



# GOVERNOR'S CONVERSATION ON ENDOWMENTS AND PHILANTHROPY

Hosted by Governor Brian Schweitzer and Lieutenant Governor John Bohlinger  
State Capitol, Helena, Montana ~ November 15, 2006

## *A New Day for Philanthropy in Montana*

When the Lewis and Clark Expedition passed through the Big Hole valley in early August, 1805, the party reached what Captain Lewis described as the forks of the Jefferson River, already named after their President and expedition sponsor. The explorers named the forks for what they viewed as President Jefferson's three cardinal virtues—Philosophy, Philanthropy, and Wisdom.

Though these rivers have since been renamed, the Governor invoked their original titles to inspire the participants of his Conversation to create a New Day for Philanthropy in Montana.

## *Expert Assistance*

To help plan and implement the Conversation, the Governor recruited the assistance of his Task Force on Endowments and Philanthropy and a special Steering Committee of more than twenty members from throughout Montana.

Participants in this third Governor's Conversation came from many walks of life and all across the country. They were invited for their experience with successful endowments and philanthropy; their business leadership; their experience as state and local elected officials; their personal concern for Montana's future vitality; their willingness to share observations, opinions, and advice; and their ability to make a difference.



*Governor Brian Schweitzer welcomes the participants.*

## *The Philanthropic Divide and Beyond*

Conversation Facilitator **Ted Smith**, Executive Director of the Henry P. Kendall Foundation in Boston, set the stage and challenged participants to use the reality of the Philanthropic Divide (the vast and growing disparity between the states with the most and least philanthropic assets) not as an end in itself, but as a launching point for bold solutions applying both long-term endowments and urgent philanthropy.

**Tom Siebel**, Chairman of the Tom and Stacey Siebel Foundation, **Brian Thompson**, Nebraska Community Foundation Board Member, and **Mike Schechtman**, Executive Director of the Big Sky Institute for the Advancement of Nonprofits emphasized exciting opportunities to strengthen and expand endowments and philanthropy to address important and changing issues facing our state.

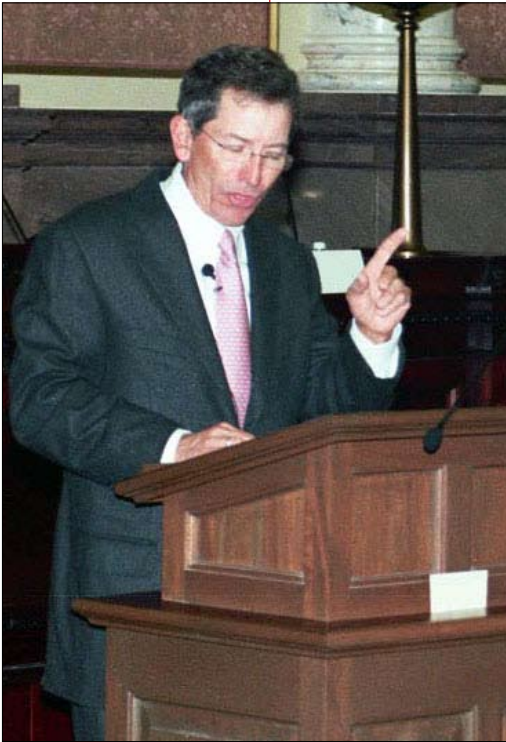
Tom Siebel encouraged participants to welcome wealthy newcomers and part-time residents as valued members of local communities, to treat them courteously and fairly, to invite their involvement in community improvement, and to recognize them publicly for their good works.



*(Left to Right) Bruce Sievers, Mike Schechtman, and Brian Thompson participated on the Opportunity Panel to present new philanthropic opportunities for Montana. Photos by Brad Robinson.*

*If philanthropy is an objective, make these people part of the solution, not part of the problem. I believe the key to philanthropic prosperity in Montana is to find a way to engage this group. These are good people, global leaders. They love MONTANA. Treat them equal to, not better than, the schoolteacher in Cascade. The result will be a philanthropic windfall for Montana.*

~Tom Siebel, Chairman, Tom and Stacey Siebel Foundation



*Tom Siebel, Chairman of the Tom and Stacey Siebel Foundation and originator of the "Montana Meth Project." Photo by Brad Robinson.*

Brian Thompson challenged participants to prepare for the coming intergenerational transfer of wealth, noting that the largest amount of money ever to pass from one generation to the next is underway and expected to peak in 2010. Unless Montana prepares now to capture some of those funds through bequests and other means, millions of dollars will leave our state forever. Brian suggested borrowing the four key elements of the Nebraska Hometown Competitiveness Program to interest the older generation in investing in their home state:

1. Leadership and development in communities
2. Entrepreneurship education
3. Attracting young people to fill jobs
4. Funding to make it possible

Mike Schechtman presented the Big Sky Institute's research on the Philanthropic Divide and described the 10-state network working to promote a common message to the national foundation community of three strategic goals:

1. increase grantmaking in our states to help build local community foundations
2. increase grantmaking to help develop infrastructure that assists and strengthens nonprofits
3. level the playing field so that nonprofits in Divide states have a better chance at obtaining grants from national foundations

Mike suggested three initiatives that could provide an excellent platform for attracting investment to Montana by regional and national foundations:

1. A \$20 million Trust Fund whose earnings are used to provide challenge grants to help local community foundations in Montana build their endowments.
2. The Montana Philanthropy Network—an alliance of Montana foundations, corporate grantmakers, nonprofits working on infrastructure, and interested out-of-state funders—to begin working together on ways to pool resources and help build infrastructure in Montana
3. Nonprofit Infrastructure Alliance for Indian Country.

