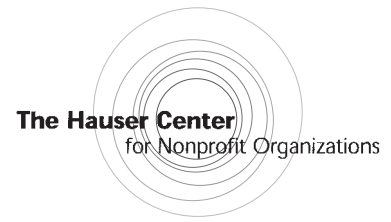


After **KATRINA**



Public Expectation and Charities' Response



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Public Expectation and
Charities' Response

Edited by
Elizabeth T. Boris
C. Eugene Steuerle

Emerging Issues in Philanthropy Seminar Series

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Emerging Issues in Philanthropy Seminars
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About the Seminar Series

The essays in this collection grew out of the 14th Emerging Issues in Philanthropy seminar, “Charities Response to Disasters: Expectations and Realities,” held on December 2, 2005, in Cambridge, Massachusetts. This seminar series is jointly sponsored by the Center on Nonprofits and Philanthropy at the Urban Institute and the Hauser Center for Nonprofit Organizations of Harvard University. The seminar was conducted as a roundtable, organized around four themes: expectations of the charitable sector; the capacity of the sector; lessons from September 11, the Asian tsunami, and Hurricanes Katrina and Rita; and aligning myths and realities. Designated roundtable participants initiated each topic with brief remarks to start the conversation. The five essays in this collection capture the major dimensions of the presentations and discussion.

Marion Fremont-Smith, Hauser Center, hosted this seminar and with co-convenors Elizabeth T. Boris and C. Eugene Steuerle of the Urban Institute, summarizes the major issues discussed at the seminar in the first essay of this collection. Steven Rathgeb Smith, University of Washington, then elaborates on the capacity of the local secular and religious nonprofits to respond to the disasters and the importance of the government’s role in large-scale efforts of this type. Cynthia M. Fagnoni, Government Accountability Office, describes the lessons learned in the response by charities to the September 11 disaster and makes preliminary observations about how those lessons were applied after Hurricanes Katrina and Rita. Karin Kunstler Goldman, New York Attorney General’s Office, details the steps taken to oversee and coordinate the charitable response after September 11 in the state of New York and draws out the lessons learned to inform responses to future disasters. The final essay by Mark H. Moore, Hauser Center, reflects on how the outpouring of donations and voluntary aid connects people to those affected by disasters, letting the donors express their sympathy with immediate relief for victims. He notes, however, that this spontaneous response can not be rationalized completely; it is the source of the immense strength and considerable weakness of the charitable response. The critical role of government leadership is thus a necessity—to facilitate coordination among charities and between charities and government. The importance of government’s role with charities in disaster relief was a common theme both in the roundtable discussion and in the essays.

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Charities' Response to Disasters

Expectations and Realities

"Charities' Response to Disasters: Expectations and Realities" was the subject of the 14th seminar on Emerging Issues in Philanthropy, sponsored jointly by the Hauser Center for Nonprofit Organizations of Harvard University and the Center on Nonprofits and Philanthropy at the Urban Institute, on December 2, 2005. Participants addressed four topics: expectations of the charitable sector; the real capacity of the sector; lessons from recent disasters, mainly September 11 and the 2005 hurricanes; and the alignment of expectations with the sector's capacity. Attendees included executives from disaster relief organizations, nonprofit scholars, and members of the press, the nonprofit sector, and government.

"Expectations of the Charitable Sector" centered on the perceptions of three groups—the donating public, government, and the press. Representatives from disaster relief charities described the difficulty of meeting donors' expectations. Misperceptions have plagued these organizations, particularly the Red Cross, since September 11. Many donors do not understand that voluntary organizations cannot function, let alone raise funds, without incurring overhead expenses. Some donors expect all of their gifts to go to victims—and to go immediately—even though charities may have long-term needs that require long-term funding. One example was the need to rebuild schools in New Orleans, a need that could not be addressed in the immediate aftermath of Hurricane Katrina, but one that would profoundly impact residents' lives. To help rebuild destroyed facilities and replace equipment in the future, charities must reserve some portion of donations.

Participants noted that the nonprofit sector functions most effectively as an adjunct to a strong state. The state response was strong after September 11, and the nonprofit sector tried to work alongside the government as well as fill in the gaps the government left behind, both short and long term. With Katrina, in contrast, the immediate state response was weak, and the nonprofit sector had neither the organizational structure nor the resources to meet immediate needs. Yet the public expectation was that they could and should.

As to the press, since September 11, the media has become more keenly interested in how charities respond to disasters, requiring reporters to become much better versed in the operations of complex, far-flung, and often opaque organizations. The public expectations, including those of most editors and reporters, are unrealistic

because there is little concrete understanding of charities' basic nature and what they do. Yet the very time the public wants to know more about charities and their basic operations is the same time they are engaged in the frenetic, all-consuming process of providing relief. Thus, reporters must become instant experts at the moment charities can least afford to educate them. Adding to the problem is editors' persistent interest in what they consider most newsworthy—controversy such as corruption and fraud—rather than in what charities are doing well or what they can reasonably accomplish.

When it comes to **donors' expectations**, the combined media, nonprofit, and government response to Katrina may have injured the public image of charities, particularly those engaged in larger domestic relief efforts. More specifically, the public's understanding and appreciation of charitable organizations was partly undermined by five factors: their perceived alignment with the government response, a response generally viewed as inadequate; heightened expectations, often beyond reason, of what these organizations could actually achieve; the deleterious effect of around-the-clock reporting on the perceived importance of philanthropy in providing relief; what can best be described as unrelenting negative media stories that focused on large relief organizations' areas of ineffectiveness, although few "accountability issues" arose; and, finally, criticism from other charities, partly caused by competition and partly by comparing traditional domestic organizations with international relief organizations that responded to Hurricane Katrina.

Participants agreed that charities at times were their own worst enemies. It is time to rethink not only the appropriate charitable responses to large-scale disasters, but to increase the public's—and the government's—understanding of what charities can actually do and where their limited funds can best be deployed. Also required is clear public recognition that charities cannot function if they cannot use a portion of contributions for basic organizational needs.

Finally, regarding **government expectations**, participants noted an internal tension between the rules (implicit or explicit) for government relief and that of charities. "Equal justice under the law" is one underlying precept of all governmental responses, which implies that government help all people in similar need and avoid random (and what can be perceived as arbitrary) allocations of assistance. At the same time, in a disaster, the best up-front response may be to attend to immediate needs, regardless of whether recipients have alternative sources of assistance or even their own assets. Charities tend to be less bound by

the equal justice rule and more bound by donors' wishes and limited networks of contacts.

Questions were raised by the participants as to the degree to which charities are bound by donor intent; for example whether donations for Katrina relief could be used for the victims of Hurricane Rita, or whether surplus contributions could be held to meet future disasters. It was noted that the law does contain procedures for addressing these situations, in particular granting the courts wide flexibility to modify the terms of charitable gifts to meet unanticipated circumstances, such as excess funds. It is the duty of charities, however, to assure that the appeals they make to the public are clear as to the proposed use of their gifts, most particularly that some portion must, and will, be used for overhead or the charity will not be able to function.

The group next considered "**The Real Capacity of the Sector**," beginning with the advantages and disadvantages of relying on nonprofit organizations, as compared with public agencies, to respond to the consequences of natural disasters. On the plus side, nonprofit organizations can most effectively call forth more resources from the private sector, in contributions of money and time. They can also respond flexibly to gaps resulting from public sector constraints—public agencies' poor management and their requirement to provide equal justice in service. But nonprofits have clear limits, not the least of which are resource constraints and potential conflicts (such as between fulfilling missions and accommodating donor intent).

Unlike government, nonprofits do not tend to systematically assess their efforts. No organization analogous to the Government Accountability Office, with a mission to provide nonpartisan and disinterested analyses of charitable efforts, is preparing charities for future disasters. Thus—not entirely surprising—one criticism was that lessons are not adequately learned from prior disasters, including disasters in other countries.

The Red Cross, which raised nearly \$2 billion in donations for Katrina relief, was widely criticized for responding to the hurricane ineffectively. One limit on the Red Cross's effectiveness was inadequate organizational capacity in the Gulf region. Louisiana had only 6 local Red Cross chapters; Alabama had only 5; Texas, only 15—in contrast to states like North Carolina with 29 chapters, or Connecticut with 13. One commentator noted that the roots of this lack of infrastructure lie deep in Southern culture: its historic, legal, and political hostility to secular charities; its preference for governmental rather than private service provision; and its charitable emphasis on sectarian (especially evangelical) organizations, which usually have multiple objectives. Participants suggested that the Katrina

relief crisis raised important questions about the viability and strength of secular nonprofits in certain regions of the country, as well as the management and governance of large federated organizations like the Red Cross.

A survey conducted by the Urban Institute and the Louisiana Association of Nonprofit Organizations examined the impact of Katrina and Rita on direct health and human services provision, the current gaps in Louisiana's social safety net, and the needs of local nonprofits themselves (Auer and Lampkin 2006). The survey covered direct health and human services providers in Louisiana that were affected by the hurricanes. Preliminary results showed that nearly half of the 360 responding providers were fully operational, and 65 percent expected to be so within the year. Another quarter were operating with limited services. However, charities urgently needed paid staff and volunteers, office supplies, and facilities for operations. Funding needs were being met primarily by individual, corporate, and church donations, followed by other nonprofits and foundations. Only a few agencies reported receiving money from FEMA or other federal agencies, while a larger percentage received help from state and local agencies. With regard to health and human services providers, the three needs most mentioned were housing construction, repairs, and search assistance; mental health services; and job training, job placement, and economic development. Although data are preliminary, it could help planners, policymakers, and funders better understand the extent they can rely on nonprofit service providers to rebuild communities and meet residents' needs.

