



**TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
TWENTY-NINTH LEGISLATURE, 2017**

ON THE FOLLOWING MEASURE:

S.B. NO. 894, S.D. 1, RELATING TO CHARITABLE ORGANIZATIONS.

BEFORE THE:

SENATE COMMITTEE ON JUDICIARY AND LABOR

DATE: Monday, February 27, 2017 **TIME:** 10:00 a.m.

LOCATION: State Capitol, Room 016

TESTIFIER(S): WRITTEN TESTIMONY ONLY. For more information call
Deborah Day Emerson, Deputy Attorney General 586-1471

Chair Keith-Agaran and Members of the Committee:

The Department of the Attorney General supports this Administration bill but is requesting an amendment to this bill as described below. The purpose of this bill is to make amendments to the laws governing the regulation of charitable organizations and activities in Hawaii.

As introduced, the bill created a new section in the law to require disclosure statements on collection boxes where the public may donate personal property to alert the public to whether a nonprofit or for-profit entity owns the box so that the public's decision to make a donation is an informed one. We are asking that this bill be amended to delete this section. Since submitting this bill for introduction, we have received comments that certain collection boxes for things such as eyeglasses are very small and compliance with the required disclosures would be difficult. In addition, there has been a suggestion that the disclosures only be required for boxes owned by for-profit entities. We believe these are constructive comments that warrant further discussion and therefore respectfully request that section 1 of this bill be deleted at this time.

The remaining provisions in the bill revise the laws governing charitable organizations as described below.

The bill adds a definition of "property" to clarify the scope of the Attorney General's authority over protection of charitable assets. Act 217, Session Laws of

Hawaii 2014, codified section 3 of the Model Protection of Charitable Assets Act (Act) as section 28-5.2, Hawaii Revised Statutes. Section 28-5.2 gives the Attorney General regulatory authority over charitable assets regardless of the form in which they are held. The term "charitable asset" is defined by section 28-5.2(d) as property. This bill will create a new definition of "property" using wording from the Commentary to section 3 of the Act to provide greater clarity and guidance.

The bill contains several housekeeping provisions addressing the regulation of charitable organizations and activities. These include provisions: allowing agents to electronically sign initial registrations rather than allowing only a corporate officer to do so; requiring notification and specifying procedures for deactivations of registrations for charities no longer operating in Hawaii; clarifying due dates and procedures for filing of financial reports for fundraising campaigns by professional solicitors; clarifying that the timeline for the annual filing requirement for private foundations is the same as for other charities; deleting the requirement that the Attorney General approve extensions for filing annual reports since those are already governed by the due dates imposed by the Internal Revenue Service; updating wording describing approved accrediting organizations for purposes of exempting educational institutions and affiliated supporting organizations from registration; and clarifying that there are discrete exemption categories for educational institutions and affiliated supporting organizations.

This bill will assist the Attorney General in his oversight of charitable organizations and fundraising activities, will clarify regulatory procedures for the nonprofit sector, and will provide additional disclosures to the public.

We respectfully request that the Committee pass this bill with the amendment described above.