

# **Planning a Capital Campaign for Grassroots Groups**

*By Kim Klein*

For grassroots organizations, planning a capital campaign can be both challenging and exciting. There's a lot to be done before you are ready to approach your first prospect, and some people planning campaigns get anxious about all the details. While you shouldn't disregard those details, it's important to keep in mind that your donors know you are a grassroots organization. This may well be your first capital campaign and the first capital campaign of everyone involved. Your donors don't expect you to have the sophistication a major university might bring to such a campaign and they might even be suspicious if you did. You will make mistakes, but none of them will be fatal. You will also have some of your most interesting meetings and do some of your most creative thinking before your campaign is over.

Before embarking on a capital campaign, any organization needs to have a campaign case statement and budget, an adequate donor database, gift acceptance policies, and an active, motivated board of directors. Once those are in place, you're ready to develop a gift range chart, set out a timeline for the campaign, and identify prospects.

A campaign, by definition, is time limited and should have a specific beginning and end. It might seem simple to begin and end a capital campaign, and it can be: Begin the campaign when you need to raise money and end it when the money is raised. Organizations doing small campaigns (to raise less than \$500,000) often do just that. They approach a few individuals and foundations and possibly send a general appeal to their donor list, doing their best to raise the money in a year or so. However, if you are raising more than \$500,000, you will probably run your campaign over two and possibly three years.

## **The Goal and the Gift Range Chart**

The gift range chart will map out how you will meet your goal. A gift range chart is built around an observation numerous fundraisers have made: If you go into your community to raise money, you will notice that a few people give a lot, a few more give less, and a lot of people give a little. Keeping this principle in mind, you can map how many gifts of what size you are going to need to meet your goal.

A capital campaign has a much narrower gift range chart than an annual campaign. In a capital campaign, 40-60% of the goal is provided by six to eight donors: one gift will provide 10-20% of the goal, two gifts will each contribute 10% of the goal, and three to five gifts together will make up 10-20% of the goal. Most groups will spend a great deal of time identifying these few donors before they proceed any further.

The remaining 40-60% of the money needed will be raised in smaller amounts from more people. How small the amounts and how many more people will depend on the size of the donor pool, their ability to give, and to some extent, how many people an organization wants to involve in its capital campaign. Generally, capital gifts are gifts of \$1,000 or more, even if some people need to pay that amount off over two or three years. Although it is fine to invite people to give \$25, \$50, or \$100 to a \$1 million campaign, having a lot of small gifts may wind up raiding your annual fund, as people decide to give \$100 to buy a brick instead of the \$50 they normally give annually.

To figure out how many prospects you need, remember that about half of the people you ask will not give and half of those who do will give less than the amount you asked for. At the top of your gift range chart, you will want to identify and ask about four to five times as many people as you need. However, because many of those asked give less than they were asked for, these givers help fill in the bottom of your chart. At the lower levels, then, you only need twice as many prospects as the number of donors you are seeking.

For example, many people who were asked for \$5,000 or even \$10,000 will end up giving \$2,500. People who were asked for \$50,000 may give \$25,000, and so on. Some people give two gifts—one at the beginning of the campaign and another at the end. For these reasons, the actual number of different people you will need as prospects should be about two-and-a-half times as many as the number of gifts you are seeking.

The gift range chart on this page is narrow and calls for a large number of donors who can give big gifts. Many organizations use an even steeper chart, completing multi-million campaigns with only 100 to 200 donors. Grassroots organizations generally don't attract people who have that ability to give. Nevertheless, to complete any large campaign will require asking some people for very large gifts.

There are other, less likely sources of funding. It is uncommon, but not unheard-of, for foundations to provide capital funds, and there are some

foundations that only fund capital campaigns. The most familiar of these is the Kresge Foundation in Michigan. With the increasing number of small family foundations, a group may find that an individual it approaches for a large gift makes the gift through their family foundation. Although the vehicle is a foundation, the fundraising strategy is still that of approaching a major donor.

Corporate funding to capital campaigns is generally reserved for large institutions, except in cases where someone high up in the corporation is involved in the group. Many groups providing social services have been able to raise some money from local government coffers. Despite these possible funders, in 25 years of fundraising I have never heard of a capital campaign conducted by a grassroots organization that did not require some individuals to make large gifts.

