

DEPARTMENT OF JUSTICE
HB 68: Requiring Charities to Disclose Fundraising Information

Background

Montana's nonprofit organizations contribute a great deal to our citizens and communities. Nonprofits also play a significant role in our state's economy. The nonprofit sector accounts for 11 percent of our gross state product.

The Office of Consumer Protection is seeing an increasing number of complaints about fraudulent solicitations by purported charities. In response to similar concerns, 38 states and the District of Columbia require charities to disclose basic information about their fundraising efforts. However, Montana does not require any disclosure so there is no reliable way for Montanans to know who is fundraising in the state, how the funds are spent, and who to hold accountable for fraud and other violations of existing law.

Because we have no disclosure requirements, con artists see Montanans' generosity as an easy target. In several instances, fraudulent charities have misidentified themselves as Montana charities while funneling the money out of the state. Meanwhile, every week the Office of Consumer Protection receives calls from Montanans looking for charities they can trust with their donations, but Consumer Protection has no way of providing this information.

Need for Public Disclosure and Accountability

The nonprofit sector is only as strong as the public's confidence in it. Good reporting laws can serve as a defense against fraud, protecting both the public and legitimate charities. Disclosure is a critical element of accountability. Simple, effective reporting by charities is needed to strengthen public confidence and to help the Attorney General's Office target fraudulent practices.

Provisions of HB 68

HB 68 proposes simple, effective disclosure of charitable activities. By asking charities to provide the following information, HB 68 focuses on the basics without being burdensome:

- the amount of money raised,
- how it was raised, and
- how much was dedicated to charitable purposes.

The bill would go into effect in July 2008, giving any charity that does not have this information adequate time to compile it.

Proposed Amendments

In response to concerns raised by the Montana Nonprofit Association, the department is proposing several amendments to HB 68. These amendments would:

- exempt charities that raise less than \$25,000 a year, and
- allow one-stop filing with the annual reports filed with the Secretary of State.