



# SUNSET ADVISORY COMMISSION

FINAL REPORT  
WITH LEGISLATIVE ACTION

*State Employee  
Charitable Campaign*

JULY 2013

# *Sunset Advisory Commission*

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*Cover photo: The Texas Capitol is a marvel of craftsmanship down to the smallest details. The beautifully carved wood door frames are emphasized with elaborate, custom-designed bronze hinges and hardware produced especially for the building by Sargent and Co. of New Haven, Connecticut, in the late 1880s. The eight inch by eight inch hinges are inscribed with the words "Texas Capitol", decorated with incised designs of geometric and stylized floral motifs, and weigh over seven pounds each.*

**STATE EMPLOYEE  
CHARITABLE CAMPAIGN**

**SUNSET FINAL REPORT WITH LEGISLATIVE ACTION  
JULY 2013**

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This document is intended to compile all recommendations and action taken by the Sunset Advisory Commission for an agency under Sunset review. The following explains how the document is expanded and reissued to include responses from agency staff and the public.

- *Sunset Staff Report, August 2012* – Sunset staff develops a separate report on each individual agency, or on a group of related agencies. Each report contains both statutory and management recommendations developed after the staff’s extensive evaluation of the agency.
  - *Sunset Staff Report with Hearing Material, August 2012* – Adds responses from agency staff and the public to Sunset staff recommendations, as well as new issues raised for consideration by the Sunset Commission at its public hearing.
  - *Sunset Staff Report with Decision Material, November 2012* – Adds additional responses, testimony, or new issues raised during and after the public hearing for consideration by the Sunset Commission at its decision meeting.
  - *Sunset Staff Report with Commission Decisions, November 2012* – Adds the decisions of the Sunset Commission on staff recommendations and new issues. Statutory changes adopted by the Commission are presented to the Legislature in the agency’s Sunset bill.
  - *Sunset Final Report with Legislative Action, July 2013* – Summarizes the final results of an agency’s Sunset review, including action taken by the Legislature on Sunset Commission recommendations and new provisions added by the Legislature to the agency’s Sunset bill.
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# SUMMARY





# SUMMARY

The State Employee Charitable Campaign (SECC or Campaign) is an oddity in state government. Created as a benefit for state employees to make charitable donations through payroll deduction, SECC operates without state appropriations or dedicated staff. SECC looks somewhat like a state agency in that it has a policy board and performs administrative functions; however, most administrative activity is performed by a private vendor, which must be a charitable organization. And while SECC receives no appropriations, it could not function without a wide array of state employee volunteers, most of whom provide their services while on state-paid time.

In 2011, the Legislature placed SECC under Sunset review. This review provided the first in-depth look at SECC's structure and operations since its creation in 1993. Overall, the review showed SECC provides a valuable and well-used benefit to state employees. While the State incurs "soft" costs from any loss in productivity incurred by an agency whose employees volunteer time for the Campaign, this time is limited and agencies expect these employees to perform their regular job duties in addition to their Campaign duties. However, SECC has flaws that the State needs to address to modernize and allow this employee benefit to become more efficient.

Before the advent of SECC, charitable giving in the workplace often took place through multiple time-consuming fund-raising drives for different causes throughout the year, which, in some instances, was said to lead to coercion of state employees. SECC changed this dynamic, providing state employees the convenience of monthly payroll deductions for a wide variety of state-approved charities, while limiting workplace solicitation.

In the 18 years since SECC's first campaign, the world of charitable giving outside the Campaign has changed significantly, but SECC has not. Today, state employees can research charities on the Internet and sometimes authorize charities to electronically debit donations straight from their checking accounts. However, SECC continues to operate as it always has, with a paper-based donation system and an unwieldy administrative structure that requires almost 10 percent of employees' donations to fund campaign administration costs.

While the Campaign has been successful, with about 47,500 employees donating more than \$9.3 million to more than 1,500 charities in 2011, SECC has remained virtually unchanged since its creation, with little attention given to the cost or effectiveness of its operations. Sunset found that within this outdated arrangement, SECC lacks the leadership structure and direction necessary to ensure its continued success and make needed changes to modernize the Campaign, including transitioning to an online system and allowing state retirees to participate. SECC's policy board, the

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*The nature of charitable giving has changed since 1993; SECC has not.*

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State Policy Committee, does not have explicit statutory direction to set a strategic vision or to develop a comprehensive budget for the Campaign. Further, membership changes contribute to a lack of continuity and experience on the Committee. Finally, having one statewide campaign and 18 regions each with their own campaign structure is unwieldy, increasing administrative costs and preventing the most efficient use of employees' donations, since every dollar spent on administering SECC is a dollar that does not go to charity.

Over the years, the Legislature has made policy decisions to change certain eligibility requirements for participating charities, including specifying that charities must provide health and human services to Texans, and limit their administrative and fund-raising expenses to not more than 25 percent of annual revenue. The Sunset review evaluated SECC's administration of these participation limits and found the legislative exceptions to these limits to be unfair, time-consuming, and inefficient, particularly considering SECC has no staff and relies on volunteers. Further, the State Policy Committee needs to establish guidelines to clarify some of the eligibility requirements, and to streamline the charity application, review, and approval process to reduce time spent on these activities and administrative costs.

Within this context, the issue and recommendations in this report provide SECC with the leadership, structure, and guidance necessary to not only efficiently modernize the Campaign and bring it into the 21st Century, but to also allow it to continue to adjust to the changing needs of its participants.

The following material summarizes Sunset staff's recommendations on SECC.

## Issue and Recommendations

### *Issue 1*

#### **SECC's Existing Structure Is Outdated and No Longer Effective In Meeting the Changing Needs of the Campaign.**

While SECC is beneficial to state employees who voluntarily choose to donate to charities through payroll deduction, it lacks the leadership structure and direction necessary to make needed decisions and improvements to the Campaign. Statute does not explicitly charge the State Policy Committee to develop a comprehensive budget for the Campaign. SECC's structure — with one statewide campaign and 18 local campaigns — unnecessarily increases administrative costs and prevents the efficient use of employee donations. Giving the State Policy Committee clear direction to govern and oversee the entire Campaign would allow the Committee to develop a strategic vision for the Campaign, meet the needs of state employees and other participants, and reduce campaign administration costs. Requiring the Comptroller to provide the State Policy Committee with administrative assistance would help the Committee develop and oversee contracts, and provide advice on ways to efficiently manage the Campaign.

#### **Key Recommendations**

- Continue SECC and charge the State Policy Committee with providing leadership for the Campaign, including developing a strategic plan and overall budget.
- Require the Comptroller to provide the State Policy Committee with administrative assistance in overseeing the Campaign.

- Restructure the composition and terms of the State Policy Committee, and direct it to evaluate and streamline SECC's current processes, organization, and structure.
- Remove the statutory language that allows charities that participated in SECC before 2003 to participate under old eligibility requirements.

## **Fiscal Implication Summary**

These recommendations would not have a fiscal impact to the State since SECC receives no state appropriation. Costs to administer SECC would continue to come from a portion of employee donations made through the Campaign, capped at 10 percent of total donations raised.



## SUMMARY OF FINAL RESULTS

### *S.B. 217 Patrick (Anchia)*

Created as a benefit for state employees to make charitable donations through payroll deduction, the State Employee Charitable Campaign (SECC) is not a state agency, receives no state appropriation, and has no dedicated staff. The Legislature placed SECC under Sunset review in 2011, providing the first in-depth look at SECC's structure and operations since it was created in 1993. The Sunset review revealed that since SECC's first Campaign, the world of charitable giving has changed significantly, but SECC has not. SECC continues to operate as it always has, with a paper-based donation system, an unwieldy administrative structure, and little attention given to the cost or effectiveness of its operations to ensure continued success.

Within this context, the SECC Sunset bill, Senate Bill 217, provides SECC with the leadership, structure, and guidance necessary to not only bring the Campaign into the 21st Century, but to also allow it to continue to adjust to the changing needs of its participants. Senate Bill 217 charges the State Policy Committee with providing the leadership needed to modernize and improve the Campaign, including moving to an online donation system. The bill also requires the State Policy Committee to determine the structure that best meets the needs of its participants and to ensure Campaign costs do not exceed 10 percent of donations by streamlining the Campaign and reducing costs.

The following material summarizes results of the Sunset review of SECC, including a management action directed to the State Policy Committee that does not require statutory change.

#### **Continuation and Governance**

- Continues SECC for four years until 2017.
- Restructures the composition and terms of the State Policy Committee and applies standard Sunset Across-the-Board recommendations to the Committee.
- Specifically charges the State Policy Committee with providing leadership for the Campaign, including developing a strategic plan and overall budget.

