

**FUNDING SOCIAL SERVICES
THROUGH VOLUNTARY CONTRIBUTION PROGRAMS:**

A Proposal for SNET Participation in
Funding *INFOLINE*'s Information and Referral Services
in Connecticut

PREPARED FOR:

Carol McElwee, Executive Director
United Way of Connecticut
Hartford, CT

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Information and Referral Services in Connecticut

Project Director: Roger D. Colton
Fisher, Sheehan and Colton
Public Finance & General Economics
Belmont, MA 02178

Authors: Adrienne E. Quinn
Fisher, Sheehan and Colton
Public Finance & General Economics
Lacey, WA 98504

Michael F. Sheehan
Fisher, Sheehan and Colton
Public Finance & General Economics
Scappoose, OR 97056

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Fisher, Sheehan & Colton
Public Finance & General Economics

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Executive Summary

INFOLINE is asking Southern New England Telephone Company (SNET) to help create and administrate a telephone-based fund to assist in the provision of information and referral services. Through this fund, SNET would allow its customers to make contributions to the *INFOLINE* program through a voluntary checkoff on the monthly telephone bill. SNET customers may choose whether, when and how much to contribute each month. An SNET-based fund is based on similar models of public financing of social service programs through energy utility fuel funds, local government scholarship funds, and state income tax checkoff programs.

The Proliferation of Checkoffs

The proliferation of checkoffs suggests that checkoffs are a highly successful method of fundraising in a time when other fundraising methods seem to have run dry. The federal and state governments have utilized the tax checkoff to allow taxpayers to designate part of their tax liability for one of the two major political parties or to make voluntary contributions to designated funds listed on the state's tax form.

Local governments have used tax checkoffs to fund local scholarship funds.

Local natural gas and electric utilities use checkoffs to fund "fuel funds," crisis funds to provide assistance to low-income households facing the loss of home heating due to an inability-to-pay.

In addition, Working Assets, a "socially responsible" privately owned corporation offering credit card services and money funds, recently invested several million dollars to become a long distance telephone company so that the company could generate donations through a checkoff on telephone bills.

Types of Checkoffs

Public utilities raising dollars for state and local "fuel funds" rely upon a variety of methods through which customers can contribute. According to a recent study by the Colorado Energy Assistance Foundation (CEAF), of Denver, of the 45 fuel funds studied, the primary methods of checkoff fundraising include solicitations through bill inserts and a checkoff system on the bill.

Differences exist between checkoffs in the number of times they seek contributions from customers/taxpayers. Because state tax checkoffs appear on state income tax forms, solicitations for the various funds happen only once a year. The frequency with which funds are solicited through checkoffs on municipal tax bills depends on the billing cycle of the municipality. Of the two municipal tax checkoffs profiled here, one bills taxpayers yearly while the other bills quarterly.

Unlike the tax checkoffs, Working Assets Long Distance bills customers monthly. Utility fuel fund solicitations are generally made between one and three times a year. Utilities who included solicitations more than three times a year were those who routinely enclose a company "newsletter" with their billings, on either a monthly or quarterly basis.

Level of Contributions

Differences exist between checkoffs in the number of contributions generated and the amount donated per contribution. For those checkoffs requiring a donation, checkoffs not designating a donation amount earned more than those which prescribed a checkoff amount. States that allowed only a few specific amounts of contribution, thus imposing an upper limit on the amount, find that the average contributions are significantly reduced as compared to states with open-ended contributions.

Based on experience with other funds, it is likely that an SNET checkoff for *INFOLINE* will attract contributions from two percent of SNET's customer base. The average revenue per customer is assumed to be \$10 per year. Given these two assumptions, the contribution base of 24,000 customers would donate roughly \$240,000 per year to *INFOLINE*.

Reasons for SNET Participation

SNET should participate in an *INFOLINE* checkoff for several reasons. SNET's involvement in the establishment and administration of *INFOLINE*'s proposed funding mechanism makes eminent sense from the perspective of the community.

- o A reasonable relationship exists between the assistance SNET participation would provide to the information and referral service fund and the offer of local exchange telephone service by SNET. Just as energy utilities are actively involved with raising revenue for "fuel funds" to help the poor, SNET should be actively involved with raising revenue for the information and referral service.
- o In essence, SNET involvement with assisting the creation and administration of the *INFOLINE* checkoff represents a type of "privatization" effort by the company. In the absence of a community effort to finance *INFOLINE*, the most reasonable alternative would be to seek public funds to ensure *INFOLINE*'s continuing financial viability. In contrast, an SNET involvement in the information and referral service fund will help remove the push for ever bigger government.

- o The creation of a checkoff advances the notion of volunteerism in financing community-based solutions to community-based problems. As this level of voluntary commitment becomes more established, the community sense of "ownership" in *INFOLINE* services should increase.
- o The community "ownership" of *INFOLINE* will be accompanied by a renewed sense of community accountability. The accountability will flow two ways. On the one hand, there is little greater means of accountability than through the purse strings. If the community ultimately finds *INFOLINE* to be unproductive, wasteful or unnecessary, community members can directly "vote down" *INFOLINE* services by withholding their checkoff contributions. On the other hand, in its quest for community support, *INFOLINE* will be forced to inform, educate and maintain constant contact with the community. This reliance will create the situation where *INFOLINE* will need to tell the community what it does, why it does it, and whether it has a sufficiently meritorious impact to justify continuing public participation via the checkoff mechanism.
- o Leadership by the local phone company is particularly appropriate to facilitate public participation in financing *INFOLINE*. SNET participation in the *INFOLINE* checkoff will help "give back" some of the advantages that the community, through state and local government, has provided to the phone company with which to begin. For example, the public, through its government, has conferred upon SNET the right to exercise the power of eminent domain. This right involves an awesome power: the power to take a private person's property for the phone company's own purposes, irrespective of the "agreement" by that person to sell.

SNET's involvement in the establishment and administration of *INFOLINE*'s proposed funding mechanism makes eminent sense, also, from the perspective of an efficient funding source for *INFOLINE*.

- o SNET is a reasonable means through which such voluntary financing can be undertaken. Telephone service is nearly universal. SNET would thus reach virtually every business and institutional (such as churches, schools and the like), and residential customers in a voluntary checkoff program. Individual customers, residential or non-residential, can make decisions on a regular periodic basis on whether and to what extent they wish to contribute to *INFOLINE* support.
- o The involvement of SNET would create efficiencies in operation for soliciting *INFOLINE* donations as well. Rather than creating an entirely new system of outreach, system of receiving and posting donations, and the like, *INFOLINE* could piggyback on to the existing SNET billing system.
- o The involvement of SNET in the creation and administration of an *INFOLINE* fund, also, would help avoid the possibility that legislation would be necessary to require the

development of such a fund. The development of Connecticut's "add-a-dollar" program for energy utilities, of course, was mandated by state statute. Presumably, it would be a small step to expand that statute to include the requirement that local exchange telephone companies implement similar programs to fund services such as *INFOLINE*.

Summary

SNET should participate in the creation and administration of the *INFOLINE* checkoff program. This participation is reasonably related to the provision of local exchange telephone service. Moreover, from the perspective of the community, there are both substantive and process-oriented reasons for SNET participation. Finally, the company, itself, will gain benefits from participation in the checkoff program. Not only will SNET benefit from improved community and regulatory relations, but it will benefit in a direct financial way as well.

INTRODUCTION

INFOLINE is asking Southern New England Telephone Company (SNET) to help create and administrate a telephone-based fund to assist in the provision of information and referral services. Through this fund, SNET would allow its customers to make contributions to the *INFOLINE* program through a voluntary checkoff on the monthly telephone bill. SNET customers may choose whether, when and how much to contribute each month. An SNET-based fund is based on similar models of public financing of social service programs through energy utility fuel funds, local government scholarship funds, and state income tax checkoff programs.

This analysis sets forth the basics of the *INFOLINE* proposal. The analysis is set forth in four sections. **Chapter 1** reviews the precedent for funding social service programs through voluntary checkoffs, and examines what lessons *INFOLINE* can learn from those prior efforts.

Chapter 2 examines why SNET should be interested in participating in creation of an information and referral service funding mechanism. **Chapter 3** projects the revenue that can reasonably be expected to arise from an SNET program. **Chapter 4** briefly reviews a currently existing voluntary telephone checkoff program. **Chapter 5** sets forth recommendations for the actual structure of an SNET voluntary checkoff for *INFOLINE* in Connecticut.

CHAPTER 1: LESSONS LEARNED FROM EXISTING CHECKOFFS

In determining the feasibility of a checkoff as a new funding mechanism for *INFOLINE*, it is instructive first to examine existing checkoffs to see what lessons these checkoffs offer in predicting the success of an *INFOLINE* endeavor. The questions which will be used to explore existing checkoffs are as follows.

