



Fifth Annual Symposium on Public Policy for Nonprofits

**Nonprofits in Public Policy:
Challenges and Opportunities**

Tuesday, November 15, 2016

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Takeaways for Researchers, Funders, and Policymakers

Notes from the 2016 ARNOVA Policy Symposium

The 5th ARNOVA Symposium on Public Policy for Nonprofits convened on Tuesday, November 15, 2016. The roundtable discussion included nonprofit policy-practitioners and researchers representing a diverse group of organizations and entities. The event was organized by the Association for Research on Nonprofit Organizations and Voluntary Action (ARNOVA) in advance of the 2016 ARNOVA Research Conference.

Convened by Symposium co-chairs, Rachel Laforest and Steven Rathgeb Smith, the Symposium was introduced as an opportunity to engage nonprofit researchers and the nonprofit public policy community around important questions for both public policy and nonprofit organizations. Laforest and Smith discussed the importance of framing the topics for the day within the broader shifting political and regulatory landscape in countries around the world. Laforest noted the shifting regulatory regimes in Canada, where a period of conservative government, tight regulatory control, and on-size-fits-all approaches were being replaced by more liberal government, more open dialogue within the regulatory environment, and more place-based and flexible approaches to policy implementation. Smith noted the potentially profound implications of the US administrative shift following the 2016 presidential elections and discussed the importance of considering such dynamic social and political shifts across the globe, including conservative shifts in government that would likely have large impacts on the sector.

Alan Abramson, President of ARNOVA and Shariq Siddiqui, Executive Director of ARNOVA, welcomed the attendees and outlined the purpose of the gathering. Laforest and Smith then opened the Symposium which was structured around the presentation and discussion of five briefs that were prepared prior to the Symposium. Each presentation was followed by remarks from two discussants and general discussion from those in attendance.

The following report summarizes the presentations, remarks, and discussions in order to disseminate the Symposium's proceedings to nonprofit researchers, funders, and policy professionals. The report below summarizes the overall purpose of each brief as presented and the main points raised by the authors, discussants, and symposium participants. Finally, key questions and takeaways that were raised in each discussion are highlighted for practice and research.

Full versions and commentary of the briefs presented at the Symposium are published in the June 2017 edition of the *Nonprofit Policy Forum* journal, Volume 8, Issue 2, which is available with open access <https://www.degruyter.com/view/j/npf.2017.8.issue-2/issue-files/npf.2017.8.issue-2.xml> .

Brief 1: Smart Partnership in Contracting: A Framework for Thriving in Cross-Sector Relationships

Judith Sidel, SUNY Albany

Purpose

Translational work to facilitate a more nuanced understanding of nonprofit-government relationships and enable nonprofit managers to navigate the uncertainties in these relationships.

Overview

- A clear, accessible, research-based “Smart partnership framework” is proposed that incorporates the dynamic nature of nonprofit partnerships, strategic adaptation, and participation in policy change.
- *For government:*
 - Smart partnerships include being a “smart buyer” (Kettl, 1993), in which government must improve capacity to shift focus from procurement to nonprofit perspectives.
 - Move from principal-agent to relational interactions:
 - from governance by proxy: one way linear process, vertical cross-sector relationships, regulations, legal framework, monitoring, enforcement
 - to governance by partnership: two-way exchange shared between interdependent actors, horizontal Institutional logics that account for the regulatory framework, norms, processes, and expectations of key stakeholders across both sectors
 - As important as networks are, bilateral relationships remain critical in nonprofit-government work.
- *For nonprofits:*
 - Smart partnerships include understanding the dynamic relationships in contracting and consequences of relationships with government that are in flux.
 - Need to restore balance, reposition the organization to consider alternative responses on whom the organization serves and enhance standing and power in policy conversations with public officials.
 - Need to build relationships with government and participate proactively in policy issues – accomplished by developing relationships, nurturing trust between nonprofits and government actors.
 - Need to understand norms, structures, processes, and culture of government – so nonprofit managers can more easily understand and respond to changes in relationships along the proxy-partnership governance spectrum.
 - For instance, in periods of budgetary shortfall and government retrenchment, government is likely to move toward governance by proxy – nonprofit managers therefore need to recognize shifts toward a vertical power structure, less discretionary authority, less opportunity to negotiate, less trust of nonprofits, less innovation focus, less information exchanged (only one way), increase in frequency of monitoring and intensity, and reduced access to bureaucratic decision-making.
 - Greater need for capacity for internal information systems to process, learn, and adapt to changes in the external environment, to be able to collect and supply performance data to government, including mergers, “bigness,” and a transformational shift away from small, under-professionalized organizations.

