

**SENATE BILL REPORT**

**SB 5237**

**AS REPORTED BY COMMITTEE ON WAYS & MEANS, FEBRUARY 25, 1993**

**Brief Description:** Regulating charitable solicitations.

**SPONSORS:** 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

**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. Prohibited are representations that a fund raiser is a police officer or a fire fighter when that is not the case, false representations regarding the affiliation of veterans' organizations, and telephone harassment of potential donors. 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 shall accept registrations, report groups purporting to represent veterans to the Department of Veterans' Affairs, regulate charity fund raiser contracts and promulgate rules setting registration fees and fund-raising contract standards.

Commercial fund raisers are required to identify themselves as such and disclosures on vending machines and collection boxes are required to identify 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.

The percentage-based charitable contributions provisions recently stricken by the Supreme Court are deleted and institutions of higher education are exempt from the act.

**EFFECT OF PROPOSED SUBSTITUTE:**

The Secretary of State may determine annual filing fees based on organization's budget and tax status. Institutions of higher education and their foundations are treated equally to other charitable organizations.

**EFFECT OF PROPOSED SECOND SUBSTITUTE:**

Fees collected by the Secretary of State are deposited in the state general fund.

Fund-raiser consultants who provide only consulting services and do not actively solicit charitable contributions are exempt from registration.

Reporting and disclosure requirements are reduced for foundations associated with registered charities and government agencies.

Charities are not required to maintain lists of donors.

**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