



# OHIO ECOSYSTEM OVERVIEW

## POWER, INFRASTRUCTURE & POSSIBILITY

### Context and Need

Ohio is a central character in a national story about the precarity of the middle class, expanding racial inequality, the anxiety of white working class people, growing poverty, and a polarized country in the midst of increased economic insecurity. A swing state that has recently shifted red with an increasingly reactionary electorate, Ohio exemplifies the changing landscape of progressive aligned states.

But behind the “shift to red” story is another story: one where the fight for a progressive Ohio led to innovations in state infrastructure that has been, and will continue to be, modeled in other states. Ohio’s multi-entity progressive organizations were some of the first to experiment with how corporate structures could be utilized to produce unrestricted income for movement work, provide critical back-office operational support to growing multi-entity power building organizations, and create a home for progressive staff and activists to help them contest for power across more arenas.

As the progressive ecosystem becomes increasingly aware that more than 501(c)(3) organizations are needed to win and protect power, Ohio holds critical lessons for funders, leaders, and state infrastructure groups looking to meet the needs of fast-growing multi-entity organizations who are using a mix of 501(c)(3)s, 501(c)(4)s, political action committees, and corporate structures to build and sustain power. A reflective look at the infrastructure built in Ohio offers insights into innovations and lessons learned that are beneficial to a larger conversation about how the progressive movement can build more permanent and sustainable infrastructure to support multi-entity power-building work.

### Ohio: An Evolving Infrastructure Contesting for Power

The story begins with Ohio Organizing Collaborative (OOC), a multi-entity organization that built a 501(c)(3), a 501(c)(4), and state and federal political action committees (PACs) to maximize their impact and build power for everyday Ohioans. In 2016, community organizers from OOC identified a set of ecosystem problems that were holding their work back and launched a set of experiments to explore how they might expand and strengthen the state’s infrastructure so progressives could better contest in more arenas of power, generate new streams of unrestricted revenue for their work, and address structural problems in the progressive movement including addressing core operational and compliance challenges inherent in multi-entity work. While a host of legal entities were created in Ohio<sup>1</sup>, this study will focus on two of these innovations:

- » **Black Fork Strategies: state-based field vendor**
- » **Community Building Strategies: consulting group and operations vendor**

1: Organizers in Ohio launched five corporate entities: Black Fork Strategies, FINN Printing, Community Building Strategies, Drink Your Values, and The Battleground Taproom and Mexican Kitchen.

**About This Report.** This case study was a joint-project of Independent Resource Generation HUB, a project of the Amalgamated Foundation, New Left Accelerator (NLA), and The Capacity Shop, NLA’s sister 501(c)(3). It is the first in a series of case studies whose purpose is to examine and chronicle innovation in state-based infrastructure and economic experiments that make bold power-building work possible.



# INNOVATION: BLACK FORK STRATEGIES

## *History and Legal Structure*

Black Fork Strategies (BFS) was established in 2018 as a corporate entity (C-Corporation) with individual and corporate owners. As a field vendor, BFS provides canvassing, community engagement, and electoral services. BFS manages voter registration, signature collection for ballot initiatives, Get Out The Vote efforts, and more recently, a vaccination campaign focused on low-income residents. In 2020, BFS was restructured as a S-Corporation for tax purposes.

BFS employed 100 full- and part-time field staff in 2018, registering voters, collecting signatures for a statewide ballot initiative, and canvassing voters door-to-door. During off election years, BFS core staff ranges from five to ten people, depending on contracts. In 2020, BFS began the year with 60 individuals on staff (which was later reduced due to the COVID-19 pandemic). Unlike a nonprofit, the corporate structure of BFS allows the organization to take contracts from nonpartisan nonprofits, partisan organizations, and for-profit companies. Its profits are corporate dollars, the most legally unrestricted dollars in a post-Citizens United world, and thus can be reinvested in political and organizing work.

## *Challenges that BFS Seeks to Solve*

### **Lack of Control of the Means of Production of Politics In-State**

Hundreds of millions of dollars have been invested in Ohio politics with little to show for it. National field vendors and operatives receive lucrative contracts to drop in, develop programs not rooted in community, underperform, and then depart after the election leaving little to nothing behind to sustain organizing work.

