

HOUSE RESEARCH

Bill Summary

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Overview

Creates a new section of law governing the state employees combined charities campaign, and repeals the existing law on this topic.

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- 1** **Cross-reference.** Changes cross-reference in accordance with the substantive changes made by this bill.
- 2** **Cross-reference.** Changes cross-reference in accordance with the substantive changes made by this bill.
- 3** **State Employee Combined Charities Campaign.**

Subd. 1. Definitions. Defines terms used in this section, including "registered combined charitable organization" and "charitable agency."

Subd. 2. Registration. Requires a federated funding organization to apply to the commissioner of employee relations by March 1 to be eligible to participate in the state employee combined charities campaign. Specifies material that must accompany an application. Requires the commissioner to register or not register the application and notify the organization by May 1. Provides an appeal process for an organization whose application is denied. Provides that only approved organizations may participate in the state employee combined charities campaign, and that only contributions to approved organizations may be deducted from a state employee's pay.

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Subd. 3. Related organizations. Prohibits two federated funding campaigns that are related organizations from participating simultaneously in the state employee combined charities campaign. The definition of "related organization" used in the bill as is follows:

"Related organization" means an organization that controls, is controlled by, or is under common control with, another corporation. Control exists if an organization:

- (1) owns, directly or indirectly, at least 50 percent of the stock ownership or membership interests of another organization;
- (2) has the right, directly or indirectly, to elect, appoint, or remove 50 percent or more of the voting members of the governing body of another organization; or
- (3) has the power, directly or indirectly, to direct or cause the direction of the management and policies of another organization, whether through the ownership of voting interests, by contract, or otherwise.

Subd. 4. Optional designations. Authorizes a registered combined charitable organization to allow a state employee to designate that money be distributed to any charitable agency, whether or not the agency receives funds from the single, annual consolidate effort.

4 Repealer. Repeals section 309.501, the current law governing the state employee combined charities campaign. The text of the current law is reproduced below.

309.501 REGISTERED COMBINED CHARITABLE ORGANIZATIONS.

Subdivision 1. **Definitions.** (a) As used in this section, the following terms have the meanings given them.

(b) "Registered combined charitable organization" means a federated funding organization:

- (1) which is tax exempt under section 501(c)3 of the Internal Revenue Code of 1986, as amended through December 31, 1992 (hereinafter "Internal Revenue Code"), and to which contributions are deductible under section 170 of the Internal Revenue Code;
- (2) which exists for purposes other than solely fund-raising;
- (3) which secures funds for distribution to 14 or more affiliated agencies in a single, annual consolidated effort;
- (4) which is governed either by a local, independent, voluntary board of directors which represents the broad interests of the public and 90 percent of the directors of the governing board live or work in the community or surrounding area or, if the charitable agencies are solely educational institutions which meet the requirements of paragraph (c), by a national board of directors that has a local advisory board composed of members who live or work in the community or surrounding area;
- (5) which distributes at least 70 percent of its total campaign income and revenue, plus donor designated amounts raised to its affiliated agencies and to the designated agencies it supports and expends no more than 30 percent of its total income and revenue, plus donor designated amounts raised for management and general costs and fund-raising costs;
- (6) which distributes at least 70 percent of its total campaign income and revenue to affiliated agencies and designated agencies that are incorporated in Minnesota or headquartered in the service area in which the state employee combined charitable campaign takes place or, if the charitable agencies are solely educational institutions which meet the requirements of paragraph (c), distributes at least 70 percent of the state employee combined charitable campaign income and revenue directly to Minnesota residents using established eligibility criteria;
- (7) and each designated or affiliated agency supported by the recipient institution devotes substantially all of its activities directly to providing health, welfare, social, or other human services to individuals;
- (8) and each designated or affiliated agency supported by the recipient institution with funds contributed by state employees through the combined charitable campaign provides all or substantially all of its health, welfare, social, or other human services, in the community and

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surrounding area in which the state employee combined charitable campaign takes place; (9) and each charitable agency is affiliated with no more than one registered combined charitable organization within the registered combined charitable organization's service area in the state's employee combined charitable campaign; and (10) which has been registered with the commissioner of employee relations in accordance with this section.

Registered combined charitable organization includes a charitable organization organized by Minnesota state employees and their exclusive representatives for the purpose of providing grants to nonprofit agencies providing Minnesota residents with food or shelter if the charitable organization meets the requirements of clauses (1), (4), and (5).

(c) "Affiliated agency" means a charitable agency that is represented by a federation and has an ongoing relationship with that federation which involves a review and monitoring process to ensure financial, managerial, and programmatic responsibility.

(d) "Charitable agency" means a governmental agency or an organization (1) which is tax exempt under section 501(c)3 of the Internal Revenue Code; (2) to which contributions are deductible under section 170 of the Internal Revenue Code; and (3) which is in compliance with the provisions of this chapter.

