Opportunities for Enhancing Philanthropy in Iowa: An Assessment of Rural Implications from Alternative Endow Iowa Concepts contained in HSB 137 and SB225

A Rural Policy Checklist and Briefing Report

April 1, 2003

Prepared for the Community Vitality Center by the Community Foundation Initiative Task Force

The Community Vitality Center (CVC) is a catalyst for creating real impacts in rural communities. The CVC strives to provide objective analysis on community vitality topics and to facilitate dialogue concerning impacts of public policy on Iowa communities and rural people. The Task Force includes: Rick Morain, Jefferson publisher; Mark Edelman, Interim Director, Community Vitality Center; Rand Fisher, President, Iowa Area Development Group; Michael Audino, Audino & Associates; Mark Hamilton, Iowa Falls publisher; Randy Pilkington, UNI Institute for Decision-Making; Tim Shields, U of I, Institute for Public Affairs; Jude West, U of I Nonprofit Resource Center; Steve Noah, ISU Extension; and Lana Pals, Grow Iowa Foundation.

I. Executive Summary

In August 2002, the Community Vitality Center embarked on statewide initiative to assist Iowa in capitalizing on the one time transfer of wealth that will be occurring in the non-metro portions of Iowa during the next 10 to 20 years. The CVC allocated $50,000 toward the initial catalytic steps to organize a collaborative effort to launch an initiative modeled after a very successful Nebraska initiative. Part of this process involved organizing a Rural Community Foundation Task Force that includes a range of representatives from rural communities, universities and rural interests.

During the process of developing the CVC initiative, the Task Force became aware of several legislative proposals to publicly fund incentives for increasing philanthropic activity. Thus, the Task Force set out to develop a checklist of critical questions from which to evaluate alternative proposals. This report evaluates incentives for community foundation endowments of two bills — SB 225 and HSB 137. This report is designed to assist interest groups and policymakers in assessing the implications on a timely basis and should not replace the immediacy of addressing Iowa’s philanthropic opportunities.

The Task Force finds positive implications and drawbacks in both SB 225 and HSB 137 based on the checklist of critical questions. The Task Force concludes that for a given level of funding authorization, the tax credits provided by SB 225 are likely to generate the greatest amount of philanthropic benefits activity in terms of numbers of donations in rural Iowa and widest range of nonprofit entities in rural Iowa. However, some rural communities likely possess institutional barriers that may not be addressed by SB 225. Communities without existing or effective community philanthropic mechanisms are less likely to see or realize the opportunities of rural philanthropy without extra technical assistance and funds for local fund raising campaigns and local project administration. SB 225 permanent endowment tax credits are only allowed for individual income taxes.

HSB 137 allows a wider range of permanent endowment tax credits including individual income, corporate, franchise, insurance premium, and moneys and credits. In addition matching seed grants for helping local communities to initially overcome philanthropic barriers are a positive element when coupled with tax credits for permanent endowments. However, the Task Force concludes

HSB 137 contains provisions that may likely tilt philanthropic benefits toward urban institutions and donors. Three such items are:

1. Lack of an independent board to assure appropriate rural representation, lack of an open "lead philanthropic entity" selection process based on merit criteria, and lack of public input procedures to assure that rural philanthropy barriers are addressed.
2. High caps on donation incentives that may use up most of the authorized tax credits.
3. Certification restrictions that exclude 3/4s of the existing community foundations and other state and regional foundations from directly benefiting from the philanthropic incentives unless they agree to deposit the matching seed grants and tax credited permanent endowments with a limited number of certified community foundations or become certified themselves. The national certification standards proposed are new, untested, and currently have no national body to certify compliance.