- Additional skills needed such as bargaining, persuasion, political savvy, and political skills – and the ability to choose between alternative strategies, such as between increasing or decreasing advocacy, or between pushing negotiation or not.
- *For nonprofits and government:*
 - Smart partnerships involve understanding the competing institutional logics behind different sectors and that what may be seen as legitimate under one sector's logic may be illegitimate under another's.
 - Need to develop and sustain strategic adaptation, which requires sub-competencies, including performance measurement and the ability to:
 - 1 - Build external and internal learning capacity,
 - 2 - Discern power shifts in inter-organizational relationships, and
 - 3 – Maintain capability for strategic repositioning.
- When government-nonprofit relationships are in flux, including during changes in the policy and administrative environment, there is a greater need for nonprofit managers to respond.

Summary of Discussion from Participants

- Framework is deceptively simple at first glance – Less is understood how well it explains complex interactions through intermediaries, managed care, or insurance, leading to a need to know much more about these complex relationships that are not just between government and nonprofit managers.
- Organizational capacity is a major issue: Studies on contracting highlight government and nonprofit manager turnover who are responsible for the relationships – resulting in structural issues when turnover takes place to make sure capacity remains in the organization to understand the process, needs, and relationships to sustain and continue to develop government-nonprofit
- In practice legislators can be ignorant of nonprofit and government relationships – so smart partnerships may break down into top-down proxy governance from state legislature to service providers through agencies.
- Other sources of pressure and control are also important to consider, such as from nongovernmental funders, especially as government may contract out proxy relationships through nongovernmental intermediaries (for instance with the Social Innovation Fund).
- Question of how much balance of power between governments and nonprofits is affected by other system issues, including networks and other partners nonprofits may have beyond government. Other theoretical perspectives such as Resource Dependence Theory may be important to consider as a part of, or separate from this framework.
- In addition to nonprofits, governments also have limited resources, so it is important to consider government perspectives not just through proxy governance/vendor relationships but also through a partnership lens to efficiently leverage scarce public resources.
- From nonprofit perspective, do nonprofits consider themselves to be a vendor or partner of government?
- Many government administrators appear to approach relationships through the contractual / transactional perspective, but many also approach relationships beyond transactions through higher level partnerships with nonprofits.
- Do nonprofits have a competitive advantage in the partnership end of the spectrum? How do for-profits position themselves in this framework?
- There seems to be a positive value placed on managers who can strategically reposition the organization to adapt to new circumstances – but this may lead to mission drift or changing to new service categories. In practice, many community organizations are resistant to strategic repositioning in part due to these reasons. In the current political environment, it may not be a smart approach as government focuses on efficiencies, consolidation – but is there an

important normative perspective on positive strategic repositioning that should not be overlooked? In contrast, for-profits do not normally have mission constraints preventing strategic repositioning – but should nonprofits?

- One of the biggest issues out there now involves social services and managed care. There needs to be a stronger focus on strategic repositioning, role of board in leading organizations to guide the organization and remain true to mission. The push to merge, grow, partner, and collaborate is massive and the kind of data needed is onerous. Small organizations often do not have the capacity, presenting an urge to latch onto larger organizations. The only small nonprofits that are going to survive are the ones that are very established in specific niches, as long as their deficiencies will be tolerated – but many other small nonprofits may not hang on – from which we should expect a reduction in the nonprofit sector.
- One participant asked, “Where is the pushback?” Hearing that nonprofits are passively trying to make adjustments and being pushed around, state associations are failing to organize in the face of government directive and mandate, what used to be an essential part of nonprofit service (partnership/autonomy) seems to be lost – where is the pushback from the nonprofit sector?
- Another noted that there is a tension between proxy and partnership in practice. For example in Canadian perspective, there are huge partnerships in health system, but proxy relationships are most prevalent in service delivery. There is negotiation in contracting, resources for gathering the data, and the first phase of collaborative governance – then direct proxy responsibility given to a community group.
- Finally, another noted that there have been funder pressures to merge and partner for over 40 years, but there has always been a separate dynamism in the nonprofit sector at play with new nonprofits forming and waves of social enterprise doing things in different ways – which may suggest the need for longer term perspective and cycles.

Important Issues for Practice

- There need to be stronger mechanisms – from funders, infrastructure organizations, and curricular development in graduate and professional programs – to help nonprofits build capacity to be learning organizations, recognize relationships beyond contracts themselves, engage in advocacy, overcome barriers to advocacy and other activities under contracting regimes.
- Cyclical shifts in government approaches between proxy and partnership governance emphasize a need for nonprofits to always be prepared for managing proxy governance relationships and top-down pressure. For instance, this may be likely to become a more urgent issue in the coming years in the U.S. context if government approaches return to top down, proxy governance practices – leading to a need for programs to always prepare emerging nonprofit leaders for these issues.

