PUBLIC POLICY FOR NONPROFITS:

EXECUTIVE SUMMARY
OF THE REPORT ON
ARNOVA’S SYMPOSIUM OF OCTOBER 2010

Exploring key questions and issues about the public policy environment for nonprofits; and considering what research is needed to create better policies to sustain more vital institutions, meet social needs and support civil society in the years to come.
Our nation contains 1.6 million federally recognized 501(c) tax exempt organizations as of 2009, including more than 1 million 501(c)(3) public charities. In addition there are certainly hundreds of thousands of unincorporated or voluntary associations, and more than 300,000 congregations. Together these comprise a vibrant nonprofit sector that provides crucial functions and services in this society. Nonprofits touch every community, employ 12 to 15 million people, and attract the volunteer energies of 60 million people annually. Yet there are serious gaps in our knowledge—in the data, information, and research—about how public policies at the federal, state, and local level affect the work of this wide array of nonprofit organizations.

On October 4th and 5th, 2010, the Association for Research on Nonprofit Organizations and Voluntary Organizations (ARNOVA), with the support and encouragement of the Bill and Melinda Gates, Kresge, and C.S. Mott foundations, convened a group of 30 nonprofit scholars and leaders to explore what we know about public policies’ impact on the nonprofit sector. This gathering focused on how public policy helps or harms the ability of nonprofit organizations, particularly but not exclusively public charities, to fulfill their missions.

The ARNOVA Symposium gathered individuals from a wide range of professional backgrounds and academic disciplines. It included heads of state nonprofit associations, university-based scholars, researchers and analysts from nonprofit think tanks and national associations, and others. These experts explored what we know and do not know about public policies’ impacts on nonprofits now. Then they looked at what we should know going forward in order to craft policies that bolster and leverage the work of these organizations for the benefit of all.

In the current economic environment, with both public and philanthropic funding in decline, and needs for service expanding greatly, many nonprofits—and the people they serve—are in dire straits. Developing public policies that support rather than hinder nonprofits is thus more crucial than ever. Still there is little consensus around what public policies do for, or sometimes to, nonprofits; nor what policies would be most useful in helping sustain and support nonprofits.

The participants in the Symposium explored the issues surrounding our knowledge of the intersection of public policy and the nonprofit sector focusing on four central questions:

♦ What are the most critical policy issues facing the nonprofit sector now?

♦ Given the limitations of existing research and knowledge, what reliable claims can be made about the positive or negative impacts—present or expected—of current and past policies on nonprofits?

♦ What is the current state of knowledge about the design and impact of public policies for nonprofits? What are the obvious—or maybe not so obvious, but still important—gaps in our knowledge? Where do we have the data we need for a useful analysis of these issues? What data are we clearly missing?

♦ How should we frame research on these issues to generate new insights and “immediately usable knowledge” to develop better policies?

On the first day, Symposium participants heard expert presentations from scholars and practice leaders who framed these questions in historical, political, economic, and managerial terms, and examined policy concerns as they play
out at the federal, state, and local levels. Participants explored what is known and not known about nonprofits and their circumstances now in relation to complex challenges at different levels of society and government, seeing that public policy affects various kinds of nonprofits, and various roles they play, differently. Variations in nonprofits’ age, size, and geography may be crucial in these matters.

The second day, the group worked on framing issues in public policy that seem most important to address; identifying the knowledge gaps that inhibit our ability to better understand the issues and make better policy; and outlining an agenda for research going forward to inform better policy and policy makers within government and within the nonprofit sector.

The diversity of viewpoints and extensive knowledge of those present yielded a rich and lively conversation and an impressive range of insights. There were many issues on which individuals disagreed, as this report makes abundantly clear. Nonetheless, there was wide agreement among the participants that nonprofits, especially charities, play vital roles in providing crucial services, serving as vehicles for free expression of the identities, interests, and passions of different groups in communities, and building a healthy civil society. Despite analytical differences regarding some issues, Symposium participants clearly shared a core belief in the importance of the nonprofit sector and its role in addressing the critical issues our society faces today.

