



Indiana Local Government Officials and the Nonprofit Sector Report Series

Indiana Local Government and Nonprofit Resources

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In this briefing, we examine the mutual dependence of local government and local nonprofits in Indiana from the perspective of local government officials (LGOs). We asked LGOs how important local nonprofits and charities are to their local governments in terms of nonprofit financial support; service capacity; expertise, knowledge and technical assistance; policy support and influence; and reputation and legitimacy. We also asked the LGOs how they view the importance of their local government to nonprofits and charities on those same dimensions.

Our briefing is part of a series examining nonprofit-government relations in Indiana available from the *Indiana Nonprofits Project* (<https://nonprofit.indiana.edu/>). Other briefings have examined how prepared major institutions (including nonprofits) are for major disasters, reliance on nonprofits in responding to disasters, the extent of government contracting with nonprofits, LGO trust in nonprofits, and whether LGOs favor requiring nonprofits to provide payments or services to local government in lieu of real estate taxes (PILOTS and SILOTS).

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

Quick Facts:

- Local government and local nonprofits provide important resources to each other, thereby enhancing the capacity of each to meet their missions effectively.
- Government Officials (LGOs) view nonprofits as extremely or very important to their local government, particularly for the reputation and legitimacy (67 percent), service capacity (58 percent), and policy support and influence (52 percent) that nonprofits provide.
- LGOs also view their local government as extremely or very important to nonprofits, particularly the reputation and legitimacy (59 percent) and policy making (58 percent) that local government provides.
- LGOs who give greater importance to grant and contract management considerations are more likely to view local nonprofits as important to their local governments and their local government as important to local nonprofits.
- LGOs who are township trustees or report strong working relationships with nonprofits are more likely to view their local government as important to nonprofits.
- LGOs who view nonprofits as better prepared for disasters are more likely to view nonprofits as important to their local government.

Indiana. This briefing relies on data from the 2020 survey.¹

Why is mutual dependence of local government and local nonprofits/charities important?

Local government serves key functions in American society. Elected officials and their delegates are tasked with maintaining order and improving community life. To meet those goals, they have the authority under state law to levy taxes, usually supplemented by other sources of revenues, such as user fees and state and federal support.

Most nonprofits have similar features.² Nonprofits known as charities are also committed to improving community life and are granted special tax privileges. They cannot levy taxes themselves, of course, but they are exempt from most taxes and eligible to receive tax deductible donations from the public. These tax savings, and access to other revenues sources such as philanthropic donations and government grants and contracts, makes it possible for them to provide their services at no or low fees to community residents.

While local government and local nonprofits may each have distinctive mandates and goals, they have complementary resources and capacities.³ More importantly, they can maximize their efficiency and quality of services by collaborating.

In general, LGOs must develop good working relationships with all important community actors – other units of government, local businesses, and local nonprofits and charities – in order to strengthen the local community and its economy.

In Indiana, most LGOs (85 percent) report at least somewhat positive working relationships with nonprofits.⁴ These relationships can take many forms ranging from contractual relationships to informal interactions to mutual dependence. Prior research⁵ shows that governments and nonprofits report equivalent levels of mutual dependence.

How are local government and nonprofits dependent upon one another?

Local governments and local nonprofits/charities depend upon each other across a variety of dimensions. Most notably, local governments benefit from the service capacity of local nonprofits and charities. In turn, many nonprofits depend on government grants and contracts to subsidize their operations. Both parties may also benefit from each other's expertise, knowledge or technical assistance, as well as policy support and influence, and reputation and legitimacy.⁶

Revenue or Financial Support

Local governments have access to financial resources from taxes, transfers from state and

¹ The IACIR surveyed 2040 local government officials (LGOs) in 2020 (31 percent effective response rate). See https://nonprofit.indiana.edu/doc/ElectedOfficials_Report_Web.2020.pdf. The IACIR was dissolved in 2021.

² Charities, those registered under Section 501(c)(3) of the IRS tax code, account for 82 percent of all tax-exempt entities recognized by the IRS under section 501(c). See Table 14, page 30 in Internal Revenue Service, *Data Book, 2023*, Publication 55_B, Washington, DC, April 2024 (<https://www.irs.gov/pub/irs-pdf/p55b.pdf>). Other nonprofits serve primarily their members, rather than the general public. The latter are exempt from paying federal income taxes but are not eligible to receive tax deductible donations or exemption from local real estate taxes.

³ Lydian Altman-Sauer, Margaret Henderson, and Gordon P. Whitaker. (2001). Strengthening relationships between local governments and nonprofits. *Popular Government*, 66(2), pp. 33-39.

⁴ Kirsten Grønbjerg, Zoe Bardon, and Elizabeth McAvoy, *Indiana Local Government Officials and Working Relationships with Nonprofits*. Indiana Local Government Officials and the Nonprofit Sector Report Series, Briefing 12, April 2022) Bloomington, IN: Indiana University O'Neill School of Public and Environmental Affairs. Available here: <https://nonprofit.indiana.edu/doc/publications/localgov/working-relationships-2022.pdf>.

⁵ Judith R. Saidel (1991). Resource interdependence: The relationship between state agencies and nonprofit organizations. *Public Administration Review*, 51(6), pp. 543-553. <https://www.jstor.org/stab/976605>.

⁶ Judith R. Saidel (1991). See footnote 5.

federal governments, and user fees, but may not have the capacity or expertise to deliver some services directly. In such cases, they can contract with other institutions, such as nonprofits, to provide services. One-half of local governments in Indiana choose to contract with nonprofits to provide services, particularly health care, relief services, and education.⁷

Equally important, government grants and contracts are a major source of revenue for Indiana nonprofits. Indeed, Indiana charities receive nearly one-quarter (24 percent) of their combined nonprofit revenue from government grants and contracts, including local government. Indiana human service and health charities receive nearly one-third of their aggregate revenue (33 percent and 32 percent, respectively) from government sources.⁸ These are larger shares of total revenues than they receive from all private donations combined (respectively 29 and 10 percent). Of course, individual charities will vary greatly in their dependence on government funding.

Service Capacity

LGOs must consider many factors when deciding to award grants or contracts to nonprofits to make sure critical services are available in their communi-

ties. They must identify which needs of their constituents are most important and which nonprofits have the capacity to deliver those services. Nonprofit service capacity, as indicated by sufficient and appropriate resources, staffing, expertise and locations helps LGOs assess the ability of nonprofits to carry out contract requirements set forth by local governments.⁹

Expertise, Knowledge, and Technical Assistance

As these examples suggest, local governments and nonprofits may turn to one another for expertise, knowledge, and technical assistance. Nonprofits often possess expertise on the effects of public policies and/or community conditions on particular community groups. This includes professional and program expertise in areas such as health and mental health services, social services, arts and culture, education, and after-school programs. These also are the types of services where LGOs are most likely to contract with nonprofits.¹⁰

Nonprofits are also attractive service partners for local governments because of their creativity, flexibility, and ability to move quickly. As a result, nonprofits may play an important role by allowing government to explore the effectiveness of pilot programs before implementing them at full scale.¹¹

⁷ For a more detailed description of the types of services Indiana LGOs award grants and contracts to local nonprofits for, see Kirsten A. Grønberg and Eric Schmidt, *Indiana Local Government Officials' Contracting and Service Arrangements*. Indiana Local Government Officials and the Indiana Nonprofit Sector Report Series, Briefing 15, July 2024. Bloomington, IN: Indiana University O'Neill School of Public and Environmental Affairs. Available here: <https://nonprofit.indiana.edu/doc/publications/localgov/localgov-contracting2020.pdf>

⁸ See Kirsten A. Grønberg "Fundraising" in Kevin Kearns and Wen Jiun Wang (eds.), *Encyclopedia of Nonprofit Management, Leadership and Governance* (Elgar Press, 2023), page 262. For more details on Indiana nonprofit finances, see Kirsten A. Grønberg and Shijirtuya Munkhbat, *Indiana Nonprofits: Managing Financial Resources*, Indiana Survey Series III. Activities Series #2, Report 7 (Bloomington, IN: Indiana University O'Neill School of Public and Environmental Affairs, May 2024), available here: https://nonprofit.indiana.edu/doc/publications/2017surveyreports1/Finances_2024.pdf. Note, the survey from which these data are derived excluded private nonprofit universities and hospitals.

⁹ Saunji D. Fyffe. (2015). "Nonprofit-Government Contracts and Grants: The State Agency Perspective." Urban Institute.

¹⁰ For a more detailed description of the types of local government grants and contracts, see Kirsten A. Grønberg and Eric Schmidt, *Indiana Local Government Officials' Contracting and Service Arrangements*. Indiana Local Government Officials and the Indiana Nonprofit Sector Report Series, Briefing 15, July 2024. Bloomington, IN: Indiana University O'Neill School of Public and Environmental Affairs. Available here: <https://nonprofit.indiana.edu/doc/publications/localgov/localgov-contracting2020.pdf>

¹¹ Lydian Altman-Sauer, Margaret Henderson, and Gordon P. Whitaker. (2001). Strengthening relationships between local governments and nonprofits. *Popular Government*, 66(2), pp. 33-39.

