

**CALIFORNIA DEPARTMENT OF JUSTICE**

**TITLE 11. LAW  
DIVISION 1. ATTORNEY GENERAL  
CHAPTER 4. SUPERVISION OF TRUSTEES AND FUNDRAISERS FOR  
CHARITABLE PURPOSES ACT and CHAPTER 4.6. NONPROFIT RAFFLE  
PROGRAM**

**NOTICE OF PROPOSED RULEMAKING**

Notice published April 2, 2021

The Department of Justice (Department) proposes to amend sections 300, 301, 303, 305, 308, and 311 of Title 11, Division 1, Chapter 4 of the California Code of Regulations (CCR) concerning the Supervision of Trustees and Fundraisers for Charitable Purposes and sections 411, 415, and 418 of Title 11, Division 1, Chapter 4.6 of the CCR concerning the Nonprofit Raffle Program.

**PUBLIC HEARING**

The Department will hold a virtual public hearing to provide all interested persons an opportunity to present statements or arguments, either orally or in writing, with respect to the proposed regulations, as follows:

May 19, 2021 at 10:00am (PDT)  
Online through BlueJeans  
<https://bluejeans.com/916210763>

[Join Meeting Here](#)

(NOTE: You may be prompted to join through the BlueJeans application, however, you may join through your browser without installing the application.)

OR

Dial (408) 317-9254  
Meeting ID: 916 210 763

The Department requests but does not require that persons who make oral comments at the hearing also submit a written copy of their testimony at the hearing.

**WRITTEN COMMENT PERIOD**

Any interested person or their authorized representative may submit written comments relevant to the proposed regulatory action. The written comment period closes on May 18, 2021 at

5:00pm. Only written comments received by that time will be considered. Please submit written comments to:

Kevin Sabo  
Associate Governmental Program Analyst  
Department of Justice  
Government Law Section  
1300 I Street  
Sacramento, CA 95814  
(916) 210-7639  
[regulations@doj.ca.gov](mailto:regulations@doj.ca.gov)

NOTE: Written and oral comments, attachments, and associated contact information (e.g., address, phone, email, etc.) become part of the public record and can be released to the public upon request.

### **AUTHORITY AND REFERENCE**

Authority: Sections 12584, 12585, 12586, 12587, 12599, 12599.1, and 12599.2, Government Code; and Section 320.5(h), Penal Code.

Reference: Sections 12581, 12582, 12583, 12585, 12586, 12587, 12598, 12599, 12599.1, 12599.2, 12599.3, 12599.5, and 12599.8, Government Code; Section 5227, Corporations Code; and Section 320.5, Penal Code.

### **INFORMATIVE DIGEST/POLICY STATEMENT OVERVIEW**

#### **Summary of Existing Laws and Regulations:**

Supervision of Trustees and Fundraisers for Charitable Purposes Act - The Attorney General has primary responsibility for supervising charities and charitable trusts in California under the Supervision of Trustees and Fundraisers for Charitable Purposes Act (Act). (Gov. Code, § 12598, subd. (a).) This involves protecting charitable assets and donations, and ensuring compliance with trust documents, articles of incorporation, and other governing documents of a charitable organization. In doing so, the Attorney General investigates charities, charitable trusts, and fundraising professionals, and brings enforcement actions.

Specifically, the Act governs charitable corporations, unincorporated associations, trustees, commercial fundraisers, fundraising counsel, commercial coventurers, and other legal entities holding or soliciting property for charitable purposes. The Act requires these persons and entities to register and file reports with the Attorney General's Registry of Charitable Trusts. (Gov. Code, §§ 12585, subd. (a), 12586, subd. (a), 12599, subds. (b) & (c), § 12599.1, subds. (c) & (d), and 12599.2.) The Attorney General has authority to make rules and regulations regarding the time for filing reports, the content of such reports, and the manner of executing and filing them. (Gov. Code, § 12586, subd. (b).)

