

June 3, 2013

Keith Willingham, Director, Combined Federal Campaign  
U.S. Office of Personnel Management  
Room 6484A  
1900 E Street NW  
Washington, DC

RE: RIN 3206-AM68

Dear Mr. Willingham,

The Combined Federal Campaign (CFC) has played an important role in supporting strong communities across America in the last 50 years, and United Way has been a cornerstone partner right from the start, complementing the impact of CFC with our effort to advance the common good by improving education, financial stability and health.

Today, CFC is the single largest workplace campaign in the country and United Way is the largest fundraising organization, raising over \$3.4 billion annually in the United States alone. United Ways are the PCFOs for more than 80% of the approximately 150 individual CFCs, working with LFCCs to manage more than 50% of the \$265 million raised annually through all CFCs. The goal of the United Way network as part of CFC is to build and strengthen it so it can continue to fuel America's growth for the next 50 years.

We want to ensure that the CFC-50 Commission's recommendations sustain the integrity, operational strength and effectiveness of the CFC. That requires reforms to sustain the quality of funded organizations, ensure effective management of cost-benefit equations and continue to engage the federal workforce.

That's why United Way supports a number of the CFC-50 Commission's recommendations, including those that:

- Allow for a streamlined application process for organizations that have met the requirements for participation in CFC in prior years;
- Increase electronic donation options and encourage "green" initiatives to increase operating efficiency and reduce costs.
- Provide for expanded participation with immediate eligibility and retiree campaigns.

But there are several recommendations that we believe undercut the CFC's operational effectiveness and integrity. We strongly oppose those recommendations, as well as others that we believe are beyond the scope of the CFC-50 Commission's recommendations. These include:

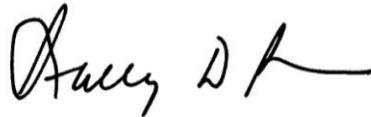
- Elimination of the LFCCs and the PCFOs in favor of a limited number of RCCs and CCAs, which de-personalizes the CFC and denies federal workers the high level of customer service they expect and deserve;
- Charging charities a non-refundable, up-front fee to participate, which will increase the charity dropout rate and result in donor dissatisfaction, lower contribution rates and ultimately, a less effective CFC.
- Shifting to internet-only campaigns, which will negatively impact those federal employees whose workplace is not conducive to a paperless campaign, including military, postal, Park Service, TSA, ICE and Border Patrol personnel.

There are many good ways to reduce costs and increase effectiveness. Each should be explored, but over-emphasizing efficiency at the cost of effectiveness is a short-sighted strategy that could result in a weakened CFC, rather than ensuring its continued growth and success. CFC has been successful for 50+ years and United Way has been your partner each step of that journey. The recent downward trends suggest some retooling is in order but a complete restructuring is not in the best interest of CFC..

In preparing our comments, we took considerable care to solicit the input of our United Way network, which consists of 1,200 chapters in the United States. We believe that their experiences offer valuable insight into the practicality and impact of the CFC-50 Commission's recommendations.

We look forward to our continued partnership in the CFC campaign.

Sincerely,

A handwritten signature in black ink, appearing to read "Stacey D. Stewart". The signature is fluid and cursive, with a long horizontal stroke at the end.

Stacey D. Stewart, US President  
United Way Worldwide

## Executive Summary

With the ultimate goal of strengthening *the integrity, the operation and the effectiveness of the CFC to ensure its continued growth and success* in mind, the high level summary of United Way US Network's position on the CFC-50 recommendations are as follows:

1. The proposed regulatory changes posted recently in the federal register.
  - a. Regulation Change #1 (Section 950-102) - Change the campaign solicitation period: We neither support nor oppose this change
  - b. Regulation Change #2 (Section 950-102) – Immediate Eligibility: We support this change, it will meet the goal of greater effectiveness
  - c. Regulation Change #3 (Section 950-102) - Disaster Relief Program: We tentatively support this change, depending on how this program would eventually be structured
  - d. Regulation Change #4 (Section 950-103) - Local Governance Structure: We strongly oppose this change, it will not meet the goal of a more effective campaign
  - e. Regulation Change #5 (Section 950-103) - Electronic Donations: We support the move to greater electronic giving but oppose a 100% electronic donation policy, it will not meet the goal of a more effective campaign.
  - f. Regulation Change #6 (Section 950-104) - Training and Oversight: We support the idea of better, more consistent training, it will meet the goal of greater effectiveness but are opposed to OPM being the sole provider of education, it will not meet the goal of a more efficient campaign structure.
  - g. Regulation Change #7 (Section 950-104) – Elimination of Paper Processes: We support the move to some paperless processes, it meets the goal of more efficient campaigns, but oppose a 100% paperless CFC, it will not meet the goal of a more effective campaign.
  - h. Regulation Change #8 (Section 950-105) – Streamlining Campaign Administration: We strongly oppose this change, it will not meet the goal of a more effective campaign
  - i. Regulation Change #9 (Section 950-106) – Administrative Costs: We strongly oppose this change, it will not meet the goals of more efficient and effective campaigns
  - j. Regulation Change #10 (Section 950-201) – Streamlined Application Process: We support this change, it will meet the goal of a more efficient campaign
  - k. Regulation Change #11 (Section 950-203) – Audit of Small Charities: We support less expensive options for financial review of smaller charities but oppose allowing some participating charities to have no independent financial review at all, lack of a financial review puts CFC at risk of reputational harm due to undetected impropriety.
  - l. Regulation Change #12 (Section 950-301) – Oversight of Federations: We neither support nor oppose this change
  - m. Regulation Change #13 (Section 950-901) – Payroll Deduction Disbursements: We support standardized reporting, it will meet the goal of greater efficiency, but do not support direct payment to charities, it will not meet the goal of greater effectiveness.

- n. Statutory Change – Retiree Campaign: We support this change, it will meet the goal of greater effectiveness
2. The other changes recommended by in the CFC-50 Commission report that do not require regulatory change to implement.
- a. Enable donors to give to any charity in any campaign (*universal giving*): We support this change, it will meet the goal of greater effectiveness
  - b. Develop a process that allows current donors to renew or continue their existing pledges by simply checking a box: We tentatively support this change, depending on how this program would eventually be structured
  - c. Clarify and explain the true cost and benefits of CFC campaign to donors: We strongly support this change, it will meet the goal of greater integrity
  - d. Urge donors to authorize release of information that will allow charities to thank them and ensure that this information reaches charities in a timely fashion: We strongly support this change, it will meet the goal of a greater effectiveness
  - e. Accelerate efforts to “go green”, reducing paper processes within the CFC as much as possible: We support the move to “greener” processes, it meets the goal of more efficient campaigns, but we strongly oppose a 100% paperless CFC, it will not meet the goal of a more effective campaign.
  - f. Monitor overall campaign costs to seek continued efficiencies: We support efforts to promote greater efficiency through sharing of “best practices” but oppose uniform cost control, it will not meet the goal of a more effective campaign.
  - g. Strengthen the eligibility criteria that allow charities to participate and provide donors with essential charity information when selecting charities: We tentatively support this change, depending on how this program would eventually be structured
  - h. Develop a robust survey tool and create focus groups to determine what donor and charities want and why they do not participate: We strongly support this change, it will meet the goal of greater effectiveness

There are many different but interrelated elements of OPM’s proposals that may cause the reader of our comments to “lose sight of the forest for the trees”, so we find it useful to identify at the outset the areas of largest concern for the United Ways that participate in CFC. They are as follows:

1. Regulation Change #4 (Section 950-103) - Local Governance Structure: removing local federal employees from their leadership role in planning their local campaign removes a key element contributing to the success of the CFC, the vested interest in success that comes from local “ownership”. The potential for ending up with an ineffective, generic campaign run by some outsourced fundraising/marketing person who really doesn’t know what is important to the local donors is too high a risk to the success of CFC’s next 50 years.
2. Regulation Change #8 (Section 950-105) – Streamlining Campaign Administration: while seeking to consolidate the generic back office functions of CFC is a worthwhile cost saving endeavor, OPM must also consider the many specialized functions currently performed by the PCFOs. These functions work in concert with the LFCC’s participation to create the local flavor

and effectiveness of the CFC. OPM must consider who would perform those functions and how effectively they would be performed by someone who is not connected to the local donors they are supposed to be serving.

3. Regulation Change #7 (Section 950-104) – Elimination of Paper Processes: “going green” is a worthwhile and often cost reducing endeavor but going completely paperless in CFC limits donor options and will alienate many donors who either can’t or won’t participate if their only option is to participate by electronic means. All electronic campaigns are also very impersonal and uninspiring, which will drive even more donors away from CFC.
4. Regulation Change #9 (Section 950-106) – Administrative Costs: requiring charities to pay a non-refundable, up-front fee in order to participate in CFC puts them in the position of having to invest donated funds into CFC without any assurance that they will get back what they invested, let alone any return on that investment. This risk will prove too daunting for many small local charities and will undoubtedly reduce the number of participating charities rather than expanding the number. It also does nothing to reduce overall cost, rather it simply fools donors into believing that none of their contributions are being used to cover administrative costs. OPM has said it hopes to increase the number of participating charities and lower costs but clearly this proposed change does just the opposite,

Each of these proposals will have a significant adverse effect on the CFC. If implemented they will bring about precisely the opposite result of OPM’s stated goals “*to strengthen the integrity, streamline the operations and increase the effectiveness of the program to ensure its continued growth and success*” (RIN 3206-AM68, Summary section).