Questions for Future Research

- Focus on partnerships is important – but want to know what conditions are needed for the model to operate.
- Want to know how dynamics in the framework would change depending on who is interviewed in the research, where, and in which subsector – need a framework that can be applied across contexts and political environments.
- Time differences also matter – do we learn enough in a limited time period of the study to inform dynamic shifts?
- Also need a greater understanding of time sensitivity in the general community, scandals, other issues that drive government to proxy, top down, thumb heavy, no discretion to np partner – need a “control test” to see what other factors in the real world are also important.

- Need to know about how medium and small organizations can apply the framework (as opposed to large orgs that are predominantly studied).
- Need to look at broader framework that includes legislative appropriators and government agencies – need to integrate perspectives from policy process and issues embedded in legislators not understanding the government agency-nonprofit realities and relationships – problem is that these relationships and their management tend to be ad hoc, leading to a potential lack of generalizable frameworks in operation.
- How do we take these great theoretical concepts and get them in front of nonprofits – get helpful research frameworks out to nonprofit managers – For instance, how can ARNOVA or other associations and infrastructure organizations help build bridges to practice?
- What are the elements of the smart partnership model for nonprofit managers and intermediaries in affecting outcomes? Can a smart partnership model incorporate perspectives from each sector? What is the tipping point for nonprofits to reposition themselves to redefine who they serve and what services they provide? When do organizations move beyond environmental scanning into other strategies to evolve / adapt?
- What is the explanatory power of resource dependence theory in this model?
- Need for an integrated model of nonprofit organization competencies for managing contracting relationships with government.

Brief 2: Using Network Analysis to Identify Key Actors in Collaborative Policy Making

Julia Carboni, Syracuse University

Purpose

To examine collaborative governance in practice using a network analysis of actors within a case setting within food and anti-hunger policymaking.

Overview

- Collaborative governance is designed to bring multiple perspectives together to help solve wicked problems that cannot be solved by single actors, such as in complex food systems.
- For instance, in food systems there are multiple actors and multiple demands on the system, including farming, production, safety, market, hunger, waste, and natural resources management.
- This research investigates how collaborative arrangements present themselves in practice, how specific actors drive the collaborative governance process, and whether in fractured policy systems if giving someone a place at the table enough to be inclusive of various perspectives.
 - The study used systematic analysis of collaborative governance processes over time to evaluate representation and participation by various actors within collaborative governance, using food and anti-hunger policy as a case setting.
 - Focused on identifying key actors in collaborative governance, analyzing a network of actors within a food policy council, which brings together variety of actors to engage in food system issues in a specific geographic region.
 - Analyzed meeting minutes from the food council across time. Able to identify who speaks, what they discuss. Statements from meetings were coded, and these data were supplemented by 13 interviews of members of the food policy council.
 - Multi-mode affiliation network analysis investigates the intersection of different actor types and events, which include person-to-person, affiliation networks, and also information on events and nature of relationships, organizations and meeting (event) matrix to demonstrate substantive comments / participation to form organization links (diads) to form the network of actors in each meeting. This leads to a valued matrix that can be analyzed, including information regarding the number of substantive comments actors make in each meeting, the network of organizations participating in meetings together, and changes in the strength of network ties over time through greater interactions in meetings.
- In theory, collaborative governance practices promote diversity and inclusion, but the validity of this is questioned.
- Findings include that diversity and formal representation may not translate into particular policy outcomes – it may look inclusive on paper, but may not alter outcomes.

Summary of Discussion from Participants

- Participants noted that there are challenges with this methodology, but that it represented a promising avenue of research.
- It may not be quite at the stage of gauging the impact of collaboration, but the method provides a means to measure collaboration itself.
- It was questioned whether this research is properly identifying collaboration? Measuring collaboration can be done on several levels, and this analysis measures collaboration on two levels (actors' formal participation and their intensity of engagement in collaborative governance).
 - This gets at issues of inclusivity, but other levels are also important to measure, such as

