

Sidney Herald

Keeping charitable giving local might be best

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My last article about the importance of both charitable and government programs in society's quest to make life better for the less fortunate didn't address a couple of key points, and that is the belief that private charities are less wasteful and more efficient than government programs, and that those who run the private charities are more trustworthy than those who administer government programs.

As far as waste and efficiency are concerned it boils down to what percent of the contributions — voluntary or otherwise — actually reach those the program serves, and what percent is used up by administrative costs. There are two types of administrative costs, how much it takes to run the program, and how much it takes to raise the money for the program.

When it comes to the fundraising part of things, it's hard to do it more cheaply than government. If the law says you have to pay taxes, and that some of those taxes will be used to pay for programs, well, you've pretty much got the fundraising part licked. Charities, however, have to raise money on their own and they do it through advertising and person to person solicitation, and that costs money. On the administrative side, you have to have a staff to distribute the services of the program and that costs money, too.

All this is known as "overhead," and there is a controversy about what percentage the overhead should be for an effective program. There are also organizations that track administrative costs, among other things, and rate charities on it. Charity Watch is a program of the American Institute of Philanthropy. They list what they regard as the most efficient non-profit organizations by interest field, and you can "Google" them and see for yourself. Another is Charity Navigator. They rate charities based on how much is spent on overhead. Their main purpose seems to be to make big (and very big) donors aware of where to get their money to do the most work, but anyone can make use of their information. Charity Navigator claims that 70 percent of the charities they look at spend more than 70 percent of their donors' money on administration.

Naturally, there is a different opinion that says that high administrative costs are not the best measure to judge performance. But charitable organizations that are unable to get more than four cents on the dollar out the door to do their good work don't get good marks from either group.

As far as government program efficiency is concerned you have a wide variety of opinions to choose from. Rep. Michele Bachman claims 70 percent of the money in the Food Stamp Program is absorbed by the bureaucracy. However, the Department of Agriculture claims it is 6

percent, the Brookings Institute says 15.5 percent, and the Center on Budget weighs in at 8 percent. The Cato Institute says the program has “high administrative costs,” but I couldn’t find a percentage or dollar amount to tell me what “high” was.

As for trustworthy...well there’s always a bad apple somewhere. Charity Watch’s “Hall of Shame” lists Montana’s Greg Mortenson, founder of the Central Asia Institute who had to pay \$1 million in restitution for financial wrongdoing; William Aramony of United Way who did seven years for siphoning off \$1.2 million; and Joe Wingo, founder of Angel Food Ministries, who is doing seven years for conspiracy to commit money laundering. So is his son, it was a family sort of thing.

As for the public sector side, Brian Thompson , a former loan guarantee specialist, with Housing and Urban Development got over two years jail time for stealing \$843,000 of taxpayers’ money. That’s not exactly a charity, of course, but Thompson sure seemed to think it was.

So, bad gets done, but more importantly, good gets done, and it gets done both by the private and public sector, and we are all better off for it.

This is just my opinion, and totally without basis in known fact, but I would guess that the charities closest to home are the most efficient and most honest. Of course, there was that guy in Great Falls who embezzled \$100,000 from the Food Bank he ran about 13 years ago, but I’d still put my bucks in the local coffers.