February 26, 2014

VIA EMAIL

Office of Information and Regulatory Affairs
Office of Management and Budget
262 Old Executive Office Building
Washington, DC 20503
Attn: Kevin Herms Herms@omb.eop.gov

Subject: Comments on Proposed Regulatory Changes to 5 CFR 950- Solicitation of Federal Civilian and Uniformed Service Personnel for Contributions to Private Voluntary Organizations (RIN: 3206-AM68)

Dear Mr. Herms:

Thank you in advance for the opportunity to meet to discuss the proposed rule change to the Combined Federal Campaign (CFC). As you are aware, the CFC is the largest workplace giving campaign in the world. It was created by Presidential Executive Order to *lessen the burdens of government and of local communities in meeting needs of human health and welfare; [and] to provide a convenient channel through which Federal public servants may contribute to these efforts,* 48 FR 6685 (Feb. 15, 1983).

As the charitable federation representatives of thousands of charities that receive substantial and vital support from federal employee donors through the CFC, we view our role as one of continued partnership with the Office of Personnel Management (OPM). We commend the OPM's commitment to revitalizing the CFC and have offered and continue to offer our counsel and assistance in implementing many of the changes to the CFC proposed by OPM.

Given our collective experience in modern workplace giving and employee engagement, we are looking forward to working with the OPM to facilitate a strategic discussion on how we may revitalize the campaign and increase employee participation and dollars raised, while continuing to maintain transparency and efficiency.

Over the past three years, we have been working to engage OPM staff responsible for the CFC in discussions on how to re-energize the CFC. We have diligently worked to provide our experience-based, constructive input to the process, first by participating in opportunities to react to draft concepts that emerged from theCFC50 Commission, then also via our response and input to the CFC50 Commission recommendations with ideas for new innovations and strategies. Additionally, we have provided public comment to the draft rule and provided input culminating in a July 2013 congressional hearing with the House Oversight and Reform Subcommittee, whereby concerned members of Congress received testimony and urged OPM officials to "do no harm" and to also do the following:

- Provide answers to the congressional subcommittee regarding questions and concerns they had about the proposed changes. Their primary concerns focused on the added costs to charities, the lack of details regarding timing and execution, and what they characterized as an unrealistic expectation that technology could totally replace traditional forms of personal giving which currently represents a very large percentage of all CFC donations.

- Form and obtain substantive input from an advisory committee of experts and stakeholders including federal employees before making any final changes.

- Communicate in a more timely and transparent manner the response to, and action regarding, the questions from Congress and the unprecedented 1,300+ Federal Register comments published on The Federal Register, the vast majority of which were concerned with the proposed changes.

Our fear is the rule will go into effect without the OPM responding to and addressing the concerns expressed by Congress, federations, participating charities and other stakeholders who are concerned about the negative impact some of the proposed changes will have including but not limited to dramatically reducing methods and opportunities to give including over-reliance on technology platforms; and significantly less money raised. To that end and to the CFC Executive Order language that says the CFC exists to *lessen the burdens of government and of local communities in meeting needs of human health and welfare,* it is important to note that CFC dollars are unrestricted and, therefore, generate another 3-5 times that in leveraged funds and resources. In essence it is our expert view that some of OPM's proposed changes will result in a net loss of $750 million to $1 billion annually and results in additional burdens to government.

It is important to note that we have consistently said we support most of the proposed rule changes. We shared our views regarding those provisions of which we were not in favor including the removal of traditional giving options, such as cash gifts, and an overreliance on technology and elimination of paper processes without the corresponding infrastructure to support it. Congress shared our view on these concerns and urged caution and testing prior to implementation.

However in the proposed rule are two provisions in particular that we believe would be detrimental to the health of the campaign, in conflict with the Congressional directive of "no harm" and, in some instances, in contravention to the Executive Orders governing the campaign and the rulemaking process. The two provisions are:

§ 950.302 (d) in the proposed rule states *Federations must disburse CFC funds to each member organization without any further deductions. Membership dues, fees, or other charges to member organizations must be assessed outside of the CFC disbursement process.*

§ 950.107 (a-d) which assess a three-tiered fee structure consisting of application, listing and distribution fees, *which will be determined annually by the Director of Office of CFC and paid by charities.*

While the OPM's stated objective for these changes is to increase transparency and accountability to various campaign stakeholders, a goal that we both support and applaud, it is our assertion that neither of the above would achieve this result.

§ 950.302 (d): Fees Charged by Federations

The proposed rule would require federations, which perform vital CFC screening and donation distribution functions that increase efficiency and reduce costs for member charities to pay their member charities the gross donations received from federal employees on their members' behalf without deducting federation fees therefrom. This has been the practice of federations for many decades. Instead, each federation will now have to separately invoice each charity, and each charity would have to pay the fee directly to the federation.

It is important to remember that federations like ours were created by our member charities to represent them in workplace giving as a means to aggregate and lower costs of funds distribution and funds management. In fact, each of the federations represented in this white paper have the legal authority and responsibility given to it by each of our member charities to serve in this role. Therefore, when a donor funds flow through a federation, at the point at which they are received by the federation they are, in fact, transferred to the charities those federations represent. Therefore, while we do not view the message that "100% of your contribution goes to charity" as a particularly useful message to promote to the donor, OPM can still make its point.
In fact, the proposed rule would increase the costs incurred by federations to service their members by approximately $1 million and materially reduce the efficiency of the CFC.

From a more technical and specific perspective we must note that for the following reasons the Proposed Regulation does not meet standards set forth in Executive Orders 13563, 76 FR 3821 (Jan. 21, 2011) and 12866, 58 FR 51735 (Oct. 4, 1993):

1. The proposed rule is not designed in the most cost-effective manner to achieve the desired regulatory benefit. We estimate that the new rule would require federations to produce 13,000 new invoices and would increase CFC related administrative costs by approximately $1 million with no corresponding benefit. These costs are not justified by the purported regulatory benefits of transparency and accountability, particularly because the proposed rule will actually have the opposite effect

2. OPM has not followed Executive Order 13563 in that they have failed to provide "the best available techniques to quantify anticipated present and future benefits and costs as accurately as possible." If OPM has aggregated these numbers, it has not provided them to the public, which violates the Order's principle of "promoting open exchange."

