



FACT SHEET: House Bill 1173

What does this bill do?

1. This bill updates and modernizes the 30-year-old Uniform Management of Institutional Funds Act in order to provide charities and foundations more flexibility in managing their funds. It also clarifies circumstances in which court approval is required for a change in use of restricted funds if the donor cannot give consent.
2. This bill provides that a hospital foundation (a charitable, supporting organization of a hospital) must seek court approval to receive proceeds from a sale of its interest in a hospital, if it intends to change the use of proceeds from the original purpose for which the hospital foundation was formed, with notice to donors and assures their right to participate in court.

Why is this bill needed?

Existing state law does not give charities and foundations sufficient authority to have flexibility with their investments. HB 1173 provides more authority and reduces some administrative constraints, which should, in turn, increase available investment for the community.

The Bill also preserves health care dollars for health care. Case in point: A Jefferson County foundation (formerly Lutheran Medical Center Foundation) proposes to use most of the \$311 million it expects to receive from the sale of its interest in Exempla (which manages Lutheran Medical Center in Arvada, St. Joseph Hospital in Denver, and Good Samaritan Hospital in Lafayette) for things other than the provision of health care or hospital services. It intends to become a general community foundation. This legislation would require court approval before the funds could be received and used in this way, which would be different than the original purposes of health care services.

Is this legislation retroactive?

HB 1173 is not retroactive. It applies after the effective date to funds existing on that date. The Exempla transaction has not yet closed and the proceeds have not been received. The Bill will affect future transactions involving sales of hospitals.

What are the sound policy arguments for this bill?

First, charities can use more flexibility and less unnecessary constraints in fund management. Second, the Bill preserves hospital usage and access. The dollars which have accrued from the use of tax exemptions and deductions for health care should stay in health care, unless circumstance require otherwise. When patients pay for medical services and health care delivery at Lutheran, they expect those dollars to go toward exactly that, not the Butterfly Pavilion. The top donors of Lutheran and Good Samaritan deserve to receive notice if and when there is a proposed change to the use of their funds. And both the medical staff and donors at Lutheran should have the opportunity to be heard in court proceedings related to these matters.

For more information about this bill, please contact Ed Kahn at 303-573-5669 ext. 305 or ekahn@cclponline.org.