



STRENGTHENING THE WORK OF THE ALASKA CHILDREN'S TRUST

INTRODUCTION

The Alaska Children's Trust (ACT) and the Friends of the Alaska Children's Trust (FACT) continue to face many challenges that interfere with their ability to effectively and efficiently pursue our missions and are greatly in need of a solution that will enable the boards to maximize our ability to prevent and eliminate child abuse and neglect.

Beginning in 2006, the ACT and FACT boards engaged in activities to assess the effectiveness of the Trust in accomplishing its mission and to plan for the future of the Trust. These activities included strategic planning and an organizational assessment completed by The Giving Practice (Philanthropy Northwest). The result of these activities was a joint restructuring committee formed to address the existing structure of the Trust and make recommendations for the future, which included the option of privatizing the ACT.

In 2007, the FACT introduced legislation to privatize the Alaska Children's Trust that would transfer the balance of the Trust to the Alaska Community Foundation (ACF) as a permanent endowment and would create a structure that would allow for ethical fundraising, ensure long term stability of the fund, creates a more efficient process for grant making, preserves the present revenue sources, and allows for State oversight of the funds through a Governor-appointed board.

FAQs ABOUT PRIVATIZATION

How will the ACT be organized under the Alaska Community Foundation and how will the State maintain oversight of the Trust funds?

The Alaska Children's Trust will merge with the Friends of the Alaska Children's Trust under its established 501(c)(3). A fundraising committee shall be established to raise funds for the Alaska Children's Trust.

The State of Alaska will maintain State oversight of the Trust funds through a governor-appointed board as follows:

The Alaska Children's Trust Board shall be comprised of nine (9) members:

- 1.) the governor or a designee of the governor;
- 2.) the commissioner of health and social services;
- 3.) the commissioner of education and early development;
- 4.) three (3) public members appointed by the governor; and
- 5.) three (3) public members nominated and elected by the board

How will privatization improve fundraising?

Because the ACT fund is a state fund and subject to legislative appropriation, donors are increasingly reluctant to contribute to a fund which cannot guarantee that the donor's intent will be followed. Under the management of the Alaska Community Foundation donors will be giving to a non-profit public charity instead of a pass-through organization. ACT and ACF will be able to guarantee that donor intent is honored and ensure that the funds will be spent on the prevention of child abuse and neglect.

What will happen to the revenues from the sale of ACT license plates and heirloom marriage and birth certificates?

The ACT legislation preserves the present revenue sources from the sale of ACT license plates and heirloom marriage and birth certificates for the benefit of the ACT. The ACT legislation is similar to HB 184, “An act relating to a commemorative troops license plate...” which was enacted in 2007, and allows for the funds generated from the sale of “Support Our Troops” license plates to be appropriated by the legislature to the non-profit organization, Support Our Troops, Inc. for the benefit of the troops and their families.

The revenues from the sales of license plates and the heirloom marriage and birth certificates average \$44,000 per year.

Who will be responsible for evaluating and awarding grants and how will funds be distributed to grantees?

The Alaska Children’s Trust board approves expenditures from the fund held at the Alaska Community Foundation. The Alaska Children’s Trust board shall be responsible for reviewing and awarding grants for community-based programs and projects that aid in the prevention of child abuse and neglect.

The Alaska Children’s Trust payout for grants and expenses shall be managed in the identical manner approved by the State of Alaska for the Alaska Mental Health Trust Authority as of October 6, 2008. This includes maintenance of an income reserve to fund grants and operations at a consistent level year to year. An income reserve account shall be established at the time of transfer of the Alaska Children’s Trust’s assets from the State of Alaska to the Alaska Community Foundation at four (4) times the previous year’s annual payout as is currently calculated by Callan Associates for the Alaska Mental Health Trust Authority as of October 6, 2008.

Will the policy of spending any of the principal of the Trust be spent?

At no time shall the principal of the fund transferred by the State of Alaska to the Alaska Community Foundation be expended except for an annual allocation from the principal for operating expenses as currently permitted under state law.