**Proposed Gift Range Chart  
for a \$5 Million Capital Campaign**

| No. of Gifts    | Range of Gifts        | Prospects Needed      |
|-----------------|-----------------------|-----------------------|
| 1               | \$500,000-\$1,000,000 | 4-5                   |
| 2               | \$250,000-\$500,000   | 8                     |
| 5               | \$100,000             | 20                    |
| 10              | \$50,000              | 40                    |
| 25              | \$25,000              | 60                    |
| 50              | \$10,000              | 150                   |
| 200             | \$5,000               | 300                   |
| 250             | \$1,000-\$4,999       | 500                   |
| about 543 gifts | \$1,000-\$1,000,000   | about 1,083 prospects |

### **Resisting the Inevitable**

I have known many groups to resist developing a gift range chart. One such group, called the “Different Drummer Music Project,” wanted to move their music school from its inadequate space in a public school to a building of their own. Their overarching philosophy was of inclusiveness. Their mission stated, “We believe there is a musician in each of us,” and their logo showed a treble

clef with the tag line, "All notes are created equal." They had a diverse program, with several choruses that performed around their city and a wide variety of orchestral instruments that young people could borrow for the school year. They needed a space where young people could get lessons, practice, and jam together.

The steering committee of three musicians, two parents, and three community activists found an old boarding house for sale that was perfect for their needs. To raise the money to buy it, they decided to conduct a "People's Campaign." They disliked the notion of developing a gift range chart, with the elitism implied by placing greater emphasis on large gifts than on any gift. Their goal was \$1.5 million and they were determined to raise it in gifts of \$50-\$500, which they felt was "an amount that almost anyone can afford."

They launched their campaign with a concert at which they told the mostly parent audience that they needed their help to find 30,000 people to give \$50-\$500 each, with the top gift they would accept being \$5,000. They raised an impressive \$250,000 this way from about 1,500 people, but they exhausted their volunteer pool in the process. Finally, the steering committee realized that they could now raise the rest of the money they needed from an additional 20 or so people without being in danger of losing their soul. A parent asked a friend of means to match the \$250,000 already raised and got it. A foundation, impressed with the quality of music the young people produced, gave \$75,000. Two donors who had given \$5,000 were re-approached for \$100,000 each, and the remainder of the goal was given by another dozen people with gifts in the \$25,000-\$50,000 range.

The music school learned that, while all notes may be created equal, people have varying levels of ability to give and willingness to express their support in a manner commensurate with their ability.

## **Identifying Prospects**

Once the gift range chart has been created, an organization has a clear directive: Identify prospects for the lead gifts. This is a critical step, because if you cannot identify enough prospects, you will have to revisit your goal. Therefore, I suggest doing this step before creating materials or setting up a timeline. Though you identify lead prospects now, it may be some time before they are all asked.

Deciding who may be a prospect for a capital campaign requires the same

analysis as identifying a prospect for a major donor campaign plus a couple of additional variables. First, someone in the group or someone close to the group must know and be respected by the prospect. Among other things, the person who knows the prospect will know whether the prospect believes in the cause of the group and will have some idea about the prospect's giving ability. To make this process memorable, we call these identifiers ABC: Ability, Belief, Contact.

As part of researching the prospect, you want to have as much useful information about them in relation to your campaign as you can. Toward that end, review any public records about the person, such as newsletters or annual reports from groups similar to yours that list the prospect's name as a donor, newspaper articles in which the prospect's donation to another group has been mentioned, and your own records of gifts by this prospect to your group. You should also find other people who know this prospect and see what they can tell you.

You are looking for the kind of information that a person would tell you in the course of a non-confidential conversation. It is not necessarily public information—the person may not want it to appear in the newspaper—but it is not secret. If someone tells you, “Mary Jones has a large inheritance, but doesn’t want anyone to know it,” that information is not useful to you. Don’t write it down. On the other hand, if someone tells you, “Sam Smith works for a donor who generally remains anonymous and I can introduce you to Sam,” write that down. Don’t spend time trying to figure out if the anonymous donor is Mary Jones - the anonymous donor wishes to be just that. We have no need to know who it is. We are fundraisers, not the FBI.

In addition to this information, which you would need in order to approach someone for a large gift for any type of campaign, in doing capital campaigns we usually want to know the following:

- Has this prospect ever made a capital gift before? If yes, to what kind of campaign, in what amount, and does anyone know whether the prospect had any negative feelings about how that campaign or their gift was handled?
- Does this prospect have assets that he or she could use for your campaign, such as highly appreciated stock, inheritance, very high annual income, or property?
- Will this person be attracted to naming opportunities? Is there someone in their life they might like to honor or memorialize permanently?

- Is any other member of their family involved in your organization or in a similar organization?
- Is your group one of the prospect's favorite organizations?
- Does the prospect believe in your building campaign, or do you have evidence that she or he probably would believe in it if they knew about it?

You can see that many of these answers call for speculation; that is why it is important to have them verified by two or three people. It is not necessary for the answer to be yes to all the above questions, but it is necessary to have at least some of this information.

