



## Indiana Local Government Officials and the Nonprofit Sector Report Series

# Indiana Local Government Officials' Contracting With Nonprofits

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Briefing Number Fifteen, Summer 2024

### Indiana Intergovernmental Issues Study

In this briefing, we update our previous analysis<sup>1</sup> of the extent to which local government officials (LGOs) contract with nonprofits. It is part of a series on nonprofit-government relations in Indiana from the [Indiana Nonprofits Project: Scope and Community Dimensions](#). Other briefings have examined other related topics, such as the considerations LGOs use when making grants or awarding contracts to nonprofits, nonprofit-government relationships and collaboration, and whether local governments rely on nonprofits when responding to major disasters.<sup>2</sup>

The data for these briefings come from periodic surveys by the *Indiana Advisory Commission on Intergovernmental Relations* (IACIR) on issues affecting local governments and residents in Indiana. For this briefing, we rely mainly on data from the 2020 survey, but include comparisons to 2017 survey.<sup>3</sup>

### Quick Facts:

- Indiana local government officials (LGOs) rely on a variety of service arrangements to meet the many important constituency needs in their communities.
- Of the 29 services examined, almost all involve the use of multiple institutions, including local government itself, other units of government, nonprofits and/or for-profit businesses.
- Many service arrangements are complex, involving three or more types of institutions.
- Nonprofits and for-profit businesses are part of the service arrangements for almost all the 29 types of services examined.
- Nonprofits are significantly more involved than for-profit businesses in eight services, while for-profits are significantly more involved than nonprofits in just three services.
- County commissions and county council members are significantly more likely to contract with nonprofits than town council members.

<sup>1</sup> Indiana Local Government Officials' Contracts with Nonprofits, by Kirsten A. Grønberg and Elizabeth McAvoy. Indiana Local Government Officials and the Indiana Nonprofit Sector Report Series, Briefing Number Ten, September 2020. Bloomington, IN: Indiana University O'Neill School of Public and Environmental Affairs. See <https://nonprofit.indiana.edu/doc/publications/localgov/contract-nonprofits-2017.pdf>.

<sup>2</sup> For a complete look at all related LGO briefings, see <https://nonprofit.indiana.edu/research-results/local-government-officials-survey.html>

<sup>3</sup> The IACIR surveyed 1,381 in 2017 (effective response rate of 33%), and 2,040 in 2020 (effective response rate of 31%). See <https://policyinstitute.iu.edu/doc/iacir-2020-survey.pdf>.

## Why is Contracting with Nonprofits Important for Local Government Officials?

In the U.S., local governments are responsible for ensuring that a wide range of services are available to community residents – elementary and secondary education, public health, police, jails, streets, economic development, and much more. To do so, they rely on a variety of revenue sources, both local taxes and fees, as well as funding provided by state and federal government, usually for specific purposes. Even so, local governments have limited fiscal capacity and cannot meet all service demands and must prioritize some over others.

They also may not have the needed expertise to deliver even high-priority services, particularly in smaller communities. Many therefore seek to leverage the expertise and resources available from other institutions in return for payment or other support. Those institutions may include other units of government, but it may also include nonprofits and private businesses. In this report, we focus on contracting with nonprofits, but with comparison also to contracting with businesses.

There are good reasons why LGOs may want to contract with nonprofits to provide services to their local communities. Nonprofits and LGOs share commitments to public and community

service – providing a strong basis for trust and collaboration. Indeed, Indiana LGOs report stronger working relationships with nonprofits and higher levels of trust that they will “do the right thing” compared to other types of institutions.<sup>4</sup>

In addition, nonprofits have specific expertise in some important service areas, particularly, health, substance abuse, emergency relief, youth development, counseling, and education. These services enhance the quality of life and meet important needs in local communities. As we have shown in a previous report, when LGOs consider awarding grants and contracts to nonprofits they give particular importance to the quality of services nonprofits provide, and nonprofit capacity to deliver services.<sup>5</sup>

Nonprofits provide substantial levels of service in Indiana communities. We have only a rough estimate of their service capacity based on a count of the number of their paid employees and total payroll. In 2020 nonprofits had almost 285,300 paid employees (excluding volunteers) and accounted for almost 10 percent of the state’s entire paid labor force. Their total payroll exceeded \$14 billion, also about 10 percent of Indiana’s total payroll.<sup>6</sup> In some industries, nonprofits provide a substantial

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<sup>4</sup> “[Indiana Government Officials and Working Relationships with Nonprofits](#)” by Kirsten Grønbjerg, Zoe Bardon, and Elizabeth McAvoy. Indiana Local Government Officials and the Indiana Nonprofit Sector Report Series, Briefing Number Twelve, Spring 2022. Bloomington, IN: Indiana University O’Neill School of Public and Environmental Affairs (available online [here](#). “Indiana Local Government Officials’ Trust in Nonprofits,” by Kirsten Grønbjerg, Zoe Bardon, and Elizabeth McAvoy, Indiana Local Government Officials and the Indiana Nonprofit Sector Report Series, Briefing Number Thirteen, Fall 2022. Bloomington, IN: Indiana University O’Neill School of Public and Environmental Affairs. Available online [here](#).

<sup>5</sup> Indiana Local Government Officials’ Grant and Contract Considerations, by Kirsten A. Grønbjerg and Anna Doering. Indiana Local Government Officials and the Indiana Nonprofit Sector Report Series, Briefing Number Fourteen, Summer 2023. Bloomington, IN: Indiana University O’Neill School of Public and Environmental Affairs. Available online [here](#):

<sup>6</sup> The Impact of COVID-19 on Nonprofit and For-profit Employment in Indiana: Selected Industries, 2020, Nonprofit Employment Series, Statewide Series, Report 18, by Kirsten Grønbjerg and Leslie Kutsenkow. (Bloomington, IN: Indiana University O’Neill School of Public and Environmental Affairs), April 2023. Available online [here](#).

share of total services. They are particularly important in health and social assistance, where they accounted for almost half of all paid employees (respectively 45 and 46 percent respectively) in 2020.<sup>7</sup>

Nonprofits may provide these services for a fee but also have access to subsidies that allow them to serve those unable to pay fees in full or at all. They can do so in part because they are exempt from paying corporate income taxes and have access to private charitable donations from individuals, foundations, or corporations. However, public funding from government grants and contracts is also important in allowing them to provide services for free or at reduced costs.

Elsewhere, we have shown that almost a quarter of Indiana nonprofits (not just charities) have government funding. Among these, government funding accounted for almost two-fifths of total revenues.<sup>8</sup> Historically, much of the increase in the number and size of nonprofits in the U.S. has been driven by the growth in government funding to nonprofit service providers. The growth mainly reflects grants and contract payments provided by state and local government to provide services, but very often with the support of federal pass-through funding to those other units of

government.<sup>9</sup>

In addition to providing critical financial resources, government grants and contracts allow nonprofits opportunities to shape future policy developments. That happens when policy makers call on their expertise and information about needs and the effectiveness of existing policies when setting policy priorities. Public funding also serves as a form of endorsement by local government and thus enhances the visibility and legitimacy of those nonprofits in the community.

LGOs may also contract with local businesses to provide similar services that nonprofits provide (e.g., mental health) or a variety of other services. That is particularly the case for services where businesses have substantial capacity and expertise, such as highspeed internet, solid waste disposal, or property assessment. For these reasons, a well-developed and vibrant business community is also important for local governments. Of course, the property taxes local businesses pay and the sales taxes they collect are undoubtedly even more important to local government.

