

# Resource Development for AFI Projects

## Session Overview

There are unique opportunities and challenges in securing AFI Project operations and required nonfederal contributions. As the IDA field grows and changes over time, innovations in funding development have occurred, and some sources are now committed to other priorities. Opportunities to share resources, successful approaches and innovations in resource development that focus not only raising funds but also identifying and implementing efficiencies make up the focus of this session.

## Session Purpose

The purpose of this session is to provide you with information and skills to develop resources to start, grow, and sustain your AFI Project.

## Session Objectives

By the end of the session, you will be able to:

1. Differentiate between fundraising or fund development and resource development.
2. Explain the roles that outcomes and AFI Project life cycle play in resource development.
3. Describe the costs associated with an AFI Project
4. Calculate the participant match and operational budget for an AFI Project.
5. Compare and contrast successful fund development strategies used by peers.
6. Explain the three elements of the resource development context that determine overall success.
7. Develop and implement a resource development plan.

*Within the context of a resource development plan:*

8. Develop resource goals and objectives.
9. Develop strategies to support both revenue and efficiency goals.
10. Create a detailed plan to implement the strategies.
11. Craft and deliver convincing case statements and pitches for various funders.

# Resource Development for AFI Projects

## Fund Development vs Resource Development<sup>1</sup>

*What is the difference between fundraising and fund development?*

---

---

*What is the difference between fund development and resource development?*

Fund Development	Resource Development
<hr/>	<hr/>
<hr/>	<hr/>
<hr/>	<hr/>
<hr/>	<hr/>
<hr/>	<hr/>
<hr/>	<hr/>
<hr/>	<hr/>
<hr/>	<hr/>

While you may be most concerned with raising money to leverage your AFI award, in this session you will examine both **increasing revenues** coming into your organization as well as **increasing cost efficiencies** for your AFI Project. Both are important to your organization and to potential funders.

---

<sup>1</sup> Borrowed with permission from the Assets Alliance IDA Training Institute. ©Assets Alliance, 2005. All rights reserved.

## Funding Success Round Up

Even if you are finding fund development for your AFI Project a challenge, *you have had success*. At a minimum, you wrote a winning proposal that led to your AFI award. Before moving on to examine new strategies for resource development, take a moment to review the success you have had thus far.

***How would you describe the current funding strategy for your AFI Project?***

---

---

---

***Describe your fund development successes for the AFI Project so far.***

---

---

---

***What are your strengths in fund development for the AFI Project? (Do you have a consistent funding source, donating over multiple years? Who is your greatest contributor? Is there an active interest in IDAs in your funding community?)***

---

---

---

***What are your greatest challenges?***

---

---

---

## The Context for Successful Resource Development

There are three distinct “contexts” that contribute to successful resource development for AFI Projects:

1. The AFI Project Itself
2. The *internal* structure of the sponsoring organization and/or service provider network (collaborative)
3. The *external* world of funding sources and the general community in which the AFI Project operates

### 1. The AFI Project Itself

*What aspects of the AFI IDA Project affect the success of resource development for such projects?*

---



---



---

#### a. Stage in the Life Cycle of an AFI Project<sup>2</sup>

	Starting an AFI Project	Growing an AFI Project	Sustaining an AFI Project	Exiting an AFI Project
Which “stage” best represents your program?				
What are the characteristics of your AFI Project at this stage? (Differentiated from other stages.)				

<sup>2</sup> Borrowed with permission from the Assets Alliance IDA Training Institute. ©Assets Alliance, 2005. All rights reserved.

**b. AFI Project Outcomes**

<b>Outcome Categories</b>	<b>Short-Term</b>	<b>Medium/Long-Term</b>
<b>Knowledge and Skill Development</b>		
<b>Asset Development</b>		
<b>Self-Sufficiency</b>		
<b>Attitude Change</b>		
<b>Behavior Change</b>		

## 2. The Internal Structure of the Sponsoring Organization and/or Service Provider Network

*What aspects of the internal structure of the AFI grantee organization or the collaborative as a whole affect the success of resource development for an AFI Project?*

---

---

---

---

---

---

---

---

### a. Costs<sup>3</sup>

AFI Projects can be expensive to operate. You will need to raise funds for:

- **Match Funds for Participant IDA Savings**
  
- **Operating expenses, such as:**
  - Account management
  - Financial literacy education
  - Asset specific education
  - Marketing and recruitment costs
  - Other services to enhance accountholder success
  - Evaluation including data management associated with evaluation
  - General management of the AFI Project

Keep the following items in mind as you develop your AFI Project budget and determine your funding needs:

- If possible hire a full time person to develop and implement the AFI Project OR ensure a staff member is designated and has time to design and implement it.
- Community needs assessment and research need to be conducted before the AFI Project can be implemented as it is designed.

---

<sup>3</sup> Borrowed with permission from the Assets Alliance IDA Training Institute. ©Assets Alliance, 2005. All rights reserved.

