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NY AG's Initiatives to Strengthen and Revitalize New York Nonprofits

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On February 16, 2012, New York Attorney General Eric Schneiderman launched a comprehensive plan to reform and revitalize New York's nonprofit sector, which, according to Schneiderman, has been saddled with too much red tape, convoluted statutory requirements, and fraud and abuse. Attorney General Schneiderman described this initiative as the "most significant reform effort in decades," which will include legislation to eliminate outdated and costly regulatory burdens on nonprofits; strengthen oversight and accountability; and grant the New York Attorney General's office specific authority to challenge improper self-dealing at nonprofits. In addition, Attorney General Schneiderman's plan includes partnerships with business and academic communities to enhance nonprofit governance.

In launching this reform effort, Attorney General Schneiderman stated that "[f]or too long, New York's regulatory framework has placed unnecessary burdens on nonprofits, which are simply untenable during these challenging financial times. We can be tougher on policing fraud without imposing needless burdens and costs on this vital sector of New York's economy."

Attorney General Schneiderman's plan to overhaul nonprofit laws stems from a recent report issued by the Leadership Committee for Nonprofit Revitalization. In 2011, Schneiderman tasked the committee, consisting of key nonprofit leaders from across the state, to recommend proposals to reduce nonprofits' regulatory burdens, while strengthening nonprofit governance and accountability. The initiatives proposed by Attorney General Schneiderman are a direct result of the committee's recommendations and are outlined below.

The Nonprofit Revitalization Act

The Nonprofit Revitalization Act is the most comprehensive reform to New York's nonprofit laws in several decades and would adopt a number of key reforms, including:

- Reducing red tape to expedite the creation of nonprofits in New York and the approval of certain nonprofit transactions;
- Using technology to streamline operations and reduce waste;
- Ensuring board independence by prohibiting chief executives and other paid nonprofit employees from serving as board chairmen;
- Increasing oversight of compensation provided to chief executives and other key nonprofit employees;
- Increasing board responsibility to oversee financial audits; and
- Mandating that nonprofits adopt conflict-of-interest and whistleblower policies.

New York On BOARD

Teaming with the Association for a Better New York ("ABNY"), Attorney General Schneiderman launched New York on BOARD ("Building Oversight, Awareness, Resources and Depth"), an initiative which seeks to strengthen partnerships between New York's business community and the nonprofit sector. New York on BOARD will help nonprofits recruit talented and diverse directors needed to ensure proper governance. Companies that pledge to get "on board" would agree to create programs that encourage their employees to serve on nonprofit boards and be matched with nonprofits.

Directors U

Directors U, an initiative designed to improve director education, will provide free or minimal-cost training to nonprofit directors and create an online library of seminars and materials covering a wide range of nonprofit subjects. The program will be administered in conjunction with a bevy of well-respected academic institutions, including: Adelphi University, Baruch College, Binghamton University, Columbia University, Cornell University, the New School, New York University School of Law, the University at

Albany, and Yale University.

Attorney General Schneiderman is clearly attempting to make good on his promise to make New York a more hospitable environment in which nonprofits can thrive. If your nonprofit is incorporated in or operates in New York, you should pay close attention to these new initiatives.

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