

Safeguarding a Conservative Donor's Intent: The Roe Foundation at 39

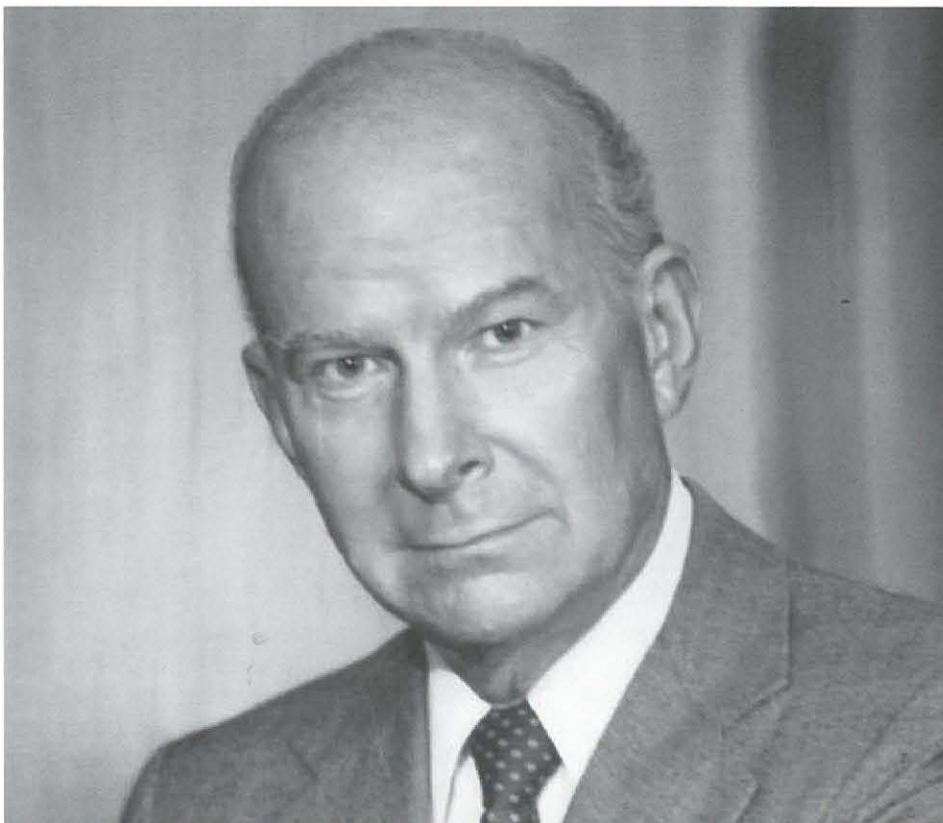
By John J. Miller

***Summary:** The late Thomas A. Roe, a businessman with an enduring respect for free markets and the lasting benefits they bring to society, was determined to prevent his money from being used to expand the size and scope of government. The philanthropist committed his riches to developing a network of state-level free-market think tanks across America and designed a system for preserving his donor intent for posterity.*

On February 25, former vice president Al Gore was riding high. He had just collected his best-documentary Oscar for *An Inconvenient Truth*, his movie about global warming. Much of the political buzz in Washington and around the country focused on his White House ambitions. In the imagination of liberals who wring their hands over Hillary Clinton's general-election prospects and Barack Obama's inexperience, the presidential stock of a reinvented Gore began to rise like mercury on a hot August afternoon.

The very next day, however, the Tennessee Center for Policy Research issued a startling press release: "Gore deserves a gold statue for hypocrisy," it said.

Public records revealed that Gore's Nashville mansion burned more than twice as much electricity in one month as the average American household uses in one year. His average monthly electric bill topped \$1,359. What's more, his energy use had actually increased since the release of *An Inconvenient Truth*, in which Gore calls upon Ameri-



Nobody's fool: The late Thomas A. Roe wasn't about to let his philanthropic ideals be subverted after he died. Benefactor of the State Policy Network, Roe built safeguards into his charity's charter to make sure his money went to causes he supported in life.

cans to become responsible stewards of the environment by reducing their appetite for energy.

