Chapter 5

Finance and Fundraising

Finance Overview

Every political campaign and/or organization must spend money to maintain serious levels of activity. Increasingly, campaigns must raise significant amounts of money to become and remain competitive. Although we can protest the growing costs of campaigning, the reality for any campaign is that without these funds, there can be no staff, no office, no phones, no computers, no signs, no media coverage – no campaign. How much money the campaign will need to succeed depends on a number of factors. One of the first tasks of any campaign is to develop its finance plan.

Tip: The finance plan is so important that the finance director is often the second or even first person hired by the campaign. Without the finance plan, no other staff can be hired and no office can be set up.

Got a problem asking for money? Get over it.

Fundraising is not simply about asking people for money; it is about offering people an opportunity to participate.

It's not your place to tell people if and how they can participate. Let the donor decide, but give them the opportunity to make that decision.

Three Basic Components of Your Finance Plan

1. Goals, Timelines, and Benchmarks

We've established that campaigns cost money, but how much a particular campaign will cost depends on the district, office, opponent(s), the candidate, and a number of other factors. Your initial research into your candidate, district, and past campaigns should give you a good idea of how much money you need to raise to stay competitive. From the beginning, a finance director should figure out multiple budget scenarios – ones for lean, modest, and robust fundraising scenarios. This allows you flexibility if your spending priorities need to adjust to changing or unanticipated cash flow issues.

Break down your final fundraising goal along a timeline corresponding to the campaign timeline, keeping campaign finance filing deadlines in mind. For much of the campaign, the campaign's money will be spent raising the candidate's profile and on raising more money. As the campaign continues, finances will be increasingly directed toward voter contact activities. Establish a timeline and plot fundraising benchmarks to meet these needs. Meeting or exceeding these benchmarks means your finance plan is on track. Failing to meet these benchmarks means your finance plan and your campaign are failing.

2. Strategy and Targeting

Once you've figured out how much money you need, you must figure out where you will get this money. Different people will have different reasons to give to a campaign or organization. Understanding these motivations is the key to fundraising. Think of it less as "giving" a donor a reason to contribute, and more as discovering that reason. The donor has had a motivation for engaging the system before you got there, and you're giving them a means to participate. The donor's motivation will drive your message, your messenger, and the tactics you use to successfully reach out to them.

Whenever a campaign or organization asks something of someone, listening is a key component of asking. You can discover a person's motivation just by listening to the potential donor. Nonetheless, you should also have a good idea of the donor's motivations before even starting your pitch. Donor motivations generally fall under four general categories: relational, ideological, aversion, and access.

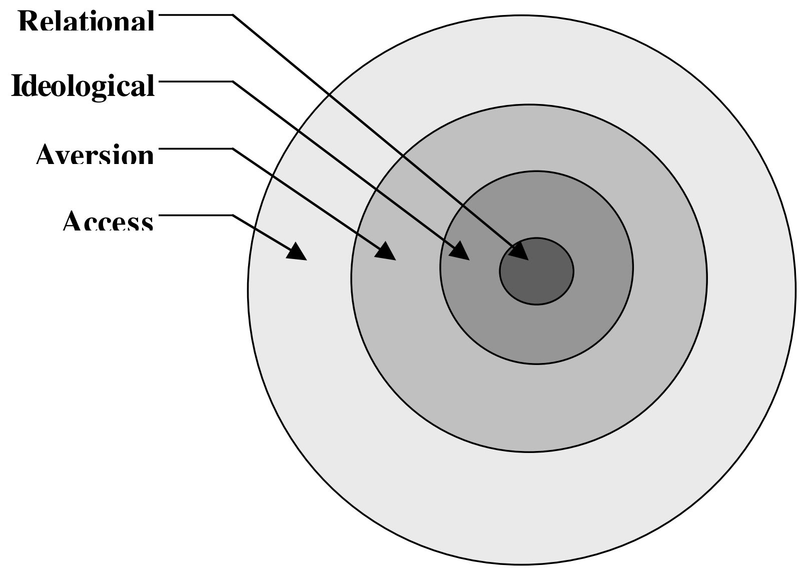
This categorization sorts donors by proximity, size, and effort necessary. Generally, fundraising is easier the closer a potential donor is to the candidate. As the donor category grows more distant, more time and effort is required to successfully solicit a contribution. The easiest way to look at these donor categories is by drawing a chart composed of a series of concentric circles.