II. Background on Unique Opportunity for Rural Iowa Philanthropy

- National studies show that much of the Midwest, particularly many rural non-metro counties, will experience a sharp and sudden rise followed by a dramatic decline in the transfer of wealth during the next 10 to 20 years. In contrast, the transfer of wealth in metropolitan counties is expected to rise less rapidly and remain more stable.
- The difference is due in large part to the age distribution of wealth holders in non-metropolitan areas and the distribution of external residences of the potential heirs. A higher proportion of the wealth is likely to be transferred to heirs who no longer live in the area or transferred to philanthropic projects and initiatives external to the local community.
- Most rural communities have not developed institutional and cultural mechanisms to encourage retention of financial capital vital to sustain community quality of life that would be sufficient for maintaining their population bases. For example according to the Iowa Nonprofit Resource Center located at the University of Iowa, there are about 60 community foundations in Iowa.
- During the past decade, other states such as Minnesota, South Dakota, Nebraska, Missouri, and Montana have developed innovative institutional and policy models that provide encouragement and incentives for communities that currently do not have effective philanthropy mechanisms.
- For example, the Nebraska Community Foundation (NCF) has been in operation since 1993 and was established with seed funding from the Nebraska Rural Development Council. The success of the NCF has contributed to moving Nebraska from 29th in 1996 to 18th in 2000 in per-capita philanthropy according to national charitable giving ranks by the Urban Institute. Iowa slipped from 41st to 42nd during this same period. By 2002, the Nebraska Community Foundation managed 150 fund accounts for 118 communities in 63 of Nebraska's 93 counties. NCF charges 3/4 of one percent on community affiliated permanent endowment funds for management, legal, and accounting work. This allows local community affiliates to focus on raising money for local projects and then managing their local projects. The NCF mission prevents it from operating in competition with existing community or private foundations. In addition, existing community foundations are free to establish community affiliate fund accounts on a voluntary basis without a mandate. Nebraska's success is particularly astounding because it was accomplished in less than a decade without publicly funded tax credits or matching seed grants to encourage community affiliate funds. A critical factor cited by those involved was the singular goal of the staff in developing relationships in communities where such mechanisms did not previously exist.

III. Purpose and Role of the Community Vitality Center

The Community Vitality Center (CVC) was established on June 28, 2002, to serve as a catalyst in creating real impacts in rural communities. The CVC has a non-partisan board of 20 leaders representing diverse community interests from across Iowa. The CVC Board also includes representatives of Iowa Department of Economic Development, USDA Rural Development, and Iowa's community colleges, private colleges, and regent's institutions. CVC programs are funded in part by a special grant from Congress and the U.S. Department of Agriculture. For more information see the CVC web site.

Starting in August 2002, the Community Vitality Center (CVC) Executive Committee initiated a process to develop a similar Iowa Community Foundation Initiative. The CVC Board continues to consult with the Nebraska Community Foundation and developed a five step plan to nurture a similar statewide community foundation initiative in Iowa. The CVC Board committed $50,000 in first year seed funds to develop and initiate a plan. Collaborators include the Iowa Area Development Group, University of Iowa Nonprofit Resource Center and Institute of Public Affairs, Iowa State University Extension, UNI Institute for Decision-Making, the Grow Iowa Foundation initiated by the Southwest Iowa Coalition, and of course the CVC statewide board of leaders with diverse community interests.

The first phase of the plan is being carried out in 2003 and involves conducting (1) a county by county transfer of wealth study that can be used to show how much wealth will transfer during the next few decades, (2) an inventory of Iowa foundations and their barriers to philanthropy, (3) an assessment of structures and incentives used in selected states, and (4) a fall conference on status and future of philanthropy in Iowa. The transfer of wealth study was identified to be a critical element in Nebraska and Minnesota for generating discussions with community leaders concerning the status and opportunity for philanthropy in their respective communities.

The CVC initially was to seek development of an Iowa version of the Nebraska Legacy Challenge, where private sector funded matching grants would be provided to assist communities in organizing community foundation affiliates. Local affiliates would receive technical assistance to organize and manage local philanthropic campaigns and their own local projects for improving community vitality. At this time, the CVC is open to a range of alternatives, including but not limited to working with and/or affiliating with existing foundations, foundation networks in Iowa, and others in neighboring states, and/or creating a new specialized single purpose entity that focuses on addressing and overcoming the unique rural community barriers in rural Iowa. If the statewide initiative in Iowa is as successful as the Nebraska Community Foundation, the staff should be self-supported within a few years.

