

## **Service Delivery Scale and Nonprofit Service Provider Efficiency: Effects of Contract Service Area Consolidation on Combined Federal Campaign Results**

Danielle Vance-McMullen \*

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### ***Abstract:***

Nonprofit organizations in the United States provide a wide array of services on behalf of the government. In these situations, determining the optimal structure of the system is important—should more providers deliver services across smaller areas to increase local tailoring or should fewer providers deliver services across larger areas to take advantage of economies of scale? This paper examines nonprofit intermediaries contracted to implement the Combined Federal Campaign (CFC), the Office of Personnel Management’s workplace giving program for federal employees. Using a difference-in-differences analysis based on service area consolidations, I find that larger service areas typically had lower giving and costs on a per employee basis. The consolidation process itself tended to decrease average giving further but had no additional effect on costs. Combined, these effects yield no change in costs per dollar raised for larger or consolidated service areas; the benefits of consolidation are more modest than CFC administrators had hoped.

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## ***1. Introduction***

Government entities at all levels rely on external providers, such as nonprofit organizations, to deliver services. When government contracts with nonprofit service providers, it is important to optimize the contract's structure, especially the number and size of contracts offered. Each structure has potential advantages. If many nonprofit providers deliver government services within small geographic areas, the nonprofits may maximize local knowledge and tailor their services to local needs. Or, if fewer nonprofit providers deliver government services across larger geographic areas, the nonprofits may minimize costs and take advantage of economies of scale. The present paper examines how contract structures impact the efficiency of nonprofit service delivery. The findings have implications for nonprofit efficiency and government contracting efficiency in general.

In contracting, a fundamental tension exists between local tailoring and production efficiency. Increasing local tailoring often means contracting with smaller service providers that can provide services customized to the local community. However, awarding many small contracts typically duplicates fixed costs, thereby diverting money that could have been spent serving more clients. On the other hand, attempts to increase production efficiency by taking advantage of economies of scale typically mean consolidating contracts between the government and nonprofit service providers so that each service provider serves more clients. If the clients involved in the consolidated contract are not sufficiently similar to each other, then the larger contract is unlikely to serve client needs as well as the original smaller contracts. Early scholars on government service delivery, contracting, and public choice noted this type of tradeoff. Bish and Warren (1972) argue that the structure and scale of government service delivery should be chosen based on two criteria: production efficiency and responsiveness to the preferences of

citizens.<sup>1</sup> They argue that, local and sub-local government structures are preferable when services can be tailored to serve the more uniform preferences of these smaller units. Although the authors are writing about direct government service provision rather than indirect service provision through contracts, their work also applies in the latter context when the contracted service can be tailored to local preferences.

In this work, I focus on the structure of contracting within the Combined Federal Campaign (CFC), the Office of Personnel Management's workplace giving program for federal employees. Although casual observers may not immediately consider the CFC to be a government service, it is. The service the government is providing in this case is the opportunity for federal workers to give. Furthermore, the structure of the CFC is similar to that of many government services. The Office of Personnel Management contracts with one nonprofit organization, such as a United Way, in each local administrative zone to run the campaign on behalf of the federal government. The nonprofit engages in a variety of activities (producing materials, organizing volunteers, processing paperwork) to serve the program's clients, which in this case are charitable federal government workers within the local administrative zone.

The CFC's local administrative zones have consolidated over time. In 2004, there were 313 service areas; by 2013, there were 163. The CFC's consolidation pattern makes it possible to examine the effect of fewer, larger service areas on efficiency. In the case of the CFC, I measure production efficiency using fundraising costs per employee solicited. This is the appropriate measure as solicitations are the "product" that the government is contracting with the nonprofit

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<sup>1</sup> See also Ostrom and Ostrom (1977). Later work lends less attention to diverse preferences. Both researchers and administrative decisionmakers have tended to emphasize production efficiency in general, and economies of scale more specifically (Bovaird 2014).

intermediaries to produce. To measure the quality of tailoring to client needs, I would ideally want to understand employee utility per solicitation. With the data available, I instead measure contributions per employee, which reflects the employee's satisfaction with the campaign processes and the options provided. Finally, to summarize the two constructs, I analyze cost per dollar raised before and after the consolidations.

To understand the effects of service area consolidation on fundraising costs and giving, I perform a differences-in-differences analysis. The treated group in this analysis is the service areas that merge in a given year, and service areas that consolidate in other years are the control group. To validate this choice, I show that consolidation timing is as good as random and zones that consolidate in the years of interest are observably similar to zones that consolidate in other years.

This study finds that consolidation does not have a significant or meaningful impact on costs per dollar raised. The absence of efficiency gains is surprising, as it is not in line with the goals of consolidation in the CFC. After consolidation, service areas experience a statistically significant decrease in dollars pledged per employee, which drives the effect. The negative effect on donations is compounded by diseconomies of scale which decrease dollars pledged per employee in larger service areas. The effect of the decrease in giving is more pronounced than the change to costs. While larger service areas do experience economies of scale related to cost per employee, consolidation does not have any additional effect on cost per employee. The cost-related economies of scale are counteracted by the giving-related diseconomies of scale.

The present research contributes to the limited literature on the Combined Federal Campaign and to ongoing policy discussions about its future. Empirical analyses of the CFC are limited, and focus mostly on the role of overhead ratios (Bowman 2006) and other factors

affecting employees' decisions to donate (LePere-Schloop and Christensen 2014). No literature exists on the contracting structure of the CFC, even though it is an area of active policy change. In 2017, the CFC implemented mandatory zone consolidations, reducing the number of active zones to 37.

Although the CFC is not usually the first example of government-nonprofit contracting that comes to mind, the results presented here also contribute to the contracting literature, which has paid limited attention to the size of monopoly territories. While the CFC is unusual because it serves government employees rather than members of the public, the fundamental size-related tradeoff between costs and responsiveness that exists in the CFC is also present in other contracting arrangements. The outcomes of the CFC provide for an interesting, quantifiable, example of the two forces.

Understanding the consequences of CFC consolidation over time also provides important evidence about the relationship between the scale of nonprofit fundraising and performance. Policymakers, foundation leaders, and other thought leaders in the nonprofit sector have focused a great deal of recent attention on “scaling,” a term used to represent the idea of increasing nonprofit organization size to a minimum efficient scale. In a survey of nonprofit leaders, Mitchell (2015) finds that nonprofit leaders believe organizational size is important to nonprofit effectiveness. Unfortunately, there has been relatively limited scholarly work linking the scale of nonprofit operations and nonprofit efficiency or effectiveness, broadly defined.

The analysis proceeds as follows: Section 2 explains the existing literature related to changing the scale of government-nonprofit contract structures. Section 3 describes in more detail the consolidation of service areas in the CFC. It also explains the patterns of consolidation over this time period and discusses the theoretical effects of consolidation on campaign

performance. Section 4 describes the data and the measures used to analyze campaign performance. It also explains how the analysis sample was constructed. Section 5 describes the main analytical strategy as well as some of the robustness checks performed. Section 6 provides the empirical results, and Section 7 concludes.

## ***2. Literature on Scale in Government Contracting and Nonprofit Organizations***

The present paper examines how changes to the scale of government-nonprofit contract structures impact service delivery. Despite early scholars' attempts to draw attention to the tension between production efficiency and local needs in the context of direct government service provision (for instance Bish and Warren 1972), most research on indirect service provision has focused on production efficiency, as is discussed in this section. The focus on production efficiency in general, and economies of scale specifically, now seems to dominate the literature on both government contracting and nonprofit service delivery.

### **2.1 Economies of scale in contracting**

In practice, increasing production efficiency in government contracting is often equivalent to decreasing costs, because the number of citizens who need to be served is typically held fixed. Theoretically, contracting should generate cost savings by introducing competition and by selecting providers that achieve the optimal scale of production (Bish and Warren 1972, Ferris and Graddy 1986).<sup>2</sup> Two examples illustrate how economies of scale might apply when services are provided by private contractors, such as nonprofits. First, there may be input price savings when services are produced at a larger scale. If nonprofit organizations provide services

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<sup>2</sup> Empirical research looking for evidence of cost savings from contracting out is mixed (Bel et al. 2010, Boyne 1998, Hirsch 1995).

across many municipalities, they may achieve scale that would not have been possible for a government purchaser operating in only one city. Second, nonprofits may be able to smooth capacity utilization over time. If a government requires a certain type of service periodically (for 3 months per year, in the case of the CFC), it may have trouble decreasing labor and other inputs to production during the rest of the year. A nonprofit can be more flexible in managing inputs and avoid this issue (Ferris and Graddy 1986).

Early research investigates the extent to which this economy of scale argument holds in a limited way. The research presents empirical evidence comparing price per unit for a monopoly contract and a private market, typically using the setting of garbage collection and recycling services, and finds that monopoly contracts are more efficient (Dubin and Navarro 1988, Edwards and Stevens 1978). These monopoly contracts allow for production at a larger scale, so this result suggests that economies of scale are likely to be present in these contexts. Later research investigates intergovernmental service delivery, in which economies of scale may be achieved by combining service provision across multiple municipalities (Zafra-Gómez et al. 2013, Warner 2011). Bish and Warren (1972) point out that one issue with intergovernmental service delivery is that it may be less responsive to diverse preferences than municipal provision, presumably since dissatisfied individuals will not be able to relocate to change their service mix.

Like previous research, the present paper is concerned with the effect of contracting arrangements on economies of scale in government service delivery. Although prior research does explore economies of scale, it does not explicitly investigate how changing the size of the monopoly territory affects costs. The present research can inform larger municipalities, states, and federal government agencies that have the ability to manipulate the size of the monopoly territory.

