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Homeland Security: 9/11 Victim Relief Funds

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Summary

In the first days following the terrorist attacks of September 11, 2001 an unprecedented number of Americans contributed over \$2.7 billion in donations to assist in the relief of victims. According to a 2004 Rand Corporation study, that money amounted to only a modest share (7%) of the \$38.1 billion “quantified benefits” provided to victims of the terrorist attacks. The Rand study reported that payments worth \$19.6 billion (51%) were disbursed by insurers and \$15.8 billion (42%) were disbursed by government programs.

The federal government responded to the attacks in various ways. In the first week after the disaster, Congress passed the 2001 Emergency Supplemental Appropriations Act for Recovery from and Response to Terrorist Attacks on the United States (P.L. 107-38), part of which provided at least \$20 billion for disaster recovery in New York, Virginia and Pennsylvania. Twelve days after the attack, the September 11th Victim Compensation Fund of 2001 (P.L. 107-42) became law. This program was intended to compensate any individual (or the personal representative of a deceased individual) who was physically injured or killed as a result of the attack. The deadline for filing a claim was December 22, 2003. By that date, nearly 97% of eligible victims or their families had filed injury or death claims. On June 15, 2004, Special Master Kenneth R. Feinberg and his staff completed the processing and award determinations for all claims filed with the program. The overall payout of the compensation fund was more than \$7 billion. Congress also passed, and the President signed into law, the Victims of Terrorism Tax Relief Act of 2001 (P.L. 107-134). Among other things, this law states that victims will not be subject to federal income taxes for the year in which they died and also for the previous year. This law also exempts from gross income, amounts received from the Victim Compensation Fund.

In response to the terrorist attacks, the American public donated unprecedented amounts of money to charities nationwide. Questions were raised about where the money was going and whether the victims and their families had access to the donated money in a timely manner. To help assure victims and donors that the money was getting to the intended beneficiaries promptly, hearings were held in the U.S. House of Representatives on November 6 and 8, 2001. New York Attorney General Eliot Spitzer testified, as did representatives of the Better Business Bureau Wise Giving Alliance, among others. The American Red Cross was particularly questioned because of concern that part of the \$1 billion raised would be held in reserve rather than spent on the 9/11 victims as was expected by the people who donated the money. Subsequently, Red Cross officials declared that all the funds raised for the Liberty Disaster Relief Fund would be distributed to 9/11 victims.

This report also discusses the amounts of money collected and distributed by some of the larger victim relief funds such as the New York State’s World Trade Center Relief Fund Distribution, the Twin Towers Fund, the Red Cross Liberty Disaster Relief Fund and several Firefighters and Police Relief Funds.

This report will not be updated.

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Homeland Security: 9/11 Victim Relief Funds

Background

In the first days following the terrorist attacks of September 11, 2001, both the federal government and the private sector responded in dramatic ways. The 2001 Emergency Supplemental Appropriations Act for Recovery from and Response to Terrorist Attacks on the United States (P.L. 107-38) was signed into law seven days after the attack. It provided at least \$20 billion for disaster recovery activities and assistance related to the terrorist acts in New York, Virginia, and Pennsylvania. The September 11th Victim Compensation Fund of 2001 (a program that cost more than \$7 billion) was signed into law (P.L. 107-42) just 12 days after the attack. According to a 2004 study by the Rand Corporation, of the \$38.1 billion “quantified benefits” provided to victims of the terrorists attacks, \$19.6 billion (51%) were disbursed by insurers, \$15.8 billion (42%) were disbursed by government programs and \$2.7 billion (7%) was donated by an unprecedented number of Americans to a wide variety of charitable organizations.¹ Some of the funds contributed to charities were managed by well-established organizations with years of experience, but, according to the New York State Attorney Generals’ office, over 250 new charitable funds were created specifically to meet the 9/11 crisis.

Federal Response to 9/11

Legislation

The 2001 Emergency Supplemental Appropriations Act for Recovery from and Response to Terrorist Attacks on the United States.² Seven days after the attack this supplemental appropriations was passed for emergency expenses to respond to the terrorist attacks by enhancing federal, state and local preparedness for mitigating and responding to the attacks, provide support to counter, investigate or prosecute domestic or international terrorism and to generally support national security in all its aspects. The law provided that not less than one-half of the \$40 billion available must be used for disaster recovery activities and assistance related to the 9/11 terrorist acts in New York, Virginia and Pennsylvania.

¹ Lloyd Dixon and Rachel Kaganoff Stern, “Compensation for Losses from the 9/11 Attacks,” Rand Institute for Civil Justice (Rand Corporation, 2004), p. xviii.

² P.L. 107-38.

September 11th Victim Compensation Fund of 2001.³ Just 12 days after terrorists hijacked passenger planes and flew them into the World Trade Center and the Pentagon (a fourth plane crashed in Shanksville, Pennsylvania), the U.S. Congress enacted the September 11th Victim Compensation Fund of 2001. This \$7 billion program was intended to compensate any individual (or the personal representative of a deceased individual) who was physically injured or killed as a result of the terrorist attacks on September 11, 2001. Before receiving compensation, Congress required that each claimant waive the right to file a civil lawsuit against the airlines or other entities over their losses. However, fund claimants may sue to recover collateral source obligations (e.g., money owed by insurance companies), and they may file a civil action against terrorists who may bear some responsibility for injuries suffered in the attacks.