A survey by the Center on Philanthropy at Indiana University probed whether disaster relief giving displaces giving to other charities. The first survey was of more than 1,300 households following the September 11 attacks. While the philanthropic response to September 11 in 2001 and 2002 totaled \$2.8 billion, this constituted only 0.5 percent of total giving. Most individuals reported making cash or in-kind gifts. The mean cash gift was \$134, but the median was \$50, with 74 percent giving \$100 or less. The center also surveyed several hundred senior development officers around the country in November 2001 and found that most thought there would be a reallocation of giving. However, in May–November 2002, they believed that there had been only a small reallocation. The center's statistical analysis of giving in more than 50 crisis years indicated that giving goes up in crisis years if economic factors are ignored, but if they are controlled for, no statistically significant relationship is found. Rather, economic factors play a much greater role in year-to-year variations in giving than do disasters.

Several lessons were learned from September 11, the Asian tsunami, Katrina, and Rita. To begin, the recovery efforts required after September 11 and those that followed in the wake of the 2005 hurricanes were fundamentally different. In addition, both government and private sector agencies have inherent limitations; each should try to develop their capacities in ways that best complement the other.

Next, the roles of both the Government Accountability Office (GAO) and the Internal Revenue Service (IRS) in connection with disaster relief were described. The Red Cross is exempt from oversight by any agency other than the Department of Defense, thereby insulating it from oversight by the GAO. This is a serious limitation, because the Red Cross has been designated as the primary responder to disasters. However, in certain parts of the country, notably in the South, it does not have the infrastructure and volunteers needed to fulfill this role. The GAO has recommended that FEMA convene a working group of involved parties to develop strategies for future disasters.

Concerning **the IRS**, it faced serious legal questions after September 11. Typically, for a charity to be exempt from tax, it must benefit a charitable class and in most situations, apply a needs test. After September 11, the IRS organized an expedited system for tax-exemption applications from new disaster relief organizations. Three hundred forty new organizations were granted exemptions under this procedure, and in retrospect, the IRS has admitted that it did not make determinations carefully enough. With Katrina, although an expedited system was also established, applications from new organizations were more carefully reviewed. As of the end of November 2005, of 380 new organizations seeking exemption, 185 were approved, one-quarter were rejected, and the rest were under review as of December 1. In a number of cases, in addition to reviewing the application, the IRS attempted to determine whether existing organizations might work with the new entities, rather than be competitors.

A description of the response of **the New York attorney general's office** to September 11 focused particularly on efforts to persuade charities to share information about their programs and avoid duplication. Of course, this is not just an IRS, state attorney general, or government issue. The inefficiency and duplication of some charities establishes a case for the charitable sector to do a better job with combinations and mergers.

State charity regulators have also been presented with novel situations and have needed to adopt nontraditional approaches to their roles. This was most evident following the September 11 attacks, when the New York attorney

general, to help relief organizations coordinate their efforts, spearheaded the creation of a shared database that would ensure all eligible individuals receive relief services while protecting the organizations' and their clients' privacy. As with the IRS, the proliferation of new relief organizations challenged regulators concerned with ensuring compliance with state law and preventing fraud. Had there not been a strong, well-staffed charities department in the New York attorney general's office, these programs could not have been established. The lack of such a presence in Louisiana and Mississippi undoubtedly hindered relief responses.

Concluding comments focused on the need for clearer public conceptions of what the charitable sector can accomplish in alleviating the effects of disasters, both long and short term. This includes recognition that the sector is not the optimum situs for coordinating large-scale responses and that the appropriate role for charities is to complement, not supplant, government and private efforts; that charities cannot function without funds to

support their own infrastructure and fund-raising activities; and that they must frame their appeals for contributions honestly and without giving potential donors false expectations of what can be accomplished, even if this means declining to accept contributions with conditions attached that cannot reasonably be met. Charities also have an important role to play in shaping the quality of government responses to disasters, acting as advocates for victims, and seeking to assure that these responses are well considered and well funded. Finally, it was agreed that these goals are for the present, not the date on which the next disaster occurs.

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STEVEN RATHGEB SMITH

Rebuilding Social Welfare Services after Katrina

Challenges and Opportunities

Disasters are human and economic tragedies that leave in their wake complex social problems from homelessness to unemployment, from school closure to inadequate health care. The tragedy wrought by Hurricane Katrina has exposed weaknesses in the social safety net and in the ability of social welfare agencies to respond to profound human and economic devastation. This essay examines the response of these agencies to Katrina and suggests strategies and policies to enhance the capacity of these agencies to address urgent social problems in the region and assist in the overall recovery process.

Social Welfare Agencies and Responding to Need

Many Americans now believe that the best response to disaster relief—and to all social needs—can be offered by nonprofit social welfare agencies. Indeed, most private donations raised for hurricane relief have been given to large, well-known nonprofit service agencies like Catholic Charities, the Salvation Army, Goodwill Industries, Volunteers for America, Lutheran Social Services, and the American Red Cross. These agencies tend to have diverse bases of support that include government funding and individual, corporate, and foundation donations.

So-called faith-based agencies—including large multiservice agencies such as Catholic Charities or the Salvation Army, small grassroots agencies, and churches—are among those that provide vital services to people in need. Large agencies typically rely on extensive government funding and professional staff; small agencies, on donations and volunteers (though some receive government grants and contracts). Many churches offer social services locally, tending to concentrate on programs that will not tax their limited financial and volunteer resources. Examples are temporary emergency assistance, at-risk youth mentoring, and recreation (Chaves 2004). Some churches have undertaken more extensive services, partly in response to the Bush administration's initiatives to fund faith-based organizations; yet, these remain a distinct minority.

Recent growth in social service agencies has been concentrated among smaller agencies, both secular and religious, that have few staff and limited resources. This growth has tended to fragment local service provision because these community social welfare agencies tend to specialize and are often dependent upon government fund-

ing. Thus, they may not extensively interact with other service agencies or the community in general. In contrast, large, multiservice agencies such as Catholic Charities often have extensive connections to their local communities because they offer an array of services that require relationships with local government and other public and private agencies. Larger agencies are also more likely to conduct community-wide fundraising and consequently to have corporate funding partners.

The Response to Katrina

The devastation wrought by Hurricane Katrina exposed serious capacity and funding weaknesses among local public and nonprofit agencies, which were simply overwhelmed by the vast scale of the disaster. Many agencies closed altogether or drastically curtailed services (Auer and Lampkin 2006)—and many are still not operational several months later, though resources to rebuild are available. Faced with the need to quickly provide an array of critical services to thousands of people, their infrastructure proved inadequate, either because they had also been affected by the hurricane or because they were too small to provide aid by themselves or in cooperation with the federal and state governments.

Further, Katrina glaringly exposed the fiscal weaknesses of state and local government and the corresponding effect on nonprofit organizations. Prior to the hurricane, spending by the state of Louisiana on nonhealth social services was far below wealthier states, and even below other poor states such as Arizona and Mississippi (Lewin Group 2004). Indeed, Louisiana's spending on nonhealth social services actually dropped in the late 1990s (Lewin Group 2004), even as it was rising in most states with increases in federal support for welfare-related services such as welfare-to-work and child care (Smith, forthcoming).

New Orleans' lack of government support for nonprofit agencies is reflected in its low per capita expenditures by nonprofit human service and community improvement agencies, compared with those around the country. For instance, per capita expenditures in the New Orleans metropolitan statistical area were \$291 in 2003. By contrast, the per capita expenditures for the two areas with comparable populations—Columbus, Ohio, and Greensboro, North Carolina—were \$646 and \$443, respectively (National Center for Charitable Statistics 2005). Of course, the low per capita expenditures are also evidence of extensive and deep-seated poverty in New Orleans and Louisiana in general.¹

Given such widespread poverty, nonprofits face a major challenge in raising private charitable donations. One indicator is the level of giving to the United Way of Greater New Orleans. For years, this United Way struggled to increase its level of private giving, which was low compared to cities of similar size. In 2003 for example, total giving was just over \$18 million, a 5.5 percent decline from the previous year. Comparable cities such as Columbus and Charlotte had much higher levels of giving for the same year (\$54.6 million and \$37.5 million, respectively) (Chronicle of Philanthropy 2004).

Further evidence of the relatively low level of public and private support for social welfare agencies is reflected in the substantially lower number of nonprofit organizations in New Orleans and Louisiana compared with cities and states of similar population. And, aggregate agency assets are substantially lower than agencies in other states as well.² In this funding environment, large multiservice agencies affiliated with national organizations (Catholic Charities, the Salvation Army, Jewish Family Services, the Boys and Girls Club, the YWCA, and the YMCA) tend to dominate local services. These services are then supplemented by small community-based agencies and local churches.

