The Power of Nonprofits: Mechanisms for Nonprofit Policy Influence

Abstract: The dramatic increase in public funding for nonprofit organizations has raised concerns about the potential disadvantages of a nonprofit sector that is too reliant on government funding. Using nonprofits to deliver public programs also presents risks for the public sector, but the question of nonprofit policy influence is largely absent from discussions of public–nonprofit service collaborations. The motivation for this article stems from the contradiction between the perceived weakness of publicly funded nonprofits and their potential for policy influence. This research asks, how do nonprofits exert policy influence? Using a grounded theory approach, the research draws on the attitudes and experiences of professionals and elected officials involved in policy making and policy implementation in the area of low-income housing. The findings indicate a variety of mechanisms through which the government–nonprofit relationship can strengthen the power of nonprofit organizations, sometimes while weakening their government counterparts.

Practitioner Points

• Public and nonprofit managers, as well as elected officials and citizens, should recognize the power of nonprofits within the public sphere and consider its consequences.
• Nonprofit organizations that serve as public service providers have many avenues for strengthening their voice in policy conversations.
• Coalitions provide access to policy makers while enabling nonprofit providers to take strong policy positions.
• Relying too heavily on nonprofits for fund leveraging and service provision can undermine local jurisdictional authority and equitable service delivery.

Contracting out has fueled a dramatic increase in public funding for nonprofit organizations, especially in the areas of health and human services (Smith 2012). While overlap between the public and nonprofit sectors has both practical and political benefits, much of the relevant scholarship highlights the potential disadvantages of a nonprofit sector that is too reliant on government funding (e.g., Brooks 2000; Guo 2007; O’Regan and Oster 2002; Smith and Lipsky 1993). Empirical findings rarely conclude that government funding is unequivocally bad for nonprofits, but the scholarly attention to the influence of government funding reflects the assumption that nonprofits are the weaker actors in relation to their government funders.

Using nonprofits to deliver public programs also presents risks for the public sector. Privatization and collaborative service delivery networks can magnify the public sector’s accountability and transparency challenges (Agranoff and McGuire 2001; Van Slyke and Roch 2004). Not all public managers have the contract management or network leadership skills required for effective cross-sector service arrangements (Brown and Potoski 2003; McGuire and Silvia 2009). Nonprofit providers may lack the organizational capacity or fiscal health to ensure high-quality service delivery (Fredericksen and London 2000; Marwell and Calabrese 2015). While some research suggests that alternative service delivery arrangements may reduce government effectiveness, this perspective tends to presume that a weakened public sector also hurts nonprofits.

Paradoxically, interest in nonprofit policy advocacy is surging. In spite of the legal, financial, and cultural barriers to nonprofit policy participation, most charitable nonprofits have participated in public policy activities, although reported advocacy involvement and dedicated resources remain small (Bass et al. 2007; Boris and Maronick 2012). Recent research suggests that public funding fosters nonprofit policy engagement, at least in the U.S. context (Bass et al. 2007; MacIndoe and Whalen 2013; Mosley 2012). Prominent examples highlight the immense potential for nonprofit policy influence (e.g., Chin...
2009; de Graauw 2008; Marwell 2004), but little theory connects nonprofit policy activity with theories of policy change (Almog-Bar and Schmid 2014). This question of nonprofit policy influence is largely absent from discussions of public–nonprofit service collaborations.

The motivation for this article stems from the contradiction between the perceived weakness of publicly funded nonprofits and their potential for policy influence. This research asks, how do nonprofits exert policy influence? What contributes to nonprofit effectiveness at inducing policy change? To what extent, and through what avenues, is nonprofit policy influence enhanced by nonprofit delivery of public services? The article responds to these questions using a grounded theory approach based on interviews with public managers, elected officials, public service providers, and policy advocates representing all three sectors. Drawing from previous scholarship and a qualitative research design, the findings identify theoretical mechanisms for nonprofit influence in government. Seven summary propositions offer opportunities for future theory testing.

A Contradiction between Nonprofit Weakness and Strength

In their influential book, Nonprofits for Hire: The Welfare State in the Age of Contracting, Smith and Lipsky (1993) reflect on the boom of nonprofit providers of public services. While a close reading communicates a nuanced perspective that anticipates some of the findings of this study, much of the book focuses on the mechanisms through which the “contracting regime” of social services undercuts participating nonprofit organizations and the larger nonprofit sector:

Nonprofit agencies may win a few of these skirmishes [with government]. But ultimately they are at a disadvantage in their relationship with government contracting officials because of increased regulation, funding cutbacks, and greater competition among nonprofit agencies for public and private dollars. (Smith and Lipsky 1993, 146)

Instead of shrinking the role of government and making the provision of public services subject to market discipline, contracting has actually diminished and constrained the community sector by government intervention in nonprofit organizations. (204)

As summarized in a review by Milward, “This is essentially a ‘nonprofits as agents of the state’ argument” (1994, 75).