It was the worst single news day of Al Gore's post-vice presidential life.

At the same time, it was a great day for a small but growing think tank. "We used to get about 4,000 hits on our website each day," says Drew Johnson, president of the Tennes-

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see Center for Policy Research. "When we broke the Gore story, we got 1.7 million."

The Tennessee Center for Policy Research, founded just two years ago, earned its success through a combination of entrepreneurship, creativity, and hard work. But it also drew upon the strength of a network that's been in the making for more than two decades—a consortium of state-based, free-market think tanks that have slowly but surely transformed American politics. Today, the State Policy Network, a professional service organization that links these groups, boasts of 48 members in 42 states. In state capitals around the country—from Tallahassee, Florida, to Olympia, Washington—they fight for economic freedom and limited government.

Tom Roe's Road to Wealth

They also owe a large debt to the late Thomas A. Roe, a businessman who became a philanthropist and dedicated his wealth to nurturing and building a movement of free-market think tanks headquartered outside the confines of Washington's beltway. He started the South Carolina Policy Council in his home state and assisted with the creation and support of many other think tanks around the country.

Editor: Matthew Vadum

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Address:

1513 16th Street, N.W.
Washington, DC 20036-1480

Phone: (202) 483-6900

Long-Distance: (800) 459-3950

E-mail Address:

mvadum@capitalresearch.org

Web Site:

<http://www.capitalresearch.org>

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Roe was a soft-spoken man—certainly no braggart. If he were alive today, he would probably deny credit for any of the accomplishments of these organizations. Yet the



Shirley Roe

State Policy Network continues to hail him as a founding father. He was the group's first chairman, and he eagerly dispensed personal advice and moral support to just about any collection of activists and thinkers who wanted to battle for tax cuts and reduced public spending in their states.

Perhaps more important, Roe gave away millions of dollars to these groups—a legacy that continues today through the Roe Foundation, based in Greenville, South Carolina. "We aren't able to have any control over what happens in Washington—it's in a class by itself," says Shirley Roe, the chairman of the foundation and Tom Roe's widow. "We can have some influence in the states, however, and the daily issues that affect people are primarily state issues."

Earlier this year the assets of the Roe Foundation, which was created in 1968, were valued at roughly \$39 million. A five-member board of directors meets each February to consider proposals submitted the previous fall and award grants. At its last gathering, the foundation pledged about \$1.8 million, including \$10,000 to the Tennessee Center for Policy Research. Thanks to a smartly chosen board and a well-designed set of by-laws, it promises to serve as an innovative

force for freedom for years to come—as well as a model for other philanthropists who would like to leave behind their own legacy in the world of public policy.

Thomas Anderson Roe Jr. was born in 1927 in Greenville, and grew up on a family farm. His biography is a major component of the Roe Foundation's bylaws. This governing document's preamble "summarizes [Roe's] personal accomplishments and sets forth his specific intent, so as to provide clear guidance, for the administration of the Foundation, to future Directors who will not have personal knowledge of Mr. Roe."

"Tom was raised to appreciate the values of rural life, including personal responsibility, a cohesive family unit, and charity to one's neighbors," say the by-laws. "He learned in his formative years the illogic of government policy when his family was paid to destroy their crops or let the land lay idle."

He attended Furman University, located near his home in Greenville, and graduated in 1948. The school also awarded him an honorary law degree in 1980. As a student, he was a research assistant for the university's cancer research project, which was funded by the Carnegie Foundation. Keenly interested in science, Roe also co-authored several research papers on cancer.

