



April 16, 2019

The Honorable Mark Stone
Chair, Assembly Judiciary Committee
State Capitol Room 3126
Sacramento, CA 95814

Subject: AB 1712 (Wicks) Position: Oppose

Dear Chairman Stone:

On behalf of the League of California Community Foundations, we regretfully oppose AB 1712. The bill is scheduled for hearing in the Assembly Judiciary Committee on Tuesday, April 23, 2019.

With a bill that holds the potential for such irreversible harm to community philanthropy, we believe all of us should hit pause, step outside the pressure of the legislative timetable and bring together the full range of interested and affected parties to arrive at a deeper, more holistic understanding of the issues that should be considered.

We wouldn't stand in opposition to a bill unless we believed it could adversely affect the lives and well-being of Californians.

Like the author and sponsors of the bill, we strongly believe that philanthropic donations—in whatever form—must be managed for the benefit of communities. This principle is core to the purpose, mission and actions of every single one of our member organizations.

AB 1712 suggests otherwise. The bill singles out a form of philanthropy—donor-advised funds—and decides, quite wrongly as it turns out, that the growth of the funds is inherently a problem. The bill language questions the generosity and motivations behind funds that provide millions of dollars to preschools for toddlers, services for the elderly, clinics for the ill, art for the soul, protections for the planet, research for cures and more. We're concerned that the bill could inadvertently discourage generous individuals from engaging in voluntary support of their communities.

The urgency we feel is fueled by a concern for families across the state—the ones who are the direct beneficiaries of the myriad grant-funded services; and others who are donors whose quiet generosity makes these grants possible.

We know that the intent of both the authors and sponsors of AB 1712 was to make things better, not worse. The bill correctly aims to ensure that the sponsors of donor-advised funds who currently do not have active fund policies establish such policies and report to the Attorney General whether they are in compliance. League members already have active fund policies and have board oversight to ensure they are adhered to. It's a best practice that we agree should be taken to all DAF sponsors.

But then in a way that almost certainly would suppress community philanthropy, the bill would require DAF sponsors to provide fund-by-fund reporting. Not only would this requirement impose an outsized administrative burden on community foundations (reducing dollars available for grant making), it could make it easy to infer the identity of donors, even those who would rather not draw public attention to their generosity.

As the state that passed the preeminent law on consumer rights protection, the California Consumer Protections Act, California understands the importance of giving residents the ability to protect their personal information.

Since the first community foundation opened its doors in California, donor-advised funds have played a critical role in improving the life and well-being of millions of Californians. During the Great Depression, donor-advised funds helped fund soup kitchens and housing for families fleeing the Dust Bowl. During the 70s and 80s, they kept arts programs alive in schools and food banks opened across the state. And now dollars from the donor-advised funds managed by our member community foundations are playing critical roles in supporting wildfire relief and resilience, the promise of higher education for first-generation college students, affordable housing and so much more in California.

In writing that donor-advised funds “frequently fail” to provide public benefits *equal* to other charitable donations, the very premise driving this legislation is flawed. All data shows that donor-advised funds **exceed** the benefits of other charitable vehicles. For members of the League of California Community Foundations, the average annual payout percentage from donor-advised funds is three to five times more than the required distributions from private foundations.

In 2017, the 32 members of the League of California Community Foundations distributed more than \$2 billion to thousands of non-profits across the state. Nearly half of those grants— \$1billion—came from donor-advised funds.

What's at stake runs far beyond institutions. While there are structural and regulatory issues to be considered, and the concurrent goals of transparency and privacy to be balanced, we believe that the complex and delicate equation of community philanthropy must be honored and protected.

We look forward to working with you, the committee, the authors, the sponsors and partners across philanthropy and the charitable sector to join in the deliberations that are so vitally needed.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Daniel R. Baldwin', with a small blue arrow pointing upwards from the top of the signature.

Daniel R. Baldwin
President/CEO, Community Foundation for Monterey County
Chair, Public Policy Committee, League of California Community Foundations

A handwritten signature in black ink, appearing to read 'Linda Beech Cutler', written in a cursive style.

Linda Beech Cutler
President/CEO, Sacramento Region Community Foundation
Chair, League of California Community Foundations

cc: The Honorable Buffy Wicks
Members, Assembly Judiciary Committee