

ALASKA STATE LEGISLATURE
SENATE STATE AFFAIRS STANDING COMMITTEE

April 10, 2014
9:01 a.m.

MEMBERS PRESENT

Senator Fred Dyson, Chair
Senator Cathy Giessel, Vice Chair
Senator John Coghill
Senator Bill Wielechowski

MEMBERS ABSENT

Senator Bert Stedman

COMMITTEE CALENDAR

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 75(FIN)

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

- MOVED CSHB 75(FIN) OUT OF COMMITTEE

CS FOR HOUSE JOINT RESOLUTION NO. 32(STA)

Urging the United States government to condemn violent acts of religious persecution and seek a peaceful resolution to the conflicts in Syria.

- MOVED CSHJR 32(STA) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HB 75

SHORT TITLE: CONTRIBUTION FROM PFD: AUDITS; UNIVERSITY

SPONSOR(S): REPRESENTATIVE(S) SEATON

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|----------|-----|---------------------------------|
| 01/18/13 | (H) | READ THE FIRST TIME - REFERRALS |
| 01/18/13 | (H) | STA, FIN |
| 01/31/13 | (H) | STA AT 8:00 AM CAPITOL 106 |

01/31/13 (H) Moved Out of Committee
 01/31/13 (H) MINUTE(STA)
 02/01/13 (H) STA RPT 5DP
 02/01/13 (H) DP: ISAACSON, GATTIS, KREISS-TOMKINS,
 KELLER, LYNN
 02/21/13 (H) FIN AT 1:30 PM HOUSE FINANCE 519
 02/21/13 (H) Scheduled But Not Heard
 03/14/14 (H) FIN AT 8:30 AM HOUSE FINANCE 519
 03/14/14 (H) Heard & Held
 03/14/14 (H) MINUTE(FIN)
 03/24/14 (H) FIN AT 8:30 AM HOUSE FINANCE 519
 03/24/14 (H) Moved CSHB 75(FIN) Out of Committee
 03/24/14 (H) MINUTE(FIN)
 03/25/14 (H) FIN RPT CS(FIN) NT 8DP
 03/25/14 (H) DP: GUTTENBERG, MUNOZ, THOMPSON,
 EDGMON, T.WILSON, COSTELLO, STOLTZE,
 AUSTERMAN
 03/28/14 (H) TRANSMITTED TO (S)
 03/28/14 (H) VERSION: CSHB 75(FIN)
 03/28/14 (S) READ THE FIRST TIME - REFERRALS
 03/28/14 (S) STA, FIN
 04/10/14 (S) STA AT 9:00 AM BUTROVICH 205

BILL: HJR 32

SHORT TITLE: RELIGIOUS PERSECUTION AND PEACE IN SYRIA

SPONSOR(S): REPRESENTATIVE(S) SADDLER

02/26/14 (H) READ THE FIRST TIME - REFERRALS
 02/26/14 (H) STA
 04/01/14 (H) STA AT 8:00 AM CAPITOL 106
 04/01/14 (H) Moved CSHJR 32(STA) Out of Committee
 04/01/14 (H) MINUTE(STA)
 04/02/14 (H) STA RPT CS(STA) NT 5DP
 04/02/14 (H) DP: GATTIS, KELLER, ISAACSON, KREISS-
 TOMKINS, LYNN
 04/08/14 (H) TRANSMITTED TO (S)
 04/08/14 (H) VERSION: CSHJR 32(STA)
 04/09/14 (S) READ THE FIRST TIME - REFERRALS
 04/09/14 (S) STA
 04/10/14 (S) STA AT 9:00 AM BUTROVICH 205

WITNESS REGISTER

REPRESENTATIVE PAUL SEATON

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Sponsor of HB 75.

DAN DEBARTOLO, Director
Permanent Fund Division (PFD)
Department of Revenue

POSITION STATEMENT: Answered questions related to HB 75.

JORDAN MARSHALL, Staff
Rasmuson Foundation
Anchorage, Alaska

POSITION STATEMENT: Answered questions related to HB 75.

REPRESENTATIVE DAN SADDLER
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Sponsor of HJR 32.

