

HOUSE FINANCE COMMITTEE
March 14, 2014
8:32 a.m.

8:32:51 AM

CALL TO ORDER

Co-Chair Stoltze called the House Finance Committee meeting to order at 8:32 a.m.

MEMBERS PRESENT

Representative Bill Stoltze, Co-Chair
Representative Mark Neuman, Vice-Chair
Representative Mia Costello
Representative Bryce Edgmon
Representative Les Gara
Representative David Guttenberg
Representative Cathy Munoz
Representative Steve Thompson
Representative Tammie Wilson

MEMBERS ABSENT

Representative Alan Austerman, Co-Chair
Representative Lindsey Holmes

ALSO PRESENT

Representative Paul Seaton; Candace Winkler, CEO, Alaska Community Foundation; Nancy DeCherney, Executive Director, Juneau Arts and Humanities Council; Jordan Marshall, External Affairs Manager, Rasmuson Foundation; Dan DeBartolo, Permanent Fund Division Director; Mr. Chris Christensen III, Associate Vice President for State Relations, University of Alaska.

PRESENT VIA TELECONFERENCE

Mike Walsh, Vice President, Foraker Group.

SUMMARY

HB 75 CONTRIBUTION FROM PFD: AUDITS; UNIVERSITY

HB 75 was HEARD and HELD in committee for further consideration.

#hb75

HOUSE BILL NO. 75

"An Act repealing certain audit requirements for entities receiving contributions from permanent fund dividends; requiring each campus of the University of Alaska to apply to be included on the contribution list for contributions from permanent fund dividends; and requiring a university to pay an application fee for each campus separately listed on the contribution list for contributions from permanent fund dividends."

8:33:46 AM

REPRESENTATIVE PAUL SEATON introduced the bill. He stated that the bill changed the provision related to the Pick, Click, Give campaign and the Permanent Fund. He noted that the campaign had an audit provision for a non-profit organization with a budget greater than \$250 thousand. The audit required a Certified Public Accountant (CPA), which cost approximately \$7 thousand to \$12 thousand. Most non-profit organizations did not earn the amount spent on the audit participating in the campaign. He pointed out that the federal requirements were different. He mentioned problems encountered by non-profit organizations throughout the state. He offered to answer members' questions.

Co-Chair Stoltze OPENED public testimony.

8:37:17 AM

MIKE WALSH, VICE PRESIDENT, FORAKER GROUP (via teleconference), appreciated the efforts to allow greater accessibility to the Pick, Click, Give campaign. He advocated for the aspirations of HB 75 via the Foraker Group. He wished to eliminate the barrier of the audit requirement for smaller organizations. He appreciated the value of the audit requirement, but hoped to eliminate the obstacles related to state requirements. His group advocated for tying the state requirement to federal requirements; a federal audit would suffice the state requirement in situations where an organization required it.

8:40:00 AM

Co-Chair Stoltze clarified Mr. Walsh's name and position.

Mr. Walsh responded that he was the vice president of the Foraker Group.

8:40:51 AM

CANDACE WINKLER, CEO, ALASKA COMMUNITY FOUNDATION, stated her foundation had nine affiliates throughout the state. She mentioned that the foundation housed and managed the outreach and coordination for the Pick, Click, Give project fund. She stated that the foundation served as a beneficiary agency. She also served on the Foraker operations board with other non-profit organization leaders around the state. She spoke to the record participation rates above 6 percent; the program was full of potential to support all non-profit organizations around the state. She concurred with Mr. Walsh regarding the audit requirements and his suggestion related to the federal audit. She added the potential for enhancements to the program offered by the university system.

8:43:58 AM

Ms. Winkler discussed the Foraker operations board's survey coordinating with participating non-profit organizations. She noted the critical value of coordination and outreach determined by the survey. She stated that the best strategy for sustainability required a 7 percent fee accompanied by donations that would help to support the program. The strategy was deemed reasonable for sustaining the effort.

Co-Chair Stoltze noted that the Rasmuson foundation had a three year commitment to administrate the campaign.

Ms. Winkler agreed and pointed out that the Rasmuson foundation invested heavily in the first three years to ensure that the state did not incur administrative expenses for the program. The recent \$250 filing fee was provided to the state to manage the program.

Co-Chair Stoltze asked about sustainability. He wondered about the threshold for supporting the campaign in perpetuity.

