

HB

290

<TARGET><BILL>HB 290</BILL><SUBJECT>HB
290</SUBJECT><COMM>HCRA27</COMM></TARGET>



Representative Alan Austerman

House Majority Leader

Alaska State Legislature

Sponsor Statement for House Bill 290: Endow Alaska Grant Fund

The purpose of the Endow Alaska program is to provide dollar for dollar challenge funds to support growth of community foundations around Alaska. Community foundations, through endowed funds, can support a breadth of social and cultural objectives in any community, and provide perpetual revenue streams one-time gifts. Research and practice show that matching funds—also known as challenge grants—make a meaningful difference in motivating donors. They have long been a cornerstone of fundraising strategies to enhance community giving.

HB 290 envisions an annual grant to a “lead philanthropic organization,” defined as a statewide organization that adheres to nationally recognized standards for charitable foundations. Under the program the lead philanthropic organization would, in turn, offer challenge grants to community foundations to help spur local philanthropy with a 1-to-1 match for every dollar raised. The result is that state dollars would leverage local giving, for a triple benefit: growing a culture of philanthropy in Alaska communities; improving communities’ self-reliance as a result; and creating a mechanism whereby single-year state appropriations can create perpetual financial tools to benefit to Alaskans.

Through HB 290, existing community foundations will have the opportunity to build their asset base and local support, and communities without existing foundations will have a valuable tool for getting endowed funds in place to support local priorities. Existing Alaska community foundations are numerous and spread throughout the state.

- Chilkat Valley Community Foundation (Haines/Klukwan)
- Jessica Stevens Community Foundation (Talkeetna and Upper Susitna Region)
- Kenai Peninsula Community Foundation
- Petersburg Community Foundation
- Seward Community Foundation
- The Homer Foundation
- The Juneau Community Foundation
- Arctic Slope Community Foundation (there are separate funds for each Arctic Slope community, as well)
- Chugiak/Eagle River Foundation
- Bethel Community Services Foundation
- North Star Community Foundation (Fairbanks area)

There are also another half-dozen communities in Alaska that are currently, actively exploring the establishment of local community foundations.

~ Representing Alaska State House District 36 ~

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Version 27-LS1094B—January 17, 2012

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version HB 290
Fiscal Note Number _____
() Publish Date _____

Identifier (file name) HB290-DCCED-DCRA-01-20-12 Dept. Affected DCCED
Title ESTABLISH ENDOW ALASKA GRANT PROGRAM Appropriation Community and Regional Affairs
Allocation Community and Regional Affairs
Sponsor Representative Austerman
Requester House Community & Regional Affairs OMB Component Number 2879

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates					
			FY13	FY14	FY15	FY16	FY17	FY18
OPERATING EXPENDITURES								
Personal Services	0.0		0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0		0.0	0.0	0.0	0.0	0.0	0.0
Services	0.0		0.0	0.0	0.0	0.0	0.0	0.0
Commodities	0.0		0.0	0.0	0.0	0.0	0.0	0.0
Capital Outlay								
Grants, Benefits								
Miscellaneous								
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		0.0	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS								
Full-time								
Part-time								
Temporary								

CHANGE IN REVENUES								

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 (separate supplemental appropriation required;
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 (separate capital appropriation required)
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial version

Prepared by Scott Ruby
Division Community and Regional Affairs
Approved by Susan K. Bell, Commissioner
Commerce, Community, and Economic Development

Phone (907) 269-4569
Date/Time 1/18/12 7:00pm
Date 1/21/2012

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. HB 290

Analysis

Bill Summary: This bill would establish a new program, the Endow Alaska program. The program would identify a private non-profit as a Lead Philanthropic Organization. The state would provide funding to this entity which in turn would offer challenge grants to community foundations to help spur local philanthropy with a 1-to-1 match for every dollar raised.

The department would need to enact regulations to implement this program, and solicit, select, and award a grant to a Lead Philanthropic Organization on a yearly or periodic basis.

