

## MEMORANDUM

**Date:** November 17, 2011

**To:** All House Members

**From:** Representative Tony DeLuca

**Subject:** Co-sponsorship of Legislation: *Prohibition of Nonprofit Board Compensation*

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In the near future, I will introduce legislation prohibiting the compensation of board members who serve on Executive Boards for not-for-profit Blues insurance entities, as well as Executive Boards for purely public charities and other nonprofit organizations. It appears counterproductive to the intent of nonprofits to financially compensate volunteers to work on a nonprofit organization or the board of a charitable organization.

After reading a news article detailing the compensation distributed to Highmark board members for their service on a not-for-profit board, I was left troubled. As we continue to see rate increases in the market place for health insurance, there is simply no sound justification for exorbitant dollars being doled out to individuals meeting only a handful of times per year. According to the *Pittsburgh Tribune Review*, the Highmark board compensation totaled a staggering \$1.3 million in 2010. Given that many of our constituents are just trying to make ends meet, I consider these gratuitous payments to be disgraceful.

Currently in Massachusetts, a similar situation is unfolding complete with an investigation by the Massachusetts Attorney General. That Commonwealth's Attorney General, Martha Coakley stated, "The vast majority of board members at charities volunteer their service, and for good reason. Compensation of board members creates unavoidable conflicts of interest and diverts resources otherwise focused on achieving the mission of the charity. These organizations enjoy significant tax and other benefits due to their charitable status, and we asked them to justify why they should be treated differently from other charitable boards. We found their explanations to be unjustified."

With many Pennsylvanians currently experiencing dire financial hardships, I find it difficult to understand the rationale for compensating board members in the nonprofit arena.

Please join me in co-sponsoring this important legislation by contacting Stacia Longenecker at [slongene@pahouse.net](mailto:slongene@pahouse.net) or via phone 787-4437.