### What Arrangements do LGOs Use to Provide Services?

The 2020 survey of Indiana LGOs included a question about which types of institutions their

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<sup>7</sup> Unpublished data on nonprofit paid employment in Indiana. For more information, see <https://nonprofit.indiana.edu/research-results/indiana-nonprofit-employment.html>. See also Kirsten Grønberg and Leslie Kutsenkow, "The Impact of Covid-19 on Nonprofit and For-profit Paid Employment in Indiana: Selected Industries, 2020." Online report available [here](#). O'Neill School of Public & Environmental Affairs, Indiana University Bloomington, April 2023.

<sup>8</sup> Kirsten Grønberg and Shijirtuya Munkhbat, "Indiana Nonprofits: Managing Financial Resources – Practices and Challenges," pp. 30-31. Online report available [here](#). O'Neill School of Public & Environmental Affairs, Indiana University Bloomington, May 2024.

<sup>9</sup> Kirsten Grønberg and Lester M. Salamon. "Devolution, Marketization, and the Changing Shape of Government-Nonprofit Relations." In *The State of Nonprofit America*, edited by Salamon, Lester M., pp. 549-86. Brookings Institution Press, 2012.

local governments use to provide each of 29 services.<sup>10</sup> Many of these services (e.g., roads and streets) are not particularly relevant to nonprofits, but some are – notably those involving counseling, substance abuse treatment, or support for low-income residents.

LGO respondents could choose any or all of four types of service arrangements: (1) “my local government provides this service directly,” (2) “my local government provides this service through an agreement or contract with another local government,” (3) “my local government provides this service through a contract with a private for-profit firm,” and (4) “my local government provides this service through a grant or contract with a nonprofit organization.” Respondents were also able to indicate that their local government does not provide the specific service.<sup>11</sup>

Prior IACIR surveys asked respondents about only roughly 18 services, but for the 2020 survey the format was expanded to include additional services more likely to involve nonprofit providers. For example, previous surveys only asked about “corrections – mental

health”, while the 2020 survey asked about mental health services in correctional facilities as well as general mental health services. As a result, the 2020 survey provides a more comprehensive view of service arrangements than prior surveys, particularly for arrangements involving nonprofit providers.

As noted above, respondents were able to select multiple service arrangement options, e.g., contracting with both for-profits and nonprofits.<sup>12</sup> In fact, almost all LGOs responding to the question in 2020 indicated that multiple types of institutions were involved in providing these 29 services.<sup>13</sup> The ability to choose multiple service arrangements results in a more accurate picture of service arrangements.

Figure 1<sup>14</sup> shows the percent of LGOs who provide the specified services directly (dark red bar) and/or contract with another unit of local government (light red bar) for a particular service. As the dark red segments show, half or more of LGOs use internal resources to provide all but eight of the listed services (bottom bars), and for eight (top bars) services, at least 80 percent of LGOs rely at least in part on their

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<sup>10</sup> The services included on the survey were listed as **(1) Child and family welfare services, (2) Public health, (3) Substance abuse prevention and treatment, (4) Mental health, (5) Free/low-cost health care, (6) Relief services (food/shelter), (7) Information and referral (211 services)**, (8) Police services, **(9) Crime and violence prevention**, (10) Fire services, (11) Emergency medical services, (12) Emergency dispatch, **(13) Disaster response and recovery**, (14) Jail, (15) Juvenile detention, (16) Corrections – mental health services, (17) Corrections – addiction services, (18) Drinking water utility, (19) Sewer utility, (20) Solid waste services, (21) Roads and streets, **(22) High speed internet/broadband**, (23) Economic development, (24) Planning/plan commission, (25) Vocational education training, (26) Special education, **(27) After-school programs**, (28) Parks and recreation, (29) Property assessment. *Services listed in bold, are new to the 2020 IACIR survey.*

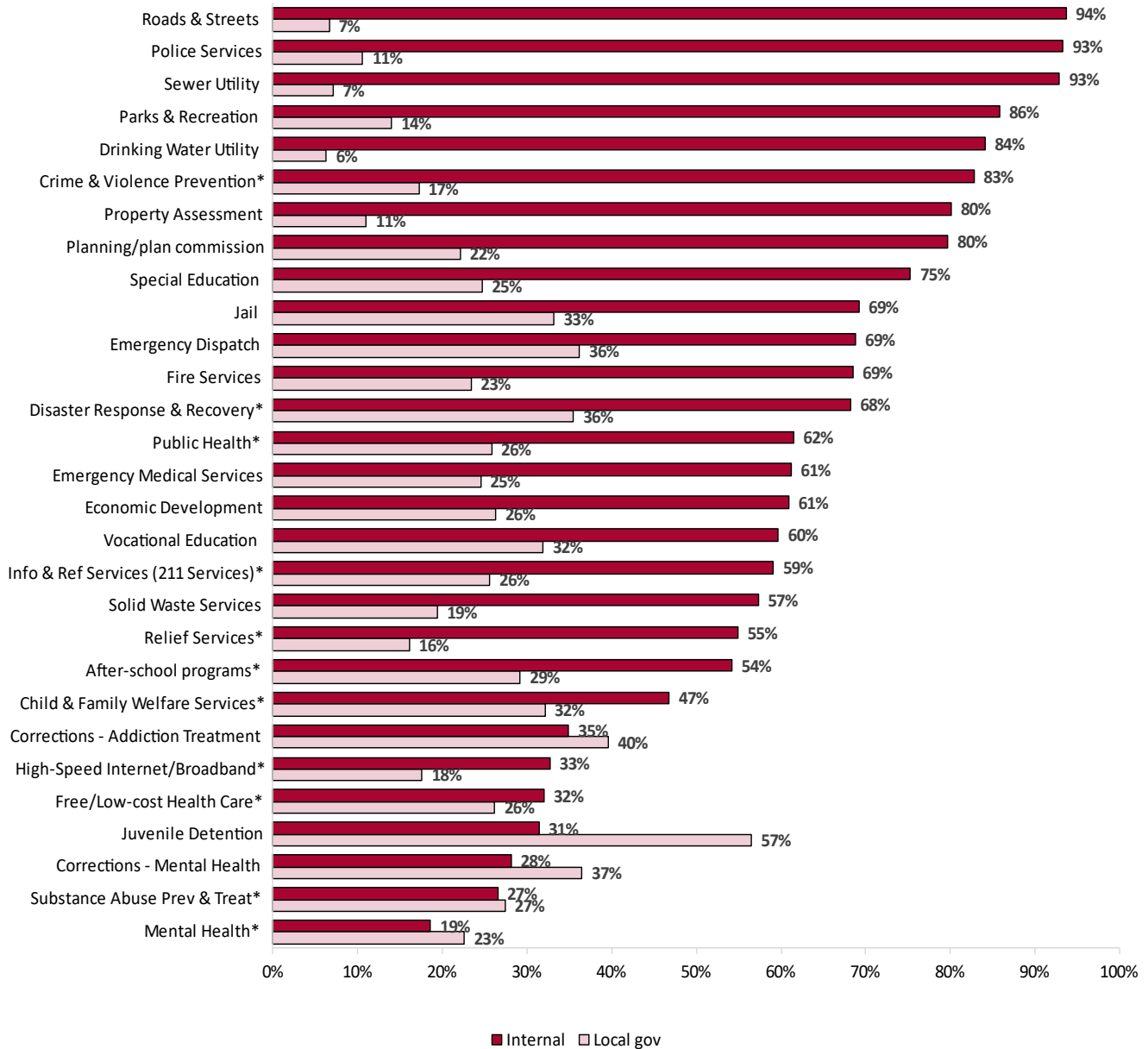
<sup>11</sup> In very few cases (13 respondents or 2.1 percent), LGOs selected a service arrangement (e.g., contracting with a private for-profit firm) but also indicated that their local government does not provide the specific service. In these cases, we gave priority to not providing this service, and removed these respondents from this analysis (see Appendix Table 2).

