ISSN: 2381-3717

"The Echo Rock, Fountains Abby"
Joseph Cundall, 1856

Winter 2020
Volume 6 Issue 3

JPNA
Journal of Public and Nonprofit Affairs

JPNA
Journal of Public and Nonprofit Affairs

a journal of the Midwest Public Affairs Conference

Editorial Office
111 Washington Street
Newark, NJ 07102
www.jpna.org

Statement of Purpose

The *Journal of Public and Nonprofit Affairs* (*JPNA*) focuses on providing a connection between the practice and research of public affairs. This is accomplished with scholarly research, practical applications of the research, and no fees for publishing or journal access. *JPNA* publishes research from diverse theoretical, methodological, and disciplinary backgrounds that addresses topics related to the affairs and management of public and nonprofit organizations.

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Introduction to the Issue

Lindsey M. McDougle – Rutgers University - Newark

This is the final issue of volume six. This is also the final issue that I will serve as editor-in-chief of *JPNA*.

Looking back, I can truly say that these past three and a half years have been both fulfilling and rewarding. As first co-editor-in-chief and then editor-in-chief, I was able to shepherd more than two hundred research articles through the peer review process; and, in doing so, I witnessed firsthand the growth that *JPNA* experienced in terms of not only the quantity of manuscript submissions, but also the quality of submissions. As a still relatively new(er) journal, this growth signifies that there was (and, perhaps still is) a need for additional publication outlets that allow for the dissemination of timely, relevant, and *impactful* scholarship concerning the affairs of public and nonprofit organizations.

You may be wondering what led to *JPNA*'s growth.

Surely, it can be in part attributed to the fact that *JPNA* is proudly open access. Open access publishing helps manuscripts reach broader audiences than subscription access journals (Davis, 2011). However, this growth is also largely attributed to a) the invaluable work that each of our associate editors, Mirae Kim, Myjung Jin, and Samuel Stone, did in ensuring that we recruited outstanding reviewers who provided submitting authors with critical, developmental, and substantive feedback on their work, and b) the innovative communication methods and channels that our social media editor, Sarah Larson, used to promote the journal.

Under my editorship, *JPNA* consistently provided valuable insights to our readership not only through our *Research Articles* but also through our *Book Review* and *Current Issues in Practice* sections. Our book review editor, Marcus Lam, and our current issues in practice editor, Marlene Walk, both worked tirelessly to ensure that in each issue we provided thorough reviews of contemporary texts and that we highlighted applied research about practical applications of public and nonprofit affairs principles.

In these last few months of my term, I have had several conversations with the incoming editor-in-chief, Deborah Carroll. From each of these conversations I have walked away more-and-more excited about what lies ahead for *JPNA*. Deborah has bold vision; and, her plans for the journal are innovative and intentional. Learning about these plans reminds me that this is the beauty of growth: when you look back, you can see how far you've come. Under Deborah's leadership, I'm excited about what is in store for *JPNA*; and, I hope that you are too!

To conclude this final edition of volume six, we have four insightful *Research Articles*, a useful *Current Issues in Practice* piece, and a *Book Review*—all of which focus on various aspects of public and nonprofit affairs.

In the first *Research Article*, Clare FitzGerald (2020) tests established drivers of purposeful and political performance information use (PIU) by using survey data from 260 nonprofit

McDougle, L. M. (2020). Introduction to the issue. *Journal of Public and Nonprofit Affairs*, *6*(3), 279-280. https://doi.org/10.20899/jpna.6.3.279-280

executives throughout the United States. Her results show that nonprofit executive PIU is driven by different considerations than public manager PIU. Additionally, her results show that leadership support of performance measurement is an important driver of purposeful and political PIU, with organizational goal clarity and networking behavior also, specifically, driving political PIU.

In the second *Research Article*, Valero and Jang (2020) examine the relationship between transformational leadership and network performance in Continuum of Care homeless service networks. They hypothesize that transformational leadership behaviors of network managers contribute to the effective management of homeless service networks; and, they test this using survey data from 237 respondents who lead federally funded Continuum of Care homeless service networks.

In the third *Research Article*, Taylor, Faulk, Schaal (2020) revise and extend Leland and Thurmaier's City—County Consolidation (C3) model by synthesizing it with Johnson's Theory of Local Constitutional Change (LCC) and Hughes and Lee's Evolutionary Consolidation Model (ECM). The result, they find, is a more general model of local government consolidation.

Finally, in the last *Research Article*, Searing (2020) revisits traditional definitions of nonprofit life and death to better reflect actual organizational operating status. Her findings show that certain internal and external characteristics are more important in determining a nonprofit's operational status.

Our *Current Issues in Practice* piece, by McDonald and Larson (2020), focuses on a timely subject. They explore the shock to sales and use tax revenue faced by local governments from COVID—19. They then, estimate its impact on county fiscal health. The issue is completed with a book review by Raymer (2020), who provides a review of *Patricia G. Greene and Candida G. Brush*'s book *A Research Agenda for Women and Entrepreneurship: Identity through Aspirations, Behaviors, and Confidence.*

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Taylor, C. D., Faulk, D., & Schaal, P. (2020). The varieties of consolidation experience: A synthesis and extension of local government consolidation models. *Journal of Public and Nonprofit Affairs, 6*(3), 325-353. https://doi.org/10.20899/jpna.6.3.326-353

Valero, J. N., & Jang, H. S. (2020). The effect of transformational leadership on network performance: A study of continuum of care homeless networks. *Journal of Public and Nonprofit Affairs, 6*(3), 303-325. https://doi.org/10.20899/jpna.6.3.303-325

Research Article

Journal of Public and Nonprofit Affairs
Vol. 6, No. 3

Getting Past "Purposeful": Exploring Dimensionality in Nonprofit Executive Performance Information Use

Clare FitzGerald – University of Oxford

Although performance information use (PIU) among public managers is a growing and increasingly relevant research area, the existing evidence base has two significant limitations for those interested in its application to nonprofit executives. First, large survey investigations, the predominant method used to assess PIU behaviors, have rarely sampled outside of government. Second, despite theoretical arguments and empirical support for PIU being a multidimensional behavior, only 'purposeful' use (i.e., the deliberate and instrumental use of performance information in decision-making to improve organizational operations) has been examined with any regularity. Thus, in addition to developing theory around PIU for nonprofit executives (rather than just public managers within governments), I test established drivers of purposeful and political PIU using survey data from 260 nonprofit executives throughout the United States. Results show that nonprofit executive PIU is driven by different considerations than public manager PIU. Additionally, results show that leadership support of performance measurement is an important driver of purposeful and political PIU, with organizational goal clarity and networking behavior also, specifically, driving political PIU.

Keywords: Nonprofit Management, Performance Information Use, Performance Management

Nonprofit organizations increasingly deliver core public services; as a result, the nonprofit sector has grown, professionalized, and broadened its range of stakeholders. This has complicated issues of accountability and has resulted in the need for performance measurement (Christens & Inzeo, 2015; Salamon, 2015), which has led many nonprofits to invest in quantitatively assessing their performance. Despite these investments, there remain significant gaps in the literature regarding nonprofit performance management as well as nonprofit performance information use (PIU) (Carman, 2007; LeRoux & Wright, 2010; Morley, Vinson, & Hatry, 2001).

PIU, along with its antecedents, has become a "highly relevant and fast growing research area" for those studying public management, particularly in governmental contexts (Kroll, 2015, p. 460). Although there has long been mounting pressure on public actors to perform (where performance is quantitatively defined (see, Moynihan et al., 2011, p. 141)), evaluating the success of performance management reforms has proven to be challenging (Tantardini & Kroll, 2015); and, there has been growing recognition that measurement alone may not boost performance (Sanger, 2013).

Although PIU is considered to be a way to overcome these evaluative barriers and assess "whether

Fitzgerald, C. (2020). Getting past 'purposeful': Exploring dimensionality in nonprofit executive performance information use. *Journal of Public and Nonprofit Affairs*, *6*(3), 281-302. https://doi.org/10.20899/jpna.6.3.281-302

reforms have been worth the effort" (Tantardini & Kroll, 2015, p. 84; see also, Kroll & Vogel, 2014), PIU research suffers from two main limitations. First, investigations almost exclusively examine PIU among managers in government settings. There have been far fewer investigations of PIU behavior among nonprofit managers (for exceptions, see Johansen, Kim, & Zhu, 2018; Saliterer & Korac, 2014).

Second, despite theoretical arguments and empirical support for PIU as a multidimensional concept, only purposeful use (i.e., the deliberate and instrumental use of performance information in decision-making to improve organizational operations) has been examined with any regularity, even among the few nonprofit studies that exist. Limited scholarly attention has been directed toward understanding the interaction effects of PIU antecedents or the potential relationships between different kinds of PIU.

In this article, I develop theory around nonprofit executive PIU and respond to these limitations by re-testing established drivers of purposeful and political PIU among nonprofit executives. Two research questions guide this inquiry. First, what drives nonprofit executives to use performance information purposefully and politically? And, secondly, do different drivers promote specific types of use?

Literature Review

There is an increasing body of empirical research showing that the adoption and use of performance management in the public sector does not always lead to the desired effects (Kroll & Moynihan, 2017; Poister et al., 2013). Explanations for this varied performance of performance management are multifaceted (Moynihan & Kroll, 2015). Of particular interest in this study, however, is the failure of managers to use information to drive decisions. This failure is the primary mechanism of organizational change in performance management doctrine. Indeed, when information is not utilized, managers establish organizational processes for which creating data is a suitable end in-and-of itself (Kroll, 2015). Ultimately, these managers fail to transition from performance measurement into performance management.

Despite often being used interchangeably, performance measurement and performance management are not synonymous. Performance measurement explicitly refers to "the regular collection and reporting of information about the efficiency, quality, and effectiveness of…programs" (Martin & Kettner, 1996, p. 3). Performance management, meanwhile, is widely understood as a system of internal organizational processes (e.g., rewards and sanctions) based on regular, formal tracking of quantitative objectives to achieve results (Hatry, 2007; Melkers & Willoughby, 2005; Speckbacher, 2003). Performance measurement may occur in the absence of meaningful performance management, but effective performance management requires good performance measurement.

Performance management is generally characterized by PIU in decision-making. It is, therefore, reasonable to question—what actually constitutes substantive PIU? Although definitions of PIU abound (e.g., Kroll, 2013; Lee & Clerkin, 2017; Johansen et al., 2018; Moynihan, 2008; Moynihan, Pandey, & Wright, 2012a), studies conceptually converge on PIU as the deliberate and instrumental use of performance information in decision-making in order to improve organizational operations (Johansen et al., 2018). This is what Moynihan (2008) refers to as purposeful use.

Since the desired outcome of performance management is well-evidenced incremental improvement, the empirical focus on purposeful use as the default form of PIU is perhaps unsurprising. Still, the focus on purposeful use among government managers within the current body of research means that the differences between nonprofit and governmental actors are undertheorized and largely unexamined.

Although the topic of performance management, particularly PIU, in the nonprofit sector is less studied than it is in governments, there is rich nonprofit research on evaluation use (EU). PIU and EU are behaviors related to the two primary forms of knowledge production about the performance of public services or public serving organizations: performance management and program evaluation respectively. Although related, EU and PIU have important conceptual distinctions, different epistemic logics, and different professional audiences (Kroll & Moynihan, 2017).

On the one hand, program evaluation leans heavily on applying rigorous social research methods to the assessment of design, implementation, and impact of intervention programs. Performance management, on the other hand, is used to assess program outcomes in order to understand performance and hold managers accountable for results (Heinrich, 2007).

In this article, I draw primarily on performance management traditions. Nonprofit scholarship on performance management has demonstrated that there is substantial variation in nonprofit executives' attitudes toward it. Indeed, nonprofit executives are not universally positive about performance management (Caers et al., 2009). Although some view it purposefully, as a strategic management tool, others consider it to be a political tool for marketing and promotion (Carman & Fredericks, 2008). Nonprofit executives, therefore, increasingly find themselves stretched in two ways.

First, these executives are often stretched purposefully; that is, they are expected to evidence the completion of activities and the achievement of outcomes in order to continually improve and deliver against their articulated mission. Secondly, they are stretched politically; that is, they are expected to evidence the completion of activities and the achievement of outcomes, often specified by funders, to demonstrate contract fulfilment, secure legitimacy, evidence effectiveness, and ensure continued or additional resources (Moynihan, 2008; Moynihan et al., 2012a; Tassie, Murray, Cutt, & Bragg, 1996; Tassie, Murray, & Cutt, 1998; Eckerd & Moulton, 2010).

For nonprofit executives, this duality is particularly salient since funder discourse regarding accountability, which initially centered on making nonprofits more transparent concerning their fundraising, spending, and governance, has shifted to the demonstration of "impact" in "addressing complex social problems such as poverty and inequality" (Ebrahim & Rangan, 2014, p. 118; FitzGerald et al., 2020). Thus, performance reports tend to now require these organizations to include social outcomes as more comprehensive measures of organizational achievement.

This requirement has, inevitably, made competition for funding more focused on evidence of organizational impact (Lee & Clerkin, 2017; MacIndoe & Barman, 2013; Mitchell & Berlan, 2017; Witesman & Fernandez, 2012; Thomson, 2010; Ebrahim & Rangan, 2014); and, nonprofit executives now operate in an environment where their rationale for using information may be more directly driven by the preferences of those who provide financial support to their organizations (e.g., contractors and donors). This could mean that purposeful and political PIU will be mutually beneficial for them.

The following sections offer an overview of existing studies on performance management and drivers of purposeful PIU. This is followed by a presentation of the hypotheses on relationships between various stakeholders' support for performance measurement and corresponding purposeful or political PIU by nonprofit executives. I then test these hypotheses using hierarchical regression analysis. I conclude the article with a discussion of the results; and, an overview of the study's limitations as well as directions for future research.

Drivers of Performance Information Use

To date, there has only been one systematic review, which included 25 studies, on drivers of purposeful PIU (Kroll, 2015). In this review, drivers were categorized as either "important," "promising," or "insignificant" depending on the strength and consistency of the evidence base linking each one to purposeful PIU. Across the 25 studies, the mean R-squared was 39%, indicating that the included drivers accounted for a substantial amount of observed variance in purposeful PIU. For the purposes of this study, I focus on drivers that Kroll (2015) categorized as either "promising" or "important," since these variables may relate to different patterns of PIU among nonprofit executives (see Table 1). For a summary of hypotheses presented in this section, see Table 2.

Stakeholder Involvement. Nonprofits operate in politicized environments where performance measurement can function as a transaction cost imposed in order to support the monitoring of grants and contracts by funders (Carman, 2011; Carnochan, Samples, Myers, & Austin, 2014; MacIndoe & Barman, 2013). This arrangement allows external stakeholders, including government agencies, foundations, individual donors, and national headquarter organizations, to resemble principals who rely on nonprofit agents to deliver services. Performance measurement, then (like evaluation), acts as a transaction cost imposed on nonprofits so that funders can monitor the impact of grants and contracts (Carman, 2011)—potentially, at the expense of direct service provision (Lynch-Cerullo & Cooney, 2011). Nonprofit executives are likely to use mandated performance measurement not only in accordance with contractual obligations, but also to manage the principal–agent relationship and advocate for continued support (Davis, Schoorman, & Donaldson, 1997; Moynihan et al., 2012a; Van Slyke, 2007).

Qualitative evidence suggests that the opposite could also be true, however. Indeed, case studies of 18 Detroit-based nonprofit organizations demonstrated that although funders' reporting requirements boosted performance measurement, they "generally do not lead to greater use of outcomes measures in decision-making overall" (Thomson, 2010, p. 54). Therefore, external stakeholders may still be needed to track whether performance plans, goals, reporting, and measurements are followed, which could be difficult if these stakeholders do not have the in-depth programmatic knowledge necessary to assess managerial information use.

External stakeholder involvement, then, could actually encourage a more passive form of PIU, where performing data use is principally a way to appease grantors, funders, or boards without changing operations. Thus, I propose the following competing hypotheses:

> *Hypothesis$_1$: External stakeholder support of performance measurement is positively associated with political PIU.*

> *Hypothesis$_2$: External stakeholder support of performance measurement is not associated with political PIU.*

Internal stakeholders (e.g., board members, clients, and staff), on the other hand, do possess the programmatic knowledge necessary to encourage executives to remain up-to-date and make data-based decisions (Berman & Wang, 2000; Bourdeaux & Chikoto, 2008; Ho, 2006; Moynihan & Hawes, 2012; Moynihan & Ingraham, 2004; Moynihan & Pandey, 2010). Not surprisingly, then, PIU studies have shown that when managers are aware that these internal stakeholders care about performance, they work to stay current on their program, department, and/or organization's data, performance trends, and explanations of outliers (Berman & Wang, 2000; Bourdeaux & Chikoto, 2008; Ho, 2006; Moynihan & Hawes, 2012a; Moynihan & Ingraham, 2004; Moynihan & Pandey, 2010; Yang & Hsieh, 2007). Thus, I propose:

> *Hypothesis$_3$: Internal stakeholder support of performance measurement is positively associated with purposeful PIU.*

Table 1. PIU Drivers Included in Study (Adapted from Kroll, 2015)

Categorization	Variable	Exemplary Studies
Important	• Stakeholder Involvement	Berman & Wang, 2000; Bourdeaux & Chikoto, 2008; Ho, 2006; Moynihan & Hawes, 2012; Moynihan & Ingraham, 2004; Moynihan & Pandey, 2010; Yang & Hsieh, 2007
	• Leadership Support	Boyne et al., 2004; Dull, 2009; Moynihan & Ingraham, 2004; Moynihan & Lavertu, 2012; Yang & Hsieh, 2007
	• Support Capacity	Berman & Wang, 2000; de Lancer Julnes & Holzer, 2001; Moynihan & Hawes, 2012; Yang & Hsieh, 2007
	• Innovative Culture	Folz, Abdelrazek & Chung, 2009; Johansson & Siverbo, 2009; Moynihan, 2005; Moynihan & Pandey, 2010; Moynihan, 2012b
	• Goal Clarity	Moynihan & Landuyt, 2009; Moynihan et al., 2012a, 2012b
Promising	• Prosocial Motivation	Kroll & Vogel, 2014; Moynihan & Pandey, 2010; Moynihan et al., 2012a
	• Networking Behavior	Kroll, 2013; Moynihan & Hawes, 2012

For nonprofits, the pressure to engage in performance measurement often comes from external sources as a condition of receiving funding (e.g., contractual obligations to government-run human service agencies and demands for financial and program accountability by private foundations) (Ebrahim & Rangan, 2014; FitzGerald et al., 2019). It is less frequent that performance management initiatives come from internal sources (Carnochan et al., 2014) suggesting that performance measurement is less intrinsically valuable to nonprofit executives. Thus, I propose:

> *Hypothesis$_4$: External stakeholder involvement is a stronger predictor of political PIU than internal stakeholder involvement is of purposeful PIU.*

Networking Behavior. Service providing nonprofits increasingly find themselves participating in community-based interventions that have been implemented through local partnerships (Butterfoss, 2007). A number of academics, however, have criticized these networked efforts for failing to provide bureaucratic-like accountability (e.g., Kroll, 2015; Moynihan & Hawes, 2012). Thus, assessing whether nonprofits operating in these networks are more likely to use performance information could have implications for network effectiveness. In this context, using performance information may represent a strategy employed by nonprofits to "manage and mitigate the effects of inter-organizational relationships and the environment" (Carman, 2011, p. 354).

Although organizations might be in partnership around common goals, these inter-organizational relationships "can become political struggles in which 'different parties [seek] to influence each other to their own advantage'" (Carman, 2011, p. 354 quoting L. Donaldson, 1995, p. 130). This suggests that network participants are likely increasingly aware of their own organizational performance goals as well as the network's. As such, they may be better positioned to use data to promote or defend their programs and lobby for resources (Moynihan & Hawes, 2012). Given this possibility, nonprofit executives may use performance data as a way to manage network relationships. If so, executives who report higher reliance on, and engagement in, collaboration may also report using performance information more regularly. Thus, I propose:

> *Hypothesis$_5$: Networking behavior is positively associated with political PIU.*

Table 2. Summary of Hypotheses

Number	Hypothesis	Direction
1	External stakeholder support of performance measurement is positively associated with political PIU	+
2	External stakeholder support of performance measurement is not associated with political PIU	NA
3	Internal stakeholder support of performance measurement is positively associated with purposeful PIU	+
4	External stakeholder support is a stronger predictor of political PIU than internal stakeholder support is of purposeful PIU	NA
5	Networking behavior is positively associated with political PIU	+

Methods

For this study, I focused exclusively on nonprofit organizations providing services in the youth development field. For inclusion in this study, I identified suitable nonprofits using the National Taxonomy of Exempt Entities (NTEE), a coding scheme developed by the National Center for Charitable Statistics (NCCS). I obtained IRS Form 990 information for all youth development service providing organizations (i.e., NTEE major code "O") from the 2014 NCCS Core Data files. The population of these organizations was 6,534. The average total revenue of these organizations was $704,707; and, average total assets were $1,173,641.

To facilitate survey administration, I obtained individual contact information for senior executives at these organizations (e.g., Executive Directors, Chief Executive Officers, Presidents, Chief Operating Officers, and Chief Development Officers). I verified this contact information by cross-referencing the organizational data in the Core files with commercial marketing rosters and results from Google searches. In total, I was able to collect useable contact information for 1,496 senior executives. Between February 14, 2006 and March 20, 2016, I sent email invitations to these senior executives to participate in an online survey.

After imputation to account for minimal but non-random missing data in 31 responses (Garson, 2015), original data included 260 responses for a response rate of approximately 17%. These original data along with five imputations were used in this analysis.

To verify respondents' organizational role, the survey included the item, "What best describes your current position?" Overwhelmingly, respondents self-identified as "top managers" (n=237; approximately 91%) followed by "middle managers" (n=8; approximately 3%), "front-line supervisors" (n=4; approximately 2%), and "non-supervisors" (n=4; approximately 2%). Seven respondents did not respond to this question (approximately 3%).

Ninety-nine of the responses were from senior executives working at Boys and Girls Clubs (approximately 38%; NTEE codes "O20"—"O23"). Sixty-six of the responses were from senior executives at youth development organizations (approximately 25%; NTEE codes "O50"—"O55"). Sixty-two of the responses were from senior executives at adult matching programs (approximately 24%; NTEE codes "O30"—"O31"). Eleven of the responses were from senior executives at uncategorized organizations (approximately 4%; NTEE codes "O99"); and, six of the responses were from senior executives at youth scouting nonprofits (approximately 2%; NTEE codes "O40"—"O43"). Sixteen responses (approximately 6%) did not have an NTEE code.

In terms of geographic spread, according to the U.S. Census Bureau regional definitions, 74 organizations in the sample were located in the South (approximately 29%). Fifty-nine organizations were located in the West (approximately 23%). Fifty-two organizations were located in New England (approximately 20%); and, 46 organizations were located in the Midwest (approximately 18%).

The average total revenue of organizations in the sample was $2,527,215; and, the average total assets were valued at $5,282,706. I conducted one-sample T-tests on total revenue and assets. Results from these tests indicate that the senior executives in this study are more representative of larger service providing youth development nonprofits.

The survey utilized previously validated scales to measure public service motivation (Wright, Christensen, & Pandey, 2013), perceived social impact (Moynihan et al., 2012a), developmental culture (Kroll, 2013; Zammuto & Krakower, 1991), and both forms of PIU (Moynihan & Hawes, 2012; Moynihan et al., 2012a). All items included in the analysis are provided in the Appendix (see Table A1).

The scale measuring purposeful PIU aligns with common use behaviors. Previous research has shown that these behaviors tend to load onto a single factor (de Lancer Julnes & Holzer, 2001; Kroll, 2015); and, this study is no exception. Regarding political use, Moynihan, Pandey, and Wright (2012a) were the first to demonstrate its distinctness from purposeful use. I use their scale in full in this analysis.

Using principal component factor analysis, I was able to confirm convergent and divergent validity between purposeful and political use. That is, all items (a total of eight) loaded as expected and provided evidence of two distinct latent factors (see Table 3).

Tables 4 and 5 provide descriptive statistics and correlations. Correlation is low between independent variables suggesting that multicollinearity is not a concern. This is further confirmed by variance inflation factors ranging from 1.12 to 2.07, which do not approach five (i.e., the typical threshold for problematic collinearity) (Garson, 2014). There is some overlap in dependent variables, suggesting that executives who use data tend to do so both purposefully and politically. However, I do not use these simultaneously in the model estimations.

Controls

I include leadership support, goal clarity, support capacity, innovation culture, and prosocial motivation as control variables in order to test their application to nonprofit executives and better investigate the hypothesized effects of stakeholder involvement and networking behavior . Goal clarity is included as a control to help mitigate the effects of sampling from a profession that lacks standardized performance indicators and change models. This is a fact made more complicated by the variety of youth-serving organizations included in the sample.

Studies have shown that the success of performance measurement and management systems is dependent on the level of support, often in the form of time, personnel, money, and information technology, that is extended during adoption and implementation (Kroll, 2015, p. 12). This 'support capacity' enables organizations to make the most of their performance measurement system by ensuring adequate training and access to employees. Prior research demonstrates that the items used to measure support capacity in this study have conceptual validity (Berman & Wang, 2000; Kroll, 2015). The present study, however, is the first study to use these items in a scale. The Cronbach's alpha for this scale (α=0.85) performed well above the 0.70 cut-off for confirmatory use (Garson, 2012).

Organizationally, innovation culture is thought to help establish low stakes learning environments and enhance a group's natural proclivity to improve (Kroll, 2015; Moynihan et al., 2012a). Innovation culture and support capacity are measured using validated scales scored with average indices (for full details, see Table A1 in Appendix).

Public service motivation (PSM) has been defined as an extra role behavior, where employees make gifts of time and effort without expectation of individual reward (Moynihan et al., 2012a; Saliterer & Korac, 2014). Individuals with high PSM are believed to care about publicly minded

Table 3. Dependent Variable Factor Analysis

	Purposeful	Political
Make personnel decisions	0.718	0.338
Make strategic decisions	0.778	0.244
Make day-to-day management decisions	0.779	0.310
Allocate resources	0.814	0.137
Learn how to make my organization more efficient	0.769	0.276
Communicate my organizational success to stakeholders	0.264	0.773
Advocate for resources to support my organization	0.240	0.839
Explain the value of my organization to the public	0.269	0.838

Table 4. Descriptive Statistics

Imputation 1	N	Range	Min.	Max.	Mean	Std. Dev.
Purposeful Use	260	5.00	0.00	5.00	2.67	1.19
Political Use	260	5.00	0.00	5.00	3.06	1.18
External Support	260	4	0	4	3.30	0.94
Internal Support	260	4	0	4	3.33	0.81
Networking Behavior	260	4	0	4	2.31	1.27
PSM	260	4.00	0.00	4.00	3.40	0.53
PSI	260	4.00	0.00	4.00	3.71	0.47
Support capacity	260	3.60	0.40	4.00	2.53	0.88
Innovation culture	260	4.00	0.00	4.00	2.69	0.80
Leadership Support	260	4	0	4	3.31	0.81
Goal clarity	260	4.00	0.00	4.00	3.49	0.63

organizational goals. They are, therefore, more likely to use performance information as a tool to achieve those goals (Moynihan et al., 2012a; Perry & Wise, 1990; Saliterer & Korac, 2014; Waterhouse, 2008).

PIU scholars believe that employees who sense the public benefit of their work (i.e., individuals with heightened perceived social impact (PSI)) are also more likely to use performance information to achieve the goals they value. Likewise, PIU scholars have suggested that employees who see the value of their work are more likely to seek support from external stakeholders (Moynihan et al., 2012a). For nonprofit executives who operate in an environment where competition for contracts and grants has increased “performance pressures and expectations for measuring outcomes” (Mitchell & Calabrese, 2018, p. 2) and where external engagement strongly influences financial performance, performance information may be considered a weapon capable of legitimating services and assisting the organization in obtaining resources (Moynihan et al., 2012a). Thus, I include PSM and PSI as control variables to account for prosocial motivation, measured in this study through the use of validated scales (see Table A1 in Appendix).

Addressing Common Source Error Concerns

Self-reported responses like the ones used in this study have come under increasing scrutiny given the likelihood of reporting bias, including common source bias (Meier & O’Toole, 2013). While there is debate over the degree to which these concerns are exaggerated (George & Pandey, 2017), this investigation does incorporate mitigation techniques into data collection.

First, the survey items were designed to mitigate the unfavorable effects of common source bias by focusing on observable behavior over a specific time period (Meier & O’Toole, 2013; Moynihan & Hawes, 2012). Second, the survey included passages assuring participants that their

Table 5. Correlation Matrix

Variable	1	2	3	4	5	6	7	8	9	10	11
1. Purposeful Use	1										
2. Political Use	0.59	1									
3. External Support	0.17	0.23	1								
4. Internal Support	0.24	0.28	0.59	1							
5. Networking Behavior	0.18	0.24	0.19	0.08	1						
6. PSM	-0.06	-0.02	-0.02	-0.01	0.04	1					
7. PSI	0.02	0.07	0.14	0.11	0.06	0.02	1				
8. Support Capacity	0.21	0.29	0.35	0.50	0.11	-0.03	0.20	1			
9. Innovation Culture	0.18	0.12	0.08	0.25	0.17	0.08	0.13	0.23	1		
10. Leadership Support	0.42	0.34	0.42	0.49	0.17	0.12	0.08	0.43	0.17	1	
11. Goal Clarity	0.21	0.30	0.17	0.40	0.07	0.03	0.11	0.39	0.25	0.29	1

Table 6. Regression Models of Performance Information Use

	Purposeful Use				Political Use			
	Coef.	Std. Error	Coef.	Std. Error	Coef.	Std. Error	Coef.	Std. Error
Constant	1.18***	0.33	-0.19	0.62	1.23***	0.32	-0.34	0.61
External Support	0.00	0.10	-0.06	0.09	0.07	0.09	0.04	0.09
Internal Support	0.33**	0.11	0.04	0.12	0.34**	0.11	0.05	0.12
Networking Behavior	0.16**	0.06	0.10	0.06	0.20***	0.06	0.18**	0.06
Controls								
PSM			0.12	0.15			-0.16	0.15
PSI			-0.05	0.18			0.29	0.17
Support Capacity			0.00	0.10			0.13	0.09
Innovation Culture			0.09	0.10			-0.05	0.09
Leadership Support			0.55***	0.11			0.25*	0.10
Goal Clarity			0.12	0.13			0.32*	0.13
R^2 (Imputation 1)	0.08		0.20		0.14		0.23	
Adj. R^2 (Imputation 1)	0.07		0.18		0.13		0.20	
n=260								

***p<0.001; **p<0.01; *p<0.05

Table 7. Summary of Findings

Number	Hypothesis	Direction	Supported
1	External stakeholder support of performance measurement is positively associated with political PIU	+	No
2	External stakeholder support of performance measurement is not associated with political PIU	NA	Yes
3	Internal stakeholder support of performance measurement is positively associated with purposeful PIU	+	No
4	External stakeholder involvement is a stronger predictor of political PIU than internal stakeholder involvement is of purposeful PIU	NA	No
5	Networking behavior is positively associated with political PIU	+	Yes

information would not result in an evaluation of their performance. The survey also included language clarifying commonly used terms and provided concrete examples, particularly of decision-making behaviors.

Results

This investigation leveraged existing evidence on the drivers of purposeful PIU by public managers in order to examine whether the same patterns of information use emerged for nonprofit executives. The results of the purposeful and political use partial and full regression models are summarized in Table 6. The results are presented with pooled coefficients and standard errors.

The primary goal of this study was to assess whether different considerations drive nonprofit executives to use performance information than public managers. This analysis supports this notion. When considering the control variables included in the analysis, as shown in Table 6, only leadership support was significant in driving purposeful PIU. This likely indicates that there are contextual differences influencing nonprofit executives compared to public managers in government. Leadership support, goal clarity, and networking behavior, meanwhile, were shown to significant drivers of political PIU by nonprofit executives.

Considering the hypotheses related to stakeholder involvement, the results (in Table 7) show that external stakeholder support of performance measurement is not significantly associated with nonprofit executives' use of performance information, whether politically or purposefully. Thus, Hypothesis 2 (i.e., External stakeholder support of performance measurement is not associated with political PIU) is supported. Hypotheses 1 (i.e., External stakeholder support of performance measurement is positively associated with political PIU) and Hypothesis 4 (i.e., External stakeholder involvement is a stronger predictor of political PIU than internal stakeholder involvement is of purposeful PIU), however, are not supported.

Internal stakeholder support, which I hypothesized was positively associated with purposeful PIU, lacks significance in the full model. Thus, as shown in Table 7, Hypothesis 3 (i.e., Internal stakeholder support of performance measurement is positively associated with purposeful PIU) is not supported. Increased network activity, however, is significantly and positively associated with political use in support of Hypothesis 5 (i.e., Networking behavior is positively associated with political PIU).

Discussion

The primary goal of this study was to investigate the relationship between evidenced drivers of purposeful PIU among executives of nonprofit organizations and political PIU. The findings from this study offer two important contributions.

First, research on purposeful use has primarily been carried out in government settings. As such, the existing stream of PIU literature fails to capture important contextual differences and alternative types of PIU that might lead to greater generalizability. In this study, I find that drivers of purposeful PIU by nonprofit executives are demonstrably different than drivers for public managers. This was evidenced by the number of hypotheses that were not empirically supported as well as the number of control variables that were not significant.

Of the control variables, only leadership support was significantly associated with increased purposeful PIU. Moreover, organizational and individual characteristics (e.g., support capacity and innovation culture as well as prosocial motivation) were not significantly associated with nonprofit executives' PIU. This could suggest that leader support for performance measurement (as opposed to an underlying individual motivation base) in tandem with the influence of professional networking (as opposed to organizational attributes) is ultimately what drives nonprofit executives to use information purposefully and politically.