This vital role for locally affiliated agencies of national organizations does have some advantages in times of disaster. National organizations, with their broad name recognition and sophisticated fundraising capabilities, can quickly raise substantial private donations, especially via the web. Predictably, the organizations raising the most funds for Katrina relief have been large national organizations. As of February 2006, the American Red Cross had raised by far the most (\$2.1 billion), with the Salvation Army a distant second (\$336 million). Catholic Charities, Habitat for Humanity, the United Methodist Committee on Relief, and the Clinton-Bush Katrina Relief Fund also raised substantial donations (Salmon and Smith 2006). These organizations naturally channeled a substantial portion of donations to their own chapters in Louisiana and the Gulf Coast.

However, the Red Cross has received extensive criticism for its slow distribution of funds (especially in minority communities in rural Louisiana and Mississippi), its lack of cooperation with local organizations, and its difficulties providing aid and relief (Chronicle of Philanthropy 2006; Salmon and Williamson 2005; Wilhelm 2006). The Red Cross's problems are rooted in its relative lack of integration with local networks of social welfare agencies and public and private funders. Except in times of disaster, the

Red Cross does not work closely with local service organizations, given its emphasis on blood donations, temporary assistance after house fires, relief from smaller-scale natural disasters, and health and safety courses. By contrast, multiservice agencies such as Catholic Charities and the Salvation Army are constantly in touch with a wide variety of local service providers and funders.

In times of disaster, large national faith-related agencies, such as Catholic Charities and Habitat for Humanity, have another advantage in responding to disasters: their links to local churches. For example, Catholic Charities in New Orleans has partnered with local churches to help hurricane victims and provide ongoing support. Likewise, the New Orleans chapter of Habitat for Humanity has partnered with local Baptist congregations to build 400 homes for needy people, especially dislocated victims of Katrina—a ten-fold increase over the church’s pre-Katrina commitment to Habitat.

The larger organizations’ resources are particularly needed as churches strive to respond to Hurricane Katrina. Most churches, especially in rural areas, are relatively small (less than 100 worshippers) and focus on support services for members; they lack the capacity, resources, and expertise to provide extensive long-term services, especially to people outside their community.

The value of faith in mobilizing resources is evident in the many contributions of time and money from faith-related organizations, even from organizations that do not have a direct connection to the Gulf Coast (for example, Habitat). More than 10,000 religious people from all over the country have helped rebuild devastated areas. These volunteers come from a wide variety of backgrounds and faiths; some are formally organized, such as Presbyterian Disaster Assistance, while others are more informal, such as a Bible study group (Salmon 2006). Many national faith-related organizations such as the Sojourners Community have encouraged citizens to give money and volunteer. Church World Service, a ministry of 35 different denominations, has raised money throughout the world for Katrina victims. Over 56 percent of all donations for hurricane relief were raised by faith-based organizations (Salmon and Smith 2006).

The influx of money and volunteers via the faith community has been impressive. An estimated \$3.27 billion for Katrina relief has been raised. Most of this assistance has focused, either directly through volunteer help or indirectly through donations to local churches and service agencies, on supplying emergency assistance, clearing debris, rebuilding homes and churches, and building

temporary shelters. Thus, assistance has concentrated on meeting immediate needs and on services that can easily be performed by volunteers in a short, sometimes discontinuous period of time. Volunteers and many of their church or agency partners tend to lack the resources or expertise to provide longer-term or more complicated services, such as job training, mental health counseling, child care, substance abuse treatment, and after-school programs for at-risk youth. Moreover, the amount of money and volunteer time contributed—while valuable—is modest compared to the overall need. (Estimates of the total funding required for rebuilding exceed \$200 billion.)

Faith-related service agencies, whether large or small, are also not well-positioned to coordinate case management for hurricane victims. In the aftermath of Katrina, thousands of people lost their homes, jobs, cars, and community support, creating profound economic and social needs that require careful, professional assessment and the intervention of sometimes multiple agencies. The creation of coordinating entities to effectively connect citizens with appropriate services is necessary.

Pressed by the urgency of relief and recovery, state and federal government have worked together to create case management programs. The state of Louisiana established the Louisiana Family Recovery Corps (LFRC) with the mission to “coordinate and mobilize a network of providers, organizations, and government agencies to deliver aid and services to displaced Louisiana families in transitional housing throughout the state” (Louisiana Family Recovery Corps 2005). The LFRC has, in turn, subcontracted with established multiservice providers, including the Volunteers of America of North Louisiana, Catholic Community Services of Baton Rouge, and a consortium of established agencies in New Orleans for case management and long-term disaster relief and assistance. (Regional foundations including the Baton Rouge Area Foundation and the Foundation for the Mid South have given grants to community-based agencies such as Catholic Charities for case management services.³) Likewise, the United Way of Greater New Orleans funds several agencies for case management and coordination services, including the American Red Cross, Catholic Charities, the Salvation Army, and Jewish Family Services.

Support of case management services exemplifies foundations’ new and complicated set of responsibilities that have emerged after Hurricane Katrina. Many foundations and their grantee organizations have been dislocated, and in some cases sustained damage to their buildings. Further, many grantees are in financially dire

situations, due to cutbacks in government funding. But, given the many demands on their funds, local and regional foundations (and local United Way chapters) can only give modest grant awards.⁴ In any event, the donations raised by local foundations are modest relative to those from large national organizations such as the American Red Cross, Catholic Charities, or the Clinton-Bush Katrina Relief Fund. For instance, the Baton Rouge Area Foundation raised \$39.3 million through February 2006 (Baton Rouge Area Foundation 2006) and the Foundation for the Mid South raised \$11.6 million (Foundation for the Mid South 2006). With public attention to Hurricane Katrina waning, donations to larger national organizations, as well as to smaller regional foundations and nonprofit service agencies, are starting to decline (Salmon and Smith 2006). Consequently, the burden of financially supporting the myriad services required to rebuild New Orleans and the Gulf Coast is shifting to government, especially the new public authorities such as the Louisiana Recovery Authority.

Rebuilding the Social Welfare Service Infrastructure

The philanthropic response to the tragedy of Katrina has been generous and continues to help meet the needs of local residents. Local secular and faith-based organizations have received millions of dollars to help disaster victims. But the devastation has exposed the substantial dependence of the social welfare agencies on government funding, the small capacity of most churches and community agencies, and the lack of coordination among service agencies. Further, philanthropy cannot be a substitute for an effective and assertive government response to Hurricane Katrina; instead it can complement government funding and services and help government, philanthropy, and business leaders with fact finding and problem solving. The following action steps would greatly improve the immediate situation for thousands of citizens and the long-term future of countless service agencies in New Orleans and the Gulf Coast.

Strengthening the Capacity of Government. Many social welfare agencies were already receiving federal funds through Medicaid, block grants, TANF, and other federal programs. However, the federal government still must provide large-scale assistance to local organizations. To an extent, this assistance has been underway since the disaster, but mostly focused on immediate and emergency needs; more sustained support will be necessary if service

agencies are to meet the demand for mental health care, child welfare, job training, and similar services.

In addition, the federal, state, and local governments should think about creative ways to support the rebuilding, especially given its daunting cost. Government can support social welfare agencies through a variety of direct grant and contract programs and many indirect approaches, including tax credits and deductions, government-backed loans, and tax-exempt bonds. In this vein, Congress passed the Katrina Emergency Tax Relief Act in late 2005, to provide tax benefits and breaks, including new incentives for charitable donations, to aid in recovery (Internal Revenue Service 2006; Steuerle 2005). Tax-exempt bonds can play a critical role in rebuilding physical infrastructure such as housing, as well as help nonprofit social welfare agencies rebuild their own operations.

The slow response to the disaster, the fragmentation of local services, and the small scale of many nonprofits indicate that government must not only financially support the nonprofit sector but also monitor, regulate, and promote effective services. The creation of new government or quasi-government entities, such as the Louisiana Family Recovery Corps, is an implicit recognition of the value of government's monitoring and integrating role.

Secular and Faith-Based Agencies: Thinking Creatively about Sustainability. Given the ongoing struggles of many agencies and the likelihood of continued funding shortfalls, both secular and faith-based agencies must rethink their operations and business plans. Many organizations would be well served by greater emphasis on collaboration, cost sharing, and the colocation of services. Smaller agencies might consider alliances or mergers, especially with larger, more established nonprofits with diversified revenue streams.

Social welfare agencies might benefit from more alliances with local churches. Churches and faith-related service agencies are unlikely to provide extensive or long-term services directly; however, their strong personal relationships in the community can help mobilize cash and in-kind donations and may channel donations from outside the community or region. Churches may also be receptive to housing service agencies or their programs.

The Role of Foundations. Regional foundations can be especially helpful in supporting agenda setting and problem solving for the rebuilding process. Given their non-partisan, neutral role, these foundations can help different public and private organizations work together to develop effective, efficient policy solutions. Moreover, foundations could be especially valuable in crafting innovative, effec-

tive solutions to the serious problems of poverty in New Orleans and the region.

Regional and local foundations, along with local United Way chapters and intermediary technical assistance organizations, can be particularly useful as social welfare agencies rebuild their capacity and weather funding cutbacks and staff shortages. Foundations can help nonprofit social welfare agencies reduce their operating expenses through targeted grants or, where appropriate, facilitate mergers among local agencies. Direct technical assistance with management technology, such as client tracking systems and databases, can help ensure victims are connected with appropriate services. As agencies struggle to recover, many may also need assistance with organizational governance and management such as board training and recruitment, especially since many nonprofit social welfare agencies are small. Technical assistance can also improve agencies' ability to raise private donations and diversify their revenue bases.