Finally, nonprofits often turn to local governments for data and program information or other forms of technical assistance. These data can help nonprofits evaluate their own programs or strengthen the justifications for grant proposals, especially within the social service sector.¹²

Policy Support and Influence

Local governments and nonprofits may impact one another more indirectly during the process of developing public policies. For example, nonprofits providing direct community services can identify unmet community needs and provide information about how current government-funded programs fail to meet these needs or do so incompletely. When nonprofits identify and document community problems, the information may shape public policy debates and in turn influence public policies. Many nonprofits may also have ideas about the changes needed to improve community conditions and may directly seek to shape public policies.

All nonprofit organizations can engage in some advocacy. The specific type of tax-exempt status they hold (e.g., 501(c)(3), 501(c)(4), etc.) determines the extent and type of advocacy allowed under IRS rules. For example, charities are not allowed to engage in any partisan politics.

Research shows that many Indiana nonprofits engage in advocacy or political activities to help advance their mission. While most of these efforts seek to inform the general public about issues and needs, some are also directed at public policy-makers. Nonprofits that have been impacted (positively or negatively) by public policies are more likely to undertake advocacy efforts.¹³ Overall, there has been an increase in the number of formal advocacy organizations and in non-charity nonprofits engaging in politics and lobbying activities.¹⁴

Reputation and Legitimacy

Local governments and local nonprofits may influence one another's reputation and legitimacy for better or worse. Charitable nonprofits – those operating exclusively to advance public and community benefits as specified by the IRS under section 501(c)(3) of the U.S. tax code and using their resources exclusively for these purposes¹⁵ – tend to be trusted by both the general public and local governments officials.¹⁶ These features not only help charities secure philanthropic support,

¹² Judith R. Sidel (1991). Resource interdependence: The relationship between state agencies and nonprofit organizations. *Public Administration Review*, 51(6), pp. 543-553. <https://www.jstor.org/stab/976605>

¹³ *Indiana Nonprofits: Advocacy and Political Activity – Practices and Challenges*. In Indiana Nonprofit Survey Series III, by Kirsten A. Grønberg and Noah J. Betman with Payton Goodman (Bloomington, IN: Indiana University O'Neill School of Public and Environmental Affairs, March 2021), available here: <https://nonprofit.indiana.edu/doc/publications/2017surveyreports1/advocacy-activity-2021.pdf>

¹⁴ Steven R. Smith and Kirsten A. Grønberg. (2006). Scope and theory of government-nonprofit relations. In Walter W. Powell and Richard Steinberg (2nd Eds.), *The Nonprofit Sector*. Yale University Press. <https://doi.org/10.12987/9780300153439>

¹⁵ This means nonprofits must devote all their economic resources to the recognized exempt purpose. Not only do they not have any owners entitled to a share of the profits, but they cannot benefit any private interests in a substantial way. See <https://www.irs.gov/charities-non-profits/charitable-organizations/exemption-requirements-501c3-organizations>. Nonprofits registered under other sections of 501(c), such as recreation groups, labor unions, fraternal associations, and business groups, may primarily benefit just their own members, rather than the broader community.

¹⁶ *Indiana Local Government Officials' Trust in Nonprofits*, by Kirsten Grønberg, Zoe Bardon, and Elizabeth McAvoy. Indiana Local Government Officials and the Nonprofit Sector Report Series, Briefing 13, Fall 2022. Bloomington, IN: Indiana University O'Neill School of Public and Environmental Affairs. Available here: <https://nonprofit.indiana.edu/doc/publications/localgov/local-government-trust-2022.pdf>

but may have spill-over benefits for those they collaborate with, including local government.¹⁷

Local nonprofits' reputation and legitimacy are directly linked to how helpful they are to LGOs when policy issues are debated. Nonprofits can help LGOs informally by lending their reputation and legitimacy to joint efforts, or they may withhold support when interests do not align. Nonprofits may also be important to LGOs when they mobilize residents on local issues and encourage them to vote, as well as by formally collaborating with local governments on joint efforts. More generally, nonprofits can help strengthen social capital when they engage volunteers in community issues.

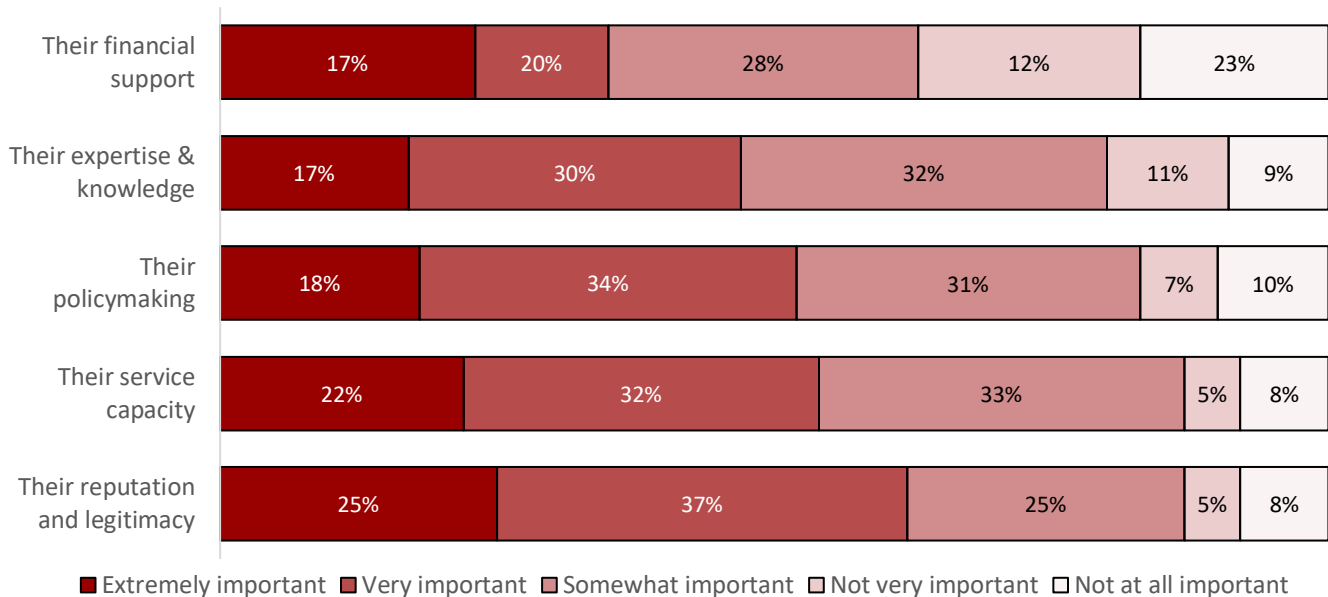
How important do LGOs say local charities and nonprofits are to their local government?

The 2020 survey explored several aspects of how LGOs relate to local charities and nonprofits. We focus here on a set of questions that asked LGOs to assess the importance of local charities and

nonprofits to their local government on five different dimensions: financial support; expertise, knowledge, and technical assistance; policymaking; service capacity; and reputation and legitimacy. LGOs were asked to rank the importance of each dimension on a scale from 1 (not at all important) to 5 (extremely important).

As shown in Figure 1, two-thirds or more of Indiana LGOs think local charities and nonprofits are at least somewhat important to local governments on all the five dimensions. Indeed, half or more say that local nonprofits and charities are extremely or very important to their local government for their reputation and legitimacy (62 percent), service capacity (54 percent), and policy support (52 percent). Almost as many (47 percent) also view nonprofits as extremely or very important to local government for their expertise and technical support. Finally, more than a third (37 percent) of LGOs say nonprofit's financial support is extremely or very important to local government.

Figure 1: Importance of charities and nonprofits to local government by dimension, Indiana LGOs (n = 464-468)



¹⁷ David M. Van Slyke. (2009). Collaboration and relational contracting. In the *Collaborative Public Manager: New Ideas for the Twenty-First Century*. Edited by Rosemary O’Leary and Lisa B. Bingham; Richard C. Feiock and Hee S. Jang. (2009). Nonprofits as local government service contracts. *Public Administration Review*, 69(4), pp. 668-680. <https://www.jstor.org/stable/27697913>

Overall, nonprofit financial support was cited by LGOs to be the least important factor of the five dimensions. About one-third (35 percent) said that local charities and nonprofits are not at all or not very important to local governments for their financial support. Of course, local charities and nonprofits are unlikely to provide substantial direct financial support to local government. However, nonprofits provide indirect financial support to local governments when they are required to provide matching funds for government grants and contracts from other revenue sources.

Scale analysis confirms that the five dimensions form a cohesive scale. We therefore compute the average importance score of nonprofits to local government across the five dimensions and use this scale in the analysis below. We refer to this scale as the “nonprofit importance” scale below. However, we return to the five individual dimensions later in this report.