As the CVC Community Foundation Initiative Task Force conducted its work, it has become aware of legislative proposals to use public funds for matching grant incentives, and tax credit incentives for permanent endowments. The CVC Task Force has sought to understand and analyze the concepts to ascertain the implications for rural Iowa philanthropy and for existing networks of community and other foundations in non-metropolitan areas. It is with this objective in mind, that the CVC Planning Committee undertook and developed this Rural Policy Checklist and Briefing Report. There was a desire among members to evaluate the alternative Endow Iowa provisions and concepts included in HSB 137 and SB 225 to assist in making more informed decisions.

Regardless of the outcomes of the policy debate regarding the use of philanthropic incentives—whether publicly funded or privately funded—the CVC Community Foundation Initiative Task Force remains committed to moving a statewide philanthropic initiative forward. Such an initiative would potentially cultivate and encourage citizens and former residents to give something back and contribute to the community vitality in their hometowns and the state where they grew up. This project is envisioned to contribute immensely to Iowa's economic and social vitality, particularly in non-metro areas of the state where the predicted philanthropic opportunity will be more pronounced and shorter lived during the next two decades.

IV. Checklist of Critical Policy Questions for Rural Philanthropy

The CVC Task Force recognizes that progressive policies in Iowa are likely to develop only if they provide a balance of opportunities and benefits for both metro and non-metro constituencies. Based on this principle, the research conducted to date, and the combined experience and dialogue of the Community Foundation Initiative Task Force, the following critical policy questions were identified to serve as a checklist for rural philanthropy:

- Will rural interests, community leaders, and existing rural community foundations be appropriately represented on any boards that make policy and administrative decisions regarding eligibility, distribution, and investment of any publicly funded philanthropic incentives?
- Will rural interests, community leaders, and existing rural community foundations have appropriate access and opportunity to provide input into any proposed program procedures, eligibility criteria, and program limitations before the program is implemented?
- Will local community leaders have adequate flexibility to evaluate and implement a range of options regarding philanthropic activity such as (a) sustaining an existing community foundation, (b) creating a new locally controlled and invested community foundation, and/or (c) establishing one or more local community foundation affiliate funds in another community foundation, regional foundation, statewide foundation, or foundation based in another state as competition and performance may justify?
- Since rural community institutions often operate with a greater number of volunteers, fewer employed staff, and partnerships with local financial institutions, do any bill provisions arbitrarily restrict or limit the ability of rural community partnerships and interests from participating?
- Will rural communities and interests receive an appropriate distribution of the publicly funded incentives and program benefits and are there adequate assurances and safeguards to assure that rural communities and interests will receive adequate opportunity and appropriate consideration during the application process?
- Does the proposal encourage voluntary collaboration within various community institutions and among communities?

V. Implications of Checklist Questions for HSB 137 and SB 225

SB 225 creates two programs. The first focuses on business tax credits for economic development and community projects in blighted and non blighted areas of 50% up to $100,000 per business and $150,000 per project. These tax credits are applied to individual income, corporate, franchise, insurance premium taxes, and taxes on credit union moneys and credits. The second program creates tax credits for Iowa individual income taxpayers only of 40% up to $10,000 for eligible donations to permanent endowment and planned gift funds for eligible nonprofits and community foundations.

HSB 137 creates two programs. First is a program is administered by a lead philanthropic entity that distributes $25,000 matching seed grants to encourage local communities to organize community affiliated accounts in Iowa based nationally certified community foundations. Second, is the creation of tax credits of 20% for up to 5% of the program authorization for eligible donations to permanent endowments. The Iowa tax credits are applied to offset individual income, corporate, franchise, insurance premium, and moneys and credit tax liabilities and may be carried forward for up to five years. The donations must be made to Iowa based nationally certified community foundations or to local community affiliate organizations that are willing to deposit the funds in Iowa based nationally certified community foundations..

QUESTION 1. Will rural interests, community leaders, and existing rural community foundations be appropriately represented on any boards that make policy and administrative decisions regarding eligibility, distribution, and investment of any publicly funded philanthropic incentives?