Nonprofit Raffle Program - The Attorney General also has primary responsibility for the Nonprofit Raffle Program governed by Penal Code section 320.5. In California, charities and certain other private nonprofit organizations may conduct raffles to raise funds for beneficial or charitable purposes. This exception to the constitutional prohibition against lotteries requires that at least 90 percent of the gross receipts from a raffle go directly to beneficial or charitable purposes in California. Penal Code section 320.5 governs which organizations may hold raffles and how the raffles must be conducted. The Attorney General has authority to implement the Nonprofit Raffle Program through regulations. (Pen. Code, §320.5, subd. (h)(4).)

Registry of Charitable Trusts - The Act also establishes the Registry of Charitable Trusts (Registry) maintained by the Attorney General in the Department of Justice (Department). (Gov. Code, § 12587.1.) The Registry is responsible for administering registration and reporting requirements. All charitable trustees and fundraising professionals, as well as nonprofit organizations that conduct raffles, must register and file financial reports with the Registry. The Registry publishes these filings on the Attorney General's website and assists charities by responding to inquiries made by telephone, emails and correspondence. The Registry also offers educational guides, publications and webinars. The Registry has five program sections which oversee the filing of registration, renewal or financial forms, and collection of filing fees. These programs are Initial Registration (processes initial registration and filing fees), Renewals (processes annual renewal registration reports and filing fees), Delinquency (enforcement of timely annual renewal registration reports and collects filing and late fees), Commercial Fundraising (registers, collects filing fees and annual reports), and Raffles (registers, collects filing reports and raffle registration fees). Registration, Renewals and Delinquency are highly integrated and interdependent. The two remaining programs, Raffles and Commercial Fundraising, are independent programs.

### **Effect of the Proposed Rulemaking:**

The Department has authority to collect registration fees, renewal fees, late fees and other fees. (Gov. Code, §§ 12580 et seq., and 12587.1, Pen. Code, § 320.5.) Fee revenues pay for public access to reports filed with the Department, and for enforcement of the Act's registration and reporting provisions. (See Gov. Code, § 12587.1, subs. (c) and (d).)

The objective of this proposed rulemaking is to increase registration fees to maintain and operate a solvent program, pay for updates to the Department's Registry website where reports are made available to the public, and to pay for the Department's expanded enforcement of the Act's registration and reporting requirements. The Department's current fee revenue is not sufficient to support the Department's technology requirements and the personnel necessary to administer and enforce the Act and adequately protect charitable assets in California.

This proposed action amends existing Department regulations in CCR Title 11, Division 1, Chapter 4 to increase fees for entities that file with the Department's Registry, and update Registry forms that are required to be filed as follows:

Section 300. This section is amended to increase the initial registration fee from \$25 to \$50, and to the update Initial Registration Form (Form CT-1).

Sections 301, 303, and 305. These sections are amended to update the Annual Registration Renewal Fee Report (Form RRF-1).

Section 308. This section is amended to increase the registration fee from \$350 to \$500 and to update the Commercial Fundraiser for Charitable Purposes Annual Registration Form (Form CT-1CF), the Fundraising Counsel for Charitable Purposes Annual Registration Form (Form CT-3CF), and the Commercial Coventurer Annual Registration Form (Form CT-5CF).

Section 311. This section is amended to increase the renewal fee as set out in a fee schedule. The renewal fee is a sliding scale fee based on the annual gross revenues of a charity. This proposed action will impose a new renewal fee of \$25 on charities with an annual gross revenue of less than \$25,000. This proposed action will also increase by \$25 existing renewal fees applicable to charities with an annual gross revenue of \$1 million or less, except charities with an annual gross revenue between \$25,000 and \$50,000 will not be affected. In addition, this proposed action will increase the renewal fees for charities with an annual gross revenue of more than \$1 million, where the amount of the fee increase will range from \$50 to \$800.

This proposed action amends existing Department regulations in CCR Title 11, Division 1, Chapter 4.6 to increase fees for entities that file with the Department's Registry, and update Registry forms that are required to be filed as follows:

Sections 411 and 415. These sections are amended to update the Application for Registration/Nonprofit Raffle Program (Form CT-NRP-1).