Roe's career in business took an important turn in 1961, when his father died and Roe became president of Citizens Lumber Company. "It was a time when family-owned building material dealerships were facing extinction due to the competition of newly established chain stores operating regionally or nationally," say the by-laws. Roe concluded that in order to survive in this new environment, businesses such as his own had to combine their purchasing power. Citizens Lumber Company transformed into Builder Marts of America—the company that would help Roe build his fortune. Builder Marts supplied a variety of services to independent dealers, including advertising, security, accounting, and training. The idea was to perform the functions of a chain's home office. When a client of Builder Marts would retire or die, Roe often moved to acquire his business under the name of a subsidiary, Builder Way.

Constantly searching for new opportunities, Roe took advantage of the telephone industry's deregulation to start a long-distance phone service. Its initial purpose was providing discounted rates for the independent dealers Builder Marts supplied, but soon others wanted to reap these benefits and outside businesses were allowed to sign up. The service continued growing and prospering, and over time it became an attractive takeover target. Following a series of acquisitions and mergers in the southeast, MCI eventually acquired the business.

Republican Politics

Roe's remarkable success as an entrepreneur allowed him to become a philanthropist. Much of his giving was conventional. There's a Thomas A. Roe Art Building (named for his father) at Furman University in Greenville. He also gave money to the South Carolina Medical Association, the Greenville Symphony Orchestra, and the Peace Center for the Performing Arts (also in Greenville). He endowed the music program at Greenville's Christ Episcopal Church, where he and his wife were parishioners.

When Roe died in 2000 at the age of 72, the Greenville News noted in an obituary that he had "transformed [Builder Marts] from a small building-materials supply company into an international corporation." It had become a Forbes 500 company.

"The Builder Marts story was a story of how entrepreneurial effort and free market competition can create success and wealth for the individual and at the same time create growth and jobs for our economy—far in excess of that provided by the professional management of the nation's largest companies," say the Roe Foundation's by-laws.

As a young adult, Roe took a keen interest in politics. Although the Republican Party was almost non-existent in South Carolina during the 1950s, he promoted the presidential campaign of Dwight D. Eisenhower and remained active in GOP circles thereafter. He held a variety of positions in the state and national party: vice chairman and finance chairman in South Carolina, and a member of the Republican National Finance Committee. He was also a delegate to the 1964 Republican convention, where he enthusiastically supported the doomed candidacy of Barry

Goldwater. Later, he backed Ronald Reagan and became an informal advisor to him—a member of Reagan's much-heralded "kitchen cabinet."

Yet Roe would make his real mark not within the standard institutions of the Republican Party, but through non-profit organizations that participated in public-policy discussions.



Tracie Sharp, president of State Policy Network

For years, he served on the board of trustees of the Heritage Foundation, which is now the home of the Thomas A. Roe Institute for Economic Policy Studies. He also joined the boards of the Intercollegiate Studies Institute, the Free Congress Foundation, and the now-defunct National Empowerment Television.

Despite Roe's participation in Republican politics, he grew disenchanted with politi-

cians who seemed disconnected from the world of ideas he routinely encountered in books and magazines. "He became frustrated with going to meetings of Republicans and discovering that nobody else in the room had even heard of economists such as Ludwig von Mises or Friedrich Hayek," says Ed McMullen, president of the South Carolina Policy Council. "It persuaded him that

public-policy organizations had an important role to play and that he might help them."

The State Policy Movement

This led to his involvement with the Heritage Foundation, a conservative think tank headquartered on Capitol Hill. He wasn't one of the very first donors to Heritage—that honor belongs to Joseph Coors, Samuel Roberts Noble, and Richard Mellon Scaife. Yet he was an early supporter who became a

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Then-Governor David Beasley leads the 1986 ribbon-cutting for the South Carolina Policy Council in Columbia, South Carolina. The late Thomas A. Roe appears near the center of the photograph cutting the ribbon, and his wife, Shirley Roe is also standing at the ribbon. Research conducted by the SCPC was considered instrumental in reforming the Palmetto State's welfare laws in 1995.

major one. In 1985, he joined the board of trustees, and remained on it until his death. He also led its finance committee. "Having a meeting with him was like being grilled by an IRS auditor," says Edwin J. Feulner, Heritage's president and vice chairman of the Roe Foundation. "He was very meticulous and he was determined to make a difference."

