Trust in Nonprofits: What do Local Government Officials Think?1

Kirsten A. Grønbjerg, Kellie McGiverin-Bohan, and Angela Gallagher
With Lauren Dula and Rachel Miller

School of Public and Environmental Affairs
Indiana University Bloomington

ABSTRACT

In this paper we examine the extent to which a group of individuals in strategic positions to assess the reputation and contributions of nonprofits – local government officials (LGOs) – trust nonprofits “to do the right thing.” Using perspectives from transaction cost economics, social capital and resource dependency theories, we explore whether such trust reflects the LGOs’ social capital and related personal experiences with nonprofits, their own political position, and characteristics of the community and local nonprofit institutions. We also consider whether trust is related to how LGOs describe working relationships with nonprofits.

INTRODUCTION

This paper examines the extent to which one particular type of external actor – local government officials – trust nonprofits in their communities. Such trust is important since nonprofits operate under “information asymmetries, because their resource providers seldom have sufficient information, capacities, or even willingness to monitor what NGOs are doing” (Johnson & Prakash, 2007). These resource providers include not only clients and donors of all types, but also government contractors.

In this case, trust in nonprofits – the belief that nonprofits will “do the right thing” – allows government officials to rely on them to deliver services without extensive monitoring, thus reducing government transaction costs. It also allows them to include nonprofits in a variety of collaborative activities and may induce them to refrain from imposing costly policies on nonprofits. For nonprofits, reputation is therefore of strategic importance if they are to secure resources from principals for whom they serve as agents.

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A considerable literature has examined the meaning of trust and documented a general decline in trust or confidence in a wide range of institutions in the U.S. and elsewhere (e.g., data from the General Social Survey, NES), with particular attention to trust in government (Dalton, 2005; Chanley, Rudolph & Rahn, 2000; Pew Research Center for the People and the Press, 2011). There has been a lively debate about what factors might explain such decline – changing expectations, increased media attention to the performance of government and other institutions (Dalton & Russell, 2005), dissatisfaction with government (Miller 1974), and general decline in social capital (Brooks, 2002; Keele, 2007). Others have argued that the decline is overstated and far from universal (Van De Walle, Roosbroek & Bouchaert, 2008; Cook & Gronke, 2005; Chanley, 2002).

Similar ambiguity surrounds the study of trust in nonprofits. Relatively few studies have focused explicitly on trust in nonprofits, but most find that nonprofit organizations appear to be trusted more than government or private companies (O’Neill, 2009; Grønbjerg, 2009). The data on trends are mixed, especially when it comes to particular types of activities such as “helping people” or “spending their money wisely” (Light, 2008; McDougle et al., 2008), although O’Neill’s (2009) careful review of a broad range of studies finds little support for the argument that trust in nonprofits has declined.

These patterns and trends in nonprofit trust are important, because trust is thought to allow nonprofits to benefit from imperfections in the market for goods which the consumer finds difficult to evaluate (i.e., information asymmetries). These arguments are thought to be particularly important for those making charitable contributions, since donors usually do not have much direct information about the quality of services they support, but they also apply to clients purchasing complex services from nonprofits (Hansmann, 1987, 1996). Clients, donors, and especially volunteers who interact with nonprofits over time have direct opportunities to observe whether such trust is warranted. In turn, they can sever the relationship if they encounter problems.

In this paper we explore two research questions. First, how much trust do local government officials have in local nonprofits? We compare trust in nonprofits as expressed in a 2012 survey of Indiana government officials to similar questions about their trust in local businesses, other units of local government, state government, and the federal government. We also compare their responses to those provided by a sample of Indiana residents in 2008. Second, what explains LGOs’ trust in nonprofits? In future analysis we will look at whether trust matters. In particular, is trust in nonprofits related to whether LGOs support policies that would impose significant costs on local charities – requiring “payments in lieu of [property] taxes” (PILOTs)?

THEORETICAL PERSPECTIVES

Our analysis builds on several strands from the broader body of literature on the relationship between trust and nonprofits, with particular attention paid to theories of contract failure and social capital. We examine the degree to which individuals in strategic positions to assess the
reputation and contributions of nonprofits – local government officials – trust nonprofits “to do the right thing.” We expect such trust to reflect the personal experiences with nonprofits and related aspects of social capital that LGOs bring to the relationship. Other influencing factors we examine include characteristics of local nonprofit institutions, the LGO’s own political position, and whether they view working relationships with local charities and other nonprofits as positive. Figure 1 below shows the general model we use to connect these concepts.

Figure 1: Basic Model

Personal Nonprofit Involvement

Individuals who are personally involved with nonprofits have greater opportunities to understand nonprofits’ missions, operations, and accomplishments. We hypothesize that such involvement will allow LGOs to overcome skepticism about the quality of nonprofit services they might otherwise hold (because of contract failure), while also directly building social capital and hence trust.

Contract Failure. As noted above, trust is thought to allow nonprofits to benefit from imperfections in the market for particular types of goods – those which the consumer finds difficult to evaluate because the services are complex or which the consumer is purchasing on behalf of someone else who is not able to discern the quality (e.g., children). In such cases, asymmetrical information characterizes the market exchange and consumers may legitimately worry that producers will exploit their ignorance to deliver lower quality services than expected. As Hansmann (1987, 1996) and others (Witesman and Fernandez, 2013; Handy et al.,
2010; Easley and O’Hara, 1983) have argued, under such circumstances of contract failure, consumers will favor nonprofit providers. That is because the prohibition on private inurement (by owners or others with controlling influence) means that all nonprofit revenues and assets must be used for the organization’s exempt purpose (commonly referred to as the non-distribution constraint), and may not be distributed to shareholders. This constraint serves to provide consumers with assurance that they will not be exploited by owners wanting to maximize their profits – in short, that nonprofits can be trusted.