### **Lack of Integrated Movement Strategy**

Election year investments are often transactional and disconnected from a long-term power-building strategy. BFS seeks to control the in-state field program to center a progressive narrative approach, hire people directly from impacted communities, and use fieldwork as a platform for political education. BFS ensures that hard-earned knowledge stays in-state, as out-of-state vendors rarely understand the relationships, strategy, and turf within the ecosystem – draining valuable time from in-state partners to get up to speed.

### **Inability to Strategically Engage in Political Power Building Work**

Nonprofit groups lack the freedom to engage in the full spectrum of activities that build power for their communities, including political activity and working to elect progressive candidates. Organizers need field capacity that can be used for candidate campaigns, especially when their members decide to run for office.

### **Lack of Independent Revenue for Sustained Power Building Work**

There is an acute need for independent and unrestricted revenue to sustain a broader range of power building strategies year round. This requires sources of funding other than 501(c)(3) grants from foundations. The boom and bust cycle of election year funding also hampers organizers' ability to sustain their work year round, leading to loss of valuable capacity and momentum at the end of each election cycle.

### **Lack of Movement Owned Data**

Whoever collects the data owns the data. Leaders require a movement-aligned field vendor to ensure greater control of data post-election that also collects important data around issues about which people care, such as gauging willingness to attend a meeting.

### **Address the High Burden and Risk of HR Compliance**

Field campaign jobs are often seasonal, with staff rosters rising and falling with each campaign or election. Developing a large-scale field program is difficult for a small nonprofit, from logistical and human resource standpoints. Seasonal employment is very different from permanent staff, and many small nonprofits struggle to provide living wages and manage the components of temporary employment, exposing them to liability. For-profit corporations can be high road employers while remaining nimble, insulating nonprofit partners from the administrative burdens and legal liabilities of hiring and terminating temporary staff.

## Benefits of the Innovation

### Corporate Structure Allows for a Full-Range of Power Building Activities, Charitable and Political

BFS carries out partisan and nonpartisan voter registration, canvassing, signature collection for ballot initiatives, candidate work, and community outreach and education – effectively serving all sectors of movement work.

### Generated Revenue is Unrestricted, Sustaining Year Round Power Building Work

Income generated through BFS funds power building and political work in Ohio. BFS launched a SuperPAC to support candidates and is launching its first political strategy in 2022 with a \$200,000 investment in candidates and independent expenditures.

### Revenue, Data, and Means of Production of Politics Kept In-State and in Service of Organizing

Data gathered through campaigns is kept in-state and shared with those who helped with collection. BFS recently transferred all data collected via a criminal justice ballot initiative to grassroots organizers, in order to accelerate and strengthen their organizing.

### Organizers are Recruited from Impacted Communities

National field vendors depend on roaming staff that drop into states to lead campaigns and projects. BFS hires directly and solely from the communities in which it works. BFS also carries out ongoing popular education training with all canvassing staff, so that the program itself is employed as a means of building power.

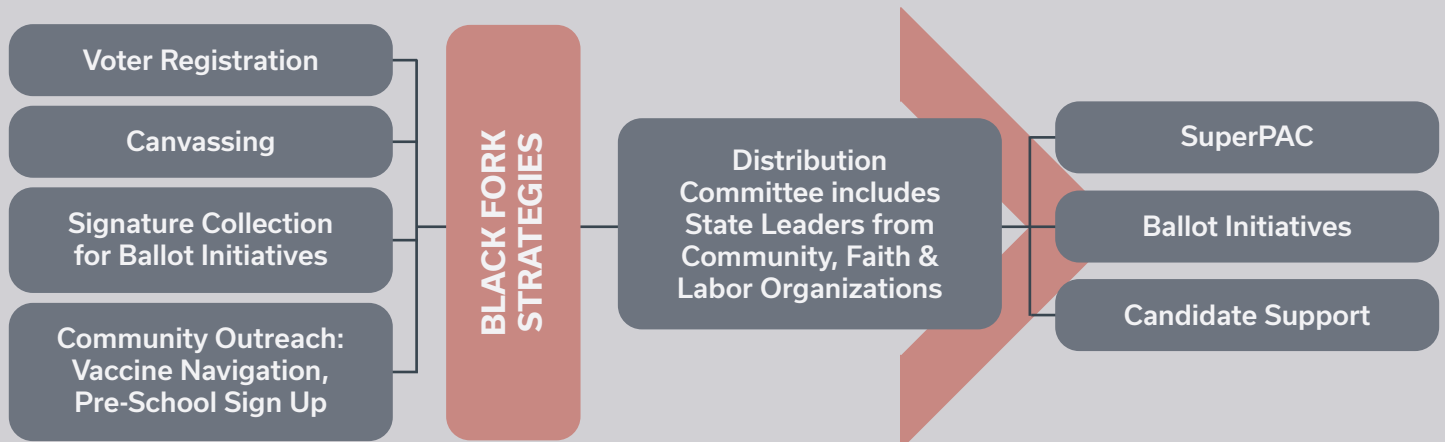
### Human Resources and Compliance Risks are Internalized within a Corporate Structure

