



America's Charities Response

Docket Number: OPM-2013-0006

Docket Name: Solicitation of Federal Civilian and Uniformed Service Personnel for Contributions to Private Voluntary Organizations

Docket RIN: 3206-AM68

Date: May 3, 2013

The Combined Federal Campaign (CFC) celebrated its 50th Anniversary in 2011 and is by far the world's largest employee workplace giving program. It was created by Presidential Executive Order to *"lessen the burdens of government and of local communities in meeting needs of human health and welfare; [and] to provide a convenient channel through which Federal public servants may contribute to these efforts."*

Since then through the amazing generosity of literally millions of public servants, CFC has raised more than \$7 billion for thousands of charitable organizations across the country. These funds are unrestricted meaning they are the most valuable and flexible for any nonprofit. These funds and the billions of additional dollars and human care services they leverage and make possible at the community level are at serious risk if the Office of Personnel Management (OPM) does not change course on its plans for changes to the CFC. In fact, we believe the proposed changes, if implemented, will result in a dramatic drop in giving and participation, thus increasing the burden of government and local communities. This is in direct opposition to the Executive Order.

OPM cites a number of reasons why these proposed changes are needed: a slow decline in participation; some inefficiency; the need to reach out in a more organized and systematized manner to reach federal retirees; and OPM's own limited capacity to manage certain aspects of the campaign operations. These are legitimate issues, requiring thoughtful analysis and considered input from all the stakeholders impacted. When OPM announced the creation of its CFC-50 Commission in 2011, we and others close to the CFC were optimistic that process was under way as the Commission's stated mission was in part to strengthen "the integrity, the operation and effectiveness of the Combined Federal Campaign (CFC) to ensure its continued growth and success."

We have known for quite some time that the CFC has needed revitalization and modernization. Organizations such as America's Charities (whose member charities participate in the CFC), who also do extensive work in the private sector, know that contemporary employee engagement strategies that are proving successful should be looked at for elements appropriate for the federal workplace.

Unfortunately, as soon as OPM announced the CFC-50 Commission it became clear that the Commission was not inclusive of all the key stakeholders, particularly the benefitting charitable organizations and many organizations and people who have vast experience in employee engagement and workplace giving outside of the federal space.

For the record, some of us stepped forward and volunteered to serve. OPM turned us down but said we would have ample opportunities for input to affect the Commission's recommendations. In essence, OPM indicated the process was "open". Yet the final proposed changes differ very little from draft versions despite concerns voiced by many stakeholders including America's

Charities in oral and written testimony, in other written communication and through questions submitted to OPM.

In short, it is our view and that of the 115 charities we represent, the final proposed CFC changes are neither true to the CFC-50 Commission's mission nor the Presidential Executive Order.

We will not speculate as to why OPM has chosen not to reflect the input and concerns of many stakeholders in these final proposed changes. However, in this document we are detailing what those concerns are and, where possible, offering alternatives for consideration. Having said that, it is important to emphasize that one of the primary concerns with the proposed changes is they are void of detail. This makes informed comment extremely difficult. So while some aspects of the proposed changes may, in fact, be workable, it is virtually impossible to tell without any further detail.

Here is a summary of our concerns:

1. **The rules would now require charities to essentially “pay to play”. This places an unfair administrative burden and risk on charities and provides less transparency to donors.**

The proposed changes would require charities to pay a non-refundable up-front fee of an unknown amount that could change annually. The current system deducts the cost of managing the campaign from the dollars raised before those dollars are distributed to charities. The current system is cost-effective (CFC campaign costs are in the 10% range) and dramatically more efficient than the proposed new system which will require participating charities to incur more administrative costs. Additionally, charities will have to pay the fee before they actually know if they have been accepted into the campaign. This could be the equivalent of a college insisting on tuition before it accepts a student and then keeping the tuition if the student is not accepted.

An upfront fee may also require many charities to seek board approval (depending on the fee amount which is not addressed in the proposed changes), further increasing charities' administrative and planning burden. Finally, the proposed changes allow OPM to set the fee as late as October 31 each year. This makes it extremely difficult and, in many cases, impossible for charities to budget in advance. Many, if not most charities, are on an annual budget cycle with budgets for the next year approved in the fourth quarter.

OPM has stated that one of the reasons it wants to place the fee at the front end of the transaction is to be able to say to the donor 100% of their contribution is going to charity. That would be “technically” true, but lack transparency because, in truth, under the proposed changes the federal government would bill the charity at a point in the transaction where the donor cannot see it.

There is also concern in the marketplace based on OPM's own public statements that the fee will go beyond cost-recovery and will actually be structured to provide additional funds so OPM can hire additional staff and bolster its operations. This potentially calls into question the entire legitimacy of this proposed change. You would have to ask whether it is the role of the donor and participating charities to provide OPM with additional infrastructure as opposed to the additional charitable programs and services that could be provided if those funds remained with participating charities.