<sup>12</sup> In the 2010 and 2012 surveys, respondents were able to pick only one of the four service options for each service. This most likely resulted in underestimating the extent of contracting and makes the surveys incomparable to the later surveys.

<sup>13</sup> While the question did not restrict who could answer the question, the frequencies presented in Figure 1 and throughout the report only include responses from officials whose type of government would typically provide the specific service. (A complete list of which types of local governments were included for each service is available in the appendix.)

<sup>14</sup> Asterisks in figures 1 and 2 denote new services introduced in the 2020 IACIR survey.

Figure 1: Arrangement(s) LGOs use to Provide Services Directly or Through Contracts with Other Local Governments (n=72-365)

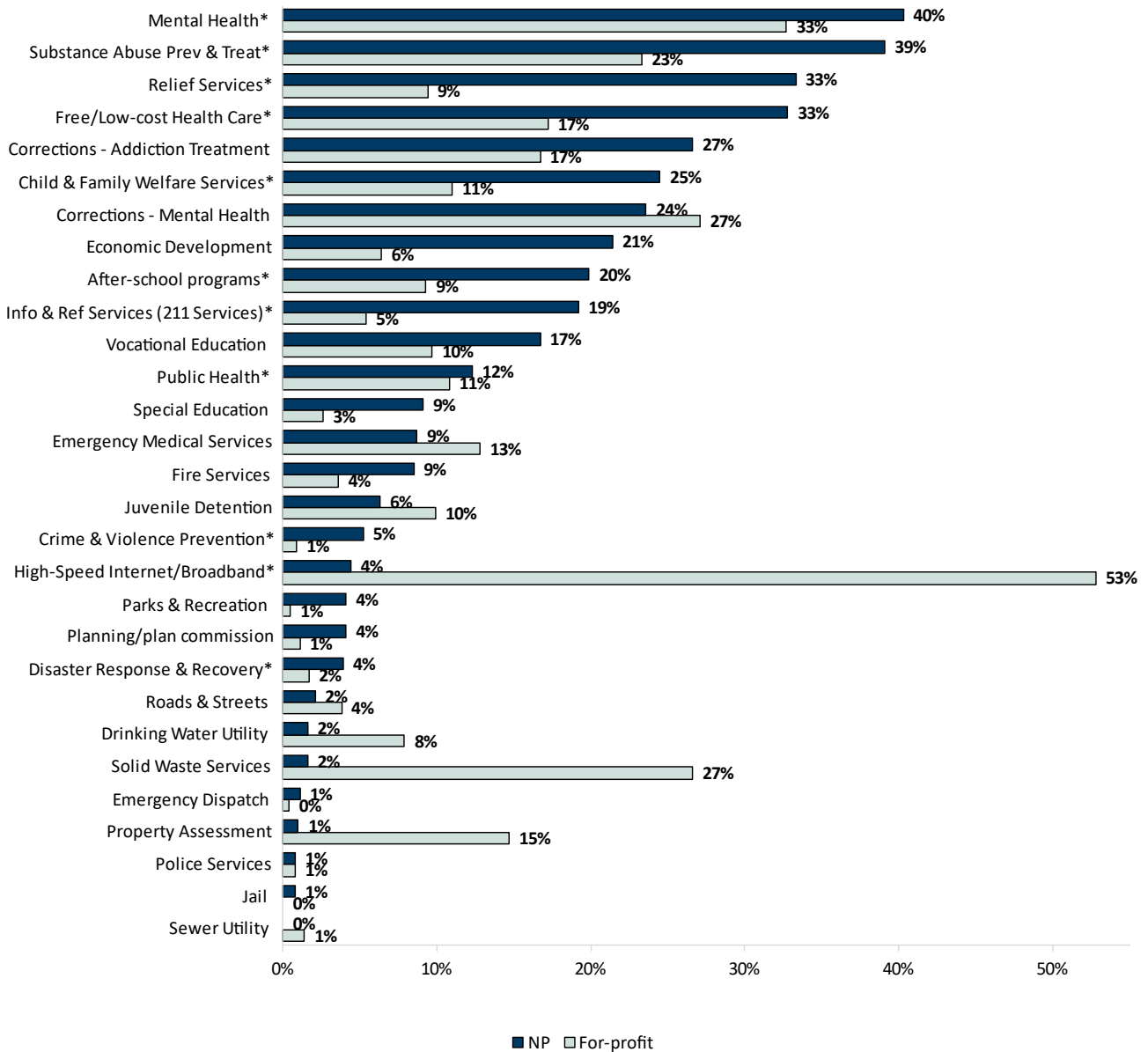


own internal resources. Only for juvenile detention do more than half of LGOs report using another unit of local government to provide services.

Figure 2 shows the corresponding information for contracting the same 29 services with non-profit (blue bars) and for-profit (green bars) providers. Overall, the percentages are notably

lower (all 40 percent or less) than in Figure 1. We caution that we don't know how many non-profits (or for-profits) LGOs contract with for a particular service, only whether any of the service providers for a particular service are non-profit and/or for-profit organizations. For many of the services listed, LGOs either are more likely to engage in contracting with nonprofits

Figure 2: Arrangement(s) LGOs use to Provide Services Through Contracts with Nonprofit and For-Profit Organizations (n=72-365)



than for-profit businesses, or the two are fairly evenly balanced. LGOs contract significantly more with nonprofits than for-profit businesses for eight services: child and family services, after school programs, crime and violence prevention, free/low-cost healthcare,

substance abuse prevention and treatment, information and referral services (211 services), economic development, and relief services.<sup>15</sup> Overall, LGOs reported most often using contracts with nonprofits for mental health (40 percent), substance abuse prevention and

<sup>15</sup> We computed 95 percent confidence intervals for the average percentage for each institution to see whether the confidence interval overlaps with the corresponding confidence interval for a different type of service provider. If there is an overlap, the percentages are not significantly different.



treatment (39 percent), relief services, free/low-cost health care (both 33 percent), addiction treatment in correctional facilities (27 percent) and child and family welfare services (25 percent). These are all services where nonprofits tend to have significant expertise and staff or volunteer capacity.

LGOs contracted significantly more frequently with for-profit businesses than nonprofits for only three services: high speed internet services (the only service where more than half of LGOs contracted with for-profits), solid waste, and property assessment. These are generally services where for-profits have considerable expertise and/or can meet the demand for specialized equipment.

#### Multiple Service Arrangements

We use the term “service arrangement” to refer to reliance on a particular configuration of types of providers (e.g., both nonprofits AND for-profit businesses). As our analysis above suggests, many services provided by local governments involve the use of multiple service arrangements. For every service (except drinking water utility), at least one LGO reported using two or more types of service providers in 2020. Unfortunately, we don’t know the number of contracts LGOs have with each type of provider. (See Appendix Table 3 for a complete list of service arrangements by type of services.)