- 1 - Quality of participation (content/quality of what is actually said versus airtime), and
 - 2 – The influence of particular actors’ participation on the direction of the conversation or outcome of the meetings.
- Some questioned whether participant power (or the power of different stakeholders) is perhaps more important than participation itself.
- It was cautioned that measuring organization versus individual participation could be dangerous because it could discount the role of the individual in the organization. Methods need to also code/focus on characteristics of the person who is representing the organization / group – this could prevent people from engaging in the same ways – due to cultural norms, personalities, newness to the collaboration – also whether individuals are the same at all meetings from same organization vs new voices from the organization.
- Could be important to account for meetings that take place outside the formal collaborative governance meetings, and for organizational activities beyond the meetings.
- Is it also important to just have people at the table? (a role for symbolic representation on influencing the content of what is discussed and outputs)
- Assumption of emphasis on an outcomes process – but that may not be the case – For instance, it is often pretty clear what the outcomes are going to be at the outset, the collaborative governance may be more important in implementation - by engaging more people in the conversation, distributing the work, and engaging others more broadly in the policy implementation.
- Representative bureaucracy literature may provide some guidance – substantive representation is defined in the rep bureau. Lit – by action people take to represent groups. Policy recommendations of the council may be an outcome – if the policy recommendations represent perspectives of people at the meetings/in the group – is there an impact of being at the table on the outcomes / policy recommendations?
- Data on policy recommendations, content of meeting discussions, could be a way to move forward on this line of questioning.
- It was asked whether the diversity of outputs is also interesting as a concept.
 - For instance, why does collaborative governance include goals to have greater diversity of outputs?
 - The example was given that diversity of outputs was desired complex policy areas such as in food systems because there are lots of problems across multiple groups. Historically, outcomes may approach specific issues (such as healthy eating) but not other issues in the system (such as hunger). Therefore, diversity of outcomes is important in the policy recommendations to address such complex problems. Policy recommendations drive policy responses, and to provide holistic response to problems, there need to be multiple perspectives in the input that develops the recommendations and policy proposals.

Important Issues for Practice

- Questions from the analysis – do collaborative governance policies produce more diverse outputs?
 - Not just as a part of a bureaucratic machine but as a process for getting new ideas into the system.
 - But still need to know if collaborative governance produces better outcomes than otherwise – this is trickier to find out.
- From a political science perspective, lots written on collaboration – lessons from this literature on the different roles and constraints for organizations. Importance of governance and design of the process on who and how they are engaged – gets to issues of process, incentives to participate, reasons / goals for their participation from the council collaborative governance perspective – can

also spin off other organizations and collaborations / networks – Governance arrangements are crucial.

- Important to understand the constitutions and rules in the policy councils – for nonprofit strategies, it is important to know the ground rules to know how to be most effective under them – strategies include trade-offs, executives have to balance priorities with pragmatic solutions. For example, state associations of nonprofits have 6 staff or fewer to represent the organizations across the state – have to pick and choose how to be most influential and strategically assess how to be effective.

Questions for Future Research

- Continued need to empirically understand the difference between symbolic/formal vs. substantive representation.
- How can network methodology be better developed to produce additional data to inform the discussion/bring the assessment to more specific levels – such as data on how collaboration does or does not take place under different arrangements of collaborative governance – not only on diversity but other measures. Larger question – are all questions going to be answered just through the network analysis? Other methodologies are likely needed – future research is encouraged to continue to develop this tool but also to consider other approaches that may be needed to answer all relevant questions.

Brief 3: Nonprofit Overhead: New Research from California

Jan Masaoka, California Association of Nonprofits

Purpose

To assess how nonprofits view and manage overhead costs, reported from the California Association of Nonprofits (CalNonprofits) survey of California nonprofits.

Overview

- Reporting on California nonprofits and a separate study of county governments.
- Key findings:
 - Nonprofits demonstrated a confusion over definitions and understanding of “overhead.”
 - Myth on government-nonprofit contracts being very large is not true – the majority of contracts in the study were below \$300,000.
 - Indirect cost structures in contracts varied, ranging from below 10% to 15.9%.
 - Most contracts are with the county – with few contracts allowing indirect costs.
 - Many nonprofits erroneously believe that if they propose lower than 10% indirect costs in a contract bid, they would receive preference from government.
 - Rise of online charity oversight/ratings with overhead as a marker of performance was also a significant driver of overhead cost perceptions.
 - Question of OMB implementation and whether it will be beneficial to nonprofits
 - Over 400 comments on the survey – many detailing how governments are trying to circumvent the OMB guidelines to reduce the impact of the indirect cost policy
 - Asked who pressures nonprofits to keep overhead low – “felt pressure” – government was lower than foundations and online charity ratings in terms of nonprofits being pressured to maintain low overhead rates.
 - 85% of respondents indicated that government contracts typically do not cover the costs of programs they are funding.
 - Reasons for keeping overhead costs low include pressure to conform to general donor expectations.
 - County supervisors and staff are disconnected with the realities on the ground.
 - Which message works?
 - “Real costs” argument – total costs of projects – message works with the California nonprofit community but does not test well in other groups.
 - “Basic costs” argument – necessary costs for utilities – message worked with mid-level donors but not with government.
 - “Fair play” argument – allowing nonprofits to negotiate the indirect rate in contracts the same as for-profits – message worked well with nonprofits but not with government.
 - “Flexible” argument – need extra funds to be flexible in approach/innovative – message played well with philanthropy but not with government.
- Implications:
 - Nonprofits believe they are indirectly shouldering the effects of funding shortfalls in government by not being reimbursed for indirect costs in government contracts.
 - As a result, nonprofits are keeping salaries low and adding burdens to staff.
 - Also many report not investing in technology, others report using reserves to make up shortfall.

