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Poverty and Nonprofits: Investigating the Relationship Between Poverty and Nonprofit Activity in the United States

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Table of Contents

Abstract

In order to better understand our society and institutions, we can look at the relationships between institutions, social infrastructure, and human conditions. Social and institutional networks can influence the flow of resources on a scale that individuals cannot. These structures can perpetuate or alleviate social and human conditions but, alternatively, social conditions can mobilize and influence institutional structures. As systemic poverty remains a social issue, various US programs and forms of aid continue to be delivered despite limiting and varying levels of success. One such mode of aid is provided by nonprofits. Studies have shown that nonprofits empirically do very little to alleviate poverty. Instead they behave more as temporary relief programs, providing some basic and fundamental services but not enough to make large strides in reducing poverty. Given this research and others that have examined this relationship as a top-down system where nonprofit actions influence poverty, this research is focused on considering the opposite model. Perhaps instead, poverty is a driver for institutional change. Given a societal problem, the problem itself could influence structures and the flow of resources from a bottom-up perspective. This research evaluates whether poverty is correlated to the activities of nonprofits and the relationship between the two. An empirical model examines the role of poverty on the activities of community-based nonprofits and whether nonprofits are responding to poverty. The data examined include a nationwide survey of community-based nonprofits organized at a microscale. The results show that given last year's poverty, there is an increase in nonprofit activity this year, exhibiting a strong, positive relationship between the two. This research suggests that community-based relief may instead be a response to poverty regardless of whether nonprofits are effective in reducing poverty.

Introduction

Society is built with human conditions, structures, modes for improvement, and a need for community among an ever-growing population with changing resources. Modern society can relieve or perpetuate human conditions, particularly in respect to health outcomes and poverty. Institutional structures, such as government, nonprofits, and industry, provide social and economic stability among the flux in population, technology, time, and resources. Economic and governmental systems together provide opportunities for individuals to change their human condition. Nonprofits are one outcome of governmental structures that provide incentives and outlets for coalitions of individuals to organize and deliver resources for social areas of interest.

Nonprofits are tax-exempt charitable organizations that provide resources outside of government. They are called 501c organizations after the section of the tax code that governs them. In delivering resources and services, nonprofits often seek to benefit social interest areas, often in the communities in which they are operated. The services nonprofits offer are diverse and wide-ranging - at times small in scope, to expansive and far-reaching, with the goal of not only providing resources to targeted populations but also wider community audiences. Areas of interest can range from healthcare and education to community-building, animals, and the arts, among many others. Nonprofit services are also inherently diverse in nature and span from basic and fundamental services to creative and artistic engagements, as expressions of cultural and community identities and interests.

In addition to providing services, nonprofits have important economic implications. A 2017 study by Johns Hopkins Center for Civil Societies reports nonprofits constitute the third largest sector of the workforce, employing 11.4 million people in the United States. With the nonprofit sector rapidly expanding at a rate of 2% per year, year-over-year growth has outpaced

the growth of for-profit sectors over the past decade, which can be explained, in part, by tax-exemption incentives (McKeever, 2018). As an economic engine and influential labor market, nonprofits reflect special social interests and services and provide societal value to the broader community, region, nation, and international spheres.

Of the roughly 1.5 million nonprofits in the US, community-oriented nonprofits encompass a subsection of the sector. Education and healthcare are the main foci of the nonprofit sphere, but other areas include the arts, environment, housing, recreation, animals, and religion, among others (McKeever, 2018). Nonprofit scopes of interest are categorized by the IRS using the NTEE code from A to Z, and of interest to this research, community improvement and capacity building nonprofits are considered Type S nonprofits. Other community-oriented nonprofits are present as well and range from grant-making foundations to science, technology and research organizations. The National Center for Charitable Statistics reports this group of nonprofits as "public and societal benefit" which include five major classes representing 12% of the industry total (McKeever, 2018). In terms of fundraising, all other broad classifications are dwarfed by the amount of revenues and expenditures of the healthcare sector.