Targeting Your Donors

The candidate is at the center of the circle. Each ring in the circle represents a different group of stakeholders in the candidate's campaign.

The closer the donor group is to the candidate, the more likely the donor will contribute and the less time that donor will require. The innermost circles will donate earlier in the campaign. Farther out, donors are more interested in the candidate's viability. For most donors in the outer circles, the ability to fundraise is the major indicator of viability. The key is to raise significant funds early from the inner circles.

The chart diagrams who and how stakeholders will benefit from your candidacy. This helps to develop your message and set priorities. Potential donors may belong to multiple circles.



As you raise money from your innermost circle of donors, your viability will increase and donors farther out will increasingly see your campaign as a viable recipient of their money. If you cannot raise money from your closest contacts, other donors will look skeptically on your campaign.

Stakeholder groups

The Candidate –Candidates shell out a lot of their own money to finance their campaign, especially at the start. Candidates continue spending personal funds until they move on to other stakeholder circles.

Relational – Your first circle of donors are those with whom you have a personal relationship - family, friends, trusted colleagues, etc. They give primarily because of their relationship to you. This connection often overrides the donor's political views or their perception your candidacy's viability. This first group of people are, in many ways, the most important. This circle funds your startup costs, allows you to keep fundraising, hiring staff, and most importantly demonstrates your viability to subsequent circles. This circle can also include communities and constituencies (neighbors, religious, ethnic communities, etc.) with whom the candidate has a strong affiliation. They can also be considered in the next circle.

Ideological – Passionate people will give to passionate candidates and organizations. The candidate has a strong stance the donor wants to see represented in government. Ideological considerations trump viability for this group. Activists will understand a campaign struggling for viability.

Aversion – Aversion to candidates is a powerful motivating force. The opponent's victory could adversely affect the donor's interests. These donors want to get rid of the other candidate and need to be convinced that you are the person to do it. Early support is still possible depending on the level of aversion the donor feels and if there are no other appealing candidates.

Access – Many donors participate in the political process to advance institutional or economic interests. This can include businesses, trade and professional associations, labor unions, and special interest groups. Challengers are unlikely to receive support from this circle. Major issue-based interest groups fall in this category. These donors give later in the cycle to demonstrate support and will want to start a relationship to the eventual officeholder. Access donors frequently donate to both sides of a campaign.

Fundraising Activity: Start Building Your List

Where do you start compiling your fundraising list? It's easier than you think. The key is to start close to home. As you read this page, you have a list with you right now.

What's in your wallet? Your purse?   Your cell phone?

Your first circle of donors, the people with whom you have a relationship, are likely sitting with you now. Find the names of people on business cards, scribbled on notes, on your speed dial or phone memory, your emergency numbers, etc. Who are your first dozen names?

____________________	____________________	____________________
____________________	____________________	____________________
____________________	____________________	____________________
____________________	____________________	____________________

Speaking to Your Donor's Motivations

It makes no sense for the candidate to talk to their best friends as if they were Access Donors or vice versa. Many people are ready to become donors, but only if the campaign can prove to the potential donor that the candidate understands what motivates the donor to participate. Each strategic donor circle has different motivations. Your message must reflect this.

Relational donors give because they care about the person asking them. They expect to see the unvarnished relative, friend, colleague, or community member they already know. They expect to hear familiar language. Relational donors give because they feel the asker needs them to do so.

"This is an important step in my life. I need to do this, and I need your help."

Ideological donors care about a cause or issue. They give to that cause. If the candidate shares the donor's passion, then the donor might see that shared commitment as a way to further the cause. Ideological donors are looking for a shared passion and a track record of commitment to the cause.