3. The Proposed Regulation does not identify or assess any available alternatives to direct regulation of the federations' current cost-efficient method of collecting fees, even though the CFC50 Commission, which was created precisely to make recommendations to improve the CFC, proposed a number of alternatives

4. OPM's Proposed Regulation does not comply with Executive Order 13563's requirement that agencies "select, in choosing among the alternative regulatory approaches, those approaches that maximize net benefits [including potential economic, environmental, public health and safety, and other advantages; distributive impacts; and equity]."

We believe there are viable alternative solutions that would allow federations to continue in their role as a valuable and collaborative partner in ensuring the success and growth of the CFC. (See Regulatory Change Prohibiting Federations from Deducting Their Fees before Remitting CFC Receipts to Their Members Decreases Accountability and Transparency" for additional background and suggested alternative solutions).

§ 950.107 (a-d): Charity Fee to Participate in the CFC

As for § 950.107 (a) (b) (c) (d) which would implement charging charities to participate in the CFC, we believe that this is also counter to the stated objective of transparency. Currently, the costs to run the CFC are taken from donor contributions to participating charities in the campaign. These fees are taken out of proceeds prior to the distribution to the participating charity or their federation. In the new rule, OPM proposes that the cost of the campaign be recovered by application fees paid by the charitable organizations that apply for participation in the CFC. This was taken from the CFC50 Commission's recommendation to shift the burden of CFC costs from donors to participating charities in order to reassure donors that 100% of his or her gift went to the charity. However, no specific recommendations were made by Commission members.

In our subsequent communications with OPM and in our Congressional testimony and our response to the Federal Register, we asked for OPM to provide details regarding the fees, their use, how much, etc. so we could better understand the impact on charities. We, as well as Congress, also asked OPM to "do no harm" and to test any significant changes extensively before implementation as they have done with the concept of universal giving. As evidenced by OPM's proposed rule changes, they have not taken any of this extensive feedback into consideration.

Additionally by charging a charity at least two and possibly a third fee of unknown amount to participate in the CFC, funds are being taken from the charity in a process that is hidden from the donor. Also charities will now be charged and required to pay these fees directly to the government whereas in the past the funds have remained in the charitable sector managed by charitable organizations. Now charitable dollars will be used by OPM to expand their capacity.

It seems likely that this would be of greater concern to donors, who could quite possibly question the appropriateness of a charity writing a check to the government in order to participate in the CFC and to fund the basic operations of a federal agency.

This may also lead to a potential chilling effect on participation from charities that cannot afford to pay the cost of admission. The impact on these charities and their constituents will lead to an increased burden on *governments and of local communities in meeting the needs of human health and welfare.*

This issue was of great bi-partisan concern to members of Congress and there was a large protest about this through the Federal Register comments.

We recommend keeping the current system that deducts the cost of managing the campaign from the dollars raised before those dollars are distributed to charities. The current system is cost-effective (According to the OPM, average campaign costs are around 10%) and dramatically more efficient than the new system inherent in the final rule which will require participating charities to incur more administrative costs or not participate altogether. It is our view that it is inappropriate and in this case, not transparent, that charitable dollars will be used to fund OPM's infrastructure when other viable alternatives exist to achieve.

In other words, the proposed rule to shift the burden of the campaign costs from the donor to the charity in order to say to the donor 100 percent goes to charity lacks transparency and is contrary to the current philosophy of the philanthropic sector regarding costs to raise funds and the capacity needed to do so (see attached comments from Art Taylor, President and CEO of the Better Business Bureau Wise Giving Alliance (BBBWGA). In essence, this is an attempt to entice the donor to give more by actually hiding the costs and shifting the burden to the charities which, ironically, lessens the amount available to charity by taking those dollars to fund what should be a core human relations and community relations capacity of the Federal government through OPM. And as experts in employee workplace giving, we know of no other employer that views workplace giving and employee engagement as a cost center. They view it as part and parcel of their employee engagement and related HR and community relations infrastructure. This is where OPM, by failing to engage with groups like those we represent with vast, current experience in workplace giving and employee engagement, has not benefitted from best practices; knowledge and expertise that would help them truly revitalize the CFC.

In conclusion and in recognition of the OPM directive to run an efficient campaign in a transparent manner, we eagerly express our desire to remain partners in implementing a quality and vibrant campaign while raising as much money as possible for those in need locally, nationally and internationally. There are several suggestions outlined above and in the following attachments that we believe would better meet the OPM's stated objectives while remaining in compliance with regulatory guidelines. As such, we respectfully request reconsideration and return of the proposed final rule to OPM. Thank you for your consideration.

On behalf of the undersigned,

Thomas Bognanno, President, & CEO, Community Health Charities of America

Steven Delfin, President, & CEO, America's Charities

Thomas Youngblood, President, Christian Service Charities

Scott Jackson, President, Global Impact

Attachments

"Proposed Regulatory Change Prohibiting Federations from Deducting Their Fees Before Remitting CFC Receipts to Their Members Decreases Accountability and Transparency"

Coalition Letter to Katherine Archuleta, Director, U.S. Office of Personnel Management, January 7, 2014

White Paper by Art Taylor, President and CEO, Better Business Bureau Wise Giving Alliance

PROPOSED REGULATORY CHANGE PROHIBITING FEDERATIONS FROM DEDUCTING THEIR FEES BEFORE REMITTING CFC RECEIPTS TO THEIR MEMBERS DECREASES ACCOUNTABILITY AND TRANSPARENCY

950.302 (d)

§ 950.302 Responsibilities of federations.
d) Federations must disburse CFC funds to each member organization without any further deductions. Membership dues, fees, or other charges to member organizations must be assessed outside of the CFC disbursement process.