SB 225: The Iowa Department of Revenue and Finance interprets and determines eligibility rather than a separate board or program eligibility criteria implemented by the Iowa Department of Economic Development.

Under SB 225, donors from both rural and urban locations are eligible on a level playing field in accordance with the tax code eligibility provisions for donations for permanent endowments in eligible non profits and community foundations. The donor's gift must be deposited as an eligible permanent endowment or planned gift and held on behalf of a nonprofit entity exempt from federal income taxes pursuant to section 501(c) (3) of the Internal Revenue Code. The donor's gift is not subject to approval by any agency other than the eligibility as determined by the Iowa Department of Revenue and Finance. Eligible for donors to permanent endowment tax credits include Iowa individual income taxpayers only. Under SB 225 tax credits for corporate income, franchise taxes, insurance premium taxes or credit union moneys and credits are NOT eligible for permanent endowment tax credits but are included in eligibility for economic and community development tax credit programs administered by the Iowa Department of Economic Development.

HSB 137: Existing non-metro community foundations and other non-metro community interests are likely to be under-represented on the HSB 137 proposed board of the "lead philanthropic entity" that sets procedures, requires information, and awards seed grants.

HSB 137 proposes that the Iowa Department of Economic Development will select a "lead philanthropic entity." This entity must meet three criteria:

- It must be a nonprofit entity exempt from federal income taxes pursuant to section 501(c)(3) of the Internal Revenue Code.
- It must be a statewide organization with membership consisting of organizations, such as community, corporate, and private foundations whose principal function is making of grants within the state of Iowa.
- The organization must have a minimum board of 40 members including members that are "qualified community foundations." HSB 137 states that "qualified community foundations" must meet national standards established by the National Council on Foundations.

The Iowa Council on Foundations (ICOF) has been the lead drafting entity and advocate for HSB 137 and is likely to be one of a few entities in the state which meets the criteria defined for the "lead philanthropic entity." Many potential applicants are precluded from applying for the "lead philanthropic entity" because they do not operate with a board of 40 members nor do they necessarily seek to become certified in accordance with the specific national certification standards proposed. For a variety of reasons, most high-performance entities that include rural representation or focus on rural philanthropy do not have Boards of Directors with 40 members. With the inclusion of such criteria, the selection process becomes arbitrary and less focused on performance or merit.

According to the Iowa Nonprofit Resource Center based at the University of Iowa, there are about 60 community foundations in Iowa. Currently the Iowa Council on Foundations has about a dozen members that are considered community foundations; the rest are corporate and other private foundations. Therefore, 75 percent of the existing community foundations in Iowa are not likely to be represented by the lead philanthropic entity. Also non-metro community interests wanting to establish philanthropic activities will likely be under-represented on the "lead philanthropic entity" board authorized to decide procedures, information and application requirements, and award seed grants.

QUESTION 2. Will rural interests, community leaders, and existing rural community foundations have an opportunity to provide input and to review final program procedures, eligibility criteria, and program limitations before the program is implemented and to assure continuous system improvement?

SB 225: To the extent that administrative rules are required to implement the provisions of SB 225, both rural and urban interests will have equal opportunity to provide input.

All procedures established by SB 225 that are not defined in the bill will likely require standard administrative rules and procedures subject to public input and review processes. While the Iowa Department of Economic Development possesses some responsibility for administration of economic and community development tax credit programs, similar administrative oversight appears to be less intensive for the eligibility criteria for the permanent endowment tax credits. In any case the normal public input and hearing processes for establishing administrative rules would apply to either state agency.

SB 137: No public hearing process or public review process is specified for input on the "lead philanthropic entity's" proposed program procedures, eligibility criteria, information requirements, or evaluation of performance. Thus rural community interests potentially have little input into the programs that are proposed and established by the "lead philanthropic entity" which is entrusted with authority to set procedures and make awards of the public funds.

HSB 137 does not require the "lead philanthropic entity" to conduct public hearing processes or to address rural philanthropic barriers. Without public review and input, a higher number of unintended consequences will likely occur. If program goals and procedures are unclear and if opportunities for input remain unspecified, rural institutions and community initiatives that rely more on volunteerism with fewer employed staff will likely experience difficulties in proposing system improvement changes to the lead philanthropic entity.

