

Burn Rate Analysis of NCCs for the 2010 and 2012 FEC Reporting Periods

The effectiveness, or at least efficiency, of a PAC is often best measured in how it deploys its resources – principally financial. Whether direct contributions or Independent Expenditures, PACs are largely judged on the impact of their political dollars. Before a PAC can get to these, however, it must first operate. The percentage of revenues consumed in operations – the burn rate – can be a useful indicator as to how effective a PAC can be, and how good a steward it is of donors' dollars. We present a comparative study of 2010 and 2012-to-date burn rates for non-connected committees¹ without Carey Accounts² as a guide for organizations looking at their own internal operations, and how they measure up to industry norms.

Burn rate is a measure indicating how much a PAC spends on “non-political” operating expenditures. Burn rate is determined by dividing the reported operating expenditure by the total amount of funding the PAC acquired in the same time period. The higher the burn rate, the less the PAC spends on candidate contributions and independent expenditures. For comparative purposes, we determined three different burn rates: the average, the cumulative, and the median. The average burn rate is the number obtained by adding all the burn rates in one range and then dividing this total by the number of PACs at the same range. The cumulative burn rate is the ratio of the total operating expenditures of all the included PACs in a range to the total receipts of the same PACs over the same time period. The median burn rate, the middle burn rate in a range of burn rates, has been included to reduce the probability that a PAC with an extreme burn rate will adversely influence the overall result. These three burn rates were calculated for the entire dataset. In addition, the data is sorted by tranches based on total receipts in that period. As will be seen, this study shows that an average burn rate between 35% - 55% is a respectable number for a PAC. **Thus, relying on this data, a suggested target burn rate for PACs should be around 40%.**

Using committee summary data published by the Federal Election Commission (FEC), we analyzed the burn rates for traditional non-connected committees (NCCs). This study excluded all party committees, leadership PACs, and super-PACs. Additionally, a sizable number of committees –primarily small committees – were also omitted due to reporting errors or because they did not report any operating expenditures or any total receipts. The table below summarizes the total receipts, operating expenditures, average burn rate, cumulative burn rate, and median burn rate of the 2010 and 2012 summary datasets.

	2010	2012
Total PAC #	677	902
Total Receipts	\$219,280,921.17	\$533,805,746.58
Total Operating Expenditures	\$109,152,240.74	\$431,797,334.58
Average Burn Rate	1180.99%	447.09%
Cumulative Burn Rate	49.78%	80.89%
Median Burn Rate	54.05%	77.82%

The number of NCCs that submitted complete reports to the FEC increased by 33% from 2010 to 2012. Likewise, the total receipts in 2012 to date more than doubled the amount recorded in 2010 and the total operating expenditures increased by four times 2010 levels. While the average burn rates were extraordinarily high, both the cumulative and median burn rates were within reasonable limits, thus indicating that the majority of NCCs managed and used their funds in an efficient manner. However, NCCs have increased the proportion of operating fee spending by approximately 30% in 2012 from 2010.

The NCCs examined in this study were divided into eight tranches based on total receipts. These tranches were: (1) up to \$10K (micro PACs), (2) 10 to 25K, (3) 25K to 50K (categories 2 and 3 account for the small PACs), (4) 50K to 100K, (5) 100K to 250K, (6) 250K to 500K (categories 4 - 6 constitute the medium PACs), (7) 500K to 1MM, and (8) over 1MM (categories 7 and 8 represent the large PACs). Within each tranche, we further subdivided the NCCs into four categories based upon each PACs respective burn rate percentage: (1) under 100%, (2) 100% to

¹ Separate segregated funds do not report operating costs, Leadership PACs are unique.

² Carey Accounts, often referred to as “Super PAC” accounts, are excluded given their unique attributes.

200%, (3) 200% to 1000%, and (4) over 1000%. The following table illustrates the fraction of NCCs, the average burn rate, and the cumulative burn rate for each tranche.