- Issues with scaling programs with government funding – if nonprofits depend on other funds to make up the shortfall, they cannot double a program very easily with double the government grant/contract (for instance, instead of raising \$100,000, they would have to raise \$200,000 in addition to the contract).
- Issue with fee-for-service contracts – fees do not increase over time to cover rising costs
- In for-profits, the indirect rate is commonly negotiated, but same does not apply to nonprofits, which is a fairness issue.
- Raises the importance of representatives of nonprofit organizations in government, such as the California caucus for nonprofits in California state government – to advocate for nonprofits in the legislature.

Summary of Discussion from Participants

- Participants noted that this was an important issue – especially as move to new era with Trump administration – potentially more movement to proxy governance, focus on accountability and overhead from government, so important to make sure indirect costs are appropriate.
- OMB guidelines are supposed to apply to all Federal pass-throughs – question of whether they apply to state funding/ more local funding (not pass through) – potentially very different perspectives from state / local agencies/funders on indirect costs.
- Definitions and complexities/ambiguities are important.
- Uniform Guidance – state that 10% is the minimum – or you could negotiate for a different rate – but this could also include that if you’ve negotiated a lower rate, you could be stuck with it through the terms of the contract.
- Need to “break out the granularity of it” – large differences across organizational/contract size – different dynamics across different sizes – many don’t include any indirect costs, including pay-for-success projects.
- Perhaps the academic community could bring some conceptual clarity to the conversation – e.g., clarify the language of contract vs. grant – contract=exchange of services for financial payment – whoever is contracting for the services should pay for the whole costs. Grant=less quid pro quo, potential for additional leverage from the nonprofit sector to help pay for initiative, grant to cover most costs to initiate / develop the capacity to engage.
- Could bring accountants into the discussion – there have been attempts to get auditing firms to look into whether contracts are in compliance with OMB. Nonprofits argue that this is the responsibility of the government accountants. Could accounting profession promulgate appropriate standards?
- Accountants often use standards of “reasonable” and “prudent” – which nonprofits government funds vs for-profits, and who foundations give to are not typically guided by overhead rates – once they decide who to give money to, contract is then decided – but competitive contracts may use overhead information to inform selection of organizations, and general donors also emphasize overhead.
- AICPA does not help because they say that organizations can use any way to calculate overhead – which is correct, there is no one way to calculate overhead that will work across all organizations. Back since 1952 Rockefeller funded study on calculating overhead for funding – this has been an issue. First scandal was Stanford University using Federal funding to pay for a yacht. Scandals made news and then produced calls to correct the issues.
- Variable costs in contracts – idea of overhead to create a useful formula, so that when you take on a contract, the indirect payment covers the costs of administrators that could be doing something else (opportunity costs of those resources) – could be useful to differentiate with contracts vs grants – contracts, need to cover all variable / opportunity costs but grants may not need to cover all of those costs. Need to move beyond overhead rates as measures of efficiency because it’s not a good measure.

- There have been many “excessive overhead” reactions – concerns that there was too much overhead, too little program spending in nonprofits – for years. Many of those programs relied on private funding rather than government funding, and there have been failed attempts at state charitable act oversight with regard to defining and limiting excessive overhead – these challenges have now spilled over to government funding for nonprofits.
- The reason foundations state that they use low indirect rates, because universities have made their indirect rates so high and foundations are tired of it.
- We are not seeing a lot of overhead scandals, but we are seeing fundraising scandals. Wounded Warrior, Vietnam Veterans of America (currently an issue in NY). Maybe not much market for overhead scandals, but greater/newsworthy with fundraising scandals – which is also due to there being a legal standard for fraud (not providing services with donations) but not for high overhead.
- California “real costs” idea and movement may be progress – costs are easier to understand and classify than “overhead” which, as one participant put it, is a “messy and nebulous quagmire.”
- Having dual oversight from state and federal government funders can also lead to confusion and possible conflict between different levels of government or different policies in same level of government – which could take some hammering out in practice.
- It is interesting that with pay for success, collective impact, other issues that are current and relevant to many conversations, there is very little if any discussion of overhead – and little attention given to capacity and infrastructure either – is there a way to change the narrative around current trends to include issues of capacity and overhead in those discussions?