Second, and relatedly, this study further supports the multidimensional nature of PIU. Many nonprofit executives view performance management as a promotional tool (Carman & Fredericks, 2008). Indeed, given that organizational survival is predicated on securing funding, some of these executives may see political PIU as a way to boost financial performance an ultimately, organizational performance. For nonprofit executives, then, activities associated with political PIU may be rationalized as serving the same overall purpose as those associated with purposeful PIU. This may not be the case for public managers who work with assigned budgets in government. Nonprofit executives, on the other hand, may use different dimensions of performance information simultaneously or sequentially. As such, for these executives political PIU may be a means to improve organizational performance.

The findings in this analysis align with those of Thomson (2010), who found that funders' reporting requirements do not necessarily lead to greater use of information in decision-making (Thomson, 2010, p. 54). Although understanding the mechanisms underlying this finding is beyond the scope of this study, it is probable that external pressure(s) beget a passive form of PIU where data is used to appease, rather than substantively change or lobby.

Given that nonprofits often deliver services through service delivery networks and complex governance structures, nonprofit executives may operate by means of persuasion rather than hierarchy. This can, undoubtedly, make information regarding outcomes a useful tool for obtaining further resources. In this instance, political PIU by nonprofit executives may boost performance as a result of the environment in which the organization operates (i.e., with pressure from funders, clients, and network partners alike). Perhaps it is for this reason, then, that findings from this study indicated that networking behavior, as opposed to external support, was strongly related to political PIU.

For nonprofit executives operating in complex inter-organizational arrangements, networking behavior may be related to PIU through from formalized network membership requirements, competitive pressures for finite funding, and/or through standards of professional practice that foster mutual learning. On the one hand, networks provide an opportunity for formal professional requirements to be disseminated; and, depending on the network, measurement may be a requirement for participation. Combined with the tendency for funding to be tied to participation in networks, the relationship between networking behavior and political PIU may be further spurred by competitive behavior. That is, there may be a desire among partners to demonstrate legitimacy (potentially by demonstrating their superiority relative to other network participants); and, ultimately, that they deserve a greater share of available funding.

On the other hand, considering the importance of networking behavior and the lack of significance around prosocial motivation, it may be that peer engagement (rather than supervisory or subordinate support) is useful for expanding purposeful and political PIU. Previously, scholars have suggested that exploring ways to "connect individuals to the impact of their work" might bring about improved adherence to public sector management reforms (Moynihan et al., 2012a, p. 476). The findings from this study do not refute this, nor does this study directly address the criticisms that networks fail to provide bureaucratic-like accountability. This study does, however, show that network pressures can influence individual behavior to adhere to reform rules and promote accountability (Moynihan & Hawes, 2012a).

In other words, connecting individuals to the impact of their work may not be enough to garner support for performance management reforms from individuals who might otherwise be inclined to resist them. Likewise, funder mandates may be equally prone to failure. Creating a space for nonprofit executives to learn from each other and be exposed to best practices in performance measurement, however, may create favorable conditions for executives to obtain buy-in of performance management reforms.

Study Limitations

There are a number of limitations that should be considered. First, the topic area and single informant research design invite the possibility of social desirability bias and common-source error. Although the survey included explanatory passages about the non-evaluative nature of the questionnaire and also included limited perceptual measures, the extent to which these inclusions biased the results is unknown. Still, the inclusion of behaviorally-focused, temporally-grounded items (e.g., environmental support, observable behaviors, and managing in networks) (Meier & O'Toole, 2013) means that the findings are less likely to be biased. This is an improvement on prior studies in this area.

Second, statistical analyses performed on previously validated survey items and scales align with the items and scales used in this study. Still, I cannot guarantee absolute consistency in participant interpretation.

Third, the survey in this study utilizes data from across the United States, which is a distinct advantage among nonprofit performance measurement and management studies that have primarily only investigated one to a few organizations, are limited to a single state, or use a case study approach (Carman, 2007, 2009; LeRoux & Wright, 2010). However, the low response rate and focus on youth-serving nonprofits substantially limits external validity claims. Thus, future research should focusing on increasing the response rate across a broader array of services.

Overall, the findings presented here have provided fruitful grounds for future research. Indeed, given the importance of networking behavior in promoting both types of PIU, parsing the relative importance of peer pressure (as a form of accountability) is a valuable line of inquiry. Assessing whether nonprofit executives are more likely to use performance information when operating in networks may have important implications for governance effectiveness and ongoing support for inter-organizational public sector managerial reform initiatives (Kroll, 2015; Moynihan & Hawes, 2012). Moreover, additional inquiry around the multi-dimensional nature of information use across different contexts will be essential in developing more generalizable theories of PIU.

Conclusion

Results from this study suggest that there are perhaps greater incentives for and pressures on nonprofit executives to use performance information politically than purposefully. In comparing the explanatory power of each model, it is clear that many of the variables included are better predictors of political use. This may represent a departure from increasingly popular outcomes-based models, which identify monitoring as a mechanism for increased efficiency through incremental organizational improvement. The findings from this study suggest that, for nonprofit executives, political PIU is conceptually related to performance and that future research should endeavor to better understand the links between non-purposeful forms of PIU and performance. This finding introduces an important caveat regarding this line of research. PIU has become a proxy outcome measure for performance-oriented reforms. However, this is not the ultimate end goal of performance management doctrine. Understanding drivers of information use is important, but as a milestone, not an end goal. The value in this research is in understanding the mechanisms and contingencies through which information use improves, or does not improve, actual organizational performance.

Disclosure Statement

The author declares that there are no conflicts of interest that relate to the research, authorship, or publication of this article.

Acknowledgments

This research was conducted under the supervision of Rajade Berry-James, Associate Professor of Public Administration at North Carolina State University.

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Appendix

Table A1. Survey Instrument Details

Variable	Scale	Item(s)	Literature	Validity
Purposeful Information Use	1=never 2=daily 3=weekly 4=monthly 5=quarterly 6=annually	During the past year, how often did you use performance information to: 1. Make personnel decisions. 2. Make strategic decisions. 3. Make day-to-day management decisions. 4. Allocate resources. 5. Learn how to make my organization more efficient.	Moynihan & Hawes, 2012	See Table 3 (in text)
Political Information Use		1. Communicate my organizational success to stakeholders. 2. Advocate for resources to support my organization. 3. Explain the value of my organization to the public.	Moynihan et al., 2012a	See Table 3 (in text)
Public Service Motivation	1–5 (strongly disagree to strongly agree)	To what extent do you agree with the following statements? 1. Meaningful public service is very important to me. 2. I am often reminded by daily events how dependent we are on one another. 3. Making a difference in society means more to me than personal achievements. 4. I am prepared to make enormous sacrifices for the good of society. 5. I am not afraid to go to bat for the rights of others even if it means I will be ridiculed.	Perry, 1996; Wright & Christensen, 2010	Orig. 0.808 Imp. 1 0.809 Imp. 2 0.808 Imp. 3 0.812 Imp. 4 0.811 Imp. 5 0.810
Perceived Social Impact		1. I feel that my work makes a positive difference in other people's lives. 2. I am very aware of the ways in which my work is benefitting others. 3. I am very conscious of the positive impact my work has on others. 4. I have a positive impact on others in my work on a regular basis.	Moynihan et al., 2012a	Orig. 0.910 Imp. 1 0.912 Imp. 2 0.910 Imp. 3 0.911 Imp. 4 0.909 Imp. 5 0.911
Support Capacity		My organization… 1. Has committed adequate resources (e.g., time, people, money) to be used in the measurement of organizational performance. 2. Can readily relate outputs to organizational operations. 3. Has staff capable of collecting performance information in a timely way.	Berman & Wang, 2000; de Lancer Julnes & Holzer, 2001	See Table 3 (in text)

		4. Has staff capable of thoroughly analyzing performance data. 5. Has adequate information technology for performance measurement.		
Innovation Culture		1. My organization is a very dynamic and entrepreneurial place. People are willing to stick their necks out and take risks. 2. The glue that holds my organization together is a commitment to innovation and development. 3. The staff shows great readiness to meet new challenges.	Kroll, 2013; Moynihan & Pandey, 2010; Zammuto & Krakower, 1991	Orig. 0.812 Imp. 1 0.814 Imp. 2 0.816 Imp. 3 0.816 Imp. 4 0.814 Imp. 5 0.811
Stakeholder Involvement	1–5 (unsupportive to supportive)	Overall, how supportive are the following groups of the use of performance measurement within your organization? 1. External stakeholders (e.g., foundations, corporate donors, individual donors, government, national headquarters). 2. Internal stakeholders (e.g., board of directors, staff, clients).	MacIndoe & Barman, 2013; Moynihan & Hawes, 2012	--
Networking Behavior	1–5 (not active to extremely active)	1. How active is your organization in these [community-based] partnerships?		
Leadership Support	1–5 (strongly disagree to strongly agree)	1. As a leader in my organization, I demonstrate a strong commitment to performance measurement.	Dull, 2009	--
Goal Clarity		1. My organization's mission is clear to almost everyone who works here. 2. It is easy to explain the goals of this organization to outsiders. 3. My organization has clearly defined goals.	Moynihan et al., 2012b	Orig. 0.881 Imp. 1 0.817 Imp. 2 0.815 Imp. 3 0.811 Imp. 4 0.811 Imp. 5 0.812

Table A2. PIU drivers included in Kroll Systematic Review (Adapted from Kroll, 2015)

Categorization	Variable	Exemplary Studies
Important	• Measurement System Maturity	Ammons & Riverbark, 2008; Berman & Wang, 2000; de Lancer Julnes & Holzer, 2001; Ho, 2006 Kroll & Proeller, 2013; Melkers & Willoughby, 2005; Moynihan & Pandey, 2010; Taylor, 2009; Yang & Hsieh, 2007
	• Stakeholder Involvement*	Berman & Wang, 2000; Bourdeaux & Chikoto, 2008; Ho, 2006; Moynihan & Hawes, 2012; Moynihan & Ingraham, 2004; Moynihan & Pandey, 2010; Yang & Hsieh, 2007
	• Leadership Support*	Boyne et al., 2004; Dull, 2009; Moynihan & Ingraham, 2004; Moynihan & Lavertu, 2012; Yang & Hsieh, 2007
	• Support Capacity*	Berman & Wang, 2000; de Lancer Julnes & Holzer, 2001; Moynihan & Hawes, 2012; Yang & Hsieh, 2007
	• Innovative Culture*	Folz, Abdelrazek & Chung, 2009; Johansson & Siverbo, 2009; Moynihan, 2005; Moynihan & Pandey, 2010; Moynihan et al., 2012b
	• Goal Clarity*	Moynihan & Landuyt, 2009; Moynihan et al., 2012a; 2012b
Promising	• Learning Forums/Routines	Moynihan, 2005; Moynihan & Landuyt, 2009; Moynihan & Lavertu, 2012
	• Attitudes toward Performance Measures	Ammons & Rivenbark, 2008; Ho, 2006; Taylor, 2011
	• Prosocial Motivation*	Kroll & Vogel, 2014; Moynihan & Pandey, 2010; Moynihan et al., 2012a
	• Networking Behavior*	Kroll, 2013; Moynihan & Hawes, 2012
	• General Political Support	Moynihan et al., 2012a; Yang & Hsieh, 2007
	• Fragmented Environment	Bourdeaux & Chikoto, 2008; Moynihan & Hawes, 2012
Insignificant	• Organization Size	Bourdeaux & Chikoto, 2008; Johansson & Siverbo, 2009; Kroll, 2013; Melkers & Willoughby, 2005; Moynihan & Ingraham, 2004; Taylor, 2011
	• Financial Distress	Askim, Johnsen & Christophersen, 2008; Berman & Wang, 2000; Johansson & Siverbo, 2009; Kroll, 2013; Moynihan & Pandey, 2010
	• Political Competition	Askim, Johnsen & Christophersen, 2008; Bourdeaux & Chikoto, 2008; Moynihan & Hawes, 2012
	• Familiarity with Performance Measures	Askim, Johnsen & Christophersen, 2008; Dull, 2009; Melkers & Willoughby, 2005
	• Job Experience	Dull, 2009; Melkers & Willoughby, 2005; Moynihan & Pandey, 2010; Moynihan et al., 2012b; Taylor, 2011
	• Hierarchical Position	de Lancer Julnes & Holzer, 2001; Moynihan et al., 2012a; Taylor, 2011
	• Educational Level	Moynihan & Ingraham, 2004; Moynihan et al., 2012a; Moynihan & Hawes, 2012

* Denotes variable included in this study.

Table A3. Cronbach's Alpha for Support Capacity

Imputation Number	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	# of Items
Original data (*n*=260)	0.858	0.860	5
1	0.854	0.857	5
2	0.849	0.852	5
3	0.851	0.854	5
4	0.850	0.853	5
5	0.851	0.854	5

Research Article

Journal of Public and Nonprofit Affairs
Vol. 6, No. 3

The Effect of Transformational Leadership on Network Performance: A Study of Continuum of Care Homeless Networks

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The trend toward using collaborative networks has increased in recent years—creating a need to understand the unique leadership skills and qualities that are necessary of managers to effectively function within this new normal. This article examines the relationship between transformational leadership and network performance in Continuum of Care homeless service networks. We hypothesize that transformational leadership behaviors of network managers contribute to the effective management of a homeless service network. We test this proposal using survey data from 237 respondents who lead federally funded Continuum of Care homeless service networks. Findings indicate that transformational leadership behaviors have a positive and statistically significant effect on the performance of the homeless service networks.

Keywords: Transformational Leadership, Network Effectiveness, Network Leadership, Continuum of Care (CoC) Homeless Service Networks

In the United States (US), health and human services policies often use cross sector networks as a form of service implementation with the expectation of positive outcomes generated from effective network performance. The Homeless Emergency Assistance and Rapid Transition to Housing Act (or HEARTH Act) is one example of US federal policy that requires communities to create cross sector service networks. Under this law, services for individuals experiencing homelessness have been designed and offered by a service unit of entities organized into what are known as Continuum of Care (CoC) networks. These networks are locally organized by diverse cross sector service entities; and, members of the networks are expected to engage in collective decision-making, resource development and distribution, and strategies to reduce homelessness.

Although the scholarly literature on the demand for collaborative governance is extensive (e.g., Ansell & Gash, 2008; Emerson, Nabatchi, & Balogh, 2012; Marwell & Calabrese, 2014; Purdy, 2012), there is a dearth of knowledge about how CoC networks operate in practice and the factors associated with effective operation of these cross sector service networks. This study, therefore, explores whether public service managers engage in specific leadership activities and how these activities influence the performance of CoC networks.

We focus on the leadership behaviors of network managers, recognizing that leadership and management are often overlapping, but at the same time different in concepts. Research indicates that not all managers are effective leaders and vice versa (Dukakis & Portz, 2010;

Valero, J. N., & Jang, H. S. (2020). The effect of transformational leadership on network performance: A study of continuum of care homeless networks. *Journal of Public and Nonprofit Affairs, 6*(3), 303-325. https://doi.org/10.20899/jpna.6.3.303-325

Trottier, Van Wart, & Wang, 2008; Van Wart, 2013). Managers are responsible of daily operations of service delivery and the allocation of resources. They are also responsible for oversight of personnel and performance. However, individuals who manage networks effectively and efficiently also have to demonstrate certain leadership capacities (e.g., looking at the big picture, bringing people together to support the vision, and developing innovative strategies for effective goal achievement (Agranoff & McGuire, 2001; McGuire & Silvia, 2009).

While these leadership behaviors may not be visible in daily managerial responsibilities, managers who are effective in achieving the goals of networks tend to be effective leaders (Crosby & Bryson, 2010; Kotter, 1990; McGuire & Silvia, 2009; O'Leary, Choi, & Gerard, 2012; Van Wart, 2005). Indeed, acknowledging differences in managerial tasks and leadership behaviors, studies in network management often present a perspective that leadership qualities are expected managerial capacities in the effective management of public service networks (Agranoff, 2012; Crosby & Bryson, 2008; Linden, 2010; McGuire & Silvia, 2009; Milward & Provan, 2006). For example, the challenges in developing and overseeing the interactions of multiple agencies in a network context require not only key management tasks of managing financial resources, but also effective leadership activities that may offer strategies for motivation, information flows, building interdependencies, accountability, and guidance for better achievement of policy outputs and outcomes (Forrer, Kee, & Boyer, 2014; McGuire & Silva, 2009; Milward & Provan, 2006).

A study by McGuire and Silvia (2009) also tested leadership behaviors and manager's perceptions of network effectiveness in local emergency management networks. They found that there was a significant association between leadership behaviors such as framing, mobilizing, and synthesizing and the perceived network effectiveness of managers.

In the present study, we examine key leadership activities of mangers in homeless service networks. We explore the impact of their leadership behaviors on network performance by building on transformational leadership theory. We focus on the impact of leadership behaviors in explaining network effectiveness since network managers, in representing their home organizations in the collaboration process, engage in leadership behaviors that influence the behaviors of diverse agencies for the benefit of the service network and community.

CoC networks are expected to bring diverse voices together, to challenge members to think outside the box to identify solutions to the needs of those experiencing homelessness in their community, and to be creative in identifying funding and other resources to achieve their collective missions (HEARTH Act, 2009). We theorize that building effective networks requires individuals who care and are passionate about the policy issues at stake and who can coalesce actors from various sectors to join a collective vision for change. Specifically, we argue that transformational leadership behaviors may generate positive relationships among members from multiple organizations by inspiring a collective vision, motivating member efforts to be aligned with network mission, and empowering members to facilitate changes of status quo (Bass & Avolio 2002). Through this study, we hope to expand the study and application of transformational leadership theory, which has been extensively studied in different organizational fields, by applying it to a public service network context.

Since little is known about the degree to which network managers engage in transformational leadership behaviors and whether this style of leadership matters in network performance, we seek to answer the following research questions: 1) What are the key transformational leadership behaviors exercised by network leaders? And, 2) Does a manager's transformational leadership style matter in explaining a network's performance? To answer these questions, we constructed and administered a nationwide survey that captured the leadership behaviors of individuals managing CoC homeless service networks. We used this survey, as well as secondary sources of data, to test the impact of transformational leadership on network effectiveness. In the next section, we present a review of the literature on effective public service networks and leadership. We then develop testable hypotheses; and, the research context, data, and methods are presented followed by the findings. The last section comprises the conclusion, discussion of limitations, and implications for future research and practice.

Effective Public Service Networks

Public service networks refer to structures of organizations working together to co-produce and implement public programs that they would otherwise be unable to accomplish alone (Agranoff & McGuire, 2001; Gazley, 2010; Jang, Valero, Kim, & Cramb, 2015; O'Toole, 1997; Provan & Milward, 1995: Valero, Lee, & Jang, 2020). A public service network, therefore, refers to the horizontal communication and decision-making structures formed by autonomous and interdependent member agencies. Since collaboration and collaborative governance are more of a direction and process, rather than a form or structure of organizational arrangement, an effective network will aim to achieve collaborative governance by pursuing common goals and generating collective outcomes (Ansell & Gash, 2008; Emerson, Nabatchi, & Balogh, 2012; Gazley, 2010; Klijn, 2005; Selden, Sowa, & Sandfort, 2006).

Public service networks are a visible form of organizational structure that engages cross sector organizations (that are participating in the search for comprehensive solutions) with network members having roles, responsibilities, and other mechanisms in place to move ideas forward. The way diverse organizations communicate, make decisions, and implement actions in a collaborative nature are key conditions of an effective public service network.

A central theme explored in previous research on public service networks has focused on why organizations collaborate. However, factors explaining effective networks have been understudied. This is not surprising since it is difficult to observe complex interactions of cross sector actors participating in the multiple stages of the collaboration process. It can also be a daunting task to identify collective goals shared among network members in order to measure network effectiveness.

In seminal work assessing network effectiveness, Provan and Milward (2001) suggested that network effectiveness research can be conducted at three levels of analysis: organization, network, and community. At the *organizational level*, the focus is on assessing the degree to which organizations are able to accumulate individual benefits as a result of their collaborative participation. For example, are organizations able to better serve their client base as a result of collaborating with other organizations? Other effectiveness criteria at this level of analysis include resource acquisition, agency survival, and enhanced reputation.

At the *network level*, effectiveness is measured by the degree to which the network as a whole is able to achieve collective benefits. The effectiveness criteria may include increased network membership, range of services provided, member commitment, and integration and/or coordination of services. At the *community level*, the focus is on investigating whether the network is able to contribute value to the community it serves. The effectiveness criteria at this level of analysis may include reduction in the problem, public perception that problem is being tackled, and cost to the community.

Using Provan and Milward's (2001) framework for evaluating network effectiveness, we find that most of the research in the public and nonprofit management field has focused on organizational level analysis by exploring the conditions and/or factors that may help organizations accumulate individual benefits by participating in collaborative efforts (e.g., Andrews & Entwistle, 2010; Babiak & Thibault, 2009; Chen & Graddy, 2010; Gazley, 2010;

Gazley & Brudney, 2007; Provan & Milward, 1995; Selden et al., 2006). Andrews and Entwistle (2010), for example, explored the impact of different types of cross sectoral partnership arrangements on benefits to participating organizations. They found that public—public partnerships were positively associated with effectiveness when compared to the impact of public—private partnerships.

Some research has explored network effectiveness at the network level. These studies tend to use subjective measures of effectiveness and adopt a small *n* case study or qualitative approaches (Chen, 2008; Nolte & Boenigk, 2013). In a case study of family and children services in Los Angeles County, for instance, Chen (2008) analyzed the impact of collaboration processes on perceived network level effectiveness measures such as the quality of working relationships, increasing partner interactions, and goal achievement. In general, the study found that resource sharing and building trust mattered in explaining perceived collaboration outcomes at the network level.

Studies on community level effectiveness are rare. In a case study of three multisectoral workforce development networks, Herranz (2010) measured community level performance by using indicators such as job placement rate and service integration. However, their study did not establish any causal relationships. Instead, they provided an initial exploration of Provan and Milward's (2001) theoretical framework.

In this study, we seek to expand the literature on network level effectiveness by measuring network performance of subjective and objective dimensions we then test for factors that affect the degree of network effectiveness by focusing on transformational leadership exercised by homeless service managers. By using a national survey of CoC network managers, we assess how leadership and other contextual variables are associated with two measures of the dependent variable (i.e., network effectiveness): 1) Perceived network effectiveness and 2) achievement of government funding for CoC networks. We discuss these measures in further detail in the research design section. In the next section, we discuss transformational leadership theory and behaviors that can be expected to impact network effectiveness.

Transformational Leadership in Public Service Networks

The scholarly literature on leadership in networks has grown in recent years. Scholars have noted that today's problems require collective action; and, integrative or collaborative leadership can help cross sector entities overcome collective action dilemmas for the common good (Bono, Shen, & Snyder, 2010; Crosby & Bryson, 2010; Silvia & McGuire, 2009).

Whether leadership makes a difference for effective collaboration, however, is unknown. This is partly because much of the scholarship in this area has focused on organizational leadership and on assessing the conditions that influence organizations to engage in interorganizational collaboration. Gazley (2010), for example, calls "for a more nuanced look at the characteristics of the public managers who make collaborative decisions" (p. 669). In the present study, then, we focus on those who lead public service networks by assessing their style of leadership and the potential impact of their leadership on the ability of organizations to work well together in a network.

The extant literature suggests key leadership skills are expected of network service managers. These include nurturing trust, rallying multiple perspectives toward a common mission and objectives, negotiating differences, maintaining commitment of key partners, engaging in mutual learning, and constantly improving deliberative decision-making processes (Agranoff, 2006; Agranoff & McGuire, 2001; Agranoff, 2017; Kickert, Klijn, & Koppenjan, 1997; O'Leary & Bingham, 2008: Van Slyke, 2008). One study reported that homeless service network managers engage in both the day-to-day administration of public funding as well as in leadership behaviors that create incentives for new members to join and resolve conflicts among network members, many of whom often bring their own interests to decision-making processes (Jang, Valero, & Jung, 2016).

Network managers also require the use of leadership behaviors in tasks that are unique to the network development process, such as identifying resources, securing the participation of organizations, and establishing a shared vision and objectives (Ansell & Gash, 2008; Milward & Provan, 2006). In fact, the role of leadership in the service network context is likely more necessary and challenging due to lack of authority given to the network managers to manage partner agencies when no clear accountability measures exist to hold partner member organizations accountable. A report about CoC management suggests that one of the key leadership tasks in public service networks is related to being a positive role model and inspiring other members, while at the same time caring about individual members' interests and assisting them overcome their own challenges (Jang, Valero, & Jung, 2016; Jang, Valero, & Jeong, 2020). Thus, the assumption is that the networks led by managers who conduct these leadership tasks successfully will be more likely to generate positive network outcomes.

Previous work on leadership within single organizational settings has reported that public managers' leadership largely varies from transformational to transactional (Jensen et al., 2016; Sun & Henderson, 2016; Van Wart, 2013; Wright, Moynihan, & Pandey, 2012); and, in some cases, transformational leadership is perceived by public employees to be more effective (Trottier, Van Wart, & Wang, 2008). Van Wart (2013) notes, "Effective leaders not only ensure that things get done and that employees are appropriately empowered in the present but also take the organization into the future" (p. 558). Transformational leaders, in particular, help to facilitate change by inspiring a collective vision and motivating employees (Belle & Sanzo, 2014; Bronkhorst, Steijn, & Vermeeren, 2015). This is different from transactional leaders who tend to place heavy emphasis on managing employee affairs through rewards and sanctions (Jensen et al., 2016).

In this study, we adopt dimensions of transformational leadership that were developed by Bass and Avolio (2004). We modify their model to understand the effects of leadership on network effectiveness in homeless services since the original framework was developed for organization level leadership. Bass and Avolio (2004) proposed that individuals can achieve transformational leadership through behaviors organized in four dimensions: idealized influence, inspirational motivation, individualized consideration, and intellectual stimulation.

Idealized influence refers to a leader who is a strong role model and whose behavior is led by strong ethical and moral standards. *Inspirational motivation* refers to leaders who motivate others by inspiring them to achieve mutual goals and who effectively link individual values and beliefs to the mission of the organization. *Individualized consideration* refers to leaders who take an interest in the individual needs of others. Transformational leaders foster an environment of innovation and creativity through *intellectual stimulation*. In this type of environment, leaders and followers are able to exchange ideas, thoughts, and solutions to the ever changing needs of an organization. Followers are also enabled to challenge not only their values and beliefs, but also those of their leaders (and vice versa). Overall, transformational leaders are able to tap into the potential and motivations of others; and, by doing so, they ae able to help followers and/or team members perform above and beyond their own expectations.

Although transformational leadership has been widely studied in the for-profit sector, scholarly work on transformational leadership in the public and nonprofit sectors has lagged behind. Within for-profit organizations, transformational leadership has been linked to innovation (Gumusluoğlu & Ilsev, 2009), organizational performance (Garcia-Morales, Jimenez-Barrionuevo, & Gutierrez-Gutierrez, 2012; Zhu & Akhtar, 2014; Zhu, Newman, Miao, & Hooke, 2013), employee citizenship behaviors (Song, Kang, Shin, & Kim, 2009), employee engagement (Tims, Baker, & Xanthopoulou, 2011), and team performance (Lehmann-Willenbrock, Meinecke, Rowold, & Kauffeld, 2015; Wang & Howell, 2012). There are also studies that link transformational leadership to team building in unitary organizational settings. Lehmann-Willenbrock et al. (2015), for example, studied the interactions between leaders and their teams during regular team meetings in an automotive supply industry. They found that transformational leadership explained functional problem-solving by team members—a relationship that was mediated by the use of solution focused communication by transformational leaders.

In a different study, Wang and Howell (2012) found that transformational leadership was linked to the collective efficacy of teams, which was mediated by group identification. Thus, the process by which transformational leaders affect the effectiveness of teams likely occurs as a result of creating a group identity and engaging in effective communication (e.g., identifying a collective vision and helping members understand their role and purpose in the team).

The application of transformational leadership to the context of public service networks is important since this theory can be used to explain the dynamic interactions among network participants and the ability of leaders to affect real change in the community through transformational leadership behaviors. This is because transformational leaders ultimately help create an environment of shared leadership by building relationships among participants from diverse organizations and developing a common vision for collective benefit (Bass & Avolio, 1994).

A leader in a public service network must maintain high ethical standards and be a strong role model in order for network members to accept the network's vision and goals through his or her idealized influence. The network process requires that leaders be stewards of the collaborative work, inspire others, build consensus, consider the needs of network members and act as good faith mediators, and open to new solutions and change when necessary (Ansell & Gash, 2007; Chrislip & Larson, 1994; Milward & Provan, 2006). Transformational leaders can help increase the number of network members and the commitment of members by communicating a compelling and clear vision that effectively links the interests of each organizational member to the purpose and mission of the network.

Organizations are less likely to participate in and commit to the efforts of the network when there is no salience as to the purpose of the network. In their study of senior managers of US local governments, for example, Wright, Moynihan, and Pandey (2012) explored the relationship between transformational leadership, public service motivation, and mission valence. Mission valence refers to an individual's attraction to the goals and mission of an organization (Caillier, 2014). Ultimately, Wright et al. (2012) found that transformational leadership had an indirect effect on mission valence through its effect on public service motivation and goal clarity. In other words, the process by which transformational leaders were able to increase the attractiveness of an organization's mission was by being clear of goals and building individuals' motivation to engage in public service.

Ashikali and Groeneveld (2015) similarly found that transformational leadership had an impact on affective commitment; and, this relationship was mediated by creating an inclusive culture. In the present study, we, therefore, predict that transformational leaders can likewise leverage their ability to motivate and be visionary in order to effectively attract and retain network members. That is, they sell a vision that is worthy of collaboration and inclusive of the needs of all stakeholders involved.

It has been noted that transformational leaders in public and nonprofit organizations engage in innovation; and, they help improve employee performance (Belle & Sanzo, 2014; Caillier, 2014; Dwyer, Bono, Snyder, Nov, & Berson, 2013; Jaskyte, 2011). In her study of human services nonprofit organizations, Jaskyte (2011) considered the impact of transformational leadership on two types of innovation, administrative and technological. The former refers to the implementation of a new administrative procedure or policy, whereas the latter refers to the introduction of a product or service that is new to the organization. The results of this study indicated that transformational leadership was indeed a significant predictor of both types of innovation.

Organizations in network collaboration are also expected to think in innovative ways; after all, one of the purposes of collaborating is to strategize ways to co-produce when a single entity is unable to do it alone (Gray & Gray, 1985; Weber & Khademian, 2008). Within networks, transformational leaders help members engage in innovation by revisiting the repertoire of services offered in the community by network members and by developing ways to reduce service duplication and increase service range. Transformational leaders can also lead network innovation in the process of pursuing resources for network efforts. This may be particularly the case when innovativeness is a criterion of grant awards.

Transformational leaders can leverage their ability to engage in intellectual stimulation and motivation to help members organize fund development strategies that are innovative and cohesive and, ultimately, competitive. Research on employee teams in the for-profit sector, for instance, has found that transformational leadership has an impact on collective efficacy and is mediated by group identification (Wang & Howell, 2012). Thus, we hypothesize that

> *H_1: A higher level of transformational leadership is associated with an increase in perceived network effectiveness.*
>
> *H_2: A higher level of transformational leadership is associated with an increase in network funding.*

Professional Network Manager

Much has also been written about the role and importance of the professional manager in leading public and nonprofit organizations. In the case of a network, managers must also have certain skills in areas such as organizing, identifying financial and human resources, and solving conflicts between members—among others (Agranoff & McGuire, 2001; Milward & Provan, 2006). Agranoff and McGuire (2001), for example, asked whether a comparable "Planning, Organizing, Staffing, Directing, Coordinating, Reporting, and Budgeting" (POSDCORB) for network management exists. They argue that network management tasks, such as activating, framing, synthesizing, and mobilizing, are important. In this study, we conceptualize the professional network manager in two ways: 1) their years of experience in managing the network, and 2) their level of education.

We predict that the more experience an individual has in managing a network, the more effective s/he will be in leading the network to positive outcomes. This is because over time the individual likely gains valuable knowledge about key resources available in the community to support the collaborative process, understand policy expectations of how to implement network programs, and strengthen relationships with network members. Gazley (2010), for example, found that public managers with nonprofit experience, or those in a government with volunteer experience, were more likely to report a higher perceived effectiveness of partnerships with nonprofit organizations. In other words, having prior nonprofit experience allowed these public managers to develop an understanding of how nonprofits function. Thus, they were more likely to understand how to build partnerships with nonprofit groups. We, therefore, hypothesize that the more experience network managers have on the job, the more likely they will perceive the network to be effective and are able to help the network secure financial resources.

H_3: An increase in the years of experience managing service network will be positively associated with perceived network effectiveness.

H_4: An increase in the years of experience managing service network will be positively associated with an increase in network funding.

We, likewise, predict that managers with higher levels of education have skills and training that may prove helpful in their management of the day-to-day affairs of the network. In his study of emergency management networks in the US, McGuire (2008) found that managers with postgraduate education and other types of specialized training (e.g., State and Federal Emergency Management Agency (FEMA) training) were statistically related to the level of collaborative activity.

Public managers with higher levels of education are more likely to report engaging in collaborative efforts than those with less education. This can be due to the growing emphasis on network, collaboration, and/or partnerships that are often found in postgraduate programs. These include programs of public affairs (e.g., the Masters of Public Administration (MPA) degree) (DeHoog, 2015). In this study, we anticipate that higher levels of education will be associated with perceived levels of effectiveness and ability to secure network resources. Accordingly, we hypothesize that postgraduate education, as a proxy of professionalization, will result in increased network effectiveness.

