owed it to the memory of our fallen fire fighters to do it right.

In conjunction with the Executive Boards of our two New York affiliates, we immediately established the New York Firefighters 9-11 Disaster Relief Fund. The purpose of this Fund is to provide humanitarian aid to the families of fire fighters and emergency medical services personnel who died in connection with the destruction of the World Trade Center. It is authorized to receive and distribute funds to provide financial aid to the families of the fallen fire fighters in meeting their living expenses, including food, housing, clothing, medical care, education of children, transportation and other similar expenses. These funds will go directly to the families of the fallen fire fighters.

Working with the assistance of top-notch legal counsel from a prominent Washington DC law firm, who donated their services on a pro-bono basis to establish the Fund, we organized the Fund as a non-profit charitable corporation to be governed by a six-person Board of Directors. We were granted tax-exempt status under section 501(c)(3) of the Internal Revenue Code on September 26, 2001, a remarkably short period of time.

From the beginning, the Fund has abided by the highest ethical and legal standards governing charitable fund administration. I will give you a few examples. Out of respect for the New York fire fighters, the Fund's Board of Directors immediately decided that the Fund would not lend its name to any solicitation activity that even hinted at commercial exploitation of the Fund's name, and we have decided to employ no professional fund-raisers. As a testament to the care with which we set up the Fund, we were pleased to learn that it was included on several prominent internet web-sites devoted to channeling financial assistance for September 11 victims to credible charity funds. As soon we learned of our Fund's inclusion on these sites, we carefully reviewed the laws of all fifty states to determine our obligations under each state's charitable solicitation laws, and we have applied to register the Fund in each of the states that requires charitable solicitation registration. We also established contact with the New York Attorney General's Office regarding its efforts to both track down fraudulent fund raising efforts and to coordinate charitable assistance relief for the September 11 victims.

All of our hard work has paid off. As of this morning, the New York Firefighters 9-11 Disaster Relief Fund has raised \$63 million. We have been extremely sensitive to the need to distribute this money as soon as possible to the families on whose behalf these funds were donated. In fact, we have already made two distributions of \$10,000 apiece to each of the 344 families (amounting to nearly \$7 million) to help meet their immediate financial needs. We made the first of these two distributions more than a month ago. While the Fund continues to receive money, the Fund's Board of Directors is now developing criteria to govern how the balance of this money will be disbursed to ensure that the families' humanitarian needs will be met in a manner consistent with our fiduciary duty and applicable law, including the Internal Revenue Code.

We have also been extremely careful to ensure that the money donated to the fire fighters' families is not wasted on unreasonable administrative expenses. I am proud to report to this subcommittee that, to date, less than two-thirds of one-percent of the money donated to this Fund has been committed to administrative costs. We have been able to keep this percentage low because so many people—both within and outside of the IAFF—have donated so much of their time and hard work to ensuring the integrity of this Fund. And as a 501(c)(3) organization and a registered charity, we will submit publicly available reports to the Internal Revenue Service and the states detailing the amounts we have raised and paid out.

We also continue to work on a daily basis to ensure that no person or party is using the good name of our Fund, or the logo of the IAFF, to defraud the public in the name of our fallen New York fire fighters. For instance, we recently shut down one fund-raiser who was soliciting funds over the Internet in the name of our Fund into an account that had no connection with our Fund. Relying upon the constant vigilance of our Board of Directors, our 245,000 IAFF members, and the state attorneys general offices, we will continue to make every effort to ensure that no money is fraudulently raised in the name of our Fund.

My testimony here today provides only a glimpse into the efforts that have been taken by the International Association of Fire Fighters to address the events of September 11. Like so many other organizations, the IAFF has worked tirelessly to respond to this horrible tragedy. As a result of the careful and meticulous efforts of everyone involved, the New York Firefighters 9-11 Disaster Relief Fund will strive to meet the humanitarian needs of the families of our fallen fire fighters with minimal administrative costs and in a straightforward and honest manner. No fire fighter should have to think about who will take care of his family when he is entering a burning building to save your life. I will be happy to entertain any questions from members of the subcommittee.

Mr. GREENWOOD. Thank you, Mr. Bollon. Thank you very much for being with us and for your testimony.

Let me address a question to Mr. Amundsen and Ms. Bove—and it is the same kind of question that I addressed to Dr. Healy of the Red Cross. That is this: Can you assure us and the American people that every penny of the \$337 million raised so far for the United Way September 11 Fund is in fact going to go to the purposes for which they assumed when they wrote those checks and put those dollars into pails, and that is to help heal the wounds of the families who were devastated on September 11?

Ms. BOVE. First of all—

Mr. GREENWOOD. If you would pull that silver microphone, particularly, is the one that is amplifying your voice.

Ms. BOVE. \$337 million has been pledged. Only \$250 million has been collected so far. But the September 11 Fund is committed that every single dollar, every single penny is going to go to the needs that were described, which is meeting the needs of victims, families and communities affected by September 11.

Mr. GREENWOOD. Now, how will you coordinate that? You were here when we had the two other witnesses here. They received some funds. Tell us how you are going to coordinate the \$250 million or \$337 million if you meet—if all of your pledges come in. How will you—in distributing those funds to families, what will you take into consideration? Will you take into consideration what they have received from the Red Cross? Will you take into consideration what they may have received from the Firefighters Fund, from the dozens of other organizations that are out there, from insurance, from their Federal program? How will you coordinate what you are doing, if you would intend to, and determine on a family by-family basis how many of these dollars will go to specific families?

Ms. BOVE. That is something that the board that was just formed is considering how we are going to be doing that. From the first day, we have been meeting, though, on a very regular basis with representatives from the Red Cross, from Safe Horizon, from Salvation Army, from the various government agencies. From day one we have supported Eliot Spitzer's efforts to figure out a way to coordinate it. We actually helped find the volunteers who were put-

ting together the computer program to come up with the consolidated data base. So we very much are supporting it.

I can't tell you exactly now how we are going to do it, because there are some shifting sands. We are still finding out, first of all, not only what all the funds out there are, but we are also beginning to find out what all the needs are. One of the—

Mr. GREENWOOD. Do you have the personnel, sufficient personnel to review all of these claims?

Ms. BOVE. We are not reviewing claims of individual families. We are a foundation. The United Way makes grants also to nonprofit entities. So we work through established nonprofit entities that have both the personnel and the expertise to do this kind of review. I am not going to become—

Mr. GREENWOOD. What I understand in some instances individual families, at least my constituent Russa Steiner, received an actual check from the United Way, and the testimony from her attorney was that the way they understood this was unusual. The United Way serves United Way organizations that provides services. The United Way has not historically provided cash payments to individuals. Is it—do you expect that this \$250 million, \$337 million, that some of that money will go to families in the direct—in the form of cash payments, or will it only go to agencies who provide services to those families?

Ms. BOVE. Well, it will go to agencies that provide cash payments, as well as services to families. We have worked primarily through an organization called Safe Horizon, which was formerly Victim Services, which administers funds for crime victims, and they have cut 15,000 checks to family, families of victims, and they are families who are defined much in the way that my colleague defined them, people who have lost—family members who have lost lives of a breadwinner, people who have lost jobs, people who have been displaced from—

Mr. GREENWOOD. Do you know what the range in those checks is?

Ms. BOVE. The average has been about \$900 to \$1,000, and they can come back every 2 weeks up to \$10,000. This was considered a very short-term step, and we are now figuring out what the longer term steps need to be, factoring in what are the various other funds going to be providing and also factoring in when regulations come out for the settlement that we talked about earlier, the million dollars. We also want to make sure—one possible program which isn't cash assistance that might be very helpful that we are thinking about is some form of case management program so that every family may have an advocate to help them, not just today and this week but over time, negotiate some of the various assistance.

Mental health needs, we have established—we are funding a program that is going to help children who have lost their primary caretaker, who lost their primary parent in the disaster. So there are a whole range of needs that we are going to be trying to figure out, in addition to cash to families.

Mr. GREENWOOD. Okay. My time has expired. The Chair recognizes the gentleman from Michigan, Mr. Stupak, for 5 minutes to inquire.

Mr. STUPAK. Thank you, Mr. Chairman. Mr. Farley, you had indicated that you had those four commitments there that the American Red Cross follows. One of them you said that the donor, when they send money, they have to restrict it. Right?

Mr. FARLEY. I am sorry?

Mr. STUPAK. That a donor when they send money through Red Cross, they have to restrict it; otherwise, it goes in the general—

Mr. FARLEY. If the donor restricts their contribution for particular purpose, then we honor that designation, but when we initiate a fund-raising initiative and make a case as to what the funds are being used—what the need is, the funds that we received, we presume that because the donor has responded to that without condition, it would be used for that purpose.

Mr. STUPAK. Did you in any of your advertising on the heels of September 11 tell donors that they should restrict their funds if they did not want—if they want it to go just to victims or if you want it to go to the anthrax scare or nuclear scare or telephones, whatever it might be?

Mr. FARLEY. No, we did not.

Mr. STUPAK. So how would a donor know that?

Mr. FARLEY. The donor would only know what we have stated publicly about what the uses of—or contributions would be extended to, and we—of course at that point, you know, we didn't really know where this was going. We wanted to obviously respond to the victims, but we wanted to do whatever we needed to do to be there in the event that, you know, more incidents ensued. So I think the presumption was in receipt of a gift from a donor based on an appeal, be it through a PSA or whatever, when we said to support the victims of this terrorist attack and other emerging needs, or however that was framed, that when we received a gift, that we presume that that was the purpose for which it was given, and it was a signal to us that it should be expended in that manner. At the same—

Mr. STUPAK. I think in your testimony you said \$120 million has gone out. So there is probably about \$400 million still sitting there?