## **2.2 Contracting changes to increase efficiency**

Many papers look at factors that improve contracting success. The aspect of this previous research that most relates to this current paper is the complexity of contract implementation. Theoretically, having fewer and larger contracts can reduce complexity by reducing transaction costs. Previous research has looked at the extent to which potential cost savings are limited by transaction costs such as the cost of monitoring compliance (Nelson 1997) and the extent to which overall contracting performance is decreased by the number of subcontractors (Fernandez 2007). To my knowledge, researchers have not examined how the number of contracts affects production efficiency. Presumably, the gap exists because local contracts, the context of much of the research, tend to be handled as one large contract rather than many small contracts. The present paper examines changes to the number of contracts within a geographic region over time, informing the literature relating contracting complexity to costs.

## **2.3 Production efficiency in the nonprofit context**

The effect of service area consolidation in government-nonprofit contracting is also affected by the specifics of the nonprofit context. There is scattered empirical literature on the effect of scale on nonprofits' production efficiency. Scholars have observed that overhead rates, measured as the proportion of expenditures spent on administration and fundraising, are correlated with the size of the nonprofit organization, as measured by revenues (Wise 1997, Lecy and Searing 2015). In the U.S. context, this relationship takes on an inverse U-shaped relationship, with overhead rates growing initially as small, volunteer-run nonprofits professionalize their operations and declining after a sufficient scale is achieved (Lecy and

Searing 2015). In the U.K., the top 500 charities experience economies of scale in their overhead costs, administrative costs, and the cost to raise a dollar (Hyndman and McKillop 1999).

Clearly, economies of scale in overhead costs are only one aspect of production efficiency in nonprofit organizations—the most important aspects of nonprofit operations are public goods and social services. Measuring this type of output is challenging, however, and this problem has resulted in a paucity of research on this important dimension of efficiency (Hyndman and McKillop 1999). The present paper contributes to the literature on efficacy in nonprofit service production, because, in the CFC, donation opportunities are actually the service produced. Findings about economies of scale in the CFC provide information about production efficiency for other nonprofits that provide donation opportunities, like the United Way. The present paper also contributes to the larger literature on economies of scale in overhead costs, especially for charities that organize fundraising drives.

### ***3 Institutional Context***

The Combined Federal Campaign (CFC) is the largest workplace giving campaign in the nation, raising more than \$250 million annually from federal government employees. The Office of Personnel Management (OPM), a federal government agency, oversees the campaign nationally. The OPM contracts with local nonprofits to administer the campaign within specific contract service areas. The administering nonprofits are known as Principal Combined Fund Organizations (PFCO). The PFCO is hired and directed by a board of volunteers, the Local Federal Coordinating Committee (LFCC), who are employees of the federal government in the local administrative zone. The LFCCs of adjacent zones, in consultation with their respective PFCOs, make consolidation decisions.

The CFC provides a fruitful context to look at the effect of nonprofit intermediaries serving more clients over a larger geographic area. First, CFC service areas have increased in geographic scope over time, mainly due to service area consolidation. In 2004, there were 313 service areas; by 2013, there were 163. The consolidation over this time period is the result of encouragement by the OPM, which issued a series of memos (beginning in 2001) explaining how service areas could consolidate and consolidation's benefits. Furthermore, in CFC Regulations 5 CFR § 950.103(a), it states that "... There is no prerequisite regarding the Federal employee population needed to establish or maintain a CFC. However, rather than establishing or maintaining small campaigns, OPM encourages mergers and expansions of mergers of campaigns to promote efficiency and economy."

The OPM memos seem to be responding to rising costs of the CFC overall. CFC costs were highlighted in the report of the 2012 CFC-50 Commission.<sup>3</sup> In addition, the OPM Merger Guidelines highlights cost considerations in its discussion of merger activity. The first reason for a merger discussed in the document is, "Desire to lower high administrative costs – campaign expenses are in excess of 15% of total campaign receipts" (p. 1). Finally, the OPM has justified the 2017 restructuring of the CFC on cost-related grounds, with OPM Director Katherine Archuleta stating "[Employees] wanted lower overhead costs. They wanted more of their money to go directly to the charities they support" (2016).

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<sup>3</sup> A figure in the report shows that the cost of the CFC approximately doubled between 1996 and 2010. This included a substantial increase of 50% between 2002 and 2008 (CFC-50 Commission 2012). It is unclear from the report if these numbers are inflation-adjusted.

A second reason that the CFC is a context to examine this research question is because the regulated nature of the CFC provides a degree of standardization to the various offices, which simplifies the consolidation analysis. Federal rules regulate aspects of the campaign such as the organization of volunteer committees, the information provided to donors, the time period for solicitation, and the participation of local (and national) charities.<sup>4</sup> The fact that the context is governed by federal rules reduces the number of variables changing over time, and specifically reduces the changes that might occur simultaneously with the consolidation and complicate the analysis.

### **3.1 Patterns of CFC consolidation**

The CFC experienced a relatively steady period of consolidation between 2005 and 2013. Two forms of consolidation occurred, and each form can be illustrated by examining changes to the Iowa CFC zone boundaries. The Iowa CFC zone boundaries for 2004 and 2013 are shown in Figure 1.

The changes to the CFC in western Iowa were relatively straightforward. In 2008, the Siouxland Area CFC (labeled 1 on map) consolidated into the Heart of the Midlands CFC (labeled 2 on map). I consider this to be a standard consolidation, since two or more administrative zones consolidated without changing the boundaries or the employees served. The central Iowa changes are different, and include a second type of consolidation, which I term a non-standard consolidation. First, in 2009, the Ames area CFC (4) merges into the CFC of East Central Iowa (3) to form the Central Iowa CFC. The 2009 change is a standard consolidation.

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<sup>4</sup> CFC regulations are found in Title 5, Part 950 of the Code of Federal Regulations.

Then, in 2010, the Central Iowa CFC merges into the Northern Lights CFC (not numbered on 2004 map because it is administered out of Minnesota). During this process, the Northern Lights CFC also adds the remaining counties in Iowa.<sup>5</sup> I consider this to be a non-standard consolidation, because changing the boundaries means that the final group of employees in the zone will not be the sum of employees in the two original zones. I exclude consolidations of this type from most analyses, because I cannot discern if changes in outcomes are due to the consolidation or due to the newly-included employees.

Online Appendix A lists the 121 consolidation events that occurred between 2005 and 2013 in the entire United States. There are 25 non-standard consolidations, leaving 96 standard consolidation events in most analyses. The number of standard consolidations and other types of changes to zone boundaries in each year is displayed in Table 1. The second row shows the number of zones with standard consolidations in each year. As described previously, standard consolidations are those where two or more administrative zones were combined without changing the boundaries or the employees served. The average number of standard consolidations per year was 23. The third row of Table 1 shows the number of zones that experience non-standard consolidations or other changes to the campaign's boundaries. Changes to boundaries were typically made by adding counties that were previously not covered by any zone or by transferring counties to other zones. Because the number of counties that are not covered by any zone has decreased, the number of these types of changes waned in recent years. Finally, the last row of Table 1 shows that most zones did not change boundaries between years.

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<sup>5</sup> Some Iowa counties are added to the Northern Lights CFC in 2009 and some are added in 2010. However, this is not critical to the description.

As shown in Table 2, the consolidation events involve 170 of the original zones from 2004. By 2013, 58 of the 163 zones that remain had experienced at least one consolidation during the previous 10 years. Among the final zones, 70 had experienced no changes to campaign boundaries during that time period.<sup>6</sup> Table 2 also shows that, due in large part to consolidations, the number of employees in the average CFC zone nearly doubled between 2004 and 2013. During the same time period, the pledges and costs in the average zone also grew, but more slowly. Since pledges grew more slowly than employees, it should not be surprising that the giving per employee dropped substantially during this time period. The decrease is due to substantial decreases in participation. The size of the average pledge grew during this time period, which indicates that participation decreases were concentrated among smaller donors. The costs per employee solicited and cost per dollar raised both grew between 2004 and 2014.

### **3.2 Potential mechanisms affecting consolidation outcomes in the CFC**

Consolidation changes two aspects of CFC operations: (i) the management and (ii) the scale of operations, including both the number of employees and the number of nonprofits within the service area. Scale effects should be observed any time that a zone grows, including during consolidation, while management effects should only be observed when consolidation occurs.

When zones are consolidated, the staff members managing the campaign change for the absorbed zone. On average, one might expect the effect of this change to be positive on production efficiency. The expectation would hold if, generally, a zone with higher production

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<sup>6</sup> 35 of the final service areas experienced a change to campaign boundaries that was not due to a consolidation. The typical (non-consolidation) change was adding counties that were not previously covered by any CFC service area. I exclude these changes from the analysis, as discussed in the data section.

efficiency absorbs a zone with lower production efficiency and management skill positively affects production efficiency. However, the rather restrictive administrative rules guiding the policies and procedures of the CFC might limit the role of managers in service delivery, and therefore might somewhat mute the effect of managerial skills. Changes in campaign management can also have negative consequences. New managers may not have strong relationships with leadership volunteers, federal employee managers, and nonprofit organizations in the absorbed zone. Limited relationships may mean that managers are not able to tailor programs to local needs and preferences.

The scale of campaign operations also changes when zones are consolidated. The larger scale means that more employees and nonprofits are covered by each nonprofit administrator. Changing the number of covered employees is likely to have effects on both employee services and services to participating local nonprofit organizations. First, many employee services, such as website setup and newsletters, have a cost structure with large fixed costs and low variable costs. With this cost structure, the average cost per employee is likely to decrease as the number of employees served increases, leading to an increase in production efficiency. Figure 2 is a scatter plot showing the relationship between the cost of administering the CFC within a zone and the number of employees of the zone. The concave fitted lines support the hypothesis that the CFC experiences economies of scale.

