

Subcommittee Policy on New Federal Charters

The subcommittee will not consider any legislation to grant new Federal charters because such charters are unnecessary for the operations of any charitable, non-profit organization and falsely imply to the public that a chartered organization and its activities carry a congressional “seal of approval,” or that the Federal Government is in some way responsible for its operations. The Subcommittee believes that the significant resources required to properly investigate prospective chartered organizations and monitor them after their charters are granted could and should be spent instead on the subcommittee’s large range of legislative and other substantive policy matters. This policy is not based on any decision that the organizations seeking Federal charters are not worthwhile, but rather on the fact that Federal charters serve no valid purpose and therefore ought to be discontinued.

NOTE

This policy represents a continuation of the Subcommittee’s informal policy, which was put in place at the start of the 101st Congress, against granting new Federal charters to private, non-profit organizations. The subcommittee will continue to consider legislation to amend existing charters when necessary.

A Federal charter is an Act of Congress passed for private, non-profit organizations. The primary reasons that organizations seek Federal charters are to have the honor of Federal recognition and to use this status in fundraising. These charters grant no new privileges or legal rights to organizations. At the start of the 103rd Congress, approximately 90 private, non-profit organizations had Federal charters over which the Judiciary Committee had jurisdiction. About half of these had only a Federal charter, and were not incorporated in any State and thus not subject to any State regulatory requirements.

Those organizations chartered more recently are required by their charters to submit annual audit reports to Congress, which the Subcommittee sends to the Government Accountability Office to determine if the reports comply with the audit requirements detailed in the charter. The GAO does not conduct an independent or more detailed audit of chartered organizations.

At one time having a Federal charter did enable a veterans’ organization to obtain some benefits, but the Subcommittee on Administrative Law and Government Relations took a number of actions during the 102nd Congress to assure that veterans’ organizations without Federal charters do not suffer in any way. At the urging of the Subcommittee Chairman and the Chairman of the Committee on Veterans Affairs, the Department of Veterans Affairs in March 1982 deleted its requirement in Department regulations that an organization have a Federal charter in order to be recognized by the Department as a national organization and to receive space and office facilities. In response to the Subcommittee Chairman’s request, the Committee on Veterans Affairs also approved legislation to remove the requirement that an organization have a Federal

charter to be represented on the Department of Labor's Advisory Committee on Veterans Employment and Training. This legislation was signed into law as part of Public Law 102-568.