I. Purpose of this Document.

The sole purpose of this paper is to comment on the proposed revision to OPM regulations set forth above that would require charitable federations to pay their members the gross donations the federation receives on their members' behalf without deducting federation fees, as has been the practice of federations for many decades. The stated purpose of this proposal is to increase the accountability and transparency of federations. However, the proposed revision. if finally promulgated, would have the opposite effect. It would decrease the ability of OPM and the donors to determine the true cost of federation services and thus decrease accountability and transparency; and, it would materially increase the costs incurred by federations to service their members. Since such costs would have to be passed on to federation members, a decreased portion of donations could be used for charitable programs. Based on our estimates, we believe this proposal alone would increase the cost of charitable giving associated with the CFC by over $1 million, with no corresponding benefit.

II. Background.

Federations were initially created by OPM decades ago as the most efficient and cost-effective means for individual charities to participate in workplace giving campaigns, including the CFC. Charities realized that by aggregating workplace giving services into federations, smaller and more highly trained staff teams could consolidate and perform certain requirements necessary to participate in the CFC and thereby manage the volume of transactions and services more effectively and at a lower cost than could each charity on its own. The cost saving associated with this consolidation into federations is immense. While charities wishing to participate in the CFC can do so either through federations or as unaffiliated entities, today approximately 60% of the charities participating in the CFC choose to do so through federations. Federations also represent their charity members in workplace giving campaigns in state and local public sector campaigns and in private sector campaigns.

Charities choose to participate with, and belong to, federations willingly to achieve efficiencies and to reduce campaign costs. Cost savings ensure that more of every donor dollar goes to support charitable programs. Charities often elect to account for the cost of campaigns prior to distribution of campaign funds in order to minimize administrative and fundraising expenses and their corresponding fundraising ratios.

Most federation members prefer paying their share of federation expenses by having the amount deducted from the distributions (as opposed to having to pay a separate bill) since this is the most cost efficient means of paying their federation fees and therefore saves money for the charity and its eventual charitable recipients.

However, if the proposed regulations are approved, administrative costs would increase as the federations would be required to issue an invoice to each of their charitable members and the charities would have to create a payment back to the federation. We estimate that the proposed rule would require the production of 13,000 new invoices to federation members and would increase CFC related administrative costs by an aggregate amount in excess of $1 million, which represents an increase of approximately 4% of the federations' administrative costs incurred in connection with the CFC. This is precisely the kind of inefficiency OPM should be trying to avoid.

In addition, contrary to the announced intention proposed to increase transparency, the proposed rule would have the opposite effect. Section 950.301 (b) of the current regulations (a section that is also retained in the proposed regulations) requires federations to allow OPM complete access to its and its members CFC books and records. Yet by forcing federations to send separate invoices to its members, the proposed rule would force federation fees off the CFC books and records and thus make it impossible for donors to determine how much of their donations reach the intended charitable recipient. Under the new rule, by moving federation fees off CFC books and records, donors would be misled into believing that such costs do not exist.

III. Alternative Proposal That Will Increase Transparency And Accountability.

a) Federations must continue to be Partners with OPM and the CFC

Federations provide vital services to their members and the CFC at a reasonable cost. OPM must continue to recognize international, national and local federations as key stakeholders and trusted partners to the CFC and member charities.

The commitment and allocation of resources by federations to support the CFC is substantial and cost effective. In addition to distribution services, federations dedicate significant resources to ensure the success of the CFC as demonstrated by vetting participating charities to federal standards, participating in campaign events to increase interest and momentum and serve in an unofficial advisory capacity.

b) Federations Should Have Strong Disclosure Requirements of Fees and Activities in Support of CFC

As stated above, the federations believe the proposed rule requiring federations to separately invoice their members will decrease transparency and increase costs. However, the federations strongly agree with OPM that it is important to provide clear and transparent information to federal employees participating in the CFC regarding federation fees and charity administrative and fundraising expenses associated with the CFC. To ensure transparency and accountability by federations participating in the CFC, we recommend that the following requirements be included in OPM's regulations or federations otherwise agree to provide the following:

- Federations will provide a copy of each member's application as part of the annual CFC certification process.
- Federations will furnish a timeline with dates on which distributions will be provided to participating charities with distributions to be provided at a minimum on a quarterly basis, if not more frequently.
- Federation distribution policies, as approved by their respective governance structures and boards of directors, will be available to OPM if requested and made available to donors through websites or other readily accessible means.
- Federations will maintain current memoranda of understanding or application agreements with individual member charities and such agreements will be available for audit purposes as required.
- Federation fees will be clearly outlined in such memoranda of understanding (or similar instruments) and agreed to by member charities. The memorandum of understanding must include all terms and conditions under which the fees associated with the CFC are allocated to the federation for services provided to the charity supporting participation in the CFC prior to, at the time of or following distribution of donor contributions.
- Federations will adhere to reasonable cost definitions (established by the Internal Revenue Service) and will abide by other nationally recognized standards of proper governance, including those put forth by, but not limited to, the Better Business Bureau Wise Giving Alliance and GuideStar.
- Federation fees will be included on CFC books and records and available to OPM and CFC donors under Section 950.301(b) of OPM regulations.

IV. Conclusion

The proposed rules prohibiting federations from deducting their reasonable fees from CFC receipts before they are sent to federation members would add significant costs without offsetting benefit. The announced reason for this amendment is that it will add to accountability and transparency. Yet by moving federation fees off CFC books, the new rule actually prevents donors from knowing how much of their donation will reach charitable recipients. Thus it reduces accountability and transparency. The federations strongly support OPM's goal of increasing accountability and transparency. Accordingly, in this paper the federations have recommended a number of steps that will do so without increasing costs.

America's Charities · Christian Service Charities · Community Health Charities · Global Impact

January 7, 2014

Ms. Katherine Archuleta
Director
U.S. Office of Personnel Management
1900 E. Street, N.W.
Washington, D.C. 20415

Dear Director Archuleta:

Congratulations on your appointment as Director of the U.S. Office of Personnel Management (OPM). As you assume your new responsibilities, we know there are many priorities. As representatives of thousands of charities that receive critical support from federal employee donors through the Combined Federal Campaign (CFC), we would like to meet with you and offer our counsel and assistance in implementing many of the changes recommended by the *CFC50 Commission* to make the campaign more accessible, accountable, transparent, and affordable.

