

HOUSE FINANCE COMMITTEE
March 29, 2012
9:41 a.m.

9:41:31 AM

CALL TO ORDER

Co-Chair Stoltze called the House Finance Committee meeting to order at 9:41 a.m.

MEMBERS PRESENT

Representative Bill Stoltze, Co-Chair
Representative Bill Thomas Jr., Co-Chair
Representative Anna Fairclough, Vice-Chair
Representative Mia Costello
Representative Mike Doogan
Representative Bryce Edgmon
Representative Les Gara
Representative David Guttenberg
Representative Reggie Joule
Representative Mark Neuman
Representative Tammie Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Representative Alan Austerman; Erin Harrington, Staff,
Representative Austerman

PRESENT VIA TELECONFERENCE

Diane Kaplan, Rasmussen Foundation; Candace Winkler,
President and CEO, Alaska Community Foundation; Ken
Castner, The Homer Community Foundation

SUMMARY

HB 290 ESTABLISH ENDOW ALASKA GRANT PROGRAM

HB 290 was HEARD and HELD in committee for
further consideration.

#hb290

HOUSE BILL NO. 290

"An Act creating the endow Alaska grant program in the Department of Commerce, Community, and Economic Development to encourage community development."

9:42:22 AM

Vice-chair Fairclough MOVED that CSHB 290(CRA) 27-LS1094/E be adopted as a working document before the committee. There being NO OBJECTION it was so ordered.

REPRESENTATIVE ALAN AUSTERMAN stated that the bill had been crafted in an effort to create a permanent funding source for community foundations that would earn interest which could be recycled back into communities. The money could be used in a variety of methods for the benefit of the community. He testified that the creation of the funding source could alleviate pressure felt by local governments to fund non-profit organizations. The bill would create a challenge grant program; the fund would match local community contributions up to \$25,000.

ERIN HARRINGTON, STAFF, REPRESENTATIVE AUSTERMAN explained that the legislation would establish the Endow Alaska Grant Program. She detailed that a challenge grant mechanism would be established that would allow local community foundations throughout Alaska to leverage private donations from within their communities; the money would be matched dollar for dollar with state funds. The Endow Alaska Program addressed several objectives: supporting long-range community self-sufficiency, recognizing the ability of community members to identify and respond to local needs, act as catalyst for community conversation about philanthropy, empowers Alaskans to invest in meaningful local projects and envisions, and to take to-date state dollars and turn them into a financial tool to yield perpetual returns. Endow Alaska was inspired by a program called Endow Iowa. The legislation envisions a relationship between the state and the lead philanthropic entity; a statewide organization that receives an annual lump sum grant and then turns around and provides numerous challenge

grants to local community foundations or community affiliate funds. She noted that in the process of working on the bill she had learned many new terms and invited the committee to interrupt her at any time for further explanation.

Ms. Harrington informed the committee that currently most qualified organization to consider as the lead philanthropic entity was the Alaska Community Foundation. The foundation was a statewide community organization with more than 250 managed funds and \$50 million in assets. She provided an example using a hypothetical Kodiak Foundation. Hypothetically, the state could provide through the Endow Alaska Grant program annually, and the Alaska Community Foundation would in turn offer the Kodiak Foundation the opportunity to apply for grants. The Kodiak Foundation would be responsible for raising \$15,000 within the community in order to meet the eligibility requirement for a match grant. The grant funds would be placed in a permanently endowed fund, and could not be spent on an annual basis; creating a permanent endowment. She stated that funding limitations, but not a funding level, had been written into the bill to ensure that community investment was made in diverse regions of the state. Due to the nature of the matching grant, the funding level would be constrained by the ability of the community to raise the necessary funds.

Ms. Harrington walked the committee through the bill:

Sec 44.33.150, page 1 lines 6 through 12 of the bill establishes the Endow Alaska Grant Program in the Department of Commerce, Community and Economic Development. It gives the department the power to grant state funds to a "lead philanthropic entity" in Alaska, to be further granted to community foundations and community affiliate organizations to build their permanent endowed funds.

Section 44.33.160, page 1 line 13 through page 2 line 9 describes the requirements for an organization to be qualified as a "lead philanthropic entity" or a "community foundation" under this program.

Ms. Harrington interjected that the language intentionally described an organization that mirrored the Alaska Community Foundation. She disclosed that conversations held

with lead philanthropic groups had revealed that the Alaska Community Foundation would be best organization to execute the program.

Ms. Harrington continued:

Section 44.33.170, page 2 lines 10 through page 3 line 5 describes factors that the lead philanthropic entity should consider when considering applications for funding; and describes the community foundations and community affiliate organizations that are eligible to receive funding.

Ms. Harrington noted the section was intended to provide a geographical range to assure that foundations were being funded in the areas that would benefit most. She highlighted that line 25 of the bill stated that the foundations must match the state dollar for dollar.

