

# An Environmental Scan of Disaster Relief and Employee Hardship Funds

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The Employee Relief Fund Education Group (ERFEG)  
an initiative of the Emergency Assistance Foundation, Inc.



**EMPLOYEE RELIEF FUND**  
— EDUCATION GROUP —

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## Executive Summary

This white paper is an updated version of the previous white paper published in 2014. Some questions have remained the same, some are new, and some have been updated in effort to address important issues that can affect employee relief funds.

Employers have long tried to assist their employees who may be facing either a disaster or personal emergency hardship. This assistance may be informal and organic, like “passing the hat”, or may necessitate a more formal, legal structure such as a charitable fund or foundation. This paper captures 73 responses from a web-based survey within an estimated universe of 250-300 known funds or foundations. The key findings are:

- Over 50% of existing employee relief funds have been created in the past five years.
- Over 49% of funds were initiated by senior management and 38% were created in response to a natural disaster.
- 44% of grants are made to vendors rather than to employees directly.
- Over 19% of assistance funds are administered by corporate foundations and 49% have two or less FTEs managing the program.
- Nearly 26% of funds have an employee donation rate of 26% or higher and 35% of programs offer a matching plan.
- 96% of grants are tax free and compliant with IRS regulations
- Only 38% of programs offer online donations.
- Every program offers qualified disaster relief, and 81% offer personal-hardship grants.
- 45% of application-review decisions are made within one week.
- Average grants are 25-50% of the program’s maximum grant amount.

### Disclaimer

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## **Introduction**

In 2009, the IRS released Publication 3833 – *Disaster Relief: Providing Assistance Through Charitable Organizations*. Prior to this guidance, employer groups internally created funds only for disaster relief, only for personal hardships or for both. Most of these funds were established via a simple bank account, but some were structured as a qualified 501(c)3 public charity or private foundation. Some employers chose, instead, to use a third-party public charity provider to administer employer-specific funds. For each of these permutations, the tax and legal ramifications to the donor, the grant recipient and the employer are different.

The critical questions this paper attempts to answer are:

1. How many of these kinds of funds exist in the United States?
2. How are these funds structured from a tax and legal perspective?
3. What are the key benefits to employers and employees?
4. What are the key challenges to employers and employees?

An important goal of this research is to widely disseminate the results to improve existing and future programs. This information will identify best practices in fund structure, communications, risk management, program design, fundraising, administration and grant making. To gather information, a 30-question survey was used. The methodology and results follow.

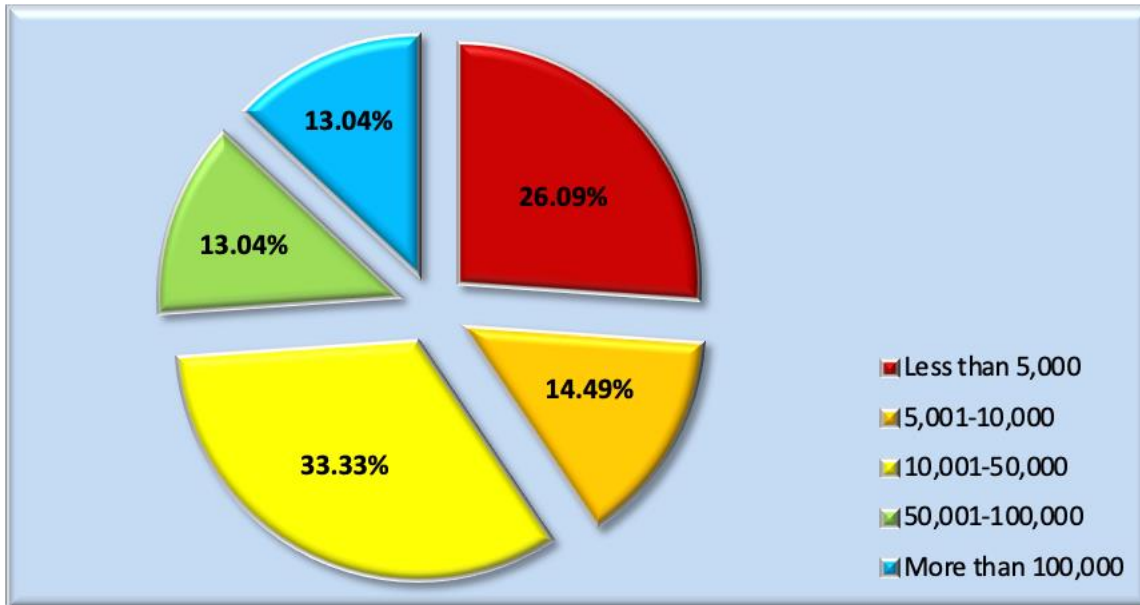
## **Survey Methodology**

This paper reflects the latest 2018 findings gathered electronically from 73 participants with existing employee assistance programs. This online survey was conducted in effort to update the original findings taken in 2014. The original 2014 survey was the first attempt to collect data regarding employer-provided emergency assistance programs and their characteristics and best practices.

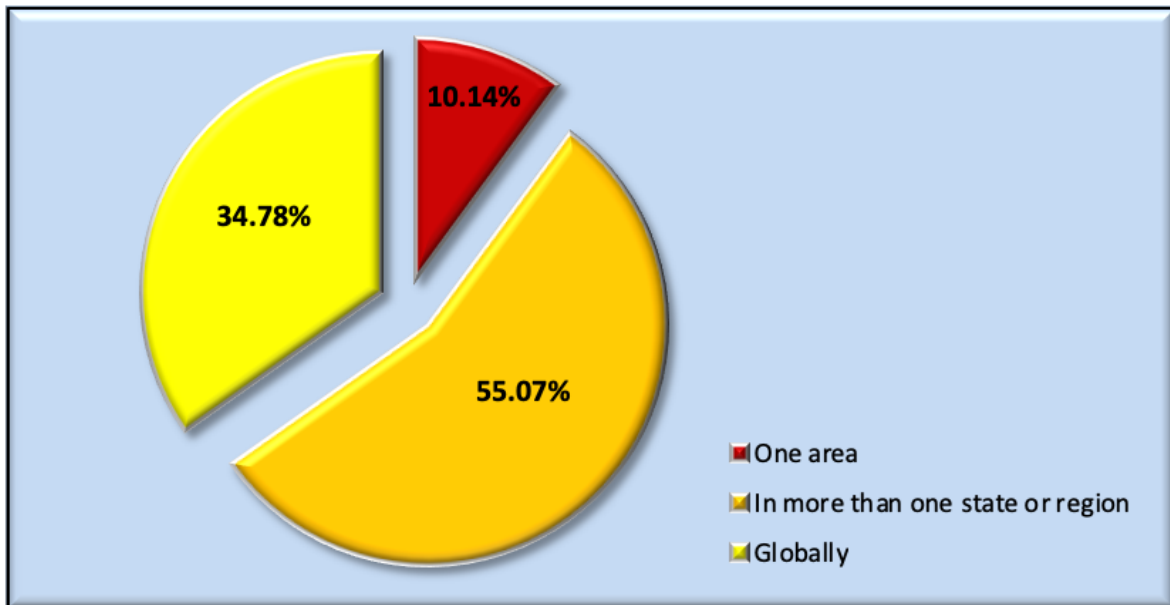
The survey was organized into four sections: Organization, Fundraising, Applications, and Grants.

## Section 1 - Organization: General Information

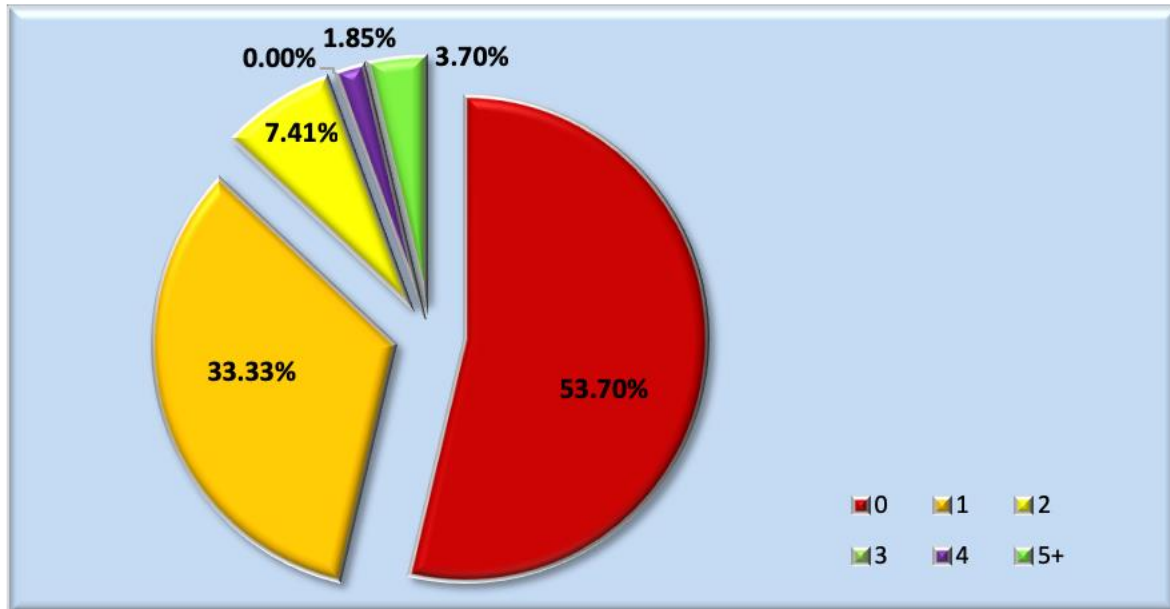
1) How many employees are in the organization?