#### **Campaign Eligibility and Structure**

- Removes the statutory exemption that allowed charities that participated in the Campaign before 2003 to continue to participate even though their administrative costs exceeded 25 percent of revenues.
- Requires the State Policy Committee develop and enter into a contract with the State Campaign Manager to administer the Campaign.
- Requires the existence of both statewide and local campaigns, but removes the statutory requirements and specificity for Local Employee Committees and Local Campaign Managers.

- Requires the State Policy Committee to ensure the appropriate distribution of state employee and retiree donations to charities.
- Requires the Comptroller to provide the State Policy Committee with administrative assistance in overseeing the Campaign.
- Restructures the State Employee Charitable Campaign Advisory Committee.

#### **Administrative Efficiency**

- Clarifies that the combined administrative expenses of the Campaign cannot exceed 10 percent of all charitable donations raised.
- Directs the State Policy Committee to evaluate and streamline SECC's current processes, organization, and structure. (management action – nonstatutory)
- Requires the State Policy Committee, in conjunction with the State Campaign Manager, to maintain on the SECC website, annual summary information about the Campaign's performance.

#### **Fiscal Implication**

Senate Bill 217 will not have a fiscal impact to the State. Since SECC receives no state appropriation, costs to administer SECC will continue to come from a portion of employee donations made through the Campaign, capped at 10 percent of total donations raised.

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**CAMPAIGN AT A GLANCE**

**AUGUST 2012**





# CAMPAIGN AT A GLANCE

The Legislature created the State Employee Charitable Campaign (SECC or Campaign) in 1993 to provide Texas state employees and retirees, including higher education employees, the option to donate to charities through the convenience of payroll deduction.<sup>1</sup> SECC's major functions include:

- administering the voluntary workplace giving campaign, including the employee donation and payroll deduction process;
- ensuring charities participating in SECC meet the eligibility criteria specified in statute; and
- distributing donations made by state employees to designated charities.

## Key Facts

- **Policy body.** The State Employee Charitable Campaign Policy Committee (State Policy Committee) oversees SECC, including deciding which charities are eligible to participate in the campaign. The State Policy Committee has 13 members who serve on a voluntary basis for two-year terms and who must represent employees at different classification levels. The Governor appoints seven members, including four current state employees and three retired state employees. The Lieutenant Governor and Comptroller of Public Accounts appoint three members each. The *State Policy Committee Members* chart provides information on the current members. The State Policy Committee elects its chair from its own membership.

### State Policy Committee Members

Governor Appointed	Lieutenant Governor Appointed	Comptroller Appointed
Greg Davidson <i>Office of the Governor</i>	Janice McCoy, Chair <i>Senator Fraser</i>	Chris Conratt <i>Comptroller of Public Accounts</i>
Louri O'Leary <i>Office of the Secretary of State</i>	Noe Barrios <i>Senator Estes</i>	Raette Hearne <i>Comptroller of Public Accounts</i>
Trent Marshall <i>Board of Pardons and Paroles</i>	Vacant, <i>Current State Employee</i>	Frances Torres <i>Comptroller of Public Accounts</i>
Cecile Young <i>State Retiree</i>		
Vacant, <i>Current State Employee</i>		
Vacant, <i>State Retiree</i>		
Vacant, <i>State Retiree</i>		

The State Employee Charitable Campaign Advisory Committee (State Advisory Committee) advises the State Policy Committee and Comptroller on adopting rules and procedures for the operation and management of SECC. The State Advisory Committee consists of eight members appointed by the Governor to two-year terms, with four members who represent federations — charities that act as agents for five or more affiliated charities — and four members who represent

Local Campaign Managers.<sup>2</sup> The State Advisory Committee also reviews the statewide campaign plan, materials, and budget; recommends the number and location of local campaign areas; and provides feedback from charities to the State Policy Committee.<sup>3</sup>

- **Campaign.** The campaign occurs between September 1 and October 31 each year. Only during this time can participating state agencies and institutions of higher education solicit state employees for campaign donations and hold fund-raising events. During this time, employees choosing to donate via payroll deduction designate which charities they wish to donate to on a paper pledge form. Statutorily, employee participation is both voluntary and confidential unless the employee chooses otherwise.<sup>4</sup> During the 2011 campaign, 47,564 state and higher education employees donated more than \$9.3 million through SECC, comprising about 15 percent of employees solicited. That same year, more than 1,500 charities participated in SECC.
- **Campaign costs.** SECC does not receive a state appropriation. Campaign costs, which include the combined expenses of the State Campaign Manager and Local Campaign Managers, are paid from a percentage of donations made to charities by state employees. Statute caps campaign costs at 10 percent of total donations made by state employees.<sup>5</sup> In 2011, SECC used about \$876,000 to fund campaign administration costs, about \$188,000 of which went to the State Campaign Manager and the remainder to the 18 Local Campaign Managers.
- **Campaign administration.** Statute sets up SECC to be managed at both the state and local level. Charities that provide services in two or more noncontiguous standard metropolitan statistical areas in Texas participate in the statewide campaign. Charities that do not qualify as statewide charities participate in local campaigns. Statute limits the number of local campaigns to no more than 50 campaign areas in the state.<sup>6</sup> Texas currently has 18 local campaign areas as shown in Appendix A.

Statewide campaign. In overseeing SECC, the State Policy Committee hires a charity as the State Campaign Manager to administer the statewide campaign; approves the campaign plan, materials, and budget; establishes local campaign areas; determines which charities are eligible to participate in the statewide campaign; and appoints a state employee as the chair of each Local Employee Committee (Local Committee).<sup>7</sup> Currently, the State Campaign Manager is the United Way of Texas. The State Campaign Manager manages the day-to-day operations of the statewide campaign, including performing an administrative review of statewide applications, providing training, and updating the SECC website. The State Campaign Manager also assists state employees and serves as the main point of contact for SECC.

Local campaigns. In each of the 18 local campaign areas, the chair of the Local Committee recruits five to 10 additional state employee members to serve on the committee. The members serve two-year terms, must represent different levels of employee classification, and one or more may be a retired state employee. Local Committees oversee local campaigns. The Local Committees hire charities as Local Campaign Managers to run campaigns; approve campaign plans, materials, and budgets; and determine which charities are eligible to participate in local campaigns.<sup>8</sup> In addition to managing local campaigns, Local Campaign Managers review applications submitted by charities for participation in local campaigns and help distribute donations to charities. Local Campaign Managers also provide support to state employees and local charities as needed.

Comptroller of Public Accounts. Beyond appointing members to the State Policy Committee, the Comptroller deducts donations from state employees' salaries and distributes those donations to charities acting as federations, which are responsible for distributing donations to individual

charities, as described below. Upon request from the State Policy Committee, the Comptroller audits charities suspected of misusing employee donations.<sup>9</sup> The Comptroller also has primary rulemaking authority for SECC.

- **Charity application and eligibility.** The State Campaign Manager and Local Campaign Managers solicit charity applications each year. Federations apply to participate in the campaign for themselves and their affiliated charities once every three years, and go through a recertification process the other two years. Local charities that are unaffiliated with a federation must apply to participate in the campaign every year. SECC also has five nonprofits associated with state agencies that are statutorily authorized participants and do not go through the application process.<sup>10</sup>

The State Policy Committee reviews charity applications and determines which charities are eligible to participate in the statewide campaign based on statutory criteria. The 18 Local Committees perform these same functions for charities applying to participate in local campaigns based on the same eligibility requirements. The textbox, *Eligibility Requirements*, describes the statutory requirements charities must meet to receive donations through SECC.<sup>11</sup> In addition to reviewing statewide applications, the State Policy Committee also reviews appeals for both statewide and local charity application denials. For the 2011 campaign, the State Policy Committee reviewed 438 applications while the 18 Local Committees reviewed a total of 1,151 applications. That same year, the State Policy Committee reviewed 67 statewide and local appeals.

### ***Eligibility Requirements***

To participate in SECC a charity must:

- be recognized as a 501(c)(3) nonprofit organization in Texas;
- be governed by a voluntary board that meets at least twice a year;
- spend no more than 25 percent of its annual revenue on administrative and fund-raising costs;
- provide proof of an audit once a year if its annual budget exceeds \$100,000, or provide an IRS Form 990 and an accountant's review if its annual budget is less than \$100,000;
- use SECC donations for health and human services that benefit Texas residents; and
- not use donations to fund lobbying or litigation expenses.