Section 44.33.80, page 3 lines 6 through 13 set limits on the size and distribution of Endow Alaska grants, and describe the allowable administrative fees for the program.

Ms. Harrington noted that the administrative overhead for the Lead Philanthropic Entity (LPE) would not exceed \$25,000 annually and only 5 percent of the grant funds received by the LPE could be used for administrative purposes.

Section 44.33.190, page 3 lines 14 through 16 provides statutory definitions.

Ms. Harrington described the differences between a community foundation and a community foundation affiliate. Community foundations were independently organized non-profit entities working to build up an endowed fund and provide grants and other support organizations around their service area. Community foundation affiliates were a sub-fund within a community foundation. The affiliate retained a local board that performed the actual fundraising at the local level.

[9:54:38 AM](#)

Vice-chair Fairclough referred to page 2, line 17, of the bill. She understood that the opportunity to establish a

new community foundation could allow a department to bypass a number of communities in the effort to sign up new communities. She expressed concern that smaller communities would not have equal access to state funds under the legislation. She wondered if communities could benefit from the grants more than once, and if so, she suggested that all communities across the region should benefit once, before communities could apply a second time. She noted that an urban community could have more opportunity than a smaller community to receive state dollars.

Co-Chair Stoltze added that some communities could be better at fundraising and organizing than others.

Representative Neuman referred to section 2, page 2, of the bill. He opined that not all communities were equal in fundraising and organizational abilities. He wondered how a legitimately needy rural community, with less sophisticated fundraising skills, could be treated equally compared to better organized communities.

[9:59:20 AM](#)

Ms. Harrington responded to Vice-chair Fairclough. She noted that the bill did not prohibit a community from returning to obtain a subsequent grant in future years. She pointed out that lines 17-18, regarding the opportunity to establish new community foundations or affiliates, were intended to make the bill inclusive. She asserted that the language could be altered by the committee if the committee deemed it necessary.

Representative Austerman remarked that the concept behind the bill was get Alaskans involved and to spread the money around the entire state. The bill did not specify that a new foundation would need to be established. He shared the desire to see more foundations grow in smaller communities. He addressed that the grant was a challenge grant to get communities to step forward, become involved, and take more responsibility in the creation of their own foundations.

Vice-chair Fairclough reiterated her concern for the "ranking of the applications" section in the legislation. She thought that if a new organization received an automatically high ranking, already established, smaller foundations that had previously applied could be unfairly

treated. She queried the definition of "new" in the section of the bill.

Representative Austerman agreed with Vice-chair Fairclough. He reiterated that the intent if the legislation was to encourage the development of organizations across the state. He noted that "shall" could be changed to "may" on line 11, in order to speak to her concerns.

10:03:50 AM

Representative Doogan requested further clarification of the ranking system. He asked if number one was more important than two, number two more important than three, and so forth.

Ms. Harrington replied that that was not the intention. She said that the organizations would look to the expertise of the lead philanthropic entity when seeking parameters and design of the most effective route for the communities. She noted that due to this, state control was diminished, but believed that it created a balance of expertise.

Representative Doogan expressed that the language should be redrafted to clarify that the numbers did not indicate the rank of communities by importance.

10:05:43 AM

Representative Gara highlighted that the bill protected communities and families. He shared a story about a family that had wished to create an endowment in the name of the deceased mother, but lacked the funds to do so. He noted that with the community endowments created by the bill, they, and other families could add money to the endowment and do great things.

Ms. Harrington agreed that the bill created a financial tool that would spin off funds that could be used to support priorities at the community level. It created an opportunity for families to have a place to put money to memorialize a loved one. She gave another example of a man who left a large sum to the community through The Seward Foundation. The funds helped retain the wealth generated by its residents within the community.

Representative Gara added that it allowed families to pool money into a larger sum than they might have been able to give alone.

Representative Edgmon asked if "community development" was defined in statute. Ms. Harrington replied that she did not know.

Representative Austerman referred to Representative Doogan's question. He stated that the word "ranking" had been chosen by the drafters of the bill and could be changed to "evaluating." He reiterated that "shall" could be replaced with "may" in the interest of clarity.

Co-Chair Stoltze remarked on scandals involving several large endowments, and voiced concern that the bill would create highly paid administrative positions.

Representative Austerman pointed out to the committee that there was a salary cap of 5 percent written into the legislation.

[10:11:55 AM](#)

Ms. Harrington noted that foundation work in Homer was done on a volunteer basis.

Co-Chair Stoltze opened invited testimony.