As the pre-eminent domestic and international experts in modern workplace giving and employee engagement, we have been working for the past three years to engage OPM staff responsible for the CFC in a broader, more strategic discussion about how to re-energize the campaign. We believe we can serve as a catalyst for growth, efficiency, and transparency by working with OPM to leverage our deep knowledge and experience with large private sector employers where workplace giving continues to thrive and grow as part of a broader employer people strategy.

We have worked diligently to provide constructive and experience-based input to OPM by reacting to the CFC50 Commission recommendations, as well as putting forth new innovations and strategies. We are in support of most of the proposed CFC50 recommendations and the final draft rule changes that OPM issued last spring in the Federal Register. However, based on our collective experience, we know that some of the proposed changes will be more onerous on donors and participating charities, while others changes require more in-depth research and testing before implementation to ensure they do not unintentionally hurt the very charities federal employees choose to support.

We expressed our concerns in individual and collective federation comments directly to OPM and in the Federal Register. We also expressed our concerns to members of Congress, who like us became aware of the potential negative impact of the proposed regulations. As a result, a congressional hearing by the Committee on Government Oversight & Government Reform's subcommittee on Federal Workforce, U.S. Postal Service & The Census received testimony last July where members of Congress urged OPM officials to do the following:

- Provide answers to the congressional subcommittee regarding questions and concerns they had about the proposed changes. Their primary concerns focused on the added costs to charities, the lack of details regarding timing and execution, and what they characterized as an unrealistic expectation that technology could totally replace traditional forms of personal giving which currently represent a very large percentage of all CFC donations.
- Form and obtain substantive input from an advisory committee of experts and stakeholders including federal employees before making any final changes.
- Communicate in a more timely and transparent manner the response to, and action regarding, the questions from Congress and the unprecedented 1,400+ Federal Register comments, the vast majority of which reported to be concerned with the proposed rule changes.

These recommendations were created as a result of testimony by a number of experts, including, Rep. David G. Reichert (R-WA-8), Ken Berger, President and CEO, Charity Navigator, Art Taylor, President and CEO, BBB Wise Giving Alliance, Debby Hampton, President and CEO, United Way of Central Oklahoma, and Ju'Coby Pittman, President and CEO, Clara White Mission.

Since those hearings last July, neither the coalition of federations represented here, nor any of their member charities, are aware of any actions taken. Our concern is that OPM may soon issue new final rules, which would be a step that is totally out of sync with Congress's request for more transparency, thoughtfulness, and expert consideration before taking such action.

This compels us on behalf of our thousands of member charities to ask that OPM delay any final changes until OPM responds to and/or addresses the concerns brought forth by Congress, the charities, and the federations (Appendix A) who provided comments to the Federal Register and the Federations represented in this letter. We feel equally compelled to make this request after speaking with several of the *CFC50 Commission* members who commented that the final draft of the CFC rule changes did not accurately reflect the input of Commission members.

Minimally, we ask that any revised CFC changes be once again posted to the Federal Register for comment and that OPM officials then meet the stated expectations around transparency, timing, stakeholder input and execution.

To this end, we look forward to meeting with you in the near future to discuss our issues and present a view of the true potential for the CFC. Accordingly, we ask that you not issue any new final rules without addressing Congress' concerns and without further discussion with and input from key stakeholders such as ourselves. On behalf of the undersigned, I will be following up with your office to secure a meeting date and time.

Yours truly on behalf of the undersigned,

Regards,

Thomas Bognanno, President & CEO, Community Health Charities of America

Steven Delfin, President, & Chief Executive Officer, America's Charities

Thomas Youngblood, Chief Executive Officer, Christian Service Charities

Scott Jackson, President, Global Impact

Scott Jackson

cc: The Honorable Darrell Issa, Chairman,
House Committee on Oversight & Government Reform

The Honorable Elijah Cummings, Ranking Member,
House Committee on Oversight & Government Reform

The Honorable Blake Farenthold, Chairman,
Subcommittee on Federal Workforce, US Postal Service & The Census

The Honorable Stephen Lynch, Ranking Member,
Subcommittee on Federal Workforce, US Postal Service & The Census

Keith Willingham, Director of the Combined Federal Campaign,
Office of Personnel Management

Mark Lambert, Associate Director for Merit System Accountability and Compliance,
Office of Personnel Management

Appendix A: Background

For more than 50 years the CFC has been a critically important and valued benefit offered to federal employees to facilitate their community involvement and their financial support of the causes and charitable organizations important to them. It is an extension of their public service, but as OPM itself recognized, the campaign needs to be updated. We would like a meeting to take place before new rules regarding the solicitation of federal workforce are published, so that we can share with you our views on current best practices in making a solicitation as successful as possible and a valuable part of human resources management.

This year, CFC has been the victim of a perfect storm: sequestration and shutdown, which disrupted CFC events and solicitation; new OPM rules, which even without the budget shutdown would have likely had a negative impact on giving; and the general Federal workforce morale, which by all accounts is at an all-time low. Preliminary reports indicate a major drop in giving of several tens of millions of dollars is the result. This drop will have a ripple effect on participating CFC charities, which depend on these unrestricted gifts to leverage another 3-5 times that amount in other donations. Of course, the ultimate victims are the families, individuals and communities these charities serve at precisely the same time that Federal, state and local government funds to those charities are also diminishing. All in all, the importance of "getting it right" is even more critical.

As Federations, we view certain aspects of the proposed changes as evidence that OPM does not fully understand nor take advantage of the value we bring to the CFC. For example, one of OPM's objectives is to increase efficiency and transparency, but the proposed changes that impact Federations actually results in the opposite. The attached document outlines our view on these changes which are clearly not in the best interest of the donors or charities.

We also believe our extensive experience in the private sector, particularly at the intersection of employee engagement, workplace giving, community relations and social impact, can bring great value to revitalizing; to making it relevant to younger Federal workers and more strategically aligned with broader Federal Government people strategy and related goals.

We believe one of the ongoing challenges with the CFC is its isolation and lack of context with broader workplace and employee engagement opportunities. For quite some time OPM has focused almost exclusively on compliance and regulatory aspects of the campaign. This is very important, but without connecting a fundraising campaign to the other employee engagement and social impact dots, you end up where we are – with a campaign that is transactional, not transformational, focused on compliance, disconnected to the ongoing work of the charities supported and the impact they have where federal employees live and work. This can all be addressed positively, but OPM needs to engage and listen to those who live and breathe in this space.