Community improvement and capacity building nonprofits are focused on alliances, management, and development, and encompass the bulk of poverty relief organizations. As a social issue and human condition, poverty can be a motivation for charitable giving and activities related to community improvement and capacity building to provide relief for those in need.

Problem Statement

Despite the United States being the wealthiest country in the world, the country is faced with systemic poverty (US Bureau of Economic Analysis, 2018). According to 2018 data from

the US Census Bureau, the US national poverty rate resides at 11.8% and has remained relatively stagnant for decades. Furthermore, the current day metric used to define poverty, which is based on food prices, has not been updated in a meaningful way. Those in poverty today are poorer than those in poverty 30 years ago with the same level of income despite adjusting for inflation.

As a result, there are still many poverty-stricken persons and areas in the United States today. Indeed, there is a concentrating effect of poverty that can be observed at the local level. Poverty rates are closer to 17-20% in the most impoverished states, and upwards of 40% in select cites across the United States (US Census Bureau).

In terms of macroeconomic effects, unemployment has been empirically tested to be highly correlated with poverty while other studies show inflation and income inequality measures have a modest to strong impact on poverty (Jefferson and Kim, 2012). Other indicators of poverty include changes in consumption, income, and median earnings.

The goal to reduce poverty can be seen at the nonprofit level, particularly in regard to local level aid and relief. A 2008 study conducted by the Federal Reserve and the Brookings Institution examined structures across impoverished communities in the US and discussed the importance of nonprofits in developing community networks in these areas. Nonprofits that develop strong relationships with local government and build coalitions with other nonprofits can improve community conditions. (Cohen, 2008).

Importantly, impoverished communities can be more affected by the activities of nonprofits than other communities, as basic and fundamental needs, such as housing, food, and income services provide the building blocks for individuals. Poverty-stricken communities suffer from a variety of ills but also from the worst health outcomes and preventable illnesses in the nation (Gaskin et al., 2015; Paul et al, 2018). These wellbeing factors have important

implications on employment and the economy (GAO, 2007), and as such, can incentivize relief programs provided by nonprofits to address the poverty gap.

Despite good intentions, there are underlying issues nonprofits face which can be attributed to the result of poor delivery systems. Often running lean operations is commonplace for organizations, particularly small, grassroots and community-oriented nonprofits. These nonprofits overwhelmingly suffer from overlapping services, inconsistent funding, and high employee turnover (Jindra and Jindra, 2016). The competition for resources presents many challenges in delivering services effectively and, as a result, affects the ability and scope of services rendered. As a consequence, nonprofits have been criticized for not doing enough to reduce poverty. Academics offer a variety of poverty relief solutions from focusing on influencing public policy to increasing the minimum wage (Rosenman, 2014).

This structural problem with nonprofits leaves vulnerable communities wanting with the continued effects of poverty over time which is evident in the generational poverty still prevalent in the United States (Holzer et al, 2007; Wagmiller and Adelman, 2009; Azier and Currie, 2014). However, there are still many organizations and fundraising opportunities to provide relief. Studies have shown that poverty reduction has a positive impact on society and the economy overall and that moving people from poverty increases GDP and reduces crime (GAO, 2007).

The economic cost of poverty is high. Studies have shown that poverty is expensive for governments. Childhood poverty in the US alone costs roughly 4% of GDP (Holtzer et al., 2008). Further, poverty leads to inefficiencies and reduced participation in the labor market. Impoverished individuals are twice as likely to be unemployed (GAO, 2007). Poverty reduction has been shown to result in better productivity and better outcomes overall and provides incentives for individuals and institutional structures to become involved.

The result of nonprofit competition has led to unintended consequences. Misplaced philanthropic causes negatively impact communities and perpetuate the issues they intend to alleviate (Lupton, 2011). Various groups have offered solutions in closing the poverty gap, many of which include resource opportunities such as economic development and employment services. Many of these activities are provided by nonprofits (Harris and McKearney, 2014). There is social, economic, and political motivation to reduce poverty. As Franklin D. Roosevelt said, "The test of our progress is not whether we add more to the abundance of those who have much; it is whether we provide enough for those who have too little." Many understand the social cost of poverty and the effects it has on society.

