National Association of State Charity Officials
Unified Electronic Registration System
Overview of the Singlepoint Website
Proposal Available Upon Request

The National Association of State Charity Officials (NASCO), in conjunction with the Urban Institute and the Charities Regulation and Oversight Project of the National State Attorneys General Program at Columbia Law School, proposes to develop a unified electronic registration system that will allow nonprofit organizations and their professional fundraisers to comply with every state's registration requirements at <u>one</u> online location (Singlepoint Website). This Singlepoint Website will eliminate many of the costly inefficiencies of complying with the disparate rules of the forty states that currently require charities registration—a process that now requires a multiplicity of forms, duplication of data entry, a mix of electronic and paper submissions, and confusion (or varying requirements) about what attachments are required by which state in order to register and meet annual renewal requirements.

On NASCO's Singlepoint Website, a charity or its professional fundraiser will select each of the states in which they need to register and then complete the necessary registration requirements for those states efficiently and without duplication. A charity may even elect to electronically file its required annual federal 990 informational return at the same time on the Singlepoint Website for maximum efficiency and cost savings in meeting annual state and federal government reporting requirements.

<u>Practical Benefits: Common Sense for Twenty-First Century Public Policy</u>

1. It costs nonprofit organizations both time and money to register. A good deal of the cost arises from the inefficiencies created by forty unique state registration systems. As a result, nonprofits must either pay someone to navigate the disparate systems, or devote internal staff time to it. The development of this single, easy-to-use unified state registration website will save nonprofit organizations significant time and charitable dollars.

2. The Singlepoint Website will enable the public to make more informed choices about their charitable giving by providing quick and easy access, for the first time, to the wealth of public information available in every state's nonprofit registration filings through a searchable feature on the home page of the Website.

3. More timely and effective policy making for the nonprofit sector will be facilitated by the increased accessibility to public registration information – presently warehoused in paper files or unique state-specific databases – that academic institutions can easily access and reference in their analysis of emerging issues and trends in the sector.

4. Finally, Singlepoint electronic registration will enable state charities officials to direct their increasingly limited resources away from the registration process and towards their core purpose of preventing fraud and misuse of charitable funds.

Getting It Started: The Singlepoint Pilot Project

Eight of the forty states that register nonprofit organizations plan to participate in a three-year pilot project to build and launch the Singlepoint Website: Alaska, Colorado, Connecticut, Hawaii, Massachusetts, Mississippi, Missouri, and New Hampshire (the pilot states). The Website will be launched during the first year with charities registration and renewals enabled for five of the eight pilot states. Registration for the other three pilot states will be launched in the second year. Fundraising professional registration capability will be completed in the second year and phased in for the pilot states during the second and third years of the project. Public access search features will be completed and launched in the second year, and the "back-page" regulators-only charity analysis tools will be completed and implemented in the final year of the pilot project. Throughout all phases, NASCO, the Urban Institute, and Columbia Law School's Charities Oversight and Regulation Project will work with the states to coordinate strategic planning and implementation, harmonize forms and develop necessary interface for payments and validation of signatures, develop outreach and education for the public, and develop the plan for securing the participation of the remaining thirty-two states on the Singlepoint Website.

Overcoming the Challenge of Funding
in a Recession Economy

NASCO anticipates that the cost of the Pilot Project to build and launch the Singlepoint Website will be approximately $3 million. This important public policy initiative will significantly advance the necessary interaction of nonprofits with state governments by bringing the functionality of that interaction into correspondence with the electronic management, fundraising, and communication tools that are now commonplace in the nonprofit and fundraising sectors. The Singlepoint Website represents basic common sense in cost savings and efficient use of resources, for charities and for state governments.

Unfortunately, as a result of the severe economic pressures of the last decade, state governments do not have sufficient resources to undertake the upgrades and new systems necessary to implement electronic registration, and no resources at all to coordinate with other states to implement the far more practical unified electronic registration system proposed by NASCO and its partners as the Singlepoint Website.