H_5: Individuals with higher levels of education will be more likely to perceive higher levels of network effectiveness than individuals with lower education levels.

H_6: Individuals with higher levels of education will be more likely to secure network funding than individuals with lower education levels.

Research Design

Research Context

In this study, we explore the relationship between leadership style and network effectiveness within the context of homeless services. Since 1994, the U.S. Department of Housing and Urban Development (HUD) has encouraged communities to tackle the incidence of homelessness through network collaboration. The assumption in this is that the pooling of local resources and expertise will best serve the needs of each community since issues of homelessness are likely to vary from community-to-community (Homelessness, 2010). This approach was codified into law in 2009 with the adoption of the HEARTH Act.

According to this Act, these networks are responsible for identifying their own system of governance, holding membership meetings, and designing and operating a Homeless Management Information System (HMIS) that tracks homeless services and population (Homeless, 2012; Introductory Guide, 2012). Member agencies engage in collaborative activities, such as yearly counts of individuals experiencing homelessness within their community as well as regular meetings to update one another and seek better approaches to homelessness. Counts of homelessness, for example, take place on a given night and require that the CoC coordinate its efforts with volunteer groups, nonprofits, local government entities, and other partners in order to successfully identify locations where individuals experiencing homelessness congregate and to gather. Homeless networks are expected to be comprised of a variety of cross sector actors, including public entities (e.g., local government, county departments, and education providers), nonprofit organizations (e.g., human services nonprofits and faith-based organizations), and private enterprises (e.g., local businesses and housing providers) (Homeless, 2012; Valero & Jang, 2016).

To support their community efforts, CoCs are eligible to compete for the limited HUD CoC funding. Those scoring higher and meeting the standards and priorities of HUD are more likely to win these competitive grants. Overall, this context presents an ideal laboratory to explore the role of leadership in public service networks when these networks are self-organized at the local level, which allows for the organic selection and development of network leadership.

Data and Method

This study is based on data collected from HUD, US Census Bureau, and a nationwide online survey titled *Effective Leadership in Public Service Collaboration*, which we developed and administered in October 2015. In 2014, through the use of HUD's Exchange website (https://www.hudexchange.info), we identified a total of 382 Continuum of Care networks and the collaborative applicant of each respective CoC network. Collaborative applicant is the term used by HUD to refer to the lead agency responsible for developing and submitting a consolidated grant application and overseeing the allocation and administration of HUD funding. The lead agency then is responsible for identifying a network manager within their organization. The network manager will take responsibility for representing their organization within the networks structure and will function as the lead agent of the CoC.

As noted earlier in the literature review, we acknowledge that conceptual differences exist between leaders and managers and that managers may not necessarily exercise leadership behaviors. In this study, therefore, we do not assume that the CoC network managers will indeed engage in transformational leadership. Instead, we seek to understand the extent to which they actually exhibit transformational leadership. We then test whether transformational leadership matters in explaining network performance.

The HUD Exchange website publishes the names of CoCs, the jurisdictions of CoCs, and the contact managers of CoCs. We used this published contact information to send a prenotice e-mail regarding the forthcoming survey to collaborative applicants of CoC networks. In the e-mail, we explained the purpose of the survey. We verified, through this prenotice email, whether the contacts were accurate. From the same HUD Exchange source, we also collected key information such as the total homeless population reported by each network and the amount of yearly HUD funding awarded to each network.

The *Effective Leadership in Public Service Collaboration* survey that we developed was sent to the collaborative applicant of each of the 382 CoC networks. Respondents were asked a series of questions to assess their perceived level of network performance in diverse areas and the extent to which they engaged in activities associated with transformational leadership. We measured these concepts in multidimensional form by creating indices comprised of multiple survey items. we received completed surveys from 237 networks, representing a 62% response rate.

Dependent Variables

Following the network effectiveness model proposed by Provan and Milward (2001), we measured the network level effectiveness in two ways: 1) Perceived effectiveness of the collaborative network (Data source: *Effective Leadership in Public Service Collaboration Survey*), and 2) Dollar amount of competitive HUD funding won by the network per capita (Data source: HUD). The use of multiple dependent variables to measure the same concept should strengthen the conclusions that can be drawn from the results about the effectiveness of these homeless networks—particularly when comparing subjective and objective indicators (Gazley, 2010). The goal here is to assess the performance of the network as a collective unit rather than measuring the success of individual members or the impact of the network's effort on the community it serves.

The first dependent variable, perceived effectiveness, is an index measure of respondents' assessment of the extent to which the network as a whole achieved collective benefits in the following areas:

- Increasing network membership
- Increasing range of services
- Reducing duplication of services
- Increasing member commitment

Respondents rated these areas of network performance using a five point Likert scale ranging from 1) *Did not experience success at all* to 5) *Experienced success to a very great extent*. For each respondent, their answers to the four items were summed and then divided by 20 (i.e., the sum of the total possible score for all items in the index) and multiplied by 100 to create an index of network effectiveness (Cronbach's α=0.68).

The second dependent variable is network funding, which is measured using an objective indicator (i.e., dollar amount of HUD funding awarded to each network per capita). This is an appropriate proxy for network performance when a network "must become a viable interorganizational entity if it is to survive" by securing financial resources (Provan & Milward, 2001, p. 417). We consider this to be also an appropriate measure of network level effectiveness when each network is required to submit one grant application to HUD by consolidating the requests of organizations in network.

Independent Variables

The key independent variable in this study is the manager's self-rated leadership style. We rely on Bass and Avolio's (2004) Multifactor Leadership Questionnaire (MLQ, Form 5X-Short) to assess the extent to which network managers exhibit transformational leadership. The MLQ is a standard tool used to measure transformational leadership and there is strong evidence of the validity and reliability of this instrument (Avolio, Bass, & Jung, 1999; Bass & Avolio, 1994; Bass, 1998; Judge & Bono, 2000; Trautmann, Maher, & Motley, 2007; Valero, Jung, & Andrew, 2015).

Although the original MLQ questionnaire includes 45 questions, we used a condensed version of the questionnaire that includes 16 survey items. We focused specifically on items that addressed the four dimensions of transformational leadership: idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. Consistent with previous research that has relied on condensed versions of questionnaires to assess transformational leadership (Moynihan, Pandey, & Wright, 2012; Valero, Jung, & Andrew, 2015), this 16 item questionnaire allowed us to maintain size of survey at an appropriate level for completion by network managers.

We also modified some of the items since the tool was originally developed for measuring leadership behaviors within an organization and not within a multi-actor service network. For each item, respondents were asked to assess statements using a five point Likert scale ranging from 1) *Never* to 5) *Very often*. We created an index by summing the scores for each question and then dividing by 80 (i.e., the sum of the total possible score for all items in the index) and multiplying by 100 (Conbrach's α=0.92). The list of indicators for each dimension are outlined in Table 1.

Professionalization of the network manager is operationalized in two ways, education level and experience in leading the network. We asked each network manager to identify their professional education, and we measured this variable in dichotomous form (1=postgraduate degree, 0=bachelor's degree or less). We assessed education in this way since previous research has shown that postgraduate education has an effect on collaborative activity

(McGuire, 2008). We also asked network managers to identify the number of years they had been in the position of 'collaborative applicant,' which is the label that HUD uses to identify the lead organization within the network.

Control Variables

We included a series of control variables important for allowing us to make meaningful comparisons across the homeless service networks in the study. We anticipated differences in the number of homeless populations they served, the characteristics of their networks, and the demographics of the network managers. Thus, we controlled for individual, network, and community attributes in order to test the hypotheses. Women, for instance, may have different interpersonal skills than men; and, as such, they may be more likely to exhibit certain transformational leadership behaviors. Kark, Waismel-Manor, and Shamir (2012) found that a leaders' 'femininity' was strongly associated with effective leadership. We, therefore, measured leader gender in dichotomous form (1=male, 0=female).

The characteristics of a network may also influence the relationship between managerial characteristics and network effectiveness; therefore, we controlled for the size and age of networks (e.g., how long they have been in existence). A large network membership could be an indication of a network that is resourceful, inclusive of the community, and engages diverse stakeholders (LeRoux, Brandenburger, & Pandey, 2010; MacIndoe, 2013). The number of service years that the network has been operating in the community may indicate how solid the network is and capture network capacity. It is, therefore, the expectation that longstanding networks will enjoy a comparative advantage in the competition for resources (Jang, Valero, & Jung, 2016). We measured size of network in terms of the number of organizations that are members of the network and network age as the number of years that the network reports being in existence in their community.

Finally, every community that a network serves will likely vary. Therefore, we also controlled for the homelessness rate[1] (homeless per capita) and the average household income of the population within the network's jurisdiction.[2]

Results

The first research question asks: *What are the key transformational leadership behaviors exercised by network leaders?* To answer this question, we asked homeless service network managers to self-assess the degree to which they engage in transformational leadership activities. Table 1 provides descriptive statistics of the four dimensions of transformational leadership examined in this study. We rank indicators based on mean response for each item.

The results indicate that network managers place a focus on both respecting partner differences and cultivating an environment where sharing ideas and open dialogue is encouraged when *intellectual stimulation* is the highest rated dimension of transformational leadership (mean of 4.1). In addition, "seeking the counsel of key stakeholders of the network" was the most frequently reported transformational leadership behavior by network managers. This could indicate that network managers focus their efforts on gauging the interests and buy-in from key stakeholders.

We also found that "being open to the ideas and suggestions of network members" was the second most frequently reported transformational leadership behavior. This confirms the expectation that managers make efforts to balance the vision of the collaborative with that of participating organizations.

Table 1. Transformational Leadership of Homeless Network Managers

Dimension	Measure	Avg. Mean	Mean	Rank
Idealized Influence	• Instilling fairness in the process of managing resources in the network	3.9	4.2	3
	• Considering the needs of network members before those of my own organization		4.0	6
	• Expressing the need to adhere to ethical standards among members of the network		4.0	7
	• Focusing efforts in building future leadership of network		3.3	16
Inspirational Motivation	• Inspiring network members to work cohesively for common purpose	3.9	4.1	4
	• Expressing confidence in network members' ability to achieve network vision		3.9	8
	• Making an effort to build a network vision to internal and external stakeholders of the network		3.8	10
	• Helping each member of the network understand their unique role in network mission		3.6	13
Intellectual Stimulation	• Seeking the counsel of key stakeholders of the network	4.1	4.4	1
	• Being open to the ideas and suggestions of network members		4.3	2
	• Helping network members look at issues from different perspectives		4.0	5
	• Creating opportunities for network members to engage in creativity and innovation		3.7	11
Individualized Consideration	• Providing assistance to network members so that they are able to overcome challenges they encounter	3.7	3.9	9
	• Paying special attention to the individual needs and challenges of network members		3.7	12
	• Teaching and coaching network members		3.6	14
	• Helping assimilate new network members		3.6	15

Results also indicate that network managers have, with frequency, established a fair process in managing resources and considering the individual needs of partner organizations. This was the third most frequently reported transformational leadership behavior. This means that network managers understand the importance of maintaining a fair process in managing the limited resources of a network and they also understand that every individual partner is different in their needs.

Table 2 and 3 present descriptive statistics of the variables included in the regression models as well as the intercorrelations of dependent, independent, and control variables. The results

Table 2. Descriptive Statistics

	Mean	SD	Min.	Max.
Perceived Effectiveness	73.15	14.02	20	100
Network Funding	6.34	7.39	0	50.04
Transformational Leadership	77.71	12.70	38.75	100
Postgraduate Degree	0.49	0.50	0	1
Network Management Experience	5.61	4.94	0	25
Gender	0.27	0.45	0	1
Network Size	37.47	28.13	0	200
Network Age	13.27	6.46	2	37
Homelessness Rate	2.32	2.38	0.02	16.46
Average Household Income	7,2357.02	1,9357.53	3,9326.60	1,60023.44

of a bivariate correlation analysis (in Table 3) indicate that a range of weak and strong as well as positive and negative relationships between various independent variables and the measures of network effectiveness. For example, transformational leadership has a strong and positive relationship with perceived effectiveness, which lends initial support to hypothesis 1.

Correlation results also lend initial support for the professional network manager hypothesis, as the results show that having postgraduate education is positively associated with both perceived effectiveness and network funding. While some of the correlations are statistically significant, none exceed 0.50. Thus, issues of multicollinearity are not present (Vigoda, 2000). In addition, tolerance values for all variables are well above the standard threshold; and, the variance inflation factor for all variables is below five.

Next, we estimated the predicted impact of individual, network, and community attributes on network performance using Ordinary Least Squares (OLS) regression. We report standardized coefficients in order to answer the second research question (See Table 4). The overall strength of each model varies, with model 1 exhibiting greater explanatory power than model 2.

In model 1, we consider the impact of leadership behaviors and the professionalization of network managers on the perceived effectiveness of network performance. An R^2 of 0.33 suggests that the individual, network, and community attributes included in our model explain 33% of the variance in perceived network effectiveness. The results confirm that transformational leadership is an important predictor of the ability of networks to achieve collective benefits, such as increasing the number of network members and increasing the commitment of members as perceived by network managers (β=0.50, p<0.01). This suggests that on average, a respondent's perceived level of network effectiveness is predicted to increase by 0.50 standard deviations for every one standard deviation increase in a respondent's level of transformational leadership.

In addition, the findings provide support for the importance of a professional manager leading a network's efforts. Network managers with higher levels of education, specifically a postgraduate education, are more likely to have a greater perceived impact on the performance of a network than those managers without postgraduate education. For instance, a respondent's perceived network effectiveness is predicted to increase by 0.17 standard deviations when having a postgraduate education compared to those respondents with lower levels of education. Other individual characteristics, such as a respondent's years of experience in managing the network and gender, did not have a statistically significant impact on the perceived performance of the network.

Table 3. Intercorrelations

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]
Perceived Effectiveness	1									
Network Funding	-0.01	1								
Transformational Leadership	0.50***	-0.09*	1							
Postgraduate Degree	0.18***	0.12*	-0.04	1						
Network Mgt. Experience	-0.04	0.01	0.01	0.03	1					
Gender	0.06	-0.05	0.09*	-0.16***	-0.04	1				
Network Size	0.17***	-0.01	0.11*	0.05	0.03	-0.15***	1			
Network Age	0.03	0.16***	-0.05	-0.03	0.45***	-0.06	0.17***	1		
Homelessness Rate	-0.07	0.43***	-0.02	-0.01	-0.09	-0.03	-0.02	-0.03	1	
Average Household Income	0.14**	-0.01	-0.06	0.15**	-0.06	0.13**	-0.01	-0.01	-0.06	1

n=237; **p*<0.10, ** *p*<0.05, *** *p*<0.01
Notes: The comparison group for education level is bachelor's degree or less. The comparison group for gender is female. Network age is measured in years.

Table 4. OLS Regression Estimates of Homeless Network Effectiveness (n=237)

	Model 1: Perceived Effectiveness		Model 2: Network Funding	
	Standardized β	Sig.	Standardized β	Sig.
Individual Attributes				
Transformational Leadership	0.50***	0.00	-0.07	0.27
Postgraduate Degree	0.17***	0.01	0.14**	0.02
Network Mgt. Experience	-0.08	0.25	-0.06	0.42
Gender	0.05	0.42	-0.07	0.91
Network Attributes				
Network Size	0.12*	0.05	-0.04	0.51
Network Age	0.05	0.46	0.21***	0.00
Community Attributes				
Homelessness Rate	-0.06	0.31	0.35***	0.00
Average Household Income	0.13**	0.03	-0.03	0.63
Constant	16.77**	0.02	4.23	0.22
R^2	0.33		0.18	
Adjusted R^2	0.31		0.15	
F	11.74		6.06	

*$p<0.10$; **$p<0.05$; ***$p<0.01$ (two-tailed tests of significance)
Notes: The comparison group for education level is bachelor's degree or less. The comparison group for gender is female. Network age and management experience is measured in years.

With regard to network attributes, the results indicate that while the age of the network may not matter, network size certainly does (β=0.12, $p<0.05$). Specifically, the findings suggest that perceived effective network performance is positively affected by the size of network membership. In other words, the larger the network (by having more member agencies), the more likely that a manager will perceive that the network is effective in recruiting members, increasing the range of services, and reducing duplication of services. Out of the community attributes, perceived effectiveness of network is associated with average household income of the community that the network serves.

In model 2, in the attempt to understand effectiveness with an objective lens, we assess the impact of leadership behaviors on the dollar amount of HUD funding won by networks. Per capita HUD funding is a useful measure to evaluate how the network secures resources to address the incidence of homelessness within their community. The R^2 of 0.18 suggests that the individual, network, and community attributes included in the model explain 18% of the variance in HUD funding per capita. Unlike the first model where transformational leadership has a statistically significant relationship with perceived network effectiveness, transformational leadership no longer has an impact on a network's performance in terms of securing funding resources in model 2. This suggests that exhibiting transformational leadership does not directly translate into networks increasing their likelihood of winning a competitive HUD grant.

The level of education of the network manager continues to have a positive and statistically significant relationship with the amount of HUD funding per capita (β=0.14, $p<0.05$). This suggests that leaders with higher levels of education (specifically, in the form of a postgraduate education) better understand government funding opportunities and are more successful in securing these types of grants.

Of the network attributes, age of network has a statistically significant relationship with HUD funding per capita (β=0.21, $p<0.01$). That is, HUD funding per capita is predicted to increase by 0.21 standard deviations for every one standard deviation increase in the age of the network. Homelessness rate, as a community attribute, also yields a statistically significant result (β=0.35, p<0.01).

Discussion

First, we sought to expand a leadership theory that has been extensively studied within organizational boundaries by testing its relevance to cross sector service network within the context of public homeless services. The results indicate that network managers perceive that they are exhibiting various levels of transformational leadership—with managers paying more attention to some leadership dimensions than others. For example, network managers perceive that they exhibit greater levels of intellectual stimulation (average mean of 4.1) when compared to the other three dimensions of transformational leadership. One interpretation of this finding is that network managers understand that in order to build an effective team of organizations working together, they must build a culture of exchange and innovation that welcomes and actively seeks a variety of perspectives. This is congruent with previous research showing that transformational leadership influences affective commitment by creating an inclusive culture (Ashikali & Groeneveld, 2015).

We acknowledge that there are important differences between actual and perceived effectiveness. Therefore, in this study we attempted to test the relationship between leadership behaviors and, both, objective and subjective measures of network effectiveness. As predicted, respondents who perceive that they exhibit higher levels of transformational leadership also perceive that their network is effective. Among the explanatory variables in model 1, transformational leadership has the strongest effect on perceived network effectiveness. Thus, there is evidence to support the first hypothesis which states that a higher level of transformational leadership will be associated with an increase in perceived network effectiveness.

This finding confirms the theoretical argument about the relevance of transformational leadership for network effectiveness. This finding also adds to the empirical literature on the impact of transformational leadership on perceptions of effective management (Belle & Sanzo, 2014; Caillier, 2014; Dwyer et al., 2013). As such, it may be beneficial for network managers to engage in the various dimensions of transformational leadership activities (e.g., identifying a vision for the network to pursue collective goals, motivating members that may come from diverse agencies and other stakeholders through inspiration to achieve the various goals of the network, and being open to the ideas and suggestions of network members).

The second hypothesis proposes that transformational leaders will have an impact on the effectiveness of networks by securing HUD funding for their operations and programs. However, the results indicate that the relationship between transformational leadership and HUD funding is not statistically significant. Thus, we do not find support for the second hypothesis.

Third, we analyzed the relationship between the professionalization of network leaders and positive collaboration outcomes. The results indicate that the number of years of experience as a network manager (hypotheses 3 and 4) is not significantly associated with perceived effectiveness and HUD funding per capita. On the other hand, we did find that higher levels of education (hypotheses 5 and 6) yield significant results in both models. This suggests that having a postgraduate education makes a difference in perceived network effectiveness and in securing HUD funding for their network. This finding is consistent with previous work showing that postgraduate education has an impact on the successful network activity of public managers (McGuire, 2008).

Lastly, out of the control variables, we are intrigued by the findings that both network size and age matter in explaining perceived network effectiveness and HUD funding per capita, respectively. For example, the larger the network, the more likely that network managers perceive that their network is effective. One interpretation of this finding is that resources matter in effective service networks—i.e., larger networks are able to leverage the increase in resources that occur when member organizations join the network. With regard to network age, experience is likely a byproduct of network age—i.e., the longer the network is in operation, the more experience the network has in building a relationship with HUD and securing financial resources for the network. Thus, more recently established networks may be at a disadvantage when competing for HUD funding.

Conclusion

The purpose of this study was to explore the relationship between managerial characteristics—namely, transformational leadership, education, and experience—and their impact on the performance of cross sector networks working to address homelessness within their community. The findings confirm that transformational leadership matters in explaining network effectiveness (as perceived by network managers), which we measured in multidimensional form by incorporating network membership, member commitment, range of services, and duplication of services. In addition, the results indicate that the advanced education of the individual charged with managing the affairs of the network matters. Taken together, these results suggest that public service networks should carefully consider the important leadership activities and qualifications of individuals that are appointed or selected to lead cross sector service networks.

From a theoretical perspective, this study fills a gap in the current literature on public and nonprofit management by providing empirical evidence of the link between transformational leadership and network effectiveness. More specifically, we expand upon a well-studied leadership theory in organizational settings by applying it to interorganizational collaboration. In addition, we provide evidence of the impact that leadership has in network performance in a different policy context—homeless service provision. Previous work has explored the relationship between leadership and network performance in the emergency management context (McGuire & Silvia, 2009).

The results have several implications for practice. First, when establishing a collaborative network and beginning discussions on who should be charged with leading the process, networks should take a close look at the leadership and educational competencies of candidates. For networks that are already established, it may be useful to create opportunities that allow network managers to develop transformational leadership and/or pursue continuing education to acquire the professional skills necessary to lead a service network. Second, the results indicate that the age of the network is a key predictor of the competitiveness of networks in the HUD grant process. Thus, HUD should consider developing supportive programs that allow newly established networks to develop expertise to even the competitive playing field—which ultimately, becomes an issue of equity to help ensure that all communities have the same potential in accessing federal resources and addressing homelessness effectively.

This research is not without limitations. First, we rely on subjective, self-reported measures of transformational leadership. As a result, there is the potential for social desirability bias when network managers over report their transformational leadership behaviors. In addition, the data does not take into account the perspective or perception of network members who may have varying responses about the leadership network managers exhibit. Furthermore, the network effectiveness model proposed here has some key omitted variables; and, governance structure of the network is the one. Therefore, future research should consider the governance structure that networks adopt as a predictor of network performance. Lastly, the work did not consider the impact that leadership has on a network's ability to make a difference in the community—in this case, a reduction in homelessness. Thus, future research should consider the relationship between transformational leadership and positive community level network outcomes.

Notes

1. Homeless population data was collected from HUD Point-in-Time (PIT) Count, a count of "sheltered and unsheltered homeless persons on a single night in January" of each year (HUD Exchange, 2016). We calculated the per capita rate by dividing the homeless population by total population and then multiplied it by 1,000.
2. Household income data was collected from US Census based on the jurisdiction that each network covers.

Disclosure Statement

The authors declare that there are no conflicts of interest that related to the research, authorship, or publication of this article.

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Research Article

Journal of Public and Nonprofit Affairs
Vol. 6, No. 3

The Varieties of Consolidation Experience: A Synthesis and Extension of Local Government Consolidation Models

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This article revises and extends Leland and Thurmaier's (2004a, 2004b) City—County Consolidation (C3) model by synthesizing it with Johnson's (2004) Theory of Local Constitutional Change (LCC) and Hughes and Lee's (2002) Evolutionary Consolidation Model (ECM). The result, we find, is a more general model of local government consolidation. Our model is applicable to a wider variety of consolidation types and incorporates a full consideration of varied charter development processes. Ultimately, this allows for acknowledgment of the possibility that consolidation attempts may be halted prior to a referendum campaign and that those attempts may reflect either conflicts of interest or consensual efforts at problem-solving. We focus specifically on Indiana after enactment of the 2006 Government Modernization Act. After enactment of the act, Indiana experienced seven consolidation efforts from 2008 to 2012. Examination of these efforts provides a robust comparative case study of consolidation efforts occurring during a narrow timeframe and under a common institutional context. The study not only illustrates the suitability of our revised and extended model, but it also confirms a number of Leland and Thurmaier's (2005) findings from their reassessment of the C3 model.

Keywords: Local Government Consolidation, Comparative Case Study, Indiana

In this article, we extend the literature on local boundary change by synthesizing and extending existing models of the local government consolidation process. The result is a more general model of local government consolidation that is applicable to a wider variety of consolidation types, incorporates a full consideration of varied charter development processes, and allows for the possibility that a consolidation attempt may be halted prior to a referendum campaign. In the article, we also examine the interaction between consolidation (the least common form for boundary change) and annexation (the most common form for boundary change). Overall, our findings reinforce those of other studies that show fear of annexation is a driving force behind local government consolidation.

During the past decade, Indiana has provided a fertile environment for studying local government consolidation. The Government Modernization Act (GMA), enacted by the Indiana General Assembly in 2006, gave local government units, including counties, cities, towns, and townships, broad authority to consolidate by referendum. During the period 2008 to 2012, Indiana experienced seven local government consolidation attempts. Two city–county

Taylor, C. D., Faulk, D., & Schaal, P. (2020). The varieties of consolidation experience: A synthesis and extension of local government consolidation models. *Journal of Public and Nonprofit Affairs, 6*(3), 325-353. https://doi.org/10.20899/jpna.6.3.326-353

consolidation efforts were soundly rejected by voters. Two of the town–township consolidation efforts were successful, with large majorities approving these referenda. The other town–township and city–township consolidation efforts were terminated before reaching a referendum.

Accounting for these varied consolidation outcomes requires a sound theoretical model. Leland and Thurmaier (2004a) have presented their City–County Consolidation (C3) Model, later updated as their "respecified" C3 model (Leland & Thurmaier, 2004b, p. 315), as a causal model for systematic and comparative analysis of consolidation attempts. Although, as its name implies, the C3 model is most directly applicable to city–county consolidations, it has been applied to other local government reform proposals, including town–township consolidations (e.g., Taylor, Faulk, & Schaal, 2017) and city–city consolidation (e.g., Honadle, 2004).

The current formulation of the C3 model, although useful, is not well suited for the analysis of consolidation efforts that are terminated before reaching a referendum or those that are consensual rather than conflictual. The current model also fails to provide robust insight into the charter development process. The purpose of this study, then, is to revise and extend the current C3 model to encompass a wider variety of consolidation types and outcomes. We also include a fuller account of the entire consolidation process by incorporating Johnson's (2004) Theory of Local Constitutional Change (LCC) and Hughes and Lee's (2002) Evolutionary Consolidation Model (ECM). In doing so, this analysis continues a long tradition of theoretical synthesis that has informed theory building in this area. For example, in developing their theories, both, Leland and Thurmaier (2004a) and Johnson (2004) drew upon earlier work by Rosenbaum and Kammerer (1974) by augmenting the Rosenbaum and Kammerer (R&K) model with components drawn from other models, theories, and frameworks.

In this study, we focus on Indiana local government consolidation attempts that occurred from 2008 to 2012. A research design using cases drawn from a single state has both strengths and weaknesses. On one hand, a single state design may raise concerns about generalizability. Are the findings applicable to cases in other states? Are the results explained primarily by conditions particular to the state from which the cases were drawn? On the other hand, a design focusing on consolidation attempts occurring within one state and within a short time period also has strengths. Such a design allows us to hold constant key variables related to the institutional context (i.e., variables that often vary between states or across time) that could present confounding factors in a multi-state design. Thus, our single state design allows us to focus our examination on the effect of variation in other characteristics, such as the presence of power deflation, the nature of the charter development process, and the type of local government.

Ultimately, our design fulfills conditions necessary for a rigorous comparative case study described by a number of scholars (e.g., Buttolph, Reynolds, & Mycoff, 2008; King, Keohone, & Verba, 1994; Leland & Thurmaier, 2004a; Lijphart,1975). Furthermore, the cases in this study exhibit a wider range of outcomes than most studies (e.g., not only successful and unsuccessful referenda but also attempts that failed to reach a referendum).

In the next section, we situate consolidation within the larger boundary change literature. Next, we compare and contrast existing consolidation frameworks and identify their limitations. In the sections that we follow, we provide brief overviews of Indiana's local government structure and a history of local government consolidation. After which, we provide a discussion of the suggested revisions and extensions and a synthesis of existing consolidation models, which we illustrate using local government consolidation efforts in Indiana. Finally, we analyze Indiana consolidation efforts to present a more comprehensive model of consolidation.

Consolidation as a Form of Boundary Change

The study of local government consolidation falls within the purview of the larger field of local government boundary change. Four types of boundary changes and their interactions have been analyzed in the literature: annexation, municipal incorporation, the formation of special districts, and local government consolidation (Carr & Feiock, 2004; Fleishman, 1986). Previous studies (e.g., Burns, 1994, Rigos & Spindler, 1991; Smith, 2011) have documented that municipal incorporation is often a response to annexation threats, a situation that Rigos and Spindler (1991) have termed defensive incorporation. Indiana's consolidation process and annexation laws provide a backdrop for examining the relationship between these two forms of local government boundary change. Although this study specifically examines consolidation attempts in Indiana, the model developed, and the subsequent findings, can be used to examine local government consolidation in other states.

A variety of studies have shown that boundary change outcomes are determined, at least in part, by established rules governing the boundary change process. As Foster (1997) has pointed out, the formation of special districts is more prominent in states that restrict municipal incorporation and/or annexation. Such restrictions can also encourage the consideration of consolidation if there is a process in place. Leon-Moreta (2015), for instance, found that states with more restrictive annexation policies had more municipal incorporations suggesting that incorporations were an alternative to annexation. He also found that the presence of special districts, which provided services to unincorporated areas, reduced the incentive for incorporation (Leon-Moreta, 2015). Below, we examine interactions of the expansion of existing jurisdictions (via annexation) and the formation of a new local government (via consolidation).

Extant Consolidation Models: Variations and Limitations

Activities and Stages in the Consolidation Process

Key characteristics of consolidation models include the range of activities that make up a consolidation attempt and the division of these activities into stages. Rosenbaum and Kammerer's (1974) original model (R&K), which has been widely applied and augmented to explain the success or failure of consolidation referenda, has three basic elements: 1) a crisis climate resulting from demographic shifts, changes in government service quality, or other factors that stimulate citizen demand for a government response, 2) power deflation as dissatisfied citizens lose confidence in local government, resulting in support for consolidation among citizens, civic organizations, and the local media, and 3) accelerator events, such as a scandal, that strengthen initial support for consolidation.

Leland and Thurmaier (2004a) augmented the Rosenbaum and Kammerer (1974) model, incorporating concepts from Johnson and Feiock (1999), Feiock and Carr (2000), and Messinger (1989) to develop the City–County Consolidation (C3) model. The C3 model adds a referendum campaign as the final stage of the model. This resulted in a model consisting of two parts. Part one focuses on the role of elites in setting an agenda for consolidation. If this agenda setting stage results in the creation of a consolidation charter committee, then the process moves on to Part two (i.e., the referendum campaign phase) where consolidation supporters and opponents contest for votes. Leland and Thurmaier's (2004a, 2004b) other additions to the R&K model included emphasis on the legal and other institutional frameworks within which the consolidation effort occurred, the influence of specific charter provisions in motivating interest group support or opposition for consolidation, and the roles that civic elites and economic development played in the process.

Like Leland and Thurmaier (2004a), Johnson (2004) augmented the R&K model to develop the Theory of Local Constitutional Change (LCC). The LCC and C3 models cover essentially the same range of activities. However, the LCC model considers the creation of the consolidation charter (i.e., local constitution) in greater detail than the C3 model. The C3 model primarily emphasizes the impact of specific charter provisions (e.g., the status of the sheriff or structure of the council) on group mobilization in the referendum campaign rather than the process of developing the charter. In the LCC model, Johnson (2004) isolated constitution setting (i.e., charter development) as a separate stage of the process following the initial agenda setting stage and prior to the final referendum campaign stage. Johnson (2004) suggested that this stage (i.e., not the referendum campaign) was where competition between the demanders of change and the defenders of the status quo began. Thus, a complete understanding of the referendum campaign and outcome requires a full accounting of the charter development process.

Consolidation Stopping Points

The LCC and C3 models have differences and similarities with regard to potential termination points in the consolidation process. Both models include the possibility that a consolidation attempt could end early during the agenda setting phase. This could be a result of an effective and appropriate local government response to the crisis climate situation (Johnson 2004; Leland & Thurmaier, 2004a), sufficient opposition from civic elites (Leland & Thurmaier, 2004a), or a "decelerator" event that diminishes rather than intensifies demand for change (Johnson 2004). Similarly, both models allow for the possibility consolidation failure when the consolidation referendum is defeated by voters (Leland &Thurmaier, 2004a; Johnson 2004).

The two models differ with regard to the possibility of termination of the consolidation effort after a consolidation charter committee has been formed, but prior to the consolidation referendum. Leland and Thurmaier's (2004a) C3 model implicitly assumes that once the consolidation charter commission is formed then the process will necessarily continue through to the referendum. Johnson's (2004) LCC model, however, proposes at least two points (one implicit and one explicit) where the consolidation attempt could be terminated prior to a referendum, but after agenda setting.

First, because Johnson (2004) makes constitution setting a distinct phase of the process, there is a clear boundary between constitution setting and the referendum campaign—that is, the development of a consolidation charter or constitution. This definition of boundary implies that failure of the consolidation charter commission to approve a charter would result in termination of the process. In a recent study, Schaal, Taylor, and Faulk (2017) found that the consolidation processes in some states allowed the commission and/or the constituent local governments to terminate the consolidation attempt without producing a consolidation charter. Second, Johnson (2004) explicitly considered whether the process could be halted after the charter was approved by the commission, but prior to being placed on a referendum ballot (as had been the case in the two times that the local legislative delegation prevented consolidation proposals for Tallahassee–Leon County, Florida from reaching a ballot).

