

April 5, 2019

The Honorable Buffy Wicks
State Capitol
Sacramento, CA 95814

RE: Support for Assembly Bill 1712 – Donor Advised Funds

Dear Assemblymember Wicks,

California Association of Nonprofits (CalNonprofits), a statewide policy alliance of more than 10,000 organizations, is the voice for California's nonprofit community. Through our advocacy work, we protect and enhance the ability of California's nonprofits to serve our state, the nation and the world. Thank you for introducing Assembly Bill 1712 which would improve transparency and accountability of donor-advised funds. We are proud to co-sponsor this bill along with NextGen California, and philanthropist Kat Taylor.

A donor-advised fund (DAF) is a financial account that holds charitable contributions from one or more donors and is managed by a charitable (501(c)(3) sponsoring nonprofit. Contributions to DAFs are irrevocable gifts to the sponsoring organization for which the donor is allowed to claim an immediate income tax deduction regardless of when, or if, these funds are later distributed to active charities. The sponsoring organization legally controls the management of the DAF including any distributions from the account to charitable organizations. In theory, the sponsoring organization could disburse the funds when and how they choose regardless of the donor's intention. In practice, sponsoring organizations make disbursements based on directions from the donor to the account, which is why these accounts are defined as "donor-advised funds."

DAFs have grown significantly over the past several years. The national share of total individual charitable giving contributed to DAFs increased from 4.4 percent in 2010 to 10.2 percent in 2017, and DAF sponsoring organizations held more than \$110 billion in charitable assets in 2017.

Recent analyses express concerns about the impact of DAFs on nonprofits and communities, particularly DAFs held by commercial firms like Schwab and Fidelity, and the need to understand their impacts has become more significant. The lack of reporting by DAFs led CalNonprofits to survey of our members recently, and 65 percent of respondents told us that they think DAFs are "good but need to be regulated."

We know that not all DAF-sponsoring organizations or DAF fund holders are created equally; many are deeply committed to ensuring that charitable funds contributed to DAFs are moved through to charitable purpose expeditiously. But we lack the ability to assess this. By gathering more reporting and financial information about DAFs – while continuing to protect donor identity -- AB 1712 will help policymakers and members of the public analyze the charitable benefits that DAFs produce, and understand how the state might regulate them to deter inappropriate use of DAFs and to maximize public good.

CalNonprofits is pleased to support AB 1712 so that California can bring more sunlight to DAFs and unlock these much-needed funds for our communities.

Sincerely,

A handwritten signature in black ink, appearing to read "Jan Masaoka", with a long horizontal flourish extending to the right.

Jan Masaoka,
CEO, California Association of Nonprofits

cc: Jennifer Fearing, Sacramento Advocate, California Association of Nonprofits
Members of the Assembly Judiciary Committee