To: Office of Personnel Management

Regarding: RIN 3206-AM68

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

Date: June 5, 2013

Dear Keith Willingham:

Federated Campaign Stewards appreciates the opportunity to comment on the proposed changes to the regulations found at 5 CFR 950 which govern the Combined Federal Campaign (CFC). In the summary of the proposal published in the Federal Register on April 8, 2013, the Office of Personnel Management (OPM) states that the amendments to the regulations will strengthen the integrity, streamline operations and increase the effectiveness of the program (CFC) to ensure its continued growth and success.

Federated Campaign Stewards (FCS) would like to offer comment on the proposed regulations. FCS does not believe that all of the proposed changes will increase the effectiveness of the CFC and will not ensure its continued growth and success. FCS will address the key parts of the proposed regulations which have the greatest impact on the success of the campaign. FCS will identify areas of the proposed changes where it remains unclear how OPM will carry out or implement the proposed changes. The organization will also make recommendations and offer suggestions which will better reach OPM's goal to increase effectiveness of the CFC.

OPM proposes significant changes to the **local governance structure** as it exists currently. Under this new structure, OPM would eliminate Local Federal Coordinating Committees (LFCCs) which provide important local leadership and governs the campaign locally. OPM would also eliminate Principal Combined Fund Organizations (PCFOs), which provide important support to the LFCCs and administers the campaign locally. Instead, OPM would divide the country into regions with each region being governed by a Regional Coordinating Committee (RCC). These RCCs would engage a "marketing firm" to continue outreach to federal personnel.

It remains unclear how many regions the country would be divided into based upon the new regulations. Currently there are approximately 180 CFCs around the country and around the

world. These campaigns are centered around major metropolitan areas and regions where natural communities of federal employees exist. FCS supports the creation of many regions. FCS believes that an effective structure could be established with approximately 100 regions.

FCS has many concerns over the viability and long term success of the CFC if the country is divided into fewer regions. FCS has many concerns over the long term success of the CFC if LFCCs and PCFOs are eliminated. Primary amongst those is the loss of "personal touch" to the local donors, volunteers and charities which are so important to the success of the campaign.

The Greater Indiana CFC has experienced many mergers with smaller adjacent campaigns in the last ten years. FCS believes the results of some mergers is a microcosm of what will happen on a national level if the country is divided into a small number of regions. As the Greater Indiana CFC has merged with smaller adjacent campaigns in the state, both the LFCCs and PCFOs formerly serving those communities have been eliminated. The campaign has struggled to maintain leadership from federal agency heads and struggled to maintain the personal touch for the volunteers who help administer the campaign.

Support from federal agency heads and top management is a key component to the success of any federal work-place campaign. Federal employees are much more inclined to give through the CFC when they see top management making the campaign a priority. LFCCs are comprised of the federal agency heads or representatives from the largest employers in that area. Those agency heads or representatives become more engaged with the campaign when they are asked to take on leadership roles with the LFCC, which leads to greater support for the campaign. The loss of LFCCs in Indiana has made it difficult to recruit strong leadership from federal agency heads in those smaller communities. FCS fears that this leadership support on a local level will be lost if only one or two agency heads or representatives are asked to serve on a regional committee.

FCS has seen how campaign mergers with smaller communities has threatened or removed the key relationship between staff and volunteers. PCFOs play a large role in recruiting, training and supporting the many volunteers who assist with the administration of the campaign. The relationship between campaign staff and volunteers is a key component to the success of the campaign. As PCFOs are removed and replaced by marketing firms, FCS questions whether campaign volunteers will receive the same level of training and support from the new marketing firms.

Several questions remain regarding the number of marketing firms hired by the Regional Coordinating Committee (RCC) to administer the campaign to the larger region. Will each RCC select one "marketing firm" for the entire region? Or will RCCs be allowed to enter into relationships with multiple marketing firms to administer the campaign for the larger region? The answer greatly influences whether that personal relationship with campaign volunteers will continue. If the relationship between the marketing firm and volunteers deteriorates, then volunteers will be less effective in their roles and fewer employees will be personally asked to

contribute through the CFC. Experience has shown that the CFC needs more staff and “boots on the ground”, not less.