2) Geographical Diversity – Where are the company's employees located?

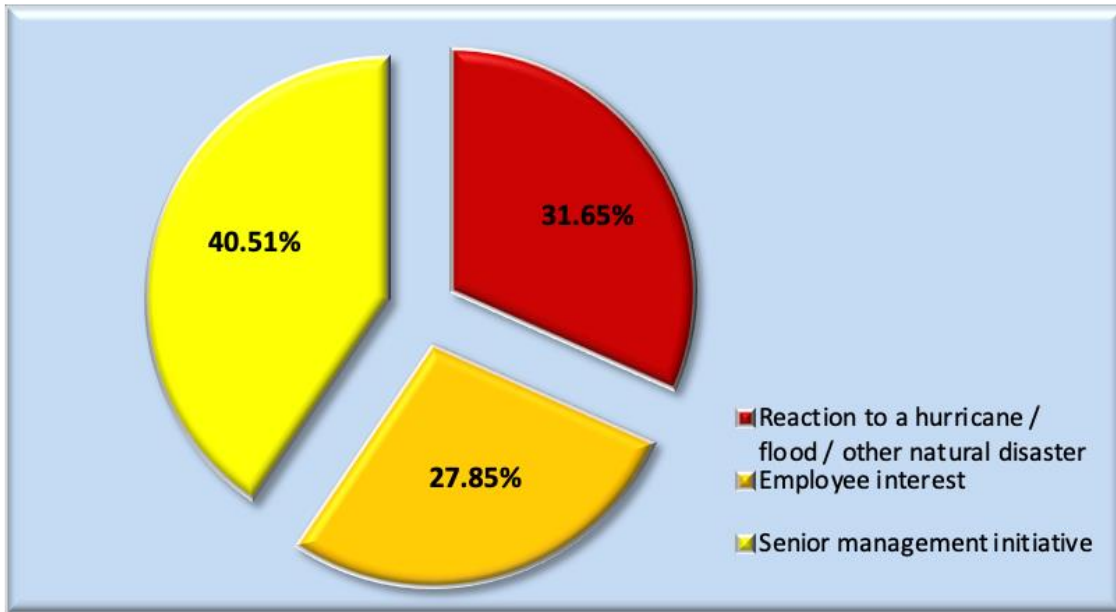


3) How many languages other than English is the application available in?



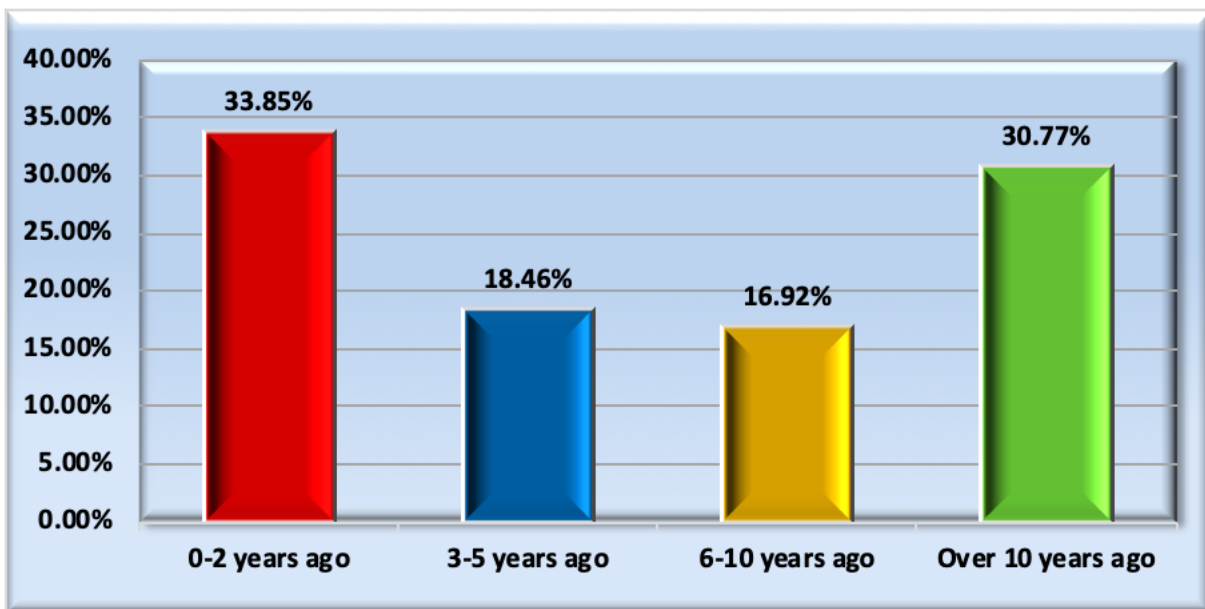
**Observations:** According to the 2018 survey results, 59% of employer-sponsored funds cover 10,000+ employees and over 40% of funds cover 10,000 or less employees. The number of small to mid-sized funds has increased by 13% since 2014. It has become increasingly common for companies of all sizes to implement employee assistance programs. However, regardless of size, every employee program faces its own challenges. Small to midsize programs are often administratively burdensome and costly and large programs tend to have issues navigating the legal complexities and tax regulations that coincide with global programs. Global programs may have to accept foreign currency donations, make grants to foreign vendors (both from a language and tax perspective) and engage translation services for grant applications and other communications. Multinational employer groups place a very high value on covering both domestic and international employees with equivalent emergency assistance programs. Yet, less than half of the programs polled have applications available in a language other than English.

4) What prompted your organization to start the fund?

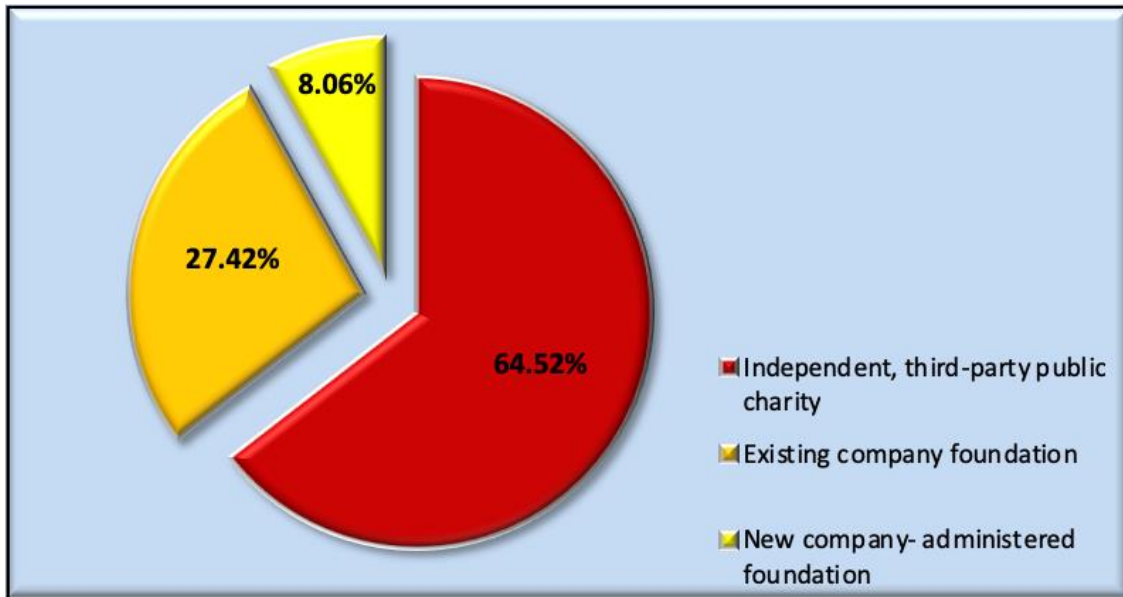


**Observations:** 2018 survey results reveal that majority of funds have been initiated by senior management. This contrasts with the 2014 survey results in which vast majority of funds were created in immediate response to a natural disaster. It is evident that an increasing number of companies are choosing to implement such programs in effort to be proactive rather than reactive in times of hardship and disaster.