Following this executive you will find detailed comments in response to each item listed above. The detailed comments provide both the basis for and relevant data in support of the positions taken. We urge all recipients of this information to read both this executive summary and the detail that follows in order to gain a full understanding of the issues and concerns.

## Detailed Comments

We appreciate the opportunity to provide comments on the proposed regulation changes that resulted from the recommendations of the CFC-50 Commission. On behalf of the thousands of local health and human service charities that the United Way network partners with through the United Way federations in the Combined Federal Campaign (CFC) and in our own campaigns, we commend the Office of Personnel Management (OPM) and the Office of CFC Operations (OCFC) for its commitment to support and revitalize the CFC. We were encouraged by the formation of the CFC-50 Commission and the work of its members to help strengthen *the integrity, the operation and effectiveness of the CFC to ensure its continued growth and success.*”

As you know, United Ways seeks to advance the common good in local communities by partnering with organizations like the federal community. The Combined Federal Campaign has been a major catalyst in the community for more than 50 years. The passion and dedication of the federal workforce plays a critical part of charitable giving in the community across the country. It is the loyalty, allegiance and passion of the federal workforce that allows each CFC to start the campaign each year at zero, but four months later close out the campaign having donated millions of dollars to causes that they are passionate about. The Combined Federal Campaign is a vital part of charitable giving in most communities locally, nationally and internationally.

Because Federal workers and the charities they support through the CFC are part of our shared community we have always valued our partnership with the CFC. For example, in the following three communities, the impact\* of CFC donations is evident in contributing to results such as:

1. Atlanta, GA: 12,358 individuals received free tax filing in 2012 resulting in \$16,330,000 of tax refunds received.
2. Washington, DC: Created an after-school meal program in partnership with a hunger collaborative that served 9,000 D.C. area children.
3. Los Angeles, CA: From 2012-2013 – provided after-school support in math and/or English to over 24,000 students.

*\*Impact the product of both CFC contributions and other local sources of funding*

This data clearly supports the spirit of partnership that we share in accordance with the statement on the OPM-CFC website:

*Partnerships with nonprofit organizations are a core part of the CFC structure. In each of the CFC areas throughout the country, local and national nonprofit organizations collaborate closely with committees of volunteer Federal employees to design marketing strategies for the campaign and to process the receipt and distribution of Federal employee contributions to the charities they choose.*

*CFC also directly involves participating nonprofit organization leaders in the design of new policies and programs that are shaping the future of the Combined Federal Campaign. These partnerships are promoting greater direct giving from Federal employees to local and national nonprofits while helping nonprofit organizations use these contributions to leverage financial resources from other sources.*

United Way has been a partner with the Federal Government and its workers from the very beginnings of the Combined Federal Campaign, something these quotes from your own webpage acknowledge:

- *President Eisenhower further formalized the administration of the program by Executive Order 10728 of September 6, 1957. The Executive Order placed it under the supervision of a Presidential Committee, staffed by the Civil Service Commission and for solicitation during 1958 among the first participating charitable organizations were Local Community Chests and United Funds [United Ways].*
- *The Community Chest organizations (primarily local United Ways) were assigned campaigns privileges during the fall, the National Health Agencies and the International Service Agencies were assigned a campaign period in the spring, and the American Red Cross (where it had not consolidated its fundraising efforts with the local Community Chest) was permitted a separate campaign during the spring.*
- *Campaigns were often not organized with vigor and enthusiasm and, with the exception of United Way campaigns, were dependent upon cash donations handled through an envelope distribution system. While the United Way campaigns solicited pledges as well as one-time cash contributions, all contributions were paid directly by the employee to the voluntary agency.*

United Way also stepped up in a big way to form the backbone of operation that helped make CFC run more effectively and still be able to provide a “personal touch” for Federal workers when... *regulations issued in 1982 by OPM Director Donald Devine ...formally recognized the role and responsibilities of the local groups of Federal officials that manage the campaigns -- Local Federal Coordinating Committees (LFCC's) -- and introduced the concept of Principal Combined Fund Organizations (PCFO's) -- local federated fundraising organizations appointed by LFCC's to administer the local campaigns.*

Our staff, volunteers, and CFC participating charities have been instrumental in supporting CFC campaigns and helping federal employees across the country to become aware of critical community needs (both near and far) and to make informed, educated decisions about charitable giving, volunteering, and advocacy. As indicated earlier, we see a clear connection between the impact Federal workers have in their communities through CFC and our own goals for better communities everywhere on the planet. For example:

- As PCFOs and as an integral part of local communities, United Ways are focused on supporting and improving the local, national, and global community
- Federal Workers tell us that they want to be more connected to the community in which they live & work, in the same way(s) as their neighbors, who may not be Federal workers, are connected through the United Way.
- CFC Funded charities work side by side with United Way both locally and nationally to provide needed services to Federal Workers in the same way that services are provide to non-federal workers.
- Many CFC Funded charities and United Way work in tandem to improve local community conditions and the nation as a whole in the focus areas of Education, Financial Stability, and Health.

These examples clearly align with the objective of CFC, as stated in Executive order 12404 (issued 2/10/83 by President Ronald Reagan): to “lessen the burdens of government and of local communities

*in meeting needs of human health and welfare; to provide a convenient channel through which Federal public servants may contribute to these efforts; to minimize or eliminate disruption of the Federal workplace and costs to Federal taxpayers that such fund-raising may entail; and to avoid the reality and appearance of the use of Federal resources in aid of fund-raising for political activity or advocacy of public policy, lobbying, or philanthropy of any kind that does not directly serve needs of human health and welfare. “*

Clearly, United Way has stood with the Federal Government and its workers for the past 50 years and we are committed to work cooperatively and in partnership with OPM to ensure any changes in the current regulations not only “increase the CFC’s accessibility, accountability, transparency and affordability,” but also result in greater charitable giving and donor participation. It is within this context that we offer our comments and hope that they will prove both informative and thought provoking as OPM considers how best to strengthen *the integrity, the operation and the effectiveness of the Combined Federal Campaign (CFC) to ensure its continued growth and success.*

With CFC contributions and participation on a steady decline and various areas within the CFC program warranting improvement, United Way understands that change is needed. We acknowledge opportunities exist to improve and revitalize the CFC - to make it more efficient and effective in providing federal employees with the means to support charities and communities most important to them. That said, while there are aspects of the proposed changes that are promising, which United Way is supportive of, we are concerned that their positive impact will be overshadowed the negative impact of other of the proposed changes. As you will see in our comments later, we are convinced that some of these proposals will result in:

- Decreasing CFC’s accessibility to the federal workforce;
- Lower employee participation rates;
- Dramatically lower pledges and therefore diminished support to local communities;
- Reduced opportunities for employees to engage with charities;
- Loss of local ownership, accountability, and personal touch;
- Higher costs (or confusing cost structure) for participating charities; and
- Lower employee satisfaction with the CFC.

In the balance of this letter we review each proposed change from the sole perspective of what we are convinced would strengthen *the integrity, the operation and the effectiveness of the CFC to ensure its continued growth and success* and providing alternatives whenever possible for those we contend do not achieve that goal.

The remainder of our comments are organized into two categories:

1. The proposed regulatory changes posted recently in the federal register.
2. The other changes recommended by in the CFC-50 Commission report, that do not require regulatory change to implement.

For the proposed regulatory changes we have organized our comments in the same order as your invitation to comment from the Federal register (e.g. 13 specific regulatory changes) and referenced the affected code section(s) as you did in order to be as clear as possible.

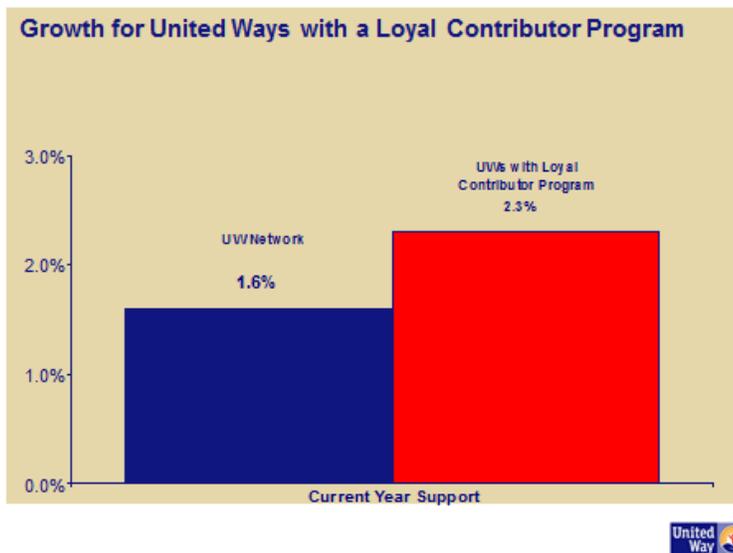
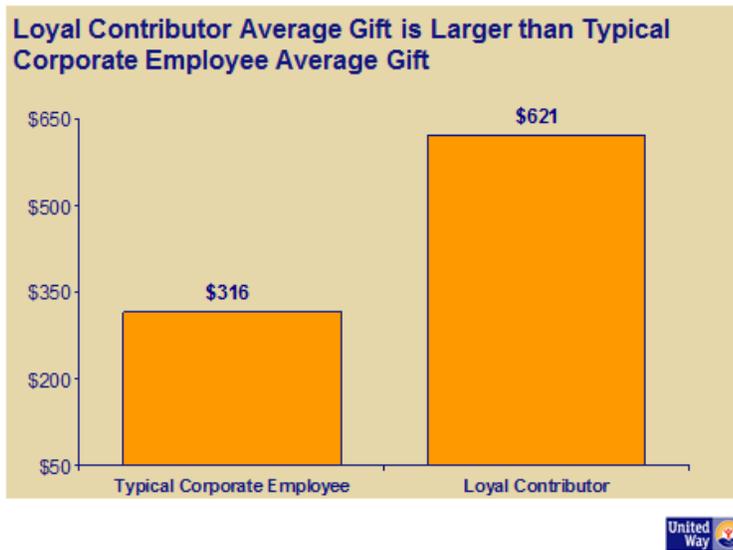
Regulation Change #1 (Section 950-102) - Change the campaign solicitation period:

We understand that this proposed change was based on the request of a number of PCFOs and LFCCs who were struggling with the current time period of September 1<sup>st</sup> to December 15<sup>th</sup> and we are certain that this change may be a good one for some PCFOs.

Overall, we expect this change would likely prove neutral with regard to increasing CFC participation and therefore have no objection to it.

Regulation Change #2 (Section 950-102) – Immediate Eligibility:

It is our opinion that this is a good idea. In our experience with non-CFC campaigns, putting the organization’s commitment to employee giving campaigns in front of employees, right from the start of their employment, generally increases the potential that employees will become “loyal contributors” for the entire length of their employment. As our research shows, loyal contributors are much more generous on average, than a typical donor and organizations that have programs to develop loyal donors have stronger fundraising results.



### Regulation Change #3 (Section 950-102) - Disaster Relief Program:

On the surface, this proposal also seems to be of great value because it would allow OPM to respond quickly by soliciting donors while the disaster is top of mind. However, depending on how it is structured, it could run contrary to the overall objectives of the Commission's recommendations. For example:

- If the disaster relief campaign is run as a second campaign (e.g. if the disaster happens outside the annual campaign period), every PCFO would be required to set-up and track the campaign separately.
- If the disaster relief campaign is run such that all the contributions go to one or a small, select group of organizations, donors may be less willing to participate unless the recipient organization(s) are announced in advance.
- Would this be available for only presidentially declared disasters or could local CFCs implement one for a local only disaster?

Ultimately, the "devil is in the details" on this recommendation so we advise proceeding with caution before implementation. First talk to federal workers to inform them of the various approaches that might be offered (and related costs), then ask them to offer their informed opinions. Engaging them in part of the planning process can only serve to increase ownership and future participation.

### Regulation Change #4 (Section 950-103) - Local Governance Structure:

Without a doubt, this and Regulation Change # 8 (Streamlining Campaign Administration) are the biggest changes ever contemplated in the CFC's 50+ year history and thus the most widely debated. We are convinced that this change will be very damaging to the impact and effectiveness of CFC. We cannot support it.

Clearly all LFCCs are not the same. There can be no doubt that some campaigns would benefit from consolidation of the LFCC structure, particularly where the LFCC is weak or lacks sufficient federal employees to adequately manage the LFCC duties. This is particularly problematic at worksites where, despite the impact on employee participation and morale in general, supervisors consider CFC activities to be "non-mission critical". However, consolidation is not always a positive, particularly for the vast majority of campaigns where the LFCC is strong, runs a very effective and engaging CFC and has ample federal employees to manage the LFCC duties.

Aside from that general observation, it is important to note that consolidation of the hundreds of LFCCs into a much smaller number of Regional Coordinating Committees will have some unintended negative impacts on the CFC. For example:

- OPM will also have to invest additional time in recruiting and vetting federal workers to serve as RCC members. Today LFCC members only oversee one campaign, how much more difficult will it be to find LFCC members who have the capacity to invest greater portions of their workday to oversee multiple campaigns? It also stands to reason that if Agency Heads are already averse to loaning their staff out for "non-mission critical" assignments, they will be much more averse to it if it will be more time consuming.

- It will reduce the opportunity of many government agencies to continue to utilize the LFCC Chair role as an employee development and succession planning tool. Serving as the LFCC Chair gives an employee an opportunity to learn valuable management and governance skills. Meanwhile, observing employees as they execute their LFCC Chair duties gives management an opportunity to identify high performing and high potential people who might be considered for promotion relative to their daily work as a federal employee.
- An RCC “community” may receive a disproportionate level of customer service amongst all its community members, hence risk an appearance of unfairness or favoritism. For example, if San Antonio was an RCC with San Antonio, Houston, Dallas and Corpus Christi as members, the San Antonio area campaign would have benefit of a high level of face-to-face contact with the RCC when coordinating its campaign but the other campaigns may not get as high a quality of customer service from the RCC due to distance and a dependence on communication via email, telephone, etc.
- Because an RCC will still be responsible for oversight of local workplace campaigns either directly or through a local “marketing” organization, there likely may not be much, if anything in the way of cost savings. Oversight of each workplace’s campaign activities takes a certain amount of time and energy. Larger areas will not necessarily translate into an overall time savings. All this really will do is cause fewer people to have to invest more time in oversight. Any overall savings in time will be more than offset by the increased cost of hiring multiple 3<sup>rd</sup> party marketers and the decrease in participation that will result from less personal service to federal workers.

There are other unintended consequences we could note but no doubt you’ve heard many already from others. Suffice to say that we agree that some regionalization would be beneficial for CFC but wholesale consolidation, elimination of the LFCC role in favor of the proposed RCC structure will result in a less effective CFC. It takes “boots on the ground” to give CFC the personal touch and the fact that some of those boots are filled by federal workers serving in the LFCC roles, gives all federal workers the sense of ownership of CFC that has made it a success. We would urge OPM to reconsider making such a sweeping regulatory change.

Regulation Change #5 (Section 950-103) - Electronic Donations:

Expanding the electronic donation option to more federal workplaces is a good idea but, in our experience and opinion, it is not advisable to move to an all-electronic payments environment.

In order to fully appreciate the potential negative impact of a change to 100% paperless campaigns, consider that in the 2012 National CFC, \$27,057,300 (10.5% of its total donations) are from cash/check donations. Is OPM willing to lose as much as 10% of the CFC’s donations by requiring online donation for everyone? Has OPM made a complete assessment of the potential cost savings compared to the potential loss of participation?

There are considerations that must be considered before attempting to implement electronic giving on a large scale. For example:

- Access: There are some significant federal worker groups who do not have access to the internet and/or computers so if the campaign were to be totally electronic, they would be unable to participate. Take for example the 37<sup>th</sup> Training Group, which is responsible for all the Air Force Basic Trainees (a \$478,000 campaign last year). While undergoing this training, participants do not have access to the internet. The number of Air Force basic military trainees during last year's campaign was approximately 9,300 plus there were another roughly 4,700 METC trainees during the same time period. This equals 14,000 potential donors in the San Antonio Area Campaign alone who would not have normal access to online pledging or electronic payment options.
- Cost: There are up-front costs to design the webpages, set up a contract with a credit card/debit card clearing house/banks, etc. There are recurring costs like transaction charges by the banks/clearing house and annual updates to the website, etc. All these costs and more must be planned for and OPM would need to determine the investment is indeed going to pay dividends in terms of participation. In other words, OPM and CFC donors need to be prepared to accept an increased cost in the earlier years of implementation in order to reap the rewards in later years.
- Training: Before roll out, thought must be given to the method that will be used to familiarize/train donors on how to use the electronic pledging system. The 2012 National CFC totals show only 22% of donors participated via e-pledge. That means there are potentially 78% of the 848,327 donors potentially that still need to be introduced to the mechanics and benefits of online giving.
- Risk: If the campaign were 100% electronic, all data would be contained within a single system. Granted steps can be taken to safeguard data like backups, redundant systems, cloud computing, etc. but when systems fail or slow down, as happens to even highly sophisticated systems, it takes time to get them restored. During those times, CFC will be unable to gain access to its data on a timely basis causing lost time, frustrated donors, and general dissatisfaction. Hard copy of key data like donor pledge information can be vital to ensure that once systems are restored, the data can be checked for corruption. .

While we agree that expansion of online giving has potential for reducing cost and perhaps increasing participation with some groups, using it as the only giving option is not advisable. Our experience with implementing online giving as the only giving option indicates that while some find it convenient and preferable, there are a great many donors who feel the same way about the more traditional methods like paper pledge forms and/or cash/check donation.

There are pitfalls to running an entirely electronic campaign with no human interaction and no opportunity to build a relationship with the charitable community. One of the top 10 challenges United Ways cite in raising funds in non-governmental workplaces each year is the lack of direct access to individuals – increasingly replaced by online transactions. This lack of direct access results in a lost opportunity to communicate what the charity does (in this case United Way), what issues it is addressing, and how contributions can make a difference.