Ms. Winkler replied that activity outside of the state was supported by private philanthropy, which helped individual non-profit organizations to build their individual donor pool. She stressed that the corporate funders would eventually move on, which was why the non-profit sector must create a proactive mechanism to address the issue.

[8:47:30 AM](#)

Representative Gara was comfortable with private sector management of the program. He asked about the portion of donations required for non-profit organizations to help fund the campaign.

Ms. Winkler explained that a 7 percent donation was discussed. She pointed out that a website donation would require a 3 percent charge for the transaction cost. The current practice was no transaction cost for non-profit organizations. She noted that most organizations recognized that a cost was associated with fundraising or other activities.

[8:48:59 AM](#)

Representative Gara recognized that the bill did not implement the additional 7 percent for transaction costs. He asked about the authority to impose the cost.

Ms. Winkler replied that the bill would require an amendment imposing the transaction cost. She spoke in favor of potential enhancements to the proposed legislation.

Representative Gara asked if the money would be routed to the Permanent Fund.

Ms. Winkler suggested that when individuals donated through the campaign, the Department of Revenue would receive an aggregate amount along with the donation details and pass the funds on to the United Way, who would provide the funds to the various non-profit organizations. United Way would assess the 7 percent for the project fund for the continuation of the campaigns efforts. The goal was for program sustainability, which might take another three to five years.

[8:50:35 AM](#)

Co-Chair Stoltze imagined that the funds would not be comingled with the state treasury.

Representative Edgmon asked about statistics related to rural Alaska contributions.

Ms. Winkler was unsure about the rural Alaskan statistics.

Representative Edgmon understood that some of the non-profit organizations originated from rural Alaska.

Ms. Winkler added that the non-profits profited because affiliates in the rural areas profited.

[8:52:06 AM](#)

NANCY DECHERNEY, EXECUTIVE DIRECTOR, JUNEAU ARTS AND HUMANITIES COUNCIL stated that her organization had not benefited from the campaign, as their budget was slightly over the amount required for an audit. She testified in favor of the legislation.

Ms. DeCherney understood that the bill was heard in committee in previous sessions.

Representative Munoz pointed out that if the financial audit requirement were eliminated, the accountability requirements would remain.

Ms. DeCherney understood that all of the non-profit organizations required a 990 tax document with the Internal Revenue Service for eligibility in the campaign. She stated that the profit and loss were reviewed. She stated that the cost for the audit would be \$8 thousand for her organization, which would be a greater cost than the benefit received from participating in the campaign. She mentioned that her organization would be happy to provide 7 percent of a donation for administrative needs.

[8:55:00 AM](#)

Representative Thompson asked if a 990 tax document filed by a non-profit organization must be signed and approved by a CPA.

Ms. DeCherney concurred.

[8:55:39 AM](#)

JORDAN MARSHALL, EXTERNAL AFFAIRS MANAGER, RASMUSON FOUNDATION, stated that he helped implement the program. He noted that the campaign contributors' names were held anonymous, making it difficult to answer Representative Edgmon's questions about contributions from rural Alaska. He explained that the data available indicated equivalent participation throughout the state.

Co-Chair Stoltze asked for a response to Ms. Winkler's testimony.

Mr. Marshall noted that the Rasmuson foundation participated in a Pick, Click, Give group with each partner agreeing in the goal of sustainability. He recognized that 86 percent of participating organizations felt that the statewide coordination and outreach contributed to the success of the program.

[8:58:34 AM](#)

Representative Gara asked if a statute was necessary when the United Way provided administration for the program.

Mr. Marshall replied that the collection of fees worked most effectively as part of a statute.

Co-Chair Stoltze understood that dues were more difficult to obtain.

Mr. Marshall credited the program for its efficient operations.

Co-Chair Stoltze understood that the premise of the campaign was similar to the process proposed by the legislation and the discussed administrative fee.

Mr. Marshall agreed.

[9:00:16 AM](#)

DAN DEBARTOLO, PERMANENT FUND DIVISION DIRECTOR was available to answer questions.

Co-Chair Stoltze asked about the application process and the fiscal framework.

Mr. DeBartolo replied that the bill would have no effect on the division's mission or operations related to applications or dividends. He noted no fiscal impact from the bill. The \$250 fee collected during the application process was routed to the Department of Revenue's account for administrative costs related to the campaign. He stated that programmers were not a component of the division's purview. The division contracted with United Way who received the program applications to vet the organizations, tax documents and audit materials.