Further, this proposed change is also potentially discriminatory in that depending upon the size of the fee and how it is structured (flat fee for all or a fee based on the amount raised) it could result in excluding many charities that currently participate for the reasons noted above. Again, it is impossible to know what the impact will be because the proposed rule changes do not provide any level of detail and, therefore, we must assume that the fee will be prohibitive.

In short, the proposed upfront fee is directly counter to the Executive Order which states the CFC should, *“lessen the burdens of government and of local communities in meeting the needs of human health and welfare”*.

Finally, OPM is looking to codify a requirement that federations may no longer deduct member fees, dues or other charges as part of the CFC disbursement process. This is overreach and interference with the relationship between a federation and its member organizations. Federations help reduce costs and inefficiencies by taking the administrative burden off of OPM.

The relationship between a member charity and a federation goes above and beyond the CFC in its scope and especially in the services provided. OPM is inserting itself unnecessarily on this front and we recommend this rule not be implemented and OPM's focus be kept on growing the campaign.

Recommendations. Leave the current campaign cost recovery system in place. It is the most cost effective and efficient. We recommend instead focusing on creating better ways to monitor the relationship between the Local Federal Coordination Committees (LFCCs) that volunteer to provide oversight to the campaign and the Principal Combined Fund Organizations (PCFOs) that are hired to manage the campaign and distribution of funds. Currently some of those relationships are inappropriately interlocked and oversight could and should be improved focusing on the largest CFC markets where the most dollars are raised.

- 2. The proposed rules will essentially create a handful of centralized bureaucracies at a regional level and eliminate much of the local engagement critical to successful workplace giving programs.** Currently, federal employee volunteers are involved in all aspects of the campaign, giving them a strong sense of ownership and a stake in the success of the campaign. The proposed regulations would eliminate the LFCCs. PCFOs, the local charity management organization, currently under the supervision of LFCCs, would be eliminated in favor of regional marketing organizations. This would dramatically diminish the role of local federal employee volunteers while centralizing control and operations.

It is our understanding that the primary reason for doing this is to exert more auditing and oversight of the PCFO/LFCC relationship. This is a needed and important change but not at the loss of local campaign ownership and local engagement. This is where OPM has totally failed to listen to those of us who have experience in workplace fundraising and understand the negative consequences of eliminating local campaign ownership. If the issue is oversight and control in order to gain better efficiencies and effectiveness, OPM should consider leaving most of the current campaign operations structure in place and look for better ways to audit for waste and inefficiency.

Recommendations. OPM should focus its most stringent oversight efforts on the largest CFC markets representing the most dollars. One suggestion is to turn to retired federal

workers who, for a small stipend, could be trained and certified to act as local “watchdogs” to ensure the rules and spirit of the campaign are adhered to. This is vastly more desirable and reasonable than gutting the heart and soul of the campaign in order to gain 1 or 2% more efficiency in a fundraising campaign that is already very efficient. This is simply one idea. Many others have been circulated but OPM has chosen not to consider them at this time.

OPM should be looking to the relevant experience of private sector employers who have realized that even during tough economic times, employee engagement around community, giving and volunteering is a low-cost way to create employee loyalty, support the community and to be socially responsible. Many CFC volunteers report that their involvement with the campaign was one of the most meaningful chapters of their federal service. OPM needs to reconsider this recommendation, engage with those who have experience and develop alternatives to this ill-conceived change.

- 3. The over-reliance on technology and other changes in campaign operations have not been properly vetted with fundraising and philanthropy experts with experience specific to employee engagement and workplace giving.** Consequently, if implemented, these proposed changes would result in dramatic drops in participation and giving through the CFC. Specifically we state the following:

While we strongly endorse the expansion of online giving and other technology enhancement options for federal donors, we know from experience that it is a critical mistake to eliminate traditional means of giving. Even in private sector workplace giving, where employees have access to the most recent technology platforms, campaigns that make changes such as the ones proposed by OPM (centralization, over-dependence on technology, elimination of face-to-face/local interaction) usually drop dramatically in both participation and amounts given to charity.

Many federal employees who give through the CFC do not have access to, or choose not to use, online giving. This is a reality for many members of the military, Postal Service employees, Park Services personnel and others in similar settings and circumstances who are frequently without access to computers, cell phones or mobile devices.

The proposed changes would eliminate many printed documents including what is known as the CFC Catalog of participating charities. This is a critical promotional element of the campaign and one of the only easily accessible sources for information about the participating charities for the tens of thousands of federal employee donors who do not have easy online access. This would also place another barrier to giving that would result in a loss of participation and contributions, thereby eliminating any anticipated cost savings.

According to data released by OPM on April 19, 2013 (Report C-17 CFC 2012 Pledge Report), the total electronic pledge amount for the 2012 CFC was \$53,844,694 or 20.8% of all pledges. The percentage of e-pledge donors in relation to total donors was 22%. Out of all campaigns reporting, only 9 reported online giving participation of 50% or over. The longest running and largest CFC in the nation reported online giving participation of just 33.3%.