Indiana consolidation experiences suggest that a charter commission may refuse to approve a charter for reasons not contemplated by the extant models. For example, a commission may develop a charter, but then decide not to approve it because conditions have changed making consolidation less salient to the public interest. The commission may also determine, through the fact finding of the charter development process, that consolidation is not a viable solution to the problems that originally placed consolidation on the agenda. Furthermore, the existence of potential stopping points prior to the referendum can impede efforts to place a consolidation question on the ballot (Schaal, Taylor, & Faulk, 2017), heightening the importance of accounting for all the opportunities to halt the process.

Revolutionary vs. Evolutionary Consolidation

Both Leland and Thurmaier (2004a) as well as Johnson (2004) declared that local government consolidation is a revolutionary change. This change is initiated and carried out in response to crisis or other situations for which consolidation is proposed as a solution (Leland & Thurmaier, 2005). Hughes and Lee (2002), however, argued that local government consolidation may be the final step in an evolutionary process consisting of a series of smaller cooperative efforts to solve interjurisdictional problems among local governments. While Leland and Thurmaier (2004a) acknowledged the potential influence of existing interlocal agreements to prepare local officials and citizens for discussion about political consolidation, they treated the presence of such agreements more as an environmental variable that affects agenda setting in a revolutionary consolidation process as opposed to an ongoing and evolutionary process of consolidation.

In Hughes and Lee's (2002) ECM, local governments within a metropolitan region solve common problems by harmonizing community expectations with the resources available to solve those problems. Beginning in the first stage, when problems are relatively minor, local governments within a region engage in occasional informal talks about common issues. As problems intensify and resource constraints become more binding, in stage two, local governments engage in more frequent and formal discussions. This results in stage three, interlocal agreements to share facilities, services, and/or authority in particular policy areas. In stage four, the stage before full consolidation, local governments enter into an agreement to share power or decision-making in at least one major policy area. In stage five, the local governments pursue consolidation, "the most permanent cooperative arrangement" (p. 147).

Hughes and Lee (2002) suggest that full consolidation is neither inevitable nor necessarily desirable. Their case study of the evolution of intergovernmental cooperation in the Albuquerque, New Mexico area demonstrates that consolidation proposals can be controversial and defeated even after a long history of interlocal cooperation.

Competition vs. Learning in Constitution Formation

Describing the charter development process, Johnson (2004) and Leland as well as Thurmaier (2004a) indicated that this process was as a contest between opposing interests. For Leland and Thurmaier (2004a), they viewed this competition mainly in terms of how the rules of consolidation mobilized consolidation proponents and opponents and influenced the pro- and anti-consolidation referendum campaigns. Changes in tax burdens, structure, and size of the unified council; minority representation on the unified council; and the role of the county sheriff are among the most contentious features of the consolidation charter. These features informed the hypotheses tested in their model to determine factors influencing the success or failure of consolidation referenda.

Johnson (2004) suggested that this competition during the constitution setting process provides a preview to the referendum campaign. Pro- and anti-consolidation forces compete to influence the design of the consolidation charter and the voting rules used to adopt it. The distribution of costs and benefits arising from various constitutional provisions influences this competition and ultimately the outcome of consolidation referenda. Groups that stand to benefit from consolidation will attempt to influence the process so that favorable provisions are included. Others will try to defend their interests by arguing in support of the status quo or supporting rules and provisions that make voters less likely to support the charter.

Hughes and Lee's (2002) evolutionary model, however, suggests the charter development phase may exhibit much lower levels of conflict. In these situations, the charter development debate is more accurately characterized as a new stage in the process of investigation and learning about community needs in order to determine if consolidation is an appropriate response.

Elements of a Synthesized and Extended Theoretical Model

In summary, we suggest specific elements can be incorporated to synthesize and extend existing consolidation frameworks. The revised model should 1) utilize a three-stage model of the process of agenda-setting, charter development, and referendum campaign stages, facilitating an appropriate focus on the activities and outcomes occurring (specifically during the charter development stage), 2) highlight the possibility that the charter development stage may not necessarily represent a mere contest of interests for favorable charter terms, but it could also serve as a consensual fact finding study of local needs and how consolidation might serve those needs, 3) allow for the possibility that consolidation may be either a revolutionary response to crisis or other major events or it may be an evolutionary process of increasing collaboration over time in response to changes in the regional environment, and 4) incorporate a broader conception of consolidation outcomes, including halting the consolidation effort prior to a referendum. Not only may a consolidation effort be halted in any stage of the process, but a halt may represent a failure or defeat of the pro-consolidation forces. A halt could also represent a consensual and informed decision that consolidation is not in the public interest.

Prior to illustrating the suitability of these elements using Indiana local government consolidation efforts as examples, it is necessary to understand the institutional context in which these efforts occurred. As such, below we provide brief overviews of local government structure in Indiana and the state's history of local government consolidation.

Local Government Structure and Consolidation in Indiana

Local government in Indiana consists of counties, municipalities (i.e., cities and towns), townships, school districts, and special districts. The number of municipalities has remained stable over the past several decades, increasing from 564 in 1982 to 569 in 2012. Towns are more numerous than cities, making up approximately 80% of municipalities in the state.

During 2012, there were 1,006 Indiana townships, which are general purpose governments. Each township was led by an elected trustee and township board, offering a limited range of services. Their primary services were overseeing volunteer fire departments and emergency medical services, providing poor relief, maintaining cemeteries, and operating parks. Townships funded services through their property taxing authority. All cities and towns were located within one or more townships.

Indianapolis and Marion County were consolidated in 1970 through a 1969 Act of the General Assembly. Sometimes called "Unigov," Indianapolis–Marion County is Indiana's sole instance of city–county consolidation. Blomquist and Parks (1993, 1995) provided information on the background and structure of the consolidated government, while both Segedy and Lyons (2001) and Rosentraub (2000) evaluated its various aspects.

Amid growing concern with the effectiveness of Indiana local governments and inefficiencies resulting from the number and layering of local governments in the state, the Indiana General Assembly passed the Government Modernization Act (GMA) in 2006.[1] This act enables the reorganization of political subdivisions, defining a uniform process for local government consolidation. The process allows for two different approaches to forming the reorganization committee responsible for developing a plan of reorganization (i.e., the consolidation charter). One approach is for the two or more governing bodies to enact identical resolutions to create a reorganization committee. The other approach requires reorganization proponents to file petitions supporting the creation of a reorganization committee. A petition with signatures of at least five percent of the voters in the subdivision must also be filed with each political subdivision to be included in the reorganization proposal.

Once the reorganization committee completes the plan of reorganization, the participating political subdivisions' legislative bodies can either adopt the plan, adopt it with revisions, or reject it. If they adopt identical plans, the adoptions are certified, and the plan and certifications are filed with the county recorder. Following a review by the Department of Local Government Finance, the county election board places the referendum question on the ballot for the next general or municipal election covering all precincts within the reorganizing political subdivisions. If the participating political subdivisions fail to adopt a final plan of reorganization, then citizens can petition for the approval of, and voting on, a final plan of reorganization.

Before the GMA became law, local government consolidation in Indiana required special legislation. In 1974, a consolidation referendum was held in Evansville and Vanderburgh County, but it was rejected by voters. In 1990, a consolidation plan was drafted by a citizen's committee, but it was tabled by the Evansville mayor and Vanderburgh County commissioners without seeking special legislation. In 2006, another citizen's committee drafted a consolidation plan, but legislation providing for a referendum did not pass the legislature (League of Women Voters of Southwestern Indiana, Undated). Key legislators felt that with the passage of the GMA, there was no need for special legislation for one community (Whitson, 2006). Consequently, after 1974 there were no additional consolidation referenda prior to enactment of the GMA.

Schaal, Taylor, and Faulk (2017) found that states with general legislation tend to have more consolidation referenda than states requiring special legislation. Indiana's consolidation history provides additional support for this relationship. Since the GMA was passed, more consolidation attempts have occurred for a variety of government types in Indiana, providing further evidence that state authorization of consolidation under general law facilitates consolidation attempts.

There have been four consolidation referenda held under the GMA. Two city–county consolidation referenda were held in 2012. These were Muncie–Delaware County and Evansville–Vanderburgh County. Both of the consolidations were unsuccessful. Two town–township referenda have been held, Town of Zionsville–Eagle Township–Union Township in 2008 and Town of Yorktown–Mt. Pleasant Township in 2011. Both of these were successful. Taylor, Faulk and Schaal (2017) analyzed these consolidation attempts using the C3 model.

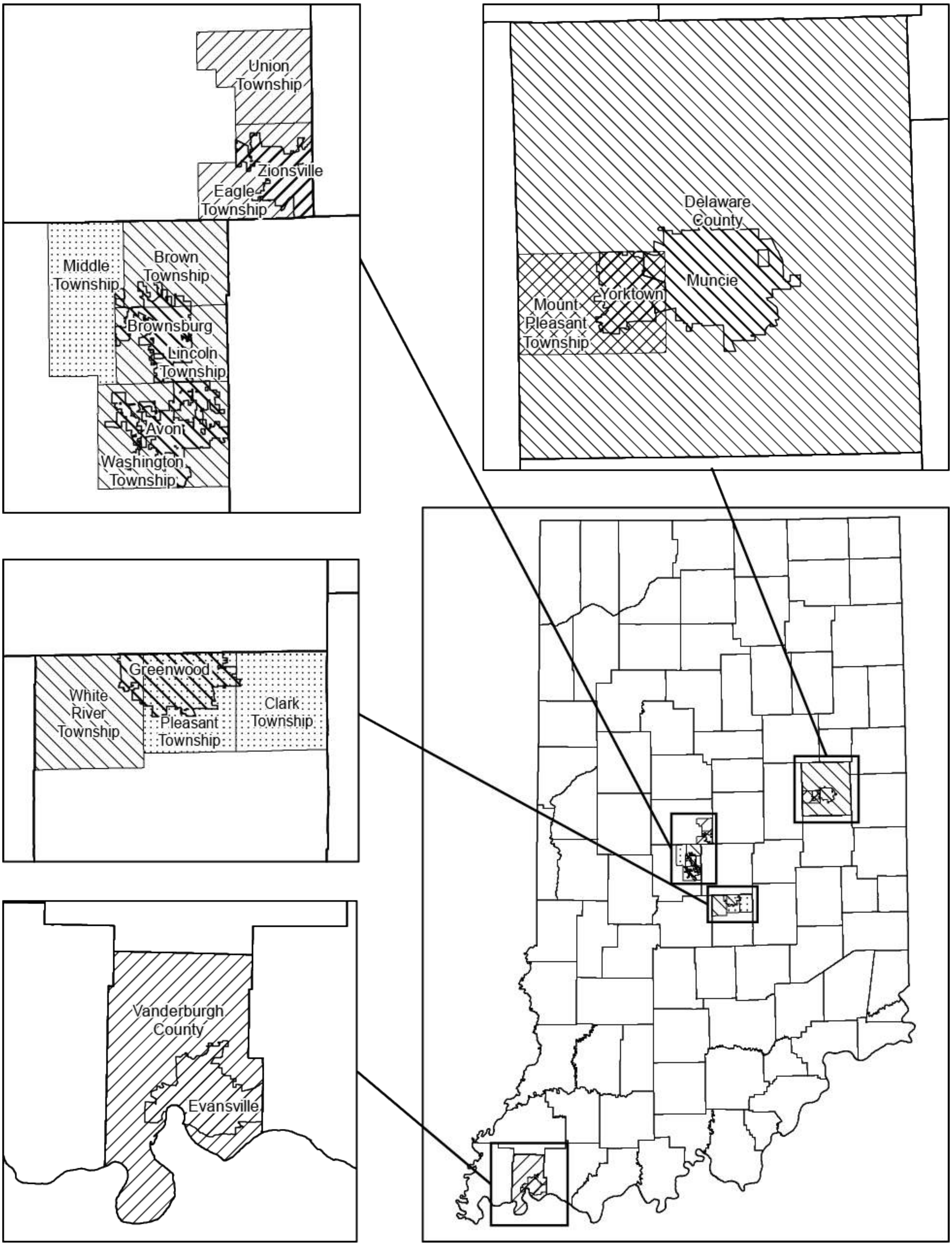
During the period from 2008 to 2012, reorganization committees were formed for three additional municipality–township consolidations, City of Greenwood–White River Township in 2010, Town of Brownsburg–Brown Township–Lincoln Township in 2011, and Town of Avon–Washington Township in 2012. Each of these consolidation attempts failed to reach the referendum stage.

These seven local government consolidation efforts occurred within a four-year period and a common institutional context. They were also governed by the GMA. These common conditions allowed us to compare their varying crisis climates, charter development processes, and consolidation outcomes to illustrate the utility of an extended and synthesized consolidation model. In the next section, we describe the variety of crisis climates predating the Indiana consolidation efforts.

Crisis Climates in Indiana Consolidation Attempts

Drawing on the Rosenbaum and Kammerer model, the original C3 model proposed that consolidation attempts arise from a crisis climate creating a demand for change (Leland & Thurmaier, 2004a). Leland and Thurmaier (2004a) further suggested that when local

Figure 1. Indiana Local Government Consolidation Attempts, 2008–2012



government response to crisis is ineffective, power deflation occurs. As a result, local governments consider consolidation. In a subsequent assessment of the C3 model, Leland and Thurmaier (2005) determined that civic problems are frequently present in communities that ultimately consolidate, but that they do not always rise to crisis level. In the Local Constitutional Change model, Johnson (2004) suggested that consolidation may also be an attempt to create new institutional arrangements in response to current needs rather than a result of power deflation.

Leland and Thurmaier (2004a) explained that a crisis climate is characterized by the onset of civic problems, which can develop slowly or suddenly. This creates a demand for response by local government. Three of the seven Indiana cases exhibited climates of fiscal crisis when changes (or potential changes) to local revenue streams threatened the quality and/or quantity of local government service provision. Another three cases exhibited annexation and development related crisis climates when annexation battles with neighboring communities threatened their future potential for growth and expansion. The seventh case had no discernable crisis (see Table 1).

Three of the Indiana consolidation attempts were characterized by power deflation in that the local governments' unsuccessful initial responses to their crisis climates contributed to a "growing lack of confidence" (Rosenbaum & Kammerer, 1974, p. 25) in the local governments, which in turn led to calls for consolidation. Three other cases appear to fit the Johnson (2004) model, where consolidation is considered a proactive approach to meeting community needs in the face of changing conditions, rather than a response following failure.

Fiscal Crises

In 2008, the Indiana General Assembly enacted property tax caps. These caps were to be phased in beginning in 2009 and fully implemented in 2010. They were expected to reduce property tax revenue for nearly every local government unit in the state. However, the revenue reductions were uneven, with impacts ranging from minimal to severe (Faulk, 2013; Taylor, 2015). From December 2007 until June 2009, the nation was in an economic recession (National Bureau of Economic Research, 2010). The consolidation activity described in this study occurred either during the recession or in the early part of the recovery. Thus, the recession is a factor in the fiscal climate affecting local governments during the period under study. Although Indiana is generally recognized as a state that was particularly hard hit by the recession, there was substantial local variation in the impact of the recession across the state. In June of 2009, at the trough of the national recession, Indiana's statewide unemployment rate was 10.8%. At the same time, local unemployment rates in the communities under study ranged from a low of 7.7% in Hendricks County (Avon, Brownsburg) to 12.0% in Delaware County (Muncie, Yorktown). In two of the consolidation attempts (Muncie–Delaware and Evansville–Vanderburgh), fiscal crises arising from imposition of the tax caps were significant factors in placing consolidation on local agendas. In a third case (Avon–Washington), a different fiscal crisis that predated both the tax caps and the recession played a role.

In Muncie and Delaware County the impacts of the tax caps were quite large. Muncie's property tax revenues were reduced by more than 30%; and, Delaware County's revenues fell more than 17%. Delaware County also experienced a large recession related increase in the local unemployment rate from 5.2% in December 2007 to 12.0% in June 2009. Responding to the tax caps, the mayor of Muncie laid off 32 firefighters and five police officers as a cost cutting measure (Smith 2009). The ensuing controversy regarding the layoffs created a crisis climate where the potential for efficiency via consolidation was attractive to the local taxpayer group that organized the petition drive to require Muncie and Delaware County to appoint a reorganization committee (Werner, 2010).

Table 1. Summary of Consolidation Attempt Characteristics

	Muncie–Delaware County	Evansville–Vanderburgh County	Yorktown–Mount Pleasant Township	Zionsville–Eagle and Union Townships	Greenwood–White River Township	Avon–Washington Township	Brownsburg–Brown and Lincoln Townships
Crisis Climate	Yes, *fiscal*	Yes, *fiscal*	Yes, *annexation*	Yes, *annexation border development issues*	Yes, *annexation and growth in nearby area*	Yes, *fiscal*	No, *exploratory discussion*
Power Deflation	Yes, *inadequate tax cap response*	Yes, *inadequate tax cap response*	No, *proactive crisis climate response*	No, *proactive crisis climate response*	No, *proactive crisis climate response*	Yes, *emergency loans reliance*	N/A
Charter Development	Contentious, *City Council and County Commission modified charter to require double supermajority for passage*	Contentious, *due to tax increases in nonurban area and public safety coverage*	Not Contentious, *minimal fiscal impacts*	Not Contentious, *minimal fiscal impacts*	Contentious, *due to tax increases in nonurban area and public safety coverage*	Not Contentious, *minimal fiscal impacts*	Not Contentious, *minimal fiscal impacts*
Result	Referendum, *failed*	Referendum, *failed*	Referendum, *passed*	Referendum, *passed*	No Referendum, *missed deadline to place it on ballot*	No Referendum, *General Assembly passed law changing fire funding*	No Referendum, *Charter Commission found consolidation not fiscally advantageous*

In Evansville and Vanderburgh County the impacts were more modest, with city and county property tax revenues reduced by four to five percent. The impact of the recession was also more modest, with the local unemployment rate increasing from 4.5% in December 2007 to 8.4% in June 2009. Uncertainty regarding the impact of the tax caps, however, led the county to not renew a homestead property tax exemption (Langhorne, 2009b). In the face of the ensuing controversy, the homestead exemption was later reinstated, but the combined impact of the exemption and the tax caps was a $15 million budget shortfall for Evansville and Vanderburgh County. Concern about the budget shortfall created a crisis climate prompting the local newspaper's editorial board to call for consideration of local government consolidation ("Evansville, Vanderburgh County facing," 2009). The president of the local League of Women Voters referred to a need for greater government efficiency when explaining the reason for their petition drive (Langhorne, 2009a).

Although the Town of Avon and Washington Township each experienced tax cap revenue reductions of about eight percent, their consolidation effort was spurred by a fiscal problem predating the tax caps. The township had a longstanding practice of relying on emergency loans and emergency levies to fund the township fire department serving both the town and township. In June 2010, a group of local citizens filed a petition forcing the Indiana Department of Local Government Finance (DLGF) to review the legality of the most recent emergency loan for the fire department. Although DLGF upheld the loan, the township trustee was concerned that if the policy of funding the fire department with emergency loans was ever invalidated, then layoffs would be required (Beasor, 2010). The potential invalidation of the emergency loans and levies created the crisis climate that led local officials to consider consolidation. Minutes from a meeting of the Greater Avon Study Committee (2012a) and the Plan of Reorganization (Greater Avon Study Committee, 2012b) confirm the concern by town and township officials about the continued viability of fire department emergency loans.

In these three cases, one can credibly argue that the consolidation effort was a result of power deflation following a fiscal crises. In Muncie–Delaware County and Evansville–Vanderburgh County, local officials were viewed as having responded ineffectively to the imposition of property tax caps and citizen groups mobilized to force them to consider consolidation. In Avon–Washington, local officials were viewed as ineffective in that they were continually relying on emergency loans and levies to ensure that the township fire department was adequately funded. Citizen attempts to invalidate the emergency loans led the town and township to explore consolidation as a means to fix the fire department funding problem.

Annexation and Development Related Crises

Annexation is the most common form of boundary change. Annexation efforts by Indiana municipalities tend to be controversial as rural residents are often resistant to receiving the higher level of service, with corresponding higher taxes, afforded by a city or town government. Indiana law allows landowners affected by an involuntary annexation to protest it in court (Indiana Chamber of Commerce, 2013). In some communities, development concerns and annexation battles with neighboring communities contributed to the crisis climates. The Town of Yorktown and the City of Muncie had been engaged in an annexation battle dating back to 2005 (Yencer, 2005; Slabaugh, 2005). This territorial conflict intensified when the effort to consolidate Muncie and Delaware County got underway. Yorktown and Mount Pleasant officials initiated their own consolidation effort, in part, to minimize the impact on Yorktown and Mount Pleasant in the event that the Muncie–Delaware consolidation effort was successful (Yorktown–Mount Pleasant Reorganization Committee, 2010).

Property development concerns combined with an annexation battle created the crisis climate in Zionsville. Rapid development just outside town limits governed by Boone County's more permissive development standards concerned Zionsville officials (Woodson, 2008). Town and township officials were also concerned that aggressive annexation by nearby Whitestown would curtail Zionsville's future expansion (Annis, 2007; Olson, 2007).

Similarly, a battle for control over fast growing unincorporated areas in White River Township drove the Greenwood–White River consolidation attempt. Merger proponents argued that extending city services to the densely populated, unincorporated areas of the township would provide increases in both population and tax base that would allow the city to compete with other cities for corporate offices and high end retail. The City of Greenwood was also embroiled in an annexation dispute with the Town of Bargersville, which had attempted to annex property along a commercial corridor in the fast growing suburbs (McLaughlin, 2009).

The Greenwood–White River effort was characterized by a high level of conflict and was ultimately unsuccessful, whereas the Zionsville–Eagle–Union and Yorktown–Mount Pleasant efforts were more consensual and ultimately successful. Despite this difference, it is not apparent that any of these three consolidation attempts were characterized by power deflation. In all three cases, municipal and township officials initiated the consolidation effort as a proactive response to annexation and development related issues. Applying the boundary change framework developed by Feiock and Carr (2001), boundary change entrepreneurs were willing to engage in the collective action processes that were available to potentially bring about consolidation with a more desirable entity rather than wait for annexation by a less desirable entity.

A Non-Crisis Climate

Unlike the other consolidation attempts, the Brownsburg–Brown–Lincoln consolidation attempt did not appear to be motivated by a specific crisis in the community. The reorganization plan introduction indicated that the effort was primarily a means to explore "efficiencies in governance" for town and township citizens (Brownsburg Reorganization Committee, 2011). One member of the reorganization committee stated that the goal of the committee was "to determine if [consolidation] makes sense" (Essett, 2011).

The plan also mentioned a secondary purpose of protecting against annexation to allow citizens to "control their own destiny" (Brownsburg Reorganization Committee, 2011); and, a news report indicated that concern about development just outside the town limits, governed by laxer county zoning regulations, was also an issue of importance to some consolidation proponents (Doan, 2012A). There is no indication in committee records or contemporaneous news reports, however, of a specific threat or crisis.

Considered together, these cases confirm Leland and Thurmaier's (2005) conclusion that neither the presence of a crisis climate nor power deflation are necessary preconditions for a successful consolidation referendum. Of the six cases with a crisis climate, only three also exhibited power deflation. Two of the three cases that exhibited power deflation resulted in failed referenda. The third was halted prior to a referendum. Of the other three cases with a crisis climate, two resulted in a successful referendum and one terminated without holding a referendum. The one case in which there was no identifiable crisis climate terminated with no referendum (see Table 1).

Whatever crisis or situation places consolidation on the local agenda, the charter formulation process may either represent a contest of interests for favorable charter terms or serve as a consensual study of local needs and how consolidation might serve them. These dissimilar charter development processes are explored in the next section.

Charter Development as Contest of Interests vs. Consensual Fact Finding

Johnson (2004) considers charter development as a separate stage of the consolidation process. Leland and Thurmaier (2004a) consider it as the first part of the referendum stage. Despite this difference, both theories consider the impact of charter provisions on the eventual consolidation referendum. Johnson (2004) views the charter development stage as a contest of interests between the policy entrepreneurs who advocate for new institutional arrangements under consolidation and the defenders of the status quo. Leland and Thurmaier (2004a) note that particular charter provisions will have both supporters and opponents and view the specific charter provisions primarily as independent variables affecting the likelihood that the consolidation referendum is successful.

Two Indiana consolidation attempts, Evansville–Vanderburgh and Greenwood–White River, exhibited the type of contentious interest-advancing behavior by supporters and opponents described by Johnson. In Muncie–Delaware, consolidation opponents did not engage in the charter development process but became active once the referendum campaign began. In the town–township consolidation efforts (Avon–Washington, Brownsburg–Brown–Lincoln, Yorktown–Mount Pleasant, and Zionsville–Eagle–Union) the process was consensual, rather than contentious, representing more of a fact finding mission than a contest for interests.

Contentious Contests of Interests

Analysis of the Indiana cases confirms that like other cases examined in the literature (e.g., Leland & Thurmaier, 2004a), the approach to services (particularly public safety), the distribution of taxes, and land use regulations are potentially contentious issues that influence the continuation of the consolidation process and the success or failure of the referendum, if reached. The Evansville–Vanderburgh reorganization plan included provisions intended to reduce opposition to consolidation by minimizing the fiscal and regulatory impacts on the nonurban areas. It included multiple tax and service districts to enable nonurban residents to avoid receiving, and paying for, the more intensive services provided to urban residents. It also preserved, at least initially, the less restrictive county land use ordinances that were in effect in the nonurban areas of the county (City of Evansville–Vanderburgh County Reorganization Committee, 2011).

Despite these provisions, the fiscal impact of consolidation in Evansville–Vanderburgh became a matter of controversy between consolidation advocates and opponents. One important concern was the potential for shifting the costs of sheriff patrols from urban to nonurban taxpayers, which other analysis has shown to strongly influence the success of consolidation referenda (see for instance, Leland & Thurmaier, 2004a). The reorganization plan ultimately specified that the police patrol function would remain unconsolidated. The city police department would continue to serve the urban areas, and the county sheriff department would continue to patrol the nonurban areas (City of Evansville–Vanderburgh County Reorganization Committee, 2011). In the pre-consolidation situation, city property owners, as county residents, helped fund the rural sheriff's patrols, but would cease to do so in the consolidated government. After consolidation, all sheriff patrol costs would be borne by residents of the nonurban area, leading to a substantial post-consolidation tax increase for nonurban taxpayers (Crowe Horwath, 2010). This tax shift generated conflict during charter development and a subsequent referendum campaign (Gootee, 2011; "Evansville residents help," 2011).

The decision not to consolidate the law enforcement agencies was itself a matter of substantial conflict during the charter development phase in the Evansville–Vanderburgh consolidation effort. Early in the charter development process, the city police chief and county sheriff each submitted proposals for consideration by the public safety subcommittee. Under the chief's proposal, the two agencies would remain separate, but the police department would be responsible for countywide law enforcement operations, leaving the sheriff's department responsible only for operation of the county jail, court security, and process serving.

The sheriff proposed merging the two agencies into one, under the supervision of the sheriff (Langhorne, 2010a). The public safety subcommittee approved the sheriff's proposal, but the conflict persisted (Langhorne, 2010b). The police chief and local chapter of the Fraternal Order of Police (FOP) continued to argue against the sheriff's proposal, claiming it would lead to increased costs, reduced efficiency, and conflict between the mayor and sheriff that could negatively impact law enforcement (Langhorne, 2010b). The sheriff continued to argue that accountability for public safety properly belonged to an elected sheriff, rather than an appointed police chief (Langhorne, 2010c).

Although the sheriff's proposal was included in the plan of reorganization submitted by the committee to the city and county (City of Evansville–Vanderburgh County Reorganization Committee, 2011), the city council and county commission used their power granted under the GMA to remove the law enforcement merger from the plan out of concern that it would lead to strong opposition from city residents (Gootee, 2011). Despite this change to the plan, the sheriff supported consolidation during the referendum campaign, while the Fraternal Order of Police continued to oppose it (Langhorne, 2012).

In the Greenwood–White River consolidation effort the committee took a different approach to fiscal impacts. Although the Greenwood–White River plan included urban and rural tax and service districts, nearly all urban services would be extended to the rural service district. The Greenwood Police Department would be expanded to serve the rural district. The Greenwood Board of Public Works and Safety would take responsibility for street and sidewalk maintenance in the rural district. The White River Township Fire Department would continue providing fire protection within the rural district, but the plan proposed a future merger of the city and township fire departments. Solid waste and yard waste collection were the only urban services not proposed for extension to the rural district (White River Township and City of Greenwood Reorganization Committee, 2009a).

This plan also did little to minimize the regulatory impact on residents of the unincorporated portion of the township. It proposed an update of Greenwood's comprehensive plan to govern land use in the rural district after consolidation, but incorporation of "right to farm" policies protecting agricultural land was the only concession made to rural landowners in the plan of reorganization (White River Township and City of Greenwood Reorganization Committee, 2009a).

This approach to services, taxes, and land use regulation created additional potential for conflict in a situation that was already contentious because of the ongoing annexation battle with the Town of Bargersville. Many township residents who would be affected by the consolidation had expressed a preference to be left alone, but if they had to choose would prefer to be annexed by Bargersville than consolidated with Greenwood (White River Township and City of Greenwood Reorganization Committee, 2009c).

Because the reorganization plan extended so many urban services to the rural district, the proposed Greenwood–White River reorganization took on many aspects of an annexation, rather than a consolidation, further aggravating the existing conflict. The fiscal analysis included in the reorganization plan compared property tax rates in the City of Greenwood before and after the proposed consolidation, which demonstrated that the larger, post-consolidation city would have a lower tax rate than the city prior to consolidation. The analysis ignored, however, the increased taxes to be levied on residents of the unincorporated portion of the township to fund the higher level of service (White River Township and City of Greenwood Reorganization Committee, 2009a).

The White River Township trustee funded an independent fiscal analysis which found that residents of the unincorporated portion of the township would experience tax increases of 19% to 27% after consolidation. Although the record doesn't reflect any instance in which the county sheriff weighed in on the consolidation proposal, the trustee's analysis questioned whether the proposed expansion of the city police department would be sufficient to provide the same level of coverage township residents were currently receiving from the county sheriff's department (Pete, 2009).

In the Muncie–Delaware case, interest based conflict emerged only toward the very end of the charter development process. As in other cases, the reorganization committee included provisions intended to mitigate opposition to consolidation. It provided for multiple taxing districts and grandfathered the existing county land use regulations (Muncie–Delaware County Government Reorganization Committee, 2010). The committee also decided early in the process to leave the police department and sheriff department separate to avoid controversy (E. Kelly, personal communication, September 26, 2016). In any event, there was no substantial conflict among the members of the reorganization committee and their deliberations were largely consensual. Local officials and groups opposed to consolidation waited until the committee had finished its work before taking concrete actions to oppose the consolidation effort.

After receiving the plan of reorganization for review, the Muncie City Council and Delaware County Commission commissioned a fiscal analysis that found (similar to the Evansville–Vanderburgh case) that the costs of sheriff patrol would be shifted to nonurban property owners, increasing tax rates in the nonurban area (Crowe Horwath, 2011b). The City Council and County Commission then used their authority to amend the plan of reorganization to add a double supermajority requirement for passage, making voter approval unlikely (Roysdon & Walker, 2012). It is possible that without this ability to insert a poison pill at the last minute, consolidation opponents may have been more active during the drafting of the plan of reorganization. In any event, once the referendum campaign began, the contours of conflict were similar to those in Evansville–Vanderburgh.

Consensual Fact Finding

The four town–township consolidation processes exhibited minimal conflict. In all four cases, town and township officials, rather than a community group, initiated the consolidation process. In each of the four cases, the reorganization committee included common charter provisions intended to minimize the fiscal and regulatory impact on residents and businesses outside the existing town limits, such as multiple tax districts and grandfathered county land use regulations in the non-urban areas (Greater Avon Study Committee, 2012b; Brownsburg Reorganization Committee, 2011; Communities of Zionsville Area for Better Government, 2008a; Yorktown–Mt. Pleasant Township Reorganization Committee, 2011c).

Three of the four town–township consolidations (Avon–Washington, Zionsville–Eagle–Union, and Yorktown–Mt. Pleasant) projected only very small fiscal impacts. The only high cost service the towns had in common with the townships was fire protection and in each case the communities already had longstanding agreements to fund their fire departments. The remaining township services, such as park and cemetery maintenance and poor relief, would be transferred to the town government with no expectation that service costs would change. Property owners and residents in the urban service districts consisting of the area within the pre-consolidation town limits would continue receiving and paying for the higher level of service provided prior to consolidation. The newly consolidated governments would enter into memorandums of understanding (MOUs) with the county governments to continue providing the pre-consolidation level of sheriff patrol and road maintenance to the nonurban areas (Greater Avon Study Committee, 2012b; Brownsburg Reorganization Committee, 2011; Communities of Zionsville Area for Better Government, 2008a; Yorktown–Mt. Pleasant Township Reorganization Committee, 2011c).

With respect to the sheriff patrol, it is not clear whether the reorganization committees made this decision to avoid opposition by the sheriff or to minimize the impact on residents of the unincorporated area (or for both reasons). As a result, the Zionsville–Eagle–Union and Yorktown–Mt. Pleasant consolidations were projected to produce small cost reductions for both urban and nonurban residents, primarily due to the elimination of the township trustee's salary (Crowe Horwath, 2011a; Woodson, 2007). The fiscal analysis presented as part of the

Avon–Washington plan of reorganization projected zero net impact on property tax rates for the areas affected by the consolidation (Greater Avon Study Committee, 2012b). In the fourth case, the Brownsburg–Brown–Lincoln reorganization committee did not prepare a fiscal analysis, but because it adopted provisions very similar to those contained in the other town–township consolidations, there was no indication of substantial fiscal impacts (Brownsburg Reorganization Committee, 2011).

