



CFC 50 Commission Testimony by Steve Delfin, President & CEO

December 6, 2011

Chairpersons Byron and Davis, CFC Director Willingham, Commissioners and guests:

Thank you for the opportunity to address the CFC 50 Commission about issues that America's Charities and our family of federations feel are vital to growing philanthropy through the Federal workplace. My name is Steve Delfin and I am president and CEO of America's Charities and three other federations we have founded that participate in the CFC – Children First, Health First and Community First of Greater Washington, DC.

Throughout my career in the corporate and not-for-profit sectors, I have worked in many organizations which have directly benefitted from the generosity of Federal employees. From United Way to American Red Cross to homecare and hospice charities, I have seen first hand how these dollars are put to work helping people who really need help.

Charities throughout America are grateful for this generosity. Although you have heard it before, we can not understate the importance of this annual program. As you know, since the first official CFC campaign, Federal employees have pledged more than \$7 billion to their favorite charities through the Combined Federal Campaign.

At a time when the world and national economies continue to struggle, and when some of the most traditional sources of corporate giving -- such as Freddie Mac and Fannie Mae foundations -- have evaporated, the generosity of Federal employees continues to stand out as a shining example of philanthropy at its best.

However, there are some challenges that we have all seen coming for quite some time and now is the time to act to mitigate the possible negative impact that could result if we do not make some critical changes.

For instance, despite the overall growth in the Federal workforce, there were fewer donors in 2010 (1,017,772) than the campaign had in 1965 – its second year of existence.

Furthermore, the last year that a **majority** of Federal employees pledged to one or more of their favorite charities through CFC was 1991 when 53 percent (or 2,482,482) of the employees gave. Since then, the participation rate has declined to 24 percent.

From 2001 through 2010 alone, the campaign lost more than 482,000 donors. Had participation simply remained constant at the 2001 average gift level, there would be \$77 million more being raised for worthy charities that meet CFC criteria. That additional giving would have brought the 2010 giving totals up to more than \$350 million--rather than the \$280+ million level announced by OPM for 2010.

At the same time the CFC has been losing donors, campaign expenses have been on the rise. Despite a decade of consolidation of campaign offices by OPM and the advent of online pledging through Employee Express and other means, the expense data released for the 2010 campaign showed that **costs were at the highest dollar figure ever--with budgets totaling almost \$30 million.**

If the 8.5 percent expense ratio from 2001 had been maintained, then the campaign also would be saving an estimated additional \$5.4 million. This is money that would find its way directly into the participating charities for services to people in need, not the campaign expenses.

What can and should be done here?

From the experience America's Charities has witnessed in private sector campaigns, most of these challenges can be overcome with a series of progressive, employee-centric reforms designed to unleash the social responsibility instincts inherent in the Federal employee.

Despite Federal paperwork reduction acts and electronic signature requirements, CFC rules still require paper-based hard copy signatures on most pledge forms and all applications from more than 20,000 charities.

Most Federal employees still do not have basic access to electronic means to support charities – something that is common place in the private sector. This adds unnecessary complexities and costs to the campaign. And as I inferred earlier, it also may partially account for the lower participation rates because younger employees live and breathe in the digital world. They make many transactions without traditional paper forms and catalogs and more might do so if CFC everywhere entered the e-giving realm that some have pioneered.

There are specific strategic steps that the CFC 50 Commission can and should recommend to increase Federal employee participation while also lowering costs, increasing efficiency and moving more money to charities.

Workplace giving continues to have a huge upside potential. Our recent experience (during the worst economic conditions in our lifetime) is that participation and giving increase when you give employees what they want – choice, top quality easy to consume information, and a giving experience similar to what they have outside of the workplace meaning one that embraces and uses technology.

Also, by building more efficiency in to our systems, **volunteer hours of Federal employees can be focused on higher quality touch points with donors through events, marketing, research, focus groups and more.**

To that end here are America's Charities **specific recommendations**:

1. Implement a government-wide electronic giving system for all Federal workers with paper back-up systems for those who do not have ready access to secure computers at work.

The Federal government has already cut back to only four payroll providers, yet these organizations have yet to roll out standard, efficient systems for e-giving for all their customers. In its wake, multiple vendors are developing competitive and competing systems and charging the government usage and/or licensing fees for systems the government should own and operate.