At Heritage, Roe became a player in the world of public policy—but he was also concerned about how much he could accomplish on the national scene. As a donor, he was willing to spend a lot of money, but so were many others. "He began to wonder about whether he was just one more drop out of the watering can on the flower bed, or whether he should use his resources to try to irrigate a specific part of the garden," says Feulner.

As it happened, he had a specific part of the garden in mind—and the idea of irrigating it came to him through his conversations with

Ronald Reagan.

During the 1980s, there was plenty of talk about the "New Federalism." Conservatives enjoyed more power in Washington than ever before, and they began to push against liberalism's affinity for increasing the size and scope of the federal government. Instead of giving Washington more power and responsibility, they wanted to emphasize the roles of states and localities in providing essential services.

Roe supported this development, but he was worried that it wasn't a complete solution: Washington was full of bureaucrats and regulators, but so were the states. What's more, there was a vacuum of conservative influence. Liberal professors at local universities might press liberal ideas upon governors and legislatures, especially if liberal journalists in the local media turned to them for supposedly unbiased public-policy prescriptions. "He was also concerned that a lot

of Republicans were country-club types who weren't really committed to free-market ideas," says Byron Lamm of the Indiana Policy Review Foundation (and a onetime director of the Roe Foundation). Too many of them simply hadn't read their Hayek.

Given these formidable challenges, how much would this transfer of power away from Washington ultimately accomplish? When Roe raised this concern with Reagan, and bemoaned the lack of a Heritage Foundation in the state capitals, the president replied with a simple piece of advice: "Do something about it."

And so he did. In 1986, Roe started the South Carolina Policy Council. It was one of several state-based think tanks formed independently at about this time. Others included the Independence Institute in Colorado, the Heartland Institute in Illinois, and the Mackinac Center for Public Policy in Michigan. Starting in 1987, these organizations

began meeting regularly as the Madison Group (so named because they gathered at the Madison Hotel in Washington, D.C.) to trade information and discuss strategies. Roe believed that these get-togethers were so helpful that they should be formalized through a professional association that would host annual conferences, provide services, and improve communications among its members. In 1992, the State Policy Network was born. Roe was a major financial supporter of the network and its founding chairman. (Today, the SPN presents an annual Roe Award for outstanding contributions to the state-based free-market movement; last year's winner was Darcy Olsen, president and CEO of the Goldwater Institute in Arizona.)

A condition of SPN membership that Roe absolutely insisted upon was that think tanks send copies of all of their printed material to their sister organizations. "We still do it today," says Lawrence Reed, president of the Mackinac Center and an original member of the Madison Group. "It keeps us knowledgeable about what everyone else is doing, it keeps us talking, and it stops us from reinventing the wheel over and over again."

Think tank members of SPN experienced remarkable growth during the 1990s. When Roe persuaded McMullen to leave his job at



Lawrence Reed, president of the Mackinac Center

the Heritage Foundation and work at the South Carolina Policy Council in 1989, the young organization had an annual budget of just \$60,000. This year, the SCPC will spend more than \$1 million. It can also look back on a record of solid accomplishment. South Carolina reformed its welfare laws in 1995, thanks in part to the SCPC's research. When David H. Wilkins stepped down as speaker in the state's House of Representatives in 2005 (to become U.S. ambassador to Canada), he