### Regulation Change #6 (Section 950-104) - Training and Oversight

As we already stated in our comments on Regulation Change #4, all LFCCs are not the same. No doubt this change will benefit some campaigns where the LFCC members lack sufficient knowledge to adequately perform their governance and oversight duties but many, , do have the knowledge they need and/or receive sufficient training locally already.

United Way Worldwide had a similar concern about inconsistent or inadequate training being provided to the boards of our members several years ago. We realized that creating the capacity to go out and do the training using national organization staff would be cost prohibitive and might be seen as intrusive by our members (e.g. implying that they are all incapable of doing the training themselves). Our solution was to create a basic set of uniform good governance standards and a supplemental guide that includes templates and best practice examples. Once completed, we started to require our members to certify annually that they are meeting the standards of good governance.

Because United Way board members, like LFCC members, vary greatly in skill level and capacity to perform training for themselves we recognized that creating and offering a “cookie cutter” or “one size fits all” training program wasn’t going to be “scalable” enough to benefit all of our member’s boards so we created several versions of training materials and when we present them at National/Regional/Statewide conferences or via webinars, we base the version used on the type of audience we expect will participate. This way, those of our members who lack the time or capacity to create their own training locally can simply download the materials that best fit their particular needs and audience. They can even simply have their board members view an archived webinar and then email us any questions they might still have.

Our recommendation therefore is that OPM not try to build the capacity to do all the training themselves. OPM staff are without doubt qualified and experienced at creating and conducting training on governance and compliance for a CFC but, , they do not have the qualifications or experience to conduct training on how to run a fundraising campaign. The fundraising training should be left to the PCFOs who have themselves been selected because they possess experience and proven success at raising money.

OPM staff should limit themselves to creating materials that meet a uniform set of standards but are customized for several different levels of LFCC capacity and experience. By also creating and archiving downloadable presentations of the various levels of training for use by LFCCs themselves, you are likely to find that many LFCCs will use them for their training and ultimately OPM would achieve its goal of better, more consistent training but at an incremental cost that actually reduces the financial burden on the Federal government.

### Regulation Change #7 (Section 950-104) – Elimination of Paper Processes

Going paperless begs the question of whether or not the reduction in personal contact that accompanies online giving will result in a less engaged donor. The banking system has fully adopted Internet and mobile banking but still provides infrastructure, tellers, cash and checking services because their business is serving the customer not telling them how they will participate. The Internet would be efficient but ineffective in running a campaign and a disservice to the

federal workforce. Therefore it is our opinion participation will suffer in a completely paperless environment and therefore, this is a bad idea.

United Way’s donors tell us that online campaigns are often cold and impersonal while many highly value the opportunity of having a real person to work with locally. No doubt if federal workers were asked, many would say the same thing. Our research shows that people are more inclined to give, and give at higher levels, when the ask is made face to face with a real person. For example: As the chart below shows, when the Social Security Administration in Baltimore implemented online giving in 2010, participation in the CFC fell by more than 2,000 donors in the first year and participation fell again in 2011. Over the two years, participation fell by 60% and held there for 2012.

Type	2012 Pledge	2011 Pledge	2010 Pledge	2009 Pledge	2008 Pledge	2007 Pledge
Employee Gift	\$841,335.17	\$878,145.26	\$1,086,606.50	\$1,267,184.44	\$1,310,766.16	\$1,297,529.24
Special Events	\$84,225.72	\$90,321.14	\$72,306.78	\$137,296.55	\$163,826.67	\$126,536.70
**CAMPAIGN TOTAL	\$925,560.89	\$968,466.40	\$1,158,913.28	\$1,404,480.99	\$1,474,592.83	\$1,424,065.94
% Participation	0.1871	0.182	0.2751	0.4513	0.5071	0.5779

Another example would be the Greater Arkansas CFC’ Veterans Assistance Campaign. This \$190,000 agency campaign fell by 45% when it went to an on-line pledge system five years ago. They went back to offering paper pledges the following year.

Clearly efforts to “go green” do reduce some costs so eliminating some of the paper processes is a good idea. However, as the data above suggests, a totally paperless campaign translates into a loss of a significant number of participants. Such an undertaking should be approached with great caution and certainly not without comparing the potential cost savings to the potential loss of donors. CFC cannot afford here to adopt the old navy saying “Damn the torpedoes, full speed ahead” because we all know that it usually ends up with a lost ship.

Regulation Change #8 (Section 950-105) – Streamlining Campaign Administration:

As we stated in our comments related to Regulation Change #4 (Local Governance Structure) this is one of the biggest changes ever contemplated in the CFC’s 50+ year history and thus the most widely debated. .

OPM’s proposal to consolidate responsibilities for back office functions and establish one or more Central Campaign Administrators (CCA) to either perform the functions of a PCFO itself or set up regional receipt and disbursement centers is something we do not support.

The primary reason for our opposition is that without local PCFOs, the personal contact needed for effective fundraising would disappear, and the local accountability and engagement of Federal agencies, donors and volunteers would disappear with CCA management. The LFCC, campaign coordinators and keyworkers change all the time so the PCFO is by default the CFC’s historian and consistent source of information that connects federal workers to the charities they want to support each year. How could a regional CCA, even if they are working with a number of local “marketing organizations” possibly serve those functions effectively for every federal workplace?

Consider if it is possible for a regional CCA and the proposed RCC to effectively fulfill all the other very specific activities the PCFOs currently engage in at the local level such as:

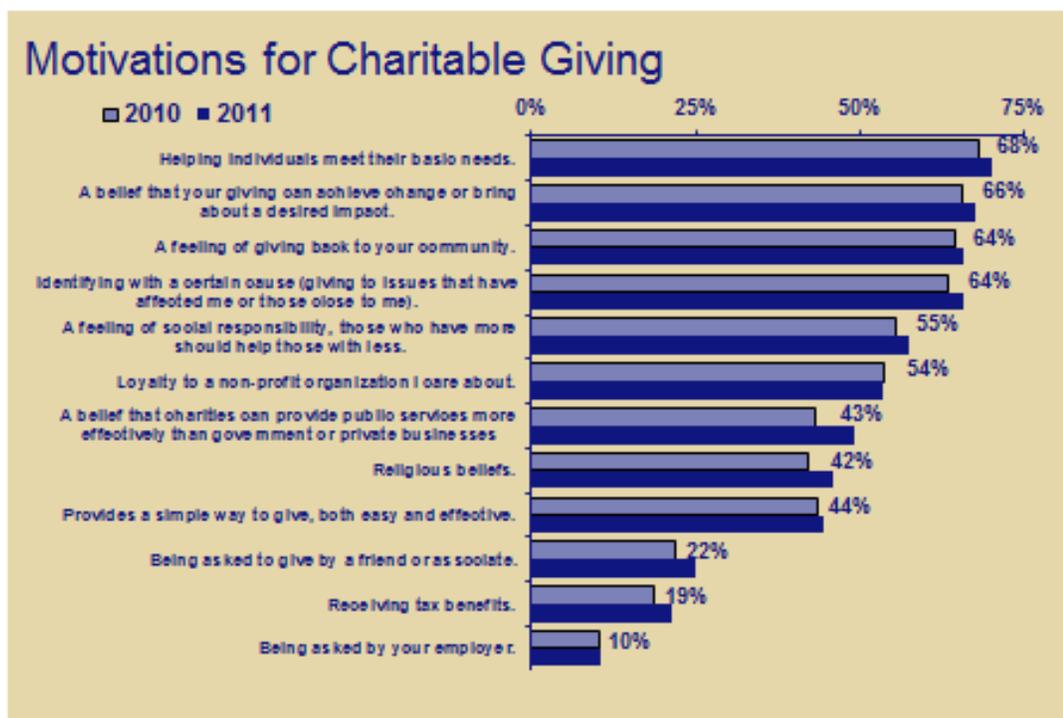
- Receiving charitable applications and screening them for completeness, contacting the charities if correction is needed. For example the Million Dollar Round Table Advocacy Committee found from their recent survey regarding error rates on charity applications and the amount of time spent making corrections
  - 69% of the campaigns surveyed said that they have more than a 50% error rate on incoming charity applications.
  - 42% of the campaigns surveyed said that they have more than a 70% error rate on incoming charity applications.
  - 88% of the campaigns surveyed said they spend 3 hours or more working with a charity to correct their application.
- Screening applications for content and notifying charities if editing is needed. (*Note: This is not technically required by OPM but the error rate is in some campaigns is above 95% and without screening for content the LFCC would be forced to deny the majority of applications requiring a lengthy and difficult appeal process*)
- Drafting charity denial letters for LFCC signature and ensuring they are sent via registered mail so that there is a document trail to prove the communication was made and received
- Registering new charities and updating all charities in the OPM 1417 system.
- Working with charities to correct 1417 errors and to make needed updates
- Creating a campaign plan for the year including:
  - Budget development
  - Soliciting bids on recognition items and printing
  - Garnering signatures for one time disbursement authorizations
  - Establishing campaign periods
  - Listing of all activities for federal workers in the campaign area
  - Creating a distribution plan for CFC materials
  - Drafting letters to departmental/duty station to solicit campaign coordinators
  - Training of campaign coordinators and keyworkers to conduct campaign
  - Creation of CFC envelopes and methods to account for cash/checks/payroll donations
- Working with payroll offices and coordinators to correct errors on pledge records
- Setting up the Internet donation site for the LFCC
- Adding and maintaining content on CFC Internet websites
- Maintaining a Facebook presence (social media) for the CFC campaign
- Training all coordinators and keyworkers on how to establish, organize and run a campaign in their workplace
- Responding to all inquiries on CFC from federal workers as to how it works, where does the money go, how to contribute, etc.