BFS offers compliance and legal benefits to partner nonprofits that utilize its services, including:

- » *Simplifying Campaign Finance Compliance.* A 501(c)(4) hiring its own staff is required to provide detailed reporting on expenses for a independent expenditures during 48- and 24-hour reporting cycles. By using BFS, that 501(c)(4) is only required to report checks written to the field vendor.
- » *Protecting Nonprofits from Attack.* Utilizing a separate field vendor creates some legal distance between 501(c)(3)s, 501(c)(4)s, and field programs. Opponents seeking to attack the nonprofit with false accusations of voter fraud are instead faced with a corporate vendor.
- » *Increased Confidentiality.* Corporations are not subject to the same financial disclosures as nonprofits. This prohibits opponents from researching a campaign's funding, as all contracts are kept confidential.
- » *Internalizing Risk of Temporary Hires to a Corporate Entity.* Hosting HR at a for-profit corporation insulates nonprofits from the administrative and legal liabilities related to hiring and terminating temporary staff.

## How Money Moves

Below is an overview of how capital flows through BFS. This chart highlights how the legal structure of BFS has created new and independent money for candidate work in Ohio.



## ***Key Considerations for the Field Vendor Model***

### **Field Alignment on Governance of Corporate Entities is Critical**

Governance of corporate entities is different from the governance of nonprofits. Movement leaders must take time to align how the corporation will be governed and how its income will be spent. BFS utilizes a distribution committee model that is legally baked into its operating agreement. This allows in-state leaders to decide democratically how profits are allocated. Corporations have fewer rules governing them than nonprofit organizations, allowing for creativity that can ensure accountability and support the statewide ecosystem. It is important to pay attention to governance from the start.

### **The Field Vendor Model Requires Scale to be Profitable**

Like many businesses, field vendors require scale to be profitable. Small contracts can lose money, given the sophistication and high cost of legal compliance. And operating across geographies requires significant start-up costs. Movement leaders must have honest conversations about scale, profit and loss, and value of non-income producing contracts.

### **A Field Vendor is Not a Community Organization**

Running a field vendor is a business. While its purpose is to benefit the movement, the field vendor provides a service, has hard deliverables, and must make smart decisions around costs per voter registration card, signatures collected, and doors knocked. Blending business skills with movement know-how is critical. And successful management may require recruitment from other sectors of the economy.

### **Temporary Employment for Electoral Field Staff Remains a Challenge**

Most national field vendors pay their staff as independent contractors. This hiring practice is deplorable and legally questionable, but does increase the profitability of field programs. BFS offers a range of employment options, including hourly wages between \$15 and \$20 per hour and salaries from \$35,000 to \$85,000 per year, and provides health benefits for all full-time workers. Still, though the conditions of employment may be superior at BFS, employment is still temporary. The transactional nature of funding for electoral work means that BFS remains unable to offer more individuals year round employment as a field vendor.

## **INNOVATION: COMMUNITY BUILDING STRATEGIES**

### ***History and Legal Structure***

A second significant innovation in the Ohio ecosystem was the formation of Community Building Strategies (CBS), a consulting firm housed in a corporate entity.