ACTION NARRATIVE

[9:01:07 AM](#)

VICE CHAIR GIESSEL called the Senate State Affairs Standing Committee meeting to order at 9:01 a.m. Present at the call to order were Senators Coghill, Wielechowski, and Vice Chair Giessel.

HB 75-CONTRIBUTION FROM PFD: AUDITS; UNIVERSITY

[9:01:47 AM](#)

VICE CHAIR GIESSEL announced the consideration of HB 75. [CSHB 75(FIN) was before the committee.]

[9:02:02 AM](#)

REPRESENTATIVE PAUL SEATON, Alaska State Legislature, Juneau, Alaska, introduced HB 75 as sponsor speaking to the following sponsor statement: [Original punctuation provided.]

HB 75 allows greater participation in the Pick.Click.Give program by small non-profits that meet all of the eligibility requirements for the program, but do not participate due to the cost prohibitive audit requirement.

The creation of the popular Pick.Click.Give program by the 25th Alaska State Legislature gave Alaskans a simple and convenient option to donate to charities and non-profits of their choice. These organizations,

which provide important services to our communities, rely on donations to function.

One criterion that must be met by organizations wishing to participate often stops smaller Alaskan charities and non-profits from applying. This is the required financial audit for organizations with a total budget of \$250,000 or greater. The cost of the required financial audit for smaller groups is much greater than the donations received by these groups through the Pick.Click.Give program, which makes participation in the program impractical. Not only does this mean that these smaller groups will not receive donations through the program, some groups have found that exclusion from the program gives their supporters the mistaken impression that they are no longer certified non-profits.

This bill eases the financial burden on these organizations and allows Alaskans a more complete choice of organizations by eliminating the financial audit requirement for organizations that do not file a federal audit. This does not remove financial accountability. All Pick.Click.Give donation recipients must be 501(c)(3) tax-exempt organizations, which are required to file the form 990 annually with the IRS. The IRS form 990 was overhauled in 2008, is a public record and accessible online to donors. The annual filing now requires disclosure of not only detailed financial information, but governance practices, policies, program services, and other compliance measures. This rigorous test of accountability is already required and provides a complete picture of finance and management of a nonprofit. Additionally, an audit is required of organizations that expend \$500,000 or more in federal awards. These organizations will be required to submit a copy of this audit to the state. Entities that expend less than \$500,000 in federal funds still must still make their records available for review by the federal government.

This bill further requires each campus of University of Alaska to pay the \$250 application fee to participate in the program, just as all other eligible organizations do.

The Pick.Click.Give program encourages Alaskans to give back to their community by bringing the many worthy state programs right to their doorstep. Smaller non-profits nourish Alaskan communities on a personal level, open pathways for budding artistic talents and provide educational opportunities that fit just right with community needs. These organizations deserve the chance to connect through Pick.Click.Give to the Alaskans they serve.

REPRESENTATIVE SEATON reported that the current version of the bill addresses the ongoing administrative costs of the program that the Rasmuson Foundation has funded for the last six years. Through a poll, a majority of the nonprofits agreed that a percentage contribution of the donation is an equitable way to sustain the program. The bill now includes a coordination fee of seven percent of the amount of the contributions reported by the nonprofit. The intent is to make the program self-sustaining.

[9:06:38 AM](#)

SENATOR COGHILL asked if the provision in paragraph (9) on page 3, lines 9-10, addresses the new requirement regarding federal audits.

REPRESENTATIVE SEATON replied he didn't know the exact federal code, but the federal government does require a certified audit for nonprofits that receive more than \$500,000 in federal grants. HB 75 says that any nonprofit that falls under that requirement must submit a copy of the audit with the application in order to participate in the Pick Click Give program.

SENATOR COGHILL asked for an explanation of the new language on page 3, lines 4-6.

REPRESENTATIVE SEATON explained that the bill removes the current requirement for nonprofits who participate in the program to have a certified public audit if their annual budget exceeds \$250,000. Nonprofits that receive federal grants of more than \$500,000 are required to have a certified public audit and the bill requires a nonprofit that falls under that requirement to submit a copy of the audit with their application.