DIANE KAPLAN, RASMUSSEN FOUNDATION (via teleconference) testified that The Rasmussen Foundation, working with the Alaska Community Foundation, started a program similar to the one in the bill. The intent was to help communities develop the capacity to have an endowment fund. She stated that people from around the United States were brought together with a dozen communities in Alaska to learn about community foundations. She shared that the core group who wanted to initiate a fund could turn to The Rasmussen Foundation to provide assistance by teaching them how to become good grant makers, and learn to run the process. She said that over \$700,000 was invested over a four year period that had generated over \$4 million in funds. She furthered that Bethel and Barrow had started their own foundations, supported by local institutions, and taken advantage of technical assistance and training. She offered applause to Representative Austerman the legislation. She urged the legislature to pass the legislation and assured

the committee that The Rasmussen Foundation was ready to work with legislature.

[10:16:35 AM](#)

Representative Wilson queried the difference in the intent of the proposed legislation and the mission of The Rasmussen Foundation.

Ms. Kaplan replied that people were emotionally attached to the local areas where they resided, which made them more inclined to donate to community foundations immediately close to home. She offered that residents of North Pole might not want to donate to a foundation that benefited the entirety of Fairbanks. She thought that people would want assurances that the funds would benefit their specific community. She added that 20 or more communities could benefit from this bill.

Representative Wilson understood that the legislation would provide motivation for community fundraising.

Ms. Kaplan replied in the affirmative. She stated that, in her experience, people were often inspired to meet the call of challenge grants.

[10:19:41 AM](#)

Co-Chair Thomas wondered if the program could benefit from the Pick, Click, Give Program.

Ms. Kaplan said yes. She added that there had been outstanding growth in community project funding that was attributable to the Pick, Click, Give Program.

Vice-chair Fairclough referred to page 3 of the bill which spoke to the 5 percent cap for administrative costs. She wondered if the number was realistic.

Ms. Kaplan thought that the number was modest. She highlighted that a lot of time went into identifying the needs of a specific community, fundraising and grant writing.

Vice-chair Fairclough agreed that the administrative cost number was low. She shared that some organizations accrued administrative costs between 12 and 22 percent.

Co-Chair Thomas spoke of critical remarks that he had read on the Pick, Click, Give Facebook page concerning wasting the public's money on high salaries for non-profit administrators.

10:23:06 AM

CANDACE WINKLER, PRESIDENT AND CEO, ALASKA COMMUNITY FOUNDATION (via teleconference), testified in support of the legislation. She shared that the mission of the foundation was to increase philanthropy and build community throughout the state. She furthered that the foundation had been working with The Rasmussen Foundation over the last four years to develop an affiliate structure and community foundations throughout the state. She said that the concept was a pragmatic way to incentivize and grow individual philanthropy and engage communities in beneficial future opportunities. She believed that Alaskan's could relate to the idea of a permanent endowment fund, and cited the Alaska Permanent Fund Dividend as an example. She relayed that the Alaska Community Foundation was 16 years old and currently held \$55 million in assets. The assets consisted of over 280 different funds including: The Seward Community Foundation, Petersburg, Kenai, Talkeetna, The Chilkat Valley, The Homer Foundation, The Juneau Foundation, The Arctic Slope Community Foundation, as well as the Alaska Children's Trust.

Representative Edgmon revisited the question of whether it was necessary that "community development" be defined by statute.

Ms. Winkler responded that she did not think it was necessary. She said that the work already being done by community organizations defined "community development"; groups of people from the community examining the current and future needs and opportunities for their respective communities. She furthered that the groups were creating a vision for their communities and raising the necessary funds while making determinations of the best ways to invest the funds. She felt that the legislature should supply a definition if one was necessary for the purpose of discussion.

Representative Edgmon thought that providing a definition would be an additional safeguard against any potential tax consequences.

Co-Chair Stoltze noted the administrative percentage amounts.

Ms. Winkler relied that it was difficult to predict whether the five percent cap was adequate. She said if the appropriation was a large one, a \$3 to \$5 million commitment, the five percent cap would be sufficient. She expressed concern about the five percent cap at lower appropriation numbers.

[10:29:07 AM](#)

Vice-chair Fairclough queried the current administrative costs for the foundation.

Ms. Winkler replied that, because their portfolio held a large endowment, the administrative costs were low in comparison to the overall asset base; approximately 1 percent. She added that overall operating costs were at 15 percent.

Vice-chair Fairclough understood that the numbers included the 280 funds under the foundations umbrella.

Ms. Winkler replied no. She said that the fees from the 280 funds were lower than 15 percent.

KEN CASTNER, THE HOMER COMMUNITY FOUNDATION (via teleconference) testified in support of the bill. He stated that small town endowments often arrived at a tipping point; Homer had raised as much money as was wanted. He relayed the funds had been awarded in support grants to non-profit organizations. Additionally, other charitable grants would be distributed. He concluded that funds handled by the foundation had been used to do great work in Homer and the surrounding smaller communities.

Co-Chair Stoltze closed public testimony. He noted that there were possible amendments to be proposed as well as an updated fiscal note.

HB 290 was HEARD and HELD in committee for further consideration.

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ADJOURNMENT

The meeting was adjourned at 10:33 AM