

**California Victim Compensation and Government Claims Board  
Section 633.9 Payroll Deductions for Charitable Contributions**

**AMENDED STATEMENT OF REASONS**

**Rationale, Authority and Reference**

Government Code section 13923 authorizes the Victim Compensation and Government Claims Board (Board) to consider applications and determine which agencies and charitable organizations may participate in the California State Employees Charitable Campaign (CSECC). It also mandates that the Board establish all necessary rules and regulations governing the campaign. Title 2, California Code of Regulations, section 633.9, is outdated. It is necessary to include revisions for consistency with the statute, to reflect the Board's current practices, and to update the name of the Board. Other proposed changes address the fundraising and administrative costs and minimum donations to maximize the possible donation dollars allocated to charities.

The specific purpose of each amendment and the reasons that the amendment or proposed regulation is necessary, together with a description of the public problem, is described in the information below.

**§ 633.9. Payroll Deductions for Charitable Contributions**

**Specific Purpose of Regulation**

- New (a) It is necessary to define key terms used in the regulation text for clarity and understanding.
- Old (a)(1) It is necessary to delete this provision because it is incoherent. In addition, eliminating this requirement would allow the Board to consider the various factors noted in the re-lettered subsection (c) in determining which agency will conduct the principal combined fund drive for an area.
- Re-lettered (b) It is necessary to define who the players are and in what context they are involved in the CSECC.
- Re-lettered (c) It is necessary to renumber some subsections because of the addition of new provisions. Modifications to the text are necessary to define the contributing factors the Board shall make in determining whether a Combined Fund Drive will be selected as the Principal Combined Fund Drive (PCFD) to conduct the CSECC.
- Re-lettered (d)(1) It is necessary to revise this section to be consistent with the requirement of Government Code section 13923 that charities that participate in the California State Employee Charitable Campaign be an exempt organization under Section 23701(d) of the Revenue and Taxation Code, and paragraph (3) of subsection (c) of Section 501 of the Internal Revenue Code of 1954. In addition, charities that are located out of the State must also be registered as qualified foreign non-profits and exempt organizations under California law in order to legally fundraise in California.<sup>1</sup> This revision will ensure that the regulation is consistent with the requirements of the law.
- New (d)(6) It is necessary to include a requirement that agencies certify that they have distributed all charitable contributions during the last completed fund drive

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<sup>1</sup> Corp. Code, § 2105; Rev. and Tax Code, § 23701(d).

- so that the Board can terminate the participation of any principal combined fund drive agency that does not distribute charitable contributions timely.
- New (d)(7) The majority of the principal combined fund drives charge a fundraising and administrative fee of less than 14 percent. It is necessary for those principal combined fund drives that charge fundraising and administrative fees that are more than the average to explain the basis for the higher fee so that the Board can determine whether the higher fee is justified.
  - (e) It is necessary to delete this language as it is duplicative of language found in (a)(3).
  - Re-lettered (e) It is necessary to state that a prescribed form approved by the Board shall be used for all organizations not affiliated with a PCFD and shall include supporting documents and information as such in (e)(1) - (8).
  - Re-lettered (f) It is necessary state that all organizations participating in the prior year's CSECC must certify that the organization's status and conditions of approval remain the same as indicated in the original application in order to be included in the current CSECC.
  - Re-lettered (g) It is necessary to define the procedures for payroll deductions for charitable contributions for clarity and understanding as stated in (g)(1) - (5).
  - (e)(2) It is necessary to delete this section because it largely duplicates Government Code section 13923 which requires three copies of the pledge form for the employee, the principal combined fund drive, and the designated charity. It is also necessary to eliminate the requirement of this section that the form be in triplicate, which is an outdated and costly technology. Eliminating the triplicate pledge form requirement will make is possible for pledge forms to be provided in another manner, including electronically.
  - Re-lettered (g)(2) It is necessary to change the minimum contribution to \$5.00 because a \$2.00 donation is insufficient to cover the costs of collecting and distributing the donation. The Board determined that \$5.00 would allow many individuals to contribute and provide a sufficient amount to maximize the donations in light of the cost of collecting and distributing it.
  - New (g)(3) It is necessary to include language on how a State officer or employee may cancel or modify current deductions for charitable contribution.
  - New (h) It is necessary to clarify in regulation form that a principal fund drive agency must obtain the Board's approval if it makes any changes to its agreement to ensure that a principal combined fund drive agency conducts its business in a manner consistent with its approval. This is consistent with the Board's current legal interpretation.
  - New (i) It is necessary to explain the manner in which the Board allocates its costs among PCFD agencies to provide notice regarding the potential costs so that PCFD agencies can calculate their administrative and fundraising fees. It was determined that it was appropriate to have the PCFD agencies that raise the most money pay the higher amount of the costs to ensure that PCFD agencies are able to operate a fund drive in rural and smaller counties. Further, the proposed language allows the costs to be waived if the PCFD agency raises less than a threshold of \$1,500 for the annual fund to ensure participation in smaller and rural counties and allow the maximum participation of state employees.
  - New (j) In addition to the legal requirements, the Board approves the specific service area and the affiliates of the principal combined fund drive. It is necessary to specify that the Board can terminate the participation of an organization in the State Employee Charitable Campaign if they do not comply

with the legal requirements of the Program and its agreement with the Board to protect the integrity of the Program and ensure that charitable donations are properly distributed. This would also allow the Board to terminate the participation of a principal combined fund drive agency or charitable organization if it makes a false certification or is in violation of any State of California or federal laws or regulations after the application is approved. The Board will notify the organization to be terminated and allow an appeal to the Board for reconsideration within 30 days.

- New (k) It is necessary to specify that, if the Board terminates the participation of a principal combined fund drive agency, the Board has the discretion to designate another principal combined fund drive agency for an area in the middle of a campaign to ensure that employee charitable donations are properly distributed.
- New (l) It is necessary to include language stating that if a combined fund drive ceases to be a principal combined fund drive, that organization shall forward all donor designation information to the successor principal combined fund drive in order for those contributions to be distributed appropriately.

#### TECHNICAL, THEORETICAL, AND/OR EMPIRICAL STUDY, REPORTS, OR DOCUMENTS

The Board did not rely upon any technical, theoretical or empirical studies, reports or documents in proposing the adoption of these regulations.

#### REASONABLE ALTERNATIVES TO THE REGULATION AND THE AGENCY'S REASONS FOR REJECTING THOSE ALTERNATIVES

The Board has determined that there are no other reasonable alternatives to this rule-making action.

#### REASONABLE ALTERNATIVES TO THE PROPOSED REGULATORY ACTION THAT WOULD LESSEN ANY ADVERSE IMPACT ON SMALL BUSINESSES

The Board has no evidence indicating any potential adverse impacts to small businesses as a result of this proposed action.

#### EVIDENCE SUPPORTING FINDING OF NO SIGNIFICANT STATEWIDE ADVERSE ECONOMIC IMPACT DIRECTLY AFFECTING BUSINESS

The Board has no evidence indicating any potential significant adverse impact on business as a result of this proposed action.