Tranche	PAC #		Average Burn Rate		Cumulative Burn Rate		Median Burn Rate	
	2010	2012	2010	2012	2010	2012	2010	2012
Up to \$10,000	289 (42.69%)	380 (42.13%)	2682.11%	925.43%	100.12%	153.52%	68.48%	78.78%
\$10,000 to \$25,000	98 (14.45%)	143 (15.85%)	60.54%	91.04%	69.43%	96.08%	48.75%	71.91%
\$25,000 to \$50,000	71 (10.49%)	87 (9.64%)	76.17%	90.82%	74.18%	95.88%	57.88%	61.86%
\$50,000 to \$100,000	75 (11.08%)	65 (7.21%)	46.99%	80.23%	43.61%	80.53%	22.34%	69.70%
\$100,000 to \$250,000	63 (9.31%)	94 (10.42%)	48.52%	110.75%	49.32%	112.52%	30.08%	84.23%
\$250,000 to \$500,000	35 (5.17%)	53 (5.88%)	39.02%	120.01%	38.27%	121.70%	35.11%	91.96%
\$500,000 to \$1,000,000	17 (2.51%)	35 (3.88%)	46.19%	121.49%	48.14%	118.34%	37.49%	119.58%
More than \$1,000,000	29 (4.28%)	45 (4.99%)	69.26%	98.91%	55.05%	76.00%	81.37%	92.80%

Although the total number of NCCs included in the calculations varies between 2010 and 2012, the percentage of NCCs in each tranche remained stable, thus making the comparative analysis more accurate. In the 2010 results, a significant disparity can be seen in the average, cumulative and median burn rates among the micro, small, medium and large NCCs. The micro and small tranches had higher burn rates (average, cumulative, and median), which indicates that these micro and small NCCs tend to spend more money than they raise. This spending could be the result of fixed base operating costs, such as legal and compliance fees. The high burn rates of the micro and small tranches contrast with the more moderate burn rates seen in the medium to large NCCs, which account for almost 58% of the total number of NCCs, where burn rates of approximately 45% are common.

However, a shift can be seen in the data from the 2012 to date FEC committee summary report. The burn rate for small NCCs was again, not surprisingly, over 100%. However, the burn rates for medium and large NCCs both dramatically increased to approximately 100%, while the very large tranche also increased its burn rate to 76% from 55% in 2010. This data illustrates that from 2011 to 2012, operative expenditures accounted for almost all of the funding raised by medium to large NCCs during the fiscal year. In general, a high burn rate is not a healthy ratio because it leaves less room for candidate contributions or independent expenditures. However, if cash reserves from previous years remain available, these NCCs could still compensate for their higher than average burn rates.

Approximately 30% of the NCCs in each tranche had a burn rate greater than 100%, ostensibly by spending more than they raise. We have, therefore, further divided the NCCs under 100% burn rate into three burn rate ranges, 0 to 35% (low), 35% to 55% (moderate) and more than 55% (high). We only analyzed the micro to small tranches (0 to 50K tranche) due to the similarity of these subsets with the remainder of the data. We did not run this subdivision analysis on the large tranche, which has an extremely high burn rate, because the large tranche only represents 10% of the NCCs in this survey.

	2010 micro to small tranches			2012 micro to small tranches		
Burn Rate Subdivision	Up to \$10,000	\$10,000 to \$25,000	\$50,000 to \$100,000	Up to \$10,000	\$10,000 to \$25,000	\$50,000 to \$100,000
0-35%	88	45	29	93	34	34
35%-55%	31	8	5	43	10	8
55% up	78	23	23	107	49	20
Total	197	76	57	243	102	62

It is interesting to note that while the average, cumulative and median burn rates fluctuate between the range of 35% to 55%, in both 2010 and 2012 only a small percentage (8-17%) of the micro and small tranche NCCs actually fell into this 35-55% burn rate range. In fact, most of these NCCs fall into either the low range (below 35%) or high range (over 55%). However, with the low and high burn rates at each end taken into account, the average remains between 35% and 55%.

The following tables offer details on total receipts, operating expenditure and burn rates for each subdivision.

