



May 23, 2013

Mr. Keith Willingham  
Director, Office of CFC Operations  
U.S. Office of Personnel Management  
1900 E Street, NW, Room 6484  
Washington, DC 20415

Dear Mr. Willingham,

Community Health Charities represents more than 60 charitable organizations that touch the lives of millions of Americans every day. I am writing on behalf of those organizations to express our deep concerns over proposed changes to the Combined Federal Campaign (CFC) that were issued in a Proposed Rule (RIN 3206-AM68) by the Office of Personnel Management (OPM) on April 8, 2013.

There are a number of changes in the proposed rule of which we are in favor, including sections: (1) Changing the Campaign Solicitation Period (2) Immediate eligibility, (6) Training and Oversight, and (8) Streamlining Campaign Administration.

However, many of the remaining changes, if enacted as written, could decimate the CFC and lead to a significant reduction in employee participation and money raised.

We estimate that these changes could reduce annual giving by 25-35 percent (\$70-\$95 million), cut federal employee participation in the program by 50 percent, and eliminate local control and local giving influence in favor of a Washington-based campaign run by OPM. These changes focus on the broadest concept of efficiency, not fundraising, and would disproportionately harm local charities and eliminate vital services. If enacted, many charities would be unable to fulfill their mission while others would literally go out of business.

As the world's largest workplace giving campaign, the CFC has raised billions since it was created and more than \$260 million last year alone. The dollars donated by federal employees change the lives of people in communities across the nation, and the world. The CFC is a stable source of revenue for thousands of charities, many of which have barely made it through the most recent economic crisis unscathed.

We recognize that the CFC needs to evolve if it is to continue to thrive in the 21<sup>st</sup> century. We strongly supported the work of the CFC-50 Commission, which was established by OPM in 2011 to ensure the program's continued success. However, many of the recommendations contained in the proposed rule were not identified by the CFC-50 Commission and were not included in the commission's final report (please see attached list – coming soon). We are at a loss to understand why the items not proposed by the Commission are being considered in the proposed rule issued by the agency.

We respectfully ask that you stop the implementation of the sections outlined below, pending a more in depth stakeholder engagement initiative, in order to avoid harming charities, and America's most needy citizens, by making these unwarranted changes in the CFC campaign:

### **Section 5: Electronic Donations**

It is inevitable that one day all campaign contributions will be made electronically. Today, however, our research among several large PCFO shows more than 25%, or (\$70 million) of all CFC contributions are completed offline (check, cash, credit card). OPM should be applauded for creating efficiency by moving in this direction. However, this change would significantly reduce participation because 40-50 percent of donors, particularly uniformed and lower-ranking employees, use paper pledges and make direct check or cash contributions.

In 2012, our research shows that in pilot markets where the CFC is executing contributions online, the adoption rate has been extremely weak. Preliminary data from 41 campaign regions, reporting \$160 million in total pledges for the 2012 CFC, shows that only \$53 million, or 33% of all pledges, was done online. The longest running and largest on-line campaign, the NCA campaign has only 45% online giving participation.

What is of great concern is the lack of detail regarding the timeline for this transition, as well as the unwillingness of OPM to share what steps they will take to minimize the possible loss of more than \$70 million in pledges to charities.

With certainty, rushing to implement the online giving system over a one or two year time, could translate in to a loss of \$10 to \$20 million in pledges to the member charities of Community Health Charities during the transition period and, perhaps more importantly, leave a significant number of federal employees not participating in the campaign, a prelude to campaign failure over time.

As an alternative approach, OPM should develop a phased timeline to implementation that engages federation partners, who are fundraising professionals, and LFCC committees to identify and publish best practices and develop mentoring programs that will help other communities through the transition.

## **Section 8: Streamlining Campaign Administration**

Creating greater efficiency and transparency by reorganizing and centralizing the backroom functions and administration of the CFC is a welcome change. However, OPM also wants to centralize and streamline the LFCCs, dismantling more than 170 forward facing volunteer committees that give their time and energy to promote and market the CFC in their communities. These committees are essential to engage employees on the ground. There is no reasonable substitute for local employees supervising the administration and execution of the campaign. Confidence starts when one's fellow worker is involved.

With the financial administration being all brought under one roof, OPM should maintain and cultivate the LFCCs, empowering them to identify and market the campaign in ways that makes sense for their communities, as it is not a "one size fits all" approach. In other words, postal workers will respond to some messages or tactics while USDA workers will respond to another. The CFC is the ONLY organized way that federal employees, no matter the community, can give money and volunteer for communities in which they live.

Federal employees and their issues significantly contribute to the stress placed on local social services. This impact has been noted since the origin of the campaign. Federal facilities do not pay taxes as other large employers do. Nearly all other local employers, especially the larger ones, conduct similar workplace campaigns in an effort to assist the local community. Per government policy, the current campaign relies on the private sector and places no real cost on the federal government. The new proposals will eliminate a number of local jobs, increase costs to the federal government and decrease the government's ability to assist with local services at no real cost. This is unnecessary.