The other way that scale manifests itself in the CFC is through scale's effect on the services to participating nonprofit organizations. After consolidation, a zone encompasses more nonprofit organizations, which may be beneficial to nonprofit participation and may result in a more satisfactory set of options for employees. However, if participation is reliant on personal

communication between staff and nonprofit organizations, perhaps because many nonprofits have questions about the required forms, then consolidation may negatively affect participation because there may be a limit on the number of nonprofits that the staff can assist. Limited relationships between new managers and nonprofits in the absorbed area may also deter participation. If nonprofit participation decreases, this may have a negative effect, as employees may not be able to access the nonprofit options that they had prior to consolidation. Table 3 shows that nonprofit participation typically decreases after consolidation, and that the average effect across all years is statistically significant.

The combined effect of all these changes is complex. However, given that zones choose to consolidate, the employee volunteers in the two LFCCs who are making the decision must believe that the effect is positive on some dimension. The decisionmakers would not choose to consolidate if they expected both employee satisfaction with the campaign to decrease and the cost of the campaign per employee to increase. If the decisionmakers are rational and well-informed, then one should hypothesize a positive overall effect of consolidation on cost per dollar raised.

#### ***4 Data***

The national office of the CFC/OPM has provided aggregate data at the level of the local administrative zone from 2003 to 2013 for this work. The data include total dollars donated in the zone, information on number of donors and employees solicited, and a measure of campaign costs.

I use the data to test whether consolidation of service areas affects production efficiency, employee satisfaction with local tailoring, and overall efficiency in the context of the CFC.

Production efficiency is measured using cost per employee. Cost per employee is a good measure of production efficiency because the service being provided is the opportunity to donate. The cost variable used is the budgeted costs reported by the CFC on the year-end summary report.<sup>7</sup>

To explore the relationship between consolidation and employee satisfaction with local tailoring, I examine three outcomes. The first is dollars pledged per employee. Dollars pledged per employee is calculated by taking the total amount donated in the service area and dividing it by the number of employees served. Dollars pledged per employee is not a direct measure of employee satisfaction with local tailoring. However, surveys on employee satisfaction were not conducted by the CFC and would be prone to self-reporting biases if they were available. Instead, dollars pledged per employee is used to indirectly measure overall satisfaction of employees with the workplace giving opportunity provided by the CFC. If dollars pledged per employee is falling after controlling for economic conditions and other environmental factors, this is arguably a signal of falling satisfaction, because it indicates that employees were happier with an earlier version of the CFC's system or offerings. I also examine the two determinants of dollars pledged per employee: participation rate, which is also known as the proportion of employees giving, and dollars pledged per donor, which is also known as average gift size. These two measures might capture different aspects of satisfaction. The participation rate might capture satisfaction with the solicitation process, while dollars pledged per donor might capture

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<sup>7</sup> The data include budgeted costs for all years. In addition, the data include actual costs reimbursed for 2011 and 2012 and estimated final costs for 2012 and 2013. The correlation between budgeted and actual costs is 0.997, and the correlation between budgeted and estimated costs is 0.999. Results are robust to including actual costs rather than budgeted costs.

satisfaction with the selection of local nonprofit organizations participating in service area.

Encouraging participation by local organizations may be a form of customizing the campaign to local preferences.

To understand the combined effect of changes to production efficiency and changes to satisfaction, I examine overall efficiency. I measure overall efficiency using cost per dollar raised. Cost per dollar raised is a common efficiency measure in the fundraising profession (BoardSource 2017), and it also has the benefit of being the quotient of the other primary measures of interest. Since the primary purpose of the CFC is to raise funds, using a measure of fundraising efficiency is an appropriate way to describe the overall efficiency of the work.

$$\text{Cost per Dollar Raised} = \frac{\text{Cost per Employee}}{\text{Dollars Pledged per Employee}}$$

The treatment I am interested in is standard consolidation of zones in the CFC. Because most of my control variables are only available from 2008 onwards, I define a service area as treated if the zone experiences a consolidation from 2009 onwards. Using the 2009 cutoff means that I always have one year of pre-treatment characteristics, including controls. When a service area undergoes multiple consolidations post-2009, I consider the year of first consolidation to be the treatment year.

In addition to the data provided by the CFC, I use the campaign maps provided by the CFC to create zone-specific, time-varying control variables for 2008 to 2013. I include three types of control variables: variables related to the characteristics of federal workers in the zone, variables related to local economic conditions, and variables related to zone characteristics. Federal workforce data comes from three sources. The primary source is the Office of Personnel

Management, which releases individual-level statistics on federal civilian employees each year.<sup>8</sup> I select the following characteristics to include as controls: mean length of service, mean age, mean salary, proportion with a professional occupation type, proportion with an administrative occupation type, proportion female, and proportion permanent. I also use Congressional Research Service data on the size of the postal workforce<sup>9</sup> and Department of Defense reports on the size of the military at the state level over time. The counts by state-year from these three data sources allow for the estimation of percent postal employees and percent military employees by zone and year. Each of these personnel-related control variables is supported by prior research (Osili et al. 2011, Nesbit et al. 2012, Leslie et al. 2013, Shaker et al. 2014, Christensen et al. 2016).

The model also includes two measures of local economic conditions in the control variables: unemployment and per-capita income. Unemployment is measured using civilian data reported by the Bureau of Labor Statistics.<sup>10</sup> Income is measured using per capita personal income data from the Bureau of Economic Analysis.<sup>11</sup> Local economic conditions can affect workplace giving in two ways: through the economic situation of a spouse who is not a federal employee and through changing perceived charitable need in the local community. When per-capita income and unemployment in a local area change, it changes the probability that the

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<sup>8</sup> OPM data is recorded at the individual worker level, but location of the worker is identified by State, rather than by county. When a zone is only in one state, I assign the zone the state-level means for each variable. When a zone spans more than one state, I assign the zone the county-weighted average of the two state-level means.

<sup>9</sup> Only career employees are included in the 2009 and 2010 data. For these two years, I estimate the total postal employees under the assumption that the proportion of career to non-career employees is same across states.

<sup>10</sup> Zone-level unemployment is the total civilian unemployment in the within-zone counties divided by the total civilian labor force in the counties.

<sup>11</sup> Zone-level income is calculated as the mean value of per capita personal incomes for the counties within the zone's service area.

spouse of a federal worker is unemployed or underemployed. Previous research shows that income, employment status, and awareness of local need are linked to charitable giving (Toppe et al. 2002, Havens et al. 2006, Bekkers and Wiepking 2011).

Finally, I construct a variable to capture the proportion of a service area that is offering employees the option to give online. I use data from the CFC's two main online giving software providers, which account for the large majority of online giving, to observe the zones using online donations in each year. It is necessary to include an indicator for online giving as a control because consolidation and changes to online giving are correlated. Typically, when a zone offering online giving consolidated with a zone that did not offer online giving, the system was expanded to include the new employees. To avoid misattributing changes due to online giving options to consolidation, the availability of online giving must be included as a control.

#### **4.1 Constructing the analysis sample**

The goal of the analysis is to understand how consolidation affects campaign results. Campaign results need to be easily comparable before and after consolidation. While the results after consolidation are naturally contained on one zone's record, the results prior to consolidation span two or more zones' records. Combining these two or more zones' records into one data point per year of the panel is necessary for a proper comparison. The process of combining records over a long panel is complicated by the fact that zones experience changes other than standard consolidations. When zones experience non-standard consolidations, in which counties are added or subtracted from the service area, the pre-consolidation and post-consolidation results are no longer comparable because different employees and offices are covered. Therefore, these zones must be excluded from the analysis.

I construct the combined-record analysis sample in three steps. First, I limit the data to all zones that existed in 2013 and experienced at least one standard consolidation. I assign each of these zones a unique identifier. Second, I work backward over time and assign that same identifier to the group of zones that consolidated to form the 2013 zone. Third, if counties are added or subtracted from the zone, I code all previous years for that zone as missing. By coding the zone as missing, I eliminate years where a zone's boundaries are not comparable to the final boundaries. The final analysis sample contains one record per year for each geographic zone that will eventually consolidate. The record encompasses the same set of counties, and therefore the same federal workers, for all years.

#### **4.2 Descriptive statistics for the analysis sample**

Table 4 contains descriptive statistics for the analysis sample. The sample contains 45 geographic service areas with at least one standard consolidation post-2009. The panel contains 26 service areas with full 10-year panels, and many shorter panels due to non-standard consolidations and similar changes. The average panel length is 8.3 years. Table 4 includes covariate means and standard deviations for the analysis sample, as well as minimum and maximum values.<sup>12</sup> Most of the service areas experience only one standard consolidation within the years covered by the analysis sample. However, 13 experience two standard consolidations, 4 experience three consolidations, and 2 experience four consolidations.

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<sup>12</sup> The control variables have fewer observations (250 rather than 375) because they are only included for 2008 to 2013 at this time.

## ***5 Method of Analysis and Identification***

To understand the effects of service area consolidation on fundraising costs and giving, I perform a differences-in-differences analysis which exploits the time variation in consolidations. Formally, I estimate fixed effects ordinary least squares (OLS) regressions, where I use CFC outcomes (as previously described in the data section) as the dependent variable. I control for number of workers in the zone (using both a linear and quadratic term to increase flexibility), the time-varying zone characteristics described above (economic characteristics, demographic characteristics, and online activity), and zone and year fixed effects. In a second model, I add group-specific linear time trends to the analysis and allow treated groups to follow a different time trend following consolidation. This change increases model flexibility by allowing both an initial and a long-term effect of consolidation.

