2012

Federal Advisory Committee Report on the Combined Federal Campaign

CFC-50 Commission Report

U.S. Office of Personnel Management

July 2012

Letter from Co-Chairs to Director Berry

July 20, 2012

Director John Berry
U.S. Office of Personnel Management
1900 E Street NW
Washington DC 20415

Dear Director Berry:

Last summer, you extended an invitation to us to serve as co-chairs of the CFC-50 Commission. Established in accordance with the Federal Advisory Committee Act, the commission was charged with advising you on how OPM can strengthen "the integrity, the operation and effectiveness of the Combined Federal Campaign (CFC) to ensure its continued growth and success."

We were honored to work with 28 commission members who brought a wide range of valuable experience to the advisory committee. The members included:

- Federal government employees who help lead the CFC by serving on Local Federal Coordinating Committees around the country,

- Additional federal, postal and military personnel from multiple agencies including the Government Accountability Office and OPM's Office of Inspector General who have shown a deep concern for the future of the CFC,

- Directors of Principal Combined Fund Organizations – not for profit organizations which administer the CFC in communities across the country,

- Leaders of charitable organizations who benefit from the CFC and often help administer the program, and from other not for profit organizations who offer nationally recognized accountability services , and

- Representatives of the National Active and Retired Federal Employees Association and Young Government Leaders.

The commission first convened in September 2011. We met as a full body five times, and our members met many additional times in working groups. We learned much from each other and benefited from the rich contribution of the public as well.

As discussed in the body of the commission's report, the Combined Federal Campaign has been a leading force in American philanthropy for more than half a century. During this period, millions of federal employees generously donated more than $7 billion to thousands of national and local charitable organizations. No less important, CFC eligibility standards encouraged greater accountability and transparency in the not for profit world.

Our recommendations build on this important record of achievement.

As is occurring in so many areas of our lives, the Combined Federal Campaign is being challenged as never before by innovative technologies and ever newer ways for Americans to support charities in their communities and around the world. With these challenges, however, come major opportunities to help donors understand and support not for profit groups, to streamline administrative operations, and allow a wider circle of potential donors to donate through this long-standing program.

The commission's recommendations fall into four important areas:

- Donor participation
- CFC infrastructure
- Standards of transparency and accountability
- The March 2012 Inspector General report on National Capital Area CFC

Overall, the Commission is offering 24 recommendations which range from opening the CFC to additional communities of potential donors to achieving greater efficiencies by taking better advantage of new technologies.

For half a century, the Combined Federal Campaign has set the standard for workplace giving to charitable organizations. The many civilian, postal and military personnel who give year in and year out are helping tens of thousands of charities do their work in every corner of our country and overseas as well. This history of generosity is worth preserving and strengthening.

We believe the recommendations of the CFC-50 Commission contribute to this effort in important ways, and we are delighted to have contributed to this effort.

Tom Davis

Honorable Thomas Davis
CFC-50 Commission Co-chair

Beverly Byron

Honorable Beverly Byron
CFC-50 Commission Co-chair

EXECUTIVE SUMMARY

COMBINED FEDERAL CAMPAIGN
Opportunities to Strengthen and Improve the Program

2011 marked the 50th anniversary of the CFC. This landmark presented an opportunity to celebrate and thank donors and campaign workers for their support of America's charities. It also provided a unique opportunity to develop a strategy for strengthening and ensuring the continued success of the CFC for the next 50 years. As a result, OPM announced the formation of the CFC-50 Advisory Commission to study ways to improve the program. The goal of the Commission was to provide the OPM Director recommendations for increasing the CFC's accessibility, accountability, transparency and affordability.

Organizing its work through subcommittees, the Commission reviewed the present structure, current processes, and regulations of the CFC and identified innovative approaches for improving the CFC's operational effectiveness. The Commission recommends improvements to the CFC in three areas: Donor Participation, CFC Infrastructure, and Standards of Transparence and Accountability. In addition, the Commission recommends specific actions in light of the March 14, 2012 Inspector General report on National Capital Area CFC.

<u>Donor Participation</u>

The Commission recommends OPM:

- Expand the community of individuals who can be solicited through the CFC.
- Allow new employees to make CFC pledges immediately upon entering Federal service rather than waiting until the campaign.
- Develop a process that allows current donors to renew or continue their existing pledges by simply checking a box.
- Clarify and explain the true cost and benefits of the CFC campaign to donors.
- Enable donors to give to any charity in any campaign ("universal giving").
- Increase the value proposition for donors by shifting the burden of CFC costs from donors to participating charities.
- 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.
- Establish a pre-emptive voluntary disaster relief program that can be available to donors within hours after a disaster.
- Change the campaign solicitation end date from December 15 to January 15.

CFC Infrastructure

The Commission recommends OPM:

- Create a "one-stop shop" central website that lists all national and local charities, has a robust search function, and allows centralized online giving.
- Standardize and improve how payroll offices provide donor pledge reports to campaigns.
- Consolidate PCFO back office functions into regional receipt and disbursement centers or a national center.
- Improve the governance of the CFC program at the local level.
- Accelerate efforts to "go green," reducing paper processes within the CFC as much as possible.
- Monitor overall campaign costs to seek continued efficiencies.

Standards of Transparency and Accountability

The Commission recommends OPM:

- Develop a robust survey tool and create focus groups to determine what donors and charities want and why they do not participate.
- Strengthen the eligibility criteria that allow charities to participate and provide donors with essential charity information when selecting charities.
- Consider a tiered process for application requirements to reduce, for small local charities, the disproportionate burden of obtaining annual audited financial statements.
- Strengthen CFC regulations regarding federations to increase transparency and accountability.
- Streamline the charity application process to reduce costs for participating charities.

Inspector General Report

In March 2012, Director Berry asked the Commission to examine the recently released report of the Inspector General on the performance of the National Capital Area PCFO and to provide additional recommendations. A taskforce of Commission members was formed. They recommend OPM:

- Reduce training costs.
- Reduce the costs of appreciation events.
- Improve oversight of software acquisition and development.
- Improve overall oversight of the CFC program.

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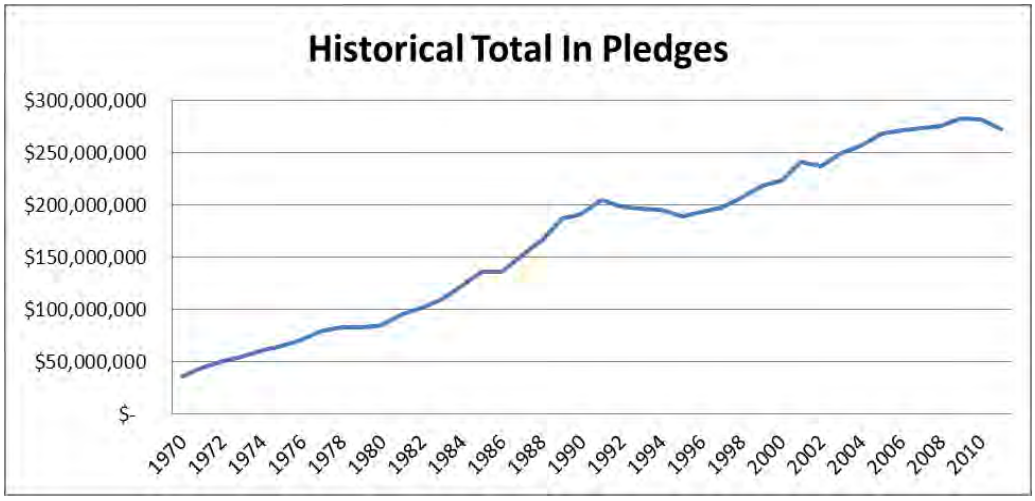
BACKGROUND

A Brief History of the CFC

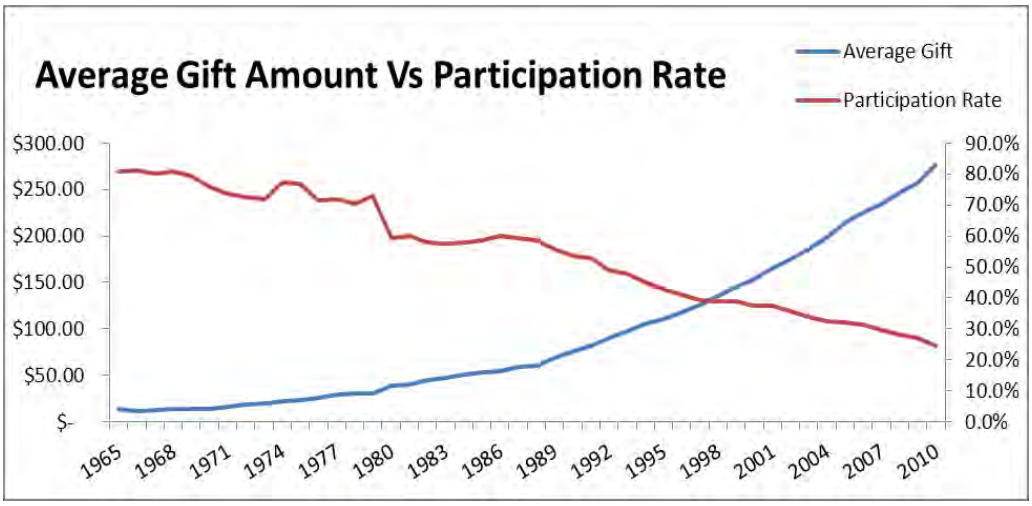
President Dwight D. Eisenhower formally charged the President's Advisor on Personnel Management with responsibility for the development and administration of a uniform policy and program for fundraising within the federal service in 1956. On September 6, 1957, President Eisenhower formalized the administration of the program through Executive Order 10728. The Executive Order placed it under the supervision of a Presidential Committee, staffed by the Civil Service Commission. Solicitations by charities were consolidated into three on-the-job campaigns a year and operational ground rules were established and eligibility tightened.

By 1961, President Kennedy had determined that the program was well established and the President's Committee could be abolished. He did so and assigned the program to John W. Macy, Jr., Chairman of the Civil Service Commission, by Executive Order 10927. Since then, the program has grown significantly.

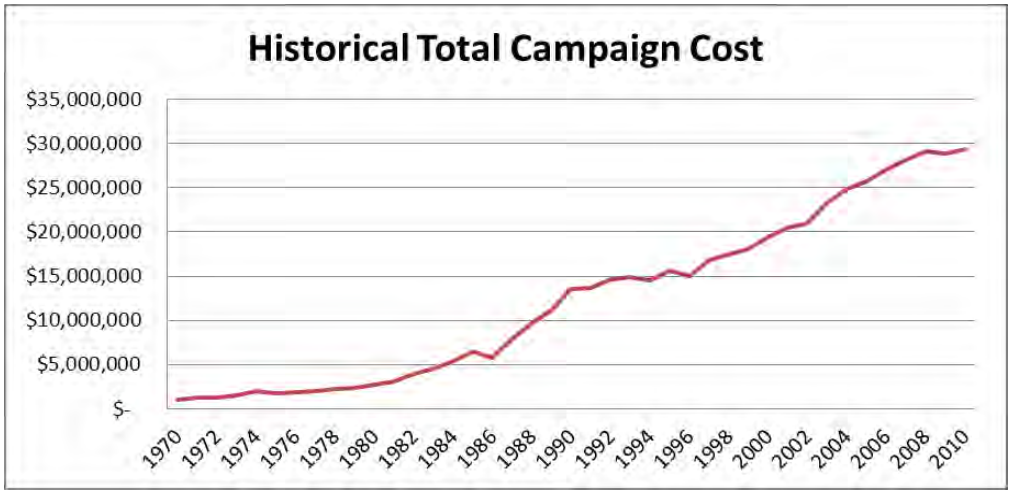


As the table indicates, the long historic rise in pledges peaked in the 2009 CFC with $282.6 million pledged. The last two CFCs have resulted in slightly lower amounts being pledged. The pledge total for the 2011 CFC was $272.7 million. The CFC has seen declines before, but the recent drop is a cause for concern.

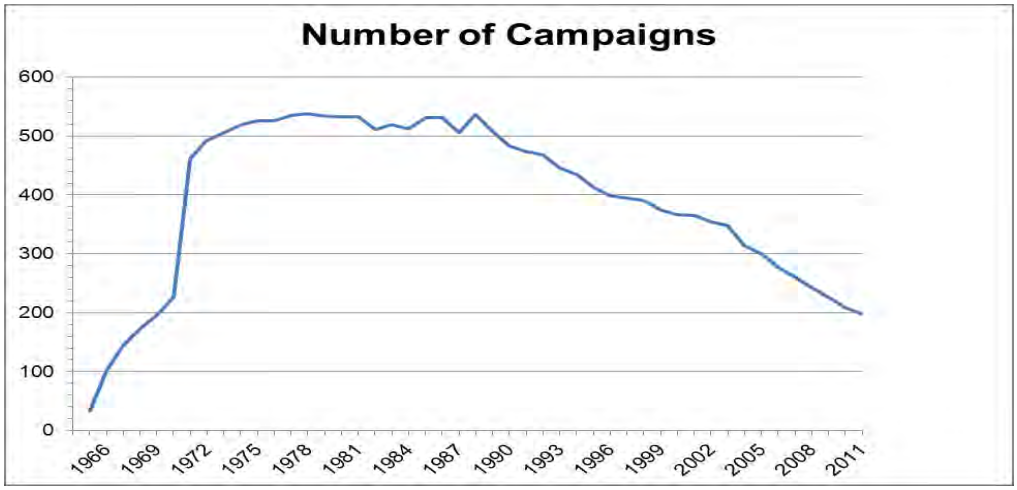
The next table shows two other historical trends for the CFC. First, the average federal employee pledge has risen steadily over the decades. In 2011, the average was $284.27. The participation rate has been trending downward, however. In 2011, slightly less than 24 percent of the federal workforce participated in the program.



The third table, below, shows that CFC administrative costs have risen over the years.



The final table in this section shows that the number of administrative zones for the CFC has dropped significantly since 1990. At its peak, the CFC was administered in over 500 local campaign areas; today that number is below 200.



These historical snapshots underpinned the work of the CFC-50 Commission. While the CFC has raised billions of dollars for participating charities, it is facing important challenges.

OFFICE OF PERSONNEL MANAGEMENT

The CFC is managed and overseen by the U.S. Office of Personnel Management (OPM) which is responsible for ensuring that the campaign is effectively and efficiently administered, and that all campaign components meet Federal regulations and requirements. The Director of OPM has designated responsibility for day-to-day management of the CFC to its Office of Combined Federal Campaign (OCFC).

OCFC works closely with the Local Federal Coordinating Committees (LFCCs)[1] to ensure appropriate oversight of each campaign. LFCCs act as each campaign's "Board of Directors" and, as such, have direct oversight of the finances and conduct of the CFC in their community. OCFC also relies on two reporting methods to monitor regulatory compliance among campaign organizations and federations[2]—annual Campaign Assessment Reports from each campaign and selected audits of Principal Combined Fund Organizations (PCFOs)[3] by the OPM Office of Inspector General.

CFC REGULATORY REQUIREMENTS

CFC Regulations govern all aspects of the CFC. Executive Orders 12353 and 12404, which revised and replaced Executive Orders 10728 and 10927, authorize OPM to develop rules and regulations to facilitate fund-raising on behalf of charitable organizations through on-the-job solicitation of Federal, postal, and military personnel; and to ensure that recipient agencies are responsible in the use of the funds raised. CFC regulations can be found in Title 5, Part 950 of the Code of Federal Regulations.

Memoranda establish timetables and offer additional guidance consistent with existing regulations or otherwise inform the CFC community about matters affecting the campaign. Memoranda are dated and numbered by year and are disseminated to the CFC community by e-mail as they are issued. All applicable CFC memoranda are available to the public on the OPM OCFC web site.

CFC-50 COMMISSION STRUCTURE

In 2011, the CFC celebrated its 50th Anniversary. This landmark presented an opportunity to celebrate and to thank donors and campaign workers for helping charities. It also provided a unique opportunity to develop a strategy for strengthening and ensuring the continued success of the CFC for the next 50 years. As a result, OPM announced the formation of the CFC-50 Commission to study ways to improve

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[1] The LFCC is comprised of Federal employees and representatives of Federal employees' labor unions that are officially designated by the Director to conduct the CFC in a particular community. The LFCC selects the PCFO that serves as fiscal agency for the campaign. The LFCC provides oversight for the local campaign in conformance with the CFC regulations and the policies established by OPM. The LFCC also approves local (and in some instances, statewide) charities in their campaign area that have met CFC eligibility standards as set forth in the CFC regulations.

[2] A group of voluntary charitable human health and welfare agencies organized for purposes of supplying common fund-raising, administrative, and management services to its constituent members.

[3] The PCFO administers the local campaign and acts as fiscal agent under the direction and control of the LFCC and the Director. OPM sets strict requirements for this role. Annual audits are required of the PCFO by an independent CPA.

the program.[4] The Commission was composed of Federal employees, private campaign administrators, charitable organizations and "watchdog" groups.

The members of the Commission focused on strengthening the integrity and operational effectiveness of the CFC. It was organized into subcommittees that concentrated on achieving greater transparency, improving accountability, making the program more affordable, and increasing accessibility. Its activities included reviewing the present structure, current processes, and regulations/legislation of the CFC; and identifying innovative approaches for improving the CFC. The Commission studied current CFC operations at the national, local, and overseas levels to identify changes needed to improve campaign operations while better meeting the needs of charities and donors. It also identified opportunities to strengthen the CFC and made recommendations to improve the program's integrity and operational effectiveness.

[4] The Commission's charter is included in Appendix B.

WHAT THE CFC-50 COMMISSION RECOMMENDS

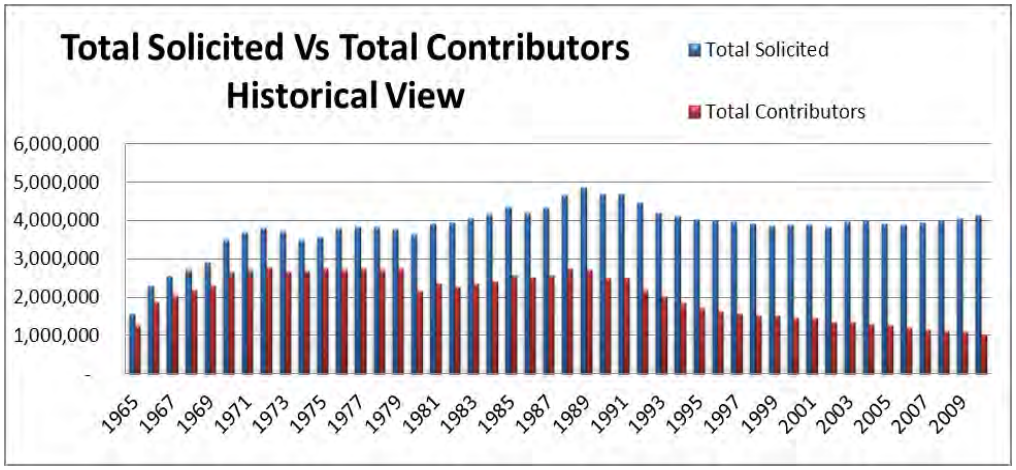
Based on its review of CFC processes and procedures, as well as current campaign operations, the Commission recommends that OPM act in four important areas:

1. Donor Participation
2. CFC Infrastructure
3. Standards of Transparency and Accountability
4. Inspector General Taskforce

The Commission believes making the recommended changes will increase interest in and support for the CFC, attract new donors, and strengthen the flow of badly needed donations to the many participating charities.