To overcome this handicap, NASCO and its partners are reaching out to the nonprofit sector to join with us to implement these common sense efficiencies that will significantly benefit the sector and the public. The financial support of the nonprofit sector for the Singlepoint Pilot Project will enable NASCO and its partners to build a sound infrastructure and launch a unified electronic charities reporting system that will allow ease of use for charities, their professional fundraisers, and state governments, and for the first time, will make possible efficient public access to the wealth of valuable information collected by the states under state registration laws.

PURPOSE OF THE SINGLEPOINT WEBSITE
Correcting Inefficiencies That Burden Charities and State Governments

Rapidly changing technology and an increase in interstate solicitation by nonprofit organizations has rendered the current system of state charities registration inefficient. In nearly every state, the Attorney General or Secretary of State[1] has broad general powers to enforce laws governing charitable solicitations and the administration of charitable assets.[2] Forty states mandate registration by nonprofit organizations and fundraising professionals who solicit contributions from the public and five of those states require some form of electronic filing to fulfill some or all of the registration requirements.[3] Most of the forty states require financial reporting by registered nonprofit organizations. Some states require registration of charitable trusts, and a few require registration by all nonprofits doing business within the state.

Nonprofits are confronted with unique requirements in each of the forty states. While the information sought across the states is similar, no two states' requirements are identical. Most accept the Uniform Registration Statement, but there exists no uniform renewal form, and the uniform paper statement is not accepted by the electronic filing states. Adding to the inefficiency and duplicative nature of these filings, no mechanism exists for states to easily share their registration information. As a result, there is a great deal of data duplication. Further, there is no mechanism for matching the data collected by state charity offices with the IRS Form 990s to eliminate duplication of common data entry for charities and to enable state governments to identify discrepancies that often signal fraudulent activity.[4] These inefficiencies will only increase as technology continues to change. The proposed Singlepoint Website will alleviate many of those burdens.

Singlepoint unified registration will save charities measurable time and charitable dollars. For example, one of the widely-used attorneys assisting nonprofits with registration charges a flat rate of $7500 to register a nonprofit in all forty states,[5] in addition to each state's registration fee. A large nonprofit, Independent Sector, spends $8,250 a year to have a law firm handle state registrations, plus an additional $4,325 in fees, and about 16 staff hours annually supporting this process. The Land Trust Alliance spends $5,200 per year for basic services, but they estimate their staff time associated with the process to be about 200 hours per year, applied to a variety of tasks: development, accounting, human resources, and senior staff time (check requests, signatures, follow-up, etc.). These costs will only increase as states adopt individual electronic filing systems. Nonprofits that register in multiple states, and their professional advisors, are currently able to achieve some efficiency from uniform statements. That efficiency does not

---

[1] In eighteen of the forty states that have registration laws, a second agency, typically the Secretary of State, is responsible for registration and reporting. In those states, the registrar agency typically has legislative authority to initiate administrative enforcement actions for violations of charitable registration laws.

[2] The National Conference of Commissioners on Uniform State Laws' Model Protection of Charitable Assets Act states that the Attorney General has a broad duty to represent the public interest in the protection of charitable assets.

[3] Hawaii, Colorado, Michigan, New Mexico, and Ohio.

[4] In future development, NASCO hopes to include on its Single-Point Website an interface with IRS 990s and other publicly available data from IRS.

[5] Karl Emerson, *of counsel* at Montgomery McCracken Walker & Rhoads LLP.

carry over to electronic filing, however, where each website requires that information be uniquely submitted.

Effects of Growth and Innovation in the Sector

As the nonprofit sector and forms of charitable solicitation continue to rapidly expand, inefficiencies resulting from disunity in state registration systems will only increase. Charitable giving by individuals, corporations and foundations in 2011 was estimated at $298 billion, an increase of 4% over 2010.[6] By 2010, charitable organizations recognized as exempt under I.R.C. § 501(c)(3) had annual revenues of $1.51 trillion and assets of $2.71 trillion.[7] Charitable organizations are expected to control an additional $2 to $3 trillion in charitable assets by the year 2020.[8] In 2010, there were more than 1.5 million tax-exempt organizations in the United States, more than 950,000 of which are public charities or private foundations. As of 2007, nonprofit organizations employed 8.7 million workers, or 5.9 percent of all workers.[9] In 2010, nonprofits accounted for 9.2% of all wages and salaries paid in the United States.[10] In 2008, 26.8 percent of Americans volunteered their time to or through a nonprofit organization at a rate of 17 million volunteers per day; this represents a $280 billion contribution at average wages.[11]