The consulting firm had three main objectives: (1) to accelerate state-based organizing and power building; (2) to provide a home for state-based organizers at a stage in their careers where they desire to innovate and inhabit different roles; and (3) to deliver operational and compliance services to a broad array of entities undertaking power building work in the state and regionally.

CBS was founded as a single-member LLC in 2016 and in 2018 converted to a LLC operating as a S-Corporation. Also in 2018, CBS acquired the majority of the Ohio Organizing Collaborative operations team and hired employees, set up benefits, and deployed staff and independent contractors to carry out a wide range of projects.

Today, CBS consists of nine full-time employees including a five-person operations team. CBS subcontracts with roughly a dozen high-level operatives and organizers who consult on state power building projects, and provides operations support to a variety of 501(c)(3)s, 501(c)(4)s, a SuperPAC, BFS (Ohio's for-profit field vendor), and a host of other entities that are experimenting with independent income generation for the progressive movement, including a for-profit social justice craft beer project, a for-profit Mexican kitchen and taproom, and of course CBS itself.

## ***Challenges that CBS Seeks to Solve***

### **Nonprofit Directors have Few Places to Land if Looking to Innovate or Experiment**

At some point, every nonprofit executive director reaches their shelf life and is ready to move on. The options typically presented are to work for a national organization, to become a program officer at a foundation, to run for office, or to leave the field altogether. These options felt confining to a set of state-based organizers who wanted to continue working in their states, but not in those predetermined roles. Organizers saw the opportunity to unleash high-level talent and provide an environment for experimentation and exploration, creating options that did not previously exist.

### **The Battle for Democracy is in States, yet National Infrastructure is not Oriented to Building State Power**

The consulting field lacks practitioners with firsthand experience building power in states, and many experienced nonprofit executive directors who move into independent consulting lack a home base that provides health insurance and back-office infrastructure that allows them to stay in the movement.

### **Managing Operations for Multiple Legal Entities is Highly Complex**

Nonprofit organizations are highly regulated, imperfect vehicles for organizing. They are governed by a complex patchwork of IRS, FEC, employment, and campaign finance laws at the state and federal levels. Nonprofits operating multiple legal entities, including 501(c)(3)s, 501(c)(4)s, and PACs, face highly complex operations challenges related to multi-entity financial management, legal and campaign finance reporting, tax regulations, resource and staff sharing across legal entities, and complex employment laws. Most small nonprofits lack the systems and capacity to manage multi-entity operations, limiting their ability to engage in political work.

### **High Level Operations Talent is Necessary to Support a Broad Range of Legal Entities**

Many great progressive organizations have been unraveled for compliance, human resource, or other back-end missteps. While large organizations with substantial year round budgets are able to attract, employ, and retain qualified operational talent, most small organizations cannot sustain staff with the requisite skills and knowledge. This removes their capacity to do bold work safely. The progressive ecosystem is only as strong as the operations teams that support it. The state needed infrastructure to support large-scale organizing, including electoral campaigns and emergent movement-based LLCs.

## ***Benefits of the Innovation***

### **Accommodates New Projects and More Fluid Leadership**

With CBS's support, organizers are able to explore and develop new ideas, relationships, and projects away from the daily grind of nonprofit management. Not bound by charitable constraints, organizers can use CBS to run political campaigns, consult with donors, and build a regional political strategy for the Midwest.

### **Creates a Center of Gravity to Explore Power Building**

CBS provides the space to identify and initiate projects that strengthen state-based organizing and regional strategy. The ability to bring experienced former executive directors together led to the development of useful tools for the field of state-based organizing, including the creation of a state power audit tool in collaboration with the University of Southern California. This tool allows practitioners to advise donors on state-based investments and brings deep field knowledge to state-based groups running campaigns as well as those organizers managing infrastructure development in various states.

### **Operations Capacity Allows Creative, Visionary, Diverse Leaders to Flourish**

Entrepreneurs are typically not individuals who love paperwork, compliance, tax strategy, or dealing with HR. Hosting high-level operations capacity at CBS supports a range of entrepreneurial revenue generating projects in Ohio and has been the secret sauce of their success. Of five entities created across the state, two are led by women of color (BFS and Battleground Taproom & Mexican Kitchen) and one by two Black men (FIIN Printing).