SENATOR COGHILL offered his understanding of the audit requirement.

REPRESENTATIVE SEATON agreed with the characterization.

[9:10:24 AM](#)

SENATOR WIELECHOWSKI asked how many new organizations will participate in Pick Click Give as a result of the bill.

REPRESENTATIVE SEATON said he didn't know, but the representatives from the Rasmuson Foundation and the Foraker Group might have the information.

SENATOR WIELECHOWSKI asked if eliminating the original financial audit requirements might attract un-reputable nonprofits.

REPRESENTATIVE SEATON replied the enhanced requirement under the Internal Revenue Service Form 990 gives some security.

[9:13:26 AM](#)

SENATOR WIELECHOWSKI warned that the list of participating organizations grows annually and at some point the number will become overwhelming to Alaskan contributors. He reiterated his desire to ensure that all organizations on the list are reputable and that Alaskans not become overwhelmed. He acknowledged that he didn't have the answer.

REPRESENTATIVE SEATON pointed out that there is a \$250 application fee so an organization can't get its name on the list without some financial commitment.

VICE CHAIR GIESSEL asked if the \$250 is an annual fee.

REPRESENTATIVE SEATON answered yes.

[9:15:53 AM](#)

DAN DEBARTOLO, Director, Permanent Fund Division (PFD), Department of Revenue, introduced himself.

VICE CHAIR GIESSEL asked if he could answer some of the questions that were asked.

MR. DEBARTOLO responded that he would be speculating if he were to say how many organizations will return to the program with the removal of the audit requirement. This year 512 qualified organizations participated in the program and as the program grows he expects that number to grow. With regard to the idea that the list might become overwhelming, he said the department can only improve the search tools it has. The \$250 fee goes towards programming to improve those tools and improvements are made each based on suggestions from the public, the Rasmuson Foundation, and the Alaska Community Foundation. The \$250 fee

also helps offset the division's direct administrative costs. United Way currently has a \$40,000 contract to vet the applications to ensure that the 501 (c)(3) applicants are all above board. The new seven percent coordination fee will be contracted out to handle outreach and advertising. It seems to be a reasonable amount.

SENATOR WIELECHOWSKI asked how many organizations have been turned away.

MR. DEBARTOLO offered to follow up with the number later today.

SENATOR WIELECHOWSKI noted that a parents guild at an elementary school in his district was interested in participating in the program but wasn't successful. He asked if anything else would prohibit a local PTA or parent group from joining Pick Click Give.

MR. DEBARTOLO replied he didn't see any hurdles that would prevent a small organization from participating, as long as they meet the 501 (c)(3) requirements, pay the \$250 application fee, and apply on time.

[9:19:45 AM](#)

SENATOR COGHILL asked if an organization will receive \$93 of every \$100 contribution.

MR. DEBARTOLO answered yes. If the bill passes, the division in 2015 will need to change the process after the PFD application to let people know that seven percent of their donation may be appropriated for coordination fees for the program. At the point of distribution of the PFD in October, seven percent of all pledges that did pay will be put into a separate account. That amount will be reported to the legislature in January and will go through the normal appropriation process. The fees would be available at the beginning of the following fiscal year.

SENATOR WIELECHOWSKI asked if nothing has been collected for administrative fees to date.

MR. DEBARTOLO replied the \$250 application fee has been collected. That has been used for programing and the contract to administer the applications.

SENATOR WIELECHOWSKI asked how much was contributed this year under Pick Click Give.

MR. DEBARTOLO replied the pledges this year for the 2014 dividend application period totaled \$2.75 million. The contributions since the inception of the program is about \$10 million.

SENATOR WIELECHOWSKI asked what it costs the department to administer the program.

9:22:38 AM

MR. DEBARTOLO replied nothing has come out of the dividend fund itself because DOR collects the \$250 fee. This last year the fees amounted to \$128,000. In the last fiscal year he was only authorized to use \$71,000 and the remainder rolled into the following year and is available for other projects to ensure that the program keeps going. The seven percent would be appropriated and managed by another statewide nonprofit like United Way or the Alaska Community Foundation.