With negligible fiscal impacts and no expensive duplicate services to sort out, the charter development processes in all four town–township consolidations proceeded without conflict. In Zionsville–Eagle–Union and Yorktown–Mount Pleasant the reorganization committees focused their discussion on the most orderly and rational methods for merging town and township services (see, for example, Yorktown–Mt. Pleasant Township Reorganization Committee, 2011a, 2011b; Communities of Zionsville Area for Better Government, 2007, 2008b).

In addition to the normal consolidation considerations that characterized the other town–township consolidation efforts, the fire protection situation in the Avon–Washington case was a focus of charter development efforts. As noted earlier, concerns about the continued viability of the emergency loans and levies funding the fire department was a major motivating factor that led the town and township to consider consolidation (Greater Avon Study Committee 2012a, 2012b). To resolve this issue, the Avon–Washington reorganization plan proposed that the Town of Avon use its financial reserves to purchase fire department capital equipment owned by Washington Township, which would then use the proceeds of the purchase to retire outstanding emergency loans. As part of the consolidation process, the town and township would apply to the Department of Local Government Finance for approval to replace the emergency levy with a permanent operating levy to fund fire protection services for the consolidated government (Greater Avon Study Committee, 2012b).

These town–township consolidation efforts illustrate that charter development need not be a contentious contest of interests. In the four town–township consolidation efforts, town and township officials developed reorganization plans in a consensual fashion with the goal of solving common problems. In Zionsville–Eagle–Union and Yorktown–Mount Pleasant, the primary problem was an annexation threat from a nearby community. In Avon-Washington, the issue was continued sustainable funding for the fire department. The Brownsburg-Brown–Lincoln consolidation effort was motivated by no specific identifiable crisis and was, instead, a general exploration of the potential benefits of consolidation.

While the Zionsville–Eagle–Union and Yorktown-Mount Pleasant efforts proceeded to referenda and were each approved by a large margin, the Avon–Washington and Brownsburg–Brown–Lincoln consolidation efforts were terminated without being placed on a referendum ballot. In each case, the decisions to proceed to a referendum or to terminate the process were based on facts determined during the charter development process. The Greenwood–White River effort was also terminated without a referendum, but for different reasons. The varied reasons for these terminations are the subject of the next section.

Halting the Consolidation Process

Three of the consolidation attempts examined (Avon–Washington, Brownsburg–Brown–Lincoln, and Greenwood–White River) were halted after development of a reorganization plan, but prior to placing the consolidation on a referendum ballot. In the cases of Avon–Washington and Brownsburg–Brown–Lincoln, officials utilized legal provisions allowing them to determine that consolidation was not in the public interest and halt the process, as contemplated in Johnson's (2004) model. The Greenwood–White River consolidation was halted largely due to public official error, but the three cases highlight the possibility that consolidations will not necessarily proceed to a referendum once placed on the agenda, as implied by the City–County Consolidation model (Leland & Thurmaier, 2004a).

In the Avon–Washington case, the Indiana General Assembly provided a decelerating event that resolved the crisis that motivated the consolidation effort. After the reorganization plan was drafted, but before it had been approved by the town council and township board, the Indiana General Assembly enacted legislation allowing township fire departments to convert emergency levies to operating levies (Washington Township Board and Avon Town Council, 2013). This change in law resolved the crisis, leading the town council and township board to reject the reorganization plan as unnecessary (Coggeshall, 2013).

A different concern regarding fire protection derailed the Brownsburg–Brown–Lincoln consolidation attempt. Fire protection is provided by a fire territory created to serve the town and both townships. The plan of reorganization proposed that the fire territory would be dissolved, and a new fire department created to serve the newly consolidated government (Brownsburg Reorganization Committee, 2011). Officials later determined, however, that the new local government would not be able to implement a levy to replace the fire territory's equipment replacement levy, which generated more than $580,000 per year for capital purchases, or about six percent of the fire territory budget. With no viable method to replace that revenue, the town and township elected to reject the consolidation plan and halt the process (Doan, 2012b).

The Greenwood–White River consolidation was ultimately halted by a combination of elite actions, some of which were unintended. The reorganization plan was originally approved by the township board and city council in December 2009, with the referendum set for May 2010 (White, 2009). The plan was later amended to postpone the referendum until November 2010 because the township board and Greenwood mayor felt that additional time was needed to educate the public about the plan (White River Township and City of Greenwood Reorganization Committee, 2009b). Unfortunately, for consolidation supporters, local officials missed the August deadline to place the referendum on the November ballot. Then, during the November elections, new members were elected to the White River Township Board, who rescinded support for the consolidation proposal as their first official act (McLaughlin, 2011).

The terminations of these consolidation efforts highlight the necessity for accounting for multiple potential stopping points in a comprehensive consolidation analytical framework. These cases also underscore the possibility that officials may utilize an opportunity to halt the process when they agree that the consolidation is not in the public interest or that consolidation opponents may use stopping points as a weapon in the conflict to defeat the consolidation. The ability to explore consolidation without necessarily committing to holding a referendum also supports the view that consolidation may be a deliberative and evolutionary process, rather than a conflict driven revolutionary process. This distinction is discussed further in the next section.

Evolutionary vs. Revolutionary Processes

Hughes and Lee (2002) claim that consolidation may represent the culmination of an evolutionary problem-solving process among the local governments, rather than a revolutionary effort in response to crisis. We argue that the four town–township consolidation efforts, both the successful and the terminated, exemplify the type of evolutionary processes described by Hughes and Lee (2002).

In Hughes and Lee's (2002) Evolutionary Consolidation Model, local governments explore collaboration as a problem-solving effort when governmental capacity falls short of citizens' expectations. These collaborative attempts begin with informal discussions about a limited number of common issues and progress through ever higher levels of collaborative activity, potentially resulting in full governmental consolidation. These collaborative efforts serve both as fact finding processes, enabling local officials to learn more about local problems and potential solutions, and trust building exercises, allowing local officials to put aside fears of losing control.

The Avon–Washington and Brownsburg–Brown–Lincoln consolidation attempts most closely resemble the situation described by Hughes and Lee (2002). The Avon–Washington discussion of consolidation was explicitly an attempt to solve a fire funding problem common to the town and township governments (Beasor, 2010; Greater Avon Study Committee, 2012A). Furthermore, the fact that they had this problem in common was due to prior collaborative efforts that had resulted in joint funding and oversight of the fire department serving both governments.

In Brownsburg–Brown–Lincoln, the discussion was not focused on a particular problem, but rather an exploration of general concerns common to the two governments (Brownsburg Reorganization Committee, 2011; Doan, 2012a). Similar to Avon–Washington, however, the exploration of consolidation and its impact on the governments followed longstanding collaborative activities related to fire protection.

The Zionsville–Eagle–Union and Yorktown–Mount Pleasant consolidation efforts each possessed a revolutionary quality in the fact they were driven largely by annexation related crisis climates. They both, however, also possessed evolutionary characteristics in that they were consensual fact finding processes and, like the other town–township discussions, built on prior collaborative action in fire protection.

A More Comprehensive Consolidation Model

The Indiana consolidation cases reviewed here demonstrate that existing consolidation models can be synthesized and extended to create a more comprehensive consolidation model. Figures 2, 3, and 4 present graphic depictions of the three stages of the consolidation process: agenda setting, charter development, and referendum campaign. In the agenda setting stage illustrated in Figure 2, consolidation achieves informal agenda status when suggested as a solution to a community problem. Consolidation may be proposed as a proactive response to conditions in a crisis climate, a result of power deflation after other crisis responses have failed, or in cases of no crisis, as a possible next step in ongoing collaborative efforts by the constituent local governments. The process within this stage may be conflictual, when arising from power deflation, or consensual, such as when it is presented as a proactive crisis response or as the next step in ongoing collaborative efforts. If a charter commission is appointed, then the consolidation effort proceeds to the charter development stage.

During the charter development stage illustrated in Figure 3, the charter commission deliberates about the structure and other characteristics of the proposed consolidated government, perhaps with influence from elites and consolidation entrepreneurs. The nature of the deliberation may be either conflictual or consensual, depending on how the proposal was initiated in the agenda-setting stage. In conflictual processes, the parties will tend to frame the consolidation discussion and advance and defend charter terms in ways that serve their interests. In consensual processes, those involved in the deliberations will tend to adopt a fact finding and problem-solving approach to determine if consolidation is a viable solution to common problems. In either type of process, consolidation advocates will seek terms that tend to minimize conflict and promote approval. If the charter commission produces a consolidation charter and the governing bodies place the consolidation question on a referendum ballot, then the consolidation effort proceeds to the referendum campaign.

Figure 2. Consolidation Agenda Setting Stage

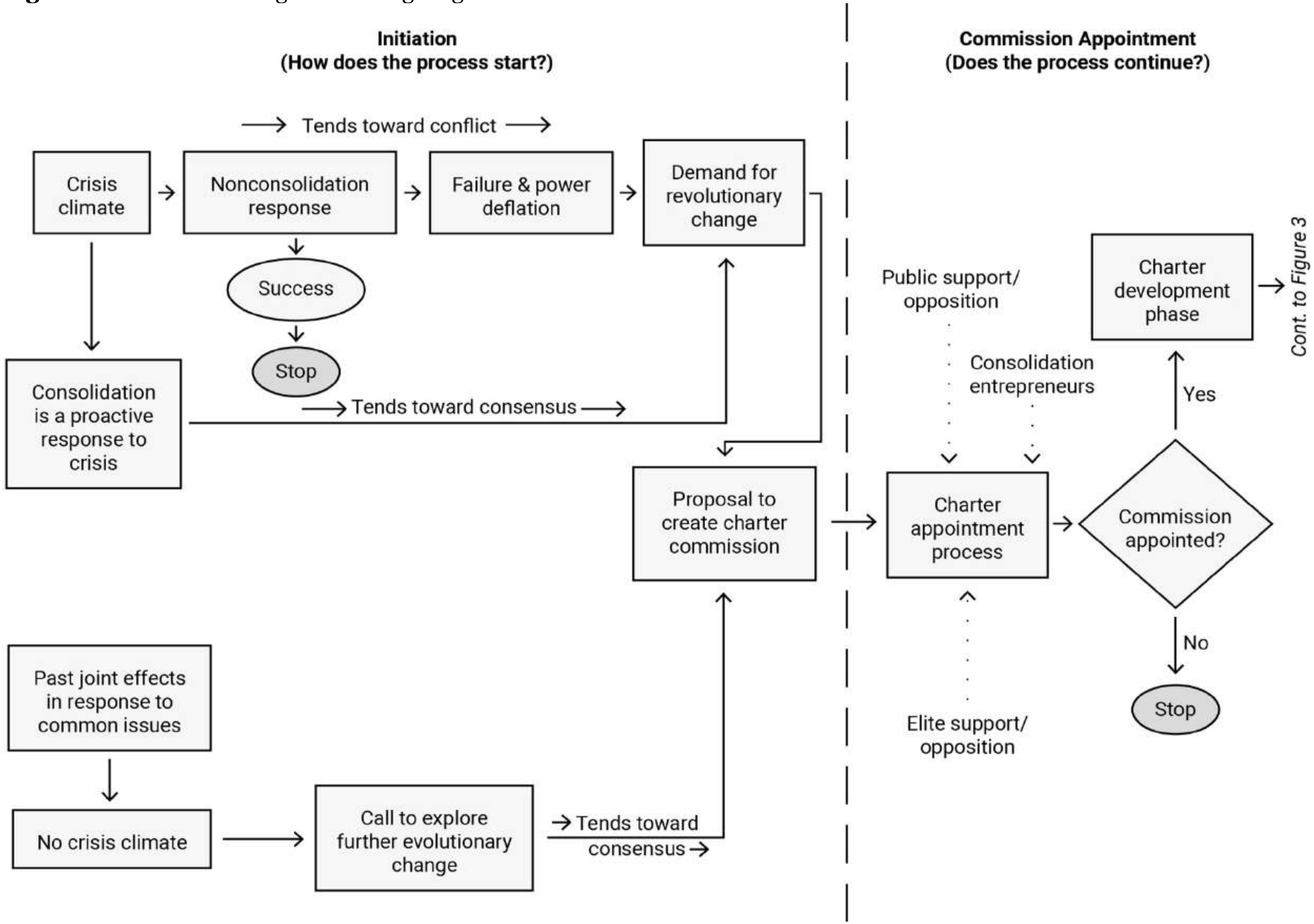


Figure 3. Consolidation Charter Development Stage

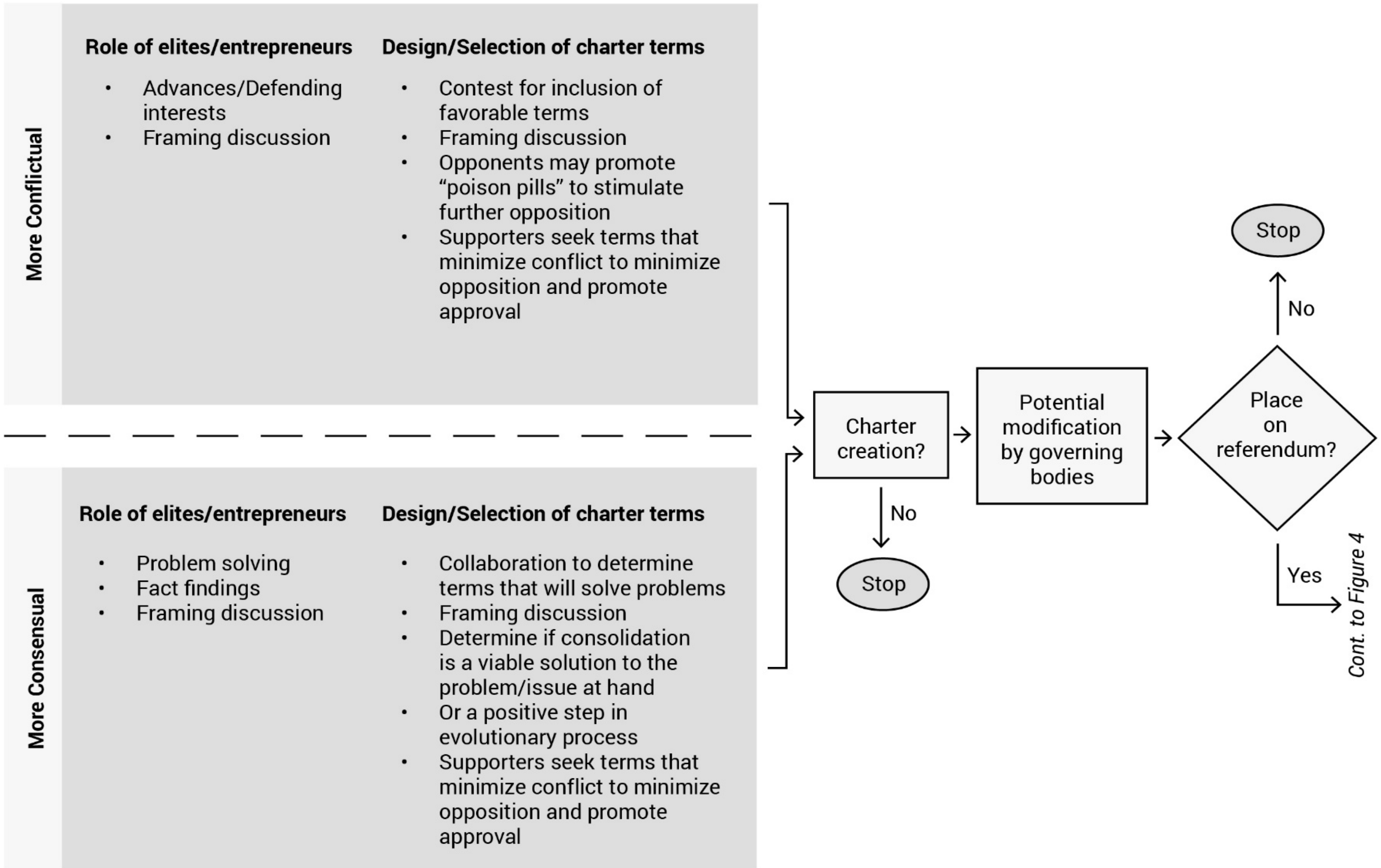
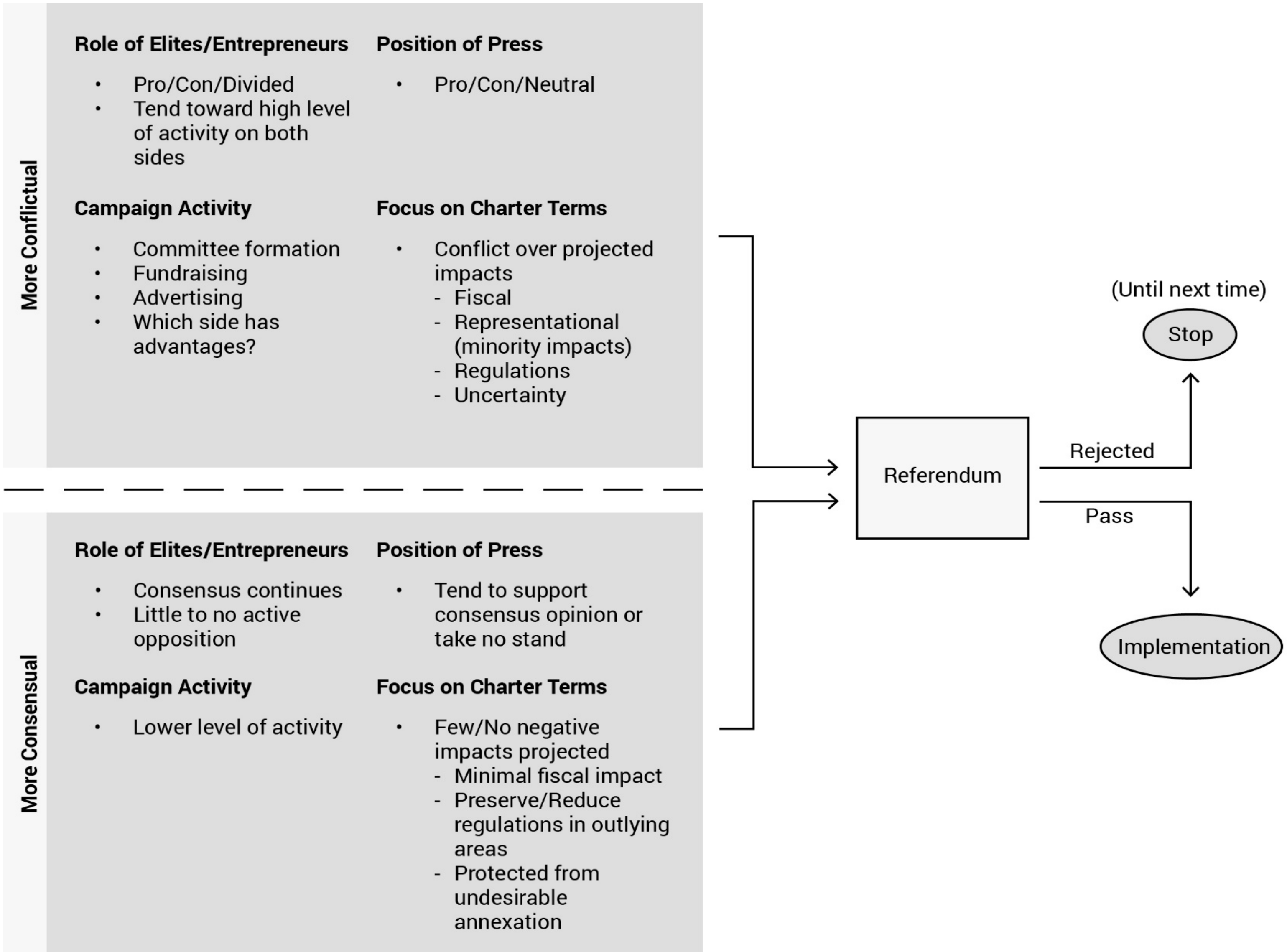


Figure 4. Consolidation Referendum Campaign Stage



In the referendum campaign stage illustrated in Figure 4, supporters and opponents of consolidation, including elites, entrepreneurs, and the press may attempt to influence the election outcome. If the process has been conflictual to this point, then the conflict will likely continue. If the process has been consensual, then it may continue to be so, or opponents may become active during this final stage. If there is conflict, it will largely concern the projected impacts of the consolidation, such as fiscal impacts. Ultimately, the referendum is held, and the consolidation proposal is either approved or defeated.

Discussion and Conclusion

This article extends the literature on local government boundary change by examining the full spectrum of local government consolidation outcomes. We augment Leland and Thurmaier's (2004a, 2004b) City–County Consolidation model by synthesizing it with Johnson's (2004) Theory of Local Constitutional Change and Hughes and Lee's (2002) Evolutionary Consolidation Model. The key features of the extended model are related to a heightened focus on charter development. Not only do we include charter development as a separately identified step in the local government consolidation process, but we also allow for the possibility that charter development may be a consensual investigation of community needs and solutions, rather than a conflictual contest of interests. Consolidation efforts in which charter development is characterized by investigation and learning are more likely to be evolutionary, as envisioned by Hughes and Lee (2002), than revolutionary, as envisioned by Leland and Thurmaier (2004a, 2004b) and Johnson (2004).

The extended model also contemplates additional points at which the consolidation process might be halted creating the potential for a wider variety of consolidation outcomes. A comparative case study of seven local government consolidation attempts occurring from 2008 to 2012 under the common institutional context of Indiana's Government Modernization Act, illustrates the suitability of our revisions to the C3 model and demonstrates the applicability of the model to other forms of consolidation in addition to city–county.

The findings of this study underscore the role and importance of conflict and consensus in the consolidation process. We find that when conditions allow consolidation to be approached as a consensual attempt at problem-solving, then the prospects of a successful consolidation effort are enhanced, compared to efforts which are conflictual. Four of the seven cases were characterized by consensus. Of these four, two (Yorktown–Mount Pleasant and Zionsville–Eagle–Union) were approved by a large margin in the referendum. The other two consensual cases were halted without going to referendum because the reorganization committee decided either that consolidation was unnecessary (Avon–Washington) or against the public interest (Brownsburg–Brown–Lincoln).

In the other three cases, the consolidation effort was highly conflictual. In none of these three cases were consolidation proponents successful. In two cases (Muncie–Delaware and Evansville–Vanderburgh), the consolidation proposal was soundly defeated at referendum. In the third case (Greenwood–White River), the process was halted when officials inadvertently missed the deadline to place the question on the ballot. Officials had originally planned to place the question on the ballot in an earlier election but decided to delay because the high level of conflict highlighted the need for more time to build support.

The three conflictual cases also corroborate that taxation is a major issue in consolidation politics regardless of the level of government. In the two consolidation efforts that were defeated at referendum and the one that was halted by a missed deadline, the potential for shifting tax burdens among taxpayers was a primary point of controversy leading to the conflict.

Our findings provide additional insight into Leland and Thurmaier's (2005) finding that consolidation proposals based on efficiency and cost savings arguments are rarely successful. In the two cases with unsuccessful referenda (Muncie–Delaware and Evansville–Vanderburgh), consolidation advocates promoted consolidation as a means to efficiency and cost savings and, as Leland and Thurmaier (2005) have noted in other cases, voters did not buy their argument. On the contrary, we confirm Leland and Thurmaier's (2005) finding that economic development concerns are more likely to motivate voters to support consolidation than promises of greater efficiency. In the cases of the two successful consolidation referenda (Zionsville–Eagle–Union and Yorktown–Mount Pleasant), local officials presented consolidation as the solution to problems of development.

We also confirm Leland and Thurmaier's (2005) finding that neither a crisis climate nor power deflation are necessary preconditions for local governments to consider consolidation. Out of six cases with an identified crisis, only two proceeded to a successful referendum and neither of those involved power deflation. Of the three cases, with power deflation, none were successful. Two were defeated at referendum and the third was halted because the crisis was resolved without consolidation.

For practitioners, we recommend they familiarize themselves with stages of Hughes and Lee's (2002) Evolutionary Consolidation Model and the consensual problem-solving approach adopted by officials in Zionsville–Eagle–Union, Yorktown-Mount Pleasant, Avon–Washington, and Brownsburg–Brown–Lincoln. Consolidation may or may not be the appropriate solution to problems facing local governments within a county or region, but discussion and exploration of cooperative efforts among nearby local governments may lead to productive solutions.

Finally, this study continues the tradition of synthesis that has informed theory building in the study of local government consolidation. The extended and revised model presented here allows for the analysis of a wider variety of local government consolidations, including those involving municipal and township governments and accounts for varied charter development processes. It also allows for multiple potential stopping points, permitting the incorporation of the wide variety of consolidation process that exist across different states. This analysis is particularly relevant for local governments in states which have the township layer of government. It is our hope that scholars and policy makers will find this revised theory useful in the study, design, and implementation of future consolidation efforts.

Notes

1. The GMA is codified in IC 36-1.5; http://iga.in.gov/legislative/laws/2017/ic/titles/036#36-1.5

Disclosure Statement

The authors declare that there are no conflicts of interest that related to the research, authorship, or publication of this article.

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Research Article

Journal of Public and Nonprofit Affairs
Vol. 6, No. 3

Life, Death, and Zombies: Revisiting Traditional Concepts of Nonprofit Demise

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There is a robust literature examining financial vulnerability and demise of nonprofit organizations, particularly in the United States. However, much of this knowledge stems from inconsistent definitions of nonprofit demise. Using eight comparative case studies, this study revisits traditional definitions of nonprofit life and death to better reflect actual organizational operating status. Following this reclassification, findings from this study show that certain internal and external characteristics are more important in determining a nonprofit's operational status. In particular, nonprofits whose missions involve a particular regulation are more likely to close due to mission completion or obsolescence; however, these nonprofits also tend to either reincarnate or expand scope if other factors are favorable. The findings also appear to show that the existence of conflict or competition with an outside entity boosts nonprofit cohesion. Internal tensions, however, are particularly harmful.

Keywords: Nonprofit Demise, Closure, Dissolution, Conflict

The exact meaning of nonprofit demise is ambiguous in the academic literature (Hager, 1999; Helmig, Ingerfurth, & Pinz, 2013; Searing, 2018). This ambiguity stems primarily from the difficulty in accessing data that conclusively show a nonprofit's current operating status, especially accessing enough data for large-scale quantitative studies. Additionally, empirical definitions of organizational vulnerability and death vary from study to study; and there are a number of industry standards to identify an organization's demise, such as multiple years of not filing mandatory reports (Hager, 2001), program expense cutbacks (Greenlee & Trussel, 2000), and fund balance losses (Trussel, 2003; Trussel & Greenlee, 2004). To overcome this ambiguity, some researchers have relied on publicly available lists of nonprofit organizations that are known to have failed, such as the Master Failed Public Charities list from the National Center for Charitable Statistics (NCCS). This list, however, was only released for the year 2003 (National Center for Charitable Statistics, 2003).

Unlike countries with lists of deregistered charities (e.g., Canada), the United States (US) does not have a definitive source of information regarding nonprofit demise (Elson & Rogers, 2010). Even in countries with deregistration lists, however, nonprofits that mistakenly allow paperwork to lapse and immediately re-register under a different identification number are often not recorded as deregistered. The only reliably accurate method to verify and explore nonprofit death is through direct contact with an organization in order to verify existence, or direct contact with organizations in the immediate organizational ecosystem surrounding where the yet-to-be-verified organization last operated.

Searing, E. A.M. (2020). Life, death, and zombies: Revisiting traditional concepts of nonprofit demise. *Journal of Public and Nonprofit Affairs*, *6*(3), 354-376. https://doi.org/10.20899/jpna.6.3.354-376

Several studies have utilized this approach. Hager and Galaskiewicz (2002) undertook an event history analysis of 31 closed nonprofits in the Minneapolis-St. Paul area; and, Hager et al. (1996) utilized a narrative approach to explain nonprofit demise. Fernandez (2008) adopted a similar approach as Hager and colleagues (1996) to explain closure for voluntary associations in Madrid, Spain. Hu, Guo, and Bies (2016) studied the termination of 13 alliances between nonprofits in China.

In for-profit network analysis, Human and Provan (1997, 2000) conducted qualitative studies on two networks of small forestry product companies, shifting their research focus from network exploration to reasons for organizational demise when one of them dissolved. Walsh and Bartunek (2011) used six qualitative case studies to study the demise, reorganization, and rebirth in large for-profit organizations. They found that entrenched organizational processes and identity were key to revival. Sutton (1987) studied smaller and newer firms and found that adherence to the prior organization inhibited formation of another organization. Mantere et al. (2013) emphasized that this approach was particularly salient for entrepreneurial failure, since the personal nature of the venture often entails emotional processes (e.g., grief and recovery) in addition to contextual elements.

Although insightful, none of these studies have concentrated specifically on nonprofits that already possess, what organizational ecology researchers refer to as, the liabilities of smallness and newness (Freeman, Carroll, & Hannan, 1983). Organizations that are young and small are more likely than other comparable organizations to close. Since the bulk of the nonprofit sector is made up of smaller organizations (Kim & Peng, 2018), the findings from this study should be particularly salient for both practitioners and researchers.

Using a comparative case study approach, this study investigates the types and causes of nonprofit organizational demise. The study proceeds as follows: first, I provide a review the theoretical foundations of nonprofit, and broader organizational, death. Second, I describe the methods used to acquire and analyze the data in the study. This is followed by a reclassification of nonprofit organization operating status and demise. Next, I describe the themes that emerged regarding the causes of closure. Finally, I discuss the implications of the study; and, I conclude with study highlights and practical applications of the findings.

Theories of Nonprofit Demise

This study draws on three theoretical approaches: organizational ecology, institutional theory, and resource dependency. A number of scholars studying nonprofit demise have noted the complementarity of these theories (e.g., Fernandez, 2008; Hager, Galaskiewicz, & Larson, 2004). According to Abzug (1999), the differences between the theories derive from their empirical approaches: institutionalists rely on case studies, resource dependency theorists rely on large databases, and population ecologists rely on either large databases or they don't report data at all. For the purposes of this study, it is important to note that all three theories incorporate the dynamics of the environment while still including the internal mechanisms of the organization, whether on an individual or a group level. They differ, however, in how they emphasize management's role in survival and the rigidity of the external environment.

Organizational ecologists view organizations at a group level, with those organizations that possess the ability to adapt and thrive in their particular niche of the ecosystem providing the impetus for its species to evolve. These organizations either have superior means of extracting resources (Hannan & Freeman, 1993; Pfeffer & Salancik, 2003) or they possess unique beneficial attributes such as adaptability, entrainment, or resistance to environmental change. Beyond these characteristics, however, are the dynamics of the niche itself (e.g., the amount of resources available and the population density).

Density theorists have shown that there is a U-shaped relationship between the number of similar organizations in a niche and the number of organizational closures (Baum & Singh, 1994; Hannan, 1986; Hannan & Freeman, 1993). Industries with a small number of organizations typically lack legitimacy and have difficulty pulling in resources. This causes a high rate of failure. As the niche and the organizational type gain legitimacy, competition for resources increases. However, so does the quantity of resources. The abundant resources continue to draw in firms until the niche is too crowded to support the crowd. After which, the organizational demise rate increases again.

Although Singh and Lumsden (1990) assert that there is convergence in organizational ecology and new institutional theories, there are enough separate elements between the two to consider them unique schools of thought. Similar to organizational ecologists, institutionalists focus on the relationship between organization and environment. However, institutionalists are more concerned with the socio-historical context than they are with the current presence of competitors in the niche (DiMaggio & Powell, 1991). These contextual elements can include social norms (Meyer & Rowan, 1977), organizational norms (Haverman, 1993), industry norms (Krishnan & Yetman, 2011), and/or both personal and organizational identity (Baron, 2004; Hannan, 2005; Hsu & Hannan, 2005). In all instances, though, the emphasis is on the nuance in cultural constructs around the organization.

The concept of legitimacy, where an organization is accepted and embedded in its niche, has roots in both institutional and organizational ecology theories (Aldrich & Fiol, 1994; Hannan, 2005; Human & Provan, 2000; Zucker, 1989). Without legitimacy, an organization is isolated from the resources in its niche. Such an organization eventually be selected out of the evolutionary process, both as an organization and as a species. Institutionalists view the niche itself as a normative construct. Proponents of organizational ecology (and even resource dependency), however, view the niche as a rigid and direct function of environmental characteristics within which an organization exercises a degree of autonomy on strategies, such as specialism and resource extraction (Freeman & Hannan, 1983).

In addition to these theories, there are also several theories that address the resources themselves. First, resource partitioning theory suggests that the resources within a niche are best divided up amongst the inhabitants. This allows each organization type to consume either a particular resource or to do so in a particular way (Carroll & Swaminathan, 2000; Freeman & Lomi, 1994). Partitioning can happen either through specialization in a certain type of resource or by becoming a generalist (i.e., an organization able to use several different types of resources effectively) (Boone & Arjen van, 2004; Breckenridge, 2002).

According to resource dependence theory, an organization makes itself vulnerable to shocks by depending too highly on a single type of revenue. This is an extension of the logic found in resource partitioning. Resource dependence can occur with a wide variety of resources. For example, Grønbjerg (1992, 1993) found that individual philanthropy and foundation grants were highly volatile. Other studies have found that government funding can be fickle or subject to political cycles (Froelich, 1999; Khieng & Dahles, 2015; Marwell, 2004; Weisbrod, 1997). However, many organizations grow faster and larger through specialization in a particular income source. Specialization provides them with additional efficiencies, such as experienced grant writers or knowledge of the arcane government contractual compliance needs (Barman, 2002; Foster & Fine, 2007).