At the completion of Symposium, the group identified five areas of inquiry where new research is most needed to address concerns about public policies’ impact on nonprofits now:

1. **A clear need to better understand different forms of nonprofit financing.** Critical questions included, “What are the different forms, and how do their impacts on NPOs vary? What end beneficiaries are best served by different kinds of funding for NPOs? How, if at all, does seeking, using or depending on government funds alter the ways NPOs operate?”

2. **The necessity to better comprehend the effects of regulatory and tax policies on the nonprofit sector and its organizations in creating a range of hoped for value for society.** In this context a clear need was evident to examine more deeply differing aspects or elements of the value NPOs offer in relation to the justifications for providing tax-exemptions and deductions.

3. **The recent emergence of new and different models for forming and operating organizations that claim to have primary missions like charities—that is “to provide public benefit”—seems significant.** It appears vital to study these developments to see what potential benefit or harm they might generate, and what changes and challenges they may cause, for nonprofit organizations.

4. **The need to know more about the roles NPOs may play in strengthening communities by evoking civic engagement and building social capital, benefits often attributed to them.** Equally important is to understand the limitations of the nonprofit sector’s function in this regard. Connected to this question is an apparent need to better understand the work of NPOs in advocacy, including at the boundary of public policy advocacy and political engagement.

5. **Many present also felt it important to probe the question, “What value should the nonprofit sector be delivering to society, and what benefits (tangible and intangible) does the public expect from NPOs?”** One person termed this “The ‘Value Proposition’ of the Nonprofit Sector.” Most participants noted how little the public understands about the history, nature and functions of the nonprofit sector. Clarifying the desired functions and benefits of the sector seems essential to creating an environment where it is possible to make good public policy.
Participants in the Symposium, policy analysts and nonprofit leaders as well as academics, agreed significant and substantial research needs to be done—much of it without delay—to develop the knowledge needed to craft constructive and effective public policy for nonprofits. The primary product of this Symposium was a “Proposed Research Agenda” which we hope can be pursued by those who have the right backgrounds and skills. The Research Agenda includes many suggested questions categorized under six headings:

- What are the different forms of funding available to the nonprofit sector and how do their impacts differ?
- How does government funding impact how nonprofits operate?
- How do regulatory and tax policies support or hinder the nonprofit sector and the benefits it can deliver?
- What are the challenges and opportunities presented by “emerging organizational forms”?
- What are the civic roles of the nonprofit sector?
- What is “the value proposition” for the nonprofit sector?

Several follow-on activities are envisioned for this work. ARNOVA’s publication of this report, which includes a much fuller narrative description of the discussions, text of the expert presentations, and some other materials generated by participants, is one step. ARNOVA will hold a special colloquium at its 2011 Conference to continue and extend this conversation in the academic research community. We will be looking to work with partner organizations to create additional opportunities for examination and discussion of these matters as well. There is a critical need for more and widespread public conversation about the issues and challenges facing nonprofits. The nonprofit sector should be as well understood and appropriately treated in public policy as any other part of our society, particularly given its role in supporting communities and populations that are often least well served in the business and governmental sectors. The kinds of research advocated by the members of the Symposium can better inform the national dialogue on nonprofits that can and should lead to intelligent policy making to help nonprofits fulfill their missions addressing the public good.

Finally, we know some of the funders who supported this event are considering supporting research that follows along (at least some of) the lines laid out in the “Research Agenda” that issued from the Symposium. Insofar as the health of the nonprofit sector and it organizations depends in some degree on having better public policies to undergird their work in serving the common good, we think all funders ought to have some interest in supporting this kind of research. We hope that foundations will find in these research priorities themes and issues that they can support and promote as being in their interests in strengthening the infrastructure and networks of the nonprofit sector.

In short, we hope this report is the beginning of a conversation about these important public policy matters for the nonprofit sector and all of our society. This report is by no means the last word, but an instrument for engaging a broader range of stakeholders with these questions about how to foster and support the work of the nonprofit organizations that seem essential to maintaining a healthy society and vital democracy.

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- The full Report can be obtained at www.arnova.org -