- o What types of checkoffs currently exist?
- o How much revenue do these checkoffs produce?
- o What type of participation rates do they enjoy?
- o Does any demographic data exist to predict who the participants would be?
- o How are these checkoffs administered and what is the cost of administration?
- o What, if any, are the pitfalls to be avoided when establishing a checkoff?
- o Finally, in order to apply the lessons learned from these checkoffs to the proposed *INFOLINE* checkoff, what are the similarities and differences between the circumstances surrounding *INFOLINE* and those of these other checkoffs?

1.1 TYPES OF CHECKOFFS CURRENTLY EXISTING

1.1.1 Overview

Checkoffs have been part of the tax collection process since 1967 when the federal government first allowed taxpayers to designate \$1 of their tax liability for a special campaign fund.⁽¹⁾ Since that time, state and local governments have utilized the tax checkoff to allow taxpayers to designate part of their tax liability for one of the two major political parties or to make voluntary contributions to designated funds listed on the state's tax form. Many states have several checkoffs, ranging from political campaign funds, to nongame wildlife funds, to funds for abused children, to funds for AIDS research, bringing the total of all state checkoffs to 144 nationwide.⁽²⁾ Several municipalities have also launched checkoffs for college scholarship funds either by placing a checkoff box on municipal tax bills or by enclosing an insert with tax bills requesting donations.⁽³⁾

Tax bills and electric or gas bills are not the only vehicles for checkoffs soliciting contributions. Recently, Working Assets, a "socially responsible" privately owned corporation offering credit card services and money funds, invested several million dollars to become a long distance telephone company so that the company could generate donations through a checkoff on telephone bills.⁽⁴⁾

This proliferation of checkoffs suggests that checkoffs are a highly successful method of fundraising in a time when other fundraising methods seem to have run dry.

1.1.2 Different Types of Checkoffs

All states with a broad-based income tax, except Connecticut, currently have at least one checkoff program.⁽⁵⁾ Political campaign checkoffs differ from the charitable checkoffs, such as the nongame wildlife or abused children fund checkoffs, in that the taxpayer is allowed to designate a portion of his or her tax to a political party, whereas one must decrease their refund or increase their tax payment in order to donate to one of the charitable checkoffs. Because these checkoffs appear on state income tax forms, solicitations for the various funds happen only once a year.

⁽¹⁾ State Tax Check-off Programs Continue Growth, *Tax Administrators News*, March 1991, Vol. 55, No.3, 25.

⁽²⁾ State Income Check-off Programs Remain Popular, *Tax Administrators News*, March 1993, Vol. 57, No.3, 30.

⁽³⁾ John Bilafer, "Arlington, Massachusetts' Tax Checkoff Scholarship Program", *Government Finance Review*, Vol. 5, No.3, June 1989, 38.

⁽⁴⁾ Letter from Tim Rands, Senior Operations Analyst, Working Assets, May 10, 1993.

⁽⁵⁾ Connecticut's lack of tax checkoffs is probably attributable to the fact that Connecticut only recently instituted a broad-based income tax.

The checkoffs on municipal tax bills also involve voluntary contributions. The frequency with which funds are solicited depends on the billing cycle of the municipality. Of the two municipal tax checkoffs profiled here, one bills taxpayers yearly while the other bills quarterly.

Unlike the tax checkoffs, Working Assets Long Distance bills customers monthly. Checkoff donations are encouraged by asking customers to round up their payment. All revenue received above the amount of the bill is then donated to charity.

One other difference which cuts across the assorted checkoffs is whether or not the checkoff limits the amount of the donation or leaves the donation amount up to the taxpayer/customer.

1.1.3 History of Checkoff Programs

Checkoffs first appeared on tax forms about twenty-five years ago with the institution of the presidential campaign checkoff. Colorado became the first state to put a checkoff on a state tax form in 1977, introducing a nongame wildlife checkoff.⁽⁶⁾ Other states quickly followed suit, adding numerous checkoffs to their forms with the largest number of checkoffs on one form being twelve on Louisiana's tax form.⁽⁷⁾

On the municipal level, Arlington Massachusetts was the first known municipality to devise a tax checkoff for municipal tax bills, placing a checkoff box on property tax bills, excise tax bills, business tax bills and water bills.⁽⁸⁾ In 1983, special legislation was passed in Massachusetts allowing Arlington to deviate from the Massachusetts Department of Revenue required tax bill format enabling the town to place a checkoff for a college scholarship fund on tax bills.⁽⁹⁾ Since that time, at least ten other Massachusetts municipalities have followed suit, creating similar scholarship programs.⁽¹⁰⁾ However, the subsequent programs differ from the Arlington program in that the state will now only allow municipalities to place an insert in the tax bill rather than amending the tax bill.⁽¹¹⁾

Burlington, Massachusetts is one such municipality which has followed the Arlington example. Given that Massachusetts municipalities are no longer allowed to amend the tax bills, the Town of Burlington has added a separate page to the tax bills for the checkoff separated only

⁽⁶⁾ State Income Check-off Programs Remain Popular, *Tax Administrators News*, March 1993, Vol. 57, No.3, 30.

⁽⁷⁾ Jeffrey Katz, "Tax Checkoffs: Novel No Longer", *Governing*, July 1991, 33.

⁽⁸⁾ John Bilafer, "Arlington, Massachusetts' Tax Checkoff Scholarship Program", *Government Finance Review*, Vol. 5, No.3, June 1989, 38.

⁽⁹⁾ John Bilafer, "Arlington, Massachusetts' Tax Checkoff Scholarship Program", *Government Finance Review*, Vol. 5, No.3, June 1989, 39.

⁽¹⁰⁾ John Bilafer, "Arlington, Massachusetts' Tax Checkoff Scholarship Program", *Government Finance Review*, Vol. 5, No.3, June 1989, 38.

⁽¹¹⁾ John Bilafer, "Arlington, Massachusetts' Tax Checkoff Scholarship Program", *Government Finance Review*, Vol. 5, No.3, June 1989, 38.

by a perforated line.^{\|12\|} In that way, the checkoff form is not overlooked and thrown out as with the many inserts which now commonly appear with any number of bills consumers receive. Burlington also requests that people write out separate checks for the tax bill and the scholarship fund.^{\|13\|}

Working Assets, a private corporation which offers investment services for "socially responsible investments," launched Working Assets Long Distance in 1988 in partnership with Sprint Corporation.^{\|14\|} Profits made by Working Assets for bringing customers onto Sprint long distance service were donated to charity.^{\|15\|} In 1991 Working Assets decided to become a long distance telephone carrier themselves by buying long distance service at wholesale rates as a bulk customer and then billing customers directly.^{\|16\|} According to Working Assets, the switch was made precisely so that Working Assets could utilize billing features such as round-up donations.^{\|17\|} As a result, Working Assets invested more than two million dollars in order to enable the company to become a phone company.^{\|18\|}

1.2 CURRENT LEVELS OF PARTICIPATION

The fact that the political checkoffs do not affect one's tax refund or tax payment are likely the reason that participation rates for political campaign checkoffs are higher than any other checkoffs.^{\|19\|} The nationwide average for state political campaign checkoffs is 5.5 percent as compared with approximately a two percent participation rate for nongame wildlife checkoffs.^{\|20\|} The federal political campaign checkoff currently has a 19.9 percent participation rate. Table A below shows the range of participation rates for three select categories of checkoffs by state.

It is apparent that participation rates vary widely between states, though with only a few exceptions, political checkoffs experience the highest participation.

\|12\| Telephone conversation with Brian Curtain, Treasurer of the Town of Burlington, MA, May 19, 1993.

\|13\| Telephone conversation with Brian Curtain, Treasurer of the Town of Burlington, MA, May 19, 1993.

\|14\| Letter from Tim Rands, Senior Operations Analyst, Working Assets, May 10, 1993.

\|15\| Letter from Tim Rands, Senior Operations Analyst, Working Assets, May 10, 1993.

\|16\| Letter from Tim Rands, Senior Operations Analyst, Working Assets, May 10, 1993.

\|17\| Letter from Tim Rands, Senior Operations Analyst, Working Assets, May 10, 1993.

\|18\| Letter from Tim Rands, Senior Operations Analyst, Working Assets, May 10, 1993.

\|19\| State Income Check-off Programs Remain Popular, *Tax Administrators News*, March 1993, Vol. 57, No.3, 31.

\|20\| State Income Check-off Programs Remain Popular, *Tax Administrators News*, March 1993, Vol. 57, No.3, 31.