Mr. FARLEY. There is about—we have expended about \$155 million. Of that, \$120 million of it has gone to direct victim assistance of one kind or another. We have identified a total of about \$300 million in needs that we anticipate to come into play in response to this disaster. So that leaves a balance of, say, \$264 million.

Mr. STUPAK. What is the \$300 million anticipated?

Mr. FARLEY. That is for increased disbursements of funds to victims. It is for the cost—

Mr. STUPAK. How much of that 300 is for increase for victims?

Mr. FARLEY. How much of that is for—

Mr. STUPAK. Victims, yeah. Is it in your testimony? I didn't see it there.

Mr. FARLEY. The anticipated amount for the immediate relief we think would be about \$209, \$210 million for direct victim assistance.

Mr. STUPAK. Of that \$300, two-thirds will go—

Mr. FARLEY. Correct.

Mr. STUPAK. And what about the roughly \$110 something million left? What would the other go for?

Mr. FARLEY. The other would be used for developing the support for the military personnel. We have a Congressional obligation to provide emergency service communications to our military families. Now, with mobilization into a war, we have an increased responsibility with that, with the mobilization of our service personnel. We have anticipated services from our chapters to provide mental health counseling and information on issues such as anthrax, and we also have direct costs associated with the provision of those services that provide the 1-800 numbers for victims to call in to find out what agencies they could connect to, and if there is any relocation or reunification of families of victims, those are included in that.

Mr. STUPAK. A suggestion, if your fourth commitment is to make sure that you honor the intent of the donor, I suggest you make it very clear in your advertisement what you are going to use the money for. If people after they are watching this hearing, if they realize that there is about \$540 million that was sent in and only \$120 million has been put out in direct aid, people will be shaking their heads saying, boy, how do we get a refund. That is why—anyways.

Mr. FARLEY. I think if—Congressman Stupak, if we were to ask a donor, is it appropriate for us when we have learned that there has been an anthrax attack to provide information to communities about that, or if we are asked should we provide particular kinds of support for response personnel, first responders, which all leads toward support of victim recovery, I think the logic of that would be, yes, that would be an appropriate use.

Mr. STUPAK. Well, I am not too sure of that.

Mr. FARLEY. Okay.

Mr. STUPAK. I am sure they probably asked for some time lines. This is a war? You know, Congress made it very clear this was not a war. This was an authorization of a use of force, because if we use the term “war,” and one reason why we did not want to do a declaration of war, then all the life insurance policies would not have to be paid if that is a declaration of war. So to help protect those victims, we did not want to do that. So it brings me a little concern when you keep saying war.

Mr. FARLEY. Congressman, one point, if I might—

Mr. STUPAK. I will let you go as long as you want, as long as the chairman—

Mr. FARLEY. Let me make two points. First of all, I was the individual greeted by your constituents.

Mr. STUPAK. I have a glossy of you.

Mr. FARLEY. And you can see I have changed greatly since that moment of several weeks ago. I would like to say, though, that of the balance of those funds, the \$264 million that we have not accounted for in terms of expending where that would be expended, I want to point out that that is—those are resources that we anticipate a portion of which will be needed for direct victim support in the weeks and years ahead because of our experience with other tragedies, and we think it incumbent on the Red Cross to ensure that we have the capacity to respond to those needs years later as a result of this tragedy. So in part, those funds will be used for that purpose.

Mr. STUPAK. Well, you saw the reaction, they didn't see it that way.

Mr. GREENWOOD. The Chair recognizes the chairman of the full committee, Mr. Tauzin, for 5 minutes.

Chairman TAUZIN. Thank you, Mr. Chairman. Let me follow up on Mr. Stupak's line of questioning, gentlemen, and I want to read you two statements you made about Liberty Fund and ask you if you don't think they send a very different message. The statement in your testimony today is that "Therefore, we established the Liberty Disaster Relief Fund, a separate and segregated account. It was created to hold and disburse funds related to the September 11 attacks, its aftermath and other terrorist events." That is your statement today.

Now, I want to read you the definition of the Liberty Fund found on the Internet when it was announced, and here is the paragraph. "For this reason, we have created a special fund, the Liberty Disaster Fund. This is a designated disaster relief fund separate and distinct from the Domestic Disaster Relief Fund and the International Relief Fund. The Liberty Disaster Fund will support the immediate and emerging efforts of the American Red Cross to alleviate the human suffering brought on by the attacks of the September 11."

Is there a difference in those two statements?

Mr. FARLEY. They would suggest that there is a need for further clarity, but I would say that if we were to ask that if the Liberty Fund were to be used to provide support for an integrated response to these kinds of activities, would it not meet the tests of common sense that 6 weeks, 6 months hence from now if we have another kind of an incident resulting from a terrorist act—

Chairman TAUZIN. Well—

Mr. FARLEY. It would be prudent for us to use the funds in that manner.

Chairman TAUZIN. Then why didn't you announce on October 31 that the American Red Cross had raised enough money to help the victims of the terrorist attacks and will stop asking for donations? Do you have some prior knowledge as to how many new terrorist attacks that there are going to be that you can announce this in advance?

Mr. FARLEY. Obviously not.

Chairman TAUZIN. No, you don't. You see, here is the problem in communication. The problem in communication that Mr. Stupak pointed out is that when you created the fund, you very clearly talked about an event, the September 11 event is the genesis for this fund and the need for Americans to respond as generously as it had to the victims of this disaster of September 11 in these three cities. The fact that you say you have enough money in the fund now to take care of these victims, that you no longer collect money into this fund seems to bolster that position that it was strictly for these victims and, therefore, the fund is adequate now and you can move on to some other important Red Cross initiatives. But then we learn that you really are putting some of this money into other Red Cross initiatives, telecommunications upgrades, blood bank, anthrax, mental health response. I mean, no one is going to quarrel with you that these are important human needs that the Red Cross

traditionally responds to. The concern is for the families who are obviously victimized on September 11, that America responded generously to the tune of \$540 million for them, and now it is going for other important Red Cross needs for, perhaps, other people, other victims or other important strategic or logistical needs of the Red Cross.

When the Better Business Bureau did a survey to see what people's intent were when they gave, the surveys came back that the vast majority of people donating expect the money to be used for the current tragedy, the current problem, not to be put in reserve accounts for future problems, and that unless you very clearly specify that you are going to put some of the donations into reserve accounts, that Americans expect you to use it for those victims, the present victims, the ones we know about, the ones we saw and see every day as we look at this tragedy of September 11 and its aftermath, the victims we saw here today at this table.

There is a disconnect here, and I know I sounded hard a while ago, but I think the representatives of the New York Attorney General's office sounded equally hard about this. If there is an expectation that you created by not being too specific, by saying this was a September 11 event fund, that this money should go to these victims, and you now say that you want to use it for other purposes, you have created a disconnect. And I think that is damaging to the good faith that exists between the incredible giving heart of America and agencies such as yours that do so much good in using that money to help victims. And I think there is some damage done here, and I hope you would help repair it in some way.

Mr. FARLEY. Congressman, we will pay close attention to our messaging on this, and I think you raised a good point. Obviously if we solicit funds with the public understanding one thing and then in fact we do something else, it is against the public trust for what we have initiated. But I would like to clarify a couple items about timing and messaging, if you will.

The original announcement of the American Red Cross about how the funds would be used was developed in a September 20 communication that was sent out to all of Red Cross units and put on our Web site, and in that document it talks about the uses and intents for the Liberty Fund. And while the media had reported on October 29 that only a portion of the funds would be designated this some way or another, in fact, on October 12 we communicated again what the intent would be for the Liberty Fund. And I think it is important to think about the snapshot in time when that October 12 communication was sent. At that time we said—and you rightly pointed out, Congressman Tauzin, with the previous panel that we said we would need about \$300 million to meet—to respond to the needs that we see then. At that moment, we had raised about \$375 million. So we thought at that point, not knowing where we were going with the nature of the event and how the public would respond to that in the weeks ahead, that that would be a prudent allocation to support the needs of the victims, with anticipating that events beyond, that there are going to be some needs for the future. So unfortunately the understanding apparently about what we were doing and what we intended to do with that fund may not have been as clear as it could have been. But

the intent at the Red Cross and its messaging as early as September 20 clearly stated that the fund—the Liberty Fund, which was designated in a restricted account, would be used for those many purposes that you have cited.

Chairman TAUZIN. I just want to point out to you, you have two groups of people that I think ended up confused. The first was the donors who thought from your early message that all this money was going to go to the victims we saw on September 11, and, second, the victims and their families. It was assumed that all this money was going to be raised to help them out, and now we learn that there are limits on the help that is coming, because the money may go to other purposes.

Neither one of those results is very good. And despite all the great work you do and all the good you do, again, I would urge you to rethink, perhaps, how you handle this.

Mr. Chairman, I know my time is up, but I think we ought to see the chart for what it is worth. It is a chart we have that indicates the organization, the amount raised and the amount disbursed to date, and it gives a quick snapshot of all the monies that are being raised by the major organizations, and the disbursements as of this date as we have them. I think it is fairly accurate. The staff has tried to be as up to date as they could with it, and it indicates obviously that all the organizations that are raising money for the victims of the September 11 event have some way to go before all those monies are properly disbursed.