Everyone working this issue from all angles want to see the campaign grow to be the best and brightest it can be. As we have stated previously, many of the proposed changes are a positive step towards that future. There are some, however, that without further discussion and input from key stakeholders like those signing this letter, will create further and unnecessary challenges for the CFC and the charities that support beneficiaries.

As charity representatives we are painfully aware there are many needs in communities across the nation and around the world that require charity support, and there is no larger single source of unrestricted funds for charities besides the CFC. With continued economic uncertainty, pressure on Federal, state and local government budgets, the role of private voluntary charities in meeting the needs of people and communities is greater than ever and will only increase. Getting the CFC back on track from a fundraising and employee engagement perspective will help improve the lives of others, while also helping reduce the burden of government to solve these problems. That is why in addition to focusing our concerns on the specifics of the proposed new rules, we are also hopeful that you will appreciate and reinforce, above and beyond the regulations, that implicit in the CFC mission is the need to annually increase the support it provides charities.

Charity Response to Proposed Changes to the Combined Federal Campaign (CFC)
May 21, 2013

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

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

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

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

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

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

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

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

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

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

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

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

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

2. Major Changes with Lack of Organizational Details and Timelines

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

- No details have been provided on the proposed upfront and non-refundable fees for charities to participate in the campaign, including the amount of the fees, how will they will be assessed and adjusted each year, and who will collect and process them. With the added time and expense involved in invoicing and collecting the upfront fees, we are concerned this will increase administrative costs of the campaign, make those costs opaque to the donor, and pass the burden on to the charities. Our member charities are also concerned that the upfront fee will increase their cost of fundraising.

- There is also a concern that OPM intends to use fees from charities to supplement its budget for CFC operations. Even if it staffs up and streamlines the application process, OPM does not have the capacity to review more than 25,000 charity applications each year. This is where federations play a key and cost effective role in keeping the campaign accountable to donors.

- There are no details on how a central processing web site is going to be built, by who, when, who will be paying for it, and by what means. Given that OPM has struggled with the various payroll processors over the years, there is little evidence that the agency can accomplish this.

- Processing and tracking pledges made by new hires outside of the campaign period sounds good on the face of it, but would require constant reconciliations between pledges and payroll deductions, and thus present a burden on efficiency

- OPM plans to directly hire local fundraisers in each CFC market yet it has no experience in managing fundraising professionals.

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

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

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

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

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

4. Administrative Burden and Risk for Charities

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

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

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

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

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

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

Steven Delfin, President & CEO, America's Charities

Thomas Youngblood, President & CEO, Christian Service Charities

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

Kalman Stein, President & CEO, EarthShare

Scott Jackson, President & CEO, Global Impact

Diana Aviv, President and CEO, Independent Sector

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

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

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

White Paper by Art Taylor, President and CEO, Better Business Bureau Wise Giving Alliance

Art Taylor, President and CEO of the Better Business Bureau Wise Giving Alliance (BBBWGA) and a CFC50 Commission member, has expressed his concerns about the proposed OPM rule changes. BBBWGA and Independent Sector, GuideStar and Charity Navigator (also a CFC50 Commission participant whose CEO testified at the subcommittee hearings expressing concerns with the proposed rules), have created a coalition representing the philanthropic sector's concern with "overhead" as a primary measure of success and performance. In a jointly signed letter (attached) that received much visibility in the philanthropic media and beyond, these leading donor-centric organizations state that "overhead" is a poor measure of such things and when used as the critical metric continues to perpetuate the myth that the cost to raise a dollar is the most important measure of success.

As a member of the CFC50 Commission and expert in the philanthropic sector, Taylor noted that OPM's proposed rules were making the classic mistake of focusing on efficiency and compliance as the primary metrics without considering the philanthropic results and outcomes.

He and the other members of the "Overhead Myth" coalition emphasize that while overhead has an important role and at the extremes can offer insight and be a solid data point for rooting out fraud and poor financial management, in most cases focusing on overhead without considering other critical dimensions of performance does more harm than good. In fact, focusing on reducing overhead along with the cost of raising funds in a vacuum has a dampening affect on the capacity to increase funds raised, support better outcomes, and grow giving.

In the case of Combined Federal Campaigns (CFC), the primary focus on efficiency and overhead will, in the view of the philanthropic sector and with the support of research, result in dramatically fewer dollars raised and dramatically fewer dollars and resources leveraged by charities participating in the CFC.

BBB Wise Giving Alliance

GUIDESTAR

CHARITY NAVIGATOR

THE OVERHEAD MYTH

To the Donors of America:

We write to correct a misconception about what matters when deciding which charity to support.

The percent of charity expenses that go to administrative and fundraising costs—commonly referred to as "overhead"—is a poor measure of a charity's performance.

We ask you to pay attention to other factors of nonprofit performance: transparency, governance, leadership, and results. For years, each of our organizations has been working to increase the depth and breadth of the information we provide to donors in these areas so as to provide a much fuller picture of a charity's performance.

That is not to say that overhead has no role in ensuring charity accountability. At the extremes the overhead ratio can offer insight: it can be a valid data point for rooting out fraud and poor financial management. In most cases, however, focusing on overhead without considering other critical dimensions of a charity's financial and organizational performance does more damage than good.

In fact, many charities should spend more on overhead. Overhead costs include important investments charities make to improve their work: investments in training, planning, evaluation, and internal systems—as well as their efforts to raise money so they can operate their programs. These expenses allow a charity to sustain itself (the way a family has to pay the electric bill) or to improve itself (the way a family might invest in college tuition).

When we focus solely or predominantly on overhead, we can create what the *Stanford Social Innovation Review* has called "The Nonprofit Starvation Cycle." We starve charities of the freedom they need to best serve the people and communities they are trying to serve.

If you don't believe us—America's three leading sources of information about charities, each used by millions of donors every year—see the back of this letter for research from other experts including Indiana University, the Urban Institute, the Bridgespan Group, and others that proves the point.

