POLICY # 109	TITLE: Budget and Spending
EFFECTIVE DATE: June 23, 2026	REVISED DATE: Revises June 28, 2023 version
MANAGED BY: Board	APPLIES TO: Board and Staff
APPROVED BY: Board	SIGNATURE: John A. Gibbons III John A. Gibbons III (Jul 7, 2026 14:26:23 EDT)

PURPOSE:
The Spending and Budget Policy honors Elmer E Rasmuson's Donor Intent (ensuring the Foundation exists in perpetuity), satisfies the annual distribution requirements for private foundations under federal tax law, and reduces the risk of over- and underspending. The policy establishes a process that allows staff to project a long-term average target spending rate to reflect the federal minimum payment, ensuring a smooth flow of funds for distribution.

POLICY:
Elmer Rasmuson's Trust Agreement (the "Trust"), Section 4.5, expresses his donor intent regarding the Rasmuson Foundation's (the "Foundation's") investment and spending policy:

> *It is my intent that the [Foundation and other charitable beneficiaries] invest and administer the funds entrusted to them in such a fashion that they endeavor to maintain the value of the principal of the fund in terms of spending power, while at the same time providing as smooth a flow of funds for distribution for their own use as is feasible, again maintaining the spending power thereof. Accordingly, the beneficiaries are authorized and directed to utilize a total asset management approach, designed to achieve a maximum total return . . . ; provided, however, that the amounts so distributed. . . may not exceed the minimum investment return established by the [Foundation's] directors each year as a hedge against inflation (which shall be no less than the average cost of living increase in Anchorage, Alaska, for the three year period preceding the year of distribution or use).*

Based on Elmer Rasmuson's expressed donor intent, the Foundation aims to be a perpetual institution. The core assets donated by Elmer Rasmuson constitute an "endowment" within the meaning of Alaska's Uniform Prudent Management of Institutional Funds Act, Alaska Statutes Title 13 Ch. 65, meaning that the spending power of those assets shall be maintained in perpetuity, using the average Anchorage CPI as a minimum measure. At the same time, the Foundation is legally required to comply with annual distribution requirements for private foundations under federal tax law.

Considering Elmer Rasmuson's direction and the Foundation's obligations under state and federal law, the Foundation adopts the following spending and budgeting parameters.

Spending Parameters

1. A long-term target spending rate, on average, based on the federal requirements, which is currently 5%. This spending does not include investment management expenses. There should be no other exclusions.
2. To provide as smooth a flow of funds for distribution as possible, it is expected that in periods in which the value of the inflation-adjusted endowment is declining, spending may exceed the federal requirement. Similarly, spending may be less than the federal requirement in periods in which the value of the inflation-adjusted endowment is increasing faster than expected.
   a. If the assets materially rise or fall during a fiscal year, to ensure compliance with Donor's Intent and federal requirements, the Foundation may make appropriate spending adjustments to maintain the federally required annual average spend over time.
3. From time to time, there may arise a significant opportunity to further the Foundation's charitable purposes, in which case the Board may determine that a spending commitment in excess of the applicable year's minimum payout is warranted.
   a. If the Board makes such a commitment, in future years, the Board may take such action as necessary to maintain the value of the Foundation's assets in terms of spending power over as few years as possible (while seeking to minimize harm to grantees).
4. Notwithstanding the provisions above, the Foundation shall, in every tax year, ensure that its "qualifying distributions," as defined in the federal tax law, are sufficient to avoid the imposition of federal excise tax under I.R.C. Section 4940 for failure to distribute income.

Budget Parameters

5. For purposes of drafting the proposed budget for any calendar year, the Foundation will target a total cash payout of 5.4% of the average net value of noncharitable use assets, as calculated on the Foundation's IRS Form 990PF, over the three calendar years that are two, three, and four years preceding the budget year. For example, in preparing the 2024 budget, the budget will be set at 5.4% of the average net value of noncharitable-use assets for 2020, 2021, and 2022. This approach is intended to achieve a long-term spending rate of 5%, the current minimum federal requirement.

a. The annual budget included in the 5.4% shall exclude investment management expenses. There should be no other exclusions from the budget.

b. If the minimum federal requirement changes, staff will recommend a change in the percentage applied.

6. The annual budget should consider the carryforward of the shortfall or excess distributions based on the 990PF.

RELATED POLICIES: None

REVIEW PERIOD: This policy will be reviewed annually, or as necessary for needed revisions.