

**Testimony of Debby Hampton
President and CEO, United Way of Central Oklahoma**

The Combined Federal Campaign: Making Every Dollar Count

**The United States House of Representatives
Committee on Oversight and Government Reform
Subcommittee on the Federal Workforce, U.S. Postal Service and Census**

June 26, 2013

Chairman Farenthold, Ranking Member Lynch, Members of the Subcommittee, thank you for allowing me to testify at today's hearing on the Combined Federal Campaign (CFC). The CFC is a critical component of the work of charities across the United States.

Thousands of local charities rely on the generosity of federal workers who give back to their communities through the CFC. Millions of Americans are lifted up by nonprofit services that are possible because of the CFC. The CFC allows federal workers to participate in the American tradition of philanthropy, while strengthening their connection to the communities in which they work.

The Office of Personnel Management (OPM) has proposed dramatic changes to the CFC. Because the CFC is so critical to scores of communities across the country, I am pleased that the Subcommittee is examining the ramifications of these proposed changes.

I am here today to testify about OPM's proposed changes to the CFC on behalf of my United Way, the United Way of Central Oklahoma, and the entire United Way network in the United States comprised of more than 1,200 individual United Ways located in virtually every city, town and community in the nation.

Mr. Chairman, United Way Worldwide's U.S. President, Stacey Stewart, submitted extensive comments to OPM regarding the proposed regulations during the public comment period. I have provided a copy of those comments to this Committee and I ask that those comments be incorporated into my testimony by reference.

The 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 through workplace campaigns like the CFC. United Ways are the Principal Combined Fund Organizations (PCFOs) for more than 80% of the approximately 150 individual CFCs, working with Local Federal Coordinating Committees (LFCCs) to manage more than 50% of the \$265 million raised annually through all CFCs.

In 2012, the Central Oklahoma Combined Federal Campaign raised \$3,208,069, which makes it the 14th largest campaign. These funds were distributed to approximately 1,490 charities. Our campaign solicits 35,515 federal employees and there were 9,110 donors. The majority of our

donations, 94%, are made as payroll deductions or cash contributions. The United Way of Central Oklahoma has been the Principal Combined Fund Organization for the CFC of Central Oklahoma for over 30 years.

The United Way of Central Oklahoma has a long history and a great working relationship with our federal community. The goal of the United Way network as part of CFC is to build and strengthen the CFC so it can continue to fuel America's philanthropy for the next 50 years.

Some of OPM's proposed changes to the CFC arose from recommendations from the CFC-50 Commission established by OPM to advise OPM on the CFC. United Way is concerned about the CFC-50 to the extent United Way – the largest CFC partner by far – was not meaningfully included in the process. The CFC-50 included two mid-level local United Way employees. While good-intentioned and knowledgeable about some aspects of the CFC, these United Way employees did not have the authority or ability to represent the United Way network's perspective. Our understanding is that these United Way employees did not themselves believe they were representing United Way's point of view as they participated in the CFC-50.

If an Executive Branch agency talked to two mid-level staffers in rank-and-file Congressional offices about a proposed regulation, it could hardly claim that Congress has endorsed the proposed regulation. That is the case here, as well; the involvement of two of United Way's 9,000 employees does not indicate United Way's endorsement of the CFC-50 recommendations.

Notwithstanding the CFC-50 process, the most disconcerting aspect to the regulations proposed by OPM is how far they go beyond the CFC-50 recommendations. For example, the CFC-50 Commission recommended consolidating some of the "back-office" processing. Instead, the OPM proposed regulations that drastically reduce local involvement in the CFC – a proposal that could devastate the CFC.

The stated goals of the CFC-50 commission were laudable and had OPM informed or included United Way's headquarters organization, United Way Worldwide, in the selection process for United Way participation on the Commission, I am confident that many of the CFC-50s recommendations would have better reflected the best thinking of our network's vast experience in finding efficiency without having it come at the cost of fundraising effectiveness.

It is not too late for us to work together for the benefit of the local communities supported by the CFC. We have a long-time positive working relationship with OPM and while in partial disagreement with OPM's proposals, we are confident United Way and OPM will continue to have a strong, productive partnership for years to come.

