Creating a Budget

FOR FUNDRAISING

BY OCTAVIA MORGAN

You've probably heard the old adage, "You have to spend money to make money." As good as that sounds in theory, when putting together your budget for the coming year it can be difficult to allocate some of your hard-earned dollars toward fundraising instead of direct program work. However, supporting your development department (even if it's a department of one) with a budget is an investment that will result in significant additional income and position your organization to raise even more money in the future.

Of course, some strategies cost more than others. A direct (postal) mail campaign, for example, is very expensive, particularly for acquiring new donors. But direct mail can be an important way to get new members. (Keep in mind, though, that it makes no financial sense to do direct mail without a strong major donor program to cultivate donors you do acquire to give larger gifts.) Foundation fundraising, on the other hand, doesn't cost a lot in out-of-pocket expenses, but requires a lot of staff time. Special events might bring in a lot of money but they are labor-intensive and you can easily spend at least half of what you raise to put on the event. Keeping these trade-offs in mind will help you balance the relative costs of different strategies with your overall fundraising goals.

If you're developing a fundraising budget for the first time, the guidelines in the chart on the next page will assist you in estimating what your costs will be, based on your fundraising plans. Remember that you can save a lot of money by spending some time searching for the best deal — it's always worth it to call around to get two or three estimates.

GRAPHIC DESIGN & PRINTING COSTS

Several fundraising strategies, including direct mail, house parties, and collateral materials, involve design and print costs. Since these are major budget items, it is useful to consider what influences these costs. Graphic design costs vary based on the experience and clientele of the designer you use, so look for someone who has experience with non-profits and a fee scale to match. Your design costs will increase for larger or longer pieces, as well as for the number of images and photos you include. Just as important, the graphic design has a huge effect on your printing costs. A design using four colors is much more expensive than a design using one or two colors. Fancy elements such as odd-sized pages will increase printing costs, as will the type of paper the job is printed on, since some designs require expensive paper to make them look right. (For example, a design with photographs can require a more expensive glossy paper to make the photos sharp.) Your designer should know your printing budget so he or she can create an appropriate design. Shop around to lower your printing costs (your designer can help get bids). Printing costs can vary wildly. For example, recently one of my coworkers got a bid of $13,000 and one of $9,000 for the exact same print job.

BUILDING YOUR INFRASTRUCTURE

The chart on page 6 presents the likely costs of significantly expanding your organization's ability to fundraise over the long term. Discuss whether it makes sense for your organization to invest in any or all of these areas. As long-term investments in your organization's infrastructure, these expenses will be above and beyond an annual fundraising budget. They tend to be higher ticket items, but they also form the base of an organization's ability to fundraise and you will reap their benefits for many years.

"FREE" GOODS AND SERVICES: ARE THEY WORTH IT?

It can be tempting to try to save money with in-kind donations or reduced rates for services. Although there are many situations when in-kind donations are a wonderful way to lower costs, I've learned the hard way that another old adage is often true: "You get what you pay for."

Here are some examples: I've had a couple of experiences in which graphic designers who volunteered their design services missed deadlines because they were prioritizing their paying clients. My coworker and I once succeeded in getting all of the food donated for a 100-person party, but it was from four different restaurants. It took us several hours to drive around town and pick up the platters,