Mr. DeBartolo discussed the division's expenditure of \$40 thousand for the contracted services from United Way. He understood that the contract rate was scheduled to increase in 2014. The division was authorized a portion of the fees collected; the balance received was used for administrative costs. The division spent the funds received on programmers' hourly wages.

[9:04:30 AM](#)

Representative Costello asked about an organization that was mistakenly left off of the list this year.

Mr. DeBartolo was unaware of an organization that was mistakenly removed from the list. He stated that the audit requirements were sometimes a problem and led to a decrease in the listing of names. He stated that some organizations missed the filing deadline.

[9:06:03 AM](#)

Representative Costello asked about the application process.

Mr. DeBartolo responded that the application process began in the beginning of the year and was the same as the dividend application window. If the applications were late, they were removed from the list.

[9:06:55 AM](#)

Representative Thompson asked about programmers and application fees. He asked about the hourly rate and benefits.

Mr. DeBartolo replied that rate was based on the mean programmer salary. The programmers tracked their hours and multiplied them by the rate paid by the division. He was unsure about benefits.

Representative Thompson requested an answer about benefits.

[9:08:07 AM](#)

Representative Wilson asked if the department supported the bill.

Mr. DeBartolo replied yes.

Co-Chair Stoltze asked if the division was ready to absorb the cost without the help of philanthropists.

Mr. DeBartolo replied that he was not authorized to provide an answer.

Co-Chair Stoltze wondered about an estimated rate to sustain the management of the program without philanthropists. He asked if 7 percent would suffice.

Mr. DeBartolo replied that the division would require a gross contribution of greater than 7 percent.

Co-Chair Stoltze appreciated the director's candor.

[9:10:17 AM](#)

Representative Gara thought that if the United Way was able to administrate for less than 7 percent, they might provide a better option.

Mr. DeBartolo agreed that the United Way was the best entity to provide the administrative service.

[9:11:24 AM](#)

MR. CHRIS CHRISTENSEN III, ASSOCIATE VICE PRESIDENT FOR STATE RELATIONS, UNIVERSITY OF ALASKA, appreciated the university's ability to participate in the campaign. He noted that the university raised approximately \$6 thousand to \$28 thousand through the campaign. He pointed out that ExxonMobil had generously offered to match the contributions. The university foundation had agreed to use

private money to pay the application fees for participation in the program for the first year.

Representative Gara asked if the bill required an application fee for each campus.

Mr. Christensen replied that a fee was required from each campus that chose to participate.

Representative Gara asked if the university would allow an interested campus to participate.

Mr. Christensen believed that the application would be allowed.

[9:14:24 AM](#)

Representative Edgmon asked about the Bristol Bay Campus. He wondered if the money would flow through the Fairbanks campus if the Bristol Bay campus chose to participate.

Mr. Christensen replied that he would provide the answer to the committee at a later date.

Representative Wilson did not see the benefit in listing individual universities.

Mr. Christensen replied that contributors appreciated the ability to direct donations to individual programs or campuses.

Co-Chair Stoltze recalled prior testimony related to fundraising in a previous session.

Mr. Christensen stated that the contributions were directed toward individual campuses.

[9:17:08 AM](#)

Representative Gara commented that the process might lead to zero profit for the university.

Co-Chair Stoltze believed that appropriators viewed donations as an endorsement rather than a detriment.

Representative Gara hoped that donations from the campaign would not lessen university appropriations.

Mr. Christensen replied that such a practice would discourage private giving.

[9:19:07 AM](#)

Co-Chair Stoltze CLOSED public testimony.

Representative Seaton supported most of the sustainability ideas discussed in the hearing. He was unaware of an organization refusing to participate if the 7 percent administrative fee was implemented. He clarified that the university would apply by campus. He noted 30 letters supporting the bill, which were included in members' packets.

Co-Chair Stoltze enjoyed the variety of testimony and looked forward to working with the administration.

Representative Costello added that Bill Thomas was instrumental in the program. She enjoyed the use of the word "enhancement" versus "proposed amendment" by Ms. Winkler during her testimony.

[9:22:57 AM](#)

Representative Thompson appreciated the bill's intent, the updates and the sponsor's efforts. He stated that his wife owned a CPA practice.

Co-Chair Stoltze believed that it was useful to declare the issues and interests of committee members.

HB 75 was HEARD and HELD in committee for further consideration.

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ADJOURNMENT

[9:24:47 AM](#)

The meeting was adjourned at 9:24 a.m.