



**DEPARTMENT OF JUSTICE**  
**OFFICE OF THE ATTORNEY GENERAL**

**MEMORANDUM**

DATE: February 4, 2014

TO: Honorable Floyd Prozanski, Chair  
Senate Judiciary Committee, Members

FROM: Ellen Rosenblum, Attorney General

SUBJECT: House Bill 4081

Chair Barker, members of the Committee, my name is Ellen Rosenblum, I am the Attorney General for the State of Oregon, and I come before you today in support of House Bill 4081. With me is Elizabeth Grant, head of the DOJ Charitable Activities Section. I would like to open by thanking Representative Vicki Berger for her leadership in bringing attention to this issue and helping us develop the legislative concept you have before you. I would also like to thank Jim White, Executive Director of the Nonprofit Association of Oregon, for his support and constructive suggestions throughout the drafting process. I believe we have incorporated nearly all of those suggestions, into the amended version of the bill.

I have said it before, but I feel strongly that it bears repeating: The vast majority of charities in Oregon are doing an amazing job, delivering the maximum possible return for every dollar donated. But for various reasons there are a small minority of charitable organizations that struggle to maintain the sort of financial and organizational transparency that Oregonians deserve in return for their charity. House Bill 4081 seeks an appropriate balance between providing assurance that charitable organizations are being truthful, accurate and transparent in their interactions with state regulators while not overburdening the vast majority of already compliant charities with unnecessary paperwork, busywork or red tape.

More than 18,000 charitable organizations are currently registered with the Charitable Activities section of the Department of Justice. Since 1996, the number of registered charities has almost doubled. As you can imagine, as the number of charities increases, so have the number of cases where the information provided in the required reports is incomplete, misleading or simply incorrect. For example: Our annual report form contains a question which inquires of a charity if they have ever been the subject of a disciplinary action in any other state in the past. A recent audit by KATU found at least 30 charities which had indicated within their report with our office that they had never been subject to a disciplinary action in another state when this was, in fact, not true. The scope of these out of state violations varies, ranging from small administrative fees for a missed filing up to judgments in the hundreds of thousands of dollars for allegations of

misleading donors or suspending the organization's registration in the state. The Department of Justice relies on these reports to look for everything from accidental, but important, mistakes in reporting all the way up to deliberate patterns of misrepresentation or mismanagement.

House Bill 4081 clarifies several aspects of the reporting requirement and provides the DOJ Charities Division with additional tools to investigate possible non-compliance.

New language in Section 7 of the bill clearly specifies violations of Oregon's Charitable Trust and Corporation Act, and makes clear that the Attorney General has the ability to request documents to substantiate representations made in a registration document or other report. It allows the Attorney General to request information to establish that a charitable organization has properly applied charitable funds received by donors. It also explicitly prohibits the filing of a false or misleading statement. Section 7 also provides us with a series of enforcement mechanisms to address compliance issues. As the head of my Charitable Activities section Elizabeth Grant can tell you, many of our "enforcement actions" are as simple as sending a letter or correcting a misunderstanding. We do not resort to more formal actions unless more cooperative attempts at obtaining necessary information or bringing a charitable organization into compliance with the law have failed. But when we feel a bigger stick is needed, Section 7 insures that the charitable organization receives a fair process.

Again, it bears repeating: Most charities follow the law, and some of those that "break the rules" do so because of a simple misunderstanding or mistake. We can work with those organizations. But it is important that we have the ability to obtain the accurate information that we need, and that is required.

That concludes my testimony. Ms. Grant is available to answer any technical questions you may have.