Typologies of Nonprofit Demise

Several typologies exist which attempt to organize the numerous causes of nonprofit demise. Stinchcombe (1965) described, what has come to be known as, “the liability of newness” as a vulnerability in four specific ways. First, new organizations do not have the benefit of learning inside the organization. They are, therefore, forced to hire new skills from outside the organization. Second, lack of routinized operations inside the organization forces a process of trial-and-error to find optimal methods. Third, new organizations lack allies in their niche to rely on and share information. Finally, new organizations have lack established relationships with clients who could decrease the search costs of finding revenues (Lubatkin, Schulze, Mainkar, & Cotterill, 2001).

Levine proposed four potential causes for decline in public organizations: political vulnerability, organizational atrophy, environmental entropy, and problem depletion (Levine, 1978). Political vulnerability, a measure of internal resilience, addresses the level of attention and resources that can be gathered in support of the organization on a political level. Organizational atrophy (also internal) describes the process and human resource factors that can snowball in a declining organization. Environmental entropy describes changes in the surrounding organizational niche that can impact the ability of an organization to keep functioning the way it has been. Finally, problem depletion is the gradual shifting of public or policy priority away from the original issue that spurred the organization's creation (Levine, 1978).

In 1999, Hager augmented Levine's typology of organizational demise in order to specifically address existing theories and data from the nonprofit sector. Using a study of 37 closed nonprofits from the Minneapolis area, Hager developed a framework of eight different explanations for nonprofit demise. These explanations were newness and smallness, niche, commitment, conflict, institutionalization, network, human capital, and mission completion. Using several types of analysis, Hager found strong empirical support for a theory referred to as Liabilities of Newness and Size and for Niche. This theory describes the level of resources in the local environment. He also found some support for institutionalization theory, primarily from first-hand accounts; and, he found support for mission completion theory, which states that some organizations close because they have accomplished their mission. This explanation has been tested and confirmed in later studies by Fernandez (2008), who studied 41 closed charities in Madrid, Spain, and Thelin and Trollinger (2009)m who focused on the phenomenon of foundation endowment spend-down.

Hager's (1999) typology forms the foundation for this study's inquiry in three ways. First, Hager's (1999) typology describes numerous ways that a nonprofit organization might be considered closed other than financial. Second, Hager's (1999) findings (particularly those on the importance of the liabilities of newness and smallness) provide empirical justification for the exploration of young and small nonprofits as a unique group. Finally, Hager (1999) specifically excluded nonprofits from his study that were not unambiguous closures. This study does not exclude ambiguous cases; rather, we deliberately seek to explain the nuance of operational status , and the resulting changes to our understanding of demise as a nuanced and complex concept are central to our findings.

Data

Case Selection Criteria

To allow the determinants of demise to emerge, we assembled a blended set of comparative case studies for nonprofits, whether living or dead. In line with the case selection parameters of Seawright and Gerring (2008), I employed a "most similar" selection strategy. That is, nonprofits were matched on as many control variables as possible in order to allow more complete analysis of the characteristics that previous studies have indicated could play a causal role. For the initial list of potential case studies (i.e., the population), I relied on all registered 501(c)(3) tax-exempt nonprofit organizations in the state of New York. These organizations were identified using listings from both the 2012 Core File and the 2011 and 2014 Business Master Files (all obtained from the National Center for Charitable Statistics (NCCS)).

To narrow the list further and select cases, I chose five characteristics from the literature to serve as the foundation for the sample: subsector, location, age, size, and operational status. I then constructed a deliberate sample where the organizations within the sample had enough in common to make them comparable but had enough variation to offer useful analysis.

Subsector. In smaller comparative case studies or qualitative work, the ability to construct and refute plausible counterfactuals is important. Therefore, it was key to identify a subsector that was not only thematically linked, but that also faced similar regulatory elements yet still had sufficient variation in underlying activities to provide a comparison. Given this consideration, I focused on nonprofits in the mental health subsector (i.e., nonprofits classified, according to the National Taxonomy of Exempt Entities (NTEE), with Code F on their Form 990 or other official paperwork such as their exemption application). This subsector is broad enough that it contains a variety of organizations that operate under any of the 24 different "core code" classifications for this subsector, such as Substance Abuse Prevention (F21) or Hot Lines and Crisis Intervention (F40). Since programming and funding can vary substantially across types of organization in addition to the organization itself, I retained each organization's core code for purposes of the analysis.

Location. Nonprofit regulations, resources, and reporting requirements can vary between states. This is particularly true for a heavily regulated subsector such as mental health. However, any test of ecological characteristics requires a comparison between at least two different environments. Therefore, this study concentrates on three cities within New York State: Albany, Buffalo, and Syracuse. As shown in Table 1, all three cities have similar demographic characteristics. However, the cities are geographically diverse and have different local resource niches (e.g., Buffalo's proximity to Canada and Albany's status as the state capitol).

Age. Since this study specifically addresses the liabilities of newness and demise, restrictions on age and size are important. Further, there are several mental health nonprofits that are extraordinarily long-lived, so the establishment of a reasonable cut-off for potential sample participants is necessary. Since information regarding the founding date of an organization can be unreliable in the NCCS data, in this study I use the year that the Internal Revenue Service ruled that the organization was a 501(c)(3) nonprofit organization. The earliest year that a nonprofit in the sample was granted tax-exempt status was 2000. The latest year was 2012.

Size. I also restricted the size of the organizations in the sample. Similar to the definition of "small" in previous research (Searing, 2015), I restricted the focus to nonprofits that have made less than or equal to $150,000 in revenues during at least one of the years in the sample period.

Operational status. Though not used as the basis for inclusion or exclusion, it was important to the study design that there be a balance between participating nonprofits that were currently functioning (referred to here as "alive") and those that were not (referred to here as "dead"). However, as previously noted, the determination of organizational death can be difficult. Therefore, the assumed operational status of an organization was determined based on three criteria.

First, since the standard period of time for determining vulnerability in the nonprofit literature is three years (Greenlee & Trussel, 2000; Trussel & Greenlee, 2004; Lu, Shon, & Zhang, 2020) all nonprofits that had filed a Form 990 in 2010, 2011, or 2012 and listed in the Core Files were considered likely to be alive. If a nonprofit did not meet this standard, I conducted a search for the organization in the Business Master Files (BMF). Since the BMFs are available for more recent years than the Core Files and include nonprofits of all sizes, this yielded organizations that were either new or too small to have ever filed a full Form 990. If

Table 1. Characteristics of Cities in the Sample

	Albany[a]	Buffalo[b]	Syracuse[c]
Population (2013)	98,424	258,959	144,669
Estimated Per Capita Income (2012)	$23,399	$19,973	$17,417
Median age	31.1	33.3	29.4
% White	53.2%	46.1%	52.3%
Population density (per square mile)	4,604	6,376	5,766

Notes: [a]Data obtained from City-data.com, 2015a. [b]Data obtained from City-data.com, 2015b. [c]Data obtained from City-data.com, 2015c.

an organization's absence from the Core Files indicated demise while their presence in the BMFs indicated possible life, I erred on the side of caution and assumed that the nonprofit was closed for the purposes of constructing the sample. In total, I identified 20 nonprofit organizations for inclusion in the study.

Data Collection

Following identification of the potential sample, all 20 organizations were contacted via e-mail and invited to take place in the study. Nine organizations agreed to be a part of the study. Only eight organizations, however, actually participated.[1] Compared to nonprofits in the final sample, those that did not respond were from Albany. However, since more than half of the organizations in the total sample were located in Albany, this likely impacts generalizability (though not the analytic usefulness of the geographic diversity of the sample). The nonprofits that responded and those that did not respond were otherwise comparable on most other attributes.

Each nonprofit participant in the study was the subject of data collection from primary and secondary sources. In my initial contact for participation in the study, I asked participants for permission to conduct a semi-structured interview with the person that was contacted; the interview protocol and interviewer tool are available upon request from the author. All interviews, except one, were conducted in-person in the city where the nonprofit is (or was) based. One of the interviews took place over the phone, while using the same interview protocol as the in-person interviews.

Interviews were conducted between February 23 and March 3 of 2015. All interviews lasted between 55 and 110 minutes in length. Information about the nonprofits obtained from secondary sources (e.g., financial filings and social media) was also used in the analysis.

Analytical Methods

The majority of studies about nonprofit organizational demise involve large quantitative datasets and they rely heavily on the use of accounting ratios. Though these studies are useful, details and context surrounding the demise process might better be captured through a descriptive process that includes non-financial factors. Miles and Huberman (1994, p. 10) provide the guidelines on how to perform qualitative work that I rely on in this study. This process includes data collection, data reduction, data display, and drawing conclusions. All steps in the process occur along with extensive memo-taking about the process.

The first step, which is data collection, was described in the previous two subsections. The second step, which is data reduction, was necessary due to the copious amounts of documents generated through interviews and collection of secondary source materials. The reduction occurred in several steps. First, all field notes were summarized following each interview, resulting in roughly four dense pages of field notes and quotes per organization. These reports were then analyzed through a series of iterative coding processes. This is often preferred when comprehensive understanding of a situation is needed (Glaser, 1999).

The initial open coding schema was developed based on an interview narrative randomly drawn from the eight available interviews. Since existing typologies and theory influenced the interview protocol, this study followed a more procedural approach to grounded theory, similar to Strauss (Melia, 1996; Strauss & Corbin, 1990). Following the example of Strauss (1987) and Strauss and Corbin (1990), I assigned the "thought chunks" in the write-up to a summary word based on the content of the chunk. This open coding of the first write-up yielded 98 code tags. These tags were then assembled into six axial meta-codes. Both, the open and axial code tag schema, are available in the Appendix, Table A1.

These meta-codes were then applied to the original test case and the remaining cases by conducting a themed coding sweep on each case per meta-code. For example, for the meta-code "Conflict," each write-up was hand-coded according to the content in relation to the theme. This process was repeated using unmarked copies of the write-ups to allow a fresh viewing for each meta-code. Doing so allowed each "thought chunk" to contribute to different analytical ideas without visually crowding out during the process of coding. The meta-codes were also applied as needed to secondary information sources.

Once the information was coded, the third step in the Miles and Huberman (1994) process is to display the information. The primary display technique used in this study is word tables (Yin, 2009; Yin, Merchlinksy, & Adams-Kennedy, 1998). Specifically, I used the meta-codes to categorize across organizations. This approach yielded 45 word tables containing applicable elements of narrative and quotation. There was one table per organization per meta-code for all meta-codes but one. For this one the five tables were organized by trait rather than nonprofit for clarity. Then, as a part of an iterative analytical process, the data was again reduced through the use of figures that relied on "tactics for generating meaning" such as counting, clustering, and comparison across cases as appropriate for that particular theme (Miles & Huberman, 1994 p. 248).

Finally, I drew conclusions on the operational status and the organizational factors relating to each nonprofit's status. This was accomplished using the cross-case analysis displayed in the Findings.

Findings

This section contains pertinent descriptive information about the sample, a brief reconceptualization of demise, and analysis of the six themes on the causes of demise that emerged from the study. The eight organizations included in the sample undertook a variety of activities. They represent all three cities in the study frame.

The sample was initially split evenly between nonprofits deemed "dead" and those deemed "alive." If all organizations were still living, their average age would be 11.25 years at the time of the interviews. If operating under the assumption that the final NCCS reporting date reflects the organization's age at closure, the average age would be adjusted down to 5.25 years. It should be noted, though, that this includes two nonprofits that ceased existing almost instantly according to the original three-step classification method for determining organizational death.

Table 2. Study Participants and State of Demise

Org. #	Activity	Initial Diagnosis	Final Diagnosis
932	Prevention	Alive	Alive
302	Prevention and Treatment	Alive	Resurrected
361	Professional Society	Alive	Alive
661	Alliance/ Advocacy	Alive	Alive
991	Professional Society	Dead	Dead
201	Treatment	Dead	Alive
732	Prevention and Treatment	Dead	Zombie
339	Prevention and Treatment	Dead	Re-incarnated

The Inadequacy of Demise Terminology

As Hager et al. (1996) discovered in their interviews with nonprofit managers whose organizations had closed, the notion of organizational demise is not a simple concept. In this study, the findings show that there are several levels of nuance around whether an organization is "alive" or "dead," as displayed in Table 2.

This should not be unexpected. Hager (1999) described several status types in his landmark study, noting that many organizations had left the initial study of healthy organizations for reasons other than simple closure. However, half of Hager's (1999) exits were outright closures (37 of 73). In the present study, only one of the five nonprofits that was deemed "not fully alive" was a clear closure.

At this point, classifications in this study need clarification. "Alive" indicates that the organization is an operational 501(c)(3) nonprofit as of March of 2015. Three of the four nonprofits that were originally classified as "alive" retain this classification. "Resurrected" refers to the loss and regaining of exemption status for the exact same organization. That is, the employer identification number (EIN) and mission for the organization are identical to the previous one.

A "Zombie" is a nonprofit that has not formally disbanded. However, the organization no longer attempts to pursue its mission. In other words, the "body" of the organization is still there, but the organization is no longer accomplishing a purpose.

"Reincarnated" is when the majority of an organization disbands one entity and re-forms as another organization with a similar purpose. This differs from the definition used in Hager et al. (1996), where they describe "reincarnated" as any nonprofit that was removed from their original panel due to merger, acquisition, geographical relocation, or change in tax exemption status. This study treats reincarnation as a death, but then a rise in a related organization with the same actors.

"Dead" refers to an organization that has disbanded and no longer functions or continues on in any form. In the analysis, I use the final diagnoses of operational status alongside organizational numbers.

Emergent Theme 1: Mission

The missions for the majority of the organizations that were interviewed involve influencing the flow of information and funding around the state of New York. This occurs most often through direct education or advocacy toward members of the government (either state legislators or individuals associated within a particular state agency). Distribution of the primary targets of programming and mission efforts are shown in Table 3.

Table 3. Status and Target of Nonprofit Mission

	Own Members	Government	Society	Total
Alive		2	2	4
Resurrected	1			1
Reincarnated		1		1
Zombie		1		1
Dead		1		1
Total	1	5	2	8

Since five of the eight organizations targeted the government in some fashion, it is not surprising that almost all of the organizations with a "dead" or "near dead" classification involve the government as a target. It is notable, however, that two of the four nonprofits that were "dead" or "near dead" targeted a very specific law or regulation. The organization then either disappeared or reincarnated when that piece of legislation had failed or changed. Thus, mission completion and mission obsolescence are two reasons for closure.

The one member-focused nonprofit in this study was brought back to life by the support of its members. This indicates that organizational resurrection may require an internal source of energy to bring a corporate body back to life.

Emergent Theme 2: Management and Governance

The personal characteristics of the interviewees (who, either, are or were Executive Directors of the nonprofits they represented) were diverse. Almost half of the interviewees were, either, currently or previously employed by government. Two of the interviewees had the bulk of their professional experience in the nonprofit sector. Another two had the bulk of their experience in the private commercial sector.

Notably, the two organizations with private commercial experience (Org. 302 and Org. 932) did not spend the bulk of their time lobbying government. In fact, the former nonprofit was primarily member-facing, while the latter nonprofit focused on educating government in efforts to achieve their primary objective of educating the public.

There was rarely paid staff at any of the organizations. Several organizations, however, did hire consultants and/or reimburse volunteers for expenses. The nonprofit with the largest paid staff was the only one that could clearly be marked as deceased.

Board sizes varied, from two to 20; and, the organizations generally had large founding teams. The larger boards and founding teams were associated with organizations comprised of government representatives. These representatives often gained membership simply as a function on their government job.

Only three of the organizations ensured representation of service recipients on their boards (Org. 361, Org. 302, and later reincarnations of Org. 339). However, reliability accounting for this is somewhat difficult since these organizations have missions geared toward advocacy and education of state legislators or agencies.

Almost half of the organizations operated solely by consensus voting. All of the organizations encouraged board members to voice opposition by "voting with their feet" and/or not attending meetings. Because meeting agendas are typically unable to progress without unanimity, there was a strong normative disincentive to engage in constructive discourse around disagreements. This pattern of behavior meant that disagreements tended to amplify when consensus was the default operational style.

Table 4. Degree of Conflict within Nonprofits

	Org. 201	Org. 302	Org. 339	Org. 361	Org. 661	Org. 732	Org. 932	Org. 991
Self		-		-			- -	-
Within Nonprofit	-	-	-		-	- -		- -
Between Nonprofits			+		-	-		-
With State Government	-		-	-		-	-	
With Other	+						- -	
With NYC	-		-					-

Emergent Theme 3: Conflict

Interview responses coalesced around six different types of conflict (shown in Table 3). Half of the interviewees reported deep personal conflict stemming from the organization. Only one interviewee, however, (from the fully closed nonprofit) described this conflict in terms of internalizing the problems that came from operating the organization. Another three interviewees indicated that their organizations used inner conflict to motivate performance within the organization. Two of them even indicated that they had used conflict to establish the nonprofit itself (Org. 361 and Org. 932).

In Table 4, the presence, type, and degree of conflict is coded as "very serious" (i.e., "- -"), "conflict" (i.e., "-"), or "a notably positive relationship" (i.e., "+"). High degrees of conflict within the organization can, undoubtedly, be toxic. Both of the interviewees that reported this condition were from nonprofit organizations that were, either, fully or mostly dead.[2] The only two interviewees that reported no within-organization conflict were, both, fully alive. Two points should be highlighted about these findings.

First, due to the prevalence of conflict we can assume that some degree of conflict among a nonprofit's board and/or leadership team is manageable. However, severe internal conflict could contribute to organizational mortality. Second, the presence of external conflict may serve as a galvanizing force for the organization since all nonprofits that were able to clearly be marked as "alive" experienced some form of external conflict, at times even to a high degree.

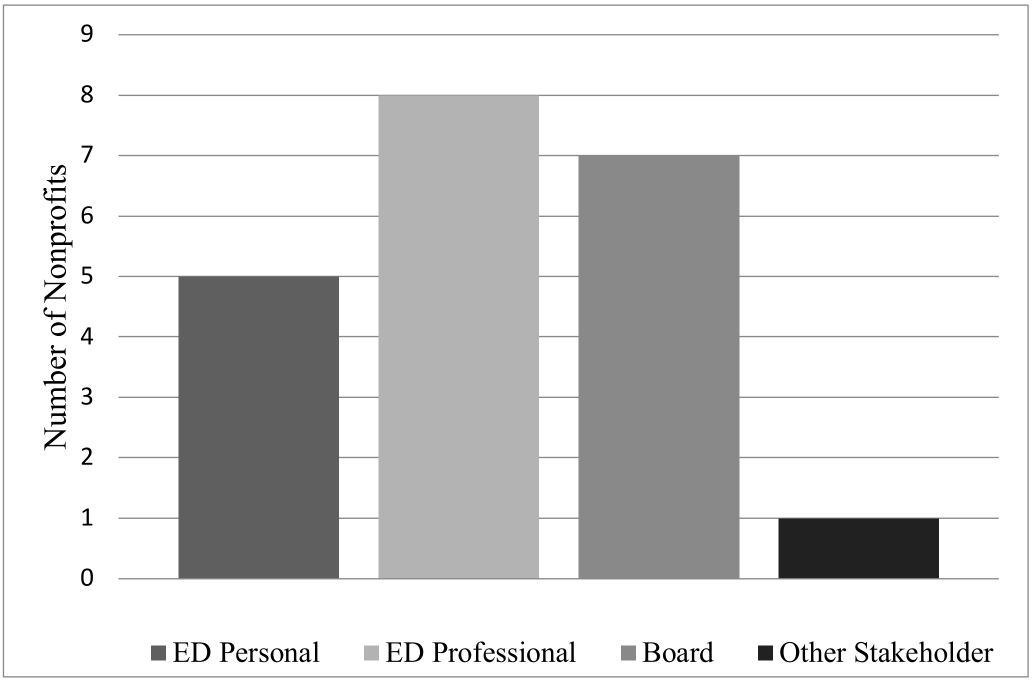
It should also be noted that the New York City area was often mentioned specifically as a resource adversary for upstate New York organizations (i.e., organizations located in the three cities used in this study). Therefore, a motivation for the formation of one of the organizations was to serve as a power balance against New York City, especially against organizations in the city trying to sway governmental education and funding.

Emergent Theme 4: Networks

The role of networks was highly intertwined with the personal characteristics of the interviewees since it was often their contacts that served as the hub of the network. As shown in Figure 1, every organization utilized the professional contacts and network of the interviewee. The resources of the board and the interviewee's personal network were also utilized heavily.

This aligns with findings from other studies that have shown a link between local embeddedness in the community and organizational longevity (see, Ford & Andersson, 2016; Hager et al., 2004). Only one organization included other stakeholders as part of their network. However, this may be because of the overlap in stakeholder and member groups in some nonprofits.

Figure 1. Utilization of Network Resources by Source



Note: "ED" indicates Executive Director.

There was also wide variety of network participants and utilization. Some of this variety was influenced by the levels and locations of conflict. These relationships are summarized in Table 5. As displayed in the table, the number of symbols refer to the different types of participants. The symbol represents either a positive ("+"), negative ("-"), or mixed ("~") relationship.

The greatest variety of relationships is with other nonprofits. This reflects the diversity and complexity of these organizations. For example, the several types of relatively positive relationships enjoyed by Org. 339 are with nonprofits that have a similar mission (though "not necessarily allies"), smaller peer nonprofits, and subsequent reincarnations of the same group of individuals in response to different legislative initiatives.

Relationships with parent nonprofits are generally positive (Org. 201 and Org. 302). However, this is not always the case. One organization, in particular (Org. 661), had a mixed relationship with the parent nonprofit due to a schism at founding.

The nonprofit with the most satisfied clients was the fully deceased organization. Thus, satisfied service recipients do not necessarily provide a means for organizational longevity. Further, with the exception of Org. 661, the organizations with the most strained relationships with fellow nonprofits are also the ones with an operational status at, or closest to, demise.

Emergent Theme 5: Financial Resources

The summarized publicly available financial information is shown in Figure 2.[3] As anticipated, total assets and liabilities for the organizations are low, though net assets reveal that these organizations on average have some (even if limited) reserve funds. However, net assets are only about one third of the annual expenses. As such, there are not enough funds to prevent financial calamity.

It should be encouraging to see that revenues exceed expenses, on the whole. This means that these organizations likely did not over exceed their budgets in their early years. Also, though the "contributions" type of revenue appears high for organizations that depend on contracts,

Table 5. Types of Network Participants

Nonprofit	Org. 201	Org. 302	Org. 339	Org. 361	Org. 661	Org. 732	Org. 932	Org. 991
Funders					~			
Local Government (Own)	+		+				- -	+ -
Local Government (Neighbor)	+		+				~	
NYC	- ~		- -				-	-
State/National Government	+ ~		~	~		+	+	+ ~ ~
Clients			+	+	+		+	++
Corporations			+		+	+	~ +	
Other nonprofits	+	+	~ + +	++	~ ~	~	+	+ - -

the Form 990 (from which the public information is based) considers government contributions and grants as a portion of public contributions. Beyond this, there does not appear to be a unifying trend in revenue behavior throughout the sample.

The interviews provide more detailed information not only into the revenue portfolios, but also into the decision processes behind the revenue choices. As shown in Table 6, there are a variety of funding sources and half of the organizations relied on a single source. Two of the four nonprofits that have only one type of revenue are reliant on individual contributions. These two nonprofits collect donations in different ways. Organization 302 relies on voluntary member contributions, whereas Org. 661 relies on special events fundraising.

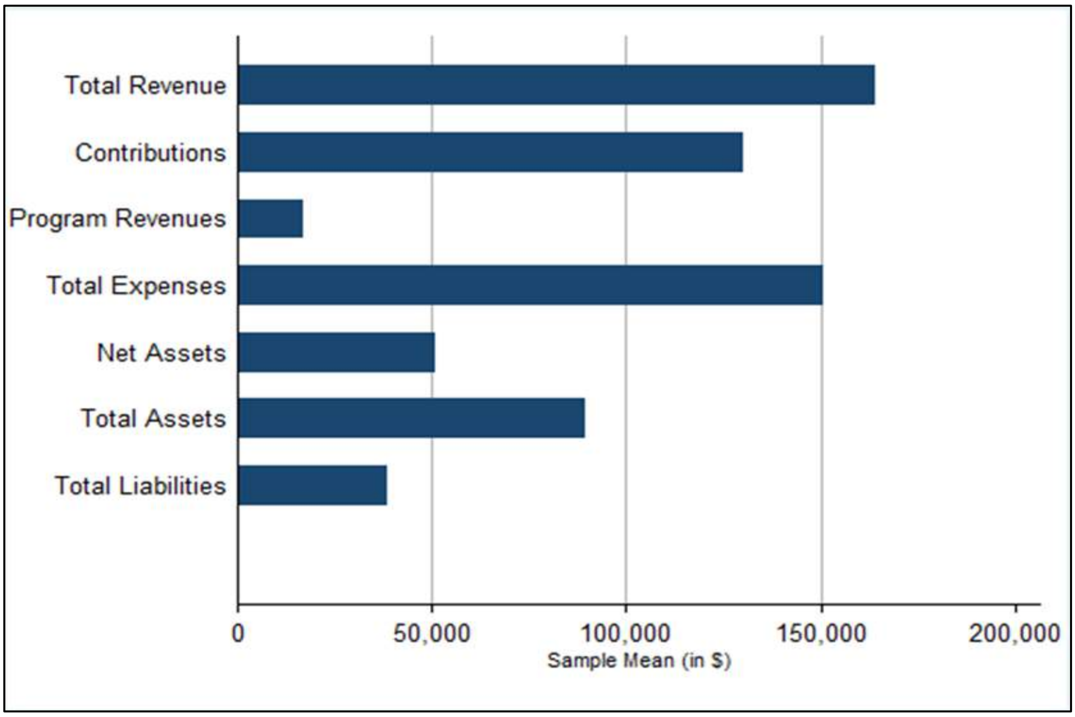
Organization 661, the third nonprofit that relied on a single revenue source, also relied on members for income. The members in this case, though, are other established nonprofits that pay a mandatory monthly fee. Organization 339 has members that are governmental entities. These entities pay voluntary amounts rather than mandatory amounts.

Interviewees indicated that many of their organizations received government money, either directly or indirectly through other nonprofits. Interviewees at two of the nonprofits that did *not* receive government funding were adamant that they did not want to seek it. In particular, they expressed concerns about the strings attached to government funding or the appearance of an endorsement. Even interviewees from nonprofits that *did* receive government funds joked about how regulations were going to force the mergers of small nonprofits (Org. 339) and that rapidly shifting government priorities had taught everyone to effectively "chase the money" (Org. 201).

Half of the organizations received foundation grants. However, this was not the sole source of income for any of the nonprofits. The interviewee from Org. 361 described foundation grants as "the easiest way to ever get money," though this does not appear to be a universal opinion. Two other interviewees specifically mentioned how difficult it is being small or new in attracting this type of funding. According to the interviewee from Org. 661, *"In order to grow, you have to be credible, but credibility goes to those who have grown. It's a chicken and the egg problem."*

Financial resources were the area where most interviewees mentioned specific difficulties being smaller and newer organizations. This difficulty extended to their organizational missions as well. Most of the nonprofits in this study exist(ed) for educational purposes, which includes addressing social stigmas such as talking about mental health and addiction. Interviewee from Org. 932, in particular, mentioned how difficult it was to raise money for an issue that it was not acceptable to talk about. Therefore, beyond what may be considered an intuitive link between funding and organizational survival, the complex relationship between age, size, mission, and funding can serve as a particularly large burden for this group of nonprofits.

Figure 2. Pooled Participant Financial Averages



Emergent Theme 6: The Role of Government

The large role that government played with small and young nonprofits in this study was unexpected. First, regarding financial resources, government was pervasive in their involvement. Only two organizations did not receive government funding. One organization did not receive government funding because it is peer-supported. The other did not receive government funding because many of its relationships with government are (and have been) adversarial.

Organization 932 actively avoids government funding, despite potential synergies. The organization avoids the funding because it “comes with rules and looks like an endorsement.” This skepticism persists even among those that do receive government funding for other activities. Interviewees from organizations 361 and 661 both indicated that they deliberately avoid government monies in order to keep their organizations pure from influences.

As noted previously, many smaller and younger nonprofits, particularly those in the mental health subsector, spend time trying to influence government. Interviewees from these organizations offered information regarding success and failure. This may potentially be because regulation or fund division provides an easier metric than attempting to stem addiction or encourage best practices in program development.

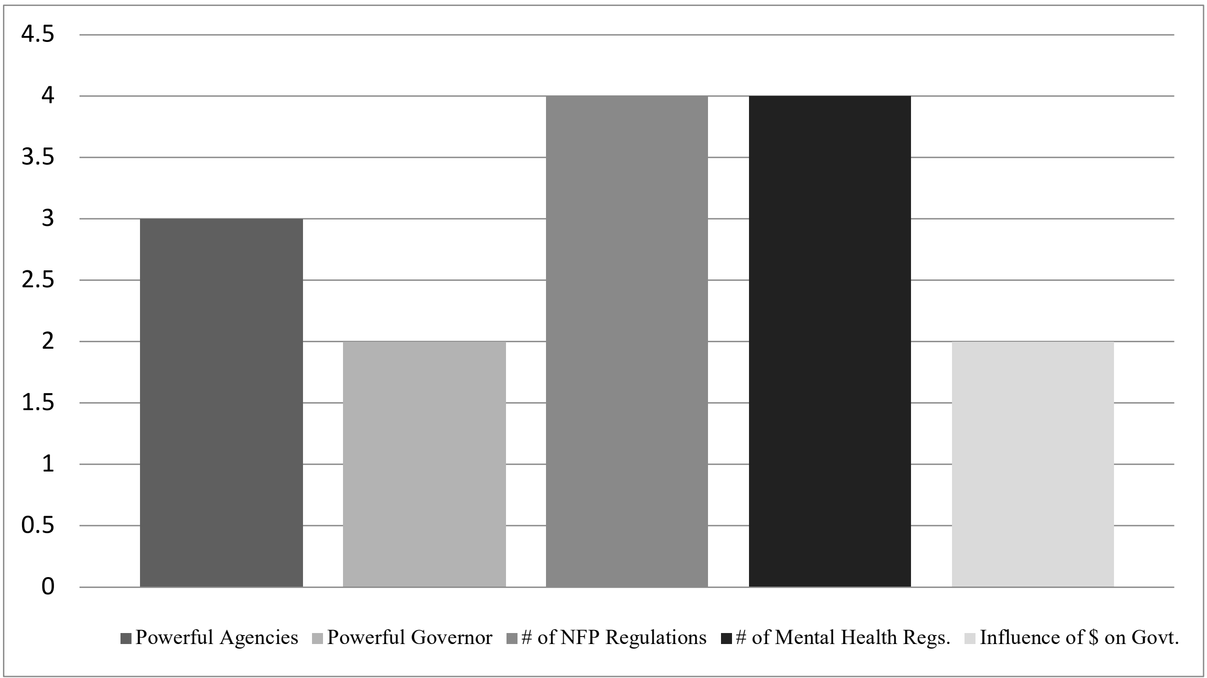
Additionally, attempting to influence state funds also meant that these organizations were more likely to consider other nonprofits to be, both, colleagues and adversaries; further, the majority of those trying to influence state funds considered New York City a direct threat. Some even considered this threat to be a motivation behind the formation of their nonprofit.

Three quarters of the interviewees considered some aspect of regulating the mental health sector or government in general problematic, as summarized in Figure 3. Organizations that were led by veterans of government were more likely to be concerned about concentration of power, especially with recent legislative shifts in the health sector toward managed care.

Table 6. Types of Financial Resources and Opinions

Source	Org. 201	Org. 302	Org. 339	Org. 361	Org. 661	Org. 732	Org. 932	Org. 991
Government	x		x					x
Corporation							x	
Individual		x			x		x	
Foundation	x			x			x	x
Nonprofit	x			x		x		x
Expenses	Consult	Rent	Travel	Travel	Events	Consult	Promo	Overhead
Full-Time Employee								x
Consultant/Intern	x				x	x		
Difficulty: New/Small	x		x	x				

Figure 3. Concerns Regarding the Government and Regulatory Environment



Note: "NFP" means nonprofit.

> *There are three agencies at the state government that are related: Mental Health, Developmental Disabilities, and Chemical Dependency. But the 800-pound gorilla in the room is the Department of Health, which now controls all the Medicaid funding (as opposed to each agency controlling their own, like it used to be). This is like the Department of Health is driving the car with the three agencies like kids kicking the back of the seat in order to get the Department's attention.*

Another interviewee offered that there are "20-year cycles" of decentralization and centralization. The interviewee further added many nonprofits have apprehension that excessive consolidation is on the horizon. The dizzying number of new initiatives being promoted at the state level is widely predicted (by the interviewees) to cause additional consolidation of nonprofits, especially those that are small.

Discussion

The academic study of nonprofit demise has generally focused on finding the best approximation for organizational closure. Though this is due primarily to the use of large scale financial data and a desire to employ for-profit predictive tools in the nonprofit sector, even qualitative studies (which have sought to explore more nuanced causal factors influencing nonprofit demise) have tended to focus on binary classifications of operational status. This study provides empirical evidence that not only is organizational death a more complex concept than previously presented in the literature, but that there are certain internal and external characteristics that lead to one of these various operational stages. An organization level summary of the operational status and emergent themes from the study is presented in Table 7.