Section 418. This section sets the registration fee eligible organizations must pay before holding a raffle. This proposed action increases the registration fee from \$20 to \$30.

### **Anticipated Benefits of the Proposed Regulations:**

Charities represent an important economic sector in California and significantly impact the communities they serve. California charities generate \$273.7 billion in annual revenue and hold \$436.7 billion in assets.<sup>1</sup> An increase in registration fees will benefit the health and welfare of California residents and promote fairness, social equity, and transparency by improving online public access to reports filed with the Registry, and by dedicating more staff and resources to investigating and prosecuting mismanagement and diversion of charitable assets. The increased enforcement activity will safeguard, preserve and recover charitable assets for the benefit of California residents who receive assistance from charitable organizations.

### **Comparable Federal Regulations:**

There are no existing federal regulations or statutes comparable to the proposed regulations.

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<sup>1</sup> California Association of Nonprofits & The Nonprofit Institute, Causes Count: The Economic Power of California's Nonprofit Sector (2019).

**Determination of Inconsistency/Incompatibility with Existing State Regulations:**

The Department has determined that the proposed regulations are not inconsistent or incompatible with existing state regulations. After conducting a review for any regulations that would relate to or affect this area, the Department has concluded that these are the only regulations that concern the Supervision of Trustees and Fundraisers for Charitable Purposes and the Nonprofit Raffle Program.

**Forms Incorporated by Reference:**

1. Initial Registration Form and Instructions, CT-1, (Rev. 02/2021).
2. Annual Registration Renewal Fee Report to Attorney General of California and Instructions, RRF-1, (Rev. 02/2021).
3. Commercial Fundraiser for Charitable Purposes Annual Registration Form and Instructions, CT-1CF, (Rev. 02/2021).
4. Fundraising Counsel for Charitable Purposes Annual Registration Form and Instructions, CT-3CF, (Rev. 02/2021).
5. Commercial Coventurer Annual Registration Form and Instructions, CT-5CF, (Rev. 02/2021).
6. Application for Registration Nonprofit Raffle Program and Instructions, CT-NRP-1 (Rev. 02/2021).

**Materials Relied Upon:**

None.

**Other Statutory Requirements:**

None.

**DISCLOSURES REGARDING THE PROPOSED ACTION**

**The Department’s Initial Determinations:**

Mandate on local agencies or school districts: None.

Cost or savings to any state agency: This proposed action will generate additional revenue to the Department to allow it to maintain and operate a solvent program, update the Registry website, and improve its outreach and enforcement activities. The Department estimates it will receive approximately \$4,075,660 in additional annual revenue as a result of the proposed fee increases. The Department estimates that its annual costs to maintain and operate a solvent program, update to the Registry website, and hire additional Registry and enforcement staff will approximate \$4,135,053.

Cost to any local agency or school district which must be reimbursed in accordance with Government Code sections 17500 through 17630: None.

Other non-discretionary costs or savings imposed on local agencies: None.

Cost or savings in federal funding to the state: None.

Cost impacts on representative person or business: This proposed action will increase registration fees for charities, commercial fundraisers, fundraising counsel, commercial coventurers, and eligible organizations that want to hold raffles. The initial registration fee for charities will increase by \$25. The annual renewal registration fee will increase by \$25 for most charities, and by \$50 to \$900 for charities with annual gross revenues over \$1 million. The registration fee for commercial fundraisers, fundraising counsel and commercial coventurers will increase by \$150. The registration fee for eligible organizations that want to hold raffles will increase by \$10.

Significant effect on housing costs: None.

Significant, statewide adverse economic impact directly affecting businesses, including ability to compete: The Department has made an initial determination that that the proposed action will not have a significant, statewide adverse economic impact directly affecting businesses, including the ability of California businesses to compete with businesses in other states.

### **Results of the Economic Impact Analysis/Assessment (EIA):**

The Department concludes that it is unlikely that (1) the proposal will create or eliminate jobs within the state, (2) will create new businesses or eliminate existing businesses within the state, and (3) will result in the expansion of businesses currently doing business within the state.