Several studies have examined whether fee-paying consumers do, in fact, trust nonprofits more than for-profit providers when choosing services characterized by asymmetrical information. The literature here is complex, since it appears that consumers often do not know the legal status of service providers (Handy et al., 2010; Gray and Schlesinger 2004). However, there is some evidence that consumers do trust nonprofit service providers more than for-profit providers, at least for some types of services and service dimensions (Gray & Schlesinger 2004; Handy et al, 2010; McDougle et al., 2008).

Trust is also thought to be particularly important for those who make charitable contributions, since most donors do not personally consume the services they support, or if they do, their contributions are above and beyond the official market prices set for the services. In most cases donations also flow to charities delivering complex services, further complicating donors’ ability to assess the impact of their donations. However, most donors have personal connections or emotional affinities with the organizations they support, thus reinforcing the trust cycle. The literature shows that donors have higher trust and confidence in charities than non-donors across a range of trust/confidence dimensions (O’Neill, 2009; McDougal, 2008). Similarly, donors with higher levels of trust or confidence make larger donations than those with lower trust levels (Sargeant & Lee, 2002).

A similar argument holds for the relationship between trust and volunteering. Bowman (2004) finds that volunteers have higher confidence in charitable institutions than non-volunteers. However, in subsequent analysis of Dutch panel data on volunteers, Bekkers and Bowman (2009, p. 891) conclude the evidence that volunteering creates trust in nonprofits is tentative at best. Instead, other closely related factors may explain both – for instance, individuals with more altruistic tendencies and more generalized trust are likely to both volunteer AND to trust nonprofits (Bekkers & Bowman, 2009, p. 891).

On the basis of these arguments we hypothesize that those local government officials who are personally involved with nonprofits and therefore have greater familiarity with nonprofits will be more likely to trust nonprofits than those who are not so involved. We also argue that trust will be particularly high for those with more intense involvement because of their greater investment in and familiarity with nonprofits. Figure 2 shows how we hypothesize the operation of these and other factors discussed below. Consequently,

Hypothesis 1. LGOs who are involved with nonprofits as members or volunteers will be more likely to trust nonprofits than those without any involvement.
Hypothesis 2. LGOs who have more intense involvement with nonprofits will have greater trust in nonprofits.

Hypothesis 2a: LGOs who have more intense involvement with nonprofits, as indicated by holding a leadership position in a nonprofit organization now or in the past, will have greater trust in nonprofits.

Hypothesis 2b: LGOs who have more intense involvement with nonprofits, as indicated by the number of hours they volunteer, will have greater trust in nonprofits.

Hypothesis 2c: LGOs who have more intense involvement with nonprofits, as indicated by how important they view their involvement for their own government work, will have greater trust in nonprofits.

Figure 2: Expanded Model

Social Capital. LGOs who are personally involved with nonprofits as volunteers or leaders not only obtain direct familiarity with the organizations for which they volunteer, but they also interact with the organization’s staff, clients, and other volunteers. Such familiarity and interactions build the LGO’s personal networks and social capital more broadly. Indeed, nonprofits are recognized as key institutions through which social capital develops. They do so by engaging people in meaningful activities and connecting them to others within and across organizational boundaries so that over time relationships, trust, and shared understandings
develop. In fact, associational involvement, such as membership in associations, religious participation, volunteering, or making charitable donations is frequently used as trace measures of social capital (Putnam, 2000).

In turn, social capital improves not only the quality of life for individuals, but also the effectiveness of social and political institutions (Saguaro Seminar, 2014). Bridging social capital, which spans across a variety of networks, is generally thought to yield greater benefits to both individuals and communities because such networks allow access to a broader variety of resources. Bridging social capital should also foster more generalized trust because of the diversity of perspectives included (Putnam, 2000). Consequently,

**Hypothesis 3.** LGOs with a broader scope of nonprofit involvement, as measured by the diversity of nonprofit fields with which they are involved as members or leaders, will have greater trust in nonprofits.

LGOs who are personally involved with nonprofits build their own social capital and at the same time gain greater exposure to nonprofit missions and the specific community issues that these nonprofits seek to address. We hypothesize that LGOs involved with nonprofits that are most closely aligned with traditional “charitable” missions, such as those promoting philanthropy or voluntarism or providing social services, health care, or education and research, will be more likely to develop trust in local charities than their counterparts. We tentatively speculate that the same may hold for those involved with other less prominent or pervasive types of charities, such as environment and animals or arts and culture. However, the two latter fields are much smaller in terms of number and/or size of nonprofits, and LGO involvement with them may be less salient to the formation of trust in charities and other nonprofits. We also explore whether involvement with other types of nonprofits\(^2\) is related to trust in nonprofits.

**Hypothesis 4.** LGOs involved with particular types of nonprofits will have greater trust in nonprofits than their counterparts.

*Hypothesis 4a:* LGOs involved with nonprofits in prominent “charitable” fields, such as philanthropic institutions and promotion of voluntarism, social services, health, or education, will have greater trust in nonprofits than their counterparts.

*Hypothesis 4b (explore):* LGOs involved with nonprofits in less prominent “charitable” fields, such as environment and animals or arts and culture, will have greater trust in nonprofits than their counterparts.

*Hypothesis 4c (explore):* LGOs involved with nonprofits in any of the remaining six other fields will have greater trust in nonprofits than their counterparts.

**Community and Political Factors**

\(^2\) We consider six fields: law, advocacy and politics; sports, recreation, and social activities; economic and community development; international; business, professional, and union associations; and other nonprofit or charity organization.
Aside from the familiarity with nonprofits that LGOs gain from their personal involvement, they remain first and foremost government officials and as such are attentive to major institutional actors in their communities. This not only includes other units of government and major corporations, but also large nonprofit employers, such as hospitals and universities. We have argued elsewhere (McGiverin-Bohan et al., 2014) that urban communities have a greater concentration of major nonprofit charities, such as hospitals, universities, museums, mega-churches, and large social service agencies because they require and serve a large customer base (Neal, 2010). We also consider the amount of total nonprofit financial resources in the community, since this is a more direct measure of whether the community contains prominent nonprofit institutions.

