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

Written Testimony of Kalman Stein, President and Chief Executive Officer, EarthShare, Bethesda, MD regarding the operation of the Combined Federal Campaign

June 26, 2013, Rayburn House Office Building

Good afternoon Mr. Chairman, Ranking Member Lynch, and Members of the Subcommittee. It is my honor to address the subcommittee, as it has been my honor to work with the Combined Federal Campaign for more than 25 years in pursuit of the CFC's mission "to promote and support philanthropy through a program that is employee focused, cost-efficient, and effective" and to "lessen the burden of government".

I am speaking today on behalf of EarthShare, which represents 80 national organizations and more than 600 local charities, as well as on behalf of seven national federations that represent more than 500 national charities and thousands of local charities across the country. I am also representing more than 500 national charities and 3000 local charities as well national federations including America's Charities, Christian Service Charities, Community Health Charities, Global Impact, Human Service Charities of America, Independent Sector, National Black United Fund, United Way Worldwide, and the YMCA of the USA.

The CFC is the largest organized charity campaign in the world, and the largest in history. It is a singular achievement of civilization, that regular working people, federal employees, our friends and neighbors all across the country and the world, have contributed more than \$7 billion to charity during the 52 year history of the CFC. It is a unique American accomplishment that demonstrates the generosity of federal employees and is an extension of their public service.

The CFC is also a unique engine for American philanthropy as it provides critical annual renewable and unrestricted funds to more than 25,000 local, national and international eligible charities, and there is no remotely comparable single source of funds in the world. The CFC provides a bed rock of contributions and support that funds charitable services from disaster relief to assistance for veterans and military families, critical local human services, medical research and patient assistance, and much more.

I first came to Washington in 1989 to create EarthShare when revised CFC regulations allowed for new federations, and since then have participated in workplace campaigns with 26 state governments, and hundreds of other governmental and private sector employers, including companies such as Walmart, JP Morgan, United Health and Accenture.

EarthShare's focus on workplace giving has allowed us to develop expertise that it has willingly shared with private and government employers, including the CFC, and we have created a record of building robust partnerships with other organizations. Since EarthShare was created to participate in the CFC our philosophy since that beginning has been to assist the overall campaign in any way possible.

That has included founding and serving as board chair of the CFC Foundation, which manages the annual CFC Training Conference, maintains the CFC Today web site, and convenes a monthly conference call with OPM, campaign administrative organizations known as PCFOs, and federal employees that serve on the local oversight committees, called LFCCs. I also led the process to develop the first new logo for the campaign in fifty years with supporting guidelines and donated it to the campaign *pro bono* and worked with OPM on recognizing the 50th anniversary. I was appointed by John Berry to the CFC50 Commission where I worked on the critical task of reversing the decline in participation and developed the commission's proposal on that. And finally, in April this year we were selected to manage the CFC of National Capital Area, the largest in the country, as well as the CFC for New York City. However, my testimony today does not represent either of the campaigns for which we serve as PCFO, the CFC50 Commission, nor the CFC Foundation.

The mission of the CFC Commission was to ensure the "continued growth and success" of the CFC and we commend Director Berry and OPM for creating the commission and for its commitment to revitalize the CFC. With CFC participation at an all-time low, change is in order and opportunities do exist to make the CFC more efficient and effective. While there are aspects of OPM's proposed changes that are promising, we are deeply concerned that any positive impacts will be overshadowed by recommendations that will result in fewer donations that will in turn impact services to local communities, including federal workers, and their families, as charities have to cut back on service delivery.

In particular, we are in favor of and support changing the solicitation period, allowing new employees to participate, creating a disaster relief program, the expansion of universal giving that allows for donating outside of duty stations, and centralizing the national distributions, which are part of the proposed regulations.

However, there are a number of proposed regulations that go beyond the recommendations of the Commission, while other recommendations have not been addressed, including the need to do further research and testing, and the formation of a working group of federal leaders to assess all that. In addition, there is a lack of detail on proposed implementation and timelines that makes it difficult to respond to the changes in an informed manner and to suggest alternatives. Our primary concern is in three areas: loss of local ownership of the campaign, elimination of giving options, and the lack of testing and specificity regarding changing the cost recovery method for the campaign.

1. Loss of local "ownership" of the campaign.

In the current configuration, federal employee volunteers are engaged in all aspects of the campaign from hiring a local charity that manages the fundraising and promotes the campaign, to reviewing and approving local charity applications. This gives federal employees a strong sense of ownership and a stake in the success of the campaign.

