

MINUTES

GOVERNOR'S TASK FORCE ON ENDOWMENTS AND PHILANTHROPY

Northwest Power Planning and Conservation Council Conference Room
Thursday, April 20, 2006

Members Present:

Sue Talbot, Chair	Brian Magee
Sid Armstrong	Aidan Myhre
Dale Burgeson	Sharen Peters
Linda Coulston	Dennis Peterson
Dorcie Dvarishkis	Linda Reed
Todd Garrison	Alberta Rivera
Mike Halligan	Peter Sullivan
Spence Hegstad	Josh Turner
Amy Kelley	Judy Wing

INTRODUCTIONS

By way of welcoming first-time attendee Todd Garrison, Donor-Investor Relations staffer for the Intermountain Children's Home, Sue asked the members present to introduce themselves.

APPROVAL OF MARCH MINUTES

There were no changes noted in the review of the March minutes. Peter moved to accept the minutes as distributed; Sharen seconded the motion. The group unanimously approved the minutes by voice vote.

FINANCIAL REPORT

Sue reviewed the monthly Statement of Activities prepared by the Montana Community Foundation for March 1 through March 31, 2006. It showed no new contributions and \$770 in expenses for an ending fund balance of \$2,224.20. Dennis presented a \$1,000 check from Benefis Healthcare Foundation; Sue reported that Virginia Thompson gave \$250; Linda Reed reported that there were two other recent contributions, including one from her.

Dennis reported that Judy Held made a presentation about the Task Force at the annual hospital association meeting. Sue said that some of the letters she'd sent out are beginning to have a return; she waited to send letters to the hospitals and hospital foundations until after Judy's presentation. Sue will send those letters out next Monday. She suggested that the group needs to think about the fundraising strategy as we approach the Conversation and the 2005 legislative session, in addition to needing funds for ongoing expenses. Dorcie asked if the members did any follow-up phone calls; all agreed that was a very good idea. Sue will make assignments at the May meeting. Dennis said that he and Judy Held would follow up with the hospitals and hospital foundations.

Sue read a report from Judy Held, who was unable to attend:

Following is a brief report about our Montana Healthcare Communications & Development Association meeting at Chico Hot Springs in March. I gave a half-hour presentation to the group regarding Task Force activities. Actually, I asked for their feedback on various issues and made it into more of a discussion. We touched upon:

1) The upcoming Governor's Conversation. I asked them to email names to either Dennis or I of anyone they would like to have specifically invited to it. I haven't heard from anyone. I also asked

them to share any creative ideas they had for increasing philanthropy in Montana, either during the meeting or by email to Dennis or I. I haven't received an email, but one person at the meeting said that we should create a statewide Leave a Legacy program.

The Billings Clinic Foundation staff would like to see the issue of increasing philanthropic dollars for infrastructure needs addressed. Endowment is extremely important, yes, but we need to raise funds to replace outdated buildings, for example. Of course, this topic sprang out of our discussion of the DOR ruling and our discomfort with utilizing the tax credit in a way that it wasn't originally intended.

2) The tax credit and its various issues, especially the recent DOR ruling -- some folks knew about it and others didn't. Everyone was interested and many felt like it was a real conundrum. People spoke for and against it. No one wants to risk non-renewal of the tax credit, but no one wants to deprive their capital campaign donors of the credit if it is legal, either.

3) Making contributions to the Task Force -- have we received any in the past month from hospitals? I know Dennis is bringing his \$1,000 tomorrow. I had a \$1,000 matching check from Billings Clinic to lay down and say "I'll call you and raise you...." ha! I'll mail the check to MCF.

4) The web site

5) I also encouraged each person present to sign up for our list serve through MNA -- I printed off a copy of our website home page and passed it around -- clearly showing them where to go and what to push to sign up. They were very pleased to be able to receive updates from the Task Force and/or legislative updates. I wonder if we can discuss a plan for what we're going to send to those who have signed up now.

Dennis added that the spirit of the meeting was fantastic, and that Judy really engaged the participants – there were lots of good questions. They expect several contributions to come out of it, but Dennis noted that there were no Missoula representatives present.