Recognizing all the logistical problems and all the difficulties in doing it, obviously, again, the enormous generous heart that America has shared with all of you who serve as intermediaries for the gifts, is anxious to see that the true beneficiaries of those gifts receive them at some point in the not too distant future.

Thank you very much, Mr. Chairman.

Mr. GREENWOOD. The Chair recognizes the gentleman from Florida, Mr. Deutsch, the ranking member, for 5 minutes.

Mr. DEUTSCH. Thank you, Mr. Chairman. I would like to submit, of all things, a Sunday story from the New York Post, and the headline is Families Struggle to Get Funds. I mean, so very time appropriate. And I will read one short comment from Janet Collado: "It's depressing. You start feeling that it's more of a hand-out," who's been trying to help her Spanish-speaking sister-in-law.

And so, Mr. Chairman, if we can just include that.

Mr. GREENWOOD. Without objection, the New York Post article will be included in the record.

[The article follows:]

[Sunday, November 4, 2001—Daily News]

FAMILIES STRUGGLE TO GET FUNDS

CHARITIES FACE WOES

By Heidi Evans, Daily News Staff Writer

Hubert Hinds has never asked for anything in his life.

But now that his wife, Clara, a beloved seamstress at Windows on the World, has been buried, and with his savings virtually gone, the 57-year-old Far Rockaway man is about to enter the black hole of philanthropy.

When he steps into the white tent of the Family Assistance Center on the Hudson River and 55th St. tomorrow, Hinds will encounter a bewildering network with links

to almost 200 charities and more than \$1 billion donated to help families hurt by the Sept. 11 attack.

Hubert Hinds holds a picture of his wife, Clara, who was killed while working at Windows on the World. "I was told there are lawyers down there to advise me on what can be done. I really don't know," said Hines. "You hear all the stories."

Nearly two months after the attack, with money still pouring in to charities large and small, there is no simple way for victims' families to apply for the full range of benefits and services available to them.

Relatives and friends of the grief-stricken go from one agency to another, sometimes spending morning and night at the pier or on the phone in an effort to get help. It is a bureaucratic nightmare for both the families and groups trying to do the right thing.

"It's a runaround. It's depressing. You start feeling that it's more of a handout," said Janet Collado, who has been trying to help her Spanish-speaking sister-in-law, Sandra Petrocino, get psychological and financial help as well as visas to allow her parents to come from the Dominican Republic to help take care of her and her two kids, Keyla, 10, and Alex, 5.

Central Register Eyed

Petrocino's husband, Manuel, a kitchen worker at Windows on the World, died in the Sept. 11 attack.

"The one question I hear from a lot of families is: 'Where do I start? They always had that one person to lean on,'" said Collado.

Sandra Petrocino, with children Alex and Kayla, mourn Manuel, also a Windows on the World employee. While steps are being taken to organize this unprecedented charitable effort, the undertaking is immense. On Friday, Attorney General Eliot Spitzer announced that a group of major technology and consulting firms agreed to set up a centralized registry to keep track of giving and reduce duplication of services and fraud. The agencies, including the Red Cross and The Twin Towers Fund, will share access to a single database.

The idea is modeled on the one used in the aftermath of the Oklahoma City bombing in 1995, which kept tabs on each of the 168 families, what they needed and what they had been given. Each family also was assigned a caseworker to check on them several times a year and be their advocate.

But it will be at least another month before the database is up and working in New York, Spitzer said, leaving people to continue to go from place to place on their own.

In the meantime, there is growing pressure from donors to make sure the extraordinary amount of money collected is going to the families of an estimated 5,000 victims.

'Huge Dilemma'

"The public needs to understand that we are creating something out of nothing," said David Campbell, a vice president at the Community Service Society of New York, which is counseling the families of restaurant workers killed in the attack.

The 150-year-old society also is advising the trustees of the Windows of Hope Family Relief Fund, which already has collected more than \$2.1 million to benefit the 250 food service workers killed in the attack, including those who worked at Windows on the World.

"You can't create an accountable system overnight. It's a huge dilemma," Campbell said. "If you give it away too fast, you could give it to the wrong people. And if you delay, you run the risk of being seen as unresponsive. It's sort of a 'lose-lose' situation."

For the families of the 73 people who worked at the Windows on the World restaurant on the 107th floor, where dishwashers made as little as \$8 an hour, there are particular hardships, as well as for the groups that want to help them.

Several of the kitchen workers were the sole source of support for their spouses, many of whom are undocumented. Many workers also left behind—and supported—children who live in other countries. These families are afraid to come forward, worried they will be hounded by immigration officials.

"It's a mess," said one charity official who asked not to be named.

More Than Just Money

Helping victims of the World Trade Center attack is not just about handing out money, some disaster experts say. And big relief organizations such as the Red Cross—which has collected an astounding \$547 million for the World Trade Center families—will need to adapt to the unique set of circumstances.

Nancy Anthony, a key player in organizing the relief effort for Oklahoma City, said charitable groups will perform a greater service if they help people here plan

for the next five years of their life, rather than getting them through just the next six months of paying bills.

“This is not like a flood or hurricane, where people need pots and pans and towels,” said Anthony, referring to the typical Red Cross disaster. “In New York, like we had in Oklahoma City, you have incredible emotional devastation. People are going to have long-term mental health issues.

“When you look back, you don’t want to say you did a good job because you handed out the money; a bank could have done that. It’s because you helped people restore their lives, helped them to be independent, to be survivors and to go forward with their lives.”

Mr. DEUTSCH. You know, I just want to mention just a—in the previous panel, I talked about, you know, my experience in south Florida with Hurricane Andrew, and I want to speak specifically about the Red Cross, I mean American. Literally, it is one of these incidences that I will remember the rest of my life, that I went down to basically what was Ground Zero, a different Ground Zero at that time, the day after Hurricane Andrew. And if people remember that incident, President Bush came down, but he didn’t go far enough, and the reality is that the Red Cross was there literally before the National Guard, I mean the day after Hurricane Andrew, and they were feeding people who didn’t have food and didn’t have water before there were any governmental entities there. I mean, I will remember it like it is today, and they had the trailer out, providing a service literally before the National Guard, and eventually, if we recall Hurricane Andrew, the Army ended up having to come down. The National Guard was not significant enough, and they actually called out the Army to provide housing and food and kitchen service during Hurricane Andrew.

So I think that—you know, as one community who has benefited directly from the good works of the Red Cross, I think it is significant just to understand in a broad scale day in and day out, year in and year out the good works that the Red Cross has done.

I want to ask, I guess, two really general questions and give everyone on the panel an opportunity to respond to this. One of the things I am concerned about is that the public may take away a wrong message from these hearings. Clearly, we don’t want the public to think that most of these charities are operating inefficiently or are even engaging in wasteful activities. In fact, they are not. Therefore, I would like to ask you to tell me what you think the main message to the public should be regarding these charities. What is the message that should be coming from this hearing, in other words? I mean, for each of you if you want to respond to that, what would you hope that—I assume we are on C-SPAN, people are watching this, reporters who covered this hearing. What do you think the message should be of this hearing?

Mr. Bender, if you want to take a shot.

Mr. BENDER. Sure. I think the message is that—two things. One is that the charities, the Red Cross and the other charities mentioned here and some that aren’t mentioned here, are really on the ground doing a job, and it is an important job, and you just mentioned that, and I think that is an important message that the public understand and, second, that I think this whole issue of trust and restoring—having trust—the public having trust in the institutions that in fact are trying to provide the relief is very, very important. And if we can build, and rebuild if we need to, that trust,

I think that is absolutely essential for the success of our organization and the others that are really trying to perform the service.

Mr. AMUNDSEN. I think as we look at this tragedy, as far as from the United Way of America standpoint, this is representing all United Ways across the country. United Way and United Way organizations are on the ground in every community understanding the impact of this tragedy in all communities. We are working with the agencies to provide the services necessary to help people cope with the changing nature of the world, to address the needs of victims and families, some of that through the September 11 Fund, but even in their own local community with the ripple effect of the devastation that has happened in the tourism and the airline industries. We are there. We will be there 365 days a year to help address that issue in those local communities, and we do so in an effective way. And it is clearly determined by the needs of the community and the volunteers in the community to truly understand the needs so that the money goes directly to those needs and that the appropriate people are served.

Mr. DEUTSCH. Thank you.

Ms. BOVE. I guess a message that I think is important to get out is that victims and families' emergency needs are being met and have been from the first weeks, that nonprofits have done quite a remarkable job of mobilizing quickly, and the point that some of you made earlier, with very, very little fraud and abuse. And I think that is an important message to get out. More than a million people donated to the September 11 Fund, because the New York Community Trust and the United Way have decades of experience sorting out how do you identify unmet needs and apply the money effectively, and the message that needs to get out is that we will continue to use that expertise in a way to make sure that the funds entrusted to us are spent to meet not only the immediate emergency needs but the longer term needs that are left in our community.

Mr. BOLLON. Part of the discussion today of the percentage of money that has been raised, it is the greatest amount that was ever raised by this country, but we are not looking at also the percentage of people we lost. We lost more people here than we lost at Pearl Harbor. I lost 340 firefighters, 15 percent more than I ever lost before. The same way with the civilians and the police department and everybody else. We should have raised that much money, because of the incident.