ESTIMATING FUNDRAISING COSTS

MAJOR DONORS	▪ Travel for donor visits (costs vary depending on destination; lodging costs for visits to out-of-town donors can be reduced if staff have friends they can stay with)	▪ $200 – $400 per plane trip; $30–$50 per day for meals and ground transportation; $50 –$100/night lodging for staff.
	▪ Meals with donors	▪ $30–$100/meal for two people (many donors will pay for meals)
	▪ Staff time for major donor visits and to support the work of board members and other volunteers doing such visits	
DIRECT MAIL— SURFACE MAIL 10,000-piece mailing*	▪ Writing copy for letter	▪ $100–$500
	▪ Graphic design for entire package	▪ $250–$750 for the package
	▪ List rental	▪ $1,500 for 10,000 names
	▪ Printing	▪ $4,000
	▪ Postage	▪ $1,200 (nonprofit bulk mail)
	▪ Staff time or fee from direct mail company to do project management	▪ Staff time or $3,000–$5,000
DIRECT MAIL— ONLINE	▪ Service to maintain your e-mail lists. Tips: • Make sure each message has a subscribe and unsubscribe feature • Make sure you have donors' permission to send e-mail; if not, your e-mails are considered spam (which is illegal in many states) ▪ Secure way to accept donations on line	▪ Service at groups.yahoo.com or topica.com is free, but provide no support and few special features. Include staff time to maintain. ▪ Groundspring.org charges $49 set-up fee + $19.95/month for 10,000 e-mails/month. Designed for nonprofits. ▪ Staff time to download data and do data entry. ▪ See "Secure Web Page Donation" in next table
HOUSE PARTIES: FOR 1,000 INVITEES	▪ Invitation design **	▪ Design — $200–$500
	▪ Invitation printing — 2-color	▪ Printing — $2,500
	▪ Mailings to host committee and invitees	▪ Postage for host committee recruitment letter, invitation mailing, and thank-you letters
	▪ Food and beverages (The host will often cover these costs)	▪ $10–$25/person for catered food. For a 30- to 40-person event, $200 for do-it-yourself snacks and beverages
	▪ Valet parking — if necessary	▪ Varies depending on city
FOUNDATIONS	▪ Plane fare, lodging, and per diems to visit program officers (visit all major funders once/year)	▪ See Major Donors above for travel costs
	▪ Overnight mail for proposals	▪ $20/proposal (includes pick up fee; drop off is $15–$17)
	▪ Staff time	▪ Primary cost is staff time, including researching prospects, talking to program officers to determine how to frame proposals, writing proposals, and putting together attachments. Once funding is received, factor in time to maintain relationships with foundations and write reports.
COLLATERAL AND MISCELLANEOUS	▪ Brochures — 8.5" × 11" tri-fold, 2-colors, 1,000 copies	▪ Design $500–$1,400 / Printing $1,000
	▪ Annual report — 8.5" × 11", 4 pp., 2-colors, 2,500 copies	▪ Design $500–$2,000 / Printing $1,500
	▪ Newsletter — 8.5"× 22" folded in half, 1-color, 2,500 copies	▪ Design $800–$1,200 / Printing $800
	▪ Letterhead and envelopes for thank-you letters, mailings to major donors	▪ Printing — 2 color, 1,000 pieces: $300 for letterhead, $170 for letter-size envelope
	▪ Postage for thank-you letters, mailings to major donors	▪ Standard postal rates times number of pieces
	▪ Mail house — for larger mailings of 1,000 pieces or more, it can be more efficient to use a mail house to print labels, stuff envelopes, and deliver to post office	▪ $750–$1,500 for a 5,000-piece newsletter mailing with pre-printed labels
	▪ Conference fees and travel for development staff	▪ $100–$400 conference fee + travel costs as for Major Donors, above
	▪ Professional development for fundraising staff	▪ $250–$1,000/year. Rather than the high-priced fundraising trainings offered by for-profit companies, which are usually aimed at staff of very large nonprofits, consider classes at your local nonprofit support organization.
LARGE EVENTS	▪ Large fundraising events should have their own budgets with detailed line items.	▪ For more information, see the many fine *Grassroots Fundraising Journal* articles on major events (see Index at grassrootsfundraising.org). A basic rule: estimate that 50% of the money you raise from a medium- to large-scale event will be used to cover event costs.

*You can also use a direct mail house that will handle writing the copy and designing, printing and mailing the piece. This will be more expensive than doing these things yourself, but you might want the savings in staff time and the benefit of professional expertise.