Charities that participated in the Campaign before 2003 and have administrative costs that exceed 25 percent may obtain a waiver from the State Policy Committee that allows them to participate. Charities that provide international services and participated in the Campaign before 2003 may also continue to participate if they meet the other applicable eligibility requirements.

- **Distribution of donations.** Donations made through SECC can be either one-time cash donations or the more common monthly payroll deductions. Local Campaign Managers collect one-time cash donations, which are distributed directly to the charity if designated, or according to a formula based on the proportion of total funds raised by the charity if undesignated.

For donations made through payroll deduction, the Comptroller deducts the designated amount from each employee's paycheck, and disburses the amount to one of the 11 statewide federations, five state agency nonprofits, or the 18 Local Campaign Managers, who act as local federations

for local charities. Federations distribute donations to their member affiliates according to a formula that calculates the percentage of funds pledged to each charity during that campaign year. Local Campaign Managers also distribute donations to unaffiliated local charities. Participating institutions of higher education handle distributions similarly, but may use the Comptroller or a Local Campaign Manager to make the distributions, or may distribute the donations directly to federations themselves.

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<sup>1</sup> In 2011, the Legislature authorized retirees to participate by deducting donations from their annuity, and required the Employee Retirement System of Texas (ERS) and SECC to coordinate in implementing this provision. Although ERS and the State Policy Committee have explored options, retirees are not yet able to participate in the program through annuity deduction.

<sup>2</sup> Section 659.131(6), Texas Government Code.

<sup>3</sup> Section 659.142(e)(2) and (3), Texas Government Code.

<sup>4</sup> Sections 659.133 and 659.135, Texas Government Code.

<sup>5</sup> Section 659.148(c), Texas Government Code.

<sup>6</sup> Section 659.142(e)(2), Texas Government Code.

<sup>7</sup> Section 659.140(e), Texas Government Code.

<sup>8</sup> Section 659.143(e), Texas Government Code.

<sup>9</sup> Section 659.151, Texas Government Code.

<sup>10</sup> The five state agency nonprofits include Adopt-A-Beach and Save Texas History (General Land Office); Fund for Veterans' Assistance (Texas Veterans Commission); Texas Match the Promise Foundation (Comptroller of Public Accounts); and Texas State History Museum (State Preservation Board).

<sup>11</sup> Sections 659.146 and 659.150, Texas Government Code and Section 18.01, Chapter 3 (H.B. 7), Acts of the 78th Texas Legislature, 3rd Called Session, 2003.

ISSUE



# ISSUE 1

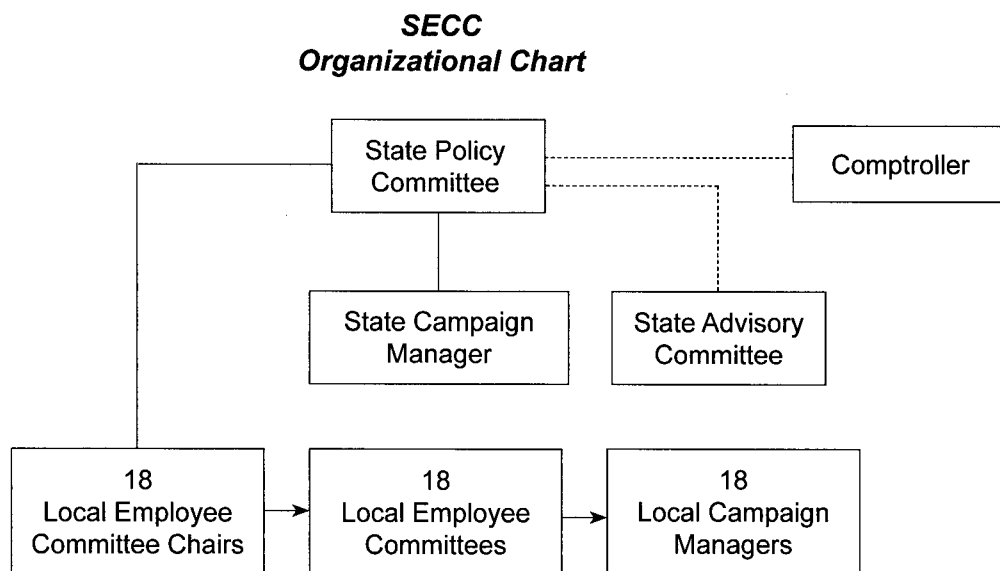
## *SECC's Existing Structure Is Outdated and No Longer Effective In Meeting the Changing Needs of the Campaign.*

### Background

Established in 1993, the State Employee Charitable Campaign (SECC or Campaign) is the State's voluntary workplace giving campaign that provides state employees the option to donate to charities through the convenience of payroll deduction. The State's main role in SECC is to ensure the Campaign conducts activities fairly and equitably to protect the approximately 47,500 participating state employees.

Structurally, statute establishes SECC as a partnership between the State Employee Charitable Campaign Policy Committee (State Policy Committee), Comptroller of Public Accounts, and charities. The eight-member State Employee Charitable Campaign Advisory Committee (State Advisory Committee), made up of participating charities, advises the State Policy Committee and the Comptroller on the rules, procedures, and other aspects of the Campaign.

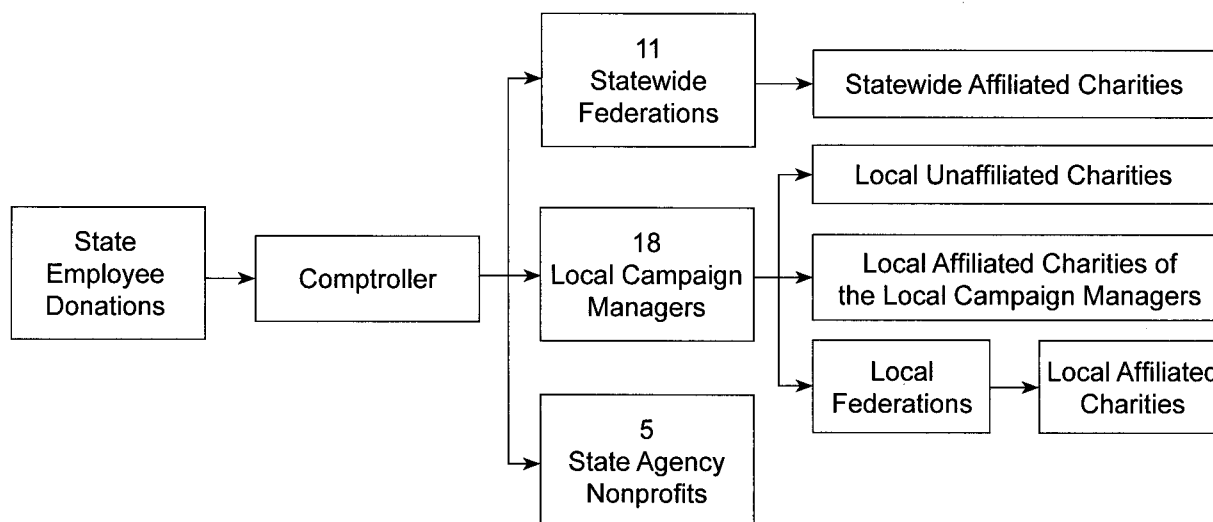
While typically referred to and thought of as a single entity, the Campaign actually encompasses 18 local campaigns as well as the state-level campaign. The 13-member State Policy Committee oversees SECC and hires a charity as the State Campaign Manager to administer the statewide campaign, while each of the 18 local areas has a Local Employee Committee that hires a charity as a Local Campaign Manager to administer the campaign for that area. The *SECC Organizational Chart* provides a depiction of the Campaign's structure.



The State Policy Committee and Local Employee Committees review charity applications to determine those eligible to participate in the Campaign based on several statutory criteria. During the campaign, state employees can designate approved charities they wish to donate to and the amount

of the donation. Generally, the Comptroller deducts donations from employees' monthly salaries and distributes donations to statewide federations and Local Campaign Managers acting as local federations.<sup>1</sup> Federations and Local Campaign Managers then distribute donations to the specified charities, as shown in the flow chart, *Distribution of Employee Donations*.