Major charitable institutions have a visible presence in the community, prominent leadership, and highly professional staff, hence the abilities and opportunities to articulate their legitimacy and contributions to the community. We speculate that LGOs holding prominent elected positions will be more attuned to the reputation and importance of nonprofit institutions than LGOs holding appointed or less prominent elected positions because they are more likely to have extensive interactions with such key nonprofit institutions in addressing an array of community issues. We also explore whether LGOs holding positions as township trustees are more likely to trust nonprofits than their counterparts. In Indiana, township trustees administer poor relief and are likely to have direct working relationships with health and human service nonprofits. Consequently,

**Hypothesis 5:** LGOs who are more likely to encounter large charities with prominent leadership and professional staff will have more trust in nonprofits.

**Hypothesis 5a:** LGOs from urban counties (those with larger towns; those included in metropolitan regions) will have more trust in nonprofits, because they are more likely to encounter large charities with prominent leadership and professional staff.

**Hypothesis 5b:** LGOs in counties with greater nonprofit revenue will have more trust in nonprofits, because high revenue levels signal the presence of large charities with prominent leadership and professional staff.

**Hypothesis 5c:** LGOs holding prominent elected office, such as mayors or council members, will have greater trust in nonprofits because of their greater opportunity to interact with nonprofits in their professional political role.

**Hypothesis 5d:** LGOs in township trustee positions will have greater trust in nonprofits because of their direct interactions with them.

**Attitudes towards Nonprofits**

As we noted earlier, there is some evidence that consumers trust nonprofits more than for-profits, at least for certain types of services. Some researchers have extended analysis of this type of consumer behavior to government officials contracting with nonprofits. Witesman and Fernandez (2013) explore whether government officials purchasing complex services trust nonprofits more than for-profit providers. They find that officials do trust nonprofit contractors more easily, for more difficult tasks with additional discretion, and for longer contract periods.
than for-profit contractors. Even so, they report no compromise in performance when using nonprofit contractors rather than for-profit contractors.

This finding is consistent with Van Slyke’s (2006) examination of how contracting relations between government and nonprofit service providers change over time. He finds that these relationships often start under a principal-agent framework, in which government seeks to control nonprofits to minimize contractual opportunism due to asymmetrical information. However, over time the relationship transition to a principal-steward relationship, in which government and nonprofit goals converge. Similarly, Kumar, Kant, & Amburgey (2007) find that when public administrators are exposed to nonprofit contractors, their opinions of the sector improve over time.

We do not have information on specific contracting relations in which our LGO respondents might be involved, so we cannot directly test whether contracting with nonprofits is related to greater trust in nonprofits. Instead, we consider how LGOs characterize working relationships between government and nonprofits in the community and argue that those who characterize the working relationship more positively will also have greater trust in nonprofits.

**Hypothesis 6.** LGOs who characterize working relationships with local charities and other nonprofits as positive will have higher trust in nonprofits.

**Respondent Background**

The survey on which we base our analysis did not contain any questions about the personal characteristics of the local government officials, although factors such as education, income, family status, race and ethnicity are likely to be important. In order to capture at least some of these unmeasured dimensions, we use trust in other local institutions (local businesses and government) as a control variable to capture the extent to which LGOs are simply more trusting in general.

**METHODS**

To test these hypotheses, we make use of a 2012 cross-sectional survey of Indiana local government officials that included questions about a range of local government conditions and a series of nonprofit-related questions. We then merged these survey responses with county-level information on urban/rural status and nonprofit revenues.

We first present bivariate statistics to test the six main hypotheses and variations. We then undertake multivariate ordered logistic regression analysis with county-level clustered robust standard errors to further test the hypotheses. For Model 1, we consider contract failure and social capital theory to examine whether the extent and type of personal involvement which LGOs have with nonprofits is related to how much they trust nonprofits. For Model 2, we add community features and political positions. Model 3 also includes the LGO assessment of working relationships between nonprofits and local government. Finally, Model 4 controls for
trust in local business and other units of local government as a way to capture unmeasured disposition to trust institutions.

Sample

For our analysis, we rely on the 2012 *Intergovernmental Issues in Indiana* survey, one of a series of periodic efforts by the Indiana Advisory Commission on Intergovernmental Relations (IACIR) to assess LGOs’ attitudes and perceptions on key community issues (health, economics, local services, land use, public safety, and quality of life) as well as “hot button issues” such as property tax policies and several nonprofit-related questions (Palmer et al., 2013). The 2012 survey was sent to 1,185 LGOs, including all city mayors; one randomly selected member of each board of commissioners, county council, town council, and school board; and one or two (depending on population) randomly selected township trustees from each county. The effective response rate was 35 percent.

Dependent Variable

Trust in Nonprofits. Our measure of trust in nonprofits is derived from a set of questions which asked LGOs to indicate the extent to which they trust local charities and other nonprofits, local businesses, other units of local government, the state government in Indianapolis, and the federal government to “do the right thing.” As Figure 4 shows, 31 percent of government officials say they trust local charities/nonprofits always or almost always, compared to 22 percent for local businesses, and 18 percent for other units of local government. By contrast, only 4 percent say they trust state government and 3 percent the federal government always or almost always. If we combine “almost always” and “most of the time,” fully 86 percent of local government officials report this level of trust in local nonprofits, compared to 81 percent who trust other units of local government and 74 percent who trust local businesses. A similar level of trust in the state and federal government is far behind at 37 and 27 percent respectively.

A closer analysis of these responses shows that LGOs who trust local charities and other nonprofits also tend to trust local businesses, other units of local government, and to a lesser extent state government (Kendall’s tau-b is respectively .53, .36, and .16, all significant at p<.01) but not the federal government (tau = .02, not significant). An exploratory principal component factor analysis using Varimax rotation shows that the five trust variables reflect two underlying dimensions: trust in the three local institutions (factor loadings range from .686 to .858) and trust in higher (e.g., state and federal) levels of government (factor loadings of .792 and .876 respectively). All other loadings are at .335 or less. It is possible therefore that trust in local charities simply reflects the extent to which LGOs trust local institutions. Consequently, we include an average score of trust in local businesses and local government in Model 4 to see whether this variable helps explain trust in local charities and nonprofits.