It is anticipated that the department can do this with existing staff resources.



Representative Alan Austerman

House Majority Leader

Alaska State Legislature

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MEMORANDUM

DATE: February 1, 2012

TO: Representative Cathy Muñoz, Chair
House Community & Regional Affairs

FROM: Representative Alan Austerman 
House Majority Leader

SUBJECT: Changes to House Bill 290 from Version B to Version I

The changes in Version I address issues that were raised by committee members on the January 28th, 2012, Community & Regional Affairs (C&RA) hearing, and additional issues that were raised while reviewing this bill with representatives of community foundations in Alaska, both in group and individual settings. Overall, the changes ensure that definitions and descriptions are consistent with current organizations and structures in Alaska. Other language that was unclear or confusing in the Alaska context was deleted or changed.

Additionally, some changes address policy level issues. These include:

- Clarifying that funds granted to community foundations and community foundation affiliates are meant to grow their *unrestricted endowed* funds.
- Removing the requirement that grantees demonstrate substantial compliance with the national standards of the National Council on Foundations.

A detailed list of changes is included in this memo.

~ Representing Alaska State House District 36 ~

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Regarding the policy level changes, committee members may want to consider the following points. First, my intent in proposing this legislation has been to help build the *permanent endowed funds* held by community foundations. A community foundation may hold a large number of component funds, ranging from those that provide annual scholarships for students to those providing support to specific sports programs to those addressing support for families impacted by specific medical conditions. Not all funds within a community foundation are necessarily endowed, and not all can be applied broadly to the changing needs of a community. For the purposes of HB 290, though, I feel it is important to be clear that the purpose of these funds is to provide perpetual, broad-based benefit for Alaska communities.

Second, Version B of HB 290 as it was introduced included a requirement that eligible community foundation and affiliate grantees show “substantial compliance with the national standards of the National Council on Foundations.” This language was originally taken from the Endow Iowa statute. I and my staff have continued to discuss this provision with community foundation representatives around the state. As a result of these conversations, it is my recommendation that we remove this provision, for the following reasons:

- Only two of the community foundations currently operating in Alaska—the Alaska Community Foundation and the Homer Foundation—have pursued the Council on Foundations (COF) standards confirmation. This does not mean that other community foundations do not meet these standards—just that they have not gone through the COF confirmation process. The timeline for achieving standards is estimated by COF at 480 to 750 days.
- By mandating that grantees have this confirmation of standards, we essentially are mandating that these organizations engage in a certification process with a third party entity in order to access funds.
- It is my expectation that the lead philanthropic entity, through its due diligence process, would be reasonably equipped to determine whether an organization is a functioning community foundation or not.
- For practical purposes, the majority of current or future community foundations in Alaska function or likely will function as affiliates of the Alaska Community Foundation, in whom the state has already vested its trust by transferring the Alaska Children’s Trust to it.

In summary, I believe this requirement acts as a barrier to Alaska communities, and provides minimal benefit to the State.

Detailed Changes from Version B to Version I

Sec. 44.33.150

- Added language to clarify that grants under this program are for the purpose of growing unrestricted endowments

Sec. 44.33.160

- Deleted language (Version B, page 2, lines 5-6) that was taken from the Iowa legislation but did not accurately describe Alaska organizations.
- Deleted subsection (b) (Version B, page 2, lines 7-9) to remove the requirement for Council on Foundations national standards compliance.

Sec. 44.33.170

- Throughout the section, replaced “community affiliate organization” with “community foundation affiliate” to more clearly describe the organizations in Alaska.
- Deleted subsection (a)(4) (Version B, page 2, lines 17-18) to remove ambiguous language.
- Inserted language (Version I, page 2, lines 16-17) to clarify that funds should be used to help in the creation of new community foundations as well as the growth of existing ones.
- Replaced language in Version B that described a “plan for distributing grant funds” (p . 2, line 31) with language that describes a “spending policy” per the recommendation of community foundation representatives.
- Deleted subsection (b)(4) (Version B, page 3, lines 3-5) to remove possible conflicts with Sec. 44.33.190(1) (Version I, lines 7-8).