1. DONOR PARTICIPATION

The Commission is concerned that despite increased marketing efforts, the number of federal workers who actually become donors as compared to the number solicited is showing a wider and wider gap. The Commission identified several areas in which it concluded that the donor experience, and therefore participation, could be enhanced. These options would increase the availability of funds for charities by providing donors the information they need to make informed decisions; and allow access for donors who want to participate in the campaign but cannot currently participate due to CFC regulations.



To help overcome the increasing gap in participation and appeal to a new and expanded group of donors, the Commission recommends OPM:

- ***Expand the community of individuals who can be solicited through the CFC.***

  CFC regulations only allow current Federal employees to be solicited, leaving out retirees, contractors and others. In addition, some categories of individuals such as retirees, reservists,

and National Guard personnel cannot have donations withheld from their annuity checks or pay checks. The Commission believes that these impediments to greater donor involvement can and should be removed through regulatory change that would allow the active solicitation of retirees, a method for retirees and others to make pledge allotments, and a universal method for PCFOs to market their charity lists and the availability of giving options.

Initial research conducted through the National Association of Federal Employees (NARFE) suggests many retirees would be willing to participate in the CFC if provided the means to do so. The NARFE study demonstrated the CFC stands to potentially gain considerable increases in pledges if retirees can be solicited and their donations deducted from their annuity payments. Study results are reported below.

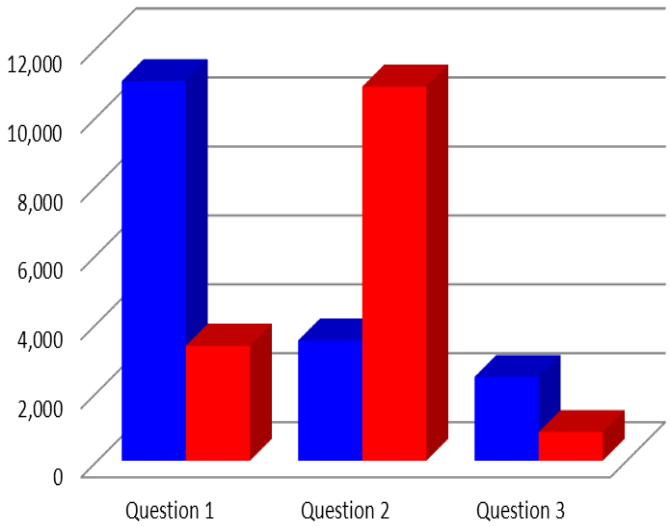
NARFE Federal Retiree CFC Survey

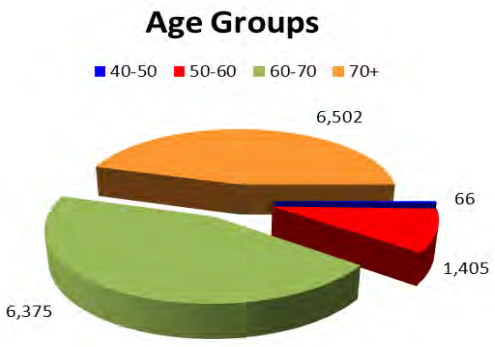
Question 1. When you were a federal employee, did you contribute to the Combined Federal Campaign?
11,011 : YES 3,333 : NO

Question 2. If OPM allowed federal retirees to contribute to the Combined Federal Campaign, through automatic deductions from their annuities, would you contribute to the CFC?
3,487 : YES 10,861 : NO

Question 3. If you answered YES to Question 2, which option would you choose:
2,430 : Monthly deductions 832 : Annual deductions

Question 4. Please indicate your age by checking one of the boxes below.
66 : 40-50 1,405 : 50-60 6,375 : 60-70 6,502 : 70+





If the entire population of retired civilian employees were to be reached through the CFC, this change could result in additional funds for charities of nearly $166 million per year (see below), based on 2010

giving levels. If military retirees were to be reached in a similar manner, the funds raised would increase considerably.

Based on the number of positive responses received and the financial projections below, the Commission recommends that a comprehensive system be designed for all retirees, allowing an annual donation option, monthly allotments through the retiree annuity system, credit-card billing (both one-time and recurring), perpetual donating from year-to-year, and universal giving capability.

Donation Projections Based on CFC Survey of NARFE Members

Assumptions:

Current Retiree/Survivor Base……2.5 million
Percentage that would contribute……..24%
Potential donors……..600,000
Gift amount if remains at 2010 CFC National Average……...$276.60
Gift amount if decreases by 20%.....$221.30

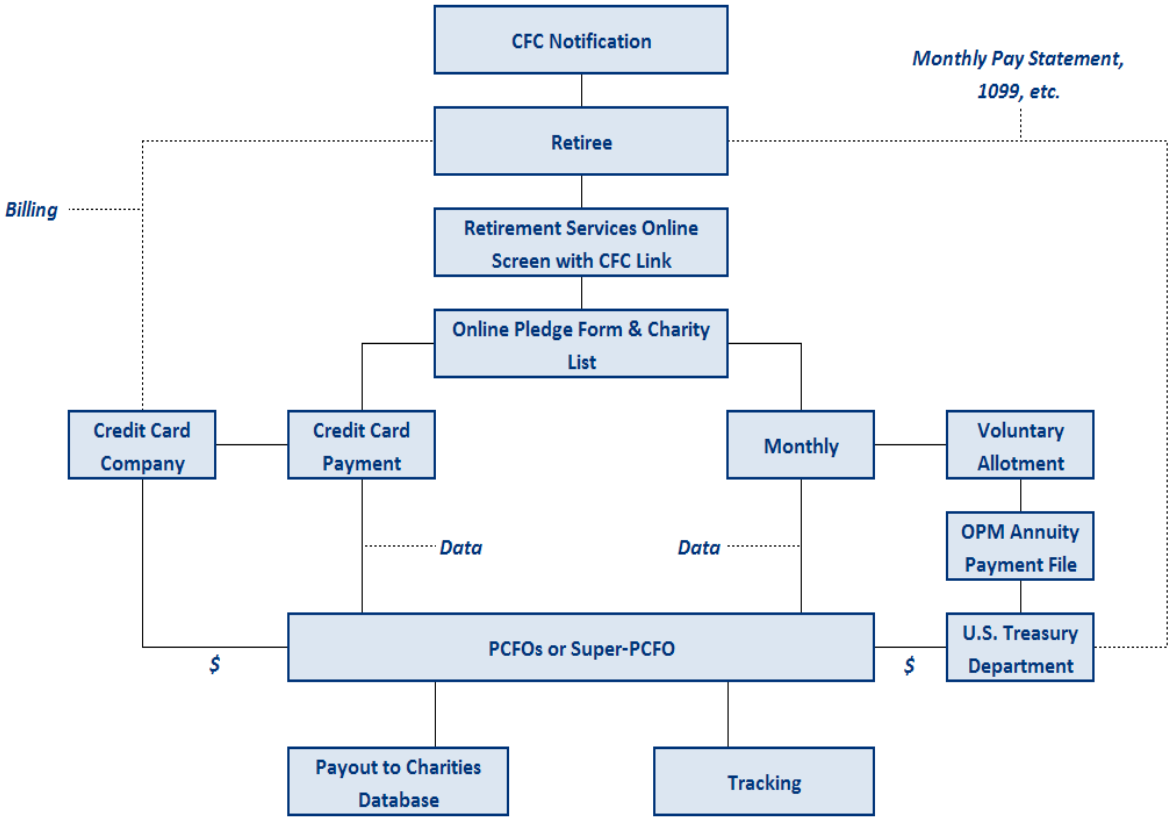
Donation Projections:

Projected Retiree donations if respond in similar
manner to CFC Survey, at 2010 average gift amount……$165,960,000
Projected Retiree donations if respond in similar
manner to CFC Survey, at 2010 average gift decreased by 20%.....$132,780,000

Retirement Projections:

2012 59,547
2013 57,547
2014 55,919
2015 53,946
2016 51,928

An option to fast track retiree donating should be developed as soon as possible. An OPM site combining existing functionality with a module that can be expanded to allow retirees to add a CFC allotment to the OPM Voluntary Allotment System could be piloted as early as 2013. The flowchart below shows how this might be implemented and tested for viability with one large retiree group and universal giving capability.



- ***Allow new employees to make CFC pledges immediately upon entering Federal service rather than waiting until the campaign.***

  Employees hired outside of the campaign period cannot make pledges until the next campaign period begins.

  Currently, new employees are not able to make payroll pledges when they first report, unlike other employee benefits they enjoy. The Commission concluded that there should be an opportunity for Federal employees to begin their careers with charitable giving to those in need. The Commission encourages OPM to explore the changes needed to allow new civilian employees to contribute to CFC when they start Federal employment.

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

  This will facilitate the donors' efforts in continuing to be a part of the CFC; but will not eliminate the need for donors to verify that their chosen charities are still part of the CFC.

- ***Clarify and explain the true cost and benefits of the CFC campaign to donors.***

  The Commission is concerned that donors are not receiving all of the information they need to make informed decisions in their giving choices. Donors are not aware of the true costs and benefits of the CFC campaign and the costs of charities. At a minimum, donors should be made

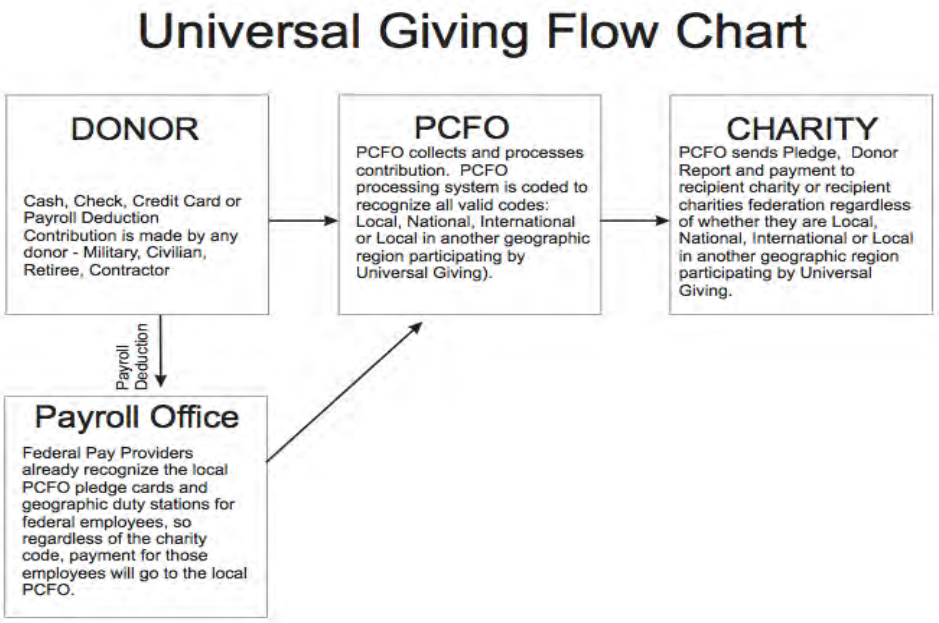
aware of the administrative fund raising rate (AFR) for a charity and how to compare this rate to similar charities.

Commission members believe that every effort should be made to increase donor knowledge of the campaign and its benefits to those in need. They think that increased knowledge will lead to a greater willingness to participate in the campaign and a higher comfort level for donors that their donations are going to worthy causes. This information could be provided online as part of the web sites for the various campaigns. If a decision is made to centralize CFC's online presence into a single web site (see recommendation below), the information could be incorporated into that site. The information can encourage donor due diligence when making choices and provide the necessary links for people to research the charities they are considering.

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

Federal, postal and military personnel are only permitted to donate to local charities participating in the campaign of their Official Duty Station. Many donors, however, would like to donate to local charities in other locations such as in their home town. The Commission believes the CFC should facilitate the link between Federal donors and charities with which they have a special relationship, however remote from their Official Duty Station.

Under the current structure, the only option for these donors is for them to give directly -- outside of the CFC. The Commission notes that charities may be losing funds because the process to give directly may not produce the same size donations as would occur if the donor could use the payroll deduction option (e.g. spreads the donation out over many pay periods) available through a workplace giving program. The importance of this extension of the CFC is reinforced by the ever growing tendency of the Federal workforce to become more mobile. In sum, the Commission believes that the CFC should respond to the need for flexibility and make it possible for donors to contribute to their favorite charities whether they are near-by or far removed. An example of how this could potentially work is shown below.



- ***Increase the value proposition for donors by shifting the burden of CFC costs from donors to participating charities.***

  Commission members believe many potential donors are opposed to giving to the CFC because administrative expenses are deducted from the funds being sent to charities. This becomes an even greater issue as the administrative costs of the campaigns go up.

  The Commission recommends that OPM move toward a system through which CFC costs are paid by participating charities. If all costs can be handled in this manner, the CFC will be able to assure donors that 100 percent of their donations reach the benefiting organizations. Even if only a portion of the costs are paid by charities, the CFC will still be able to assure donors that a very high portion of the money donated ultimately reaches the beneficiaries.

  To achieve this goal, the CFC could create a flat application or participation fee charged to each organization that wishes to participate. Naturally, such a fee would be substantially different for national and local organizations. A flat fee would treat all national charities alike and all local charities alike and would make it easier to predict what charities will be asked to pay. If collected at the time of application, a fee of this kind would reduce or possibly eliminate the need for PCFOs to finance CFC costs through lines of credit or other means.

  A flat fee would present challenges, of course. The level of the fee would affect the number of charities applying to the CFC: The higher the fee, the smaller the number of applicants. While fewer charities would translate into less admissions work and possibly a smaller charity directory, fewer charities would also mean that the system would collect less money to pay CFC costs. It is also unclear whether some donors would decline to continue in the CFC if the charities they had supported in earlier years dropped out due to fees.

  An alternative to the flat fee would be a percentage fee which would preserve the longstanding principal of assigning costs proportionately. Charities would still be required to pay for CFC operations, but the amount they would pay would reflect the amount of money heading their way. Still another alternative would be setting a fee with three tiers; a separate fee for small, medium and large charities.

  However OPM approaches the financing of the CFC, the Commission recommends that serious effort be paid to the advantages of shifting the burden from donors to charities.

- ***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*.**

  The value of quickly thanking donors is widely understood in the charity world; yet, the CFC could do better in this area. Many donors appear worried that their contact information will be used improperly, and campaign procedures often operate to slow down the delivery of the needed information to benefiting charities. Beyond denying charities the opportunity to thank their supporter in a timely fashion, the weaknesses in this area understandably leave some donors wondering if their donations actually reached the intended groups.

We recommend OPM:

- Find ways to educate donors on the benefits of releasing data. Whether the process of releasing donor information is an opt-in or opt-out process, the pledge form should include language that gives donors confidence that their information will be shared on a limited basis. For example, the title of section D could be changed to include, "Share my information with the selected charity(ies) in the following ways."
- Better assure donors that participating charities are limited in their use of CFC donor information and are prohibited from selling or leasing this information.
- Determine if current regulations require campaigns to wait until the campaign season closes before providing charities with donor information. If not, OPM should explore how charities can be provided donor information once the information hits the system – especially for online donations.
- Consider updating regulations to require that donor information be released within a certain number of days after the close of the solicitation period.
- Move toward a uniform process by which PCFOs notify charities of donor information.

We also recommend OPM consider surveying charities to see if these changes result in more timely and a greater release of donor information by local campaigns. Such a survey could also discover what type of communication charities have with donors after they receive donor information.

- Do they send a "thank you" letter?
- Do they provide additional information about the charity?
- Do they inform donors of other charitable events their organization is holding throughout the year?

- ***Establish a pre-emptive voluntary disaster relief program that can be available to donors within hours after a disaster.***

This approach will reduce the response time for emergencies while ensuring consistency in the implementation of disaster relief efforts. The current approval process for special solicitation disaster relief assistance is approximately 3 to 4 weeks. Industry experts say people are willing to give in the first 24 – 48 hours to help disaster victims.

The Commission recommends OPM explore the creation of a pre-emptive voluntary fundraising program that will make it easy for donations to be made and distributed to appropriate organizations involved in the relief efforts. This might require establishing relationships with known non-governmental organizations for immediate relief, and identifying a predetermined organization or group of organizations authorized to accept donations once an emergency disaster relief effort is launched.

The advantage of this approach would be that donations would flow immediately to where they are needed by organizations guaranteed to provide relief. Initially the immediate cadre of organizations would be limited. Others could be added as relief efforts are identified. Identifying organizations quickly would be critical because, as noted earlier, the bulk of donations are pledged within the first 2 days following the disaster.

Establishing a CFC 5-digit disaster relief code on the National charity listing could be an option. This could be designated during the campaign to establish a fund waiting for emergency disbursement, or it could be available only during a disaster relief effort.

Either approach would be an easily recognizable way to donate and facilitate campaigns tracking results. However, there may be issues in determining which organizations get funds and in what proportion. So distributions may be contested. Additionally, donations made in one year that are not disbursed until later years may have tax and audit rule implications for the donors.

- ***Change the campaign solicitation end date from December 15 to January 15.***

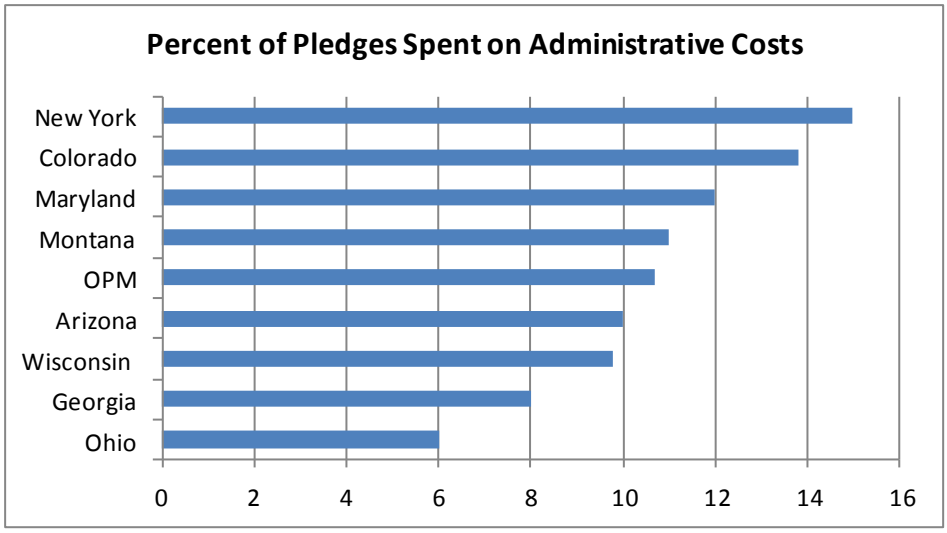
  CFC regulations currently require campaign solicitation to end December 15. Extending the deadline will enable employees to consider new pay scales and benefit costs in making donation decisions.

  Commission members noted that employees donate the most in the last two weeks of the year. Indeed, campaigns that have appeared to be falling short of their goals by the December 15 deadline have often well exceeded those goals when the solicitation period was extended into January. Commission members also noted that many employees take "use or lose" leave during December, and typically give when they are approached in January.

2. CFC INFRASTRUCTURE

The Commission is concerned that the costs of the CFC are increasing and vary greatly from campaign area to campaign area. That said, it is difficult to measure how the CFC administrative costs compare to other workplace giving programs in the private sector. It also doesn't make sense to compare how well the CFC campaign compares to charities.