Concluding Thoughts

The nonprofit community is, as noted by Lester M. Salamon (2003), a "resilient sector". Nonprofit social welfare agencies in New Orleans and the Gulf region are certainly demonstrating resilience as they struggle to rebuild and, at the same time, meet the needs of hundreds of thousands of citizens. And organizations *are* rebuilding, partly through the generosity of innumerable individual and corporate donors from all over the world. National and regional foundations are providing leadership and funding for many vital rebuilding projects. The faith community—including churches and many faith-based service agencies such as Habitat for Humanity—have played a highly visible role in the rebuilding process.

Yet, the extensive damage and citizen dislocation from Hurricane Katrina and the slow, halting recovery underscores government's importance in funding local service agencies, providing leadership to the recovery effort, and promoting collaboration and service coordination within communities and the region. Effective nonprofit social services depend upon an empowered, transparent government with an adequate fiscal base and monitoring capacity. In the months and years ahead, the government and nonprofit social welfare sectors in the region will have a valuable opportunity to work together to develop new, more effective programs for needy citizens while broadening the participation of different groups and organizations in the governance and delivery of services.

Notes

1. New Orleans, as widely reported in the aftermath of Katrina, is one of America's poorest large cities with one of the highest levels of concentrated poverty (Berube and Katz 2005).
2. The number of registered human service agencies in Louisiana in July 2005, prior to the hurricane, was 2,684, with total assets of \$1.1 billion. The population of Louisiana in 2000 was 4,468,976, or 22nd among the 50 states. Minnesota, one notch ahead of Louisiana in the state rankings (population, 4,919,479) had 4,066 human service agencies with assets of \$3.8 billion (National Center for Charitable Statistics 2005).
3. The Baton Rouge Area Foundation has played a major role in raising funds locally and nationally for relief. The Foundation has even created a new organization, Foundations for Recovery, to collect donations and then re-grant them to local organizations.
4. Grants have been awarded by, for example, the Foundation for the Mid South, the Greater New Orleans Foundation, and the Baton Rouge Area Foundation.

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CYNTHIA M. FAGNONI

Observations on Charities' Response to Hurricanes Katrina and Rita

For decades, charitable organizations in the United States have played an important role in providing disaster assistance and relief. Many such efforts are local and specific and have not received national attention or scrutiny. In the past four years, however, two major disasters of national scope and significance have heightened the public's awareness of the important role charities play in assisting those in need. In the aftermath of the terrorist attacks of September 11, 2001, and more recently, the Gulf Coast devastation caused by Hurricanes Katrina and Rita, charities' roles have been highly publicized and scrutinized.

As the congressional "watchdog" agency, the U.S. Government Accountability Office (GAO) has conducted reviews of the national response following national disasters and currently has several ongoing studies focused on the response to recent hurricanes. In testimony before the House Ways and Means Oversight Subcommittee on December 13, 2005, GAO discussed (1) lessons learned from charities' response to the September 11 terrorist attacks and (2) preliminary observations regarding the performance of charities in response to Hurricanes Katrina and Rita. In our preliminary observations, we focused on charities' fundraising, their efforts to improve coordination, and difficulties charities encountered in trying to balance access to services with safety concerns.

The following is drawn primarily from the GAO testimony on December 13, 2005. Information in the testimony was based on ongoing work; published GAO reports; relevant interviews with federal, state, and local government officials in states affected by Hurricanes Katrina and Rita; interviews with charitable officials and national experts; and data on total hurricane-related donations to charities from Indiana University's Center on Philanthropy.

Summary

GAO learned from its work following the September 11 attacks that charities could do more:

- take steps to make it easier for survivors of disasters to get the help they need,
- improve coordination among charities and the Federal Emergency Management Agency (FEMA),

- better educate the public about charities' roles in disaster recovery, and
- plan for responding to future disasters.

Following GAO's September 11 charities report (2002), seven charities formed a network to share information electronically about aid recipients and services provided, improve coordination, and ease access to aid. The group worked in partnership with FEMA to develop a database to share information between agencies.

In three-and-a-half months, charities had raised more than \$2.9 billion to assist in hurricane relief and recovery efforts. In addition, charities have taken other steps to improve coordination following the Gulf Coast hurricanes. Charities shared information through meetings at the American Red Cross headquarters, daily conference calls, and electronic databases that allowed multiple organizations to access information about services provided to hurricane victims. Despite these efforts, some charities raised concerns about the usefulness of the conference calls and electronic databases for sharing information. For example, some charities said that daily conference calls after Katrina included too many organizations and did not provide the information they needed.

There were also problems with providing charitable services to victims in some hard-to-reach areas. GAO teams in the field reported that the American Red Cross did not provide relief in certain areas because of safety policies. In areas where the American Red Cross did not operate, GAO teams observed that other charities, such as the Salvation Army and smaller charities (often local churches), provided relief services. Although smaller organizations provided needed charitable services in the Gulf Coast region, some concerns have been raised about their ability to provide adequate services to victims.

Background

Charities are organizations established to serve broad public purposes, such as the needs of the poor or distressed and other social welfare issues. The Internal Revenue Service (IRS) reported that for 2002, 501(c)(3) organizations, which include charities, had total assets of over \$1.7 trillion. In 2004, the IRS recognized 820,000 charities, accounting for about 90 percent of 501(c)(3) organizations.¹ Charities can include organizations with missions such as helping the poor, advancing religion, educating the public, or providing disaster relief services. Although the federal government indirectly subsidizes charities through

their tax-exempt status and by allowing individuals to deduct charitable contributions from their income taxes, the federal government has a fairly limited role in monitoring charities. States provide the primary oversight of charities through their attorneys general and charity offices.

Charities' Response to National Disasters

Charities have historically played a large role in the nation's response to disasters. For example, after the September 11 attacks, 35 of the nation's larger charities—including the American Red Cross and the Salvation Army—collected almost \$2.7 billion to provide food, shelter, mental health services, and other types of aid.

Charities' roles in responding to disasters can vary. Some charities, including the American Red Cross and the Salvation Army, are equipped to arrive at a disaster scene and provide immediate mass care, including food, shelter, and clothing, and in some circumstances, emergency financial assistance to affected persons. Other charities focus on providing longer-term assistance, such as job training, scholarships, or mental health counseling. In addition, new charities may form after disasters to address specific needs, such as the charities established after the September 11 attacks to serve survivors of restaurant workers and firefighters.

National Response Plan

The U.S. government's national response plan provides a single, comprehensive framework for the federal response to domestic incidents, such as natural disasters and terrorist attacks. The plan provides the structure and mechanisms for the coordination of federal support to states and localities. Major cabinet and other federal agencies are signatories to the plan, along with the American Red Cross and the National Voluntary Organizations Active in Disaster (National VOAD), a national charity umbrella organization. The American Red Cross and National VOAD are the only nongovernmental organizations that signed the plan. In December 2004, the Department of Homeland Security released the plan, which was developed at the request of President George W. Bush. The plan incorporates and replaces several previous plans for disaster management, including the federal response plan, originally signed in 1992. One of the ways the plan changed the federal response plan was by not naming charities active in disaster relief other than the American Red Cross, but

instead incorporating them under the umbrella organization, National VOAD.

The plan designates 15 emergency support functions, each identifying a specific disaster response need as well as organizations that have key roles in helping meet those needs. The sixth emergency support function, the function most relevant to charities involved in disaster relief, creates a working group of key federal agencies and charitable organizations to address

- mass care, including sheltering, feeding, and emergency first aid;
- short- and long-term housing; and
- human services, such as counseling, processing of benefits, and identifying support for persons with special needs.

As a direct service provider, the American Red Cross feeds and shelters victims of disasters. In addition to fulfilling this role, the American Red Cross is responsible for coordinating federal efforts to address mass care, housing, and human services under Emergency Support Function 6 with FEMA. The American Red Cross is the only charity to serve as a primary agency under any Emergency Support Function. The plan gives the American Red Cross responsibility for coordinating federal mass care assistance in support of state and local efforts. The American Red Cross also has responsibilities under other emergency support functions, such as providing counseling services and working with the federal government to distribute ice and water. FEMA's responsibilities include convening regular meetings with key agencies and coordinating the transition of service delivery from mass care operations to long-term recovery activities, among other responsibilities.

National VOAD, a membership organization composed of approximately 40 charities that provide services following disasters, is designated as a support agency under Emergency Support Function 6, but it does not provide direct services to victims.² Rather, National VOAD is responsible for sharing information with its member organizations regarding the severity of the disaster, needs identified, and actions taken to address these needs.

Collaboration Can Enhance Charities' Contributions after Disasters

Following September 11, GAO reported several strategies that could help charities enhance their response to future disasters.