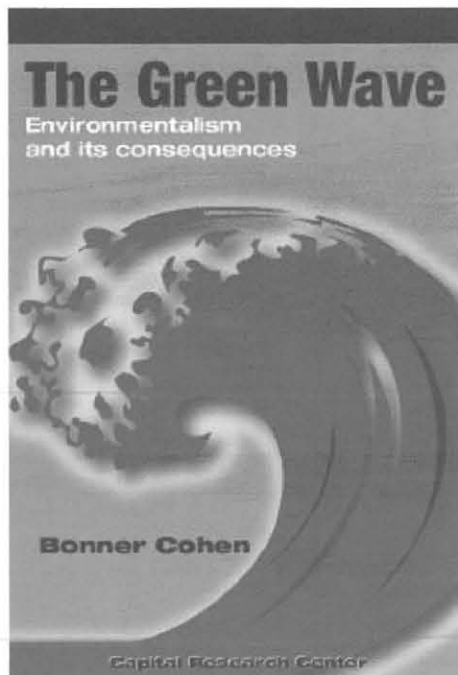
praised the Columbia-based think tank: "I have counted on SCPC for a decade to help me keep our tax burden low and our opportunities high. When the SCPC speaks, the General Assembly listens." Within the next couple of years, South Carolina also may pass an ambitious school-choice plan—and if it does, much of the credit once again will belong to the think tank that Roe built.

"We owe every success to Tom Roe," says McMullen. "His vision influences everything we do, every single day."

Protecting the Donor's Intent

The success of free-market think tanks in the states heartened Roe. Yet he became increasingly convinced that his greatest contribution to the movement he helped start would come through acts of philanthropy as benefactor of the Roe Foundation. And that meant taking a careful interest in the problem of donor intent. "So many foundations, once the original donor is gone, take on a different set of rules and start giving to causes that the original donor wouldn't approve of," says Shirley Roe. "We see it over and over."

Her husband was especially troubled by the case of the Buck Trust, a foundation established by oil heiress Beryl Buck to benefit the needy in Marin County, California.



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When its assets skyrocketed—it was worth more than \$400 million in the mid 1980s—the trust’s administrators tried to alter its mission. They organized a coalition of non-profit groups in the San Francisco Bay area and argued that there weren’t enough needy people in Marin County to justify such a rich endowment. Then they sued. Following costly litigation, a judge said that the money must remain in Marin County—but that it could be used for purposes besides supporting the needy. Today, Beryl Buck’s gift to Marin County pays for the prevention of alcoholism, educational research, and other subjects that weren’t a part of her original intent.

Roe knew about donor-intent horror stories involving the Ford Foundation and the John D. and Catherine T. MacArthur Foundation. Yet the Buck Trust case stood out in his mind. “It really disturbed him,” says McMullen. “He knew it was critical to make sure that his resources would be used for the purposes he intended.”

Many right-of-center philanthropists have recognized this problem and have tried to address it in various ways. The most dramatic solution involves a strategy of depleting an endowment over a period of time until it’s gone. That’s what the industrialist John M. Olin chose to do with his fortune. He told the board of directors of the John M. Olin Foundation not to let the foundation survive more than a generation beyond his death. Olin passed away in 1982; his foundation held its final board meeting and closed its doors in 2005.

Roe rejected this approach. “He wanted his foundation to be perpetual because he knew that state-based think tanks would need to be around for a long time,” says McMullen.

So he left no doubt as to his objectives. The by-laws of his foundation include a crystal-clear mission statement: “The purpose of the Roe Foundation is to carry out the intent of its founder.” This is described as “to assist non-profit educational institutions whose primary mission is to promote a better understanding and appreciation of the value of human and economic freedom functioning within a moral framework.” These institutions are defined as those that adhere to three core values: First, “the maximum potential of

a free people is achieved when they are free to control their own destiny”; second, “the greatest threat to these freedoms is intrusive government”; and third, “the Judeo-Christian tradition represents the underpinnings of a just society.” Furthermore, recipients of the foundation’s support must recognize “the importance of state and local organizations functioning alongside national organizations in the pursuit of a free society.” Finally, they



Former state lawmaker David H. Wilkins, now ambassador to Canada, praises the work of the South Carolina Policy Council, which Roe founded.

must “educate the public at large and all public policy makers to a better understanding of these fundamental values and practical ways to achieve the goals of expanding human freedom.” To become eligible for a grant from the foundation, leaders of organizations must sign a document promising to uphold these principles.