Resource dependency theory compellingly explains why public funding for nonprofits might produce negative consequences for the nonprofit sector (Froelich 1999; Malatesta and Smith 2014; Saidel 1994). Salamon (1995) identifies a loss of agency autonomy, vendorism, and bureaucratization as potential threats to the nonprofit sector resulting from public funds. Indeed, government funding has been associated with increased collaboration (loss of autonomy), mission infidelity (vendorism), and professionalization (bureaucratization) in nonprofits (Eikenberry and Kluver 2004; Jang and Feiock 2007; Minkoff and Powell 2006; Suárez 2011). Some nonprofits avoid public money out of concern for these perceived threats (Gazley and Brudney 2007). As Marwell and Calabrese emphasize, “the concern about the negative effect of government funding turns on a view of nonprofits that privileges their private character” (2015, 1032).

In contrast, those focused on potential public sector liabilities of public funding for nonprofit service providers point out the interdependence of government and nonprofits (Gazley and Brudney 2007; Malatesta and Smith 2014; Saidel 1994) and how human services contracting can increase costs and reduce service reliability (Milward and Provan 2000; Salamon 1995). A social safety net that is too dependent on community-based nonprofits creates a geographic mismatch between available providers and neediest populations (Allard 2009). Uncompetitive markets and insufficient organizational capacity by both public and private agencies can erode the purported benefits of privatization (Amirkhanyan 2009). Networked service delivery arrangements can be plagued by operational, performance, and legal obstacles (McGuire and Agranoff 2011).


While effective management strategies reduce the risks associated with any given contract or program, these approaches tend to sidestep the policy consequences of outsourcing public service delivery to nonprofits. Nonprofit providers are the “new street-level bureaucrats” (Smith and Lipsky 1993; Van Slyke and Roch 2004), thereby wielding considerable influence over policy through the discretion inherent in implementation (Lipsky 2010; Rourke 1984). Furthermore, nonprofit service providers regularly participate in formal policy processes for the purpose of influencing public policy (Bass et al. 2007; Boris and Maronick 2012; MacIndoe and Whalen 2013). With ample opportunities for nonprofit policy influence through implementation and advocacy, might it be possible that the “contracting regime” amplifies the nonprofit voice rather than diminishing it?

Richard Nathan (1996) highlighted the “nonprofitization” of government nearly 20 years ago, and yet theory and practice largely overlook the possibility of an increasingly powerful nonprofit sector. Perhaps a relative lack of evidence for nonprofit policy influence fosters this oversight: measurement challenges overwhelm most attempts to causally link nonprofit behavior and policy outcomes, leading researchers to highlight intermediary effects of policy process engagement (Almog-Bar and Schmid 2012; MacIndoe and Whalen 2013). With ample opportunities for nonprofit policy influence through implementation and advocacy, might it be possible that the “contracting regime” amplifies the nonprofit voice rather than diminishing it?
Interviews were recorded, archived, and transcribed. They ranged from 25 to 59 minutes, averaging nearly 40 minutes. Interviews occurred between September and December 2013. Interviews informed analysis. Phase 1 took place between January and April 2011; phase 2 occurred between September and December 2013. Interviews with nonprofit, public, and for-profit professionals involved in low-income housing on the West Coast of the United States. Limited supplemental data came from organizational websites, nonprofit 990 tax forms, and newspaper articles. A two-phase data collection process facilitated the interaction of data and analysis. Phase 1 took place between January and April 2011; phase 2 occurred between September and December 2013. Interviews ranged from 25 to 59 minutes, averaging nearly 40 minutes. Interviews were recorded, archived, and transcribed.

On the other hand, examples within particular policy contexts showcase the potential for nonprofit policy prowess: community-based organizations in New York City mix political activity and publicly funded service provision in a way that replicates the patronage-based political machines of the late nineteenth and early twentieth centuries (Marwell 2004). Nonprofits catering to immigrants “serve as agents of community empowerment and representation that successfully influence local immigrant integration policies” (de Graauw 2008, 324). A few assertive nonprofit providers dominated an HIV Planning Council process in New York, at times overpowering the interests of government and consumer stakeholders (Chin 2009). Evidence of nonprofit policy influence is growing.

Rather than a lack of empirical evidence for nonprofit power, the perception that nonprofit organizations are weak compared with their government funders may result from the absence of supporting theory. Scholars agree that “best practices” such as forming coalitions, fostering relationships with government, and serving as credible information sources can lead to advocacy effectiveness (Bass et al. 2007; Berry and Arons 2003; Donaldson 2008; Fyall and McGuire 2015), but less is known about how these practices translate into political power. This study responds to this challenge by describing how, and through what mechanisms, nonprofits exert policy influence.

**Methodology: Grounded Theory**

This research uses grounded theory methodology to draw general propositions from an empirical examination of the role and influence of nonprofits as perceived within a particular policy context. Grounded theory uses data and inquiry to derive theory (Glesne 2006) and is best achieved through qualitative methods (Jaccard and Jacoby 2010). This approach offers a “middle ground in which systematic data collection [can] be used to develop theories that address the interpretive realities of actors in social settings” (Suddaby 2006, 634). Grounded theory requires a “continual interplay” between data collection and analysis, so the two often occur simultaneously (Jaccard and Jacoby 2010, 269). For this research, grounded theory guides a process through which qualitative data, analysis, and engagement with relevant literature lead to theoretical developments.