Moreover, LGOs seem to trust local nonprofits more than Indiana residents did when asked the same questions in 2008 (Grønbjerg, 2009). Thus while 31 percent of LGOs say they trust local charities and other nonprofits always or almost always, that was the case for only 14 percent of
Indiana residents in 2008. LGOs also trust local businesses more than Indiana residents (22 percent almost always vs. 5 percent) and units of local government (18 percent vs. 6 percent). However, equally few LGOs as Indiana residents expressed the same level of trust in state government (4 percent) or the federal government (3 vs. 2 percent).

Figure 4
Extent to which Indiana Local Government Officials Trust Various Institutions, 2012
(n= 380-384)

By converting these responses to a four point scale, where 4 means “always or almost always” and 1 means “hardly ever” and computing the average trust scores for each type of institution, we can directly compare the level of trust for the two surveys (see Figure 5). The average score for trust in local charities and nonprofits was significantly higher for LGOs than for Indiana residents (3.17 and 2.82 respectively) as was the case for trust in local businesses (2.97 vs. 2.54) and trust in local government (2.92 vs. 2.41). LGOs were slightly less likely to trust state government than Indiana residents (2.27 and 2.37 respectively) and slightly more likely to trust the federal government (2.07 and 1.97 respectively), but these differences are not statistically significant.

The two surveys were conducted four years apart, so it is possible that these differences reflect secular changes in trust over time. However, as we noted earlier, most research suggests that trust in most types of institutions has declined over time. The 2012 LGO survey generally shows higher levels of trust than the 2008 survey of Indiana residents, contrary to the argument that trust has declined over time. Moreover, the differences between the two surveys are most pronounced for trust in the three types of local institutions. We suspect that the greater trust by LGOs in these types of institutions reflects the greater opportunities they have for interacting with these institutions compared to ordinary Indiana residents.

As noted earlier, the survey on which we base our analysis did not contain any questions about
the personal characteristics of the local government officials. The earlier survey of Indiana residents on trust in nonprofits (Grønbjerg, 2009) found that respondents who are college graduates, with a household income of $50,000 or more, white, or with three or more children in the household are more likely to trust nonprofits than their counterparts. On the other hand, younger adults, those who rent their homes, live in rural areas, and/or are separated or cohabiting are less likely to trust nonprofits than their counterparts. In order to capture at least some of these unmeasured dimensions, we use the average of trust in local businesses and local government as a control variable. As noted above, trust in local nonprofits clusters with trust in local businesses and other units of local government.

**Figure 5:**
*Average Trust Scores by Indiana Local Government Officials (2012, n=380-384) and Indiana Residents (2008, n=536; 4 = almost always, 1 = almost never)*

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**Independent Variables**

Most of our independent variables come from other questions in the 2012 survey of LGOs: an extensive set of questions about LGOs’ personal involvement with nonprofits, the type of local government position they hold, and how they assess the working relationships between their local government and local charities and other nonprofits. We merged these data with demographic data on the largest town or city in the county and whether the county is included in a metropolitan region. We also include total nonprofit revenues in the county based on Form 990 information available from the National Center for Charitable Statistics. We describe here how we measure each of the independent variables and highlight key results from testing bivariate hypotheses for each in order to lay the groundwork for the full, multivariate models. Table 1 shows descriptive statistics for all independent variable and all bivariate relationships.
**Table 1 about here**

**Personal Involvement: Contract Failure and Trust in Nonprofits.** We measure the nature and extent of the officials’ personal engagement with the nonprofit sector as well as how important these activities are to their work. Officials were asked to indicate their nonprofit membership or leadership (past or present) in twelve different areas: culture and arts; sports, recreation, and social; education and research; health; social services; environmental and animal protection; economic and community development; law, advocacy and politics; philanthropic and promotion of volunteerism; international; business, professional, and union; and other local charity or nonprofit organization. We include a dichotomous variable indicating whether the LGO has *any involvement* in any of these areas as a member.

Overall, 84 percent of LGOs are involved with nonprofits as members or volunteers or have been so in the past. Those so involved have slightly higher nonprofit trust scores than their counterparts (3.22 vs. 3.06), but those differences fail to meet tests of statistical significance (p<.11).

To determine whether more intense involvement – and therefore greater familiarity with nonprofits – is important, we include three other variables. One is another dichotomous variable to indicate whether the LGO has *any involvement as a leader* either currently or in the past. Overall, 69 percent of LGOs are involved as leaders (or have been so in the past), but the average nonprofit trust score is the same for leaders as for non-leaders (3.19).

We also include a variable measuring the *total number of hours* per month the LGO volunteers for any of these activities. On average, LGOs report volunteering 33 hours per month with a median of 24 hours. We divide the LGOs into quintiles based on the number of hours they volunteer, with almost a fifth (19 percent) reporting no volunteer hours at all. The remaining 80 percent are divided roughly equally into groups volunteering 16 hours or less, 16-30 hours, 30-50 hours, and 50 hours or more. Those in the two middle quintiles – volunteering 15-30 or 30-50 hours – have the highest level of trust (average scores of 3.30 and 3.31) compared to those with less than 16 hours of volunteering (3.05). Those with no hours or with more than 50 hours have intermediary levels of trust (3.12 and 3.17 respectively). One-way analysis of variance suggests that the differences in means are marginally significant (p<.10).

Finally, we examine a third indicator of the intensity of involvement with nonprofits: whether LGOs say their *involvement with nonprofits is important* for their own work as government officials. Overall, 49 percent say their nonprofit involvement is very important and 29 percent that it is somewhat important. The rest (22 percent) are split evenly between those who say it is less than somewhat important or not relevant. Those who say their nonprofit involvement is very or somewhat important have slightly higher trust scores (3.23 and 3.21 respectively) than those who say less important (3.14) and especially those who say their involvement isn’t relevant (3.00). Overall, the intensity of the government officials’ involvement with nonprofits, --regardless of how we measure leadership positions held, number of hours volunteered, or importance of the involvement-- has at best only a marginal relationship with trust in
nonprofits.

