

MINUTES

Governor's Task Force
on Endowments and Philanthropy
Thursday, November 15, 2007

IN ATTENDANCE:

Sue Talbot (Chair), Lt. Governor Bohlinger, Jackie Williams, Sid Armstrong, Barbara Anthony, Dale Burgeson, Linda Coulston, Donna Davis, Dorcie Dvarishkis, Spence Hegstad, Amy Kelley, Brian Magee, Tim McCauley, Bill Pratt, Peter Sullivan, Judy Wing.

OCTOBER MINUTES

Peter made a motion to approve the October minutes as distributed; Barb seconded the motion. All approved by voice vote.

FINANCIAL STATEMENT

Brian passed out a financial statement covering transactions through September 2007. The balance, split between the general fund and the Conversation budget, is \$14,534. The Lunch & Learn session registration income is starting to show up on the financial statements. Sid asked about the financial statement line item of \$39 for rent. Brian explained that MNA allocates overhead expenses (such as rent) based on percentage of total staff time spent on each MNA project. Brian does not charge any of his time to the Task Force, and Teresa has spent some time on the L&L sessions. Sue gave a heads-up to all that in the near future we'll have to focus on fundraising again.

LUNCH & LEARN UPDATE

Brian gave a quick update on the Lunch & Learn sessions; Jim couldn't attend the meeting because the final L&L session is being held today in Billings. Brian reported that 75 signed up for the Billings session as of yesterday. Overall attendance for the sessions will be in the mid-400 range. Most of the registration income and expenses (e.g. manuals, venue charges, etc.) will show up on the October statements, including the \$15,000 in sponsorships. Sue noted that most people she's spoken to think that the \$50 registration is very low for the experience and continuing education credits received (especially since it includes the manual and lunch). Brian said the nonprofits find the price about right; the professionals think it's a bargain.

Sue asked how many members present had attended an L&L session: about half had. All agreed that Jim is a very good teacher, and that the presentation was thorough but not over anyone's head. Dorcie and others thought that the sessions really should be 4 hours. Sue suggested scheduling an hour-long Q&A at the end so that the people who needed to leave beforehand could do so. Many agreed that the Q&A session is where a lot of the information came out.

Sue said that she and Brian had spoken some about how to divide up the profits, given that the GTF really did not do the work – it was all Yellowstone Boys & Girls Ranch Foundation and MNA. All agreed that they should recoup all of their expenses; how the

remainder is allocated needs to be discussed. Brian commended Jim Soft for raising the \$15,000 in sponsorships. Bill commended MNA for the on-line registration. **Dale suggested that an attendee list be compiled and given to each of the sponsors.**

Brian said that Jim and his team were reasonably pleased with how the sessions turned out. They also agreed that more time would have been better, given the amount of material to cover. Perhaps MNA could offer future training opportunities focused on the “how to’s” – e.g. how to have a planned giving program without a planned giving staff.

IRA ROLLOVER UPDATE

Brian was in Washington, D.C. yesterday and had a chance to meet with Sen. Baucus and staff. He said that they know our position on this issue. The IRA rollover in its current form will likely be extended another year. After that, Congress wants to see the accounting – what it’s costing, how it’s impacting various entities. Sen. Baucus and staff are looking at making it part of the retirement package. There’s an effort underway to include life income gifts to generate revenue. The concern is that the bill will get scored by people in D.C. who don’t understand that revenue would be generated with the inclusion of life income (i.e. “planned”) gifts. Brian said that income-generating bills are particularly important now because of new Congressional rules requiring that all expenditures have an offset.

Jim Soft has created some one-page fact sheets comparing the current version of the IRA rollover bill and the “enhanced” version (i.e. including planned gifts and lowering the age requirement) to educate people about the revenue-generating possibility. Brian spent most of his time in D.C. with staff; Jim focused on the technical aspects of the bill.

What the staff underscored is that they want to hear the stories of how the IRA rollover has impacted things here in Montana. Sen. Baucus particularly wants to hear about how the “little guys” are benefiting. Brian is trying to compile some of that data, to show that “all boats are rising” from this measure.