The primary data come from 33 semistructured telephone interviews with nonprofit, public, and for-profit professionals involved in low-income housing on the West Coast of the United States. Limited supplemental data came from organizational websites, nonprofit 990 tax forms, and newspaper articles. A two-phase data collection process facilitated the interaction of data and analysis. Phase 1 took place between January and April 2011; phase 2 occurred between September and December 2013. Interviews ranged from 25 to 59 minutes, averaging nearly 40 minutes. Interviews were recorded, archived, and transcribed.

Discussion guides provided loose structure throughout data collection. Question focus and framing varied, but topics included (1) professional experience related to housing policy, advocacy, and service delivery; (2) perceived (in)effectiveness of specific policy actors and activities, especially from nonprofits; (3) influence of external factors on attempts to shape policy; and (4) experiences with cross-sector advocacy or policy implementation. Each topic included several prompt questions, although the semistructured format fostered participant-driven conversations. Earlier interviews included a broad range of topics and later interviews explored emergent themes, as is consistent with grounded theory methodology.

Research participants were selected through both snowball and “cold call” e-mails. An initial e-mail sent to the Pacific Coast Affordable Housing Network (PCAHN) (described later) Google Groups Listserv reached representatives from 17 nonprofit coalitions. Twelve of these coalitions were represented in phase 1 of the study. Recommendations from interviewees and Internet research drove subsequent recruitment. In all, 33 of the 45 individuals contacted participated in the study.

Phase 1 prioritized interviewees from nonprofit coalitions and service providers. Preliminary findings from phase 1 analysis were presented, developed, and critiqued in several settings, including a meeting of nonprofit housing coalitions. Phase 2 focused on government and for-profit sector representatives, with an emphasis on cross-sector experiences. The final analysis incorporated notes and transcripts from all 33 interviews, totaling 192 pages. A single coder reviewed each transcript, noting key concepts as informal codes in the margins. Electronic word search aided in transcript review and coding. Although continuity among the “codes” emerged through concept identification, codes remained unstandardized.

Informed by feedback from other scholarly research and continued engagement with the literature, the penultimate stage of analysis involved code review and highlighting passages with the goal of identifying discrete mechanisms of nonprofit policy influence. As is acknowledged by qualitative researchers (Glesne 2006; Richardson 2004), the final step of the analysis occurred through the writing, editing, critiquing, and rewriting of the findings.

**Policy Context and Research Participants**

The affordable housing policy arena in Washington State, Oregon, and California provides a context for understanding the mechanisms facilitating nonprofit policy influence. Interviews included in-depth, sometimes technical conversations about specific housing policies and political events, helping uncover the how of policy influence. Incorporating perspectives across states, levels of government, sectors, and professional roles helped highlight which of these experiences may be generalizable. Interviewees included representatives from nonprofit housing development agencies (also known as developers or service providers), nonprofit coalition organizations, public housing authorities, state and local elected officials, state and local government employees, and for-profit sector advocates and housing developers. Interviewees’ experiences spanned local, state, and federal policy arenas.

Phase 1 included 21 participants representing 20 organizations, all members or affiliates of PCAHN, an informal network of affordable
housing coalition nonprofits in West Coast states that facilitates peer learning. Thirteen phase 1 interviewees were current or recent high-level staff of affordable housing coalition organizations. Six interviewees served as executive directors of organizations that develop or provide low-income housing. The remaining phase 1 interviewees were staff in an affiliated coalition not focused strictly on housing and from a foundation that supports affordable housing advocacy efforts.

Phase 2 interviewees were government and for-profit sector representatives from the same communities as the phase 1 participants. Nearly all of these interviewees had relevant professional experience in several different roles or sectors. Five phase 2 interviewees had experience in elected office, including two currently serving as part-time officials with relevant full-time positions in other sectors. Of the three interviewees with past experience as elected officials, one identified primarily as a former public official, whereas the other two currently were employed in the private sector. Six of the remaining interviewees were public employees and one worked for a syndicator (an organization that recruits and manages investors that underwrite subsidized housing projects).

Table 1 describes the participants by state and primary sector. Primary sector is considered the sector in which the interviewee had the most experience, even if the individual was currently employed in a different sector. To illustrate the interviewees’ professional diversity, table 2 displays the interviewees by current and relevant past experience across sectors. Relevant past experience includes only experiences discussed during interviews. In reviewing table 2, note that the interview goals evolved during the research process. Initial interviews focused on nonprofit professionals, which explains the large subgroup of interviewees currently employed in the nonprofit sector with advocacy experience. Early interviews did not intentionally draw out cross-sector experiences. As the importance of cross-sector experience emerged, this became an explicit interview topic and influenced subsequent participant recruitment.

Table 1 Summary of Interviewees by State and Primary Sector*

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*Primary sector is based on the majority of experience. Each interviewee is counted only once.
**“For-profit” includes interviewees who represented for-profit constituencies but were employed by associations with nonprofit status.

