



## Legislative Fiscal Bureau

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February 10, 1998

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Engrossed Assembly Bill 279: Formation of Nonstock, Nonprofit Corporation by the Child Abuse and Neglect Prevention Board

### BACKGROUND

Under current law, the Child Abuse and Neglect Prevention Board (CANP Board) is responsible for accepting contributions, grants, gifts and bequests for the children's trust fund and is authorized to expend the donations for the purposes for which they were received, including support for programs administered by the Board. In 1996-97, contributions to the children's trust fund totalled \$29,800.

### SUMMARY OF BILL

Engrossed AB 279 would authorize the CANP Board to establish a nonstock, nonprofit corporation for the purpose of soliciting and accepting contributions, grants, gifts and bequests for the children's trust fund. Donations accepted by this corporation, in accordance with the wishes of the donor, could be expended by the Board to support: (a) grants administered by the Board; (b) operating expenses of the Board; and (c) statewide projects administered by the Board. All donations not expended by the Board would accumulate in the children's trust fund.

Donations to the corporation would be deductible from the adjusted gross income of the donor for both federal and state tax purposes. Any income of the new corporation would be exempt from both federal and state taxation.

The board of directors of this corporation would consist of five members of the 16-member CANP Board, who would be elected by the CANP Board. The bill would specify that one member of the board of directors be the chairperson of the CANP Board, one member be a legislator, and that no two board members be from the same category of members specified in statute for the CANP Board.

The CANP Board would be required to contract with this corporation and could make use of the services of the corporation and the Board could provide administrative services to the corporation. The corporation could not employ staff, nor engage in political activities. The bill would specify that the corporation's records could be examined by the CANP Board, the Department of Administration, the Legislative Fiscal Bureau, the Legislative Audit Bureau and the appropriate committee of each house of the Legislature.

The corporation would be required to donate any real property to the state within five years after acquiring the property unless holding the property for more than five years is consistent with the sound business and financial practices, and is approved by the Joint Committee on Finance.

Finally, the bill makes some technical modifications to clarify that all funds in the children's trust fund that are not appropriated for the operating expenses of the CANP Board, statewide projects or distributed as grants, would accumulate indefinitely.

Assembly Bill 279 was passed on a voice vote by the Assembly on May 28, 1997. On October 22, 1997, the Senate Committee on Health, Human Services, Aging, Corrections, Veterans and Military Affairs recommended concurrence in the engrossed bill on a vote of 5 to 0.

## **FISCAL EFFECT**

Enactment of Engrossed AB 279 would likely increase contributions to the children's trust fund and have minimal effects on general fund tax revenue and the CANP Board's operating expenses, as described below.

**Children's Trust Fund Contributions.** The CANP Board's previous efforts to increase contributions to the children's trust fund have had limited success. A number of corporations and foundations that initially expressed interest in contributing to the trust fund have indicated that they would not make a donation as long as the trust fund was not considered tax exempt under section 501 (c)(3) of the internal revenue code. While donations to the trust fund are considered tax exempt, many corporate guidelines require that donations only be made to organizations that have tax exempt status under section 501 (c)(3) of the internal revenue code.

It is anticipated that this corporation would be considered a tax exempt organization under section 501 (c)(3). As a result, donations to the trust fund would likely increase from

corporations and foundations requiring section 501 (c)(3) status. Sufficient information is not available to estimate a total annual increase in donations as a result of this provision.

**General Fund Taxes.** This provision would have a negligible impact on revenue from corporate income tax collections, since it is expected that it would not significantly increase total charitable contributions from corporations or significantly reduce the income on which corporate income taxes are collected. Rather, it is expected that any contributions received from corporations as a result of this legislation would likely represent a shift from contributions made to other charitable organizations.

**CANP Board Expenses.** It is estimated that the CANP Board would incur one-time legal expenses and fees totalling approximately \$1,200 to establish the corporation. In addition, the bill would permit, but not require, the CANP Board to provide administrative services to the nonstock, nonprofit corporation. This provision may increase workload for CANP Board staff.

Prepared by: Rachel Cissne

MO# Concurrence

BURKE	Y	N	A
DECKER	Y	N	A
JAUCH	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
SCHULTZ	Y	N	A
ROSENZWEIG	Y	N	A
GARD	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
PORTER	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

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