So when you are making your charitable giving decisions, please consider the whole picture. The people and communities served by charities don't need low overhead, they need high performance.

Thank you,

Art Taylor
President & CEO,
BBB Wise Giving Alliance
overheadmyth.give.org

Jacob Harold
President & CEO,
GuideStar
overheadmyth.guidestar.org

Ken Berger
President & CEO,
Charity Navigator
www.charitynavigator.org/thebestandworstwaytopickacharity

Research shows that the overhead ratio is imprecise and inaccurate:

37%

37 percent of nonprofit organizations with private contributions of $50,000 or more reported no fundraising or special event costs on their 2000 Internal Revenue Service (IRS) Form 990

13%

Nearly 13 percent of operating public charities reported spending nothing for management and general expenses.

(The Nonprofit Overhead Cost Study)

75-85%

Further scrutiny found that 75 percent to 85 percent of these organizations were incorrectly reporting the costs associated with grants.

But still, Americans over-emphasize the number and prioritize it over demonstrated success:

62%

62% of all Americans believe the typical charity spends more than it should on overhead.

(Giving Evidence)

A 2001 survey found that OVER HALF OF ADULT AMERICANS FELT THAT NONPROFIT ORGANIZATIONS SHOULD HAVE OVERHEAD RATES OF 20 PERCENT OR LESS; NEARLY FOUR IN FIVE FELT THAT OVERHEAD SHOULD BE HELD AT LESS THAN 30 PERCENT. In fact, those surveyed ranked overhead ratio and financial transparency to be more important attributes in determining their willingness to give to an organization than the demonstrated success of the organization's programs. *(BBB Wise Giving Alliance)*

The "Overhead Myth" persists despite evidence that investments in overhead facilitate better nonprofit performance:

"ORGANIZATIONS THAT BUILD robust infrastructure—which includes sturdy information technology systems, financial systems, skills training, fundraising processes, and other essential overhead—are more likely to succeed than those that do not."

(The Nonprofit Starvation Cycle)

2,000

2006 CompassPoint Nonprofit Services study of nearly 2,000 nonprofit executives in eight metropolitan areas reveals that receiving general operating support played a major role in reducing burnout and stress among executive directors.

(Daring to Lead 2006: A National Study of Nonprofit Executive Leadership)

11.5% VS 10.8%

In 2011, the charities which GiveWell reviewed and recommended had higher overhead than the charities they review and didn't recommend, 11.5 percent versus 10.8 percent.

(Giving Evidence)

Underinvesting in overhead creates a range of negative outcomes which undermine quality and sustainability:

Description of Underinvestment	Consequences
• Limited/no staff for administrative roles (e.g. finance, development, operations)	• Limited ability for organization to manage/monitor finance, development, etc.
• Limited investment in staff training and development	• Increased turnover among staff, particularly those looking for ongoing professional development • Limited ability to continually enhance skills of employees • Difficulty building senior team from within
• Inexperienced staff for administrative roles	• High turnover • Poor work quality
• Poor IT infrastructure	• System crashes, downtime • Loss of data/information, limited information sharing
• Poor donation management systems	• Inability to track donors and fundraising progress • Limited ability to target fundraising
• Poor performance management systems	• Limited ability to track beneficiary outcomes, particularly across sites • Limited ability to easily generate reports for grantmakers

Source: Mark A. Hager, Thomas Pollak, Kennard Wing, and Patrick M. Rooney, "Getting What We Pay For: Low Overhead Limits Nonprofit Effectiveness," Nonprofit Overhead Cost Project of the Center on Nonprofits and Philanthropy at the Urban Institute and the Center on Philanthropy at Indiana University, August 2004; case study interviews.

Primary Sources:

The Nonprofit Starvation Cycle
Stanford Social Innovation Review, Fall 2009

Getting What We Pay For: Low Overhead Limits Nonprofit Effectiveness
Center on Nonprofits and Philanthropy, Urban institute Center on Philanthropy, Indiana University

What We Know About Overhead Costs in the Nonprofit Sector
Center on Nonprofits and Philanthropy, Urban institute Center on Philanthropy, Indiana University

Nonprofit Overhead Costs: Breaking the Vicious Cycle of Misleading Reporting, Unrealistic Expectations, and Pressure to Conform
The Bridgespan Group, April 2008

Where'd My Money Go?
Americans Perceptions of the Financial Efficiency of Nonprofit Organizations
GreyMatter Research, 2008

Good Charities Spend More on Administration than Less Good Charities Spend
Giving Evidence, May 2013

Management and General Expenses: The Other Half of Overhead
The Nonprofit Quarterly, Spring 2003

The Worst Way to Judge a Charity
Los Angeles Times, April 2012

Ratio Discrimination in Charity Fundraising: The Inappropriate Use of Cost Ratios Has Harmful Side-Effects**
Voluntary Sector Review, March 2010 **Behind pay wall

BBB Wise Giving Alliance

BBB
Start With Trust

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

The Combined Federal Campaign: Making Every Dollar Count

July 10, 2013, Rayburn House Office Building

Comment to the Committee on Oversight and Government Reform, Subcommittee on Federal Workforce, U.S. Postal Service, and the Census by Herman "Art" Taylor, President and Chief Executive Officer, BBB Wise Giving Alliance

Mr. Chairman, Ranking Member Cummings, and Members of the Subcommittee:

Since 2001, I have served as the President and Chief Executive Officer of the BBB Wise Giving Alliance. We seek to help donors make informed giving decisions by producing reports on charities in relation to 20 broad accountability standards that address charity governance, finances, solicitations, donor privacy and other issues. We also provide advisory assistance to local Better Business Bureaus that complete a similar program at the regional level. There is no charge to charities for our accountability accreditation and the resulting reports are free to the public at our www.give.org website.

The Alliance produces about 1,300 reports on the nation's most asked about and nationally soliciting charities. These reports compliment more than 10,000 reports on local charities produced by about 50 of the 113 Better Business Bureaus nationwide.

It is based on my experience in charity accountability and my participation on The CFC 50 Commission that I wish to share my perspective with the subcommittee, and ask that they consider my comments to assist them in evaluating the future viability, transparency, and efficiency of the world's largest workplace giving campaign.