We applaud the idea of consolidating back office functions to increase affordability of the CFC program. However, all of these functions and more are everyday activities of a PCFO and it is unlikely that they can be a CCA. By performing these duties, federal workers gain a personal touch that keeps them feeling like their gift is indeed important. PCFOs are active participants, supporters, and advocates of the CFC.

How could a cold, impersonal CCA, based far away, that doesn't interact with federal workers on a face-to-face basis ever deliver:

- Local relationship building and engagement
- Local (customized) marketing
- Local ownership and accountability, and
- The local engagement and professional development of the Federal workforce that have contributed to the CFC program's success to date?

Answer, they can't. Our research has shown that the main motivations for charitable giving are not about cost, efficiency, or even tax benefits. People genuinely want to make a difference, to help those in need, to have an impact in their community.

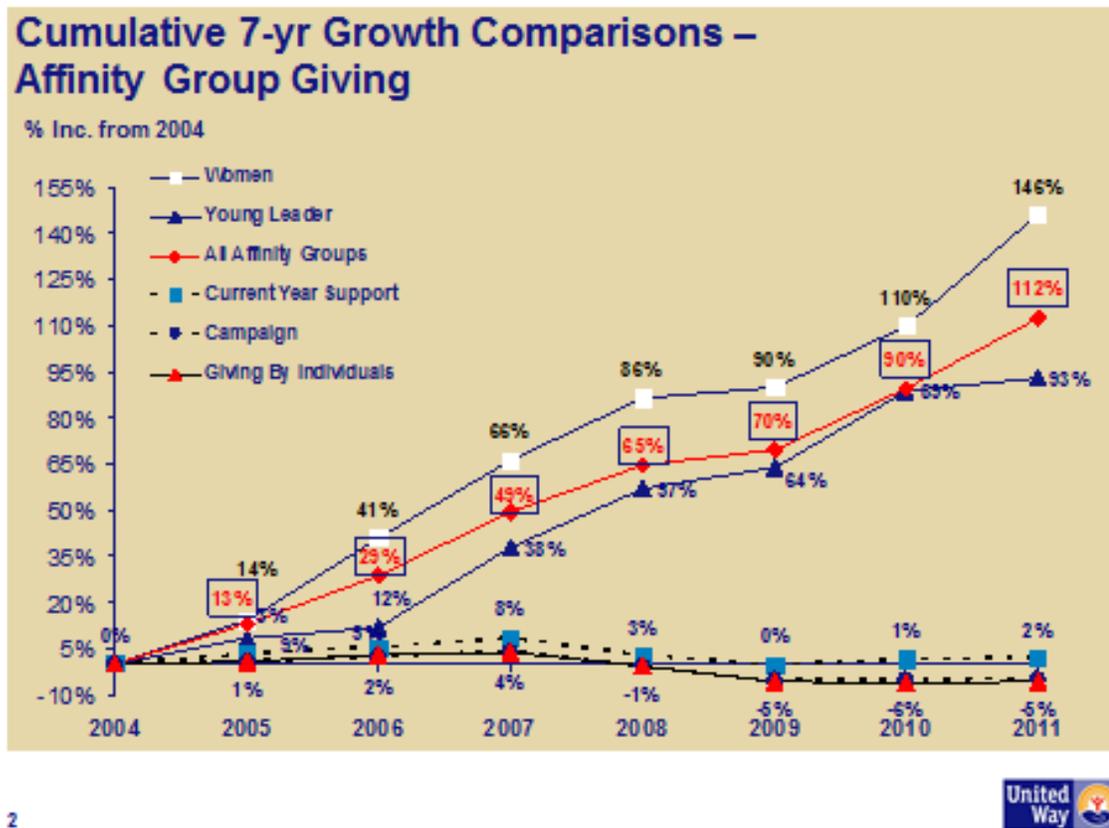


This is best facilitated when people have a chance to interact with a charity(ies); have a chance to understand what they do and how they do it; when they have a chance to build a relationship with an organization, and give and volunteer in their community, and it is the PCFOs who help to make that happen.

While the concerns expressed in the proposed OPM regulations deal with legitimate issues of efficiency, effective procedures, transparency, etc., we would ask OPM to consider some of the broader issues that may be having more of an effect on current giving patterns.

When donors have the opportunity to build stronger relationships with a charity and have an understanding of what they do, giving increases exponentially. Within United Way, programs that build the strongest relationships with individuals through giving and volunteering, yield the

strongest results. Consider the growth in Women’s Leadership Councils and Young Leaders Programs over the seven years.

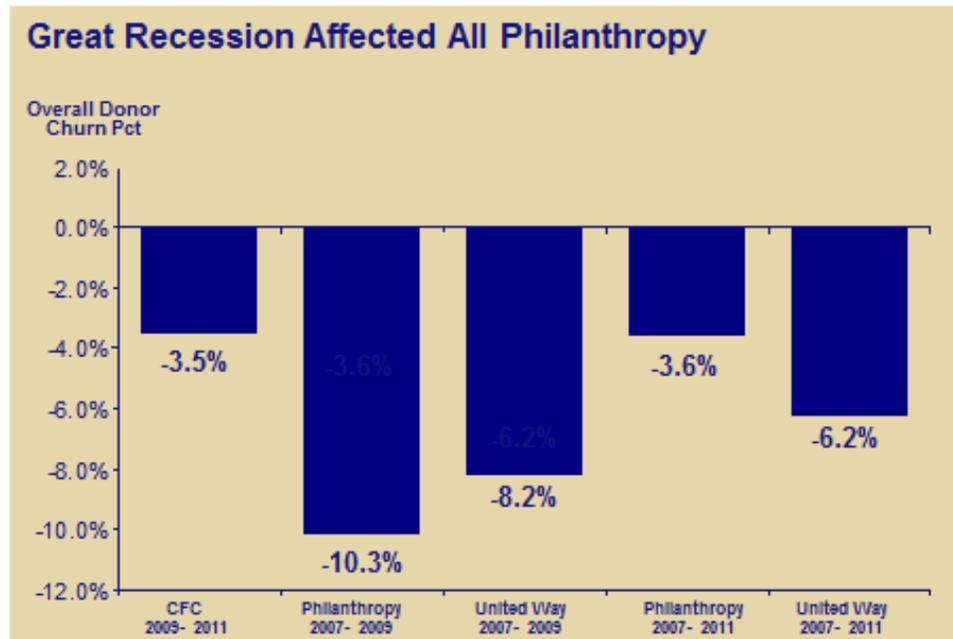


This chart demonstrates that when compared to our general donors, giving is significantly higher in our affinity groups, where participants enter into a relationship with us that is focused on their specific interests. The implication is clearly that stronger relationships with donors yield stronger results.

It should also be noted that many of the trends cited by CFC as generating concern about the state of the campaign are not unusual to charities in general during this tough economic time. What is going on with the CFC may not be endemic only of the CFC, but of the economic realities of this country, post the worst recession in our nation’s history.

In the OPM memo, the business imperative for the Commission’s work cites some of the following trends: CFC results peaking at \$282.6 million in 2009 and dropping to \$272.7 million in 2011. However, this decline, following the recession and following a shrinking workforce (lay-offs and sequestration, which happened in the federal government in a delayed manner in relation to corporate workforce) is not unusual. The -3.5% decline in giving is similar, if not smaller than the decline experienced by philanthropy overall and United Way during its sharpest decline during the height of the recession (-10.3% and -8.2%, respectively). Giving has not returned to pre-recession levels (2007 levels) for either all philanthropy or for United Way. Giving is most closely correlated with economic conditions and the ability to give, rather than need. People are still feeling tenuous about the state of the economy and their

ability to give, and are not as comfortable about their financial position as they were prior to the Great Recession in 2007.

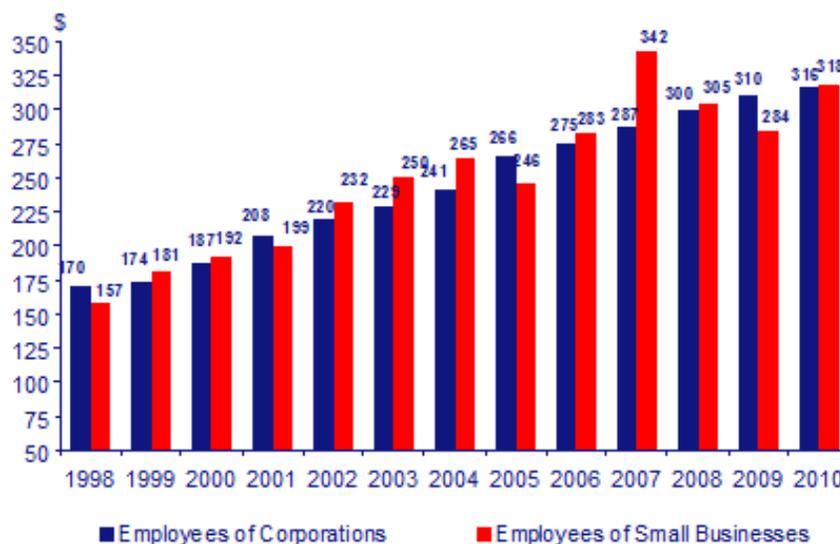


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Average giving levels continue to increase for United Way as participation decreases. In other words, fewer people are giving more generously.