Benefits of the proposed action: Charities represent an important economic sector in California and significantly impact the communities they serve. At any given time, there are some 115,000 charitable-related entities registered with the Registry. California charities generate \$273.7 billion in annual revenue and hold \$436.7 billion in assets. An increase in registration fees will benefit the health and welfare of California residents and promote fairness, social equity, and transparency by improving online public access to reports filed with the Registry, and by dedicating more staff and resources to investigate and prosecute mismanagement and diversion of charitable assets. The increased outreach and enforcement activity will safeguard, preserve and recover charitable assets for the benefit of California residents who receive assistance from charitable organizations.

Business report requirement: This action does not impose any new reporting requirements.

Small business determination: The Department has determined that this proposed action affects small businesses that register with the Department's Registry.

### **CONSIDERATION OF ALTERNATIVES**

In accordance with Government Code section 11346.5(a)(13), the Department must determine that no reasonable alternative considered by the Department or that has otherwise been identified and brought to the attention of the Department would be more effective in carrying out the

purpose for which the action is proposed or would be as effective and less burdensome to affected private persons than the proposed action or would be more cost-effective to affected private persons and equally effective in implementing the statutory policy or other provision of law.

The Department has determined that the proposed regulations are the most effective way to generate revenue to fund its disclosure, outreach, and enforcement activities under the Act.

### **CONTACT PERSONS**

Inquiries concerning this proposed administrative action may be directed to:

Department of Justice  
Government Law Section  
Attn: Kevin Sabo  
1300 I Street, 17<sup>th</sup> Floor  
Sacramento, CA 95814  
(916) 210-7639  
[regulations@doj.ca.gov](mailto:regulations@doj.ca.gov)

Questions regarding procedure, comments, or the substance of this proposed action should be addressed to the above contact person. In the event the contact person is unavailable, inquiries regarding this proposed action may be directed to the following backup contact person:

Department of Justice  
Government Law Section  
Attn: Zach Hoffman  
1300 I Street, 17<sup>th</sup> Floor  
Sacramento, CA 95814  
(916) 210-6366  
[regulations@doj.ca.gov](mailto:regulations@doj.ca.gov)

### **AVAILABILITY OF STATEMENT OF REASONS, TEXT OF PROPOSED REGULATIONS, AND RULEMAKING FILE**

The Department will have the entire rulemaking file available for inspection and copying throughout the rulemaking process at its office at the above address. As of the date this Notice of Proposed Rulemaking (Notice) is published in the Notice Register, the rulemaking file consists of this Notice, the Text of the Proposed Regulations (the “express terms” of the regulations), forms incorporated by reference, the Initial Statement of Reasons, and any information upon which the proposed rulemaking is based. The Notice, the express terms, program forms, the Initial Statement of Reasons, and any information upon which the proposed rulemaking is based are available at <https://oag.ca.gov/charities/reg>. Please refer to the contact information listed above to obtain copies of these documents.

### **AVAILABILITY OF CHANGED OR MODIFIED TEXT**

After the Department analyzes all timely and relevant comments received during the 45-day public comment period, the Department will either adopt these regulations substantially as described in this Notice or make modifications based on the comments. If the Department makes modifications which are sufficiently related to the originally-proposed text, it will make the modified text (with the changes clearly indicated) available to the public for at least 15 days before the Department adopts the regulations as revised. Please send requests for copies of any modified regulations to the attention of the name and address indicated above. The Department will accept written comments on the modified regulations for 15 days after the date on which they are made available.

### **AVAILABILITY OF THE FINAL STATEMENT OF REASONS**

Upon its completion, a copy of the Final Statement of Reasons will be available on the Department's website at <https://oag.ca.gov/charities/reg>. Please refer to the contact information listed above to obtain a written copy of the Final Statement of Reasons.

### **AVAILABILITY OF DOCUMENTS ON THE INTERNET**

Copies of this Notice, the express terms, program forms, the Initial Statement of Reasons, and any information upon which the proposed rulemaking is based are available on the Department's website at <https://oag.ca.gov/charities/reg>.