Sid suggested that the GTF generate letters to Sen. Baucus telling those stories. Brian would like to see the GTF pull together some talking points that people can use in letters. He felt that we’re in a pretty good position, and that we have some time to make the case of why the IRA rollover should be extended and enhanced. He thought that the issue is really about building infrastructure in the state, and building the local community foundation network. Letters could tell the Montana story, how it’s positively impacting both large and small charitable organizations, as well as donors. The letters also need to articulate why the enhanced version of the bill will not be as costly as they might think (due to the taxable income from planned gifts).

Peter said that the IRA rollover has been a godsend for him, allowing him to help a lot of charities. He will write a letter to the Senator. **Brian will ask Jim for the letter that he wrote to Sen. Baucus comparing the money that would come into the U.S. treasury with planned gifts vs. without. Brian will get this letter to Amy, who will distribute it to the GTF.** He noted that www.NCPG.org is the lead national organization on this; information on their web site would be helpful for letter writing.

Barb noted that Carroll College has benefited from the IRA rollover. Money from out-of-state people is coming back – they wouldn't have given otherwise, were it not for the IRA rollover. People who can't take advantage of the tax credit (because they don't live in Montana) are now able to give at a new level.

Dale asked about the estate tax. Brian sat in on a hearing yesterday; there was quite a bit of discussion about philanthropy, recognizing that currently there is a tremendous incentive for charitable giving (because the estate tax includes an unlimited deduction for charitable giving). Brian said that Conrad Teitel testified on this subject. Should the estate tax be wiped out or reduced, it would negatively impact charitable giving. Brian said that the Center on Budget Policy and Priorities has taken a lead on this – they're not in favor of repeal or even a compromise on the estate tax. The discussion in the hearing was that the votes aren't there to repeal it, but they all want to work to reform it.

INDIAN PHILANTHROPY PROJECT UPDATE

Bill reported that a lot has happened since the first meeting in October. There was an Indian panel at a recent BSI conference; it was the most well liked panel of the day. The next meeting will be November 29th. Now that the group has had a chance to meet each other, share information, etc. – now the question will be “what are we going to do about it? How are we going to structure this?” Bill reiterated how the October meeting was incredibly fulfilling and exciting for him and for the participants; he took 14 pages of notes at the meeting. He said that the new leadership has both hope and management skills. Sid added that a great deal of the success is due to the Governor establishing a new relationship with the tribes, building trust and putting a lot of energy into Indian issues, including appointing Native Americans to positions in his administration to boards and councils. She said that they are receiving more interest from funders. She announced that Jennifer Perez Cole is the Governor's new Indian Affairs Coordinator, replacing Major Robinson. Jackie said that there was a press release on her hiring. Major will continue to be involved in the project.

Dale asked whether the tribes are looking to BE philanthropists or to RECEIVE funding? Sid said that they're looking at both. It's more about collaboration, building coalitions, and building infrastructure – delivering services as efficiently as possible. Another important emphasis is on getting private funding rather than being tied up in tribal funding. The Lt. Governor said it was unlikely that our seven tribal nations will have the resources to contribute funds in a significant way, although they have a long tradition of taking care of others – they have a very generous spirit. He is very pleased at the show of interest in coming together for something that has structure and order.

Brian reported that Major presented to the MNA board last weekend. MNA will be contributing to the project – at least toward transportation costs for people to come to Helena for meetings.

RANKING RECOMMENDATIONS FROM THE GOVERNOR'S CONVERSATION

The idea behind ranking the suggestions generated at the Conversation was Judy Wing's. She thought it would help the group think about why the GTF exists, what our mission is beyond the tax credit, who our natural partners are, and if/when the GTF doesn't need to exist anymore because others are taking care of the things we're interested in. Linda Coulston, Judy, and Dorcie had gotten together to look at what our highest priorities might be in terms of money leftover from the Conversation, how it might inform the future direction of the GTF. Dorcie received responses from 12-14 people. They included 22 recommendations in 7 categories. Those that received more than 5 votes:

1. Make the tax credit permanent
2. Add Native American representation to the GTF
3. Organize funders tours
4. Urge a permanent federal IRA rollover
5. Conduct a statewide inventory of philanthropic resources
6. Promote the idea of "philanthropy for all" (i.e. that not only the wealthy can be charitable, that organizations can benefit from smaller contributions)

Other Conversation suggestions that received #1 votes:

1. Add Native American members to nonprofit boards
2. Explore a philanthropy easement where a property owner can direct a certain percentage of the value of the property in exchange for tax benefits
3. Establish a state trust for endowment building
4. Take a local approach (dovetails with "philanthropy for all")
5. Support life-long education

Mike Halligan's #1 vote was for something not recommended out of the Conversation: a tax credit for capital campaigns.

FUTURES DISCUSSION

Sid drafted a letter (see **Attachment A**) to Governor updating him on the future of the GTF. Sue read it aloud. It was agreed that the letter was very well written, although it needed a specific "ask" to meet with the Governor. (See also **Attachment B**: Sue Talbot's report on meeting with the Governor.)

Brian noted a correction should be made in the letter: it is not "because of IRS regulations" that MNA doesn't want to be the GTF's fiscal sponsor long-term. He reiterated the rationale of the MNA board: if it were to be a long-term relationship, it begs the question of why it isn't simply part of MNA's program. Judy suggested revisiting the 501(c)(3) option, as it gives us the ability to retain the Governor's name, which provides some clout. Sid pointed out that if a Governor's name were attached to it, the Governor – whoever it is – would want to have some control over it. The GTF couldn't advocate policy using the Governor's name. Brian said that there is a long history in the United States of "unincorporated associations." A perfect example is a trust fund. Two examples in Helena are the Helena Education Association (a nonprofit

where the staff is attached to the education department) and a community health organization where the staff is associated with the county health department. Sid noted that while those groups are associated with state government, they are not associated with an elected official.

Sid suggested we make a change in the letter to accommodate Major's point that the Governor may well have his own ideas. Judy wanted to be sure we think about which form best accomplishes what we might want to do in the future. Perhaps the letter could be more open-ended – e.g. it could say that the 501(c)(3) option isn't ideal, but perhaps the Governor might have a suggestion as to how it could work.

Brian agreed with Judy's emphasis on form following function. If the GTF makes a recommendation to the MNA board, the first question the board is going to ask is "for what purpose?" We really have to come to terms with what's needed (or not needed) in the state – then the question of whether it's MNA or an independent organization will be easier to answer. Sue pointed out that if the group recommends taking on x, y, and z projects, she'll want to take an inventory of how much time each member is actually willing to spend on these projects. Bill replied that this was the focus of the Futures Committee: that there are many more things to do, and if we want to do more – if we want to stay in existence – then we have to change. Many pointed out the overall change in the philanthropic landscape. BSI and MNA didn't exist when the GTF first formed. Would another 501(c)(3) duplicate efforts?

Sue suggested that the next step should be to wait and hear what the Governor has to say. Peter made a motion to send the letter to the Governor and await his feedback. Bill seconded the motion. Discussion: Tim concurred, but suggested the nonprofit alternative language be changed to "may be very difficult" and then specifically ask the Governor for his feedback and suggestions as to his global vision of what's needed to increase philanthropy in the state. Dorcie suggested an edit of "the TF *considered* 4 alternatives." All approved these suggested changes to the letter, which Sue will send to the Governor.

Brian noted that the GTF has moved over time from a "recommending and doing" role to more of an "advising" role. Today there are a lot of folks out there "doing" – ten years ago that wasn't true. The question then becomes "is there a role for a group to be advising on the larger questions of how to advance philanthropy in the state?" That might be another way of looking at this – could the GTF be an ongoing group, comprised of the right players, having the broad responsibility of advising on where philanthropy efforts should head in the long-term, while others carry out those efforts?

NEXT MEETING

Dale made a motion to NOT have a meeting in December; Peter seconded the motion. All agreed that Thursday, January 17th would be the next meeting.

The meeting adjourned at 12:30 p.m.