QUESTION 3. Will local community leaders have appropriate flexibility to evaluate and implement a range of options regarding philanthropic activity such as (a) sustaining an existing community foundation, (b) creating a new locally controlled and invested community foundation, and/or (c) establishing one or more local community foundation affiliate funds in another community foundation, regional foundation, statewide foundation, or foundation based in another state as competition and performance may justify?

SB 225: A broad range of community foundations and other nonprofit institutions may establish and benefit from tax credited permanent endowments under SB 225. This approach appears to provide opportunity for a wide range of nonprofit institutions to work toward increasing philanthropic activity in Iowa.

SB 225 provides a range of permanent endowment and planned charitable gift approaches that provide flexibility for potential donors to consider while benefiting from the tax credited benefits. Currently the proposal only allows donations to permanent endowments and planned gifts. To help initiate community interest in philanthropic momentum, bill sponsors could allow a small percentage of the tax credits could be made available for priority community projects that are

funded for shorter term projects without permanent endowments.
SB 225 provides wide flexibility for rural community leaders, existing foundations, and other non profit entities to establish their own tax credited permanent endowments or to affiliate with a wide range of institutions organized in Iowa for fund management.

A "qualified endowment" under SB 225 means a permanent irrevocable fund that is held or established by an Iowa tax exempt organization under 501 (c) (3) of the Internal Revenue Code. In addition, any tax credited permanent endowments may be held by any bank or trust company that is holding the funds on behalf of an Iowa tax-exempt organization.

It appears that in-state and out-of-state banks and trust companies may hold funds for qualifying organizations based in Iowa. However, SB 225 does not appear to allow existing community groups to affiliate with out of state foundations, unless the Iowa-based community group possesses its own non-profit tax exempt status under 501 (c) (3) of the Internal Revenue Code. For example, one community philanthropic group in the greater Lake Okoboji area of northwest Iowa has developed an affiliated fund account with the Minnesota community foundation entity. Similarly the Southwest Iowa Foundations affiliate with a greater Omaha foundation entity. One of the options under consideration by the CVC has been a possible affiliation with the Nebraska Community Foundation. Under SB 225 these groups appear to be ineligible for Iowa tax credited permanent endowments, unless they locally expend their resources to establish and maintain their own IRS non-profit status.

HSB 137: Existing community foundations that are not nationally certified by the standards of the National Council on Foundations (NCOF) and leaders of communities that do not have community foundations have two options. They either identify a NCOF certified community foundation for purposes of establishing an account to hold seed grant and permanent endowment funds, or they expend resources to document the 7 pages of requirements for certification in accordance with NCOF standards.

NCOF currently has no established body to certify compliance with the national standards that it has developed or to review the documentation of community foundations that may apply for national certification. Therefore any certification of NCOF standards that presently exists is purely voluntary and self-proclaimed. The NCOF membership primarily represents metropolitan-based foundations and has only recently developed the national standards for community foundations that are proposed as the eligibility criteria for HSB 137 programs.

The CVC Planning Committee is not aware of any research which finds that non-certified community foundations possess superior or inferior rates of return, or philanthropic performance, than community foundations that are nationally certified in accordance with NCOF standards (see National Council on Foundations web site). In addition, many community, regional, and state foundations interested in rural philanthropy are not likely to be interested in expending scarce resources for national certification by an organization that has not examined their operating environment and unique barriers of operation.

HSB 137 preempts local community leaders AND existing non-certified foundations from considering repository alternatives that may exhibit a better track record or preferred philanthropic performance than the Iowa based NCOF certified community foundations. For example, the Grow Iowa Foundation was established eight years ago by the Southwest Iowa Coalition. This foundation currently has $4 million in federally insured funds deposited with about ten community banks and financial institutions within the trade region. The Grow Iowa Foundation has no interest in becoming certified in accordance with the NCOF standards. Under HSB 137, the Grow Iowa Foundation would be prevented from participating in the matching seed grants or tax credited permanent endowments unless it deposited these funds in a NCOF certified community foundation instead of the local banks that are currently used.