And I am a little confused. The chairman when he was asking his questions on the 5 minutes asked of Ms. Bove, was she going to take into consideration what was given to the firefighters when she is considering how much—how to disburse her money. What does that mean, that I am going to be penalized now because I did everything that this committee is looking for? We started the fund right away as a charitable fund, as a 501(c)(3). We have filed for all the State associations. We got the first distribution right out there. And because we are doing everything right and held costs down to three-eighths of 1 percent, we may now be penalized and get less because we have given that money out to our people, if we have done that, and that is a little confusing. That sends the wrong message to me, I think, and maybe I misunderstood.

Mr. GREENWOOD. The time of the gentleman has expired. If I can clarify, it was not—that was not an advocacy question on my part. I was not advocating that. I was just trying to determine the methodology of the various charitable organizations.

Mr. Bass, do you wish to inquire?

Mr. BASS. No, I don't, Mr. Chairman. I just wish to associate myself with the concerns of the distinguished chairman of the committee who asked questions a few minutes ago, and I will yield back.

Mr. GREENWOOD. Mr. Whitfield, do you care to inquire? I think in the interest of time, we are trying to wind down, and we thank you for your patience. You have been here for 4 hours. We thank you for that. Thank you for your testimony, and we thank you for the extraordinary good work that you are doing on behalf of the American people, and we hope you will keep it up. Thank you again.

We now call the third panel, consisting of Mr. J. Howard Beales, III. He is the Director of the Bureau of Consumer Protection for the Federal Trade Commission. And Mr. H. Art Taylor, President and CEO of the Better Business Bureau Wise Giving Alliance.

Mr. Beales and Mr. Taylor, gentlemen, welcome, and let me thank you for your forbearance and apologize for the lateness of the hour and express the appreciation of the committee for your appearance before us.

And Mr. Beales, if you will begin. You are recognized for 5 minutes to provide your testimony.

TESTIMONY OF J. HOWARD BEALES, III, DIRECTOR, BUREAU OF CONSUMER PROTECTION, FEDERAL TRADE COMMISSION; AND HERMAN ART TAYLOR, PRESIDENT AND CEO, BETTER BUSINESS BUREAU WISE GIVING ALLIANCE

Mr. BEALES. Thank you, Mr. Chairman.

Mr. GREENWOOD. And if I may ask you to point that silver microphone right to you and have it as close to your mouth as you can get it, that is great.

Mr. BEALES. Thank you, Mr. Chairman, and members of the committee. I am Howard Beales, the Director of the Bureau of Consumer Protection of the Federal Trade Commission. I appreciate the opportunity to appear before you to testify on behalf of the Federal Trade Commission regarding fraudulent solicitations of charitable contributions. I would request that the Commission's entire written statement be included in the record of this hearing.

Charitable organizations play an invaluable role in our society, providing help and assistance to millions of Americans in times of need, tragedy and disaster. In the wake of the September 11 terrorist attacks on the United States, charitable giving has provided the citizens of this country, both young and old, a unique, tangible opportunity to demonstrate both support for the victims of the attacks and the unity of the American people. Millions of Americans have responded with an outpouring of generosity. Unfortunately, consumer protection agencies are only too familiar with the risk of fraudulent fund-raising in the aftermath of such tragedies. This type of fraud is especially pernicious. It not only preys upon the

donor, but ultimately injures many others by undermining the public's confidence in legitimate charitable fund-raising.

The Federal Trade Commission, in cooperation with numerous other Federal, State and local consumer protection agencies, has pursued a three-part strategy to protect American consumers against fraud. First, we are monitoring developments closely and systematically to identify possible law violators and sharing intelligence with other law enforcers. Second, we are prepared to act quickly and effectively if violations are found. And third, we are educating consumers and businesses about how to spot potentially fraudulent solicitations.

Immediately after September 11, the Commission began to monitor on a systematic basis consumer complaints, tips from other law enforcers and watchdog groups and media reports about possible charity fraud and related scams. A central part of the Commission's monitoring effort is Consumer Sentinel, a Web-based consumer complaint data base and law enforcement investigative tool. To facilitate the complaints, the Commission maintains both a toll-free number, 1-877-FTC-HELP, and an electronic complaint form at www.ftc.gov. Consumer Sentinel also receives complaints from many public and private partners, including the 64 local offices of the Better Business Bureaus across the Nation, offices of numerous States Attorneys General, the National Consumers League and Project PhoneBusters in Canada. Between September 12, 2001 and October 25, Consumer Sentinel received 193 disaster-related complaints, only 24 percent, or 46, of which related to charitable solicitations. We have followed up on every complaint, searching for likely scams and have worked with agents and investigators from a number of other agencies and organizations, including the Secret Service, FEMA, and the Red Cross in investigating those cases that looked genuinely problematic. We have found that to date the instances of fraud are few and far between, and we continue to monitor this situation as aggressively as any we have ever pursued.

In addition to monitoring potential frauds, we have worked hard to educate consumers.

On September 20, our Northeast regional office, which is located only six blocks from the World Trade Center, held a press conference in New York City, with city, State and Federal agencies and nonprofit organizations, to announce a coalition to protect New York consumers and provide essential information during this time of crisis. The Northeast region staff distributed a new consumer alert, "Helping Victims of the Terrorist Attacks: Your Guide to Giving Wisely," which was also posted on the FTC Web site. In a little over a month, this publication has been accessed almost 10,000 times.

The Commission has also developed a dedicated Web page where consumers and businesses can get more information about donating wisely and filing a complaint and a banner ad that promotes the site. In addition to our work on potential charitable giving frauds, we are also actively monitoring the Internet to detect a host of other potential September 11th-related frauds, including items like home testing kits for anthrax, gas masks and antibiotics. As is the case with charitable fraud, deception in these areas poses substan-

tial risk to consumers and will be a top priority for the Commission and other consumer protection agencies.

In conclusion, I would say that so far, it appears that consumers have generally shown themselves to be both generous to real charities and aware of the potential for con artists posing as fund-raisers. To consumers I would say, continue to give wisely. If you see or suspect fraud or deception in this or any other area, please contact us at 1-877-FTC-HELP.

In contrast, to con men or scam artists I would simply say don't go there. You will be detected, and there are an array of Federal, State and local law enforcement agencies anxious to take aggressive action against you.

I would be pleased to answer your questions.

[The prepared statement of J. Howard Beales III follows:]

PREPARED STATEMENT OF J. HOWARD BEALES III, DIRECTOR, BUREAU OF CONSUMER PROTECTION, FEDERAL TRADE COMMISSION

Mr. Chairman and members of the Committee, I am J. Howard Beales, III, the Director of the Bureau of Consumer Protection of the Federal Trade Commission. I appreciate this opportunity to appear before you today to testify on behalf of the Federal Trade Commission regarding fraudulent solicitations of charitable contributions, especially solicitations relating to the recent September 11th tragedies.¹

I. INTRODUCTION AND BACKGROUND

The Commission recognizes the important role that charitable organizations play in providing valuable services, a role that has become even more critical in the wake of the September 11th attacks. Solicitations for charitable organizations, and corresponding donations, have increased noticeably in recent weeks. So, too, have concerns about possibly fraudulent solicitation schemes seeking to exploit the overwhelming urge of the American public to aid victims of September's tragedies. The Commission has examined every complaint, inquiry, and press report raising any suggestion of such fraud. In addition, the Commission has surfed the Internet, reached out to other law enforcement agencies and watch-dog groups, and actively sought out potential fraudulent solicitors. To date, the findings of fraud are few and far between, and the Commission continues to monitor this situation as aggressively as any the Commission has ever pursued. Furthermore, the Commission has stepped-up efforts to educate consumers and businesses about how to spot potentially fraudulent solicitations.

Unfortunately, but not surprisingly, the potential for fraudulent fundraising may escalate in the aftermath of national tragedies, natural disasters, local calamities, and the like. Fraudulent solicitors, who prey upon a donor's charitable instinct, may deceive a donor about who they are and what they do with the funds they raise. The scam artists ultimately derail donors' charitable intentions, undermine the public's confidence in legitimate charitable fundraising, and, in turn, injure those legitimate nonprofit organizations that compete for a depleted pool of charity dollars. The Commission, which is the federal government's principal consumer protection agency, shares the Committee's deep concern over possible deceptive or fraudulent charitable solicitations.

Charitable organizations are closely regulated by the states. Most state governments implement detailed registration and reporting requirements that are crucial to the effective oversight of charities.

Under the Federal Trade Commission Act ("FTC Act"), the agency's mandate is to take action against "unfair or deceptive acts or practices" that are "in or affecting commerce."² The FTC Act also equips the FTC with a wide array of tools to enforce

¹ The views expressed in the prepared statement represent the views of the Commission. My oral statement and responses to any questions you may have, however, are my own and do not necessarily reflect the views of the Commission or any individual Commissioner.