### Average Gift Trend: Employees of Corporations & Small Businesses



Source: United Way Research

However, this trend can not continue given several key factors fueling the downturn for CFC such as:

- The shrinking federal workforce due to sequestration lay-offs/furloughs, high retirement rates, restructuring of federal functions (like the postal service), and attrition (vacant positions that are not being filled).
- This is the 3<sup>rd</sup> year in a row without pay increases for many federal workers.

This makes it vitally important that focus be given to increasing participation. In our experience, **increasing** individuals' access to charities and developing relationships with individual donors are the most effective strategies. Focusing on cutting costs and streamlining processes do not increase participation because they simply not the things that stand in the way of charitable giving. Increasing individuals connections to important charities, the work they do, and the sense that individuals' contributions of time and treasure make a difference are the things that stimulate giving.

For these reasons we strongly recommend that OPM pull back from this recommendation and perhaps instead develop a plan to systematically consolidate those specific campaigns that would indeed benefit from consolidation with a PCFO that is already doing a fine job. However we cannot in good conscience support wholesale consolidation of the PCFO role in the name of cost savings because doing so will leave federal workers with a cold, impersonal, campaign. Just as our extensive research above has shown is the case for United Way campaigns, without the personal connection to the charities (that the PCFO provides in CFC), participation will not grow but rather it will inevitably decline.

#### Regulation Change #9 (Section 950-106) – Administrative Costs:

We are opposed to a “pay-to-play” approach to funding CFC administrative costs. While OPM has not indicated exactly how they would implement an charity filing fee system, in an article published by the Federal Times on May 1, 2013, Patrick Maguire, Business manager for 20 federations of CFC charities and a member of the CFC-50 Commission, said that if the application fee is uniform and across-the-board, “it won’t have to be so large as to be a deterrent. However, assuming \$28.2 million in annual costs for CFC administration (the 2012 CFC budgeted cost) and a liberal estimate of 24,000 participating charities, the fee would be \$1,175 per charity.

For the sake of discussion, lets imagine that a series of cost reducing measures result in a 45% decline in CFC' annual costs and the resulting flat fee (using Mr. Maguire's calculation) would decline to \$650 per CFC participating charity. This all sounds pretty reasonable but dig a little deeper and you discover that the vast majority of charities will see their net proceeds (after the flat fee) from participation in CFC campaigns significantly decrease. For these charities, \$650 will represent a much higher percentage of fundraising cost than they current have deducted by the PCFOs and in a significant number of cases, the fee will be greater than the total amount of CFC donations directed their way. A flat fee will drive those charities to withdraw from participation in CFC, increasing the required fee to be collected from participating charities in future years and reducing the number of charities donors have to choose from. When donor choice is limited, donors become disenchanted (e.g. “why can't I give to my favorite charity

anymore?”). And when donors become disenchanted, they stop participating in CFC. Simply put, this proposal would set into motion something akin to a snowball rolling downhill because cost/benefit simply doesn't add up.

The good news is that there is a much easier way to be transparent to federal workers regarding the cost incurred by their favorite charity to raise the funds necessary to execute their mission. Why not simply report in the charity catalog both the percentage fee that the PCFO is authorized to deduct from the pledges they solicit for a particular charity along side the charity's already published overhead percentage?

This would eliminate the shell games and semantics (e.g. the overall cost of CFC will still be the same because either way the charities will be using the proceeds from the CFC to pay them) that are so troubling to donors and instead promote full disclosure. It also avoids creating a system that will undoubtedly decrease donor satisfaction and participation in CFC.

#### Regulation Change #10 (Section 950-201) – Streamlined Application Process

We are very supportive of instituting a multi-year application process that allows for a less intensive application process between years. We agree that it would indeed be a cost-saver for many charities given the time they must invest annually in preparing their applications and a time-saver for the LFCCs who will not have to review as much paperwork.

We would note however that it may not be much of a cost saver for the campaign because campaigns will still have to collect some form of documentation for every charity that applies so OPM should be realistic in its expectations regarding the overall impact of this change.

#### Regulation Change #11 (Section 950-203) – Audit of Small Charities:

We agree that the thresholds need adjustment in order to reduce the cost. As a matter of fact the United Way Network has also been debating this subject relative to our membership requirements for 5 years now.

We are concerned however that waiving the audit requirement completely for some charities will adversely impact donor trust. While misappropriation of organizational assets at small charities is not as highly publicized as similar incidents at large national charities, the frequency is much higher. In most cases of fraud there is a direct correlation to a lack of internal controls and independent financial oversight. Granted a GAAP audit is not a guarantee that fraud will be detected, but it does provide stakeholders with a level of assurance that someone beside the “insiders” is looking at the transactions, which serves as a deterrent. Therefore we would not recommend waiving the audit requirement completely for any charity.

That said, GAAP audits are complicated and costly so some other type of annual independent financial examination, that is less costly is advisable (say a GAAP Review). Based on a recent study we conducted of non-profit audit requirements imposed by several state charity regulators, we find ample evidence to support the threshold proposed for a full GAAP audit is

very appropriate. Our study found audit requirements as low as \$100,000 and as high as \$2,000,000 of annual revenue before a full GAAP audit is required. The data did show that a threshold between \$250,000 and \$500,000 is favored by most states.

While we understand the desire to provide relief to smaller charities, we urge OPM to not implementation the proposed regulation change that would to eliminate the audit requirement completely for some charities. Failure to require any form of independent review of a charity's financial statements opens the door to fraud, fraud damages the trust donors have in both the charity and CFC, and loss of trust causes a decline in participation with CFC.

#### Regulation Change #12 (Section 950-301) – Oversight of Federations:

This change would produce benefits by making more info available for review by OPM when questions come up and ensuring that there is back-up documentation in the event that original files are lost, confiscated, destroyed, etc. by the PCFO. However, the overall cost savings may prove elusive depending on how much time it really saves OPM in its regulatory activities.

Offsetting any anticipated time/cost savings derived by OPM from having readily available documents would be added costs associated with:

- Building and managing an entirely new file/data management system.
- Building into that system the necessary security to ensure that sensitive information included in these documents (e.g. Names, addresses, other personal information) does not fall into the hands of those who might misuse it (e.g. identity theft, fraud, etc.) is costly and complicated.
- Regardless of whether the Federations would be required to submit this information in hard copy or in electronic format, there will be added cost for the Federations to comply with this change. Those costs would include copying & postage, scanning software & hardware, software to support electronic data gathering, etc.
- Federations incur significant cost related to the work they do on behalf of the federation members but this change would increase those costs while at the same time federations would no longer be allowed to seek any cost reimbursement. This will certainly lead to a decrease in the number of federations (meaning less donor choice leading to lower donor participation) because very few charities will be willing to sacrifice funds they could apply to their own mission to underwrite the cost of handling funds for other organizations.

We simply urge OPM to consider the all aspects of the cost/benefit equation related to this recommended change and to determine its real value before implementing it.

#### Regulation Change #13 (Section 950-901) – Payroll Deduction Disbursements

Standardized reporting could be a huge improvement and may reduce administrative cost for PCFOs because there is a high cost associated with entering pledge and collection data accurately to ensure payout data is accurate and complete. Unfortunately, without being

provided more information on what that standardization entails, it is difficult to whole heartedly endorse this recommendation.

With regard to the other part of this regulation change,, we do not support payroll offices distributing funds to the charities directly because the perceived benefit of doing so does not help meet OPM's desired outcomes of increased affordability and efficiency.

Federations proactively fundraise on behalf of their members and provide a range of fiscal services from basic fund aggregation, forwarding of monies collected and any accompanying reporting, to broader services including donor relationship management and analysis, budget planning and more. Charities often hold federation membership to create economies of scale in backroom operations, because to support these functions on one's own would be more costly. Additionally, membership in a federation has often results in more money being raised for a charity.

Many Federations have robust programs, representing their members proactively in the private sector and other public sector campaigns. They also provide extensive training and capacity building opportunities, other funding, and marketing, promotion and advocacy services. The most successful Federations work to clearly communicate their fees and services to their member nonprofits, who recognize the value added by the Federation and highly value their partnership. Membership in a federation, is a choice made purposely by a charity and the relationship that is mutually beneficial. Thus, it is our view that it is inappropriate for OPM to propose changes that impact the fiscal relationship between federations and its members. Any fees related to membership or the services offered through membership are part of a voluntary relationship between the federation and the member, a relationship that OPM need not and should not interfere with.

While we are confident that OPM understands and appreciates the role that federations have played in the CFC program, we are concerned that the proposed regulation changes do not acknowledge the longstanding history between CFC, federations, and the charities they represent, it doesn't take into account the contributions to the success of CFC made by federated groups, nor does it leverage the current asset of federations for the future success of CFC.