## **Section 9: Administrative Costs; Section 12: Oversight of Federations, and; Section 13: Payroll Deduction**

OPM created federations decades ago. The purpose was to coordinate the applications, assist LFCCs in campaign marketing, and distribute the funds raised for the charities in their federation. Because there are specialized skills, infrastructure, and labor in executing these functions, several federations were formed by the charities to outsource this work for them by partnering with likeminded charities, such as Community Health Charities. Therefore, charities have engaged in relationships with, or created federations, to execute this work. In the case of Community Health Charities, the federation was actually created by the member charities.

The typical practice of federations over the years has been to collect money for its services by withholding a previously agreed to percentage or level amount of funds

contributed, before the money is distributed to the charity. Charities have always received this money as a net gift, knowing that the fund raising expenses had already been withheld and reported.

However, OPM is now proposing that all charities be billed by their federation partners, thus creating a new and unbudgeted additional fund-raising expense for the charities that participate in the CFC. This change will unintentionally and negatively rewrite the charity standing of thousands of charities by watchdog groups such as BBB Wise Giving Alliance, GuideStar, and Charity Navigator. Because CFC donors and the general public turn to watchdog groups for reassurance, these negative ratings will impact donations by both sets of givers.

It seems unusual for a government agency to change regulations that will harm charities that participate in their campaign. By forcing the change of an industry-wide practice on how charities have compensated federations for decades, thousands of charities will see a negative impact on their charity rating. The following are the three areas of the regulations that address this issue.

- **Section 9: Administrative Costs:** Application fees paid by the charitable organizations that apply for participation in the CFC. **Section 950.107 Campaign Expense recovery.** Shifts the expense of the campaign from the donor and the federal government to the charities via a charity application fee (via OPM) and changes PCFO expenses to campaign expenses (CCA and marketing costs).
- **Section 12: Oversight of Federations:** Federations are to provide a copy of each member organization's application, require dates upon which disbursements must be made to members, adds additional reporting requirements, and prohibits agreed-to deductions of dues/fees from the disbursement of CFC contributions. This provision literally inserts itself in the middle of the business relationship between federations and its members.
- **Section 13: Payroll Deduction Disbursements:** Require payroll offices to either distribute funds to the charities directly or, if funds are transmitted to the CCA, provide more detailed reports.

OPM should engage private sector charities and organizations that service them to clearly understand the implications that these changes will have on charity ratings and enable federations to work with their members in advance of the change to ensure their ratings are not damaged as a result.

Together with many other organizations in the charitable community, we will be submitting a formal response to the OPM proposed rule by the June 7 deadline. However, we wanted to make you aware of our concerns, which are shared by many others in the charitable and nonprofit community, prior to the June 7 deadline for submitting comments.

We would appreciate the opportunity to meet with you and your staff to discuss these proposed changes and how we can ensure that they do not harm the charitable community and those we serve. I will contact your office presently to discuss, but please feel free to contact me at the address and phone number below if I can provide any additional information.

On behalf of Community Health Charities and many of our member charities that have joined me in signing this letter, please stop the implementation of the proposed regulations outlined in this communication and meet further stakeholders to help avoid the devastating impact these changes will have on charities.

Regards,

Thomas G. Bognanno  
President & CEO  
Community Health Charities of America



#### Community Health Charities Member Charities

1. AIDS Research Foundation (amfAR)
2. ALS Association
3. Alzheimer's Association
4. AMC Cancer Research Center
5. American Cancer Society
6. American Diabetes Association
7. American Hearing Research Foundation
8. American Heart Association
9. American Kidney Fund
10. American Liver Foundation
11. American Lung Association
12. American Parkinson Disease Association
13. Arthritis Foundation
14. Autism Speaks
15. Be The Match Foundation
16. Cancer Research Institute
17. CaringBridge
18. Cerebral Palsy International Research Foundation
19. Children's Tumor Foundation
20. Children's Heart Foundation

21. The City of Hope
22. Colon Cancer Alliance
23. Community Health Charities of America
24. Cooley's Anemia Foundation
25. Crohn's & Colitis Foundation of America
26. Cystic Fibrosis Foundation
27. Depression and Bipolar Support Alliance
28. Easter Seals, Inc.
29. Endometriosis Association Inc.
30. Epilepsy Foundation of America
31. Huntington's Disease Society of America
32. JDRF
33. Leukemia & Lymphoma Society
34. Lupus Foundation of America, Inc.
35. March of Dimes Foundation
36. Mental Health America
37. Muscular Dystrophy Association
38. Myasthenia Gravis Foundation of America
39. NAMI (National Alliance on Mental Illness)
40. National Council on Alcoholism & Drug Dependence
41. National Headache Foundation
42. National Hemophilia Foundation
43. National Hospice and Palliative Care Organization
44. National Kidney Foundation
45. National Multiple Sclerosis Society
46. National Ovarian Cancer Coalition
47. National Parkinson Foundation
48. National Psoriasis Foundation
49. National Stroke Association
50. Pancreatic Cancer Action Network
51. Parkinson's Disease Foundation
52. Prevent Blindness America
53. Research to Prevent Blindness
54. Serious Fun Children's Network
55. Sickle Cell Disease Association of America
56. Smile Train
57. Spina Bifida Association of America
58. Susan G. Komen for the Cure
59. Tourette Syndrome Association
60. United Spinal Association