### **Strengthens and Increases the Sophistication of Operations**

The ability for CBS to both invest in and further develop a talented, centralized team of operations staff has been a building block of the success of other ecosystem entities, as well as the 501(c)(3), 501(c)(4), and

SuperPAC. CBS provides essential services to these organizations, including payroll, accounting, and tax preparation; compliance and reporting for electoral programs; contract management and generation; project management; HR; logistics and event planning. In addition, by moving operations outside of the nonprofit, CBS is able to offer more competitive salary and benefits packages to attract and retain highly qualified specialists.

**Generates Unrestricted Revenue for Business Innovations**

Consulting revenue is unrestricted and can seed innovative ventures that carry inherent risk. There is much work performed by nonprofit directors that could be carried out via a consulting entity.

**Key Considerations for the Consulting/Operations Hub Model**

**Structure is Relatively Easy to Establish with Low Initial Capital Requirements**

The ease and low cost of setting up a corporate consulting firm make it an easy entity to establish for organizations or ecosystems considering a consulting or operations fee-for-service model.

**The Consulting/Operations Hub is Unlikely to Succeed Without Dedicated Full-Time Staff**

While the consultancy may be easy to establish, it is unlikely to succeed or generate revenue without full-time staff committed to business development. For example, in Ohio existing staff from the 501(c)(3), 501(c)(4), and SuperPAC worked to build out the business over time. This model of innovation requires dedicated leadership.

**Be Clear on all Rules and Regulations for Legal Compliance**

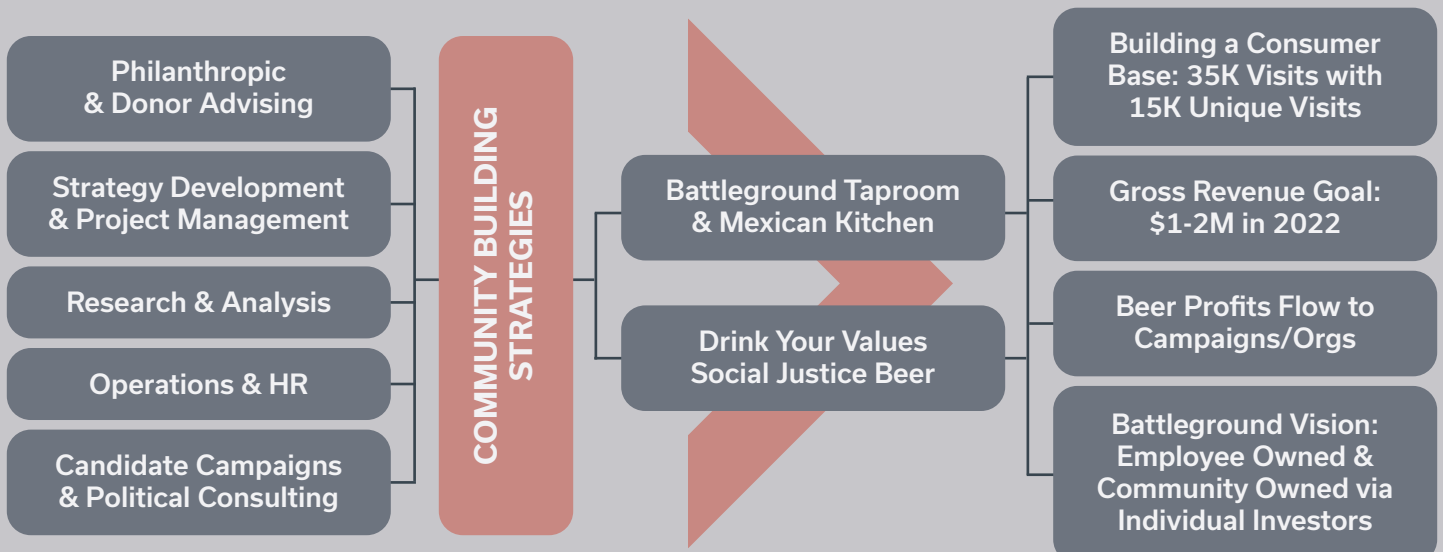
Managing operations for multiple multi-entity organizations is not for the faint of heart. An operations consultancy must properly account for and mitigate risk, acquire the appropriate expertise and knowledge, and stay current with changing regulatory regimes. Investment in talented and experienced operations staff, as well as quality outside expertise (accountants, attorneys, and other professional support) is required. It should also be noted that an operations vendor does not absolve charitable organizations from all of their own compliance responsibilities. Organizations must still be rigorous about disclosure, arm’s length, and fair market value rules. Engaging attorneys with this expertise is critical for all multi-entity work.