"I knew that if were willing to sell out the rights of a whole group of human beings because it might be politically inconvenient for a future office I might run for, then I had wasted my time in public service." –Howard Dean on civil unions, 2003

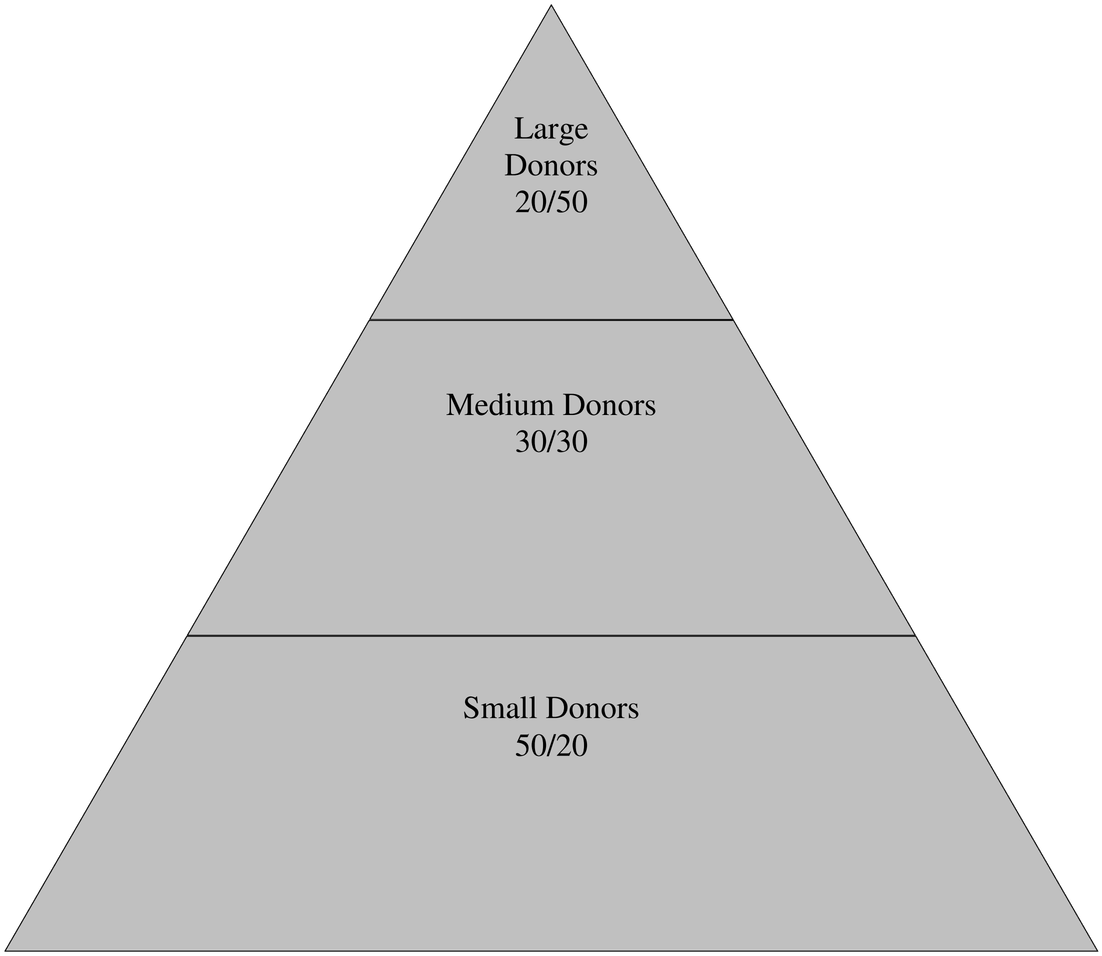
Aversion donors are mainly interested in making the other candidate lose. The opponent's victory is likely to affect this donor in an adverse manner, or it has already hurt the potential donor. Aversion donors need to hear fear, hope, and urgency. The donor wants to know that the candidate understands the risks of losing (fear), that the candidate provides a viable alternative (hope), and that they can do something now to make a difference (urgency).