The analysis uses service areas that consolidate in a given year as the treated group. The control group for each treatment year includes zones which are treated in other years and those where treatment occurs pre-2009. The use of time-varying treatment years is common in the literature, and requires that three assumptions be satisfied: parallel trends, random treatment timing, and non-time-varying treatment effects (Goodman-Bacon 2018). Table 5 shows that treatment and control groups are observably similar prior to consolidation. Table 5 includes evidence from three years of the panel (other years give similar results). As shown in the last column of Table 5, there are no significant differences between the zones about to consolidate and those that consolidate in other years. A second assumption is that consolidation timing is random. If consolidation is random, then there should not be any observed predictors of consolidation timing. A logit model was used to test the correlation between observed zone

characteristics and consolidation timing. The results support the proposition that consolidation timing is random. Further anecdotal evidence suggests that the choice to merge may be primarily driven by staff turnover at the intermediary nonprofit administrators and only secondarily related to campaign costs or results (G. Masai-Wood, personal communication, January 2014).

Additional evidence on parallel trends and non-time-varying treatment effects is presented in the following section.

## ***6 Consolidation Outcomes***

This section explores the main question of whether consolidation influences outcomes in the CFC. I begin with some examples of consolidations and figures based on the raw data. These results do not control for other important factors which may affect CFC outcomes over time.

Next, I present the results of the regression analyses that include controls and reflect the identification strategy discussed in Section 5.

I start by showing the overall results of consolidation over time using a set of figures. Figure 3 shows the cost per dollar raised over time for consolidating zones and non-consolidating zones, by year of consolidation. For example, the first, upper-left, figure shows the cost per dollar raised for zones that consolidated in 2009, relative to zones that did not consolidate from 2004 to 2013. In these figures, post-consolidation years are to the right of the vertical lines, and pre-consolidation years are to the left of the vertical lines. Post-consolidation gains in cost per dollar raised would be shown by a solid line that decreases and diverges from the dashed line during the post-consolidation years. In most of the figures, immediate post-consolidation gains are not evident. However, the 2011 consolidations appear to have produced both immediate and

longer-term efficiency gains. The 2012 consolidations may also fit this pattern, although there is substantial noise in the analysis for this year, due to a small number of 2012 consolidations.

The results from the basic differences-in-differences OLS analysis are shown in Table 6. Pure scale effects of larger zones are shown by looking at the coefficients on the employee and employee-squared variables. The scale effects within the CFC seem to be consistent with theory. Adding more employees to a zone tends to lower costs per employee and lower dollars pledged per employee. Changes of more than 134,000 employees (139,000 for costs)<sup>13</sup> tend to have the opposite effect, but the fact that the average zone has around 25,000 employees makes this largely a moot point. Importantly, scale does not change the cost per dollar raised. Consolidation does not improve overall CFC fundraising efficiency based on scale alone.

Additional effects of consolidation are shown by looking at the coefficient on the treated and post-consolidation interaction variable. Most of the post-consolidation coefficient values cannot be statistically distinguished from zero, and some of the coefficients yield contradictory implications for theory. The effect of consolidation on donor satisfaction is difficult to interpret from these findings. One significant finding is that, after consolidation, dollars pledged per donor, which is the size of the average donation, decreases by \$13.52. The negative coefficient seems to indicate a decrease in satisfaction. However, positive but insignificant coefficients on consolidation in the giving per employee (5.570) and participation (0.0183) columns indicate that a positive effect on donor satisfaction cannot be ruled out. The negative and significant coefficient on dollars pledged per donor (-13.52) might also support this contradictory

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<sup>13</sup> This figure has a large standard error and should not be relied on as a point estimate.

conclusion, because average gift size is affected by selection—increases in participation are nearly always among smaller donors, and drive down average gift size. I find no statistically significant effect of consolidation on cost per employee or cost per dollar raised. One possibility is that one-time costs from consolidation expenses are driving this result, which can be examined using Model 2.

Table 7 shows the preferred model for analyzing the effects of consolidation. This model includes group-specific time trends to account for any pre-treatment differences in the trajectories of the two groups.<sup>14</sup> The model relaxes the assumption that consolidation leads to an immediate and permanent shift in efficiency measures. After relaxing this assumption, the results related to the scale effects of consolidation remain the same, although the other results change dramatically. After controlling for number of employees and other economic and demographic factors, consolidation is associated with a significant decrease in dollars pledged per employee of \$18.57, indicating a decrease in employee satisfaction. The coefficients on participation and dollars pledged per donor have the expected signs, given the decrease in dollars pledged per employee, but are not significant. Table 7 also shows insignificant coefficients on time trends following consolidation, which lends support to the modeling assumption (discussed in Section 5) that the treatment does not vary with time.

The inclusion of a differential post-treatment time trend also changes the relationship between consolidation and production efficiency, measured by cost per employee, after controlling for number of employees and other relevant controls. These results fail to find a

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<sup>14</sup> The coefficients on the interactions for treatment and time are not significant, indicating that there is not a substantial different in pre-treatment trends.

statistically significant decrease in costs, either initially or over time. The overall effect of consolidation on performance, measured by cost per dollar raised, is also non-significant. If significant, the positive coefficient on cost per dollar raised would indicate that production efficiency may outweigh consumption efficiency in determining overall performance. However, in the absence of a statically significant result, one cannot determine which effect is stronger.

The effect of scale on CFC outcomes shown in Table 7 remains the same as in Table 6. Like in Table 6, the coefficients on the employee variables in Columns 4 show that program costs per employee decreases as the number of employees covered by a zone increases, with the effect diminishing as the size increases. In contrast, column 5 shows that there is no effect of number of employees on cost per dollar raised. Adding employees seems to lower costs but also lower giving, on average, yielding little changes in cost per dollar raised. These results fail to find overall economies of scale on fundraising efficiency in the CFC.

Table 8 provides more detail regarding the effect of consolidation over time. Like in Table 7, this analysis tests whether the consolidation effect fades or increases over time. However, the model shown includes yearly indicators rather than fitting one line after treatment. The same specification also tests whether treated campaigns share common pre-consolidation trends which may be affecting the observed treatment effect by including indicators for years prior to consolidation, or leads, in the differences-in-differences regression. If the leads of the treatment are significantly different from the control group, then the observed treatment effects (or non-treatment effects) might be attributable to pre-treatment trends. In Table 8, none of the lags or leads variable coefficients are significantly different from zero. The insignificant coefficients on the leads support the parallel trends assumption, although the overall lack of

significance (including on the lags, which are significant in Table 7) may indicate that data is underpowered, and does not have a sufficient number of observations for this type of analysis.

## ***7 Discussion***

These results have implications for theory and policy regarding nonprofit-government contracting and consolidation in the nonprofit sector more generally. I use the CFC as a means to explore the extent to which contract structure affects performance and nonprofit scale affects economies of scale and fundraising efficiency.

Using the preferred model, I conclude that consolidation decreases the employee satisfaction with the CFC, as measured by donations per employee. Larger zones also experience diseconomies of scale in donations. These results suggest that consolidation decreases local tailoring of programs to local preferences and fails to replicate the relationships between service providers and service recipients in the local federal workplaces..

The preferred model also suggests that, while larger service areas experience economies of scale, the consolidation process itself does not yield significant decrease in cost per employee. This suggests that efficiency differences between zones are generated by their inherent structural characteristics, such as the number of employees, not by the behaviors of the nonprofit organization administering the campaign in the local zone.

These cost-related economies of scale tend to counteract the diseconomies of scale related to donations per employee. Overall, the preferred model finds no differences in the performance of the CFC following consolidation. Economies of scale in cost per dollar raised are not present. The benefits of consolidation are, at best, more modest than CFC administrators had hoped.

This work finds no evidence that economies of scale related to cost per dollar raised exist in workplace giving campaigns like the CFC. This result may explain the lack of positive results from the CFC's recent mandatory consolidations which reduced the number of service areas from 100 to 37. Other types of workplace giving campaigns, like those conducted by United Way, operate at a much smaller scale. (There are over 1,200 United Way zones in the United States). This suggests that this approach may be optimal in the primary goal of the United Way is to maximize donor engagement and minimize cost per dollar raised. Future research is needed to determine if these types of organizations, or indeed other non-workplace giving nonprofits, are operating at a part of the cost curve where economies of scale might apply.

The present paper is the first to look at the effect of changing the size of territory covered by a service provider through a governmental contract. The results indicate that consolidating small contracts into larger ones is not an effective way to increase efficiency, at least in this context. Unfortunately, I cannot observe fine-grained details about the contracting relationship, such as the identity of the nonprofit intermediary, the qualifications of the staff, or the specific activities conducted. The mechanisms underlying the changes in consumption efficiency and production efficiency cannot be determined by this work, and should be the subject of future research.

Finally, the CFC is unusual because its clients are government employees. Contracts between the government and nonprofit providers typically provide services to members of the public. Future research should examine if changing the size of the service area leads to efficiency improvements in other contracting relationships.