How important do LGOs say their local government is to local charities and nonprofits?

The 2020 survey also asked LGOs to assess the importance of their local governments to local charities and nonprofits on four dimensions: financial support; expertise, knowledge, and technical assistance; policymaking; and reputation and legitimacy.¹⁸ As before, the importance of each dimension was assessed on a scale from 1 (not at all important) to 5 (extremely important). We caution that these questions capture the perceptions of LGOs about their own importance to nonprofits. Unfortunately, we did not have the ability to ask Indiana nonprofits that question directly.

Figure 2 illustrates the importance of local government to charities and nonprofits. Similar to the findings above, the great majority (75 percent or more) of LGOs said local governments were at least somewhat important to local charities and nonprofits on all four dimensions, with reputation and legitimacy ranked most important and financial support least important. Nearly three-fifths of LGOs said that their local governments were extremely important or very important to local charities and nonprofits for their reputation and legitimacy (59 percent) or their policy making (57 percent). About two-fifth thought their government expertise and technical support (40 percent) and financial support (38 percent) was extremely or very important to nonprofits.

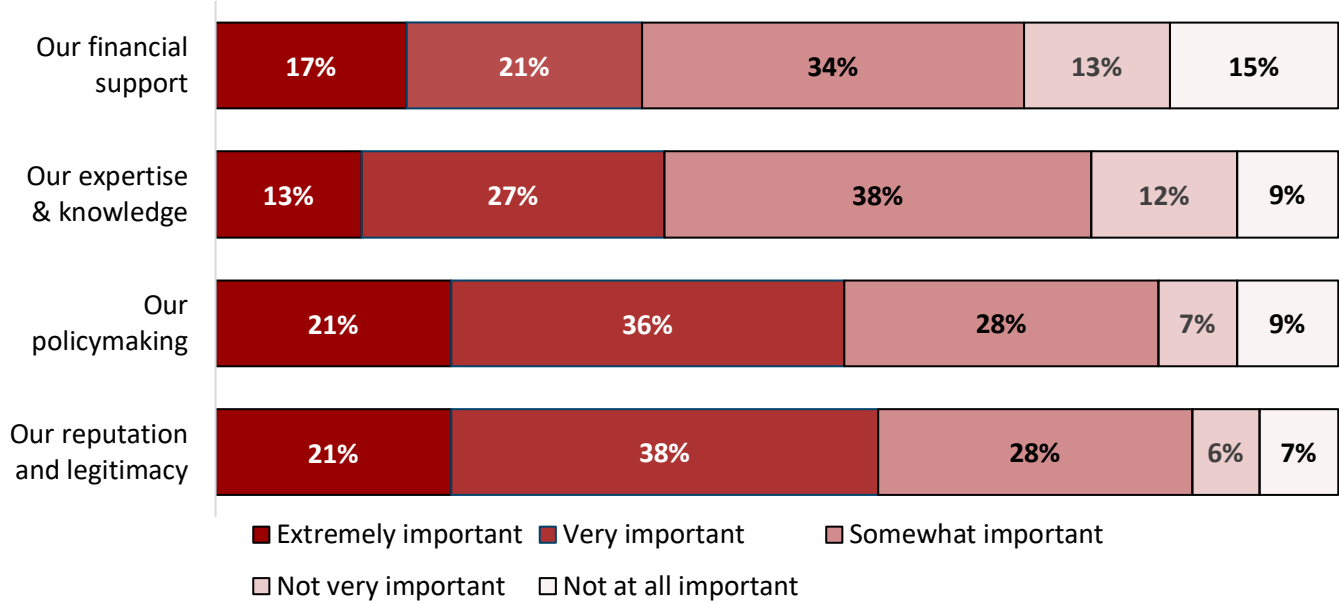
We had expected LGOs to give greater importance to local government financial support since government grants and contracts comprise 24 percent of nonprofits’ total aggregate revenue.¹⁹ However, funding from local government likely represents only a segment of government funding available to Indiana nonprofits. LGOs may be aware that nonprofits likely get substantial government funding from state and federal agencies. Consequently, LGOs may be correct that funding from local government is relatively less important to local nonprofits than other more intangible resources provided by local government.

Scale analysis confirms that the four items form a cohesive scale. We therefore compute the average importance score of local government to local nonprofits across the four dimensions and use this scale in the analysis below. We refer to this as the “government importance” scale below. However, we return to the four individual items later in this report.

¹⁸ We did not ask about the importance of local government’s service capacity for nonprofits.

¹⁹ For more details on Indiana nonprofit finances, see *Indiana Nonprofits: Financial Resources, Indiana Survey Series III. Activities Series #2, Report 7*, by Kirsten A. Grønbjerg, and Shijirtuya Munkhbat. (Bloomington, IN: Indiana University O’Neill School of Public and Environmental Affairs, May 2024), available here: https://nonprofit.indiana.edu/doc/publications/2017surveyreports1/Finances_2024.pdf

Figure 2: Importance of local government to charities and nonprofits, Indiana LGOs (n = 467-469)



What explains why LGOs differ in how important they think local nonprofits are to local government and how important they think local government is to local charities and nonprofits?

In the remainder of this report, we examine what may explain why some LGOs find local charities and nonprofits more important to local governments (and vice versa) compared to other LGOs. We look at the two scales described above: the average importance of local nonprofits and charities to local governments (the “nonprofit importance” scale) and the average importance of local governments to local nonprofits and charities (the “government importance” scale). We focus on three sets of explanatory factors that we think may predict how important LGOs believe nonprofits and local governments are to one another.

The first set focuses on information about the LGOs themselves, including the type of position they hold, how long they have held office, and their personal involvement with nonprofits. The second set focuses on the communities LGOs represent, including community conditions and the scope of nonprofits in the county. For this second set, we rely partly on LGO responses to the 2020 IACIR

survey as well as county-level information about each LGO’s community.

The third set focuses on the extent and nature of LGO interactions with nonprofits, including whether an LGO contracts with nonprofits, the average importance of eight management considerations when awarding grants and contracts. We also consider the reliance on nonprofits when major disasters occur and how well prepared LGOs say nonprofits are for major disasters. Finally, we include measures of the strength of working relationships between LGOs and nonprofits and how much LGOs trust nonprofits “to do the right thing.”

Below we examine how each indicator in these three sets of explanatory factors is related to how important LGOs find local nonprofits and charities to their local government and vice versa. Only significant factors from the bivariate analysis are included below (see also Appendix A.1).

Next we explore which of these explanatory factors remain important predictors, when we allow all of them to operate at once in multivariate analyses. For these analyses, we also control whether LGOs

responded to the survey before or after April 3. This allows us to determine if the importance of local nonprofits and charities to local government and vice versa differs depending on whether the survey was completed before or after COVID-19 was declared a major disaster.

LGO Characteristics and Involvement with Nonprofits

We consider three categories of LGO characteristics and their personal involvement with nonprofits. First, we examine whether the type of position LGOs hold in local government (e.g., mayor, township trustee, city council member) makes a difference in how important they view nonprofits to their government or their local government to nonprofits. We believe some LGOs, such as mayors or county officials, are more likely to interact with nonprofits than other officials. We explore multiple measures of LGOs' service length. As Panel A in Table 1 shows, we find only one significant relationship – LGOs who are town council members are significantly less likely to view nonprofits as important to their local government than other officeholders.

Second, we include measures of LGOs' personal involvement with nonprofits. We speculate that those involved more intensively or extensively with nonprofits may be more knowledgeable about nonprofits and local government's formal and informal dependencies on one another. For this analysis, we consider whether the LGO has previously or currently holds a leadership position,

volunteer role, or membership in a nonprofit as well as variations of such involvement.²⁰

As Panel B in Table 1 shows, LGOs who were at the time of the survey actively involved in nonprofits are significantly more likely to find local nonprofits and charities important to local governments. The same holds for LGOs that were involved in nonprofits in two or three capacities, either as a member, volunteer, and/or leader. We suspect that LGOs who were actively involved in nonprofits in either of these capacities have more knowledge about the capacity of nonprofits and the benefits nonprofits can bring local governments when they engage in collaborative or mutually dependent relationships with one another.

We also explored whether LGOs' involvement with particular types of nonprofits or with a broader cross-section of nonprofits may be important. We speculate that involvement with some types of nonprofits may familiarize LGOs with strategically important nonprofit service providers. Similarly, involvement with a more diverse set of nonprofits may provide LGOs with greater familiarity with the full scope of nonprofit service providers.²¹ As Panel C of Table 1 shows, that is generally the case.