Findings: Mechanisms for Nonprofit Policy Influence

The findings are organized into theoretical “mechanisms” through which nonprofit organizations shape policy conversations, decisions, and implementation. Each mechanism is derived from the qualitative data and substantiated using quotes and examples. Seven propositions introduce and summarize key relationships within each mechanism and can guide future empirical research.

The Upward Spiral of Coalitions

Coalitions are widely recommended as organizing structures that promote effective nonprofit advocacy (Bass et al. 2007; Donaldson 2008; Fyall and McGuire 2015; Smith and Lipsky 1993), and the interviewees emphatically supported this sentiment. Resource sharing and “strength in numbers” are two obvious reasons why coalitions enjoy greater policy influence than individual organizations. The government preference for coalition work, however, is less explored. This study finds that government representatives prefer working with coalitions, and coalitions protect the represented nonprofits, thereby creating a cycle in which the nonprofit voice gains influence through interaction with government. Proposition 1 describes the first part of this spiral:

**Proposition 1:** Individuals representing nonprofit coalitions have greater access to government staff and elected officials and are often considered more persuasive than individuals representing nonprofits outside of coalitions.

The advantages for governments of working with coalition organizations are hardly controversial. One county-level coalition director described how numerous politicians have told her that getting a message with her organization’s letterhead indicates that it has already been vetted by the coalition members, which carries more weight. Another nonprofit advocate paraphrased a legislator by saying, “If you’re all on the same page, that’s great, but if you’re not, I don’t have time to sort it out amongst you. I’m going to move on to something else.” Interviewees universally agreed that coalition work is essential for achieving policy goals.

Coalitions may benefit from a perception that their advocacy is motivated by societal benefit rather than organizational survival.

The public sector interviewees supported the nonprofits’ perceptions. In describing what facilitates effective advocacy, one city housing director explained that coalitions “have so much more ability to influence because you’ve got a larger group of constituencies who are coming together, and people will listen.” One state official emphasized the disparate influence based on perceived motivation, describing a recent meeting at which some developers seemed resistant to cost containment because of its implications for their organizations. In contrast, she considers “the people that can really talk about policy” to be much more effective. Coalitions are rarely seeking service dollars, so they may be more persuasive than individual providers.

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An official in another state emphasized the political value of coalitions that can communicate quickly with many providers. When surprised with a controversial policy directive by the legislature, the agency leadership wanted to avoid external opposition until they had time to process the change internally. This official acknowledged, "the advocacy groups helped us to get the message out to [developers] that we needed to figure out how to make this work rather than put our energy into complaining about it." Another state official described why he thinks coalitions are "the most effective change agents":

They do a very good job of inviting me in to talk to them and they sound me out on ideas. And then even as we’re contemplating programmatic changes, probably like any program administrator, you figure out who your key stakeholders are and who your opinion-makers are, and you go out and talk to them about your ideas. I would say those associations play that role very effectively out here.

So I guess one piece of advice [for advocates] is: form associations, and then kick around policy ideas, and come to some rough consensus and then approach public policy makers. I think that’s a pretty persuasive vehicle for changing public policy.

Elected officials reinforced this idea and put it into practice by appointing coalition leaders to advisory boards and working groups.

While support and encouragement from governments bolsters coalitions, these groups strengthen the nonprofit community more discretely: coalitions protect individual nonprofit service providers from suffering the negative consequences of advocacy.

**Proposition 2:** Coalitions enable nonprofit service providers to promote policy change without fear of losing funding as retribution.

Resource dependency theory posits that nonprofit recipients of government funding are unlikely to engage in antagonistic advocacy because it could jeopardize funding (Bass et al. 2007; Mosley 2012). This research finds that coalitions function as workarounds for providers to support demanding policy positions without risk to their individual organizations. In a postinterview e-mail, a state coalition director clarified her view that the "power" of coalitions comes from their ability to "take positions that would seem more risky to non-profits who are seeking direct funding." She described witnessing a lack of funding for some "outspoken" nonprofits, which she attributed to their "making too much noise." When the "noise" comes from the coalition, individual nonprofits have protection.

A local coalition leader agreed, noting that she can speak on behalf of her members—who really want local policy change but feel they cannot speak up because they are funded by the local government. Although these coalitions are composed of nonprofit service providers, the coalition structure shields its members from retribution. A coalition leader in a different state concurred, although this coalition does receive city funding:

The city gives us [X] dollars a year, but I fully expect they’ll take that away from us. One of them even said to me, “Why should we pay you to criticize us?” …

We do consolidated comments on letters. But I usually sign the letters because I give everybody cover, which is one of my jobs, which means we might not get funding any more, but it’s the right thing to do. I told our members, “There may be consequences to this, but we’ve got to do the right thing.” And they all agreed.

The coalition setting enables publicly funded nonprofit service providers to take aggressive policy positions against government
funders without experiencing negative consequences. In turn, governments reward this type of organizing by giving coalitions opportunities to shape policy. This upward cycle increases the power of nonprofits in policy conversations.

Relying on Nonprofits to Voice Government Preferences

Not all attempts by nonprofits to influence policy should be interpreted as antagonistic to government. Nonprofit providers and government staff often form close relationships (Mosley 2011; Saidel 1994), and seemingly aggressive tactics are, at times, actively encouraged by public sector representatives. Restrictions placed on government employees prevent them from publicly advocating for their own agencies, but these constraints can be overcome when their nonprofit partners share those preferences.