On November 26, 2001, Attorney General Ashcroft appointed Kenneth R. Feinberg as special master to distribute the fund that Congress created without any financial cap. The special master developed and promulgated regulations governing the administration of the fund.⁴ The deadline for filing a claim was December 22, 2003. By that date, 97% of those eligible filed injury or death claims. On June 15, 2004, Feinberg and his staff completed the processing and award determinations of all claims filed with the program. Of the 2,973 eligible families of dead victims, 2,880 filed claims. The average award for families of victims killed in the attacks exceeded \$2 million. Seventy people chose to file law suits naming airlines and government agencies and thereby rejected the federal government's offer of millions of dollars in compensation. Twenty-three eligible families of dead victims took no action. These families are no longer eligible to receive compensation from the fund. In addition, 2,680 valid injury claims were filed and processed. The average award for injured victims was nearly \$400,000. The overall payout of the program was more than \$7 billion.⁵ Trial Lawyers Care,⁶ a group of more than 1,500 attorneys, volunteered to aid the victims' families free of charge.

Congress mandated that awards be offset by life insurance and other collateral source compensation. In the regulations the special master defined 'collateral sources' as not including tax benefits received from the federal government as a result of the Victims of Terrorism Tax Relief Act, and stated that, in determining the amount of offsets for pension funds, life insurance, and similar collateral sources, he would reduce the amount of offsets to take account of self-contributions made or premiums paid by the victim. The time period for seeking medical help was also extended from 24 hours to 72 hours after the event, with discretion to extend the time period even further on a case-by-case basis for rescue personnel.

³ P.L. 107-42 was amended by P.L. 107-71 and P.L. 107-296 and codified at 49 U.S.C. §40101 note. See CRS Report RL31178, *September 11th Victim Compensation Fund of 2001*, by Henry Cohen.

⁴ *67 Federal Register* 11233 (2002) (to be codified at 28 CFR Part 104).

⁵ Information received from Ms. Camille Biros from the Office of the Special Master.

⁶ See [<http://www.911lawhelp.org>], visited July 8, 2004.

In a *Congressional Quarterly* article it was reported that “...despite the funds apparent success, some legislators, families of the victims and even the special master himself say funds like that set up for the victims of Sept. 11 might not be the best approach for responding to future large-scale terrorist attacks.”⁷ Feinberg said “I’m dubious that Congress will do this again...it was successful, but it was in response, I think, to a very unique historical event.... I think the reason is 9/11 left a scar on the American people....[H]esitancy to become an automatic insurer for airlines or any other industry...will likely have Congress thinking twice before endorsing the Sept. 11 fund as a model for the future.” Some people thought that the special master had too much power in distributing the fund. Some thought that the fund was unfair because victims’ life insurance policies had to be taken out against the total award a family received and thereby rewarded families without insurance for “poor family planning.” Feinberg thought that if Congress does anything next time, it will likely be everyone receiving the same amount instead of asking a special master to try to determine how much money a victim would likely be earning over a lifetime.⁸

In a final report of the September 11th Victim Compensation Fund of 2001, Feinberg addressed several important questions. He indicated that the fund was sound public policy because it constituted a legitimate response by the nation to a unique historical event. He did not think that the fund was a useful precedent for the future because the profound conditions that existed immediately after the attacks will probably not be duplicated. He suggested that, in the future a better approach might be to provide the same amount for all eligible claimants and that this approach should probably not be part and parcel of restrictions imposed on the right to litigate in court.⁹

Table 1. General Award Statistics

(Last updated December 3, 2004)

| | |
|----------------------------------------------------------------------------------------|--------------------|
| Claims Submitted (combined injury and death claims) | 7,404 |
| Claims Resolved by the Office of the Special Master (combined injury and death claims) | 7,404 |
| Number of Award Letters Issued (combined injury and death claims) | 5,562 ^a |
| Other Claims Resolved by the Office of Special Master | 1,842 ^b |
| Average Deceased Victims Awards After Offsets | \$2,082,035 |
| Median Deceased Victims Award After Offsets | \$1,677,633 |

Source: [http://www.usdoj.gov/victimcompensation/payments_deceased.html], visited Dec. 6, 2004.

a. Claimants have 21 days to respond to award letters

b. Includes inactive, denied, denied on-appeal, and voluntarily withdrawn claims.

⁷ Caitlin Harrington, “9/11 Victims Fund May Be a Unique Effort, Its Steward Says, That Will Never Be Tried Again,” *CQ Homeland Security*, July 15, 2004.

⁸ *Ibid.*

⁹ U.S. Department of Justice, *Final Report of the Special Master for the September 11th Victim Compensation Fund of 2001*, Volume I, Kenneth R. Finberg, Esq., Special Master.

**Table 2. Range of Award Values for Claims
Relating to Deceased Victims**

(Award Ranges Stated Are *After* Collateral Offsets)

| Income level | Age | Range |
|------------------------|-------------|----------------------------|
| \$50,000 or less | 35 or Under | \$250,000 to \$3.2 million |
| \$50,000 or less | Over 35 | \$250,000 to \$4.1 million |
| \$50,000 to \$100,000 | 35 or Under | \$250,000 to \$4.2 million |
| \$50,000 to \$100,000 | Over 35 | \$250,000 to \$4.3 million |
| \$100,000 to \$200,000 | All Ages | \$250,000 to \$5.5 million |
| Over \$200,000 | All Ages | \$250,000 to \$7.1 million |

Source: [http://www.usdoj.gov/victimcompensation/payments_deceased.html], visited Dec. 6, 2004