What is the Alaska Community Foundation (ACF) and how long has ACF been operating in Alaska?

The Alaska Community Foundation was incorporated in 1995. The original articles of incorporation were restated and amended in 1998, establishing ACF as it exists today— a nonprofit public charity promoting personal philanthropy and providing financial management, strategic development and donor development services to communities, organizations and donors across Alaska. For more information about ACF visit their website at www.alaskacf.org or contact Carol Simonetti, CEO at (907) 334-6700.

What qualifications and experience does the Alaska Community Foundation have in managing trust funds?

Currently, ACF manages 170 funds, including seven regional community foundation funds in Haines, Homer, Juneau, Kenai Peninsula, Petersburg, Seward and Talkeetna. Assets at the end of 207 were more than \$37 million. Some of the other funds managed by ACF are the Institute of the North Fund, Anchorage Park Foundation Fund, ASRC Fund for Inupiat Cultures and Traditions Fund, AVTEC Foundation Fund and the Walter J. and Ermalee Hickel Alaska Fund.

In 2007, the Foundation received almost \$11 million in new gifts from almost 1400 donors. Grants and charitable expenditures were authorized for over \$5 million. This represents almost twice the amount of grants in 2006.

ACF has an investment committee that develops the investment policy, chooses the investment managers, and monitors the investment performance. The committee meets quarterly and reports to the full Board at every board meeting. The full Board has the ultimate responsibility for investments. Members of the Investment Committee in 2008 were: Mike Burns, Ken Castner, Allan Johnston, Maggie Price, Bob Storer and Chris Swalling. Current managers are Smith Barney for the equity portion and Alaska Permanent Capital for the fixed income portion. The investment policy is available on the ACF website: www.alaskacf.org.

What is the average rate of return for ACF funds?

In 2007 ACF had a composite return of 7.42% after investment fees. The ACF investment team strives for an 8% return net of any investment fees.

What is the current balance of the Trust fund and how will the Trust funds be managed after the transfer to the Alaska Community Foundation?

As of October 31, 2008, the balance of the Alaska Children's Trust Fund is \$8,761,296.

The balance of the Alaska Children's Trust shall be transferred to the Alaska Community Foundation as an agency fund to be managed as a permanent endowment for the benefit of the Alaska Children's Trust.

The agency fund allows for the ACT and FACT boards to merge under FACT's 501(c)(3) and allows for maximum autonomy for grant making. The ACT board can focus on its mission, establish a fundraising committee and hire staff to manage the day-to-day operations while ACF oversees the investments and ensures that the endowment is not invaded so that income will always be available to meet the mission of the ACT.

ACF managed 55 agency funds at the end of 2007 with new agencies starting funds on a continuing basis. The agency funds include: the Alaska Zoo Foundation, Commonwealth North Endowment Fund, Central Alaska Retired Teachers' Association, Petersburg Public Library Endowment Fund and Simon Paneak Memorial Museum Fund.

How do the management fees compare between the State of Alaska and ACF?

Under the State of Alaska, the Alaska Children's Trust is allocated charges based on its pro rata share of assets managed by the Treasury Division. Amounts charged to the ACT Fund related to its fixed income investments are derived by dividing the ACT's total fixed income Net Asset Value (NAV) by the total NAV of fixed income assets managed by the Treasury Division. This percentage is then applied to the total allocable costs related to managing fixed income assets. The management fee for FY09 is estimated to be \$16,000.

Under the management of ACF, the administrative fee is .5% per annum of the fund balance, calculated monthly based on the average daily fund balance. There is no fee to establish the fund. While ACF's management fee is higher, the benefits outweigh the costs in that the Trust fund could be managed more aggressively and the fundraising committee will be in a better position to generate corporate and foundation contributions because donors will be giving to a non-profit public charity instead of a pass-through organization. ACT and ACF will be able to guarantee that donor intent is honored and ensure that the funds will be spent on the prevention of child abuse and neglect.