This work opens up new research questions regarding the scale of government-nonprofit contracts in contexts ranging from child welfare services to refugee resettlement programs to job training centers. Considering the scale of services in other contracting contexts has the potential to increase the overall efficiency and effectiveness of government-nonprofit contracting in the United States

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Figure 1. Example of CFC Geographic Zone Consolidations

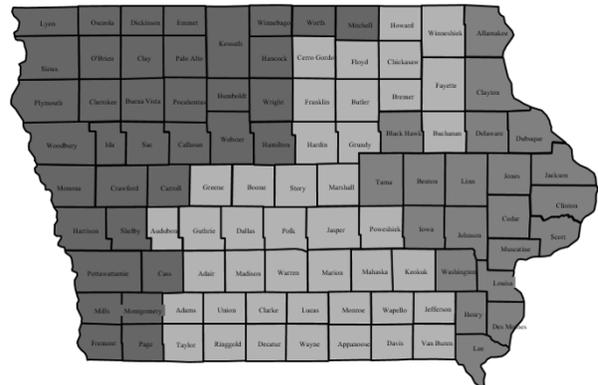
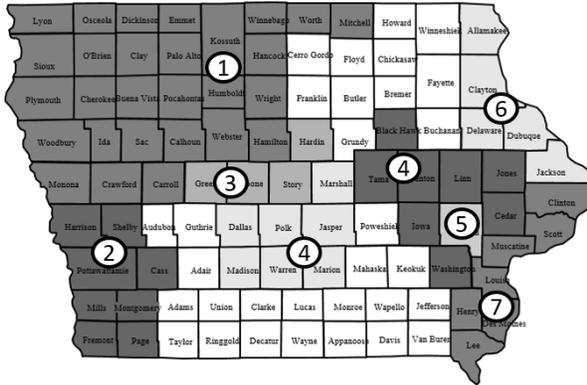
# Service Area Consolidation, Iowa 2004 to 2014

2004, 8 campaigns

8 administering nonprofits\*

2014, 3 campaigns

3 administering nonprofits\*



\* Typically United Way or similar nonprofit administrators

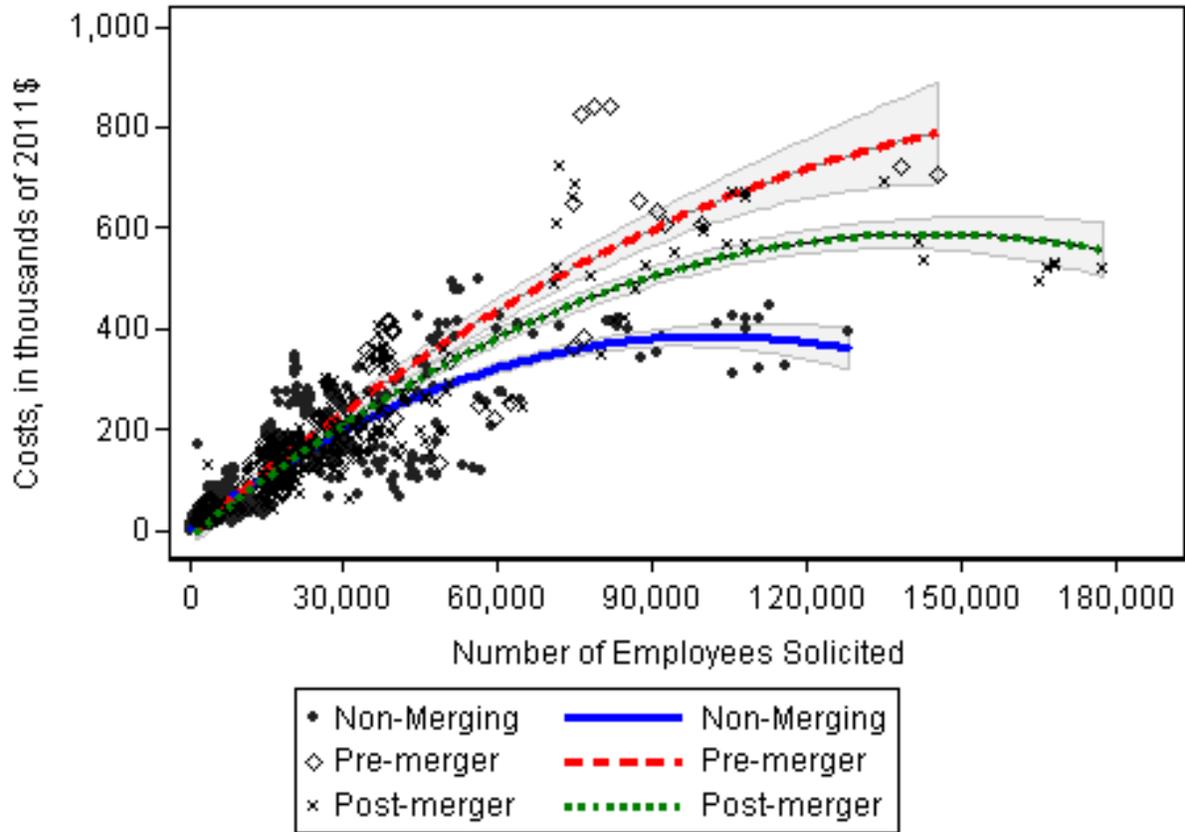
Source: Campaign maps from national Combined Federal Campaign office.

Table 1. Summary of Campaign Zone Consolidations

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Number of Zones	313	299	277	260	243	226	209	197	184
Standard Consolidations Next Year	20	31	21	23	20	21	12	21	36
Non-standard Consolidations, Boundary Changes Next Year	17	20	14	23	26	23	19	10	5
Unchanging Next Year	276	248	242	214	197	182	178	166	143

*Note:* In 2013, 163 zones remain. Standard consolidations are those where two or more zones are combined without changing the employees eligible for the CFC in either zone. Non-standard consolidations are complex consolidations where the new zone includes individuals who were not part of either of the original zones due to simultaneous county additions or subtractions. No data manipulation (combination) of zones that will consolidate in the future has occurred.

Figure 2. Cost Function for the CFC (Showing Economies of Scale)



*Note:* All dollar amounts in 2011 dollars. Shaded lines are 95 percent confidence intervals. Only zones with less than 200,000 employees are included. Pre-consolidation costs and employee counts are the the sum of the values for the zones that will consolidate in the future.

Table 2. Summary Statistics for Zone-level Data

	Year	
	2004	2013
<b><i>Zone Information</i></b>		
Number Employees Solicited	12,731 (30,973)	24,783 (40,996)
<b><i>Giving Information</i></b>		
Total Zone Pledges (2011 \$)	977,431 (4,026,308)	1,241,991 (4,017,146)
Number Employees Giving	4,135 (12,339)	4,013 (8,289)
Participation Rate	27.87 (12.564)	16.77 (10.401)
Dollars Pledged Per Employee (2011 \$)	62.78 (34.99)	48.87 (34.16)
Dollars Pledged Per Donor (2011 \$)	229.95 (78.33)	295.86 (108.59)
<b><i>Cost Information</i></b>		
Budgeted Cost for Zone (2011 \$)	94,442 (305,590)	159,203 (384,040)
Budgeted Cost Per Employee Solicited (2011 \$)	7.56 (4.54)	7.79 (5.61)
Budgeted Cost Per Dollar Raised	0.131 (0.058)	0.177 (0.096)
<b><i>Consolidation Information</i></b>		
Number of Zones that Ever Consolidated	170	58
Number of Zones with Constant Boundaries	70	70
Observations	313	163

*Note:* Standard deviations in parentheses. Based on records from CFC. No data manipulation (combination) of zones that will consolidate in the future has occurred.

Table 3. Comparison of Nonprofit Participation in the CFC, Year-over-year differences for Consolidating and Non-consolidating Zones

	Means		Difference, T-test
	Consolidating	Not Consolidating	
Change in Nonprofit Count, 2008 to 2009	-0.67	-0.30	-0.37
Change in Nonprofit Count, 2009 to 2010	0.16	0.34	-0.18
Change in Nonprofit Count, 2010 to 2011	-0.00	0.02	-0.02
Change in Nonprofit Count, 2011 to 2012	-0.08	0.03	-0.11
Change in Nonprofit Count, 2012 to 2013	-0.04	0.01	-0.05*
Change in Nonprofit Count, All Years	-0.06	0.04	-0.10*

*Note:* \*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$ . First column includes zones that have simple consolidations from 2009 to 2013. Second column includes zones with no consolidations and zones with simple consolidations that occur in other years. Only zone-years that are part of the final analysis sample are included here. Only local organizations are included. If a single nonprofit appears in both zones pre-consolidation, it is only counted once to avoid artificially inflating the pre-consolidation count.

