

SUGGESTION TO ESTABLISH A NEW ORGANISATION TO CONTROL THE COLLECTION AND DISTRIBUTION OF CHARITY DONATIONS.

Preamble

The current method of Charities raising donations from the public appears to be fragmented, costly, a misuse of natural resources, irritating to donors in terms of constant contact, possible fraudulent opportunity, lack of transparency and accountability in distribution of the donation and over-emphasis of taxation deductability.

Proposal

My suggestion is to establish a Federal Government Department (or a separate division of a suitable department with experience in these matters) to collect, prioritise, distribute and monitor donations from the public, corporations & philanthropic groups and to issue an annual report on their administration of the scheme.

General comments

In discussions with members of the public I have gained the impression that over time, they are moving away from supporting the plethora of charities that are asking for their donations. Too many charities are seeking to attract the donations dollar and I believe that we have now reached the point where the public has had enough of the constant pressure to support one particular charity over the next. It would appear that a good proportion of charities are set up to promote a specific cause, given tax exemptions for their own income earned as well as the donations from donors, without any reporting on the effectiveness of the net donations distributed.

The larger charities e.g., Salvation Army, Red Cross, St. Vincent's, Wesley Mission etc., have a good reputation and established administrative network but I question the effectiveness of other, smaller and newer organizations that are set up to attract funding from the public. All these organizations are supposed to be not for profit and are given tax exemptions accordingly. I am not questioning this tax status but would like confirmation from a tax authority that this exemption is not being misused, e.g., new Christian schools that attract funding subsidies and also ask for donations from the public.

The all important Management Expense Ratio (MER) is not transparent enough for the donating public to make a judgement on which organization spends less on fixed costs and overhead expenses, so that they can be in the best position to support these charities which do not dissipate donations with very little residual funding available to support the intended cause? To me, this is not a good reflection on the administrators of these charities and if my assumption is correct, the particular charity should have its registration delisted.

The constant phone contact my charities (particularly around evening mealtime) is an irritant and seems to be gaining in frequency and numerically? Although one can ask for the deletion from these charities' lists (with certain limitations) the Australian Direct Marketing Association is responsible for about 80% of approaches. They have, I believe, over 500 members and this is an indication of how many organizations are chasing the donations dollar. Paid street collectors are another avenue to raise charity donations. All these measures are well intentioned but I would say there is a more efficient way to collect donations and reduce overhead expenses that result in better utilisation of charity donations.

I will now outline my thoughts on the possible structure, selection, distribution & collection methods recommended to make this proposal work; -

Structure, selection method, distribution and collection of funds

A new approach to collection of donations will be required and this will necessitate new assessment methods being established as well as the distribution of these funds in a timely and orderly manner in terms of agreed guidelines. Firstly, a structure needs to be in place to assess who is eligible to receive their share of accumulated funds available after collection and how this is to be achieved.

Structure

Guidelines will be required to assess the eligibility of each charity [excluding Research Groups] as to their share of the total contributions. After this is established, a recommendation from the Government Department to a newly appointed board of suitably qualified persons is made, who then approve these recommendations. Board members act in an honorary capacity. Board sits annually.

Selection Method

1. Submission made by a charity using guidelines provided by Government and this to be used to justify the allocation of funds
2. A Matrix is created to assess how distribution of funds will be determined, using criteria such as length of time established, position in the industry, management expertise, financial strength and/or reserves, history of delivery of service, capacity to carry out greater utilization of funds provided
3. Points to be determined for each category and total then applied to the funds available. More points larger the allocation – see (4) below
4. Greater the need greater the allocation in terms of (2 & 3)
5. Charities ranked in terms of above and if in their submission a charity can't justify an allocation then no funds will be forthcoming
6. A newly established charity will need to be assessed upon its future potential and may be receive a special allocation for say 2/3 years then reassessed.

Distribution of Funds

1. Donor contributions made anytime but preferred annually, held in a Bank account then distributed quarterly
2. Quarterly distributions will provide a steady cash flow for each charity on a regular basis and after initial setting up of the new structure, ensure regular equal amounts thus giving them a firm basis for business planning purposes
3. Once decision made on amount of allocation no changes made within that calendar year
4. Once established the system should not need amending after a settling in period of say 5 years
5. Board to review allocations every 2 years
6. Additional Government personnel needed to setup new scheme but these could be transferred from existing Departments on a secondment basis thus not incurring additional salary expenses.

Collection of Donations

1. Contributions sent to a specific Bank account under control of a Federal Government Department
2. Donors can use “on line”, direct debits and over the counter contributions using pre encoded forms provided by all Banks and Post Offices. No transfer Bank fee payable. Cash or cheques accepted
3. Receipts provided on butts of these forms that can be kept for annual tax deduction purposes
4. Large corporate donations sent direct to be issued with a tax deductible receipt from new Department
5. Special events, eg, Victorian Bushfires, to receive immediate distribution from a separate Bank account

Benefits of the Proposed Scheme

The following benefits are suggested as a means of capitalizing on the efficient utilization of resources, both human and monetary;

1. All monetary donations to be centralised and collected by a Federal Government Authority so as to provide transparency and authenticity
2. One collection point eliminates the need for charities to maintain large advertising budgets, media and print marketing budgets and human resources retention
3. Charities reduced MER results in greater residual dollars available for purposes they were established for in the first instant

4. Although personal donations would be covered under this scheme, corporations and Government can still send their donations direct to their respective charity
5. Single collection point results in each charity using less paper, greatly reduced phone costs, less personnel costs and eliminates pressure on donors from street collectors
6. Donors have assurance that the best use of their donation is protected because of Government involvement
7. Ensures that individual charities review their operations which would lead to a more efficient organization and possibly a different or more meaningful direction of their objectives
8. A WIN for Government as an efficient body working in a private sector environment
9. With the majority of their fixed costs eliminated charities can then employ personnel relative to their needs- a much leaner organization should result
10. Personnel costs could be covered by income from investments (frequent allocation of funds from Government Disbursements)
11. Greatly reduce incidents of fraud and loss of income from this source
12. Increase in tax collections due to possible numerous current charities not meeting strict guidelines.

I offer this suggestion as a sincere attempt to streamline a costly & inefficient system. It may not be acceptable by every charity but I believe it is much fairer, provide greater accountability & give donors confirmation that their donation dollar is not being wasted.

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