Sec. 11.33.180

- Replaced “organization” with “foundation affiliate” to more clearly describe the organizations in Alaska.
- Deleted subsection (2) which had specified that no more than five grants could be received within a single borough in a year.

Sec. 11.33.190

- Re-ordered sections (1) and (2) to correspond with the hierarchy of community foundations and their affiliates.

Information on Endow Iowa and Endow Kentucky.

Endow Iowa operated a grant program such as is envisioned in Alaska, as well as a tax credit program. The grant program was defunded after 5 years, once community foundation infrastructure was strengthened and contributions started to take off. The tax credit remains in place.

Grant Program Results:

	Challenge Amount	Number of Grants
2005	\$50,000	6
2006	\$50,000	3
2007	\$50,000	3
2008*	\$50,000	4
<i>* After 2008, the program transitioned to tax credit only</i>		

Program Successes (Grant plus Tax Credit)

- From program inception, grew from 20 community foundations to more than 130 today
- From June 2010 through 2011 endowed funds grew by \$100 million

Note: In a Transfer of Wealth Study, it was estimated that through probate estates alone, from 2020-2049, \$531 billion will transfer hands in Iowa.

Endow Kentucky is a tax-credit only program. It was enacted a year ago, and this is the first fiscal year in which it has operated. As of year-end 2011 (six months in to program operation) the amount allocated to match tax credit contributions to community foundations was \$261,010, meaning community foundation endowments had grown by more than \$520,000.

27-LS1094D
Kirsch
2/1/12

CS FOR HOUSE BILL NO. 290()
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVES AUSTERMAN, Joule, Thompson, Foster, Edgmon, Gara, Herron, Tuck, Peggy Wilson

A BILL
FOR AN ACT ENTITLED

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

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 *** Section 1.** AS 44.33 is amended by adding new sections to read:

5 **Article 2A. Endow Alaska Grant Program.**

6 **Sec. 44.33.150. Grants for community development.** The endow Alaska
7 grant program is established in the Department of Commerce, Community, and
8 Economic Development. To encourage community development in the state, the
9 department may identify a lead philanthropic entity that meets the requirements of
10 AS 44.33.160 and grant the entity state funds that the entity may annually award to a
11 community foundation or community foundation affiliate as endow Alaska grants for
12 the purpose of increasing unrestricted endowed funds.

13 **Sec. 44.33.160. Eligibility requirements for lead philanthropic entities and**
14 **grant recipients.** (a) To be cligible under AS 44.33.150, a lead philanthropic entity

1 must be

2 (1) a nonprofit entity exempt from federal income taxation under 26
3 U.S.C. 501(c)(3) (Internal Revenue Code);

4 (2) an organization whose principal function is to make grants in the
5 state; and

6 (3) a community foundation.

7 (b) Only a community foundation or a community foundation affiliate is
8 eligible for a grant under AS 44.33.150 - 44.33.190.

9 **Sec. 44.33.170. Ranking of applications and awarding of grants.** (a) When
10 ranking applications for grants, the board of the lead philanthropic entity shall
11 consider relevant factors including

12 (1) the need for financial assistance;

13 (2) the potential for future philanthropic activity in the community or
14 geographic area that will benefit from the grant;

15 (3) the percentage of matching funding proposed;

16 (4) the opportunity to establish new community foundations or
17 community foundation affiliates; and

18 (5) the geographic diversity of the communities or geographic areas
19 that will benefit from the grants.