Proposition 3: Because public employees have restricted avenues for voicing their preferences, they often rely on their nonprofit partners to influence elected officials.

Many government staff see the nonprofit community as their supporters. Nonprofit advocates and public employees often partner to educate others. One state agency staff person explained that nonprofit advocates mitigate the challenge of educating elected officials: “Our stakeholders and our advocates are right there with us, helping us to explain [those issues]. So that it’s not just the state employee trying to get that point across, but the system as a whole will come together to answer those questions.” Corroborating this point, several nonprofit interviewees discussed hosting educational events for government staff, planning commission members, and elected officials.

Advocates and lobbyists are already recognized as government resources (Baumgartner et al. 2009; Rourke 1984), but government staff using nonprofits to broadcast their own voices in spite of intended restrictions is less explored. Public employees are restricted from certain advocacy behaviors, such as lobbying their own administrations, that are permissible for nonprofit organizations. Thus, government staff often rely on their nonprofit partners to influence elected officials (Saidel 1994).

One city housing director described how government staff and nonprofit advocates are complementary, saying, “The advocates should be pushing the envelope, whereas in my position, I’m more providing information and making sure the elected officials get what they need.” Another city housing director described her reliance on nonprofit advocacy:

It’s harder when you’re in an organization, especially a government organization, to do everything yourself when you’ve got elected representatives who you report to. So having people from the outside coming in and saying things or giving messages that it’s harder for staff to give can be very helpful.

These civil servants expect nonprofits to vocalize their support for the programs and policies also favored by the staff.

Government employees relying on nonprofits to deliver messages extends beyond the local level. One state agency staff person described extensive coordination between the agency’s staff and the nonprofit advocacy community:

We often use the advocacy groups to deliver messages that we can’t. We’ll have these weekly calls, we’ll compare notes and often they will end up trying to advocate for a position where we might not be totally in sync. We couldn’t advocate for it because of the direction of administration, for example, or because it might get us crossways with a particular legislator where we’re working another issue with them. So often they’ll carry the water for us on a particular issue.

This interviewee explained how agency staff try to time their legislative requests around the advocacy community’s processes, “so that they can turn around and endorse them.” This coordination occurs because staff feel restricted given their status as public employees, so they depend on nonprofits to reinforce their preferences.

Government staff relying on nonprofit advocates in this way could be considered a form of “guerrilla government” (O’Leary 2010), although the coordination is neither outside the scope of professional duties nor clandestine. Public employees often represent their agencies as formal members of nonprofit coalitions and may also engage as volunteers and donors in their personal capacity (Smith and Lipsky 1993). Such government participation in nonprofit advocacy provides inside information to nonprofits and lends tacit support to any advocacy actions undertaken by the coalition or its members, regardless of whether the tactics appear “insider” or “outsider.” Said one city housing director, “Some of the advocacy organizations [get] tenants to show up at meetings and to do postcard campaigns and even to go to up to the capitol and protest. That’s also, I think, very helpful.” In this way, government staff rely on nonprofits to deliver their messages to elected officials and the public.

Public service providers also use nonprofits as conduits for advocacy. Housing authorities are public entities, yet they are often members of nonprofit coalitions. One housing authority director articulated the relationship:

We joined [the nonprofit coalition], but you kind of try to say, “We’re members, but we don’t directly lobby.” So advocacy from a public company is kind of a little harder. But there’s a fine line really.

Another housing authority staff person spoke about her leadership role in her state’s housing authority association, which is a 501(c)(4) nonprofit organization. While scrutiny of the lobbying restrictions for public providers is beyond the scope of this research, public providers’ use of nonprofits for undertaking advocacy is notable.

Public employees’ reliance on nonprofit advocacy can be risky for government. One of the states in this study recently routed redevelopment agencies in response to the state budget imbalance. Nonprofit housing providers had historically worked alongside
redevelopment agencies and defended them in budget deliberations. At first, the nonprofits lobbied in support of redevelopment agencies, fearing that housing funds would evaporate if redevelopment lost funding. Once an alternative policy to save the housing funds gained traction, the nonprofit community changed its position. One provider discussed the temporary strife within the nonprofit housing community surrounding this position change:

It’s not that redevelopment agencies are important; it’s that the housing money is important. And [some of the nonprofits] lost that because of the relationship piece, because they were so used to working with the [redevelopment agencies’] staff.

In the end, the nonprofits presented a unified voice and were successful in carving out funds for affordable housing while the redevelopment agencies languished.

**Nonprofits as Funding Levers for Public Services**

Leveraging funding refers to using one funding source to secure funding from one or more other sources. Funds are conditional on other funds, and successful leveraging facilitates multiple funders supporting one program or service. Fund leveraging is popular within both the public and nonprofit spheres, as it helps all parties “get more bang for their buck” and maximize the impact of their own investment.