² 15 U.S.C. § 45(a). The Commission also has responsibilities under more than 45 additional statutes, e.g., the Fair Credit Reporting Act, 15 U.S.C. §§ 1681 et seq., which governs the privacy, fairness, and accuracy of certain sensitive consumer information; the Truth in Lending Act, 15 U.S.C. §§ 1601 et seq., which mandates disclosures of credit terms; and the Fair Credit Billing Act, 15 U.S.C. §§ 1666 et seq., which provides for the correction of billing errors on credit accounts. The Commission also enforces over 35 rules governing specific industries and prac-

this mandate.³ But Sections 4 and 5 of the FTC Act provide the Commission with jurisdiction over corporations only if organized to carry on business for their own profit or that of their members.⁴ Over the years, federal courts have construed Section 4 to bar the Commission from suing any truly nonprofit organization under the FTC Act, thereby removing many charitable organizations from the FTC's scope of authority.⁵

However, the Commission does have jurisdiction over a nonprofit organization that is merely an instrumentality or a shell used to seek direct monetary gain, either for itself or for its members.⁶ The Commission also has jurisdiction under the FTC Act over entities that are organized to carry on business for the profit of their members. These entities include for-profit telemarketers, sometimes referred to as "telefundraisers," that contract with nonprofit organizations to perform the nonprofits' fundraising activities.⁷ The Commission has used this jurisdiction aggressively to attack instances of fraud.

The recently-enacted USA PATRIOT ACT of 2001 provides the FTC with an additional tool to address charitable fraud.⁸ The USA PATRIOT law amends the statute authorizing the FTC's Telemarketing Sales Rule ("TSR") to apply to certain telemarketing activities, including the solicitation of charitable contributions. The Commission is currently considering proposed amendments to the TSR that will implement this new authority.

In addition to the statutory limitations on Commission jurisdiction over some charities, there are also constitutional limitations. The Supreme Court has held that fundraising for charities is fully protected speech under the First Amendment and that state statutes may not require a charity to prove the reasonableness of using more than 35 percent of its collected donations for fundraising expenses.⁹ Nor can state statutes require fundraisers to disclose the percentage of donations the fundraisers keep.¹⁰

Against this background to the regulation of charities, the Commission now addresses your particular concern about fraudulent charitable solicitations, especially those relating to the tragedies of September 11th. The need—and challenge—for law enforcement here is three-fold: (1) to monitor developments closely and systematically so as to swiftly identify possible law violators, sharing that intelligence with other law enforcers; (2) to act quickly and effectively if someone violates the law; and (3) to educate consumers and businesses about how to spot potentially fraudulent solicitations, hopefully minimizing the extent to which deception of contributors will occur. As set forth below, on the heels of September 11th, the Commission set up a disaster scam project to accomplish these important tasks.

II. THE COMMISSION'S EFFORTS TO IDENTIFY FRAUDULENT CHARITABLE SOLICITATIONS AND OTHER DISASTER-RELATED SCAMS

Immediately after September 11th, the Commission stepped-up its monitoring, on a systematic basis, of consumer complaints, tips from other law enforcers and watch-dog groups, and media reports about possible charity fraud and related scams. The Commission reviewed each one and continues to do so today. In addition,

tices, e.g., the Used Car Rule, 16 C.F.R. Part 455, which requires used car dealers to disclose warranty terms via a window sticker; the Franchise Rule, 16 C.F.R. Part 436, which requires the provision of information to prospective franchisees; and the Telemarketing Sales Rule, 16 C.F.R. Part 310, which defines and prohibits deceptive telemarketing practices and other abusive telemarketing practices.

³These include the authority to file civil actions in federal district court, as well as to bring administrative cease and desist actions, against those who engage in deceptive practices. The FTC Act also enables the Commission to obtain a full range of relief for injured consumers. Typically these civil actions seek preliminary and permanent injunctions to halt the targeted illegal activity, as well as redress for injured consumers.

⁴Section 5(a)(2) of the FTC Act states:

The commission is hereby empowered and directed to prevent persons, partnerships, or corporations . . . from using unfair or deceptive acts or practices in or affecting commerce. 15 U.S.C. § 45 (a) (2).

Section 4 defines "Corporation" to include: any company, trust, so-called Massachusetts trust, or association, incorporated or unincorporated, which is organized to carry on business for its own profit or that of its members. . . 15 U.S.C. § 44.

⁵See *Community Blood Bank of Kansas City, Inc. v. FTC*, 405 F.2d 1011 (8th Cir. 1969).

⁶*Community Blood Bank*, 405 F.2d at 1019; *Ohio Christian College*, 80 F.T.C. 815 (1972).

⁷See *FTC v. Saja*, 1997-2 Trade Cas. (CCH) ¶71,952 (D. Ariz. 1997). Cf. *California Dental Ass'n v. FTC*, 526 U.S. 756 (1999).

⁸USA PATRIOT Act, Pub. Law No. 107-56, §§ 6102(a)(2), (3)(D), 6106(4), ____ Stat. ____ (2001).

⁹*Riley v. National Fed'n of the Blind of N. Carolina*, 487 U.S. 781 (1988).

¹⁰*Riley*, 487 U.S. at 800.

tion, the Commission has surfed the Internet, reached out to other law enforcement agencies and watch-dog groups, and actively sought out potential fraudulent solicitors. There has been some media coverage warning that scam artists may try to take advantage of consumers' desire to help victims of the attacks. The Commission has not discovered any widespread problem but continues actively to monitor this area.

A. *Consumer Sentinel*

A central part of the Commission's monitoring effort is Consumer Sentinel, a web-based consumer complaint database and law enforcement investigative tool that the Commission uses to identify targets for investigation.¹¹ Consumer Sentinel receives complaints and inquiries about all sorts of transactions, including charitable solicitations. The complaints come into Consumer Sentinel from a variety of sources, including from the FTC's Consumer Response Center ("CRC"), which processes both telephone and mail inquiries and complaints.¹² For those consumers who prefer the online environment, an electronic complaint form at www.ftc.gov, available since May 1998, permits consumers to channel information about potential scams directly to the CRC and the fraud database.

Consumer Sentinel also benefits from the contributions of many public and private partners. It receives data from other public and private consumer organizations, including 64 local offices of the Better Business Bureaus across the nation, offices of numerous state Attorney's General, the National Consumers League's National Fraud Information Center, and Project Phonebusters in Canada.

The Commission provides secure access to this data over the Internet, free of charge, to over 300 U.S., Canadian, and Australian law enforcement organizations—including the Department of Justice, U.S. Attorneys' offices, the Federal Bureau of Investigation, the Securities and Exchange Commission, the Secret Service, the U.S. Postal Inspection Service, the Internal Revenue Service, the offices of all 50 state Attorneys General, local sheriffs and prosecutors, the Royal Canadian Mounted Police, and the Australian Competition and Consumer Commission.

Consumer Sentinel first went online in late 1997. Since then, the Commission has upgraded the capacity of the Consumer Sentinel database and enhanced the agency's complaint-handling systems by creating and staffing a new toll-free consumer helpline at 1-877-FTC-HELP, and adding several new functions to Consumer Sentinel. In 2000, Consumer Sentinel received over 100,000 consumer complaints. Currently the database holds over 300,000 consumer complaints.

Significantly, the Consumer Sentinel database is fully searchable. This search feature enables users to search the entire database, using certain key words, to identify specific types of complaints or complaints against specific entities. For example, an investigator can search for the term "disaster" or "September 11th" and cull specific disaster-related complaints. The database also features a specific identification code that enables users to sort complaints specifically involving charitable solicitations.

Since the September 11th events, the Commission has closely and systematically monitored disaster-related and charitable solicitation complaints in the Consumer Sentinel database and followed up on any potential leads. Between September 12, 2001, and October 25, 2001, Consumer Sentinel received 193 disaster-related complaints, 24 percent of which related to charitable solicitations. The vast majority of complaints has been from consumers alerting the Commission to potential scams, not complaining about being defrauded. The Commission has followed up on likely scams and has worked with agents and investigators from a number of other agencies and organizations, including the Secret Service, FEMA, and the Red Cross, in investigating those cases that look genuinely problematic.¹³

In addition to monitoring Consumer Sentinel for complaints about fraudulent fundraising, the Commission has also monitored the database and actively surfed

¹¹ See www.consumer.gov/sentinel.

¹² The CRC now receives over 12,000 inquiries and complaints per week. They cover a broad spectrum—everything from complaints about get-rich-quick telemarketing scams and online auction fraud, to questions about consumer rights under various credit statutes and requests for educational materials. Counselors record complaint data, provide information to assist consumers in resolving their complaints, and answer their inquiries.

¹³ The number of complaints the Commission has received is lower than might be expected. This might be in part due to the fact that victims of fraudulent solicitations often do not know that they have been scammed and therefore do not file complaints. It might also be in part due to the Direct Marketing Association's request that its members that engage in charitable fundraising, and that solicit people and businesses with whom they do not have a previously existing customer relationship, cease outbound telemarketing fundraising through the end of September. The announcement about this directive can be found at: <http://www.the-dma.org/cgi/dispanouncements?article=115>.

the Internet for other related consumer frauds. For example, the FTC has seen an increase in the number of entities marketing bioterrorism-related products. These include everything from dietary supplements sold as effective treatments against anthrax or small pox, and home testing kits for anthrax, to gas masks and water filters. The FTC, along with the FDA, EPA, and over thirty states, is making a concerted effort to search the Internet for deceptive claims about these products. Based on the results of this effort, the FTC will take follow-up law enforcement action as appropriate.

B. Information Exchanges with Watch-Dog Groups and Other Law Enforcers

The Commission's efforts to track and analyze consumer complaints through Consumer Sentinel are complemented by a proactive program to uncover fraud and deception by partnering with other law enforcers as well as public- and private-sector charity watch-dog groups. For example, the Commission regularly participates in an e-mail discussion list that has over 100 subscribers from 40 states, consisting of government regulators and law enforcement officials involved in regulating charities and charitable fundraisers. Subscribers exchange daily messages about a variety of topics, including possible scams, registration requirements, and recent legal actions. The Commission also monitors other public Internet sources, including on-line discussions of charity issues.