Although Roe was personally a social conservative, the foundation’s by-laws place an emphasis on free-market economics. “If the family doesn’t have an economic base or the government off its back, it won’t thrive,” says McMullen. “He saw economics as a social issue.”

A typical Roe Foundation grant to a well-established state-based think tank is worth \$20,000 to \$25,000. This year, a few gifts went up to \$30,000. Newer organizations usually receive smaller amounts and sometimes they come in the form of matching grants. The foundation has always believed it’s critical for groups to have a financial base in their home states. “You need indigenous support,” says Lamm. “You can’t just take money from out of state.” The bulk of the foundation’s grantmaking decisions are made at its annual board meeting, though a portion of its grants—in the neighborhood of 20%—are made during the course of the year at the chairman’s discretion. “This allows us to respond to urgent needs and opportunities,” says Shirley Roe. In February, for instance, the foundation agreed to support the Tennessee Center for Policy Research, shortly before the revelations about Al Gore’s gluttonous energy consumption. After that information became public, the foundation agreed to send another \$10,000 to support a development project aimed at taking advantage of the center’s unexpected success.

Not every Roe Foundation grant goes to a state-based think tank. National groups, such as the Heritage Foundation, the Intercollegiate Studies Institute, and the Capital Research Center have received support as well. The by-laws also permit the support of non-profit organizations in the metropolitan area of Greenville until such time as there are no descendants of Tom or Shirley Roe living there—and so long as these grants to local groups never become the “principal function” of the foundation. Even these gifts come with a conservative twist: An annual gift to the Greenville Symphony Orchestra stipulates that its musicians cannot unionize. “Tom didn’t like unions,” says Shirley Roe.

The most important custodians of donor intent are of course the directors, and Roe put people he trusted in charge of his foundation. Today, Shirley Roe is the chairman and Feulner is the vice chairman. The other three members of the board are Carl Helstrom, executive director of the JM Foundation and chairman of the State Policy Network; Tracie Sharp, president of the SPN; and Thomas Willcox, who is the Roes’ son-in-law. Each member of the board must sign a statement similar to that required of recipient organizations.

It all adds up to a serious effort to preserve donor intent: an unambiguous mission statement in the by-laws, the forms that directors and grant recipients must sign, and a well-chosen board whose members are personally committed to the foundation's goals.

Standing to Sue

Yet Roe used his by-laws to take one final step to protect his fortune against ideological abuse. If the foundation violates Roe's intentions, two organizations have special standing to challenge the foundation in court: the Mont Pelerin Society and the Philadelphia Society.

The idea for this emerged through Roe's discussions with Paul Rhoads, a Chicago lawyer who had written monographs on starting and managing foundations for the Philanthropy Roundtable. "There's no absolute, guaranteed way of protecting donor intent," says Rhoads, who helped draft the Roe Foundation's by-laws. "When I mentioned the possibility of a third party having standing, Tom really liked the concept. He immediately came up with the Mont Pelerin Society and the Philadelphia Society. The by-laws authorize them, plus any individual director, to challenge the foundation in state or federal court if it makes a grant to an organization "whose activities or public statements reflect a belief in a collectivist world or any view inconsistent" with the foundation's announced principles.

During his life, Roe was active in both groups. The Mont Pelerin Society, founded in 1947 by free-market economists such as Hayek, holds intellectual seminars before audiences of academics, business leaders, journalists, and public-policy specialists. Its annual meetings occasionally take place in the United States but more often they're held abroad. (Last year, the Mont Pelerin Society gathered in Guatemala.) The Philadelphia Society was founded in 1964, primarily to give American conservatives and libertarians a forum for discussion and debate. It holds an annual meeting as well as regional conferences.

"These organizations have been around for a while and they've held to the basic principles that Tom believed in," says Feulner. "If his foundation were to jump the traces, the by-laws would allow people outside its for-

mal structure to remind the directors of their obligation to the man who amassed the wealth."