5) What year did your program begin?

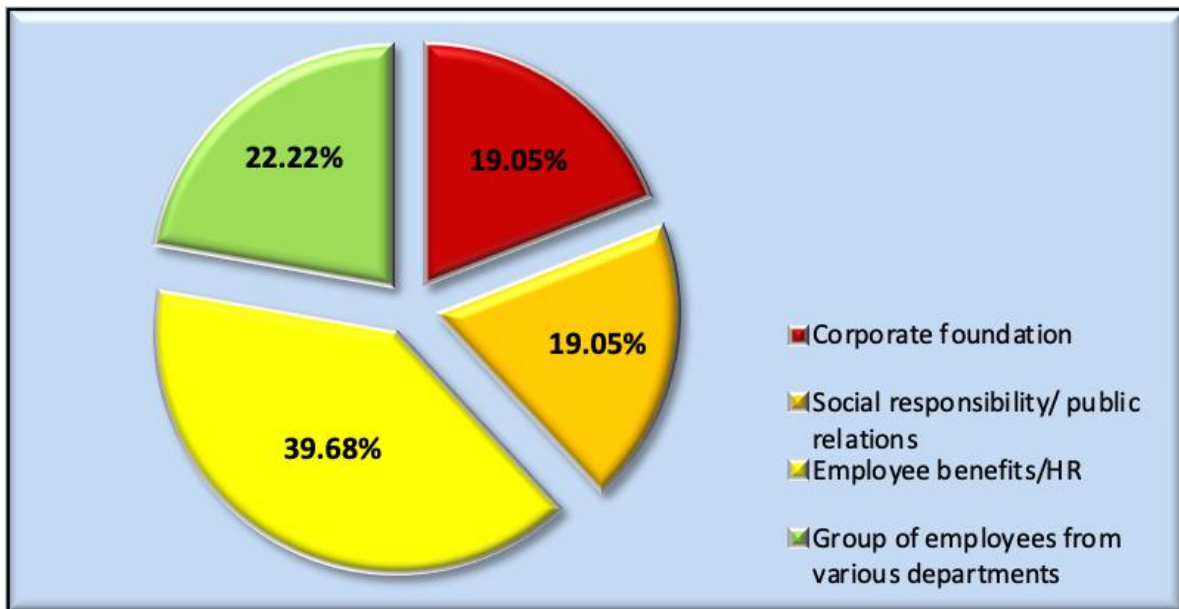


6) Which type of fund administers your program?



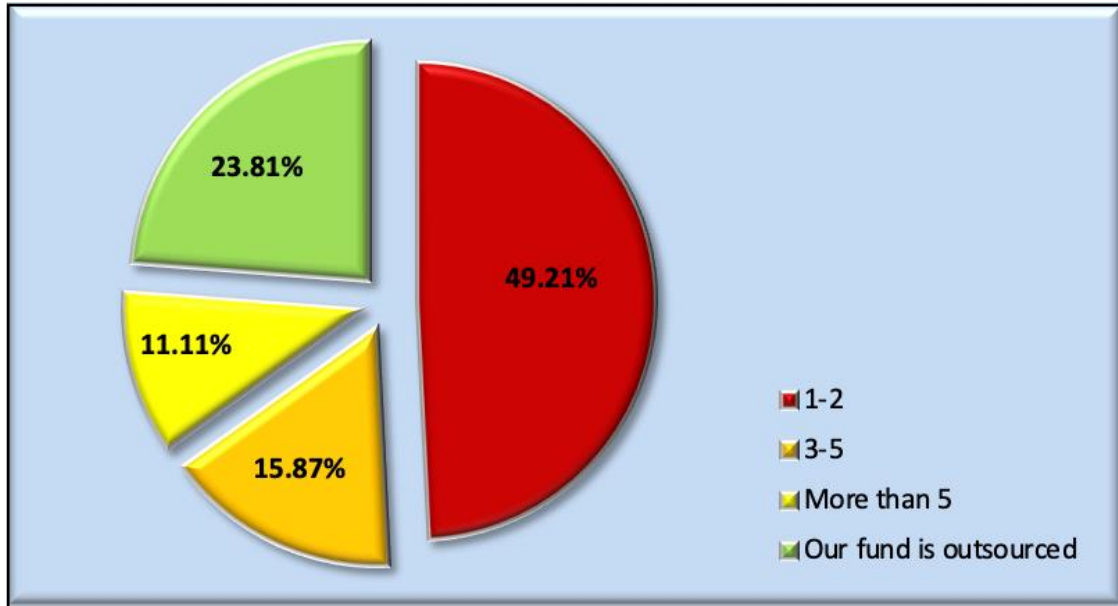
**Observations:** Over 50% of existing funds have been created in the past five years and over 60% of employers set up or reestablished their funds with an independent, third party public charity. These types of funds provide an advantage to both the employer and employees in that employees can receive assistance in both personal hardships and qualified disasters, whereas existing corporate foundations are often limited in aiding for personal hardships due to IRS regulations.

7) What department oversees the fund?





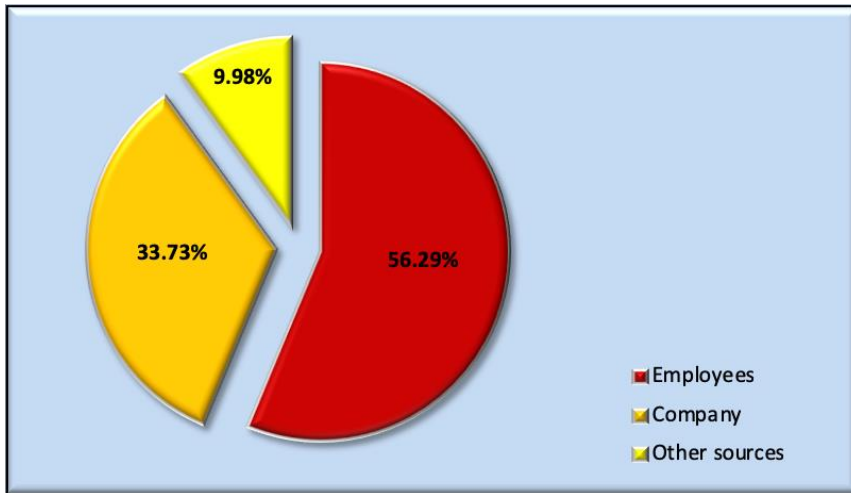
8) How many staff operate the fund (including direct responsibility, communications, payroll/HR/benefits, legal, others)



**Observations:** Nearly 40% of funds are run by the Employee Benefits/ Human Resources departments and the remaining majority (another 40%) is run by corporate foundation and social responsibility departments. This is likely because correlating staff has oversight of all charitable funds and charitable donations often play a role in corporate public relation initiatives. Majority of funds have 1-2 FTEs operating the programs. However, these findings may not capture an accurate depiction of all parties involved in fund management. Generally, indirect support from legal, accounting, payroll, employee benefits, internal communications, public relations and other ancillary functions are required as well. The challenges that come with running a fund in-house often come to a head when disaster hits. A small in-house staff can quickly become overwhelmed with the amount of grant applications that accompany a disaster and may find it difficult to qualify grants while relying on indirect support from other departments. Creating a fund managed by an independent third party can help solve this issue since the third party will manage all aspects of the grant qualification process.

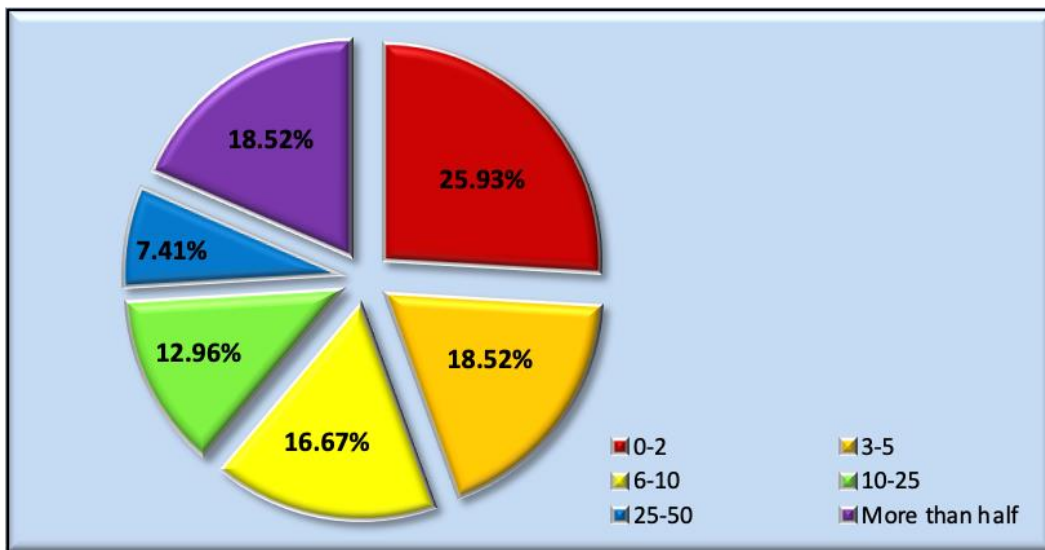
## Section 2 - Fundraising

9) Startup Funding: What were the sources of the initial funds?