2010 Micro to small tranches under 100% Burn Rate subdivisions

Tranche (Receipts)	PAC #	PACs with Burn Rate of	Total Receipt	Total Operating Expenditure	Average Burn Rate	Cumulative Burn Rate	Median Burn Rate
0-10K ³	197		\$800,418.66	\$340,479.84	45.46%	42.54%	51.34%
	88	≤ 35%	\$373,023.25	\$53,179.87	15.76%	14.26%	16.81%
	31	35%-55% ⁴	\$140,612.59	\$65,426.23	46.51%	46.53%	48.15%
	78	55%-100%	\$286,782.82	\$221,873.74	78.54%	77.37%	79.81%
10K-25K ⁵	76		\$1,270,814.25	\$441,695.72	34.77%	34.76%	19.71%
	45	≤ 35%	\$754,155.55	\$85,072.08	10.88%	11.28%	8.41%
	8	35%-55%	\$140,689.30	\$67,198.74	47.99%	47.76%	48.75%
	23	55%-100%	\$375,969.40	\$289,424.90	76.90%	76.98%	72.12%
25K-50K	57		\$2,086,322.82	\$852,373.62	41.66%	40.86%	34.70%
	29	≤ 35%	\$1,093,526.48	\$131,168.09	12.16%	11.99%	11.31%
	5	35%-55%	\$170,238.00	\$78,380.13	45.69%	46.04%	47.04%
	23	55%-100%	\$822,558.34	\$642,825.40	77.98%	78.15%	76.99%

2012 Micro to small tranches under 100% Burn Rate subdivisions

Tranche (Receipts)	PAC #	PACs with Burn Rate of	Total Receipt	Total Operating Expenditure	Average Burn Rate	Cumulative Burn Rate	Median Burn Rate
0-10K ⁶	243		\$904,684.35	\$412,908.63	48.32%	45.64%	48.42%
	93	≤ 35%	\$356,546.12	\$47,023.87	13.92%	13.19%	13.00%
	43	35%-55% ⁷	\$168,565.34	\$75,853.27	45.01%	45.00%	44.70%
	107	55%-100%	\$379,572.89	\$290,031.49	79.55%	76.41%	78.07%
10K-25K ⁸	102		\$1,652,763.77	\$829,177.18	49.89%	50.17%	52.66%
	34	≤ 35%	\$532,893.40	\$58,811.01	10.97%	11.04%	10.13%
	19	35%-55%	\$328,387.87	\$154,169.34	46.50%	46.95%	48.81%
	49	55%-100%	\$791,482.50	\$616,196.83	78.20%	77.85%	77.03%
25K-50K	62		\$2,168,198.10	\$838,444.94	37.17%	38.67%	27.97%
	34	≤ 35%	\$1,145,683.18	\$101,533.91	8.81%	8.86%	4.17%
	8	35%-55%	\$282,851.39	\$131,066.04	46.52%	46.34%	48.54%
	20	55%-100%	\$739,663.53	\$605,844.99	81.62%	81.91%	83.96%

³ This category includes the total receipts reach up to 10K.

⁴ This category contains the PACs with Burn Rate range from 35% (excluding 35%) to 55% (including the burn rate equals to 55%). The same rule applies to the following Burn Rate ranges.

⁵ This category excludes the entries with the total receipt equal to 10K, but includes the ones equal to 25K. The same rule applies to the following tranches.

⁶ This category includes the total receipts reach up to 10K.

⁷ This category contains the PACs with Burn Rate range from 35% (excluding 35%) to 55% (including the burn rate equals to 55%). The same rule applies to the following Burn Rate ranges.

⁸ This category excludes the entries with the total receipt equal to 10K, but includes the ones equal to 25K. The same rule applies to the following tranches.

By studying the average, cumulative and median burn rates of the micro to small tranches in both 2010 and 2012, the general burn rate falls between 35% to 55%, again this represents a respectable burn rate for the PACs. The disparity among the average, cumulative and median burn rate is negligible, less than 2%.

In conclusion, there is a large dispersion of burn rates among the studied NCCs. The average, cumulative and median burn rates for the majority of NCCs in this study vary within the range of 35% - 55%. Again, this 35% - 55% range is an acceptable rate for PACs. Based upon this analysis, a reasonable target burn rate for PACs should be around 40%. Small-tranche PACs have higher burn rates, as a result of fixed operating costs. Large NCCs, which account for less than 10% of the NCCs in the study, have much higher burn rates. It is noteworthy that this analysis was based on the total receipts and total operating expenditure in the current fiscal year. It does not take into account any cash reserves that the NCC may have at its disposal. As discussed, this cash reserve must be taken into account in order to fully understand the ability of the NCC to speak on behalf of its candidate.

