

MAINE STATE LEGISLATURE

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L.D. 1402

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Report A

JUDICIARY

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STATE OF MAINE
HOUSE OF REPRESENTATIVES
124TH LEGISLATURE
FIRST REGULAR SESSION

COMMITTEE AMENDMENT "A" to H.P. 981, L.D. 1402, Bill, "An Act To Enact the Uniform Prudent Management of Institutional Funds Act"

Amend the bill in section 2 in §5103 in subsection 5 by inserting after paragraph F the following:

'G. An institution shall track the historic dollar value of its institutional funds. For purposes of this paragraph, "historic dollar value" means the aggregate value in dollars of:

- (1) Each endowment fund at the time it became an endowment fund;
- (2) Each subsequent donation to the fund at the time the donation is made; and
- (3) Each accumulation made pursuant to a direction in the applicable gift instrument at the time the accumulation is added to the fund.'

Amend the bill in section 2 in §5104 by inserting after subsection 3 the following:

'4. Rebuttable presumption. The appropriation for expenditure in any year of an amount greater than 7% of the fair market value of an endowment fund, calculated on the basis of market values determined at least quarterly and averaged over a period of not less than 3 years immediately preceding the year in which the appropriation for expenditure is made, creates a rebuttable presumption of imprudence. For an endowment fund in existence for less than 3 years, the fair market value of the endowment fund must be calculated for the period the endowment fund has been in existence. This subsection does not apply to an appropriation for expenditure permitted under law other than this chapter or by the gift instrument.'

Amend the bill in section 2 in §5106 by striking out all of subsection 4 (page 28, lines 35 to 42 and page 29, lines 1 to 11 in L.D.) and inserting the following:

'4. Release or modification by institution. This subsection governs the release or modification of a restriction contained in a gift instrument on the management, investment or purpose of an institutional fund that the institution determines is unlawful, impracticable, impossible to achieve or wasteful.'

1 A. If an institution determines that a restriction contained in a gift instrument on the
2 management, investment or purpose of an institutional fund is unlawful,
3 impracticable, impossible to achieve or wasteful, the institution, 60 days after
4 notification to the Attorney General and if the Attorney General does not object, may
5 release or modify the restriction, in whole or part, if:

6 (1) The institutional fund subject to the restriction has a total value of less than
7 \$25,000, except that the dollar limit established in this paragraph must be
8 adjusted to reflect changes in the Consumer Price Index for all Urban Consumers,
9 CPI-U, as compiled by the United States Department of Labor, Bureau of Labor
10 Statistics, or its successor index, using 2009 as the base year. On or before
11 January 1, 2011, and each odd-numbered year thereafter, the dollar value must be
12 adjusted for the next 2-year cycle if the cumulative percentage of change in the
13 index, from the base year or from a later year that was the basis of an adjustment
14 of this amount pursuant to this subparagraph, rounded to the nearest whole
15 percentage point, is in excess of 10%. The adjusted exemption must be rounded
16 upward to the nearest \$5,000 increment. The dollar value must not be reduced
17 below \$25,000;

18 (2) More than 20 years have elapsed since the fund was established; and

19 (3) The institution uses the property in a manner consistent with the charitable
20 purposes expressed in the gift instrument.

21 B. If the Attorney General objects under paragraph A, the institution may seek to
22 release or modify the restriction in court pursuant to subsection 3.'

23 Amend the bill in section 2 in §5108 in the first paragraph in the 2nd line (page 31,
24 line 38 in L.D.) by striking out twice the following: "2010" and inserting twice the
25 following: '2009'

26 Amend the bill in section 2 in §5111 in the first paragraph in the first line (page 32,
27 line 13 in L.D.) by striking out the following: "2010" and inserting the following: '2009'

28 Amend the bill by inserting after section 2 the following:

29 '**Sec. 3. Retroactivity.** This Act applies retroactively to July 1, 2009.'

30 **SUMMARY**

31 This amendment, which is the majority report of the committee, requires an institution
32 to track the historic dollar value of its institutional funds.

33 This amendment establishes a rebuttable presumption that the appropriation for
34 expenditure in any year of an amount greater than 7% of the fair market value of an
35 endowment fund is imprudent.

36 This amendment provides that if the Attorney General objects to the release or
37 modification of a restriction in a gift instrument that applies to a small fund that has been
38 in existence for more than 20 years, the institution must seek court approval of the release
39 or modification:

COMMITTEE AMENDMENT "A" to H.P. 981, L.D. 1402

2008

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This amendment changes the effective date of the Act to July 1, 2009 and adds a retroactive application date.

COMMITTEE AMENDMENT