We therefore encourage OPM to seek standardized reporting but caution you to ensure that all factors are considered when developing the implementation of this proposed change.

#### Statutory Change – Retiree Campaign

*(Note: this item is not included in the Federal Register but was outlined by the Director of CFC Operations at the Atlanta Training/conference)*

We find this to be a great idea that should have been adopted long ago. It would certainly increase the number of overall donors as evidenced by the Commission's own study of those who are receiving retirement payments from the government. In addition, it would give federal retirees an opportunity to "stay connected" with the rest of their civil servant family and feel like they are still contributing to that close knit community.

We would also suggest that you consider allowing government contractors to be solicited, at least for non-payroll deduction contributions. These individuals often indicate that they feel “left out” during CFC time because they are working in an office where everyone around them is being asked to participate, yet they themselves have been loyal contributors in the past but are now excluded (except a 1 time donation that they must initiate themselves). Although they are technically private sector workers, they work within Federal walls, directly with their Federal worker colleagues and we are convinced that this is an untapped group of willing participants.

One word of caution however related to making a realistic estimate of their level of participation. Remember that both of these groups are now living the civilian life and are likely being solicited directly by other organizations (participating and non-participating charities) so participation may not be as high as projected. The impact of this on participation with CFC could however be mitigated by allowing for things like advertising venues for retirees (e.g. on DFAS (retired pay) statements, community forums (for large retirement population areas), VA offices and medical facilities, etc.

Lastly, if the retiree campaign were to be implemented using a 100% online process it may limit participation because many retirees don’t use technology as much as the younger non-retired federal workforce does. That said, there is no doubt that some do indeed explore the “wonders of the internet” at a higher rate because being retired allows them more time to be online. The caution here is only to be realistic about expected participation rates.

While the posting in the federal register did not ask for comments beyond the changes to the regulations, in the next part of our letter we have taken the opportunity provide commentary and feedback related to the other CFC-50 Commission recommendations that do not require regulatory change. We do this because many of them are inter-related with the proposed regulation changes. As with the proposed regulatory changes, we will discuss them individually and for the sake of clarity we have grouped them in the same four categories that the CFC 50 Commission used.

### Donor Participation

1. Enable donors to give to any charity in any campaign (*universal giving*)

Many in the federal workforce live in communities they are not native to and, as a result, it is not uncommon that the charities they are most passionate about are located in another community. For this reason, we agree that providing an option for donating to causes outside their current CFC geography is a good idea that would increase donor satisfaction with their CFC. As we have stated before, greater donor satisfaction helps to attract and retain donors.

The feedback from CFC participants who have been part of the pilots clearly indicates it was a positive experience they would like to continue to have. However, on the operational side of universal giving, there are challenges yet to be overcome, the most concerning being how to ensure the donor is actually selecting the right charity, in the right community, when so many charities have such similar names.

There are challenges in developing a highly functional search engine for universal giving that will enhance the donor experience. For example, consider the question: Will it provide a standardized search for each campaign to ensure the parameters for searches are the same?

There must be built in references to links between specific charities and the federations they are part of so we did a test search using the existing pilot version of CFC's universal search. We searched for the National Capital Area United Way Federation and found:

- The software produced only a listing of some of the charities that are members of that Federation (not a complete list) and there was no listing at all of the National Capital Area United Way Federation itself.
- We find this result to be confusing, perhaps even misleading, because it is not clear to the donor that by selecting the charity, their donation will pass through the PCFO and the Federation before it gets to the charity.

United Way is also developing a national charity database for our national/global corporate workplace campaigns. In our design, the donor will start by inputting the zip code of the community where the charity they are seeking is located. This brings the donor a section of the database that has only charities in that geography (e.g. it narrows the list for them). Then once they select the charity they want to contribute to, they are brought to that charity's marketing material so donor can verify that it is indeed the charity they want to support, find out more about the charity's mission & work, and see the connections it has with other organizations.

We recently put out a Request for Proposals (RFP) to identify a service provider who is willing to build this database for us. There are only a handful of companies that can do this type of work and not all of them have convinced us that they can do it well (many will over-promise and under-deliver).

We are happy to share our end product (when completed) with OPM if it is believed that it will be useful and cost effective for CFCs, but more importantly, we mention this work to share with you that we have experience in this field and would like to help. The key to success in building a universal giving option is to start with the end product in mind and then take the time necessary to develop specific protocols/formats for universal implementation. Building it piecemeal will prove costly and force implementation in smaller increments than optimal.

2. Develop a process that allows current donors to renew or continue their existing pledges by simply checking a box.

This will help with donor retention because loyal donors will have an easy way to renew their pledge. For electronic campaigns where this technology is already accessible, adding a check box can be accomplished easily. For example, those federal worksites that have access to Employee Express should be able to accomplish pledge renewal quite easily. In United Way circles, many workplace campaigns employ the Truist software which has this functionality, and experience shows that donor retention and loyalty is higher.

There are a few details to consider that, if not properly planned for, may end up negating the benefits of greater donor retention. For example, to function properly, PCFOs will need to provide the donor with historical pledge information so they are reminded what their pledge amount is and the current preferred charity when they check the box. This will require an investment in data entry and release of additional donor data by payroll offices.

Another consideration is the fact that such an option offered on paper forms would add significantly to the administrative burden because forms would have to be pre-populated with donor information from prior years (an added clerical cost) and would have to be distributed each donor face to face to ensure privacy of information (an added security cost).

One negative impact on campaigns from automatic renewal stems from when donors give exactly the same amount year after year, this diminishes the chances of getting donors to increase their gifts over time.

### 3. Clarify and explain the true cost and benefits of CFC campaign to donors

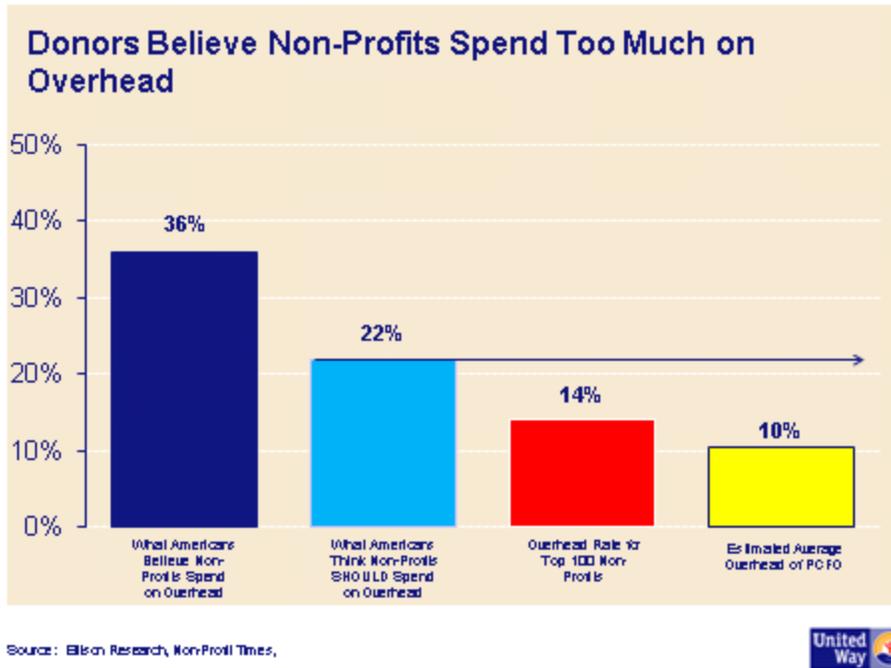
We firmly agree that being clear about costs associated with raising, collecting and distributing donations is necessary. Having done that, we should be very transparent about what the costs incurred by PCFOs and Federations are and what they amount to in a standardized and consistent manner.

However, communicating the cost does not change the fact that costs are still going to be there. Dan Pallotta (Harvard graduate, entrepreneur, author, humanitarian, and activist), in his book *“Uncharitable – How Restraints On Nonprofits Undermine Their Potential”* (Tufts University Press, ©2008) reveals what we are up against when faced with trying to explain the “true” cost and benefit of CFC. For years CFC has struggled to clearly explain to donors what the fees are for, why fees are appropriate, and who is really paying them in a way donors understand.

There is a widely held donor belief that when a PCFO or a Federation deducts its cost from a payment to a charity, it is the donor who is paying a fee. In matter of fact however, recovering costs this way is only a collection mechanism related to a business transaction between the PCFO, the Federation, and the charity. Changing the structure of CFC such that the charities pay a fee up front doesn't change the fact that there are costs associated with running the CFC operational structure.

