

MEMO

To: Honorable Michael R. Bloomberg, Mayor of New York City

From: Jane Smith, Director 9/11 Charitable Contributions Review Committee

Date: December 1, 2008

Re: Findings and Recommendations: Post 9/11 Support for Emergency Situations and Charitable Giving Non-Profits

INTRODUCTION

As you are aware, the events that occurred on Tuesday September 11, 2001 in Washington D.C. at the Pentagon, in Pennsylvania and here in New York City changed the face of this nation forever. Not since the bombing of Pearl Harbor had an attack of this magnitude been successful on American soil. Even considering the bombing of Pearl Harbor, the attacks on September 11 represent the single most lethal event ever to have occurred on American soil (Rosegrant, 2002). It changed the course of a nation and the days that followed brought out the worst, but also, the best in everyone. Typically, times of crisis have the effect of reengaging the citizenry and increasing civic democracy (Skocpol, 2002). That seems to have been the case immediately following 9/11. In fact, "the feelings of altruism were so strong in the immediate post-effect period that individuals, businesses, and foundations contributed funds at a level unprecedented in previous disasters. By December 31, 2001 (3½ months after the attacks), an estimated \$1.9 billion had been received for the relief and recovery efforts (Steinberg and Rooney, 111). The outpouring of support from citizens and corporations across the nation was instrumental in helping the victims of 9/11 start to get back on their feet.

In the world of microeconomics, the public sector is charged with and expected to respond in situations that the market is unable or unwilling to handle (Gruber, 2007). In this case, it was our responsibility as public servants to provide assistance and relief to the victims

of 9/11 using the generous donations that poured in. However, the quickness with which the funds came challenged non profits to meet the demands of the donors, the City of New York and the victims themselves. To that end, you commissioned this committee to look into the outpouring of charitable contributions after 9/11, how they were used and what could have been done better. The committee has finished its work and come up with recommendations. There are two paths that need to be taken, 1) responsible use of remaining funds and 2) using our combined experiences to develop best practices and be prepared for the future. The report that follows outlines the most prevalent issues as we saw them, and the recommendations for how to avoid making the same mistakes in the future. We hope that you will find the recommendations valuable.

KEY STAKEHOLDERS

There were a number of stakeholders involved in the post 9/11 efforts to get victims and their families back on their feet. Of the over 200 charities that received donations, a few were at the forefront of the effort. These stakeholders include these non-profits as well as city officials, victims of the attacks, beneficiaries and donors.

Among the most notable was the Red Cross and its former director, Dr. Bernadine Healy. The Red Cross is one of the largest non profits whose mission is associated with disaster relief and recovery. In addition to providing aid through cash assistance, the Red Cross had volunteers on the ground within hours of the attacks. Also, the Red Cross formed the Liberty Fund, which broke from the charity's tradition of placing all donations in a single fund (Rosegrant, 2002). The Red Cross arguably received the most scrutiny from the media in their distribution of the donated funds. Dr. Healy herself came under strong scrutiny for suggesting

that a portion of the funds would be retained for future disasters. This brought into account issues of donor intent, which will be discussed later.

In response to the attacks, two large pre-existing non-profits, United Way New York City and the New York Community Trust, collaborated to form the September 11th fund. This was by far the largest collaboration of non profit groups seen during this tragedy and something that will be the subject of later discussion. The September 11th Fund, along with the Red Cross' Liberty Fund, received over 70% of all funds donated at this time (Rosegrant, 2002). At the time that the September 11th Fund stopped accepting donations in December 2004, they had collected approximately \$510 million dollars. Of that, \$341 million was spent providing cash assistance and services, recovery efforts and support to rebuild communities. The remaining \$170 million will be used for long term assistance such as mental health care, employment and health care assistance as well as cash assistance if needed (September 11th Fund, 2008).

City officials of the city of New York played a vital role during this time. Mayor Rudolph Giuliani has been commended for his leadership during this time. In addition, Attorney General Elliot Spitzer was heavily involved in the donations and how the non-profits were handling their distribution. The Mayor and Attorney General suggested the creation of an oversight committee to oversee the spending of the non profits and to help provide direction. In addition, they suggested that all charities form a database of their clients in order to better collaborate assistance. In addition, Mayor Giuliani formed the Twin Towers Fund to assist the uniformed respondents to 9/11 and their families.

Finally, both the donors and aid recipients were stakeholders. The victims of 9/11 were, for the most part, wealthy or middle class. They were not used to the bureaucracy that poor

aid recipients are expected to deal with and were therefore quick to complain to the media. In addition, donor intent became a big issue.

ISSUES

MANAGEMENT ISSUES

While there are some similarities between public and private sector management, they are inherently different. Both have different goals and objectives-private sector management is focused on the bottom line whereas the public sector is focused on service and regulation in the public interest (Denhardt and Denhardt, 2006). While the success of a private sector manager is easy to measure based on the profits their units brings to the company, it is much harder to measure the success of a manager in the public and non profit sectors due to the fact that “the rules of government budgeting, personnel, planning, construction and contracting are not designed to ensure rapid and efficient operations; they are designed to combat fraud and improper political influences” (Cohen and Eimicke, 14). While private firms can be streamlined and efficient, public organizations are required to follow strict procedure and laws. This dichotomy was very prevalent in the events after 9/11 and the non profit and public sectors’ reaction to it.

One of the classic dilemmas in public administration is opposing values of efficiency versus responsiveness (Kettl, 2002). Basically, the public sector is expected to be efficient and not waste time in responding to citizens’ needs while at the same time being responsive to and inclusive of everyone. This conflict became very apparent in the aftermath 9/11. The non profit sector was expected to be both responsive and efficient at the same time. To that end, there is also an identity crisis of sorts for non-profits in that the term “non-profit” as well as the