In addition, since September 11th, the Commission, spearheaded by its Northeast Regional Office, has reached out aggressively to others in the New York-area law enforcement community. Further, as discussed below, the Commission's Northeast Regional Office has launched a full-scale consumer education campaign. Staff in the Northeast Regional Office has communicated regularly with a New York based consumer protection group that provides a venue for exchanging information about possible charity or other disaster-related scams. The ad hoc group also includes the New York City Department of Consumer Affairs, the Attorney General's Office in New York, and the New York State Consumer Protection Board. The Commission has also partnered with the Secret Service, FEMA, and the Red Cross to pursue possible fraudulent fundraisers.

State charity officers are another invaluable source of information. After the September 11th attacks, Commission staff attended the annual Charitable Trusts Solicitations Seminar, sponsored by the National Association of Attorneys General and the National Association of State Charity Officials. The staff met with state officials, representatives of the Internal Revenue Service, charity and foundation officers, fundraising counsel, professional solicitors and private attorneys. Both in closed-door sessions with other law enforcement officers and in open sessions with representatives from the private nonprofit sector, Commission staff participated in informative discussions about possible fraudulent charitable fundraising, as well as recent law enforcement actions.

C. Other Investigative Tools

In addition to Consumer Sentinel and exchanges with other law enforcers and watch dog groups, Commission staff is surveying media reports. The Commission has closely monitored reports about fraudulent solicitation, has followed up on possible scams, and has worked with other law enforcement agencies in investigating those that look genuinely problematic.

The Commission's assortment of investigational tools has enabled it to develop robust experience bringing law enforcement actions against fraudulent fundraisers and other disaster-related scam artists. These law enforcement efforts are discussed below.

III. THE FTC'S LAW ENFORCEMENT ACTIVITIES AGAINST FRAUDULENT FOR-PROFIT TELEFUNDERS AND OTHER DISASTER-RELATED SCAMS

Acting within the parameters of its authority, the Commission has asserted a strong enforcement presence in the fraudulent fundraising arena. In the past decade, the Commission has filed over 25 cases in federal district courts challenging deceptive fundraising practices by for-profit solicitors. Many of these cases involved "badge fraud," where a telemarketer poses as a law enforcement officer or an affiliate and typically claims that he is raising money to support law enforcement efforts in the donor's local area. In fact, the telemarketer is not a law enforcement officer or affiliate, and the money is not used to support local efforts, as promised.

The Commission ultimately obtained injunctions stopping the deceptive fundraising and, in many cases, recovered monetary redress for consumers. The Commission has also obtained injunctions against these for-profit solicitors, which, among other things, have prohibited deceptive fundraising and other remedies.

It is the Commission's experience that meaningful consumer protection also requires coordinated law enforcement with other state and federal agencies. The FTC has organized two "sweeps" of multi-state, multi-agency law enforcement actions targeting fraudulent charitable solicitation. In 1997, the FTC announced Operation False Alarm, which targeted badge-related solicitation fraud. Federal and state officials brought 57 law enforcement or regulatory actions as part of this initiative. In 1998, the Commission announced Operation Missed Giving, which also targeted deceptive fundraising. In that sweep, federal and state officials brought 39 law enforcement and regulatory actions.

In addition, the Commission has experience prosecuting other types of non-charity but nevertheless disaster-related scams. For example, the Commission is contacting marketers of home-testing kits for anthrax and demanding substantiation for their efficacy claims. Drawing on its past experience prosecuting marketers of ineffective at-home test kits for HIV, the Commission is able to identify possible law violators and quickly bring them into compliance with the law.

The Commission intends to remain active in these areas in the future. However, the Commission recognizes that vigilant investigation and law enforcement activities alone cannot wipe out fundraising fraud. As set forth below, meaningful consumer protection also depends on education.

IV. THE FTC'S CONSUMER AND BUSINESS EDUCATION EFFORTS

The FTC's consumer and business education program communicates anti-fraud and educational messages to reach vast numbers of people in creative and novel ways quickly, simply and at low cost. In the wake of the September 11th terrorists attacks, the FTC has alerted consumers to potential charity frauds. As mentioned earlier, the Commission's Northeast Regional Office has been actively involved in the Commission's outreach to the New York area after September 11th. On September 20th, the Northeast Regional Office held a press conference in New York City with city, state and federal agencies and nonprofit organizations to announce a coalition to protect New York consumers and provide essential information during this time of crisis. The Northeast Region staff distributed a new Consumer Alert, "Helping Victims of the Terrorist Attacks: Your Guide to Giving Wisely," which was posted to the FTC website, www.consumer.gov.

In a little over a month, this single publication has been accessed more than 9,400 times. The Commission also developed a dedicated webpage, where consumers and businesses can obtain more information about donating wisely and filing a complaint, and a banner ad promoting the site.

The FTC also released other consumer and business information related to the attacks. They include:

"Out of Work? How to Deal with Creditors," (e-mailed to more than 1,500 daily and weekly newspaper editors).

"Offers to Treat Biological Threats: What You Need to Know," produced in cooperation with the Centers for Disease Control and Prevention and the Food and Drug Administration. This Alert was e-mailed to consumer and health editors at more than 17,000 radio and TV stations and daily newspapers nationwide.

"FTC Explains 'Made in USA' Standard To Confirm Consumer Confidence" (more than 3,900 web hits to-date).

"Selling 'American-Made' Products? What Businesses Need to Know About Making Made in USA Claims" (more than 1,600 web hits to-date).

It is worth noting that while the FTC Headquarters building was without mail service for nine days, the Commission used electronic mail to continue the agency's mission of getting practical, plain language information out to the American public.

FTC staff also has been active in the Washington, D.C. area. At a town hall meeting focusing on the local impact of the September 11th events and the anthrax investigations, the FTC distributed more than 1,000 related consumer publications to District residents. The meeting was hosted by Del. Eleanor Holmes Norton (D-D.C.) at the Washington Convention Center on October 29.

V. CONCLUSION

Thus far, it appears that consumers have generally shown themselves to be both generous to legitimate charities and aware of the potential for con-artists posing as fundraisers. The press has been warning consumers to be wary of possible scam artists trying to take advantage of consumers' desire to help victims of the attacks. The Commission has found few such schemes. The Commission will continue to monitor developments closely, stands ready to take appropriate law enforcement action, and continues to educate consumers about how to avoid deceptive solicitations and to inform businesses how to comply with the laws.

I would be pleased to answer any questions.

Mr. GREENWOOD. Thank you, Mr. Beales, for your testimony.

Mr. Taylor, you are recognized for 5 minutes for your testimony. Thank you for being with us, sir.

TESTIMONY OF HERMAN ART TAYLOR

Mr. TAYLOR. Thank you, Mr. Chairman. The BBB Wise Giving Alliance is a nationally recognized monitoring organization that sets accountability standards for charities and other soliciting non-profits. Often referred to as a charity watchdog, our core mission is to provide information to donors, to assist them in making knowledgeable choices about giving. We work with many audiences, including charities, governmental agencies, the media, corporate contribution departments and Better Business Bureaus. However, the donor is our primary constituent.

We commissioned Princeton Research to interview donors to determine what their expectations were. On a range of charity issues, the first thing we found is that 86 percent of Americans gave to charities last year. Therefore, we found that giving to charities in this country is pretty much a universal experience. And as Congressman Whitfield noted earlier, Americans have very high expectations for ethics and accountability by the charities but are often frustrated at not being able to find the necessary information to make giving decisions.

Most people, about 70 percent, said it is difficult to tell whether a charity soliciting their contribution is legitimate, and many, 72 percent, also say that it is difficult to choose between organizations that raise money for similar causes. Donors want to know most of all about charity finances but also want them to be clear about what they are soliciting for.

Also as Congressman Tauzin noted earlier, people expect the money to be used for current purposes. Our survey found that 63 percent of the public expects the money to be used for current needs rather than put into reserve.

Very soon after September 11, we received reports of unsolicited e-mails and phone calls to consumers that sought donations for victims of terrorist attacks, including requests for the recipient's credit card numbers. We immediately issued a press release cautioning donors against fraudulent appeals that seek to use that national tragedy to take advantage of America's generosity. This alert provided a series of tips for donors to help them evaluate appeals. We were very happy that this release was widely used by the media, and the weekend after we issued the release, we got more than 17,000 hits on our Web site from people looking for those tips.

The very first tip was to be wary of appeals that were long on emotion but were short on describing what a charity would actually do to address the needs of victims and their families. We also noted that charities should be willing to provide basic information that describes the charity's programs and finances. Even newly created groups should have some basic information that describes their program.

In cooperation with the Better Business Bureau of Metropolitan New York, we will soon make available a special section of our Web site that will provide information on organizations soliciting for

September relief programs, and we hope all the organizations will provide us the information.

We are still receiving inquiries from potential donors asking specific questions about these charities, but we are also beginning to hear concerns from those who have already given and who feel their contributions may not be used as they expected. For example, a consumer recently wrote, if people knew what their money was really being used for, that it was not going to be used for the victims and their families, they probably would not have made the contribution.