The proposed regulations seek to eliminate the Local Federal Coordinating Committees (LFCCs) that provide oversight. Local charity management (PCFOs, currently under the supervision of the LFCCs) would be eliminated in favor of regional marketing organizations. This would dramatically diminish the role of local federal employee volunteers to the detriment of the campaign, and OPM would need to create the capacity to manage all fundraising, web development, processing and operations internally, and it has no experience in these areas. Such a radical reorganization of the campaign was not considered or discussed by the CFC Commission.

The most basic rule in fundraising is people give when they are asked and we all know that the campaign succeeds because it is a person to person thing, not when someone gets an email. When you ask people why they gave, the reason most often cited is because someone asked – usually a person close to the donor. The CFC has been effective over the years because it includes hands-on, peer-to-peer communication and engagement at the local level that should not be eliminated.

While we recognize the current system may benefit from efficiencies, the proposed changes seem an over-reaction. OPM has been slowly merging campaigns over the years and that evolution should continue. The recommendation of the Commission was to “improve the governance of the CFC at the local level” by improving training and OPM support, not abandon the current system, and we continue to support that recommendation.

2. Elimination of current giving options, including cash and check.

While we strongly endorse the expansion of online giving options for federal donors, we know from experience that it is a critical mistake to eliminate traditional means of giving altogether, and the CFC Commission did not recommend eliminating giving options. Many federal employees who give through the CFC do not have access to, or choose not to use, on-line giving. This is a reality for many members of the military, Postal Service employees, Park Services personnel, and others in similar settings and circumstances that are frequently without access to computers or cell phones.

In 2012, \$27 million was donated in cash while \$54 million, was donated on-line, out of a total campaign of \$257 million. We need to increase participation in the campaign, so we should expand online giving options but not eliminate other forms of charitable giving. Allowing donors to give in the method most convenient and secure *for them* is the key to donor satisfaction and increased participation. While some employees are content to give electronically, others prefer to give in other ways. Forcing people to give in a manner they are not comfortable with is not conducive to encouraging people to participate in the giving process.

3. Lack of testing and specificity regarding changing the cost recovery method.

No details have been provided on the proposed upfront and non-refundable fees for charities to participate in the campaign, including the amount of the fees and how they will be assessed and adjusted each year. The proposal of an upfront fee, against an unknown return, and that would be non-refundable under any circumstances, including withdrawal or denial, is patently unfair. Without more information charities will be forced to make expenditures without knowing the benefits, which is bad governance. Due to the way the campaign cycles work, a charity will have to pay the fee twice before it knows if it will see any return on the investment. This is the equivalent to a college insisting on two years' tuition fees upfront, with the possibility of rejection but no refund.

I am personally in favor of shifting the cost recovery method of the CFC to flat set annual charity fees as this recognizes a basic fact of CFC economics that all the charities receive the exact same benefit, which is exposure to federal employees for the purpose of soliciting donations. There is no rationale for percentage fees that require some charities to pay far more than others for that same benefit.

The current method of percentage cost recovery also means that larger donations get larger fee deductions even though processing costs do not vary by donation amounts. This imbalance has produced a decline in participation across all CFC regions and for many years as federal donors perceive a better value in donating to charities directly. Changing the fee structure is critical to increasing participation.

However, flat fees should be first tested at the local level before changing the entire campaign. Last year OPM tested universal giving (which allows donations outside of current duty stations) in three local CFCs, and this was a relatively benign change to the campaign with no opposition or down-side concerns. Changing the financial structure of the campaign is more far reaching and potentially disruptive so it should be developed with an equally cautious approach that does not put donations at risk.

The Commission recommendation was to develop surveys and focus groups to determine what donors want, and that "OPM should organize an ongoing working group with wide Federal department representation ... to recommend modifications to the CFC" (page 16). OPM should follow that recommendation before proceeding further on changing the fee structure.

Despite the numerous challenges, \$257 million was contributed last year by federal employees at a cost of 11%, which is outstanding by any objective measure. I believe in the power of the CFC to be a positive force for the government, federal employees and the communities where we live, work and play. I look forward to working cooperatively with OPM to continue a dialogue that ensures any changes in the current regulations will not only promote efficiency but also result in greater charitable giving and employee participation that will grow the campaign.

Thank you for your time and attention to this important matter.

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

Name: **Kalman Stein**

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.

EarthShare serves as the Principle Combined Fund Organization for the CFC of the National Capital Area and for the CFC of New York City and it is reimbursed for expenses to administer those programs under CFR 950.

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

I am testifying on behalf of EarthShare and I serve as its President and Chief Executive Officer. I am also representing other national federations and charities as a colleague, including America's Charities, the National Black United Fund, Christian Service Charities, Community Health Charities, Global Impact, Human Service Charities of America, Independent Sector, United Way Worldwide, and the YMCA of the USA.

