

Chapter 4 Budgeting, Fundraising and Financial Reporting

Raising money is necessary and difficult. Party and campaign financial needs are different, so this section deals with some basics that apply to both types of fundraising. Fundraising is best organized by a person or committee devoted to that function.

Budget, Fundraising, and Goals

It is critically important to have an operating budget. A budget is developed by determining what activities are planned and estimating their costs. It is best then to set fundraising goals and raise funds to pay for these activities.

Table 1 below is a sample of an election year budget. Table 2 is designed to help set fundraising goals.

Reasons People Give

Your fundraising team should develop and articulate reasons people want to contribute money. Generally, people are motivated to give money by the following:

- Personalities with charisma, intelligence, talent, and influence
- Power that comes from affiliation with a person or group
- Philosophy or ideology that supports what the contributor perceives is right and good
- Policies and programs that positively affect lives, serve interests, or confirm beliefs
- Political coalitions that advance causes and candidates
- Knowledge that their money will be used efficiently and effectively

A budget can be in itself an effective fundraising tool. Of course, the plan and budget should not be generally distributed, but it may be useful in discussions with business and professional people.

It is useful to let other prospective contributors know exactly what their money can do, e.g., their \$25.00 contribution can buy 100 bumper stickers or a phone line for one month, etc.

Asking for Money

What is the number one reason people give money? They are asked! There are several fundraising methods. The three most common methods are through personal contact, by mail, and events.

Personal Contact: Personal contact is the most persuasive method of solicitation. Face-to-face contact, especially with someone the contributor knows, is impossible to ignore. Potential contributors should be matched with solicitors to whom they would most likely respond.

Use the telephone to make appointments for in-person solicitations or to contact other potential contributors. Calls should be followed up by a personal letter from the person who placed the call, from a candidate, or from the finance chair or county chair. A follow-up letter should always include a reply card and a return envelope. You can also use your volunteer phone bank to solicit contributions or to remind people about upcoming fundraising events.

Mail: Mail reaches more people in less time and is the least intrusive type of solicitation. However, direct mail solicitation requires an up-front investment of money and can be very costly unless carefully targeted and designed to assure an adequate response. When re-soliciting people who have given to the County Party in the past, the expected response should be between 3 and 5%. The response from blind mailing ("prospecting") is closer to a return of 1%.

Fundraising Events: Events, especially during campaign season, create enthusiasm and visibility for the Party, our elected officials, and our candidates. Events also provide a tangible "deadline" for receipt of contributions. In addition, while some people will contribute without expecting anything but a "thank you," others are more likely to respond if they get something more tangible in return.

Start with a realistic projection of how many tickets and sponsorships you can sell and determine from that how much you can spend on the event itself. If you think you can sell 400 tickets at \$20.00 and 20 sponsorships at \$100.00, your projected gross will be \$10,000. Keeping your costs at 25-30% of that, or \$2,500 or \$3,000, means you've got a little more

than \$6.00 per person to spend—on everything, including invitations, postage, hall, food, and decorations. That arithmetic should tell you that you cannot afford to have a catered dinner at a nice hotel unless you can get everything donated.

Low-cost activities, if well planned and publicized, can attract people and make a profit: bake sales, garage sales, carnivals, BBQs, ice cream socials, car washes, rent parties. Be shameless: Use every opportunity to ask people to help or to contribute.

Several activities, from low-cost to high-dollar, are listed in the appendices.

Finding the Money / Contributors

Individuals

The best potential contributors are people who contribute. That's not a typo; it's a reminder to target people who are likely to give because they've given in the past.

Previous contributors are listed on past campaign finance reports on the Texas Ethics Commission website at www.ethics.state.tx.us/php/cesearch.html.

Presidential campaign contributors are listed by zip codes at www.fundrace.org. Additional information may be found at www.fec.gov.

Sponsors of previous events are another source of contributors. Candidates who are cooperating in the integrated campaign may provide their lists of contributors, and local Democratic clubs may allow the use of their membership lists. Phone banking only to Democrats in heavily Republican precincts typically yields better results than general blanket calling.

Be flexible with contributors. Someone who cannot give you \$100 in a single contribution might be able to give you \$25 a month during the campaign. Be sure to include on fund-raiser invitations the option, "I can't come, but here's my contribution of \$_____." Add a line to ask for occupation and employer of the contributor, see Financial Reporting. If someone says to call back in a week or a month, do it.