**Cost-saving tip: Create one generic design for house party materials that can be used for all parties (outer envelope, response card and envelope, house party invite with your mission statement) and do one print run for all your house parties for the year. Then create an insert that you can modify and print in-house with the specifics of each particular party (host committee, date and time, location, guest speakers, etc.)

which not only caused a lot of stress on the day of the event but also used time better spent on other important event tasks. Another time, I got a very low bid from someone to custom-design a fundraising database. The first draft of the database was great, but needed some important tweaking. After his first big push, the volunteer did not respond to repeated e-mails and calls, and it was months before the database was truly functional.

The lesson here is to be sure to analyze the potential hidden costs of "free" stuff. If getting something for free might make your invitations late, exhaust your staff, or make you appear less professional, it's probably not worth it unless you have no other option. Also, make sure you know exactly what you're getting by setting down clear, specific agreements in writing with your donating vendors, including your expectations about the timing, scope, and quality of the product to be delivered. Here's an example of a letter you might send:

Dear Graphic Designer:

Thank you for your generous offer to reduce design costs by 50 percent for the invitations and program for our upcoming event. Based on our telephone discussion today, I understand that you will be designing a 2-color invitation (including envelope and invitation, response card and return envelope) and an event program that is in character with the celebratory tone of our event. I also understand that we agreed the design work will cost no more than $1,000 and that you will be delivering the printable files to

the printer. We also agreed on the following timeline:
- March 1 — we deliver final text to you
- March 15 — you submit draft designs to us
- March 17–23 — we give you edits, you return drafts to us
- March 24 — you deliver final draft to us — we approve the same day
- March 26 — you deliver printable files to the printer

If you must change the timeline for any reason, please let me know immediately. As we discussed, the last possible date we can get the invitations to the printer is March 28 or we will miss our mail date. Once again, thank you for your discount, which has helped to make this event more cost-effective for us.

Finally, as you map out your fundraising plans for the coming year, consider the following questions: What are your priorities, or your most important fundraising projects? How can you accomplish these priorities while still being cost effective? How can you educate your coworkers and boss so they better understand the importance of allocating some money toward development?

Fundraising, like every other department in your organization, requires some investment in order to produce good results. Good luck! GFJ

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INVESTING IN INFRASTRUCTURE

DATABASE	■ A good database will track all donor and foundation information; easily generate address labels, thank-you notes and personalized letters to donors; and produce reports on your funders. Databases can also sometimes track deadlines for grant proposals and reports. This is an essential tool to help you thank your donors, maintain accurate records on their giving, and ask them for new gifts.	■ A decent fundraising software program will cost from $89 to $3,000; a sophisticated program can cost as much as $15,000. See other *Grassroots Fundraising Journal* articles for in-depth information on how to choose the right database program for your organization. (See Index at www.grassrootsfundraising.org)
DATABASE TECHNICAL SUPPORT AND TRAINING FOR STAFF	■ A database is no good unless it's maintained properly and staff can use it!	■ Assuming you start with a good program, estimate $1,000 for the first six months. After that, this cost should not be necessary.
SECURE WEB PAGE DONATION FORM	■ You can create your own donation page with an Internet Service Provider (ISP) with a secure server. ■ Or, use a service that accepts donations for you (such as PayPal). A button on your site links to the PayPal site.	■ $50–$70/month (dreamhost.com or pair.com) plus staff time to create and maintain Web page donation form. See also information on groundspring.org in previous chart. ■ PayPal charges 35 cents per transaction plus 2% of the amount transferred ■ Staff time to set up these services at the beginning, and ongoing staff time to download data and do data entry
FUNDRAISING TRAINING FOR YOUR BOARD	■ Bring in an expert to coach your board members on how they can participate in raising money. (An "expert" can be anyone who doesn't work for your organization and who has the relevant knowledge.)	■ An independent consultant can cost $75–$200/hour. Development directors or board members from other nonprofits can also give great presentations on this topic. Ask board and staff members if they know anyone with experience who could volunteer.
STAFF POSITION FOR FUNDRAISING	■ Is there a way to create a staff position for development? Consider a half-time position or starting the position part-way through the year to cut the costs for the first year.	■ Salary plus benefits. Talk to nonprofits with similar size budgets in your geographic area to get a sense of the typical salary for the type of position you have. You can also check job listings in your area.