SENATOR WIELECHOWSKI asked him to recap where seven percent of the charitable donations would go and how it would be used.

MR. DEBARTOLO said his understanding is that the money would not go into the general fund. It would be in an account from which the money could be appropriated. The remaining funds would not be reabsorbed into the general fund each year.

SENATOR WIELECHOWSKI asked if DOR asked for 7 percent to be withheld from the contributions.

MR. DEBARTOLO said DOR didn't ask for it, but believes it's a good idea. The Rasmuson Foundation administered the program and advised that the program wasn't self-sustaining.

SENATOR COGHILL asked if the Rasmuson Foundation suggested the seven percent.

CHAIR DYSON joined the committee.

MR. DEBARTOLO explained that the Rasmuson Foundation did a lot of outreach to the nonprofits to discuss how to make the program sustainable. He suggested the committee ask Mr. Marshall from the Rasmuson Foundation about that.

SENATOR WIELECHOWSKI suggested that DOR ask the programmers to try to make it easier for people to scroll through the list of nonprofits because he found it cumbersome.

MR. DEBARTOLO reported that DOR is working to better interface with the numerous new electronic devices for both Pick Click Give and the general online PFD application.

9:28:15 AM

JORDAN MARSHALL, Staff, Rasmuson Foundation, Anchorage, Alaska, explained that for the last six years the Rasmuson Foundation and its funding partners have covered the cost of statewide coordination, outreach in the form of personnel and assistance to the organizations, and marketing of the campaign. A poll of the participating nonprofits showed that 86 percent believe that the statewide coordination and outreach is fundamental to the success of the program. They also agreed that the most equitable way to cover the cost of the basic statewide outreach and work was through implementation of a fee. The seven percent was reached by factoring the \$350,000 annual cost of the statewide effort and the annual contribution goal of \$5 million.

MR. MARSHALL explained that the statewide coordinator, currently based at the Alaska Community Foundation, oversees training and outreach through participating nonprofits and coordinates the broad-based statewide education campaign on behalf of the program participants. This coordinator provides expertise and serves as a primary point of contact for the 500 plus participating organizations. This is what the coordination fee would be used for.

9:31:46 AM

SENATOR WIELECHOWSKI asked how much it costs to sustain the program because he doesn't want any of the coordination fee to end up in the general fund.

MR. MARSHALL explained that seven percent of this year's contributions of \$2.75 million wouldn't come close to covering the cost of the statewide coordinator and outreach that philanthropic and private funds have covered to date. He reiterated his understanding that the fees would be withheld at the point that the donated funds are distributed to the nonprofits. The fees would be held in a separate account for another nine months until they could be appropriated in the next fiscal year and made available immediately for use in statewide coordination in the next calendar year.

SENATOR WIELECHOWSKI asked if he had a sense of the number of organizations that apply but don't qualify for participation, how to ensure that un-reputable nonprofits don't make their way

into the program, and the potential for overwhelming contributors if the list is too long.

MR. MARSHALL estimated that a couple dozen organizations apply and don't qualify or don't apply because of the current rules. With regard to reputability, any organization that applies has to have an IRS letter designating that they are a 501 (c)(3) organization in good standing and submit the IRS Form 990. The organizations have to have a volunteer board that has a majority of Alaska residents and must have provided services within the state for the previous two years. These rules were put in by the legislature seven years ago to ensure that the participating organizations are known, reputable, and have a responsibility to the residents of the state. Another eligibility criteria is to have \$100,000 or five percent of the annual budget in individual contributions. This ensures that the organization have an infrastructure that can accept and manage individual contributions. The forgoing qualifications make it very likely that the participating organizations are reputable. However, the Pick Click Give program doesn't have the infrastructure or desire to police the participants. Finally, the enhanced search feature on the PFD online application is improved each year is less cumbersome that it was the first year.

CHAIR DYSON asked what happens if DOR receives notice of apparent unethical conduct.

MR. MARSHALL said the department manages that but he does know that DOR's contractor receives the applications and makes sure the correct documentation is provided.