Victims of Terrorism Tax Relief Act of 2001.¹⁰ On January 23, 2002, the President signed into law the Victims of Terrorism Tax Relief Act of 2001. Among other things, the law specifically exempts from gross income (for tax purposes) amounts received as payments from the September 11 Victim Compensation Fund (those who died from anthrax and victims of the Oklahoma City bombings are included in these exemptions). The law states that, “victims will not be subject to federal income taxes with respect to the taxable year in which they died (2001 or 1995) and also with respect to the previous year ... Certain death benefits paid by an employer to a victim of terrorism are excluded from gross income ... Estate taxes are reduced for terrorism victims (and for certain members of the Armed Forces) but they are not eliminated...Disability payments made to injured terrorist victims are excluded from gross income”¹¹

Selected Bills Introduced in the 108th Congress. The following bills were introduced in the 108th Congress but have not received final action.

S. 549 was introduced by Senator Charles Schumer on March 6, 2003, to amend the September 11th Victim Compensation Fund of 2001 to provide compensation for victims killed in the bombing of the World Trade Center in 1993.

S. 684 was introduced by Senator Gordon Smith on January 28, 2003, to create an office within the Department of Justice to undertake certain specific steps to ensure that all American citizens harmed by terrorism overseas receive equal treatment by the United States government regardless of the terrorists’ country of origin or residence and to ensure that all terrorists involved in such attacks are pursued, prosecuted and punished. **H.R. 401** was introduced by Representative Robert Andrews on January 28, 2003, with similar provisions as found in S. 684.

¹⁰ P.L. 107-134, codified at 26 U.S.C. 1 note.

¹¹ Trial Lawyers Care [<http://www.911lawhelp.org/info/news/VTRact.htm>], visited July 9, 2004.

S. 1275 was introduced by Senator Richard Lugar on June 17, 2003, as requested by the Department of State, to establish a comprehensive federal program to provide benefits to U.S. victims of international terrorism. Hearings were held by the Senate Foreign Relations Committee on July 17, 2003.

S. 1728 was introduced by Senator Arlen Specter on October 14, 2003, to amend the September 11th Victim Compensation Fund of 2001 to provide compensation for the United States Citizens who were victims of the bombings of United States embassies in East Africa on August 7, 1998, the attack on the USS *Cole* on October 12, 2000, or the attack on the World Trade Center on February 26, 1993.

S. 1740 was introduced by Senator Patrick Leahy on October 16, 2003, to amend the September 11th Victim Compensation Fund of 2001 to provide compensation for the citizens who were victims of a terrorist-related laboratory-confirmed anthrax infection during the period beginning September 13, 2001, through November 30, 2001.

H.R. 602 was introduced by Representative Major Owens on February 5, 2003, to provide compensation for the families of noncombatants killed in United States military actions in Afghanistan after September 11, 2001.

H.R. 2878 was introduced by Representative Maloney on July 24, 2003, to amend the Robert T. Stafford Disaster Relief and Emergency Assistance Act to improve federal response efforts after a terrorist strike or other major disaster affecting homeland security.

Existing Federal Programs

Victims of Crime Act of 1984.¹² The Victims of Crime Act of 1984 (VOCA) established the Crime Victims Fund (CVF) within the Department of Justice. The fund is the sole source of resources for the VOCA-authorized programs and is comprised of particular fines, penalties and special assessments imposed on convicted federal defendants and gifts, bequests, and donations. In recent years a cap has been placed on deposits to the CVF. In FY2003, the fund was capped at \$621 million (after the required government-wide recession reduced the cap from \$625 million); in FY2004, a cap was placed at \$621.3 million (after the required government-wide recession reduced the cap from \$625 million). The FY2005 funding cap passed both houses and signed into law at \$625 million.

The CVF is managed by the Office of Victims of Crime (OVC). After 9/11 the Terrorism and International Victims Unit (TIVU) was established to coordinate OVC resources and funding for victims of terrorism. OVC received an additional \$68.1 million in the FY2002 Department of Defense Appropriations Act to assist the

¹² P.L. 98-473, codified at 42 U.S.C. 10601 et seq.

victims of 9/11.¹³ OVC makes Antiterrorism and Emergency Assistance funding available to support five types of assistance in the wake of an act of terrorism or mass violence as follows:¹⁴

- Crisis Response Grants (available within 0-9 months). Help rebuild adaptive capacities, decrease the sources of stress, and reduce symptoms of trauma;
- Consequence Management Grants (available within 9-18 months). Help victims to adapt and restore a sense of equilibrium;
- Criminal Justice Support Grants (available within 18-36 months). Facilitates victims' participation in investigations and prosecutions related to terrorism;
- Crime Victim Compensation Grants. Reimburses victims for out-of-pocket expenses related to terrorism. Funds cannot be used to cover property damage or loss; and
- Training and Technical Assistance. Assist in identifying resources, assessing needs, coordinating services and developing strategies for responding to an act of terrorism.

OVC funding may support, among other things, the following activities: crisis counseling, needs assessments and planning, outreach plan development, emergency transportation and travel, temporary housing assistance, emergency food and clothing, victim information websites, vocational rehabilitation and compensation for medical and mental health costs, lost wages, and funeral expenses.

