

Nancy Duncan  
Associate Vice President of Human Resources  
Operation Smile  
May 11, 2016 Written Testimony

I would like to thank the Committee on Small Business and Entrepreneurship and Senator Vitter for the invitation so speak to you today.

Operation Smile is an international medical charity that has provided hundreds of thousands of free surgeries for children and young adults in developing countries who are born with cleft lip, cleft palate or other facial deformities. It is one of the oldest and largest volunteer-based organizations dedicated to improving the health and lives of children worldwide through access to surgical care. Since 1982, Operation Smile has developed expertise in mobilizing volunteer medical teams to conduct surgical missions in resource-poor environments while adhering to the highest standards of care and safety. Operation Smile helps to fill the gap in providing access to safe, well-timed surgeries by partnering with hospitals, governments and ministries of health, training local medical personnel, and donating much-needed supplies and equipment to surgical sites around the world. Founded and based in Virginia, Operation Smile has extended its global reach to more than 60 countries through its network of credentialed surgeons, pediatricians, doctors, nurses, and student volunteers.

I am here today to express the concerns of our leadership team over the Department of Labor's proposed changes to overtime exemption regulations. Specifically, the drastic increase to the threshold test to a salary level of \$50,400.

While all employers will feel the impact of such a drastic change, there will be a tremendous negative impact on non-profit organizations, especially taking into account the unique challenges of an organization operating globally. We have made tremendous efforts over the years to align our salaries to be more competitive with the for-profit space. Yet still, this proposed update will increase our payroll cost by nearly \$1 million annually affecting over 50 percent of our workforce. This is not a financial cost we can absorb. Considering that a cleft lip surgery costs an average of \$240, this would mean nearly 4,200 fewer surgeries provided globally each year.

Let me take a moment to provide a very specific impact of the proposed increase to the salary threshold. The largest group (about thirty) of our professionals affected is our Program Coordinators. These individuals are responsible for planning and executing our international medical missions. They travel to low-and middle-income countries where we-conduct medical missions and they have responsibility to manage our medical teams. Our Program Coordinators are often working in mission countries with Ministers of Health, leaders in the local hospitals and even high level government

officials who support our cause. The Program Coordinator position at Operation Smile has served as a training ground for many young professionals with a career goal to continue on to law school, medical school and many other professional careers. The experience they receive at Operation Smile is unprecedented and highly valued. Annually we receive approximately 700 applicants for these positions. Their qualifications are incredible including many graduate degrees, multiple languages, leadership positions throughout academic life, and thousands of volunteer hours. If this new policy is implemented, we fear we will have to look to other resources such as hiring in our mission countries. This change would unfortunately reduce the employment opportunities for recent college graduates. It would be a shame to take away this opportunity.

Less measurable is the impact this change will have on our support staff for a global organization that operates 24/7. Many of our exempt positions have enjoyed schedule flexibility and need the ability to work with partner countries remotely at hours outside of the normal office schedule. If we have to convert these employees to a nonexempt status, we will have to impose policies such as strict core working hours and restrictions on email and phone usage after hours. The result would be a negative impact on both our responsiveness and effectiveness. Our focus needs to be on managing programs not overtime.

Think about it, when disaster struck Haiti in 2010, our employees said “we can help, we can put together a surgical mission. They need our help.” They didn’t ask “are you going to pay me extra?” The unintended consequences of these proposed regulations would crush our ability to respond.

There are additional obvious flaws to the proposed 102% increase to the minimum salary level. At Operation Smile, we offer our employees a rich medical and dental plan with their employee premiums covered at 100%. In addition, we provide a 401(k) plan with up to a 9% employer contribution. These are all areas we will have to turn to and evaluate cuts to offset increased salary expenses. Another flaw is the lack of consideration of geographic location. Regional economies play a huge part in starting salaries. According to a website source, a salary of \$50,400 in Washington, D.C. equates to an approximate salary of \$34,000 in Virginia Beach.

Finally, we are extremely concerned about the impact this will have on our donations. Donors evaluate the percentage of resources spent on administration versus programmatic activity. An increase in administrative cost will have a negative impact on our revenues from donors who want their donations spent on surgeries not salaries. We strongly urge the DOL to re-examine the newly proposed salary threshold, taking into consideration the many negative impacts such a change will present. These changes should be adjusted to reflect a better balance between employer and employee needs, a non-profits’ charitable mission and donor expectations.



At the very least, we request the DOL pursue adopting special provisions similar to those found for teachers by allowing non-profits to remain exempt from these salary thresholds and to be better able to focus on their charitable missions.

Thank you for allowing me to be here today as the voice of the nonprofit community.