The Town of Arlington, at this point in time, is not able to calculate a participation rate, but is only able to provide exact numbers on total dollars given to the fund for any given year. However, the yearly amount of small donations nearly doubled from \$12,000 to \$21,000 in the first four years of the program.^{[\21](#)} Funding has increased by the following percentages during the history of the program: 6.7% between 1984 and 1985; 6.3% between 1985 and 1986; 12.7% between 1986 and 1987; and 20.5% between 1987 and 1988.^{[\22](#)} Town Treasurer John Bilafer believes that these increases are attributable to increased participation rather than to increased donation size.^{[\23](#)}

Although Burlington, MA does not keep precise statistics as to the participation rate for its scholarship program either, the Town Treasurer estimates that the participation rate for Burlington's scholarship checkoff is approximately two percent.^{[\24](#)}

Working Assets estimates that their roundup program enjoys a five to ten participation rate.^{[\25](#)} However, Working Assets customers are not representative of the population at large. Most of these customers have decided to place their business with Working Assets *because* of the company's ideology and the services provided, such as the roundup program and political newsletters and messages with the bills.

^{\21} John Bilafer, "Arlington, Massachusetts' Tax Checkoff Scholarship Program", *Government Finance Review*, Vol. 5, No.3, June 1989, 41.

^{\22} John Bilafer, "Arlington, Massachusetts' Tax Checkoff Scholarship Program", *Government Finance Review*, Vol. 5, No.3, June 1989, 41.

^{\23} Telephone conversation with John Bilafer, Arlington Treasurer and Collector of Taxes, May 14, 1993.

^{\24} Telephone conversation with Brian Curtain, Treasurer of the Town of Burlington, MA, May 19, 1993.

^{\25} Letter from Tim Rands, Senior Operations Analyst, Working Assets, May 10, 1993.

TABLE A
PARTICIPATION RATES FOR STATE
INCOME TAX CHECKOFF PROGRAMS⁽²⁶⁾

State	Nongame Wildlife	Political Contribution	Child Abuse
Alabama	0.5%	0.6%	0.9%
Arizona	2.5%	0.4%	2.7%
Arkansas	0.1%		
California		0.3%	
Colorado	4.0%		2.7%
Delaware	1.5%		1.1%
Georgia	2.5%		
Idaho	2.2%	11.0%	1.7%
Illinois	0.8%		1.1%
Indiana	2.4%		
Iowa	2.6%	10.6%	
Kansas	1.3%		
Kentucky	1.1%	7.5%	1.3%
Louisiana	0.7%		
Maine	3.2%	1.0%	2.8%
Massachusetts	2.6%	1.9%	
Michigan	1.9%		2.7%
Minnesota	6.6%		
Mississippi	0.6%		
Montana	0.6%	0.4%	0.6%
Nebraska	2.7%		
New Jersey	2.5%		2.4%

⁽²⁶⁾ State Income Check-Off Programs Remain Popular, *Tax Administrators News*, March 1993, Vol. 57, No. 3, p.33.

New Mexico	1.8%		
New York	2.8%		
North Carolina		0.2%	
North Dakota	2.1%		
Ohio	2.2%	15.5%	
Oklahoma	1.1%		
Oregon	2.5%		
Pennsylvania	1.4%		
Rhode Island	2.2%	11.8%	
South Carolina	2.2%		2.0%
Utah	5.0%	12.7%	
Vermont	4.2%		
Virginia	1.5%	0.7%	
West Virginia	0.4%		0.4%
Wisconsin		10.5%	
U.S. average (1989)	1.9%	2.9%	1.7%

Participation rates for public utility "fuel funds" vary widely. A July 1993 Fisher, Sheehan and Colton survey of 24 of the nation's largest fuel funds (hereafter *FSC Survey*) found participation rates ranging from roughly one to four percent. Moreover, these participation rates were obtained with relatively modest investments in outreach. Many companies do not separately track outreach expenses.^{[\(27\)](#)} Those that do, report expenses ranging from \$10,000 up to \$25,000 per year. Of the eleven utilities reporting outreach expenses, nine fell in the \$10 - \$25,000 range.

1.3 DEMOGRAPHICS OF CHECKOFF PARTICIPANTS

While demographic studies of checkoff participants is scarce, the available data suggests that taxpayers at all income levels do participate in the checkoff programs. Table B below, showing "Idaho Nongame Checkoff Participation by Income" and "Iowa Election Campaign Fund Checkoff by Income," while yielding interesting findings, cannot be directly compared since the income levels differ slightly and the data is from two different years, 1983 and 1989 respectively. Additionally, taxpayers in Idaho could only participate in the nongame checkoff if they were due a refund.^{[\(28\)](#)} As incomes grow in Idaho, the likelihood of receiving a refund is greatly diminished, explaining in part the precipitous drop off in participation rates of the highest income Idaho taxpayers.

Both Tables indicate an increase in participation rates among taxpayers reporting earnings just above the median state income. The median income for all tax filers in Iowa in 1989 was approximately \$22,000. The median income in Idaho in 1983 was approximately \$19,500.

The Idaho study found that there was a correlation between income and size of donation, with taxpayers who had a higher adjusted gross income donating a larger amount than those with lower incomes.^{[\(29\)](#)} It is interesting to note, however, that donations only grew 1/3 as rapidly as income, meaning that people with lower incomes donated a proportionately higher percent of their incomes.^{[\(30\)](#)}

^{[\(27\)](#)} One might conclude from this fact alone that such expenses thus represent a relatively minor expense.

^{[\(28\)](#)} Charles F. Review & David Harpman, "The Voluntary Nongame Check-off as a Revenue Source", *Public Finance Quarterly*, Vol. 20, No. 2, April 1992, 235.

^{[\(29\)](#)} Charles F. Review & David Harpman, "The Voluntary Nongame Check-off as a Revenue Source", *Public Finance Quarterly*, Vol. 20, No. 2, April 1992, 239.

^{[\(30\)](#)} Charles F. Review & David Harpman, "The Voluntary Nongame Check-off as a Revenue Source", *Public Finance Quarterly*, Vol. 20, No. 2, April 1992, 239.

1.4 THE ADMINISTRATION OF CHECKOFFS AND THE COST OF ADMINISTRATION

For each of the state income tax checkoffs, the state's department of revenue completely administers the various checkoffs. The cost of the checkoff administration is usually borne by the department of revenue though, in some states, administrative costs are borne by the recipient of the checkoff funds. The administrative costs for each of the municipal tax checkoffs are absorbed by the town treasurer's offices.

According to the Federation of Tax Administrators, most state revenue departments absorb the cost of checkoff administration in their general appropriation, though checkoffs in fourteen states are supported at least in part by checkoff revenues:^[31]

- o Seven states directly bill the checkoff funds for the estimated cost of checkoff administration.
- o One state withholds ten percent of the proceeds during the year and returns any excess after determining the actual cost.
- o Two states have statutory limits for how much of the checkoff funds can be withheld for administrative costs.
- o Some states withhold a flat percentage ranging from three to ten percent.^[32]

The estimates on the cost of administration range from a low of \$1000 in North Dakota to a high of \$210,000 in New York.^[33] Obviously, there is a direct correlation between the number of participants and the cost of administration.

Tax administrators reported few problems resulting from checkoffs appearing on the tax form. The greatest problem reported was the large number of tax checkoffs in some states which led to crowding on the tax forms and in some cases an additional form just for checkoffs.^[34] Tax administrators also expressed a need for a mechanism to remove checkoffs that produced little or no revenue. Some states now require a "sunset provision," under which the state legislature must periodically examine the usefulness of the checkoffs. In this way non-performing checkoffs can be removed from the tax forms.

^[31] State Tax Check-off Programs Continue Growth, *Tax Administrators News*, March 1991, Vol. 55, No.3, 33.

^[32] State Income Check-off Programs Remain Popular, *Tax Administrators News*, March 1993, Vol. 57, No.3, 33.

^[33] State Tax Check-off Programs Continue Growth, *Tax Administrators News*, March 1991, Vol. 55, No.3, 33.

^[34] State Income Check-off Programs Remain Popular, *Tax Administrators News*, March 1993, Vol. 57, No.3, 31.

TABLE B

Idaho Nongame Checkoff 1983¹³⁵		Iowa Campaign Checkoff 1989¹³⁶	
Adjusted Gross Income	Participation Rate	Adjusted Gross Income	Participation Rate
below \$5000	4.6%	below \$5000	8%
\$5000- \$10,000	6.6%	\$5000- \$9999	7%
\$10,000- \$15,000	7.7%	\$10,000- \$15,999	7%
\$15,000- \$20,000	6.5%	\$16,000- \$19,999	8%
\$20,000- \$25,000	11.7%	\$20,000- \$24,999	8%
\$25,000-\$30,000	13.0%	\$25,000-\$29,000	10%
\$30,000-\$35,000	6.8%	\$30,000-\$34,999	11%
\$35,000- \$45,000	8.8%	\$35,000-\$49,999	13%
\$45,000- \$60,000	3.4%	\$50,000- \$74,999	15%
\$60,000- \$80,000	0%	\$75,000-\$99,999	15%
\$80,000-\$100,000	0%	\$100,000 +	13%
\$100,000 +	0%		
AVG.	6.4%	AVG.	9%

¹³⁵ Charles F. Review & David Harpman, "The Voluntary Nongame Check-off as a Revenue Source", *Public Finance Quarterly*, Vol. 20, No. 2, April 1992, 231.