20 (b) The board of the lead philanthropic entity may award endow Alaska grants
21 to a community foundation or a community foundation affiliate that

22 (1) provides all information the board requires, including evidence of
23 the existence of the community foundation or the community foundation affiliate;

24 (2) demonstrates, in a manner approved by the board, the ability to
25 match state funding at a ratio of at least one-to-one; and

26 (3) provides a spending policy for distributing grant money to
27 organizations within the community or geographic area as defined by the community
28 foundation or the community foundation affiliate.

29 **Sec. 44.33.180. Limitations on grant amounts, awards, and administrative**
30 **costs.** (a) Endow Alaska grants are limited as follows:

31 (1) grants may not exceed \$25,000 for each foundation or community

1 foundation affiliate unless the grant will be used to benefit multiple boroughs or a
2 region;

3 (2) only five percent of the grant funds received by the lead
4 philanthropic entity may be used for administrative purposes by the lead philanthropic
5 entity.

6 **Sec. 44.33.190. Definitions.** In AS 44.33.150 - 44.33.190,

7 (1) "community foundation" means a tax-exempt, nonprofit,
8 autonomous, publicly supported, philanthropic institution in the state composed
9 primarily of permanent funds established by many separate donors for the long-term
10 diverse, charitable benefit of the residents of a defined geographic area;

11 (2) "community foundation affiliate" means a group of five or more
12 community leaders or advocates organized for the purpose of increasing philanthropic
13 activity in an identified community or geographic area in the state who have
14 established or intend to establish a community foundation affiliate endowment within
15 an existing community foundation;

16 (3) "department" means the Department of Commerce, Community,
17 and Economic Development;

18 (4) "lead philanthropic entity" means an entity identified by the
19 department under AS 44.33.150 that meets the requirements of AS 44.33.160.



COMMUNITY FOUNDATIONS
NATIONAL STANDARDS BOARD
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60% of your colleagues
have achieved this
status.