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 20, 2013

Professional Experience

July 1989 to present
President and Chief Executive Officer
EarthShare, Bethesda, MD

EarthShare is a national fundraising organization that coordinates participation in and obtains access to workplace solicitation campaigns on behalf of 80+ national and 600+ local environmental organizations. Areas of responsibility include being responsible to the Board of Directors for day-to-day management and administration of the organization, including overseeing office administration, meeting legal and financial reporting requirements, supervising staff of 40, working with the Board to design, develop and carry out campaign access strategies, ensuring that campaigns and other projects are run effectively and increase revenue for the member agencies, serving as public spokesperson for the organization, and serving as staff liaison to the Board.

Results include:

- Raised over \$160 million in first twenty years of operations.
- Created and implemented the EarthShare corporate identity.
- Secured participation in numerous corporate employee giving campaigns including Walmart, JP Morgan Chase, American Express, American Airlines, Pitney Bowes, Time Warner, The Gap, Dell, Toyota, Siemens, Accenture, The New York Times Co., and Sears, as well as the federal government, twenty-five state government campaigns, and numerous county and city campaigns.
- Founded and chaired Charities @ Work coalition that represents over five hundred national charities in corporate workplace fundraising drives.
- Helped create the National Combined Federal Campaign Committee, later chaired it during transition to becoming the CFC Foundation.
- Developed the first new CFC logo in 50 years and had it donated to the CFC Foundation and accepted by OPM as the official logo of the campaign.
- Negotiated and developed a state affiliations system with fifteen state organizations operating in twenty states.
- Created promotional and educational arrangements with Citibank, Sprint, Xerox, Reynolds Metals, Merrill Lynch, and John Hancock, among others.
- Developed and implemented all personnel, financial, affiliate, marketing, and other policies where necessary to fully institutionalize the organization.
- Chaired the Support America coalition of almost two thousand charities to lobby Congress regarding proposed changes to the Combined Federal Campaign.
- Developed a public service advertising campaign with The Advertising Council to create greater individual involvement in the environment and public exposure for EarthShare that generated over \$650 million in donated media.
- Served on CFC50 Commission.
- Appointed PCFO of the CFC of the National Capital Area and the New York City CFC.

Executive Director, Environmental Federation of California, San Francisco, CA, 1987-1989

Functioned as above for the state fundraising organization representing twenty regional and national environmental organizations. Results included:

- Expanded campaigns from 8 to 52. Corporate campaigns were increased from one to 12, including Apple Computer, Safeway Stores, The Gap and Tandem Computer.
- Developed and implemented new by-laws and personnel, financial, affiliate, and other policies and system where necessary to fully institutionalize the organization.

President, Kalman Stein Associates, Berkeley, CA, 1983 to 1988

Was founder and principle of management services and consulting firm that specialized in providing technical assistance to business and non-profit organizations. Clients included service businesses, non-profit, manufacturers, professional practices, retailers, and publishers. Results included:

- Development of distribution and accounting systems for the US and Canada for multinational manufacturing company.
- Development of marketing plans for many firms, including order, specialty retail, and service firms.
- Installation of accounting and control systems for many firms, including publishers, architects, landscape designers, and non-profit organizations.

Business Manager, Owner Builder Center, Inc., Berkeley, CA, 1981 to 1983

As Business Manager was responsible for all business operations for tax-exempt corporation. Areas of responsibility included management of all accounting and financial functions, coordination of international franchise system and management of staff of four.

Controller, The Capitol of Fayetteville, Fayetteville, NC, 1980 to 1981,

Responsibilities included management of all accounting and financial functions for department store chain, including cash management, budgeting and planning, financial analysis, clerical, E.D.P., accounts receivable and credit operations, accounts payable, inventory control, banking relationships, insurance and benefit programs, and management of staff of ten.