About 75 percent of Iowa's existing community foundations such as the successful Manning Betterment Foundation would be required to make similar choices or to bypass the benefits of the matching seed grants and tax credited permanent endowment donations. Options such as depositing seed grants or endowment funds in local high-performance financial institutions, or to affiliate with high performance corporate or university-based foundations, appear to be prevented. However, HSB 137 appears to allow community philanthropic groups to affiliate with community foundations organized in another state as long as the out-of-state community foundation is certified in accordance with the NCOF standards and operating within Iowa.

Similar to SB 225, HSB 137 requires that all donations that are to be eligible for tax credits must be deposited in permanent endowments. Some communities may potentially benefit from having a portion of the tax credited donations deposited in non-permanent endowments so that funds might be expended on important local project priorities that can generate additional momentum and interest in philanthropic activity.

QUESTION 4. Since rural community institutions often operate with a greater number of volunteers, fewer employed staff, and partnerships with local financial institutions, do any bill provisions arbitrarily restrict or limit the ability of rural community partnerships and interests from participating?

SB 225: Rural institutions are not restricted by the law, but because they tend to operate in partnerships with volunteer leadership, many rural communities may have trouble overcoming the initial barriers for organizing philanthropic activities in communities where philanthropic mechanisms and entities are not presently organized or effective.

The addition of a community matching grant program to SB 225 targeted to existing rural community foundations, communities that do not presently have philanthropic mechanisms, or to entities that provide technical assistance for startup activities and managing projects would be helpful in overcoming some of the initial institutional barriers to philanthropic activity that some rural communities and regions face. While SB 225 does not contain any specific provisions, perhaps a limited number of tax credited and economic and community development projects could be approved for this purpose.

SB 225 establishes no limits or safeguards on fees charged for managing endowment funds and information on competitive rates and services may not be available to rural communities. The Nebraska Community Foundation charges 3/4s of one percent to manage permanent endowments plus the cost of the financial instruments.

HSB 137: Issues of potential conflicts of interest may arise in granting exclusive decision making authority to a board whose members are likely to contain entities that receive the highest benefits as repositories from HSB 137 eligibility criteria.

HSB 137 restricts seed grants and tax credited endowments to be deposited in NCOF certified community foundations. Many of the community foundations in Iowa that are likely to be NCOF certified are also represented by membership in the Iowa Council on Foundations. However, about 45 of Iowa's 60 existing community foundations are apparently not members of either organization. The non-member foundations are likely to be disproportionately rural.

Similar to SB 225, HSB 137 establishes no limits or safeguards to assure the rural community affiliate funds have access to competitive fees and fund management rates. For permanent endowments, the Nebraska Community Foundation charges ¾ of one percent plus the cost of the instrument vehicle which may provide some assurance of uniform and competitive fees for communities if local affiliate organizations were allowed to consider a wider range of repository options.

QUESTION 5. Will rural communities and interests receive an appropriate consideration in the distribution of the publicly funded incentives and program benefits and are there adequate assurances and safeguards to assure that rural communities and interests will receive technical assistance to overcome the unique barriers of rural institutions during the application process?

SB 225: All eligible gifts receive a 40% tax credit up to a maximum tax credit of $10,000 per donor. Any excess of the taxpayer's tax liability is nonrefundable and shall not be carried forward or backward to other tax years. In addition, no technical assistance is provided for overcoming institutional barriers that may exist for philanthropy in the local community or area.

This approach allows Iowa policymakers to distribute the benefits of the tax credit expenditures widely. For comparison if $25 million in permanent endowment tax credits are authorized, a minimum of 2,500 donors would receive benefit statewide. Thus many rural and urban donors and a wide range of nonprofit entities are likely to benefit from the incentives to increase philanthropy in Iowa.

It is important to note that SB 225 allows permanent endowment donation tax credits on Iowa individual income tax returns, only. Business tax credits are allowed for economic and community development projects under a separate program contained in the bill.