¹³⁶ Iowa Department of Revenue and Finance, *Iowa Department of Revenue and Finance Annual Report 1990*, 61.

The Town of Arlington's Treasurer's Office bears all costs of program administration by law.¹³⁷

According to John Bilafer, Town of Arlington Treasurer, the rationale for the town picking up administrative costs is that "if taxpayers are willing to contribute money for scholarships, then the municipality should be willing to underwrite the expenses associated with the program."¹³⁸ Though Mr. Bilafer did not have exact figures on the cost of program administration, he stated that adding a checkoff box to the bill did not cost the town anything, that the major cost is the insert provided in the bill describing the program and the achievements of the scholarship recipients.¹³⁹ The labor costs for administering the program are also believed to be minimal. The labor entails having the billing clerk write the amount of the donations on a separate ledger, depositing the scholarship money in a special account and having the treasurer run periodic reports on the scholarship program for town leaders. Bilafer also added that administering the scholarship checkoff from his office provided excellent public relations by changing citizens' perceptions of the tax collector.

The Burlington Town Treasurer also felt that the labor involved in administering Burlington's checkoff program was minimal. With Burlington's program, since most people send in separate checks, the administration and accounting proved to be quite simple. The only cost involved in setting up the program was the added perforated section of the bill containing the checkoff box and scholarship description.

Both town treasurers said that all advertising, outside of bill inserts, was provided free of charge. Most frequently, advertising entailed newspaper articles and cable TV spots describing the program or scholarship recipients and raising community awareness.

Since Working Assets Long Distance was founded specifically to make use of the checkoff system, the costs for the roundup are not separated out from general billing costs. The procedure utilized by Working Assets is to apply any amount the customer pays which exceeds the bill amount to the donation program. At the end of each day, a computer report is run to determine the difference between bill payments and what was actually received. This total is then deposited in a segregated bank account controlled by a non-profit organization, where the donations maintain their tax deductible status.¹⁴⁰ Occasionally, there is the problem of a customer inadvertently overpaying their bill and the overpayment is considered to be a donation. When this occurs, both the customer account and the donation account must be reconciled. According to Working Assets, this is not a frequent problem. The costs involved for this reconciliation were not available.

¹³⁷ John Bilafer, "Arlington, Massachusetts' Tax Checkoff Scholarship Program", *Government Finance Review*, Vol. 5, No.3, June 1989, 39.

¹³⁸ John Bilafer, "Arlington, Massachusetts' Tax Checkoff Scholarship Program", *Government Finance Review*, Vol. 5, No.3, June 1989, 39.

¹³⁹ Telephone conversation with John Bilafer, Arlington Treasure/Collector of Taxes, May 14, 1993.

¹⁴⁰ Letter from Tim Rands, Senior Operations Analyst, Working Assets, May 10, 1993.

The advertising techniques employed by Working Assets to gain more customers are direct mail and telemarketing. The only distinct advertising used to increase roundup donations are inserts in the bills describing what the donation money is being used for and why donations are important. Secondly, each year Working Assets customers vote on what organizations will receive donation dollars. This effort makes customers part of the process, and raises their awareness of the roundup program.

Though few cost estimates are available on the administration of checkoffs, the general consensus seems to be that the administrative process is fairly simple and not labor intensive. This would account for the willingness of many tax offices to administer checkoff programs. Moreover, a 1993 report by the Colorado Energy Foundation found that the administrative costs of each of the fundraising efforts by local fuel funds were paid by the participating local utilities.¹⁴¹ The Colorado study received responses from 41 fuel funds around the nation on this question. The *FSC Survey* confirmed this result amongst 24 of the nation's largest fuel funds.

1.5 LESSONS TO BE LEARNED FOR CONNECTICUT'S *INFO LINE*

The above described checkoffs offer many lessons for establishing a checkoff to help fund *INFOLINE* in Connecticut. The following points, which are not in order of importance, should be considered when creating the *INFOLINE* checkoff.

1. *INFOLINE* should solicit funds from telephone ratepayers through a "checkoff" system. *INFOLINE* should place a checkoff box right on the SNET bill. Bill checkoffs are one of the most effective means of fundraising because it seeks the contribution when people are actually writing out the check, while looking at the bill.
2. *INFOLINE* should enclose periodic inserts in the bill highlighting work that has been done, profiles of people who have been served, or specific ways in which the checkoff money has been spent. Bill inserts should generally be included roughly three times a year. The more that such inserts can highlight specific *local* activities, showing direct real impacts in the local community (as opposed to generalized "do good" publicity), the greater the effectiveness of the inserts.
3. Besides acting as a tool to garner contributions, these inserts can also function as a public service. Each insert may contain one piece of "info" that a caller to *INFOLINE* might receive. This information should indicate both "what" services are available from *INFOLINE* and "how" such services can be accessed.

¹⁴¹ Brown, *Colorado Fuel Fund Survey*, at 7 (1993).

4. Checkoff forms should go to all SNET customers. No group should be excluded based on income level, receipt of lifeline assistance, or the like. In addition, checkoffs should be provided to all types of customers: residential, commercial, institutional and the like. Telephone customers should be given the opportunity to donate and the choice of how much to donate.
5. The checkoff should not limit the amount of the donation. Open-ended donations will yield higher revenues. Instead of allowing a checkoff for \$2, in other words, the customer should be provided the option of designating the size of the contribution.
6. If *INFOLINE* seeks to establish the checkoff legislatively, a sunset clause should be added. This clause would provide that the checkoff would end at the conclusion of a predetermined year unless specifically extended. Sunset clauses allow a periodic review of the continuing need for, and effectiveness of, the checkoff.
7. The expected rate of participation based on participation rates in the income tax checkoff programs is likely to fall between one and two percent. Though these figures may initially seem low, one must consider that two percent of all SNET customers is 24,000 accounts.
8. *INFOLINE* should seek free publicity through news stories in local newspapers and cable TV stations. This publicity should highlight concrete impacts which have been generated by *INFOLINE*. The effectiveness of publicity is heightened by targeting the concrete results that have arisen in the community from which donations are sought.

CHAPTER 2: THE BASIS FOR SNET PARTICIPATION

A wide range of reasons exists for SNET to participate in the creation and administration of *INFOLINE*'s proposed program to generate funding through a telephone bill checkoff system. These reasons can be viewed first from the perspective of the community and next from the perspective of the company. The community-based reasons can be categorized into substantive and procedural. The company-based reasons can be categorized into community relations and financial.

2.1 THE COMMUNITY PERSPECTIVE

SNET's involvement in the establishment and administration of *INFOLINE*'s proposed funding mechanism makes eminent sense from the perspective of the community. Some reasons can be viewed as being substantively related to the offer of the fund. Other reasons are more process-oriented.

2.1.1. Substantive Reasons

A reasonable relationship exists between the assistance SNET participation would provide to the information and referral service fund and the offer of local exchange telephone service by SNET. By its nature, *INFOLINE* relies upon the telephone as a means of contact with its constituency. Because of this relationship, consumers look to the industry associated with the service to provide leadership in helping to develop funding for such endeavors. Accordingly, just as energy utilities are actively involved with raising revenue for "fuel funds" to help the poor, SNET should be actively involved with raising revenue for the information and referral service.

In essence, SNET involvement with assisting the creation and administration of the *INFOLINE* checkoff represents a type of "privatization" effort by the company. In the absence of a community effort to finance *INFOLINE*, the most reasonable alternative would be to seek public funds to ensure *INFOLINE*'s continuing financial viability. With government dollars, however, comes government restrictions, government accountability, and government administration. In lieu of that result, an SNET involvement in the information and referral

service fund will help remove the push for ever bigger government to help finance the provision of this type of social service.

Moving the financing of *INFOLINE* from government funding to an SNET-based checkoff has other inherent community advantages to it as well. The creation of a checkoff advances the notion of volunteerism in financing community-based solutions to community-based problems.

As this level of voluntary commitment becomes more established, the community sense of "ownership" in *INFOLINE* services should increase as well.

There is a need for private involvement for private funding to flow to non-profit service providers such as *INFOLINE*. While some such money flows indirectly through agencies such as United Way and the Hartford Foundation, which both provide generous support to *INFOLINE*, the advantages of direct giving give rise to a different type of relationship between *INFOLINE* and the community. With direct giving, there is no "filter" that stands between the service being funded and the community being asked to provide financial assistance. Under a checkoff system, the community is being asked to take a direct ownership in the *INFOLINE* services.