FCS has concerns over the level of responsibility placed on the RCCs under the new format. Since there are approximately 20,000 unique charities which participate in the CFC each year, it seems reasonable that OPM would delegate some of the responsibilities for reviewing charity applications to RCCs. If so, FCS fears that RCCs will not be prepared to assist OPM with the review of charity applications. If all local charity applications were sent to the RCCs for review, the RCCs could easily receive thousands of applications from local charitable organizations, depending on the size of the regions. Since RCCs will be comprised of leadership from the largest federal employers in those regions, the committees will be overwhelmed by the volume of applications, especially considering more than 70% of all applications have errors when they arrive at the CFC.

Based upon its experience with campaign mergers, FCS suggests that OPM retain a higher level of local federal oversight similar to the current LFCCs, which can be achieved through the establishment of many regions. In addition, FCS suggests that the local federal oversight be allowed to continue to enter into relationships with marketing firms as they see best, similar to the current PCFOs. At the very least, FCS suggests reorganizing the country into approximately 100 regions and then allowing RCCs to hire or contract with multiple marketing firms to provide a high level of support.

OPM proposes to require that **all donations to be made through electronic means**. This would mean the elimination of all pledges made using the traditional paper pledge forms. It would also eliminate the use of all cash, check and money order contributions. Another indirect impact would be the loss of fundraising at all special events such as silent actions, bake sale and chili cook offs. FCS feels like the elimination of paper pledge forms and the elimination of cash and check pledges will have the greatest direct impact on the success of the campaign in terms of loss of contributions.

The Greater Indiana CFC has been a leader in promoting online giving and has been offering online giving to its federal employees since 2007. Online contributions have slowly grown over the past six campaigns to their largest total of $830,969 in 2012. But this total of $830,969 still only represents 59% of total pledges of $1,390,771.

The Greater Indiana CFC is one of four campaigns to collect more than 50% of total contributions online. Yet the campaign still captured $559,802 in paper pledges in 2012, or 41% of total contributions. Most of these paper pledges came from the U.S. Postal Service, which is the largest federal employer in Indiana. Many of the Postal employees do not have access to a computer on a regular basis. Several other large employers in greater Indiana have employees without computer or online access. FCS estimates that approximately 30% of federal personnel in Indiana do not have access to a computer on a daily basis. Another fair amount of these paper pledges came from federal offices who do not embrace online giving or from donors who are more comfortable pledging on the paper pledge forms.

The Greater Indiana CFC captured $84,437 in cash and check pledges in 2012, which is 6% of total pledges of $1,390,771. More than half of these pledges were collected through special events in 2012. Special events do more than just raise funds for charity. They garner participation from individuals who wouldn't otherwise contribute and create a fun atmosphere for the campaign.

In FCS's opinion, it is hard to understand that OPM would restrict the number of giving options (by eliminating paper pledge forms and eliminating cash and checks contributions) if it is trying to increase participation. Restricting giving options will only cause more donors to support their favorite charities privately.

FCS believes very few paper donors will transition to giving online and even fewer cash donors will give online through payroll or by credit card. The impact of these regulation changes on total contributions for the Greater Indiana CFC could be substantial. Assuming total contributions remain steady at $1,390,771, total contributions could decrease by $559,802 to a total of $830,969 if paper pledge forms are eliminated. In other words, total contributions could decrease by 40% in one year. Even if the campaign captures 25% of paper pledges online, total contributions would still decrease by $419,852 or 30%.

On a national level, Federal employees across the country and around the world contributed $257,211,334 to charity in 2012. Federal employees contributed $53,844,694 online, which is 21% of total contributions. Furthermore, federal employees contributed $26,015,273 by cash and check in 2012. If the CFC only accepts payroll and credit card contributions online, total contributions could decrease by $203,366,640 for total contributions of $53,844,694. In other words, total contributions could decrease by 79% in one year. Even if the campaign captures 40% of paper pledges online, total contributions would still decrease by $122,019,984 or 47%.

Based upon the analysis of the impact of the regulation changes on national giving totals, FCS believes that the campaign will not be more effective and will not increase total contributions. Moving to an online campaign only will most likely cause a decrease in total contributions and number of donors.

FCS agrees that the campaign needs to be streamlined, including the processing of pledges. Moving to a centralized processing center in the form of Central Campaign Administrators (CCAs) should not discount the collection of paper pledges, nor should it discount the collection of check and money order pledges. (FCS admits that collecting and accepting cash pledges is a liability to the campaign overall. Thus FCS agrees that the CFC should no longer accept cash pledges.) Some campaigns have already begun to experiment with only collecting check and money order pledges, with the Southeastern Michigan Area CFC leading the way. Other campaigns have already begun to offer e-check as a giving option, where donors make a contribution online directly from their checking account. Furthermore, technology exists to allow for the collection of check and money order pledges by the marketing firm and then scanning them for deposit to a central bank account held by a CCA.

