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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



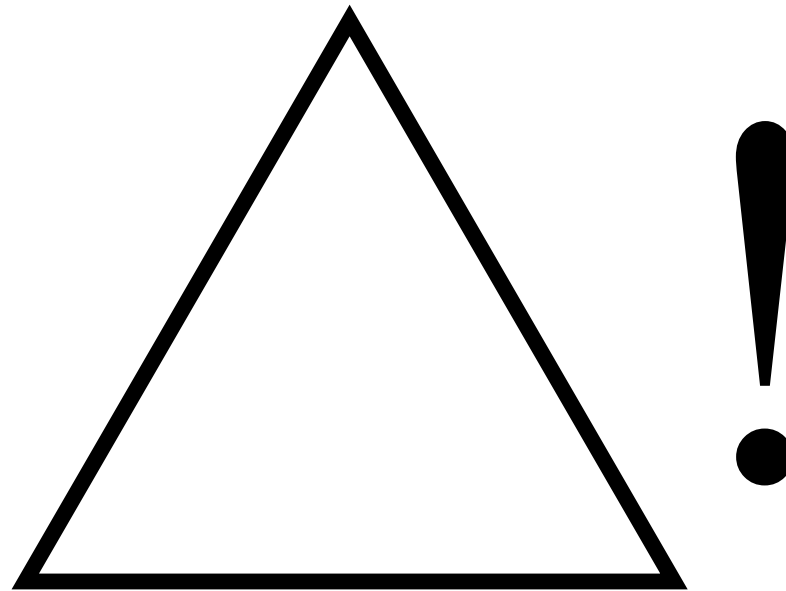
Mindset: Friend or Foe?



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

- High Demanders
- Non-Detection
- Self-Restriction

Gov't Failure

Market Failure

No sector is "first"

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

Voluntary Failure

- Underprovision
- Overexclusion
- Contract Failure

Failure vs. Third Party Government



Failure
Theories



PD-INEL



Third Party
Government

PD-INEL



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



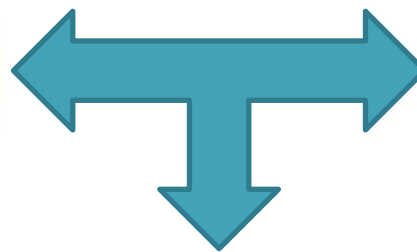
Government Marketization: Challenges to Nature of Sector