To provide some context, information about state run campaigns was gathered for 2011 and compared to the CFC. As the chart shows, CFC costs fall in the middle of the range at just over 10 percent of pledges. The Commission recommends that OPM continue to monitor state campaign costs as a way to check CFC cost levels.



The Commission identified several areas of change that could result in a more effective and less costly CFC. The Commission recommends OPM:

- ***Create a "one-stop shop" central website that lists all national and local charities, has a robust search function, and allows centralized online giving*.**

  The Commission notes with concern that technology usage is inconsistent as to cost, function, and type among the local campaigns. Having a central website will ensure consistency between campaigns regardless of size, while ensuring all donors have access to the same information when making decisions.

  The Commission believes that a centralized OPM CFC web site would offer advantages not currently available in the decentralized process now used.

  - The site would be the logical home to host online giving options and an internal portal to serve such functions as charity applications and internal memos. It could also potentially support communications when routing universal gifts to the correct charity.
  - Donors could benefit from the ability to view a map and click on a particular area to target their gift. While this approach may have some redundancy with search boxes, we believe that it would serve the needs of a broad audience of donors.
  - The majority of local campaigns are currently using off-the-shelf webpage systems with varying degrees of quality. An OPM run web site and content management system would result in some loss of individuality but it would give everyone the same playing field. It would also lead to improved accountability and branding.

- ***Standardize and improve how payroll offices provide donor pledge reports to campaigns.***

  We believe it essential to campaign integrity that payroll office reporting be accurate, timely, and above question. The Commission determined that there were ongoing issues with the payroll reporting processes including inconsistencies in processing and reporting pledges and

charity distributions. The Commission suggested the following possible improvements that would provide information on agency payroll records.

- If given electronic access to agency payroll systems, campaigns could log into the agency system and download or view reports as needed.
- Campaigns could establish a central source for viewing and downloading reports for all payroll providers.
- Campaigns could receive:
  - Payroll reports as e-mails or as e-mail attachments in electronic spreadsheet format or in portable document format (PDF).
  - Hard copies of the reports. This would be an improvement though more costly and less "green."
  - Summary reports (still preferably electronically), but be provided access to reports if further details are needed.

- ***Consolidate PCFO back office functions into regional receipt and disbursement centers or a national center.***

  The Commission notes, with concern, the cost of the CFC is driven up significantly by having numerous PCFOs engaged in similar back-office functions like processing receipt and distribution of contributions. We recommend OPM pursue initiatives that will achieve economies of scale while preserving the advantages of a nationwide network of service providers close to donors.

  A consolidated approach will significantly reduce the reconciliation issues with payroll providers and the number of campaigns that require costly audits. Creating regional or national CFC receipt and distribution centers will process contributions and charity distributions more consistently, effectively, and efficiently than the currently fragmented system. It will also make the CFC more affordable by removing financial and transactional responsibilities from numerous PCFOs and ensure equitable treatment of charities when receiving their allocated funds.

- ***Improve the governance of the CFC program at the local level.***

  OPM should require all LFCC members to participate in annual or periodic training which may require certification upon completion. Additionally LFCCs should present evidence of a strong governance structure by developing a detailed governance document, operating instructions and memorandums of understanding (MOU) over PCFO functions. LFCC members should be well versed in the CFC regulations in order for them to govern local campaigns effectively. The Commission recommends additional required training should be developed for LFCCs. This training would help improve CFC operations at the local level while ensuring consistency of performance between campaigns. The following should be considered in developing and providing LFCC training.

  - Adequate, uniform training materials should be available – and easily accessible – to the LFCCs.
  - Training materials on OPM's CFC website should be current and accurate.

- The extent and type of training required for LFCCs should be specific. Currently, the only requirement is that the LFCC "should develop an understanding of campaign regulations and procedures."
- LFCCs requirements to train employees, volunteers, and keyworkers should be specified.

- ***Accelerate efforts to "go green," reducing paper processes within the CFC as much as possible.***

  Paper has been and continues to be a major aspect of CFC operations, driving up costs to charities and CFC administrators alike. Each year, OPM receives over 2,700 National/International paper applications; local campaigns receive over 20,000 paper applications. In addition, brochures listing the eligible charities and pledge forms are revised annually and then printed in large numbers across the country. These paper processes are expensive and cumbersome, and they often slow down the CFC substantially.

  Efforts to go green should be made in concert with the revisions to the charity application process previously discussed. Together these approaches can reduce costs to all of the CFC organizations involved.

- ***Monitor overall campaign costs to seek continued efficiencies.***

  OPM should develop a process to evaluate campaign cost over time for the purpose of implementing changes to reduce it. OPM should evaluate the largest administrative cost drivers for a CFC cycle and consider guidelines (dollar caps or percentages) for spending on administrative costs of running a campaign. OPM should also evaluate cost across all campaigns and propose ways to reduce these (e.g., lease and building costs, printing cost).

3. STANDARDS OF TRANSPARENCY AND ACCOUNTABILITY

For 50 years, the Combined Federal Campaign has been an influential force in the world of workplace giving, raising billions of dollars in support of thousands of charities, and assuring donors that participation organizations meet important standards of transparency and accountability. The Commission recommends OPM build on the history and success of the CFC so that it can continue to offer a valuable means for Federal employees and possibly others connected to the Federal government to support the work of eligible charities.

Commission members concluded that the CFC is now competing with many other forms of giving. Although the model has worked for the past 50 years, it is clear that the campaign had lost some of its appeal to donors and charities over recent years. Commission members believe some of the decline in appeal may be due, in part, to the fact that the campaign is not in touch with the needs of donors and charities. They also believe the campaign must set a very high standard of accountability. The Commission recommends OPM:

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

The Commission believes that transparency of all campaign operations is essential to the future of the CFC. Donors and charities alike need to understand campaign management structure, how campaign processes are implemented, and the accuracy and completeness of the information they use when making decisions.

Because understanding what donors and charities want from the CFC is essential to ensuring its future, the Commission suggests the following approaches when implementing this recommendation. OPM should determine:

- The information donors need to make decisions on giving; and whether current structures, processes, and procedures meet these information needs.
- The information charities need to effectively participate in the CFC; and whether current structures, processes, and procedures meet these needs.
- The extent to which current campaign processes and procedures promote or hinder transparency; and the changes needed to promote greater transparency.
- Federal (or other) regulatory restrictions that limit the ability to share CFC information publicly.

Various data collection methods could be used to obtain information. Regardless of the approach, OPM should organize an ongoing working group with wide Federal department representation to oversee periodic surveying, focus groups, and other forms of feedback. The working group would be charged with analyzing the feedback received and recommending modifications to the CFC. The working group could also consider establishing performance goals—e.g. increasing participation rates by a certain amount each year—and the strategies for accomplishing these goals. Suggested focus areas could include:

- Donor awareness and perception of CFC.
- Motivators for donor participation in CFC.
- Barriers/de-motivators for donor participation in CFC.
- Aspects of transparency that is most or least important to donors.
- Steps OPM and others could take to improve donor participation.
- Donors' likes and dislikes about the "CFC experience" from initial solicitation through donation.
- Accountability information donors want from charities to help them make informed donation decisions.
- Donors' reactions to changes being considered for the CFC as result of Commission recommendations.
- *Critical indicator of support for CFC*: Would you recommend participation in the CFC to a fellow Federal employee? If not, why not.

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

At the heart of the CFC is the commitment to donors that participating charities have been reviewed to ensure that they meet key criteria for accountability, transparency, and programmatic service. The Commission is concerned that current eligibility criteria may not be definitive enough to screen out charities appropriately or provide information to donors to assist them in making decisions as to which charities to support.

The Commission also recognizes that the CFC is rapidly moving toward a digital future. While the paper directory and pledge card will remain fixtures of the program for years, it is clear that PCFOs and donors are rapidly moving toward web-based search and pledging. This online world offers the CFC the opportunity to provide far more information about individual charities.

The Commission suggests that OPM review current eligibility requirements to ensure that participating charities meet the CFC's traditional high standards of accountability, transparency and programmatic service. Requirements should be strengthened to assist in screening out charities that have questionable fund raising or management practices. The focus should be on integrity and accountability of charity operations and quality of services provided. Changing the eligibility requirements to meet a higher level of accountability to the donor community may require changes in laws or regulations. If, as a result, this recommendation encounters implementation delays, OPM should, as a first step, require online providers to include additional information to donors such as links to charity rating services, number of years a charity has been in business, and the CFC revenue received by the charity to help donors make informed choices.

The Commission notes the concern that some organizations are controversial and may be outside the scope of activity that most people feel appropriate for the CFC. The CFC is properly constrained, of course, in any effort to judge the merit of an organization's work. This constraint is especially important if an organization's work is judged by some according to political standards. In this, as in other areas, the Commission recommends that OPM use digital tools such as websites to offer donors greater background information on charities.

The current process for screening charities for CFC participation is not widely known and the process is not transparent to donors. Charities are required to submit detailed documentation for eligibility screening to participate in the CFC; however, only limited information from this process makes its way into the materials or web sites used by donors. The Commission focused on the following areas:

- *CFC revenue received by a charity*. Commission members expressed concern that some charities are being created solely to be included in the CFC charity list. The fact that a charity's primary source of funding comes from the CFC should send up "red flags" to donors and OPM. Commission members feel that a community based charity included in the CFC should demonstrate a wider appeal to potential donors in general, and not just the CFC. A charity should have a mission that is supported by additional revenue sources and can demonstrate these additional revenue sources for their operations. Currently, information is being developed that can show how much of a charity's revenue is derived from the CFC. This information could be placed on a CFC website. Based on this information, donors can decide whether they wish to support groups that have little or no non-CFC support.
- *Use of trade names or DBAs*. Many charities use trade names or DBAs ("doing business as") to increase fundraising. In some instances, the DBAs may be misleading as to the true mission and services of the charity, or mask the identity of the charity to the donor. Information could be made available that will tell donors how often individual charities have employed DBAs and how often the charity has used DBAs over the last 5 or 10

years. Alternately, OPM could require that all CFC participant charities use only their legal names.

- *Capping the CFC funds that one CFC charity can transfer to another CFC charity*. The purpose of such a restriction would be to make it harder for groups to create multiple CFC identities to receive funds when only one group is actually delivering programming or services. This cap would be most appropriate if the two groups are related.
- *National and international charities should be operating for a minimum period.* OPM should consider a requirement that national and international groups be in operation for a certain period of time before they may apply to the CFC. Currently, there is no minimum required period of operation. The point of such a change would be to make it less appealing to establish a charity solely to garner CFC funds since the period before CFC funds would be available would be greater.

As PCFOs and donors rapidly move toward web-based search and pledging, the online world offers the CFC the opportunity to provide Information and online searches which allow donors to determine the background and operations of CFC charities. Examples of additional information that could be provided to donors through a web-based system include:

- *Descriptions of the charity's work on the IRS Form 990.* Participating charities are required to describe their work on the second page of the Form 990. These descriptions can be made available to donors who can then compare them to what is presented in the CFC catalog/website.
- *Links to third party charity review services*. The CFC could provide links to third party charity review services on the Campaign's own websites. Providing these links to outside, independent evaluations would offer donors greater insight into the activities and operations of participating charities and could be a tool that would help donors resolve any issues of controversy surrounding individual groups.
- *Length of time a charity has been in existence*. OPM could publish in the CFC catalog and website the number of years a CFC charity has been in operation.

- ***Consider a tiered process for application requirements to reduce for small local charities the disproportionate burden of obtaining annual audited financial statements*.**

Many small local charities do not participate in the CFC due to the costly requirement that they provide audited financial statements every year. Modifying the requirement would ease the financial burden on smaller charities while maintaining the financial integrity and transparency needed for CFC participation.

The Commission concluded that audited financial statements for smaller local charities are disproportionately burdensome when compared to larger charities. The Commission recommends that OPM consider the following two options to make these costs less burdensome on smaller local charities.

- *Option A – Revise the annual audit requirement to create three tiers:*

  - For charities with revenue less than $100,000, there would be no change from the current CFC rule of no audit or review required.

- For charities with revenues of $100,000 to $249,999, the CFC would require that applicants provide an independent certified public accountants' review of their most recently completed fiscal year.
- For charities with revenue of $250,000 and above, the CFC would require that applicants provide a copy of their most recent GAAS/GAAP[5] certified audit.

  - *Option B – Evaluate and determine the dollar thresholds based on common practices at the state government level.* Once these are determined, establish similar practices for CFC charities.

- ***Strengthen CFC regulations regarding federations to increase transparency and accountability.***

  Commission members are concerned that OPM does not have sufficient regulatory tools to supervise federations as they assist in the operations of the CFC. In developing stronger regulations, the Commission recommends OPM consider such matters as the governance structures of federations with a special focus on potential conflicts of interest, administrative fees charged to federation members including the full disclosure of those fees to charities and donors, the timely disbursements of funds to members, and improved record keeping. These changes will help ensure that federation functions are transparent, performed in a timely manner, and result in effective management.

  A number of possible improvements regarding federation operations were identified which the Commission recommends OPM consider:

  - *Strengthen oversight of federations, possibly developing new regulations and providing guidance on conflicts of interest.* The Commission is concerned that current CFC regulations do not adequately clarify what constitutes a conflict of interest where federations are concerned. For example, does the inclusion of charity members on federation boards create a conflict of interest, especially when they are making eligibility decisions or when federations review and certify their own members' eligibility?
  - *Provide full disclosure of federation fees to federation members and potential donors*. Charities that elect to participate in the CFC as federation members, and donors, should be made aware of the total fees that will be deducted from Campaign donations. OPM may wish to consider a limit to the federation fees that are tied to the handling of CFC funds (such as 5 % percent). In restricting federation fees, OPM should be cognizant of the wide ranging services that many federations provide such as access to non-CFC workplace fund drives, marketing services, and application assistance.

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[5] GAAS: Generally Accepted Auditing Standards. A set of systematic guidelines used by auditors when conducting audits of an organization's finances to ensure the accuracy, consistency, and verifiability of the auditor's actions and reports. By using GAAS auditors can minimize the probability of missing information.
GAAP: Generally Accepted Accounting Principles. The common set of accounting principles, standards, and procedures that organizations use to complete their financial statements. It is a combination of authoritative standards established by accounting boards and the commonly accepted ways of recording and reporting accounting information.
For CFC charities, the audit must be performed and certified in writing by a Certified Public Accountant in accordance with standards acceptable in the United States.

- *Establish clear requirements for the timing of federation funds distributions to their members.* While any requirement must allow federations sufficient time to fully process received funds, donors reasonably do expect their contributions to be distributed to charities as soon as possible. OPM could state that funds are to be distributed within a certain number of days of receipt, or at minimum quarterly.
- *Require federations to maintain proper evidence of disbursement of CFC funds*. Federations often make large distributions which include monies from multiple charity drives. CFC funds should be clearly identified and carefully tracked, and records should be adequate to allow confirmation that federal employee donations have reached the intended charities.

- ***Streamline the charity application process to reduce costs for participating charities.***

Current CFC regulations require charities to apply every year. OPM should consider requiring a full application once every 3 years, but require supplemental information (such as an annual 990 tax return and audit) in the following 2 years.

The CFC has grown significantly over the years. As a result, the annual application requirement is a burden to all organizations involved in the process, including OPM. The Commission proposes revising the requirement to one that would not require full application submissions each year, but require essential updates to specified portions of the application periodically as determined by OPM. The Commission recommends OPM consider the following two options. Option A provides a short-term approach to the issues identified, while Option B provides a long-term solution.

- *Option A – Change to a 3-year paper or soft copy submission (short term):*
  - Require charities to submit a full application in first year of the cycle. (independents/federations)
  - For the following 2 years of the cycle, require that charities submit an abbreviated application containing:
    1. Mini application similar to the front page of the current application.
    2. Updated Attachment A – description of services and assistance, (national/international charities update current year)
    3. Updated Attachment C – current audit report (current auditor's opinion page)
    4. Updated Attachment D – pro forma IRS Form 990 (updated pro forma Form 990 pages 1, 7, 9, 10 & 12)
    5. Attachment E – 25-word statement (updated as necessary)
  - Under this option, charities will submit applications according to current rules. However, hard copy or soft-copy submission could be acceptable.

- *Option B – Online application process (long term). Over time, OPM could move toward a system that would further streamline the application process. Commission members identified* two approaches:
  - Issue a request for proposal for the design, program development, and implementation of an online application process for charities to be used by the

campaigns. The use of the system could be made available to charities on a sliding-cost scale based on the size of the campaign.
- Purchase a system for administering the application process.

INSPECTOR GENERAL TASKFORCE

On March 14, 2012, the OPM Inspector General (IG) issued its final report on the audit of the Combined Federal Campaign of the National Capital Area (CFC-NCA) campaign to OPM Director Berry. The report identified several instances of non-compliance with the regulations governing the CFC. It also cited areas where funds could have been put to better use.

Director Berry requested that the CFC-50 Commission form a separate taskforce to review areas where the IG determined funds could have been put to better use. The taskforce was asked to determine if the CFC-50 Commission should make additional recommendations in order assure donor confidence in the CFC. The taskforce developed four recommendations which the Commission accepted.

- ***Reduce training costs.***

  The IG reported that the CFC-NCA incurred $208,169 in training and conference related expenses in the 2007, 2008 and 2009 campaign years. The expenses were mainly for CFC leadership conferences. While the IG believes conferences are reasonable campaign expenditures, in these cases the costs appear to be excessive. The main conference venue was the Grand Hyatt in downtown Washington, DC. The Commission members are concerned about this trend and recommends the following ways to reduce training cost:

  - In planning large scale events, OPM should require PCFOs to consider using government facilities. Additionally, avoiding high cost metro areas (e.g. downtown Washington, DC) may yield cheaper venues.
  - OPM must require PCFOs to submit competitive bid proposals for major cost components of the training events to the LFCC for consideration.

- ***Reduce the cost of appreciation events.***

  The IG reported that the CFC-NCA incurred $153,150 for appreciation events for loaned executives and campaign workers in the 2007, 2008, and 2009 campaign years. Most of these events were luncheons and finale events to thank employees for working on the CFC. After reviewing documents provided by the IG, it was clear that the majority of the cost related to food. The Commission members believe it is important to thank employees; however, the frequency and cost of these events has become excessive. In addition, employees who participate in these events could exceed Federal gift restriction limits. As a result, the Commission members recommend the following ways to reduce the cost of appreciation events:

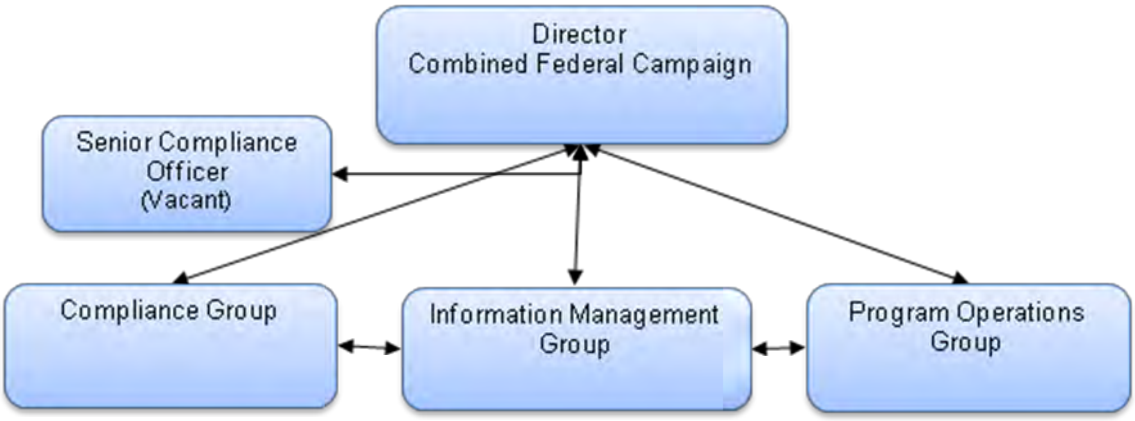
  - OPM should make it clear that the amount of an award or event cannot exceed individual gift restrictions for government employees in accordance with the Standards of Ethical Conduct for Employees of the Executive Branch (5 C.F.R. Part 2635).
  - OPM should codify the directive issued by Director Berry on March 28, 2012 which prohibits food and entertainment to be charged against the proceeds of the campaign.