HSB 137: All eligible gifts receive a 20% tax credit up to 5% cap on individual tax credits. HSB 137 requests authorization for $25 million in tax credits. In addition, any excess tax credit in the current year for the donor may be carried forward for up to five years.

HSB 137 allows permanent endowment tax credit eligibility for a wider range of taxes than SB 225. HSB 137 allows permanent endowment tax credits for individual income taxes, corporate income taxes, franchise taxes, insurance premium taxes, and taxes on moneys and credits for credit unions.

HSB 137 contains high caps which increase the likelihood of fewer donations. Under a worst case scenario, 20 donations of $ 6.25 million each would receive $1.25 million in tax credits for each donation and would be sufficient to exhaust the $25 million in proposed tax credit authority under HSB 137. All subsequent applicants would receive no tax credits. Many rural communities are likely to be slower to respond, particularly if they are required to spend extra time and due diligence on identifying and evaluating NCOF certified community foundations for compatibility and performance in order to select a repository fund manager.

A market-oriented policy would allow economic performance and market forces to determine incentives for affiliation among new and existing community foundations based on relative performance. And while it may be appropriate for private initiatives such as the Iowa West to create foundations to use casino revenues for community matching grants within their trade area, is another matter for publicly funded state entities to mandate affiliation and affiliate fund arrangements. The Task Force concludes that policy should not arbitrarily prevent deposit of matching grants and tax credited endowments in regional, statewide, or local community foundations that are not NCOF certified. The NCOF standards are new and untested. Rural community institutions should be encouraged to perform due diligence on fund management alternatives, but not mandated as to where they may deposit their funds. High performance rural institutions should be judged on their own merit and not excluded from participation on the basis of whether they are nationally certified by criteria developed primarily for and by metro-based community foundations that may not be familiar with non-metro barriers to philanthropy and operating environments.

QUESTION 6. Does the proposal encourage voluntary collaboration within various community institutions within and among communities?

SB 225 does not provide any extraordinary assurances that existing or new nonprofit entities collaborate with each other within or among communities other than the existing economic incentives and due diligence processes that may exist and training programs that assist new community philanthropic initiatives and leaders in considering their startup options.

All existing and new nonprofit organizations and community foundations face structural and organizational decisions regarding whether to develop internal financial and legal expertise and nonprofit status or to collaborate with others that have competitive fund management rates and high performance track records for fund management returns. The role of the Iowa Nonprofit Resource Center and ISU Extension has been to provide training sessions that would allow local leaders to evaluate the alternative approaches. See the “Getting Organized” on the CVC web site under Community Foundation Initiative.

HSB 137: While incentives are provided to assure that new community affiliate organizations develop relationships with the limited number of NCOF certified community foundations in Iowa, assurances that efforts to organize new affiliate organizations are coordinated with other existing community foundation initiatives within the community or with other communities of the region remain unspecified. However, the Board of the lead philanthropic entity is given latitude to request information that could help stimulate and encourage coordination among local philanthropic entities.

Community affiliate organizations may be organized by five or more community leaders or advocates organized for the purpose of increasing philanthropic activity in an identified community or geographic area in this state with the intention of establishing a community affiliate endowment fund in one of the NCOF certified repositories in Iowa. There are no requirements specified to assure that existing community foundations are included in plans for new community philanthropic initiatives. However, the board of the lead philanthropic entity is given authority to require information that may be helpful in stimulating and encouraging coordination among the local philanthropic entities.

Concluding Observation

If tax credit legislation is approved in this legislative session, an educational effort [newspaper coverage, advertising, community meetings] are needed to generate awareness and participation, especially in rural areas. Many rural residents and businesses, even those who currently contribute to philanthropic projects, are unfamiliar with how tax credits work and why they and their communities should potentially be interested. Many of these same individuals do not and will not attend meetings.

Web Site References:

- Community Vitality Center
- Nebraska Community Foundation
- Des Moines Community Foundation (Contact for Iowa Council on Foundations)

- National Standards for U.S. Community Foundations
- National Foundation Center
- Better Business Bureau Charity Standards