- Autonomy
- Innovation
- Diversity

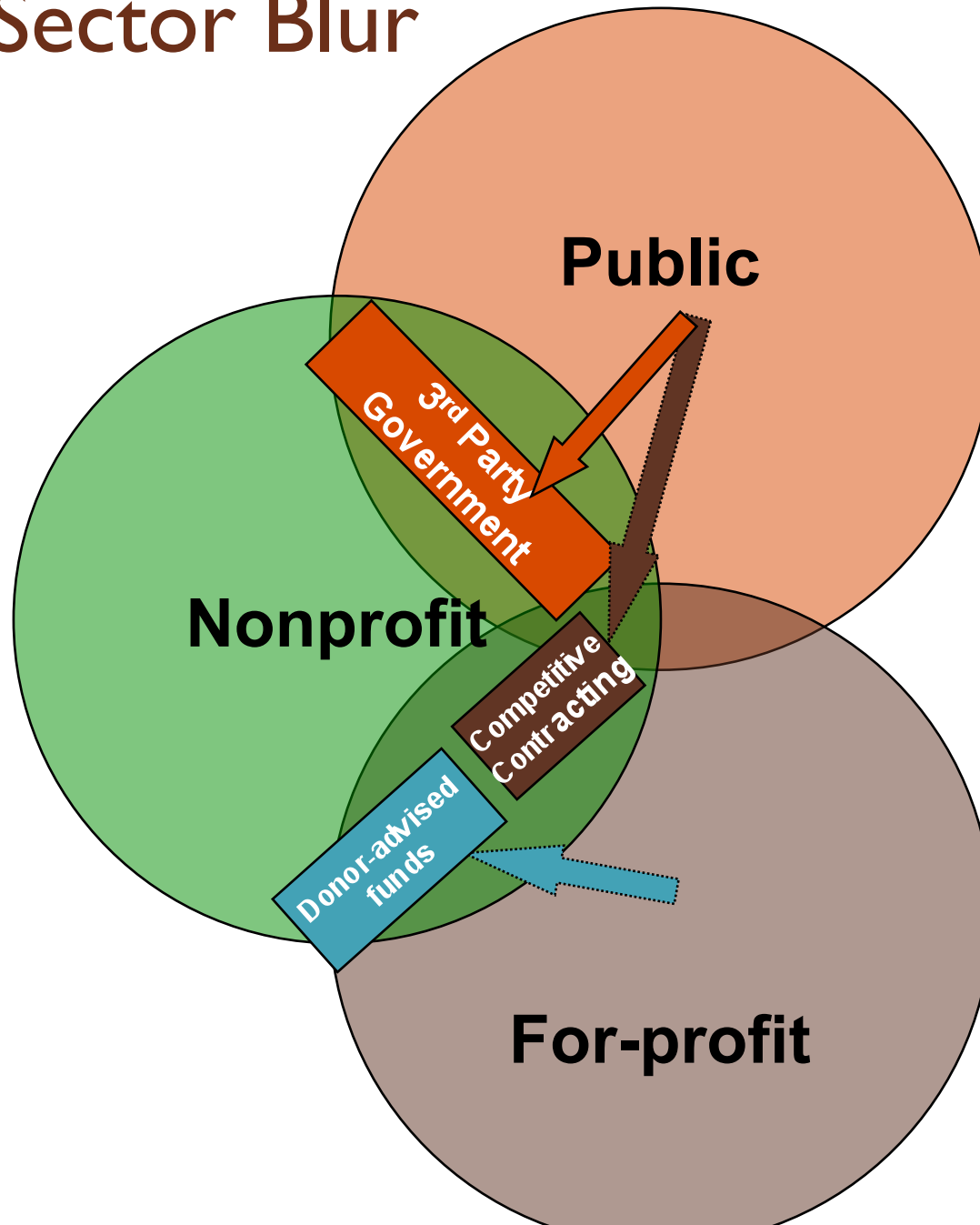


Government Marketization: Other Challenges

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

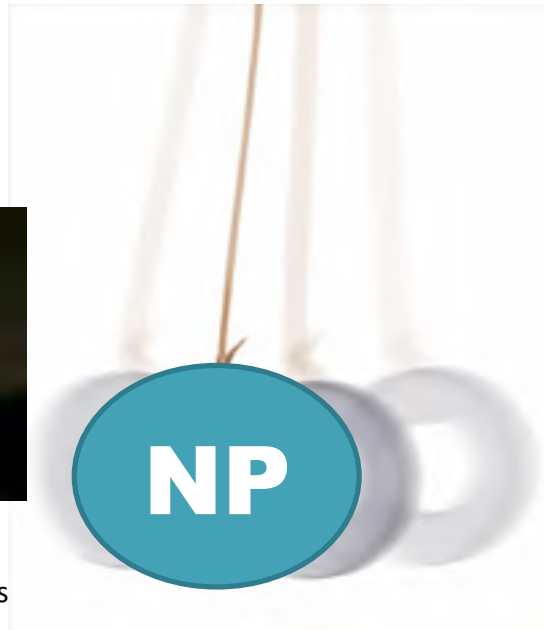


Government Marketization: Sector Blur





Eric Draper, Wikimedia Commons



Elizabeth Cromwell, Wikimedia Commons



Practical Notes – Government Grants

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

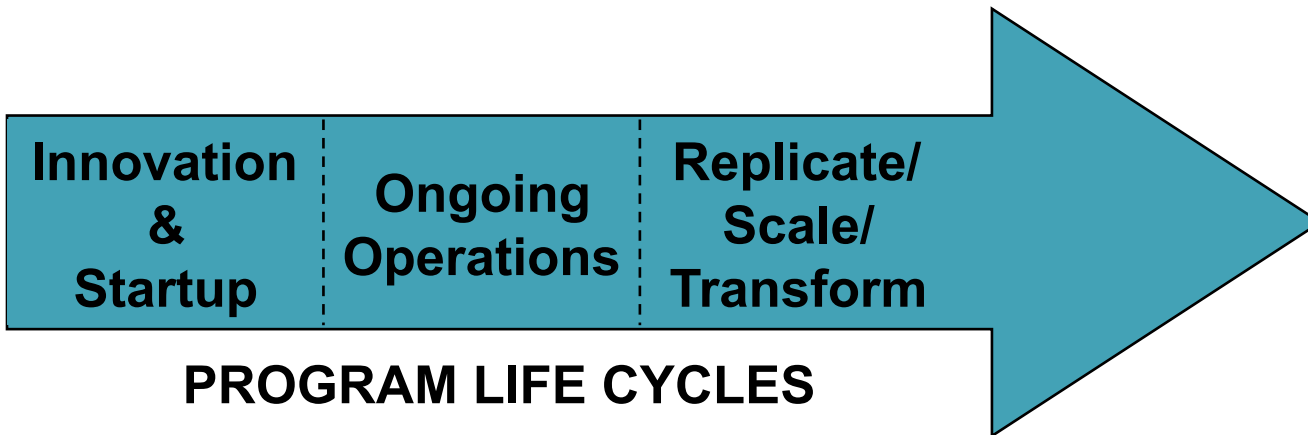
Relative Funding Locus

Government (30% est.)

