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JUDITH L. SCHWANK
WOMEN'S HEALTH CAUCUS
CHAIRWOMAN

STATE REPRESENTATIVE
MARY JO DALEY
WOMEN'S HEALTH CAUCUS
CHAIRWOMAN

STATE REPRESENTATIVE
MORGAN B. CEPHAS
WOMEN'S HEALTH CAUCUS
VICE CHAIRWOMAN



August 13, 2020

The Honorable Josh Shapiro
Pennsylvania Attorney General
Strawberry Square, 16th Floor
Harrisburg, PA 17120

Dear Attorney General Shapiro,

We write to you today about an urgent matter related to women's health care services and the proper use of Commonwealth resources. For more the 20 years, an organization known as Real Alternatives has been enriching itself and its executives, mismanaging state-appropriated funding, and potentially misdirecting that funding for advertising and legal services, including using Pennsylvania dollars in other states. Based on information that can be found in an Auditor General report from 2016, an investigation conducted by the Campaign for Accountability, and transcripts of depositions from court proceedings, we believe there is ample evidence for your office to open and investigation.

Since 1997, Real Alternatives has annually been awarded contracts to administer Pennsylvania's Alternative to Abortion Services Program. Beginning at 2.1 million dollars in 1997, the contract is now over \$7.2 million. Real Alternatives is the sole administrator of the program, has received funding in the 20-21 FY Budget and now receives over \$100 million in state funding. While the signatories of this letter may philosophically disagree with the services that Real Alternatives provides, the concerns herein are regarding the misuse or funds.

First, the executive salaries paid by Real Alternatives are exorbitant. At more than \$300,000 per year, the organization's CEO is paid well above the salaries of similar organizations that provide services in this field. Other organizations that have much larger annual budgets and provide similar pass through services of state funding, such as the Pennsylvania Coalition Against Rape and the Pennsylvania Coalition Against Domestic Violence, do not provide the executives compensation above \$180,000. Additionally, there are discrepancies on Real Alternatives' 990s on the source of its staff's salaries.

For many years now Real Alternatives has been imposing a three percent fee on funds that it passes through to subcontractors that carry out services. It has done this without informing the Commonwealth and at one time changed the method for collecting the fee from directly skimming it off the top to requiring reimbursement once the Commonwealth prohibited the first method. The fee is on top of \$2

million already appropriated to Real Alternatives to administer the program. The organization has not described these funds as public on its 990 even though they originate from the Commonwealth.

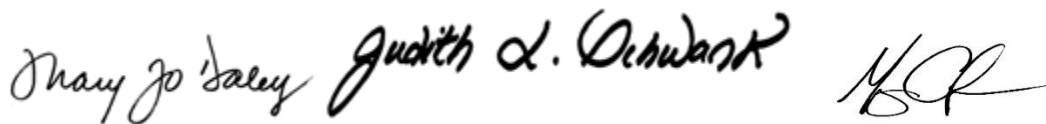
There are also serious questions about administrative expenses. Real Alternatives has used state funding for legal fees to fight a Right-to- Know requests and has a bloated advertising budget that is in converse relationship to the clients it serves. Over the last five years, its has seen a drop of 1000 clients served and 10,000 fewer client visits. During that same period the advertising budget has grown more than 12 times from \$61,000 to \$750,000. Strangely the advertising budget is typically used in the last month of the contract year and seems to be a method for proving it can use its administrative funding rather than a necessary expense.

In addition to these financial concerns, there are also questions about the quality of the programs that Real Alternatives offers and ethical concern that may not be under your purview but trouble us a great deal. We will be will pursuing other avenues for exploring these matters.

Related to the concerns above we believe that there are numerous violations of law for your office to investigate. These include: several categories of theft of public funds, tampering with public records, misrepresentation of services, and misapplication of property. We strongly suggest that you review this matter in whatever means that you deem appropriate. We believe time is of the essence to protect the health of the women that are receiving Real Alternatives provided services and to ensure Commonwealth resources are being used efficiently and legally.

Thank you for your attention to the important matter and we look forward to your response.

Sincerely,



Rep. Daley
148th District
Women's Health Caucus, Chair

Sen. Schwank
11th District
Women's Health Caucus, Chair

Rep. Cephas
192nd District
Women's Health Caucus, Vice
Chair

Cc: Teresa Miller, Secretary of the Department of Human Services
Lucas M. Miller, Pennsylvania Inspector General