- ***Improve oversight of software acquisition and development.***

  According to the IG report, the CFC-NCA campaign was charged a total of $372,500 in the 2008 and 2009 campaign years for cost related to software applications and licensing agreements. The IG believes there are more cost effective systems available that can perform the same function and provide the needed reporting documentation. The Commission members recommend the following:

  - OPM should conduct an additional review into the transactions associated with the Manage™ software. It should determine if the PCFO was reimbursed for more than the actual cost and maintenance of the software and, if so, whether additional funds can be distributed to charities.
  - OPM must develop guidelines on licensing agreements for LFCCs when software and hardware are utilized to manage the campaign. At a minimum the agreement will stipulate (1) how change orders and customizations are managed; (2) the process for disaster recovery; (3) hours of operations; (4) vendor time for software support; and (5) software and equipment ownership. OPM will approve the agreement.
  - LFCCs must be required to obtain OPM review and approval for agreements and asset purchases greater than $4,000 (e.g. IT software, computers, and other capitalized assets).
  - OPM must conduct a study to determine relevant benchmarks for software cost. Results will be used in setting standards for future licensing agreements.
  - OPM must ensure LFCC training includes matters related to their critical independent role from PCFOs and their fiduciary duty of oversight of same – a list of typical IG audit concerns should be part of the checklist used in these trainings.

- ***Improve overall oversight of the CFC program.*** As the taskforce evaluated the IG findings, it also considered additional steps OPM should take to improve its overall program management and oversight of the CFC. The taskforce reviewed the structure of the OPM Office of the CFC (OCFC) and noticed there was at least one position, Senior Compliance Officer, which has been vacant for some time.



The Commission members recommend that OPM fill position immediately and add a staff person to each of its major functions (compliance, operations and information management.) These additional resources will increase program accountability, ensure proper redundancy and

succession planning, and enable OPM to implement and manage the reforms outlined in this report. Additionally, the Commission members recommend:

- OPM must sign a memorandum of understanding (MOU) with the LFCCs to increase accountability. At a minimum, the MOU will require LFCC members to follow Title 5 Part 950 and complete online training; comply with all Federal regulations regarding gifts and ethics; loan OPM additional oversight and operational support to manage the program as needed; and provide for peer-to-peer reviews of all LFCCs which should include a checklist of typical IG audit concerns and highlight the LFCC's critical independent oversight and fiduciary role over the PCFO.
- OPM must review the legality of having MOUs as the binding document between LFCCs and PCFOs.
- In light of some recommendations in this report, OPM must pursue obtaining contract authority to manage campaign funds. It is the sole fiduciary responsibility of OPM to provide such oversight.

Appendix A

CFC-50 COMMISSION MEMBERSHIP ROSTER

CO-CHAIRS

The Honorable Tom Davis
The Honorable Beverly Byron

DESIGNATED FEDERAL OFFICIAL

Keith Willingham
Director, Combined Federal Campaign

LOCAL FEDERAL COORDINATING COMMITTEES

Jean Brown, Executive Director
Chicago Federal Executive Board
Chicago, Illinois

Lou Torchia, Executive Director
Voluntary Campaign Management Office
Department of Defense
Alexandria, Virginia

Major Ricky J. Anderson
Great Falls Area CFC
Montana Air National Guard
Great Falls, Montana

Darlene Williams, Postmaster
Greater North Carolina Area CFC
U.S. Postal Service
Jamestown, North Carolina

PRINCIPAL COMBINED FUND ORGANIZATIONS

Doug Bannick, Chief Financial Officer
Federal Employee Support for CFC
Charitable Giving, Inc.
El Granada, California

Xavier "Lew" Lewis, Director
Heart of Alabama CFC
River Region United Way
Montgomery, Alabama

Lilly Lopez-Killelea, Director
Rio Grande Valley CFC
United Way of South Texas
McAllen, Texas

Donna Violante, Director
Nutmeg CFC
Community Health Charities of New England
Hamden, Connecticut

FEDERAL EMPLOYEES

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Department of Veterans Affairs
Washington, DC

Shannon Hamm, Associate Deputy Administrator
Policy and Program Development
APHIS/USDA
Riverdale, Maryland

Felita Jackson
CFC of Greater Arkansas
Social Security Administration
Sherwood, AR

Karissa DeCarlo
Timpanogos Cave National Monument
American Fork, Utah

CHARITABLE ORGANIZATIONS

Aaron Dorfman
Executive Director
National Committee for Responsive Philanthropy
Washington, DC

Barbara Daggett, Senior Director
Catholic Charities USA
Alexandria, Virginia

Dianne Peters, Director of Education
C.H.A.M.P. Assistance Dogs
Florissant, Missouri

Milissa Coder, Director
National Rifle Association Foundation
Fairfax, Virginia

Patrick Maguire, Executive Director
Maguire/Maguire, Inc.
Larkspur, California

Kal Stein, President & CEO
EarthShare
Bethesda, Maryland

Marshall Strauss, President
Human & Civil Rights Organizations of America
Salem, Massachusetts

Ana M. Urrechaga, Attorney
United States Postal Service
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FEDERAL ASSOCIATIONS

Joseph Beaudoin, National President
National Active and Retired Federal Employees Association
Alexandria, VA

Jan Rhodes, Denver Chapter
Young Government Leaders
Department of Agriculture
Denver, Colorado

ACCOUNTABILITY ORGANIZATIONS

Ken Berger, President & CEO
Charity Navigator
Glen Rock, New Jersey

Robert N. Goldenkoff, Director
Government Accountability Office
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H. Art Taylor, Executive Director
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Michael Esser, Assistant Inspector General for Audits
U.S. Office of Personnel Management
Washington, DC

Appendix B

CFC-50 COMMISSION CHARTER

The charter for the CFC-50 Commission as published in the Federal Register is as follows:

1. Committee's Official Designation (Title). The CFC-50 Commission.

2. Authority. This charter establishes the CFC-50 Commission in accordance with the provisions of the Federal Advisory Committee Act (FACA), as amended, 5 U.S.C. App. The Commission is in the public interest and supports the U.S. Office of Personnel Management (OPM) in performing its duties and responsibilities under 5 CFR § 950.

3. Objectives and Scope of Activities. The purpose of the Commission is to advise the Director of OPM on strengthening the integrity, the operation and effectiveness of the Combined Federal Campaign (CFC) to ensure its continued growth and success.

4. Description of Duties. The Commission shall advise the Director of OPM on matters pertaining to the CFC. Its activities shall include, to the extent permitted by the law:

a. reviewing the present structure of the CFC and recommending changes;

b. reviewing current processes and recommending changes;

c. developing recommendations for innovative ways to improve the CFC;

d. developing recommendations for changes to the regulations and/or legislation to improve and strengthen the CFC.

5. Agency Official to Whom the Commission Reports. The Commission will report recommendations to the OPM Director.

6. Support. OPM is responsible for providing administrative services and support to the Commission.

7. Estimated Annual Operating Costs and Staff Years. The estimated annual operating expenses of the Commission are $70,000. These expenses include funds to cover actual staff time devoted to preparation for meetings and technical discussions at meetings, expenses for preparing and printing discussion materials and administrative costs for filing the charter, preparing Federal Register notices, preparing minutes of the meetings and travel cost of some members to attend meetings. Approximately 0.5 FTE.

8. Designated Federal Officer (DFO). The Director, Combined Federal Campaign at OPM shall be appointed as the DFO of the Commission. The DFO will approve or call all of the Commission's and subcommittees' meetings, prepare and approve all meeting agendas, attend all Commission and subcommittee meetings, adjourn any meeting when they determine adjournment to be in the public interest, and chair meetings when directed to do so by the official to whom the Commission reports.

9. Estimated Frequency of Meetings. The frequency of meetings will be determined by the co-chairs of the Commission with the approval of the DFO. It is estimated there will be three meetings.

10. Duration. It is expected that the Commission will conclude its work in approximately six months.

11. Termination. March 31, 2012.

12. Membership and Designation. The Commission will include a total of approximately 28 Federal workers and non-government individuals, including civilian, postal and military personnel. The Commission members will represent various perspectives from the CFC community including donors, Federal campaign volunteers, non-government administrators of the campaign, participating charities and watchdog groups. These members will consist of both representatives and special government employees.

13. Subcommittees. The co-chairs of the Commission, with the Agency's approval, are responsible for directing the work of the Commission, including the creation of subcommittees necessary to carry out the Commission's mandate. Such committees report to the Commission and will not provide advice directly to the Agency.

14. Recordkeeping. The records of the Commission, as well as any formally and informally established subcommittees, shall be maintained in accordance with General Records Schedule 26, Item 2 or other appropriate agency records disposition schedule. These records shall be available for public inspection and copying, subject to applicable exemptions of the Freedom of Information Act, 5 U.S.C. 552.

U.S. Office of Personnel Management.

John Berry,

Director.

[FR Doc. 2011-22875 Filed 9-6-11; 8:45 am]

Appendix C

TESTIMONIES BEFORE THE CFC-50 COMMISSION

December 2011 and February 2012

CFC-50 Commission Testimony by
Steve Delfin, President & CEO
America's Charities
December 6, 2011

Chairpersons Byron and Davis, CFC Director Willingham, Commissioners and guests:

Thank you for the opportunity to address the CFC 50 Commission about issues that America's Charities and our family of federations feel are vital to growing philanthropy through the Federal workplace. My name is Steve Delfin and I am president and CEO of America's Charities and three other federations we have founded that participate in the CFC – Children First, Health First and Community First of Greater Washington, DC.

Throughout my career in the corporate and not-for-profit sectors, I have worked in many organizations which have directly benefitted from the generosity of Federal employees. From United Way to American Red Cross to homecare and hospice charities, I have seen first hand how these dollars are put to work helping people who really need help.

Charities throughout America are grateful for this generosity. Although you have heard it before, we can not understate the importance of this annual program. As you know, since the first official CFC campaign, Federal employees have pledged more than $7 billion to their favorite charities through the Combined Federal Campaign.

At a time when the world and national economies continue to struggle, and when some of the most traditional sources of corporate giving -- such as Freddie Mac and Fannie Mae foundations -- have evaporated, the generosity of Federal employees continues to stand out as a shinning example of philanthropy at its best.

However, there are some challenges that we have all seen coming for quite some time and now is the time to act to mitigate the possible negative impact that could result if we do not make some critical changes.

For instance, despite the overall growth in the Federal workforce, there were fewer donors in 2010 (1,017,772) than the campaign had in 1965 – its second year of existence.

Furthermore, the last year that a **majority** of Federal employees pledged to one or more of their favorite charities through CFC was 1991 when 53 percent (or 2,482,482) of the employees gave. Since then, the participation rate has declined to 24 percent.

From 2001 through 2010 alone, the campaign lost more than 482,000 donors. Had participation simply remained constant at the 2001 average gift level, there would be $77 million more being raised for

worthy charities that meet CFC criteria. That additional giving would have brought the 2010 giving totals up to more than $350 million--rather than the $280+ million level announced by OPM for 2010.

At the same time the CFC has been losing donors, campaign expenses have been on the rise. Despite a decade of consolidation of campaign offices by OPM and the advent of online pledging through Employee Express and other means, the expense data released for the 2010 campaign showed that **costs were at the highest dollar figure ever– with budgets totaling almost $30 million.**

If the 8.5 percent expense ratio from 2001 had been maintained, then the campaign also would be saving an estimated additional $5.4 million. This is money that would find its way directly into the participating charities for services to people in need, not the campaign expenses.

What can and should be done here?

From the experience America's Charities has witnessed in private sector campaigns, most of these challenges can be overcome with a series of progressive, employee-centric reforms designed to unleash the social responsibility instincts inherent in the Federal employee.

Despite Federal paperwork reduction acts and electronic signature requirements, CFC rules still require paper-based hard copy signatures on most pledge forms and all applications from more than 20,000 charities.

Most Federal employees still do not have basic access to electronic means to support charities – something that is common place in the private sector. This adds unnecessary complexities and costs to the campaign. And as I inferred earlier, it also may partially account for the lower participation rates because younger employees live and breathe in the digital world. They make many transactions without traditional paper forms and catalogs and more might do so if CFC everywhere entered the e-giving realm that some have pioneered.

There are specific strategic steps that the CFC 50 Commission can and should recommend to increase Federal employee participation while also lowering costs, increasing efficiency and moving more money to charities.

Workplace giving continues to have a huge upside potential. Our recent experience (during the worst economic conditions in our lifetime) is that participation and giving increase when you give employees what they want – choice, top quality easy to consume information, and a giving experience similar to what they have outside of the workplace meaning one that embraces and uses technology.

Also, by building more efficiency in to our systems, **volunteer hours of Federal employees can be focused on higher quality touch points with donors through events, marketing, research, focus groups and more.**

To that end here are America's Charities **specific recommendations**:

1. Implement a government-wide electronic giving system for all Federal workers with paper back-up systems for those who do not have ready access to secure computers at work.

The Federal government has already cut back to only four payroll providers, yet these organizations have yet to roll out standard, efficient systems for e-giving for all their customers. In its wake, multiple vendors are developing competitive and competing systems and charging the government usage and/or licensing fees for systems the government should own and operate.

2. Along those same lines create a more efficient application process that will allow charities to submit paperwork electronically and be qualified for multiple years. The IRS registers a charity ONCE and then requires one form annually. CFC applications and ALL attachments must be completed and submitted in their entirety every year.

We believe there is a middle ground in which a charity could qualify for the campaign for a multi-year basis and be renewed by providing OPM or the Local Federal Coordinating Committee with a copy of its Form 990, audit and some program updates annually – and in an electronic format.

3. Increase reliance on Federations to screen charities in addition to relying on the electronic applications. A shrinking Federal workforce may not be able to sustain the workload of reviewing all these documents annually for all independent organizations in more than 200 jurisdictions. Plus, with the added scrutiny of the OPM staff verifying all charities are in the IRS Master Business File, a streamlined application process will facilitate cost savings at the campaign administration level and at the charities – allowing more money to go to helping people. This would free up the time spent by Federal employees reviewing applications to move into areas of increasing the quality of the campaigns.

4. Advocate for a stronger leadership commitment to the CFC across all Executive Departments and the three branches of government. Right now, certain Federal agencies are the backbone in achieving high levels of giving and participation. That also means that there are other departments, agencies and branches of the government in which the charitable impulse on-the-job is not cultivated as well as it is elsewhere.

We encourage OPM to seek new ways to get the leadership and workforce of the Judicial and Legislative branches more engaged in this annual effort along with some of the Executive agencies where participation rates trail the national averages for giving and participation.

5. We believe there is a need to increase the transparency and accountability on all parties. We have found that some of the Local Federal Coordinating Committees often work far too closely with the contracted campaign managers. It is important to remember that the LFCC is an arm of OPM. Yet we have come across many instances when LFCCs do not fulfill their obligation of neutrality and objectivity in selecting the local campaign manager. This perpetuates a system where a few fiscal agents are charging ever increasing fees – sometimes in excess of 20 percent – to conduct under-performing campaigns.

We believe many LFCCs inappropriately defer too much responsibility for decision-making to the incumbent campaign manager. A possible solution to this very significant problem is to engage the network of Federal Executive Boards to play a bigger role in CFC as they do successfully in places such as Baltimore and Detroit where there is much more transparency and independence in the RFP process for PCFO selection and oversight.
Finally, we feel the Federal Government is in an ideal position as an employer to be able to help the Federal employee become the most informed giver in any workplace. Yet we do not feel that objective is being adequately addressed.

For example, in this year's CFC we have two new federations – one called "Charities with Less than 1% Overhead" and the other "Charities with Less than 5% Overhead." Anyone who knows anything about contemporary philanthropy knows that administrative overhead costs are not a reasonable reflection of a charity's effectiveness. But, unfortunately, some donors continue to be guided by these grossly inadequate indicators. We believe that the CFC can and should do better. Allowing federations to enter the campaign using contrived names designed to pander to the lowest common denominator of donor knowledge is doing a great disservice to all parties particularly Federal employees.

In the short time we have today, we could not comment on every issue you are tackling. We know that you are also looking at other issues through a network of subcommittees such as retiree giving, universal giving to all local charities in the database, campaign schedules, accessibility and more.

At America's Charities we fully support your efforts to move swiftly to address these issues in a way to improve this important annual campaign. We pledge to assist the work of the CFC 50 Commission, Director Willingham and his staff, to support the changes that will make the Combined Federal Campaign the most progressive and exciting employee workplace giving effort in the nation. Many people and organizations are counting on you to make critical advancements in this program that are long overdue and will be welcomed by Federal employees and those who benefit from their contributions

We are pleased that OPM and the Commission are committed to making these changes with minimum bureaucracy and maximum speed. Along those lines, as soon as possible after your final meeting in March, we would like to see OPM take the recommendations from this body and fast-track your recommendations through the rigors of Federal rule-making to modernize this campaign and return it to the higher levels of participation that it enjoyed in the recent past.

You can engage the next generation of Federal employees with ways to give, to volunteer and to extend their personal and professional commitment to serving America every day in new ways. Thank you for your service and for this opportunity to address you. Please let me know if America's Charities federation and our members can assist you in any way.

CFC 50 Commission Testimony by
Renée Acosta, President
Global Impact
December 6, 2011

Thank you for the opportunity to provide testimony to the Combined Federal Campaign (CFC)-50 Commission. Global Impact congratulates the Federal workers who volunteer as members of the more than 200 campaigns including service as members of Local Federal Coordinating Committees; as Loaned Executives, Campaign Managers and Keyworkers for their dedicated and successful efforts. In the last 50 years, Federal employees have given $7 billion dollars to improve the quality of life for millions of people.

Despite a very tough economic year in 2010, and a drop in charitable giving across the country, Federal civilian, military and postal employees pledged more than $281.5 million to the CFC. The amount raised was the second highest in the CFC's 50-year history and only half a percent below the record set in 2009 of $282.6 million.

Global Impact is the Principal Combined Fund Organization (PCFO) for two of the world's largest workplace giving campaigns, the Combined Federal Campaign of the National Capital Area (CFCNCA) and the Combined Federal Campaign-Overseas (CFCO) for the Department of Defense, raising funds across the five combatant commands. Together, these two campaigns raise more than $80 million per year to help people in local communities, across the nation and around the world. 2011 marks Global Impact's 9th year managing the CFCNCA and its 16th year managing the CFC-O. The CFCNCA has grown from $47 million in 2002 to $67 million in 2010. The CFC-O has grown from $11,267,754 in 2002 to $13,832,935 in 2010.