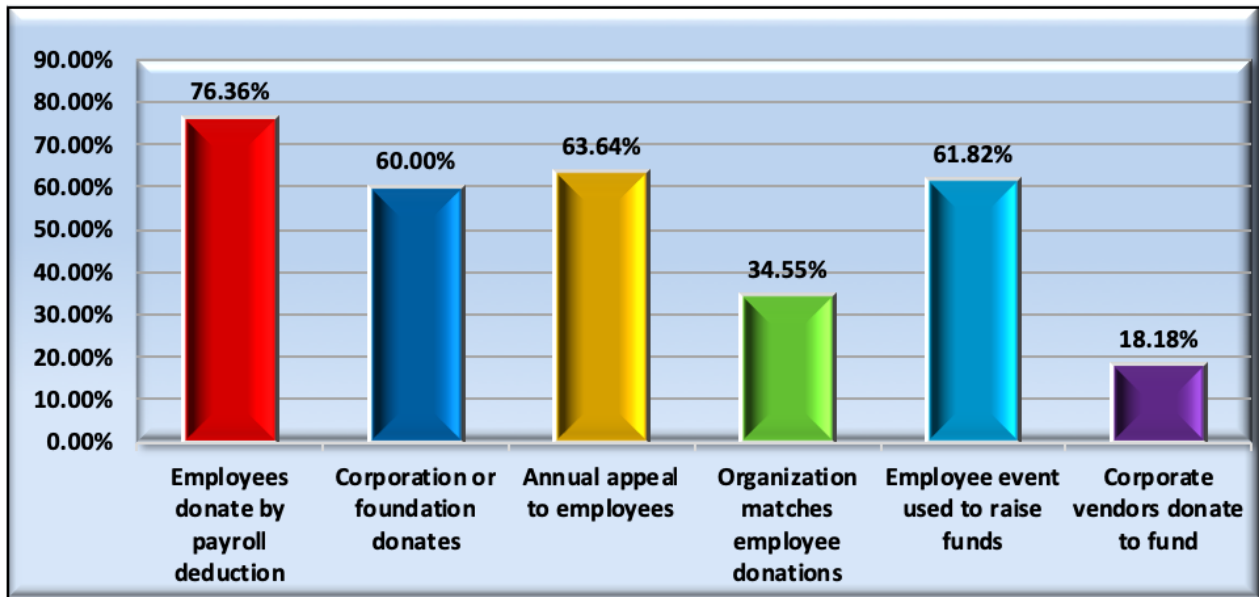


**Observations:** The above graph reflects historical data last updated in 2014. Typically, majority of funding will come from the employer and a handful of funds will come exclusively from employees. However, it is important to note that employee participation and donations are critical factors to a successfully run fund. The most successful programs will solicit employee participation by running awareness campaigns that engage employees and empower them to support their fellow colleagues. These campaigns also help bring awareness to the programs, resulting in increased grant applications and proper utilization of funds.

10) What percentage of employees donate?



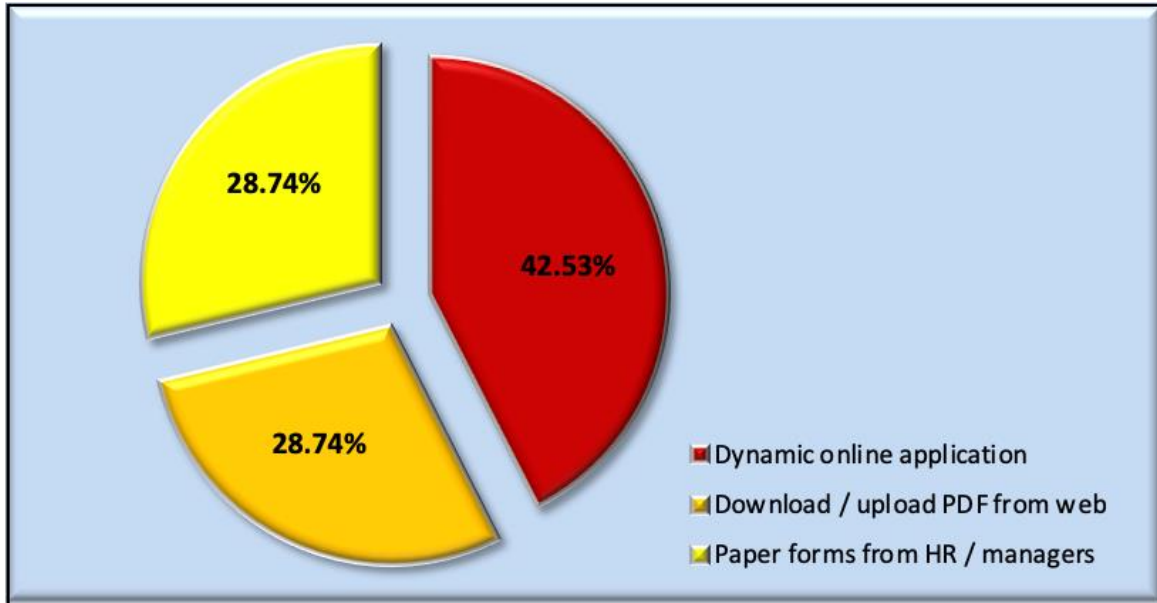
11) Ongoing funding methods (Check all that apply):



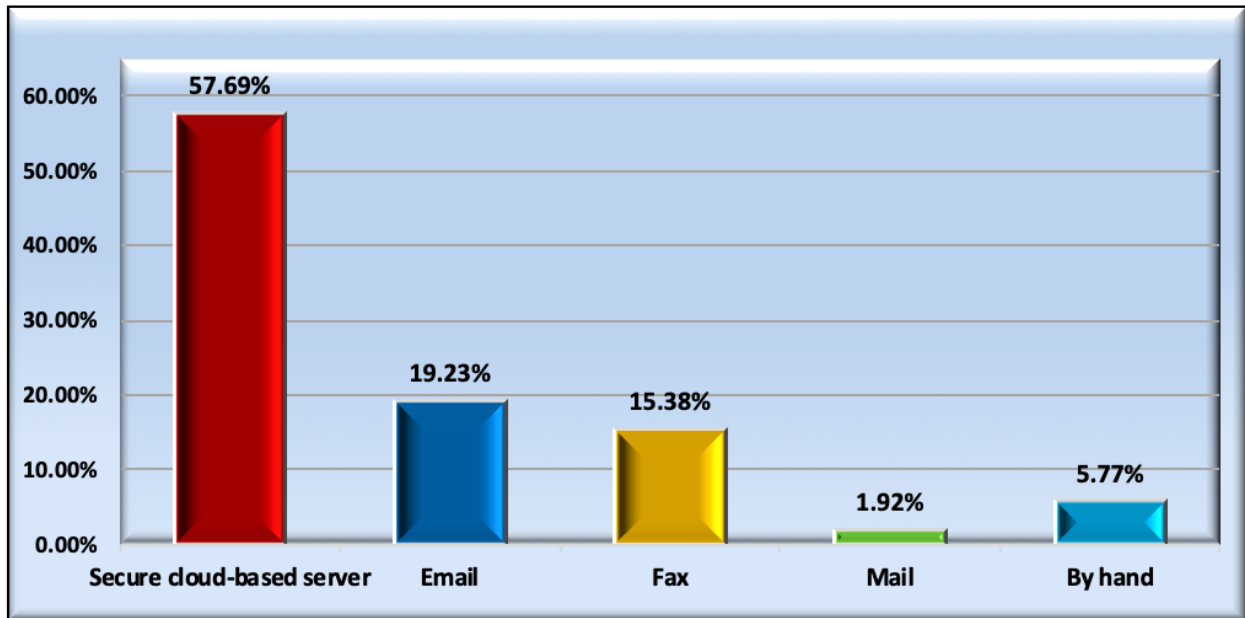
**Observations:** Typically, more than 50% of total fund donations come from employees in a well-marketed program. This is one of the critical program success factors because employee ownership results in program awareness, which leads to more grants, which leads to more communications, which leads to more donations. This is the first step in creating a virtuous cycle or positive feedback loop. It is most common for the corporation or foundation to be the lead source of funding, usually by means of matching employee contributions through annual appeals or voluntary payroll deductions. It is important to note that unless a fund is able to maintain an employee donation rate of 60% or higher, very few funds succeed by relying on employee donations alone. Another interesting source of funding are vendors that contribute charitable donations to assist client employees impacted by disaster.