"George Bush has had four years to come down here, sit down with the mayors, work with these issues. He just ignores them, gives tax cuts to the wealthiest people, and people are hurting more and more" –John Kerry on the local effects of federal tax cuts, 2004

Access donors care less about the candidate and more about the office. Access donors want to see an ally in the office – someone to represent their interests (usually economic) for that office. The primary concern for access donors is viability – are they backing the winning candidate. Access donors give because they hope to hold that office holder accountable by providing financial support during the office holder's candidacy. Once viability is established, the access donor needs to know that the candidate supports the donors' issues.

"And when I'm in that Oval Office, you will have a president that cares every day on every issue about the hard-working people of this country, who are in labor unions, who work hard every day." – Dick Gephardt at AFSCME debate, 2003

Pyramid of Donors: How to Find the Money



General Fundraising Rules:

1. Your top donors will be only 20% of your total donors, but should equal at least 50% of your total donations. These are the large dollar people. This money is harder to get but is time spent wisely.
2. Your medium donors will be, on average, 30% of all donors and donations.
3. Your small donors will be, on average, 20% of all donations but 50% of your total donors.
4. Determine your small, medium and large donations based on what the market can bear. You can start with the highest donation being the largest amount allowed under campaign finance law, for example. If the highest donation allowed is $4,000, the question is, do you have a list of potential donors who can give $4,000?
5. You will need 5X the number of donations needed. On average you will talk to 40% of the people you call and about 50% of those people you speak with will give you a contribution. For example, if you start out with a list of 100 people, you will talk to 40, and 20 will actually donate. Therefore you must multiply the number of donors needed by 5 to give the size of the list you need to make calls.

Strain for State Senate – Goal $100,000

- ✓ **Largest donation** = $2,500 Large donor goal = $50,000 (50%). Total number of donations needed: 20 Total number of donors needed to ask for $2,500 = 100 (20 x 5). Question is, do you have a list of 100 people that can give $2,500? If not, then you need to lower your large donation level, or expand your list so until you do have 100 people to go to.

- ✓ **Medium donation** = $100. Medium donor goal = $30,000 (30%). Total number of donations needed: 300. Total number of donors needed to ask for $100 = 1,500 (300 x 5). Do you have a list of 1,500 people to ask $100? If not, you'll need to reduce the medium donation or expand your list!

- ✓ **Small donation** = $25. Small donor goal = $20,000 (20%). Total number of donations needed: 800. Total number of donors needed to ask for $25.00 = 4,000 (800 x 5). Do you have a list of 4,000 people to ask $25? If not, you'll need to reduce the medium donation or expand your list!

You can break up each level and raise funds, for example, through house parties, young professionals' events, etc. At the small donor level, you want the opportunity for anyone to give a contribution. You could host a garage sale to raise money at this level, or sell baked goods, or do some good old fashioned Karaoke! Ask people to give $25.00 at the door, then pay $5.00 to sing and $5.00 to stop singing. Ask some of the local elected officials to come sing for their supper.

3. Tactics and Tools

The campaign has a number of tactics it can use to reach potential donors. These tools vary in efficacy and efficiency. High dollar donors may respond well with face-to-face solicitation, but this tactic may be inefficient for low-dollar donors.

On a tactical level, donors should be divided by likely giving level. Be careful not to pigeonhole donors into too low a giving level. In the end, the donors decide how much they can give, not the solicitor. It will always be easier to ask high and work down than the other way around. The best indicator of giving potential is past performance. If you do not have information on past giving, aim high and adjust as necessary. For each tactic, divide potential donors by general giving capacity: low, medium, high. The precise dollar amount will vary from campaign to campaign, but a general system to divide donors into tiers will help you prioritize your fundraising activity.

According to *Giving USA*, 70-80% of Americans contribute annually to causes they believe in.