Online solicitations and social media are rapidly changing how charities solicit donations. Online giving reportedly grew by 35% in 2010, and represented nearly 8% of all charitable giving.[12] While nearly all nonprofit organizations have websites and solicit donations on those websites, marketing and fundraising through social media over the past four years has become mainstream and continues to increase in sophistication in organizations of all sizes.[13] At least 27 organizations raised more than $100,000 on Facebook in 2010 and an increasing number of organizations are raising substantial funds on house networks developed by the organization.[14] Disasters such as the earthquake in Haiti and Hurricane Katrina generated millions of dollars in high-volume, "instant" donations through both mobile phones and social networks.

These new solicitation methods, including one-click donation, have made it easier for nonprofits to reach larger groups of donors and raise more money for their causes, because online fundraising is not state-specific, and it allows nonprofit organizations greater flexibility and greater reach in attracting donors. Predictably, this newfound accessibility and immediacy

---

[6] Giving USA 2012: *The Annual Report on Philanthropy*. (GivingUSA Foundation).

[7] "*The Nonprofit Sector in Brief* " Urban Institute, National Center for Charitable Statistics.

[8] Havens and Scherish, *Millionaires and the Millennium: New Estimates of the Forthcoming Wealth Transfer and the Prospects for a Golden Age of Philanthropy*, Boston College Social Welfare Research Institute, October 1999, pp.17-19.

[9] "*Wages in the Nonprofit Sector: Management, Professional and Administrative Support Occupations*" Bureau of Labor Statistics, U.S. Department of Labor (2009).

[10] "*The Nonprofit Sector in Brief*" Urban Institute, National Center for Charitable Statistics.

[11] *Id.*

[12] "*Online Giving Up Significantly in 2010"* Philanthropy News Digest, The Foundation Center, February 20, 2011, citing *Blackbaud Press Release 2/15/11.*

[13] *2011 Nonprofit Social Network Benchmark Report*, Nonprofit Technology Network – Common Knowledge – Blackbaud, www.NonprofitSocialNetworkSurvey.com p. 3; *2012 Nonprofit Social Network Benchmark Report*, Nonprofit Technology Network – Common Knowledge – Blackbaud, www.NonprofitSocialNetworkSurvey.com pp. 12, 15, 26, 27.

[14] *Id. 2011 Report,* p. 3.*; 2012 Report*, pp. 22, 33.

provides heightened opportunities for fraud. The FBI reported that more than 2,000 Internet sites soliciting relief for Hurricane Katrina victims were fraudulent.[15] State regulators cannot respond quickly to these threats because paper-based and disparate electronic state registration systems prevent regulators from keeping pace with these technological advancements.

Estimates of the amount of fraud and personal enrichment in the sector range from 6 to 13 percent of the total amount of charitable donations each year. The Association of Certified Fraud Examiners places the costs of fraud to nonprofit organizations in the billions of dollars.[16] Obviously, state charities regulators have their hands full. While the nonprofit sector has always attracted many public-minded individuals, it simultaneously attracts a small minority who abuse nonprofits for personal gain. Unfortunately, when their misdeeds come to light, this small minority has a disproportionate impact on public perceptions of the whole nonprofit sector.

The Public Benefits of Efficient State Registrations

State charity officials represent the front-line defense against these abuses and the harm they cause to the reputation of the sector. Over the past ten years, charities officials have been responsible for stopping hundreds of cases of fraud and misappropriation of funds. Some of these efforts occur in the public eye, but officials also regularly work behind the scenes to educate boards about their duties and to ensure that fundamentally well-meaning organizations are preserved. Along with the IRS and investigative journalists, state enforcement officials are necessary to ensuring a sector that acts reliably in the public interest.