### Section 3 – Applications

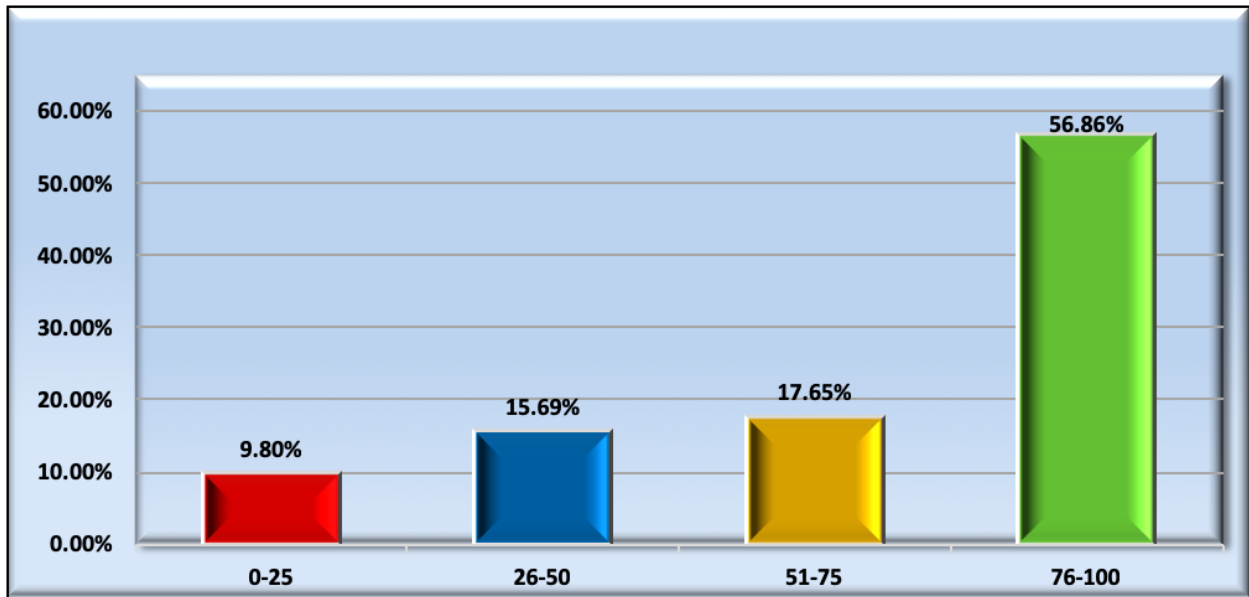
12) Applications accessed by (check all that apply):



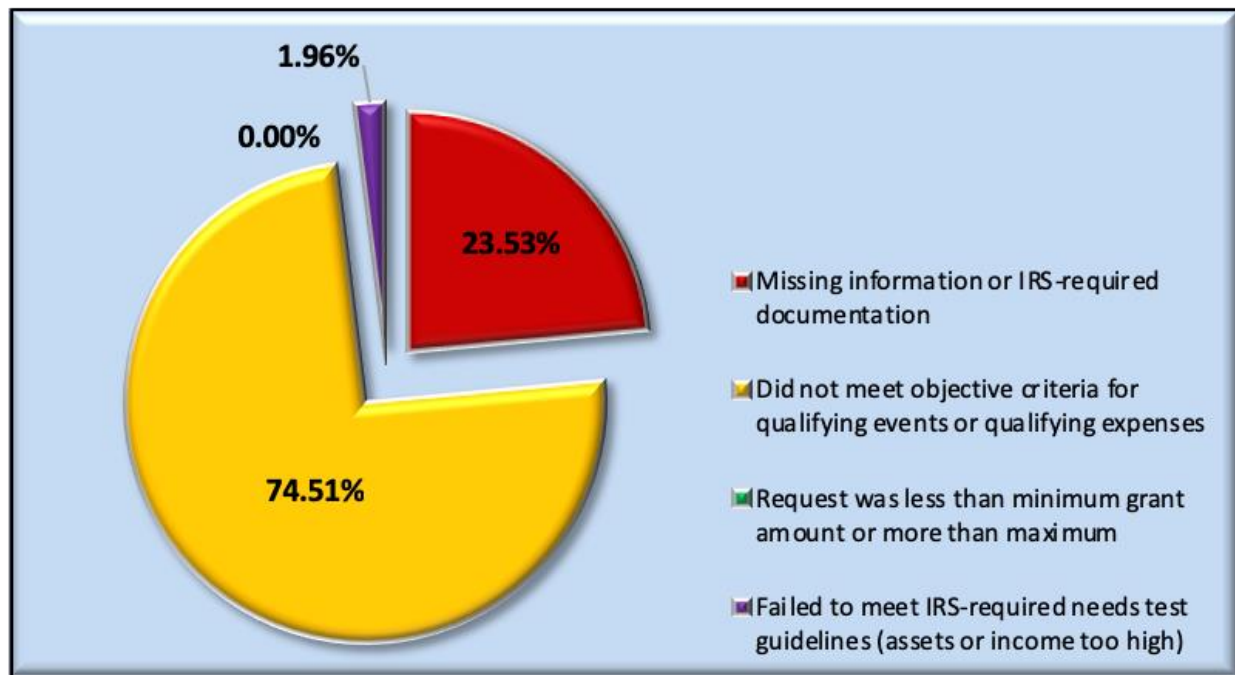
13) How are grant applications submitted? (check all that apply)



14) Percentage of applications that are accepted (approximately)?



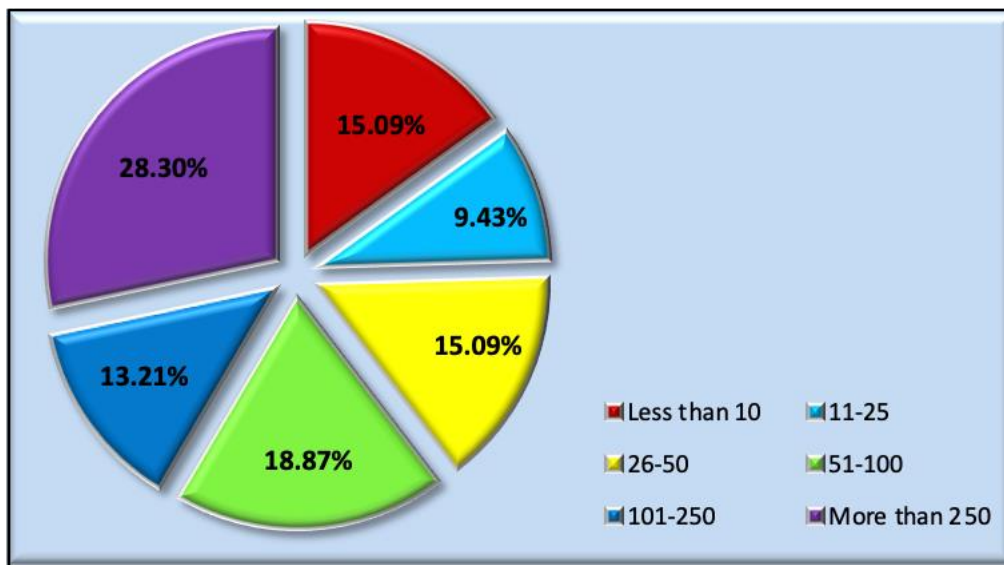
15) What is the most common reason requests are declined?



**Observations:** The above chart shows that majority of applications are approved. However, 26% of programs had an approval rating under 51%. Most often, grants are not approved because the application process or guidelines were unclear, and the applicant was unsure if they qualified for a grant.

It is important for employers to frame application questions in a way that is easy for the applicant to respond objectively and with a yes or no answer. Although it sounds simple, it can be challenging to frame questions objectively while attempting to properly determine qualifying factors in line with IRS regulations. Some funds are limited in financial resources and therefore create a more competitive process for applicants. What these funds don't realize is such practices violate federal regulations. Many employers choose to utilize a public third-party fund to manage grant applications, as such programs typically have an application approval rate of 85% or higher. These high approval ratings are a result of the third-party program's experience in managing funds, sufficient quantity of staff available to review applications, extensive knowledge of subjective vs objective qualifiers, and dedication in guiding employees through the application process. When a third-party advisor guides an applicant through the process, the applicant can quickly recognize if they don't qualify for the grant, resulting in increased applicant satisfaction and decreased non-approval ratings.