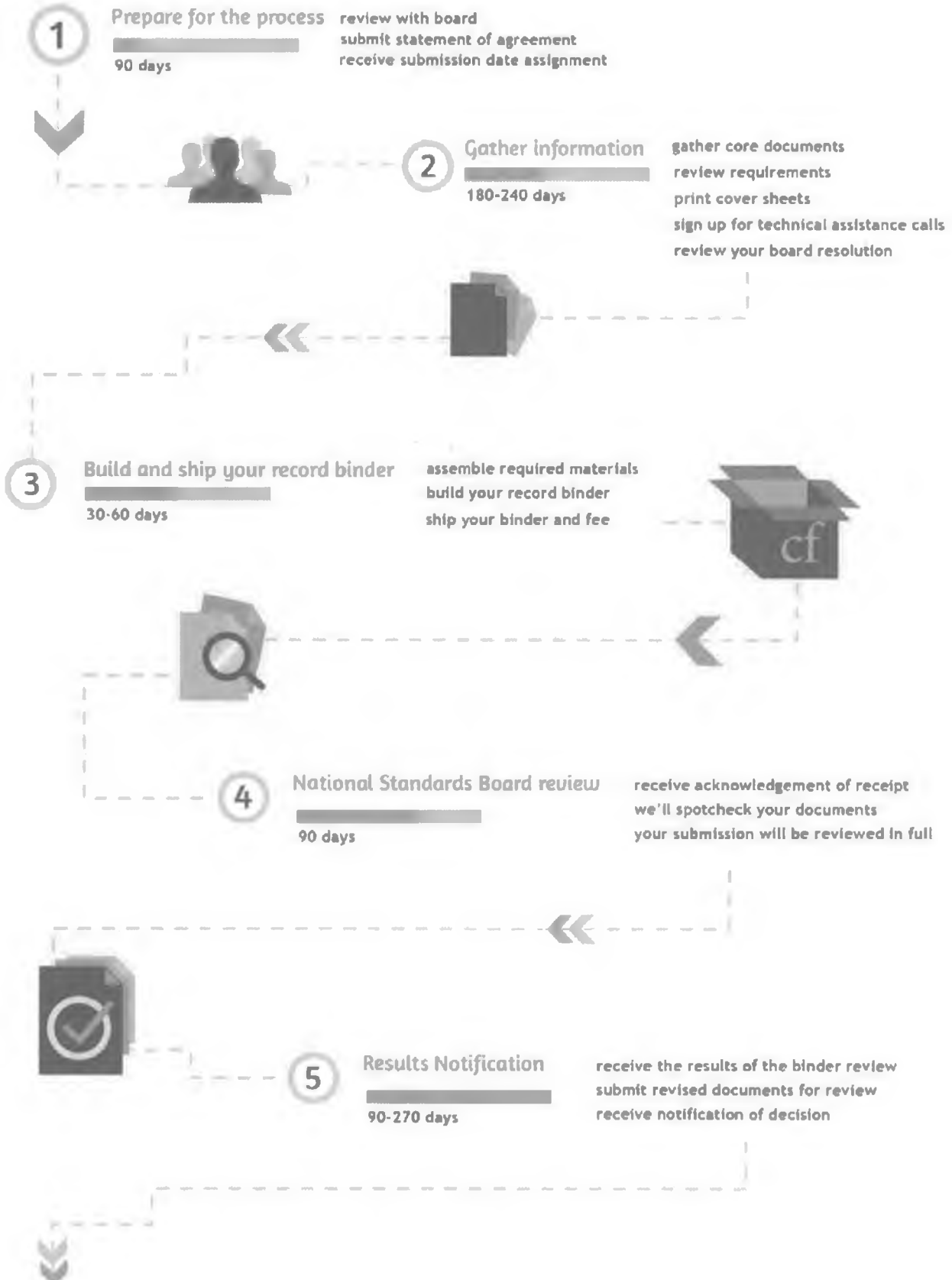
Achieving National Standards Compliance

Achieving confirmation and reconfirming compliance with National Standards is a rigorous process, guaranteeing that every community foundation that receives the National Standards designation demonstrates excellent philanthropic practice. This section of the National Standards website offers guidance and resources, and provides all requirements and documentation templates to help your community foundation prove its excellence.

The process was carefully developed by and for community foundations to ensure that all applicants receive a fair, consistent compliance review.

Confirmation

Show the process for RECONFIRMATION



(H)CRA 2-2-12

27-LS1094\D

Moved out of committee today 3 amendments

Amendment # 1

Page 1, line 11 thru 12-delete "for the purpose of increasing unrestricted endowed funds." Page 11 thru 12, after the word "grants" add 'to increase endowed funds, the purpose of which would be unrestricted.'

Amendment #2

Page 1, line 9- after "a" add 'statewide'

Page 2, line 4- after "an" add "statewide"

Amendment # 3

Page 2, line 31-after "\$25,000" add 'annually'

Committee aide Terry Harvey 465 5392

HB 290



REPRESENTATIVE CATHY MUÑOZ

January 30, 2012

Jordan Marshall
Initiatives & Special Projects Manager
Rasmuson Foundation
301 West Northern Lights Blvd Suite 400
Anchorage, AK 99503

Dear Mr. Marshall,

As Chair of the House Community & Regional Affairs Committee (HCRA), and on behalf of the Committee, please accept our invitation to testify this Thursday, February 2, 2012, 8am.

Specifically we would appreciate your opinion on recently filed legislation HB 290, and how it relates to the foundation's current effort to build endowments. The purpose of the Endow Alaska program is to provide dollar for dollar challenge funds to support the growth of community foundations around Alaska.

Teleconferencing is available for participation and of course you would be welcome to come to Juneau as well. Please contact Terry Harvey in my office with your reply. His direct phone line is 465 5392. Thank you for your consideration.

Sincerely,

A handwritten signature in cursive script, appearing to read "Cathy Muñoz".

Cathy Muñoz, Chair
House Community & Regional Affairs Committee
Representative, District 4