**Personal Involvement: Social Capital and Trust in Nonprofits.** Social capital theory suggests that the scope of nonprofit involvement LGOs have and the type of organizations with which they are involved may be important in predicting their level of trust in local charities and other nonprofits in their communities. We first include a *simple count of the different types of nonprofits* with which LGOs are involved as members or leaders to reflect their breadth of involvement. The survey asked LGOs whether they are or have been involved as members or leaders with any of twelve specific nonprofits fields.

Unfortunately, we were not able to ask about involvement with churches or other religious congregations. The survey did include an “other” category that had the potential to capture that type of involvement. However, only 10 percent checked that option. Since roughly one quarter of Americans are estimated to attend church in any given week (Hadaway, Marler and Chaves, 1998), we would expect local government officials to be at least as likely to attend church as the general public. Consequently our “other” category is not likely to fully capture involvement with religious congregations.

On average, LGOs report being involved with almost 4 different nonprofit fields. In addition to the 14 percent who have no involvement at all, 12 percent checked only one field, 28 percent 2-3 fields, 26 percent 4-6 fields, and 20 percent 7 or more fields. We find some increase in average trust scores corresponding with an increase in the number of fields LGOs checked, but the differences are not significant.

As noted earlier, however, we believe it is plausible that involvement with particular types of nonprofits may be more conducive to the creation of trust in nonprofits. We therefore developed a number of dichotomous variables to capture involvement with nonprofits most likely to be viewed as *typical charities*: philanthropic institutions and promotion of voluntarism, health, social services, or education and research.

More than a third (38 percent) of LGOs reported involvement with philanthropic institutions and promotion of voluntarism (most likely United Way, community foundations, and similar organizations). These individuals do have significantly higher nonprofit trust scores (3.29 vs. 3.13, p < .05). A slightly higher percentage (41 percent) are involved with education and research (most likely universities and colleges). They also have slightly higher nonprofit trust scores (3.24 vs. 3.16), but these differences are not significant. Involvement with social services or health, as are 36 and 23 percent respectively, is even less related to trust in nonprofits, with scores of 3.22 vs. 3.17 and 3.19 vs. 3.19 respectively.

A second set of dichotomous variables picks up on other *less prevalent charities*: culture and arts and environmental and animal protection. Overall, 31 percent of LGOs are involved with arts and culture nonprofits and 23 percent with environment and animal nonprofits. These are surprisingly high percentages, since these two categories constitute respectively only 9 and 5 percent of IRS-registered charities (NCCS dataweb, 2014). However, involvement with either of
these two types of nonprofits has no relationship to nonprofit trust scores: 3.20 vs. 3.19 for arts and culture nonprofits and 3.22 vs. 3.18 for environment and animal nonprofits.

Finally, we explore whether involvement with any of the remaining nonprofit fields may be related to trust in nonprofits. Overall, 59 percent are involved with sports, recreation, or social clubs; 43 percent with law, advocacy, or political nonprofits; 43 percent with economic and community development; 38 percent with business, professional associations and unions; 10 percent with international nonprofits; and 10 percent with “other” nonprofits.

We find some evidence that involvement with two of these nonprofit fields is related to trust in nonprofits. The 43 percent involved with law, advocacy, and political nonprofits are significantly more likely to trust nonprofits than their counterparts: trust scores of 3.29 vs. 3.12 (p < .05). We also find that the 27 percent who are involved as leaders of economic and community development nonprofits are marginally more likely to trust nonprofits than their counterparts (3.29 vs. 3.15, p < .10). Once we include non-leaders, the difference is no longer even marginally significant (3.23 vs. 3.16).

Involvement with any of the remaining types of nonprofit fields is not related to trust in nonprofits: sports, recreation and social clubs (3.22 vs. 3.13), business and professional nonprofits (3.20 vs. 3.18), or international nonprofits (3.32 vs. 3.18). Although the latter averages appear different, recall that only 10 percent are involved with international nonprofits. In all cases the relationships are in the predicted direction – involvement is associated with higher trust scores. That does not hold for involvement with “other” nonprofits: (3.12 vs. 3.20), although that difference also is not significant.

Exposure to Major Charities and Trust in Nonprofits. We argued earlier that government officials are likely to be particularly attentive to major nonprofit institutions in their communities. Hospitals, universities and colleges, and large philanthropic foundations are all likely to have a visible presence in the communities in which they are located, prominent leadership, highly professional staff, and hence the ability and opportunities to convey their legitimacy and contributions to the community. We hypothesized that exposure to major charities will be associated with greater trust in nonprofits.

To capture communities where large charities are likely to be present, we use two indicators of urban communities. First, we group LGOs based on the size of the largest city or town in their county, classified as 50,000 or more, 15,000 to 50,000, or less than 15,000. About 22 percent of LGOs represent urban counties with large towns (50,000 or more), another 23 percent represent counties with mid-sized towns (15,000-50,000 residents), and the remaining 55 percent represent counties with small towns (less than 15,000). Those in mid-sized towns are

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3 We chose these size categories to align with work currently underway at the Indiana University Public Policy Institute as part of Policy Choices for Indiana’s Future. For more information, see http://policyinstitute.iu.edu/project/details/396
slightly more likely to trust nonprofits than their counterparts from larger or smaller towns (3.25 vs. 3.12 and 3.15 respectively), but these differences are not significant. We also consider whether the LGO represents a county included in a metropolitan region, regardless of the size of the largest town. About half of LGOs represent metropolitan regions and these LGOs have slightly higher trust in nonprofits (3.20 vs. 3.13), but the difference is not significant.