- ❑ Marketing and recruiting participants *has been especially challenging* for AFI Projects. Be sure to budget enough time and other resources for the component.
- ❑ The enrollment process can be *very time-intensive*, especially if the potential applicants do not have prior relationships with your organization. They need to establish trust in you, and they may have many questions about the AFI Project.
- ❑ In order to gain community support and buy-in, your staff and board will need to dedicate a portion of their time to learn about the AFI Project and educate funders and other stakeholders in the community.
- ❑ Developing, operationalizing and managing partnerships with organizations in the community can be a *very time-consuming* process. Be sure to include time for this in your budget.
- ❑ Because AFI Projects are relatively new, your funders may require some type of evaluation. Be sure to involve people with expertise in this area.
- ❑ If your staff does not have expertise in financial education or training with your target population, you will need to invest heavily in training or find a partner willing to deliver this portion of the AFI Project.

### **How Much Does It Cost?**

#### **American Dream Demonstration (ADD)**

Based on data from ADD (14 programs representing 2,378 participants), we have an idea of what IDA Programs cost to operate (excluding match dollars for participants):

#### **ADD Overall:**

- \$70.38 per participant month (\$845/yr) or \$2.77 per \$1 of *net* deposit

#### **ADD costs decreasing over time:**

- Average program expenses per participant-month through June 30, 1999  
\$117.58 per participant month (\$1,411/yr)
- Average program expenses per participant-month for the next 12 months (July 1999 through June 2000) were \$43.06 (\$517/yr)

#### **Other Cost Data**

**EBALDC:** \$2,000/account over the length of time in the program

**Where the costs are heading overall:** possibly \$1 in cost for every \$1 in participant saving

### **Context for Costs**

- Costs depend on how your organization is structured and how the AFI Project is designed.
- It is still early in the development of the field, but data suggest that over time organizations implementing IDA programs become more efficient and lower costs significantly
- Costs should be considered in light of other comparable programs.
- Looking only at the costs does not take into consideration the return on investment or the benefits/outcomes at the individual, family, community level; nor does it take into account the potential intergenerational benefits that may occur.

### **Other considerations:<sup>4</sup>**

<ul style="list-style-type: none"><li>• Range of services provided</li></ul>	<ul style="list-style-type: none"><li>• Target market being served (creaming v. serving the underserved)</li></ul>
<ul style="list-style-type: none"><li>• Number of IDAs (economies of scale)</li></ul>	<ul style="list-style-type: none"><li>• Length of time for participant activity (balancing participant capacity to save, cost of assets, and other factors necessary for asset purchase, e.g., credit repair)</li></ul>
<ul style="list-style-type: none"><li>• Intensity of education/training</li></ul>	<ul style="list-style-type: none"><li>• Stage of AFI Project (higher costs in the first year of the program)</li></ul>
<ul style="list-style-type: none"><li>• Marketing costs</li></ul>	<ul style="list-style-type: none"><li>• Outcomes</li></ul>

---

<sup>4</sup> "Costs of IDAs and Other Capital-Development Programs," by Guat Tin Ng. Working Paper 01-8. Center for Social Development at the George Warren Brown School of Social Work, Washington University in St. Louis, August, 2001.



## b. Budgeting for AFI Projects<sup>5</sup>

Critical Planning Considerations:

- #1 \$1 in nonfederal cash contribution is required for every \$1 of AFI funds
- #2 A maximum of 15% of AFI + nonfederal cash contribution in the Project Reserve Account can be used for operations, and 85% *must* be used for matching accountholder savings

Consider the following project design:

- ❑ 50 accounts total
- ❑ 4 years for participants to reach savings goal and purchase asset
- ❑ \$4,000 lifetime participant savings
- ❑ 1:1 match rate (\$2,000 AFI funds, \$2,000 nonfederal funds from reserve account)

AFI Project Budget		AFI Grant: <u>\$117,647</u>	
	AFI PROJECT OPERATIONS		AFI IDA MATCH BUDGET
AFI Grant Funds	<u>\$17,647</u> 15%		<u>\$100,000</u> 85%
AFI Nonfederal Funds	<u>\$17,647</u> 15%		<u>\$100,000</u> 85%
Total	<u>\$35,294</u> 15%		<u>\$100,000</u> 85%

<sup>5</sup> Borrowed with permission from the Assets Alliance IDA Training Institute. ©Assets Alliance, 2005. All rights reserved.

*Based on the cost data from the previous section, is there enough cash to operate the AFI-funded IDA Program? Likely, you will need to seek additional funding resources.*

### **3. The External World of Funding Sources and the General Community in which the AFI IDA Operates**

*What aspects of the external world of your local community context and the funding sources within it may affect resource development for your AFI Project?*

---

---

Following is a diagram representing different sources of funding.<sup>6</sup>

- *What percentage of your funds comes from each of the sources below?*
- *Are there other sources that could comprise a greater percentage of your overall fund development portfolio?*
- *How does the stage of your IDA Program in the overall life cycle of a program affect the potential mix of funders in your portfolio?*

---

<sup>6</sup> Borrowed with permission from the Assets Alliance IDA Training Institute. ©Assets Alliance, 2005. All rights reserved.