[9:41:22 AM](#)

CANDACE WINKLER, Alaska Community Foundation, Anchorage, Alaska, offered to answer questions related to the number of organizations on the list and the cost of the outreach program.

CHAIR DYSON asked the sponsor if anyone opposed the bill.

REPRESENTATIVE SEATON answered no.

CHAIR DYSON found no further questions and solicited a motion.

[9:42:21 AM](#)

SENATOR GIESSEL moved to report CS for HB 75(FIN), labeled 28-LS0323\0, from committee with individual recommendations and attached indeterminate fiscal note(s).

CHAIR DYSON found no objection and announced that CSHB 75(FIN) is reported from the Senate State Affairs Standing Committee.

[9:42:46 AM](#)

At ease from 9:42 a.m. to 9:43 a.m.

HJR 32-RELIGIOUS PERSECUTION AND PEACE IN SYRIA

[9:44:21 AM](#)

CHAIR DYSON reconvened the meeting and announced the consideration of HJR 32. [CSHJR 32(STA) was before the committee.]

[9:44:33 AM](#)

REPRESENTATIVE DAN SADDLER, Alaska State Legislature, Juneau, Alaska, introduced HJR 32 speaking as sponsor. He paraphrased the following sponsor statement: [Original punctuations provided.]

Alaskans have a rich tradition of willingness to live and let live - to respect our mutual right to believe and behave as our conscience dictates. This appreciation for our neighbors and their various religious, ethnic and cultural backgrounds is an essential element of our state character, and informs our belief that there are few differences that cannot be resolved peaceably.

Alaskans also have a strong connection with and sympathy for the residents of what is sometimes known as the Holy Land -countries such as Israel, Egypt, Lebanon and Syria that are the birthplace of Christianity, in which the tremendous events documented in the Old and New Testament occurred.

Those of many faiths in Alaska have therefore been saddened and outraged by the tragic consequences of the ongoing civil war in Syria, which have included the murder of innocent women and children, the kidnapping and massacre of Christians, and the systematic destruction of Christian churches.

Alaskans across the state pray for the protection of the Syrian people, and rightly condemn acts of religious persecution perpetrated against the

Christian leaders and families in their homeland of Syria.

HJR 32 expresses the solidarity of the Alaska people with the peace-loving people of Syria in opposition to the atrocities occurring in that nation, and urges the United States government to condemn the violent acts of religious persecution and bring a peaceful resolution to these conflicts.

9:47:00 AM

SENATOR WIELECHOWSKI asked which religious group is being persecuted in Syria.

REPRESENTATIVE SADDLER replied it's the 700 thousand Orthodox Christians and 400 thousand Roman Catholic Christians who are living in Syria.

SENATOR WIELECHOWSKI asked if the U.S. has adopted any policy on granting asylum to those who are being persecuted.

REPRESENTATIVE SADDLER said he didn't know.

SENATOR WIELECHOWSKI asked if he thought it would be appropriate for the legislature to urge the U.S. government to grant asylum if it wasn't doing so already.

REPRESENTATIVE SADDLER replied he believes it's better to solve the problem at home than to address it piece-meal as it comes to U.S. shores.

CHAIR DYSON commented that dealing with refugees in that region is a huge issue.

REPRESENTATIVE SADDLER noted that Christians in Syria represent 5 percent to 8 percent of the population but they represent about 25 percent of the refugees.

SENATOR WIELECHOWSKI asked if he had a sense of the number of Syrians living in Alaska or if any Syrian refugees are living here.

REPRESENTATIVE SADDLER said no.

CHAIR DYSON noted that Jewish people and those who practice the Bahai Faith aren't treated well in Syria either.

9:50:18 AM

SENATOR GIESSEL moved to report CS for HJR 32(STA), labeled 28-LS1532\C, from committee with individual recommendations and attached zero fiscal note(s).

9:50:32 AM

CHAIR DYSON announced that without objection CSHJR 32(STA) is reported from the Senate State Affairs Standing Committee.

9:51:06 AM

There being no further business to come before the committee, Chair Dyson adjourned the Senate State Affairs Standing Committee hearing at 9:51 a.m.