

**CHAPTER 290****(HB 503)**

AN ACT relating to government involvement with charitable nonprofit organizations and declaring an emergency.

*Be it enacted by the General Assembly of the Commonwealth of Kentucky:*

Section 1. KRS 65.1575 is amended to read as follows:

- (1) As used in this section:
  - (a) "Foundation" means a charitable community foundation established to accept gifts, bequests, devises, or other transfers for the purpose of meeting charitable objectives for the citizens of the community;
  - (b) "Local government" means every city, regardless of classification, every county, and every charter county and urban-county government;~~[-and]~~
  - (c) "Component fund" means an individual fund treated as part of a foundation and that meets the requirements established under regulations promulgated implementing 26 U.S.C. sec. 170 as amended from time to time; **and**
  - (d) ***"Nonprofit organization" means an organization incorporated under KRS Chapter 273 and exempt under Section 501(c)(3) of the Internal Revenue Code.***
- (2)
  - (a) A local government may donate to a foundation the proceeds from the sale of any utility or facility or any grant, bequest, or devise received by it.
  - (b) ***A local government may contribute to a nonprofit organization exempt under Section 501(c)(3) of the Internal Revenue Code for the development and operation of a community center or recreational facilities.***
- (3) If the foundation receives a gift from a local government that is subject to conditions, limitations, or requirements by the donor, the gift shall be segregated in a component fund within the foundation, which shall be subject to conditions, limitations, or requirements that are substantially identical to those established by the donor.
- (4) If the foundation receives a gift from a local government that is not subject to any specified conditions, limitations, or requirements by the donor, the gift amount shall be maintained in a component fund. The income from the fund shall be distributed to the local government for charitable purposes as directed by an ordinance of the governing body of the local government.
- (5) ***If a nonprofit organization receives a gift from a local government it shall maintain the financial records so as to be able to ascertain the use of the donated funds.***
- (6) The foundation ***or nonprofit organization exempt under Section 501(c)(3) of the Internal Revenue Code*** shall return any donations to the general fund of a local government if:
  - (a) The foundation ***or nonprofit organization exempt under Section 501(c)(3) of the Internal Revenue Code*** loses its status as a public charitable organization;
  - (b) The foundation ***or nonprofit organization exempt under Section 501(c)(3) of the Internal Revenue Code*** is liquidated; or

- (c) The foundation *or nonprofit organization exempt under Section 501(c)(3) of the Internal Revenue Code* violates any condition, limitation, or requirement as established by the local government governing body.

SECTION 2. A NEW SECTION OF KRS CHAPTER 11A IS CREATED TO READ AS FOLLOWS:

- (1) *Any provision of KRS Chapter 11A to the contrary notwithstanding, a state agency or a public servant may raise funds, either individually or as a department or agency, for a charitable nonprofit organization granted a tax exemption by the Internal Revenue Service under Section 501c of the Internal Revenue Code without violating the provisions of this chapter. Raising of funds shall include but not be limited to holding events for the benefit of the charitable organization, contacting potential donors, providing prizes, and engaging in other forms of fundraising and providing the funds thus raised to the charitable organization.*
- (2) *Any provision of KRS Chapter 11A to the contrary notwithstanding, a state agency or a public servant may raise funds, either individually or as a department or agency, for crime prevention, drug and alcohol abuse prevention, and traffic safety programs without violating the provisions of this chapter. Raising of funds shall include but not be limited to holding events for the benefit of a program specified in this section, contacting potential donors, providing prizes, and engaging in other forms of fundraising and providing the funds thus raised to the program.*

SECTION 3. A NEW SECTION OF KRS CHAPTER 15A IS CREATED TO READ AS FOLLOWS:

*The Justice Cabinet and its agencies may provide state personnel, state property, and other state resources to Trooper Island Incorporated.*

Section 4. Because the programs which are funded by the provisions of Sections 2 and 3 of this Act have immediate and ongoing needs, an emergency is declared to exist and Sections 2 and 3 of this Act shall take effect upon their passage and approval by the Governor or upon their otherwise becoming law. Section 1 of this Act shall become effective on the normal effective date of legislation passed by the 2002 Regular Session of the General Assembly.

**Approved April 9, 2002**