# Planning Resource Development

The purpose of planning resource development is to help AFI Project staff set resource development goals develop specific strategies to generate revenues or sources of money coming into the organization, increase efficiencies (decrease costs of the AFI Project), and outline a process for implementing those strategies.

There are three sections of the Resource Development Plan:

**Part I: Context**—the stage in the life cycle of an IDA Program or AFI Project *and* the Project’s outcomes.

**Part II: Budget**—the match and operational budget of the AFI Project necessary to achieve the project’s outcomes and depending on the stage of the project in the overall life cycle and on the additional resources necessary to fund operations not supported by AFI funds (or the local nonfederal contribution raised to leverage AFI Funds).

**Part III: Implementation Plan**—goals, objectives, strategies, and the details associated with the strategies for either increasing revenues coming into the organization to support the AFI IDA Project or increasing cost efficiencies, such as cutting costs, integrating operations, partnering with other organizations, or leveraging other opportunities that would result in decreasing the amount of additional funding you need to raise to operate the AFI Project.

## Part I: Context<sup>7</sup>

### 1. Stage in the Life Cycle of an AFI Project

	Starting an AFI Project	Growing an AFI Project	Sustaining an AFI Project	Exiting an AFI Project
Which “stage” is your AFI Project?				
What are the characteristics of your AFI Project at this stage? (Differentiated from other stages.)				
What are some of the specific resource development issues at this stage?				

<sup>7</sup> Borrowed with permission from the Assets Alliance IDA Training Institute. ©Assets Alliance, 2005. All rights reserved.

2. Planned Outcomes for your AFI Project

Outcome Categories	Short-Term	Medium/Long-Term
<b>Knowledge and Skill Development</b>		
<b>Asset Development</b>		
<b>Self-Sufficiency</b>		
<b>Attitude Change</b>		
<b>Behavior Change</b>		

## Part II: Budget<sup>8</sup>

### Your budget will have two components:

- The Funds to match participant IDA savings, which will be determined by:
  - Number of Accounts
  - Savings Duration
  - Participant Savings Cap (Match Ceiling) – The Maximum amount of participant savings your AFI Project will match
  - Match Rate
  
- AFI Project operating expenses, which may include activities such as:
  - Account management
  - Financial education
  - Asset-specific education
  - Marketing and recruitment costs
  - Other services to enhance accountholder success
  - Evaluation, including data collection and management associated with evaluation
  - General management of the ADI Project

### Budgeting with AFI Funding

- \$1 in nonfederal cash contribution is required for every \$1 of AFI funds requested or awarded
- A maximum of 15% of AFI + nonfederal cash in the Project Reserve Account can be used for operations ; 85% **must** be used to match accountholder savings
- Strategies that address cost efficiencies may reduce your AFI Project operations budget figure, and decrease the figure for additional revenue needed beyond the local to leverage the AFI Funds.

The worksheet on the following page is intended to help you visualize your budget requirements and any potential fundraising gap.

---

<sup>8</sup> Borrowed with permission from the Assets Alliance IDA Training Institute. ©Assets Alliance, 2005. All rights reserved.

AFI Grant: \$ \_\_\_\_\_ Current Gap: \$ \_\_\_\_\_

	AFI Project OPERATIONS BUDGET	IDA MATCH BUDGET
AFI Grant Funds	\$ _____ 15%	\$ _____ 85%
AFI Nonfederal Funds	\$ _____ 15%	<div style="border: 1px dashed black; padding: 5px;">\$ _____ ____%</div> <div style="border: 1px solid black; padding: 5px;">\$ _____ ____%</div>
Additional Funds	<div style="border: 1px dashed black; padding: 10px;">\$ _____</div>	
Total	\$ _____	\$ _____

Uncommitted Funds

Committed Funds

### Part III: Implementation Plan

1) Identify your resource development goals. Use the information about your AFI Project's context and your budget to set these goals.

**Revenue Goals**  
*(Increase Revenues)*

**Efficiency Goals**  
*(Decrease Costs)*

---



---



---



---



---



---



---



---



---



---

2) Brainstorm strategies to meet these Goals

Strategies to Increase Revenues	Strategies to Increase Efficiencies

3. How can Prospects (potential funders) support your program? What are your funding and resource needs?

**Funding Support**

**Other Resources**

---



---



---



---



---



---



---



---



### III. A. Fund Development Portion of the Resource Development Plan<sup>9</sup>

- 1) Identify diverse funding sources for local match to leverage AFI funds and additional program operating expenses not covered by AFI funds.



- 2) List individuals who can help you develop relationships with the potential funding prospects? Remember, *RELATIONSHIPS* are the critical elements in *FUND DEVELOPMENT*.
- 3) Brainstorm a list of prospects, building on your *RELATIONSHIPS* to individuals from above list.
- 4) Link prospects with contacts and develop an action plan for initiating a relationship with each of them.
5. Think like a funding prospect and brainstorm potential motivations for providing funding and other support. Discuss ways you can connect with these motivations. Which concepts behind your organizational mission, your

<sup>9</sup> Borrowed with permission from the Assets Alliance IDA Training Institute. ©Assets Alliance, 2005. All rights reserved.

**target population, your IDA program goals or outcomes, and your program design are relevant?**