## **Montana Charitable Endowment Tax Credit**

**Lieutenant Governor Bohlinger** reminded participants that Montana's groundbreaking tax credit for gifts to eligible endowments is set to expire at the end of 2007. The Lt. Governor reported that Governor Schweitzer has included the Tax Credit, at its current levels, in the budget that he will make public today and has recommended extending the credit through 2013.

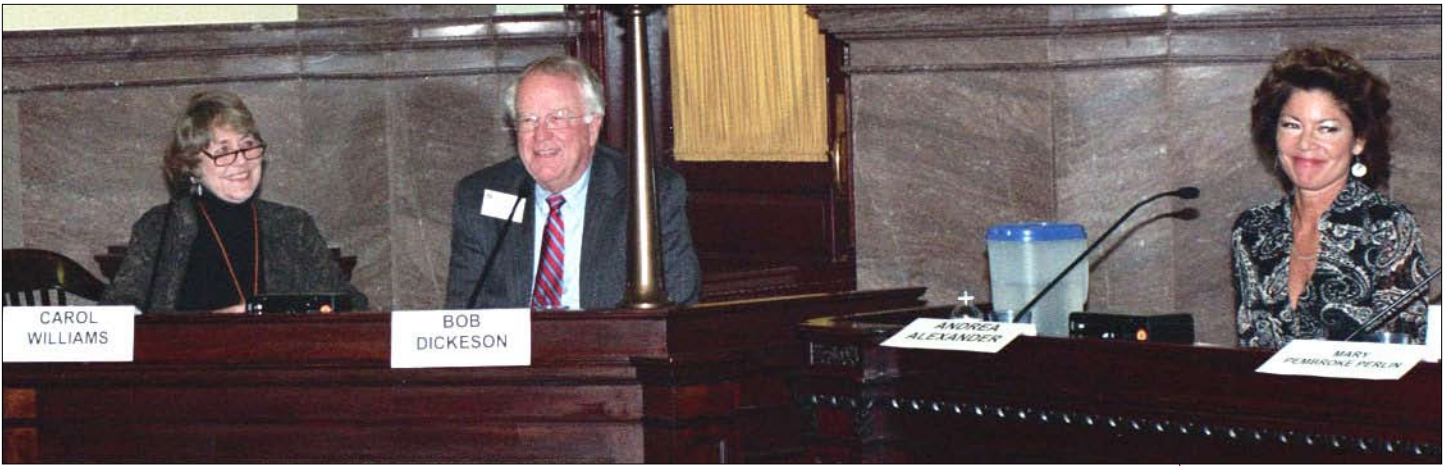
As one of the original sponsors of the Credit, which is estimated to have raised more than \$100 million in endowments in Montana since 1997, the Lt. Governor expressed his disappointment that the credit could not be expanded, but noted that the Governor's Budget Director reported that the increase did not fit within the parameters of the Executive Budget.

## **Voices of Experience**

**Bob Dickeson**, co-founder and former Senior Vice President of Lumina Foundation for Education in Indianapolis, **Andrea Alexander**, founding President and CEO of the Potlatch Fund in Seattle, and **Mary Pembroke Perlin**, Co-Chair of the Northwest Giving Project in Seattle shared their experience in successful philanthropy and offered ideas for Montana.

Bob Dickeson noted that Montana has in place great tools to make things happen—the tax credit, a community foundation structure, and capacity for donor-advised funds. With those tools in place and in light of the coming transfer of wealth, he recommended a statewide fundraising campaign that would encompass Montana's top ten needs and focus messaging to the seven types of wealthy donors.

Andrea Alexander talked about the Potlatch Fund's special niche of breaking down barriers between Native people and grantmakers. Potlatch provides



*Experience Panel moderator Montana State Senator Carol Williams with panelists Bob Dickeson and Andrea Alexander. Photo by Brad Robinson.*

culturally appropriate training and experience to increase self esteem and confidence, retaining culture but mainstreaming with philanthropy. Alexander believes that this kind of support and assistance can help Montana create and grow Native-led nonprofits and attract grantmaker interest.