The American public has stepped up to the plate and has given in an unprecedented way. Now the challenge rests with the charitable sector to be equally forthcoming regarding the use of these donations. Broader accountability is called for. Collaboration is called for. How the recipient organizations handle this enormous resource and how they communicate what they are going to do with these funds will have a long-term effect on what donors do in the future. We have a number of recommendations which we have submitted for the record, and we would be glad of course to answer any questions about this event.

[The prepared statement of Herman Art Taylor follows:]

PREPARED STATEMENT OF HERMAN ART TAYLOR, PRESIDENT AND CEO, BBB WISE GIVING ALLIANCE.

Good Afternoon: I am Art Taylor, president and CEO of the BBB Wise Giving Alliance. I appreciate the opportunity to appear before this subcommittee to report on our donor education programs and also to share with you some of our concerns arising from September 11 solicitations and the use of 9-11 charity donations.

The BBB Wise Giving Alliance is a nationally recognized monitoring organization that sets accountability standards for charities and other soliciting nonprofits. The Alliance is the organization resulting from the recent merger of the Council of Better Business Bureau's Foundation and its Philanthropic Advisory Service and the National Charities Information Bureau. Between the two organizations, we have over 100 years of experience in reviewing and reporting on charities.

Often referred to as a "charity watchdog," our core mission is to provide information to donors to assist them in making knowledgeable choices about giving. We work with many audiences, including charities, governmental agencies, charity governing boards, the media, corporate contribution departments, Better Business Bureaus, and nonprofit umbrella organizations. However, the donor is our primary constituent and it is from the position of donor "stand in" that I make my remarks today.

I can say four things about donors that are relevant to our discussion today. First of all, there are a lot of them. The Alliance recently commissioned Princeton Survey Research Associates to conduct a major study on donor expectations as part of the process to revise our charity accountability standards. Princeton Research interviewed 2000 members of the general public on a range of charity accountability issues and found that 86% of Americans gave to charity last year. Charitable giving is almost a universal experience in this country.

Second, as the survey found, Americans have very high expectations for ethics and accountability by charities, but are often frustrated at not being able to find the necessary information to make their decisions about giving. Most people (70%) said it is difficult to tell whether a charity soliciting their contributions is legitimate, and many (72%) also say it is difficult to choose between organizations that raise money for similar causes. Donors want to know most of all about charity finances, but also important to them are the clarity of a charity's advertising and promotion and the effectiveness of a charity's programs.

We were not surprised at these findings. We talk to donors every day who are looking for information to make informed giving decisions. They want to give, but they want to make certain their gifts are well used and for the purposes given.

As part of our basic service, the Alliance issues reports on individual national charities that include an evaluation of the charity in relation to the voluntary *CBBB Standards for Charitable Solicitations*. These standards address public account-

ability issues, financial activities such as how much the charity spends on its programs, accuracy of fund raising appeals, fund raising practices and also governance issues. We focus our reporting efforts on those charities that donors and potential donors are asking about, some of which are long established, others newly created. On average, about 75% of these national charities meet all of our standards, and about 25% don't meet one or more of our guidelines.

The Alliance reports on individual charities are detailed, often covering several pages, and set out not only to reveal whether or not the organization meets our standards, but also information on program service activities, fund raising practices, charity governance, executive compensation, sources of funds, and how the organization spends its money. Our reports are available directly from our office in Arlington, Virginia, through all 129 local Better Business Bureaus in the United States and on our website www.give.org. We also issue a quarterly guide summarizing our evaluation findings and reporting on other topics of interest to donors.

In addition, we issue special alerts and advisories on topics of concern to donors. These range from tips on police and firefighter appeals, to what you should know about car donations to precautionary advice in the face of disaster appeals.

My third point concerns the impact of the Internet as a tool for charity solicitations and donations. Our survey research has shown that the Internet is used by the public more as a tool for gathering information about charities, than as a means to donate. While over half (56%) of regular online users are very likely to go to a charity's web site for financial information if they are considering making a charitable contribution, less than one in 10 (6%) of Americans report having ever made a charitable contribution of \$10 or more online. Our survey also shows that the public is concerned about the privacy and security of their Internet charity contribution transactions. However, despite this, many more Americans contributed online for the first time in response to 9-11 relief efforts. If this increased Internet giving is to continue beyond the current crisis charities must address these concerns.

My fourth point concerns the vulnerability of donors, particularly in the wake of disasters. Over the years, we have observed that shortly after every major disaster—flood, hurricane, or the Oklahoma City bombing—a flurry of fund raising appeals to help the victims begins. While most of these appeals are well intentioned and worthy of support, others are not. Americans are very generous and, unfortunately, there are those who are eager to take advantage of this generosity for their own gain.

Very soon after the September 11th events, we received reports of unsolicited emails and phone calls to consumers that requested donations for the victims of the terrorist attack, including asking for the recipient's credit card numbers. We immediately issued a press release cautioning donors against fraudulent appeals that seek to use a national tragedy to take advantage of American generosity. This alert provided a series of tips for donors to help evaluate appeals. A copy is included with my testimony.

The very first tip was to be wary of appeals that are long on emotion, but short on describing what the charity will do to address the needs of victims and their families. We also noted that charities should be willing to provide basic information that describes the charity's programs and finances. Even newly created organizations should have some basic information available.

In cooperation with the Better Business Bureau of Metropolitan New York, we will soon make available a special section on our websites that will provide information on organizations that have been soliciting for September 11 relief programs. We have requested information from approximately 170 such organizations for this listing. Our objective here is to provide a central information resource to donors who are responding to appeals or who are looking to direct their support to specific types of assistance.

We are still receiving inquiries from potential donors asking about specific charities. But, we are also beginning to hear concerns from those who have already given and who feel their contributions may not be used as expected. For example a consumer recently wrote: "We have donated \$130 to the wtc disaster fund and my employer has graciously matched that amount. We have now found out that our money may be used for other things. We insist that our monies be used for what they were intended. We would like our funds to be placed in an account specifically used for the wtc disaster or be promptly returned so that we may give it to a charity that will adhere to our wishes."

Or another who said "if people knew that this money was not really going to help victims' families with the things they really need, like with bills because of the loss of an income, they would in many cases never have given the money they did. People would be outraged to hear this." Another stated "I am appalled." The messages are consistent—"I gave to help the victims and now I am hearing that my donation

will not be used as I intended." I believe this is only the beginning of these complaints.

We are at a critical juncture here. The American public has stepped up to the plate and given in an unprecedented way. Donations total over a billion dollars and are growing. Now the challenge rests with the charitable sector to be equally forthcoming to the public regarding the use of these donations. Broad accountability is called for. How the recipient organizations handle the enormous resources they have been given and how well they communicate with the public about what they have done and plan to do in the future will have an impact on future charitable giving at all levels. There is a lot riding on this.

On our website, we have posted a number of recommendations to charities that we believe will help achieve this accountability and can help assure donors that their confidence in giving is well placed. Our recommendations, among other things, include the need for all organizations to: plan for a full accounting of all funds raised and all expenditures by year's end, regardless of the size of the organization; provide for clear descriptions of the programs or services in all future fund raising appeals so that donors and potential donors will know the specific ways that their donations will provide assistance; and maintain strong internal controls on income and expenses. Finally, we recommend that charities establish a board-approved plan for how contributions will be spent and a projected time line for these expenditures and revisit this plan as needs evolve.

Again, I appreciate the opportunity to be with you today and look forward to answering any questions.

Mr. GREENWOOD. Thank you, Mr. Taylor, for your testimony as well.

Let me just warn everyone that the bell is going to ring in about 2 minutes, which will signify that we have a series of votes, and so you are going to get to go home for dinner early tonight. Let me ask a question that I think each of you might be able to respond, you, Mr. Beales, in terms of what the law says, to the extent that it does say anything; you, Mr. Taylor, in terms of what your organization recommends, and I know you have got a series of great recommendations. I have looked at the Better Business Bureau's Wise Giving Guide, Donor Expectations Defined, Giving in the Aftermath of September 11. It is a great document, and other documents as well.

Yesterday I went into a department store and I bought this necktie that has flags on it, and I noticed on the table of neckties with flags on it, and almost every one of them had a tag attached to it that said a percentage of the profits or a percentage of the costs or a percentage of the proceeds from this purchase will go to a fund related to the events of September 11. I realize that I had no way of knowing what that percentage would be, and we already have seen, and I am sure we will continue to see, a plethora of products and maybe perhaps services, advertised in this way. Some of it will be very, very legitimate, and some of it will be a scam.

Beginning with you, Mr. Beales, and then going to you, Mr. Taylor, A, what does the law say, if anything, about this, because 100 percent of the profits could mean that the company leadership takes a million dollars in salaries and then the profit is a couple dollars and that goes to a fund. What does the law say about how these representations are made, Mr. Beales, and Mr. Taylor, what should a smart shopper or smart contributor do to protect themselves to make sure that significant portions really get to the needy folks as opposed to just a come-on to sell product.

Mr. Beales.

Mr. BEALES. Well, from our perspective, the question would be, is the original claim that they made a contribution deceptive? Is it

likely to mislead consumers who are acting reasonably about something that is important? I think there is no question it is important, and so the question would be, did they actually give the money? And if they promised in your hypothetical 100 percent of profits and there were no profits and they didn't tell you that, then I think that would be a problem. That would be one that we would be very—

Mr. GREENWOOD. Will the FTC—how do you regulate this? There will be thousands of products, if there aren't already, with labels and tags attached, making a claim that some portion of the proceeds go to the World Trade Center Fund or what have you. What does the FTC do in terms of looking into this? Is it on a complaint basis only?