Prior to the September 11, 2001 attack, the OVC funded victim assistance services for five separate terrorist attacks: the Pan Am Flight 103 bombing over Lockerbie, Scotland (1988); the Alfred P. Murrah Federal Building bombing in Oklahoma City (1995); the Khobar Towers bombing in Dhahran, Saudi Arabia (1996); the U.S. Embassy bombings in East Africa (1998); and the USS *Cole* bombing in the port of Aden, Yemen (2000).¹⁵

On April 23, 2002, the Justice Department announced that it had awarded a total of \$42 million to California, Massachusetts, New Jersey, New York, Pennsylvania and Virginia to provide mental health counseling for victims of the September 11 terrorist attacks, their families and crisis responders who helped victims of the attacks. These grants include funds to compensate victims for counseling services and to support state and local programs that offer various forms of counseling. In the fall of 2001, OVC had also provided more than \$16 million to provide immediate support to New York, Pennsylvania and Virginia to help victims of the September

¹³ P.L. 107-117, 115 Stat. 2294.

¹⁴ U.S. Department of Justice, Office for Victims of Crime, *Meeting the Needs of the Victims of the September 11th Terrorist Attacks: Department of Defense Appropriations Act of 2002*, report to Congress, April 2003, pp.6-7.

¹⁵ *Ibid.*, p. 4.

11 attack and their families. In addition more than \$6 million in grants was awarded to New Jersey and California for victim compensation.¹⁶

Federal Emergency Management Agency (FEMA). The Federal Emergency Management Agency (FEMA) provides a range of assistance to victims of major disasters or emergencies after the President issues a declaration. At the time of the 9/11 attack, cash grants of up to \$14,800 could have been provided to victims deemed to be eligible for assistance from the Individual and Family Grant (IFG) program authorized by the Robert T. Stafford Disaster Relief and Emergency Assistance Act, as amended.¹⁷ Because the 9/11 attack was considered a criminal act, however, benefits under the IFG program were not provided to victims as the resources of the crime victims compensation funds were determined to be more appropriate and beneficial.¹⁸

In addition, the Catalog of Federal Domestic Assistance staff has identified over forty federal programs that may be of special interest to those seeking assistance in dealing with the events of 9/11. See [<http://www.cfda.gov/911.htm>] for a list of the programs.

Private Sector Response to 9/11

As previously stated, a study published by the Rand Corporation reported that \$19.6 billion, 51% of the \$38.1 billion worth of “quantified benefits” provided to victims of the 9/11 attacks, were disbursed by insurers. According to the study, “[m]ore than 85% of insurance payments went to businesses. Those who were killed or seriously injured received most of the remainder, with a small percentage going to those with residential property damage. Even in the first two groups, however, insurance payments were often modest compared with losses. Individuals usually carried small amounts of life insurance relative to their annual earnings. Many small businesses had very limited or no business-interruption insurance.”¹⁹ The Rand study estimated that \$1 billion of overall worker’s compensation payments were made toward death and serious injury claims. This rough estimate was determined by multiplying 2,500 (the number that represents death or serious injury claims filed in

¹⁶ Ibid., pp. 13-14.

¹⁷ 42 U.S.C. 5178 (repealed). The Disaster Mitigation Act of 2000 (P.L. 106-390) repealed the authority for the IFG program and authorized a new program, Federal Assistance to Individuals and Households (42 U.S.C. 5174) effective Oct. 1, 2001. As the 9/11 attack occurred prior to the effective date of the new provision, victims of the attack would have been eligible for IFG assistance. Regulations for the new program are found at 67 FR 61445-61460.

¹⁸ Ms. Donna Dannels, Deputy Director, Response and Recovery Directorate, private interview held with Keith Bea of CRS during briefing on the attack, Sept. 2001.

¹⁹ Dixon and Stern, p. xx.

New York and other states) by \$400,000 (the expected lifetime payout on a New York workers' compensation death claim).²⁰

It has been estimated that \$2.7 billion was donated by the American people in the early days after the 9/11 attack. Some of the well established charities such as the United Way and the New York Community Trust, the American Red Cross and the Robin Hood Foundation of New York City (NYC) set up special funds for the victims. For example, the September 11th Fund was set up by the United Way and raised up to \$510 million; the Liberty Disaster Relief Fund set up by the American Red Cross became the conduit for \$1 billion to aid those affected by the attacks; The Robin Hood Foundation set up by the Robin Hood Relief Fund raised \$59.6 million to benefit victims' families, the rescue workers, and others who have been affected by the economic consequences of the attacks.

The New York Times used the framework of their 90-year-old Neediest Cases Fund to launch a special one-month drive for their 9/11 Neediest Fund. It was thought that \$4 million could be raised in that time span considering that the annual drive in 2000 had raised \$8 million. Instead, more than \$61 million was raised, with donations pouring in long after the formal closing date of October 11, 2001. As of September 2002, the fund had spent or committed 99% of the contributions.²¹ Money was distributed to 10 participating agencies such as Catholic Charities, Community Services, Federation of Protestant Welfare Agencies, Fire Safety Foundation and the New York City Police Foundation. Some \$2.3 million of the funds was used to create the New York Consortium for Effective Trauma Treatment, when it was found that few clinicians were trained to treat such trauma. These funds are being administered by the four hospital-based trauma treatment centers in the city. The money is being used to train 60 clinicians to treat trauma, and to pay half their salaries for a year so that they can train others. Roughly 10% of the 9/11 fund is being devoted to mental health issues.