Table 4. Summary Statistics on Analysis Sample

	Consolidated Data				
	N	Mean	Std Dev	Min	Max
Total Pledges (\$)	375	1,708,682	(1,716,409)	54,951	7,739,507
Dollars Pledged Per Employee (\$)	375	57.79	(22.81)	8.02	169.00
Participation Rate	375	0.226	(0.081)	0.030	0.559
Dollars Pledged per Donor (\$)	375	263.81	(70.46)	99.10	530.87
Budgeted Costs (\$)	375	194,940	(168,477)	12,860	844,012
Budgeted Cost Per Dollar Raised	375	0.138	(0.066)	0.050	1.037
Budgeted Cost Per Employee	375	7.45	(3.49)	2.05	37.36
Number Employees Solicited	375	30,253	(30,433)	1,163	177,341
Offers Online Giving	250	0.382	(0.436)	0.000	1.000
Per Capita Personal Income (\$)	250	36,628	(5,311)	27,453	51,698
Unemployment Rate	250	0.083	(0.022)	0.036	0.159
Average Length of Service	250	12.92	(0.98)	10.24	15.87
Average Age	250	45.83	(0.68)	43.81	47.44
Average Salary (\$)	250	70,634	(6,253)	57,085	91,766
Pct Female	250	0.436	(0.039)	0.286	0.514
Pct Permanent Status	250	0.874	(0.034)	0.745	0.937
Pct Professional Category	250	0.249	(0.034)	0.179	0.356
Pct Administrative Category	250	0.324	(0.051)	0.217	0.449
Percent Uniformed Military	250	0.221	(0.176)	0.000	0.655
Percent Postal Service	250	0.195	(0.125)	0.000	0.487

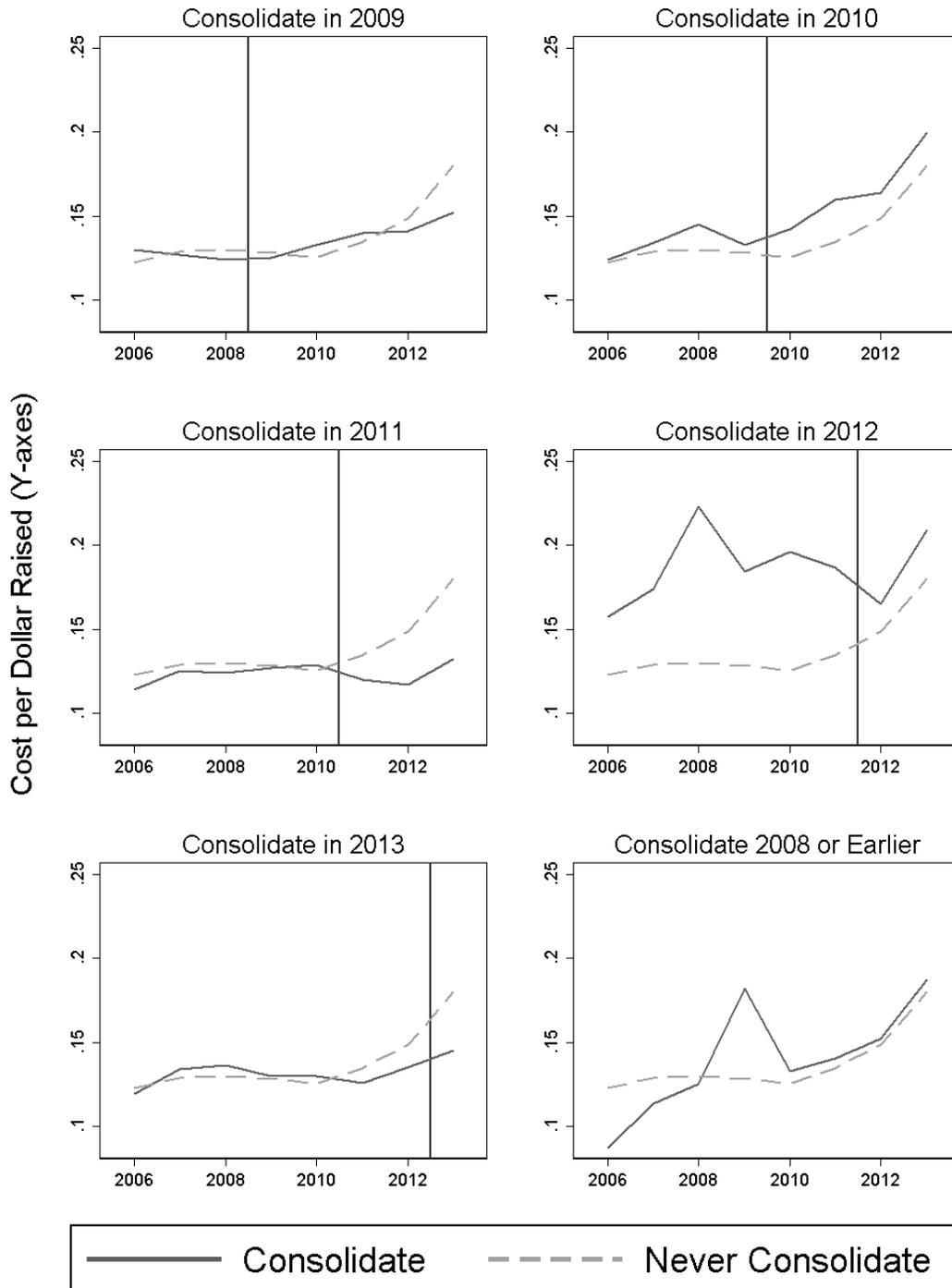
*Note:* All dollar amounts in 2011 dollars. Data has been manipulated so that zones that eventually consolidate are in one record. Control variables available for a smaller panel of years, leading to a lower number of observations for these variables.

Table 5. Covariate Balance - Comparison of Control Groups Over Time

	Zone-level Mean Values		
	Consolidate 2005	Consolidate Other Years	Difference
<b>2004</b>			
Number Employees Solicited	10,608	11,061	-453
Dollars Pledged Per Employee (2011 dollars)	58.25	58.80	-0.55
Participation Rate	26.44	25.98	0.46
Dollars Pledged Per Donor (2011 dollars)	228.61	228.91	-0.31
Budgeted Cost for Zone (2011 dollars)	70,385	83,402	-13,017
Budgeted Cost Per Employee Solicited (2011 dollars)	7.19	7.89	-0.71
Budgeted Cost Per Dollar Raised (2011 dollars)	0.135	0.149	-0.014
<hr/>			
	Consolidate 2009	Consolidate Other Years	Difference
<b>2008</b>			
Number Employees Solicited	15,989	8,404	7,585
Dollars Pledged Per Employee (2011 dollars)	58.18	62.50	-4.32
Participation Rate	24.20	26.82	-2.62
Dollars Pledged Per Donor (2011 dollars)	247.03	237.41	9.62
Budgeted Cost for Zone (2011 dollars)	99,637	81,211	18,425
Budgeted Cost Per Employee Solicited (2011 dollars)	7.62	9.42	-1.81
Budgeted Cost Per Dollar Raised (2011 dollars)	0.143	0.147	-0.004
<hr/>			
	Consolidate 2013	Consolidate Other Years	Difference
<b>2012</b>			
Number Employees Solicited	26,920	19,621	7,299
Dollars Pledged Per Employee (2011 dollars)	49.34	51.51	-2.17
Participation Rate	18.24	17.84	0.40
Dollars Pledged Per Donor (2011 dollars)	281.18	289.98	-8.80
Budgeted Cost for Zone (2011 dollars)	164,816	109,397	55,419
Budgeted Cost Per Employee Solicited (2011 dollars)	6.64	7.07	-0.43
Budgeted Cost Per Dollar Raised (2011 dollars)	0.143	0.159	-0.016

Note: \* p < 0.05, \*\* p < 0.01, \*\*\* p < 0.001. Based on zone-level records from CFC. No data manipulation (combination) of zones that will consolidate in the future has occurred. Campaigns are included in this table if and only if they have a simple consolidation in some year.

Figure 3. CFC Cost Per Dollar Raised Over Time, by Year of Consolidation (and Comparison with Service Areas That Never Consolidate)



*Note:* Vertical lines represent consolidation years noted in the figure titles. Dashed lines represent zones that do not consolidate between 2004 and 2013. Consolidation year was defined as the first consolidation post-2009. If there were 2 consolidations post-2009, data from after the second consolidation was dropped. If there was a consolidation between 2006 and 2009, data before the pre-existing consolidation was dropped.

Table 6. OLS Regression Results

	(1)		(2)		(3)		(4)		(5)	
	Dollars Pledged Per Employee (\$)		Participation Rate		Dollars Pledged per Donor (\$)		Budgeted Cost Per Employee		Budgeted Cost Per Dollar Raised	
Treated × Post-Consolidation	5.570	(4.212)	0.0183	(0.0163)	-13.52*	(6.227)	0.593	(1.050)	-0.0137	(0.00920)
Employees (1000s)	-2.455***	(0.657)	-0.00931***	(0.00245)	-0.245	(0.797)	-0.448**	(0.163)	-0.000751	(0.00204)
Employees (1000s) × Employees (1000s)	0.00918**	(0.00312)	0.0000310**	(0.0000114)	0.00583	(0.00307)	0.00161*	(0.000777)	-0.00000905	(0.00000702)
Per Capita Personal Income (\$1000s)	-1.190*	(0.521)	0.000213	(0.00229)	-1.111	(1.713)	0.149	(0.265)	0.00433	(0.00506)
Unemployment Rate	-65.93	(90.50)	-0.251	(0.441)	109.5	(297.8)	57.73	(69.49)	1.689	(1.554)
Average Length of Service	-2.400	(4.431)	-0.00723	(0.0140)	-18.52	(11.97)	-2.658	(1.677)	-0.0396	(0.0417)
Average Age	-3.982	(6.301)	-0.0324	(0.0313)	20.11	(19.59)	3.080	(3.543)	0.0808	(0.0727)
Average Salary (\$)	0.00203	(0.00103)	0.00000812*	(0.00000357)	-0.00237	(0.00126)	0.000353	(0.000246)	0.000000252	(0.00000152)
Pct Female	-244.3	(274.8)	-0.501	(0.915)	-468.9	(605.8)	-43.53	(79.18)	0.608	(0.920)
Pct Permanent Status	-18.75	(98.83)	-0.332	(0.377)	223.6	(311.6)	-23.52	(41.89)	-0.788	(0.721)
Pct Professional Category	-84.45	(179.8)	-0.223	(0.742)	-409.6	(723.9)	-46.42	(83.97)	-0.803	(1.395)
Pct Administrative Category	-126.6	(145.4)	-0.729	(0.502)	621.9	(369.8)	-50.63	(50.57)	-0.952	(1.050)
Percent Uniformed Military	-23.64	(18.43)	-0.0960	(0.0669)	-93.94*	(39.75)	-4.147	(2.924)	-0.00837	(0.0443)
Percent Postal Service	-25.77	(19.18)	-0.0801	(0.0830)	-131.3*	(64.13)	1.037	(7.575)	0.179	(0.218)
Offers Online Giving	-1.499	(2.799)	-0.0138	(0.0106)	9.960	(6.735)	0.0190	(0.844)	0.00457	(0.0128)
Zone and Year Fixed Effects	Yes		Yes		Yes		Yes		Yes	
Observations	250		250		250		250		250	
Adjusted $R^2$	0.809		0.781		0.920		0.501		0.564	

Note: \*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$ . Robust standard errors, clustered at the (consolidated) zone level. Sample is consolidated records from CFC. Campaigns are included in the analysis sample if and only if they have an observable simple consolidation. The post-consolidation indicator is triggered by the first consolidation in 2009 or later.