Just as importantly, many donors give cash or one-time gifts; still others write checks or use credit cards. CFC-Overseas, which is primarily military, first piloted credit/debit card

giving in 2006 but last year only had 10 –11% of its revenue from that giving option. In 2012 campaign, the two largest campaigns, National Capital Area and Overseas, received 18% and 16% respectively in cash and check donations, totaling over \$11 million. Nationwide, cash accounted for over 10% of all donations, totaling \$27,057,300. Obviously, taking away that option will have a huge impact on total giving.

Recommendations: Once again, without further details on timing, phasing and alternative strategy that OPM might be considering to replace local volunteer engagement, it is very difficult to provide informed feedback. Nonetheless, we are compelled to provide our reaction and recommendations as follows:

Retain all current forms of giving. Choice is critical in employee workplace giving. That includes donors being able to support the charities they choose as well as being able to give to those charities using the same methods used in the past. It is important to note that this is not a cost issue. The cost of providing these alternative ways to give is already absorbed in the costs to manage the campaign. As the data clearly shows, eliminating giving choices would result in dramatic drops in giving and participation. Again, this is the opposite intention of the Executive Order and CFC-50 Commission.

We also need to increase participation in the campaign by engaging younger federal employees. Experience indicates that it is absolutely critical to offer younger employees a strong and unified call-to-action that includes a variety of giving options that goes above and beyond a simple donation that also deepens the emotional connection with the causes they care about. It is imperative to provide them with opportunities to connect to causes they care about at the local market level and to be able to engage with those causes along with their peers.

America's Charities recently conducted a symposium in Washington, D.C., called "*#GivingUnderTheInfluence: How Digital Culture is Driving the Next Generation of Employee Engagement.*" Experts on Millennials at the workplace discussed myriad challenges and opportunities that exist, many of which are relevant to the CFC. America's Charities would be pleased to lead an initiative designed to reach and engage federal Millennials in an effort to revitalize the CFC and make it more relevant for the next generation of federal employees who, by their very nature, have public service and social responsibility in their DNA.

Make a concerted effort to overcome the internal obstacles standing in the way of creating an organized, sustainable program to engage federal retirees to continue their support of the charities they have historically given to through the CFC. We understand this was not in the purview of the CFC 50 Commission but was discussed extensively. It is also our understanding that an analysis of the potential for retiree giving reveals that additional tens of millions of dollars would be added to the campaign each year. Solving this operational challenge should be an OPM priority.

SUMMARY

There is no doubt the CFC is a major enterprise with many moving parts. OPM should be acknowledged for recognizing that the CFC needed revitalization. While this document focuses on the highly problematic aspects of the proposed changes and the process, we want to acknowledge those recommendations that we believe will add value to the CFC.

These include:

- Change in the dates of the campaign solicitation period. This proposed change makes sense and puts the campaign timing more in synch with the giving patterns of federal employee donors.
- Better use of technology, but with the understanding that technology is a means to an end, not a replacement for the basic fundamentals of employee engagement and fundraising.
- More oversight of the PCFO/LFCC relationship. This is a good idea if focused on those markets representing the most funds with the overriding goal to improve the campaign. It should be done in an innovative manner that does not require charities to pay higher costs, and accomplished while keeping the local nature of the campaign intact.
- Streamlining the application process to reduce the burden on charities.
- Implementing Universal Giving, whereby any donor can give to any charity no matter where the donor is based.

Somewhere along way the CFC-50 Commission that was created to jump-start the revitalization effort got side-tracked and focused almost exclusively on operational issues without the benefit of insight from all the key stakeholders. OPM did not and has not yet focused on the core need to increase participation and eventually grow the CFC.

Clearly the CFC can be managed differently and run more effectively. But these proposed changes must be re-examined given the consistent lack of detail, and the overall lack of consideration for the input provided and offered by key expert stakeholders. Thus, America's Charities stands alongside a long list of federations, scores of participating charities and others who view OPM's proposed changes as a dramatic and unnecessary overreach.

CFC currently raises some \$260 million a year in vital, unrestricted funding for thousands of charities. This reflects the essence of the Executive Order that established CFC as a means to "*lessen the burdens of government and of local communities in meeting needs of human health and welfare; [and] to provide a convenient channel through which Federal public servants may contribute to these efforts.*"

Finally, in reading the proposed changes, the question that comes to mind is this: Is it worth it to risk the loss \$50 or \$100 million in donations to gain a few percentage points of efficiency?

The charities and federal employee donors would clearly say "no".

We formally request that the proposed rule changes be shelved and the dialogue continued so that OPM's legacy is ultimately not the destruction of the CFC.

Respectfully submitted,



Stephen M. Delfin
President and CEO
America's Charities