In their 12-month report following 9/11, the directors of the 9/11 Neediest Fund attempted to summarize some of the lessons learned about how charities could set out to help so many people in sudden distress. They said:

Working in a wartime atmosphere of scarcity, pain and confusion, many 9/11 Neediest Fund grantees have devised creative ways to help people. These new approaches could potentially change the usual ways that we help the needy. The key is connection....connection among agencies and experts within the same field, connection among different fields, connection between public and private agencies and connection between donors and recipients. Scott Williams of Project Renewal described this spirit of connection in a memorably practical way. 'What was really amazing was how well the numerous different social service agencies worked together after 9/11 there was a new spirit of cooperation among people who usually compete fiercely for public dollars, with

²⁰ Ibid, p. 18.

²¹ See [<http://www.nytc.com/company/foundation/neediest/index.html>], visited July 9, 2004.

almost no territorialism. We partnered with agencies we usually fought with over every aid dollar, and vice versa.’²²

Religious affiliated organizations such as Catholic Charities USA, The Salvation Army and the Federation of Protestant Welfare Agencies, increased and adjusted their charitable activities in response to the emergency. Among these, the Catholic Charities USA allocated more than \$30.5 million to 25 local agencies located in the New York metro area, New Jersey, Delaware, Pennsylvania, Virginia, Maryland and Washington, DC, among others, in response to the immediate tragedy and the emotional and economic aftermath of the attacks. They provided immediate support when a family or individual fell through the cracks of the aid bureaucracy, or had not met the criteria of other agencies, or had sought out a confidential provider. And they report that they continue to support the long term needs of families whose lives were affected by the tragedy.²³

In August 2002, the Salvation Army reported that it had received nearly \$88 million in donations for its September 11 relief work, and that to date, about \$65 million had been spent on primary services including financial aid to victims’ families and others whose livelihoods were impacted. They estimate that the remaining \$23 million will be spent by the end of 2003, according to a two-year spending plan developed in late 2001. The Salvation Army reported that it had assisted more than 121,000 people in the almost one year since the terrorist attacks, providing grief and mental health counseling, financial assistance, and other basic social services. Salvation Army officers, staff and 107,169 volunteers served almost 5 million meals to relief workers and victims at disaster sites in New York, Washington and Pennsylvania. Now that the work at the sites has ended, the Salvation Army reports that it continues to serve those in need through its corps community centers in New York and elsewhere around the country.²⁴

Many organizations, unaccustomed to raising and dispersing donated money, created their own funds as an expression of their concern. The National Association of Home Builders, an industry group with 205,000 members, had promised their members that all of the money they collected would go to the victims of 9/11. Originally, the Home Builders had planned to turn the money over to the Red Cross for distribution. When confusion concerning the dispersal of Red Cross funds began receiving adverse publicity, the builders decided to distribute the \$10 million they had collected. In the process, they discovered how difficult it is to define need and to make certain the money was appropriately distributed. Eventually, after much debate, the Home Builders committee decided that money would be funneled from the national group to an executive of the New York State Builders Association, who would then distribute it to local chapters in the New York area; the local chapters would be responsible for aiding needy victims. Applications came in slowly until the general counsel for Associated Builders and Owners of New York noticed a

²² Report 9/11NeediestFund, available online from the *New York Times* website at [<http://www.nytc.com/company/foundation/neediest/lessons.html>], visited July 9, 2004.

²³ Catholic Charities USA [<http://www.catholiccharitiesusa.org>], visited July 9, 2004.

²⁴ Information pertaining to Salvation Army activities relating to 9/11, is no longer available at [<http://www1.salvationarmy.org/>], July 13, 2004.

newspaper article about restaurant, hotel and janitorial workers who had been laid off from jobs either in or near the World Trade Center. Twenty-four hours after calling one union named in the article, the association was bombarded with applications describing foreclosure notices, overdue credit bills, and past-due phone bills. In the end, according to the New York Times article, the Home Builders did bring a modest amount of relief to hundreds of families by funneling much of their money toward this overlooked group who had experienced real hardships following the disaster.²⁵

For a summary of the activities of some of the largest charities involved in the relief of victims of the 9/11 disaster, please refer to the “Status of Selected Victim Relief Funds” section, in this report.

In a related effort to provide increased access to aid, it has been suggested that the problem of connecting victims of terrorism or any other disaster to philanthropic and social services could be alleviated by instituting an abbreviated 211 dialing code nationwide. On July 21, 2000, the Federal Communications Commission (FCC) granted the abbreviated dialing code 211 as the universal number for accessing information about community resources. According to a United Way document, as of January 2000, 211 was under consideration in 48 states that had not yet launched a 211 service, but significant activities in regard to starting 211 services had begun in at least one locality in 33 of those states. The Brookings Institution and the Urban Institute collaborated on a report entitled “Calling 211: Enhancing the Washington Region’s Safety Net After 9/11,” dated September, 2002, with a policy recommendation that local jurisdictions should create a 211 system (a regional information and referral network) in the Washington, DC, metropolitan area.

Congressional Oversight Hearings

With so much money raised, with so many charities involved, and with reports of concern regarding the distribution of these funds, hearings were held in the U.S. House of Representatives on November 6,²⁶ and November 8, 2001,²⁷ addressing charitable contributions for September 11. On November 6, representatives from the American Red Cross, the United Way and the New York Community Trust and the International Association of Firefighters testified before the House Committee on Energy and Commerce. Officials from the Federal Trade Commission (FTC), the federal government’s principle consumer protection agency, also testified as did the New York State Attorney General. On November 8, the American Red Cross, September 11th Fund (United Way N.Y.), Salvation Army, the New York State Attorney General, the American Bar Association Tax Section of New York, American Institute of Philanthropy, Better Business Bureau and the Exempt

²⁵ David Barstow, “Lesson in Hands-On Charity: Giving Away Cash Isn’t Easy,” *New York Times*, Feb. 19, 2002, Sec. A. p. 1.