The first and primary resource for identifying possible fraud is the analysis of data contained in – or absent from – state nonprofit organizations filings. The data collected under state registration laws provides charity regulators with information about who is soliciting in their states, how much money is being raised and how those funds are being used and overseen. State charity and law enforcement officials use that information to identify potential problems and develop hundreds of cases each year addressing legal violations such as excess compensation, failure to use assets for charitable purposes, improper self-dealing, mismanagement of charitable assets, and outright fraud. But the systems' inefficiencies limit regulators' effectiveness. Enforcement is too often reactive rather than proactive, because the personnel-intensive nature of processing data gathered in accordance with state registration laws limits the resources available for analysis, investigation and enforcement.

Quick electronic access to the collective registration data from all states on NASCO's Singlepoint Website will enable state officials to more rapidly identify and investigate potential problems. In turn, quicker and more efficient investigations will allow state regulators to more promptly issue public warnings and respond to fraudulent solicitations. The Website will provide a vital public resource for information about the identity and credibility of solicitors, their solicitation activities and the nonprofit organizations for which they are soliciting. This quick and easy single access-point for solicitation information will be especially valuable in the

---

[15] Greenlee, Fischer, Gordon and Keating, *"An Investigation of Fraud in Nonprofit Organizations,"* Nonprofit and Voluntary Sector Quarterly, September 26, 2007, p. 677.

[16] Strom, *"Report Sketches Crime Costing Billions: Theft From Charities,"* The New York Times, March 29, 2008.

case of disaster relief efforts and solicitations. For the first time, the states will be able to share with the public the vast amount of information – presently warehoused in files or state-specific databases – received through registration systems and enforcement actions. The Website also will enable better use of that information cooperatively among the states to protect the public from fraudulent fundraising and misuse of charitable assets.

In most states, personnel process nonprofit organizations' registration information by hand upon receipt. The resulting data must then be accessed and analyzed manually in order to identify irregularities or to determine whether a complaint from the public is substantiated. States such as Mississippi and New Hampshire, two of the pilot project states, rely on row upon row of filing cabinets for storing registration data submitted by charities. In Maryland, personnel manually process paper application forms for more than 10,000 nonprofit organizations and then scan them as images for electronic storage, without the capability of searching specific data contained in the images.

State regulators tasked with ensuring transparency and accountability in the charitable sector have encountered diminished budgets due to the recent economic downturn. As a result, insufficient funds are available to upgrade information technology necessary to keep pace with changing nonprofit practice and fundraising. At the same time budget cuts have resulted in a reduction in the number of personnel devoted to charities regulation and protection. The reduction in essential tools and personnel places at risk the donations made to nonprofit organizations by generous citizens.

NASCO's Singlepoint Website will exponentially expand existing regulatory resources by consolidating all of the information gathered by states, significantly enhancing states' ability to identify, investigate and, when necessary, take action to stop fraudulent fundraising, self-dealing and waste of charitable assets. Meeting state registration and annual filing requirements will cease to be an inefficient drain on resources for charities, and the public will have unprecedented access to information about charitable solicitation campaigns and judgments obtained by the states for fraudulent activity.

THREE MAJOR COMPONENTS OF THE SINGLEPOINT WEBSITE

1. **The Registration Website**: This innovation will provide nonprofit organizations and professional fundraisers with an easy-to-use system for meeting all of their state filing requirements. Professional fundraisers will be able to register events and campaigns in multiple states. Duplication of data entry will be eliminated, as well as the need to research what forms or supplemental documents are required in each state. The system will prompt the submission of all required information for the states identified by the registrant at the beginning of the process.

Most states require the IRS Form 990 as part of registration or annual filing. NASCO's Singlepoint Website will integrate with the Urban Institute's existing Form 990 Online so that organizations can complete the Form 990 and the system will automatically load information from the Form 990 into the state forms, and/or submit the complete 990 if required as part of state filing requirements.