(e) "State employees combined charitable campaign" means the annual state campaign whereby a state employee may designate that the employee's contribution to a registered combined charitable organization may be deducted from the pay of the employee for each pay period.

Subd. 2. **Designated contributions.** A registered combined charitable organization may offer a state officer or employee the option of designating in writing that the amount deducted in section 16A.134, be designated to any charitable agency, whether or not the charitable agency receives funds from the single, annual consolidated effort. A registered combined charitable organization which offers this option shall provide a list of charitable agencies receiving funds and the amount each charitable agency receives in the annual report required pursuant to section 309.53.

Subd. 3. **Registration.** (a) In order to participate in the state employee combined charitable campaign, a federated funding organization shall apply to the commissioner of employee relations as a registered combined charitable organization on or before June 1, 1993, and in 1994 and thereafter on or before March 1 in order to be eligible to participate in the campaign for that year.

(b) A federated funding organization which applies to the commissioner of employee relations shall provide the commissioner with all information the commissioner deems necessary to identify the charitable and tax exempt status of the organization and its compliance with the provisions of this chapter including, but not limited to the following:

- (1) assurance of tax exempt status for the federated funding organization and each of the charitable agencies identified by the federated funding organization as an affiliated agency;
- (2) assurance of proper registration with the attorney general of Minnesota to solicit contributions in the state of Minnesota for the federated funding organization and each of the charitable agencies identified by the federated funding organization as an affiliated agency. A copy of the registration letter must be available upon request;
- (3) an affidavit signed by a duly constituted officer of the federated funding organization attesting to the fact that the federated funding organization and its affiliated agencies are in compliance with each of the provisions of this section;
- (4) a list of the board of directors for the federated funding organization which identifies the address for each director; and
- (5) a fee of \$100, or ten percent of the funds raised from state employees in the previous campaign, whichever is less.

(c) A registered combined charitable organization shall disclose in its solicitation and its annual report filed under section 309.53:

- (1) gross dollars received in contributions in the prior year;
- (2) names of, business addresses, and amount of money distributed to each affiliated charitable agency by the registered combined charitable organization;
- (3) percentage of gross dollars contributed which was directly received by the charitable agencies; and
- (4) projected percentage of the contribution to be received by the charitable agencies in the year for which the solicitation is being made.

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If participating charitable agencies are required to pay any fees to the combined charitable organization, it shall also be disclosed in the solicitation and annual report. In the annual report the combined charitable organization shall include a list of charitable agencies to which donors specifically designated funds, and the amount designated to each agency. Notwithstanding section 309.53, subdivision 1a, each charitable agency shall file the report required in section 309.53. The commissioner shall consult with the attorney general to determine if the combined charitable organization and its charitable agencies are in compliance with this chapter.

(d) The commissioner shall register or not register the application of an organization within 75 days. No organization may apply to the commissioner more than once in a calendar year. An organization whose application is denied has ten calendar days after receiving notice of the denial to appeal the decision or file an amended application correcting the deficiency. The commissioner shall register or not register the organization within ten calendar days of the submission of the appeal. If the organization fails to correct the deficiency and registration is denied a second time, the organization may appeal within five calendar days after being notified by the commissioner or the commissioner's designee that the deficiency has not been cured and the organization is not registered. A hearing shall be scheduled by the commissioner of employee relations and shall be held within 15 calendar days after receiving notice of the appeal. The provisions of chapter 14 do not apply to the hearing. The hearing shall be conducted in a manner considered appropriate by the commissioner. The commissioner's determination following the hearing shall be made within five calendar days after the hearing has been completed. Registered combined charitable organizations shall file the report required in section 309.53. The commissioner shall notify the commissioner of finance in writing of the decision to register an organization under this section by July 15.

(e) An organization whose application as a registered combined charitable organization is denied shall not be eligible to participate in the state employee combined charitable campaign for that year. Only organizations that are approved may participate in the state employee combined charitable campaign for the year of approval and only contributions authorized during the campaign may be deducted from an employee's pay pursuant to section 16A.134.

Subd. 3a. **Related organization.** No two federated funding campaigns that are related organizations, as defined in section 317A.011, subdivision 18, may participate simultaneously in the state employee combined charitable campaign.

Subd. 4. **Compliance waiver.** This subdivision applies only to the 1993 state employee combined charitable organization fund drive. A registered combined charitable organization that participated in the 1992 state employee's combined charitable organization's fund drive but that would not be qualified to participate in future fund drives because it will not satisfy the standards of this section, may certify to the commissioner of employee relations those provisions of subdivision 1 that it fails to meet and the extent of the inability to meet the specified standards, and may request a waiver of compliance. The commissioner shall issue a waiver to the registered combined charitable organization unless the provisions of subdivision 1 that the registered combined charitable organization fails to meet is subdivision 1, paragraph (b), clause (1) or (5). To be entitled to a waiver, an organization must apply to the commissioner by the registration dates specified in subdivision 3.