²⁶ U.S. Congress, House, Committee on Energy and Commerce, Subcommittee on Oversight and Investigations, *Charitable Contributions for September 11: Protecting against Fraud, Waste, and Abuse*, hearings, 107th Cong., 1st sess., 2001.

²⁷ U.S. Congress, House, Committee on Ways and Means, Subcommittee on Oversight, *Charitable Organizations’ Distribution of Funds Following Recent Terrorist Attacks*, hearings, 107th Cong., 1st sess., 2001.

Organizations Division of the Internal Revenue Service testified before the House Committee on Ways and Means.

In the November 6 hearing, New York State Attorney General Eliot Spitzer testified that he “was charged with overseeing those charities that solicit funds in ... [N.Y.] state, as well as the charitable organizations, including foundations and charitable trusts, which are created in or hold assets in ... [N.Y.] state ... to help ensure that the interests of the public are protected when charitable funds are raised and spent.” Toward that end, Attorney General Spitzer identified five critical areas to provide such protection, as follows: (1) making it easier for victims to learn what relief is available, and to access that aid; (2) creating a victims database, to facilitate coordination, avoid duplication and ensure fairness in the aid distribution process;²⁸ (3) providing the American public with information about the amount of donations received and expended, and the purpose of those expenditures; (4) investigating and prosecuting any instances of fraud and abuse that arise; and (5) ensuring that a working group of charities and victim advocates is established, to solve problems as they arise and swiftly identify gaps in the services required to meet victims’ needs in the future.

A concern was raised by committee members that when a specific fund is set up for a specific need (e.g., the Red Cross Liberty Fund for victims of 9/11), then the expectation of donors is that all of the money raised in that fund will go to meet that specific need unless it is very clearly stated that some of the money would be put in reserve accounts for similar tragedies.²⁹

This idea was reinforced by the testimony of a representative of The Better Business Bureau Wise Giving Alliance, a nationally recognized monitoring organization that sets accountability standards for charities and other soliciting non-profits. The committee was told that the BBB Wise Giving Alliance had commissioned Princeton Survey Research Associates to conduct a “Donor Expectations Survey,” in the spring of 2001. This survey was released in September 2001. The findings indicated, among other things, that 86% of Americans gave to charities in 2000; that Americans have very high expectations for ethics and accountability by the charities; and that first and foremost the public needs to know how the charity is spending their money. Specifically, 63% of the public expects the money to be used for current needs rather than put in a reserve and 73% rate the accuracy of a charity’s advertising and promotion as very important.³⁰

There was a general consensus among those testifying at the hearing that there was very little known fraud concerning the funds. Even though the percentage of people willing to take advantage of the 9/11 tragedy was very small (only 1% of

²⁸ WTC Relief Info, available on the Internet at the World Trade Center Relief Info site [<http://www.wtcrelief.info/Charities/Information/pages/Basic.jsp?PageID=2>], visited July 9, 2004.

²⁹ Also see General Accounting report entitled, *September 11; More Effective Collaboration Could Enhance Charitable Organizations’ Contributions in Disasters*, GAO-03-259, Dec. 2002, pp.18-20.

³⁰ For the full report see [<http://www.give.org/news/surveyintro.asp>], visited July 9, 2004.

recipients took aid they weren't entitled to according to charity executives) the Special Prosecutions Bureau in the Manhattan district attorney's office has kept busy prosecuting World Trade Center cases. According to a July 16, 2003 *Washington Post* article, 364 people have been charged with stealing more than \$4.3 million. The great majority of these cases have ended not with trials, but with guilty pleas because the perpetrators didn't want to face a jury. In the handful of trials that were held there were no acquittals.³¹

Status of Selected Victim Relief Funds

An overview report issued by the Attorney General of New York one year after the September 11 attack lists 52 charities that can account, as a group, for more than 90% of the donations for the relief effort. The report stated that as of September 2002 charities had collected well over \$2.2 billion in donations, with much of the money coming in during the first 60 days after the attacks. In many instances, financial information regarding the program activities of the funds active in the early stages of the September 11 relief effort will not be available until the respective charities file their required "Form 990's" with the Internal Revenue Service or the Charities Bureau of the N.Y. Attorney General's Office. The New York Attorney General stated that, "it is important to note that this survey, while broadly inclusive of the many types of charities active in the relief effort, does not constitute a complete description of the September 11 charitable sector."³² For further information concerning the unique challenges charitable organizations face in soliciting contributions, selecting beneficiaries and distributing funds for wide-scale disaster relief, see the policy brief by the Urban Institute, *Managing Charitable Giving in the Wake of Disaster*.³³

In the Attorney General's report, each organization is classified in four basic categories (many charities fall into more than one category): direct aid providers (those that included in their activities the distribution of cash assistance and/or reimbursement of victims' living expenses); service providers (those that assisted victims, e.g., through the efforts of their staffs and volunteers); scholarship providers; and grant-makers (those that addressed September 11 by awarding funds to other not-for-profits that would, in turn, provide direct aid or services). The following are some of the largest charities listed for the New York Attorney General's report; the classification of the charity is included, following the name of the fund.