I was honored to be part of The CFC 50 Commission formed to review campaign operations and recommend new ways for the

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campaign to address falling participation, raise more dollars for charities, and ensure that participating charities are accountable and transparent.

It is my concern that the implementation of various aspects of these recommendations, as put forth in the rule posted to the Federal Register for public comment, focuses so heavily on addressing the administrative cost elements (all electronic campaign, discontinuation of check donations, etc.), the other goals, such as increasing participation, have been left unplanned and neglected. This does not appear to follow my understanding of the discussions I heard at Commission meetings. In fact, the recommendation to discontinue all check donations will most certainly disenfranchise various sectors of federal employees, such as postal workers, national parks staff, and others who do not have regular access to computers during their workday.

As proposed, the implementation of several of these recommendations may reduce donations and participation from federal employees, and cause a reduction in community based charity services for those in desperate need of their support and services.

It would be wise for CFC to develop surveys and focus groups to determine what donors want, and as recommended by The CFC 50 Commission, "OPM should organize an ongoing working group with wide Federal department representation ... to recommend modifications to the CFC." An element of the working group should include engagement with federations, charities and those who study the nonprofit sector to ensure implementation can be done with the least amount of harm.

Thank you for this opportunity to provide comments to consider on this important issue.

Sincerely,

H. Art Taylor
President & CEO

Enclosure: *BBB Standards for Charity Accountability*

BBB Wise Giving Alliance

3033 Wilson Blvd., Suite 600
Arlington, VA 22201
(703) 276-0100
www.give.org

Frequently Asked Questions

Q. What is the BBB Wise Giving Alliance?

A. The Alliance is a 501(c)(3) public charity that works to help donors make informed giving decisions and to advance high standards of conduct among nonprofit soliciting organizations with fund raising that is national in scope. The Alliance is also the nation's most experienced charity evaluator. The organizations that formed the Alliance have been producing reports on charities for nearly 100 years.

Q. What does it cost charities to file and be evaluated?

A. No charge to charities.

Q. How does the Alliance assist both charities and the donating public?

A. One of our goals with the charity evaluation process is to help strengthen charities. Our comprehensive *Standards for Charity Accountability* cover a wide range of topics that go beyond the usual sole focus on financial ratios and formulas. Charities who work with us to meet all of our *Standards* are fulfilling expectations many donors have about the organizations they give to.

In addition, the public, including media, can access the resulting BBB Wise Giving Alliance reports at www.give.org, one of the most frequently visited donor information sites in the nation.

Q. Who developed the *Standards for Charity Accountability*?

A. A panel of people with a range of experience in philanthropy worked over a three-year period in an open process, issuing drafts and soliciting input from the charitable community before publishing the standards in 2003. A copy of the *Standards* is attached.

Q. How are the Standards applied in Alliance evaluations?

A. See the Implementation Guide, at www.bbb.org/us/Charity-Evaluation for details on the Alliance's application of each standard. Of the charities that provide requested information, the Alliance finds that about 55% meet all 20 standards and 45% do not meet one or more of these standards.

Q. What will happen to the information a charity sends to the Alliance?

A. The Alliance will prepare a draft BBB Wise Giving Report in relation to its *Standards for Charity Accountability*, and, after the draft is sent to the organization for review and comment, will make a final report available to the public at www.give.org.

Q. Could a charity amend the report, if it doesn't agree with what it says?

A. We welcome any information from a charity that might affect the content and conclusions of our report. While not all "does not meet" conclusions can be immediately modified, charities' post-draft input is considered with care and often reflected in the final report. In addition, findings can be amended at any time after a report has been published if a charity provides documentation of changes to meet the specific *Standard(s)* that were not met.

Q. What if a charity does not provide requested information?

A. The Alliance's report will state that the organization has not provided requested information. Reports of this kind are in the minority— about 70% of charities contacted submit information.

Q. Why does the Alliance ask for so much information?

A. It's true; much information is needed when there are 20 comprehensive standards to apply. However, the giving public wants to know more about charities than their finances (a fact confirmed in a survey we commissioned) and charities themselves support a set of standards that recognizes other important parts of their operations, like concern for effectiveness, ethical governance and donor privacy.

Q. Who says that a charity must adhere to the Alliance standards?

A. No one, and that's part of their value. The Standards are *voluntary*. They go beyond what the law requires. Most charities, in our experience, operate well within the law. But just being law-abiding isn't likely to attract public support. Donors want to see that charities are ready, *voluntarily*, to show their commitment to openness and ethical conduct and to demonstrate that their efforts are sharply focused on their mission. Filing information for an Alliance report gives a charity a way to do that.

***

Standards for Charity Accountability

After a three-year period, drawing on independent research on donor expectations, professional and technical assistance from a variety of philanthropic experts, and numerous comments from donors and charities, the BBB Wise Giving Alliance issued the *Standards for Charity Accountability*.

The full text of the new standards, with a preface and an Implementation Guide describing how the Alliance applies them, is accessible on our website, www.give.org. (Please note new (*) audit thresholds for Standard 11 effective for fiscal ending 12/31/11 and after.)

GOVERNANCE AND OVERSIGHT

The governing board has the ultimate oversight authority for any charitable organization. This section of the standards seeks to ensure that the volunteer board is active, independent and free of self-dealing. To meet these standards, the organization shall have:

1. A board of directors that provides adequate oversight of the charity's operations and its staff. Indication of adequate oversight includes, but is not limited to, regularly scheduled appraisals of the CEO's performance, evidence of disbursement controls such as board approval of the budget and fund raising practices, establishment of a conflict of interest policy and establishment of accounting procedures sufficient to safeguard charity finances.

2. A board of directors with a minimum of five voting members.

3. A minimum of three evenly spaced meetings per year of the full governing body with a majority in attendance, with face-to-face participation. A conference call of the full board can substitute for one of the three meetings of the governing body. For all meetings, alternative modes of participation are acceptable for those with physical disabilities.

