

Massachusetts Senate Considering Budget Amendment Limiting Compensation of Directors and Officers of Public Charities

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An amendment to the state budget under consideration by the Massachusetts Senate would cap the compensation of officers and senior managers and would prohibit the compensation of members of the board of directors of public charities.

The amendment, filed by Senator Mark Montigny (D-New Bedford), has several components that may be of interest to Massachusetts public charities:

- Public charities with annual gross revenues over \$1,000,000 would be prohibited from compensating any officer, senior manager, or any director acting in an executive capacity, in excess of \$500,000 per year.
- All public charities would be prohibited from providing compensation (other than reimbursement for direct expenses incurred) to any member of its board of directors or trustees.

The amendment would establish a commission – comprised of the secretary of the Commonwealth, inspector general and attorney general – to which public charities could apply for an exemption to these prohibitions. Public charities seeking such an exemption would be required to provide good cause in writing for the exemption and would be responsible for hiring an independent auditor to provide the commission with a written report on the matter. Both the written explanation of good cause and the auditor's report would be made publicly available.

Under the amendment, a public charity that is found to have violated these prohibitions without having previously obtained a waiver from the commission could be stripped of its status as a public charity.

The Senate will begin addressing the budget this Wednesday, May 23.

We have previously reported on legislative efforts to regulate compensation of directors and officers of public charities. Foley Hoag will continue to track this legislation and is available to advise public charities on its potential implications.

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