As shown in Table 7, nonprofits whose targets were a particular regulation were likely to close due to mission completion or obsolescence when the regulation was no longer an issue. Since the mission of this type of nonprofit is clear, measurable, and relatively attainable (at least compared to nonprofits with broader missions such as ending hunger), this is somewhat intuitive. However, these are also the organizations that either reincarnated as a related target or expanded scope when other factors were favorable. Based on this study (and others involving mission completion, such as Fernandez (2008)), one might expect that nonprofits with similar missions in other subsectors will be more likely to complete their missions and, either, close or reincarnate (depending on their context).

Despite the preponderance of theory and empirical study on the topic, the role of financial resource dependence appears to be limited. If anything, financial difficulties appear to be symptomatic of other, deeper conditions that are more contributory. This is particularly important when viewing the existing literature. This literature has a tendency to focus on accounting because of readily available data.

In contrast, difficulties of managing human resources (such as a lack of best practices or presence of internal conflict) appear to matter as much, if not more than purely financial causes despite a lack of academic literature on non-financial elements.. Notably, this unbalanced literature distribution applies mostly to research on nonprofit organizations. Workforce and founder characteristics have long been the subject of mortality studies in for-profit and entrepreneurial literatures (Simón-Moya, Revuelto-Taboada, & Ribeiro-Soriano, 2012).

The findings from this study also show that government can play a large role in a nonprofit's demise in the institutional sense. That is, government may control the policy and regulatory frameworks. This is similar to the findings of Khieng and Dahles (2015), where the power differential between funders and NGOs was the most salient element. This is also where we find the strongest evidence for resource dependence theory, though in an unconventional way.

Unlike the traditional portrayal of nonprofits as victims of an affliction of dependence, the findings from this study provide evidence that such dependency can be used as a way to strengthen networks and legitimacy against the consolidated power of the funder. This more complex dynamic is often overlooked in existing literature on revenue dependency due to an over reliance on financial metrics. These metrics are generally only measured annually and at the revenue level.

Finally, the findings from this study indicate that the existence of conflict or competition with an outside entity can boost the cohesion of nonprofits. This underscores, albeit in an unconventional way, the importance of niche dynamics for nonprofit health. Conflict within the organization, however, can at times be problematic, especially when it begins to impact other elements such as governance, management, and mission. Thus, the theoretical guidance offered by organizational ecology and institutional theory may be the most beneficial for understanding nonprofit demise. Warnings regarding reliance on the government from resource dependence theory may be less relevant once nonmonetary characteristics are introduced.

There are several limitations to the approach used in this study. First, though the detail inherent in a qualitative study allows several unique insights that would not be possible with large datasets currently available, the transferability of the findings may be limited due to the unique factors that exist only within the nonprofits that I focused on in this study. Though I suspect that the classification scheme of nonprofit demise developed in this study is universally applicable (to, at least, US nonprofits), the themes that led to the development of the operational status in this study are most likely unique to the subsector of mental health. It should also be noted that situational factors prevented the recording and transcribing of the interviews. Future extensions of this work should include a larger research team in addition to more interviews in amenable surroundings in order to increase validity of the findings.

Table 7. State of Demise and Dominant Themes

Org. #	Initial Diagnosis	Final Diagnosis	Dominant Themes
932	Alive	Alive	Strong conflict with self and external; strong network excluding local government.; many types of donation; societal mission
302	Alive	Resurrected	Conflict within nonprofit, but good network with other nonprofits; individual donations; member mission
361	Alive	Alive	Conflict with self and state; good client and nonprofit network; institutional donations; government mission
661	Alive	Alive	Conflict within and between nonprofits; good client and corporate network; individual donations; societal mission
991	Dead	Dead	Strong internal conflict with external conflict; strained network; institutional funders; government mission
201	Dead	Alive	External conflict, some resolved; good network with most government; institutional funders; government mission
732	Dead	Zombie	Strong internal conflict; tension with other nonprofits but good network with other institutions; nonprofit funding; government mission
339	Dead	Re-incarnated	Conflict within and with state; broad network; government funding; government mission

Conclusions and Policy Implications

Knowing why nonprofit organizations "die" is salient for both researchers and practitioners. This is particularly true for younger and smaller organizations, which make up the bulk of the nonprofit sector.

Using comparative case studies, I analyzed which internal and external factors contributed to the demise of smaller and younger nonprofits in the state of New York. To do so, I first reclassified and expanded traditional definitions of nonprofit death to better reflect an organization's actual operating status. Following this reclassification, I found that certain elements were more important in determining whether a nonprofit continued life uninterrupted, had the chance for resurrection or reincarnation, or faced true demise or even a zombie existence.

Though the ability to generalize from this study limited, there are a few cautious recommendations. The first is a fairly pervasive sense of apprehension regarding the speed of regulatory change at the state level. In particular, several concerns were voiced. These concerns ranged from a potential lack of rural health coverage to the difficulties in combining certifications across different types of organizations that needed to merge. These are issues that have serious consequences not only for the nonprofit community, but on the public at large. Indeed, if we consider the nonprofit sector to be the "hollow state" (i.e., implementers of social service delivery (Milward, 1994)), then such a widespread concern regarding the implementation of policy should be heeded.

Second, on a more general level, this study provides evidence that having opportunities to develop board capacity and internal cohesion may be in the best interest of organizational longevity. This means that continued work on initiatives (such as combatting the nonprofit starvation cycle) with provisions for adequate overhead and capacity training in the construction of grants and contracts could eventually help strengthen the organization and, ultimately, the delivery of critically needed human services.

Notes

1. One nonprofit signed the consent agreement then stopped returning phone calls and emails.
2. There is a danger of hindsight bias here. That is, there is a danger that the interviewee could be attaching a bad experience with an increasingly blurry memory. There are two arguments as to why this is not the case in this study. First, the potential for a nonprofit to close, while the individuals who founded it become closer through the experience, is equally as likely. Second, the reports of contention stem beyond the final closing stages of the organizations.
3. Two nonprofits that were a part of the study and identified only in the 2014 Business Master Files reported no revenues or assets. These organizations were also too small for public Form 990 filings.

Disclosure Statement

The author(s) declare that there are no conflicts of interest that relate to the research, authorship, or publication of this article.

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Appendix

Table A1. Open and Axial Coding Schema

Open Code	Meaning	Freq	Axial Code
FOUND	Founding (general)	2	
Foundt	Time of founding	1	
Foundw	Who was involved in founding	1	
Foundy	Why was the nonprofit founded	2	MISSION
GOVT	Government	15	GOVT
Δ	Large change	3	
MISS	Mission	11	MISSION
IMPL	Implementation	1	
FUND	Funding	11	FINANCIAL
CONFL	Conflict	18	CONFLICT
BOARD	Board	9	MGMT&GOV
NYC	NYC	2	
CITY	City of NP	1	NETWORK
CONTACT	Characteristic of interviewee	1	MGMT&GOV
RELA	Relationship	1	NETWORK
OUTL	Personal outlook	5	MGMT&GOV
EMP	Employee or staff-related	4	MGMT&GOV
LIAB	Relating to liabilities of newness or smallness	2	
NET	Network	4	NETWORK
NP	Nonprofits in general, the sector	3	
END	Org closure	1	

Journal of Public and Nonprofit Affairs
Vol. 6, No. 3

Implications of the Coronavirus on Sales Tax Revenue and Local Government Fiscal Health

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The outbreak of COVID—19 has raised considerable alarm about public health and safety. The response to the outbreak, however, has also brought concern regarding its impact on local governments in the United States. Local governments have been a primary respondent in the fight against the COVID—19 disease, but the response has also reduced income from a key source of revenue, sales tax. Using North Carolina counties as a case study, we explore the shock to sales and use tax revenue faced by local governments from COVID—19; we, then, estimate its impact on county fiscal health. Our results show that while many local governments were financially struggling before the outbreak, the drop in sales tax revenue severely threatens their ability to provide continued response to the virus as well as their ability to remain solvent.

Keywords: COVID—19, Sales Tax, Fiscal Health, County Government

In December 2019, an outbreak of severe acute respiratory syndrome coronavirus (SARS–CoV–2) began in China's Hubei Providence (Wu et al., 2020). Those exposed to the virus are frequently sickened with the Coronavirus Disease 19 (COVID—19). As a highly contagious virus, with a fatality rate that reached 12% in the early days of the outbreak (Mizumoto & Chowell, 2020), concern began to emerge regarding the virus's spread around the world (Bogoch, Watts, Thomas-Bachli, Huber, Kraemer, & Khan, 2020).

By January 19, 2020, the first case of the virus in the United States (US) was reported in Snohomish County, Washington (Holshue et al., 2020). By March 27, 2020, the number of cases in the United States exceeded 100,000; and, by July 21, 2020, the number of cases exceeded 3,858,600 (Center for Systems Science and Engineering, 2020).

Despite growth in the outbreak and the declaration of a global pandemic by the World Health Organization, federal response in the US has been slow and disorganized. With no cohesive guidance from the federal government and a lack of coordinated efforts by states, many local governments have been left to respond to the crisis on their own. Although the majority of public attention has been placed on the capacity that the healthcare industry has to respond to the crisis, the outbreak has important implications for the fiscal health of local governments.

Fiscal health refers to the ability of a government to balance its financial obligations with its available revenue streams (Leiser & Mills, 2019; Maher & Nollenberger, 2009; McDonald, 2015). Prior to the outbreak, many local governments were already financially unhealthy

McDonald, B. D. & Larson, S. E. (2020). Implications of the Coronavirus on sales tax revenue and local government fiscal health. *Journal of Public and Nonprofit Affairs*, *6*(3), 377-400. https://doi.org/10.20899/jpna.6.3.377-400

(Gorina, Maher, & Joffe, 2018). During the outbreak, not only are local governments around the country faced with an increase in demand for public services, but the stay-at-home orders issued to flatten the curve of the virus and the associated economic downturn threaten the financial capacity of local governments to remain solvent and continue their response. Although it is too early to know the full extent of the outbreak's effect on local governments, anecdotal evidence is showing that many cities and counties are now facing severe fiscal stress due to the virus, with some on the verge of bankruptcy (Gavin, 2020; Keith, 2020; Slattery & Shahrigian, 2020).

To better understand the implications surrounding the outbreak of COVID—19 in the US, we explore the implication behind lost sales tax revenue due to social distancing measures on local government fiscal health. For most local governments, sales and use taxes are a key source of revenue. Nationally, sales taxes account for about 24% of local governments' revenue, though the dependence can vary wildly. The County of Durham, North Carolina (NC), for example, receives approximately 29% of its annual revenue from sales taxes (County of Durham, 2019). Rockland County, NY, however, receives about 57% of its revenue from sales tax (Wilson, 2020).[1] The outbreak of COVID—19 has threatened the stability of this revenue stream, with some beginning to forecast significant declines in the near future (New York State Association of Counties, 2020; Saunders & Nida, 2020).

In the context of the pandemic, understanding a government's financial position allows us to understand its continued ability to provide core programs and services as well as COVID—19 related programs in the face of decreasing sales tax revenue. Using NC counties as a case study, we forecasted the fiscal year 2020 revenue and expenditure data for these counties under the assumption that no outbreak occurred. These forecasts were then adjusted at intervals of five percent up to 50% forecasted sales tax revenue loss beginning with March 1, 2020.

We conducted a second series of forecasts based on different durations of the outbreak to estimate the impact on the fiscal health of counties in fiscal year 2021. The analysis shows that NC counties are likely to face significant fiscal stress over the next year. Even with modest reductions in sales tax revenue, the number of counties in the state facing a fiscal health crisis is expected to increase 42.9% in the next several months. This dramatic rise not only raises concerns about the ability of local governments to provide core services, but also about their ability to continue their response to the COVID—19 outbreak.

COVID—19 and Sales Tax Revenue

The outbreak of COVID—19 has created considerable instability in the US economy. This instability is impacting the sales tax revenues of local governments in several important ways. First, the uncertainty regarding the economic climate has changed the purchasing behavior of individuals. The prevailing assumption is that the US will enter into a recession in response to the outbreak (Muro, Maxim, & Whiton, 2020). However, uncertainty about how long the outbreak will last contributes to uncertainty about how long and deep the recession will be.

This uncertainty impacts the behavior of individuals, as research in behavioral economics has shown that individuals respond cautiously when their economic future is unknown (Mian & Sufi, 2010; Parker, Souleles, Johnson, & McClelland, 2013). Cautious behavior leads individuals to forgo large, big-ticket, purchases as well as purchases of other nonessential items. This change in purchasing behavior can be seen in several areas including automotive, furniture, general household items, and clothing sales (Thomas, 2020; Wayland, 2020).

News media reports have suggested that one area that has not suffered from the change in buying behaviors nationally is home improvement projects. However, in a comparison of April 2019 to April 2020 monthly gross taxable sales at hardware stores within the state of NC, taxable sales only increased $138,101 between the two years (or 0.02% of gross taxable sales collected within the state for April 2020). With fewer purchases being made, less revenue is being collected by local governments.

While sales of most items have decreased, grocery sales have significantly increased as individuals rush to stores in fear of items selling out. There may be some hope that the tax revenue from grocery sales can replace the lost revenue from the sale of other items, but groceries are frequently taxed at lower rates than other items. In the early days of the outbreak, a rush on household essentials led to sellouts of items such as toilet paper and sanitizer as well as perishables such as eggs, milk, and bread. This surge in spending is likely temporary as stores have begun reporting a leveling off of so called “panic buying,” suggesting that individuals have built their stockpile and/or adjusted to life amidst COVID—19 (Kline, 2020).

Even if the surge was to remain, the opportunity to replace the loss in sales tax revenue from nonessential items with an increase in revenue from food related purchases is unlikely. In NC, for example, counties receive an average of 84.9% of their sales tax revenue from nonessential items and only 15.1% from food related purchases (Saunders & Nida, 2020). This suggests that even a small drop in revenue from the sale of nonessential items requires a significant increase in grocery sales to regain the loss. A tradeoff is further complicated in that a benefit of sales tax is that the tax can be structured to remove its regressive nature by exempting food and other household basics. To illustrate this, we can look at states, such as NC, where food is taxed at a reduced rate of only 2% (NC Department of Revenue, 2020), and Indiana (IN), which fully exempts groceries from sales tax (IN Department of Revenue, 2019).

Second, to combat the spread of COVID—19, many local and state governments have imposed stay-at-home orders (Adolph et al., 2020; McDonald, Goodman & Hatch, 2020). These orders have restricted access to businesses deemed as “nonessential.” This typically includes most businesses involved in sales except for grocery, pharmacy, and home improvement supply stores. Many stores and businesses have even elected to reduce hours or close their physical locations in order to minimize spread of the virus to their employees and customers; and, they have done so regardless of whether a stay-at-home order has been put in place. Whether closure of business by choice or by force, the impact is the same: fewer businesses that individuals can patron resulting in a decrease in tax revenues.

There may be some opportunity for local governments to regain sales tax revenue lost by sheltering in place; however, these opportunities may be short lived. On March 17, 2020, Amazon announced they were limiting shipments of nonessential products to their warehouses in response to the outbreak. These limits were put in place in order to focus the distribution of key, COVID—19 related products (Kim, 2020). Medical professionals also recommended that individuals avoid nonessential orders to minimize the spread of the virus and to allow for delivery of essential items to those unable to leave their homes (Torres, 2020). This suggests that the availability to purchase goods online may be hindered; and, consumers may be incentivized not to switch to online purchasing as a replacement for the bulk of their purchases.

Ultimately, then, the likelihood that revenue from online orders will be able to replace the revenue from in-person purchases is low. This can be seen in a comparison of monthly gross sales data for NC between May 2019 and May 2020. Total gross taxable sales within the state for May 2020 decreased $92,377,782 from May 2019. This suggests that online sales were not offsetting the revenue that is normally collected from suppliers to in-person only businesses, such as beauty shops, barbershops, and supply dealers.

Finally, the pandemic has impacted sales tax revenue by changing how individuals engage with services that are included in the tax. This includes occupancy taxes, which are levied as a sales tax on stays at hotels, motels, and similar lodging establishments, short term lease and rental taxes, which are imposed on the lease or rental of motor vehicles, among others. During periods of economic uncertainty, sales tax revenue decreases as engagements in these types of activities is typically reduced. When under a stay-at-home order, such as the orders imposed by many state and local governments during COVID—19, the opportunity to engage the taxable services becomes restricted. This further limits the opportunity for a local government to collect sales tax on the exchange (Stradling, 2020).

The Relationship between Sales Tax and Fiscal Health

Understanding the impact of COVID—19 on sales tax revenue is important for two reasons. One, this revenue is a key resource for local governments; and, two, financial resources are central to the capacity of a government to provide or expand its programs and services (Hendrick, 2004; Honadle, Costa, & Cigler, 2004; Jacob & Hendrick, 2013; Maher, Ebdon, & Bartle, 2020).[2] A government is considered fiscally healthy if it has enough resources to meet its obligations (Leiser & Mills, 2019). Alternatively, if a government does not have enough resources available, then it will experience fiscal stress.

The fiscal condition of government is best understood by looking at it across four dimensions: a) their ability to meet immediate financial obligations, b) their ability to meet financial obligations over a fiscal year, c) the their ability to meet long term financial obligations, and d) their ability to provide a base level of programs or services as required by law (see Jacob & Hendrick, 2013; McDonald, 2018; McDonald, Decker, & Johnson, forthcoming). Understanding the financial condition of government allows for an understanding of where a government is financially in terms of meeting the needs and demands of its residents, while also meeting its future demands.

A central component of fiscal health is the availability of revenue. As Honadle, Costa, and Cigler (2004) noted, a good tax is one that offers stability to a local government's revenue system. Historically, local governments have relied on property tax revenue due to its predictable and stable nature (see Carroll, 2009; Mikesell, 2017). This has allowed local governments to budget and spend with a level of assurance about what revenue they will have. Throughout the 1970s, 1980s, and 1990s, however, the dependency of local governments on property taxes resulted in a series of tax revolts that often led to in state legislation, which imposed tax and expenditure limitations that limited a local government's ability to raise revenue or expand their base using property taxes (Stallman, Maher, Deller, & Park, 2017).

In response to the imposition of tax and expenditure limitations, local governments have frequently sought to diversify their revenue streams using sales taxes (Hoene, 2004). Sales taxes are frequently perceived as an attractive tax form because they are not restricted to residents and can be designed to be less regressive by exempting necessities, such as food. Accordingly, both cities and counties have come to rely upon sales tax as their second largest form of income, accounting for around 10% of their annual revenue (Bland, 2013). This reliance also makes governments susceptible to economic cycles and other shocks (Suyderhoud, 1994). In periods of uncertainty, the behavior of households adjusts (Hurd & Rohwedder, 2010). One such adjustment is a change in spending patterns. Economic hardship can leave a household with less disposable income to spend, but the uncertainty of the future can also result in an avoidance of household spending and an increase in household saving. Regardless of why sales decline, a change in sales leads to a change in sales tax revenue.

Ultimately, a change in sales tax revenue influences the fiscal health of government. The capacity to provide programs and services, and to meet other obligations that underlie fiscal health, is partially a function of the revenue available to the government. It takes resources to provide services. When revenue begins to fall, the capacity of government also begins to decline. An example of this can be seen in the operating ratio, which reflects a government's efficiency. It is measured by dividing total revenue by total expenditures. To avoid becoming fiscally stressed, a government would need to decrease expenditures to compensate for the loss in sales tax revenue. Given the expanding demand placed on local governments during the COVID—19 crisis, expenditures are likely increasing while sales tax revenue is decreasing. Ultimately, this trend will place local governments in fiscal stress.

Sales Taxes in NC

To understand the impact of COVID—19 on the fiscal health of local governments, we rely on a case study of local governments in NC. The state has a population of 10.5 million people across 100 counties (US Census Bureau, 2019). The local governments in the state depend heavily on this levy as a source of revenue (with the median county receiving about 28% of its general revenue from sales taxes (Saunders & Nida, 2020)). Currently, all counties levy at a rate of at least a 2% sales tax above the base (NC Center for County Research, 2015).

NC also allows for several local option sales taxes. The three main local option sales taxes, with the largest impact on local governments in NC, are Articles 39, 40, and 42. Established as the first local options sales tax in 1971, Article 39 allows for a levy of 1% of eligible sales and is allocated using point of delivery. Point of delivery allocation means that the taxation rate is determined based on the delivery of the good to the consumer (often the physical location of the retail establishment). Articles 40 and 42, established in 1983 and 1986 respectfully, provided the county with an additional 0.5% levy.

Structurally, the state has established a base tax rate of 4.8%, on which counties may expand on the state base and their own base with local options sales taxes to a cap of 7.5%. The proceeds of qualifying county area sales tax levies are then shared with their municipalities. As of April 1, 2019, the average sales and use tax levied by a county in the state was 6.9%, with only two counties levying the maximum rate of 7.5% (NC Department of Revenue, 2019a).

The treatment of purchases for the purposes of sales taxation varies based on the type of goods being sold. The state, for instance, exempts the purchase of medical devices from all sales tax. General groceries are unique in that they forgo the state base and any adopted local option sales tax to be taxed at the county base rate of 2% (NC Department of Revenue, 2020). Conversely, non-qualifying food (which includes prepared food and beverages in restaurants), dietary supplements, food from vending machines, soft drinks, and candy is taxed at the full state and local sales tax rate. As noted in a previous example, in fiscal year 2018–2019, the average county in NC had a local sales and use tax base that consisted of 15.1% food sales and 84.9% of nonfood sales (Saunders & Nida, 2020). The dependence on revenue from taxing groceries, however, varies since some local governments received significantly less. Currituck County, for example, received only 6.5% of its sales tax revenue from the sale of groceries (NC Department of Revenue, 2019b). Due to the small dependence on sales of food in grocery stores within the state as a source of sales tax revenue (only 15% for the average county for the previous fiscal year), the vast majority of counties in NC depend on the sale of items at the full state and local combined sales tax rates as their source of revenue.

Considering the timing of the impact of decreases in sales and use tax revenue, the inter-county allocation method of sales and use taxation should be analyzed. NC employs two different inter-county allocation methods for sales taxes that were collected under a local levy, point of delivery allocation and per capita allocation (NC Center for County Research, 2015). The point of delivery allocation method credits the county in which the goods are delivered; generally, in this case, the point of delivery is the point of sale of the goods from the vendor to the consumer. Per capita allocation suggests that the allocation will be based on the most recent state-certified population estimates focusing on the percentage of the county's population as a percentage of the state total. Local sales taxes allocated under the per capita method can benefit large counties that are attempting to defer from border spillover shopping (Afonso, 2016; Shon, 2017).

An important feature of NC's sales tax structure is that it has three different filing schedules based on monthly tax liability (NC Center for County Research, 2015). If the tax liability to the entire state is less than $100 per month, the filer can file sales and use tax revenue collected quarterly. If the monthly tax liability is more than $100, but less than $20,000, the vendor must file monthly with the NC Department of Revenue. If the monthly liability is more than $20,000, the vendor must file monthly with prepayment of the next month's tax liability. Since the exact amount of a subsequent month's liability is unknown, the prepayment can amount to 65% of one of three options: the amount due for the current month, the amount of tax due for the month of prefiling in the previous year, or the average monthly amount due from the preceding year (NC Department of Revenue, 2020). The vendor can select the form of prepayment; however, the vendor is still responsible for the remainder of the entire collection in the subsequent month regardless of prepayment choice.

The timing of the distribution of sales tax revenue to the counties is dependent on the sequence of timing from the point of sale to the time that the county receives the tax revenue. NC currently experiences a lag of approximately three months from the point of sale until a county has the money in hand (NC Department of Revenue, 2019c). For example, if the taxable sale occurred in March, the vendor would file with the NC Department of revenue in April. The Department of Revenue would take the month of May to calculate the distribution based on the allocation strategies. Changes would then be made to amended returns and the distribution would be arranged.

The county would receive the sales tax revenue from a sale that occurred in March or before June 15th. Despite the delay in receiving the revenue, the modified accrual basis of accounting used by local governments allows for the revenue to be recognized when it is considered measurable and likely to be received in the near future (typically within three months). This allows for budgeting of the revenue and the county can spend the revenue shortly after the initial taxable transaction takes place. Continuing the same example, while the county might not receive the money in hand until June, they have a reasonable understanding of how much revenue they will receive in April. This allows them to begin utilizing the revenue at that time.

Data and Methods

Financial data for our analysis were obtained from the NC Department of State Treasurer for fiscal years 2008–2019 for all counties in the state. Variables of interest included total revenue and total expenditures over the fiscal year. Reporting of this data to the NC Department of State Treasurer contains no penalty for nonreporting. Thus, creating an imbalanced panel of data. For purposes of this analysis, we were able to capture 92 of the state's 100 counties. County financial data were matched with population data from the NC State Demographer's Office for every county in each year that they we included in the study.

In analyzing the impact of COVID—19 on county sales and use tax revenues and the overall fiscal health of NC counties, we first forecasted values of the financial data for fiscal years 2020 and 2021 (using fiscal year 2019 as our baseline). To forecast fiscal year 2020, we adjusted the 2019 sales and use tax revenues and expenditures by a growth rate of 4.5%, based on estimates from NC's general fund revenue forecast (Fiscal Research Division, 2019), the NC League of Municipalities (Saunders & Nida, 2020), the Bureau of Economic Analysis (2019), and the National Retail Foundation's growth in retail sales during calendar year 2019 (National Retail Foundation, 2019). The one exception to this was the general sales tax revenue, which we based on the sales tax growth percentage for the first half of fiscal year 2020 and the historical second half sales tax trends from fiscal year 2019.

Table 1. Variable Definitions

Variable	*Measurement*
Operating Ratio	Ratio of total revenue to total expenditures
Revenues per Capita	Ratio of total revenue to population
Taxes per Capita	Ratio of total taxes to population
Surplus(Deficit) per Capita	Ratio of total revenue minus total expenditures to population
Total Tax Dependency	Ratio of total tax revenue to total revenue
Sales Tax Dependency	Ratio of sales tax revenue to total revenue

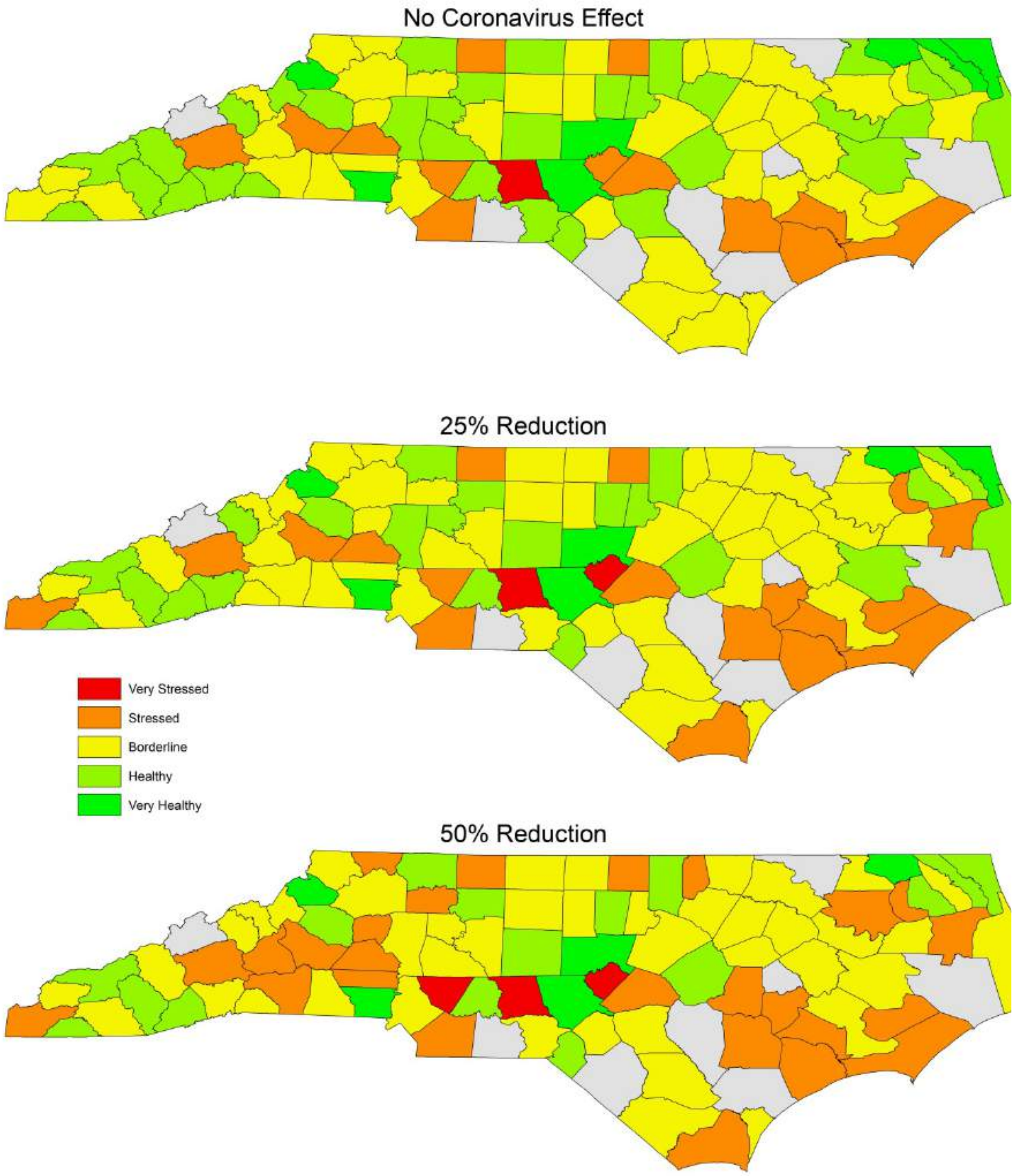
Using the forecasted financial data, we selected a target starting impact date of March 1, 2020. This allowed us to capture COVID—19's impact on sales tax revenue for 122 of the 366 days in the fiscal year. We then conducted simulations that demonstrated a loss of total sales tax revenue, total sales and service revenue, occupancy tax revenue, prepared food tax, amusement licensing tax, gross short term rental tax, and transportation tax.[3] These "sales tax based" revenues were then adjusted from the baseline 2020 revenue estimates at intervals of five percent up to 50% for each of the 122 days of impact. Given that the exact impacts of the stay at home order and COVID—19 on "sales tax based" revenue streams were unknown, we calculated five percent intervals to allow for a variety of potential outcomes. We then adjusted total revenue down for the calculated changes to previously identified variables.

Considering the focus of our study (that is, the impact of COVID—19 on the fiscal health of local governments), we considered six measures of fiscal health. These measures were: operating ratio, surplus (deficit) per capita, revenues per capita, taxes per capita, total tax dependency, and sales tax dependency.[4] Table 1 provides an overview of the variables and their measurements. All six of the measures were calculated at the baseline growth model for fiscal year 2020, as well as each of the simulated losses for the 122 days COVID—19 was assumed to impact sales and use tax revenues.

One concern regarding the pandemic is the uncertainty of its duration. Indeed, at least one estimate predicts that containing the pandemic will require up to 18 months of social distancing and stay-in-place orders (Jiang, Deng, Zhang, Cai, Cheung, & Xia, 2020). As a result, we also considered the possible impact of the virus and its impact on sales tax revenue on the fiscal health of counties in NC for fiscal year 2021. To simulate the pandemic's impact, we created a hypothetical baseline assuming that the pandemic did not happen and had no impact on 2021 taxation and expenditures. We applied a conservative 3.6% increase to the forecasted values from fiscal year 2020. This underlies the Bureau of Economic Analysis' (2020) GDP predicted growth rates prior to COVID—19. It should be noted that by selecting a conservative growth rate, which assumes the absence of COVID—19, may underestimate the virus on sales and use tax revenues; and, thus, may ultimately impact our measures of fiscal health. However, our goal was to err in the side of caution of our estimation technique.

Since the duration of COVID—19's impact on sales and use tax revenue collection in fiscal year 2021 is not yet clear, we constructed four different scenarios: 1.) the impact of the virus continues through the first quarter of fiscal year 2021, 2.) the impact of the virus extends through the first half of fiscal year 2021, 3.) the impact of the virus extends through three quarters of fiscal year 2021, and 4.) the impact of the virus on sales tax revenue extends through the duration of fiscal year 2021. We considered each of these scenarios in addition to the possibility of multiple occurrences of COVID—19 in fall 2020 or winter 2020. Should the virus reoccur, this will require the continuation of shelter-in-place orders. This could also result in the possibility of a recession over the duration of fiscal year 2021. A recession would result in a declines in sales and use tax revenue collections over the entire 12 months. Similar to our approach with fiscal year 2020, we calculated measures of fiscal health at five percent intervals starting at a baseline of no impact and ending at 50% impact of the measured duration on sales and use tax revenue.

Figure 1. Impact of COVID—19 on Fiscal Health, FY 2020 Projections



Results

Fiscal Year 2020

This study explores the impact of COVID—19 on the fiscal health of local governments by way of sales tax revenue. Beginning with the impact of COVID—19 on sales and use tax revenue for the last four months of fiscal year 2020, the results for NC are severe.

Based on our simulations, counties in NC will face increasing fiscal stress due to the effect of the COVID—19 outbreak. The size of the impact varies based on how much revenue each county loses. Anecdotally, officials for many local governments in NC that we have spoken with have estimated that the best case scenario is a 20% to 25% decline in sales tax revenue for the remainder of the fiscal year (see also Gracia, 2020). Their worst case scenario is a 50% loss.

Using our baseline forecast, which assumes no outbreak effect, we explore the best and worst case scenarios. Figure 1 presents the simulated fiscal health of counties in our study for fiscal year 2020. To streamline our reporting of the findings, the baseline was compared to a best case scenario of 25% sales tax revenue loss and a worst case scenario of 50% loss. Massachusetts experienced over a 50% state tax revenue loss over the month of April 2020 compared to April 2019. This suggests that this worst case scenario is possible.[5] In addition, the unique nature of shelter in place orders makes it difficult to fully predict the changes in sales tax revenue loss for a Municipality. By comparison, it should be noted that similar conditions were not present during the Great Recession or the 2001 Recession. Therefore, we present a variety of potential outcomes.