Individual (17% est.)

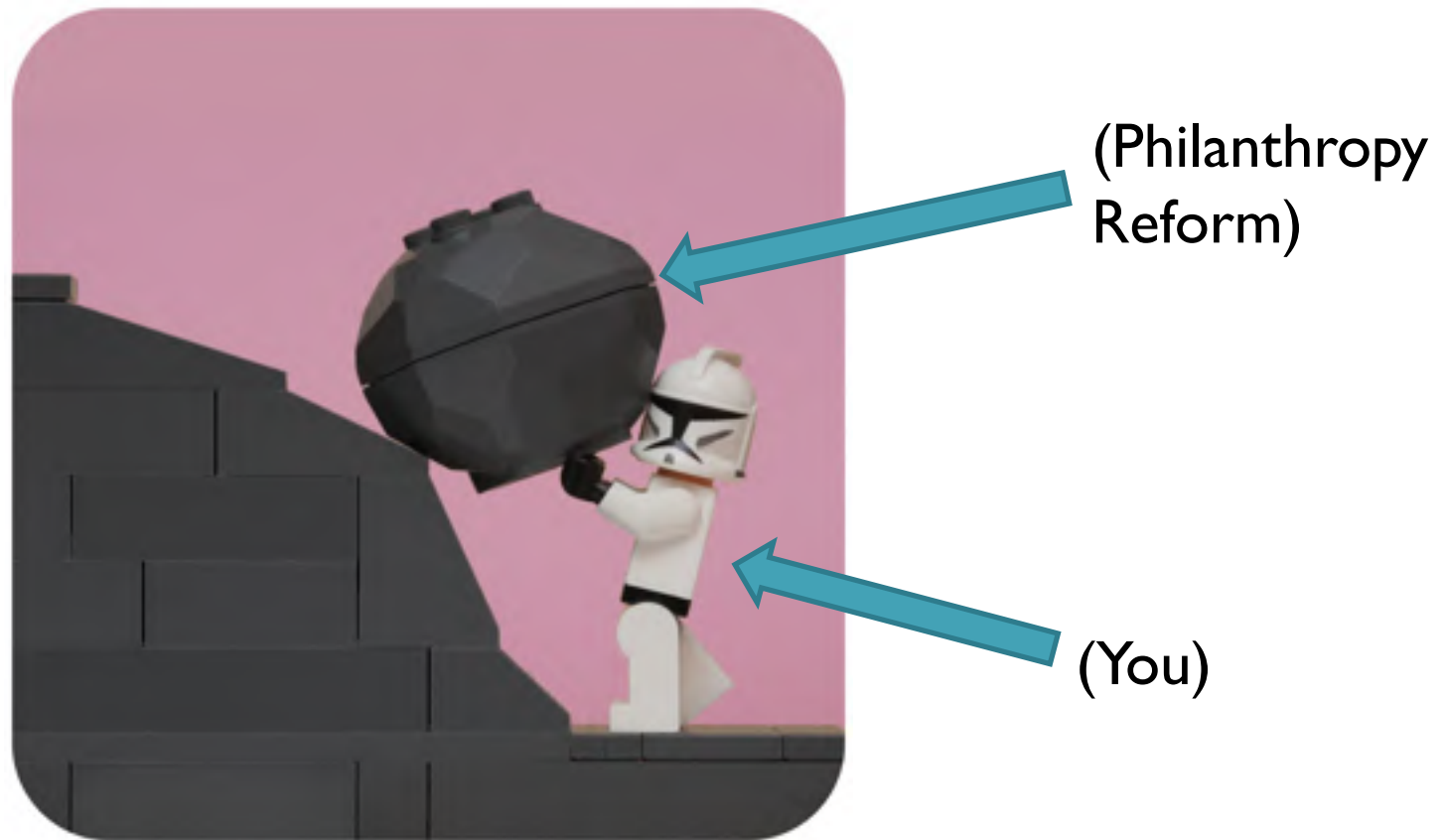
Foundation (2.5% est.)

Corporate (1% est.)



Earned, Investment, other (50% est.)

Idea Lab: Reform Philanthropy!



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”

Government

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

Corporate

- Nonstrategic
 - Regional/National Bias
 - Cause Bias
 - Short Term Focus
 - Marketing vs. philanthropy
 - High cost of capital
- **Identify three (or more) important issues**
 - **Propose solutions**