The community "ownership" of *INFOLINE* will be accompanied by a renewed sense of community accountability. The accountability will flow two ways. On the one hand, there is little greater means of accountability than through the purse strings. If the community ultimately finds *INFOLINE* to be unproductive, wasteful or unnecessary, community members can directly "vote down" *INFOLINE* services by withholding their checkoff contributions. On the other hand, in its quest for community support, *INFOLINE* will be forced to inform, educate and maintain constant contact with the community. Its reliance on the public's direct financial support will require *INFOLINE* to avoid becoming detached or separated from the community. Indeed, this reliance will create the situation where *INFOLINE* will need to tell the community what it does, why it does it, and whether it has a sufficiently meritorious impact to justify continuing public participation via the checkoff mechanism.

Leadership by the local phone company is particularly appropriate to facilitate this type of public participation in financing *INFOLINE*. SNET participation in the *INFOLINE* checkoff will help "give back" some of the advantages that the community, through state and local government, has provided to the phone company with which to begin. For example, the public, through its government, has conferred upon SNET the right to exercise the power of eminent domain. This right involves an awesome power: the power to take a private person's property for the phone company's own purposes, irrespective of the "agreement" by that person to sell. This power to condemn property is considered a governmental, or quasi-governmental, power. As part of the "bargain," therefore, in exchange for this coercive governmental power, the local phone company should be operated so as to maximize the benefits the company confers upon the community. In pursuit of that goal, SNET should agree to help create and administer the *INFOLINE* fund, which provides a vehicle for the community to make voluntary contributions to important social service endeavors.

2.1.2. Process-Oriented Reasons

Assuming that it is important for the community to be involved with helping to voluntarily finance *INFOLINE* programs, SNET is a reasonable means through which such voluntary financing can be undertaken. Telephone service is nearly universal. Recent Census data indicates that more than 95 percent of all residential households have telephone service in their homes.⁴²¹ Moreover, SNET would reach virtually every business and institutional (such as churches, schools and the like), and residential customers in a voluntary checkoff program. Individual customers, residential or non-residential, can make decisions on a regular periodic basis on whether and to what extent they wish to contribute to *INFOLINE* support. The nearly universal reach of the phone company is the most obvious reason for SNET to become involved.

The involvement of SNET would create efficiencies in operation for soliciting *INFOLINE* donations as well. Rather than creating an entirely new system of outreach, system of receiving and posting donations, and the like, *INFOLINE* could piggyback on to the existing SNET billing system. Even if required to pay the incremental cost of adding literature to the SNET monthly bills, which hopefully would not be required by SNET,⁴³¹ that cost would be substantially less than the creation and administration of an entirely new, stand alone operation.

The involvement of SNET in the creation and administration of an *INFOLINE* fund, also, would help avoid the possibility that legislation would be necessary to require the development of such a fund. The development of Connecticut's "add-a-dollar" program for energy utilities, of course, was mandated by state statute. Presumably, it would be a small step to expand that statute to include the requirement that local exchange telephone companies implement similar programs to fund services such as *INFOLINE*. If that route is taken, however, seeking a legislative mandate for such a program, it is less clear that the greatest efficiency in program development and design would be achieved. It is always difficult to foresee what product might emerge from the legislative process.

2.2 THE COMPANY PERSPECTIVE

SNET's involvement in the establishment and administration of *INFOLINE*'s proposed checkoff makes eminent sense from the perspective of the company *qua* company. Some reasons can be viewed as being related to community relations. Other reasons are more financially oriented.

⁴²¹This data, of course, masks the extremes. While 99+ percent of all households with incomes above \$40,000 have telephone service, less than 70 percent of households with incomes of less than \$5,000 have service.

⁴³¹Most energy utilities "donate" space in their billing envelopes for purposes of soliciting fuel fund contributions.

2.2.1 Community Relations

Community relations are important to the Bell industry. Indeed, local exchange companies are quite good at communicating the efforts they undertake to help improve their respective communities. Participation in the creation and administration of the proposed funding mechanism would further those benefits. Not only would SNET benefit from being associated with a well-respected social service provider, SNET would be able to trumpet its involvement on a monthly basis. . .each time a voluntary contribution is solicited. Particularly in times of rising local exchange rates, the goodwill secured with the public by SNET participation in this voluntary effort would be important in deflecting public criticism of the company that might otherwise exist.

The community relations aspects of SNET involvement in an *INFOLINE* checkoff, however, go far beyond the relationship with its customers. SNET involvement with the checkoff would surely "buy" good will with regulators and legislators as well. SNET assistance would again help offset the image associated with large rate increases, images of a large corporation taking from the community while putting little back. It matters not whether such an image is grounded in reality. For purposes of community relations, the image *is* the reality.

The public image conveyed by the voluntary energy industry support for a low-income fund has prompted many energy utilities to support local "fuel funds." In its 1993 survey of 24 of the largest fuel funds in the country, for example, FSC found that only seven (7) had even requested utility "approval" of their check-off solicitations. The remainder had become involved with their fuel fund solicitations without either the prompting, the mandating, or the approval of local regulators.

In Connecticut, consider the regulatory image to be overcome. The image is that of a company perhaps somewhat removed from the problems of low-income households. Consider:

- o One image involving the present. While 99 percent of all upper income households have access to telephone service in the home, less than 65 percent of low income households have such access. And, despite this inability to afford local service, local phone rates continue to rise.
- o One image involving the future. As local exchange rates continue to rise, phone company efforts still promote installation of high tech equipment for high tech uses far removed from the needs of low-income households. As a result, the perceived distance between the interests of SNET and the interests of low-income households continues to grow.
- o One image involving the relationship with customers. SNET is often placed in the situation of *denying* service to low-income households. Service is disconnected to individual customers when those customers cannot afford to

pay their bills, even if the bill is one to a long-distance carrier (and not to SNET). Some pay telephone service is removed from low-income communities in an effort to combat drug sales. Other affordable pay telephone service is replaced with less affordable COCOT service. Community pay stations are being "consolidated" and removed.

Involvement in the creation and administration of the *INFOLINE* checkoff would help overcome these images. And, again it is important to emphasize, whether or not the image bears any relationship to reality is not the point. In the arena of community relations, image is reality.

SNET involvement in helping to create and administer the *INFOLINE* checkoff would also push the company to the forefront nationally with respect to the telephone industry's involvement in helping to provide assistance to low-income households. No local exchange telephone company offers a type of program akin to that being proposed by *INFOLINE*.¹⁴⁴ Again, SNET can look to its energy cousins, including Connecticut Light and Power Company (CL&P) which is nationally noted for its low-income efforts, to see the impacts of this leadership role. Leadership in Connecticut with regard to *INFOLINE* would allow SNET to seek a national leadership role on similar issues.

SNET should be able to parlay leadership on the *INFOLINE* checkoff into *statewide* corporate leadership on similar programs as well. No reason exists for voluntary checkoff systems to apply *only* to public utility bills. Other industries and corporations may wish to engage in similar programs for other types of social service endeavors. Checkoff systems for credit card purchases, insurance purchases (either life, auto, property or otherwise) and the like could be used to provide households with the means of voluntarily contributing to their chosen programs. And, just as *INFOLINE* has turned to places such as Arlington and Burlington, Massachusetts and Working Assets Long Distance for leadership assistance in the design of such programs, it would be reasonable to expect other Connecticut companies to turn to SNET for leadership as well.

2.2.2 Corporate Finances

Not all benefits to SNET are simply in the nature of "community relations." SNET involvement in the creation and administration of the *INFOLINE* checkoff should provide tangible financial benefits to SNET as well. These direct financial benefits will arise in a variety of contexts.

First, an improved corporate image in the community is well-known to return a direct financial value to the company in several ways. It helps promote the sale of the company's goods and services. It helps minimize the need for collections. It increases visibility and supports the

¹⁴⁴The only interexchange company with a checkoff is a reseller, Working Assets Long Distance (WALD), discussed in greater detail above.

efficacy of advertising campaigns. It helps attract and keep quality employees. While this discussion certainly does not undertake to put a dollar value on these benefits, it is conventionally accepted that such benefits are, indeed, associated with an improved corporate image.¹⁴⁵

Second, improved employee morale also has a tangible dollar value to the company. Improved employee morale results from the fact that employees are, directly and effectively addressing low-income problems. No longer are company personnel simply in the business of credit and collection. Instead, they are using the resources and auspices of the company to make unique contributions to consumer wellbeing. As a result of improved employee morale, the company will experience a tangible economic benefit in terms of increased productivity, increased employee retention, decreased need for training, and the like.¹⁴⁶

Finally, improving the operation of *INFOLINE*'s program helps take some load off SNET employees to provide information and referral services on their own. To help ensure the long-term economic viability of *INFOLINE*, therefore, will help alleviate the pressure on SNET to provide similar services, even if informally.

2.3 SUMMARY

SNET should participate in the creation and administration of the *INFOLINE* checkoff program. This participation is reasonably related to the provision of local exchange telephone service. Moreover, from the perspective of the community, there are both substantive and process-oriented reasons for SNET participation. Finally, the company, itself, will gain benefits from participation in the checkoff program. Not only will SNET benefit from improved community and regulatory relations, but it will benefit in a direct financial way as well.