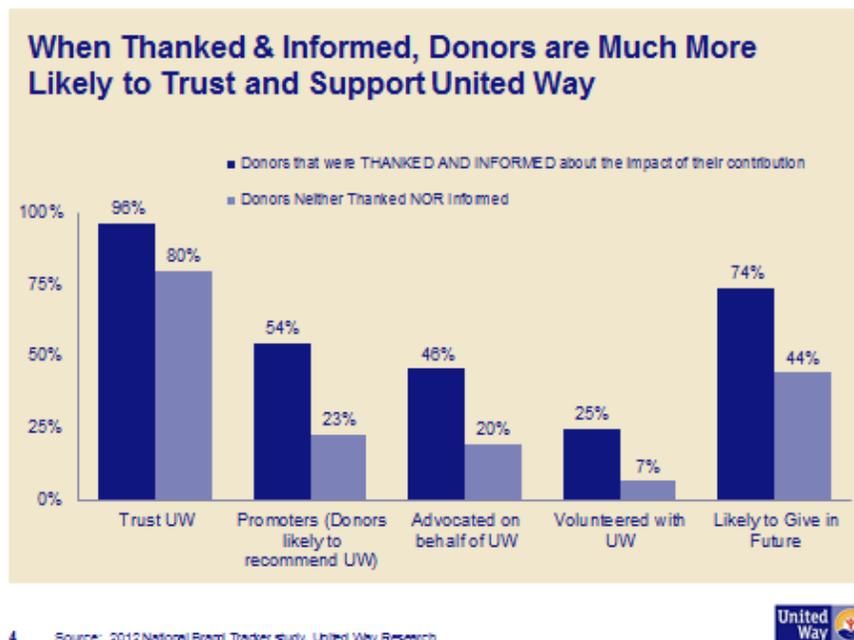
As the chart below confirms, donors generally do think that charities spend too much on overhead but they also think that there is an acceptable level of cost that charities should spend on overhead. This chart also implies that as long as the cost is reasonable, PCFOs don't need to be apologetic, they just need to be clear.

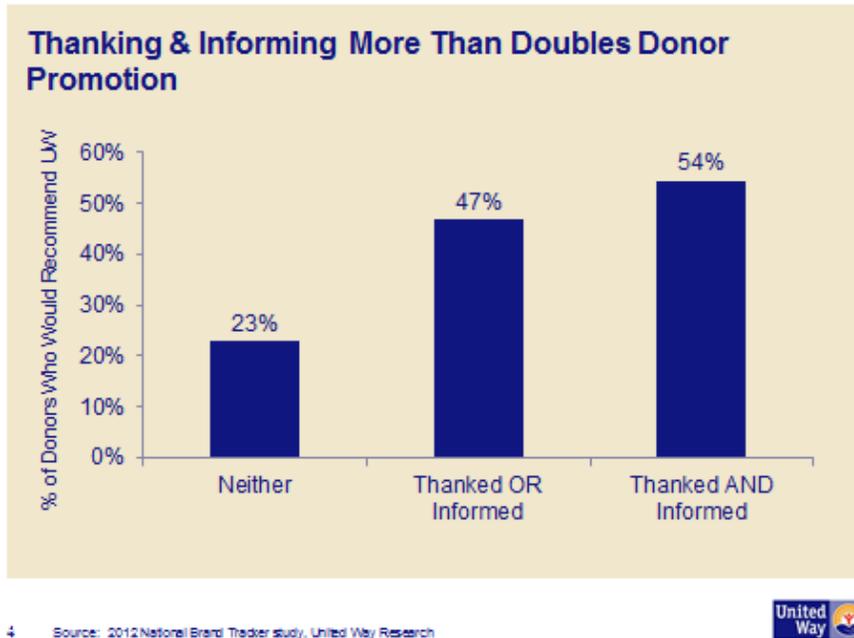
With the average cost in 2010 of the PCFO fees running in the 10.4% range, costs are already lower than donors believe they are and lower than they accept as reasonable. Current CFC costs are very much in line with the most efficient, largest 100 charities in the U.S. Cost is only a prohibitor to giving when it is perceived to be too high and the chart below clearly indicates that CFC costs are not too high.



- Urge donors to authorize release of information that will allow charities to thank them and ensure that this information reaches charities in a timely fashion

We wholeheartedly agree this is a valuable recommendation to pursue, because it will undeniably increase the participation and loyalty of CFC donors. As the data in the following three charts (from a United Way brand recognitions study) show, a “thanked and informed” donor is more likely to give again, keep giving, and encourage others to give.





However, ensuring that donors are properly thanked and informed requires a little something from everyone:

- The donor needs to ensure the information released to charities is accurate and complete
- The PCFO needs to ensure that they process and release the donor information to the charity on a timely basis
- The charity needs to make sure that the donor actually is thanked and informed in a way that is respectful of their time and attention.

### CFC Infrastructure

1. Accelerate efforts to “go green”, reducing paper processes within the CFC as much as possible

As we stated earlier in our comments on proposed Regulation change #7, we have no doubt that reducing paper process would be beneficial and reduce campaign costs, so it should be pursued with vigor. However, elimination of all paper is not advisable or practical.

There are currently more than 75% of donors who use paper for some part of the CFC. In many cases, such as deployed military personnel, postal workers, grounds maintenance personnel and training units (like the 37<sup>th</sup> Training Group mentioned in our comments on proposed Regulation Change #5), CFC participants simply don’t have the technology or connectivity to conduct paperless giving.

Given the emphasis the Commission and OPM have placed on moving to a paperless CFC environment, seems to imply a forgone conclusion that CFC will end up being an all-electronic campaign. As we have stated earlier in this letter, and demonstrated with concrete data, implementing efforts to reduce paper is encouraged, but pushing for a 100% paperless CFC will

be detrimental to the communities and agencies the CFC supports. CFC is likely to incur a much larger loss from lower levels of participation than it will gain from going all green.

2. Monitor overall campaign costs to seek continued efficiencies

We heartily endorse the idea of monitoring costs at the macro level in order to share data and seek out best practices for continued efficiencies that can be shared with all.

However, we caution against setting uniform mandatory “dollar caps” or maximum percentages by OPM. Consistent with the underlying concept for why the federal government has varying levels of per diems for federal worker travel reimbursement depending on what region one is traveling to, CFC costs also vary by location.

OPM should be very careful not to inadvertently create a one size fits all approach to managing CFC costs, rather they should be actively identifying where improvement might be possible and then encouraging best practice sharing.

Standards of Transparency and Accountability

1. Strengthen the eligibility criteria that allow charities to participate and provide donors with essential charity information when selecting charities

We agree with most of what the commission has recommended in this area, as our experience teaches us that donors want and need a better perspective on the charities they give to. A better understanding of the charity’s stated mission and how it is carried out, how long it has been doing that mission work, its financial condition, its primary sources of funding, and how respected “watchdog” organizations assess their strengths and weaknesses, are all valuable pieces of information for donors when selecting who to trust with their contributions.

While there should be some baseline for eligibility, a non-negotiable level of transparency and accountability that OPM establishes and clearly communicates to everyone, we caution that requiring too much information may serve to reduce the number of charities that can participate because they can’t or don’t want to provide the info.

The commission rightly identified donor desire for choice in their CFC giving and eligibility criteria that are too stringent will only serve to decrease donor choices. Charities should be given the opportunity to provide information above the baseline elements and then donors themselves will weed out the unworthy organizations by not contributing to them.

2. Develop a robust survey tool and create focus groups to determine what donor and charities want and why they do not participate

Using research to deeply understand your donors is an invaluable tool that can assist in identifying new prospects, facilitate building deeper individual relationships with current donors, increase giving, and reduce donor attrition. Research conducted in the form of a public opinion or donor tracking survey, for example, can provide powerful insight and knowledge of the competitive environment, donor/prospect segments, and brand status, among other critical

measures. United Way Worldwide (UWW) has conducted this type of public opinion tracking for over a decade and uses it in several ways, such as:

- Identifying and providing insight to prospect segments (such as women and young leaders) – their demographics, behavior, motivations, attitudes, perceptions, engagement/giving potential etc.,
- Providing insight into current donors – their demographics, motivations, and attitudes – to upsell and retain them,
- Identifying donor segments by giving/engagement potential, reasons to give, income and/or other important factors that builds the foundation of individual engagement, marketing and communication strategies,
- Targeting donors that are likely to stop giving to United Way, and prevent the attrition by contacting these donors promptly,
- Understanding why donors lapse and building the strategies necessary to regain, retain, and strengthen the customer experience and relationship,
- Providing a benchmark from which to measure and track progress and success, and
- Ultimately, building strategies to help grow resources and increase revenue.

This important and valuable tool allows United Way Worldwide to stay on top of emerging patterns in the philanthropic landscape and track the progress and performance of our broad network. In recent years, the local studies that are conducted have confirmed national patterns in various local communities, such as using key strategies such as LIVE UNITED and the focus on Education, Income, and Health to drive trust and giving levels. Our Research strongly encourages all local United Ways to build their own comprehensive collection of data by conducting similar opinion research in their communities and we therefore strongly support this recommendation by the CFC-50 Commission.

There are different approaches to beginning tracking research, depending on resources. For example, an organization can:

- *Turn to a local university:* Many universities will offer to help organizations with various studies, whether it's part of a case study for students or an extra-curricular activity for staff/students. Costs, if any, could be much lower than using a market research firm.
- *Partner with a local/national research house, market research firm, or think-tank:* They may be able to offer you a pro bono or omnibus-type study which could help reduce the cost. United Way Worldwide's Research team will gladly provide OPM with the national Tracker questionnaire to utilize similar questions and methodology.
- *Work with United Way Worldwide:* We can assist OPM and the LFCCs with their data needs by conducting a one of 4 different Local Brand Tracker studies, depending on your needs.