With the prevalence of poverty in the United States, how does it correspond to the activities of nonprofits? Are nonprofits a response to social need? Expanding on the body of knowledge of this topic, this study will examine the relationship of poverty and other indicators on the activities of nonprofits. Much of the literature on this issue has focused on how nonprofits impact poverty, but there has been little research in understanding poverty's effect on nonprofit activities. Perhaps community-based nonprofits are a response to poverty. Organizations that focus on providing relief to those in need, should, in effect, provide more when more poverty is present. This relationship can be examined by understanding the nonprofit sphere, specifically focused on nonprofits in community development, and whether nonprofit activity responds to localized poverty rates.

Literature Review

Research has examined nonprofit activities in a myriad of ways, as literature on this industry is nearly as diverse in nature as the nonprofit sector itself. Nonprofit research lays the

foundation for understanding nonprofits in context to their communities, addresses ways for

nonprofits to sustain and develop their organizations, and discusses various service delivery

systems and outcomes. In a broad context, nonprofit research examines the role of nonprofit

finance, workforce trends, size, partnerships, performance, and outcomes. In order to get a sense

of the activities of community-based nonprofits, it is important to understand how nonprofits

operate, and their limitations.

In the realm of finance, literature highlights the notion that nonprofits are uniquely

vulnerable to financial shortcomings relative to other organizations, such as government and for-

profit entities. Many community-based nonprofits heavily rely on recurring revenue streams

from donations and government grants in order to support their activities. These revenue streams

are tenuous due to the inherent nature of the funding sources, as they are often discontinuous,

nonrecurring, and nonguaranteed, particularly with respect to government-contract funding

(Sontag-Pallia, 2012). These funding strategies present challenges for long-term planning and

can result in funding deficiencies that interrupt nonprofit goals and service activities.

Recent studies underscore the financial vulnerabilities and general financing that

nonprofits face (Andres-Alonzo et al., 2016; Grizzle et al., 2015; Calabrese et al., 2012).

Specifically, community-based nonprofits most commonly contend with an overreliance on these

funding sources as they generally do not employ fee-type funding strategies that other nonprofits

utilize (Sontag-Padilla et al., 2012). This vulnerability has since been exacerbated by the Great

Recession as the nonprofit sector has experienced a downturn in donation-based funding and

government grant-funding streams that continues today (Renz et al., 2016). A study by the Urban

Institute surveying the nonprofit sector in 2010, reported greater than 65% of nonprofit funding

is sourced from government contracts, highlighting the importance of government funding nonprofit activities (Boris et al., 2010)

As a result of opportunities for funding and in response to public need, nonprofits are inextricably linked to governmental activities, sharing what is commonly referred to as complementary or supplementary relationship with government. Early research by Salamon (1995) describes the relationship between nonprofits and the government to be symbiotic in nature. Salamon discusses that the role of government is to provide funds to nonprofits, which removes the burden of a large governmental workforce needed to administer those services (LeRoux, 2006). The government, therefore, is able to reach wider audiences by funding nonprofits, and nonprofits reap the benefit of those funds to deliver services. Research by Leroux & Sneed (2006) describe this nonprofit-government relationship as a model of representative bureaucracy. The concept focuses on the importance of a representative workforce that often exists in community-based nonprofits. Representative bureaucracy nurtures relationships with the community and is linked to positive outcomes for organizations, which is similar to the idea of common pooled resources, where community buy-in is critical for long-term success. Smith and Lipsky (1993) discuss how government funding has led to the professionalism of the nonprofit sector as performance reporting document outcomes. Scholars agree that despite this reciprocity, a level of independence should be maintained to avoid making nonprofits overly bureaucratic (Leroux & Sneed, 2006).