¹⁴⁵ See e.g., Gatewood and Gowman, "Corporate Image, Recruitment Image, and Initial Job Choice Decisions," *Academy of Management Journal* Vol. 36, No. 2, 414 (April 1993); "Pretty Effective," *Singapore Business*, Vol. 17, No. 1 (Jan. 1993); Yahn, "FRON Talk: Dow Jones' Bernard Flanagan Fosters Cause of Corporate Image Advertising," *Business Marketing*, Vol. 77, No. 11, 4 (Nov. 1992); Bredbenner, "Enhancing Your Corporate Image: Advice About Corporate-Wide Imaging," *Inform*, Vol. 5, No. 8, 31 (Sept. 1991); Townsend, "Cashing in on Corporate Identity," *American Demographics*, Vol. 12, No. 7, 42 (Jul. 1990); Dowling, "Developing Your Company Image into a Corporate Asset," *Long Range Planning*, Vol. 26, No. 2, 101 (April 1993).

¹⁴⁶ Kruse, "Getting Top Value for Your Payroll Dollar," *Law Practice Management*, Vol. 19, No. 3, 52 (Apr. 1993); "Tips on Controlling Turnover and Absenteeism," *Wire Rope News and Sling Technology*, Vol. 14, No. 1, 20 (Oct. 1992); Weidenfeller, "Celebrating Diversity," *Public Utilities Fortnightly*, Vol. 129, No. 12, 20 (June 15, 1992).

CHAPTER 3: ANTICIPATED REVENUES FROM AN SNET CHECKOFF

Projecting revenue generation from an SNET checkoff is a risky business at best. Among the factors that go into the success of a checkoff program include the visibility of the program to be supported, the intuitive appeal of the services provided, the perception of direct local benefits, and the perception of need. Despite its "soft" nature, however, it is possible to review other checkoff programs to determine the types of revenue returns that have been experienced in other contexts. Based on this review, best estimates will be made of the revenue that *INFOLINE* could reasonably expect from an SNET checkoff system.

3.1 REVENUE PRODUCED BY EXISTING CHECKOFFS

In 1992 state tax checkoffs generated \$27.8 million nationwide.⁴⁷¹ The amount of revenue received from the various state checkoffs varies widely according to the type of checkoff and whether the checkoff allows the taxpayer to determine the amount of the donation or whether the donation amount is fixed.

According to the Federation of Tax Administrators, nongame wildlife checkoffs yielded the largest per contribution average (\$7.18) and had the largest yield of all tax checkoffs (totalling \$9.7 million nationwide).⁴⁸¹ Six states reported receiving more than \$9.00 per contribution for their nongame wildlife checkoffs in 1992.⁴⁹¹ Perhaps, this is attributable to the fact that nongame wildlife checkoffs are the oldest of all state income tax checkoffs, including the state political campaign checkoffs and by far the most common checkoff. Thirty-six states now have nongame wildlife checkoffs. By contrast, only 21 states have political campaign checkoffs.⁵⁰¹

⁴⁷¹ State Income Check-off Programs Remain Popular, *Tax Administrators News*, March 1993, Vol. 57, No.3, 31.

⁴⁸¹ State Income Check-off Programs Remain Popular, *Tax Administrators News*, March 1993, Vol. 57, No.3, 31.

⁴⁹¹ State Income Check-off Programs Remain Popular, *Tax Administrators News*, March 1993, Vol. 57, No.3, 31.

⁵⁰¹ State Income Check-off Programs Remain Popular, *Tax Administrators News*, March 1993, Vol. 57, No.3, 30.

Following nongame wildlife funds, child abuse funds and political campaign checkoffs have the second and third highest average donations nationwide. Child abuse fund checkoffs, with an average contribution of \$6.57 had the second highest average contribution nationwide.¹⁵¹ Political campaign checkoffs, though having the highest participation rate, have the lowest average contribution of the most common state tax checkoffs (\$2.38).¹⁵²

The municipal checkoffs' average contributions were similar to those of the state tax checkoffs.

An unscientific sampling of bills by the Arlington Treasurer's Office revealed that the average donation was approximately \$5.64.¹⁵³ The town also solicits large donations to create specially named scholarship funds. The city has received one time donations as large as \$12,000. The total value of the scholarship fund in 1993, ten years after the program's inception is approximately \$450,000.¹⁵⁴

Burlington Massachusetts also does not have the computer capability to determine average donation amounts or total participants. However, the town treasurer believes that average donations are just under \$10.¹⁵⁵ For the last ten months the treasurer's office has received a total of \$10,294 which is double what they received in past years.¹⁵⁶ Town Treasurer Brian Curtain attributes this to the fact that the town has shifted to a quarterly billing cycle from an annual billing cycle.

Working Assets Annual Report to Members stated that the long distance checkoff encouraging customers to roundup their bill raised approximately \$165,000 in donations in 1992.¹⁵⁷ Although Working Assets did not disclose the number of customers who roundup their bills, to put this figure in perspective it should be noted that Working Assets Long Distance has approximately 175,000 customers.¹⁵⁸ If the estimate that five to ten percent of Working Assets Long Distance customers roundup their bills are correct, average donations would fall between \$9 and \$19 yearly.

3.1.1 Designated Checkoff Amount v. Open-ended Amount

¹⁵¹ State Income Check-off Programs Remain Popular, *Tax Administrators News*, March 1993, Vol. 57, No.3, 30.

¹⁵² State Income Check-off Programs Remain Popular, *Tax Administrators News*, March 1993, Vol. 57, No.3, 31.

¹⁵³ John Bilafer, "Arlington, Massachusetts' Tax Checkoff Scholarship Program", *Government Finance Review*, Vol. 5, No.3, June 1989, 41.

¹⁵⁴ Telephone conversation with John Bilafer, Arlington Treasurer/Collector of Taxes, May 14, 1993.

¹⁵⁵ Telephone conversation with Brian Curtain, Treasurer of the Town of Burlington, MA, May 19, 1993.

¹⁵⁶ Telephone conversation with Brian Curtain, Treasurer of the Town of Burlington, MA, May 19, 1993.

¹⁵⁷ Working Assets, *Working Assets Annual Report to Members*, 1992, 2.

¹⁵⁸ Working Assets, *Working Assets Annual Report to Members*, 1992, 2.

When reviewing the revenue produced by various checkoffs, one must bear in mind that the political campaign checkoffs do not require taxpayer donations. Rather, the political checkoff gives the taxpayer the opportunity to allow a set amount of his or her tax dollars to be directed to a special campaign fund. This fact underscores the remarkable performance of some checkoffs requiring donations that raise more revenue than the amount of money redirected by campaign funds. For those checkoffs requiring a donation, checkoffs not designating a donation amount earned more than those which prescribed a checkoff amount. A study of all of the tax checkoffs in six states found that:

in the sample in which states were using tax forms that allowed only a few specific amounts of contribution, thus imposing an upper limit on the amount*

* *the average contributions were significantly reduced as compared to the tax forms with open-ended contributions.⁵⁹

A comparison between open ended and limited checkoffs within the states of Virginia and Iowa confirms this finding. Iowa had three checkoffs on its 1991 tax forms two of which were limited (election campaign fund and Olympic fund) and one (fish/wildlife fund) which was open ended.⁶⁰ The election campaign fund was a flat \$1.50 checkoff and the Olympic fund was a flat \$2.00 checkoff. The only stipulation on the fish/wildlife fund checkoff was that the donation be over \$1.00. As a result, the average contribution to the fish/wildlife fund was nearly four times as high as the average contributions for the other two checkoffs.

⁵⁹ Charles F. Review & David Harpman, "The Voluntary Nongame Check-off as a Revenue Source", *Public Finance Quarterly*, Vol. 20, No. 2, April 1992, 239.

⁶⁰ Iowa Department of Revenue and Finance, *Iowa Individual Income Tax Annual Statistical Report 1991*, 7.

TABLE C
Participation Rates For Iowa Tax Checkoffs in 1990⁶¹

Checkoff	Participants	Total Contributions	Average Contribution
Election	132,150	\$198,200	\$1.50
Fish and Wildlife	30,000	\$179,000	\$5.97
Olympic	14,900	\$29,000	\$1.95

Both the Fish and Wildlife Checkoff and the Olympic fund required donations, whereas the Election Checkoff allowed the taxpayer to designate \$1.50 of her state tax dollars to a political party. As with all of the political checkoffs which do not cost the taxpayer any money, the participation rate is much higher for the political checkoff than the donation checkoffs. However, the amount of money raised by the political checkoff is only 10% higher than that raised by the Fish and Wildlife checkoff.