We also consider total aggregate nonprofit revenues in the county. The median county aggregate nonprofit revenue is $104 million and the range is from a low of $1.7 million to a high of $14.1 billion. The latter reflects Indianapolis and Marion County, home to several major foundations (Lilly Endowment, Inc., Central Indiana Community Foundation), nonprofit hospitals (Indiana University Health), universities (University of Indianapolis, Butler University, Marian University), and major cultural institutions (Indianapolis Museum of Art, Indianapolis Children’s Museum, Eiteljorg Museum). We divided the counties into quartiles by aggregate revenue levels and find that average trust scores are slightly higher for counties in the bottom revenue quartile (3.23 vs. 3.15). Although the differences are not significant, the relationship is opposite of what we had hypothesized under H5b.

We also speculate that LGOs holding prominent elected positions, such as mayors or council members, are more likely to have extensive interactions with key nonprofit institutions in addressing an array of community issues. Consequently, we expected them to be more attuned to the reputation and importance of nonprofit institutions than LGOs holding appointed or less prominent elected positions.

As noted earlier, 16 percent of LGO respondents are mayors, 32 percent are town council members, and respectively 8 and 6 percent are county council members and county commissioners. Almost a fifth (19 percent) are township trustees or trustee-assessors who administer poverty relief in Indiana. Nonprofit trust scores do vary by type of LGO position (p< .05) with township trustees/trustee-assessors showing the lowest level of trust (2.97) when compared to mayors (3.25), school board members (3.27), or especially county council members (3.35). However, there are so few county council members (8 percent) that the township trustees do not stand out when compared to all other LGOs.

Working Relationships and Trust in Nonprofits. Finally, we analyze responses to a question asking LGOs about the extent to which their unit of local government has good working relationships with local charities and other nonprofits, as well as with local businesses and a full range of governmental units (federal, state, county, city, town, township, school, library, and other special districts). The response options ranged from very positive to very negative on a five point scale with a “no relationship” option. Only 2 LGOs reported no relationship with local charities or other nonprofits, and only 3 said the relationship was very (1) or somewhat (2) negative. More than two-fifths (41 percent) said the relationship was very positive and almost as many (38 percent) said somewhat positive, with 21 percent reporting neither positive nor negative.

Excluding LGOs who said that such working relationships were not relevant, the average score
for local charities and other nonprofits was 4.18 on the 1-5 scale. This is the highest assessment score for working relationships among the eleven institutions for which these assessments were requested. In particular, it is notably higher than the assessment of working relationships with the federal and state government (see Figure 6). Overall, the assessment scores generally follow the rank order of trust in the five selected institutions shown in Figure 3 above.

![Figure 6: Local Government Officials' Assessment of Working Relationships with Selected Institutions](image)

We find that LGOs who report positive working relationships with local charities and nonprofits also trust them more. The average trust score is 3.38 for those who report very positive working relationships, 3.11 for those who say it is somewhat positive, and only 3.06 for those who say it is something else (p < .001). Since so few indicate that the relationship is negative, we combined those who said the relationship is neither positive nor negative, somewhat negative, or very negative.

**MULTIVARIATE ANALYSIS**

Next we undertake ordered logistic regression analysis with county-level clustered robust standard errors to further test these hypotheses. For Model 1 we first consider contract failure (Model 1a) and then social capital (Model 1b) indicators to examine whether the extent and type of personal involvement LGOs have with nonprofits is related to how much they trust nonprofits. For Model 2, we add community features and political positions to capture exposure to major charities. Model 3 includes the LGOs’ assessment of working relationships between nonprofits and local government. Finally, Model 4 controls for trust in other local

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For Model 1b, we include only involvement with two fields (philanthropic institutions and promotion of volunteerism; law, advocacy and politics) that have significant bivariate relationships with trust in nonprofits. We explored including the remaining fields, but none of them contributed to the overall model, and we excluded them to reduce the overall number of independent variables.
Table 2 shows the results of these analyses. The models account for a modest amount of variance at best. All are significant, except for Model 1a, where we consider only indicators of opportunities to overcome contract failure. The pseudo R-square value increases from less than 1 percent in Model 1a, to 3 percent when we add in social capital indicators (Model 1b), and to 4 percent when we also include a variety of community and political factors designed to capture exposure to major charities (Model 2). When we include the LGOs’ assessment of working relationship with nonprofits (Model 3) the value increases to 7 percent. Finally, the full model (Model 4), where we attempt to control for unmeasured trust dispositions, accounts for about 20 percent of the variance. We discuss each of these models in turn.

Table2 about here

**Personal Involvement with Nonprofits**

We argued that LGOs who are personally involved with nonprofits will trust nonprofits because they have greater opportunities to understand what nonprofit organizations do, and because their very involvement builds their own social capital and trust.

**Contract Failure.** Our first set of hypotheses argued that LGOs who are personally involved with nonprofits as members, volunteers, or leaders have greater opportunities to understand nonprofit missions, operations, and accomplishments. Such familiarity would allow LGOs to overcome skepticism about the quality of nonprofit services, since the latter is usually difficult to assess (Hypothesis 1). We also argued that more intense involvement with nonprofits – as leaders, as volunteers logging many hours, or as viewing nonprofit involvement as important for LGO work – should further increase trust (Hypothesis 2).

A review of the coefficients in the first block of Table 3 shows that none of our indicators – any kind of involvement with nonprofits or more intense involvement – are significant in any of the models. Only holding a leadership position (now or in the past) approaches borderline significance in Model 2, but the relationship is negative, rather than positive as hypothesized.

**Social Capital.** We also argued that personal involvement with nonprofits allows LGOs to build social capital in the form of more and stronger networks, which increases trust. Hypothesis 3 argued that LGOs involved in a broader array of nonprofit fields had greater trust in nonprofits, while several variants of Hypothesis 4 considered whether involvement in particular nonprofit fields was associated with greater trust in nonprofits.