Recent literature examines the competing theories used to describe the relationship between nonprofits and government. The two theories are 1.) nonprofits are a consequence of government service gaps, describing the relationship as supplementary in nature and 2.) nonprofits and government are equal partners, balanced by their unique skillsets, presented as a

more complementary relationship (Lu and Xi, 2018). A study by Lu and Xi revealed that overall, there is a positive, albeit weak, correlation between nonprofit and government activities, suggesting that these two work together in both forms in different contexts. This conclusion, along with the two theories are supported by empirical evidence. However, there are situations when this relationship is not necessarily beneficial. Research by Siliunas et al. (2018) argues that government contracting diminishes the goals of nonprofits as they focus on the needs of the contract, placing primary focus on the grant contract goals ahead of their mission and community goals.

There is also a body of research that examines the role of networks and other partnerships of nonprofits with their community, nonprofits, or businesses. Research by Galaskiewicz et al., (2006) examined the role of networks and showed that donation-based community nonprofits benefit greatly from growing networks, which affect the longevity of the organization. However, fee-based, revenue-raising nonprofits exhibited a negative relationship with networks and thus benefited from smaller networks over time. Nonprofits also develop relationships with each other and collaborate across a broad spectrum of categories. When the benefits outweigh the cost of collaboration, i.e. demands of coordination and loss of autonomy, they yield shared resources, and better resource sufficiency in a space where resources are often scarce (Proulx et al., 2014). Nonprofits may also be motivated to collaborate by opportunity for expansion and alignment of missions (Mulroy & Shay, 1998). These collaborations can range from loose and informal partnerships to fully-integrated mergers (Proulx et al., 2014). Indeed, nonprofit mergers have been increasing in recent years as a strategy to better provide services to communities. Literature on mergers emphasizes the importance in navigating these scenarios differently in the nonprofit sphere. They stress that a successful nonprofit merger must ensure all stakeholders are treated

equally (La Piana & Hayes, 2005). Although there are two modes of thought on corporate partnerships, empirical studies show that corporate reputation is often positively correlated with nonprofit activity, thereby exhibiting the potential benefits of corporate sponsorship (Lefroy & Tsarenko, 2012). In terms of corporate competition, Bielefeld (2004) studied the effect of geographic distribution of nonprofit and for-profit counterparts, to determine if there is a correlation between the proximity of nonprofits and for-profit entities. The study showed that there was no impact on the location of these entities, suggesting that these entities likely offer services dissimilar enough to differentiate their clientele in similar areas (Bielefeld, 2004). Interestingly, when evaluating this concept with the city of Boston, there was a positive relationship between nonprofits and for-profits in relation to proximity. However, this was unusual in the nine cities involved in the study.

Location and the geographic landscape of nonprofits is an important consideration in understanding nonprofits. If there are overlapping services, are nonprofits likely to locate close to one another? Bielefeld (2004) found nonprofit location often predicted resources and need. Nonprofits that provided community relief were predominantly located near areas with the most need. Resources are often centered in higher income areas, and relief is provided in lower income areas. Nonprofits of similar provisions cluster in areas of need. This suggests that although similar, nonprofits must be diverse to avoid the competition for resources. This research adds to the broader study of areas of overprovided and underprovided services. A study performed by the Urban Institute, mapping the nonprofit landscape of Philadelphia, agrees with previous research. Community-based nonprofits tended to cluster near low income neighborhoods in the downtown areas of metropolitan cities. Despite this, there were still a number of direct service-based nonprofits that did not reside in these areas of need. Da Vita and

Fleming (2001) state that "nonprofit mapping provides a framework for identifying potential gaps in service or spatial mismatch between needs and resources in local areas" (p. 24). More work has shed light on this issue. Researchers, Jossart-Marcelli and Wolch, (2003) mapped the community-based nonprofits of Southern California and found that there was more money spent in poorer areas; however, the relief was not sufficient to equalize services to higher income areas. Highest nonprofit activity was located in older and wealthier cities with high government spending on social services. This research again underscores the importance of government and nonprofit collaboration. Interestingly, in other countries this connection may not be the same. Research by Da Costa (2016) surveying the nonprofit landscape of Brazil showed that resources and need had no correlation to nonprofit activity; rather nonprofits were more likely to cluster based on proximity to other nonprofits.