A comparison of Iowa's two donation checkoffs reveals that the open-ended Fish and Wildlife checkoff raised six times as much money as the limited Olympic Fund checkoff. The average contribution for the Fish and Wildlife Fund was three times greater than that of the Olympic Fund: \$5.97 compared to \$1.95. Certainly, other factors contribute to people's giving patterns, such as perceived importance of the particular fund, though studies have found that if a person donates to one checkoff they generally donate to other checkoffs as well.⁶² This suggests that had the Iowa Olympic Fund not been limited, average donations and, thus, total revenue would have been significantly higher.

Similarly, for tax returns filed in Virginia in 1990, the checkoff for either the Democratic or Republican Party was listed as a \$2.00 contribution, while four other checkoffs were open-ended.⁶³ The total revenue collected for the political checkoff was half the revenue of the next *lowest* revenue producing fund, despite the fact that the participation rate for the political was the second highest. The average contribution for the Virginia Housing Program was almost four times as high as the political party donations even though both checkoffs had almost the same participation rate.

⁶¹ Iowa Revenue and Finance, *Iowa Individual Income Tax Annual Statistical Report 1991*, 7.

⁶² Charles F. Review & David Harpman, "The Voluntary Nongame Check-off as a Revenue Source", *Public Finance Quarterly*, Vol. 20, No. 2, April 1992, 236.

⁶³ Commonwealth of Virginia, *Virginia Department of Taxation Annual Report*, 1990, 23.

TABLE D
Participation Rates for Virginia Checkoffs in 1989⁶⁴⁾

Checkoff Fund	Participants	Total Revenue	Average Contribution
Political Parties	21,957	\$43,914	\$2.00
Nongame Wildlife	43,306	\$399,657	\$9.23
Housing Program	21,045	\$160,714	\$7.64
Open Space	16,297	\$95,658	\$5.87
Olympic Committee	14,959	\$80,802	\$5.40

The results of both the Iowa and Virginia checkoffs clearly show that when checkoffs are left open-ended average contributions are significantly higher than those of limited checkoffs. Secondly, a checkoff being open-ended does not adversely affect participation rate. The net result, therefore, is that open-ended checkoffs raise more revenue than limited checkoffs.

Both the Arlington and Burlington checkoffs are open-ended. Arlington's estimate of a \$5.64 average contribution is very much in line with average contributions for open-ended state tax checkoffs. In Massachusetts in 1990, the average taxpayer contribution to the state's nongame wildlife checkoff was \$5.39.⁶⁵⁾ If the Burlington Treasurer's estimates are correct, an average donation of just under \$10 is higher than most tax checkoffs. Nevertheless, \$5 or \$10 contributions add up more quickly than a fixed \$1 or \$2 donation.

Working Asset's roundup checkoff is almost a hybrid of the open-ended and limited checkoffs. The company suggests a donation depending on the size of the bill.⁶⁶⁾ For example, if a customer's bill is \$10 or under, the company suggests that a dollar be added. If the bill were \$53, the suggested roundup would be \$55. And if the bill were \$106, the suggested roundup would be \$110.

Most utility fuel fund solicitations combine a closed-ended solicitation with an open-ended opportunity to contribute. A July 1993 FSC survey of the largest fuel funds in the nation found that all but four have "suggested" contributions, with an opportunity to mark "other" and make a larger contribution. Few companies allow only open-ended contributions. Most company solicitations provide three or four suggested contribution options ranging from \$2 to \$10.

⁶⁴⁾ Virginia Department of Taxation, *Virginia Department of Taxation Annual Report*, 1990, 23.

⁶⁵⁾ State Tax Check-off Programs Continue Growth, *Tax Administrators News*, March 1991, Vol. 55, No.3, 32.

⁶⁶⁾ Letter from Tim Rands, Senior Operations Analyst, Working Assets, May 10, 1993.

Though there are no limited municipal tax checkoffs that the author is aware of, the evidence from the state tax checkoffs that open-ended checkoffs yield higher donations is so strong, that one could generalize that any open-ended checkoff would yield higher average donations, than a limited checkoff.

3.1.2 Bill Inserts vs. Bill Checkoffs

In contrast to these examples of fundraising through checkoff systems, public utilities raising dollars for state and local "fuel funds" do *not* generally use a "round-up" method of raising dollars.^{\|67\|} Instead, these utility fuel funds rely upon a variety of methods through which customers can contribute through checkoffs. According to a recent study by the Colorado Energy Assistance Foundation (CEAF), of Denver, of the 45 fuel funds studied, none use a "round-up" method of soliciting fuel fund contributions.^{\|68\|} Instead, the primary methods of checkoff fundraising include solicitations through bill inserts and a checkoff system on the bill.

According to CEAF, "bill inserts acquaint utility customers with the purpose of the fuel fund and explain() how it operates."^{\|69\|} Reasons why bill inserts are "very attractive," CEAF found, include: (1) their low administrative cost; and (2) the fact that inserts "are well suited to deliver [the charitable donation] message succinctly and at a time when customers have their checkbooks out."^{\|70\|}

The primary use of bill inserts involves inserts which accompany the utility bill. Of the 45 fuel funds surveyed, 41 include bill inserts with utility mailings. Three of the remaining four fuel funds use a utility bill checkoff system. Bill inserts are sent to both residential and non-residential customers.^{\|71\|}

Bill inserts are generally sent between one and three times a year (29 of the 41 fuel funds using inserts sent from 1-3 times a year). Utilities who included inserts more than three times a year were those who routinely enclosed a company "newsletter" with their billings, on either a monthly or quarterly basis.^{\|72\|}

^{\|67\|} Fuel funds are state and local organizations that provide emergency heating assistance to income-eligible households who face disconnection of service (or some other similar loss of service).

^{\|68\|} Brown, *CEAF Fuel Fund Survey*, at 10 (1993). However, three utilities are exploring this fundraising option. *Id.*

^{\|69\|} *Id.*, at 6.

^{\|70\|} *Id.*

^{\|71\|} *Id.*

^{\|72\|} *Id.*, at 7.

Finally, roughly 40 percent of the fuel funds soliciting donations through bill inserts included a return envelope with the solicitation. Of the 37 fuel funds responding to this question, 14 replied that they use return envelopes.¹⁷³ One "problem" with return envelopes, however, particularly those envelopes returned to some agency other than the utility, is that it is not possible to track the success of particular solicitations. The company, in this situation, will not be able to compile date either on how many customers contribute or what level of contribution is obtained.

In contrast to the reliance on bill inserts are those energy fuel funds that rely upon a checkoff system of fundraising. A checkoff provides the customer with an opportunity to add a sum of money to their monthly utility bill as a contribution to a fuel fund. According to CEAF, "this approach involves the modification of the utility bill format to include a message and instructions, which can then remain an integral part of the billing process over an extended period of time."¹⁷⁴

Checkoffs are generally used in conjunction with bill inserts. While less than half of the fuel funds responding to the survey use checkoffs as a fundraising strategy (18 did, 27 did not), 15 of those funds using checkoffs did so in association with bill insert solicitations. Only three funds relied solely on the checkoff as a means of raising dollars.¹⁷⁵

3.1.3 What Happens Over Time?

Over time the total dollars and number of contributions has fallen for the presidential campaign fund checkoff and for state checkoffs as a whole.¹⁷⁶ The experience of many state checkoffs is that donations to a particular checkoff rapidly increase during the first year or two that the checkoff appears on the tax form and then experience slow or no growth afterward.¹⁷⁷ Various reasons have been postulated, from the decline in the economy to a general malaise about governments and their spending habits. The reason most widely circulated is that the proliferation of checkoffs has led to the decline in checkoff revenues. One study of nongame wildlife checkoffs found that:

* * *the presence of other checkoffs on the tax form will have a significant and negative impact on nongame contributions. * * *an additional checkoff on the tax form will result in a 70% decline in the average donation to the nongame

¹⁷³ *Id.*

¹⁷⁴ *Id.*, at 8.

¹⁷⁵ *Id.*, at 9.

¹⁷⁶ State Income Check-off Programs Remain Popular, *Tax Administrators News*, March 1993, Vol. 57, No.3, 30.

¹⁷⁷ Jeffrey Katz, "Tax Checkoffs: Novel No Longer", *Governing*, July 1991, 33.

checkoff. It is apparent that nongame donations may be drastically eroded or "diluted" by the addition of other types of checkoffs to the tax form.^{78\}

In contrast, the Arlington and Burlington checkoffs which stand alone on the tax form have both experienced dramatic and continuous growth since the programs started. In the case of Arlington, the fund donations have increased over a nearly ten year time period. This experience adds credence to the assertion that the decrease in contributions for state tax forms is due to the large number of tax checkoffs, in some states as many as eight to twelve on one form.