Table 7. OLS Regression Results with Treatment-Specific Time Trends Affected by Treatment

	(1)		(2)		(3)		(4)		(5)	
	Dollars Pledged Per Employee (\$)		Participation Rate		Dollars Pledged per Donor (\$)		Budgeted Cost Per Employee		Budgeted Cost Per Dollar Raised	
Treated × Post-Consolidation	-18.57*	(8.733)	-0.0582	(0.0423)	19.98	(32.53)	-1.690	(2.301)	0.0105	(0.0589)
Time	-2.244	(1.918)	-0.0124	(0.00690)	17.76**	(5.625)	-1.129	(0.855)	-0.0146	(0.0227)
Treated × Time	-0.296	(1.541)	-0.000744	(0.00446)	-3.409	(3.473)	0.139	(0.279)	0.00262	(0.00435)
Treated × Post-Consolidation × Time	3.019	(1.526)	0.00953	(0.00586)	-3.576	(4.243)	0.259	(0.282)	-0.00340	(0.00675)
Employees (1000s)	-2.334***	(0.625)	-0.00893***	(0.00238)	-0.498	(0.822)	-0.433**	(0.157)	-0.000819	(0.00189)
Employees (1000s) × Employees (1000s)	0.00865**	(0.00309)	0.0000293*	(0.0000113)	0.00730*	(0.00308)	0.00153*	(0.000758)	-0.00000837	(0.00000613)
Per Capita Personal Income (\$1000s)	-1.173*	(0.558)	0.000279	(0.00214)	-1.327	(1.585)	0.159	(0.272)	0.00443	(0.00520)
Unemployment Rate	-44.97	(86.24)	-0.184	(0.429)	69.55	(282.5)	60.19	(70.95)	1.674	(1.597)
Average Length of Service	-2.884	(4.615)	-0.00887	(0.0136)	-15.68	(10.45)	-2.798	(1.831)	-0.0404	(0.0443)
Average Age	-5.381	(6.236)	-0.0368	(0.0304)	22.65	(16.64)	2.922	(3.416)	0.0818	(0.0699)
Average Salary (\$)	0.00217*	(0.000952)	0.00000860*	(0.00000348)	-0.00315*	(0.00131)	0.000392	(0.000241)	0.000000469	(0.00000192)
Pct Female	-276.6	(264.4)	-0.607	(0.886)	-349.7	(563.3)	-49.84	(74.93)	0.594	(0.855)
Pct Permanent Status	-22.65	(116.3)	-0.347	(0.426)	272.7	(306.4)	-25.79	(44.84)	-0.811	(0.752)
Pct Professional Category	-86.95	(184.5)	-0.232	(0.763)	-374.6	(688.9)	-48.03	(84.46)	-0.820	(1.415)
Pct Administrative Category	-111.1	(137.3)	-0.682	(0.467)	648.3	(367.3)	-51.26	(51.63)	-0.997	(1.049)
Percent Uniformed Military	-22.35	(17.39)	-0.0922	(0.0667)	-88.73*	(41.58)	-4.331	(3.055)	-0.0139	(0.0461)
Percent Postal Service	-24.27	(18.89)	-0.0759	(0.0828)	-122.8	(65.76)	0.716	(7.260)	0.171	(0.217)
Offers Online Giving	-2.986	(2.630)	-0.0186	(0.0106)	12.87	(6.535)	-0.159	(0.960)	0.00554	(0.0160)
Zone and Year Fixed Effects	Yes		Yes		Yes		Yes		Yes	
Observations	250		250		250		250		250	
Adjusted $R^2$	0.812		0.783		0.923		0.499		0.560	

Note: \*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$ . Robust standard errors, clustered at the (consolidated) zone level. Sample is consolidated records from CFC. Campaigns are included in the analysis sample if and only if they have an observable simple consolidation. The post-consolidation indicator is triggered by the first consolidation in 2009 or later.

Table 8. OLS Regression Results with Lags and Leads

	(1) Dollars Pledged Per Employee (\$)	(2) Participation Rate	(3) Dollars Pledged per Donor (\$)	(4) Budgeted Cost Per Employee	(5) Budgeted Cost Per Dollar Raised
<i>Consolidation</i> <sub>t+3</sub>	-5.377 (3.432)	-0.0149 (0.0117)	8.103 (9.461)	-0.0494 (0.507)	0.0129 (0.00955)
<i>Consolidation</i> <sub>t+2</sub>	-0.475 (3.079)	0.00527 (0.00762)	4.494 (7.478)	1.072 (0.655)	0.0188 (0.0128)
<i>Consolidation</i> <sub>t+1</sub>	1.344 (3.147)	0.00830 (0.0100)	3.818 (7.773)	1.012 (0.811)	0.0138 (0.0102)
<i>Consolidation</i> <sub>t</sub>	4.280 (5.617)	0.0171 (0.0212)	0.776 (7.876)	1.153 (1.518)	0.0000558 (0.0107)
<i>Consolidation</i> <sub>t-1</sub>	1.890 (4.504)	0.0135 (0.0181)	-8.736 (9.192)	0.783 (1.199)	0.00814 (0.0133)
<i>Consolidation</i> <sub>t-2</sub>	1.507 (3.773)	0.00234 (0.0139)	-4.039 (8.517)	0.366 (1.014)	0.00429 (0.0115)
<i>Consolidation</i> <sub>t-3</sub>	1.905 (2.948)	0.00660 (0.0102)	-6.176 (9.797)	0.292 (0.742)	0.0101 (0.00846)
Time	-1.615 (1.907)	-0.0105 (0.00771)	16.49** (5.591)	-1.084 (0.941)	-0.0150 (0.0238)
Treated × Time	1.556 (1.057)	0.00534 (0.00343)	-5.283 (2.770)	0.302 (0.339)	-0.00134 (0.00505)
Employees (1000s)	-2.511*** (0.664)	-0.00948*** (0.00243)	-0.405 (0.830)	-0.450** (0.164)	-0.000590 (0.00194)
Employees (1000s) × Employees (1000s)	0.00931** (0.00307)	0.0000310** (0.0000103)	0.00628* (0.00305)	0.00152* (0.000705)	-0.00000217 (0.00000587)
Offers Online Giving	-1.503 (3.385)	-0.0113 (0.0136)	11.63 (7.177)	0.234 (1.134)	0.00623 (0.0150)
Observations	250	250	250	250	250
Adjusted <i>R</i> <sup>2</sup>	0.808	0.780	0.921	0.493	0.550
Zone Fixed Effects	Yes	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes
Employee Demographic Controls	Yes	Yes	Yes	Yes	Yes
Economic Controls	Yes	Yes	Yes	Yes	Yes

Note: \*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$ . Robust standard errors, clustered at the (consolidated) zone level. Sample is consolidated records from CFC. Campaigns are included in the analysis sample if and only if they have an observable simple consolidation. Consolidation is defined as the first consolidation in 2009 or later. Excluded group is those consolidating 2008 or earlier.

## **A Online Appendix**

Table A 1. List of CFC Consolidations, 2005-2013

Year	State	Code	Description
2013	CA	95	Central California CFC merges the Indian Wells Valley CFC (0092) into its boundaries.
2013	CA	105	The SoCal CFC merges the Coachella Valley & 29 Palms Area CFC (0100) into its campaign boundaries.
2013	CO	141	The Metro Denver CFC merges the Larimer County CFC (0142) and Weld County CFC (0145) into its boundaries. The new campaign name is the Rocky Mountain CFC.
2013	FL	192	The Central Florida CFC merges the Space Coast CFC (0181) into its campaign boundaries.
2013	MD	405	The Chesapeake Bay Area CFC merges the Delaware CFC (0175) and the Western Maryland CFC (0407) into its campaign boundaries.
2013	MA	432	The Western Massachusetts CFC merges the Greater Hartford CFC (0162) and Nutmeg CFC (0164) into its campaign boundaries. The new name is the CFC of Connecticut and Western Massachusetts.
2013	MI	457	The Kalamazoo Area CFC merges the Calhoun County CFC (0451) into its campaign boundaries. The new campaign name is the Calhoun and Kalamazoo County CFC.
2013	MO	528	The Gateway CFC merges the Paducah-McCracken Counties CFC (0356) into its campaign boundaries.
2013	NH	571	The Northern New England CFC merges the Capital Region CFC (0620) into its campaign boundaries.
2013	NM	606	Central & Northern New Mexico CFC merges the Southeast New Mexico CFC (0605), the San Juan County CFC (0615), and the Sun Country CFC (0840) into its campaign boundaries. The new campaign name is the Desert Southwest CFC.
2013	NY	638	The North Country CFC merges the Central New York CFC (0634) into its campaign boundaries. The new campaign name is the Central and Northern New York CFC.
2013	NY	639	The Hudson Valley CFC merges the Taconic Valley (0644) CFC into its campaign boundaries.
2013	OH	684	North Coast CFC merges the Greater Northwest Ohio CFC (693) into its campaign boundaries.
2013	OR	728	The Pacific Northwest CFC merges the Coos/Curry/Douglas Counties CFC (0729) into its campaign boundaries.
2013	PA	751	The Southeastern Pennsylvania & Lehigh Valley CFC merges the South Jersey CFC (0580) and the Northeast Pennsylvania CFC (0760) into its campaign boundaries. The new campaign name is the CFC of Eastern Pennsylvania and South Jersey.
2012	AR	72	CFC of Greater Arkansas merges the Jefferson County CFC (0073) into its campaign boundaries.

