

Honolulu, Hawaii

March 20, 2008

RE: S.B. No. 3171  
S.D. 2  
H.D. 1

Honorable Calvin K.Y. Say  
Speaker, House of Representatives  
Twenty-Fourth State Legislature  
Regular Session of 2008  
State of Hawaii

Sir:

Your Committees on Consumer Protection & Commerce and  
Judiciary, to which was referred S.B. No. 3171, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO CHARITABLE TRUSTS AND  
NONPROFIT ORGANIZATIONS,"

beg leave to report as follows:

The purpose of this bill is to protect consumers who donate  
to charities by, among other things:

- (1) Requiring charitable organizations, with certain  
exemptions, to register and file annual financial  
reports with the Attorney General (AG);
- (2) Requiring audited financial statements for charities  
with over \$1,000,000 in gross revenue for the year  
covered by the annual financial report;
- (3) Establishing financial report filing fees based upon the  
charitable organization's income;
- (4) Authorizing the AG to issue subpoenas to investigate  
suspected violations;
- (5) Requiring professional solicitors to report national and  
local gross revenues from a solicitation activity or  
campaign in financial reports to the AG;



- (6) Prohibiting charities from using the services of an unregistered professional solicitor or professional fundraising counsel;
- (7) Enhancing the registration requirements for professional fundraising counsel and professional solicitors; and
- (8) Appropriating funds to meet the AG's additional staffing needs in carrying out the purposes of this bill.

The Children's Alliance of Hawaii, Inc., and Nature Conservancy of Hawaii testified in support of this bill. The Hawaii Alliance of Nonprofit Organizations supported the intent of this measure. The Domestic Violence Action Center opposed this bill. The AG submitted comments.

Your Committees have amended this bill by:

- (1) Allowing a parent organization to submit a consolidated registration application for itself and any of its related foundations, supporting organizations, chapters, branches, or affiliates in Hawaii;
- (2) Lowering the gross revenue threshold for the mandatory filing of audited financial statements, from \$1,000,000 to \$500,000;
- (3) Lowering from \$20,000 to \$1,000, the total amount of monetary penalties that may be imposed for failing to file a financial report or return, to match the cap on administrative fines for other violations of the law under section 467B-9.7(b)(3), Hawaii Revised Statutes;
- (4) Delaying the start of the new registration and financial reporting requirements until November 15, 2008; and
- (5) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the records of votes of the members of your Committees on Consumer Protection & Commerce and Judiciary that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 3171, S.D. 2, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 3171, S.D. 2, H.D. 1, and be referred to the Committee on Finance.

SB3171 HD1 HSCR CPC-JUD HMS 2008-3122



Respectfully submitted on  
behalf of the members of the  
Committees on Consumer  
Protection & Commerce and  
Judiciary,

  
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TOMMY WATERS, Chair

  
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ROBERT N. HERKES, Chair