Attachment 1: 2010 Committee Summary

Tranche (Receipts)	PAC #	PACs with Burn Rate of	Total Receipt	Total Operating Expenditure	Average Burn Rate	Cumulative Burn Rate	Median Burn Rate
0-10K ⁹	289		\$1,067,174.38	\$1,068,492.65	2682.11%	100.12%	68.48%
	197	≤ 100%	\$800,418.66	\$340,479.84	45.46%	42.54%	42.37%
	46	100%-200% ¹⁰	\$178,758.10	\$231,693.12	133.64%	129.61%	132.35%
	30	200%-1000%	\$82,570.29	\$346,757.03	389.92%	419.95%	392.48%
	16	>1000%	\$5,427.33	\$149,562.66	46770.54%	2755.73%	3466.94%
10K-25K ¹¹	98		\$1,651,790.92	\$1,146,786.85	72.77%	69.43%	48.75%
	76	≤ 100%	\$1,270,814.25	\$441,695.72	34.77%	34.76%	19.71%
	16	100%-200%	\$296,482.53	\$360,310.49	120.66%	121.53%	109.05%
	6	200%-1000%	\$84,494.14	\$344,780.64	426.50%	408.05%	275.57%
	0	>1000%	0	0	0	0	0
25K-50K	71		\$2,610,197.74	\$1,936,321.34	76.17%	74.18%	57.88%
	57	≤ 100%	\$2,086,322.82	\$852,373.62	41.66%	40.86%	34.70%
	11	100%-200%	\$417,055.52	\$511,623.37	125.07%	122.68%	118.95%
	3	200%-1000%	\$106,819.40	\$572,324.35	552.58%	537.79%	708.67%
	0	>1000%	0	0	0	0	0
50K-100K	75		\$5,459,101.83	\$2,380,774.18	46.99%	43.61%	22.34%
	66	≤ 100%	\$4,899,440.32	\$1,329,873.53	27.58%	27.14%	13.87%
	7	100%-200%	\$424,187.17	\$693,945.02	164.05%	163.59%	174.68%
	2	200%-1000%	\$135,474.34	\$356,955.63	277.85%	263.49%	277.85%
	0	>1000%	0	0	0	0	0
100K-250K	63		\$10,196,740.04	\$5,029,001.14	48.52%	49.32%	30.08%
	55	≤ 100%	\$8,979,990.45	\$3,491,735.82	37.12%	38.88%	24.42%
	8	100%-200%	\$1,216,749.59	\$1,537,265.32	126.84%	126.34%	121.19%
	0	200%-1000%	0	0	0	0	0
	0	>1000%	0	0	0	0	0
250K-500K	35		\$12,161,362.38	\$4,654,005.22	39.02%	38.27%	35.11%
	34	≤ 100%	\$11,811,165.35	\$4,249,010.29	36.77%	35.97%	34.23%
	1	100%-200%	\$350,197.03	\$404,994.93	115.65%	115.65%	115.65%
	0	200%-1000%	0	0	0	0	0
	0	>1000%	0	0	0	0	0
500K-1M	17		\$23,108,272.87	\$10,823,478.83	46.19%	48.14%	37.49%
	16	≤ 100%	\$11,283,255.32	\$5,130,452.90	42.80%	45.47%	37.02%
	1	100%-200%	\$541,762.23	\$562,573.03	103.84%	103.84%	103.84%
	0	200%-1000%	0	0	0	0	0
	0	>1000%	0	0	0	0	0
Over 1M	29		\$174,309,536.33	\$174,309,536.33	69.26%	50.05%	81.37%
	24	≤ 100%	\$146,765,123.80	\$58,955,566.27	61.99%	40.17%	67.18%
	5	100%-200%	\$27,544,412.53	\$28,288,267.16	104.15%	102.70%	100.85%
	0	200%-1000%	0	0	0	0	0
	0	>1000%	0	0	0	0	0
Total	677		\$219,280,921.17	\$109,152,240.74	1180.99%	49.78%	54.05%

⁹ This category includes the total receipts reach up to 10K.

¹⁰ This category contains the PACs with Burn Rate range from 100% to 200% (not including the burn rate equals to 100%).

¹¹ This category does not contain the entries with the total receipt equal to 10K.