When looking at LGOs' involvement with specific types of nonprofits, we find LGOs are significantly more likely to find local nonprofits and charities and local governments important to one another if they are involved with education and research nonprofits, health nonprofits, or social service nonprofits. These three service areas generally

²⁰ We explore different ways of measuring whether LGOs were currently (at the time of the survey) involved with nonprofits as a leader, member, or volunteer: whether the LGO is involved in a nonprofits in any of the three roles, in two out of the three roles, in all three roles, and the average number of roles the LGO has in nonprofits. For our multivariate analysis, we included one variation of this variable: whether the LGO is involved in a nonprofit in all three capacities: leader, volunteer, and member, since this signals the most intense involvement.

²¹ The survey question captured twelve types of nonprofits: (1) arts and culture, (2) sports, recreational and sports, (3) education and research, (4) health, (5) social services, (6) environment and animal protection, (7) economic and community development, housing, employment and training, (8) law, advocacy, and politics, (9) philanthropic institutions and promotion of voluntarism, (10) business and professional associations, including unions, (11) religious institutions, and (12) other. We also counted how many different types of nonprofits the LGO was involved with and included only this indicator in the multivariate analysis.

require collaboration between government and nonprofit (and sometimes for-profit) organizations. They are also fields in which local governments are most likely to contract with nonprofits: mental health, relief services, addiction correctional facilities, after-school programs, vocational education, and special education.²²

LGOs who were involved in two other fields – environment & animals, philanthropic institutions – were significantly more likely only to find local charities and nonprofits important to their local

government, while LGOs involved in law, advocacy, and political nonprofits were significantly more likely to find local governments important to local nonprofits.

Finally, as Panel D of Table 1 shows, LGOs involved with a greater cross-section of nonprofits were significantly more likely to find local nonprofits and charities and their local government important to each other. The same holds for LGOs who said their involvement with nonprofits was important to their position as an LGO (see Panel E of Table 1).

Table 1		
Significant Bivariate Predictors of Importance of Nonprofits to Local Government and of Local Government to Nonprofits by LGO Characteristics and Nonprofit Involvement		
<i>Explanatory factors</i>	<i>Local nonprofits and charities importance to local government</i>	<i>Local governments importance to local nonprofits and charities</i>
A. LGO Characteristics		
Town Council Member	–	
B. LGO Nonprofit Role Involvement		
Currently Holds a Leadership Position in a Nonprofit	+	
Involved in Nonprofit(s) in Two Positions: Member, Volunteer, or Leader	+	
Involved in Nonprofit(s) in All Three Capacities: Member, Volunteer, & Leader	+	
C. LGO Involved with Specific Nonprofits		
Involved with Education & Research Nonprofits	+	+
Involved with Health Nonprofits	+	+
Involved with Social Service Nonprofits	+	+
Involved with Environment and Animal Protection Nonprofits	+	
Involved with Law, Advocacy, & Politics Nonprofits		+
Involved with Philanthropic Institutions & Promotion of Voluntarism	+	
D. Diversity of LGO Nonprofit Involvement		

²² Kirsten A. Grønberg and Eric Schmidt, *Indiana Local Government Officials’ Contracts with Nonprofits*. Indiana Local Government Officials and the Indiana Nonprofit Sector Report Series, Briefing 15, July 2024. Bloomington, IN: Indiana University O’Neill School of Public and Environmental Affairs. Available here: <https://nonprofit.indiana.edu/doc/publications/localgov/localgov-contracting2020.pdf>

Table 1 Significant Bivariate Predictors of Importance of Nonprofits to Local Government and of Local Government to Nonprofits by LGO Characteristics and Nonprofit Involvement		
<i>Explanatory factors</i>	<i>Local nonprofits and charities importance to local government</i>	<i>Local governments importance to local nonprofits and charities</i>
Count of Different Types Nonprofits Involved with	+	+
E. Importance of Nonprofit Involvement		
Nonprofit Involvement Important to Job of LGO	+	+

Community Conditions and Scope of Nonprofits

A second broad category of explanatory factors captures community conditions in the counties LGOs represent. We rely both on how LGOs themselves viewed community conditions – their subjective assessment – as well as on standard, objective indicators of community conditions obtained from available government data. We also consider the type of community the LGO represents, and the scope of nonprofits located in the area.

To gauge LGO perceptions, we use their responses to an array of questions about how problematic a broad set of community conditions were (major, moderate, or minor/no problem), and to a general question about how LGOs viewed the general direction their community is headed from very pessimistic to very optimistic. To capture standard measures of community conditions, we examine an overarching indicator of community conditions – the social vulnerability index.²³ This index seeks to identify communities likely to face major difficulties in responding to challenges, such as emergencies or natural disasters.

We also include whether there was a major disaster in the past three years, as reported by LGOs (excluding declarations of the COVID-19 pandemic²⁴) and two measures of whether the survey was completed before the COVID-19 pandemic.²⁵ We speculate that LGOs who have had direct exposure to disasters (or the COVID-19 pandemic, if they responded after the pandemic was declared a major disaster) might view the importance of their local government to nonprofits (and vice versa) differently than those who had not yet been exposed to the pandemic.

Looking at the subjective community condition variables, LGOs who found community conditions more problematic were significantly more likely to find both local nonprofits important to local governments and local governments important to local nonprofits (see Panel A in Table 2). LGOs who were more optimistic about the direction the community was heading were significantly more likely to find local governments important to local nonprofits and charities. However, optimism about the direction the community was headed is not related to viewing nonprofits and charities as important to local government.

²³ The social vulnerability index was created using 16 U.S. census variables. See <https://atsdr.cdc.gov/placeandhealth/svi>.

²⁴ Every county in Indiana was issued a FEMA emergency and major disaster declaration for COVID-19, so we exclude this declaration.

²⁵ We explored two measures of whether the survey was complete before the COVID-19 pandemic March 6, 2020, the date of the first COVID-19 case in the state and when Governor Holcomb declared a state of public health emergency for COVID-19, and April 3, 2020, when President Trump issued a major disaster declaration for the entire state.

Finally, we consider two other county-level measures: how urban or rural the LGO’s county is and the scope of nonprofits in the community. There is no relationship between whether the LGO represents a central city metropolitan county, a suburban county, or a rural county and the importance of nonprofits to their local government and of their local government to nonprofits.

We explored several measures of nonprofit scope in our analysis.²⁶ We measure nonprofit scope as

the sum of total revenues of different types of nonprofits registered as tax-exempt entities by the IRS, or the number of different types of exempt entities reporting revenues. We find that LGOs representing communities with larger nonprofits, as measured by the sum of revenues of all 501(c) nonprofits (charities and non-charities) in the county – were significantly more likely to view their local government as important to local nonprofits.²⁷

<i>Explanatory factors</i>	<i>Local nonprofits and charities importance to local government</i>	<i>Local governments importance to local nonprofits and charities</i>
A. Community Conditions		
Positive Community Direction		+
Problematic Community Conditions	+	+
B. Scope of Nonprofits		
Aggregate Nonprofit Revenues		+

The Nature of Nonprofit Interactions with Local Government

Our final set of explanatory factors includes dimensions that capture various aspects of how nonprofits interact with local government. We

consider whether LGOs reported that their unit of local government awarded grants and contracts to nonprofits and the average ratings of how important they said various management considerations are when doing so.²⁸ We also measure the extent

²⁶ We explored multiple measures of scope of nonprofits, all derived from the 2020 IRS Business Master File (BMF). We focused primarily on the total number of entities as well as the aggregate sum of revenue, income, and assets of IRS-registered 501(c)(3) charities; these are tax-exempt nonprofits registered as charities under the IRS tax section 501(c)(3), eligible to receive tax-deductible contributions and with reporting addresses in the county. We also considered data on the total number, revenue, income, and assets of IRS-registered non-501(c)(3) nonprofits as well as of all registered nonprofits under section 501(c). Note, however, that only nonprofits with gross receipts or assets of \$50,000 or more are required to file financial information with the IRS and that those operating under religious auspices are not required to register with the IRS or report financial information even if they are registered.

²⁷ All of our nonprofit scope variables are highly skewed because some counties have a substantially higher number of nonprofits, especially larger ones. In our multivariate analyses, we therefore use the natural log versions of the variables to minimize the impact of the skewed data and yield more reliable results.

²⁸ The survey included eight management considerations that LGOs might consider when awarding grants and contracts: (1) nonprofit service capacity (volume), (2) quality of nonprofit services, (3) effectiveness of nonprofit services, (4) client access to nonprofit services (location, fees), (5) cost efficiency of nonprofit services, (6) costs of creating/managing effective contract systems, (7) challenges in monitoring nonprofit service performance, and (8) difficulties in communicating with nonprofit contractors. These items form a single scale, so for brevity, we included the average in the body of the report. To see the specific significance of these variables, see Appendix A.1. For a separate analysis of these considerations. For a more detailed analysis of these considerations, see

to which local governments relied on nonprofits for various activities when responding to major disasters, and whether LGOs considered nonprofits well prepared for major disasters.²⁹ We believe these types of collaborations may both shape and reflect the extent of dependence between nonprofits and local governments.