While not represented on the CFC-50 Commission, Global Impact has demonstrated that through its efforts the laudable goals of the Commission can be achieved.

Appendix 1. CFC of the National Capital Area Gross Pledges Raised by Campaign Year
Appendix 2. CFC-Overseas Gross Pledges Raised by Campaign Year
Appendix 3. CFC-Overseas Gross Pledges Adjusted for Troop Strength

Others may state that all CFCs perform the same and that the success of these two CFCs rests merely upon the large number of Federal employees within the respective boundaries of each campaign. The facts show that Global Impact has successfully developed and implemented fundraising strategies to promote and improve the charitable purpose of these two campaigns. This has resulted in giving far beyond what would be expected based on the actual performance of other CFCs.
Global Impact has realized standout results for these two campaigns by encouraging innovation, supporting effective technology solutions and providing effective campaign management through Best Practices.

Appendix 4. Global Impact Results Exceed the CFC Nationwide and Surrounding Area CFCs on a Comparable Basis

Global Impact manages the campaigns to ensure adherence to the Regulations and standards established by the Office of Personnel Management (OPM) to raise the most funds possible for people around the world. As the PCFO, we inspire Federal employees to give through innovative marketing strategies, new technology and other Best Practices that make the campaigns more effective and efficient. Both the CFCNCA and CFC-O have been recognized by OPM for making extraordinary contributions to the CFC for the last eight years and have been awarded twelve CFC *Innovator Awards.*

Federal regulations provide that as a PCFO, our primary goal "is to conduct an effective and efficient campaign in a fair and even-handed manner aimed at collecting the greatest amount of charitable contributions possible," *5 CFR 950.105(b)*. To that end, many of our ideas and suggestions are transferable to other CFCs and with that in mind, we respectfully submit the following recommendations to the CFC-50 Commission based on our experience and desire for the continued growth of CFC campaigns across the country.

Recommendations

The five recommendations are based on Global Impact's experience, expertise and demonstrable success.

- Encourage Innovation
- Support Effective Technology Solutions
- Reduce Costs
- Advance Greater Participation
- Change *5 CFR 950* to Support Fundraising Best Practices

One: Encourage Innovation
We ask the CFC-50 Commission to establish a flexible and standardized method by which LFCCs through their respective PCFOs can test and implement new ideas and marketing approaches. Successful pilot projects would become permanent with a twoyear track record of success.

Both the CFCNCA and the CFC-O successfully piloted projects that help campaign volunteers and donors. For example, an e-Giving pilot, approved in 2006, offered Department of Defense troops and personnel serving in the Central Command the option of contributing to the campaign by credit card. Many troops serving in the Central Command did not have the ability to contribute to the campaign through payroll deduction, and giving by cash or check was difficult given the high operations tempo in the command. Based on the success of the pilot, credit card giving was extended to the five combatant commands in 2007, and expanded to include giving by debit card or electronic check in 2009.

Other innovations include:

- A standing capacity and capability to launch disaster response-based funding within 24 hours of an event
- Introduction of a paperless payroll pilot which is now a standard campaign option

in the CFCNCA resulted in electronic giving increasing from 12 percent of revenue to an anticipated 42 percent of revenue in 2011, thereby reducing costs and increasing distributions to charity

- A comprehensive and award-winning Young Donor Strategy and a Young Donor Advisory Council and online collaboration tool
- Marketing tools that can be downloaded and customized to specific agencies and locations

Appendix 5. CFC Paperless Payroll e-Giving
Appendix 6. CFCNCA Paperless Payroll Webinar

- Quick Response Codes on marketing materials which enable quick responses using a smartphone

Appendix 7. Quick Response Code

Two: Support Effective Technology Solutions
We recommend that the 5 CFR 950 be amended to enable the use of technology in all its manifestations in support of the fundraising mission of CFC while subject to the laws that govern its use.

Global Impact's CFC Technology Solutions is recognized for its direct contribution to the success of the CFCNCA. All aspects of this program meet applicable laws, more than 38 Federal regulations, and the OPM policies that govern data security and privacy.
Online giving is the primary technological advance for modern charities. Over the past three campaigns, more than $38.6 million was raised through completely paperless giving across both CFCNCA and CFC-Overseas representing an increase of $13.8 million in online pledges.

Appendix 8. CFCNCA Ratio of Electronic to Paper Giving

Innovative technology attracts more donors and reduces processing costs enabling more money to help people in need. Online donations reduce processing costs and mitigate risk. The number of donors eligible to participate in CFCNCA's paperless payroll tripled this year due to early pilot success. The shift to paperless saves an estimated $14 per pledge. In the 2011 campaigns, an estimated 42 percent of all revenue will be gained through the electronic channel.

Appendix 9. Global Impact CFC Technology Solutions

Three: Reduce Costs
Costs can be mitigated by:

- *An application fee for participating charities is established to defray campaign Costs*
- *Capitalizing on the increased use of technology*
- *Approving multi-year participation with certain triggers in place to flag disqualifying events such as a qualified opinion audit, failure to comply with Regulation, malfeasance, criminal activity*

- *Enforcing the US Government Paperwork Reduction Act and monitor compliance with the US Privacy Act*

An application fee paid by charities wishing to participate in the CFC would provide additional funding to defray the local eligibility review and other campaign costs. Beyond the effort required to prepare the application, a charity does not incur any cost to apply for participation in CFC. In addition to defraying costs, an application fee would discourage those charities who receive no benefit from the campaign from applying, thereby reducing administrative costs.

A number of charities receive little or no funding from the CFC, and do not share in the cost of running the campaign. In the CFCNCA there are more than 4,100 charities to which a donor can make a pledge. Of this large number of charities, 9% receive either no contributions or less than $1,000.

Appendix 10. CFCNCA Expense to Revenue

Four: Advance Greater Participation
We recommend that the Office of the Combined Federal Campaign Operations codify Best Practices while considering the unique attributes of various CFCs in terms of geography and demography.

The importance of increased participation is critical to all CFCs across the nation. As part of our effort to reach new donors, we developed a series of Best Practices. These examples reflect innovative ideas which stimulate more robust participation and engage the next generation of donors.

- Marketing strategies that generate overall awareness in the targeted geographic areas
- Sponsored events targeted to specific demographics in the DC area hosted by local media partners
- Social media tool kits for use overseas and here in the DC area

Appendix 11. 2011 CFC-O Sample Twitter Messages

- Media partnerships that raise visibility with the campaign
- Facebook and Twitter pages to connect donors with the campaign on an ongoing Basis
- Publicity kits that encourage ongoing marketing and awareness of the campaign

Appendix 12. CFC of the National Capital Area Fall 2010 Participation Rate

Five: Change *5 CFR 950* to Support Fundraising Best Practices
Regulatory reform is critical for the future success of the CFC. For this reason, we recommend:

Establish permanent campaign dates of September 1 – January 31. Many Federal workers voice concern over the December 15 end date of the campaign. Extending the campaign to the end of January will help mitigate several obstacles that face Federal

workers. The 'use or lose' policy for personal time-off results in extensive absence following the Thanksgiving Day Holiday. Many donors make their charitable contributions at the end of the calendar year. Year-end financial reviews often result in increased giving by donors in order to take advantage of charitable tax deductions. Many workers wait to donate until after they learn about salary raises. *Charity Navigator* cites that year-end gifts count for more than a quarter of the annual contributions for the more than 700 charities surveyed.

The past two years indicate that a substantial amount of money is raised after December 15. On December 14, 2010, donation tracking reported $42,010,597 in pledges yet the entire campaign raised $66,996,495. Nearly $25 million was recorded after mid-December. Comparable data from 2009 shows that a total of $66,535,844 was raised, $43,689,423 reported in early December, again, approximately $23 million was reported after mid-December. *Over the past two years, nearly $48 million in funds for people in need was received after the campaign end date.*

Open the campaign to retired Federal workers. We recognize the challenge when more than 250,000 Federal employees across the country are expected to retire during the next five years, many of whom are generous givers.
The Federal government established a culture of charitable giving over the past 50 years. Federal workers donate generously through the campaign, yet upon retirement, this large source of donors is unable to participate. We recommend allowing the retired worker to continue to contribute through credit card giving as the sole donation instrument. This will allow for cost containment while providing retirees a means to continue giving to approved charities.

Allow for a special disaster response solicitation. We propose that the CFCs establish a permanent capacity to enable donors to give by credit card to a Disaster Relief Fund and that the PCFOs be allowed by Regulation to solicit these funds. Using the CFC for a special disaster response solicitation, donors can be sure that their funds go to charities actually doing work in the impacted region, not just one or two charities that receive publicity. This could also be a vehicle to lift the embargo of Federal Workers giving to disasters only if they occur during the Regulatory solicitation period.

Global Impact's Disaster Relief Fund has the capacity and capability to be operational within 24 hours of a disaster.

Include technology. The current regulations promulgated in 1986 do not refer to the advent of technology as a fundraising and/or campaign management tool. We strongly recommend that it should. Global Impact has shown that through the strategic use of technology, campaigns can decrease costs, mitigate risk, increase participation, and raise more money for charities.

Conclusion
Campaigns across the country can use these strategies to become stronger, distribute a larger percentage of funds raised to charity, to serve more people and indeed, the original vision of President John F. Kennedy when he launched the campaign in 1961.

Thank you for the opportunity to share the experience of Global Impact in managing the two largest Combined Federal Campaigns. We hope that you will consider us a resource in shaping the next 50 years of ensuring help to the world's most vulnerable people and their communities.

Global Impact supports and shares the vision of the CFC-50 Commission to preserve and strengthen the campaign for future generations.

(Note: Due to space limitations, the appendices were not included in this report. They are available in their entirety upon request.)

GIVE. ADVOCATE. VOLUNTEER.
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United Way

December 12, 2011

The Honorable Tom Davis
The Honorable Beverly Byron
Combined Federal Campaign 50th Commission
1900 E Street, NW
Washington, DC 20415

Dear Mr. Davis and Ms. Byron:

On behalf of the nonprofit member organizations of the United Way of the National Capital Area, we join you and members of the CFC 50th Commission in celebration of the 50th Anniversary of the Combined Federal Campaign (CFC) and extend a special thank you to the Commission's broad and diverse group of stakeholders for their on-going generous support of vital community services and programs.

As the largest charitable Federation in the metropolitan Washington, DC area, United Way of the National Capital Area and our nonprofit member organizations fully appreciate the important work of the CFC. The impact of Federal employees' contributions in supporting a safety net of community services over the last 50 years has been significant and has changed many lives. The CFC is one of the largest single funding sources for many nonprofit organizations, and it has greatly influenced and advanced charitable services throughout the Washington, DC metropolitan area and across the country. We support the Commission's work and applaud its commitment to review the present structure of the CFC; develop recommendations for innovative ways to strengthen the CFC; and develop recommendations for changes to the regulations and/or legislation to improve the CFC.

We share our support today of the recommendation to permanently extend the CFC campaign to mid-January for all CFC campaigns here locally in the metropolitan Washington, DC area, nationally and globally. United Way of the National Capital Area is in support of a permanent extension for several important reasons:

- Many Federal workers (donors and those tasked with executing their agency's CFC campaign) voice concern over the December 15 end date of the campaign. As the CFC campaign is for Federal employees and conducted by Federal employees, we believe it is important the Office of Personnel Management (OPM) and the Commission consider the concern of Federal workers about having adequate time to donate, reaching all eligible donors and managing robust agency campaigns.

[illegible]
www.UnitedWayNCA.org

- The "use or lose" policy for employee personal leave results in increased absence of the Federal workforce following the Thanksgiving holiday.
- Many donors make their charitable contributions at the end of the calendar year. A reality is that year-end financial reviews often result in increased giving by donors interested in taking advantage of charitable tax deductions.
- Finally, many Federal employees wait to donate until after they learn about any pay adjustments to their salaries.

There is often a focus on the dollar amount raised within campaigns – a very important accomplishment as it marks the Federal community's combined impact on the charities it supports. Equally important is having the CFC support its most valuable asset…its Federal employees. As others do, we strongly believe a permanent extension will better support multiple campaign stakeholder needs and address Federal employee concerns.

We greatly appreciate the consideration to our recommendation, and the dedication and oversight of OPM and members of the Commission regarding the future of the Combined Federal Campaign.

Sincerely,

William A. Hanbury
President & CEO

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CFC-50 Commission Testimony by
Steve Delfin, President & CEO
America's Charities
February 14, 2012

To the Honorable Thomas Davis and the Honorable Beverly Byron, Co-Chairs:

Thank you for your leadership of the CFC-50 commission and its important mission. I appreciated the opportunity to address you and the commissioners at your December meeting and want to express thanks on behalf of the America's Charities Board and our member charities to you and the Commission members for all the hard work you are doing. Ultimately that work will result in a more robust environment in the Federal government for employees to act on their charitable giving interests.

Since December, I have had numerous conversations with the America's Charities board of Directors, our management team, other federations and our member charities about what the current commission recommendations could mean to charities. The overall feedback is that steps which can *increase participation, motivate giving, and streamline the process to get funds collected and distributed as quickly and efficiently as possible* are worth serious consideration.

While many of the 22 recommendations released by the Commission in December are easy to support in principle, there is a lack of specifics and operational details that need to be considered before we, and I suspect other organizations, can provide unqualified support. For example, the recommendation to institute a "new hires" program seems logical and is, in fact, a "best practice" that works well in the private sector. However, it presents many operational challenges that must be considered. Just one, for example, is how will new gifts made in the middle of a year alter the distribution of the undesignated portions of existing pledges.

While we understand the CFC-50 Commission is not charged with grappling with these operational level issues, before recommendations are put forth in final form, these issues have to be addressed.

Beyond operational issues, among the 22 recommendations there are several which, without significantly more information and consideration, would be hard for America's Charities, our family of federations and member charities to support. They appear to be at odds with the objective of cutting costs and improving the donor experience. While it is our understanding that the 22 recommendations made public in December have evolved since then and that ongoing commission deliberations may result in a new or revised set of recommendations, we are commenting on the recommendations that concern us as they currently exist.

Thank you for considering these concerns in your final deliberations. I hope you elect to share this information with the members. Please do not hesitate to contact me…if I can clarify any of these points for you and the commissioners.

CFC Commission
Select Preliminary Issues

Implications

As the CFC-50 Commission examines various means and methods for reforms to take the campaign to higher levels of giving and participation, several over-arching principles can help guide that work.

In the critical work which you are tackling in a short time-frame, you have the opportunity not only to improve the experience of those Federal employees who participate in the campaign but also to address reforms which will help attract those who are currently sitting on the CFC sidelines. As the commission members know, more than 75 percent of the members of the Federal workforce do not participate in the campaign and are totally disengaged from the experience and benefits of the workplace giving options made available by the CFC. Many of the recommendations under consideration will work to foster the kind of environment that might engage more of the bystanders.

In order to address the decline in participation and make the campaign thrive for employees, charities and communities, America's Charities proposes that these principle goals include:

1. **Adoption of State-of-the-Art Business Practices** that foster technology, competition, and real transparency. Various recommendations under consideration and other steps can help to foster this kind of working environment in which the campaign can operate.

   For example, improving the training for the members of the Local Federal coordinating committees helps not only with campaign oversight but also with models for handling the selection of campaign administrators in an open, equitable, and fair manner without any involvement from the current contractors. A more open, competitive process can help achieve other goals outlined in the December report such as driving down costs and improving donor services.

2. **Delivery of Excellent Customer Service** will help make the campaign the "want to" charity event of the year for Federal employees – not the "have to" charity drive that employees avoid.

   Various reforms which will cultivate a comprehensive, year-round relationship with the donor can help improve the experience for all members of the Federal community including new employees, experienced employees and retired employees. A flexible calendar for CFC will allow the campaign to operate in a fashion that coincides with the giving decision and process used by Federal employees of today – no holding on to a schedule first devised in the 1960s. The advanced implementation and use of technology will ease the paperwork burden on the payroll offices which have to process these pledges. And technology will allow a Federal employee to make, add or change a gift throughout the year when they are moved to support a new charity or need, be that at the occurrence of an emerging disaster, when starting a new job or transferring to a different office or jurisdiction. This flexible donor-centric experience also will help to address issues of declining participation by making the campaign more user-friendly without increasing the burdens on the payroll office or pledge processor.

3. **Pursuit of Operational Excellence** through investment across the board in the kind of uniform infrastructure that is not possible with nearly 200 different community campaigns. Although every campaign operates under the same rules, each PCFO makes varying levels of investment in the campaign tools and technologies. A national infrastructure to support "universal giving" can

help the mobile Federal employee give to charities in the community that they call home – even if that is not the community that they call their permanent duty station.

In consideration of a short list of over-riding goals like these proposed, America's Charities also would like to call your attention to implications of some of the proposals currently under consideration. While the draft recommendations formulated and circulated by the CFC-50 Commission offer many positive ideas and steps, others are not practical in terms of implementation in light of the dynamics of the Federal workforce and the implications for the charities supported in the campaign.

Several of the 22 steps in the draft recommendations circulated at the December meeting, merit some critical attention before the commission proceeds to adopt them. Here is our feedback for that purpose.

8 Transparency
Application Decisions

America's Charities Comments: A charities C3 ruling, GAAS/GAAP audit, IRS Form 990 filing (proof of majority uncompensated board) and Attachment A/detailed description of services in 15 states or one foreign country are already required annually. This information already speaks to most of the transparency and accountability concerns. It would make more sense and cost nothing to make Federal employees more aware of the existing transparency requirements and the fact that all charities accepted into the campaign meet these criteria.

In addition we would strongly question the utility of requiring the AFR explanation again. AFRs are published next to charity name in brochures, so donors are already aware. Additionally, guidance about AFRs is provided for donors in the "Making Informed Giving Decisions" section of the CFC brochure. Furthermore, OPM should make sure that commissioners and Federal leadership are aware of the issues charities have with the overlapping private ratings organizations. Many of these ratings organizations do not qualify charities at the national and local levels as they are op-in systems.

12 Accessibility
Expand Giver Base

America's Charities Comments: The mission of the CFC is to deliver a program for and about Federal employees. Contractors are private employers. IF a contract employee wants to op-in, they already can under current rules. However, many private employers have their own workplace giving program. PCFO staff members do not have the resources to cultivate those business without adding significant costs to the campaign. Further problems arise because OPM resources are already stretched in its current plans. It cannot regulate the private employee workplace giving campaigns in these businesses in the same way it regulates the CFC. Finally, there are many real and perceived conflicts of interest inherent in a effort to expand the CFC to the private sector. We believe expanding the Giver Base should focus only on increasing participation by current and retired Federal employees.

13 Accessibility
Disaster Program

America's Charities Comments: This (and Item 14) seems to be straying outside the core concern of keeping the current CFC, and its critical **unrestricted, ongoing** support to charities, which many charities have come to depend on, healthy and strong. Such "mission creep" for CFC may negatively

impact core unrestricted annual support, and may also inhibit moves elsewhere that the commission is trying to recommend to streamline CFC costs. Significant issues will surround any program which needs to determine quickly what charities are providing emergency services and can be solicited and how to do distributions. We believe it is best to leave such campaigns outside CFC regulations and allow the Executive Office of the President and Cabinet Secretaries to continue to implement disaster programs as current regulations allow.