³¹ Paula Span, "Profiteers of Pain," *Washington Post*, July 16, 2003, p. C01.

³² *September 11th Charitable Relief: An Oversight at One Year* (Rept. of N.Y. Atty. General) [http://www.oag.state.ny.us/charities/september11_charitable_report/sept11_report.html], visited July 9, 2004.

³³ Eugene C. Steuerle, "Managing Charitable Giving in the Wake of Disaster," *Charting Civil Society*, no. 12, May 2002.

New York State's World Trade Center Relief Fund Distribution (A direct aid organization)

This fund was established on September 14, 2001. Governor George Pataki announced that as of September 16, 2002, of the \$68 million donated to the fund, more than \$59 million has been distributed to the families of victims of the September 11 terrorist attacks. The fund has issued more than 13,000 checks to members of more than 2,400 families. Under the fund, the surviving spouse or domestic partner of each victim will receive a total of \$17,000; any surviving child of the victim who is 21 years of age or younger will receive a total of \$7,500, (children over 21 will be eligible for a total of \$7,500 if they can establish that the victim was the source of at least 50% of his or her financial support). If there is no surviving spouse, partner or child a total of \$17,000 will go to the parents of the victim; the fiancée of a victim will receive a total of \$17,000. This fund has no administrative costs.³⁴

Twin Towers Fund (A direct aid organization and a service provider organization)

Former Mayor Rudolph W. Giuliani established this fund to assist, support and recognize the families of the members of the uniformed services of the New York City Fire Department and its Emergency Medical Services Command, the New York City Police Department, the Port Authority of New York, the New Jersey Police Department, the New York State Office of Court Administration and other government officers who lost their lives or were seriously injured because of the terrorist attack of September 11, 2001.³⁵ By mid-2003 the Twin Towers Fund distributed funds to 438 beneficiary families. While active, the fund collected approximately \$209 million and distributed approximately \$196 million with another distribution scheduled this year; operating expenses were kept to less than 1% of assets.³⁶

Liberty Disaster Relief Fund (Red Cross) (A direct aid organization and a service provider)

On September 20, 2001, the Red Cross established the Liberty Disaster Relief Fund as a separate, segregated account to fund relief services related to the

³⁴ [http://www.nysegov.com/news/WTC_Relief_Dist.html] is no longer available on the Web. Information was retrieved from the Web Sept. 2, 2003.

³⁵ In October 2001, Saudi Prince Alwaleed bin Talal donated \$10 million to the Twin Towers Fund along with a condolence note. New York Mayor Rudolph Giuliani rejected the donation the next day after a news release was published where the Prince said, "However, at times like this one, we must address some of the issues that led to such a criminal attack. I believe the government of the United States of America should re-examine its policies in the Middle East and adopt a more balanced stance towards the Palestinian cause." Jennifer Steinhauer, "A Nation Challenged: The Donations," *New York Times*, Oct. 12, 2001, Sec. B, p. 13.

³⁶ For updates see [<http://www.twintowersfund.com/Distribution.html>], visited July 9, 2004.

September 11 attacks. As of September 11, 2002, the fund revenue is over \$1 billion. Besides immediately setting up stations for relief and recovery at the sites (New York, Pennsylvania and the Pentagon) a new program called the family grant program was developed where, through an easy one-page application with no receipts, a victim's family was able to receive up to roughly \$30,000 within 48 hours of application to assist the family with mortgage payments, food and other bills.

Initially, there was some confusion within the Red Cross leadership and the public, about whether the entire Liberty Fund was to be used solely to care for the victims of the September 11 attacks, their families and the rescue workers, or whether parts of this fund would be set aside to prepare for future terrorist attacks (a set-aside is typical of the way the Red Cross deals with other types of disasters such as hurricanes). On November 14, 2001, after the congressional hearings on November 6 and 8, 2001, the Red Cross held a news conference to say that it would spend the entire Liberty Fund to care for the victims of the September 11 attacks, their families and the rescue workers and thereby, "... hope to restore the faith of our donors and the trust of the American public." On December 27, 2001, the Red Cross asked Senator George Mitchell, former Senate Majority Leader, to serve as the independent overseer of the Liberty Disaster Fund to assure donors that their financial contributions were properly allocated to meet the ongoing and long-term needs of the 9/11 victims and their families.

Senator Mitchell's final report dated February 1, 2003 states that the Red Cross has already used \$741 million from the Liberty Fund to help more than 55,000 families cope with the death of loved ones, serious injuries, physical and mental health concerns, financial loss, homelessness and many other effects of the attacks. In addition \$99 million has been spent on disaster relief services including serving more than 14 million meals to families and emergency workers, providing crisis counseling for over 238,000 individuals and operating 36 service delivery sites. Seriously injured individuals and the estates of the deceased have received gifts of \$55,000 each. The Red Cross will continue aiding victims with long term needs such as mental health and health care by allocating more than \$143 million for their Long-Term Disaster Relief Services.³⁷ For example, the American Red Cross September 11 Recovery Program announced on July 1, 2004, that it has allocated \$50 million from the Liberty Disaster Relief Fund to a nationwide grant-making program to support the longer-term recovery needs of people directly impacted by the events of September 11, 2001.³⁸

September 11 Fund (United Way) (A grant making organization)

The September 11th Fund was established by United Way and New York Community Trust on September 11, 2001, to provide relief to victims and their families. As of April 1, 2004, \$537 million was collected (\$511.5 million in grants

³⁷ *A Review of the American Red Cross' Response in the Past Year*, Sept. 2002, at [http://www.redcross.org/press/disaster/ds_pr/030203finalreport.html], visited July 9, 2004.