### ***Distribution of Employee Donations***



Statute caps campaign administration costs, which include expenses for the State Campaign Manager and Local Campaign Managers, at 10 percent of total donations.<sup>2</sup> A percentage of the total amount of donations made by state employees pays for these administrative costs. In 2011, of the \$9.3 million donated, SECC used about \$876,000 to pay administration costs, some \$686,600 of which went to the 18 Local Campaign Managers and the remainder to the State Campaign Manager. Any money left over that is budgeted but not expended for State Campaign Manager administration costs goes into SECC's surplus account. The surplus account is available for use by the State Policy Committee for administration of the Campaign. Statute also authorizes the Comptroller to charge a fee to cover administration costs, but the Comptroller has never charged such a fee.<sup>3</sup>

In 2011, the 82nd Legislature placed SECC and the State Policy Committee under Sunset Review, subject to abolishment unless continued by the Legislature.<sup>4</sup> As a result, Sunset staff evaluated the need for the Campaign and the effectiveness of its structure at efficiently performing its duties.

## **Findings**

### **SECC provides a convenient way for state employees to donate to charities.**

While SECC does not represent an essential function in the same way as some other governmental functions, the Sunset review found SECC benefits state employees who choose to donate to charities through payroll deduction. In 2011, about 47,500 state employees donated more than \$9.3 million to charities through SECC. The Campaign accomplishes this function with little direct cost to the State since it bears administrative costs through an approximate 10 percent deduction from total employee donations. The



Comptroller has a small operating cost that it absorbs, and state agencies “donate” employees’ time for the Campaign to serve as committee members and campaign coordinators and to participate in SECC. Although committee members and coordinators spend an indeterminate number of on-the-job hours working on campaign-related activities, abolishing the Campaign would present no savings to the State, as cost impacts on an agency, if any, cannot be documented.

Having a state-supported charitable campaign also minimizes workplace disruption caused by multiple charitable fund drives and loss of productivity from participating in charitable fund raising throughout the year. As part of the Sunset review, staff surveyed more than 650 state employees, charities, and campaign managers and received input on stakeholders’ views of the Campaign. Participating employees indicated they value spreading their charitable giving over the course of a year, similar to paying for major purchases over time, and feel comfortable that their donations are going to state-approved charities. In addition, all other states and the federal government have a similar voluntary workplace giving campaign.

**SECC lacks the leadership structure and statutory direction needed to make key decisions and necessary changes to modernize the Campaign and best ensure its effectiveness.**

At the time the Legislature created SECC, statute did not contemplate or designate a single entity to be responsible for the management and operation of the Campaign. Instead, the Legislature set up the Campaign with shared responsibilities within the State Policy Committee for oversight of the Campaign, between the State Campaign Manager and Local Campaign Managers for the day-to-day management of the Campaign, and with the Comptroller administering donations. This structure has not changed over the past 19 years, but the needs of the Campaign, state employees, and charities the Campaign serves have. Within this structure, no single entity is responsible for the Campaign overall and therefore no one makes the key decisions needed to improve and modernize the Campaign.

Although statute charges the State Policy Committee with overseeing the Campaign, statute does not give it the structure or explicit direction to make needed decisions. The State Policy Committee consists of 13 members appointed by three statewide elected officials. Having a State Policy Committee comprised of volunteer state employees appointed by three different, political authorities makes it unlikely the Committee will take on additional responsibilities and costly initiatives to improve the Campaign without explicit statutory authority. For example, since statute does not specifically direct the State Policy Committee to set a strategic vision for the Campaign, the Committee has tended to run the Campaign in the way it has always been run. The Campaign operates more from the bottom-up, through the campaign managers, than the top-down, through the State Policy Committee, with the majority of planning done by the State and Local Campaign Managers. As such, this planning is focused more on administrative

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*Employees value spreading charitable giving over the course of a year.*

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*No single entity is responsible for key decisions within SECC’s current shared structure.*

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processes rather than evaluating the Campaign overall and identifying and, more importantly, deciding how to address needed improvements.

The State Policy Committee also does not have explicit direction to develop a comprehensive budget for the administration of SECC. Instead, statute requires the State Campaign Manager to prepare a statewide campaign budget in cooperation with Local Campaign Managers, and for each of the 18 Local Campaign Managers to develop the budget for their local campaign area.<sup>5</sup> Neither the State Policy Committee nor the State Campaign Manager has approval authority of these local budgets. As a result, the statewide and local budgets are developed and approved independently with the hope that total administration costs will be below the statutory requirement of 10 percent of total campaign donations raised.

This bottom-up budget structure prevents the State Policy Committee from coordinating overall Campaign expenses and prioritizing spending to meet identified needs. Because SECC's budget is developed from the bottom-up, it consists solely of administration costs and does not contemplate the cost of needed improvements to the Campaign. For example, when asked about needed improvements to the Campaign, the most common response received from survey respondents was the need for an online donation system. However, the State Policy Committee has not prioritized or adjusted spending to pay for statewide initiatives or improvements, such as moving towards an online donation system.

Another example relates to the Legislature's change to the Campaign in 2011 when it passed House Bill 1608 allowing state retirees to participate in SECC and authorizing the Employees Retirement System of Texas (ERS) to deduct donations from retirees' annuity payments.<sup>6</sup> In response, ERS provided the State Policy Committee with several cost options that would allow state retirees to participate. Recognizing that allowing retirees to participate was going to have a cost, but not having an overall budget for the Campaign, the State Policy Committee has been unable to implement or act on any of the recommended options, and has not yet made changes to allow retirees to participate in the Campaign. ERS has also been unable to help implement this requirement at this time. The agency claims restrictions on the use of employee trust fund money prevent ERS from paying for any of the upfront costs associated with allowing retirees to participate in SECC, but statute does allow ERS to charge an administrative fee to participating charities once retirees are participating in the Campaign.

In addition to a lack of leadership direction, the State Policy Committee does not have any dedicated staff to help oversee the Campaign. Most state entities have some dedicated staff to implement their policymaking bodies' strategic visions and perform other administrative tasks. Although the State Campaign Manager oversees the day-to-day operations of the Campaign, the State Policy Committee has no staff to manage the agreement with the State Campaign Manager or to ensure the State Campaign Manager adequately performs its duties.

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*Survey respondents identified moving to an online system as SECC's biggest need.*

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*SECC does not have any staff to administer the Campaign.*

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### **The Campaign's decentralized structure prevents the most efficient use of employees' charitable donations.**

Since every dollar spent on administering the Campaign is an employee dollar that does not go to charity, the Legislature created SECC as a lean program, taking advantage of outsourced expertise in charitable campaigns and state employee volunteer time to administer the Campaign. However, SECC's current organization — with one statewide campaign and 18 local campaigns — duplicates this organizational structure across 18 regions, multiplying overhead costs. The majority of the Campaign's \$876,000 administrative budget for 2011 — about \$686,600 — supported Local Campaign Managers in SECC's 18 regions.

Local campaigns are important because they allow an employee to make donations to local charities in their community, and Local Campaign Managers provide valuable assistance to state employees, state agencies, and charities outside Austin. However, SECC's expansive regional structure fails to take advantage of opportunities for centralized efficiencies. The Campaign is close to its statutory cap of using 10 percent of employees' donations for administrative costs — at 9.37 percent in 2011. Moving forward, reducing overhead costs will likely be the only way SECC will be able to use its available administrative budget to make needed improvements to the Campaign, such as transitioning to an online donation system. In addition, each of the 18 Local Committees and the State Policy Committee make independent decisions on which charities are eligible to participate in the Campaign, with little guidance other than the statutory requirements. This structure can lead to inconsistent decision making, which can be confusing for applying charities and participating employees.

SECC's dependence on campaign managers has created a bottom-up management structure that prevents centralized controls to ensure accountability and efficiency. Each of the 18 Local Committees hires a Local Campaign Manager, but does not enter into a signed contract. Instead, each Local Committee approves the Local Campaign Manager's application that consists of the manager's proposed plan, timeframe, and budget for the local campaign area, with none of the protections typically seen in contracts for outsourced functions such as this. In addition, without dedicated staff, SECC cannot effectively oversee these local agreements to ensure performance or that state employee donations are well spent.

Each Local Committee approves its campaign budget in a silo, and neither the State Policy Committee nor the State Campaign Manager review or approve these local budgets in any comprehensive way. This fragmented process makes it difficult for the State Campaign Manager to receive and review budget information for some of the local campaigns, despite the fact that Local Campaign Managers are required by rule to submit their approved budgets to the State Campaign Manager.<sup>7</sup> Because the Local Committees and Local Campaign Managers are not directly accountable to the State Policy Committee or the State Campaign Manager, local campaign information

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*SECC's regional structure multiplies costs in what should be a lean campaign.*

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*SECC's outsourced functions have none of the protections normally seen in state contracts.*

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exists in multiple and inconsistent formats, making deciphering an overall picture of the Campaign difficult. While the Campaign is currently below its 10 percent cap on administrative costs, the lack of controls over the local campaigns and campaign managers, paid for out of employee donations, at best misses an opportunity for further efficiencies and at worst creates risk to the appropriate expenditure of SECC's administrative budget.