State and local governments frequently leverage their own funds in order to obtain matching funds from federal sources, such as for Medicaid. In other cases, the government depends on nonprofits to secure outside funding or otherwise ensure that a contracted program is fully funded (Marwell and Calabrese 2015). Nonprofits are **levers** because a jurisdiction can access the additional funding only through a nonprofit conduit. This is consistent with the observation that nonprofit partners often supplement public services through donations and volunteers (Brown, Potoski, and Van Slyke 2006).

**Proposition 4:** State and local governments depend on the leveraging ability of nonprofits in order to receive benefits from government programs that originate from other authorities.

In government subsidized low-income housing development, nearly every housing project layers multiple funding sources. The Low-Income Housing Tax Credit (LIHTC) program is largely responsible for this dynamic, as it provides substantial but insufficient funding for projects. Funding must be allocated to developers, so a jurisdiction can only benefit from the LIHTC if the developer situates the housing project in that jurisdiction. The best way for a local government to encourage developments in its jurisdiction is by helping fund projects. As one city housing director pointed out, the housing provided by her city rests on leverage of this federal program; the city’s ability to meet its housing goals depends on developer participation.

Nonprofits, for-profits, and public authorities are eligible for the LIHTC. Although 10 percent of the tax credits in each state are required to go toward nonprofit-sponsored developments, the average rate of allocation to nonprofits is closer to 25 percent (Bratt 2008). A representative from a syndicator asserted that for-profit firms tend to have less risk as developers, yet nonprofits are overrepresented as providers because of their leveraging ability:

For whatever reason, a lot of the federal money, a percentage of it has to be doled out to nonprofits… I think [the nonprofits benefit] because they have access to more money. I think that’s why they’re getting the allocation.

Although not specifically referencing the LIHTC, a state agency staff member confirmed the preeminent goal of leveraging among government decision makers, with the goal of “mak[ing] the most impact”:

We also know that [another public agency] has capital dollars for special needs housing. So is there a way that they can potentially put some of their funding into our cycle in order to get more units, so they could couple that with our money and we could get more units for them, faster?

While this comment does not specify nongovernmental recipients, their “funding cycle” refers to the allocation of funding to developer organizations.

Even within housing policy, leveraging surpasses the LIHTC program effects. Nonprofit developers tap into financial incentives for historic preservation, “green” building techniques, and other features. Nonprofit providers also secure federal dollars earmarked for special populations, such as the McKinney programs and the Housing Opportunities for People with AIDS program (Vidal 2012). Some programs include nonprofit set-asides, while others require nonprofit status for eligibility. These funding requirements compel state and local entities to partner with nonprofits to access certain funding sources.

Using nonprofits to leverage funds places nonprofits at the center of funding debates about policy implementation. When multiple funders jointly depend on a single nonprofit to provide a program or service, individual funders may need to compromise their policy goals in order to access the funding.

**Proposition 5:** Using nonprofits as funding levers can reduce jurisdictional autonomy while increasing the autonomy of nonprofit providers.

Leveraging incentivizes different jurisdictions to align application and funding cycles. Nonprofit and government sector interviewees repeatedly referred to the goal of streamlining funding processes across jurisdictions in order to promote efficiency, as one state agency staff person explained:

We had worked several years…to try to align the application process, for example, between our state trust fund and...
local trust funds and federal tax credits, and had a single application, and those various funders would actually work together on packaging [the funds for each project].

In contrast, a city official in a different state commented that “amazing alignment” would be for funding applicants to submit one application to both city and state funders.

Nonprofits also prefer streamlined funding processes. Without funder coordination, applicants must expend resources duplicating and amending applications. One nonprofit coalition leader complained about the lack of coordination between city and county governments, resulting in less consensus, two applications, and frustration for nonprofits. For government staff and nonprofit providers alike, aligning funding cycles seems obvious in the quest for good governance.

A potential risk of coordinated funding and nonprofit fund leveraging is the compromise associated with achieving alignment. Rather than rely on constituent preferences to prioritize policies, a jurisdiction may pursue the policies favored by other funders. One state agency official explained the influence of other funders on setting policy:

Other people also have these standards that these folks [the developers] need to align with, and so we don’t want ours to be something completely separate and different than what other people are already asking them to do. So we’ll be looking at how we can align our processes with other lenders in the field.

This comment exposes how leveraging can restrict the policy choices of a government entity.

One interviewee from a syndicator discussed how working across government bodies adds substantial challenges for financing. In her work in a state in this study, she noted, lack of funder alignment is the norm:

Forget about the timing, but the timing is completely off, from what one agency does, versus another. But, can we all, maybe, ask for the same thing? And can we all, maybe, define things the same way? The complication comes in, where one word means something to you guys, and then, that same word means something else to these guys over here, yet, it’s the same [housing] deal. Folks just aren’t on the same page.

She contrasted this with her work in one small state not part of this study where, “literally, there’s one guy that oversees all of these programs, and it’s very efficient.”

Relying on nonprofits to leverage funding may aggravate nonprofit resistance to policy change. A state agency staff person explained the challenge of trying to shift agency priorities:

The minute you start trying to limit what you want to do and where you want to be, anybody [who] is already holding land or has any kind of investment in a project that may not get funded because you have now changed your thoughts, gets pretty up in arms.