4. Not more than one or 10% (whichever is greater) directly or indirectly compensated person(s) serving as voting member(s) of the board. Compensated members shall not serve as the board's chair or treasurer. [*Publicly soliciting churches and other houses of worship: see the Implementation Guide at www.give.org for further information about the application of this standard.*]

5. No transaction(s) in which any board or staff members have material conflicting interests with the charity resulting from any relationship or business affiliation. Factors that will be considered when concluding whether or not a related party transaction constitutes a conflict of interest and if such a conflict is material, include, but are not limited to: any arm's length procedures established by the charity; the size of the transaction relative to like expenses of the charity; whether the interested party participated in the board vote on the transaction; if competitive bids were sought and whether the transaction is one-time, recurring or ongoing.

MEASURING EFFECTIVENESS

An organization should regularly assess its effectiveness in achieving its mission. This section seeks to ensure that an organization has defined, measurable goals and objectives in place and a defined process in place to evaluate the success and impact of its program(s) in fulfilling the goals and objectives of the organization and that also identifies ways to address any deficiencies. To meet these standards, a charitable organization shall:

6. Have a board policy of assessing, no less than every two years, the organization's performance and effectiveness and of determining future actions required to achieve its mission.

7. Submit to the organization's governing body, for its approval, a written report that outlines the results of the aforementioned performance and effectiveness assessment and recommendations for future actions.

FINANCES

This section of the standards seeks to ensure that the charity spends its funds honestly, prudently and in accordance with statements made in fund raising appeals. To meet these standards, the charitable organization shall:

Please note that standards 8 and 9 have different denominators.

8. Spend at least 65% of its total expenses on program activities.

Formula for Standard 8:

$$\frac{\textbf{Total Program Service Expenses}}{\textbf{Total Expenses}} \text{ should be at least } \mathbf{65\%}$$

9. Spend no more than 35% of related contributions on fund raising. Related contributions include donations, legacies and other gifts received as a result of fund raising efforts.

Formula for Standard 9:

$$\frac{\textbf{Total Fund Raising Expenses}}{\textbf{Total Related Contributions}} \text{ should be no more than } \mathbf{35\%}$$

10. Avoid accumulating funds that could be used for current program activities. To meet this standard, the charity's unrestricted net assets available for use should not be more than three times the size of the past year's expenses or three times the size of the current year's budget, whichever is higher. [*Meeting certain public disclosure requirements described in the Implementation Guide at www.give.org may enable a charity to satisfy this standard.*]

An organization that does not meet Standards 8, 9 and/or 10 may provide evidence to demonstrate that its use of funds is reasonable. The higher fund raising and administrative costs of a newly created organization, donor restrictions on the use of funds, exceptional bequests, a stigma associated with a cause and environmental or political events beyond an organization's control are among factors which may result in expenditures that are reasonable although they do not meet the financial measures cited in these standards.

11. Make available to all, on request, complete annual financial statements prepared in accordance with generally accepted accounting principles. When total annual gross income exceeds \$500,000*, these statements should be audited in accordance with generally accepted auditing standards. For charities whose annual gross income is less than \$500,000*, a review by a certified public accountant is sufficient to meet this standard. For charities whose annual gross income is less than \$250,000*, an internally produced, complete financial statement is sufficient to meet this standard.

12. Include in the financial statements a breakdown of expenses (e.g., salaries, travel, postage, etc.) that shows what portion of these expenses was allocated to program, fund raising and administrative activities. If the charity has more than one major program category, the schedule should provide a breakdown for each category.

13. Accurately report the charity's expenses, including any joint cost allocations, in its financial statements. For example, audited or unaudited statements which inaccurately claim zero fund raising expenses or otherwise understate the amount a charity spends on fund raising, and/or overstate the amount it spends on programs will not meet this standard.

14. Have a board-approved annual budget for its current fiscal year, outlining projected expenses for major program activities, fund raising and administration.

FUND RAISING AND INFORMATIONAL MATERIALS

A fund raising appeal is often the only contact a donor has with a charity and may be the sole impetus for giving. This section of the standards seeks to ensure that a charity's representations to the public are accurate, complete and respectful. To meet these standards, the charitable organization shall:

15. Have solicitations and informational materials, distributed by any means, that are accurate, truthful and not misleading, both in whole and in part. Appeals that omit a clear description of program(s) for which contributions are sought will not meet this standard.

A charity should also be able to substantiate that the timing and nature of its expenditures are in accordance with what is stated, expressed or implied in the charity's solicitations.

16. Have an annual report available to all, on request, that includes:

(a) the organization's mission statement,
(b) a summary of the past year's program service accomplishments,
(c) a roster of the officers and members of the board of directors,
(d) financial information that includes:
  (i) total income in the past fiscal year,
  (ii) expenses in the same program, fund raising and administrative categories as in the financial statements, and
  (iii) ending net assets.

17. Include on any charity websites that solicit contributions, the same information that is recommended for annual reports, as well as the mailing address of the charity and electronic access to its most recent IRS Form 990.

18. Address privacy concerns of donors by

(a) providing in written appeals, at least annually, a means (e.g., such as a check off box) for both new and continuing donors to inform the charity if they do not want their name and address shared outside the organization, and
(b) providing a clear, prominent and easily accessible privacy policy on any of its websites that tells visitors
  (i) what information, if any, is being collected about them by the charity and how this information will be used,
  (ii) how to contact the charity to review personal information collected and request corrections,
  (iii) how to inform the charity (e.g., a check off box) that the visitor does not wish his/her personal information to be shared outside the organization, and
  (iv) what security measures the charity has in place to protect personal information.

19. Clearly disclose how the charity benefits from the sale of products or services (i.e., cause-related marketing) that state or imply that a charity will benefit from a consumer sale or transaction. Such promotions should disclose, at the point of solicitation:

(a) the actual or anticipated portion of the purchase price that will benefit the charity (e.g., 5 cents will be contributed to abc charity for every xyz company product sold),
(b) the duration of the campaign (e.g., the month of October),
(c) any maximum or guaranteed minimum contribution amount (e.g., up to a maximum of \$200,000).

20. Respond promptly to and act on complaints brought to its attention by the BBB Wise Giving Alliance and/or local Better Business Bureaus about fund raising practices, privacy policy violations and/or other issues.