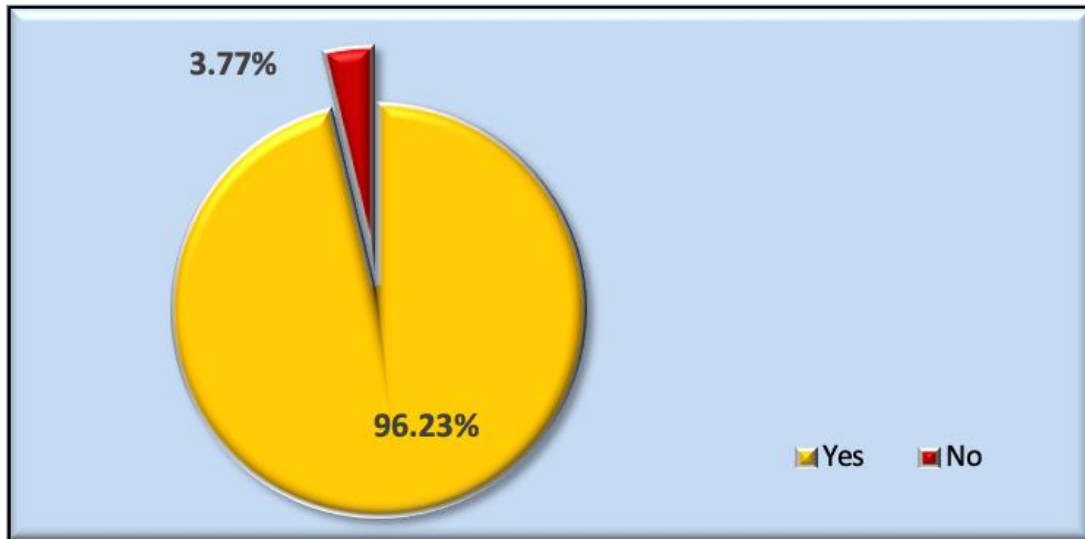
16) How many applications are submitted annually?



**Observations:** The annual number of applications generally correlates to the employee population. According to the industry benchmark, between 0.5-1% of employees apply annually. The chief application driver is the breadth of the program (i.e., those that offer personal emergency hardship in addition to disaster-relief grants have more applicants). Other major drivers include how well the program is communicated to employees and the ease of the application process.

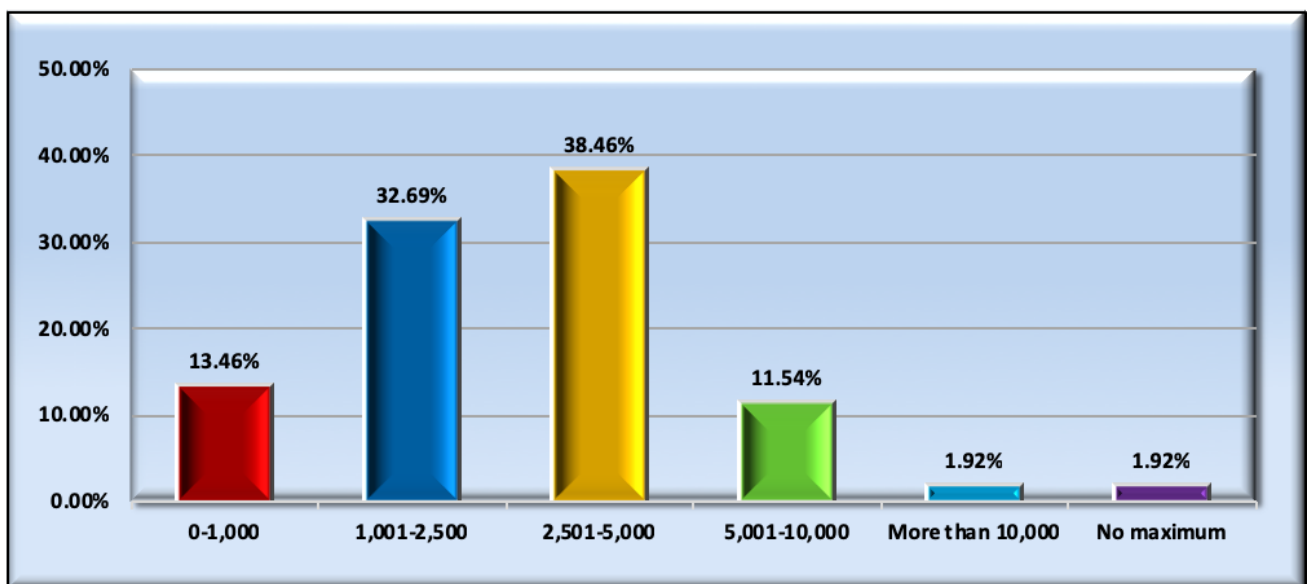
## Section 4 - Grants

17) Are grant decisions independent and free of employer control, so that they comply with IRS regulations for tax-free grants?

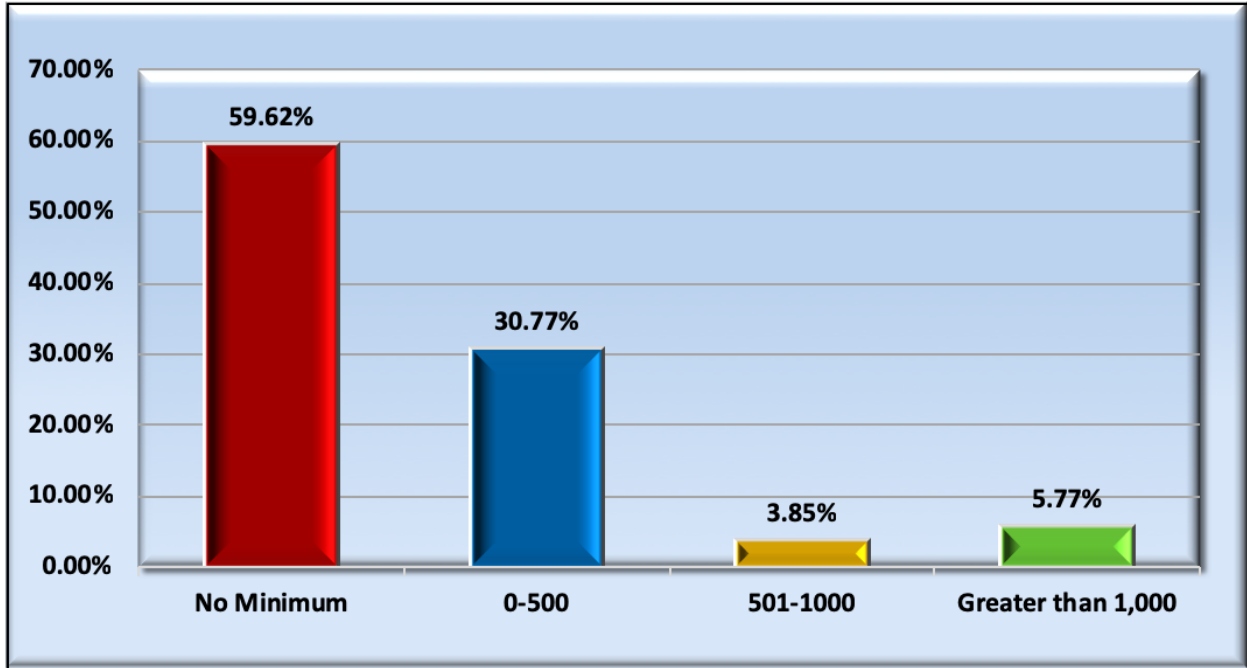


**Observations:** The largest majority of grants are tax free to recipients, which means the employer is only providing disaster relief grants; has created a separate public charity; or uses a third-party public charity. There are several programs that have been designed in which grant rewards are taxable, and in most cases, the employer grosses up any tax payments for grantees.

18) Maximum grant value for disaster relief?