That same staff person compared the difficulty in shifting the behaviors of nonprofits as compared with for-profit developers:

[For-profits] don’t have a lot of other, deep rent-skewed units. But when you tell them what you want, they’ll change, they’ll just [say], “Okay great! We’re moving forward.” It’s the nonprofits that are a little harder to move.

A former local elected official confirmed this point:

It’s very hard for the government to keep up with the market…[but] As hard as it is for government to move, it’s equally hard or harder for a nonprofit to change what it’s doing when it has a funding stream that comes from that way of doing things.

While capacity limitations and other dynamics can explain a lack of nonprofit responsiveness to government priorities, the effects of fund leveraging warrant consideration. The interpretation that fund leveraging can undermine jurisdictional autonomy echoes previous findings that “contractors with multiple sources of funding are less likely to have an inherent link to a specific government agency and are therefore more likely to be independent” (Amirkhanyan, Kim, and Lambright 2012, 358). As nonprofits tap into additional funding sources, their responsiveness to any one funder may decrease.

Effective “Fund-Raising” for Public Dollars

Stakeholders across all issues are expected participants in public budgeting processes. Apart from regular budgeting cycles, advocates can appeal to policy makers and the public for additional funding sources, thereby increasing the amount of available public money.

This study finds a close relationship between nonprofit advocacy work and the organizational beneficiaries of new public revenue.

Proposition 6: Nonprofits can increase their own public funding streams through successful advocacy for new revenue.

Many of the nonprofits in this study participated in “fund-raising” through successful advocacy for new public revenue streams. The “new” revenue resulting from nonprofit advocacy are often “dedicated” to policy implementation through nonprofit providers. The policy decision to link a revenue stream to nonprofit implementation can be defined in a voter initiative, written into statute, or determined through contracting or some other process. Regardless, nonprofits have the potential to raise money for government, which may then return to the nonprofit sector through policy implementation.

Several interviewees in one state discussed the passage of a document recording fee. A coalition leader explained how this policy mutually benefited nonprofits and the state:

We got the document recording fee passed in the state—the coalition of nonprofits and advocates. We got a document recording fee passed. [The state] got a lot more [money] because of that. And we have some issues around how they’re using it, their lag time in getting it out to us, and all that.

Another coalition leader conveyed a similar sense of ownership over public funds, asserting that the coalition is “determined not to have
any of the document recording fee raided for any other purpose.” She also discussed how this funding source has helped keep the peace among the heterogeneous nonprofit providers within the coalition:

[Managing diverse interests] is a challenge, and one of the ways we addressed that in the document recording fee is that everybody sort of won a little bit. The document recording fee addresses a variety of solutions so it spreads some money around.

The document recording fee is a source of public revenue, and yet the nonprofit providers consider it “theirs” because they were instrumental in its passage.

Interviewees in other states also talked about pursuing “dedicated revenue streams” for affordable housing. A service provider boasted, “We were able to get a set-aside for tax increment money, we’ve gotten general obligation bonds passed, we’ve gotten general fund commitments way higher than they used to be.” This type of revenue raising often passes using ballot measures, so the advocates spend significant time and resources on related campaigns. One state coalition leader explained, “We did the bond campaign; we were able to get the infrastructure bond on the ballot, and that took up a lot of energy for about two years.” Several interviewees spoke about the housing levy in one major city and how the nonprofit housing community perennially works toward its passage. In general, successful campaigns for more public revenue result in more funding for nonprofit service provision.

**Public Particularism**

Salamon defines “philanthropic particularism” as “the tendency of voluntary organizations and their benefactors to focus on particular subgroups of the population” (1995, 45–46). This is not necessarily a critique of nonprofit organizations, as nonprofits often evolve from a group of citizens identifying and hoping to ameliorate an unmet need. Nonprofits tend to tackle particular problems rather than general ones. However, a related public policy challenge occurs when nonprofits provide public services.

**Proposition 7:** A system in which nonprofit agencies deliver government programs is likely to foster particularistic service provision.

Government funders incentivize nonprofits to provide the best possible services to their particular clients. This undermines a comprehensive approach to public services, as one private sector advocate articulated:

You’ve got nonprofits sprung up around a couple of blocks, literally. And they compete for the same money. They compete for the same grants. They compete for the same benefits and as a result they may do a great job on those two blocks, but screw the daylight out of some more worthy project that was out of town because there is no one in charge of doing anything structural.

While public “fund-raising” does not guarantee additional dollars for nonprofit policy implementation, “dedicated revenue streams” often solidify the link between nonprofit advocacy and increased funds for nonprofit service provision.

The geographic variation in charitable giving levels magnifies inequitable service distribution, as donors largely prioritize local needs and preferences (Wolpert 1993). By passing the baton from public to nonprofit providers, government funding becomes a vehicle for nonprofits to serve niche communities.

Each nonprofit client is a legitimate beneficiary; nonprofits must adhere to government eligibility guidelines. Furthermore, public funding processes vet each nonprofit provider. The problem comes from the aggregate effect of a public program delivered largely through nonprofit providers. A staff member who helps manage his state’s LIHTC program described a related situation:

A set of tribal communities approached us and said, “Are you aware of the fact that the tax credit allocating committee has never awarded tax credits to a tribal community in [state]?”