Important Issues for Practice

- Needs to be greater clarity on contracts vs grants – but that’s the responsibility of the government - in many states/counties, it is unconstitutional to give a grant – confusion on the state / county government level on grant vs. contracts – because they have to be referred to as contracts instead of grants. But even when agree on nomenclature, have to then agree on terms, rates, and accountants also disagree.
- The outcome is that the only way “to be an angel” is to have overhead of 0% – in other fields the negotiated indirect rates are much greater– but for most nonprofits the standard is 10% or 0%. Need to know and understand what the overhead standards are in other industries / sectors and build further toward translating the OMB Uniform Guidance into practice and practical understanding. Need additional information such as in this study on lack of consensus and understanding on these issues around overhead -- OMB Guidance has been “law of the land” since 2015, but enforcement / training, etc. not been taking place – has been pushed to the nonprofit sector and to infrastructure organizations, such as National Council of Nonprofits. Revealing – the numbers shown in this paper – California “real costs” vs. OMB guidance – since government funding is such an important source for the nonprofit sector – the nonprofit sector needs to respond to this issue. NY has been leading in terms of making sure the state adopts uniform guidance, also Illinois has adopted – but we need something more consistent and uniform across all of the states. CalNonprofits model to focus on this issue is a good example for other state associations to follow.

Questions for Future Research

- Moving forward: focus on findings that can be directly and immediately translatable to practice.
- Larger issues are at play – for instance, other measures of nonprofit impact/performance/capacity beyond financial/overhead costs – issue of oversight and perspectives on normative perspectives of costs vs programs are important for research to disentangle.
- Perspectives on messaging could be explored further. Interviews and perspectives from different stakeholder groups are important and also to get comparisons across state contexts.

Brief 4: Moving to Need: The Effect of ARRA Stimulus Funding on Service Provider Location

Brent Never, University of Missouri, Kansas City
Drew Westberg, Coe College

Purpose

To assess the effect of public policy on nonprofit decisions on location or whether to move.

Overview

- This research evaluates the effect of public policy on nonprofit decisions to move, and nonprofit location, answering the question, “Do contractors move to where there is need?”
- Use Data from FAADS (Federal contract data) and 990 data from the National Center for Charitable Statistics (NCCS) to evaluate job training nonprofits and response to contracts.
- Research questions:
 - (1) selection question – Do nonprofit contractors in human services move to where there is need (job training case)
 - (2) Do nonprofit human service contractors that receive ARRA funding move to a community of greater need with ARRA funding – vs – do nonprofits continue to locate away from heightened service demand?
- The research is framed around the American welfare state and notions of deserving vs undeserving poor:
 - There is a fragmented system of welfare – but it largely follows logic of deserving vs undeserving – earning assistance through previous actions (veterans) or current actions (undergoing job training) vs. others who fall to the nonprofit sector to assist through crisis assistance (such as a basic safety net for hunger response) or prison systems (indoor – workhouses - vs outdoor - cash subsidies - relief)
 - Two categories of deserving – long term relief (disability), short term/temporary (welfare reform)
- Theoretical lens – location matters in human services – disadvantaged communities face two large impediments to access: (1) access to transportation and spatial disconnect, and (2) social/psychological barriers – for instance, even if a clinic is just down the road, there may be social constraints around place and space (such as race/demographics).
 - Efficiency, effectiveness, flexibility arguments for moving services to locations where they are needed.
- Data challenge: NCCS data uses organization EIN identifiers, but the Federal contracts data (FAADS) uses a proprietary DUNS number – the Federal Audit Clearinghouse is the bridge, but only for large contracts.
- Findings on neighborhood characteristics (census tracts) that impel nonprofits to move:
 - The model suggests that nonprofits locate where there is greater need.
 - If a nonprofit is located where there is high need (unemployment), then likelihood that it will stay in place.
 - Census tracts that had higher proportions of blacks, Hispanics had a greater likelihood that the organization will move.
 - If nonprofits receive Federal contract, less likelihood that nonprofit will move.
 - 25% of variation is attributable to the census tract: geography/space matters.
- Findings on Movers vs Non-Movers:
 - Nonprofits that move go to areas of relatively greater need.
 - But these findings are driven by nonprofits that receive federal contracts.
 - This is particularly true for job training nonprofits.

- Other Findings:
 - Neighborhoods matter.
 - Sizeable percentages of nonprofits move.
 - Federal funding permit organizations to move with greater need.
 - Movers without federal contracts move away from need.
 - Job training nonprofits are particularly responsive to federal funding.
- Question of where the geographers are in our field:
 - Relatively narrow / slim research on geography/space in nonprofit research.
 - Data challenges because of place-based mailing address or headquarters.
 - PO boxes are difficult to handle.
 - DUNS number is supposed to be linked to service address (for each contract), but this is a problem because organizations do not accurately report their service locations for the contracts.
- Other strategies – Hyper-network strategies (Indiana Nonprofit Project) to identify organizations in the state.
- Some organizations have multiple locations and their own databases (such as Goodwill stores).
- Issues with place/geographic questions are difficult to resolve, need greater research emphasis and groups of researchers to adequately address them all.