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*SECC delegates donation distribution and assumes charities receive appropriate sums.*

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On the back-end of the campaign, SECC also decentralizes donation distribution, requiring federations to ensure employee donations appropriately reach each individual charity. SECC does not have a proactive oversight mechanism to ensure this occurs; rather, a charity itself must identify any payment inconsistencies. Although federations submit financial audits as part of their application process, which would show major financial problems, the audits do not detail federations' donation distribution processes. While the Sunset review did not identify any inappropriate distributions by federations, the current process simply assumes distributions are happening correctly, as state employees trust, and that the Campaign would hear about it otherwise.

#### **The State Policy Committee's current structure limits member continuity and cohesiveness.**

Although statute provides for two-year terms for the 13 State Policy Committee members, it does not specify the actual start and end date of each member's term, leaving it to each of the three appointing entities to determine and track. Without specified terms, reappointment dates can slip resulting in long-standing vacancies, and actual service time can be stretched or shortened creating a lack of continuity and tenure among members. In comparison, most state agency boards have staggered terms that clearly expire on a date specified in statute to ensure the systematic transition of members.

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*The lack of set terms contributes to the Committee's struggle to lead.*

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In 2011, the membership of the State Policy Committee expanded from nine to 13 member positions, four of which are currently vacant. The large number of Committee members combined with current vacancies makes it difficult for the Committee to attain a quorum at meetings. Lack of a quorum prevented the Committee from taking action at its June 2012 meeting, and could potentially result in the Committee being unable to vote on charity applications or appeals, or taking other important action. Together, these structural irregularities lead to a lack of cohesiveness and continuity among State Policy Committee members, and ultimately contribute to the Committee's inability to effectively fulfill its leadership role in the Campaign.

#### **SECC's statute does not reflect standard language typically applied across the board during Sunset reviews.**

The Sunset Commission has developed a set of standard Across-the-Board Recommendations (ATBs) that contain "good government" standards designed to ensure open, responsive, and effective government. Although most ATBs are not appropriate to apply to SECC since it does not operate as a state agency, applying two ATBs related to its policymaking body — the

State Policy Committee — would help ensure the Committee can effectively oversee the Campaign. Specifically, SECC's statute does not include standard language related to the statutory basis and process for removing a member of a policymaking body who does not maintain qualifications, has a conflict of interest, or no longer attends meetings. In addition, SECC's statute does not specify the type of training and information Committee members need to properly discharge their duties.

**Grandfathered eligibility requirements create a time-consuming application process that is administratively inefficient for the volunteer State Policy Committee.**

In 2003, the Legislature made several changes to SECC's statute, including removing language that allowed international charities to participate in the Campaign even though they did not provide health and human services in the state, and language that allowed the State Policy Committee to grant a charity a temporary exemption from the requirement that administrative costs not exceed 25 percent.<sup>8</sup> The Legislature later provided that charities that had participated in the Campaign before these changes were made could not be barred from participating in SECC solely based on the new eligibility requirements.<sup>9</sup>

As a result, the State Policy Committee has created a process that allows certain charities to be grandfathered into the Campaign on a yearly basis for two purposes. Charities providing international services that participated before 2003 are allowed to continue to participate in the Campaign if they meet all other requirements. In addition, the State Policy Committee can temporarily waive, for up to three consecutive years, the 25 percent administrative cost requirement for charities that participated before 2003, if it finds that the reasons for the overage are reasonable, and that the charity has a plan in place to reduce administrative costs.

These grandfathered eligibility requirements create a bifurcated application approval process, which is time consuming for the State Policy Committee, particularly in relation to the 25 percent administrative cost requirement. For the 2011 campaign, the State Policy Committee considered 76 charities either on initial application or appeal for the 25 percent administrative cost waiver. State Policy Committee members responsible for reviewing the charity's application and making a recommendation to the full Committee must spend time analyzing the explanation for the overage and the plan to decrease costs, and make a judgment as to whether these are reasonable and appropriate.

These decisions are some of the most subjective decisions made by the State Policy Committee, as many of the other eligibility requirements are more clear cut. In addition, these decisions take the most time to make in terms of individual committee member analysis and full committee deliberation time. Since the State Policy Committee is comprised of state employee volunteers, this time takes away from the employees' state-paid jobs. Ultimately, the

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*Certain charities do not have to meet all SECC eligibility requirements.*

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*Granting exceptions to eligibility requirements is subjective and time-consuming.*

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grandfathered eligibility requirements create more work for a campaign that is structured to be lean, efficient, and as least costly as possible. In addition, the grandfathered clause is unfair to newer charities that do not have the opportunity to participate in the Campaign if their administrative costs are more than 25 percent.

## Recommendations

### *Change in Statute*

#### **1.1 Continue SECC and charge the State Policy Committee with providing leadership for the Campaign, including developing a strategic plan and overall budget.**

This recommendation would continue SECC as a voluntary benefit for state employees, and charge the State Policy Committee with more fully overseeing and providing leadership for the Campaign. This recommendation would establish a clear leader and decision maker for SECC so needed changes to modernize the Campaign can be planned and budgeted for, and eventually implemented. Since SECC is neither a state agency nor operated with state funds, this recommendation would remove SECC and the State Policy Committee from future Sunset review. Under this recommendation, the State Policy Committee would have the following responsibilities.

- **Campaign planning and oversight.** The recommendation would require the State Policy Committee to develop a strategic plan for SECC and make improvements to the Campaign as needed. The State Policy Committee would have flexibility to determine how best to structure the Campaign, but would be required to contract with a State Campaign Manager for administration of the Campaign. Under this recommendation, the State Policy Committee would develop and approve the contract, the Chair of the Committee would sign the contract, and the Comptroller would assist in the contracting process, as discussed in Recommendation 1.2. As part of the planning and contract development process, the State Policy Committee would develop, review, and approve the campaign's yearly plan, budget, and materials. Statutorily, the State Campaign Manager would be required to work with the State Policy Committee to develop the yearly campaign plan, budget, and materials; as well as other duties required by rule or the contract.

The contract should adhere to the Comptroller's State of Texas Contract Management Guide as appropriate and include a list of specific duties and deliverables, campaign plan, general description of materials to be used in the campaign, plan for providing services throughout the state, termination clause, and other elements prescribed by the State Policy Committee. This recommendation would create a more traditional contracting process, with the State Policy Committee initiating contract needs and duties instead of the contractor choosing the duties it offers. This recommendation would require the State Policy Committee to either provide or plan for contract oversight.

This recommendation would also require the State Policy Committee to provide for some level of oversight to ensure the appropriate distribution of donations on the back-end. For example, the Committee could consider requiring federations to include an evaluation of their donation distribution process as part of their annual audit, or provide for random, risk-based audits performed by the Comptroller as discussed in Recommendation 1.2. This type of oversight would provide more assurance to state employees that their donations are reaching intended charities.

- **Budget authority.** As part of this recommendation, the State Policy Committee would develop, approve, and oversee SECC's overall budget, including costs related to contracting for

the administration of the Campaign on both the state and local level, additional changes or improvements to the Campaign such as moving to an online system, and any other costs determined and prioritized by the Committee. The budget would encompass more than just the Campaign Manager contract. Under this recommendation, the State Policy Committee would continue to have authority over SECC's surplus account held by the State Campaign Manager, which currently has a balance of about \$18,100. Since this is money deducted from past state employee donations but not used in administration, the State Policy Committee should use this surplus, and any future surpluses, to offset the approved campaign budget, instead of maintaining a fund balance in the State Campaign Manager's account. An overall budget would allow the State Policy Committee to prioritize the expenditures for selected enhancements, such as moving to an online system or allowing state retirees to participate in the Campaign, in a fiscally responsible way.