And I said, “That can’t be true. I’m going to go back and refute that, so let me go look at the data.” It’s true. We’ve never done a deal in a tribal community in [state], which I think is just atrocious.

As a result of this conversation, that state instituted a pilot program to build the first LIHTC housing developments in its tribal communities. This illustrates how public service delivery patterns may mirror the particularistic preferences of nonprofits when nonprofits implement policy.

**Implications, Limitations, and Future Research**

This study identifies mechanisms through which the government–nonprofit relationship can strengthen the power of nonprofit organizations, sometimes while weakening their government counterparts. Coalitions can facilitate access to policy makers while shielding providers from retribution, thus allowing nonprofits to challenge unfavorable policies. At the same time, public managers depend on their nonprofit partners to give them an advocacy voice in public policy forums. Without nonprofit sector support, public agencies may struggle to maintain certain programs or avoid budget cuts.

Nonprofits also serve as gatekeepers to funding sources. Jurisdictions may lack the necessary revenue to meet their policy goals, so they depend on nonprofits’ leveraging ability to access external funding. Leveraging can restrict the autonomy of jurisdictions, however, by creating the need to accommodate the time lines and preferences of other funders. Leveraging may even embolden nonprofits to be less responsive to any one government funder.

If nonprofits seek additional public funding, they can attempt to raise new revenue through advocacy. While public “fund-raising” does not guarantee additional dollars for nonprofit policy implementation, “dedicated revenue streams” often solidify the link between nonprofit advocacy and increased funds for nonprofit service provision. When nonprofits dominate policy implementation, nonprofit particularism will likely influence the distribution of public services.
The forces behind some of these mechanisms are familiar, but the emphasis on the implications for government is new. Beyond recommending coalitions for nonprofits stretched too thin to advocate on their own (Bass et al. 2007), this study uncovers how coalitions facilitate greater nonprofit influence in policy conversations. The downsides of fund leveraging and the ability of nonprofits to “fund-raise” for public dollars raise concerns about the rising power of nonprofit organizations to the detriment of democratic processes and governmental authority. Many nonprofit scholars recognize Salamon’s “philanthropic particularism,” but few public management strategies consider how contracts with nonprofit providers can impede equitable service delivery. While any one mechanism may not present a large threat to public sovereignty, the sum of the parts urges a reassessment of certain aspects of the government-nonprofit relationship.

A potential limitation for this study’s generalizability comes from the uniqueness of the housing context. And yet a few examples illustrate that many of these mechanisms have already been highlighted elsewhere: state officials in New Hampshire and Massachusetts tapped nonprofit coalitions across an array of social services “to participate in the formulation of policy on an array of issues affecting their member organizations” (Smith and Lipsky 1993, 180). In the face of the governor’s opposition, an environmental nonprofit successfully advocated on behalf of a state department of agriculture because the agency “couldn’t ask for a funding increase…but there was no such inhibition against the nonprofit” (Berry and Arons 2003, 142). Consistent with the potential effects of leveraging, a survey of nonprofit social service agencies revealed that those highly reliant on government funding “expected their budgets to remain the same or increase,” even in the face of government cutbacks (Allard 2009, 100). The theoretical developments from this research provoke a new interpretation of these events. Rather than relying on a singular framework such as resource dependency (Froelich 1999), corporatism (Smith and Lipsky 1993), or capture (Rourke 1984), this study supports a narrative of growing nonprofit power and reduced government control.

The propositions extracted from the findings require validation. If generalizable, hypotheses drawn from these propositions will be supported when tested in any public program or policy arena with a large contingent of nonprofit providers. Related research in the fields of health care, education, and other social services is particularly important given the prevalence of nonprofit providers in these policy environments. Future research may find that some of the mechanisms are more pervasive than others, and further probing is likely to reveal additional mechanisms. Aspects of the mechanisms will likely be expanded, shaped, and even refuted by additional qualitative inquiry and quantitative applications.

This study takes a step toward reconciling the contradiction between the perceived weakness of publicly funded nonprofits and their potential for policy influence. Connections between public service provision, advocacy, and nonprofit goals and values emerged from the data, leading to generalizable propositions about the mechanisms through which nonprofits exert policy influence. Acknowledging the interconnectedness of nonprofit service delivery, advocacy, and power may shape decisions about contracting and collaborative governance. This research helps nonprofit leaders make informed decisions about undertaking advocacy activities, vying for government contracts, and partnering with government agencies. The findings imply that delivering public services makes the nonprofit voice stronger, not weaker, in policy conversations.

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Notes
1. Technology failure prevented five interview recordings, but note-taking documented key concepts and quotes.
2. Most of the housing coalition organizations were organized as 501(c)(3) nonprofits with a dues-paying membership composed primarily of nonprofit service providers. The size and membership structure of the coalitions varied substantially, and at least one was not formally registered. None of the coalition organizations were organized as 501(c)(4) or 527 nonprofits or political action committees.
3. To protect participant identities, quotes and stories are not attributed to organizations or geographies. Some of the nonprofits represented had only one staff person.

References