Overall, we identified eleven different configurations of service arrangements for the 29 services. Many of the arrangements were quite complex. In fact, 5 of the 11 types of arrangements involved three or more different types of

institutions, e.g., direct local government, as well as both nonprofits and for-profits. Not surprisingly, the LGO’s own unit of government was involved in 7 of the 11 types of arrangements, as were other units of government. However, there was an equally pervasive inclusion of nonprofits and/or for-profits in the different types of service arrangements.

Among the 365 responding LGOs, multiple service arrangements were most frequent for substance abuse prevention and treatment, addictions services in correctional facilities, economic development, vocation education training (all 13 percent), and relief services (12 percent). LGOs reported a multiple service arrangement that includes a nonprofit for 24 of the 29 services (83 percent).

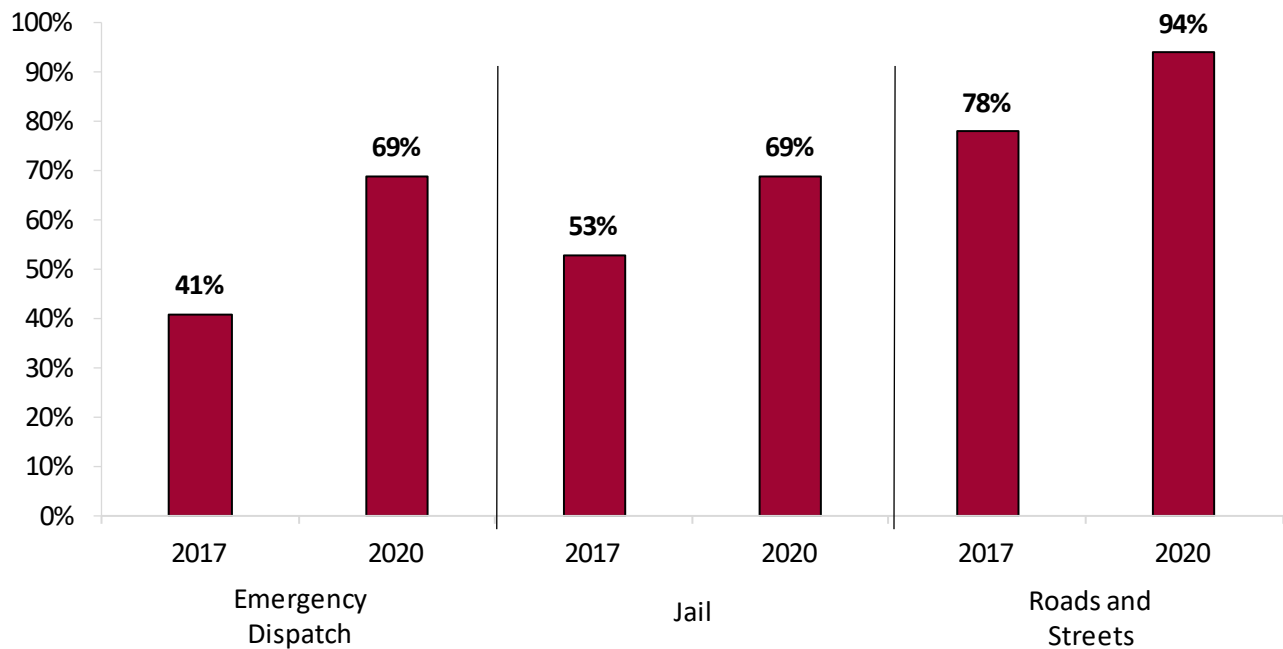
We note that using multiple service arrangements is likely to require somewhat different management skills by LGOs than delivering services directly or using only one type of provider to deliver services. With multiple service arrangements, LGOs must monitor providers that operate under different legal and financial incentive structures.

For example, for-profit businesses are expected to provide their owners with a return on investments by distributing net profits to them. indeed, owners are entitled to, and may demand, payments from net profits generated by the business. By contrast, nonprofit institutions do not have owners and U.S. tax laws<sup>16</sup> prohibits them from distributing any part of the organization’s net earnings to any private party. Instead, they must retain all surplus for

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<sup>16</sup> See <https://www.irs.gov/charities-non-profits/charitable-organizations/inurement-private-benefit-charitable-organizations>. Other types of tax-exempt entities (e.g., membership associations) face somewhat more flexible restrictions (see <https://www.irs.gov/pub/irs-tege/eotopic90.pdf>).

Figure 3: LGO Internal Over Time (n=93-286)



furthering the organization’s mission. This includes public charities, whose eligibility for receiving tax-deductible donations is predicated on their commitments to public and community benefits. Consequently, service arrangements that includes multiple types of providers are likely to make it more difficult for LGOs to ensure that potentially fragmented services are delivered effectively and equitably across constituency groups.<sup>17</sup>

### How Have LGOs’ Use of Different Types of Service Providers Changed Over Time?

We have previously examined how service arrangements changed over the 2010-2017

period, using data available from surveys of LGOs conducted in 2010, 2012, 2014 and 2017.<sup>18</sup> Here we focus on changes between 2017 and 2020 for services included in both years. As noted earlier, the 2020 survey added eleven services to those that were included in the 2017 survey (noted with \* in Figure 1), so those are excluded from the analysis below.

Table 1 summarizes the change in the use of particular types of service providers between 2017 and 2020 that were statistically significant. Overall, use of particular types of service providers was remarkably stable over time. There were only a handful of services (jail, juvenile detention, roads and streets, police,

<sup>17</sup> Indiana Local Government Officials’ Grant and Contract Considerations, by Kirsten A. Grønberg and Anna Doering. Indiana Local Government Officials and the Indiana Nonprofit Sector Report Series, Briefing Number Fourteen, Summer 2023. Bloomington, IN: Indiana University O’Neill School of Public and Environmental Affairs.

<sup>18</sup> Indiana Local Government Officials’ Contracts with Nonprofits, by Kirsten A. Grønberg and Elizabeth McAvoy. Indiana Local Government Officials and the Indiana Nonprofit Sector Report Series, Briefing Number Ten, September 2020. Bloomington, IN: Indiana University O’Neill School of Public and Environmental Affairs.



and emergency dispatch) where patterns of service arrangements changed significantly between 2017 and 2020.

Deliver Services Directly (Internal Resources)

For three of the five services with significant changes in service arrangements, *more* LGOs reported using internal resources in 2020 than in 2017 (see Figure 3). Specifically, the percentage of LGOs who used internal resources increased from 53 percent in 2017 to 69 percent in 2020 for jail services, from 78 to 94 percent for roads and streets, and for emergency dispatch services from 41 to 69 percent.