Research Question and Hypothesis

Despite being the wealthiest nation in the world, the United States has systemic poverty. Why is there poverty in a nation that allocates many resources to nonprofits with the goal to alleviate it? Social scientists have often looked at the impact of nonprofits on poverty, with much of the research focusing on unfavorable outcomes. Nonprofit activity generally has minimal impact on poverty rates overall. However, not much research has focused on how poverty may influence nonprofit activity as this research seeks to illuminate the nature of the relationship of nonprofit activity in response to poverty. If nonprofit activity is a response to poverty, then there may appear to be little poverty reducing impact. This study poses the question: does the presence of poverty correlate to nonprofit activities, and if so, what is the nature of the relationship? The

research hypothesis is that there is a correlation of poverty increasing the activity of community-based nonprofits. The following hypothesis provides a framework for consideration.

H_o: no effect of poverty on nonprofit activity
Ha: positive effect of poverty on nonprofit activity

The research presented here will evaluate the distribution and availability of community-based nonprofits resources with respect to poverty. Assessing nonprofit resources underscores the ability for nonprofits to deliver services, which is arguably an important activity for these organizations. Poverty rates will be compared to the nonprofit assets at the local level. The hypothesis is that with an increased presence of poverty, there will be an increased level of community-based nonprofit activity, as these organizations seek to provide relief to poverty.

Data Plan

Data for this research was gathered from two primary sources, the National Center for Charitable Statistics and the US Census Bureau. Both datasets were obtained through public channels. Variables include poverty rates, total assets, population, educational attainment levels, including various levels of achievement: high school, bachelors, and professional degrees, and age demographics across communities in the United States. These data were aggregated and merged by zip code to better understand conditions at the smallest geographic level available to provide the most accurate and comprehensive picture of micro-level conditions. This specificity allows for a broad and in-depth survey of the nonprofit and poverty landscape across the US. If data were merged on a higher order, such as city or state, the analysis would lose the precision of localized conditions. The data cover five years from 2012-2016. Age and education variables were adjusted to percentages from data source count measurements using population

12

measurements for each zip code. Table 1 presents the variables, data level, and data source used in this study.

Table 1. Variables Assessing the Role of Poverty on the Activities of Community-Based Nonprofits

Variables	Data Level	Data Source
Total Assets	Individual, Zip Code, State	NCCS
Population	Zip Code	Census
% Below Poverty	Zip Code	Census
% High School Degree	Zip Code	Census
% Bachelor's Degree	Zip Code	Census
% Graduate or Professional Degree	Zip Code	Census
% 19 Years or Younger	Zip Code	Census
% 65 Years or Older	Zip Code	Census

Research Design

A fixed effects regression model is employed to analyze the relationship between poverty and nonprofit activity across communities in the United States. The basis of this research is supported by the theory that poverty may influence charitable giving and the activities of community-based nonprofits, and in impoverished regions, this relationship is positive. The research presented has important implications for nonprofits operating in low income communities in the U.S.

The model employed here will estimate whether the proposed theory is statistically significant. The dependent variable selected in this study is nonprofit activity, which will be measured as a nonprofit's total assets. Data on nonprofit total assets is gathered from the National Center for Charitable Statistics, and nonprofits' total assets will be observed at the

organization level, merged with other data by zip code, and adjusted per capita. Organization-level data will address the primary research questions: are community-based nonprofits located in areas of need and are they responding to poverty? Independent variables will include measures that affect nonprofit activity. The primary independent variable selected is poverty, which is measured by local poverty rates gathered from the US Census Bureau. Poverty rates were aggregated by zip code to reflect the local conditions of the communities in which nonprofits operate. This level of localization will provide insight on nonprofit activities at the community level. Age, education levels, and state are the other explanatory variables to control for nonprofit activity. These data were gathered from US Census Bureau and aggregated at the zip code level.