Our goal here today is to ensure that OPM's recommendations sustain the integrity, operational strength and effectiveness of the CFC. That may require reforms to sustain the quality of funded organizations, ensuring effective management of cost-benefit equations, and continued engagement of the federal workforce. But our view is that this process needs to start from the beginning to ensure meaningful involvement by organizations with greater expertise in workplace charitable giving.

There are several specific recommendations that we believe undercut the CFC's operational effectiveness and integrity which will ultimately harm the charitable sector and negatively impact the federal employees who give.

For example,

- Elimination of the LFCCs and the PCFOs in favor of a limited number of Regional Coordinating Committees and Central Campaign Administrators, 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.

Instead of fostering federal employees' connection to their communities and increasing charitable giving, the proposed changes will undermine the CFC in the name of efficiency.

Among the changes I just mentioned, the most damaging would be the disconnection of the CFC from local engagement and the transfer of local campaigns to regional administration. As a result of the proposals, federal employees will no longer be able to make well-informed decisions about how they can support charities in their communities. CFC decisions will be outsourced to a regional authority without regard to the unique needs of individual communities.

There is one story I need to share with you from our recent experience that demonstrates the importance of local involvement of the federal and nonprofit communities in the Combined Federal Campaign.

Early in the morning after the May 20th tornadoes devastated Moore, Oklahoma, I received an e-mail from the Executive Director of the Federal Executive Board of Oklahoma who is a deeply appreciated member of our Local Federal Coordinating Committee. The e-mail was a request for United Way to compile a list of charities that are or will be assisting in the aftermath of the tornadoes so that we could request a special solicitation of funds from federal employees. By 10:45am, our staff had compiled and sent a list of charities to our contact at CFC Operations. By 3:48pm the following day, only 29 hours later, we received our approval letter. While any list of charities involved in disaster recovery will be partial, this list comprised several important local charities that are leading the recovery effort. Some are United Way partner agencies, some are not.

This coordination between our two organizations demonstrates an important value-added benefit of the Combined Federal Campaign. The relationship and trust we have built through working on the CFC allowed us to work quickly in this moment of need.

Nonprofit work in general, and fundraising in particular, relies on relationships. The proposed move to a regional campaign compromises the most integral component of its success: the relationships and trust we have built between local members of the federal and nonprofit communities.

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 an

outsourced fundraising/marketing person who really does not know what is important to the local donors is too high a risk to the success of CFC's next 50 years.

Another ill-informed change would require that charities be charged a fee in order to receive donations through the CFC. This is designed to give employees the impression that there is no cost associated with distribution of charitable gifts to a community. In fact, Mr. Chairman, you will not be surprised to hear that there is a cost associated with operating a charity. This proposal does not shift the cost, it just hides it. This is contrary to our experience that donors value transparency and accountability from charities. All this proposal will do is preclude the participation of some charities in the CFC and undermine trust between charities and federal workers.

Because there has been no guidance as to how much the proposed fee would cost the charities, we have been left to speculate. There are estimates anywhere between \$500 to more than \$1,000. Please consider how a fee of this amount would impact our local campaign.

There are 1,490 charities that received funds from the CFC of Central Oklahoma in 2012. Of those charities, about 1,200 received \$2,000 or less. While most of these charities are national or international and can receive funds from CFCs nationwide, 77 of these charities receiving less than \$2,000 are only in the CFC of Central Oklahoma. Consider the impact of a \$500 to \$1,000 fee on our charities. I predict it would discourage about 40% of the local charities from applying to know that up to half of their donations would go to offset an application fee.

Additionally, the proposed changes would prematurely eliminate any paper form of donation; only electronic donations would be allowed. "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 cannot or will not participate if their only option is to participate by electronic means. Electronic campaigns are also impersonal and uninspiring, which will drive even more donors away from CFC. Only about 1/3 of CFC participants currently give through electronic means. A premature shift to only electronic giving will drive away large number of CFC donors.

From our experience with electronic giving in United Way workplace campaigns in central Oklahoma, I can attest to the steep drop in donations that can result from a switch to a 100% online campaign. One local campaign that switched to online giving lost 61.5% of its campaign in the first year. Even after three years of this online system with a workforce that has access to computers, we still raise less than half of what we did prior to the switch to online giving. While this is not necessarily typical, it is one possible outcome for the CFC if the proposed regulations are accepted. Additionally, please know that in our most recent campaign, only about 6% of our donations came through e-giving. Online giving can provide great benefits but it should not be seen as a panacea. It reduces paper costs and adds some process efficiencies, but some donors prefer a paper pledge card and choose not to donate online.