We find mixed support for these arguments. As the second block of coefficients in Table 3 shows, LGOs who are involved in a broader array of nonprofit fields do not have greater trust in nonprofits than those who are not involved or are involved in only one or two fields. The coefficients are either not significant (Models 1b, 2 and 3) or borderline significant but negative (Model 4), contrary to hypothesis 3.
On the other hand, we do find that involvement with particular types of nonprofits appears to be associated with significantly higher levels of trust in nonprofits. LGOs who are involved with nonprofits in the philanthropy and voluntarism field and those involved in law, advocacy, or political nonprofits are indeed more likely to trust nonprofits than their counterparts. For each of these two fields, the coefficients are positive and significant across all models. Hence we find partial support for hypothesis 4a (involvement with prominent charitable fields) and hypothesis 4c (exploratory: involvement with “non-charitable” fields). But these two fields are the exceptions — involvement with other nonprofit fields does not seem to be associated with greater trust. Adding the social capital variables increases the pseudo R-square to 0.027, and Model 1b is significant (while Model 1a is not).

Community and Political Factors

We have no direct measure of the extent to which LGO respondents interact with major charities. Consequently, we have to rely on various indirect measures such as the concentration of major charities in urban and especially metropolitan regions, revenues of nonprofits in local communities, and the type of position held by the local government official. Adding these variables to the equation marginally increases the pseudo R-square value in Model 2 to 4 percent (from 2.7 percent in Model 1b), and the overall equation is significant.

Urban and Metropolitan Counties. Hypothesis 5 explored whether LGOs who are more likely to encounter large charities in their communities will have more trust in nonprofits. We have no measure of which specific nonprofits our LGO respondents are exposed to but we argued that LGOs from urban counties (those with larger towns) or from metropolitan regions will have more trust in nonprofits because they are more likely to encounter major charities with prominent leadership and professional staff. We find no support for the argument that LGOs from counties with larger towns trust nonprofits more. However, controlling for size of place, those from metropolitan counties are more likely to trust nonprofits than their counterparts, although the relationship is only borderline significant and only for Model 4.

Nonprofit Revenues. We also looked at more direct indicators of whether LGOs are likely to encounter large charities in their communities by including aggregate nonprofit revenues in the analysis. However, contrary to our expectations, LGOs from counties with high nonprofit revenues are not more likely to trust nonprofits. The coefficients are borderline significant in Model 2 and fully significant in the final model (Model 4), but it is negative. This suggests that LGOs from counties with low aggregate nonprofit revenues are more likely to trust nonprofits than those from counties with wealthier and more robust nonprofits. Perhaps LGOs in counties with low nonprofit revenues are more likely to be familiar with individual nonprofits and recognize the efforts they put forth.

Type of LGO Position. We argued that LGOs holding prominent elected positions such as Mayors or Council members would be more likely to encounter major nonprofits directly in the course of their work and therefore trust nonprofits more. We find no support for this
hypothesis. The coefficients are negative and significant in the full model (Model 4). We also explored whether LGOs who most often directly interact with nonprofits in addressing problems of poverty and basic needs – local township trustees – are more likely to trust nonprofits. The coefficients are negative and significant in both Models 2 and 4, suggesting that these LGOs are LESS likely to trust nonprofits, not more.

Working Relationships with Nonprofits

We also argued that LGOs reporting good working relationships with nonprofits would be more likely to trust nonprofits. The coefficient for this variable is positive and significant in Model 3. Adding this variable increases the pseudo R-square value to 6.8 percent in Model 3, from 4 percent in Model 2. However, the coefficient is not significant in Model 4, when we also control for generalized trust.

Generalized Trust

Finally, Model 4 includes all variables discussed above, as well as average scores for trust in local business and local government. The generalized trust variable is positively related to trust in nonprofits, and the coefficient is highly significant. Adding this variable increases the pseudo R-square to 19.8 percent in Model 4 and from 6.8 percent in Model 3.

DISCUSSION

Overall, we find at best modest support for some of our hypotheses and none for others. None of the hypotheses related to contract failure are supported – exposure to nonprofits (hypothesis 1) or more intense exposure (hypothesis 2) are not associated with greater trust. In fact, the coefficients are mostly negative. Only the importance that LGOs attributed to their involvement (hypothesis 2c) is positively related to trust, but the coefficient is not significant in any model.

We found mixed support for our social capital arguments. Hypothesis 4 (involvement with particular nonprofit fields is associated with higher trust) is supported, but not hypothesis 3 (that LGOs involved with a broader array of nonprofit fields are more likely to trust nonprofits). If anything, the latter relationship is negative, although not significant.

Our findings of a positive relationship between trust in nonprofits and involvement in two of the nonprofits fields are interesting. We expected a positive relationship between trust and involvement with philanthropic institutions and promotion of voluntarism (hypothesis 4a) and that indeed appears to be the case. The relationship is positive and significant and becomes more so as the analysis proceeds from model 1b to model 4. We are not entirely sure how to account for the positive relationship between trust in nonprofits and involvement in law, advocacy, and political organizations (exploratory hypothesis, 4b), which is also positive and significant across all models. Perhaps LGOs involved with these types of nonprofits are motivated to change their community and see nonprofits as an important part of that effort.
We find that they are also more likely to trust local government and local businesses but not state and federal government. By contrast, LGOs involved with philanthropic institutions and promotion of voluntarism are more likely to trust only nonprofits but not any of the other four types of institutions, suggesting that there are different mechanisms by which these two types of nonprofits promote trust.

We find mixed support for community and political factors. LGOs from metropolitan regions (hypothesis 5b) are marginally more likely to trust nonprofits than their counterparts, but the size of the largest town is not significant (hypothesis 5a). We find no support for all remaining hypotheses in this cluster. In fact, most of the relationships appear to run contrary to expectations. LGOs from counties with high nonprofit revenues are less likely to trust nonprofits (hypothesis 5c), but only in Model 4. Controlling for all other factors, LGOs who are mayors or council members (hypothesis 5c) or local township trustees (hypothesis 5d) are significantly less likely (not more likely) to trust nonprofits than their counterparts.

We have no good explanation for why mayors or council members may express lower levels of trust, although we emphasize that very few LGOs said they trust nonprofits hardly ever or only some of the time (14 percent in all). With regard to township trustees, we speculate that because they deal with problems of basic needs for people who fall through the cracks of the safety net, they more easily come to the conclusion that health and social service charities are not doing enough to address these problems.