- **Local campaign areas.** This recommendation would require the existence of both statewide and local campaigns, and require the State Policy Committee to set the appropriate level of local presence to help state employees and local charities participate in the campaigns, including providing assistance with charity applications, state employee participation and solicitation, and donation distribution. However, the recommendation would remove the statutory requirements and specificity for Local Employee Committees and Local Campaign Managers. The State Policy Committee would instead be given flexibility to determine how to best ensure a local presence. In implementing this recommendation, the State Policy Committee could consider maintaining local campaigns while reducing or eliminating Local Committees and Local Campaign Managers; centralizing the provision of local assistance and donation distribution into one contract with the State Campaign Manager; or reviewing all local charity applications centrally.
- **Application approval.** This recommendation would require the State Employee Committee to review charity applications and approve which charities are eligible to participate in the Campaign. The State Policy Committee would also review and approve all appeals of charity application denials. This recommendation would allow the State Policy Committee the flexibility to either choose to continue using Local Committees to assist in reviewing local charity applications, or centralize all application review at the State Policy Committee-level. The recommendation would require the State Policy Committee to develop guidelines for use in evaluating applications based on the statutory eligibility requirements. The guidelines would be publicly available and used by the State Policy Committee and any local reviewing committees, if retained.
- **Campaign performance information.** The recommendation would require the State Policy Committee, in conjunction with the State Campaign Manager, to maintain on the SECC website, annual summary information about the Campaign's performance, including state employee participation, the amount of donations pledged and collected, the amount of donations pledged to and received by each charity, the total cost to administer the Campaign, and the balance of the surplus account.

## **1.2 Require the Comptroller to provide the State Policy Committee with administrative assistance in overseeing the Campaign.**

This recommendation would require the Comptroller to provide the State Policy Committee with administrative support in carrying out its oversight duties that the Committee is unable to provide without a staff of its own. As part of this recommendation, the Comptroller would provide the State Policy Committee with assistance in developing and overseeing contracts, developing the budget, and other administrative functions as the Committee determines. In addition, if the State Policy

Committee were to decide random audits of charities' distribution of donations were necessary to ensure appropriate distribution as discussed in the above recommendation, this recommendation would require the Comptroller to perform such audits.

The Comptroller would retain rulemaking authority over the Campaign, both over its own payroll deduction system, but also per the direction of the State Policy Committee for the overall Campaign. The Comptroller would also retain current statutory authority to charge participating charities an administrative fee to cover costs incurred by the Comptroller to administer the Campaign, should it choose to charge such a fee.

### **1.3 Restructure the composition and terms of the State Policy Committee.**

This recommendation would change the composition of the State Policy Committee to include nine members, with three members to be appointed by the Governor with the advice and consent of the Senate, three by the Lieutenant Governor, and three by the Comptroller. One of the Governor's three appointments would be required to be a state retiree. In making appointments, the Governor, Lieutenant Governor, and Comptroller should attempt to appoint members from a range of small, medium, and large-sized state agencies, and institutions of higher education. The State Policy Committee would elect its own chair.

To provide continuity and expertise on the Committee while recognizing that terms longer than two years are unwieldy for state employees, this recommendation would require that members serve two-year staggered terms, with terms expiring on September 1. To implement this, the recommendation would provide that all current Committee member terms expire on September 1, 2013 to allow for staggering of terms. Each appointing authority would make appointments not later than September 2, 2013. To establish staggered terms, initial appointments would be made as follows.

- Four members, including two members appointed by the Governor, one member appointed by the Lieutenant Governor, and one member appointed by the Comptroller would be appointed to initial one-year terms expiring September 1, 2014.
- Five members, including one member appointed by the Governor, two members appointed by the Lieutenant Governor, and two members appointed by the Comptroller would be appointed to initial terms expiring September 1, 2015.

### **1.4 Apply standard Across-the-Board Recommendations to the State Policy Committee.**

This recommendation would apply the following two standard Sunset Across-the-Board Recommendations related to policymaking boards, and modify them to fit the State Policy Committee's unusual structure.

- **Grounds for removal.** This provision would add language specifying grounds for removal of a member if appointment requirements for members of a policymaking body are not met, and provides for notification requirements for a potential ground for removing a Committee member exists.
- **Committee member training.** This provision would require members to undergo training before participating on the State Policy Committee. The recommendation also establishes the type of information to be included in the Committee member training, including information regarding



the legislation that created SECC; its functions, rules, and budget; the requirements of laws relating to open meetings, public information, administrative procedure, and conflicts of interest; and any applicable ethics policies.

### **1.5 Restructure the State Employee Charitable Campaign Advisory Committee.**

To accommodate possible changes in the local campaign areas authorized in Recommendation 1.1, this recommendation would require the State Advisory Committee's membership to include representatives of four statewide or local federations, and four other charities participating in the Campaign, instead of having four members who represent campaign managers and four members who represent federations that are not campaign managers.

This recommendation would also clarify the State Advisory Committee's advisory role and responsibilities to the State Policy Committee. The State Advisory Committee would advise the State Policy Committee and Comptroller in adopting rules and establishing procedures for the operation and management of the Campaign and provide input from charities to the State Policy Committee. This recommendation would remove statutory language requiring the State Advisory Committee to recommend the number and geographic scope of the local campaign areas, and review and submit the campaign plan, budget, and materials to be used by campaign managers. However, the State Policy Committee could choose to get advice from the State Advisory Committee on these tasks.

### **1.6 Remove the statutory language that allows charities that participated in the Campaign before 2003 to participate under old eligibility requirements.**

This recommendation would remove from state law the provision that grandfathers charities participating in the campaign before the Legislature changed eligibility requirements in 2003. Statute would require all charities to meet the eligibility requirements in current law, including the requirement that charities provide health and human services that benefit Texas residents, and that their administrative costs not exceed 25 percent of revenues. While some charities would no longer be eligible to participate, the recommendation would not prevent state employees from donating to these charities outside of the Campaign. This recommendation would streamline the application process and give the State Policy Committee needed flexibility to restructure the Campaign as recommended in Recommendation 1.7.

## ***Management Action***

### **1.7 Direct the State Policy Committee to evaluate and streamline SECC's current processes, organization, and structure.**

In conjunction with Recommendation 1.1, this recommendation would direct the State Policy Committee to revamp and modernize the Campaign. Rather than create specific, inflexible processes in statute that could prevent later adjustments, this recommendation would charge the State Policy Committee with taking a critical look at SECC's current structure and operations, and making changes as needed with an eye towards centralizing administration as efficiently as possible without sacrificing effectiveness.

Since the Campaign's operations have mostly been unchanged since its inception in 1993, many practices exist in tradition rather than statute or rule. This recommendation would create an opportunity for a clean slate to remove any inefficiencies in the Campaign and allow it to move forward. The recommendation intends to give the State Policy Committee the flexibility to structure the Campaign as efficiently as possible, with a balanced amount of oversight. As part of this recommendation, the

State Policy Committee should examine current processes as well as the rules under which SECC operates. In making changes to the administration of the Campaign, the State Policy Committee should work with the reconstituted State Advisory Committee, participating charities, and the State and Local Campaign Managers and Local Committees if retained, to identify Campaign needs and solutions.

## Fiscal Implication

These recommendations would not have a fiscal impact to the State since SECC receives no state appropriation. Costs to administer SECC would continue to come from a portion of employee donations made through the campaign, capped at 10 percent of total donations raised. This administrative budget would pay for any costs incurred to oversee the Campaign; actual administration of the Campaign, including any contracting costs; and eventually, other system improvements, such as moving toward an online system. While these recommendations would not increase SECC's allowable administrative budget, they are intended to enable the State Policy Committee to streamline the administration of the Campaign, to free up funds for new, prioritized initiatives. If the Comptroller determines it cannot absorb any changes in duties, the Comptroller would continue to have the statutory authority to charge a fee to cover costs.

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<sup>1</sup> As per 659.131(6), Texas Government Code, a federation is defined as a fund-raising entity that is a charitable organization; acts as an agent for at least five charitable organizations; is not organized exclusively to solicit contributions from state employees; and is supported by voluntary contributions by the public. Federations must be incorporated in this state and have an established physical presence in this state that is staffed at least 20 hours a week; or incorporated outside this state, include at least 10 affiliated charitable organizations, have existed at least three years, and participate in state employee charitable campaigns in at least 10 other states.

<sup>2</sup> Section 659.148(c), Texas Government Code.

<sup>3</sup> Section 659.148(d), Texas Government Code.

<sup>4</sup> Chapter 1015 (H.B. 2549), Acts of the 82nd Texas Legislature, Regular Session, 2011.

<sup>5</sup> Sections 659.141(2) and 659.144(c)(1), Texas Government Code.

<sup>6</sup> Chapter 280 (H.B. 1608), Acts of the 82nd Texas Legislature, Regular Session, 2011.

<sup>7</sup> 34 T.A.C. Section 327.5.

<sup>8</sup> Chapter 1310 (H.B. 2425), Acts of the 78th Texas Legislature, Regular Session, 2003.

<sup>9</sup> Section 18.01, Chapter 3 (H.B. 7), Acts of the 78th Texas Legislature, 3rd Called Session, 2003.