Ultimately, contributions through the CFC will decline to the detriment of the people who rely on the assistance of charities.

The success of the CFC has rested on the local nature of the donations and decisions. Locally-based federal workers manage each campaign on behalf of their community, increasing federal workers' connection to and investment in the place they live.

I would be remiss if I failed to recognize that there are proposals that United Way supports or that have promise. Specifically, we support proposals 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.

As the CEO of a United Way in the midst of helping my community recover from a major natural disaster, please allow me to make a few observations about OPM's proposed disaster relief program. On the surface, this proposal appears to be of great value because it would allow OPM to respond quickly by soliciting donors while the disaster is top of mind. However, the proposal is vague and whether it would be effective depends on the answers to some questions. For example,

- If the disaster relief campaign is run as a second campaign (e.g. if the disaster happens outside the annual campaign period), would every PCFO be required to set-up and track the campaign separately?
- Would the disaster relief campaign require that all the contributions go to one or a small, select group of organizations? If so, 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 (and related costs) that might be offered, 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.

Mr. Chairman, in conclusion, United Way is deeply concerned that OPM's proposed changes would undermine the CFC in the name of efficiency and would disregard OPM's stated goal of ensuring "its growth and success."

United Way requests that Congress instruct OPM to go back to the drawing board on these proposed regulations and that they work with United Way and other charities who can provide expertise and guidance in crafting CFC reforms that will create efficiencies AND more deeply engage federal workers in the CFC.

Thank you.

Debby Hampton
United Way of Central Oklahoma

Debby Hampton serves as the president and chief executive officer of United Way of Central Oklahoma. Prior to her appointment at United Way of Central Oklahoma, Debby served as president and chief executive officer of the Oklahoma Center for Nonprofits for four years. Debby spent 16 years with the American Red Cross of Central Oklahoma, serving the latter four years as chief executive officer.

Within her role at the American Red Cross, she assisted in the response efforts for numerous disasters including the April 19, 1995 Oklahoma City bombing, the May 3, 1999 Oklahoma tornado outbreak in central Oklahoma, and the September 11, 2001 attacks at both the Pentagon in Washington, D.C. and the twin towers of the World Trade Center in New York City.

Most recently as president and chief executive officer at United Way of Central Oklahoma, she continues to be actively engaged in the tornadoes relief efforts of May 19 – 31 in central Oklahoma.

A graduate of the University of Oklahoma, Debby is an active leader in the community. She currently serves on the boards of: Leadership Oklahoma City, The Alliance of Economic Development of Oklahoma City, National Ethics Standards Committee of the Standards for Excellence Institute, Oklahoma City Arts Council Leadership Committee, and Oklahoma City University Kramer School of Nursing. Debby also serves on the Oklahoma City University Advisory Committee for the Nonprofit Leadership Program. She is a proud alum of Leadership Oklahoma, Leadership Oklahoma City and Leadership Tulsa's Executive Series. Debby is an active member of Rotary 29 and Committee of One Hundred and served on the United Way of Central Oklahoma's 2010 Campaign Cabinet, prior to joining the staff. In addition, Debby was recently named as a Byliner Honoree for Nonprofit Excellence by the Oklahoma City Chapter of the Association of Women in Communications.

Committee on Oversight and Government Reform
Witness Disclosure Requirement – “Truth in Testimony”
Required by House Rule XI, Clause 2(g)(5)

Name: Debra V. Hampton

1. Please list any federal grants or contracts (including subgrants or subcontracts) you have received since October 1, 2010. Include the source and amount of each grant or contract.

None

2. Please list any entity you are testifying on behalf of and briefly describe your relationship with these entities.

United Way Worldwide and the National Network of United Ways. I am the President & CEO of United Way of Central Oklahoma

3. Please list any federal grants or contracts (including subgrants or subcontracts) received since October 1, 2010, by the entity(ies) you listed above. Include the source and amount of each grant or contract.

None

I certify that the above information is true and correct.

Signature:



Date:

June 23, 2013