For example, a rape crisis center learned that one of their major donors and loyal supporters had given \$50,000 to another organization's capital campaign. The rape crisis center also knew that this donor could probably afford many other \$50,000 gifts. However, the donor had told her friend on the rape crisis center's board that she was uncomfortable with how that capital campaign had been run. She believed too much had been spent on the outside consultant and on gifts to donors, and she was irritated when the board chair asked her three times for additional gifts after she had told him that \$50,000 would be her only gift to this campaign.

The rape crisis center had planned to approach this donor for one of the first gifts for their own capital campaign, but because of this information, they waited until most of the other larger gifts were in and then made sure this donor was solicited by a friend who had given a similar amount. As it happened, the rape crisis center did not hire a consultant and did not give any gifts to donors or name any rooms after donors. These decisions had been made independently of this woman's feelings about the other campaign, but they did make the rape crisis center's campaign more attractive to her. She gave \$25,000 and pledged an additional \$25,000 once they reached the last \$100,000 of the campaign.

In another example, a prospect was approached for a large donation to the capital campaign of a Boys and Girls Club. The club wanted to renovate its existing facility, including upgrading its wheelchair accessibility and adding a new wing. As in the above example, this prospect was able to make a large gift and was a long-time donor to the club. However, the club did not seek to find out what he thought of the capital campaign, but just plunged in and asked him. Thus, they did not learn that he felt the cost of the new wing was

excessive. Needless to say, he did not respond favorably to the solicitor's suggestion that the new wing be named after his late mother, who had been a volunteer with the club. Simple information gathering would have easily surfaced this donor's opinion of the campaign and saved everyone some embarrassment. This prospect did not make any gift to this capital campaign.

While gathering and verifying information is of critical importance, it is also important to apply common sense to the procedure. Again, this process is not a Nielsen survey or a police investigation. We are not testing whether the prospect should run for governor, but whether he or she should be asked for a certain amount of money at a certain time.

When you have a list of verified prospects, you can determine whether you have enough prospects to meet the needs of your gift range chart in achieving your goal. If you fall far short of what you need, you will have to reevaluate whether the goal is realistic and consider lowering it for this campaign and rethinking your capital project.

### **Adding an Endowment Component**

As you can see, a capital campaign entails lots of work, but there is also an economy of scale involved. It will take almost the same amount of planning, budgeting, prospect identification, volunteer recruitment, and time to raise \$2 million as to raise \$1 million. Donors are often attracted to larger campaigns and will stretch their giving to meet a higher goal, whereas they may not make a thoughtful gift at all to meet a lower goal. Obviously, groups should raise what they need and not artificially inflate a goal, but many groups may want to add some money for endowment to their capital campaign budget, over and above what they have included for maintenance of their building.

There are two ways to add endowment to a capital campaign. The simplest is to add a line item to the budget specifying "endowment." The money raised for the capital campaign will then include money that is put into an endowment account. For example, a children's home was building a new gymnasium that would cost \$2 million. In addition, they were using their capital campaign as a time to raise money for repairing and upgrading their current facilities; that added another \$2 million to the capital campaign budget. Realizing that the preparation and work to raise \$4 million would not be much less than for a goal of \$5 million, they added \$1 million for endowment. This would be on top of the \$2 million they already have in an

endowment fund and give them an additional \$50,000-\$75,000 a year in interest earned that can be used for general operating expenses.

The second way to add fundraising for endowment to a capital campaign is to raise money specifically for the endowment component of the campaign. This is done by allowing donors to earmark their capital campaign gifts for endowment. For example, a senior center needed \$250,000 to expand their office space, upgrade their computers, and add a few bathrooms to their facility, which was otherwise in good shape. They debated how they should approach this need. Both the size of the campaign and the fact that the improvements were not that exciting seem to preclude doing a full-scale capital campaign. They looked at doing a quiet campaign with a handful of donors or taking out a second mortgage and adding repayment of the loan into their annual fundraising efforts. At the same time, however, they recognized that their low salaries were causing high turnover among their administrative staff. They decided they could significantly upgrade salaries of the administrative staff with an additional \$30,000 a year in organizational income, which they could get by adding \$750,000 onto their capital goal to be invested in an endowment. That brought the goal for the capital campaign to \$1 million. Donors, including a few of the seniors they served, responded very well to the campaign.

If you do add an endowment component to your capital campaign, be sure you are able to handle endowment funds. You will need to know either how to invest this money for growth and return or whom to ask to do this for you. An endowment is most appropriate for a group that has decided that it needs to exist in perpetuity. Board, staff, and donors will have to be comfortable with having a large amount of money invested of which only the earnings (5%-10%) can be used every year.