Contract with Another Local Government

There were significant changes in contracting with other units of local government from 2017 to 2020 for police services and emergency dispatch services. LGOs using other local governments for police services increased from 4 percent in 2017 to 11 percent in 2020 for police services. However, the percentage using

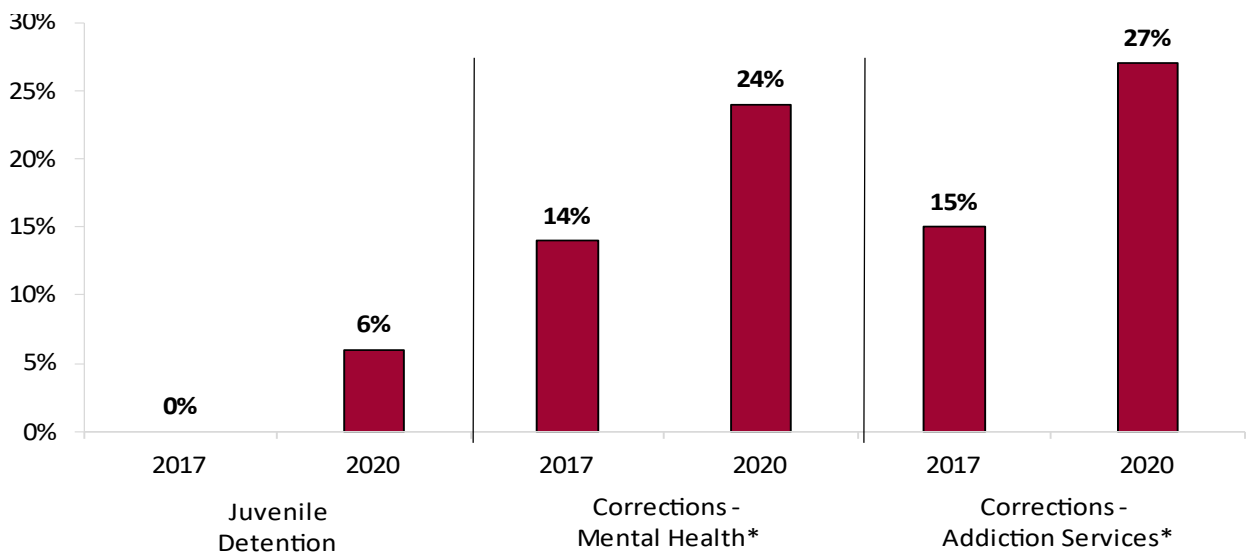
other local governments for emergency dispatch decreased from 56 percent to 36 percent for emergency dispatch. As noted above, there was a significant increase in the use of internal provisions for emergency dispatch, perhaps reflecting a shift in how those particular services were provided.

Contract with Nonprofit

Only one service – juvenile detention – changed significantly when comparing LGO contracting with nonprofits in 2017 and 2020. Corrections–mental health and corrections–addiction treatment were borderline significant but hold practical significance to nonprofits so we highlight them here.

As seen in Figure 4, using nonprofits to provide juvenile detention significantly increased from 0 percent in 2017 to 6 percent in 2020, but the percentage was still tiny. Changes in both types of corrections-related services were only borderline significant,<sup>19</sup> but had large increases from 2017 to 2020. Using nonprofits for

Figure 4: LGOs Contracting with Nonprofits Over Time (n=93-286)



<sup>19</sup> Denoted by asterisks in figure 4.

providing corrections–mental health increased from 14 percent in 2017 to 24 percent in 2020 and for corrections–addiction treatment increased from 15 percent in 2017 to 27 percent in 2020.

As we noted earlier, the 2020 survey included eleven additional services than the 2017 survey. For five of these – mental health, substance abuse prevention, relief services, free or low-cost health care, and child and family welfare services, at least one quarter of LGOs reported contracting with nonprofits. The other six new services – after-school programs, info & relief services, public health, violence and crime prevention, high-speed internet, and disaster response & recovery – also involve some level of contracting with nonprofits (20 percent to 4

percent). We hope future surveys of LGOs will include these additional services, so we can provide a more comprehensive picture of the extent to which LGOs contract with nonprofits change over time.

Contract with For-profit

There was a significant change for only one service in contracting with for-profit providers between 2017 and 2020. The percent of LGOs contracting with a private, for-profit firm to provide roads and streets services decreased from 17 percent in 2017 to 4 percent in 2020 – As noted above, there was a corresponding increase in the use of internal resources for this service. Table 1 summarizes the changes in the use of particular types of service providers that were significant when comparing 2020 to 2017.

**Table 1: Service Arrangements Which Changed Significantly Over Time (2017-2020)**

<i>Services (time frame)</i>	<i>Internal</i>	<i>Other Local Gov</i>	<i>Nonprofit</i>	<i>For-profit</i>
<i>Jail (2017-2020)</i>	+			
<i>Juvenile Detention (2017-2020)</i>			+	
<i>Roads and Streets (2017-2020)</i>	+			-
<i>Police Services (2017-2020)</i>		+		
<i>Emergency Dispatch (2017-2020)</i>	+	-		

**What Explains Which LGOs Contract with Nonprofits?**

We turn now to a closer look at the factors that may explain whether LGOs report contracting with nonprofits. Half of the LGOs indicated that their unit of government contracted with nonprofit for at least one of the 29 different services.<sup>20</sup> The percentage would likely be higher if the survey included more services

where nonprofits are prevalent, such as low-income housing.

We consider several groups of explanatory factors: (1) characteristics of the LGOs themselves; (2) community conditions, including the potential impact of COVID-19, and (3) LGOs’ relationship with nonprofits.<sup>21</sup> In order to capture these potential explanatory factors, we

<sup>20</sup> We included respondents who provide the service through a contract with a nonprofit along with another service arrangement.

<sup>21</sup> Descriptive statistics for the variables described below is available upon request.

used responses to the 2020 IACIR survey of LGOs, together with county-level information about the community each LGO represents.

We looked at each predictor to determine if it is significantly related to whether LGOs contract with nonprofits. However, because several of the indicators are related to one another, we also use multivariate analysis to determine which combination of factors remain significant once we control for all factors. In the findings presented below, we highlight those factors that appear to be significant in both the bivariate and multivariate analysis.

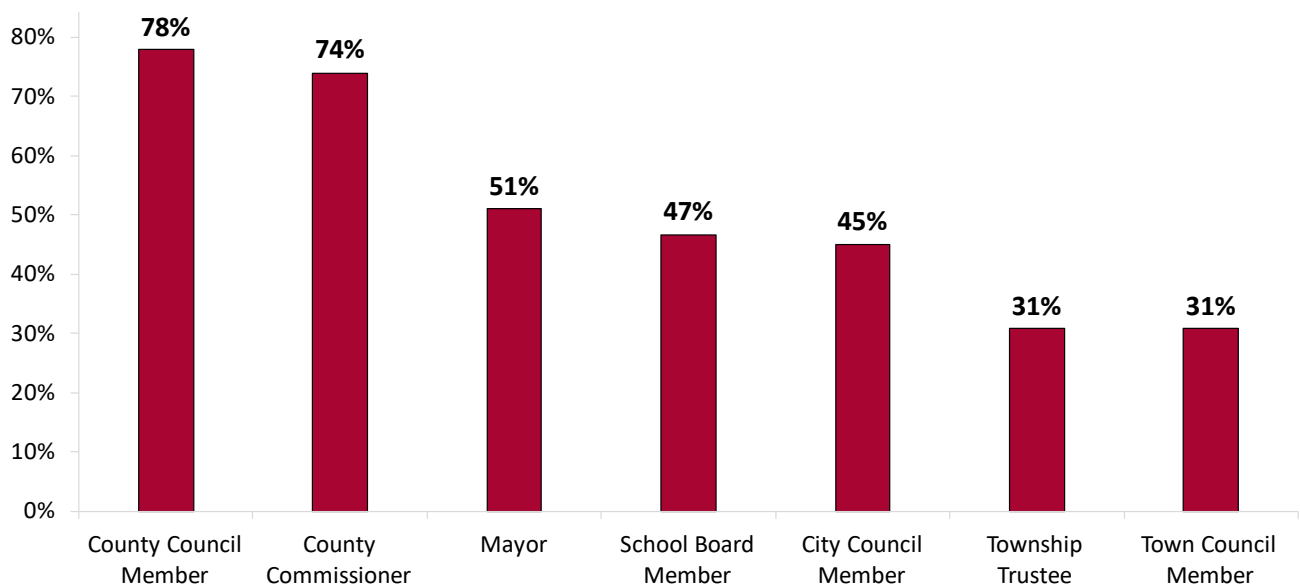
### LGO Characteristics

We consider the type of position LGOs hold in local government (e.g., mayor, township trustee, city council member) because some LGO positions represent units of local government that are more likely to provide services relevant to nonprofits. We also include measures of how long LGOs have served in

their current position based on the assumption that longer service will be associated with greater familiarity with service arrangements and with local nonprofits.

