



Date: March 1, 2022

To: General Law Committee

From: Jeff Shaw, Senior Public Policy Advisor, CT Community Nonprofit Alliance (The Alliance)

Re: H.B. 5222 An Act Concerning Paid Solicitors of Charitable Funds and Charitable Organization Transparency

Good afternoon Senator Maroney, Representative D'Agostino, Senator Witkos, Representative Rutigliano and distinguished members of the General Law Committee:

My name is Jeff Shaw, Senior Public Policy Advisor at the Connecticut Community Nonprofit Alliance (The Alliance). The Alliance is the statewide advocacy organization representing the nonprofit sector. Community nonprofits provide essential services to over half a million individuals and families in Connecticut every year and employ 115,000 Connecticut workers, improving the quality of life in communities across the State.

Thank you for the opportunity to testify on H.B. 5222 An Act Concerning Paid Solicitors of Charitable Funds and Charitable Organization Transparency. The first two sections of the proposal outline the current framework of the Connecticut Solicitation of Charitable Funds Act. The law requires all organizations that solicit money for charitable purposes to register with the Department of Consumer Protection (DCP) as well as require all paid solicitors and some fundraising professionals to register, post a bond and file certain reports. The proposed changes reduce the number of documents required to be posted on DCP's website, requires paid solicitors to maintain and make accessible solicitation records upon request and redefines the organizations and fund-raising professionals who must comply with the law.

Section 3, Subsection f, would require nonprofit organizations to disclose their charitable registration number if asked as well as require it included on every charitable solicitation. While it is reasonable for nonprofits to disclose their registration number if asked, requiring it displayed on every solicitation is overly burdensome.

The definition of "solicit" and "solicitation" in CGS 21a-190a is far-reaching...*"shall include, but shall not be limited (A) Any oral or written request; (B) any announcement to the press, over the radio or television or by telephone or telegraph concerning an appeal or campaign by or for any charitable organization or purpose; (C) the distribution, circulation, posting or publishing of any handbill, written advertisement or other publication; (D) the sale of, offer or attempt to sell, any advertisement, advertising space, book, card, tag, coupon, device, magazine, membership, merchandise, subscription, flower, ticket..."*

Under this definition, a quick fund-raising follow-up call to a regular donor by nonprofit staff or a volunteer would require reciting the registration number to someone already familiar and supportive of the organization. That basic scenario is not the intent of the proposal but would be an unintended consequence.

To be clear, The Alliance recognizes that mission-driven 501(c)(3) community nonprofits can only be successful by earning and maintaining public trust through high quality work, dedication to mission and appropriate transparency, which can be guided by reasonable regulation that recognizes the unique role of community nonprofits in neighborhoods and communities across Connecticut. To ensure trust, The Alliance supports reasonable and non-burdensome regulations and policies, many of which already make the nonprofit community the most transparent sector of the economy.

Most 501(c)(3) nonprofit organizations are required to register annually with the Department of Consumer Protection (DCP) prior to any charitable solicitation. Already registered organizations receive a renewal application by mail from DCP to maintain continuity with registration. The registration and renewal fees are \$50.00 annually. With initial registration and subsequent renewals, an organization is required to submit a financial report (most commonly IRS Form 990) of the most recent fiscal year which includes information about the organization, its personnel, and its purposes. For organizations with gross receipts exceeding \$500,000 (excluding grants or fees from government agencies and revenue from trusts for the benefit of the organization), they must also file an audit report by a certified public accountant. Only a handful of nonprofit organizations are exempted from registration, mostly due to size and limited fund-raising programs.

As required by the federal government, most organizations exempt from income tax under section 501(a) must file an annual information return (Form 990 or 990-EZ). Filing Form 990 applies to organizations with either (1) gross receipts greater than or equal to \$200,000 or (2) total assets greater than or equal to \$500,000 at the end of the tax year. Form 990 is a public document, hosted by GuideStar, Charity Navigator, and other national nonprofit data centers, that shares information such as the organizations' accomplishments of the previous year, governing body (board membership), staff composition and financial information (revenue, executive compensation, and even cash reserves). Having to file 990 forms makes sure that nonprofits conduct their business in a way that is consistent with their public responsibilities. The information in this standardized form helps donors learn about nonprofits and may help them decide which organization to support.

Further, while not required by law, most nonprofits produce "Annual Reports," featuring organizational highlights, an overview of services, program outcomes, community impact, leadership structure, and statement of financial position and results. These detailed reports show how the revenue collected was spent on major programs and services and inform current and prospective donors.

Finally, all nonprofit providers contracted by the State to provide essential human services must comply with cost standards and complete multiple financial and outcome reports throughout the contracting period. Over the last few years, The Alliance has worked collaboratively with state agency counterparts to improve efficiency of licensure, certification and contracting processes. While there is still work to do, outcome data and financial reporting are regularly being completed and shared by nonprofit providers with state agencies.

As referenced above, there are already numerous reporting and compliance requirements for nonprofit organizations. If someone would like to know the charitable registration number of a nonprofit, they can simply call the organization and ask for it.

More broadly, for community nonprofits to fully recover from the operational and financial challenges associated with the COVID-19 pandemic, state policy must encourage charitable giving, fundraising and volunteerism.

To that end, we ask the Committee to add substitute language that would raise the financial threshold to \$1 million for charitable organizations needing to have a certified public accountant conduct an annual audit. Additionally, allow a certified public accountant to conduct a financial review, less time-intensive than an audit. Currently, charitable organizations with gross revenue above \$500,000 must file an annual financial audit with the State. Such audits are costly for the charitable organization and duplicative of other financial reporting charitable organizations file (990s, etc.) which are approved by Boards of Directors and available to the public.

Thank you for the opportunity to testify on this proposal.