## **The Timeline**

Once you have identified enough prospects to go forward with the campaign, or amended the campaign to have a good chance of success, you can create a campaign timeline and begin asking for gifts. Generally, you will want to raise one-third to one-half of the campaign total before you even announce your campaign publicly. The time in which you raise that money is called the "Quiet Phase." This phase allows you to test donors' receptiveness to the idea of the campaign and learn what questions they have, to train your volunteers, and to get some donors who may help you reach others.

The Quiet Phase ends with what is called the “Launch,” which is the public rollout of the campaign. You can celebrate launching the campaign with a large party or a more quiet reception for donors, prospective donors, and board members. People often use the launch event as an opportunity to get press attention, particularly if you are buying or renovating a building. Show the press and some prospects your blueprints, architect’s renderings, the paucity and inadequacy of your current space, and announce that you are already one-third of the way to the goal. This starts your campaign off with a lot of momentum and says to other donors, “Help us complete this wonderful work.”

Often groups wonder when they should actually start building or renovating in this process. Of course, the safest thing to do is to wait until all the money is raised, but most groups start building shortly after the launch or even make the launch the “first shovel,” or groundbreaking. The end of the campaign can also be the ribbon cutting for the new or upgraded facility. When construction is underway during the campaign, prospects and the community as a whole have a sense of progress being made and their gifts being put right to work.

Following the launch, the object is to raise the rest of the money needed and reach your goal within the announced time frame of the campaign. If you reach your goal early, you can keep raising money, but I think it is better to have a giant celebration and end the campaign early. If you get to the end of your campaign without reaching your goal, you should not extend the campaign.

If you plan well and identify prospects properly, you will know far ahead of time whether you will meet your goal in the time frame you have set. If it is clear during the quiet phase that you don’t have enough donors to meet the goal, lower the goal before announcing the campaign to the public. If you have already announced it, figure out if there are other ways you can get the money, or how your budget can be modified to reflect what you can raise. You can always borrow the money and pay it off over time, like a mortgage. But extending the campaign timeline will only humiliate your group.

## **Deciding Who to Approach First**

You have one more set of decisions to make before you are ready to begin asking for gifts: In what order will you ask people? First, you will ask the people who can make the biggest gifts. Of these, start with the people who

are closest to your organization. In some cases this may mean that rather than starting with the biggest gift needed, you start with the person most likely to say yes. You don't want a series of turndowns early on in your campaign.

The early gifts will give you confidence that the campaign is a good thing. The people who are asked to be the lead donors (the top gift and the next set of gifts) are not only people who can give this much money and who think highly of your group, but are also people who like to think of themselves as leaders, risk-takers, example setters, inside-track people who know before anyone else what is happening. On the other hand, although it cannot be planned, it is not unusual for some of the biggest gifts to come in late in the campaign, once it is clear that the campaign is a success. There are people who prefer to bet on a winner and will sacrifice the glory that comes from being the lead donor for that security.

There are also people who look to others for an example. They may not feel as close to your group as they perceive someone else to be and they may want to see what that person will do before making their move. Figuring out which people will be leaders and which will be followers is based more on instinct and intuition than on hard information. Failing to figure it out may not be serious. Someone you approach to be a lead donor may simply say, "I'd like to see how the campaign shapes up," or, "I'd rather wait to see what Joe does," or, "Come back to me when you have raised \$250,000."

As fundraisers, some of our favorite donors are those who come in both early and late. They make a lead gift and then make a gift at the end of the campaign. Some do this as a challenge: "I will give the first and the last \$100,000. You raise the rest." This "bookend" approach is very helpful, because you have the donor's confidence that you will succeed expressed in the lead gift and a great deal of incentive to get to the end. Sometimes a donor will make a gift that is smaller than their ability at the beginning of the campaign; when it is clear that the campaign is succeeding, they will come in with more money. More often, a donor makes a lead gift and decides later to give another gift. This can happen, for example, when the campaign is nearing the end and the group finds it has slightly miscalculated how many donors it has and is falling short of its goal. A generous donor may simply make up that shortfall.

Sometimes, cost overruns have made the goal too low and a donor will help out with those expenses. Donors will only do this when the group has done their best and is a little short. Donors generally don't like to fill in gaps

caused by bad planning or incompetence, and you should not count on this in your planning.

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*Kim Klein, a leading expert on community-based fundraising, is co-publisher of the Grassroots Fundraising Journal. This article is reprinted with permission from the Grassroots Fundraising Journal, Volume 20, Number 4. Copyright © 2001 Chardon Press. Now celebrating its 20th anniversary, the Grassroots Fundraising Journal offers practical guidance on special events, direct mail, major donor programs, membership campaigns, and other fundraising strategies for community-based groups. To subscribe (\$32 annually) contact Chardon Press, 3781 Broadway, Oakland, CA 94611; Tel. (888) 458-8588; [www.chardonpress.com](http://www.chardonpress.com).*

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