- **Ease access to aid for those eligible.** GAO reported that charities could help survivors find out what assistance is available and ease their access to that aid through a central clearinghouse of public and private assistance. We also suggested offering eligible survivors a case manager, as was done in New York City and in Washington, D.C., following September 11, to help identify gaps in service and provide assistance over the long term.
- **Enhance coordination among charities and with FEMA.** GAO also found that private and public agencies could improve service delivery by coordinating, collaborating, sharing information with each other, and understanding each other's roles and responsibilities. Collaborative working relationships are critical to the success of other strategies to ease access to aid or identify service gaps, such as creating a streamlined application process or a database of families of those killed and injured.
- **Increase attention to public education.** After September 11, GAO reported that charities could better educate the public about the disaster recovery services they provide and ensure accountability by more fully informing the public about how they are using donations. Charities could improve transparency by taking steps when collecting funds to specify more clearly the purposes of the funds raised, the different categories of people they plan to assist, the services they plan to provide, and how long the charity plans to provide assistance.
- **Plan for future events.** Further, GAO reported that planning for how charities will respond to future disasters could aid the recovery process for individuals and communities. Although each disaster situation is unique, it could be useful for charities to develop an assistance plan to inform the public and guide charities' fundraising efforts. In addition, state and local emergency preparedness efforts could explicitly address the role of charities and charitable aid in future events.

GAO recommended that FEMA convene a working group to encourage charities involved in disaster response to integrate lessons learned from the September 11 attacks. After our report, FEMA encouraged charities to form a working group to share information following disasters; this group became the Coordinated Assistance Network (CAN). The seven charities that formed CAN are the Alliance of Information and Referral Services, the American Red Cross, National VOAD, the Salvation Army, 9/11 United Services Group, Safe Horizon, and the United Way of America. The

group worked in partnership with FEMA to develop a database to share information among agencies.

The CAN network addressed several of the strategies that GAO identified. To ease access to aid for those eligible, the network is designed to share client data, such as previous addresses, employment information, and FEMA identification numbers, among charities. CAN is intended to ensure that victims need only explain their circumstances once rather than repeatedly to different service providers. To enhance coordination among charities and with FEMA, the CAN network is designed to make each charity more aware of the services other charities provide and to identify gaps or redundancies in services. Finally, to plan for future events, the CAN network intends to build partnerships or working relationships among disaster response charities before disasters strike. While the CAN network databases are still largely in the pilot phase, both government and charity representatives have praised the database's potential to improve collaboration and noted that it functioned well following the disasters, considering that it was not fully developed.

Preliminary Observations of Charitable Organizations' Operations Following the Gulf Coast Hurricanes

Hurricanes Katrina and Rita caused massive destruction and large-scale disruption of lives in Alabama, Louisiana, Mississippi, and Texas. In response to this destruction, we have witnessed heroic efforts by public, private, and non-profit organizations and volunteers. These natural disasters have placed strengthening the nation's emergency response efforts once again at the top of the national agenda.

Charities Have Raised More Than \$2.9 Billion Following the Gulf Coast Hurricanes

As of January 2006, charities have raised more than \$2.9 billion in cash donations in response to the Gulf Coast hurricanes, according to the Center on Philanthropy at Indiana University. The center notes that this number is a low estimate since it does not include direct giving to individuals, giving to smaller charities, or in-kind donations. The American Red Cross has raised about \$2 billion, about 63 percent of all dollars raised. The Salvation Army has raised the second-highest amount, about \$300 million, about 16 percent of the amount raised by the American Red Cross.

Charities Took Steps to Improve Coordination but Experienced Some Challenges

Charities operating in the Gulf Coast region following the hurricanes coordinated services through the convening of major national disaster relief organizations at the American Red Cross headquarters, daily conference calls organized by National VOAD, and databases established by CAN. Some charity representatives questioned the usefulness of the daily conference calls and the CAN databases.

In the weeks following Hurricane Katrina, the American Red Cross organized a national operations center with representatives from FEMA and several major national charities, including the Southern Baptist Convention and the Salvation Army, at its headquarters in Washington, D.C. Because of the scale of the hurricane disaster and the large response needed, this was the first time the American Red Cross coordinated this type of national operations center following a disaster. This working group helped the major charities coordinate services on the ground by allowing for face-to-face interaction and ongoing communication, according to charity representatives and FEMA officials.

To help fulfill its information-sharing role under Emergency Support Function 6, National VOAD organized daily conference calls with FEMA and other federal government representatives and its member organizations operating in the Gulf Coast region. National VOAD also invited nonmember charitable organizations that were providing relief to hurricane victims to participate in these calls, which sometimes included more than 40 organizations at once. During these calls, both the federal government and charities were able to provide information and answer questions about services provided, needs identified, and the organizations' abilities to meet these needs. Representatives from charitable organizations told us that these calls were an effective way to coordinate the delivery of supplies among charities and help identify those regions most in need of charitable services.

Charities were also able to share information through CAN databases. Following the hurricane disasters, CAN created a web-based shelter registry that provided information about emergency shelters operating in the Gulf Coast region, including their capacity and operating status. CAN also activated the database of victim information, which at the time was being tested in six pilot communities. More than 40 charities—all of whom must sign CAN participation agreements, including the Ameri-

can Red Cross, the Salvation Army, and the United Way of America—were able to access this database and input information about the services they provided to individual clients, according to CAN representatives. Charities could share information about these clients, who were required to sign privacy releases, through the web-based database, thus reducing service duplication and the need for victims to give the same information to multiple organizations.

Although the charity representatives we interviewed reinforced the importance of the conference calls and the CAN databases, they also raised concerns about the usefulness of these systems. For example, some representatives were concerned the conference calls had too many participants. Because 40 or more charities might be participating in any one call, the calls often ran long or dealt with issues that may not have been of interest to the whole group, according to some charity officials. Additionally, charity representatives told us that call participants sometimes provided information that turned out to be inaccurate.

Charity officials we spoke with were supportive of CAN and its mission, but they raised several concerns about the usefulness of its databases following the hurricane disasters. One concern that we heard from a few charities was that the CAN case management system is still in its developmental stages and was therefore not ready to be activated on such a large scale. Many volunteers had not received sufficient training on the system, and some of the technological glitches had not been completely resolved, according to charity representatives. In addition, representatives told us that the shelter database, developed soon after the hurricanes, had not been previously tested and may not have been ready for widespread use. In addition, some officials said that after Katrina there was neither electricity nor Internet access in certain locations, and as a result, the CAN databases could not always be used. Some officials stated that they needed to collect information in writing at the time of the disaster and then input the data into the system once they had Internet access—a time-consuming task that diverted resources from other needed areas. CAN officials responded that the CAN databases were created primarily for long-term recovery efforts that would take place after electricity and Internet access were restored, rather than for short-term relief.

Charity representatives also told us that daily conference calls and electronic databases helped with coordination efforts, but these systems were not as important to coordination efforts as preexisting relationships. Several of the charities we spoke with stated that, for charities to function efficiently following a disaster, they must have

some sort of established working relationship with the other charities involved in disaster relief efforts. One charity representative told us that it is difficult to make introductions in the chaos of a disaster. He stressed that charities that operate in disasters should have memorandums of understanding signed before a disaster strikes—a practice many charities use—so that they can immediately coordinate efforts in a disaster situation.

Charities Struggled to Balance Access to Services with Concerns Regarding Safety of Service Providers and Victims

GAO teams that visited the Gulf Coast in October 2005 observed that the American Red Cross did not provide relief in certain areas because of safety policies; and thus, other charities, such as the Salvation Army and smaller charities, often helped to meet the needs of those areas. The American Red Cross told us that with the American Society for Civil Engineers and FEMA, it had previously developed policies to protect the safety of service providers and victims following a disaster. These policies include not establishing shelters in areas that may become flooded during a disaster or in structures that strong winds may compromise. However, victims remained in areas where the American Red Cross would not establish shelters. Further, where the American Red Cross was able to establish shelters, victims' needs sometimes exceeded the capacity of the American Red Cross, as this was the largest response effort in American Red Cross history. GAO teams in Mississippi observed that the Salvation Army and smaller charities, such as local church organizations, filled many of the needs for volunteer services that the American Red Cross did not meet. Additionally, GAO teams estimated that in the Birmingham, Alabama, area, a significant portion of the approximately 7,000 evacuees were being cared for and sometimes being housed by local churches and their members.

Although smaller organizations provided needed charitable services in the Gulf Coast region, some concerns have been raised about the organizations' abilities to provide adequate services to victims. Some officials told us that the smaller organizations helped meet important needs, but many organizations had never operated in a disaster situation and may not have completely understood the situation. For example, officials told us that some of the small charities that placed children who were separated from their parents in homes did not retain sufficient infor-

mation about which children were placed where. This made it difficult to locate missing children. Other officials told us that some of the smaller organizations that tried to establish “tent cities” to house evacuees were not prepared to provide the water, sanitation, and electricity these types of shelters require.

Concluding Observations

In closing, the devastation of Hurricanes Katrina and Rita once again challenged federal, state, and local governments and charitable organizations’ abilities to provide large-scale aid to hundreds of thousands of survivors. It also provided a critical opportunity to assess how the nation’s charities have incorporated lessons learned from responding to the September 11 tragedy. GAO’s ongoing work on the coordination of charitable efforts in response to Hurricanes Katrina and Rita will examine the money charities have raised and how these funds have been used, how well charities are meeting their responsibilities under the national response plan, how well charities are coordinating their relief efforts, how people affected by the hurricanes have accessed charitable services and relief supplies and the challenges they encountered in dealing with charities, and what charities are doing to guard against fraud and abuse.