Summary of Discussion from Participants

- Are nonprofits moving or just providing services in a new location? Or just reporting a different address under the federal contract based on the location that is funded for that contract?
- The issue of where nonprofit services are provided relative to the need is an important research question, and as mentioned there are many barriers to adequately empirically understanding where services are provided.
- Only know mailing address – or in the case of this research, an address of one location, but an organization could have multiple programs operating out of multiple locations, or through mobile units.
- Neighborhood/census tract demographics and needs evolve, but as discussed, nonprofits are place-based – even if the needs around an organization’s main location change, that location is where service recipients know to look for them, and they establish relationships with their funders, volunteers, and employees through that location as well.
- Perhaps the more important question is whether nonprofits are responsive to changing needs by being able to direct programs into new locations, and what funding streams or other factors spur those moves. Is it Federal contracts that are incentivizing those programs in new locations or spurred by nonprofits recognizing the needs in new locations and soliciting funding to provide services in those new locations? Or are there other drivers, such as foundations that influence grantees to shift their foci / priorities over time?
- Another potential question is whether new organizations start in locations with greater need (vs. existing organizations shifting into those locations over time – or some combination of the two)
- Responses to low-income / minority needs are also not exclusive to human service providers – organizations from all subsectors have programs that target low-income/minority residents in neighborhoods where there are unmet needs.
- The sector does move to locations that are strategic – especially organizations that rent
- Perceptions and guiding decisions around ARRA funding – potentially a difference in ARRA funding from other funding mechanisms
- Why does a nonprofit’s decision to move to a new location matter from a policy perspective? Analogy with business strategy to open where need is, but is it a policy issue?

- Theory behind contracting out government services leads to importance of bringing services closer to the people – this could be a potential framing/anchor on why location is important
- On result of organizations moving to poorer places, once narrow to types of organizations
- Issue of funding differences based on place based characteristics (demographics and types of organizations that are on the ground in those communities vs. funding to organizations outside of that neighborhood to move into the neighborhood to provide services)
- Potential strategic path dependencies that organizations confront along their life trajectory
- Focus of paper on rust belt cities – would be interesting to compare to other areas/locations/urban/communities outside of the rust belt.
- In terms of philanthropic funding – need for locating close to other organizations and in areas that are accessible and familiar to philanthropic funders, policy circles, etc.
- Next steps in data – next round of USA Spending data may have EIN crosswalk (this could be pushed by the research community on why it is needed)
- Do contractors moving into an area push out the “indigenous” service providers?
 - Audit Clearinghouse Data only includes large service providers, and misses small organizations and whether they are being squeezed out
- Multiservice organizations may be serving different kinds of clients – deserving vs undeserving concept may be a difficult framework to link to practical policy and practice implications – the deserving vs undeserving framework is muddled already.
- Ralph Kramer 1981 voluntary agencies in the welfare state book – because people were skeptical of contracting or that government funding would displace nonprofit missions or priorities – government contracts were driving nonprofits toward decisions that improved nonprofit responsiveness to the public (equity and access, etc.) – findings that federal contracts / government funding drive organizations into neighborhoods of higher need.
- Also see Julian Wolpert – patterns of generosity book – do not assume that nonprofit delivery of services will result in more equitable delivery of services – where there were more nonprofit services, greater amenity services instead of human services.

Important Issues for Practice

- It may be appealing to, but at the same time very difficult to define areas of “greatest need.” Phoenix as an example – Phoenix may have greatest need based on demographics, but other areas of the state may have greater need for job training because the job outlook may be worse.
- The deserving vs undeserving question very important and timely – practical issues may be more apparent than you think with new administration and three parties of government controlling decisions such as deserving welfare – such as you must volunteer 20-30 hours a week to get services/welfare – which would place great strain on organizations / capacity
- Organization headquarters (not only service sites) matter – and the place where they are – core finding of unless you get federal funding, nonprofits move to whiter, wealthier neighborhoods.
 - Such as with Carboni brief on food policy councils – perhaps presence in the room matters – parallel to this paper – presence in neighborhood may matter.

Questions for Future Research

- Need to have micro perspective, but it is also important to for studies to be able to generalize beyond a specific place.
- Contracts could help small nonprofits make the jump to move into their own space, and potentially into their next life stage, which could be an interesting next step research question from management perspective.

Brief 5: The Effect of State Fundraising Regulations on Fundraising Effectiveness

Nathan Dietz, Urban Institute

Purpose

To evaluate dual interests of the effectiveness of nonprofit fundraising by organizations and the effectiveness of state-level fundraising regulation.

