

February 1, 2021

Honorable Gavin Newsom
Governor, State of California
State Capitol, Suite 1173
Sacramento, CA 95814

RE: Priorities for New Attorney General

Dear Governor Newsom,

The California Association of Nonprofits (CalNonprofits) is a statewide policy alliance of more than 10,000 organizations and the voice of the nonprofit community in California.

We write to you today to ask you to consider, in selecting the state's new attorney general, the vital role the Attorney General's Office plays in overseeing nonprofits and in supporting policies that help the sector thrive. The quality of leadership of the Attorney General matters deeply to the nonprofit community.

We greatly appreciate the opportunities we have had to work with Attorney General Xavier Becerra during his tenure, as well as with his staff in the Charitable Trusts Division. His commitment to the nonprofit sector is clear.

Based on that close and productive work with him and his staff, we offer you some recommendations for priorities we hope the new Attorney General will have.

The new Attorney General must:

- 1. Continue to be proactive and assertive in pursuit of scammers pretending to be nonprofits.** Nonprofits work hard to serve their communities. We rely on grants and individual donations for 27 percent of the funds we use to provide our services and programs. Scammers that set up false nonprofits to get funds from donors harm those donors, give nonprofits a bad name, and, if trust in nonprofits erodes, can damage that important source of funding for nonprofits.
- 2. Support the development of new regulations to respond to the now-prevalent online donation industry.** Current regulations, which were developed pre-Internet to protect donors and nonprofits, no longer provide the needed protections. Donors must know how much of their donations go to the recipient organization and when they receive them. Nonprofits must be sure their organization name is not being used to solicit funds without their knowledge. And nonprofits must receive those funds in a timely way. The Charitable Trusts Division has been a national leader in developing such standards, and we hope a new Attorney General will continue to prioritize this work.
- 3. Promote policies that protect and strengthen nonprofits as key service providers, employers, and economic drivers.** California's nonprofits generate 15 percent of California's Gross State Product, and one in every 14 California jobs is at a nonprofit. Nonprofits also bring \$40 billion into the state from out-of-state sources, including from the federal government and

out-of-state donors and foundations. Regulations that nurture and support nonprofits have positive ripple effects across our economy and communities.

4. Support efforts to increase transparency and accountability of donor-advised funds (DAFs) and sponsors. California forgoes a conservatively estimated \$340 million a year in General Fund revenue to provide charitable deductions for DAF contributions, without comparable benefit to the public. While DAF donors take an immediate tax deduction, DAF sponsors can hold these funds indefinitely. Under existing California law, there is no guarantee that any DAF funds will reach charitable organizations. As a result, California's communities are not receiving the funds from DAFs that they desperately need, which is particularly egregious given the COVID-19 crisis and economic recession. Accountability for DAFs has never been more crucial than it is now.

5. Continue to recognize the inequities in our state and seek opportunities to remedy those inequities. Attorney General Becerra has been a symbol of integrity and consistency and a strong voice for justice; he and his staff have taken those ideals and put them into practice in their work—in ways that have benefitted nonprofits and the communities we serve. Future policies must continue to address the pronounced resource disparities across the state.

We thank you for your consideration of these recommendations, and we look forward to working with the new Attorney General to keep California's nonprofit community strong as we continue to step up to serve Californians, provide jobs, and support economic recovery.

Sincerely,

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

Jan Masaoka,
CEO, CalNonprofits

cc: Jennifer Fearing, Sacramento Advocate, CalNonprofits