ATTACHMET A

October 10, 2007

The Honorable Brian Schweitzer

Office of the Governor
Montana State Capitol Bldg.
P.O. Box 200801
Helena MT 59620-0801

Dear Governor Schweitzer:

On behalf of the Governor's Task Force on Endowments and Philanthropy, I would like to thank you for your support of the Task Force and to bring you up to date on necessary changes in our status.

As I believe both Lt. Governor John Bohlinger and Sid Armstrong have informed you, the Governor's Task Force is currently in transition. Established in 1994, the GTF has never been formally constituted through legislative or executive action. The appointment of members by the Governor has also been informal. Although there has been in-kind support from the state, our work has been funded entirely by private contributions.

Until this year, the Montana Community Foundation was the fiscal sponsor for the Task Force, providing 501(c) (3) nonprofit status, as well as all aspects of accounting, acknowledgement of contributions, financial reports and so on. In 2007, MCF's Executive Director informed the Governor's Task Force that MCF could no longer serve as fiscal sponsor. The Montana Nonprofit Association has assumed this role, but can do so only on a short-term basis.

In order to make decisions about the future of the Governor's Task Force, I appointed a Futures Committee composed of Sid Armstrong, Brian McGee, Bill Pratt and Josh Turner. The committee prepared a report for the Task Force, including an overview of the philanthropic landscape in Montana, along with some options for the Task Force to consider as to future directions. I am enclosing this report.

The Task Force chose four primary alternatives and discussed the pros and cons of each as follows:

1. Maintaining the status quo - this is not a possibility because we are unable to have a long term fiscal sponsor.
2. Creating an independent 501 (c)(3) organization - members agreed that creating a new nonprofit would be difficult.
3. Establishing a more formal attachment to the State - both the Lt. Governor and Sid Armstrong noted that creating a new advisory council is not an option they believe that you would be likely to view favorably.
4. Integrating the GTF into Montana Nonprofit Association's overall program - this seemed to be the only viable option, but details will need to be worked out. We understand that this option would mean we could no longer call ourselves "The Governor's Task Force," since MNA would have the overall decision making powers. On the other hand, we recognize the importance of having the Governor's name and public support for our efforts to advance philanthropy, including through public policy, such as the tax credit.

While MNA is willing to serve as our fiscal sponsor for the next several months, final decisions will need to be made in early 2008. We would welcome your advice and any recommendations you may have for the GTF.

It has been very valuable having Lt. Governor John Bohlinger serve as the liaison to the Executive Branch. We send you both our deep appreciation for your leadership in advancing philanthropy in our state and in promoting the investment in Montana nonprofit organizations and projects by out of state foundations, corporations and private donors.

Please let me know if you have any questions or would like additional information. I will be calling you in a few weeks to see if we can set up a time to discuss this matter.

Sincerely,
Susan Talbot
Chair

ATTACHMET B

Report from Sue Talbot on Meeting with the Governor

Monday afternoon Brian Magee and I had an excellent meeting with the

Governor. He had obviously recently reread our letter about the fiscal sponsorship and our ideas for solving the problem. He immediately said that he would be grateful if the Task Force were no longer the Governor's Task Force. "There are so many committees, Task Forces, councils and so on that it is hard to keep track of them all." Having said that, he indicated that he would be glad to lend his name or position to events like the Conversation that promote philanthropy. He is aware of the accomplishments of the Task Force and, I think, hopes that those efforts for philanthropy will continue.

After he left, Brian and I discussed what should be the next steps. At our January meeting, we should finally decide if becoming a part of the Non-profit Association is what we want to do and what that relationship would be. Brian made the excellent point, which several other Task Force members have made recently, that form should follow function. In other words, what is our vision for the TF? I have thought of the planning work we have done with Ginny Tribe, for instance, and the prioritizing of the Conversation suggestions. If we wish to become a part of MNA, which of those visions could we accomplish and which are not replicating MNA work. If we have a proposal for MNA's board, they will then have to decide if this fits with their goals and how this could be accomplished.

I SEE THE JANUARY AND PERHAPS FEBRUARY MEETINGS AS CRUCIAL FOR DECIDING OUR FUTURE. I hope that all Task Force members will give these meetings high priority so that we can make the best decisions.