In our bivariate and multivariate analyses, only LGOs' type of position is significant. LGOs who are county council members and county commissioners are more likely to report that their units of local government contract with nonprofits, while LGOs who are town council members and township trustees are less likely to do so (Figure 5). The finding that township trustees appear to be less likely to award grants and contracts to nonprofits than other types of LGOs is perhaps surprising since Indiana township trustees have the primary responsibility for providing emergency assistance to low-income residents. However, in most cases, the help is likely to involve one-time modest cash assistance, in-kind assistance, and/or information and referral to other providers.

Figure 5: Percent of LGOs who Contract with Nonprofits by LGO Position (n=22-145)



LGOs who have served longer time in a local government position are more likely to report contracting with nonprofits, but only in the bivariate analysis.

### Community Conditions

We include information on a variety of community conditions that may affect whether LGOs contract with nonprofits.

LGO Community Assessments. We look at two survey questions that reflect how LGOs perceive their own community. The first question asks LGOs to indicate how they assess the general direction their community is headed, ranging from very pessimistic to very optimistic. Responses to the second question show whether LGOs report that current community conditions across a broad array of indicators present major, moderate, or minor/no problems. We also included LGOs' assessment of the disaster preparedness of nonprofits. None of these indicators were significant in predicting whether LGOs contract with nonprofits for at least one of the 29 services considered.

Objective Community Conditions. To capture more objective community conditions, we use the social vulnerability index. The index relies on census data to capture demographic and socioeconomic factors (e.g., poverty) that adversely affect communities when impacted by disasters or other community-level stressors.<sup>22</sup> Similarly, we consider the type of

geographic area served by LGOs on the argument that those representing metropolitan areas will have access to more nonprofits with the capacity to deliver services that LGOs need. Neither of these two indicators are significantly related to whether LGOs contract with nonprofits in the multivariate level. However, LGOs in nonmetropolitan areas were more likely to contract with nonprofits than those in other areas for the bivariate analysis, perhaps reflecting some lack of internal capacity by local government in these areas.

Scope of Nonprofits. Contracting with nonprofits may also depend on the number and size of nonprofits in the community. We explored many ways of measuring this, e.g., the total number of IRS-registered 501(c)(3) charities<sup>23</sup> with reporting addresses in the county, average aggregate income reported by those charities, etc.<sup>24</sup> All of these indicators are highly skewed, so we used their natural log in our analysis. LGOs in communities with low nonprofit capacities (generally small, rural communities) appear to be more likely to contract with nonprofits, but only for the bivariate analysis. However, none of these indicators are significant in the multivariate analysis where we control for all other factors.

Impact of COVID-19. In principle, nonprofit contracting may also be related to the sudden and dramatic early impact of COVID-19. We have no way to measure that directly but use whether the LGO responded to our survey

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<sup>22</sup> "CDC/ATSDR Social Vulnerability Index (SVI)." Centers for Disease Control and Prevention, Centers for Disease Control and Prevention, 12 July 2023, [www.atsdr.cdc.gov/placeandhealth/svi/index.html](http://www.atsdr.cdc.gov/placeandhealth/svi/index.html).

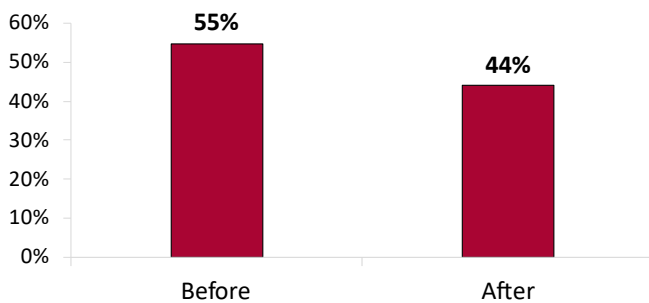
<sup>23</sup> IRS-registered 501(c)(3) charities are tax-exempt entities that are registered under the IRS tax section 501(c)(3) and, as such, are eligible to receive tax-deductible contributions.

<sup>24</sup> The full list of variables we considered is four measures related to IRS-registered charitable organizations (number of organizations and aggregate revenues, income, and assets) and the corresponding indicators for all other exempt organizations, plus average income of charitable organizations.

before or after April 3, 2020, the date when the entire state was declared a major disaster area because of the pandemic. The survey was opened on February 25, 2020, and roughly half of LGOs had responded before April 3, 2020. The survey closed on August 13, 2020.

As Figure 6 shows, LGOs who responded before April 3, 2020 were significantly more likely to report contracting with nonprofits than those who responded after that date. Normally, contracts extend over a period of time (usually a year), and it is unlikely that contracts were abruptly terminated by LGOs because of the pandemic.

Figure 6: Percent of LGOs who Contract with Nonprofits Before and After April 3rd, 2020 (n=279)



A more plausible explanation for the lower use of nonprofit contractors after April 3, 2020, is that Indiana nonprofits (like nonprofits everywhere else) were not able to provide services they had contracted to deliver. We have some support for this argument from our survey of Indiana nonprofits in May 2020 about how

COVID-19 had impacted their services. We found in this survey that 70 percent of respondents said their programs were operating in limited or reduced capacity, and 60 percent of nonprofits reported their programs were suspended or had been terminated because of the pandemic.<sup>25</sup> In addition, 46 percent said they had lost fee-for-service revenues and 13 percent said they had lost government funding. In both the bivariate and multivariate analyses, the receipt of responses to the AICIR survey after April 3, 2020, is statistically significant and appears to be associated with less use of nonprofit contracting by LGOs.

#### LGOs' Relationship with Nonprofits

Finally, we consider several dimensions of relationships between local government and nonprofits.

Working Relationships and Trust. The survey included a question asking LGOs how they assess working relations with local nonprofits on a five-point scale, ranging from very positive to very negative. We also asked how much the LGO trusts nonprofits to “do the right thing,” also on a five-point scale from almost always to hardly ever. We expected both working relationships with and trust in nonprofits to be related to more contracting, but neither were significant in the bivariate or multivariate analysis.<sup>26</sup>

<sup>25</sup> Indiana Nonprofits and COVID-19: Impact on Services, Finances, and Staffing, Indiana Survey Series IV, by Kirsten A. Grønbjerg, Elizabeth McAvoy, and Kathryn Habecker (Bloomington, IN: Indiana University O’Neill School of Public and Environmental Affairs, July 2020). Copies of this report are available on the Indiana Nonprofit Sector here: <https://nonprofit.indiana.edu>. DOI: 10.13140/RG.2.2.13029.01767.