Education

M.B.A. in Marketing, Univ. of North Carolina, Chapel Hill, NC, 1979

B.A. in English, Univ. of North Carolina, Chapel Hill, NC, 1975

Affiliations

Chair, Combined Federal Campaign Foundation, 2008 to present

Board of Directors, Founder and Chair, Charities @ Work, 1994 to 2009

Board of Directors, Natural Resources Council of America, 2001 to 2008

Board of Directors, Progressive Assets Management Inc, 1995 to 2000

Chairman, Support America, 1995 to 1997

Board of Advisors, EarthTrade, 1993 to 1995

Board of Directors, The Capitol of Fayetteville, Inc., 1975-1990

Board of Directors, Berkeley Montessori School, 1986 - 1989

Delegate, White House Conference on Small Business, 1986

Board of Directors, Berkeley Chamber of Commerce, 1985 - 1987

Member, California Senate Select Committee on Small Business, 1987



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June 3, 2013

Mr. Keith Willingham
Director, Combined Federal Campaign
U.S. Office of Personnel Management
1900 E Street, NW, Room 6484A
Washington, DC 20415

Dear Mr. Willingham,

The purpose of this letter is to submit comments to the proposed changes to the Combined Federal Campaign (CFC) that were issued in RIN 3206-AM68, Proposed Rule to amend the regulations of the Combined Federal Campaign by the Office of Personnel Management (OPM) on April 8, 2013. I am writing on behalf of EarthShare and our more than 500 local and national member charities that participate in the CFC (a list of national members is attached).

We fully recognize that the CFC needs to evolve along with other sectors engaged in workplace giving. As a member of the CFC50 Commission, I was honored to be able to contribute to that process and consider options to produce the outcome that was the Commission's mandate: **to ensure the CFC's continued growth and success**. I do think that some of the proposed changes will help in that regard but am concerned that some of the changes will produce the opposite effect and severely threaten the growth of the campaign.

We are also concerned that some of the recommendations contained in the proposed rule were not included in the Commission's final report, including the elimination of the Local Federal Coordinating Committees (LFCCs), Principle Combined Fund Organization (PCFOs) and Loaned Executives (LEs), the elimination of giving options, and the establishment of non-refundable fees. It would have been very helpful for OPM to discuss implementation questions such as these either with the full commission or with some of the more knowledgeable members of the commission before publishing proposed regulation changes. Such meetings might have helped OPM gain critical support from important stakeholders and saved a lot of time and effort that has resulted from this failure to collaborate.

I will comment by section:

(1) Changing the Campaign Solicitation Period: We are in favor of moving the campaign end

date to January 15 but would prefer that campaigns still have the option of starting on Sept. 1 of each year. That would give the federal agencies the flexibility to fit the campaign within other agency activities as needed.

(2) Immediate Eligibility: We like the concept of allowing new hires to participate immediately but are concerned that it will very difficult for the reconciliation of pledges and distributions to have new employees enter the system after the campaign has closed. For instance, how would that affect reported campaign totals, where would the new pledge be counted?

(3) Disaster Relief Program: As outlined we think this is also problematic as the nature and location of disasters do not lend themselves to stock solutions. Given the lack of specificity in the proposed regulation, it is hard to comment further.

(4) Local Governance Structure: In the current configuration, federal employee volunteers are engaged in all aspects of the campaign from hiring a local charity to managing the fundraising, to promoting the campaign, to reviewing and approving local charity applications. This gives federal employee volunteers a strong sense of ownership and a stake in the success of the campaign.

The proposed regulations seek to eliminate the LFCCs and PCFOs in favor of regional marketing organizations. This would dramatically diminish the role of local federal employee volunteers to the detriment of the campaign. While we recognize the current system may benefit from efficiencies, the proposed changes seem an over-reaction.

Local ownership of the campaign allows local managers to use the CFC for leadership development and training as federal employees are given unique management opportunities apart from their routine duties and gain exposure to other federal agencies and community-based charities. In the private sector employers have realized that even during tough economic times, employee engagement around community, giving and volunteering is a low-cost way to create employee loyalty, connect to communities, and be socially responsible. Many CFC volunteers report that their involvement with the campaign was one of the most meaningful chapters of their federal service.

The proposed changes, including an over-reliance on technology, will eliminate much of this personal interaction. Based on what we have learned from decades of experience with the private sector and other government campaigns, this will result in less participation and substantially less giving.

(5) Electronic Donations: While we strongly endorse the expansion of online giving options for federal donors, we know from experience that it is a critical mistake to eliminate traditional means of giving altogether. Many federal employees who give through the CFC do not have access to, or choose not to use, on-line giving. This is a reality for many members of the

military, Postal Service employees, Park Services personnel, and others in similar settings and circumstances that are frequently without access to computers or cell phones.

In a recent survey conducted by the Million Dollar Roundtable, of 41 campaign regions reporting \$160 million in total pledges, the online portion was only \$53 million or 33% of all pledges, and only 6 regions reporting have online giving participation over 50%. The longest running and largest online campaign, the National Capital Area (NCA) campaign, has only 45% online giving participation.