There is some evidence for this argument from a 1999 survey of Indiana Township Trustees conducted by the Indiana University Institute for Family and Social Responsibility (Byers, Klotz, Kirby, and Hishigasuren, 2000). According to the survey, Indiana township trustees are charged with providing emergency assistance (utilities, rent, food, and health care) for low-income families in their communities but have only modest resources available to do so. When they do refer clients to other community agencies, they rely on relatively few agencies and are not actively involved with local mechanisms to promote collaborations among local service providers.

Finally, LGOs who reported positive working relationships with nonprofits were more likely to trust nonprofits (hypothesis 6), but only in Model 3 and not when we also controlled for general disposition to trust in Model 4. This finding is consistent with related findings from the survey – LGOs who reported positive working relationship with local businesses are more likely to trust local businesses. There are also positive correlations between good working relationships with the state and trust in state government and good working relationships with the federal government and trust in the federal government.

CONCLUSION

We have focused on two broad research questions in this analysis. First, how much trust do local government officials have in local charities and nonprofits. This is an important question since local government interacts with and relies on nonprofits to deliver a variety of services.
and to represent constituency groups in the community. In turn, nonprofits depend on the goodwill of local government officials for funding, endorsements, help in negotiating local regulations, and providing platforms for presenting perspectives and community voice.

Our findings show that LGO’s have considerable trust in nonprofits. In fact, they trust local charities and nonprofits significantly more than they trust local business, other units of local government, and certainly much more than they trust higher levels of government such as the state or federal government. They also seem to trust local nonprofits more than Indiana rank-and-file residents.

Our second question explores what accounts for the level of trust that LGOs have in nonprofits. Is it a function of their own familiarity with nonprofits as members, volunteers or leaders that allows them to gain trust when there may be no hard documentation of quality of services? Does it matter how great a variety of nonprofits they interact with or is interaction with particular types of nonprofits more conductive to trust? Does it matter whether their communities are likely to contain large nonprofits with high profile leadership and professional capacities? Does it matter which type of government position they hold? And is trust related to perceptions of positive working relationships?

To explore these questions we use multivariate ordered logistic analysis with county cluster-correlated robust standard error estimates. Our models are at best only modestly successful, since our key explanatory factors jointly explain only six percent of the variance. That is hardly a ringing endorsement of our model. Only when we include a stand-in variable for generalized disposition to trust do we reach 19 percent of the variance explained.

We do note two important caveats, however. First, we have relatively little variation in our nonprofit trust variable. The great majority of LGOs (86 percent) trust nonprofits almost always (31 percent) or most of the time (55 percent) to “do the right thing”. Only 13 percent said they trusted nonprofits only part of the time, and a miniscule 1 percent said almost never. Since LGOs are overall quite trusting of nonprofits, it isn’t perhaps surprising that our models are not very powerful in explaining variations in trust.

Second, the survey we used to analyze these questions were bereft of the normal background information on respondents, such as education, age, family status, income, length of residence in the community. We did not even have information on how long they have been involved with local government, or their political ideology. The absence of this information is why we included trust in other local institutions (local business, local government) as an imperfect way to capture generalized disposition to trust. As noted above, it is only when we include this measure that we reached a more respectable 19 percent of the variance explained.

Contrary to our expectations, our findings provide no support for the argument that general exposure to nonprofits, even more intense involvement, is related to trust. We do find that involvement with particular types of nonprofits – philanthropic institutions and promotion of voluntarism; law, advocacy and political nonprofits – is related to high trust in nonprofits,
controlling for all other factors, but involvement with a greater variety of nonprofits is not important, as social capital theory would suggest. LGOs from metropolitan regions were marginally more likely to trust nonprofits, while those in counties with high nonprofit revenues were less likely to trust nonprofits (the latter is contrary to our hypothesis).

Mayors or other prominent local politicians, such as council members) were less likely to trust nonprofits (not more, as we had expected), as were township trustees who are likely to interact more directly with nonprofits in carrying out their work of providing poor relief in Indiana. The latter is an important finding, although we don’t know whether that reflects how township trustees see nonprofits as operating or whether they themselves are not well integrated into the service system (there is some evidence to suggest the latter). However, those that report positive working relationships with nonprofits do in fact also trust them significantly more than their counterparts.

Overall, these findings suggest that there are relatively few avenues for nonprofits to pursue if they wish to increase the extent local government officials trust them “to do the right thing.” They can seek to develop contacts with types of nonprofits where we find LGOs’ have higher levels of trust: philanthropic institutions and promotion of voluntarism or law, advocacy and political nonprofits.

By far the more effective approach would seem to be to manage their working relationships with local government and make those as positive and constructive as possible. Targeting mayors, council members, and local township trustees may be particularly important (but perhaps also risky), since these LGOs express relatively low confidence in nonprofits in our final prediction equations.
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McDougle, Lindsey M.; Deitrick, Laura; Libby, Pat & Donmoyer, Robert. 2008. The Appreciated Sector: Public Confidence in San Diego County Nonprofit Organizations. Caster Family Center for Nonprofit Research, School of Leadership and Education Sciences, University of


Wiepking, Pamela. 2010. Democrats support international relief and the upper class donates to art? How opportunity, incentives and confidence affect donations to different types of

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Table 1 - Descriptive Statistics and Bivariate Relationships

<table>
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<th>Variables</th>
<th>Descriptive Statistics</th>
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a ** 0. Correlation is significant at the 0.01 level (2-tailed).
* 0. Correlation is significant at the 0.05 level (2-tailed).
Table 2 - Results of Ordered Logistic Regression Analysis

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<td>Pseudo R²</td>
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* β refers to fully standardized (bStdXY) coefficients, b refers to unstandardized estimates, and standard errors are in parentheses.

** Cluster-correlated robust standard error estimates

* p < 0.10
** p < 0.05
*** p < 0.01