<sup>26</sup> Indiana Local Government Officials’ Trust in Nonprofits, by Kirsten A. Grønbjerg, Zoe Bardon and Elizabeth McAvoy. Indiana Local Government Officials and the Indiana Nonprofit Sector Report Series, Briefing Number Thirteen, October 2022. Bloomington, IN: Indiana University O’Neill School of Public and Environmental Affairs.

We also considered two questions that asked LGOs how important local charities and nonprofits are to their unit of local government on several dimensions, as well as how important their local government is to local charities/nonprofit organizations on the same dimensions. Neither of these factors were significant at the bivariate level or in the multivariate analyses.

LGO Personal Involvement with Nonprofits.

Finally, we looked at LGO personal involvement with nonprofits. Our survey included questions asking LGOs whether they currently are or have been previously active with nonprofits as a leader, member, or volunteer, and if so, with which types of nonprofits or charities they have been involved. We also asked how important this involvement was for their work as an LGO.

Only the type of nonprofits LGOs are or have been involved with is significantly related to whether LGOs use nonprofit contracts (see Figure 7). LGOs who are currently or previously have been personally involved with nonprofits engaged in business, professional or union activities; philanthropy or promotion of

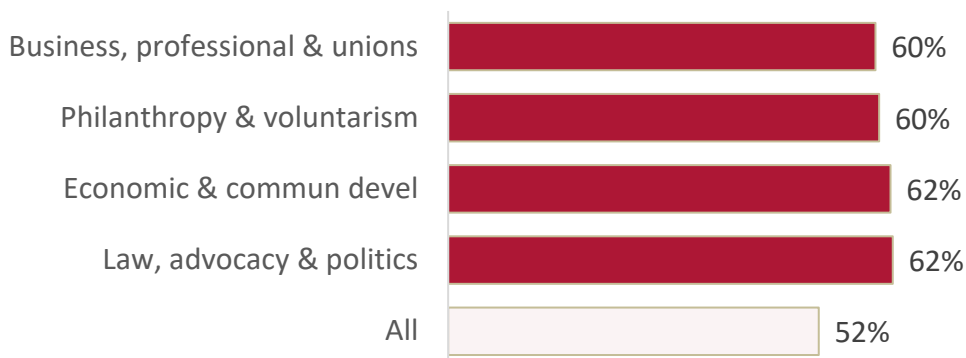
voluntarism; economic, community development, housing, employment, and training; or law, advocacy, and politics, are significantly more likely to engage in contracting with nonprofits than LGOs overall (bottom, light bar in Figure 7).

Contracting with Nonprofits: Summary

Six predictors are significant in our bivariate analysis, four representing LGO characteristics, one capturing LGOs' relationship with nonprofits, and one representing the onset of the COVID-19 pandemic. But only two of these – LGO characteristics and date the AICIR survey was completed – remain significant in the multivariate analysis. No measure of community conditions or scope of nonprofit were significant in either analysis.

The bivariate analysis shows that LGOs who are county council members or county commissioners are more likely to report that their unit of local government, e.g., counties, contract with nonprofits, while LGOs who are town council members and township trustees are less likely to do so. This is also true for the multivariate analysis. We speculate that county

Figure 7: LGO Personal Involvement with Nonprofits and Contracting (n=467)



Indiana Local Government Officials' Opinions on Working Relationships with Nonprofits, by Kirsten A. Grønberg, Zoe Bardon and Elizabeth McAvoy. Indiana Local Government Officials and the Indiana Nonprofit Sector Report Series, Briefing Number Twelve, April 2022. Bloomington, IN: Indiana University O'Neill School of Public and Environmental Affairs.

officials have broader responsibilities and more financial resources to work with than other types of LGOs, given the small size of many Indiana towns.<sup>27</sup> They may also have greater access to nonprofits, most of which are likely to be located in county seats.

LGOs who are or were involved in certain nonprofit sectors are more likely to contract with nonprofits at the bivariate level. Finally, LGOs who submitted their surveys after April 3, 2020, were less likely to report utilizing nonprofit contracts than those who responded before the onset of the pandemic.

### Summary and Conclusions

While most local governments provide services directly, many also routinely contract with other types of institutions to provide services to their constituents. As we have shown in this report, in many cases, individual local governmental units engage in contracting with different types of providers for the same service. Each type of provider – other units of government, nonprofits, or private businesses – operate with distinctive legal and financial incentive structures and represent distinctive service arrangements. We have examined which service arrangements LGOs use to provide a range of specified services, how service arrangements have changed over time, and which conditions appear to be related to whether LGOs say their unit of local government contracts with nonprofits.

Nonprofit contracting was relatively stable from 2017 to 2020. Only juvenile detention increased significantly, but only to 6 percent in

2020 from zero in 2017. Only corrections–mental health and corrections–addiction services saw increases of more than 10 percentage points in the percent of LGOs reporting contracting with nonprofits for these services. These increases are notable, although not statistically significant.

The 2020 survey also saw many new services added to the survey which directly relate to nonprofits such as general mental health and free/low-cost health services. Because those services were not included in prior year surveys, we are not able to determine whether the extent to which LGOs contract with nonprofits for these services changed in any way. However, we hope that future surveys of Indiana LGO's will allow for an analysis of how contracting with these services have changed over time.

For the 29 listed services included in the 2020 survey, LGOs reported that they contract the most with nonprofits to provide mental health (40 percent), substance abuse prevention and treatment (39 percent), relief services (33 percent), free/low-cost health care (33 percent), addiction treatment in correctional facilities (27 percent) and child and family welfare services (25 percent).

Our bivariate and multivariate analyses found that LGOs are more likely to contract with nonprofits if they are a county council member or county commissioner. On the other hand, LGOs are less likely to contract with nonprofits if they are a township trustee. LGO responses to the survey after April 3, 2020, the date

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<sup>27</sup> The median population of the 567 towns in Indiana was 1,135 in 2022 and 34,675 for Indiana's 92 counties (see [https://www.stats.indiana.edu/population/popTotals/2023\\_cntyest.asp](https://www.stats.indiana.edu/population/popTotals/2023_cntyest.asp) and [https://www.stats.indiana.edu/population/sub\\_cnty\\_estimates/2022/e2022\\_places.asp](https://www.stats.indiana.edu/population/sub_cnty_estimates/2022/e2022_places.asp)).



COVID-19 was declared a major disaster, also signal significantly less contracting with nonprofits than for LGOs who responded before that date.

Overall, the level of contracting between local governments in Indiana and nonprofits appears to be modest and limited to a handful of services: mental health, substance abuse prevention and treatment, relief services and free/low-cost health care. This may be an artifact of the limited range of services included in the survey. However, it also reflects the dominant practice of local governments to provide most services directly and/or rely on collaborative service arrangements with other units of local government.

Finally, in a previous report we have shown that when LGOs do contract with nonprofits, they give particular importance to overall nonprofit service capacity, especially the quality and effectiveness of such services.<sup>28</sup> They also consider the cost-efficiency of nonprofit contracts and their own capacity to manage the contract system, but the latter considerations appears to be less important than overall nonprofit service capacity.

We hope that this briefing will be helpful to local government officials in Indiana and to the state's many nonprofit organizations, as they seek to understand more fully the extent and importance of contracting between local governments and nonprofits.