2. Public Website: State registration materials and financial reports are public records in every state. Yet only a few of the forty states that have registration laws currently provide easy access to this information online and even then, the information is only available through individual state-specific websites. For the first time, members of the public will have easy access to the collective wealth of information held by the states about nonprofit organizations and professional fundraisers at this single hub.

This vital component of NASCO's Singlepoint Website represents a new and important benefit to the public not only by providing information about nonprofit organizations soliciting donations and providing services throughout the country – information that is not available on other websites such as Guidestar and Charity Navigator – but by offering extraordinary transparency and accountability to an important government function; regulation of charitable activity and charitable assets. Researchers and other approved users may be able to download data for academic, analytical and policy assessment purposes that will serve the public interest.

3. Registration Manager and Analysis Tools for State Charity Officials: The third component of NASCO's Singlepoint Website will include simple tools to identify in registrations outliers that will help to catch organizations that fail to file or file fraudulently. In addition, state-of-the-art analytical and comparative programs will be constructed to analyze unusual patterns in registration and identify potential fraudulent activity. These tools will be available exclusively to State officials, and will significantly enhance their ability to protect the public from fundraising fraud and loss of charitable assets.

NASCO AND ITS PARTNERS IN THE SINGLEPOINT PILOT PROJECT

NASCO is a national coalition of all state regulators involved in registration and enforcement of charities and protection of charitable assets, including Attorneys General from all states, and Secretaries of State or Commissioners for other State agencies that manage registration functions in accordance with the laws of the eighteen states for which the Attorney General is not responsible for registration. NASCO is in a unique position to guide the multistate effort to provide a solution to the inefficiencies that plague nonprofits in meeting charities registration laws and handicap the states in carrying the duty to the public to prevent fraud and protect charitable assets. *See* nasconet.org.

The Urban Institute, through its Center for Nonprofits and Philanthropy and National Center for Charitable Statistics, will design and build the Singlepoint system. The Urban Institute is the perfect partner for NASCO for the Singlepoint Website because Urban has already successfully implemented electronic registration filings in Hawaii, Michigan and other states. In addition, the Urban Institute, working with the Internal Revenue Service, has developed an electronic platform where charities can file their annual Form 990 informational return. That platform will be interfaced with the Singlepoint Website so that those charities that file their 990 electronically can, at the same time, complete their state registrations and renewals without reentering data included on the 990, and the system will also automatically attach the completed Form 990 to state registrations (required by most states). The Urban Institute's

development of the Singlepoint Website with NASCO corresponds with its objective to save government and communities time and money through research on effective and efficient programs as part of its mission to foster sound public policy and effective government. *See* http://www.urban.org/center/cnp/index.cfm.

The Charities Regulation and Oversight Project of Columbia Law School's National State Attorneys General Program (The Charities Project) will assist NASCO with – and provide professional resources for – the significant management, administration, and coordination necessary to successfully implement and maintain this multi-state project that will transform charity registration and regulation in the United States. The Charities Project serves as an important educational resource and clearinghouse of scholarship, information and best practices for State Attorneys General and other state charities regulators in fulfilling their respective duties in the protection of assets held for charitable purposes. The Charities Project also serves as a conduit between state regulators and the nonprofit sector in identifying issues important to the sector and implementing policies to address those issues. The Charities Project and the National Association of Attorneys General for many years have provided professional resources and support to NASCO. The Charities Project's participation in the Singlepoint Website Pilot Project will further that historic and successful partnership by bringing the Project's professional knowledge and experience to development of protocols for the Singlepoint Website and strategic planning for bringing the remaining thirty-two states onto the Singlepoint Website after it is fully launched and operating. *See* http://www.law.columbia.edu/center_program/ag/policy/CharitiesProj/about

Contact Information:

Karen Gano, Connecticut Attorney General's Office, Karen.Gano@ct.gov

Tom Pollak, The Urban Institute, TPollak@urban.org

Bob Carlson, Missouri Attorney General's Office, bob.carlson@ago.mo.gov

Mark Greider, Strictly Software, Inc., mgreider@strictlysoftware.com

Cindy Lott, National Association of Attorneys General Charities Project, Columbia Law School, clott@law.columbia.edu