Regardless of the swings in the economic cycle, political giving from individuals has risen every

There are generally eight fundraising tactics available to campaigns. The act of fundraising consumes resources (time, money, people). The campaign must choose appropriate tactics which maximize income and reduce costs. Each should be evaluated:

- Response rate: How many people respond to the tactic
- Cost efficiency: How much money the tactic costs as a proportion of gross raised
- How quickly the tactic creates an actual cash flow
- How time consuming the tactic is and whose time it consumes
- Best messenger for the tactic
- Best target for the tactic

Expectations By Tactic

Tactic	Response	Cost	Cash Flow	Time	Messenger	Target
Face-to-face	50-70%	1-5%	1-7 days	Very High	Candidate, Surrogates	High donors
Call time	30-50%	1%	1-7 days	High	Candidate, Surrogates	Med – High donors
Events	15%	10-25% see notes	4 weeks	Staff–high Candidate–med	Surrogates, Staff	Low, Med, High donors
Prospect Mail	1%	100%	6 weeks	Staff – med	Staff	Low donors
Resolicit Mail	5-10%	10-15%	6 weeks	Staff – med	Staff	Low, Med, High donors
Prospect Phone bank	4-20%	100%	1-4 weeks	Staff – med	Consultant	Low donors
Resolicit Phone bank	30-50%	35%	1-4 weeks	Staff – med	Consultant	Low donors
Email	0 - 10%	<1%; very low	1-3 days	Staff – low	Staff, consultant	Low donors

The activity your candidate should spend most of his/her time on is call time. Face-to-face solicitation is important but extremely time consuming. Call time achieves a high response rate and reaches many more people per day. Successful campaigns have their candidates spend five or more hours a day, just on call time. Fundraising staff prioritize their time with mailings and, if necessary, with phone banking.

An explanation of various tactics follows:

Candidate Fundraising Tactics

Face to face solicitation – The candidate's most persuasive technique. Spending some time on this tactic is a good idea for maximizing the contributions of your most generous supporters. One of the reasons the response rate of this tactic is so high is because the donor has already taken a first step by meeting with the candidate. The candidate must use this opportunity to commit the donor to the highest possible levels. Often these meetings can be used to recruit the donor's network of contacts, or recruit the donor to become a fundraiser within the donor's own network.

Previous to these meetings finance staffers should prep the candidate on pertinent issues and appropriate messaging. The candidate should role-play face to face solicitations with staff. These meetings can be a daunting task, practicing beforehand allows novices and experts alike to make the most of this tactic.

Candidate Call Time – The candidate's time is the campaign's most valuable asset. The high response rate, the low cost ratio, and the number of donors reached over a given period of time combine to make this a candidate's most effective fundraising tactic. The more time and effort put into call time, the greater the financial return. The candidate should spend at least half his or her time calling donors every day. A few important steps should be taken to make the most of your call time:

- **Prepare the list carefully.** Identify your potential donors to see if it will be worth giving them a personal call, or if they should be reached at another time or by another tactic. Think about which strategic circle your candidate is calling and prep the candidate with the appropriate talking points and preferably a script. In each of these donor groups, choose the high and medium level donors to add to the list. Each potential donor will have their own call sheet with pertinent information available to the candidate. These sheets are entered into a database as soon as they are used and made ready for the next call time, if needed.
- **Staff the candidate.** Always make sure the candidate is calling in the presence of a trained staffer, ready to record info, brief on the call, monitor progress, keep additional notes, and motivate the candidate. The staffer will make sure the candidate follows through on any commitments. The staffer is charged with ensuring that all campaign interruptions and distractions are kept at bay. Experienced staffers might also start calling numbers to double the call rate – this allows the candidate to talk to a constant stream of donors instead of dead dialing time.
- **Roleplays.** Never let the candidate start dialing cold. A couple quick warm-ups with a staffer will help the candidate get into the rhythm of the calls.
- **Quick debriefs** help the candidate figure out how to follow through with the person called. This also serves to motivate the candidate and improve his/her skills.
- **Monitor time spent on each call.** Certainly the donor deserves some time with the candidate, but so does every potential donor. Try to have ten conversations per hour. This mean no call should last more than five minutes (allowing time for dead dialing).
- **Set goals and benchmarks.** Take a look at the finance plan and break down the goals and benchmarks for Call Time on a daily basis. The candidate must raise a certain amount by the end of the day or spend more time calling to make up for it. Hold the candidate accountable to these goals. Having a visual such as a calendar or a daily thermometer will serve as a constant motivator.
- **Switch up calling times** from one day to another. This will allow you to reach more donors, build some flexibility into the campaign schedule, and add variety to the candidate's work.