In the coming months, much of the congressional scrutiny related to Hurricanes Katrina and Rita will focus on federal agencies’ preparedness and response. Given the concerns raised about the effectiveness of federal, state, and local disaster preparedness and response, the non-profit sector will likely continue to play a critical role in responding to disasters. As a result, this sector, too, will face continued scrutiny. An important issue those who study the nonprofit sector should examine will be the extent to which oversight and accountability systems are in place to ensure that charities’ performance is enhanced.

Notes

1. This estimate based on data from the IRS, with modifications by the National Center for Charitable Statistics (NCCS) at the Urban Institute. NCCS excluded foreign and governmental organizations from the data.
2. For a list of National VOAD members, see the appendix.

References

- GAO. *See* U.S. Government Accountability Office.
- U.S. Government Accountability Office. 2002. “September 11: More Effective Collaboration Could Enhance Charitable Organizations’ Contributions in Disasters.” GAO Report No. 03-259. Washington, DC: U.S. Government Accountability Office.

Appendix 3.1

Members of National Voluntary Organizations Active in Disaster Relief

Adventist Community Services	International Critical Incident Stress Foundation
America's Second Harvest	International Relief Friendship Foundation
American Baptist Men	Lutheran Disaster Response
American Radio Relay League	Mennonite Disaster Service
American Red Cross	Mercy Medical Airlift
Ananda Marga Universal Relief Team	National Emergency Response Teams
Catholic Charities USA	National Organization for Victim Assistance
Center for International Disaster Information	Nazarene Disaster Response
Christian Disaster Response International	Northwest Medical Teams International
Christian Reformed World Relief Committee	The Points of Light Foundation
Church of the Brethren	Presbyterian Church (U.S.A.)
Church World Service	REACT International, Inc.
Convoy of Hope	The Salvation Army
Disaster Psychiatry Outreach	Society of St. Vincent de Paul
Episcopal Relief and Development	Southern Baptist Convention
Friends Disaster Service, Inc.	United Church of Christ
The Humane Society of the United States	United Jewish Communities
International Aid	United Methodist Committee on Relief
	United Way of America
	Volunteers of America
	World Vision

Nonprofits and Disaster

The Experience of New York State on September 11, 2001

The attacks of September 11 and the more recent natural disasters in South Asia and on the Gulf Coast of the United States thrust many charity regulators into nontraditional roles and caused them to approach their traditional roles differently. Charity regulators quickly became aware that they would have to adapt their offices in light of charity relief efforts and public contributions of a magnitude never experienced before.

After September 11, New York Attorney General Eliot Spitzer immediately convened meetings of relief organizations and encouraged them to provide additional financial information to contributors and coordinate their efforts by creating a shared database to ensure all eligible individuals would receive relief services, while protecting the privacy of the organizations and their clients.¹

The disasters spawned numerous new relief and fundraising organizations, creating a challenge for regulatory offices concerned with ensuring compliance with regulatory requirements and remedying fraud. State regulators and the Internal Revenue Service (IRS) implemented procedures, including outreach to charitable organizations and sharing of information among agencies, to encourage compliance and expedite processing registrations and applications for tax exemption.

In response to the increased number of charitable organizations, the unprecedented charitable contributions from the public, and the public's demand for more information on charities, state and federal regulatory offices assumed a greater role in public education programs for contributors and those who manage charitable assets.

New York Attorney General's Response to September 11

In the wake of the attacks of September 11, 2001, the American people responded immediately and dramatically by opening their hearts and wallets in an unprecedented way. Estimates are that nearly 60 percent of Americans donated money to some form of September 11 relief; an outpouring of contributions was also received from the international community (Independent Sector 2001). The public also expected to have access to information confirming that their contributions had been used for their intended purposes. Victims of the attacks and the families of those who died also

needed information concerning relief organizations from which they could seek assistance.

To respond to these needs, the attorney general's Charities Bureau worked with private industry to create a searchable database that was added to the attorney general's web site to (1) inform victims of available services, (2) provide contributors with information about organizations to which they might make donations, and (3) provide "real-time" financial information from relief charities concerning funds they received and expended for disaster relief. The site posted information concerning over 200 relief organizations, many of which voluntarily posted information concerning contributions received and relief services provided.

Challenges Facing the September 11 Charitable Relief Effort

Consistent with their unique missions, the charities working in the September 11 arena determined individually which victims, families, and affected communities to assist and which means (direct cash aid, services, grants) to employ to deliver that assistance. Nationwide, over 250 new funds were created (Lipman 2002). Some were created spontaneously by organizations with no prior experience in administering charitable assets. All of the September 11 charities—whether newly formed or long established—confronted a daunting administrative burden that severely taxed their staffs and resources.

The demand for relief was huge. The incapacitation of the communications and transportation infrastructure of Lower Manhattan further complicated the logistics of dispensing aid at the early stages of the disaster.

Many individuals and families were initially too overcome with grief to seek aid. Experienced and novice charities alike struggled to define their aid eligibility requirements, balance concerns for accountability with the importance of protecting families' privacy, identify and reach the specific populations they wished to serve, and mobilize the thousands of people who volunteered their services.

Meanwhile, the public understandably demanded that relief be made available quickly, with minimal red tape. The public also expressed concerns that the charities take steps to avoid fraud and waste, ensure some measure of equity in the distributions, and guard against any victim "falling between the cracks." Finally, the public sought a high level of accountability by the charities and expected information on the relief effort to be made available promptly, accurately, and in detail.

Adding to the pressures on relief organizations was the relaxation of the "need and distress" distribution standards applicable to charities providing relief to victims of the September 11 attack. Notice 2001-78, issued by the IRS (2001), permitted charities to make grants to victims as long such grants were "related to the charity's exempt purpose, provided that the payments [were] made in good faith using objective standards." While some charities distributed larger grants than they might have otherwise distributed, many retained funds for long-term needs such as scholarships and mental health treatment.

Role of the Attorney General

In addition to the oversight of charitable assets and organizations, one of the central responsibilities of the attorney general is making information filed with the attorney general available to the public so that donors may make informed decisions. However, the legally mandated annual filings by the charities do not make that information available as readily as many members of the public have urged.

Most charities are required to register with the Charities Bureau of the attorney general's office and file annually reports detailing their fundraising and expenditures. A charity must file its annual report with the attorney general within four-and-a-half months after the end of its fiscal year. The IRS routinely grants a six-month extension to file IRS Form 990, and the Charities Bureau, which also requires the filing of Form 990, follows the IRS's extensions. All such filings must be provided to anyone who requests them. However, with extensions of time to file, financial information concerning funds raised and expended in the early stages of the September 11 relief effort would not be available until late 2002 or early 2003. Some charities, including several very active in providing September 11 relief (such as the American Red Cross and religious charities), are exempt from these registration and reporting mandates in New York, though they remain subject to the attorney general's investigatory oversight. The attorney general urged charities to provide voluntarily more timely financial information to the public.

In keeping with that oversight role, the attorney general recognized early on the critical importance of coordination among the charities as their relief work got under way. Building upon lessons learned from the Oklahoma City bombing of 1995, the attorney general and his staff worked to jump start the necessary collaboration through several key initiatives. One such initiative was the attorney gen-

eral's public web site, <http://www.wtcrelief.info>, launched on October 10, 2001. It provided detailed information on over 200 charities and other private entities, as well as a search function and updated news bulletins concerning the relief effort. In addition, by November 1, 2001, the attorney general had assembled a pro bono team of private sector firms—McKinsey and Company, IBM, Silver-Stream Software, Qwest Communications, and KPMG—to help create a victims database that would allow charities to coordinate assistance better, avoid duplication, and ensure fairness. Initially, the attorney general obtained the support of the largest charities involved in the relief effort, including the American Red Cross, the Salvation Army, Safe Horizon, and the September 11th Fund (which together accounted for approximately 80 percent of the funds raised). On December 14, 2001, at the attorney general's urging, these groups were joined by 10 others in announcing the creation of the 9/11 United Services Group (USG), which maintained the victims database but also assigned an individual case worker/service coordinator to anyone receiving assistance.

Immediately after September 11, those seeking relief had to complete multiple and different applications to the various relief organizations from which they sought assistance. Victims and the relatives of those who died in the attacks reported that the process of accessing relief services was often tedious and especially difficult to navigate in a time of extreme grief. The implementation of the USG database allowed applicants to submit a single application accepted by multiple agencies and to take advantage of the advocacy of caseworkers who identified and assisted in obtaining appropriate assistance. As a result, access to relief services was simplified and expedited. Although USG is no longer active, the technology is being maintained should it be needed in a future disaster.²

The attorney general urged charities to avoid haste in distributing their funds and to take the time necessary to evaluate recipients' needs, both current and future, when making funding decisions. In addition, the attorney general's office investigated and prosecuted fraud and abuse cases as they arose, while also assisting many charities with their internal efforts to curb waste. The attorney general also encouraged charities to publicize on a regular basis the amount of money they received, detailing how much money was spent and for what purposes. Many of the September 11 charities did exactly that, providing substantial detail through their web sites, interim reports, and other publicly available materials (see Spitzer 2002). The attorney general's Charities Bureau tracked the voluntary

disclosures and monitored the various surveys and summaries compiled during 2001 and 2002.

