

Massachusetts May Soon Ban Pay for Trustees of Nonprofit Groups

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By Lisa Chiu

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The Nellie Mae Education Foundation, in Quincy, Mass., pays each of its 15 board members \$19,000 to \$32,000 apiece every year for their work.

But such payments could soon become illegal in Massachusetts, which is on the verge of passing the first state ban on payments to trustees of all nonprofit organizations.

Many experts say they believe that the Massachusetts ban could soon spread elsewhere, a move that could affect grant makers and nonprofits nationwide.

Most of the 22,000 organizations in Massachusetts don't pay their board members, but some of the wealthiest grant makers in the state do, among them: the Cedar Tree Foundation, the Hyams Foundation, the Amelia Peabody Foundation, and the Yawkey Foundations.

Nicholas C. Donohue, chief executive of the Nellie Mae Foundation, worries that the ban on payments would diminish his organization's ability to find qualified people to serve on its board.

"I'm sure we could attract some good people to do good work for us [without pay]," he says, "but when you can attach compensation to something, you can get even more."

... Going Too Far

Deborah Davidson, an official at BoardSource, a Washington nonprofit group that works to improve nonprofit governance, says she is concerned that the legislation went too far by

covering all nonprofits, given that it was just the payments to board members at nonprofit healthinsurers that prompted criticism.

"It seems very broad, like swatting a fly with a hammer," Ms. Davidson says.

But what worries Ms. Davidson more is that the idea of banning payments will spread.

"I'm afraid that other ambitious attorneys general may take that up and all of a sudden be in a place they may not really belong. Who wants Martha Coakley down your throat?"

Mr. Montigny says the broad nature of the bill was intentional.

"You can't legislate just because of a couple of bad apples," he says. "We can't pick and choose who is good or bad, and that's why you legislate broadly and let regulators like the attorney general's office, which is very reasonable, have the ability to scrutinize."

Other supporters say it will curtail a practice that runs counter to the idea that nonprofits and foundations are created primarily to serve the needy. Many nonprofit leaders say they would like to see foundations give more to charity instead of paying their trustees.

"There are thousands, millions of people serving as volunteers on non-grant-making nonprofit boards across the country, and every one is expected to put in real time and not be compensated for service," says Aaron Dorfman, executive director of the National Committee for Responsive Philanthropy, a foundation watchdog in Washington. "Why should we have a different standard for grant-making nonprofits? The money could be better used in ways that more directly serve the charitable mission of the foundation."

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