Staff Fundraising Tactics

Events – Be careful with events. Events have a tendency to suck money from the campaign. The larger the event the more potential it has to cost more than it's worth. Since events consume both time and money, a campaign should go into event planning with its eyes wide open. The expense rate listed above (10-25%) applies when local groups/activists/fundraisers have bought into organizing the event (a host committee), many expenses are contributed in-kind, and the campaign has a plan to follow up with each attendee. The follow-up is where much of the income from an event is generated. Events almost never pay for themselves without a follow-up plan.
Events can target any donor level. Low level donors require inexpensive events. House parties work well to reach many low-level donors while still keeping costs low (House Parties will be covered in another section). Events targeting medium level donors can be fairly large. Medium level donors expect some exposure to the candidate or important surrogates. High level donors prefer smaller, more intimate events where they can express their concerns directly to the candidate.

Direct Mail – soliciting contributions through the mail is a common tactic for organizations and campaigns. For many campaigns and organizations direct mail is the primary source of income.

Prospect mailings are those which are sent to a list of potential donors in hopes that a portion of these recipients respond and become donors. Prospect mailing rarely nets a profit, but is important for building a donor base to revisit and re-solicit. Prospect mailings can seem like a gamble – the campaign pays a large amount upfront in return for uncertain prospects. Without new names, however, a campaign limits its income. Figuring out the campaign's list of prospects is important to the success of the mailing. The campaign might choose to go through a professional direct mail vendor or do mailings in-house. Down-ballot campaigns are usually better off handling the mailing in-house unless the campaign can find an affordable vendor. Prospect mailings typically target low and medium donors. The campaign typically acquires the names for these lists through previous campaigns, Democratic Party organizations, or other issue advocacy organizations.

Re-solicit mailings are where prospect mailings pay off. People who have donated once before will donate again once asked. The low cost of this tactic combined with its wide reach (100s or 1000s of previous donors), makes this tactic a cornerstone to financing your campaign. For electoral campaigns, a re-solicitation email should be sent to your donors every four to six weeks throughout the campaign. For non-electoral campaigns, the organization should not send out as often, but will still find that re-solicitation mailings raise more money than other tactics.

Solicitation Phone banks – Generally smaller, down-ballot campaigns do not have the resources to hire a professional phone solicitation firm, and staff can spend time in better ways than cold-calling a list that the candidate or surrogates should be calling instead.

Phone banking can be useful in fundraising when recruiting or confirming attendees for finance events or for following up on pledges made through other tactics. Phone follow-up can be quite useful in conjunction with mailings to boost response rates. In all cases, a script with commonly asked questions and event/mailing details should be available to callers.

Internet and Email Fundraising – Only a small amount of a campaign's income comes from email solicitation. Some large campaigns, such as Howard Dean's nomination campaign, spent significant resources building a large, national list and reaped unprecedented returns. Your website should certainly have an easy to access form where a donor can give a contribution. But a down-ballot campaign does not have the resources to build such an online presence. A good email sent to a fresh, updated list, where everyone has joined specifically for the purpose of participating in the campaign may yield as much as 10% response, but is more likely to yield 1-2%. For tips on how to write a good email, see this manual's online organizing section.

The Ask

The heart of fundraising is asking. Practically no one gives money to a campaign unbidden. Every dollar spent on the campaign – from materials to salaries to mail – was a dollar someone had to ask for. The principles of the ask apply to every kind of donor. These principles are used most directly in personal solicitation, event organizing, phone banking, and even direct mail.

The Five C's: A Step by Step of the Ask

1. Connect
2. Context
3. Commit
4. Catapult
5. Confirm

1. Connect

The first step sets the tone for the interaction. The donor is not an ATM, but a person with motivations and hopes. These hopes and motivations translate into actual campaign work via the donors contribution. Before each interaction do some research on the donor. Basic info such as how to pronounce the name, the relationship to the candidate or campaign, how you got the name, the donor's occupation and interests can be helpful in the interaction. Listening is a key part of fundraising, and the fundraiser's best opportunity to listen is during this section.

