

Fundraising cost of 2005 Combined Federal Campaigns are lower for large-scale campaigns

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The Combined Federal Campaign is the workplace giving program of the US Federal government, running from September to December of every year. The Office of Personnel Management administers the program through its Office of CFC Operations.

Rather than a single centralized campaign, about 300 campaigns operate locally across the US. This is similar in some respects to the local United Way campaigns, but there is more uniformity of practice and data collection among the CFCs.

Since the campaign data for CFCs is available from OPM, this provides an opportunity to compare operating statistics across a fairly large number of similar fundraising operations. This study compares the fundraising costs for the 299 CFCs reporting results for the 2005 campaign. For this study, I converted data from a PDF file to a spreadsheet in MS Excel file that reported total amount raised and cost of campaign as a percentage of amount raised.

Average cost of campaigns

Using spreadsheet functions, I identified campaigns by scale of operations using powers of ten. The MS Excel function $\text{INT}(\text{LOG}([\text{amount raised}]))$ yields the power of ten category. Then I used a pivot table to calculate the average cost of campaign for each size range.

Table 1 shows the average percentage cost of campaign for different scale operations. Except for extremely small campaigns (under \$1,000), the average cost of campaigns is lower as the scale of operations increases. For campaigns from \$1,000 to \$10,000, the average cost was 20.5%, but the average is only 9.4% for campaigns over \$1,000,000.

Table 1. Average cost of campaign in percent by scale of campaign

Total Collected Range	Average cost of campaign
Over \$10,000,000	9.4% (7.7%)*
\$1,000,000 to \$9,999,999	9.4%
\$100,000 to \$999,999	13.1%
\$10,000 to \$99,999	16.5%
\$1,000 to \$9,999	20.5%
\$100 to \$999	0.0%
Grand Total	13.4%

* Only two campaigns were in this category. The CFC of the National Capital Area collected \$57.6 million with a cost of 7.7%. The Overseas CFC, which is different from a typical local CFC, raised \$16.0 million with a cost of 11.2%.

Range of results

To see whether a few extreme results were affecting the average total, I used a formula to group the cost of campaign results into categories using a pivot table. The formula I used for grouping percentages is: $\text{INT}(\text{LOG}([\text{cost of campaign}]/\text{LOG}(10^{(1/3)})))$.

This groups percentages into categories at 4.6%, 10%, 21.5%, which for presentation purposes I have grouped as 5%, 10% and 20%.

Table 2. Range of results by scale of campaign

<u>Total Collected Range</u>	<u>Cost of Campaign Range</u>				<u>Grand Total</u>
	<u>Under 5%</u>	<u>5% to 10%</u>	<u>10% to 20%</u>	<u>Over 20%</u>	
Over \$10,000,000	-	1	1	-	2
\$1,000,000 to \$9,999,999	1	33	24	-	58
\$100,000 to \$999,999	1	37	104	7	149
\$10,000 to \$99,999	2	15	50	16	83
\$1,000 to \$9,999	-	1	2	3	6
\$100 to \$999	1	-	-	-	1
Grand Total	5	87	181	26	299

Table 2 shows the results of this pivot table analysis. These are consistent with the average results. Nearly three-fifths of the campaigns raising over \$1 million had campaign costs under 10%, but only about a quarter of the campaigns between \$100,000 and \$1 million and only a fifth of the campaigns between \$10,000 and \$100,000.

At the other end, no campaign over \$1 million had costs over 20%. By contrast, about 5% of the campaigns between \$100,000 and \$1 million had costs over 20%, a fifth of the campaigns between \$10,000 and \$100,000, and half of the campaigns between \$1,000 and \$10,000.

Some counter-examples don't invalidate overall pattern.

Even though the CFC of the National Capital Area was almost 10 times larger than the next largest local campaign, the largest campaign did not have the lowest cost of campaign. Instead it ranked 32nd overall. More than thirty local CFCs had lower percentage cost of campaign, including some in all the size categories. Despite this, the average smaller scale campaign had higher costs.

This shows the danger in the common practice in nonprofit circles of citing individual counter-examples to as proof against overall trends. Because of the large number of smaller scale operations, there will be a few who do better than large operations, but they do not represent the typical result.

Regression equation

The regression equation (from MS Excel) using the percentage cost of campaign as the dependent (y) variable and the log of campaign size as the independent (x) variable yields this equation:

$$y = -0.0355x + 0.3246 \text{ (R}^2 \text{ of 0.1631)}$$

The equation predicts that increasing the scale of a campaign by a factor of 10 produces a reduction in the cost of the campaign by 3.6 percentage points.

The relatively low R² value suggests that the scale of the campaign is only a factor in the overall cost of the campaign, which can easily be overshadowed by other factors.

Conclusion

The data from the 2005 Combined Federal Campaigns shows that there is an inverse relationship between the scale of a fundraising campaign and the fundraising cost of the campaign. The larger the scale of the campaign, the lower its costs as a percentage of the amount raised.

Nevertheless, the study also shows that any campaign regardless of scale can achieve low campaign costs. However, large scale campaigns will hit the low cost mark and avoid high costs more consistently. Small scale campaigns are less likely to achieve low costs and more at risk for running excessive costs.