14 Accessibility
Volunteer Program

America's Charities Comments: We believe you will find near unanimous agreement around the idea to find ways to encourage employees to engage with their community in a volunteer role. However, our experience in the private sector suggests employee volunteerism programs take significant time and resources to manage properly. For example, many private sector employee volunteerism programs are built on the premise that the employer will provide paid time off for volunteer activities with many employers incentivizing employees to volunteer with a version of a "Dollars for Doer" program. These incentives are not available in the public sector. Again, our caution here is that the recommendation is reasonable, but great care and consideration needs to be given at an operational level as to what is and is not possible within the construct of the Federal workplace. We believe once again that there may be ways to create a viable employee volunteerism effort administered by OPM and the Federal departments and agencies without adding costs to the operations of the CFC. But the operational details (given what we outlined above as the challenges) must be seriously considered first.

16 Accountability
Charity/Federation Governance

America's Charities Comments: Federations by their nature are membership bodies. As such, their member charities have a legitimate seat at the governance table for the federation to which they belong. OPM should avoid any rules which might be interpreted as trying to limit the ability of charities to assemble and speak at the federation governing level. Defer to existing IRS law in this regard. If there are concerns about individual federations' practices

18 Accessibility
National Technology Infrastructure

America's Charities Comments. The current regulatory framework of the campaign provides significant hurdles to making this a reality. A rigorous Cost Benefit analysis must be performed because moving to such a national structure (without local support) could remove any of the special ways that local campaigns touch the donors and bring the donors in toauch with the charities. Any national structure must also allow for effective local marketing and encourage the campaign to touch the donor and communicate a rational case for giving community-by-community, charity-by-charity, and employee-by-employee. Without a strong local campaign implementation, the national technology could further erode the declining participation rates. There are many examples of private sector employers who incorporated sophisticated technology into their employee giving campaigns and in doing so mistakenly assumed that technology could replace face-to-face communication. They were wrong and their campaigns suffered. Technology is a tool, not a strategy. Along those lines, centralized processing is an admirable goal. However, it is not a panacea for effective local marketing and sales support to the campaign.

20 Accountability
Charity Proliferation

America's Charities Comments. We fully support a regulatory and operating environment which facilitates full disclosure and then lets the donor decide. This may be most prudent moving forward, and could also avoid possible lawsuits over issues deemed subjective (e.g. exclusion of "controversial" charities). The AFR explanation and plan system of the past was good in theory, but difficult in practice and probably did not achieve its goal. We highly recommend that CFC Commissioners and OPM leadership should review literature on the "overhead myth" by Bridgespan (white paper attached).[6] OPM's current system qualifies charities based upon past performance. It will be difficult to enact, implement and police performance-based criteria with the CFC system without incurring additional costs.

21 Affordability
Campaign Cost Sharing

America's Charities Comments. We are raising a large cautionary flag on this recommendation as it could have significant unanticipated ramifications on the CFC. To that end, it would be imperative that any concepts that emerge be tested thoroughly to gauge the impact on participation rates. Additionally, fixed and higher costs to be admitted to the campaign could be a problem for small charities and could hinder their ability to raise low-cost, unrestricted and sustainable contributions from Federal employees. Further campaign cost sharing might result in a smaller charity database contributing further to decreased employee participation. Some state campaigns have successfully imposed a threshold requirement on charities to maintain access to campaigns. Charities not meeting a threshold of gifts have to take a hiatus. This kind of system may be preferable to CFC and more in keeping with the current legal framework (and avoids potential lawsuits over restrictions). The key point here is that any potential changes should be tested carefully in order to avoid unforeseen consequences.

22 Affordability
Streamline Financial Transactions

America's Charities Comments. Technology plays an important role in our search for meaning and connection in life. However, it also can make life less personal. Great care must be taken not to create an impersonal infrastructure that moves away from the ability of the individual government jurisdictions to have a workable program that leverages the unique local attributes. The CFC Commission should share publicly what studies they have done pointing to the need for such a system and how it would work. More details are needed in order to determine if this is an idea we can support. Again, having a level playing field with common technology available to all campaigns can help drive down costs and drive up participation if we do not lose the ability to touch the hearts and minds of the donor.

[6] Due to space limitations the white paper was not included in this report. However, it is available upon request.

American Red Cross

National Headquarters
430 17th Street NW
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February 28, 2012

Mr. Keith Willingham
OPM
Director, CFC Operations
1900 E Street, NW
Room 6484A
Washington, DC 20415-0001

Dear Mr. Willingham,

On behalf of the American Red Cross, I am pleased to add a few comments related to the CFC-50 Commission's preliminary recommendations. The Combined Federal Campaign (CFC) remains an important fund raising activity for the American Red Cross (ARC). First, it is an important source of contributions to help ARC carry out its Federal mandates of disaster relief and service to our military personnel. Second, the CFC is a vital avenue to communicate or role and impact to all Federal workers and armed services.

As the Commission moves forward to finalize its recommendations, there are a number of items that are being advanced by the sub-committees that we believe are especially good opportunities to strengthen and expand the value and role of CFC.

- Explore ways to expand the giving base by establishing a process to include retired employees and military personnel in the annual campaign.
- Establish a pre-emptive disaster relief fund raising program.
- Find ways to encourage and accommodate employee and military personnel who wish to participate in hands-on volunteerism.
- Reset the campaign calendar with a formal ending date in mid-January, which responds to several years of special extensions. ARC has benefited with additional dollars each time the special extension has been approved.
- Institute a new hire program that allows new employee to enroll in CFC. Companies have utilized this technique successfully for years.
- Create a communication vehicle and data base that identifies best practice campaigns that increase participation and total dollars raised.
- Encourage innovation and recognize outstanding CFC programs.

We very much appreciate the hard work OPM and the Commission have put into this reevaluation of the CFC. I am confident that the outcome will benefit the charities that participate in the campaign and results in a more gratified giving group of Federal employees and service personnel. We at ARC stand ready to support your efforts and continue as a participation partner to implement the final recommendations of the CFC-50 Commission.

Sincerely,

Neal Litvack

Neal Litvack
Chief Development Officer

Community Health Charities

WORKING FOR A HEALTHY AMERICA

March 12, 2012

The Honorable Thomas Davis, Co-Chair The Honorable Beverly Byron, Co-Chair CFC-50 Commission
c/o Mr. Keith Willingham
Director, Office of CFC
U.S. Office of Personnel Management
I900 E Street, NW Washington, DC 20006

Dear Commission Co-Chairs Davis and Byron:

Congratulations on the conclusion of the public phase of the CFC 50 Commission. This was certainly a significant undertaking on an important effort benefitting thousands of charities who serve individuals both here and abroad. We are looking forward to your report to U.S. Office of Personnel Management Director John Berry.

The draft recommendations discussed in your last public meeting March 2 in San Antonio are consistent with principles and standards we and others have been encouraging the Commission to establish during their deliberations. There are several items of clarification we are seeking as well as items which, if enacted, my have unintended consequences for the CFC campaign.

We fully support the overall goals of the CFC 50 Commission and many of your other recommendations to make CFC the gold standard of accountability, improving the local campaign structure, enhancing the donor experience, and streamlining the campaign overall. These include our support for giving by new hires and retirees, movement to "go green," universal giving, and more. Our organization, in fact, welcomes the opportunity for additional engagement to unite these caring donors with our nation's most trusted health charities. The services and resources of our charities are at work daily with our corporate partners improving health and wellness. Our federal government employees and retirees deserve those same opportunities to enhance their health through wellness activities and becoming involved in communities through volunteer opportunities.

However, because so many changes are being considered at the national and local level of CFC, we would encourage you to involve advisors from the Office of Management and Budget to' perform some financial and analytical modeling to see if the economies of scale envisioned can indeed be realized while maintaining the accountability necessary. The recommendations should be tested to be sure that costs are not just shifted from one level to another without achieving the cost savings anticipated.

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Community Health Charities of America

Improve the governance structure of federations

In order to achieve uniform and consistent accountability, transparency and integrity for the wide variety of federations included in the campaign, we support your efforts to address this issue. However, your consideration of these changes should keep in mind that

1) Ensuring members have a voice at the governance table is a vital and important means for charities to participate in the financial and budget oversight of the federations to which they belong and are in effect "shareholders". Member involvement on boards of directors is not a conflict of interest but a "hands-on" application of members' interests.
2) Federations relieve significant charity review burdens and fund distribution responsibilities not only from their members but also from the Federal government. With the freeze of Federal salaries, the anticipated wave ofbaby-boomer retirements, and the tight Federal job market, taking on more of these tasks at the national or local campaign level seem unlikely.
3) Each federation has a variety of services and fund-raising programs from which our member's missions do benefit (such as interactive health and wellness programs, volunteer opportunities, state and local applications, private sector fund-raising, training, marketing and more). These services are not only endorsed and supported by our members but they are expected. Any effort to impose an artificial ceiling on federation budget support for service might curtail these additional services that help raise unrestricted funds for charities at a time when those dollars are needed.

We appreciate your recommendations to establish standard, uniform means of disclosure and share that desire as well.

Change frequency of annual application requirement

The options presented have the goal of easing the paperwork burden and tbis can be accomplished through the move to recognize electronic certifications and submissions. As you do this, there may be an opportunity to better serve donors and charities. Federations also serve members with applications to various state and local campaigns, private sector campaigns and more. Therefore, a central CFC system should attempt to include all the information that is needed for the variety of state and local rules that also exist in the marketplace.

Anything that undermines the federation model may put these state and local dollars at risk, add additional administrative burden by requiring charities and federations to have multiple application systems, and have other unintended consequences, such as failure to present federation members to other government campaigns across the country.

Charities do outsource these functions to federations and consultants in order to achieve added value without having to expand their own infrastructure. Please be mindful of this as you address ways to streamline the annual application process in the final report and follow-up implementation. We would be happy to work with you to develop solutions to meet this goal.

Streamlined campaign infrastructure/Increase the value proposition of the campaign for donors

Addressing cost sharing from charities that get little financial benefit from CFC yet whose participation requires the local or national CFC to provide training, application review services and marketing for listing electronically and in paper documents is understandable. However, shifting half of the CFC costs in this way is not a cost-saving and would likely need significant research to see how donors would react.

It appears that some members of the Commission seem to be strongly in favor of the approach to the application and listing fee, however we believe that CFC donors are more engaged and would recognize that this shift in costs is still paid by the donor (whose money would be used by the charities to pay their share of the fees). It would be unfair to shift the participation burden to the backs of small agencies that financially benefit very little but who rely on the campaign to help connect donors to their mission or needed services. It would require them to pay an unrealistically high percentage of their actual return. This would seem to be contrary to providing openness to donor choice. We would urge additional research on this issue.

At the meeting, you clearly heard resounding support for open choice that has been a hallmark of the CFC. The spirit of the Royer-Hatfield amendment to the Continuing Resolution of 1986 which maintained CFC rules in a manner that preserves the campaign as the gold standard of choice is clearly worth upholding.

Summary

We are very encouraged by the significant progress you have made by engaging the many stakeholders in this important effort. We ask you to consider our comments as you craft the final report for Director Berry by the end of this month.

We encourage you to continue to focus on the areas which will make the greatest improvements on increasing participation, lowering overall costs, and increasing the transparency, accountability and integrity of the campaign.

Thank you for considering these comments in your final deliberations. Please share these comments with the Commission members and do not hesitate to contact me at 571.451.2873 or via e-mail at tbognanno@healthcharities.org if I can be of additional help to you and the Commissioners.

Sincerely,

Thomas G. Bognanno
President and CEO

EXECUTIVE SUMMARY of the MILLION DOLLAR ROUNDTABLE TESTIMONY for the CFC 50 COMMISSION

The Principal Combined Funds Organization (PCFO) administers the CFC under the direction and control of the Local Federal Coordinating Committee (LFCC) and the Director, Office of CFC Operations (OCFCO) in the Office of Personnel Management (OPM).

The Million Dollar Round Table (MDR) is a collaborative forum of PCFOs that administer solicitations of more than one-half million dollars and meet annually to share best practices, resolve campaign issues, and innovate to improve future campaigns.

The following are the recommendations of the PCFO MDR to the CFC 50 Commission for consideration:

1. Streamline, consolidate and update the CFC regulations and OCFCO policies into a single document categorized by topic in plain English.

2. Allow retirees from the Federal government to be actively solicited and participate in the CFC.

3. Update the regulations and policies to include current and future technology innovations that meet regulatory and security requirements.

4. Authorize simple pledge renewal each campaign as appropriate for the donor.

5. Authorize appropriate software for universal use and eliminate regional technology requests.

6. Simplify the campaign process, revise the campaign timeline and only extend solicitation periods under extraordinary circumstances.

7. Enable and pursue collaboration between regions and develop regional hubs for PCFO administration.

8. Do not consolidate the current campaigns into a “super” PCFO.

9. Develop a single CFC website with local campaign pages. Use the website for year-round messaging and integrate with other social media for immediate response.

TESTIMONY OF
BARBARA BARFIELD

COORDINATOR, 2012, 2006 MILLION DOLLAR ROUNDTABLE
EXECUTIVE DIRECTOR, FEDERAL EMPLOYEE SUPPORT FOR CFC CHARITABLE GIVING, INC,
PCFO FOR MULTIPLE REGIONS
DIRECTOR, CFC OF THE PIKES PEAK REGION

DEMETRIUS STEVENSON

CO-COORDINATOR, 2011 MILLION DOLLAR ROUNDTABLE
DIRECTOR, GREATER LOS ANGELES CFC

CHARLIE CAREY

HOST, 2012, 2006 MILLION DOLLAR ROUNDTABLE
DIRECTOR, CFC SAN DIEGO AND IMPERIAL COUNTIES

before the

CFC 50 COMMISSION

on

" Strengthening the integrity, operation and effectiveness of the
Combined Federal Campaign (CFC)"

March 2, 2012

I. MILLION DOLLAR ROUND TABLE OVERVIEW
Presented by Barbara Barfield

CFC 50-Commission Co-Chairs, the Honorable Tom Davis and the Honorable Beverly Byron, Facilitator, Keith Willingham, and Commission members, I am pleased to appear before you this afternoon to address strengthening the integrity, operation and effectiveness of the CFC from the Principal Combined Fund Organization (PCFO) Million Dollar Round Table (MDR) perspective and offer recommendations and solutions for achieving these goals.

The PCFO plays a significant role in carrying out the CFC mission. The primary activity of the PCFO is to manage, administer and support the Federal employee's campaign activities while maintaining the fiscal integrity, accountability, and transparency of the process consistent with the Office of Personnel Management (OPM) and Local Federal Coordinating Committee (LFCC) authority.

The primary goal of the PCFO is to conduct an effective and efficient campaign in a fair and even-handed manner aimed at collecting the greatest amount of charitable contributions possible in accordance with 5 CFR 950.105(b). Our responsibilities include campaign financial accountability, pledge support, charity application support, management support, marketing, and reporting.

The Million Dollar Roundtable is a **collaborative PCFO forum** for sharing best practices, solving common campaign issues, sharing administrative cost cutting measures, and developing innovative ways to enhance the campaign. The PCFO MDR has been meeting annually for nearly thirty years.

The PCFO MDR is comprised of campaign regions that have $500,000 in contributions or more. With campaign contribution levels ranging from half a million to multi-millions, PCFO MDR members have broad fundraising expertise and share administrative insights that effectively grow the campaign. The **PCFO MDR represents 96 regions, and supports nearly three million Federal personnel**. It enables the PCFO to learn how to take their campaigns to the next campaign level—be it 1 million, 2 million, 3 million, 4 million and upwards. The experience and expertise of the PCFO MDR is unmatched with a combined total of more than 500 years of PCFO experience administering the campaign. The PCFO MDR has professional fundraisers from several Federations and independent 501 (c) 3 organizations and provides Federal agencies and OPM Office of CFC Operations (OCFCO) expertise and cross training for professional fundraising in the Federal environment. The diversity of the campaign regions the MDR supports is a highly valued component of the PCFO MDR.

Mentoring is another important component of the PCFO MDR. It is usually PCFO MDR participants who are called upon by OPM OCFCO and the national committee to educate and train new campaign directors and smaller campaign regions on best practices, procedures and innovations at the OPM and National CFC Foundation (NCFCC) campaign training workshop. Twenty MDR participants were called upon for the training workshop that just concluded. The MDR spearheads innovative strategic planning, marketing practices, technology advancement, training materials, and solicitation methods, as well as effective campaign tools such as charity application check sheets, denial letter templates and payroll reconciliation forms where none previously existed. OPM OCFCO regularly duplicates these innovations and tools and enforces their use among all campaign regions.

The MDR also serves as the **primary consulting resource for campaign administration** for PCFOs because of the complexity of the regulations, numerous overlapping memorandums and audit requirements that are currently strictly enforced by OPM OCFCO that can be overwhelming for new PCFO campaign directors and small campaign directors.

While 2011 campaign pledge forms are still being reconciled by PCFOs, in 2010, PCFO MDR members were responsible for raising 259 million of the 281.5 million dollar national campaign in 2010. That is nearly **92 percent of the total CFC contributions from all Federal activities**. In addition, The PCFO MDR members reconcile and processes over 700,000 pledge forms annually. This aspect of the campaign administration; indeed, all aspects of campaign administration are possible because of collaboration between PCFOS of various contribution levels.

PCFO MDR participants feel strongly this network is the most informative, most useful, most beneficial collaborative effort of the CFC campaign and for these reasons it is enthusiastically supported by their respective Local Federal Coordinating Committees. The overall impact of the PCFO MDR on the campaign is the continual campaign growth over many years in spite of economic uncertainty, government shutdown anxiety, Federal pay freezes and overall attrition of long-term federal donors.

The CFC is the world's largest and most successful annual workplace charity campaign because it is an effective conduit for Federal employees to get involved in their community with their favorite charity

and impact many causes throughout the country and internationally by raising millions of dollars each year.

Fifty years ago, President Kennedy signed an executive order and created the Combined Federal Campaign. In those 50 years, Federal employees across the world have given nearly $7 billion dollars.

We now begin a new era of the CFC with a fresh look at the campaign and how it can be improved to sustain and strengthen federal workplace charitable giving for years to come.

The PCFO MDR recommends the CFC 50 Commission maintain the CFC program by streamlining it without centralizing it and utilizing the PCFO MDR network recommendations for campaign effectiveness and efficiency.

The PCFO MDR has identified several critical aspects of the campaign that would benefit from streamlining which will create significant improvement opportunity for administration, campaign growth and overall success moving forward.

II. PCFO MDR IDENTIFIES THE MOST CRITICAL INITIATIVES AND RECOMMENDATIONS FOR MOVING FORWARD
Presented by Charlie Carey

A. REGULATORY REQUIREMENTS:

1. Streamline, Consolidate and Update the CFC regulations into one policy and regulation document that is categorized by topic.

5 CFR 950 contains **28 parts** that include many more additional subparts for administration of the campaign **that total 27 pages of regulations**. In addition there are **212 separate memorandums over 24 years**, with an average of **9 new memorandums per year**, currently in effect and enforced by OPM OCFCO from 1988 and through 2011.

Most of the memorandums are written by OPM OCFCO and provide additional policy and procedure for campaign administrators to follow or interpretation of the regulations intended to "clarify" what is meant by them. This presents difficulties because as OCFCO Directors change, so too do the interpretations, leading to cycles of further memorandum policy and procedure change, interpretations, and clarifications. The net result has led to an unwieldy mountain of regulatory requirements that burden both the PCFO attempting to abide by the regulations and the OCFCO attempting to enforce them. This makes the campaign cumbersome and confusing to administer effectively or efficiently and creates a high risk for administrative error. The MDR recommendation to the CFC 50 Commission is **consolidate all of the regulations and memorandums into one categorized and organized reference document for all stakeholders' use instead of continuing to use the piece meal system OPM OCFCO presently employs.**

2. Update the regulations to allow solicitation of retirees and enable retirees to participate in the CFC through e-Giving and Retiree Pay Allotment.