Just as importantly, many donors give cash or one time gifts; still others write checks or use credit cards. The CFC-Overseas, which is primarily military, first piloted credit/debit card giving in 2006 but last year only had 10-11% of their revenue from that giving option. For the 2012 campaign the two largest campaigns in the country (NCA and Overseas) had 18% and 16% respectively in cash and checks, totaling over \$11m in donations. Obviously, taking away that option will have a huge impact on total giving.

We also need to increase participation in the campaign, and that will require attracting younger federal workers to the campaign. Experience indicates that it is absolutely critical to offer younger employees a strong and unified call-to-action that includes a variety of giving options that goes above and beyond a simple donation and that will deepen the emotional connection with the causes they care about.

We are also concerned about the implementation of this given the difficult experience with creating on-line giving platforms for the CFC using internal government resources. In addition, it is highly optimistic to think that the CFC can have one single platform given that the agencies have different restrictions and access. We are also unclear on who would manage this process, how it would be planned and implemented, and how it would be financed. Meanwhile, a failure to execute this correctly could have disastrous implications for charities that depend on the CFC.

(6) Training and Oversight: We do not have a comment on this section.

(7) Elimination of Paper Processes: As an environmental organization we are glad to see any government effort to reduce paper but are concerned that there are still federal employees that would prefer to use printed directories so we think the elimination should be phased in over time. In addition, having only electronic versions of the directories will disadvantage employees without computer access.

(8) Streamlining Campaign Administration: We are in favor of creating greater efficiency and transparency by reorganizing and centralizing the backroom functions and administration of the CFC. Most important to this is making the funds distribution more efficient by creating a central processing capacity. However, dismantling more than 170 local volunteer committees

that manage and promote the CFC in their communities does not make sense and eliminating those threatens the health and growth of the campaign.

If the distributions are centralized, that should reduce costs and auditing procedures so that OPM can focus on providing better support and management to the LFCCs. We think that further consolidation of these is desirable and likely, but we are concerned that too much consolidation too fast will have a negative effect. We would also like to recommend that OPM test having regional LFCCs work with multiple PCFOs as this could maintain government control while preserving local fundraising and potentially reduce government time and costs.

(9) Administrative Costs: We are in favor of shifting the cost recovery method of the CFC to flat set annual fees as this recognizes a basic fact of CFC economics that all the charities receive the exact same benefit, which is exposure to federal employees for the purpose of soliciting donations. There is no rationale for percentage fees that require some charities to pay far more than others for that benefit and by extension. Just as importantly, it is blatantly unfair that the percentage method of cost recovery means that larger donations also get larger fee deductions even though the costs to process the donations do not depend on the donation amounts.

More importantly, we recognize that this imbalance has dramatically impacted the participation rate as federal donors perceive a better value in donating to charities directly on-line rather than through the CFC. This has resulted in a decline in participation across all regions and years that can only be rationally explained by the perceived loss of value in using the CFC by federal employees. We therefore believe further that changing the fee structure is critical to increasing participation, and that the CFC should move immediately to a flat fee system and away from percentage cost recovery so that 100% of designated gifts will go to the intended charities.

However, and as stated during the commission proceedings, we believe there should two distinct fees: The first should be a modest application fee that is intended to cover the cost of reviewing applications, and this should be assessed to unaffiliated charities as they are responsible for those costs since federated charities submit pre-qualified applications (subject to review). These would be due with the applications and should be non-refundable.

The second fee should be a Listing Fee assessed on a campaign by campaign basis and determined by dividing all costs of the local campaign not covered by application fees by the number of listed charities so that all charities (local and national) pay the same amount for being listed in each local campaign. This should be deducted from in equal installments from distributions to listed charities.

(10) Streamlined Application Process: We agree with the change to a three year process. However, we are concerned that Sections 950.202 and 950.203 now include a requirement that charities must provide documentation that it provided a "health and human service benefit",

which is at odds with language earlier in the section, and with CFC eligibility until now, that “program activities” are allowable, which is not the same. The inclusion of “program activities” as being allowable for CFC participation was not developed easily, in fact it was the result of legal and legislative actions to keep CFC diverse and responsive to employee and public interests; attempts to roll back this standard are not warranted and may unnecessarily invite further legal action.

(11) Audit of Small Charities: We agree with this change to the regulations.

(12) Oversight of Federations: We are baffled how OPM can require federations to review, screen, correct and then submit charity applications, as well as process CFC funds for its member charities, while preventing federations from charging fees to their members for these services. Given that any charity has the option to apply unaffiliated to the CFC, the decision to join a federation, and whether or not to pay that federation fees for its services, seems to be a business to business decision that should not require interference from OPM. Given that concerns connected to federations were never discussed by the full CFC50 Commission, we are left wondering what problem OPM seeks to address with this change to the regulations.