It remains to be seen whether a judge actually would permit the Mont Pelerin Society or the Philadelphia Society to have the standing that the Roe Foundation's by-laws try to give them.

If a dispute ever did arise, wayward directors almost certainly would challenge the legality of that particular provision. Normally, a state's attorney general is expected to enforce charitable clauses. "You never know what a court will permit," says Rhoads.

Happily, there hasn't been a need to test the concept—it remains there in the by-laws as yet another reminder of what Roe meant to accomplish with his foundation. "I think we're doing exactly what he would have us do," says Shirley Roe.

And there won't ever be a need, so long as the foundation remains in the hands of people who share Roe's commitment to economic freedom and limited government.

John J. Miller is a writer for National Review and the author of A Gift of Freedom: How the John M. Olin Foundation Changed America. He is also a consultant with Searle Freedom Trust.

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PhilanthropyNotes

Three foundations have hopped on the global warming bandwagon. The **Gund Foundation** and the **Cleveland Foundation** announced they would begin giving construction grants only to projects considered environmentally-friendly. Both funders acted because they wanted to go public with their concerns about global warming, said **David Abbott**, Gund's executive director. And the **Doris Duke Charitable Foundation** has promised to spend \$100 million to help speed development of new technologies. Most of the money will go to research on conservation and on ways to reduce fossil fuel consumption.

"Reality" television shows about charity may soon pop up in the U.S. Charity-themed shows have won a solid following in the United Kingdom, the Wall Street Journal reports, and in one British show, "Fortune: Million Pound Giveaway," contestants have 60 seconds to convince affluent philanthropists to finance their causes. But U.S. television producer **Rob Long** of "Extreme Makeover: Home Edition" fame says he doesn't think the shows inspire people to help worthy causes. "All these shows, in fact, reinforce another bedrock truth, which we're all supposed to deny but we all secretly acknowledge: Money and objects really can make you happier," says Long.

Media tycoon **John Werner Kluge** has vowed to donate a record-breaking \$400 million to **Columbia University** for student financial aid when he dies. The Chronicle of Higher Education reports that the billionaire's planned bequest is the biggest gift a living donor has promised to an American college or university. The 92-year-old German immigrant previously donated more than \$110 million to Columbia, from which he graduated in 1937. Meanwhile, the **Robert Wood Johnson Foundation** pledged to donate \$500 million to combat childhood obesity. The commitment is thought to be the largest ever aimed at the health issue.

Foundations set a new record for giving last year, handing over \$40 billion, up from \$36.4 billion in 2005, the **Foundation Center** estimates. Many of the newer foundations are run by living donors who donate more than the legally required minimum of 5% of assets, according to **Sara L. Engelhardt**, the center's president.

President **George W. Bush** and first lady **Laura Bush** donated \$78,100 to churches and charitable organizations last year, which represents 12% of their taxable income of \$642,905, the Chronicle of Philanthropy reported. Vice President **Dick Cheney** and his wife, **Lynne Cheney**, said they contributed \$104,425 to charity in 2006, or 6.5% of their \$1.6 million in taxable income. The Cheneys did not identify the recipients of the gifts.

As of 2008, nonprofit groups with annual revenue of \$25,000 or less in revenue will be required to file annually with the **IRS**, the Chronicle of Philanthropy reports. The Form 990-N, also called the e-Postcard, will be filed electronically and will encompass activity beginning after December 31, 2006.

The ranking Republican member of the Senate Finance Committee has asked the **Congressional Budget Office** to heighten scrutiny of the tax-exempt status enjoyed by college sports, reports the Chronicle of Higher Education. Senator **Charles E. Grassley**, (R-Iowa), who favors making nonprofits more accountable, also asked the CBO to examine how colleges and universities use tax-exempt bonds. Meanwhile, **Diana Aviv**, head of **Independent Sector**, said she expects the Democratic-controlled Congress will not pursue legislation to regulate nonprofits with the same determination as the last Republican Congress did, reports the Pittsburgh Post-Gazette.