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PubPol 671: Policy & Management in the Nonprofit Sector

Lecture 17: Government Support

Neel Hajra
Reminder

- No office hours on Friday
- Assignment #3 posted
Note: CSR Beyond Philanthropy

- Subject of future lecture and discussions
Mindset: Friend or Foe?
Government Support Profile

- **Sector Revenues as a whole (2006):**
  - 50% earned revenues
  - 29% government (including consumer-side subsidies)
  - 12% contributed revenues
  - 8% other (e.g., investment income)
Government Support
Revisit: Three Failures Theory

Gov’t Failure

- High Demanders
- Non-Detection
- Self-Restiction

Voluntary Failure

- Philanthropic insufficiency
- Philanthropic particularism
- Philanthropic paternalism
- Philanthropic amateurism

Market Failure

- Underprovision
- Overexclusion
- Contract Failure

No sector is “first”
TPG: Complementary Strengths

- **Public Sector:**
  - Financial
  - Policy Guidance
  - Redistribution

- **Nonprofit Sector:**
  - Respond to Diversity of Need
  - Delivery
  - Innovation
Implications for Government Cutbacks

- In Failures theory, nonprofit sector replaces the cuts in the government sector.
- In TPG theory, a cut in one is a cut in the other.
Autonomy

- Theory preference has deep implications for autonomy expectations
- Ferris
Gov’t Support Trend

- Devolution
- Form of support changed significantly
  - Grants
  - Contracting
  - Loan Guarantees
  - Demand-Side Subsidies
- Marketization
WHY DO CONTRACT METRICS FAVOR FOR-PROFITS?
WHAT ARE THE EFFECTS OF “FAIR COMPETITION” BETWEEN FOR-PROFITS AND NONPROFITS?
Government Marketization: Benefits

- Smaller government
- More efficient government
- Nonprofits still preferred partners
  - Ferris: Production and transaction costs
- Continued public support for NP sector
- Funds expansion/professionalization
- Competition
- Consumer Empowerment
Government Marketization: Challenges to Nature of Sector

- Autonomy
- Innovation
- Diversity
Government Marketization: Other Challenges

- Goal deflection
- Funding uncertainty
- Bureaucratization & Professionalization
- Nonprofit / For-profit collision
- Fiscal outcome emphasis
Nonprofit Sector

For-Profit Sector

Public Sector (Government)
Government Marketization: Sector Blur

- Public
- Nonprofit
- For-profit

- 3rd Party
- Government
- Competitive Contracting
- Donor-advised funds
Practical Notes – Government Grants

- Grants management: Complex
- Stimulus funds: fast and furious
- Highly specialized field
Relative Funding Locus

- Government (30% est.)
- Individual (17% est.)
- Foundation (2.5% est.)
- Corporate (1% est.)

Program Life Cycles

- Innovation & Startup
- Ongoing Operations
- Replicate/Scale/Transform
- Earned, Investment, other (50% est.)

Neel Hajra
Idea Lab: Reform Philanthropy!

(Philanthropy Reform)

(You)

Paskukaru76, Flickr
Some potential areas to target:

**Foundation**
- No Market Pressures
- Home run mentality
- Non-Redistribution
- Minimal social change
- Short Term Focus
- Non-Transparent
- High administrative costs (internal)
- Chronic governance issues
- Perpetuity issues
- 5% “floor”

**Corporate**
- Nonstrategic
- Regional/National Bias
- Cause Bias
- Short Term Focus
- Marketing vs. philanthropy
- High cost of capital

**Government**
- Goal deflection
- Sector Diversity
- Bureaucratization & Professionalization
- Nonprofit / For-profit collision
- Fiscal outcome emphasis
- Sector Autonomy
- Sector Innovation

- Identify three (or more) important issues
- Propose solutions