Dale distributed a Salvation Army flyer for a free, non-technical presentation he's giving in Missoula on April 21st on estate planning and wills.

GOVERNOR'S CONVERSATION

Josh gave a brief presentation on the concept behind a conversation: a problem-focused gathering of people who have the means, resources, and interest necessary to solve the problem. She reviewed the history of the Task Force from its inception at the 1994 Conversation held by Governor Racicot, where the problem identified was how the State could partner with the private and nonprofit sectors to gather the philanthropic resources that historically had left the state. The Montana Community Foundation took the lead in organizing the first conversation, retained Josh as the consultant, and worked closely with her and with the Governor on developing the agenda, participants, and briefing paper. The idea of the tax credit came out of research on what other states were doing in this area.

There was discussion about what the theme of the upcoming Conversation should be: what is the specific problem to be solved? Several topics were suggested and discussed:

- The Philanthropic Divide, bringing more out-of-state assets to Montana;
- The upcoming intergenerational transfer of wealth and how to capture it in Montana (along with a presentation of the transfer of wealth study currently being contracted by the Montana Community Foundation);
- Corporate giving, how to increase it, perhaps by increasing the tax credit incentive;

- The Economic Divide, which fuels the Philanthropic Divide;
- Tapping into the wealthy, part-time residents who enjoy Montana's resources but don't contribute philanthropically;
- Healthcare, with examples like the Washington Foundation of how to do it right; and
- Convincing older Montanans to leave money to Montana while their children are leaving the state for lack of jobs

On the Economic Divide, Sid noted that the large, private, national foundations are recognizing this, that grants lasting only a few years don't help people in the Philanthropic Divide states in the long term. Instead, they are finding that multi-year, multi-million dollar grants are needed to reduce poverty, to help people help themselves and their communities to be self-sufficient.

Mike suggested inviting some of the speakers that will be at the Philanthropy Northwest gathering this fall, such as Arthur Blank. It was noted that there are several upcoming events in the philanthropic community, which are opportunities to engage some off the major regional and some national foundations: the Council on Foundations gathering in Pittsburg in May (which Senator Baucus will address about the Philanthropic Divide), the Montana Nonprofit Association annual conference in August, as well as the Philanthropy Northwest meeting in September.

Linda Reed suggested that there might be ideas that came out of the first Conversation that could be revisited. **(Linda offered to scan the proceedings from that Conversation since there no longer is a digital version of it; she will distribute it via e-mail to Task Force members, and Galen should post it on the web site.)** Sid noted that Governor Schweitzer and Lt. Governor Bohlinger would have their own ideas as well.

Sue suggested that the **May meeting be devoted to this fall's Conversation:** who the audience should be, what the main problem to be solved it, potential speakers, etc. Sue asked Josh if she would consider contracting as the Conversation Organizer. Dale moved to hire Josh; Sharen seconded the motion. All agreed by voice vote. **Josh will think about what her budget would be and will present that to the Task Force.** There was some discussion of the overall Conversation budget, what would need to be raised; \$25,000 was the ballpark figure discussed at a previous meeting.

TAX CREDIT / 2007 LEGISLATIVE SESSION

Aidan suggested that at a minimum, the Task Force would want to extend the sunset date on the tax credit. We will need to educate the new legislators on what the tax credit is and how it has benefited communities across Montana. We will be in a better position this session as the state has a surplus rather than a deficit. The question is whether we want to expand the legislation – e.g. to “fix” the issue of using the credit for buildings, or increase the corporate or personal giving percentages or total dollar amounts.

There was some discussion about the corporate tax credit; Linda Reed suggested that at 20% it isn't worth the paperwork. Others agreed. Alberta pointed out that the decrease in the corporate credit has lessened the number of “fake” corporations formed to take advantage of the credit; she thought it would be good if we could increase the corporate incentive without increasing the formation of these types of corporations. Aidan noted that the corporate numbers don't reflect the pass-through entities, only the C-corps. Sue stressed that whatever changes we propose, they need to be easily understood by all legislators.