We also consider how strong LGOs said their working relationships were with nonprofits and whether LGOs said they trusted nonprofits to “do the right thing³⁰.” In general, most of these explanatory factors were significant when looking at the importance of local nonprofits and local governments to one another.

As Panel A of Table 3 shows, LGOs who gave greater weight to the overall indicator of grant and contract management considerations were significantly more likely to find local nonprofits and local governments important to one another. This same

positive relationship holds true for LGOs who relied on nonprofits for disaster response. In both cases, we suspect these positive patterns indicate that LGOs who had more experiences with nonprofit service capacity were likely to recognize the mutual dependence of nonprofits and local government.

Also, LGOs who viewed nonprofits as well prepared for major disasters were significantly more likely to find local nonprofits to be important to local government. Possibly, LGOs who viewed nonprofits as well prepared for disasters may be more confident that nonprofits can play an important role in addressing the impact of disasters.³¹

When we consider broader interactions between LGOs and nonprofits (Panel B in Table 3), we find LGOs that reported positive working relationships with and/or trust in nonprofits were significantly more likely to find local nonprofits and charities and local governments important to one another.

Kirsten Grønberg and Anna Doering, *Indiana Local Government Officials’ Grant and Contract Considerations*. Indiana Local Government Officials and the Nonprofit Sector Report Series, Briefing 14, Summer 2023. Bloomington, IN: Indiana University O’Neill School of Public and Environmental Affairs. Available here: <https://nonprofit.indiana.edu/research-results/local-government-officials-survey.html>.

²⁹ The IACIR survey asked LGOs, who said there had been a major disaster in their community during the three prior years, how much the LGOs’ local government relies on nonprofits for: (1) participating in community emergency response teams, (2) meeting the immediate needs of local residents during disaster response, (3) meeting the long-term needs of local residents during recovery from disaster, (4) raising philanthropic support to meet community needs after disasters, and (5) coordinating volunteers responding to disasters. We use the average reliance (on a scale from 1 to 5) on responses to these five items in this report. The survey also asked a more general question of how prepared LGOs viewed nonprofits (and other important community institutions) to be for major disasters on a 5-point scale from very well to not at all prepared. For more details, see *Indiana Local Government Officials and Major Disasters: Assessing Preparedness and Reliance on Nonprofits*, by Kirsten A. Grønberg and Elizabeth McAvoy. Briefing Number Eleven, July 2021. Available at <https://nonprofit.indiana.edu/research-results/local-government-officials-survey.html>.

³⁰ For more details on how LGOs view working relationships with nonprofits and other institutions, see *Indiana Local Government Officials and Working Relationships with Nonprofits*, by Kirsten Grønberg, Zoe Bardon, and Elizabeth McAvoy. Indiana Local Government Officials and the Nonprofit Sector Report Series, Briefing 12, April 2022. Bloomington, IN: Indiana University O’Neill School of Public and Environmental Affairs. Available here: <https://nonprofit.indiana.edu/doc/publications/localgov/working-relationships-2022.pdf>. For details on the extent to which LGOs trust nonprofits and other institutions, see *Indiana Local Government Officials’ Trust in Nonprofits*, by Kirsten Grønberg, Zoe Bardon, and Elizabeth McAvoy. Indiana Local Government Officials and the Nonprofit Sector Report Series, Briefing 13, October 2022. Bloomington, IN: Indiana University O’Neill School of Public and Environmental Affairs. Available here: <https://nonprofit.indiana.edu/doc/publications/localgov/local-government-trust-2022.pdf>

³¹ *Indiana Local Government Officials and Major Disasters: Assessing Preparedness and Reliance on Nonprofits*, by Kirsten A. Grønberg and Elizabeth McAvoy. Briefing Number Eleven, July 2021. Available at <https://nonprofit.indiana.edu/research-results/local-government-officials-survey.html>

Table 3 Significant Bivariate Predictors of Local Governments and Nonprofits Relationship Nature of Nonprofit Interactions		
<i>Explanatory factors</i>	<i>Local nonprofits and charities importance to local government</i>	<i>Local governments importance to local nonprofits and charities</i>
A. Collaborations with Nonprofits		
Nonprofit Grant Considerations	+	+
Average Reliance on Nonprofits for Disaster Response	+	+
Nonprofits Prepared for Disasters	+	
B. Broader Interactions		
Working Relations with Nonprofits	+	+
Trust in Nonprofits to "Do The Right Thing"	+	+

What explains LGOs’ assessment of the importance of local charities and nonprofits to local government and the importance of local government to local charities and nonprofits in the overall analysis?

Thus far, we have examined ability of individual explanatory factors to predict how LGOs view the importance of local nonprofits and charities to their local governments and of their local governments to local nonprofits and charities. We turn now to a more comprehensive analysis where we consider which factors remain (or become) significant when we allow all of them to operate at once.

We note that some of the explanatory factors discussed above are variations of one another (e.g., different ways of measuring personal involvement with nonprofits). In our final analysis, therefore, we use combined scores when available, rather than each of the specific indicators.

In other cases, we include only selected indicators. For example, we include the social vulnerability index rather than narrower community conditions (e.g., percent unemployed) since it constitutes a more comprehensive measure and allows for a more efficient statistical model. Finally, omitted reliance on nonprofits in responding to major disasters, because the question was only asked for

LGOs who said there had been a major disaster in their community during the prior three years.

Table 4 shows the combination of factors which remains significant in the final analysis when controlling for all other factors included in the analysis. The first column shows which explanatory factors remain significant in predicting how important LGOs said nonprofits were for their local government – the “nonprofit importance” scale. The second column shows which explanatory factors remain significant in predicting how important LGOs said their local government was to nonprofits – the “government importance” scale. For full statistical details for all variables included in the multivariate analysis, see Appendix B.1.

Each of these analyses is highly significant ($p < 0.001$) and explains between 23 and 31 percent of the variance. A comparison of the two columns shows that only one variable, the average importance of the eight grant and contract management considerations, is significant in both analyses: LGOs who gave greater importance to management considerations when awarding grants and contracts to nonprofits are also more likely to view local nonprofits as important to local government and local government as important to local nonprofits.

Three other variables are significant in only one of the two analyses. LGOs who viewed nonprofits as well prepared for disasters were more likely to say nonprofits were important to their local government. LGOs, who served as township trustees or

viewed working relationship with nonprofits and charities as positive, were more likely to say their local governments are important to nonprofits. We review these findings in more detail below.

<i>Significant explanatory factors</i>	<i>Local nonprofits and charities importance to local government</i>	<i>Local governments importance to local nonprofits and charities</i>
A. LGO Characteristics		
Township Trustee		+
B. Nonprofit/Government Interactions		
Nonprofit Grant Considerations	+	+
Nonprofits Prepared for Disasters	+	
Working Relations with Nonprofits		+
Overall Significance Level	<0.001	<0.001
Number of Cases	253	255
Adjusted Proportion of Variance Explained	0.234	0.315

Notes: Factors that are significant at the $p < 0.05$ level in the overall prediction equation are **bolded in red**. Several factors in these analyses were not significant for either of the two models and have been omitted from this table. The full set of predictor variables can be found in Appendix B.1, which also provides details about the regression coefficients and data sources.

LGO Characteristics and Nonprofit Involvement

We find that LGOs who serve as township trustees were significantly more likely to find local government important to local nonprofits. We note that Indiana township trustees perform a variety of

³² They do so by distributing (usually very modest) financial relief. When necessary and possible, they may also connect residents to helpful resources, such as services provided by local charities and nonprofits. Possibly, township trustees view those referrals as helping nonprofits meet their service missions and therefore important to local charities.

We were surprised that township trustees did not also view nonprofits as important to local governments, since those referrals help township trustees

activities, including working with volunteer fire departments and emergency medical services. However, they have primary responsibility for assisting those in need in Indiana’s 1,004 townships.

serve residents’ needs. However, none of the LGO positions are statistically significant in our analysis of how important nonprofits are to local government.³³

All other LGO characteristics that were significant at the bivariate level – the scope and diversity of their personal involvement with nonprofits, or whether they view those relationships as important to their

³² Indiana currently has 1,004 townships – see https://www.stats.indiana.edu/population/PopTotals/historic_counts_twps.asp.

³³ In our multivariate analysis, we used school board member as the reference category for type of position LGOs hold in local government. It is the only type of LGO representing a “special purpose” type of government. All others – city and county officials – represent “general purpose” types of governmental units.

work as LGOs – are not significant, once we control for all other factors.

Community Conditions and Scope of Nonprofits

Similarly, while LGOs' subjective assessments of community conditions and the scope of nonprofits in their county were significant at the bivariate level, none of these remain significant in the multivariate analyses.

The Nature of Nonprofit Interactions with Local Government

There is stronger support for the argument that interactions between nonprofits and local government are relevant. LGOs who reported more positive working relationships with nonprofits were significantly more likely to find local governments important to local nonprofits. So were LGOs who viewed nonprofits as better prepared for major disasters.