FCS further agrees that the campaign overall needs to move more towards giving online. But FCS recommends that OPM not make the transition to 100% online all at one time. Rather FCS suggests that OPM set a goal to take the campaign online in four years and then set a plan to obtain that goal. FCS estimates that more than half of the CFCs have not utilized online giving as a giving option. This would give time for campaigns and donors to better transition to online giving. The paper pledges collected during the transition period could be entered directly into the national online giving system, much like many campaigns are doing now through CFC Nexus. Moving to 100% online all at once could prove to be disastrous, especially when only 21% of total pledges are currently being captured online.

OPM proposes changes to the way **administrative costs** are paid by the charities. Currently, the overhead administrative costs of much of the CFC program are paid for out of donor contributions to the campaign. OPM proposes that the cost of the campaign be recovered through **application fees** paid by the charitable organizations that apply for participation in the campaign.

Many questions remain unanswered regarding the charity application fee. How would this application fee be calculated? Will the application fee take the form of a flat fee, a sliding scale fee or some combination of the above? How does OPM determine the application fee in such a way that it's fair to all charities? How much money does OPM intend to collect through the application fee to cover the cost to administer the campaign? The answers to these questions greatly influence FCS's position on the matter.

FCS believes the introduction of an application fee will have an adverse effect on the number of charities which participate in the campaign. The OPM national reports said that the administrative costs budgeted for the 2012 campaign were $28,223,712. Actual costs for the 2012 campaign will likely be some amount less, approximately $24 million. If OPM decides to capture $15 million in application fees from all charities, and OPM charged the same flat fee for all charities, the flat fee would be $750 based upon the 20,000 unique charities which apply to participate in the campaign each year.

Some charities will decline to apply if the application fee is $750. Most charities that received less in designations than the fee in the prior year will decline to apply. In the Greater Indiana CFC, that would mean that 98 local charitable organizations (or 36%) could drop out if the application fee was $750. Some charities will likely add a cushion to ensure they actually earn some money through campaign designations to fund their programs and services. If charities set their "safe" amount at, say, $1,000, then 123 local charitable organizations (or 45%) could drop out of the Greater Indiana CFC.

As a point of reference, only 242 local charitable organizations received designations in the 2012 campaign out of the 269 total local charities eligible in the Greater Indiana CFC. Under the best case scenario, 36% of the local eligible charities might not apply for participation in the CFC based upon the results of the 2012 Greater Indiana CFC.

The more charities that drop out, the higher the fee will be for the remaining charities. This means that even more charities could decline to apply to participate in the second year of the application fee. The impact of less charities participating in the campaign is further declines in participation. When federal employees are unable to contribute to their favorite charity or the same charity as they have in the past, they will stop giving through the CFC and support those charities privately.

A recent survey by several CFCs across the country to their local charitable organizations confirms FCS's concerns over the impact of the application fee on local participation. Of more than 630 charities surveyed at time of submission, 39% said they would not apply to the CFC if they were charged an application fee. More than 80% of the charities surveyed said they would not apply if the application fee was more than $100. A majority of those who said they would not apply were organizations with annual revenue greater than $250,000 and organizations who had participated in the CFC on average for more than 8 years. The clear response from the charities in the survey was they don't want to pay a fee in order to be eligible in the campaign, regardless of how the fees are calculated.

OPM has proposed that adding an application fee will increase the transparency to donors with respect to administrative overhead. Certainly, marketing representatives can promote to donors that every cent of every dollar will go to designated charity (less the percentage of uncollected pledges). And this proclamation may lead to new donors. However, FCS feels that recovering the administrative cost of the campaign up front does not increase transparency. All donors understand on some level that there is a cost to administer the campaign. Shifting the recovery of administrative costs from the end of the campaign to the front of campaign will not trick donors that there is no administrative cost.

OPM proposes changes to the **campaign solicitation period**. Current regulations dictate that the campaign solicitation period runs from September 1 to December 15. OPM proposes to shift the campaign solicitation period by one month, so that it would begin on October 1 and end on January 15.