2. Along those same lines create a more efficient application process that will allow charities to submit paperwork electronically and be qualified for multiple years. The IRS registers a charity ONCE and then requires one form annually. CFC applications and ALL attachments must be completed and submitted in their entirety every year.

We believe there is a middle ground in which a charity could qualify for the campaign for a multi-year basis and be renewed by providing OPM or the Local Federal Coordinating Committee with a copy of its Form 990, audit and some program updates annually – and in an electronic format.

3. Increase reliance on Federations to screen charities in addition to relying on the electronic applications. A shrinking Federal workforce may not be able to sustain the workload of reviewing all these documents annually for all independent organizations in more than 200 jurisdictions. Plus, with the

added scrutiny of the OPM staff verifying all charities are in the IRS Master Business File, a streamlined application process will facilitate cost savings at the campaign administration level and at the charities – allowing more money to go to helping people. This would free up the time spent by Federal employees reviewing applications to move into areas of increasing the quality of the campaigns.

4. Advocate for a stronger leadership commitment to the CFC across all Executive Departments and the three branches of government. Right now, certain Federal agencies are the backbone in achieving high levels of giving and participation. That also means that there are other departments, agencies and branches of the government in which the charitable impulse on-the-job is not cultivated as well as it is elsewhere.

We encourage OPM to seek new ways to get the leadership and workforce of the Judicial and Legislative branches more engaged in this annual effort along with some of the Executive agencies where participation rates trail the national averages for giving and participation.

5. We believe there is a need to increase the transparency and accountability on all parties. We have found that some of the Local Federal Coordinating Committees often work far too closely with the contracted campaign managers. It is important to remember that the LFCC is an arm of OPM. Yet we have come across many instances when LFCCs do not fulfill their obligation of neutrality and objectivity in selecting the local campaign manager. This perpetuates a system where a few fiscal agents are charging ever increasing fees – sometimes in excess of 20 percent – to conduct under-performing campaigns.

We believe many LFCCs inappropriately defer too much responsibility for decision-making to the incumbent campaign manager. A possible solution to this very significant problem is to engage the network of Federal Executive Boards to play a bigger role in CFC as they do successfully in places such as Baltimore and Detroit where there is much more transparency and independence in the RFP process for PCFO selection and oversight. Finally, we feel the Federal Government is in an ideal position as an employer to be able to help the Federal employee become the most informed giver in any workplace. Yet we do not feel that objective is being adequately addressed.

For example, in this year's CFC we have two new federations – one called “Charities with Less than 1% Overhead” and the other “Charities with Less than 5% Overhead.” Anyone who knows anything about contemporary philanthropy knows that administrative overhead costs are not a reasonable reflection of a charity's effectiveness. But, unfortunately, some donors continue to be guided by these grossly inadequate indicators. We believe that the CFC can and should do better. Allowing federations to enter the campaign using contrived names designed to pander to the lowest common denominator of donor knowledge is doing a great disservice to all parties particularly Federal employees.

In the short time we have today, we could not comment on every issue you are tackling. We know that you are also looking at other issues through a network of subcommittees such as retiree giving, universal giving to all local charities in the database, campaign schedules, accessibility and more.

At America's Charities we fully support your efforts to move swiftly to address these issues in a way to improve this important annual campaign. We pledge to assist the work of the CFC 50 Commission, Director Willingham and his staff, to support the changes that will make the Combined Federal Campaign the most progressive and exciting employee workplace giving effort in the nation. Many people and organizations are counting on you to make critical advancements in this program that are long overdue and will be welcomed by Federal employees and those who benefit from their contributions

We are pleased that OPM and the Commission are committed to making these changes with minimum bureaucracy and maximum speed. Along those lines, as soon as possible after your final meeting in March, we would like to see OPM take the recommendations from this body and fast-track your recommendations through the rigors of Federal rule-making to modernize this campaign and return it to the higher levels of participation that it enjoyed in the recent past.

You can engage the next generation of Federal employees with ways to give, to volunteer and to extend their personal and professional commitment to serving America every day in new ways. Thank you for your service and for this opportunity to address you. Please let me know if America's Charities federation and our members can assist you in any way.