The Internal Revenue Service and the States

After the attacks of September 11 and the natural disasters of 2004 and 2005, the IRS announced the implementation of an expedited review and approval process for disaster relief organizations seeking tax exemption. In announcing the expedited procedures after the natural disasters, IRS Commissioner Mark W. Everson said, "We want to make sure we do all we can to help new charitable organizations get up and running so they can begin providing the assistance the victims of this terrible disaster so desperately need. Just as we did after September 11, 2001, we will put these applications at the head of the queue and turn them around promptly" (IRS 2005).

At the request of the Charities Bureau, the IRS routinely provided New York with copies of the applications for tax exemption and determination letters sent to newly exempt September 11 relief organizations. With the information received from the IRS, the Charities Bureau reached out to newly formed organizations to help them comply with New York's registration requirements.

When the South Asian tsunami and Hurricane Katrina spawned new relief organizations, the IRS once again provided the Charities Bureau with applications and determination letters, and the Bureau again assisted those organizations with registration in New York.

Public Information/Education

The Internet has made financial information about charitable organizations easily accessible to the public. New York, as well as several other states, provides links from the attorney general's Internet site to the Forms 990 of registered charities.

Launched in May 2005, the attorney general's site linking reports of tax-exempt organizations had over 350,000 hits in its first six months. Also, exempt organizations' IRS Forms 990, posted on <http://www.guidestar.org>, are in great demand.

Most state and federal charity regulators publish guidelines for the public to assist in identifying recipients of charitable contributions. After the terrorist attacks and the natural disasters of recent years, many agencies have added guidelines aimed at contributors to disaster relief organizations to their "generic" advice on charitable giving. The

Internet sites of almost all state charity regulators and the IRS, the Federal Bureau of Investigation, the Federal Trade Commission, the Federal Communications Commission, and the United States Postal Service provide advice on charitable giving, and about half those agencies provide advice on contributing to disaster relief organizations.

Charities and regulators have learned a great deal from recent disasters. The initial lesson was that the public demands—and deserves—information about how contributions are used. Many charities have responded to that demand by posting additional financial information on their web sites, and regulators have posted links to financial reports of their registrants. Charities should make efforts to provide real-time information to the public.

We have learned from our experience that some relief efforts must continue for many years—victims are still seeking assistance from charities more than 10 years after the Oklahoma City bombing, and four years after September 11, many families continue to receive aid. Children born after their fathers died on September 11 are now turning 4, and they will need scholarships for at least another 17 years. Charities must plan for the long-term needs of those they serve, and contributors must be made aware that contributions used for certain purposes may not be expended for a number of years.

Oklahoma City and September 11 taught us much about the importance of coordinating relief efforts. The Gulf Coast hurricanes taught us that victims of a “local” disaster may need relief services thousands of miles from

the disaster. Charities and regulators must now focus on how to adapt their practices and oversight to meet the unique needs and circumstances of such disasters.

Notes

1. Portions of this report are taken from Spitzer (2002).
2. Although the United Services Group database is easily adaptable to disasters whose victims are located in the same geographical area, its usefulness in coordinating relief to victims dispersed throughout a region or a country, such as those who fled the devastation of Hurricane Katrina, is likely not as great.

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MARK H. MOORE

Disasters and the Voluntary Sector

Reflections on the Social Response to Hurricane Katrina

Disasters—whether man-made or natural—galvanize societies. The death, injury, loss, and despair left in their wake mobilize bursts of sympathy and unleash a flood of voluntarily contributed money, materials, and time. Such new resources and new capabilities are often required to buttress the response of existing institutions, for they are likely to be overwhelmed by the effects of the disaster. And, material hardship is the aspect of disaster most easily fixed by an infusion of emergency aid. If the victims' spirits are not broken, if the social structure does not completely collapse, if public institutions and leaders are capable, an influx of aid can make a big difference in a short time. So we expect the voluntary sector will play a large part in the social response to disaster.

That, at least, is one story. And it has long been a powerful one—a strong reason to believe in the voluntary sector's role in helping societies move from disaster to recovery. Observations after Hurricane Katrina give us no particular reason to doubt this story. We have been given, however, an opportunity to reflect on how we rely on the voluntary sector—both in its actions and as a force that shapes the actions of business and government. We can begin to discern and calibrate the sector's various roles as a resource mobilizer and coordinator, as an emergency service provider, as an operational link to victims, as a space where new emergency capacities might be built, and as a voice for those whose interests might be ignored in recovery.

The Voluntary Sector Facilitates Human Solidarity

Voluntary sector organizations provide a channel for those both near and far from a disaster to express solidarity with its victims. Simply by providing an address where money can be sent, or a location where clothes can be donated, or a facility where blood can be distributed, charities create an opportunity to display sympathy and solidarity. Charitable voluntary sector organizations create the scaffolding of a worldwide community that exists to help fellow human beings who have suffered through no fault of their own.

It is tempting to measure contributions primarily by volume and by the relief they provide. We can count the money, the canned goods and clothes, and the volunteer time. But often overlooked is the effect that donations have on those who give. This is

unfortunate, for any proper accounting of a contribution's value would recognize its value for the giver—and for the community that giving helps create—as well as for the victims. After all, if we think it is socially valuable to produce lemon-scented furniture polish because people seem to want it and are willing to pay for it, we must also view creating an opportunity to alleviate the suffering of others as socially valuable.

Further, to the degree that creating an opportunity to give connects with, sustains, or amplifies values such as empathy and charity, the voluntary sector creates a kind of sacrament. In participating, we renew our commitment to our values and to one another. The voluntary sector transforms disasters into occasions for the creation of what Robert Putnam has called “social capital.” Social capital refers to the felt willingness and obligation of individuals to help one another without necessarily expecting an immediate personal return from their effort. And as Putnam has shown, social capital improves the quality of individual and community life in such disparate areas as governmental performance, economic performance, and even the health of communities (Putnam 2000).

Material Resources—More for Disaster Relief, Less for Disaster Recovery

Having emphasized the voluntary sector's importance to those who wish to help victims and in encouraging the expression of values and commitment to the human community, I restate the more obvious point: the expression of charitable aspirations also unleashes a flow of material resources that improves victims' welfare. When we focus attention on material resources and on improving conditions in a disaster area, two crucial questions emerge: (1) how much of the aid actually reaches its target, and (2) how efficiently (and perhaps equitably) is the aid distributed?

Interestingly, some evidence has shown that charitable contributions are larger in the United States than in other countries. Yet, however large the donations are, they have been dwarfed by government contributions and by society's overall need (Steuerle and Hodgkinson 1999). This finding implies that we cannot expect charitable contributions to meet the needs of disaster relief.

Yet, what is true for charity in general might not be for disaster relief. The gap between charitable dollars and need might be smaller in the case of natural disasters, where charitable contributions come much closer to meeting needs and seem larger relative to government and private

sector contributions, than in other cases such as health, education, or care of the aged. Indeed, in cases such as September 11 or famines, the amount of aid contributed has sometimes been greater than what was needed—at least for the purposes of short-run relief. In such cases, material resources for disaster relief have accumulated unspent and undeployed, raising weighty questions about what should be done with the excess.

At this point, I will distinguish between disaster *relief*, on one hand, and disaster *recovery* and *rehabilitation*, on the other. The line between the two is admittedly blurry, but nonetheless important. Donors often give to relief, not to rehabilitation—perhaps because disaster relief is relatively simple, straightforward, and morally uncontroversial. When victims lack shelter, food, clothing, and medical care, it is pretty obvious what needs to be done. Further, the response is neither particularly difficult nor particularly expensive. And the effects are immediate, large, and gratifying.

When, however, the issues become how much money should be provided for rebuilding individual homes and businesses, how much mental health care should be provided to those who suffered even before the disaster, whether funds should be given to those who plan to resettle elsewhere—our obligations are less apparent and our tasks more difficult. Meanwhile, administrative costs rise, the immediate gratification of doing right falls, and controversy emerges. When there are excess funds for disaster relief and inadequate funds for disaster recovery, diverting funds is tempting. But donors may contest this new, more problematic use of their money.

This issue has become salient after Hurricane Katrina because the natural disaster exposed a man-made one. It is hard to draw the line between disaster relief efforts designed to restore New Orleans and much larger and more sustained efforts to improve it. And it is by no means clear which of these goals is being supported by the social response to Katrina.

Fungibility of Resources and Its Costs

The voluntary sector's ability to mobilize resources can also be profoundly affected by the forms in which those resources come. Money, of course, is the most liquid and fungible resource, and therefore probably the easiest to use—it can be converted quickly and precisely into things victims need and want—and account for. But in the aftermath of Katrina, resources appeared in other, less fungible forms: food, clothing, and volunteer efforts. When material resources are more concrete and specialized than

money, they are less easy to fit to particular needs and wants.

This problem was vividly illustrated by a report that the IRS had been asked for a charitable exemption for an organization that would distribute clean underwear to Katrina victims. On one hand, it seemed hard to deny the charitable intent and value of the effort. On the other, what a peculiarly specific way to contribute!

It is perhaps enough to observe that the administrative costs associated with moving material resources from donor to beneficiary are likely different for money than for food and clothing or volunteers. The value of volunteers depends on how readily they adapt to conditions in the disaster area and adjust their initial ideas about how they can help.