# RESPONSES TO ISSUE 1

## Recommendation 1.1

*Continue SECC and charge the State Policy Committee with providing leadership for the Campaign, including developing a strategic plan and overall budget.*

### Agency Response to 1.1

None received.

### Sunset Staff Modification

1. Require that any changes made by the State Policy Committee to the operations of the Campaign as a result of Recommendation 1.1, including changes to the local campaign structure and application approval process, be implemented beginning with the 2014 campaign.

*Staff Comment:* Since SECC has already begun planning for the 2013 campaign, this modification would ensure that any changes made to how the campaign operates would be phased-in appropriately.

### For 1.1

Paul Urban – State Employee Charitable Campaign Advisory Committee, Kerrville

Reuben Leslie, Austin

*Staff Comment:* While Mr. Leslie supports giving the State Policy Committee more budget authority and accountability as proposed in Recommendation 1.1, he does not support the elimination of the Local Employee Committees. Although the recommendation would eliminate the statutory requirement for Local Employee Committees, it would require the State Policy Committee to ensure the existence of local campaigns, which could include maintaining, reducing, or eliminating the Local Employee Committees.

### Against 1.1

Maryanne Gooley, McAllen

### Modification

2. Retain the Local Employee Committee and Local Campaign Manager structure. (Donald Nicholson, Local Employee Committee Member – Amarillo Area State Employee Charitable Campaign, Amarillo)

*Staff Comment:* Although Recommendation 1.1 would eliminate the statutory requirements and specificity for Local Employee Committees and Local Campaign Managers, it would require the State Policy Committee to ensure the existence of local campaigns, which could include maintaining, reducing, or eliminating the Local Employee Committees and Local Campaign Managers.

**Recommendation 1.2**

*Require the Comptroller to provide the State Policy Committee with administrative assistance in overseeing the Campaign.*

**Agency Response to 1.2**

None received.

**For 1.2**

Paul Urban – State Employee Charitable Campaign Advisory Committee, Kerrville

**Against 1.2**

None received.

**Recommendation 1.3**

*Restructure the composition and terms of the State Policy Committee.*

**Agency Response to 1.3**

None received.

**For 1.3**

Paul Urban – State Employee Charitable Campaign Advisory Committee, Kerrville

Reuben Leslie, Austin

**Against 1.3**

None received.

**Modification**

3. Require at least one member of the State Policy Committee be a regional representative from a Local Employee Committee. (Donald Nicholson, Local Employee Committee Member – Amarillo Area State Employee Charitable Campaign, Amarillo)

**Recommendation 1.4**

*Apply standard Across-the-Board Recommendations to the State Policy Committee.*

**Agency Response to 1.4**

None received.

**For 1.4**

Paul Urban – State Employee Charitable Campaign Advisory Committee, Kerrville

**Against 1.4**

None received.

**Recommendation 1.5**

*Restructure the State Employee Charitable Campaign Advisory Committee.*

**Agency Response to 1.5**

None received.

**For 1.5**

Paul Urban – State Employee Charitable Campaign Advisory Committee, Kerrville

**Against 1.5**

None received.

**Recommendation 1.6**

*Remove the statutory language that allows charities that participated in the Campaign before 2003 to participate under old eligibility requirements.*

**Agency Response to 1.6**

None received.

**Sunset Staff Modification**

4. Clarify that the change to the Campaign's eligibility requirements, as laid out in Recommendation 1.6, would be implemented beginning with the 2014 campaign.

*Staff Comment:* SECC will begin its application approval process for the 2013 campaign in spring of 2013, before the Campaign's Sunset legislation passes. This modification would allow the eligibility change to be phased-in for the first full campaign that occurs after passage of the SECC Sunset bill.

**For 1.6**

Paul Urban – State Employee Charitable Campaign Advisory Committee, Kerrville

**Against 1.6**

Carol Geiger, Austin

Maryanne Gooley, McAllen

Phillip Walter, Austin

**Modification**

- 5. Eliminate the statutory eligibility “grandfather clause” as proposed in Recommendation 1.6 and replace it with broader eligibility criteria that allow charities that provide indirect human services eligible to participate in SECC. (Michelle Clancy, Local Campaign Manager – State Employee Charitable Campaign, Houston/Beaumont)

**Recommendation 1.7**

*Direct the State Policy Committee to evaluate and streamline SECC’s current processes, organization, and structure.*

**Agency Response to 1.7**

None received.

**For 1.7**

Paul Urban – State Employee Charitable Campaign Advisory Committee, Kerrville

**Against 1.7**

None received.



# COMMISSION DECISION ON ISSUE 1

(NOVEMBER 2012)

Adopted Recommendation 1.1 with Sunset Staff Modification 1.

Adopted Recommendations 1.2 through 1.5, and 1.7.

Adopted Recommendation 1.6 as modified to allow international charities that participated in SECC before 2003 to continue to participate in the Campaign. This modified recommendation:

- Retains the grandfathered eligibility provision that allows international charities that participated in SECC before 2003 to continue to participate in the Campaign as long as they meet other eligibility requirements.
- Removes the grandfathered eligibility provision for charities that have administrative costs that exceed 25 percent of revenues. These charities would no longer be eligible to participate in SECC, even if they had participated in the Campaign before 2003.

# FINAL RESULTS ON ISSUE 1

(JULY 2013)

## ***Legislative Action — S.B. 217***

**Recommendation 1.1 with Sunset Staff Modification 1** — Senate Bill 217 continues SECC and charges the State Policy Committee with providing leadership for the Campaign. The bill requires the State Policy Committee to establish the organization and structure of the Campaign at the state and local levels, including establishing local campaign areas and appointing any local campaign managers and employee committees considered necessary. The bill requires the State Policy Committee to develop a strategic plan for and make improvements to the Campaign as needed; develop in coordination with the state Campaign manager, review, and approve an annual Campaign plan and budget; and ensure employee donations are appropriately distributed to charities.

Senate Bill 217 also requires the State Policy Committee to develop and enter into a contract with the State Campaign Manager to administer the Campaign, review and approve or deny charity applications, and collect and report annual summary information about the Campaign's performance on SECC's website. The bill specifies any changes made by the State Policy Committee to the operation of the Campaign only apply to a Campaign conducted on or after January 1, 2014.

**Recommendation 1.2** — Senate Bill 217 requires the Comptroller to provide the State Policy Committee with administrative assistance in overseeing the Campaign, including developing and overseeing contracts and developing the budget. However, the Legislature modified the Sunset Commission's original recommendation by removing two provisions from the bill that would have

required the Comptroller to audit charities' distribution of employees' donations and to provide "any" administrative function needed by the State Policy Committee.

**Recommendation 1.3** — Senate Bill 217 restructures the composition and terms of the State Policy Committee by reducing the number of members from 13 to nine, with three members appointed by the Governor, including two state employees and one state retiree; three appointed by the Lieutenant Governor; and three appointed by the Comptroller. The bill also requires the Governor, Lieutenant Governor, and Comptroller to attempt to appoint members from institutions of higher education and a range of small, medium, and large state agencies.

**Recommendation 1.4** — The bill also applies standard Across-the-Board Recommendations to the State Policy Committee, including specifying grounds for removal and requiring members to complete training before participating on the Committee.

**Recommendation 1.5** — The bill restructures the SECC Advisory Committee to include representatives of four statewide or local federations and four other charities participating in the Campaign. The bill requires the Advisory Committee to provide input from participating charities to the State Policy Committee.

**Recommendation 1.6 as modified** — Senate Bill 217 removes the statutory exemption that allowed charities that participated in SECC before 2003 to have administrative costs that exceeded 25 percent of revenues. The bill requires all charities participating in the Campaign to have administration costs below 25 percent of total revenues. International charities that participated in SECC before 2003 would continue to be allowed to participate in the Campaign as long as they meet other eligibility requirements. The bill specifies changes to the eligibility criteria take effect on January 1, 2014.

### ***Management Action***

**Recommendation 1.7** — Directs the State Policy Committee to evaluate and streamline SECC's current processes, organization, and structure.



NEW ISSUES



# NEW ISSUES

The following issues were raised in addition to the issues in the staff report. These issues are numbered sequentially to follow the staff's recommendations.