*You should start a Native American Foundation here in Montana and learn from our mistakes and successes.*

*~ Andrea Alexander, founding President and CEO, Potlatch Fund, Seattle*

Mary Pembroke Perlin shared her experience in helping to start Social Ventures Partners, a giving circle of former Microsoft employees who prospered during the technology boom. The approach was successful because they used language that the members were comfortable with and understood that members wanted to actively participate in giving decisions. She applied what she learned there to the Northwest Giving Project, which creates new foundations and other organized philanthropy and educates people about options for giving.

### **Participant Recommendations**

Through focused small group discussions, the Conversation generated much good advice and many practical suggestions for encouraging endowments and expanding philanthropy in Montana:

#### **Civic Engagement**

**Take a local approach.** Work community-by-community with a core group of leaders who bring the community together for a series of meetings to create a plan for education and information sharing.

**Create new local community foundations.** The local community foundation helps give donors a sense of ownership and provides a vehicle for legacies as a

way to capture some of the transfer of wealth funds which might otherwise leave the state.

**Involve youth.** Educate students about the benefits of endowment and involve them in fundraising to build endowments for a local community foundation and/or for the benefit of various charitable organizations.

#### **Wealthy Individuals**

**Urge a permanent IRA Rollover.** Urge Senator Max Baucus, new Chair of the Senate Finance Committee, to lead the way in creating a permanent IRA Rollover beginning at age 59 ½.

**Actively encourage gifts of real estate to charitable trusts.** Educate real estate agents and wealthy donors about the benefits of this kind of giving and the opportunity to become involved with the community.



*Mary Pembroke Perlin*

#### **Education**

**Support lifelong education.** Endow and support education from birth (zero) through life rather than K-12 or pre-K through 20.

**Seek long-term funding for education.** Move from one-time fixes to long-term funding.

**Educate about how the endowment tax credit helps education.** There is little knowledge about education endowments, including scholarships, and a need to educate Montana citizens about how the Endowment Tax Credit helps education in Montana.

**Designate a lead group.** Designate the Governor's Task Force to spearhead ideas from the Conversation.



*A small group discusses regional and national philanthropic investment in Montana.*

*If Montana could bring this off, it could be a model for the country.*

~ Visiting Analyst  
Bruce Sievers

**Research endowment matching funds for education.** Contact Commissioners of Higher Education throughout the country to discover which states offer matching funds for endowments to education, and research conditions of the match.

### **In-state Investment in Philanthropy**

**Educate small communities about the Montana Community Foundation.** Find a vehicle to educate and promote the services offered by the Montana Community Foundation to help build awareness and improve MCF's ability to assist small rural areas.

**Promote the idea of philanthropy for all.** Many people believe that only the wealthy can be charitable. Small communities need to realize that many times they can help themselves with small gifts and civic involvement, and not simply depend on larger gifts or grants.

### **Organizational, Community, and Economic Development**

**Conduct a statewide inventory.** Assess the status and needs of foundations, grant seekers, non-profits, businesses, and lending institutions.

**Develop a statewide foundation organization.** Create a structure for Montana foundations to communicate and collaborate.

**Implement the HomeTown Competitiveness Program concept.**

**Organize funders tours.** Initiate a statewide foundation tour much like the one implemented in Alaska. (Also recommended by the *Regional and National Philanthropic Investment* group.)

**Develop policy to promote foundation giving.** Work closely with the Governor's Office to develop policies that would appeal to foundations interested in creating more opportunities in Montana.

## **Public Policy**

**Make the Charitable Endowment Tax Credit permanent.**

**Explore a "philanthropy easement."** Explore a "philanthropy easement" or "philanthropy covenant" where a property owner could place an easement/covenant on the property that would direct a certain percentage of the property's value to a charitable organization in exchange for a tax benefit each time the property changes hands.

**Establish a state trust fund for endowment building.** Establish a "trust" operated by the state of Montana to offer challenge grants for the purpose of building the endowments of Montana's charitable organizations, including local and county community foundations.

## **Rural and Reservation Communities**

**Add Native American representation** to the Governor's Task Force on Endowments and Philanthropy.

**Add Native American members** to nonprofit boards of directors and advisory groups.

## *Closing Thoughts*

Visiting Analyst **Bruce Sievers**, Visiting Scholar and lecturer at Stanford University, highlighted the recurrent themes of the Conversation and shared observations and recommendations. He noted that at least six distinct constituencies were mentioned as possible targets for increased philanthropic donations, and each requires a different strategy to cultivate. There was a healthy stress on opportunities for philanthropy in Montana, focusing on areas of real comparative advantage such as sustainable economic development, solutions to global warming, protecting wilderness areas, public/private partnerships in education, advancement of Native American populations, and university-based research.

He also saw potential for a statewide agenda to improve infrastructure, such as:

- Consolidating back-office operations
- Employing the Nebraska model of the state community foundation as an umbrella
- A statewide campaign on behalf of entire nonprofit sector, possibly using the idea of a fund generated through real estate transactions.

Above all, there is the opportunity for a unique state-philanthropic partnership in Montana that exists almost nowhere else in the country.