Particularism and Sectarianism in the Voluntary Sector Response

Related to the issue of resource adaptability is particularism and sectarianism in the use of voluntarily contributed resources. As noted above, a general problem with voluntary contributions is that they do not always come in precisely the form that is needed. This can be attributed to the physical characteristics of the resources themselves (money versus material contributions and volunteer time). But the problem also arises when donors not only give certain kinds of resources, but give them to some individuals and not others without necessarily considering *relative* need. For example, some church groups whirled into action to collect food and clothing for the victims of Katrina. Then the resources were delivered to a “sister church,” whose congregation or beneficiaries may not have been those in most urgent need of aid.

The problem of delivering aid to those we feel closest to rather than to those who have the greatest need can arise completely unselfconsciously. It feels natural and good to reach out to others through social networks that already exist. The difficulty is that such networks tend to follow lines marked by class, race, and religion, which may not be reliably correlated with the urgency of need. But this problem can also be produced self-consciously; donors sometimes condition that their donations be used for particular groups judged worthy of help.

What is at issue in both an unconscious and a conscious preference for helping those we feel particularly close to is the potential conflict between donors’ desire for specific accomplishments and the objective needs of all victims. The difficulty, of course, is that establishing any objective,

shared view of the best possible social response, particularly in the midst of a crisis, is difficult. Afterward, how well voluntarily contributed resources managed to hit the target of greatest social need can be examined. And there will be many different views expressed about how fair and just and socially responsible and efficient the voluntary response was. But during a crisis, in the urgency to mobilize, there is the risk that the aid will be spotty (rather than systematic) and marked by different kinds of favoritism (rather than focused ruthlessly on the most urgent need).

Even if we could organize a policy process that would produce a collective agreement about priorities, it would be hard to ensure that the voluntary, spontaneous response actually corresponded to the most just and effective distribution of effort. After all, donors decide voluntarily what to do. They can be guided by some collective process, but not necessarily controlled by it. If a process emerged that defined particular contributions to particular individuals as especially worthwhile, then possibly, many donors who wanted to give in other ways would be discouraged from doing so. Thus, charities must accept voluntary contributions that may be large in aggregate but are expensive to administer and produce a spotty result, or must ensure that contributions are exactly the ones needed for a socially just and efficient response.

Can the Voluntary Sector Effectively Coordinate the Social Response to Disasters?

These observations lead inevitably to somewhat sobering conclusion: if we ask whether the voluntary sector alone is capable of both coordinating and guaranteeing a just and effective social response to disasters, the answer seems to be, unambiguously, no. This is partly a matter of scale. The voluntary sector might be able to provide a significant share of the resources required for disaster relief, but it probably cannot provide adequate resources for disaster rehabilitation and recovery—the crucial, long-run social task. It is also partly a matter of being able to efficiently and effectively mobilize and distribute resources (the voluntary sector has difficulty raising fungible assets and targeting them to the specific needs it identifies, has to accept what is given, and has no guarantee that what is given is what is needed) and partly a matter of equity. Because (1) the voluntary sector accepts voluntary contributions, (2) those contributions may be implicitly or explicitly conditioned by the contributor, and (3) there is no way either before or after the fact to constrain these contributions to some collectively defined idea of a just and fair response,

the voluntary sector lacks the capacity to ensure that its response is just and fair. Inequities are the inevitable result of the sector's *ad hoc* character.

This means that the government must inevitably be part of organizing the social response to disasters. Government is the one institution with the scale to mobilize the necessary resources. It is the one institution with the authority to distribute the burdens and benefits of the relief and recovery effort fairly. It is also the institution that can be called to account by citizens for the justice and equity of its response. And only through a democratic process organized by government can society create the occasion for a meaningful collective discussion of what is owed to the victims of a disaster.

The Crucial Role of Government, and Partnerships with Government

That the voluntary sector will inevitably work alongside the government raises another observation: in responding to disaster, voluntary sector organizations must establish and maintain a workable relationship with government that protects both their unique ability to help and their independence, even though they are likely to operate as a kind of junior partner.

First, voluntary organizations must consider how they accept guidance from the government. In one model, a voluntary sector organization would contract with the government; in accepting the contract, the nonprofit organization would implicitly accept the government's guidance (at least with respect to the activities bought by the contract). In a second model, voluntary sector organizations would be partly dependent on the government for information about victims' needs; therefore, their response would be conditional on the government's view of what is needed and what others have already provided. In both instances, the nonprofit organization would retain the right to decide the type of help to supply.

Second, when a voluntary sector organization partners with government, its reputation will be associated with the quality of the overall response. So a nonprofit organization may not be able to distinguish itself from an inept government response.

Third, a nonprofit might want to retain an independent position where it is capable of publicly assessing the government response. An independent stance might be necessary for a nonprofit's operational success, not simply for its reputation.

Fourth, a voluntary sector organization must recognize that, like government, it provides a kind of social insur-

ance that insulates people from some consequences of a natural disaster. Even before disaster strikes, both voluntary sector organizations and government stand ready to help; that "insurance" shapes people's views of whether they are at risk, and influences whether they buy private insurance and where they locate their homes and businesses.

Is Katrina a Special Case?

So far, these observations are fairly general and do not apply specifically to Hurricane Katrina. But some particular features of the Katrina disaster made the social response to it particularly difficult or ironic.

Most important, Katrina was an *acute, natural disaster* that landed on top of a *chronic social, economic, and political disaster* years in the making. This has made relief and recovery difficult. Local institutions that had been ineffective before Katrina could not necessarily become more effective in the midst of the crisis. And those who had witnessed the charitable response to Katrina noted that organizations such as the American Red Cross that had been very effective in national fundraising efforts lacked well-oiled local connections, so the mismatch between resource mobilization and distribution was more awkward than usual. Funds were raised for relief, but the greater need was for rehabilitation and recovery.

Exactly what or how much disaster recovery should society provide? Is the goal to return all New Orleanians to their position *ex ante*? That seems a mistake. For some, the disaster represents an opportunity to improve New Orleans. But that means deploying aid not to the simple task of restoration, but to the more complex tasks of re-envisioning and re-creating. Who will be wanted in the improved New Orleans? The same people who want to return? What are victims of Hurricane Katrina entitled to, versus new residents, or those employed in reconstruction? These questions have yet to be resolved.

Conclusion: Setting Reasonable Expectations and Establishing Achievable Benchmarks

With the response to Hurricane Katrina still being debated, it seems important for the voluntary sector to initiate a public conversation on reasonable standards for voluntary sector response to disasters. Several unreasonable expectations have emerged after Hurricane Katrina:

- That the voluntary sector can do it all;
- That the voluntary sector's response will be simultaneously fast, intelligent, just, and flawless—with zero administrative costs to boot; and
- That the response be made without distorting the missions or twisting the capacities of the existing voluntary sector organizations.

Once articulated, these standards seemed patently unrealistic. Developing a more realistic and appropriate set of expectations will require emphasizing the following points.

First, society must understand that mobilizing and distributing resources does not come free. It costs money and time to gather resources and get them to the right places and the right people at the right time. No frictionless machine links the impulse to give to the most effective use of what was given; administrative costs are necessary. To complain about them while expecting agencies to gracefully accept any contribution and find a just and effective use for it is particularly inconsistent.

Second, while “more efficient coordination” of voluntary organizations is worthwhile, how to implement it is another matter. Suppose there are economies of scale in combining and coordinating voluntary sector operations; further, that combining voluntary sector organizations might allow better public oversight and accountability; and finally, that more explicit coordination might increase the capacity to identify the best uses for funds and to pool them for maximum desired effect. Then consider that one strength of the voluntary sector response is that it is somewhat *ad hoc* and responsive to how individuals want to help their fellows. If individuals want to contribute what they want to contribute—if for some reason, they want to give the victims underwear—then too much coordination and focus could blunt some of this enthusiasm. The cost might be fewer resources to the victims, less satisfaction for the donors, and less support of the values and relationships that could be established through the disaster.

Third, almost everyone agrees that voluntary sector organizations should meet appropriate demands for accountability from the wider society. But we have not yet clarified to whom or to what voluntary sector organizations should be accountable. We could easily imagine that voluntary sector organizations should be accountable to donors, to clients and beneficiaries, and to the public at large. The difficulty is that these different accountabilities may not be well aligned. And, when accountabilities are poorly aligned, which should be the priority?

Finally, the discussion of charities' response to disaster too often neglects the role of the private sector. This includes the provisions that individuals threatened by natural disaster make for themselves and the capacity of the private market system (including the insurance market) to respond to individuals' needs for protection. In a preliminary analysis of the financial impact of Katrina presented at an informal discussion of the social response to Katrina at the Hauser Center, Elizabeth Keating estimated that only a small share of the property damage caused by Katrina was covered by private insurance. As we aid in recovery, we must address who should properly bear the risks.

It seems then that Katrina caught us off guard—with respect not only to our capacity to respond to tragedy, but also to our understanding of the institutions we trust. With luck, continued hard work, and a willingness to engage in constructive criticism and assessment, we might remedy both problems. At least we can better tackle the tough problem of how society will rely on the market, the government, and the voluntary sector to make a just and effective response to natural disasters.

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