We are also concerned that OPM does not seem to understand or appreciate role of federations in the campaign, or our long history of serving the campaign by reviewing, correcting and processing applications, correctly processing distributions and donor information, training member charities to support the campaign with speakers and event attendees, and managing the annual training workshop and national support web site.

(13) Payroll Deduction Disbursements: As stated above, we are in favor of centralizing the charity distributions. However, that can be difficult with 25,000 charities in the campaign, and given that the federations serve as “the central receipt and accounting point” for their members, the CCA should first be sending distributions to the federations for their members, and then to the unaffiliated charities. Federations have a long history of supporting the CFC and they have experience and expertise in workplace giving that benefits the campaign. Paying member charities directly will undermine this support and there is no history that suggests that unaffiliated charities can or will provide any assistance or support.

In addition, regarding the CCA, we are concerned that the proposed regulations stipulate that it be a tax-exempt 501(c)(3) but not one that participates in the CFC, and furthermore that failure to secure one would mean that no solicitation takes place, meaning there would be no CFC. Accordingly, we are concerned that there are very few non-profits that have the scale, expertise and understanding of the CFC to perform these functions yet do not participate in the campaign, and failure to find one would be disastrous. We also do not understand the prohibition on the CCA also being in the CFC as the charity in this position would not have any ability to promote their interests contrary to the regulations since the CCA would not be managing the promotion of the campaign.

As stated above, we are supportive of OPM's plans to modernize the campaign, decrease costs, increase accountability, and most importantly, improve the value proposition of the CFC for federal employees. However, we are concerned that this plan goes too far too fast and that the impact of such radical change will be devastating to overall donations and that we will not achieve the objective of "ensuring the CFC's continued growth and success".

The CFC serves a critical role for American charities as it provides annual unrestricted support net of costs, and there is nothing comparable. Without funding charities can no longer offer services, and if charities aren't providing services, government programs will be taxed more heavily. We therefore hope that OPM will proceed with caution before putting \$258 million in annual donations at risk; too much depends on getting this right.

We therefore respectfully ask OPM to not proceed with eliminating the LFCCs and PCFOs and to rather work with representatives of both to craft an implementation plan that achieves improvements in costs and accountability without putting CFC donations at risk. We also request that OPM not eliminate any forms of giving and instead develop a plan to increase on-line donations while retaining other donation options for employees that want or need them. Finally, we request that OPM be more explicit with the federal employees and participating charities about the size of potential fees for national and local charities, the process for determining those, and how they will be used, before proceeding.

Yours truly,



Kalman Stein
President & CEO

Member Charity list attached

EarthShare National Members 2013

African Wildlife Foundation
Alaska Conservation Foundation
Alliance to Save Energy
Amazon Conservation Team
American Farmland Trust
American Forests
American Rivers
American Solar Energy Society
Arbor Day Foundation
Bat Conservation International
Beyond Pesticides
Carbonfund.org Foundation
Center for Health, Environment & Justice
Clean Water Fund
The Conservation Fund
Conservation International
Defenders of Wildlife
Earth Day Network
Earth Island Institute
Earthjustice
EARTH University Foundation
Earthworks
EcoHealth Alliance
EcoLogic Development Fund
Environment America
Environmental Defense Fund
Environment and Energy Study Institute
Environmental Law Alliance Worldwide
Environmental Law Institute
Food & Water Watch
Forest Service Employees
Forest Stewardship Council-US
Friends of the Earth
Friends of the National Zoo
Galapagos Conservancy
Green America
Green Corps
Institute for Trans. & Development Policy
Izaak Walton League of America
Jane Goodall Institute
Keep America Beautiful
Land Trust Alliance
League of Cons. Voters Education Fund
Leave No Trace
LightHawk
National Aquarium in Baltimore
National Audubon Society
National Environment & Education Foundation
National Fish and Wildlife Foundation
National Forest Foundation
National Parks Conservation Association
National Wildlife Federation
Natural Resources Defense Council
The Nature Conservancy
NatureServe
Oceana
Ocean Conservancy
The Peregrine Fund
Pesticide Action Network
Physicians for Social Responsibility
Rails-to-Trails Conservancy
Rainforest Alliance
Restore America's Estuaries
River Network
Rocky Mountain Institute
SeaWeb
Scenic America
The Sierra Club Foundation
Student Conservation Association
Surfrider Foundation
Sustainable Harvest International
The Trust for Public Land
The Wilderness Society
WILD Foundation
Wildlife Conservation Society
World Resources Institute
World Wildlife Fund
Union of Concerned Scientists
Xerces Society
Yellowstone to Yukon Conservation Initiative



COMMUNITY HEALTH CHARITIES™



GLOBAL IMPACT



INDEPENDENT SECTOR
A vital voice for us all



"The Helping Hand That's Your Own"
National Black United Fund



United Way



Charity Response to Proposed Changes to the Combined Federal Campaign (CFC) May 23, 2013

The CFC was established by Executive Order by John F. Kennedy and reaffirmed by every administration since. The CFC's objectives as stated in Executive Order 12404 are:

"... to lessen the burdens of government and of local communities in meeting needs of human health and welfare; [and] to provide a convenient channel through which Federal public servants may contribute to these efforts..."