3.2 TAPPING INTO "FOUND" MONEY

One recent success at approaching utility customers for contributions to supporting social service programs involves the Colorado Energy Assistance Foundation. Public Service Company of Colorado recently sought such donations from its customers and generated more than \$1.7 million in donations to the Colorado Energy Assistance Foundation.^{79\}

Importantly, these funds are over and beyond any funds generated through customer contributions made in response to bill-stuffers or through additions to monthly bills. Rather than replacing regular contributions made as a part of a program whereby customers add to their bills, the Colorado program seeks to take advantage of the special situation that occasionally arises with regard to rate refunds to customers.

In January 1992, Public Service of Colorado (PSCo) began to notify its customers of a refund to which they were entitled as a result of an overcharge from one of its natural gas suppliers. The refund was owed to natural gas consumers in certain parts of the state who were consumers from January 1, 1985 through December 31, 1988. Refund amounts varied depending on the length of time the consumer received gas during those four years and the amount of gas they used.

One of PSCo's natural gas suppliers was found to have been improperly pricing gas to include a gas search charge which resulted in a \$67.75 million overcharge. A portion of that money was returned through the purchased gas adjustment clause on the company's bills, but an additional \$45 million was to be refunded as a credit on each customer's March, 1992 bill. The potential refund amounts averaged about \$35 per household and \$261 per business.

^{78\} Charles F. Review & David Harzman, "The Voluntary Nongame Check-off as a Revenue Source", *Public Finance Quarterly*, Vol. 20, No. 2, April 1992, 239.

^{79\} CEAF is a public/private fuel fund. In October 1988, Colorado Governor Romer took the initiative through executive order of establishing the Commission on Low-Income Energy Assistance, appointing 11 volunteer commissioners to "use all avenues available to and seek new ways to raise funds for LEAP." The Commission in turn established the non-profit Colorado Energy Assistance Foundation as a fund-raising entity.

In the notification letter that Public Service of Colorado sent with regard to the refund, the company asked its consumers to donate their refund amounts to CEAF. The notification letter from the utility stated in relevant part:

We are very pleased to be returning this money (which includes taxes and interest) and would like to introduce you to an agency which would appreciate a donation of all or a portion of this refund to be used for a very worthy purpose.

The Colorado Energy Assistance Foundation (CEAF) is a non-profit agency helping the Low-Income Energy Assistance Program (LEAP) provide funds to people who need help paying their energy bills. CEAF's operation costs are paid entirely through corporate donations, so all private donations go directly to the people who need help.

This is a great way to give! Just check the box on the tear-off form below, mail it in the enclosed return envelope so that it reaches us by February 26, 1992, and your tax deductible donation will be sent to CEAF. You have the option of donating all or a part of your refund amount.^{¶80}

The refund program was promoted primarily through the local print^{¶81} and broadcast media.^{¶82} Moreover, more than 200 local churches were asked to solicit the donation of all or part of the PSCo refund through their congregation's newsletters or bulletins.

In *toto*, CEAF spent roughly \$39,000 for 114 30-second television spots on local news shows, and roughly \$9,200 for eight (8) insertions into local newspapers. Total expenditures for the media/public relations campaign reached \$58,951, according to CEAF.

The refund donation program recovered \$1,126,638 of the \$29,657,910 refunds owed to "active" PSCo customers, or about 3.8 percent of the total refund. The two month campaign, directed toward 466,678 total customers, resulted in 43,711 donations, averaging \$25.77 per donation. Nearly one-in-ten (9.4%) of the total number of customers eligible to receive refunds donated *something* through the program.

In addition to these active customers, while CEAF warns that its data from "inactive" PSCo

^{¶80} The company then agreed to match all contributions generated through the refund donation program dollar-for-dollar up to a maximum of \$2.5 million.

^{¶81} Advertisements were placed in the *Denver Post* and the *Rocky Mountain News*.

^{¶82} Ads were placed on four local television stations.

customers is "not final yet," "preliminary figures are 57,516 donations totaling \$591,593.36 -- an average of \$10.29 per inactive donation."

According to the Executive Director of CEAF, the refunds were considered to be "found money" by ratepayers, thus making it easier for them to make the requested donation. In contrast, the *highest* percentage of bill insert response CEAF had received during the preceding 2.5 years was 9/10ths of 1 percent. PSCo placed inserts into the November and February bills during 1990 and 1991. In 1991, 6,987 donations were obtained from a total of 1,127,298 customers receiving the inserts. The bill inserts generated \$285,087 in 1991. The rate refund solicitation thus generated 10 times the response that the annual winter bill insert solicitation generates. CEAF found that it obtained a return of 16:1 on its administrative investment.

In sum, the lesson to be learned from the Colorado experience should not be limited to soliciting contributions of "rate refunds." Instead, the lesson to be learned is that solicitations for contributions are more effective, by orders of magnitude, in those instances where the dollars to be contributed represent "found" money. SNET and *INFOLINE* should actively seek out such sources of potential customer contributions. Public Service Company of Colorado, in conjunction with the Colorado Energy Assistance Foundation, has found that ratepayers are generous in their assistance, particularly when their contribution involves not-out-of-pocket money such as refund checks.

3.3 PROJECTIONS FOR SNET-GENERATED REVENUE

Given the discussion above, the assumption made here is that an SNET checkoff for *INFOLINE* will attract contributions from two percent of SNET's customer base. The average revenue per customer is assumed to be \$10 per year. Given these two assumptions, the contribution base of 24,000 customers would donate roughly \$240,000 per year to *INFOLINE*.

CHAPTER 4: AN EXISTING TELEPHONE "CHECK-OFF" FUND

An estimated \$250,000 in voluntary contributions will be available annually to help offset the costs of basic local phone service for low-income families, senior citizens and individuals through the newly crafted Universal Telephone Access Corporation in Illinois.

The funding will be available through the new Illinois Telephone Assistance Program, which was created by state law and is based on voluntary contributions to fund assistance to low-income families who need basic local phone service. UTAC is the non-profit organization comprised of phone company and consumer, and low-income representatives and created under direction of the Illinois State Commerce Commission to administer the new telephone assistance program.

Estimated annual contributions to the program will be about \$290,000, with estimated annual expenses of about \$40,000. Expenses for the program include the costs of notifying eligible households, verifying eligibility for those who apply, and tracking and reporting financial information for the program. Each local exchange telephone company is responsible for administering the program for its customers.

According to rules set forth by the Illinois Commerce Commission, the UTAC board of directors is to consist of nine members with three classes of directors: one class consisting of five directors elected from nominations made by Local Exchange Companies; one class consisting of two directors elected from nominations made by the Office of Public Counsel and the Citizens Utility Board (CUB); and one class consisting of two directors elected from nominations made by the National People's Action, the Community Action for Fair Utility Practice, and the South Austin Coalition Community Council. Directors will serve one year terms, and will be elected by the members of UTAC (which are the Local Exchange Companies).

Funding for UTAP comes strictly from voluntary donations. Beginning February 1, 1993, inserts were included in phone bills soliciting contributions. Residential customers were asked to select \$0.50, \$1.00, \$2.00 or \$5.00 to be added to their bill each month. Business customers

were asked to select \$1.00, \$5.00, \$10.00 or \$25.00. The selected amount is then added to the customer's bill each month until the customer requests to be removed from the program.

After the first nine months of the program (September 1993), and every six months thereafter, UTAC will file a petition with the Illinois Commerce Commission asking the Commission to determine the type and amount of assistance, if any, that can be provided to eligible consumers. Depending on the amount of the fund, the Commission, after hearings, will order that the fund be used to provide additional assistance on installation, assistance on the customer's monthly bill, or both.

CHAPTER 5: THE PROPOSED STRUCTURE OF AN SNET CHECKOFF

The various components of an SNET checkoff for *INFOLINE*'s program would include:

1. **Audience to Address:** SNET should seek donations from all customers, business and residential. No limits should be established on the types of service from which contributions are sought.
2. **Frequency of Solicitation:** SNET should place its solicitation directly on the monthly telephone bill. Such a solicitation is less likely to be missed or ignored than one which is merely another bill insert. Moreover, placing the solicitation directly on the bill is preferable because when people are writing out the check, they look at the bill.
3. **Type of Community Education:** *INFOLINE* should enclose periodic inserts in the bill. These inserts should highlight work that has been done, profile people who have been served, or report on specific ways in which the checkoff money has been spent.
4. **Type of Contribution:** The SNET checkoff should not limit the amount of the donation. Open-ended donations will yield higher revenues.
5. **Type of Contribution:** In addition to accepting a "round-up" donation, through which households will pay their telephone bill in whole dollars with the excess over the actual bill being donated to *INFOLINE*, SNET should implement a "pledge" system. Based on a model such as existing credit card checkoffs,¹⁸³ this system allows consumers to pledge a sum certain over the course of a year, with a *pro rata* portion of the pledge being added to the phone bill each month.

¹⁸³ Some non-profit social service agencies administer a pledge system under which contributors agree to have a certain sized contribution charged to their credit card each month.