³⁸ WTC Relief Info., Office of the N.Y. State Attorney General. [<http://www.wtcrelief.info/Charities/Information/pages/NewsArchives.jsp>], visited July 9, 2004.

were distributed to 531 grantees). The breakdown of fund usage was: \$446 million (87% of the total) went toward cash assistance and services for victims and families; \$55.5 million (11% of the total) went toward assistance to communities; and \$10 million (2% of the total) went toward rescue and recovery efforts. There were 100,000 people who received cash assistance including 3,800 surviving families and the severely injured; 35,000 who lost jobs; and 6,000 who were displaced from their homes.³⁹

International Association of Fire Fighters — New York Firefighters 9-11 Disaster Relief Fund (A direct aid organization)

On September 13, this fund was established to provide financial assistance to the families of all fallen firefighters and to coordinate efforts to assist fire and emergency medical services personnel on the scene in New York City.⁴⁰ As of June 30, 2002, the fund raised over \$159 million, with 90% of the fund disbursed including 1% used for administrative purposes.⁴¹

Safe Horizons (A direct aid organization and a service provider organization)

As reported in the New York State Attorney General Report, Safe Horizons has raised nearly \$110 million as of June 30, 2002, with 96% of the fund disbursed and with 1% used for administrative purposes. (Safe Horizons aid and services were funded predominantly by the September 11th Fund). According to their website, Safe Horizons helped 9/11 victims and relatives apply for emergency compensation to cover immediate expenses (rent, utilities, groceries etc.) as well as funeral expenses and longer-term counseling. Presently, Safe Horizon Counseling Center, a licensed mental health facility specializing in trauma counseling, offers group crisis support to individuals as well as to businesses and organizations whose employees are experiencing trauma and other related issues. Crisis Response Teams are available to meet staff, provide group support sessions and consult with human resources professionals for referrals to additional health and practical services.⁴²

Families of Freedom Scholarship Fund (A service provider organization)

This fund, founded on September 17, 2001, by Citizens' Scholarship Foundation of America (CSFA) and the Lumina Foundation for Education, is co-chaired by Former President Bill Clinton and Former Senate Majority Leader Bob Dole. The fund provides education assistance for postsecondary study to dependents of those

³⁹ For updates see [<http://www.september11fund.org/fundfacts.php>], visited July 9, 2004.

⁴⁰ Since this fund does not have a Web page that discusses the dispersal of funds, funding information was obtained in the one year overview report prepared by the New York State Attorney General.

⁴¹ [http://www.oag.state.ny.us/charities/september11_charitable_report/sept11_report.html], visited July 9, 2004.

⁴² See [<http://www.safehorizon.org/page.php?page=sept11>], visited July 12, 2004. Fund dispersal information is not included in the Safe Horizons website.

killed or permanently disabled as a result of the September 11, 2001 terrorist attacks and during the rescue activities relating to those attacks. Specifically, the fund will benefit dependents of the victims, including airplane crew and passengers, World Trade Center and Pentagon workers and visitors, and relief workers, including firefighters, emergency personnel and law enforcement personnel. A fund-raising goal of \$100 million was set. As reported in the 2002 CSFA annual report, the fund raised \$105 million in less than one year.⁴³ Funds were received from more than 20,000 donors. CSFA pledges that 100% of all contributions to the fund will support undergraduate education of eligible students. The fund extends to currently enrolled students as well as future students continuing through the year 2030. As of September 2002, approximately \$865,000 in scholarship assistance has been distributed to 114 students currently enrolled in postsecondary study. Also, as of that date, 2,169 eligible individuals have registered in the CSFA data base, including 1,474 children, 669 spouses and 26 domestic partners or children of domestic partner relationships.

Uniformed Firefighters Association Widows and Children's Fund (A direct aid organization)

The September 2002 report of the New York State Attorney General stated that this fund has raised \$71 million since the September 11 disaster; the Attorney General also reported that 51% of that amount had been disbursed as of September 2002. One percent of the funds raised was used for administration of the funds. Beneficiaries of the fund are listed as family survivors of the uniformed services.⁴⁴

The New York Police & Fire Widows' & Children's Benefit Fund (A direct aid organization)

This fund was established 17 years ago. In a summary dated September 1, 2002, it was reported that after the events of 9/11 more than \$115 million was raised. The funds were quickly distributed, with \$100,000 going to each September 11 widow or widower, including New York City police officers and firefighters, Port Authority police officers and emergency medical services personnel. An additional \$18,000 was expected to be distributed to each of the 9/11 widows in October 2002. Further, for 17 years the fund has sent annual distributions to the "historical" widows of New York police; in conformance with this practice a one-time \$30,000 distribution was made to each of these widows with an additional \$8,000 distributed to these widows in October 2002. It is expected that approximately \$12,000 will be distributed annually to each of the approximately 715 widows and widowers (both 9/11 and historical) beginning in 2003, and continuing for each year through 2009.⁴⁵

⁴³ See [http://www.scholarshipamerica.org/_common/files/arcs02.pdf], visited July 12, 2004.

⁴⁴ [http://www.oag.state.ny.us/charities/september11_charitable_report/sept11_report.html], visited July 9, 2004. Fund dispersal information is not included in the website.

⁴⁵ See [http://www.nypfwc.org/about_us.cfm], visited July 12, 2004.