FCS acknowledges that some federal agencies choose to delay the start of the campaign until October 1, which is the start of the new fiscal year for the federal government. Many of these federal agencies have year-end reporting in September which makes starting the campaign before October 1 difficult and problematic. However, many federal agencies in the Greater Indiana CFC, particularly the largest federal employers, like to kick off their campaign in September and need 10-12 weeks or more to fully administer their campaign. Several of these large federal agencies are not able to fully wrap up their campaign by December 15.

FCS proposes OPM keep the beginning of the solicitation period at September 1 for those federal offices who like and need to start early and then move the end of the solicitation period to January 15.

FCS applauds OPM for **streamlining the charity application process**, although the organization recommends further changes to streamline the charity application process. FCS thinks that moving to a multi-year application process of sorts will be beneficial to both the participating charities and to OPM (and possibly RCCs) who will be tasked with reviewing those applications. Charities would submit the full application with all of its certifications and supporting documents as they do now in the first year, and then are only required to submit a limited set of documents in the second and third year.

With moving to such a multi-year application process, FCS advises that a system be set in place to track which charities need to submit a whole application and which charities only need to submit the partial application. A system also needs to be set in place so that this information is communicated from the RCCs back to the charities on an annual basis. It could become confusing very quickly for the charities which information they need to submit to OPM, especially in light of turnover in staff and retirements.

Under the premise of streamlining the charity application process, OPM also proposes making changes to the audit requirement for applicants based upon their total revenues. FCS applauds the removal of the audit requirement for organizations reporting annual revenue of a least $100,000 but less than $250,000. Organizations with revenue in this range would only need to have a financial review performed by an independent certified public accounting (CPA) firm. FCS feels that it is appropriate and fair to only require a financial review of these organizations as opposed to a full audit.

FCS had hoped that OPM would increase the minimum threshold for all organizations that must provide audited financial statements. While OPM addresses the audit requirements for organizations with revenue less than $250,000, it does not address the audit requirements for organizations with revenue more than $250,000. FCS recommends that OPM increase the audit threshold from $250,000 to $400,000. FCS feels like $400,000 is a more appropriate level at which organizations should be required to provide audited financial statements.

The cost of a full audit for nonprofit organizations has skyrocketed in recent years in light of the additional amount of testing a CPA is required to perform. Organizations with revenues from $250,000 to $400,000 should not have to choose whether to spend precious financial resources on audited financial statements when those statements represent such a large portion of total revenues. OPM needs to modernize this outdated audit threshold. If the audit threshold was increased to $400,000, then all organizations reporting revenue of a least $100,000 but less than $400,000 would only need to submit a financial review.

OPM has proposed changes to way **contributions will be disbursed** to the designated charities and the reporting process involved in doing so. Under the new structure, OPM leaves the option for either payroll offices to disburse funds directly to the charities or for payroll offices to forward the contributions to the CCAs who will disburse them to the charities.

FCS believes that it would be ill-advised if payroll offices try to disburse contributions directly to the charities. FCS strongly recommends that CCAs be responsible for disbursing the contributions to the charities upon receipt from the federal payroll offices. CCAs are going to be better equipped to manage this disbursement process, something the payroll offices have never had to do before, and are going to be much better equipped to resolve errors or discrepancies when they arise.

Many parties have wondered how OPM plans on transitioning from the current regulations to the new regulations. In light of the substantial changes to the administration of the CFC, does OPM have a timeline for the implementation of these changes? FCS recommends that OPM phase in the changes over a period of time, much like it has recommended phasing in 100% online giving over a four year time period. OPM could also consider piloting some or all of the regulation changes to analyze impact on donor participation, charity participation and most importantly, total contributions.

Recent declines in contributions and participation warrant changes to the CFC. FCS acknowledges that opportunities exist to improve and revitalize the CFC. Certainly we can make the CFC more efficient and effective in providing federal employees the means to support their favorite charities. Rather than overhauling the campaign as proposed, let's fix the areas of the campaign that need improvement.

FCS believes that many of the proposed regulation changes, when taken in combination with each other, do not bode well for the long term success of the campaign; loss of local oversight, loss of personal touch, loss of giving options in for the form of paper pledge forms, loss of giving options in terms of ability to give by cash and check, and the loss of involvement by local charities. FCS recommends a more cautious and calculated approach to improving the efficiency and effectiveness of the campaign. FCS believes that the knowledge and systems exist to revitalize the campaign for the next 50 years.

Sincerely,

John Clausen
Director, Greater Indiana CFC
President, Federated Campaign Stewards