2. Define what organizations are eligible to participate in SECC based on how the IRS defines 501(c)(3) organizations. (Reuben Leslie, Austin)

*Staff Comment:* This change would significantly expand the number and types of charities eligible to participate in SECC. Commonly referred to as charitable organizations, 501(c)(3) organizations are eligible to receive tax-deductible contributions. This type of organization must not be organized or operated for the benefit of private interests, and no part of an organization's net earnings may inure to the benefit of any private shareholder or individual. In addition, this type of organization may not be an action organization, i.e., it may not attempt to influence legislation as a substantial part of its activities and it may not participate in any campaign activity for or against political candidates.

3. Eliminate the SECC eligibility requirement that charities' administrative costs be below 25 percent and instead disclose each charity's administrative cost percentage so donors can make the choice to donate or not. (Reuben Leslie, Austin)
4. Direct the State Policy Committee to consider reducing the number of Local Employee Committees to 10 and making their geographic boundaries the same as the health and human services regions. (Reuben Leslie, Austin)
5. Remove the organization called "People for the Ethical Treatment of Animals" from the list of charities eligible to participate in SECC. (Heather MacLean)
6. Require the State to manage SECC internally, including overseeing the management functions of the Campaign, rather than hiring a charity to administer the Campaign. (Michelle Clancy, Local Campaign Manager – State Employee Charitable Campaign, Houston/Beaumont)
7. Require SECC to use the Combined Federal Campaign listings of charities that have been vetted and approved at the federal level, but allow the State to continue to have additional eligibility requirements. (Michelle Clancy, Local Campaign Manager – State Employee Charitable Campaign, Houston/Beaumont)
8. Require all changes made to SECC through the Sunset process to take effect in February 2014 to allow the 2013-2014 campaign to conclude. (Michelle Clancy, Local Campaign Manager – State Employee Charitable Campaign, Houston/Beaumont)
9. Allow the State Policy Committee to establish a model contract with audit and reporting procedures' for Local Employee Committees to use in the regions. (Donald Nicholson, Local Employee Committee Member – Amarillo Area State Employee Charitable Campaign, Amarillo)

10. Require SECC to make it clear to donors that deductions will be taken from their donations for both administrative costs and other losses through a very clear description of the process with clear wording in printed materials and in training. (Lorna Schwimmer, Austin)
11. Require SECC to reduce costs by eliminating additional unnecessary expenses, such as those for awards ceremonies, plaques, training for all agency representatives every year, visits from campaign contacts, water bottles, pins, tote bags, and eventually printed materials (if it can all be done online). (Lorna Schwimmer, Austin)

## COMMISSION DECISION ON NEW ISSUES

(NOVEMBER 2012)

The Commission did not adopt any new issues.

## FINAL RESULTS ON NEW ISSUES

(JULY 2013)

No action needed. (No new issues adopted by the Commission)

— PROVISIONS ADDED BY THE  
LEGISLATURE



# PROVISIONS ADDED BY THE LEGISLATURE

## ***Legislative Action — S.B. 217***

- **Continues SECC for four years until 2017.**

The Legislature added a provision to S.B. 217 that continues SECC for four years, instead of continuing SECC and removing it from future Sunset review, as originally recommended by the Sunset Commission.

- **Clarifies the combined administrative expenses of the Campaign cannot exceed 10 percent of all charitable donations raised through SECC.**

The Legislature removed statutory language that allowed the State Policy Committee to approve administrative fees higher than 10 percent for the Campaign to accommodate reasonable documented costs.

- **Clarifies that the State Policy Committee authorizes the amount of fees state and local Campaign managers may charge for administration costs.**

The Legislature added a provision to S.B. 217 specifying that the State Policy Committee authorizes the amount of the fees state and local Campaign managers may charge charities to recover administration costs.





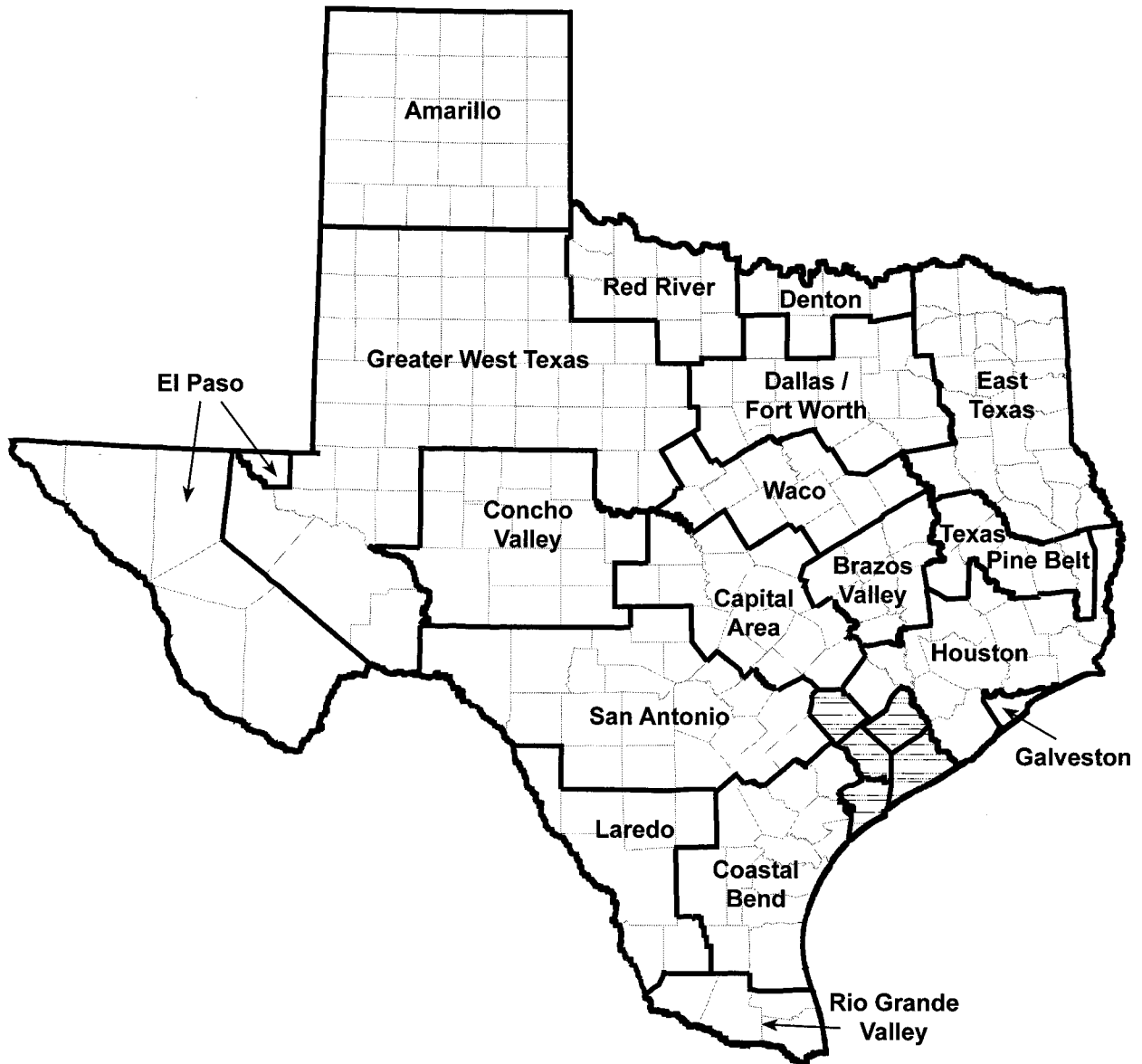
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## APPENDICES



# APPENDIX A

## Map of Local Campaign Areas



 The shaded counties are not located within a specific local campaign area, but are served by multiple Local Campaign Managers.



# APPENDIX B

## ***Staff Review Activities***

During the review of the State Employee Charitable Campaign (SECC or Campaign), Sunset staff engaged in the following activities that are standard to all Sunset reviews. Sunset staff worked extensively with the State Campaign Manager — who administers the statewide campaign; attended State Policy Committee and Local Employee Committee meetings; conducted interviews and solicited written comments from interest groups and the public; reviewed Campaign documents and reports, state statutes, previous legislation, and literature; researched the history of the Campaign and functions of workplace giving campaigns in other states; and performed background and comparative research using the Internet.

In addition, Sunset staff also performed the following activities unique to SECC.

- Surveyed more than 1,500 state employees, charities, and campaign managers, and received input on stakeholders' views of SECC.
- Met with staff at the Comptroller's Office and the Employee Retirement System of Texas.
- Met with and conducted interviews with State Policy Committee members.
- Interviewed Local Campaign Managers, the nonprofit organizations that administer SECC's local campaign areas.



# Sunset Staff Review of the *State Employee Charitable Campaign*

————— *Report Prepared By* —————

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