Similarly, LGOs that gave greater importance to grant and contract management considerations were significantly more likely to find local nonprofits important to their local governments and vice versa. As we argued above, we speculate that LGOs who have more official interactions with nonprofits are likely to have greater knowledge of nonprofits' service capacity and therefore to recognize the mutual dependence of nonprofits and local governments

So far, we have focused on the extent to which three groups of predictor variables are related to two broad measures of mutual dependency between local government and local nonprofits. Each of those broad dependency measures – respectively the importance of nonprofits to local government and of local government to local nonprofits – reflect average “importance scores” of specific items.

We thought it useful to examine whether the individual dimensions that make up the two composite scales show similar relationships to the predictor variables. We therefore used the same predictor variables examined above and undertook separate multivariate analyses for each set of the specific dimensions. The relationships generally were similar, but there were some notable differences. We review these below.

What explains how LGOs view the importance of local charities to local government on specific dimensions?

Of the five dimensions of how important nonprofits are to local government (their financial support; expertise, knowledge, and technical assistance; policymaking; service capacity; reputation and legitimacy), the importance of nonprofit financial support differs from the composite scale of local nonprofit importance to local government.

Table 5 shows which combination of factors remains significant in the final analysis for the overall composite scale and each of the individual dimensions of how important nonprofits are to local government, controlling for all other factors included in the analyses. (For full details, see Appendix B.2.).

Each of the six multivariate analyses are highly significant ($p < 0.001$) but explain only modest proportions of the total variance in the overall scale or in each dimension (12-25 percent). Two groupings of predictor variables are significant in a least one of the multivariate analyses: LGO characteristics and local government/nonprofit interactions. As Table 5 shows, the analysis for nonprofit financial support deviates most from the overall pattern.

Table 5. Multivariate analysis of importance of nonprofits to local government overall and on individual dimensions

Significant predictors	Nonprofit importance scale	Their financial support	Their service capacity	Their knowledge & expertise	Their reputation & legitimacy	Their policy support
A. LGO characteristics						
County Council Member		-				
Mayor		-				
Township Trustee				+		
Nonprofit Involvement Important to Job of LGO					+	
B. Nonprofit/government interactions						
Nonprofit Grant Considerations	+	+	+	+	+	+
Nonprofits Prepared for Disasters	+	+		+		+
Working Relations with Nonprofits		+				
Awards Contracts to Nonprofits		+				
Overall Significance Level	p<.001	p<.001	p<.001	p<.001	p<.001	p<.001
Number of Cases	253	252	250	253	251	252
Adjusted Proportion of Variance Explained	.234	.124	.154	.247	.196	.208

Notes: Factors that are significant at the p<0.05 level in the overall prediction equation are **bolded in red**. Several factors in these analyses were not significant for the model and have been omitted from this table. The full set of predictor variables can be found in Appendix B.2, which also provides details about the regression coefficients and data sources.

LGO Characteristics

For the overall composite nonprofit importance scale, LGO position is not significant, but it is for the importance of nonprofit financial support and of nonprofit knowledge and expertise (see Panel A in Table 5). County council members and mayors were significantly less likely to say that nonprofit financial support was important to their local government than school board members (the excluded comparison group in these analyses). We speculate that school board members may indeed be likely to receive financial support from nonprofits (e.g., PTOs/PTAs). In comparison to them, county commissioners and mayors are less likely to do so.

Township trustees were significantly more likely to consider nonprofit knowledge and expertise important to local government than the excluded type of LGO (school board members). Most of Indiana’s 1,004 townships are managed by one-

person trustees, although all operate with constrained resources. It is not surprising, perhaps, that they were likely to rely on nonprofit knowledge and technical capacity when referring needy residents to supportive services.

Only one other LGO characteristic is significant, and only for one of the dimensions. LGOs who viewed their personal involvement with nonprofits as important to the job as LGO were also significantly more likely to say that the reputation and legitimacy of nonprofits was important to their local government. We speculate that these LGOs may have found their involvement with well-respected nonprofits to facilitate their own work and effectiveness.

Nonprofit-government Interactions

As panel B in Table 5 shows, there is broader consistency between the overall nonprofit

importance scale and the five specific dimensions when we look at broader indicators of nonprofit-government interactions. Of the two predictors that were significant for the composite scale, one (giving weight to management capacities when awarding grants or contracts) is positive and significant for each of the five individual items. The other, whether nonprofits are well prepared for major disasters, is also positive and significantly related to three of the five dimensions: nonprofit financial support, knowledge and expertise, and policy support.

Two other variables from this group of predictors are significantly related to specific dimensions, but not to the overall composite scale. LGOs who awarded grants or contracts to nonprofits were significantly more likely to view nonprofit financial support as important to their local governments. Finally, LGOs who rated working relationships with

nonprofits as strong were also more likely to say the financial support of nonprofits for their local government was important.

What explains how LGOs view the importance of local government to local nonprofits on specific dimensions?

When we look at how LGOs view the importance of their local government to local nonprofits on four specific dimensions, we find broad consistency with the multivariate analysis for the overall composite of government importance to nonprofits. Table 6 shows which predictors remain significant in the five multivariate analyses, when we control for all factors. All analyses are highly significant ($p < 0.001$) and explain between 22 and 32 percent of the variance. For full statistical details on all variables included in the multivariate analysis, see Appendix B.3.

Table 6. Multivariate analysis of the importance of local government to nonprofits overall and on individual dimensions

Significant predictors	Government importance scale	Our financial support	Our knowledge & expertise	Our Reputation & legitimacy	Our policy support
A. LGO characteristics					
County Commissioner			-		
Township Trustee	+	+		+	+
Nonprofit Involvement Important to Job of LGO		+			
B. Community characteristics					
Positive Community Direction					+
Aggregate Nonprofit Revenues		-			
C. Government/nonprofit interactions					
Nonprofit Grant Considerations	+	+	+	+	+
Nonprofits Prepared for Disasters	+				
Working Relations with Nonprofits	+			+	+
Overall Significance Level	$p < .001$	$p < .001$	$p < .001$	$p < .001$	$p < .001$
Number of Cases	255	255	255	253	254
Adjusted Proportion of Variance Explained	.315	.246	.219	.249	.268

Notes: Factors that are significant at the $p < 0.05$ level in the full prediction equation are **bolded in red**. Several factors in these analyses were not significant for any of the models and have been omitted from this table. The full set of predictor variables can be found in Appendix B.3, which also provides details about the regression coefficients and data sources.

One of the four specific dimensions, government reputation and legitimacy, shows the same significant predictors as the overall government importance scale. However, the analyses for the other three dimensions – government financial support, government knowledge and expertise, and government policy support – show some divergent patterns.

Notably, the pattern is again most divergent for government financial support. This is the same dimension that stood out, when we looked at individual dimensions of nonprofit importance to local government compared to the overall nonprofit importance scale. We review these findings in more detail below.

LGO Characteristics

Panel A in Table 6 shows that LGO position is significant in all the analyses. However, the type of position that is significant (compared to the excluded category, school board members) varies. LGOs who served as township trustees were more likely to consider local government important to local nonprofits for the overall analysis of government importance scale (the first column in Table 6), compared to school board members (the excluded category in the analysis). The same holds for three of the four individual dimensions: government financial support, government reputation and legitimacy, and government policy support.

However, that is not the case for the dimension of government knowledge and expertise. In this analysis, county commissioners stand out. They were significantly less likely to view this dimension as important to local nonprofits than school board members, the excluded category. We speculate that county commissioners generally have broader familiarity with community conditions than other types of LGOs, particularly school board members, and may depend less on nonprofit expertise than do school board members.

One other LGO characteristic is significant, but only for the dimension of government financial support. LGOs who believed their own personal involvement in nonprofits was important to the job of an LGO were more likely to consider their local government financial support to be important to local nonprofits. We speculate that LGOs, who are personally involved with local nonprofits, are more likely to be familiar with the extent to which nonprofits depend on government financial support than their counterparts.

Community Conditions and Scope of Nonprofits

As panel B of Table 6 shows, predictors related to community conditions or the scope of nonprofits in the community are not significant in the analysis of how important nonprofits are to government on the composite government importance scale. The same holds for two of the dimensions: government knowledge and expertise, and government reputation and legitimacy, but not for government financial support and government policy support.

LGOs in communities with many large nonprofits, as measured by total aggregate nonprofit revenues, were significantly less likely to view government financial support as important for local nonprofits. Since local government is likely to provide only relatively modest amounts of funding to local nonprofits, the presence of large nonprofits may signal to LGOs that these nonprofits have access to substantial revenues from other sources.

LGOs who were more positive about the direction in which their community was heading were significantly more likely to say their policy support was important to local nonprofits. Perhaps these LGOs viewed their ability to lend support to local nonprofits as important for ensuring a stronger future for their community, or at least greater likelihood of establishing collaborative efforts in support of that goal.