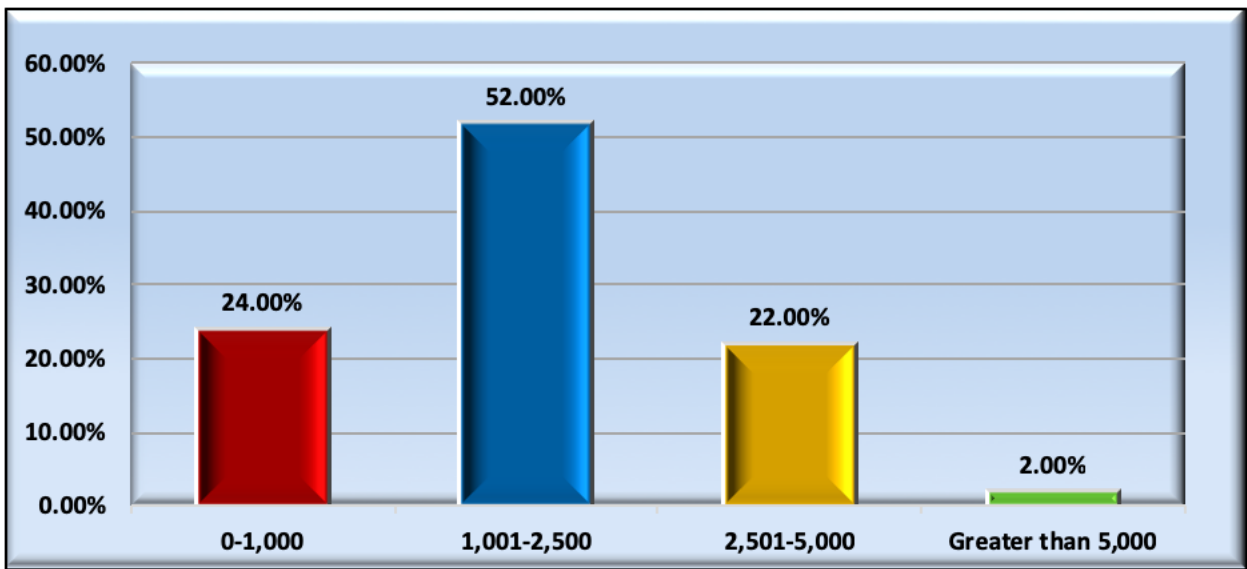


19) Minimum grant value for disaster relief?



**Observations:** Nearly 60% of funds polled do not have a minimum requirement in place for employees and the most common maximum grants are between \$2,501-\$5,000. It is considered best practice for funds to establish minimum grant requirements to avoid an influx of unqualified grant applications. Funds cost money to administer, so it is important to make the most efficient use of staff and resources.

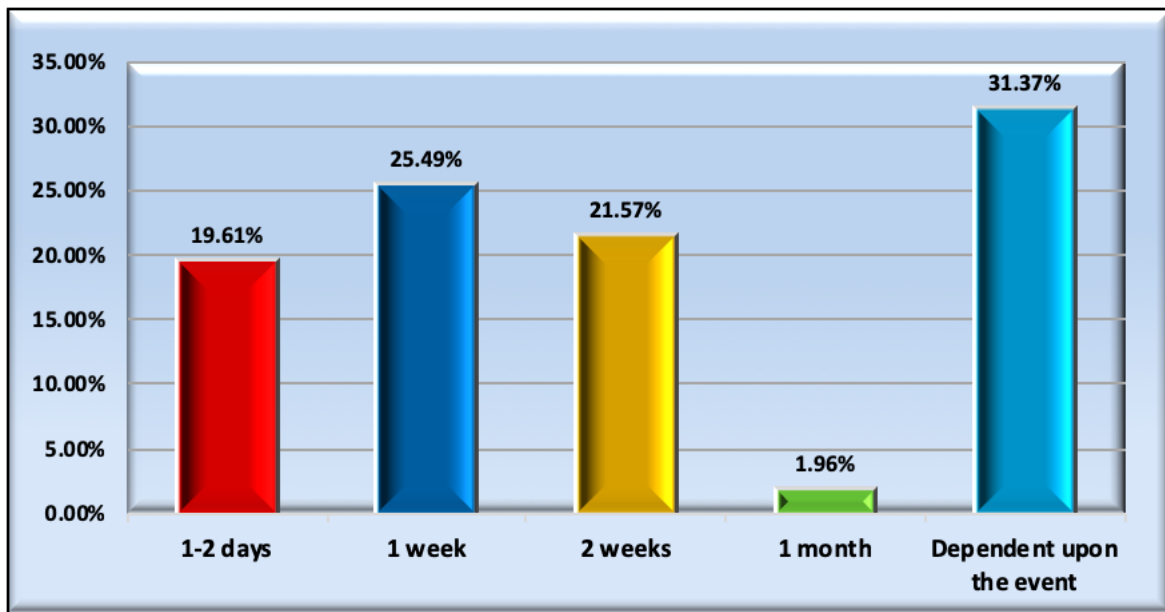
20) What is the average dollar amount of grants made?





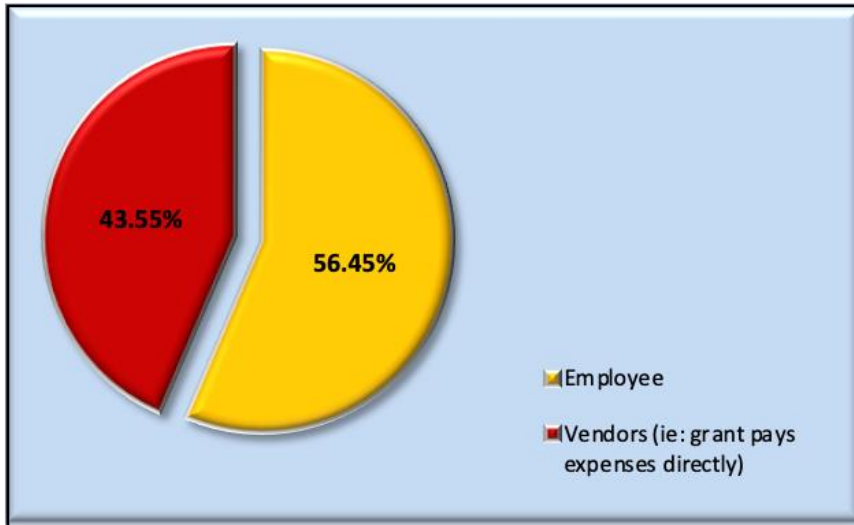
**Observations:** Over 80% of respondents said they had a low or no minimum grant requirement. Yet, 24% said the average grant was less than \$1,000. These results suggest that establishing a minimum dollar amount can help focus the fund’s efforts on those whose needs cannot be met by borrowing from friends and family. Meeting the IRS’ requirements acts as a small deterrent to many applicants and only those with pressing needs will decide to make the effort to apply. Additionally, an industry-wide benchmark is that the average grants generally are 25-50% of the maximum grants for funds designed for both qualified disasters and personal hardships. This survey confirms this range.

21) What is the approval time frame?



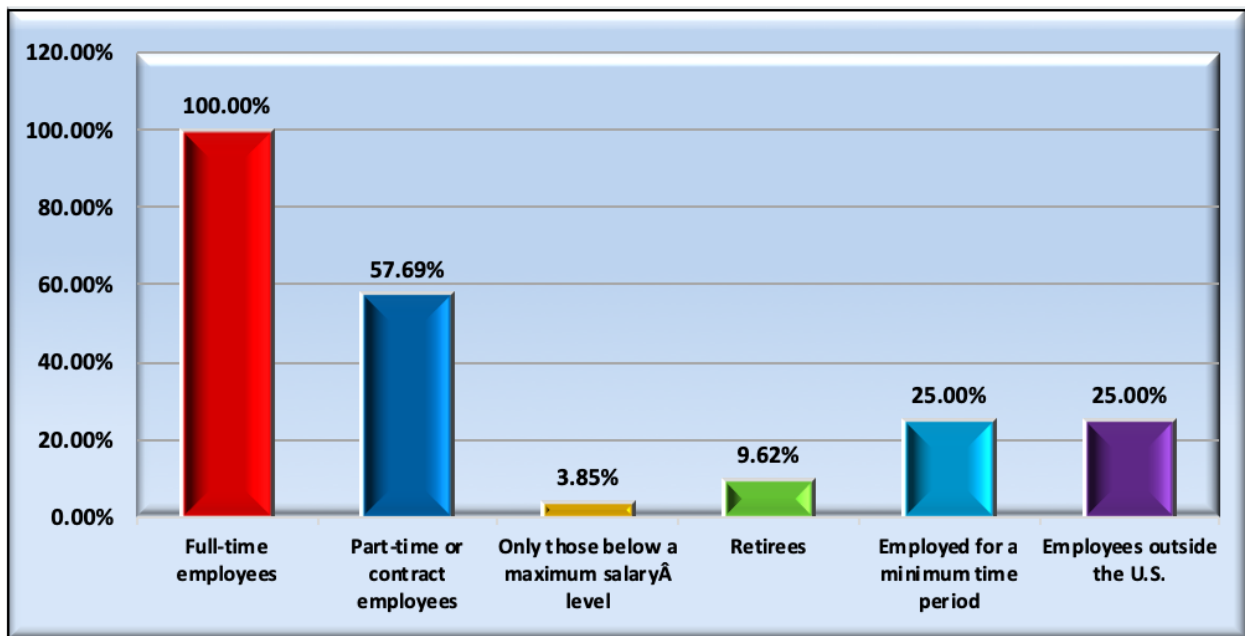
**Observations:** Since assistance grants are for emergency purposes, a quick process is critically important. Programs are accepting or denying 45% of applications within 1 week. The grant approval process is usually very dependent on the event, as disasters have a quicker decision than personal hardships.

