

Earth Share Summary IV

1. Background

- Earth Share is the national environmental workplace giving federation. It raises approximately \$8 million per year on behalf of its member organizations.
- There are 19 state/regional environmental federations, including the Environmental Fund for Michigan. They raise approximately \$8 million per year on behalf of their member organizations.
- Earth Share has contractual relationships with four state federations: California, Washington, Texas, and New York.
- In October 1998, Earth Share and most of the state federations began negotiations to create a new unified structure. As of February 2000, 16 state federations and Earth Share are still participating in the negotiations.

2. Major Reasons to Affiliate

- State federations get the benefit of Earth Share's well-funded national marketing campaign.
- Earth Share gains a local presence for campaigns and access in every state with an affiliate.
- The combined and coordinated efforts of the national and state federations should help efforts to gain access to the workplaces of major employers.

3. Structure of the Proposed New National Confederation

- All affiliated federations would use the name "Earth Share of [state]."
- The national Earth Share board of directors would consist of 11 representatives of national member organizations, 11 representatives of state federations, and 11 at-large members. National directors would be elected by the national members. State directors would be elected by the state members. At-large directors would be appointed by seated national and state directors.
- Primary functions of the national organization would be marketing, affiliate relations, centralized MIS, strategic access coordination, and joint purchasing.
- An administrative fee will be charged by the entity which manages the campaign. In most cases, the campaign will be managed by the state affiliate.
- A "Make Whole Fund" would be created to offset any losses in campaign revenue that affiliates suffer from the addition of new member groups in their campaigns.

4. Major Agreements from Dec '99 / Jan '00 Negotiations

- Start-up costs (\$5-6 million total) for first 5 years of the confederation would be funded by environmental grantmakers, who have expressed preliminary interest.
- States will receive an annual grant for operations during start-up phase. Michigan would receive funds to cover our operational expenses that are not currently covered by our annual campaign administrative fees, annual Washtenaw United Way guaranteed gift, annual interest from our Morgan Stanley Dean Witter account, and approximately \$5,000 in annual corporate gifts.
- States will pay Earth Share an annual confederation fee equal to 4% of campaign revenues.
- The "new" undesignated income that is generated by each state federation will now be split 60%/40% with 60% going to the local member organizations and 40% going to the national member organizations.

- The cap on **administrative fees** that each state federation/ES national can assess is **25%** by years 4 and 5 of the confederation. State federations who are over that cap have until then to bring it in line. States would be allowed to charge its own members 20%, and charge the national members 25%.
- Each state federation is allowed to charge the entire administrative fee on all campaigns conducted in its state. Earth Share would distribute revenue generated in Michigan to the national members without taking a piece of it.
- State federations ARE the campaign arm of the new confederation and Earth Share will play a small, supportive function in campaigning. State federations will now be THE campaign managers of any campaign this is conducted in their state regardless of who accessed the account. State federations have first option to manage a multi-state campaign.
- The formula to calculate the size of the Make Whole Fund will be based on campaign totals from the 2000 campaign year. The Fund can be used as long as it is needed.
- The budget of the new national Earth Share will have to be approved by the organization's new board of directors, which would not be formed until November 2000, at the earliest.

5. Financial Impact of the Confederation

- Using reasonable assumptions, EFM is projected to nearly triple its campaign disbursements to our member groups over six years. In 1998, EFM disbursed \$131,000+ to our member organizations. Without Earth Share, we project that EFM will raise and disburse \$221,000+ in six years. With Earth Share, we project that EFM will raise and disburse \$344,000+.
- Using the same assumptions, EFM will significantly reduce the amount of outside operational fundraising that it needs to do. In 1998, we had to raise \$84,000+ to cover 72% of our budget. In Year 6 of the confederation, we would need to raise \$61,000+ to cover only 24% of our budget.
- The average annual disbursement to EFM member groups in 1998 was \$5,460. (The median disbursement is lower, since a few groups raise the average significantly.) We project the average annual disbursement to increase in Year 6 to \$14,350.