



100TH GENERAL ASSEMBLY

State of Illinois

2017 and 2018

HB5479

by Rep. Daniel J. Burke

SYNOPSIS AS INTRODUCED:

805 ILCS 105/Art. 14A heading new
805 ILCS 105/114.50 new
805 ILCS 105/114.55 new
805 ILCS 105/114.60 new
805 ILCS 105/114.65 new

Amends the General Not For Profit Corporation Act of 1986. Provides that the Secretary of State shall establish a system for grading corporations organized under the Act on the basis of the corporation's cost of fundraising, administrative expenses, and expenses for services for the corporation's designated clientele. Requires corporations to report to the Secretary information necessary for grading the corporations. Establishes minimum criteria for grading, including the corporation's cost of fundraising disregarding corporation revenue derived from investment income, sales proceeds, program service revenue, and other revenue derived as a result of activity other than fundraising. Provides that corporations failing to meet a minimum score shall be deemed ineligible for grants made available through the expenditure of State funds. Requires the Secretary to post the grading results on the Secretary's website.

LRB100 17404 JLS 32570 b

FISCAL NOTE ACT
MAY APPLY

A BILL FOR

1 AN ACT concerning business.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 5. The General Not For Profit Corporation Act of
5 1986 is amended by adding Article 14A as follows:

6 (805 ILCS 105/Art. 14A heading new)

7 ARTICLE 14A.

8 NOT-FOR-PROFIT GRADING; REPORTS

9 (805 ILCS 105/114.50 new)

10 Sec. 114.50. Purpose. It is the purpose of this Article to
11 establish a methodology to enable the public to evaluate the
12 performance of domestic and foreign corporations with respect
13 to the use of money received by the corporation as donations
14 and as grants from taxpayer sources. It is also the purpose of
15 this Article to enable donors and grant providers to direct
16 donations and grants to a corporation based upon the priorities
17 demonstrated by the corporation's use of the donations and
18 grants received and to enable the donors and grant providers to
19 reduce donations and grants to corporations that expend a
20 disproportionate amount of money on administrative costs.

21 (805 ILCS 105/114.55 new)

1 Sec. 114.55. Not-for-profit grading standards.

2 (a) The Secretary of State shall adopt rules to establish
3 grading standards to effectuate the purposes of this Article.
4 The grading standards must, at a minimum, provide:

5 (1) a mechanism that requires the disclosure of the
6 corporation's cost to raise \$100 of cash donations and
7 grants disregarding corporation revenue derived from
8 investment income, sales proceeds, program service
9 revenue, and other revenue derived as a result of activity
10 other than fundraising;

11 (2) a mechanism that requires the disclosure of the
12 corporation's expenditure on services to its defined
13 clientele per \$100 of cash donations and grants received
14 disregarding corporation revenue derived from investment
15 income, sales proceeds, program service revenue, and other
16 revenue derived as a result of activity other than
17 fundraising; and

18 (3) a disclosure of the amount of money the corporation
19 expends for services to its defined clientele and the
20 amount of money expended for administrative purposes.

21 The grading standards shall provide for the grading of
22 corporations on a scale of 0 points to 100 points with 0 points
23 being the lowest grade and 100 points being the highest grade.
24 The scale shall be divided into segments of 4 points.

25 The grading standards may include such other criteria as
26 the Secretary of State deems necessary.

1 (b) The Secretary of State shall make available on the
2 Secretary's website the results of the grading of corporations
3 under this Article.

4 (805 ILCS 105/114.60 new)

5 Sec. 114.60. Report to Secretary of State. A corporation
6 shall report to the Secretary of State the information required
7 by the Secretary of State for purposes of grading corporations
8 under this Article.

9 (805 ILCS 105/114.65 new)

10 Sec. 114.65. Effects of grading.

11 (a) The Secretary of State shall place a corporation that
12 receives a grade of at least 26 points and not more than 40
13 points on probation for a period of 2 years, during which the
14 corporation shall endeavor to increase its score to 60 points
15 or better. A corporation that fails to increase its score as
16 provided in this subsection is not eligible for the award of
17 any grant made available through the expenditure of State
18 funds.

19 (b) A corporation that receives a score of less than 26
20 points is ineligible for the award of any grant made available
21 through the expenditure of State funds for a period of 4 years.

22 (c) Corporations that receive a score of 90 or more points
23 are eligible to receive additional grants made available
24 through the expenditure of State funds that otherwise would

1 have been granted to corporations deemed ineligible under this
2 Article. The additional grants, if made, shall be awarded in
3 the following manner:

4 (1) 50% of the funds available under this subsection
5 for grants available through the expenditure of State funds
6 may be granted to corporations that receive a score of 96
7 points or more;

8 (2) 30% of the funds available under this subsection
9 for grants available through the expenditure of State funds
10 may be granted to corporations that receive a score of 91
11 points or more, but fewer than 96 points; and

12 (3) 20% of the funds available under this subsection
13 for grants available through the expenditure of State funds
14 may be granted to corporations that receive a score of 86
15 points or more, but fewer than 91 points.