Political Action Committees and Groups

Many unions, business associations, corporations, and environmental and civic groups have set up political action committees to make contributions. If you are going to do aggressive fundraising, it is necessary to research and identify those various committees and groups to determine which entities are most appropriate from which to solicit funds. (See Financial Reporting and Compliance).

In-Kind Contributions

Sometimes donations of goods or services are easier to obtain than cash contributions. Some people like to know exactly what their money has bought, so they may prefer to buy it for you and give it to you. (See Financial Reporting and Compliance)

Financial Reporting and Compliance

WARNING! Due to the ambiguities and consequences for the Party created by the McCain-Feingold (BCRA) campaign law, County Executive Committees and clubs should avoid setting up Federal PACs until they've checked with the State Democratic Party Office 512-478-9800 and thoroughly explored all the ramifications! If you already have one established, please check with the State Party Office for important information.
The information below covers contributions for state elections and party building activities.

Before raising, spending or donating money or ANY in-kind, contributions, individuals, as well as County Parties, clubs, candidates and other groups must be fully aware of the Federal and State Election Finance laws.

When to Register as a Political Action Committee

As a general rule, money raised and spent to affect an election, or to support candidates or issues, or to promote a political party must be publicly disclosed. Therefore, not only candidates and officeholders are required to register with the Texas Ethics Commission (TEC), but county parties, clubs, and organizations that raise and spend money for political purposes must register if they meet specific criteria.

There are two types of Texas Political Action Committees (PACs): General-Purpose Political Committees (GPACs) and Specific-Purpose Political Committees (SPACs).

GPACs are for organizations that support or oppose more than one candidate or issue, while SPACs are for organizations that support or oppose specific (usually single) candidates or issues. Organizations that register with the TEC are required to appoint a treasurer, who is required to submit reports at specified intervals. Information about PACs and reporting can be found at www.ethics.state.tx.us.

County Party / County Executive Committees

A County Party / County Executive Committee has a special registration threshold, different from any other kind of political organization under Texas law. The Executive Committee can raise or spend \$25,000 in political funds in each calendar year without having to register as a political committee. The Executive Committee (1) must keep all records of political contributions and expenditures as if it were a political committee; (2) if it exceeds the \$25,000 threshold, must appoint a campaign treasurer within 15 days; and (3) must include the first \$25,000 of activity on its first report.

Clubs and Other Organizations

Most Party club and organization activities fit the definition of GPAC. A group can raise or spend \$500 before having to appoint a campaign treasurer, register with the TEC, and start filing reports. **The \$500 threshold is a one-time, cumulative threshold.** This does not apply to candidates, who must appoint a campaign treasurer before they raise any contributions or make any expenditures. This must be done no later than the date they file for a place on the ballot, because a filing fee is a political expenditure.

Once registered, a club or organization must wait 60 days and have contributions from at least 10 contributors before it can make any further political expenditure. Non-registered groups must be careful during a campaign, because if they exceed the \$500 threshold in the middle of a campaign and are not registered, they will be "frozen" from doing any further activity.

Candidates

Depending on the position being sought, a candidate must register with either the Federal Elections Commission, the Texas Ethics Commission or the county clerk. County and lower offices register with the county clerk. All candidates MUST familiarize themselves with the appropriate rules and regulations appropriate to the office being sought.

Political Advertising and Disclaimers

A disclaimer tells the public who has paid for a political communication. The general rule: disclaim everything. Texas law says that most political advertising must disclose that it is political advertising and who paid or contracted to pay for it. The disclaimer must be on the face of the advertising.

Political advertising is any "communication supporting or opposing a candidate for nomination or election to a public office or office of a political party, a political party, a public officer, or a measure that: (A) in return for consideration is published in a newspaper, magazine, or other periodical or is broadcast by radio or television; or (B) appears: (i) in a pamphlet, circular, flier, billboard or other sign, bumper sticker, or similar form of written communication; or (ii) on an Internet website."

Questions, Problems, Help If help is needed with record keeping or reports, please call the Texas Democratic Party office at 512-478-9800. The State Party Office will do what they can to help, or make a referral. Do not wait until the day before a report is due or until you're standing at the newspaper office with your ad in hand, to start asking questions.