Mr. BEALES. It is certainly not complaints only. On anything where we had some—where we had any indication, whether it was a complaint or maybe it is a complaint from one of the potential recipient organizations that they are not getting money from these groups, then we would ask to see what was the evidence that supported the original claim. We could do that for anybody and would if there was any indication at all that there might be a problem.

Mr. GREENWOOD. Clearly, if the representation made is that a portion or a significant portion of the proceeds shall go to the victims, it is going to be very difficult, I would assume, to enforce any existing law, regulation, since these are such nebulous terms.

Mr. BEALES. Well, I think that we would interpret the proportion or the portion kind of claim as saying that it was some appreciable portion. If it is merely a trivial proportion, then I think that would be a claim that is deceptive.

Mr. GREENWOOD. And they would violate which law?

Mr. BEALES. Section 5 of the Federal Trade Commission Act.

Mr. GREENWOOD. Okay. Mr. Taylor, what would you recommend to shoppers such as myself purchasing neckties and other items in terms of really having the knowledge to back up the claim?

Mr. TAYLOR. Congressman, I would first say, if you like the tie, buy it, but don't buy it because you think money is going to victims. It may in fact go to victims, but who knows. If you want to make a contribution, make a contribution directly to either the organization or to the fund that can serve the needs of the victim. We encourage all of our donors to ask questions, though. I think that is the most important thing you can do to protect yourself. If you want to know how much is going, ask. Get it in writing.

Mr. GREENWOOD. Okay, thank you for your comments. The gentleman from Florida, Mr. Deutsch, is recognized for 5 minutes.

Mr. DEUTSCH. If either one of you can give us a sense of the allegations of fraud involving any of the charities that have been raising funds related to the September 11 offense? I mean, have you—

Mr. TAYLOR. Yeah. What I can say is that we haven't uncovered any specific fraud, but early on, we did see some questionable solicitation practices. We noticed that there was a lot of solicitation going on in the street door to door, phone calls, asking for credit cards and spam e-mails and things of that nature, but we haven't uncovered any specific fraud at this point. But we do have our bureaus on alert to receive any complaint that they might uncover.

Mr. DEUTSCH. Mr. Beales.

Mr. BEALES. We have not seen instances of what we would call fraud. We have seen some potential problems that were very quickly fixed or very quickly ceased, but we have not seen any indication in any of the complaints we've pursued of something we've called fraud. And we have been looking very actively following up every complaint we get about fund-raising matters.

Mr. DEUTSCH. Both of you sat through the several hours of hearings that we have had, so you heard a lot of discussion about the Red Cross and its solicitation and its use of funds related to its Liberty. How would you describe that? Do you have any issues that you would raise with the Red Cross in terms of how the solicitations occurred? Would you advise them in any direct or indirect way? Was it a good way—in the hindsight of, you know, time, would you recommend that they have done it differently?

Mr. TAYLOR. I think that the challenge before us today is to get an organization like the Red Cross to appreciate that people see their money going directly to victims, and they do not see their money being used for longer-term-type needs. As our survey points out, most people expect the money to go for current needs, and this notion that money is going to be put in a reserve will be very troubling for donors.

Mr. DEUTSCH. Mr. Beales?

Mr. BEALES. Well, I think our advice to anyone would be the same, is really be clear about what it is you're asking and what it is you are going to use the money for, and be as clear as possible so the consumers will understand and can decide whether that's something they want to contribute their money to or not.

Mr. DEUTSCH. And again, you gave us sort of a political answer, which is fine. I just want to press you a little bit. Based upon what you know what occurred, would you critique what they did in the hindsight of time that—was it correct, or was it incorrect? Would you advise them to do it differently in the future?

Mr. BEALES. We have not looked closely. We do not have jurisdiction because the Red Cross is not for profit. We have not looked closely at the advertising or the claims. And without doing that, I don't think I could offer an opinion.

Mr. DEUTSCH. The last question that I would have is related to and for either one of the other panels. We didn't have a chance to talk about it. There's this whole issue that is coming up as it relates to Congress in terms of the victims' compensation fund and the issue that charitable contributions could be considered an offset of that fund. Do either one of you have an opinion of whether or not that would be an appropriate offset or not in terms of the victims' compensation fund?

Mr. TAYLOR. Well, I think it would have been ideal if the American public's contributions toward the relief effort would have been put to immediate needs, which is what they expected, and then the fund which the Congress is hoping to set up would be used to take care of the more long-term needs that are still being uncovered. I think part of the problem that we're hearing—that we've heard today is that the charities are trying to figure out what longer-term needs are, and the public really expected them to deal with the immediate needs.

Mr. DEUTSCH. Mr. Beales?

Mr. BEALES. I'm glad that we don't have jurisdiction in this area and you have to wrestle with this difficult problem.

Mr. DEUTSCH. I yield back.

Mr. GREENWOOD. Thank the gentleman.

The gentleman from New Hampshire is recognized for 5 minutes to inquire.

Mr. BASS. Thank you, Mr. Chairman.

Mr. Beales, if I could read from your testimony here as a preface to my question, you state on page 3, and I quote, charitable organizations are closely regulated by the States. Most State governments implement detailed registration reporting requirements that are crucially effective oversight of charities. Under the Federal Trade Commission Act, the Agency's mandated to take action against, quote, unfair or deceptive acts or practices that are, quote, in or affecting commerce. The FTC also equips the FTC with a wide array of tools to enforce the mandate, but section 4 and 5 of the FTC Act provide the Commission with jurisdiction over corporations only if organized to carry on business for their own profit or for that of their members. Over the years the Federal courts have construed section 4 to bar the Commission from suing any truly nonprofit organization under the FTC Act, thereby removing many charitable organizations from the FTC's scope of authority.

You've heard we've had some interesting discussion here today. In light of that, do you think the FTC needs additional authority to protect consumers from false and misleading practices involving charities?

Mr. BEALES. The USA PATRIOT Act gave us additional authority under the Telemarketing Sales Act because it extended that act to cover charitable solicitations. We are in the process of exploring the changes in our telemarketing sales rule that we should make in order to implement that statute, but there clearly is an expansion of our jurisdiction that resulted from that act.

The second point I'd make is in the cases we've seen of charitable fraud, it has not been particularly difficult to argue that the fundraiser really was for profit and/or that the charity was essentially a front and to pierce that front, to argue that this really was for someone's profit. And we have been successful with making that argument in the courts. So for the kinds of things that I think are the problems for the fraudulent solicitations, I think we have enough authority in order to accomplish that mission.

Mr. BASS. Let me just expand on that a little bit further. Suppose a nonprofit or a charitable organization says that they are raising money for one purpose and then uses it for another. That would not come under the jurisdiction of the FTC. But if that were a for-profit corporation, you'd be able to sue them. Do you think you should have the ability to do the same thing that you do for for-profit corporations for not-for-profit corporations?

Mr. BEALES. Well, I think when you get into legitimate not-for-profit organizations, the first amendment issues involved in a hypothetical like that get very much more difficult. It's not being done to raise—it's not being done for anybody's profit. It's being done in pursuit of a cause as the members—as the members of that organization see that cause. I mean, the Supreme Court has said you

can't require disclosure of the fraction of money that goes to fundraising. I think requiring more information about the specific uses would raise very similar difficulties under the first amendment.

Mr. BASS. Thank you, Mr. Chairman.

Mr. GREENWOOD. The Chair thanks the gentleman.

The gentleman from Kentucky is recognized for 5 minutes.

Mr. WHITFIELD. I just have a few brief questions. I wanted to ask Mr. Taylor, the Better Business Bureau Wise Giving Alliance, is that a part of the Better Business Bureau?

Mr. TAYLOR. We are an affiliated organization of the Better Business Bureau, but we are a separate (c)(3) charitable organization ourselves.

Mr. WHITFIELD. So you are affiliated, but a separate organization run independently?

Mr. TAYLOR. Yes.

Mr. WHITFIELD. And your mission or purpose is primarily to focus on charitable organizations and whether or not they meet certain standards; is that correct?

Mr. TAYLOR. That's correct. We set standards for charities, and we evaluate them when we're asked to see if those organizations meet our standards. And our—what we see our role is is a stand-in for the donor essentially. We want to give the donor a voice with the charitable organization.

Mr. WHITFIELD. Not having had the opportunity to look at this, but this is your donor expectations defined, and they have a list of charities, and some of them have met standards, and they have a check by their names. Others have not, and they would list like standards not met, A1, B1, B2. I guess that refers to some standard that your organization has developed.

Mr. TAYLOR. That's right. In the back of our guide there is a listing of all of our standards. So they are referenced by alphabet, and you can tell whether that standard is met or not.

Mr. WHITFIELD. How is your organization financed?

Mr. TAYLOR. We are financed, like most charities, with individual contributions and foundation gifts and other sorts of charity.

Mr. WHITFIELD. I think you do a good job. I yield back my time.

Mr. GREENWOOD. I thank the gentleman for yielding.

Thank you, Mr. Beales, thank you, Mr. Taylor, for your testimony and for your forbearance through our 4¼ hour schedule. This hearing is now adjourned.

[Whereupon, at 6:45 p.m., the subcommittee was adjourned.]