Attachment 2: 2012 Committee Summary

Tranche (Receipts)	PAC #	PACs with Burn Rate of	Total Receipt	Total Operating Expenditure	Average Burn Rate	Cumulative Burn Rate	Median Burn Rate
0-10K ¹²	380		\$1,216,061.98	\$1,866,918.64	925.43%	153.52%	78.78%
	243	≤ 100%	\$904,684.35	\$412,908.63	48.32%	45.64%	48.42%
	76	100%-200% ¹³	\$230,398.84	\$299,840.36	134.29%	130.14%	127.86%
	35	200%-1000%	\$50,428.32	\$153,526.48	411.18%	304.44%	371.22%
	26	>1000%	\$30,550.47	\$1,000,643.17	12127.86%	3275.38%	2847.43%
10K-25K ¹⁴	143		\$2,341,222.34	\$2,249,474.95	91.04%	96.08%	71.91%
	102	≤ 100%	\$1,652,763.77	\$829,177.18	49.89%	50.17%	52.66%
	33	100%-200%	\$545,162.33	\$714,499.64	130.33%	131.06%	126.05%
	7	200%-1000%	\$121,062.63	\$467,868.20	365.54%	386.47%	351.14%
	1	>1000%	\$22,233.61	\$237,929.93	1070.14%	1070.14%	1070.14%
25K-50K	87		\$3,142,330.65	\$3,012,829.30	90.82%	95.88%	61.86%
	62	≤ 100%	\$2,168,198.10	\$838,444.94	37.17%	38.67%	27.97%
	16	100%-200%	\$605,933.66	\$782,038.89	129.59%	129.06%	120.02%
	9	200%-1000%	\$368,198.89	\$1,392,345.47	391.57%	378.15%	262.49%
	0	>1000%	0	0	0	0	0
50K-100K	65		\$4,623,606.37	\$3,723,493.20	80.23%	80.53%	69.70%
	45	≤ 100%	\$3,218,469.34	\$1,227,053.25	39.51%	38.13%	27.08%
	16	100%-200%	\$1,087,617.75	\$1,484,168.26	136.14%	136.46%	123.02%
	4	200%-1000%	\$317,519.28	\$1,012,271.69	314.70%	318.81%	321.90%
	0	>1000%	0	0	0	0	0
100K-250K	94		\$15,507,684.08	\$17,449,421.68	110.75%	112.52%	84.23%
	56	≤ 100%	\$9,360,460.76	\$3,680,909.19	37.10%	39.32%	26.89%
	24	100%-200%	\$3,788,804.31	\$5,790,992.15	146.84%	152.84%	143.06%
	14	200%-1000%	\$2,358,419.01	\$7,977,520.34	343.46%	338.26%	301.90%
	0	>1000%	0	0	0	0	0
250K-500K	53		\$18,355,603.68	\$22,338,379.00	120.01%	121.70%	91.96%
	31	≤ 100%	\$10,546,925.85	\$5,013,700.41	46.65%	47.54%	45.90%
	14	100%-200%	\$4,997,050.97	\$7,322,828.41	146.84%	146.54%	144.66%
	8	200%-1000%	\$2,811,626.86	\$10,001,850.18	357.35%	355.73%	352.08%
	0	>1000%	0	0	0	0	0
500K-1M	35		\$23,150,174.67	\$27,395,329.65	121.49%	118.34%	119.58%
	16	≤ 100%	\$11,138,232.35	\$7,169,121.01	61.90%	64.36%	54.63%
	15	100%-200%	\$9,588,700.22	\$13,665,703.77	143.51%	142.52%	139.99%
	4	200%-1000%	\$2,423,242.10	\$6,560,504.87	277.27%	270.73%	243.60%
	0	>1000%	0	0	0	0	0
Over 1M	45		\$465,469,062.81	\$353,761,488.16	98.91%	76.00%	92.80%
	29	≤ 100%	\$368,074,021.60	\$227,262,700.49	71.08%	61.74%	77.77%
	14	100%-200%	\$93,782,754.15	\$117,302,730.88	134.66%	125.08%	123.96%
	2	200%-1000%	\$3,612,287.06	\$9,196,056.79	252.16%	254.58%	252.16%
	0	>1000%	0	0	0	0	0
Total	902		\$533,805,746.58	\$431,797,334.58	447.09%	80.89%	77.82%

¹² This category includes the total receipts reach up to 10K.

¹³ This category contains the PACs with Burn Rate range from 100% to 200%, excluding the burn rate equals to 100%, but including the ones equal to 200%. The same rule applies to the following Burn Rate ranges.

¹⁴ This category excludes the entries with the total receipt equal to 10K, but includes the ones equal to 25K. The same rule applies to the following tranches.