A large resource of dedicated and passionate campaign contributors are retiring as the baby boomers continue to age. Many of these retirees are very loyal to the CFC as their charitable giving vehicle and wish to continue participating in the campaign. Each year PCFOs field numerous requests from retirees to give via bank electronic fund transfer (EFT) or allotment from their retiree pay. They are dismayed and disappointed that they cannot continue their years of loyal giving through the CFC except by one- time cash or check payment. Mechanisms already exist for retirees to participate and continue to support charities through the CFC. The regulations simply need to change to include solicitation of retirees and participation through e-Giving and retirement allotment utilizing such forms as DD Form 2558 dated
September 2002.

3. Update the regulations to allow for new technology that enables online electronic paperless giving, mobile applications, social media and subsequent mechanisms that meet PII and security measures required by the OPM OCFCO policies.

Many charities have been providing secure online applications for years. From the PCFO administrative perspective, operating as a non-governmental entity, the government environment is slow to react to free market technology development and does not have adequate resources to keep up with ever advancing technology solutions. For example, Employee Express (EEX) was piloted for more than seven years before being implemented in more than just a few campaign regions. To date, after more than 14 years, it is still not fully implemented in all campaign regions or all Federal agencies. It is outdated, slow, and does not provide adequate tracking mechanisms for administrative campaign reconciliation purposes.
Extra follow up by keywokers is also required to complete the EEX donor experience such as determining which donors are eligible for various donor thank-you gift levels and determining which employees are associated with which local offices in the region for unit award recognition. This defeats the privacy advantage of direct payroll platform giving. Campaign volunteer and PCFO time and resources are
wasted trying to reconcile EEX contributions causing donor dollars to be forfeited from charity distribution to administrative cost. The Defense Finance Accounting System (DFAS) has yet to fully develop and implement a sister program for military personnel. **The PCFO MDR recommends OPM OCFCO remove itself from software development and employ industry professionals to serve exclusively as the software platforms for PCFOs.**

The PCFO MDR participants have identified many technology advancements for optimal solicitation practices that, upon recommendation, have been integrated immediately into the software developed by the vendors. But these recommendations were not able to be integrated into the EEX platform due to resource constraints. Several software programs already meet strict compliance requirements and should be allowed to be used to their fullest capacity; namely—full service electronic giving and campaign management. Technical infrastructure for the CFC is paramount for the future of the campaign. It will significantly reduce overhead expenditures, provide administrative best practices consistent across the board, allow convenience for contributing, and provide real time reporting that is expected in today's technology-based world. In contrast, the government reporting platform cannot even be accessed until March of the following year which is too great a time gap between campaign solicitation and campaign reporting. As indicated in the attached OPM budget proposal, OPM does not have the funds to continue developing or advancing of these giving and reporting mechanisms.

Forty six campaign regions currently use vendor-provided software known as CFC NEXUS, two regions use PCFO-developed software, and a host of Federal agencies have developed CFC platforms in their own internal electronic payroll system software to meet donor demand for e-giving technology. **OPM OCFCO policy limitations are preventing this campaign technology from being fully implemented.**

4. Update the regulations to accept electronic signatures on electronic pledge forms and establish direct-to-payroll relationships that allow paperless transmission and verification of donor payroll pledges to pay centers.

Some local payroll offices interpret DFAS regulations for CFC pledge form requirements for "personal" signature as a "wet" signature and have rejected electronic signatures. This is outdated and inefficient. The PCFO MDR participants using the online software can support traditional electronic signatures legalized by the Federal ESIGN Act (enacted June 30, 2000), but also provide a graphical mouse signature which stores the "handwritten" signature on file as an image similar to many credit card swipe machines at self-checkout kiosks in major retailers. In order to have consistency throughout the entire campaign, OPM OCFCO needs to include specific language towards the nature of accepted electronic signature in the CFC Regulations. Since 2008 PCFO MDR participants have sought the ability to send pledge data directly to payroll centers having demonstrated the capability to do so, in a secure environment, with vendor developed technology. However, repeated attempts to establish direct-to-payroll relationships have been denied by OPM OCFCO. Only two regions have been authorized for direct-to-payroll CFC processing and have been doing so for three years.

Allowing new technology to process CFC pledges would virtually eliminate the indirect campaign cost for duplicative data entry and reduce potential error that results in campaign shrinkage. Data entry duplication occurs up to three times: first, the donor inputs his/her information on a paper form; second, the payroll office re-enters the payroll allotment information into the pay center system and third the PCFO enters the paper pledges into the distribution software. This is easily rectified with online electronic giving data input and upload capacity to both the payroll offices and PCFO administrative software. Pay center personnel could still verify the donor intent by cross checking the stored electronic pledge forms with the data spreadsheet prior to uploading it into their system.

5. Update the regulations to authorize pledge renewal.

Donors should be allowed to review their prior year's contributions and verify through electronic means, their intent to continue the contributions by a renewal mechanism in the electronic payroll deduction software. An annual pledge form with a printed campaign year should be advanced to present and future software capabilities.

6. Eliminate the requirement for regional technology request and reports if using OPM OCFCO sanctioned software.

Forty six regions use the vendor developed NEXUS software but each are required to duplicate the technology specifications and security provisions of the software in individual technology reports for annual OPM OCFCO use authorization. The report should just require the region to identify the software used thus reducing the review and approval time OPM OCFCO spends authorizing online technology software.

B. IMPROVE CAMPAIGN FUNDAMENTALS & EFFICIENCY:

1. Re-establish clearly defined stakeholder roles & responsibilities and revise the campaign timeline for achieving these roles and responsibilities.

At one time stakeholders roles and responsibilities were straight-forward. Over time all stakeholder responsibilities have grown tremendously but none more so than the responsibilities of OPM OCFCO. In addition to responsibility for general supervision of over-all operations of the CFC, eligibility determination of national/international charities, production of the national/international charity list, and audits of stakeholders for compliance with the regulations, their duties have been expanded to include development of additional policy and procedure for implementing the campaign, setting up a charity registry process and a coding system intended to be automated but continues to be manual, verifying charity standing with the IRS, and developing campaign instructions, forms, training and technology requirements. In addition, the audit requirements have been significantly expanded. This expansion of role and responsibility has resulted in bureaucratic overload and campaign chaos that has drastically slowed the overall campaign timeline and requires triage prioritization measures annually. Some processes cannot be started until the completion of others such as the 1417 charity registry until campaign reporting is complete. IRS verification process, appeal determinations and final charity list approval and authorization are all interdependent functions controlled by OPM OCFCO. Their timeline for completing these tasks has concluded after the official start of the solicitation period which has in turn impeded materials development and distribution, campaign team training, and event preparation and execution. Many campaigns are forced to start much later and then request extensions because the campaigns are delayed which continues to disrupt the campaign cycle for pledge reconciliation, charity distributions and campaign reporting. The overall impact is a less effective campaign because these expansions have cut into the solicitation period and accelerated all PCFO administrative processes due to campaign process overlap. This is coupled with earlier calendar requirements for PCFO proposals, PCFO selection, and charity application processing adding to the work impact of minimally manned PCFOs. It also
contributes to a high turn-over rate for PCFO campaign directors, Federal keyworkers, campaign coordinators and loaned executives. In addition, many Federal agencies can no longer support the loaned executive program due to budget constraints and hiring freezes which means more must be done with fewer resources. It has become very challenging to maintain all aspects of the campaign for all stakeholders, provide a positive giving experience for donors, AND keep campaign costs down while expanding campaign outreach through as many means as possible.

The PCFO MDR recommends campaign process simplification and streamlining, a revised campaign timeline and a discontinuation of campaign solicitation extensions.

Because PCFO fundraising professionals are “in the trenches” with the LFCC, loaned executives, employee coordinators and keyworkers they are best equipped to understand the needs for growing a campaign while performing all administrative functions and processes within an appropriate timeline. The PCFO MDR will support all stakeholders in achieving these goals while maintaining the fiscal
integrity, accountability, and transparency of the campaign processes. The PCFO MDR has included with this testimony an appendix of simplification and streamlining recommendations and a revised campaign timeline that addresses all of these overlapping campaign processes.

2. Collaboration with large/strong performing regions

The PCFO MDR recognizes the value of economies of scale for collaborating and group purchasing. **The PCFO MDR recommends large and strong performing regions be paired with small/weak performing regions in geographically close local campaign areas. PCFO MDR recommendation of criteria for initiating these pairings is two fold:**

a. regions under $300,000 and
b. regions where costs exceed 15%.

These pairings may result in consolidations and mergers long term but in the short term provide smaller campaigns access to greater economies of scale and cost reduction while maintaining their community identity. This recommendation is in stark contrast to the "Super" PCFO idea and retains an important aspect of campaign success—local campaign ownership verses centralized campaign ownership. As the PCFO MDR knows from years of integrating "best practices" nationally, geographic cultures are very different. What works in one culture may not be as effective in another. Most corporations recognize cultural differences throughout the country and customize marketing strategies to each local area. Another example of culture integration that does not always work for campaign success is integration of government cultures such as military culture with the postal culture. The military culture is more apt to adhere to PCFO campaign structure recommendations, while the postal service, due to business conditions, must often find creative ways to run the campaign without supplying keyworkers or giving up work time for CFC solicitation. The civilian culture falls somewhere in between and may have other cultural issues such as government department campaign verses a local agency campaign within the department. The PCFO MDR participants have many years of experience dealing with the trickle-down effect of the National Capital Area campaign extension that negatively affects the local campaigns in the Federal agency sector. This is why LFCCs and campaign volunteers have a strong desire to maintain a local campaign.

3. Development of PCFO administrative regional hubs

As these pairings grow they can further develop into **PCFO MDR recommended "regional campaign hubs," which reduces the number of campaign regions and enables group purchasing power and economies of scale while maintaining local interest and culture.** Potentially, campaign regions could be cut in half thus reducing OPM OCFCO oversight requirements for many campaign regions. The risk of overly large campaign regions is too much homogenization resulting in less motivation to run an effective campaign and decreased participation due to interfacing less with PCFO professional fundraisers. The result would be fewer donors bearing higher administrative costs for the campaign.

4. Forego the concept of a "Super" PCFO

The PCFO MDR does not recommend replication of campaign organization and administration for the "super" PCFO. Consolidation does not always equate to cost savings and consolidation would lead to campaign disarray. The PCFO MDR recognizes a super PCFO would be a single support source responsible for implementing and authorizing all campaign processes. The PCFO MDR knows it is very difficult to stagger the workload due to the shortness of the CFC solicitation period. It would require too much "standing in line" waiting for PCFO support, triage implementation for stalled processes and potential for general chaos. This type of centralization proved to be inadequate with the implementation of the OPM charity registry, verification, and code authorization processes. In

addition, local expense authorization, reconciliation and invoice payment could be delayed significantly which would paralyze the local campaign. The PCFO MDR also recognizes the marketing and solicitation campaign processes are intertwined with the pledge reconciliation and distribution processes. For instance, the PCFO must interface with the keyworker who collected a pledge form that has an invalid code, mathematical error or legibility issue. A keyworker who recognize the CFC administrative staff contacting them will follow up with the donor. But when they don't have a relationship with a data processor or recognize the organization contacting them for more information about a pledge, they are reluctant to respond thus further delaying the reconciliation and distribution of the contributions. The compliance audit and financial audits are also intertwined and it would be difficult to separate these functions for auditing liability.

Replication is expensive especially when your greatest cost is human resource development and turn-over. A "super" PCFO would have to hire and train new personnel to replace the existing PCFO personnel. The PCFO MDR members recognize that the majority of veteran campaign directors will not give up upward mobility in their local community PCFO to work for an outside organization that doesn't have an established local presence. It would be challenging for a super PCFO to attract and retain long-term personnel. A super PCFO would be responsible for a large line of credit that may not be available due to the current banking environment. The super PCFO campaign idea threatens campaign timeliness and
risks campaign errors and liability exposure.

Finally, this concept has already been thoroughly discussed, researched, and vetted by stakeholders back in the 1990's and the resounding conclusion was to reject the concept because of the inherent inefficiencies it would create with multiple layers of PCFO administration. Humorously, it was referred to as the "**C**entral **R**eceipt & **A**ccounting **P**rogram" and the joke of it was the government acronym "CRAP" because it justified its dismissal.

C. IMPROVE THE CFC IMAGE BY USING TECHNOLOGY FOR COLLABORATIVE CAMPAIGN MARKETING AND REAL TIME DONOR FEEDBACK.

1. Develop a singular CFC website with local campaign web-pages.

The PCFO MDR recommends a CFC NEXUS developed CFC website that integrates national branding with local culture by providing local campaign web-pages controlled and customized by regional campaigns. The local web-pages would support local campaign activities with pertinent information for local charities, their donors and campaign volunteers. All stakeholders would be able to collaborate by viewing these mini-website pages and see what other campaign regions are doing to support their campaigns. The home page would include collaborative videos, Facebook friends, donor testimonies, messaging from the President, and other marketing tools. Donors and campaign workers would be logically routed to the correct module upon visiting the singular domain (i.e. combinedfederalcampaign.gov). Features for online pledging, charity research, and administrative functions would be consistent across all modules. OPM would have a channel that is displayed across all CFC regions. So, when an announcement is made by OPM, they make one entry and it would be immediately accessible by the entire CFC community. Ultimately this would be a marketing mechanism for an unprecedented view of the CFC campaign.

2. Provide ongoing year around online campaign Q & A, issue resolution and voluntary survey submission.

To overcome misinformation **the PCFO MDR recommends online year-around campaign messaging on the singular CFC website that is integrated with other social media like Facebook for immediate response.** Open surveys for voluntary submission, a question posting mechanism and regular feedback and follow up are keys to overcoming potential issues or misinformation. Donors will appreciate the responsiveness of the campaign.

III. CONCLUSION:

Presented by Demetrius Stevenson

The CFC 50 Commission has provided a rare opportunity to significantly improve the management, administration and support the Federal employee's campaign activities while maintaining the fiscal integrity, accountability, and transparency of the process. **The PCFO MDR believes the CFC is a very viable conduit for Federal employees charitable giving but also recognizes that bureaucracy** stifles innovation and campaign growth by overwhelming the process. The campaign needs to be flexible and adaptable to a constantly changing technological environment.

The PCFO MDR has identified **the most critical initiatives and recommendations for moving forward** to sustain and strengthen the CFC for the future. **The PCFO MDR recommends maintaining the program by streamlining it without centralizing it and continuing to administer the campaign with a strong and influential association of PCFO Million Dollar Round Table fundraising professionals who have the experience and expertise to grow the campaign by pairings of small campaigns with big campaigns for administrative efficiencies and cost savings measures which will create the appropriate dynamics for a growing and successful national campaign.**

Each of the streamlining initiatives will attract more donors and reduce administrative processing costs while enhancing the donor experience, creating a more positive charitable giving environment.

We can no longer afford to make it hard for Federal personnel to give using outdated giving requirements. We will positively impact the campaign by being receptive and responsive to donor driven technology expectations. These recommendations will be particularly attractive to young donors who integrate technology in every aspect of their lives. The outcome will be long-term campaign sustainability and growth.

Members of the Commission, thank you allowing the PCFO MDR to share our administrative perspective and provide recommendations that will enhance the Combined Federal Campaign for the next 50 years.

TESTIMONY OF RENÉE ACOSTA
PRESIDENT
GLOBAL IMPACT
BEFORE THE
COMBINED FEDERAL CAMPAIGN (CFC)-50 COMMISSION

March 2, 2012

Thank you for the opportunity to provide additional testimony to the Combined Federal Campaign (CFC)-50 Commission. Global Impact supports and shares the vision of the CFC-50 Commission to preserve and strengthen the campaign for future generations. Global Impact thanks the members of the Commission for the important work being done to serve more people in need around the world, across the nation and in our communities.

For today's testimony, comments will be made on the recommendations that will have the greatest impact on the effectiveness and efficiency of the campaigns as put forth and established by the Commission at its December meeting. Additionally, attached to this testimony are appendices that reflect tangible activities that improved the results of the two campaigns managed by Global Impact and support the efficacy of these recommendations.

The next 50 years of the CFC provide opportunities for increasing revenue and participation to increase the resources and help for people in need. People give to people and the number one reason they give is because they are asked. It is important to keep the beneficiaries foremost in our minds. These recommendations focus on proven strategies that increase participation in the CFC, heighten the visibility of the campaign among Federal workers, inculcate efficiencies of the charity application process and increase transparency.

(#2) Restore the campaign's image by dealing with issues regarding perception among many Federal Employees.

To achieve this goal, Global Impact recommends additional research regarding the current perception of the campaign so that actions undertaken address identifiable negative perceptions rather than opinion and anecdotal information with particular attention paid to generational differences. The research must be focused on the attitudes of the donors and non-donors and the drivers for participation (e.g., campaign marketing, senior leadership support, online and mobile giving and volunteer opportunities).

In order to receive continuous feedback and maintain positive perceptions, Global Impact recommends OPM require all campaigns to implement a standardized simple online donor feedback survey each year whereby results are aggregated and then compared nationwide. The results would identify areas of strengths and weakness and continually gauge Federal worker's perception of the CFC. OPM will then have the data to develop a proactive plan to improve the campaign's image.

Global Impact instituted donor and volunteer research when it assumed management of CFC-O in 1995 and CFCNCA in 2003. Research resulted in steadily increasing revenue in the National

Capital Area and Overseas campaigns each year through 2010. The results are taken seriously and the information is applied to campaign planning in the following year.

The data obtained from the research is used to improve the campaign, including technology enhancements, marketing, messaging, training and donor materials. Examples of feedback loops include "Count Me In!" opportunities placed on pledge forms for both campaigns whereby donors indicate their willingness to be contacted for additional feedback purposes, a donor survey on the inside cover of each CFC-O pledge card and surveys completed at the end of all training sessions.

Appendix 1: After Action Review (CFC-O)
Appendix 2: CFCNCA Volunteer Survey
Appendix 3: "Count Me In!" on Pledge Form
Appendix 4: Loaned Executive Exit Interview Questions

(#8) Determine what criteria are used to inform decisions on whether or not to include a charity in CFC.

The criteria for charity eligibility are explicit in the Regulations. The standards for eligibility have been lowered over time, for example, there is no limit to a charity's administrative overhead ("let the donor beware") and the revenue results requiring an audit that reflects the charity's fiscal health has been increased. Federal donors look to the CFC to vet the participating charities and are increasingly focused on accountability and transparency. Suggestions for increasing the standards include: lowered audit levels, random audits conducted by the Office of CFC Operations (OCFC-O) that could include attendance at a representative sample of LFCC meetings, local eligibility committee meetings, and audit results against submissions of the OPM Form 1417.

Further, approval to participate for multiple years must include conditions that trigger an off cycle review. The conditions could include a minimum donation amount, a qualified audit and other indicators tied to the review efforts of OCFC-O. Nominal revenue requirements would ensure even-handed cost allocation. This has the added benefit of reducing costs for the PCFO and the applicant charities. Lastly, an application fee should be considered for charities to offset the expenses accrued throughout the application process. A process similar to the LFCC triannual bid process for the PCFO selection is envisioned.