### Acknowledgements

This analysis of local government and nonprofit

sector relations is a joint effort of the [Indiana Nonprofit Sector](#) project, the Indiana University [Public Policy Institute](#), the [Lilly Family School of Philanthropy](#) at Indiana University, and the [O'Neill School of Public and Environmental Affairs](#) at Indiana University Bloomington. We seek to help community leaders develop effective and collaborative solutions to community needs and to inform public policy decisions by providing baseline information about the Indiana nonprofit sector.

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Bloomington, IN: Indiana University O'Neill School of Public and Environmental Affairs.

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<sup>28</sup> "Indiana Local Government Officials' Grant and Contract Considerations," by Kirsten A. Grønberg and Anna Doering. Indiana Local Government Officials and the Indiana Nonprofit Sector Report Series, Briefing Number Fourteen, Summer 2023. Bloomington, IN: Indiana University O'Neill School of Public and Environmental Affairs. Available [here](#).

**Appendix Table 1. Services by Type of Local Government  
Indiana Local Government Officials, 2020**

<i>Services</i>	<i>Counties</i>	<i>Cities</i>	<i>Towns</i>	<i>Townships</i>	<i>Schools</i>
<i>Child and family welfare services</i>	+	+	+	+	+
<i>Public health</i>	+	+	+	+	+
<i>Substance abuse prevention and treatment</i>	+	+	+	+	+
<i>Mental health</i>	+	+	+	+	+
<i>Free/low-cost health care</i>	+	+	+	+	+
<i>Relief services (food/shelter)</i>	+	+	+	+	
<i>Information &amp; referral services (211 services)</i>	+	+	+	+	+
<i>Police services</i>	+	+	+		+
<i>Crime and violence prevention</i>	+	+	+	+	+
<i>Fire services</i>		+	+	+	
<i>Emergency medical services</i>	+	+	+	+	
<i>Emergency dispatch</i>	+	+	+		
<i>Disaster response and recovery</i>	+	+	+	+	+
<i>Jail</i>	+	+	+		
<i>Juvenile detention</i>	+	+	+		
<i>Corrections – mental health</i>	+	+	+		
<i>Corrections – addiction treatment</i>	+	+	+		
<i>Drinking water utility</i>		+	+		
<i>Sewer utility</i>		+	+		
<i>Solid waste services</i>		+	+		
<i>Roads and streets</i>	+	+	+		
<i>High-speed internet/broadband</i>	+	+	+	+	+
<i>Economic development</i>	+	+	+		
<i>Planning/plan commission</i>	+	+	+		
<i>Vocational education</i>					+
<i>Special education</i>					+
<i>After-school programs</i>	+	+	+	+	+
<i>Parks and recreation</i>	+	+	+	+	+
<i>Property assessment</i>	+			+	

**Appendix Table 2. Service Arrangements, by Type of Service  
Indiana Local Government Officials, 2020**

Service	Provide directly + another local government + private firm + nonprofit	Provide directly + another local government + nonprofit	Provide directly + another local government + private firm	Provide directly + private firm + nonprofit	Provide directly + another local government	Provide directly + private firm	Provide directly + nonprofit	Another local government + private firm + nonprofit	Another local government + private firm	Another local government + nonprofit	Private firm + nonprofit
<b>Health and social services</b>											
Child and family welfare services	X	X	X	X	X	X	X			X	X
Public health (health departments and schools)	X			X	X	X	X		X		
Public health (other)			X	X	X		X		X		X
Substance abuse prevention and treatment	X		X	X	X	X	X			X	X
Mental health	X			X	X	X	X		X	X	X
Free/low-cost health care	X			X	X		X			X	X
Relief services (food/shelter)			X	X	X	X	X			X	X
Information and referral services (211 services)	X		X		X		X		X	X	X
<b>Public safety</b>											
Police services			X		X					X	
Crime and violence prevention		X		X	X		X				
Fire services					X		X				
Emergency medical services		X	X	X	X	X				X	X
Emergency dispatch		X	X		X						
Disaster response and recovery		X		X	X		X		X		X
Jail					X		X				
Juvenile detention					X	X			X	X	X
Corrections—mental health	X		X	X	X	X	X	X	X	X	X
Corrections—addiction treatment	X		X	X	X	X	X	X		X	X
<b>Other services</b>											
Drinking water utility											
Sewer utility					X				X		
Solid waste services			X		X	X			X		
Roads and streets	X		X		X	X	X				
High-speed internet/broadband					X	X			X	X	X
Economic development	X	X	X		X		X		X		X
Planning/plan commission	X				X	X	X				
Vocational education	X	X			X						
Special education	X	X	X		X						
After-school programs	X	X			X	X	X			X	X

Table taken from page 21 of [https://iacir.ppi.iupui.edu/documents/ElectedOfficials\\_Report\\_Web.pdf](https://iacir.ppi.iupui.edu/documents/ElectedOfficials_Report_Web.pdf). For a complete table of all multiple service arrangements by local government position see pages 78-84.

**Appendix Table 3  
Types of Multiple Service Arrangements  
Indiana Local Government Officials, 2020**

<b>Types of Institutions used to deliver services</b>	<b># of Institutions</b>	<b>Health &amp; social services (9)</b>	<b>Public safety (10)</b>	<b>Other services 10)</b>	<b>Total (29)</b>
Provides directly only	1	None	None	None	
Direct + other gov't	2	<b>9</b>	<b>10</b>	<b>10</b>	100%
<b>Nonprofit</b> + direct	2	<b>8</b>	<b>6</b>	<b>5</b>	<b>48%</b>
<b>Nonprofit</b> + for-profit	2	<b>8</b>	5	2	<b>45%</b>
<b>Nonprofit</b> + other gov't	<b>2</b>	<b>7</b>	5	2	<b>41%</b>
<b>Nonprofit</b> + direct + other gov't + for-profit	4	<b>8</b>	2	4	<b>34%</b>
<b>Nonprofit</b> + direct + for-profit	3	<b>6</b>	5	--	<b>38%</b>
<b>Nonprofit</b> + direct + other gov't	<b>3</b>	3	4	2	<b>24%</b>
<b>Nonprofit</b> + other gov't + for-profit	3	--	2	--	<b>7%</b>
Direct + for-profit	2	5	4	<b>5</b>	31%
Direct + other gov't + for-profit	3	5	5	3	34%
Other gov't + for-profit	2	3	3	4	21%

Health & social services includes special education and after-school programs (listed under “Other Services” in Appendix Table 2.

**Appendix Table 4**  
**Significant Predictors of Contracting with Nonprofits**  
**Indiana Local Government Officials, 2020**

<i>Explanatory factors</i>	<i>Contracting with Nonprofits</i>
<i>County Council Member</i>	+
<i>County Commissioner</i>	+
<i>Town Council Member</i>	-
<i>Township Trustee</i>	-
<i>Survey Completed After April 3, 2020</i>	-

Notes: Coefficients significant at the  $p < 0.05$  level in the bivariate analysis are flagged with + if this factor is positively associated and with - if this factor is negatively associated with LGOs' contracting with nonprofits. All data are based on responses to the 2020 survey of Indiana local government officials conducted by the Indiana Advisory Commission for Intergovernmental Relations. For information about the survey, see [www.iacir.spea.iupui.edu/](http://www.iacir.spea.iupui.edu/) and follow link to "Intergovernmental Issue in Indiana: 2020 IACIR Survey."



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