In 2011 the Office of Personnel Management convened the CFC50 Commission to develop recommendations to strengthen

"... the integrity, the operation and effectiveness of the Combined Federal Campaign to ensure its continued growth and success".

On behalf of the thousands of national and local charities we collectively represent we commend the Office of Personnel Management (OPM) for its commitment to revitalize the CFC. The ongoing success of the CFC is critical to thousands of local, national and international charities that rely on the financial contributions of federal employees to provide charitable programs and services that are needed more than ever in light of federal budget cuts.

While there are aspects of OPM's proposed changes that are promising, we believe strongly that any positive impacts will be overshadowed by recommendations that will result in fewer charities able to participate, and decreases in support for those that do. This will in turn impact services to local communities, including federal workers, and their families, as charities have to cut back on service delivery.

For over three decades our organizations – or the members of our coalitions - have been strong partners with the CFC. Our staff and member charity volunteers have been instrumental in helping federal employees make educated decisions about giving. In partnership with federal employee volunteers and federal agencies, we have helped grow the CFC and make it the nation's premiere and the world's largest employee workplace giving campaign. As charity participants in the CFC ourselves, we have given significant time, expertise and funding for many years to make possible the work of the CFC Foundation, including managing the annual training workshops for federal employees and campaign managers.

Our primary concern is that the draft regulations call for sweeping changes to the campaign, but lack specificity, which could lead to unforeseen impacts. This puts the largest workplace giving campaign in the world at risk at a time when charities are already vulnerable. We outline our major concerns below. The lack of detail on proposed implementation and timelines also makes it very difficult to respond to the changes in an informed manner, and to suggest alternatives. For these reasons, we call on OPM to hold on implementation of any of the proposed changes and to reconvene with all major stakeholders for a fresh discussion of challenges and a fresh approach to solutions.

1. Loss of local "ownership" of the campaign.

In the current configuration, federal employee volunteers are engaged in all aspects of the campaign from hiring a local charity to managing the fundraising, to promoting the campaign, to reviewing and approving local charity applications. This gives federal employee volunteers a strong sense of ownership and a stake in the success of the campaign.

The proposed regulations seek to eliminate the Local Federal Coordinating Committees (LFCCs) that provide oversight. Local charity management (PCFOs, currently under the supervision of LFCCs) would be eliminated in favor of regional marketing organizations. This would dramatically diminish the role of local federal employee volunteers to the detriment of the campaign, as control would instead be placed with OPM in Washington, DC. While we recognize the current system may benefit from efficiencies, the proposed changes seem an over-reaction.

Local ownership of the campaign allows local managers to use the CFC for leadership development and training as federal employees are given unique management opportunities apart from their routine duties and gain exposure to other federal agencies and community-based charities. In the private sector employers have realized that even during tough economic times, employee engagement around community, giving and volunteering is a low-cost way to create employee loyalty, connect to community and to be socially responsible. Many CFC volunteers report that their involvement with the campaign was one of the most meaningful chapters of their federal service.

The proposed changes, including over-reliance on technology, will eliminate much of this personal interaction, which we know from decades of experience will result in less participation and substantially less giving.

2. Major Changes with Lack of Organizational Details and Timelines

The proposed CFC regulations lack specificity on numerous critical operational details. These include:

- No details have been provided on the proposed upfront and non-refundable fees for charities to participate in the campaign, including the amount of the fees, how will they will be assessed and adjusted each year, and who will collect and process them. With the added time and expense involved in invoicing and collecting the upfront fees, we are concerned this will increase administrative costs of the campaign, make those costs opaque to the donor, and pass the burden on to the charities. Our member charities are also concerned that the upfront fee will increase their cost of fundraising.
- There is also a concern that OPM intends to use fees from charities to supplement its budget for CFC operations. Even if it staffs up and streamlines the application process, OPM does not have the capacity to review more than 25,000 charity applications each year. This is where federations play a key and cost effective role in keeping the campaign accountable to donors.