22) Who receives the grants?



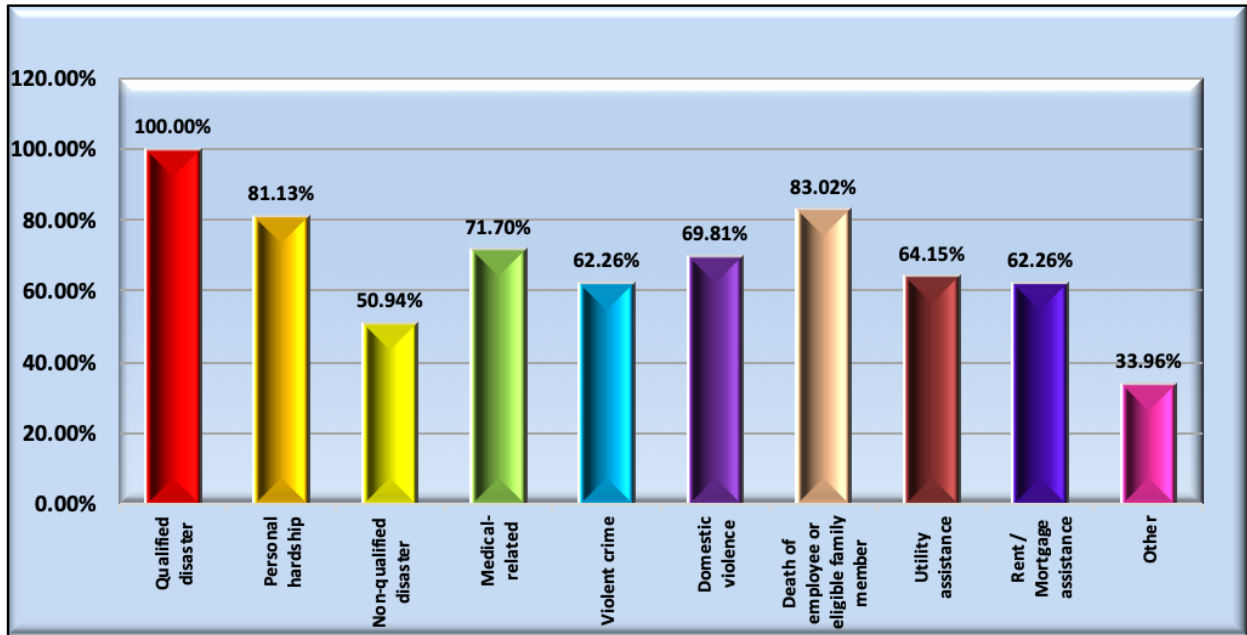
**Observations:** Nearly 44% of grants are paid to vendors. IRS requires prudent and reasonable efforts to ensure that the grants are used for their intended charitable purpose. A best practice is to make grants to vendors rather than individuals.

23) Who may apply for grants (the defined “charitable class”)?



**Observations:** Every employee assistance program is required to establish a charitable class that is sufficiently sized and indefinite. This helps employers remain unbiased and avoid directing any grants to specific individuals or small groups. All plans in this survey include full-time employees and nearly 58% of funds extend the charitable class to include part-time or contract employees.

24) Do you offer grants in the following areas? (check all that apply)



**Observation:** There is a wide variety of grant criteria and many regulations that coincide with the various types of grants, especially if the employer has created its own public charity or if it is using an outsourced third-party charity. Due to the complexities that accompany qualifying grants, many employers using corporate private foundations are limited to only “qualified disasters.”

## **Conclusion**

This white paper represents the first step in identifying the landscape, trends, strengths, weaknesses and best practices among the emerging disaster relief and employee hardship sector. With substantial fund participation, there is clearly a desire to share information to maximize each employer's unique goals.

## Appendix A: Sponsors Overview

### Employee Relief Fund Education Group (ERFEG)

It is our mission at the Employee Relief Fund Education Group to foster professional relationships and provide value driven educational resources that lead to successful corporate Funds and ultimately enrich the lives of employees on a global scale.

The Employee Relief Fund Education Group (ERFEG), is an educational coalition and community of professionals aligned with the common goal of perfecting employee relief programs through the exchange of ideas, resources, knowledge and best practices across a variety of industries.

#### Articles

Emergency Assistance Funds (EAFs) for Employee Hardship and Disaster Relief: Legal, Tax and Design Considerations

<http://www.pgdc.com/pgdc/emergency-assistance-funds-eafs-employee-hardship-and-disaster-relief-legal-tax-and-design-cons>

2014 White Paper: Environmental Scan of Disaster and Employee Hardship Funds

<https://emergencyassistancefdn.org/white-paper/>

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**EMPLOYEE RELIEF FUND**  
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## **Emergency Assistance Foundation, Inc.**

The Emergency Assistance Foundation Inc. (EAF) is an employer-sponsored emergency fund, providing assistance in creating and maintaining financial assistance funds for qualified employees. As a 501(c)3 public foundation, it was designed solely to create multiple funds for multiple employer groups for both domestic and international grants. As a non-employer controlled public charity, all donations are tax deductible and grants are tax-free (with some exceptions for international grants). We currently support over 150 fund partners with more than 3 million employees globally.

These charitable funds allow employees and employers to help their co-workers in times of need. EAF maintains legal and tax compliance, has dedicated and sophisticated staff as well as low costs and high efficiencies so that the total overhead is minimized and the grants are maximized.

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## Charitable Solutions, LLC

Since 2003, the firm has provided hundreds of charities with risk-optimized ways of receiving donations, managing assets, administering funds and making grants. To date, more than \$1.2 billion in donations have been processed. In 2010, Charitable Solutions, LLC, developed the following suite of services for disaster relief and employee hardship funds:

- Outsourced Processing – An existing emergency assistance fund can outsource the entire application (design, receipt and vetting process), while using our online processing system. Our staff then can deliver grant reports to the internal Oversight/Advisory Committee for final approvals or we can make the decisions directly.
- Program Audits – Our senior team has reviewed more than 75 emergency assistance programs. We assess program design, communication, processing, and legal and tax compliance. In particular, our reports provide industry-specific best practices and program target benchmarks for “best-in-class” programs.
- Program Consulting – Our senior team can assist with every step of fund start-up to make the launch successful. We are also adept at troubleshooting finite challenges for existing programs. This engagement may either be project specific or can be a retained relationship as appropriate.

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## **Appendix B: Organizational Comments on Current Program**

### **Weaknesses**

Based on an open-ended survey question titled “Are there certain things about your fund that you would like to change, improve, or are concerned about?”, most responses fell into the following three, broad categories.

#### **A. Global Expansion**

“...need better access for non-English speaking, global employees”

“...help navigating international grant awards and tax regulations.”

#### **B. Increase Donations and Applications**

“...we are concerned about how to grow our fundraising and marketing with our programs.”

“...ways we can increase employee engagement and help increase fundraising”

“...greater awareness and comprehension of the program across the organization and the retiree population.”

#### **C. Outsource Administration**

“We are looking to make the process more fluid, from the request perspective and the granting perspective.”

“...we need help in streamlining the grant application process and determining who qualifies for a grant.”



## **Appendix C: Organizational Comments on Compared Fund Practices**

Based on an open-ended survey question titled, “What information would you like to know from other survey respondents?”, most responses fell into the following three, broad categories.

### **A. Employee Engagement**

“Best ways to diversify and expand employee donations on a regular basis.”

“Average % of employees that give to fund... how to successfully campaign for employees to give to the fund?”

“How to promote the fund...(do) they solicit funds year-round?”

### **B. Best Practices**

“... (what are the) general benchmarking stats?”

“What are the most common qualifying events?”

“...how they collect fund donations? Is it automated?”

### **C. Donation and Fundraising**

“Do other funds accept donations from vendors? What types of events/expenses do other funds support?”

“Do they have "instant" ways to give such as "Text to Give" options?”

“... levels of corporate support (and) company donations?”