(#11) Clarify and explain the cost and benefits of the campaign to donors.
A consistent statement of the benefits of giving could easily be included in all collateral materials and would ensure common understanding. Potential donors may not fully understand the benefits of giving, and current donors will give more generously when they understand more clearly the benefits of giving.

Within the 2011 CFCNCA, Global Impact developed a communication plan based on creating donor understanding with the use of the theme *the Compassion of Individuals, the Power of Community* in posters, advertisements and campaign materials. Within the CFC-O, messaging in materials linked the donor gift to specific explanations of how the simple act of giving changes the lives of others. Both campaigns include consistent statements on the benefits of giving, such as convenience, choice and confidence in knowing the donor's gift is going to designated charities approved and vetted by Federal employees.

Appendix 5: Benefits of Giving (CFC-O)
Appendix 6: Benefits to Donor (CFCNCA)

(#19) Make the CFC accessible to employees who want more choice of charities by allowing "CFC universal giving." Donors may designate any CFC-certified charity regardless of the charity's location or the giver's location. This is especially valuable to deployed military personnel and TDY personnel.

Universal giving would allow donors to give to their favorite local charities through the CFC without the impediment of location. Global Impact strongly encourages this suggestion be thoroughly researched. The research must include verification of the costs involved in the PCFO distributing funds to possibly tens of thousands of individual charities across the country and should verify the capacity of universal distributions only at the PCFO level; and each PCFO will then be responsible for further distribution of funds within their service area.

Global Impact piloted several programs in the overseas campaign for the Central Command targeting local giving options. One program allowed deployed service members to contribute back to "All Local Charities" in their home station campaign and the other allowed them to contribute to Morale, Welfare and Recreation (MWR) programs that participated in their home station CFC. Our experience with these programs highlights some potential pitfalls to the universal charity listing recommendation: for example, the extra costs incurred by PCFOs when offering additional giving options and distributing very small designations and utilization of this option by donors. Additionally, participation was very low despite aggressive promotion.

(#22) Make the CFC more affordable by removing financial and transactional responsibilities from numerous PCFOs and develop a nation-wide Super PCFO.

Global Impact recommends further research on the actual costs of operating the campaigns and the benefit of a nationwide Super PCFO model versus the current model. The creation of a nationwide Super PCFO may not result in the effectiveness and efficiencies desired. Separating front-end strategies from back office work may detrimentally impact the ability for a PCFO to effectively market the local campaign and may not allow smaller PCFOs with enough budget and motivation to continue their campaign efforts. Campaign operating budgets include efforts in marketing, solicitation, award and recognition as well as printing, postage and campaign processing – all of which are integrated and balanced at the local PCFO level.

Additionally, a Super PCFO could easily be hindered with a bottle neck of administration in supporting more than 200 local campaigns. Global Impact recognizes that economy of scale is notionally seductive, but careful analysis must occur to ensure effectiveness and efficiency.

Conclusion
The approaching retirement of thousands of Federal workers provides both a challenge and opportunity to recruit and engage the next generation in the culture of giving. This culture began with the vision of President John F. Kennedy and has been the mainstay of the campaign for the past 50 years. It is our hope that Global Impact's experiences managing the two largest CFCs serves as a resource to strengthen the CFC over the next 50 years.

Appendices

Appendices to CFC-50 Commission Narrative

Appendix 1: After Action Review (CFC-O)
Appendix 2: CFCNCA Volunteer Survey
Appendix 3: "Count Me In!" on Pledge Form
Appendix 4: Loaned Executive Exit Interview Questions
Appendix 5: Benefits of Giving (CFC-O)
Appendix 6: Benefits to Donor (CFCNCA)

(Note: The appendices were not included in this report due to space limitations. They are available in their entirety upon request.)

Appendix D

HISTORY OF CHARITABLE FUNDRAISING

WITHIN THE FEDERAL SERVICE

Fundraising for charitable organizations in the Federal workplace can be traced to the late-1940's. However, formal authority to permit fundraising in the Federal workplace was not established until 1961. In signing Executive Order 10927, President John F. Kennedy authorized the U.S. Civil Service Commission to develop guidelines and regulate fundraising in the Federal service.

Early Years

Prior to the 1950's, on-the-job fundraising in the federal workplace was an uncontrolled free-for-all. Agencies, charities, and employees were all ill-used and dissatisfied. Some of the problems cited were:

Quotas for agencies and individuals were freely established and supervisors applied pressure to employees.
Designations were not allowed.

Even with the frequency of on-the-job solicitations, total receipts for charitable causes that were worthy of employee support were minor. In many cases, employees donated their pocket change.

President's Committee on Fundraising

As far back as 1948, the then existing Federal Personnel Council (composed of agency personnel directors) attempted to add uniformity and stability to the fundraising effort through the issuance of guidance to departments and agencies. However, the Council had no enforcement authority and the departments and agencies continued generally to follow their own inclinations in the conduct of on-the-job solicitations.

As the solicitations proliferated and with continued dissatisfaction with a lack of uniform policy in workplace fundraising, Philip Young, the President's Advisor on Personnel Management, who also acted as Chairman of the Civil Service Commission (CSC), initiated a study of the problem. This 2-year effort (1954-56) involved extensive discussions with leaders of charitable organizations and managers throughout the federal establishment.

In June 1956, President Eisenhower formally charged the President's Advisor on Personnel Management with responsibility for the development and administration of a uniform policy and program for fundraising within the federal service. In that year, Fund Raising Bulletins No. 1 and No. 2 were issued, identifying the charitable organizations recognized for on-the-job solicitations and designating the times of the year during which their solicitations could take place. General guidelines were issued for the conduct of campaigns, and an Eligibility Standards Committee was established. The Committee's eligibility criteria formed the basis for identifying charitable organizations recognized for solicitation during 1958 and later years.

The first participating charitable organizations were:

The American Red Cross,
Local Community Chests, United Funds, or Federated Groups,
The National Health Agencies (an ad hoc group of nine health-related voluntary organizations), and
International Voluntary Agencies (an ad-hoc group of two voluntary agencies primarily interested in overseas assistance programs).

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. Solicitations by charities were consolidated into three on-the-job campaigns a year (for different groups of charities), and operational ground rules were established and eligibility tightened.

The principal characteristics of the emerging federal fundraising program were that all individual voluntary health and welfare agencies were grouped into the four categories above, and that each of the groups was assigned specific periods during each year when they would be permitted to carry out on-the-job solicitations. 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.

This was a giant step in simplifying and systematizing fundraising in the federal service. As it developed, however, there continued to be dissatisfaction with the expense and disruptive influence of multiple campaigns. It also remained true that receipts continued to be low in relation to the proportion of time and energy devoted to the various campaigns. 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. There was no payroll deduction.

A "Combined" Campaign

By 1961, President Kennedy had determined that the program was well-enough established that the President's Committee on Fund Raising within the federal service could be abolished. He did so and assigned the program to John W. Macy, Jr., Chairman of the Civil Service Commission, by Executive Order 10927.

Work on overcoming problems with the program continued. Serious consideration began to be given to both a system of payroll deduction and the possible consolidation of solicitation efforts into a single campaign. There was strong interest on the part of representatives of the voluntary agencies in payroll deduction. However, there was not agreement at this stage on the part of all participants about the desirability of melding the separate identities of the fundraising organizations by consolidation into a single campaign.

In 1964, the first "combined" campaigns, officially called "Combined Federal Campaigns, or CFC" were conducted as experiments in six cities, consolidating all drives into one. The result was a substantial

increase in contributions, ranging from 20% to 125%, and a highly favorable response within the federal community: agency managers were pleased with having to deal only with a once-a-year effort; federal employees responded with favor to the single solicitation.

By 1971 all campaigns had become "combined." President Nixon announced on March 3, 1971, that the CFC would be the uniform fundraising method for the Federal service. Another major change at the time was the introduction of payroll deduction as a form of charitable contribution. This was made possible only by a truly combined, once-a-year campaign, and greatly increased the size of contributions.

Despite continued skepticism about whether the consolidated character of the CFC suited the fundraising philosophies of some of the major CFC participants, contributions grew dramatically: from $12.9 million in 1964 to $82.8 million in 1979.

Expansion

Up through the 1970's, the Combined Federal Campaign (CFC) was a relatively non-controversial program in terms of the charities allowed to participate. Growth in the number of participating national charities was slow -- from 23 in 1969 to only 33 in 1979.

In the late 1970's, public policy advocacy groups, legal defense funds, and other organizations succeeded through lower court litigation in entering the CFC. The case that opened the doors to these types of groups was Natural Resources Defense Council v. Campbell in which the United States District Court for the District of Columbia ruled that the definition of a human health and welfare charity was too vague and ordered the Office of Personnel Management (OPM) to allow various groups to participate in the CFC. OPM, the successor organization to the U.S. Civil Service Commission, assumed regulatory authority over the CFC in 1978.

Significant changes to the CFC regulations in April, 1980 went a long way toward expanding participation in the CFC and resolving a number of other problems. Regulations issued in 1982 by OPM Director Donald Devine also addressed CFC organization. They formally recognized the role and responsibilities of the local groups of Federal officials that manage the campaigns -- Local Federal Coordinating Committees (LFCCs) -- and introduced the concept of Principal Combined Fund Organizations (PCFOs) -- local federated fundraising organizations appointed by LFCCs to administer the local campaigns.

Responding to a court order permanently enjoining OPM from excluding legal defense and advocacy groups from the CFC because of their "indirect" support of health and welfare or their lobbying/advocacy activities, Director Devine in April 1984 opened the CFC to basically any 501(c)(3) charity and permitted write-in designations.

In July 1985, however, the Supreme Court upheld President Reagan's Executive Orders, holding that the exclusion of advocacy, legal defense and other non-health-and-welfare groups is constitutional, as long as it is done even-handedly, without discrimination for or against any particular political viewpoint. In 1986, OPM revised its regulations consistent with the President's Orders.

Under the Hoyer-Hatfield Amendment to the Continuing Resolution for FY 1986, however, Congress declared that OPM could not issue the regulations in final form and implement them. Congress directed OPM to either disregard the content of the 1982 and 1983 Executive Orders or reissue the regulations

used in the campaigns in 1984 and 1985. OPM reissued the 1984 regulations and administered the 1986 and 1987 CFC under these interim rules.

The 1990s

Starting in the fall of 1986 and continuing throughout 1987, the Office of Personnel Management (OPM) met with various interested parties including local federal officials and representatives of the voluntary agencies and the federations. During the course of these discussions OPM identified six areas of immediate concern:

The Director of OPM convened a task force composed of three private sector individuals, chaired by OPM's General Counsel. The task force was to consider relevant information on the design and operation of the Combined Federal Campaign (CFC) and provide the Director with its opinions on the future direction of the CFC.

Before the task force could present its report to the Director, the Congress, at the request of various national charities, adopted permanent legislation for the CFC in the Treasury, Postal Service, and General Government Appropriations Act for FY 1988 (P.L. 100-202). This legislation attempted to deal with some of the major problems that OPM had identified during the course of the meetings and discussions during the past year and a half.

Public Law 100-202 required OPM to review the formula for distributing undesignated contributions based on the experience of the 1988, 1989, and 1990 CFC's. In 1990, OPM conducted eight public meetings around the country to hear from all interested parties, especially federal employees, on this topic. Final regulations were published in August, 1991 that provided for undesignated funds to be distributed to organizations in the same proportion as they received designations. In addition, three new general designation options for all participating organizations, all national/international organizations, and all local organizations were created. They have since been removed. A fourth general designation option for all international organizations was mandated by congressional legislation and still exists today. These regulations were effective with the 1992 campaign.

As a result of audits of local campaigns conducted by OPM's Office of the Inspector General and to reflect the experience of the previous eight campaigns, CFC regulations were revised in November, 1995. Eligibility and public accountability criteria for participating charities remain consistent with congressional guidelines. However, several administrative changes were made. Some of the more important revisions include:

- More clearly defining the scope and meaning of workplace solicitations in the Federal government;
- Identification of the circumstances where the Director may authorize solicitations of Federal employees in the workplace outside of the CFC;
- Clarification of procedural requirements for charitable organizations seeking participation in the CFC;
- Expanding local eligibility by defining and enumerating criteria for organizations that provide services on a statewide basis;
- Removing all general designation options not required by statute; and
- Expanding the solicitation methods and the pool of potential donors.

The 1999 Combined Federal Campaign currently consisted of 387 regional campaigns and the 1998 campaign receipts were $206.4 million.

The CFC Today - A Time for Transformation

The CFC today is known to be the most inclusive workplace giving campaign in the world with the number of participating charities estimated at over 20,000 nonprofit charitable organizations worldwide. The charities supported through the CFC range from nascent community groups to large, well-known charities.

Partnerships with nonprofit organizations are a core part of the CFC structure. In each of the 320 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.

CFC campaigns are delineated geographically along county lines. While the structure of the campaign and parameters of responsibility established in the early 1980's remains essentially the same, an emerging trend is for greater collaboration among campaigns through the merging of local campaign operations and other arrangements. Each campaign is managed by a volunteer group of Federal employees who work with experienced nonprofit executives in their communities to generate contributions and distribute them to eligible charities. This partnership provides an opportunity for Federal workers to become involved in their communities and adds great value to the Combined Federal Campaign for both Federal employees and the participating nonprofit organizations.

The increase in the number of participating charities over the past decade has been great. The number of participating national Federations increased from 3 to 27 and the number of national and international charities has grown to over 1,600. Many federations also operate a network of local affiliated federations which participate in the CFC locally.

Today, the vast majority (75%) of the charities that participate in the campaign as national organizations do so as members of national Federations. While it is estimated that the total number of CFC participating charities in the country exceeded 20,000 in 2004, national organizations and Federations alone received over 45% of the $256 million recorded in campaign contributions in 2004.

Despite dramatic downsizing in the Federal workforce during the 1990's, the amount received in donor contributions rose steadily -- with half of the nearly $5 billion in contributions raised since results were recorded in 1964 received in the last 10 years since 1990. This upward trend in giving continues strong. In 2001 alone following the September 11 terrorist attacks, Federal donor's contributions rose by 8% over 2000 for a total of $241 million, the largest increase in 12 years. By 2004, contributions increased to $256 million. Contributions increased steadily until 2010 and then declined again in 2011 despite increases in the average gift amount. Participation rates also are showing a declining trend.

New opportunities abound with the use of new technology. What seemed impossible just a few years ago is now entirely possible and will be more commonplace 5 years from now.

The proliferation of this technology campaign-wide presents a rare strategic occasion for the CFC to become an even more efficient campaign in the future. The CFC Program is endeavoring to bring these advances to donors as well. For example, nonprofits are lending their expertise in web-based philanthropy to bring new efficiencies to giving in the Federal workplace through the use automated giving.

Without a doubt, the ability to applying a green approach together with web-based technology will assist CFC's future growth. It is equally important to preserve donor trust as the CFC activates strategies for ensuring the future strength and growth of the campaign.

Appendix E

GLOSSARY OF TERMS

Administrative Expenses, PCFO Expenses, Campaign Expenses, or CFC Expenses - all documented expenses identified in the PCFO application relating to the conduct of a local CFC and approved by the LFCC in accordance with these regulations.

Agency, Voluntary Agency or Charity - A non-profit, philanthropic, human health and welfare organization.

Agency Coordinator - are generally responsible for overseeing key worker activities and working with the PCFO to conduct the six-week solicitation at his/her agency.

Campaign Cycle/Period - A time reference for CFC campaigns that consists of a two-year reporting period which marks the beginning of a campaign and the end of a campaign. Depending on when the PCFO is selected by the LFCC, most campaigns will begin operation on or around March 15 of the first year of the campaign and end around March 14 two years later, depending on the final disbursement for the campaign. For example, March 15, 2004 begins the fall 2004 campaign and March 14, 2006 marks the end of the fall 2004 campaign. More generally, the annual campaign runs for a six-week period between September 1st and December 15th. Actual dates are determined by the LFCC and PCFO and may vary from one campaign to another.

Charity, Charitable Organization or Organization - a private, non-profit, philanthropic, human health and welfare organization.

Combined Federal Campaign or Campaign or CFC - the charitable fund-raising program established under Executive Order Number 10728, as amended by Executive Order Number 10926, 12353, and 12404.

CFC Operations (CFCO) - is charged with overall responsibility for day to day management and supervision of the CFC. CFCO provides regulatory oversight, including annual audits, and technical guidance to the CFC campaigns.

Designated Agency Ethics Officer (DAEO) - An officer or employee who is designated by the head of a Federal agency to coordinate and manage the agency's ethics program in accordance with the provisions of 5 CFR §2638.201.

Designated Funds - contributions which the donor has designated to a specific voluntary agency(ies), federation(s), or general option(s). Also see Undesignated Funds.

Director - The Director of the Office of Personnel Management.

Domestic Area - means the several United States, the District of Columbia, the Commonwealth of

Puerto Rico, and the United States Virgin Islands.

Employee - any person employed by the Government of the United States or any branch, unit, or instrumentality thereof, including persons in the civil service, uniformed services, Foreign Service, and the postal service.

Federation or Federated Group - a group of voluntary charitable human health and welfare agencies organized for purposes of supplying common fund-raising, administrative, and management services to its constituent members.

International General Designation Option - a donor option indicating that the gift be distributed to all of the international agencies listed in the international section of the campaign brochure in the same proportion as all of the international agencies received designation in the local CFC. This option will have the code IIII.

Key worker - Federal employees who are generally responsible for distributing campaign materials, such as, brochures/listing of charities and pledge cards within their agency or unit/division. Key workers may also collect pledge cards and cash/check/money order donations from contributors, and transmit these items back to either the agency coordinator, a loaned executive (LE) or the PCFO. The process varies in each campaign and/or agency.

Loaned Executive (LE) - Federal employees "loaned" by a Federal agency to either the LFCC or PCFO to assist in the conduct of the campaign. LE responsibilities vary in each campaign. Responsibilities may include pre-screening charity applications, entering pledge card data into the PCFOs tracking system, and assisting Federal agencies in conducting solicitations of its employees.

Local Federal Coordinating Committee (LFCC) - The Local Federal Coordinating Committee (LFCC) is comprised of Federal employees and representatives of labor unions with Federal employees as members that are officially designated by the Director to conduct the CFC in a particular community. The LFCC selects the principal combined Fund Organization (PCFO that serves as fiscal agency for the campaign. The LFCC provides oversight for the local campaign in conformance with the CFC regulations and the policies established by OPM. The LFCC also approves local (and in some instances, statewide) charities in their campaign area that have met CFC eligibility standards as set forth in the CFC regulations. Federal employees interested in volunteering with the CFC should contact their local LFCC found at the Campaign Locator or ask your duty-station Agency CFC Coordinator for more information.

Office of Personnel Management (OPM) - OPM has responsibility for the oversight of the CFC. The Director of OPM has designated to the CFCO responsibility for day to day management of the CFC. CFCO reviews and provides guidance and technical advice on regulations, and has the authority to conduct compliance audits on any CFC local campaign's fiscal records.

Overseas Area - the Department of Defense (DoD) Overseas Campaign which includes all areas other than those included in the domestic area.

Principal Combined Fund Organization (PCFO) - the PCFO administers the local campaign and acts as fiscal agent under the direction and control of the LFCC and the Director. OPM sets strict requirements

for this role. Annual audits are required of the PCFO by an independent CPA.

Solicitations - any action requesting money, either by cash, check or payroll deduction, on behalf of charitable organizations.

Undesignated Funds - contributions that the donor has not designated to a specific voluntary agency(ies), federation(s), or general option(s).

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