

SENATE BILL REPORT

2SSB 5237

AS PASSED SENATE, MARCH 11, 1993

Brief Description: Regulating charitable solicitations.

SPONSORS: Senate Committee on Ways & Means (originally sponsored by Senators M. Rasmussen, A. Smith, Nelson, Winsley, Haugen, von Reichbauer, Oke, Roach and Spanel; by request of Attorney General and Secretary of State)

SENATE COMMITTEE ON LAW & JUSTICE

Majority Report: That Substitute Senate Bill No. 5237 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators A. Smith, Chairman; Quigley, Vice Chairman; Hargrove, McCaslin, Roach, and Spanel.

Staff: Tom Fender (786-7414)

Hearing Dates: January 20, 1993; January 29, 1993

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Second Substitute Senate Bill No. 5237 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Rinehart, Chairman; Spanel, Vice Chairman; Anderson, Bauer, Gaspard, Hargrove, Hochstatter, Jesernig, McDonald, Pelz, Quigley, Snyder, Sutherland, Talmadge, Williams, and Wojahn.

Staff: Steve Jones (786-7715)

Hearing Dates: February 17, 1993; February 25, 1993

HOUSE COMMITTEE ON JUDICIARY

BACKGROUND:

Charitable organizations and fund raisers are required to register with the Secretary of State. Charitable trusts are required to register with the Attorney General.

Charitable solicitations are subject to various restrictions, including the requirement that the solicitation disclose the percentage of revenues disbursed for charitable purposes. Similar restrictions in other states have been invalidated by the U.S. Supreme Court on freedom of speech grounds.

In December of 1991 as the result of complaints about charitable fund raising, the Attorney General proposed to increase regulation of segments of the fund raising industry.

The Attorney General asked for the civil authority to issue cease and desist orders, impose penalties, further educate the public about charities, and better regulate paid fund raisers.

This legislation passed in both houses as separate bills but neither bill passed both.

SUMMARY:

The Charitable Solicitations Act is redefined, strengthened and new regulatory powers are granted to the Attorney General. A fund raiser is prohibited from falsely representing him/herself as a police officer, fire fighter or as being affiliated with a veteran's organization. Telephone harassment of potential donors is also prohibited.

Commercial fund raisers are required to identify themselves as such and vending machines or collection boxes are required to indicate the charity benefitted. No law enforcement agency or association may be identified in fund-raising activities unless express written authority exists.

The Attorney General is granted civil enforcement authority to issue cease and desist orders and impose penalties for violations. It is a felony to falsely claim to be a police officer or fire fighter in the course of a fund-raising solicitation.

All charitable fund raisers and charitable trusts are required to annually register with the Secretary of State, disclose their IRS status, and report on their fund-raising activities.

The Secretary of State may determine annual filing fees based on organization's budget and tax status. Fees collected by the Secretary of State are deposited in the state general fund. Reporting and disclosure requirements are reduced for foundations associated with registered charities and government agencies.

Appropriation: none

Revenue: none

Fiscal Note: available

TESTIMONY FOR (Law & Justice):

This bill will effectively police a vital public benefit by informing the public, limiting fraud and regulating commercial fund-raising practices. The benefit will be greater confidence for donors.

TESTIMONY AGAINST (Law & Justice): None

TESTIFIED (Law & Justice): PRO: Ralph Munro, Secretary of State; Rebecca Sisler, Corporations Division/Sec. of State; Beau Bergeron, Keith Sherman, Washington State Dept. of Veterans

Affairs; Ron Gibbs, David Brown, United Way of Washington;
Sharon Foster, YMCAs of Washington

TESTIMONY FOR (Ways & Means):

While the vast majority of charitable organizations are reputable, stronger laws are needed to weed out the fraudulent fund raisers who bilk the public with misrepresentations. Some charities falsely claim that contributions benefit disabled veterans, law enforcement organizations, or other worthy causes. The bill will consolidate the registration functions in the Secretary of State's office, while increasing the enforcement powers of the Attorney General. Allowing the Secretary of State to administratively set fees will make the program self-supporting.

TESTIMONY AGAINST (Ways & Means): None

TESTIFIED (Ways & Means): PRO: Senator Marilyn Rasmussen; David Horn, Attorney General's Office; Don Whiting, Assistant Secretary of State; Beau Bergeron, Director, Department of Veterans Affairs; Keith Sherman, Veterans Legislative Coalition; John Goodwin, University of Washington (pro, with amendments); Sharon Foster, Council of Youth Agencies

HOUSE AMENDMENT(S):

The penalty is reduced for impersonating a police, fire, and sheriff's officer when conducting fund raising from a class C felony to a gross misdemeanor.

The Secretary of State shall publish annually a report showing the ratio of dollars collected to those spent for charitable use, or provided to charitable organizations, by charitable organizations and commercial fund raisers, respectively. Additional rule-making power is granted for these purposes.