The fixed effects feature of the regression model has been applied at the state level. By applying fixed effects on the state variable, the model will control for differences in state-level policy that affect nonprofit activity. This feature allows the data to be assessed across the nation more equitably as state policies provide more or less incentive for nonprofits to locate in their area. The proposed theory will be tested by the following fixed effects regression model:

$$y_{it} = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + \beta_5 x_5 + \beta_6 x_6 + \alpha_i + \sum_{it}$$

Where y_{it} is total nonprofit assets per capita, subscript i is the state fixed effects, and t is temporal element of years of analyzed. After the constant. $\beta_1 x_1$ is effect of the percentage of individuals below the poverty line, $\beta_2 x_2$ is the effect of the percentage of individuals with a high school degree, $\beta_3 x_3$ is the effect of the percentage of individuals with a bachelor degree, $\beta_4 x_4$ is the effect of the percentage of individuals with a graduate or professional degree. $\beta_5 x_5$ is the effect of the percentage of individuals age 19 or younger, and $\beta_6 x_6$ is the effect of the percentage

of individuals age 65 or older. The fixed effect is α_i. $\sum_{it}$ is the disturbance, which controls for other factors in the regression model.

A fixed effects regression model controls for the omitted fixed factors associated with the state, which an OLS regression model would not include. Fixed effects create unique dummy variables for each state. This feature controls for differences among states that are fixed and unmeasured, including features such as state policy. In controlling for this variation among states, fixed effects provide a more representative model than other statistical models for this research. Changes in policy from 2012 to 2016 are still in the disturbance.

Collinearity is a minimal problem and in any case, the impact on this model is minimal compared to the risk of omitted variable bias, which would have more of an influence the outcome of the research. A final consideration for the model is the concept of reverse causality, which raises the question: does nonprofit activity affect poverty? Based on previous research, there is this a weak correlation. However, the focus here is on poverty's relationship on nonprofit activity. To reduce the issue of reverse causality, the explanatory variables are lagged. The interpretation from lagged explanatory variables then allow for a response to poverty in the previous year. With explanatory variables lagged, nonprofit assets can be examined in response to education, age, and poverty. The interpretation of the dependent variable, nonprofit activity, will be contingent on the state of the explanatory variables of the previous year. For example, if poverty increased last year, the response of nonprofit activity this year would be higher, lower, or unchanged. This effect estimates whether there is a response to conditions. Contemporaneous relationships would be difficult to interpret given that time is required to plan and respond to increases in poverty. Furthermore, by selecting a range of years, the analysis includes a temporal effect. The analysis of many years accounts for year-over-year change that cannot be captured in

a one-year assay allowing for a more comprehensive understanding of the nature of the relationship between nonprofits and poverty.

This research operates on the assumption that nonprofits are generally community-based in the services they offer. The methodology discussed here does not differentiate among nonprofits and their areas of operation, instead it predominately hinges on the idea that nonprofits operate in their community. This is a broad assumption, as some nonprofits do not target the communities where they are headquartered and likewise do not focus on poverty. However, given the data sources, selecting the S-type community improvement and development nonprofits offer the best potential for capturing localized community nonprofits.

Results

As shown in Table 2, the results of the regression show that community-based nonprofits are highly correlated with poverty as well as with many of the explanatory variables. Controlling for population, total assets increase from the previous year from measures last year showing a strong positive relationship with poverty. The results demonstrate that with an increase in poverty last year, we see an increase in total assets this year and vice versa. This result presents an argument that nonprofit activities are responding in areas of need.

Table 2. *Regression Results*

Total Assets Per Capita	t	P>|t|	Significance	Relationship
% Below Poverty (Lagged)	12.54	<0.001	x	+
% High School Degree (Lagged)	3.47	<0.001	x	+
% Bachelor's Degree (Lagged)	3.66	<0.001	x	+
% Graduate or Professional Degree (Lagged)	8.15	<0.001	x	+
% 19 Years or Younger (Lagged)	-9.95	<0.001	x	-
% 65 Years or Older (Lagged)	-0.51	0.613		

Further, we find that other explanatory variables for educational attainment are highly correlated with nonprofit assets. These relationships are positive. Nonprofit activity increases as educational attainment increases. Empirical studies that show that increased levels of education attainment lead to better career opportunities and earning potential for individuals. More income affords individuals and businesses the opportunity to provide means and ability to become involved in nonprofit spaces and perhaps more desire to do so. We generally see on the whole that increased education attainment leads to increased charitable giving. This relationship can help to understand the positive correlation with nonprofit activity. Also evident in this analysis, the higher the educational attainment, the stronger is the correlation with nonprofit activities.