Nonprofit Interactions with Local Government

Two Indicators of broader nonprofit interactions with local government are important for the overall importance of local governments to nonprofits on the composite government importance scale and for two specific dimensions. LGOs who reported better working relations with nonprofits were significantly more likely to view local government as important to local nonprofits on the overall scale and in terms of government reputation and legitimacy and policy support (see panel C of Table 6). However, better working relations were not significant in predicting the importance of government financial support or knowledge and expertise.

The second indicator, grant/contract management considerations, was significant in all five multivariate analyses. In all cases, LGOs who viewed management capacities as important considerations in awarding grants or contracts were significantly more likely to say their local government was important to nonprofits overall and for each of the four specific dimensions.

Summary and Conclusions

Local government and local nonprofits both seek to address local community needs. Although they differ in their specific goals, they serve some of the same (or at least overlapping) constituencies and can maximize their effectiveness and efficiency by collaborating. Their collaboration can take many forms, ranging from formal contractual relation-

ships to informal interactions and working relations.

In previous work we have documented that collaborations between local government and nonprofits in Indiana are extensive. Thus in 2020, half of Indiana LGOs reported awarding grants or contracts nonprofits³⁴ and almost half (47 percent) said working relationships with nonprofits was very positive and another 38 percent said the working relationships were somewhat positive.³⁵

However, to be successful and ongoing, collaborations usually must provide collaboration partners with ongoing access to resources they cannot adequately or easily provide on their own. Local government and nonprofit differ in the variety of resources they have available to carry out their work. In terms of financial resources, local governments have the authority to levy local taxes to finance their activities. They may also receive federal and state subsidies, including entitlements. By contrast, nonprofits benefit from special tax privileges available to them, and may have access to government grants and contracts, but not as entitlements.

Local government and nonprofits also bring non-financial resources to the collaboration. These include their organizational service capacities, as well as their knowledge and technical expertise. There are also softer, less easily identifiable resources, such as reputations and legitimacy in the community, and the ability to mobilize political support.

In this report, we have examined the extent to which Indiana LGOs view different types of

³⁴ by Kirsten A. Grønbjerg and Eric Schmidt, *Indiana Local Government Officials' Contracting and Service Arrangements*. Indiana Local Government Officials and the Indiana Nonprofit Sector Report Series, Briefing 15, July 2024. Bloomington, IN: Indiana University O'Neill School of Public and Environmental Affairs. Available here: <https://nonprofit.indiana.edu/doc/publications/localgov/localgov-contracting2020.pdf>.

³⁵ Kirsten Grønbjerg, Zoe Bardon, and Elizabeth McAvoy, *Indiana Local Government Officials and Working Relationships with Nonprofits*, by. Indiana Local Government Officials and the Nonprofit Sector Report Series, Briefing 12, April 2022. Bloomington, IN: Indiana University O'Neill School of Public and Environmental Affairs. Available here: <https://nonprofit.indiana.edu/doc/publications/localgov/working-relationships-2022.pdf>.

nonprofit resources as important to their local government. We focus on five dimensions of nonprofit resources: their financial support; their service capacity; their expertise, knowledge, and technical assistance; their reputation and legitimacy; and their policy support.

The great majority (65 to 88 percent) of LGOs said these five nonprofit resources were at least somewhat important to their local government. LGOs viewed nonprofit reputation and legitimacy as most important, with 62 percent saying it was extremely or very important to their local government. About half or more said the same about nonprofit service capacity (58 percent), nonprofit policy support (52 percent), and nonprofit expertise and technical support (47 percent).

We also asked LGOs the reverse question: how important LGOs thought different local government resources were to local nonprofits. We focus here on four dimensions: government financial support; government expertise, knowledge, and technical assistance; government reputation and legitimacy; and government policy support. The great majority (72 to 87 percent) said these four government resources were at least somewhat important to local nonprofits.

LGOs viewed their own reputation and legitimacy and their own policy making as the most important resources for local nonprofits, with 59 percent saying their reputation and legitimacy was extremely or very important to local nonprofits, and 57 percent saying the same about their own policy making. About two-thirds said the same about their own expertise and technical knowledge (40 percent) and financial support (38 percent).

The bulk of our report has focused on two broad questions. First, what explanatory factors appear to predict whether LGOs view nonprofits as important to local governments on the overall nonprofit importance scale and on the individual nonprofit resource dimensions; and second, what explana-

tory factors predict whether LGOs view local government as important to nonprofits on the overall scale of local government importance to nonprofits and on the individual government resource dimensions.

Our explanatory factors include three broad groupings of predictive indicators. One grouping is related to characteristics of the LGOs themselves: the type of LGO position they hold, how long they have held a position in local government, their own personal involvement with nonprofits, and how important that involvement is to their LGO work. A second grouping includes characteristics of the community the LGO represent – how LGOs view community conditions, objective measures of community conditions, and the scope of nonprofits in the community. The final grouping includes broader indicators of government-nonprofit interactions.

Overall, most of the predictive indicators are significant at the bivariate level. However, only a few remain significant in our multivariate analyses where we can identify which combination of factors best explains LGOs' assessment of the importance of local nonprofits to their local governments and of their local governments to local nonprofits. Notably, both regressions are highly significant ($p < 0.001$), although they explain only relatively modest percentages of the variance (23 and 32 percent).

For the overall importance of local nonprofits to local governments, only two explanatory factors are important, when we control for all other factors. LGOs who view nonprofits as prepared for major disasters and those that give weight to management considerations for awarding grants and contracts to nonprofits were also significantly more likely to view overall nonprofit resources as important to their local government.

Our analysis of the individual nonprofit resource dimensions shows broad consistency with the

overall nonprofit importance scale – several of the same predictors are significant, and in those cases, the relationships are in the same direction. However, the pattern is only fully consistent with the overall nonprofit importance scale for nonprofit policy support. The analyses of the remaining four nonprofit resource dimensions are missing a significant predictor and/or show additional predictors to be significant. The pattern is most divergent for nonprofit financial support.

For LGO's perception of the overall importance of their local government to nonprofits, three explanatory factors remain significant, once we control for all other factors. LGOs who gave greater weight to management considerations when awarding grants and contracts and who reported more positive working relationships with nonprofits were significantly more likely to view government as important to nonprofits. So were LGOs who were township trustees.

Our analysis of how LGOs viewed the importance of government resource dimensions to nonprofits also shows broad consistency with the overall government importance scale, although only one dimension (government reputation and legitimacy) is fully consistent.

Our findings point to the mutual dependencies between local government and nonprofits. Certainly, Indiana LGOs view nonprofits as providing a variety of important resources that help their units of local governments carry out their mandates, particularly their efforts to service the

needs of community residents. Those collaborative efforts, however, require that the partners continue to make their particular resources available to the collaborative partners.

There may be challenges ahead, indeed some may already have surfaced since the survey was completed. For example, an analysis of the ALICE population (Asset Limited, Income Constrained, Employed) by Indiana United Ways shows that the number of Indiana households living in financial hardship increased from 38 percent in 2019 to 40 percent in 2022.³⁶ If the ALICE population continues to grow, as is likely now that pandemic-related relief programs have terminated,³⁷ the demand for human services such as housing assistance, food security, and healthcare support is likely to increase.

At the same time, nonprofits are grappling with their own struggles. A variety of economic threats³⁸ – increased operational costs and challenges securing donations – impact the ability of many nonprofits, particularly smaller human service nonprofits, to maintain their programs and services.³⁹

Finally, a new presidential administration promises to make significant changes to federal funding streams – where they are directed, the amounts involved, and restrictions attached. If those changes materialize, there may be significant impacts on resources available to local government as well as nonprofits.

³⁶ See ALICE in the Crosscurrents: An Update on Financial Hardship in Indiana, 2024 Update, available here: <https://www.unitedforalice.org/Indiana>.

³⁷ An updated analysis of the ALICE population for Indiana is expected to be available in May 2025.

³⁸ Nonprofits suffer the consequences of inflation-driven expenses, depletion of pandemic relief funds and falling donations. For more details, see Sarah Herschander (2025, January 14). "The Great Nonprofit Downsizing." *The Chronicle of Philanthropy*. <https://www.philanthropy.com/article/the-great-nonprofit-downsizing>.

³⁹ See "Philanthropic Funding for Human Services," by Kirsten A. Grønberg, in Terry Mizrahi and Darlyne Bailey (eds.), *Encyclopedia of Macro Social Work*. Oxford University Press, 2023.

