

ATTORNEY GENERAL

February 5, 1981

DR. T. EDWARD HOLLANDER
Chancellor
Department of Higher Education
225 West State Street
Trenton, New Jersey 08625

FORMAL OPINION NO. 2—1981

Dear Chancellor Hollander:

A question has arisen concerning the applicability of state statutory requirements such as bidding laws, civil service, and treasury and budget laws to non-profit corporations known as alumni associations and development funds. We have been advised that these are independent organizations which are incorporated and controlled by private individuals for the primary purpose of engaging in fund-raising activities for various state colleges.

In *Formal Opinion No. 22—1980*, it was concluded that state colleges may not use independent corporate entities to carry out college functions unless statutory and administrative requirements imposed on state agencies were satisfied. In many instances those corporations are virtually indistinguishable from the state colleges with which they are associated. Such organizations are incorporated and controlled by college officials and are often utilized to carry out activities more appropriately supervised by the college administration. In contrast, however, development and alumni associations are controlled by boards of directors which are independent of both the boards of trustees and administrators of their affiliated colleges. These corporations do not utilize office space or employees of the college to any significant extent, provide for their own liability insurance and do not supervise or effectuate activities traditionally associated with a college administration. Most importantly, both the allocation and disbursement of the funds donated to, or raised by these corporations are made available to the colleges in the sole discretion of the corporate board of directors. The state colleges do not control, either directly or indirectly, the activities of these corporations, nor do these entities purport to carry out state mandated functions. For these reasons, you are advised that alumni associations and development funds which are in their organization and operation totally independent of state colleges and whose sole purpose is fund-raising activities, are not subject to statutory and other requirements imposed on state agencies.

Very truly yours,
JOHN J. DEGNAN
Attorney General

By: ROBERT A. FAGELLA
Deputy Attorney General