Interestingly, age is correlated to nonprofit activity. The results show that young individuals, i.e. 19 years or younger, are highly correlated with nonprofit activities. However, this relationship is negative. Controlling for other factors, an increase in young individuals in the household show a decrease in nonprofit activity. This relationship can be explained in several ways. First, those that are young, are typically not in the workforce, and if they are, they are generally in entry level jobs and do not have the financial means to support nonprofits or provide

resources, other than perhaps in kind-contributions such as volunteerism, which is often small in scope relative to other contributions. Furthermore, families with children on average have less disposable income than families without children and more financial needs in their own house. Having children is a large financial burden. With income used to support families with children, there is less disposable income to provide resources to nonprofits.

The one variable that has no statistical significance, is the elderly's relationship with nonprofits. Retirees or others of age 65 or older do not correlate with nonprofit activity. If this is a result of there being no relationship, it could be because anti-poverty programs since the 1960s, including Social Security and Medicare, have reduced poverty among those over age 65 more than any other age group. Whatever level of commitment people over 65 have to nonprofits may be well established and not strongly related to current economic conditions.

Discussion and Limitations

This analysis was performed in couple of ways. First, the spread of years examined had no statistical significance on total assets. Given that the years selected for the analysis were consecutive and during a period of macroeconomic stability, we find that the years had little impact on the regression. This is an expected outcome given that nonprofit changes were likely to be minimal during this time and state level policy was controlled.

Second, the model was performed with and without state-level fixed effects and showed nearly the same outcome, suggesting that due to the dataset size and scope, state level policy change and differences among states had very little influence on the model. Of the roughly 30,000 community-based nonprofits examined across 6 years, 95,740 unique observations were

included in the final regression. In order to lag the explanatory variables, a year's worth of observations was lost to serve as the control.

Another limitation is the analysis could not control for nonprofits headquartered in one area where services may be provided in another. The data does not show a nonprofit's service area, so some assumptions must be made. If that was a major limitation, however, a weak relationship would be more likely, and that is not the case.

Furthermore, this analysis is not claiming causality. This research is limited in scope and is focused on understanding if there is a correlation forward with poverty and nonprofit assets. There are many other variables that can explain nonprofit assets not considered in this model. Correlation is not causality; however, this research does present an argument that community-based nonprofits resources are increasing in areas with increasing poverty. We may expect that during periods of economic stability and growth, we would see more resources flow into these areas. Note, however, that increasing poverty does not suggest more resources available for local nonprofits, it suggests less. The growth is coming from somewhere, probably responsive to the local poverty.

Lastly, examining the role of nonprofit assets per capita provides a way to control for variances across different populations. As one might expect, there are more community-based nonprofits in areas of high population density, such as cities. That controls for differences in rural versus intercity conditions. Therefore, it is likely that cities are more represented than rural areas in this research, but rural areas are included. Explanatory variables, not including rural versus urban, include similar controls such as education and age, which are indicators of urbanicity. Whether those variables capture relevant rural factors is not certain.

Conclusion

Often we think of social problems as a consequence of our institutions but at times we find that societal problems can encourage change in these institutions. This research illuminates that societal need and resources determine the strength of institutional intervention in this analysis; i.e., as poverty increases at a local level, we see a subsequent increased response in community-based nonprofit activities. Despite the outcome, whether nonprofit activities are increasing or decreasing, poverty remains a separate issue. Resources are indeed being routed to areas of need. Whether these activities or programs can resolve or alleviate poverty remains to be seen. Poverty might be even worse without those activities and programs.

Further research and programs should consider other forms of relief to address this issue. Further, we find that communities with more resources are more likely to be involved in charitable giving and the activities of nonprofits through measures of age and education. This research helps us understand the relationship between need and resources and how a response may not be enough to resolve issues. Community-based nonprofits are responding to poverty but their activities are not sufficient to eliminate poverty in the long run.

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