- There are no details on how a central processing web site is going to be built, by who, when, who will be paying for it, and by what means. Given that OPM has struggled with the various payroll processors over the years, there is little evidence that the agency can accomplish this.
- Processing and tracking pledges made by new hires outside of the campaign period sounds good on the face of it, but would require constant reconciliations between pledges and payroll deductions, and thus present a burden on efficiency
- OPM plans to directly hire local fundraisers in each CFC market yet it has no experience in managing fundraising professionals.

3. Elimination of current giving options, including cash and check.

While we strongly endorse the expansion of online giving options for federal donors, we know from experience that it is a critical mistake to eliminate traditional means of giving altogether. Many federal employees who give through the CFC do not have access to, or choose not to use, on-line giving. This is a reality for many members of the military, Postal Service employees, Park Services personnel, and others in similar settings and circumstances that are frequently without access to computers or cell phones.

In a recent survey conducted by the Million Dollar Roundtable (MDRT), of 41 campaign regions reporting \$160 million in total pledges, the online portion was only \$53 million or 33% of all pledges, and only 6 regions reporting have online giving participation over 50%. The longest running and largest online campaign, the National Capital Area (NCA) campaign, has only 45% online giving participation.

Just as importantly, many donors give cash or one time gifts; still others write checks or use credit cards. The CFC-Overseas, which is primarily military, first piloted credit/debit card giving in 2006 but last year only had 10-11% of their revenue from that giving option. For the 2012 campaign the two largest campaigns in the country (NCA and Overseas) had 18% and 16% respectively in cash and checks, totaling over \$11m in donations. Obviously, taking away that option will have a huge impact on total giving.

We also need to increase participation in the campaign, and that will require attracting younger federal workers to the campaign. Experience indicates that it is absolutely critical to offer younger employees a strong and unified call-to-action that includes a variety of giving options that goes above and beyond a simple donation and that will deepen the emotional connection with the causes they care about.

4. Administrative Burden and Risk for Charities

The proposal of an upfront fee, against an unknown return, and that would be non-refundable under any circumstances, including withdrawal or denial, is patently unfair. Without more information charities will be forced to make expenditures without knowing the benefits, which is bad governance. Due to the way the campaign cycles work, a charity will have to pay the fee twice before it knows if it will see any return on the investment. This is the equivalent of a college of insisting on two years' tuition fees upfront.

An upfront fee will also require many charities to seek board approval, increasing the administrative and planning burden on them. OPM's proposal to not set the fee until October 31 each year makes it impossible for charities to budget in advance.

In short, the proposed upfront fee is directly counter to the goal stated in the Executive Order creating the campaign, "to *lessen* the burdens of government and of local communities in meeting the needs of human health and welfare".

In summary, we ask OPM to take a step back and seriously consider the long term impact of the proposed regulations. The undersigned represent federations, who are registered and tax-exempt 501(c)(3) participants in the campaign, were formed by their member charities to represent their interests in the highly specialized field of workplace giving. We have extensive experience in employee engagement and workplace giving outside of the federal workplace.

We recognize that the CFC has some flaws, and with participation at an all-time low, we understand that change is needed. However, the campaign currently raises comfortably over \$250 million annually, with only a 10% overhead. We believe efficiencies can be introduced that fine tune existing processes, rather than overturn multiple aspects of the campaign all at once. This fine tuning can be accomplished without placing burden and risk on charities that choose to apply to the campaign. For example, efficiencies could be made by training certified volunteers to serve as intermediaries between the LFCC and PCFO; with a focus on tracking the campaigns that raise the majority of money.

We want to work cooperatively with OPM to begin a fresh dialogue that ensures any changes in the current regulations will not only promote efficiency but also result in greater charitable giving and employee participation and will grow the campaign.

Steven Delfin, President & CEO, America's Charities



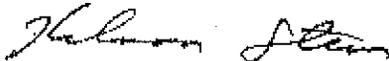
Thomas Youngblood, President & CEO, Christian Service Charities



Thomas Bognanno, President & Chief Executive Officer, Community Health Charities of America



Kalman Stein, President & CEO, EarthShare



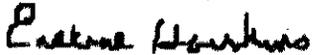
Scott Jackson, President & CEO, Global Impact



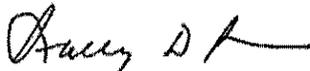
Diana Aviv, President and CEO, Independent Sector



Erskine Hawkins, Secretary of the Board of Directors of the National Black United Fund, Inc.



Stacey Stewart, U.S. President, United Way Worldwide



Neal Denton, Senior Vice President and Chief Governmental Affairs Officer, YMCA of the USA