**Staff Cannot Move Without a High Level of Trust**

Moving operations activities out of organizing entities and into an independent hub requires coordination and trust. Boards of Directors and movement leaders must be bought in to the idea; transparency is key to success.

**How Money Moves**

Below is an overview of how capital flows through CBS. This chart highlights how the corporate structure meets ecosystem needs and generates independent and unrestricted revenue for power building work.



# STRATEGIC ECOSYSTEM CONSIDERATIONS

## *Lessons Learned in Ohio*

In aggregate, the Ohio progressive ecosystem has generated more than **\$14 million in revenue** since launching five different companies. That initial success has created the space for more fluid leadership, some seed capital to take risks, and has built credibility. Organizers acknowledge that the work is not yet at the scale required to accelerate organizing or be a truly disruptive force in the progressive movement. The task ahead is to both solidify and strengthen the existing work and think big about what can be built over the next ten years.

## *Strategic Considerations*

### **Diverse Multi-Entity Structures Expand our Opportunities to Contest for Power**

Work in Ohio was guided in part by a belief that to contest for, build, and sustain power, the progressive ecosystem needed to utilize a multi-entity structure, and overcome associated structural, operational, and legal limitations. The breadth and difference in the for-profit structures used in Ohio created opportunities to contest for power in new ways. They also created opportunities to build economic power.

### **Capital Needs for Building Economic Power Vary Depending on the Strategy**

A small amount of capital is needed for many conversion strategies; a moderate amount of capital is needed to contest; and a great deal of capital is needed to build out a set of experiments that create a consumer base.

### **We Need Relationships, Employees, and Skills from Outside the Nonprofit Bubble**

Not just attorneys, accountants, and people with the technical skills necessary to navigate this new landscape. We need relationships with entrepreneurs, private sector human resources and operations experts, and business leaders. We simply spend too much time talking to ourselves and often disparage the skills acquired in the corporate sector – even when our own movement has a lack of these needed skills. There are times when nonprofits should recruit and learn from the private sector. Organizations must seek new talent from formal entrepreneurial sectors and recruit their talent and skills into movement work.

### **A Lack of Sustained Investment in Infrastructure is Common and Harms our Movement**

A typical boom and bust cycle of funding combined with funding that is narrowly defined around campaigns and policy fights leaves nonprofit executive directors on a hamster wheel of keeping their organizations fully supported. It also creates unnecessary budget expansion and contraction, which is a difficult responsibility to manage. While it has been said in many other places, it is worth repeating here: there is a clear need for consistent, multi-year investments that allow leaders to focus on building infrastructure.

### **Entrepreneurial Infrastructure is a Full-Time Job**

Organizing and entrepreneurial skills share much in common, but organizers need the time and freedom to devote themselves to becoming entrepreneurs. Similarly, the creation of new structures requires paid, dedicated full-time staff. Too often, we try to launch start-ups as part of existing nonprofits or as a side project, hiring mid-level staff without corporate or business development experience to carry out ambitious new business start-ups. If projects are to succeed, we must hire qualified staff that are fully allocated to the work and attract new talent from formal entrepreneurial sectors.

### **We Must Become Comfortable with Risk and Long-Term Thinking**

Most start-ups fail or lose money before becoming profitable. If we are interested in innovation with for-profit models and new legal structures, we must increase tolerance for risk within the progressive movement. Funders looking to invest in new models of revenue generation must have the mindset of private sector investors who weigh the risks and rewards as they invest in new financial ventures.

### **Trust Matters**

These innovations are not possible without a high degree of trust and collaboration. Decisions about structure, governance, and expenditure are fraught if sufficient time and energy are not dedicated to building alignment, relationships, and trust. Hard conversations are required and all parties must be intentional about procedures.