There was discussion about using the credit for contributions toward buildings. The group consensus was that the DOR should be the lead on this issue, and that the Task Force should support their efforts.

Linda asked whether the TF should try for removing the sunset entirely; Aidan didn't think so, as the Task Force has used the sunset to revisit the credit and make changes where necessary. Mike thought that the credit has proven itself through good times and bad over ten years, and that the sunset implies there might be something that needs to be changed. He advocated repealing the sunset, making the tax credit permanent. Sid suggested that we find out from the Governor what changes he'd support in the tax credit.

FEDERAL LEGISLATION

Sue read an e-mail from Jim Soft, who also couldn't be at the meeting:

The three issues I would report on have to do with 1) IRA Rollover, 2) UPMIFA, and 3) The MT Tax CREDIT

First, the Rollover has been an on again off again rollercoaster experience which is, at this point, anyone's guess. Within a three-day period before the JT Committee broke for recess, the IRA Rollover was in and out of the discussions several times according to Venn Strategies, our lobbying group. And, since it is only a small part of the whole bill it isn't exactly a priority issue. It is my understanding that charities in PA, where Santorum is experiencing a close race, are contacting him during the break to make it an important issue with S Frist who would obviously carry some clout. Only time will tell. Not much more we can do...S Baucus and Selib have been quite clear on their endorsement. Montana has done its part in this regard.

UPMIFA is scheduled to be released this fall. Since "Prudent (the "P" in UPMIFA) investing is an important theme in the new Uniform Act, passage of a MT "customized" UPMIFA may be helpful in curbing Endowment abuse. The new act could be very timely with regard to any growing misuse of the tax CREDIT...if indeed UPMIFA is released in the fall and the Task Force has time to develop a game plan for the bill to be passed in the next session. You will recall that DOR looked to UMIFA commentary to formulate their opinion letter to the U of M Law School folks...so, looking to a new, customized UPMIFA is worth considering. I am in touch with Terry Simmons who is on the drafting committee with UPMIFA.

Finally, The MT Tax Credit bill (if UPMIFA isn't the solution) could, I believe, be tweaked slightly to curb excessive abuses for capital campaigns. I also wonder if The Charitable Gift Annuity Exemption Act, which mandates a separate annuity fund with reserves might carry some weight. Such may be true especially if a new UPMIFA is indeed passed. I have alerted Lynda Moerschbacher to our problem and we were supposed to discuss it in SF two weeks ago but she had a scheduling change. I will continue to work on it with minds much more capable than mine (hmm...that takes in just about every one).

10-YEAR REPORT

Dennis reported that Blue Cross/Blue Shield is very positive about funding and printing the report – they just need to know how many we want to print. There was discussion about distribution of the report, and how many would be needed. Sue suggested that we print enough to give every legislator and every MNA conference participant a copy, which would be good visibility for BC/BS (assuming

they put their logo on it). Peter made a motion that Dennis should ask BC/BS to print 2500. Sid seconded the motion. All approved. Dennis said he'd meet with them that afternoon.

WEBSITE

Sharen thought that we needed a bold disclaimer somewhere that the Task Force web site does NOT substitute for advice from a financial planner. **Sharen volunteered to write that disclaimer and forward it to Galen to post.** Sue distributed a copy of the "Planned Giving Opportunities" page. She thought it needed better examples, ala the "MCF Express" that Bill Pratt wrote years ago. All agreed. **Dale volunteered to write the examples, and will send them to Dennis for a final eye, who will then send them to Galen to post on the web site.** All agreed that "Pooled Income Fund" should be eliminated from the list.

LIST SERVE

Anyone can sign up for the list serve on the home page of the Task Force web site, thanks to Brian's work and Galen's on the TF web site end. Currently, when one signs up a thank you e-mail comes bac, from MNA. **Brian will change that so it comes from the Task Force. Brian will also make sure that all TF members are automatically signed up.**

NEXT MEETING

It was agreed that the next meeting will be on **Thursday, May 18th**. Bob Vogel secured the **Montana School Board Association conference room** for that date.

Meeting adjourned at 1:15 p.m.