Table A 1: List of CFC Consolidations, continued

Year	State	Code	Description
2012	CA	96	The Greater Los Angeles CFC merges the SoCal Tri-County CFC (0109) into its campaign boundaries. It changes its name to the CFC of Greater SoCal.
2012	CA	106	CFC Norcal merges the Central Valley/Sierra CFC (0107) into its campaign boundaries.
2012	FL	185	The Northeast Florida-Southeast Georgia Regional CFC merges the Big Bend CFC (0196) into its campaign boundaries.
2012	IL	249	The Chicago Area CFC merges the East Central Illinois CFC (0248) and the Lake County Illinois CFC (0255) into its campaign boundaries.
2012	LA	371	The Fort Polk - Central Louisiana CFC merges the CFC of Acadiana (0376) into its campaign boundaries.
2012	MS	500	* The Greater Mississippi CFC merges the Northeast MS CFC (0501) into its campaign boundaries. It transfers Scott County to the Jackson Metropolitan Area CFC (0503). It adds Itawamba, Noxubee, Jasper, Winston, and Smith Counties to its campaign boundaries. The campaign name changed to the Greater Mississippi CFC.
2012	NY	621	The Niagara Frontier CFC merges the Greater Rochester CFC (0630) into its campaign boundaries.
2012	OH	682	The Ohio River Valley CFC merges the Central Kentucky CFC (0354) into its campaign boundaries.
2012	PA	754	The 3 Rivers/PA West CFC merges the Laurel Highlands (0742) CFC into its campaign boundaries.
2012	SC	772	The Coastal Carolinas CFC merges the Lowcountry CFC (0771) into its campaign boundaries.
2011	AL	5	Heart of Alabama CFC merges the Wiregrass CFC (0003) into its campaign boundaries
2011	CT	164	CFC of Southeastern Connecticut merges the Western Central Connecticut CFC (0163) into its boundaries. The new campaign name is the Nutmeg CFC.
2011	FL	185	Northeast Florida-Southeast Georgia CFC merges the North Florida CFC (0184) into its campaign area
2011	NY	631	Greater Rome Area CFC merges the Greater Utica and Herkimer Counties CFC (0637) into its campaign area
2011	NC	655	* Greater North Carolina area CFC merges the Central Carolinas CFC (0652) into its campaign boundaries. It also adds 18 counties.
2011	NC	656	Southeastern North Carolina CFC merges the Cape Fear Area CFC (0661) into its campaign area
2011	PA	751	Southeastern Pennsylvania and Lehigh Valley Area CFC merges the Lancaster County CFC (0747) into its campaign boundaries

Table A 1: List of CFC Consolidations, continued

Year	State	Code	Description
2011	PA	760	* Luzerne/Columbia Counties CFC merges the Northeast Pennsylvania CFC (0757) into its campaign boundaries. It adds Bradford and Sullivan Counties and changes its name to the Northeast Pennsylvania CFC.
2011	TX	830	* West Central Texas CFC merges the Lubbock Area CFC into its campaign boundaries. It also adds Ector, Garza, and Midland Counties. The new campaign name is Greater West Texas CFC.
2011	TX	840	* Sun Country CFC merges the Val Verde County CFC (0855) into its campaign boundaries. It also adds 10 counties.
2011	UT	870	* Intermountain CFC merges the Southwestern Idaho CFC (0230) and the Southwest Colorado CFC (0147) into its campaign boundaries. It also adds Dolores and San Juan Counties in Colorado.
2010	CA	95	Fresno-Madera CFC merges the Kern, Inyo and Mono Counties CFC (0090) into its campaign boundaries. The new campaign name is Central California CFC.
2010	CA	106	CFC Norcal merges the Yuba-Sutter-Beale CFC (0098) into its campaign boundaries
2010	CA	109	Orange-San Bernardino Counties CFC merges the Mojave Valley CFC (0091) and the Western Riverside CFC (0102) into its campaign boundaries. The new campaign name is So Cal Tri-County CFC.
2010	IN	283	* Greater Indiana CFC merges the Crane Area CFC (0280) into its campaign boundaries. It also adds Brown, Clay, Dubois, Orange, Owen and Pike Counties.
2010	LA	371	The Fort Polk-Central Louisiana CFC merges the Northeast Louisiana (0377) into its campaign boundaries.
2010	MA	432	Pioneer Valley CFC merges the Berkshire County CFC (0434) into its campaign boundaries. The campaign name is changed to the Western Massachusetts CFC.
2010	MN	481	* Northern Lights CFC merges the Central Iowa CFC (0303) into its campaign boundaries. It also adds 20 counties.
2010	MS	500	Southern Mississippi CFC merges the Lauderdale County CFC (0504) into its campaign boundaries.
2010	MO	524	* Heartland CFC merges the Leavenworth Area CFC (0334) into its campaign boundaries. It also added Hickory County, MO.
2010	MO	528	* Gateway CFC merges the Southern Illinois CFC into its campaign boundaries. It also adds 14 counties.
2010	NV	560	The Southern Nevada CFC merges the Northern Nevada CFC (0561) into its campaign boundaries. The new campaign name is the Nevada CFC.
2010	NC	655	Greater North Carolina Area CFC merges the Piedmont Triad CFC (0658) into its campaign boundaries.

Table A 1: List of CFC Consolidations, continued

Year	State	Code	Description
2010	OH	682	Greater Cincinnati Metro Area CFC merges the Boyd-Greenup-Carter-Lawrence Counties CFC (0359) into its boundaries. It changes its name to the Ohio River Valley CFC.
2010	OR	728	* Pacific Northwest CFC merges the Rogue Valley (0726) CFC into its campaign boundaries. It also merges Gray's Harbor and Pacific Counties in Washington (formerly served by the Olympic Peninsula CFC (0932)) into its campaign boundaries.
2010	TX	857	CFC of North Texas merges the Jackson County CFC (0705) into its campaign boundaries. The new campaign name is CFC of North Texas and Jackson County, OK.
2009	AL	5	Heart of Alabama CFC merges the West Alabama CFC (0010) into its campaign boundaries.
2009	AR	72	CFC of Greater Arkansas merges the North Arkansas CFC (0076) into its boundaries and changes its name to the North Arkansas CFC
2009	CA	106	* CFC of the Bay Area merges the Sacramento/Northern California (0103) into its boundaries. It also adds Alpine County. The new campaign name is CFC Norcal.
2009	CA	109	Orange County CFC merges the San Bernardino CFC (0104) into its boundaries. The new campaign name is the Orange-San Bernardino Counties CFC.
2009	FL	189	Tri-County CFC merges the Treasure Coast CFC (0199) into its boundaries. The new campaign name is the Atlantic CFC.
2009	FL	192	Central Florida CFC merges the Volusia-Flagler-Putnam Counties CFC (0182) into its campaign boundaries.
2009	IA	259	*Illowa Bi-State CFC merges the East Central Iowa CFC (0302) and the Johnson County CFC (0306) into its campaign boundaries. It also adds Adams, Brown, Hancock, Henderson, McDonough, Schuyler, and Warren Counties, IL to its boundaries.
2009	IA	303	CFC of Central Iowa merges the Ames Area CFC (0300) into its campaign boundaries.
2009	MN	481	* Northern Lights CFC merges the Lake Superior CFC (0476) into its boundaries. In addition, the campaign adds 36 counties to its boundaries.
2009	MO	524	* Heartland CFC merges the Ozarks Area CFC (0530) into its boundaries. It also adds McDonald and Ozarks Counties in Missouri.
2009	NH	571	New Hampshire and Southern Maine CFC merges the Vermont and Upper Valley CFC (0880) into its campaign boundaries. The new campaign name is the CFC of Northern New England.

Table A 1: List of CFC Consolidations, continued

Year	State	Code	Description
2009	NM	606	* Central & Northern New Mexico merges the Eastern Mexico CFC into its campaign boundaries. It also adds Catron, Colfax, De Baca, Guadalupe, Harding, Mora, Quay, Sierra, and Union Counties to its campaign boundaries.
2009	OH	685	Heart of Ohio CFC merges the River Cities CFC (0942) into its campaign boundaries. The new campaign name is Heart of Ohio and Tri-State Area CFC.
2009	OK	715	* Tulsa Area CFC merges the Muskogee Area CFC (0711) into its campaign boundaries and adds Cherokee County.
2009	PA	754	3 Rivers CFC merges the Pennsylvania West CFC (0739) into its campaign boundaries. The new campaign name is 3 Rivers/Pennsylvania West CFC.
2009	TX	853	Greater Temple Area CFC merges the McLennan-Falls Counties CFC (0856) into its boundaries.

*Note:* Most information on consolidations comes from the OPM's CFC website. This list was checked using maps and summary reports provided by the national CFC staff, and errors were corrected.