When asked open ended questions on the donor's beliefs, the donor will elaborate. Establish or reestablish the donor's motivations. This step shows the donor that the interaction is not only about the candidate or organization, but also more about the donor's needs and beliefs.

"I'm glad we've had the opportunity to meet. How are you doing? Dina mentioned you taught at a University, so does my father. Where do you teach? .I'm glad to hear that you've been following my candidate. Where did you first hear about her? What drew you to her?"

2. Context

The context portion of the interaction addresses the donor's motivation. The fundraiser makes a pitch which includes the 1) problem, 2) urgency, and 3) the solution.

This sets the fundraiser up for making a specific ask for money. Your goal for this part of the ask is connect the donor's needs to the success of the campaign. The donor's goal and the campaign's goal is the same, so by supporting the campaign, the donor achieves a shared goal. Remember to consider the donor category of your target. How important are the issues? How important is the candidate's viability?

"You've hit on a very important point. We need a change. Our opponent voted to raise his own salary three times, but has voted to cut educational funding every year for the last six years. You've seen this. There's nothing left to cut. We aren't going to get another chance - higher ed funding bill will be voted on in the next session. We need an ally in this district, and my candidate has been running a strong pro-education campaign. We can win by getting our message out there. And we have a plan to do it. "

3. Commit
This is the actual "pin-down" ask. A solid ask will yield a solid commitment. The ask should have a specific dollar amount. Non-specificity demonstrates a lack of professionalism and might erode the donor's faith in the viability of the campaign. Ask high. There is less risk in asking high and having to go down, than asking low and trying to go higher.

This is another opportunity to listen. The donor will not always agree immediately. Most of the time, the donor will need a chance to think about it. To the extent possible, get the donor to agree to an amount during the interaction. Work with the donor until you come to a level comfortable with the donor. Remember, if you get a lot of people to agree on an amount right away, you are not asking enough people or not asking for enough money. A successful fundraiser is rejected much of the time. A poor fundraiser seldom hears the word "no."

"I need your help to take back this seat. We're going to talk to every voter, we're going to force the issue, and we're going to bring back educational funding to this state's university system. The best way you can make a difference in this race is with a $2500 contribution."

4. Catapult
Once you've asked for a specific dollar amount and the donor has agreed, you are not yet done. What you do after a commitment is as important as everything you've done beforehand. The fundraiser should 'catapult' the donor into his/her commitment. First, thank the donor. Thank them when they commit, thank them again when they contribute, thank them again after that. Let the donor know once again what a difference the money will make in the campaign and how that will serve the donor's needs. If the donation does not come immediately during the interaction, make arrangements to follow up.

"Thank you so much for your contribution. $1000 goes a long way in getting our message out to the voter. You'll see the campaign getting out and knocking on doors, you'll see us in the paper. If you get the check in the mail tonight, I'll see it by Thursday. I'll give you a call Thursday afternoon to make sure it gets through okay. I'm so glad you're getting involved in such an important race."

5. Confirm
Follow up. Most fundraising is done in the follow up stages of the ask. People make commitments to donate, and most come through when the fundraisers follow up. If they've made a commitment to give you a check, they expect you to call them if they've forgotten and call to them once you've received it. This is your chance to keep them involved in the campaign. Donors and fundraiser cultivate relationships long past the first donation.

"I'm glad I got a hold of you. I did receive your check for $1000 in the mail. You'll see it deposited this afternoon. Thanks to you, we're meeting our goals for the quarter and on track for victory in November. I thought you might be interested in a speaking event with the candidate next week…"

Asking Again
Donors who donate once often will donate again if a good relationship has been built since the first ask. Fundraising is relationship building. Developing this relationship involves the donor and continues to serve the donors needs. Good fundraisers will replicate themselves by creating surrogates. Donors often have friends who will also donate. Take advantage of this growing network, it will provide you a sustainable source of income if maintained well. Keep your lists meticulously updated. You will want to upgrade your donors soon!