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Appendix A: Bivariate Analysis

Table A.1		
Bivariate Analysis of Importance of Local Government and Nonprofit Relationships		
<i>Significant explanatory factors</i>	<i>Local nonprofits and charities importance to local government</i>	<i>Local governments importance to local nonprofits and charities</i>
A. LGO Characteristics		
Town Council Member	–	
B. LGO Nonprofit Involvement		
Currently Holds a Leadership Position in a Nonprofit	+	
Involved in Nonprofit(s) in Two Positions: Member, Volunteer, or Leader	+	
Involved in Nonprofit(s) in All Three Capacities: Member, Volunteer, and Leader	+	
Summation of LGOs Currently Active in Nonprofit Leadership	+	
C. Involved with Nonprofits		
Involved with Education & Research Nonprofits	+	+
Involved with Health Nonprofits	+	+

Table A.1 Bivariate Analysis of Importance of Local Government and Nonprofit Relationships		
Significant explanatory factors	<i>Local nonprofits and charities importance to local government</i>	<i>Local governments importance to local nonprofits and charities</i>
Involved with Social Service Nonprofits	+	+
Involved with Environment and Animal Protection Nonprofits	+	
Involved with Law, Advocacy, & Politics Nonprofits		+
Involved with Philanthropic Institutions & Promotion of Voluntarism	+	
Count of Different Types Nonprofits Involved with	+	+
Nonprofit Involvement Important to Job of LGO	+	+
D. Community Conditions		
Positive Community Direction		+
Problematic Community Conditions	+	+
E. Scope of Nonprofits		
Aggregate Nonprofit Revenues		+
F. Collaboration with Nonprofits		
Nonprofit Grant Considerations	+	+
Average Reliance on Nonprofits for Disaster Response	+	+
Nonprofits Prepared for Disasters	+	
G. Broader Interactions		
Working Relations with Nonprofits	+	+
Trust in Nonprofits to "Do The Right Thing"	+	+

Appendix B: Full Multivariate Analysis

Table B.1		
Full Multivariate Analysis of Importance of Nonprofits to Local Government and of Local Government to Nonprofits: Standardized Coefficients		
<i>Explanatory factors</i>	<i>Local nonprofits and charities importance to local government</i>	<i>Local governments importance to local nonprofits and charities</i>
A. LGO Characteristics		
County Council Member	-0.115	-0.056
County Commissioner	-0.108	-0.117
Mayor	-0.028	-0.054
City Council Member	0.014	0.052
Town Council Member	-0.058	0.012
Township Trustee	0.119	0.199
B. LGO Nonprofit Involvement		
Count of Different Types Nonprofits Involved with	-0.019	0.035
Involved in Nonprofit(s) in All Three Capacities: Member, Volunteer, and Leader	0.054	0.039
Nonprofit Involvement Important to Job of LGO	0.119	0.092
C. Community Characteristics		
Positive Community Direction	0.024	0.106
Problematic Community Conditions	0.036	0.026
Survey Completed Before April 3rd, 2020	0.049	0.004
Social Vulnerability Index	-0.024	0.109
D. Scope of Nonprofits		
LGO Located in Metropolitan Area	0.036	-0.032
LGO Located in Metropolitan Ring	0.024	0.003
Aggregate Nonprofit Revenues	0.020	-0.083
E. Nonprofit/Government Interactions		
Trust in Nonprofits to "Do the Right Thing"	0.025	-0.028
Working Relations with Nonprofits	0.121	0.165
Nonprofit Grant Considerations	0.361	0.476
Nonprofit Prepared for Disasters	0.138	0.069
Awards Contracts to Nonprofits	-0.051	-0.009
Significance	<0.001	<0.001
Number of Cases	253	255
Adjusted R-Squared	0.234	0.315

Notes: Factors significant at the p.05 level in the overall prediction equation are **bolded in red**. Most data are based on responses to the 2020 survey of Indiana local government officials conducted by the Indiana Advisory Commission for Intergovernmental Relations (www.iacir.spea.iupui.edu/), then "Intergovernmental Issues in Indiana: 2020 IACIR Survey.").

Table B.2 Full Multivariate Analysis of Importance of Nonprofits to Local Government on Specific Resource Dimensions: Standardized Coefficients					
Explanatory factors	Their financial support	Their service capacity	Their expertise and knowledge	Their reputation and legitimacy	Their policy support
A. LGO Characteristics					
County Council Member	-0.236	-0.046	-0.061	-0.047	-0.074
County Commissioner	-0.140	-0.114	-0.075	-0.047	-0.075
Mayor	-0.154	0.024	-0.006	0.008	0.034
City Council Member	0.061	-0.010	0.010	-0.012	-0.015
Town Council Member	-0.103	-0.092	-0.033	-0.028	-0.008
Township Trustee	-0.052	0.149	0.168	0.147	0.128
B. LGO Nonprofit Involvement					
Count of Different Types Nonprofits Involved with	-0.045	-0.044	0.040	-0.013	-0.024
Involved in Nonprofit(s) in All Three Capacities: Member, Volunteer, and Leader	-0.002	0.046	0.068	0.066	0.061
Nonprofit Involvement Important to Job of LGO	0.101	0.112	0.071	0.201	0.038
C. Community Characteristics					
Positive Community Direction	-0.052	-0.049	0.113	0.046	0.069
Problematic Community Conditions	-0.054	0.003	0.064	0.078	0.085
Survey Completed Before April 3 rd , 2020	0.082	0.044	0.028	0.059	-0.015
Social Vulnerability Index	-0.013	-0.054	-0.013	-0.006	-0.025
D. Scope of Nonprofits					
LGO Located in Metropolitan Area	-0.026	0.103	0.051	0.035	0.022
LGO Located in Metropolitan Ring	0.007	0.048	0.001	0.047	0.002
Aggregate Nonprofit Revenues	-0.067	0.068	0.032	0.038	0.038
E. Nonprofit/Government Interactions					
Trust in Nonprofits to “Do the Right Thing”	-0.010	-0.040	0.002	0.056	0.083
Working Relations with Nonprofits	0.169	0.121	0.068	0.083	0.057
Nonprofit Grant Considerations	0.210	0.269	0.389	0.284	0.385
Nonprofit Prepared for Disasters	0.128	0.117	0.143	0.070	0.123
Awards Contracts to Nonprofits	-0.132	-0.043	-0.030	0.014	0.006
Overall Significance Level	<0.001	<0.001	<0.001	<0.001	<0.001
Number of Cases	252	250	253	251	252
Adjusted Proportion of Variance Explained	0.124	0.154	0.247	0.196	0.208

Notes: Factors significant at the p.05 level in the overall prediction equation are **bolded in red**. Most data are based on responses to the 2020 survey of Indiana local government officials conducted by the Indiana Advisory Commission for Intergovernmental Relations (www.iacir.spea.iupui.edu/), then “Intergovernmental Issues in Indiana: 2020 IACIR Survey.”).

Table B.3 Full Multivariate Analysis of Importance of Local Government to Nonprofits on Specific Resource Dimensions: Standardized Coefficients				
Explanatory Factors	Our financial support	Our expertise and knowledge	Our reputation and legitimacy	Our policy support
A. LGO Characteristics				
County Council Member	0.109	-0.123	-0.119	-0.091
County Commissioner	-0.039	-0.162	-0.128	-0.089
Mayor	-0.013	-0.098	-0.075	-0.010
City Council Member	0.101	0.000	0.010	0.046
Town Council Member	0.103	-0.058	-0.006	-0.011
Township Trustee	0.253	0.083	0.158	0.179
B. LGO Nonprofit Involvement				
Count of Different Types Nonprofits Involved with	0.035	-0.006	0.031	0.060
Involved in Nonprofit(s) in All Three Capacities: Member, Volunteer, and Leader	-0.052	0.064	0.060	0.074
Nonprofit Involvement Important to Job of LGO	0.138	0.094	0.029	0.044
C. Community Characteristics				
Positive Community Direction	0.061	0.071	0.110	0.131
Problematic Community Conditions	-0.090	0.036	0.085	0.070
Survey Completed Before April 3 rd , 2020	0.003	-0.003	0.018	-0.012
Social Vulnerability Index	0.091	0.078	0.094	0.107
D. Scope of Nonprofits				
LGO Located in Metropolitan Area	0.045	-0.005	-0.098	-0.070
LGO Located in Metropolitan Ring	0.009	-0.006	-0.009	0.008
Aggregate Nonprofit Revenues	-0.170	-0.076	-0.002	-0.009
E. Local Government/nonprofit relationships				
Trust in Nonprofits to “Do the Right Thing”	-0.037	-0.057	-0.015	0.008
Working Relations with Nonprofits	0.020	0.172	0.229	0.176
Nonprofit Grant Considerations	0.440	0.404	0.385	0.406
Nonprofit Prepared for Disasters	0.102	0.047	0.046	0.044
Awards Contracts to Nonprofits	0.022	-0.033	-0.022	0.000
Overall Significance Level	<0.001	<0.001	<0.001	<0.001
Number of Cases	255	255	253	254
Adjusted Proportion of Variance Explained	0.246	0.219	0.249	0.268

Notes: Factors significant at the p.05 level in the overall prediction equation are **bolded in red**. Most data are based on responses to the 2020 survey of Indiana local government officials conducted by the Indiana Advisory Commission for Intergovernmental Relations (www.iacir.spea.iupui.edu/), then “Intergovernmental Issues in Indiana: 2020 IACIR Survey.”).