Overview

- What role does fundraising environment have on ability of nonprofits to attract donations?
- How do state fundraising regulations affect the ability of an organization to outperform the fundraising environment in its home state?
- States with strong regulatory environment have tighter spending patterns/conservative spending patterns.
- Study develops a state-level index of regulatory activity and organization-specific measures of fundraising performance. Measures are developed from the “Growth in Giving Initiative” using data from donor software companies. State level fundraising environment is used to isolate organization-specific measures of fundraising performance and to assess the relationship between state regulations and fundraising performance (controlling for environment).
 - State regulatory index to assess various questions, including what kinds of individuals / organizations are regulated, if there is regulation of charity-fundraiser relationships, what fundraising activities are prohibited, and whether information is made public on organizations and fundraisers as a part of the regulatory process.
 - 25 indicators narrowed to 10 indicators – Cronbach’s alpha >.8
 - Data from clients of donor software firms – identifiers of organization and donor over time – date, amount of gifts (\$)
- Model: N (organizations) = 10,000, 10 year period (2006-2015)
 - Measures: dollars raised, number of gifts, number of donors, existing donors retained, new donors acquired.
 - Representative of organizations with budgets of \$5 million and below.
 - Analysis over multiple years.
- Findings:
 - Negative relationship between state fundraising regulation strength and organizations’ fundraising performance.
 - Regulations do not appear to strengthen the nonprofit sector.
 - The study develops categories of state regulatory breadth and enforcement capacity.
 - Bifurcated (more than one regulatory body) vs non-bifurcated is split 50/50 across states
 - In states where bifurcation and donor restrictions were greater, there were worse organizational outcomes for donor retention than other environments.
 - For total dollars donated and total number of gifts, bifurcation and breadth of regulations appear to matter.
- The study is exploratory at this stage, and the team is following up with additional analysis.

Summary of Discussion from Participants

- Participants noted that it was an interesting study and methodology, and the integration of different perspectives and literature were appreciated, but there were various points and questions raised by participants to provide constructive feedback as the project develops.

- States with high regulatory breadth and bifurcated regulation appear to perform worse – but we don't know if those charities would have performed better if they did not abide by those regulations – we don't necessarily know what is going on fully.
- Growth in Giving is a 10 year database, but index of state regulation breadth is from one moment – therefore, we don't know if there were changes in those regulatory regimes over that 10 year period.
- Do these data generally represent donors and nonprofits in the sector? These might be more sophisticated organizations than the general organization.
- What percentage of organizations in any specific state are captured in the data? What percentage of charities from specific subsectors?
- Questions about differentiating the enforcement vs detection – nonprofits have to disclose their behavior and arrangements instead of being investigated/prosecuted – need strong definitions for strong enforcement – but could be territory to explore. Detection/disclosure focuses on the charity whereas prosecution focuses on individual miscreants. Not a lot of attention placed on the enforcement side of the question.
- Disclosure goes a long way to satisfy the public's concern – strong enforcement could go even further.
- One participant was mystified by the bifurcated prosecution arrangement and asked “why does it matter?” If the Attorney General is overburdened and shares oversight with another entity, does it increase enforcement? Greater exploration of this issue was encouraged.
- Others wanted to know more about the implications for policy/practice. Why do these regulatory frameworks exist? Are the regulatory regimes too stringent?
- Another asked how other research perspectives could be informed by extrapolating these findings to a broader regulatory regime – for instance, could underlying constructs relate to public regard and trust for charity? Relationship with amount / effectiveness of nonprofit advocacy? Relationship with nonprofit salaries? Equity across levels of charitable employment?
- Overall assessment that this represents a good first step to understanding what is going on – but not clear on whether further regulation of charitable fundraising is a good idea or not. Some questions for further development that were raised include:
 - Do we know whether there was fundraising across state lines, and what the implications of that are? For instance, do we know where donors live? How does this relate to the broader regulatory environment, such as the Charleston Principles?
 - Question on representation of data to organizations overall, and participants suggested there was a need to more fully assess this.
 - Seems that organizations could locate in some states to perform better? More rules, less money? Is that the takeaway?
 - Ultimately, we do not know the noncompliance rates or enforcement, which would also be important to include in future research.
 - Finally, it was noted that there was the same pattern across models, which suggests stable residuals – perhaps something about those states where there is greater variation in results – other explanatory variables that could explain more? These could potentially be explained by other policies or organization characteristics.

Important Issues for Practice

- Practice questions – this documents the negative effect of regulation on fundraising but this could be explored further. For practice, it is important to understand what the costs of fundraising registration and regulation are for organizations (in terms of costs of registration / reporting itself and in terms of lost dollars in charitable gifts).
- Charleston Principles are almost 20 years old need to be updated – and they are just principles – any Attorney General can disregard them and prosecute if they want.

Questions for Future Research

- Could be interesting to use panel approach and exploit the multiple time periods to answer some research questions more fully, such as whether when regulations are introduced if there is a change in organizations' performance in the state.