To add context to Figure 1, we defined counties as *very healthy* if they had an operating ratio of 1.20 or more. This would indicate that their resources considerably exceed needs in the county. *Healthy* counties, we defined, as those possessing an operating ratio of 1.05 to 1.20. If a county had an operating ratio between 0.95 and 1.05, we defined these as *borderline*. Borderline counties had the presence of fiscal stress or the possibility of fiscal stress in the near future. *Fiscally stressed* counties, we defined, as those with an operating ratio between 0.80 to 0.95. Finally, any county with an operating ratio of 0.80 or below, we defined as *very stressed*.

Even with no impact of COVID—19 on sales and use tax revenue over the time period, one county appears to already be *very stressed*, and 13 counties appear to be *stressed*. A 25% reduction in sales tax revenue over the remainder of fiscal year 2020 increases the number of counties that are *very stressed* to two and the number of *stressed* counties increases to 18. These represent increases of 100% and 38.4%, respectively. Our results also show a 16% increase in the number of *borderline* counties. When considering the worst case scenario of 50% reduction in sale tax revenues for the remainder of fiscal year 2020, the number of *very stressed* or *stressed* counties at the end of the fiscal year increases to 29. This is double the number of *fiscally stressed* counties.

One consideration is what this decline means for the counties in real terms. We find that the average difference between the baseline and the best case scenario (i.e., a 25% loss in sales tax revenue over the final third of fiscal 2020) is a loss of $38.09 per person in total revenue. Given the average county in NC has a population of 105,083, this produces an estimated decline in total revenue of $4,002,794 due to COVID—19 changes in sales and use tax revenue collection. Although some may consider this to be small when compared to the overall size of county budgets, it is important to consider what a loss in funding means for a community. For example, a decline of $4,002,794 is equal to the salaries of approximately 38 sheriff deputies or 78 teachers in the average county. For the worst case scenario, we find that there would be a difference of $76.18 per person in total revenue, with an estimated decline in revenue of

$8,005,587. For perspective, this decline would be equal to the salaries of approximately 77 sheriff deputies or 156 teachers in the average county.

A similarly bleak picture emerges when considering the surplus (deficit) per capita. Assuming no impact of COVID—19 on sales tax revenue collection, 30 of the 92 counties that we considered were already running a deficit per capita. If counties lose 25% of sales tax revenue since March 1, 2020, due to COVID—19 impacts, the number of counties that would be running a deficit increases by 20% to 36. If counties lose 50% of their normal sales tax revenue, of the 92 counties in this study, 51 would be running a deficit by the end of fiscal year 2020.

On average, counties will experience a budgetary deficit of $4.19 per person. For the average county, this would result in a budgetary deficit for the end of fiscal year 2020 of $439,880.

Considering the level of tax dependency of NC counties, we find that changes in the sales tax base of counties influences their dependence on taxation for revenue. For total tax dependence, this influence appears to be minimal, increasing by 0.4% with the highest simulated reduction. Their dependence on sales tax revenue, however, decreases by 12.5%. This shift suggests that local governments may become more dependent on other revenue streams; and they may need to explore revenue diversification strategies.

Fiscal Year 2021 Results

In order to consider impacts of COVID—19 on fiscal year 2021 sales tax revenues and subsequent impacts on the fiscal health of counties in NC, we considered several simulations to reflect variable impact durations. The first scenario examines whether the impact of the virus extends only through the end of the first quarter. In this scenario, the overall fiscal health of local governments begins to suffer. Based on a 25% decline, NC can expect to see a 43% increase in *fiscally stressed* or *very stressed* counties. Based on a 50% decline, the number of counties considered *fiscally stressed* increases to 78.6%. Figure 2 displays the classifications for *healthy* and *stressed* counties for this scenario.[6]

This picture of fiscal health becomes bleaker the longer the pandemic lasts. Figures 3, 4, and 5 display the fiscal health of NC counties under an increasingly long outbreak. If the outbreak lasts until December, a 25% or a 50% reduction in sales tax revenue over the first six months of fiscal year 2021 will result in either a 78.6% or a 185.7% increase in the number of *fiscally stressed* counties, respectively. Compared the findings displayed in Figure 2, these figures show that should the impact of COVID—19 extend beyond the first quarter of fiscal year 2021 and into the second quarter, the number of stressed counties would dramatically increase from 21 to 34 in the worst case scenario.

Considering the more conservative 25% reduction over the six month period, 40 of the 92 counties would be operating with a deficit at the end of fiscal year 2021 (i.e., with an operating ratio of 1.01). This suggests that there could be small surpluses in revenue over expenditures. In this scenario, Figure 3 highlights that only 23 of the 92 counties would be classified as being *healthy* or *very healthy* at the end of fiscal year 2021.

Similar significant increases in the number of fiscally stressed counties would be seen if the pandemic extends through the third quarter (see Figure 4) or through the entirety of fiscal year 2021 (see Figure 5). The most concerning finding is the number of unstable local governments that would exist should the loss in sales tax revenue due to COVID—19 extend through all of fiscal year 2021. If any county in the state experiences a 50% reduction in sales tax revenue over the entire year, the probability of ending the year with a *healthy* or *very healthy* operating ratio is extremely small.

Figure 2. Impact of COVID—19 on Fiscal Health, First Quarter of FY 2021 Projections

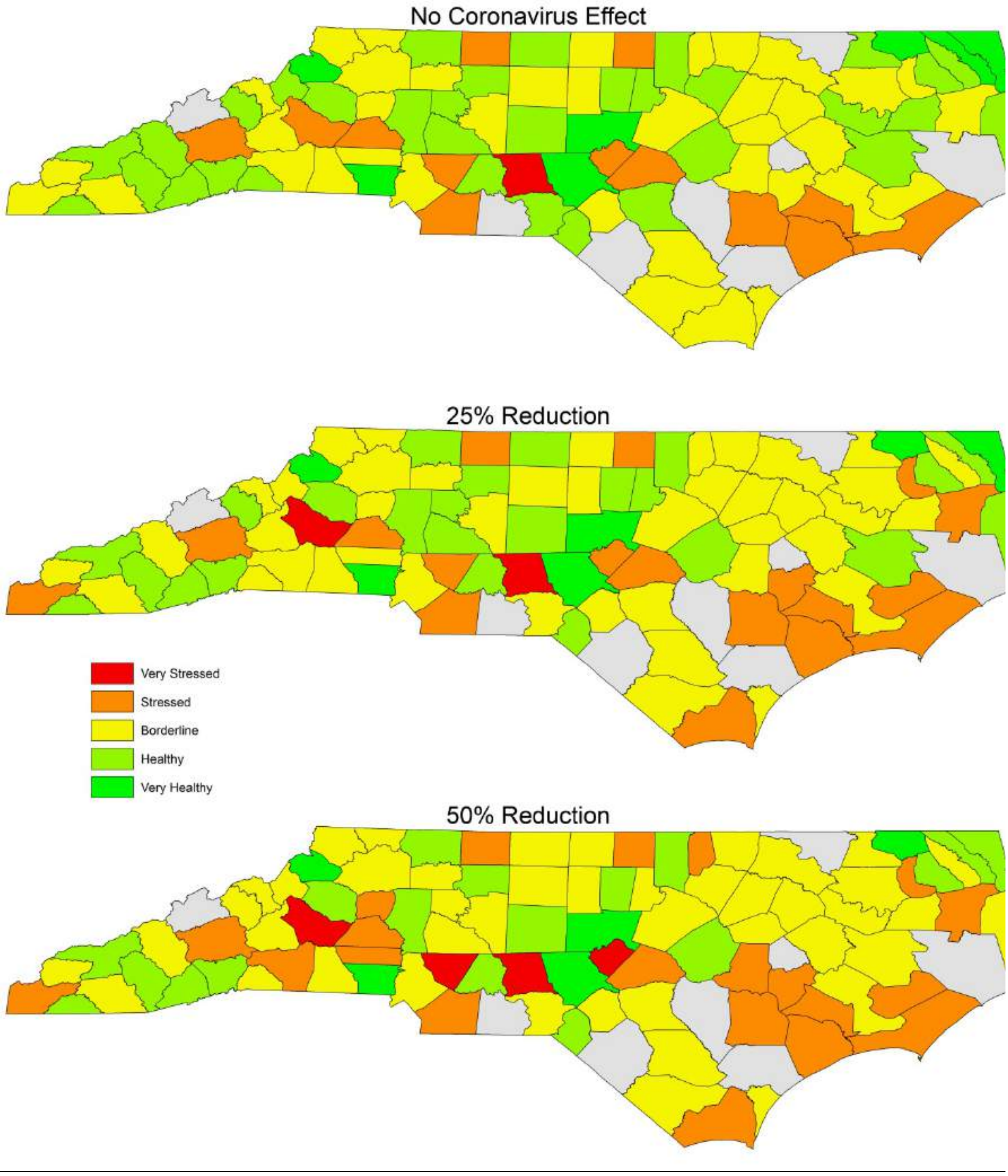


Figure 3. Impact of COVID—19 on Fiscal Health, First Half of FY 2021 Projections

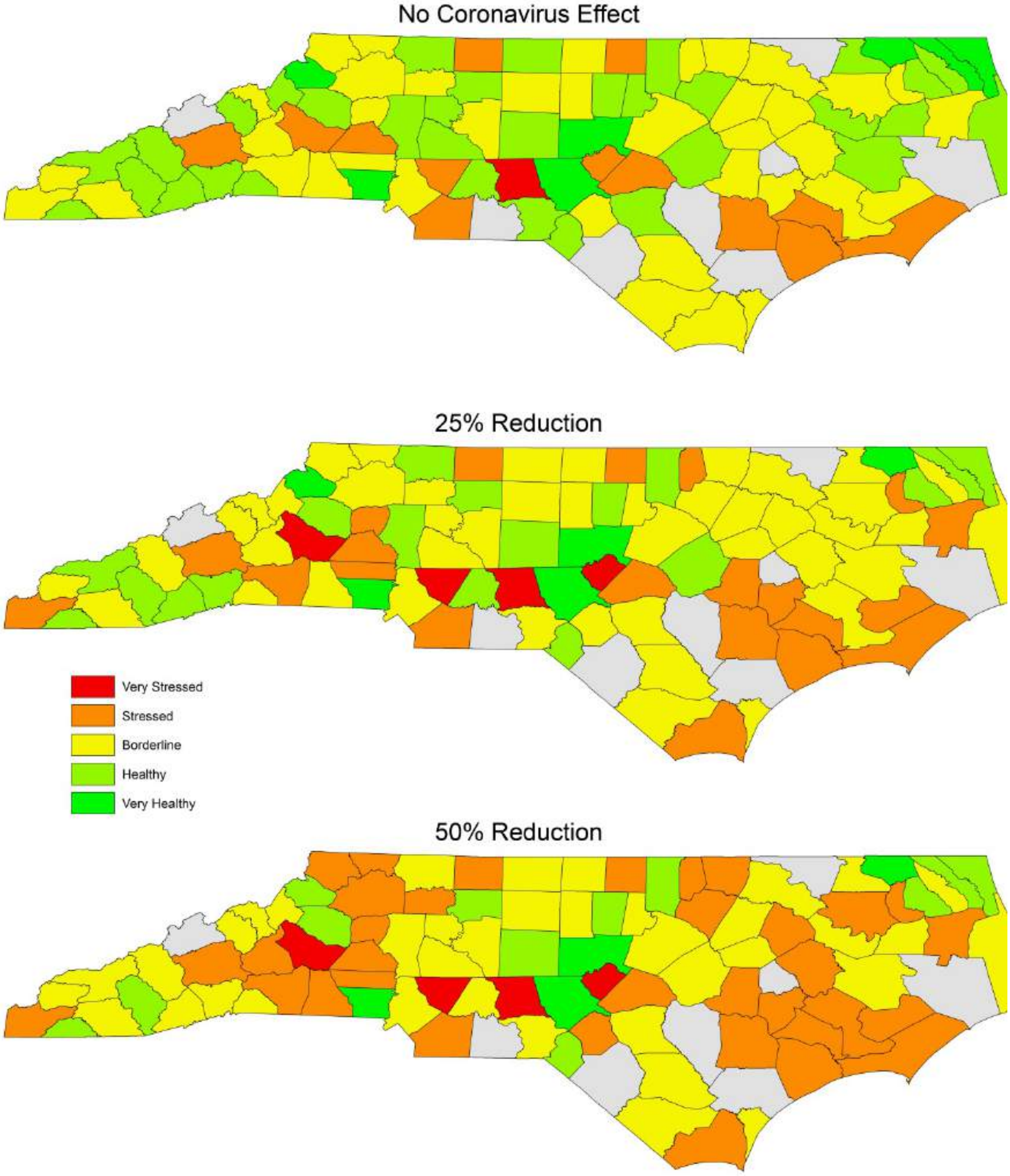


Figure 4. Impact of COVID—19 on Fiscal Health, Three Quarters of FY 2021 Projections

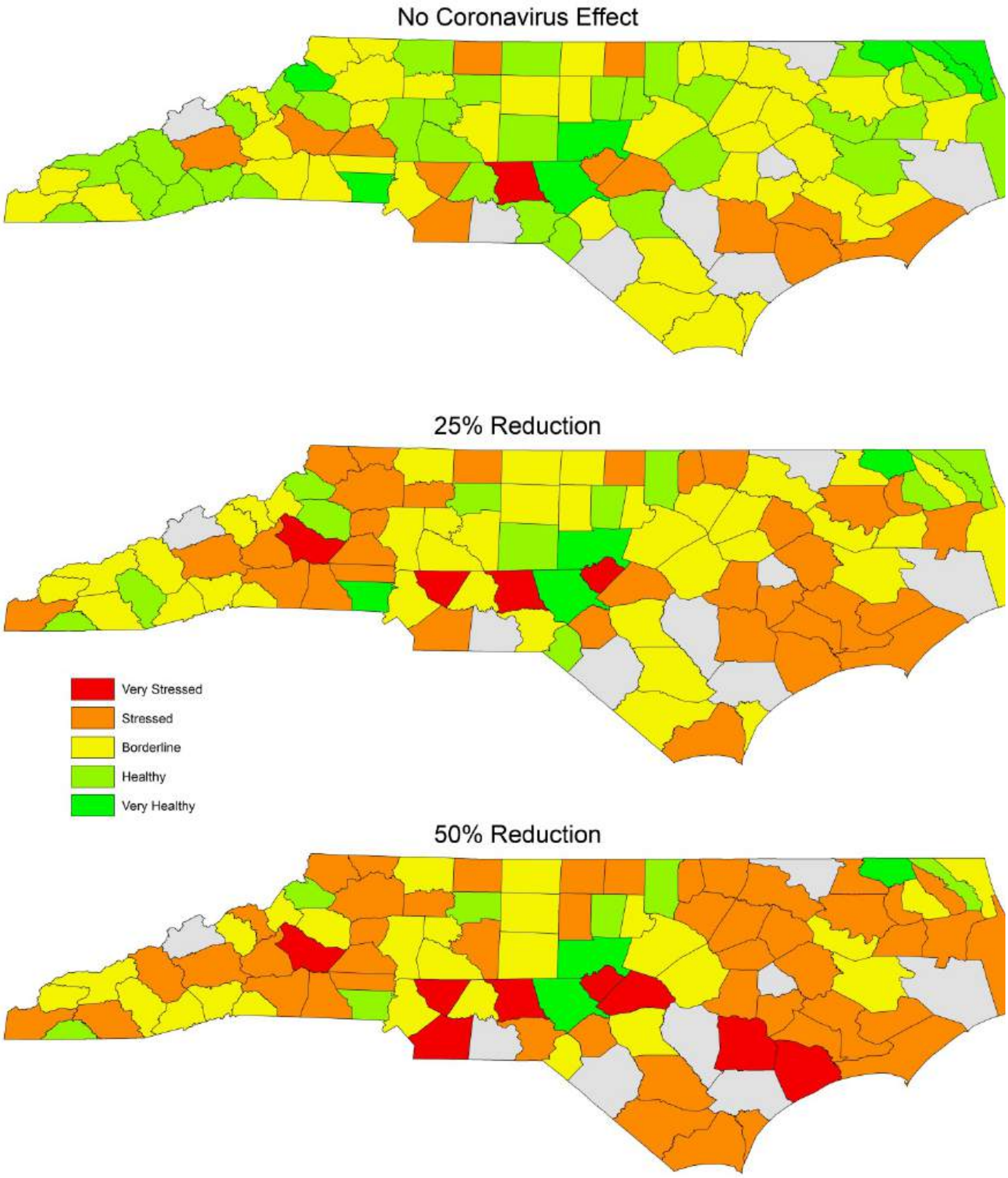
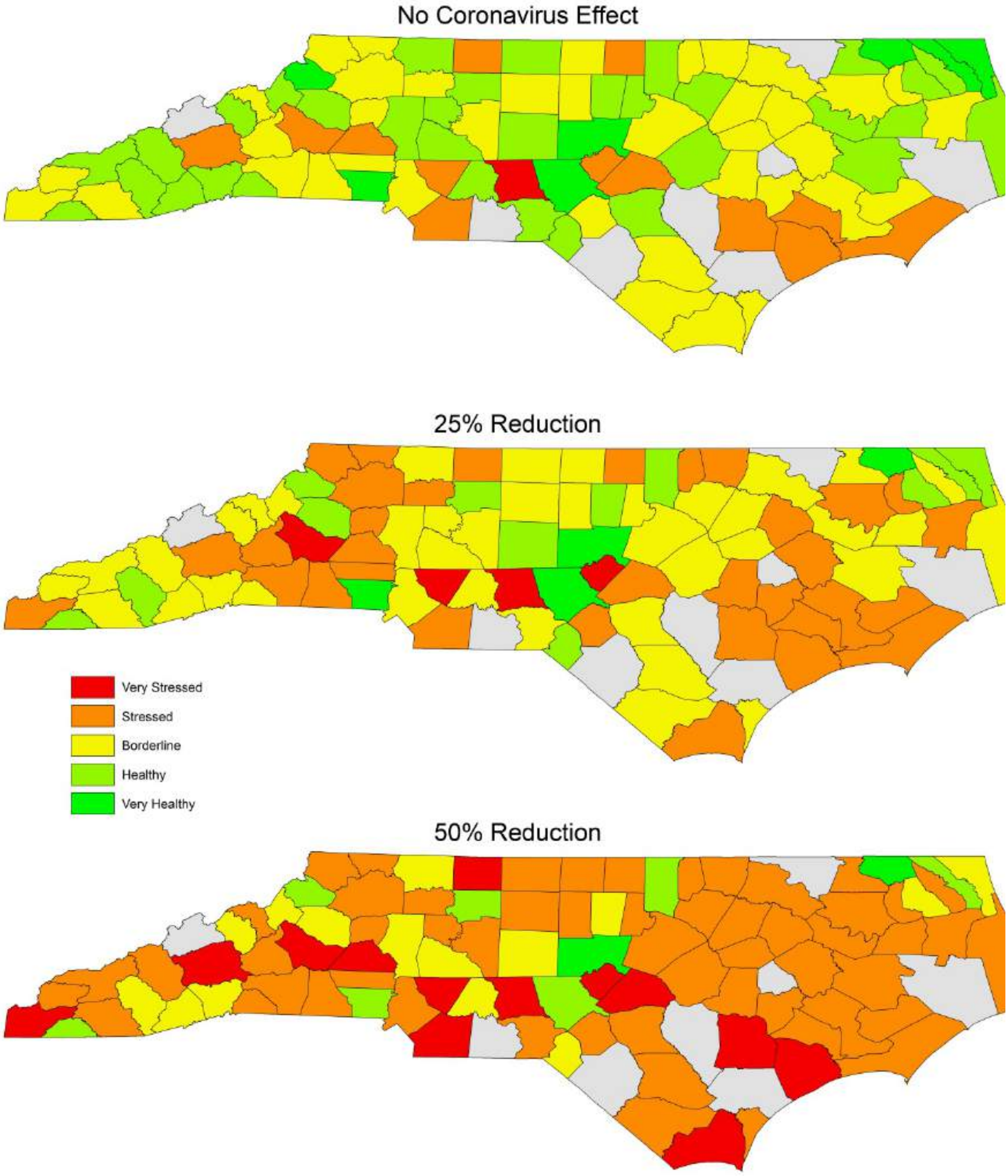


Figure 5. Impact of COVID—19 on Fiscal Health, FY 2021 Projections



In this scenario, 13 counties would end fiscal year 2021 as *very stressed* (i.e., with an operating ratio of 0.8 or less). Only one county would end the year as fiscally *healthy* (i.e., with an operating ratio between 1.05 and 1.20) or *very healthy* (i.e., with an operating ratio of 1.20 or above). Even with the more conservative 25% reduction in sales taxes over the fiscal year, rural areas in the upper northwest corner of the state as well as those in the southeastern costal region, would end the fiscal year in some form of distress. The counties in the southeastern coastal region are the same counties that were directly impacted by Hurricane Matthew in 2016.

To provide more insight on the different scenarios for fiscal year 2021, Table 2 defines the impact of COVID—19 on the six measures of fiscal health over the simulated duration of impact (i.e., first quarter, first two quarters, first three quarters, and the entire duration of the 2021 fiscal year). The total revenue that would be lost per capita with a 25% loss of sales and use tax revenue (compared to baseline) would increase to $30.84 at one quarter of impact. With two quarters of impact this would increase to $61.67. With three quarters of impact this would increase to $91.84; and, over the entire fiscal year this would increase to $122.34.

A similar loss would occur with total taxes per capita. At a 25% loss of sale and use tax revenue, $17.48 per capita would be lost (when compared to the baseline of a one quarter impact). At three quarters of impact , $52.07 of total tax revenue per capita would be lost; and, if losses in revenues lasted the entire fiscal year, $69.36 of total tax revenue, on average, per capita would be lost.

The surplus (deficit) per capita transforms from a surplus per capita to a deficit per capita as the duration of the impact of sales and use tax revenue loss expands from one quarter of fiscal year 2021 to the entire fiscal year. At 25% of sales and use tax revenue loss, the average county shifts from a surplus to a deficit if the duration of the loss is at least three quarters of the 2021 fiscal year. Conversely, if the loss of sales and use tax revenue increases to 50%, the average county in NC would experience a deficit of $49.68 per capita if the duration was only the first half of the fiscal year. If the worst case scenario extends to the entire fiscal year, the average county would have a deficit of $171.01 per capita.

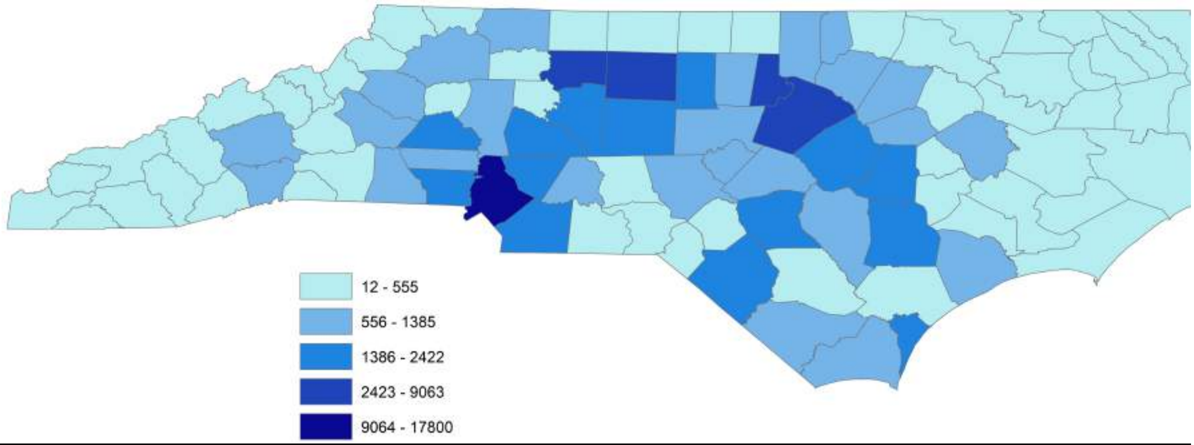
Total tax dependency increases as the duration of the impact of COVID—19 extends into multiple quarters in fiscal year 2021 at both the 25% loss of sales and use tax revenues and 50% reduction of sales and use tax revenue. At a 25% impact during the first quarter, the total tax dependency is 61.8%. If the duration of the impact continues to the first half of the fiscal year, total tax dependency increases to 62.1%. The dependence further increases to 62.9% if the duration of the impact extends throughout the entire fiscal year. Simultaneously, sales tax dependency decreases as the duration of the impact continues. If the impact is only one quarter (and at a 50% percent of sales and use tax collections), counties would be 25.8% dependent on sales tax revenues, on average. If the duration extends to three quarters of the fiscal year, this dependence decreases to 21.8%, on average.

When we consider the number of COVID—19 cases by county as of July 21, 2020 (see Figure 6) and the immediate impact of COVID—19 on sales and use tax revenue for the remainder of fiscal year 2020 (see Figure 1), it is interesting to note that the two counties with the most cases (Mecklenburg and Wake) are also counties that were already *borderline* in terms of their fiscal health. Assuming the worst case scenario of a 50% reduction in sales and use tax revenue into the third quarter of fiscal year 2021, both of these counties would become fiscally *stressed* (see Figure 4). Durham County, which has the third largest number of cases, is considered fiscally *healthy*; however, any decrease in sales tax revenue at or above 30% would move this county to *borderline* status. The potential for these two counties to become fiscally stressed is particularly concerning as this would impact their ability to respond to the pandemic.

Table 2. Impact of COVID—19 on Local Government Revenue, FY 2021

Variable	1st Quarter			2nd Quarter			3rd Quarter			Entire Fiscal Year		
	Baseline	25%	50%	Baseline	25%	50%	Baseline	25%	50%	Baseline	25%	50%
Operating Ratio	1.05	1.03	1.01	1.05	1.01	0.97	1.05	0.99	0.94	1.05	0.97	0.90
Revenues per Capita	---	$30.84	$61.66	---	$61.67	$123.34	---	$91.84	183.67	---	$122.34	$244.67
Taxes per Capita	---	$17.48	$34.96	---	$34.96	$69.93	---	$52.07	$104.13	---	$69.36	$138.72
Surplus (Deficit) per Capita	$73.66	$42.82	$11.99	$73.66	$11.99	$-49.68	$73.66	$-18.18	$-110.01	$73.66	$-48.68	$-171.01
Total Tax Dependency	61.59%	61.84%	62.14%	61.59%	62.14%	63.01%	61.59%	62.51%	64.75%	61.59%	62.99%	72.33%
Sales Tax Dependency	28.00%	26.91%	25.80%	28.00%	25.80%	23.61%	28.00%	24.72%	21.81%	28.00%	23.65%	23.42%

Figure 6. Number of COVID—19 Cases by County, July 21, 2020



Source: Center for Systems Science and Engineering (2020).

Conclusion and Limitations

The outbreak of COVID—19 has caused significant upheaval in the US healthcare system. It has also caused significant change in how individuals engage with society around them, largely in part due to social distancing and stay-in-place orders. Although a great deal of attention has been directed toward understanding the healthcare side of the pandemic, attention should also be directed toward understanding the implications of the virus on local governments. One particular concern is the implication of reduced sales and use tax revenue due to changes in individual behavior on the capacity of local governments to operate. In this study, we used a case study of counties from NC to conduct a series of simulations in an effort to understand the impact of COVID—19 on the fiscal health of local governments.

Our findings show that any impact of COVID—19 on sales and use tax revenue collections for counties in NC has a real impact on the fiscal health of counties in the state. Even if we use a conservative estimate of a 25% reduction in sales and use tax revenue and we assume that the virus will only last for the remainder of fiscal year 2020, the average county in NC would lose over $4 million in revenue. With the more extreme reduction of 50% in sales and use tax revenue, the average county in NC would lose over $8 million. If the outbreak extends into fiscal year 2021, a reduction of sales tax revenue by 25% would result in 40 out of the 92 counties included in our study running a deficit per capita. If that same percent loss extends over the first three quarters, 53 counties would run a deficit per capita. If the counties sustain a 25% loss over the entire fiscal year, 64 of the 92 counties would experience a deficit per capita at the end of fiscal year 2021.

Given that local governments have had to increase spending on programs and services in response to COVID—19 and the expectation that the US will enter into a recession as a result, it is likely that we are underestimating the virus's impact on fiscal health. Local governments can, however, take steps to improve their outcome through the duration of the pandemic. Counties in NC, for example, might look to a better understanding of the day-to-day versus the monthly impact of a decrease in sales and use tax revenues to track the impact of COVID—19 on their revenue sources (given the delay between the point of sale and county receipt of revenues). Counties can also encourage the state to explore the registration of remote vendors under the threshold that took effect on November 1, 2018. With the closure of physical storefronts, many households have turned delivery services. Thus, an increase of foregone sales and use tax revenue could occur through remote transactions by unregistered vendors.
The results of our analysis also point to a preexisting problem in local governments. Figures 1 and 2 highlight the fact that many counties in the state were already fiscally unhealthy or borderline prior to COVID—19. During the Great Recession, states paid considerable attention

to the financial condition of their local governments. In many ways, this attention has wavered, leaving local governments to return to their “old ways.” While the financial stress of the outbreak on local governments suggests that states should reengage with local governments to ensure the continuation of services, the impacts of COVID—19 may also encourage local government officials to question their underlying fiscal health even in times of great economic growth.

Although we focused on counties in NC, the problem of declining fiscal health is likely to be a national problem. Reports have emerged of strained resources and budgetary complications from cities, counties, and states alike. Pagano and McFarland (2020) have pointed out that other revenue streams may also be affected, such as the property tax base, which can have short term and long term impacts on local government sustainability.

Unfortunately, there are also limitations of this study. Due to the unique nature of the impact of COVID—19 and stay-at-home orders on sales tax revenues received for counties, we made the assumption that the revenue loss continued at the same level throughout the duration of the impact. We made this assumption in order to streamline impact on the municipality (as this would allow them to consider how long they could sustain a certain level of sales tax revenue loss and continue to be fiscally healthy).

Another limitation of the study is the need to forecast the baselines for fiscal years 2020 and 2021. The counterfactual of how sales and tax revenue collections would continue without the impact of COVID—19 is impossible to identify due to the global nature of the pandemic. Therefore, we engaged in a conservative forecasting approach for both baselines based on prior identifications of growth rates for municipalities in the state.

Finally, holding expenditures constant throughout the scenarios presented represents a final limitation. Data on the potential increases in county expenditures and a possible federal stimulus package to offset some of the municipal expenditures and use of federal disaster relief funds are unclear at the time of publication. Therefore, we held expenditures constant with baseline predicted growth for fiscal year 2020 and 2021. This presents more conservative estimates of the impacts of sales and use tax revenue losses on the fiscal health of municipalities.

The intent of this study was not to provide a definitive understanding of the financial implications of COVID—19 on local governments. The full impact of COVID—19 on local government fiscal health will become clearer over time; and, this will take years to fully understand. Our interest in exploring this issue now, as the outbreak is underway, is to assist local governments in the planning and preparation for the possible impacts that they may begin to see. With this planning and preparation, local governments can begin making adjustments and seeking help from the state to ensure their continued operation.

We also hope that by beginning this discussion, we are able to provide utility to the public budgeting and finance literature by providing a starting point for future research. A number of questions will need to be addressed regarding the impact of COVID—19 on local governments. However, beginning with an understanding of the impacts on sales and use tax revenues allows for an understanding of public response to the outbreak as well. Future research should explore the day-to-day versus the monthly impact of the virus on sales and use tax revenue collections as well as revenue collected from different types of business establishments. Increasing from a monthly to a daily analysis would allow local governments to pinpoint the exact start of the impact and measure the impact with the release of additional information, such as shelter-in-place warnings or facemask guidance from the Centers for Disease Control and Prevention.

Notes

1. Similar variation can be seen in cities, with the City of Durham, NC, for example, receiving approximately 29% of its annual revenue from sales taxes (City of Durham, 2019) and the City of Phoenix, AZ receiving approximately 45% of its revenue from the tax (City of Phoenix, 2019).
2. For a more thorough review of governmental fiscal health, see Gorina, Maher, and Joffe (2018), Levine, Justice, and Scorsone (2013), and McDonald (2017, 2019).
3. Note that occupancy tax revenue, prepared food tax revenue, amusement licensing tax, gross short term rental tax, and transportation tax revenues are not part of total sales tax revenue. Total sales tax revenue uniquely includes revenue from general sales, which includes groceries.
4. Tax dependency is defined as how dependent a government is on a source of revenue, as measured by the share of total revenue that is received from the source of interest.
5. To present a more detailed finding of the results for the entire scenario of potential sales tax revenue losses, Table A1 in the appendix provides an overview of COVID—19's impacts on the six measures of fiscal health for each of the five percent increases in sales tax revenue loss.
6. Complete results of the various scenarios are in the appendix, Table A2.

Disclosure Statement

The authors declare that there are no conflicts of interest that relate to the research, authorship, or publication of this article.

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Appendix

Table A1. Impact of COVID—19 on Local Government Revenue, FY 2020

Variable	Baseline	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
Operating Ratio	1.05	1.04	1.04	1.03	1.03	1.02	1.02	1.01	1.01	1.00	1.00
Revenues/Capita		$7.62	$15.24	$22.86	$30.47	$38.09	$45.71	$53.33	$60.95	$68.57	$76.18
Taxes/Capita		$4.19	$8.37	$12.56	$16.74	$20.93	$25.11	$29.30	$33.49	$37.67	$41.86
Surplus (Deficit)/Capita	$72.00	$64.38	$56.76	$49.14	$41.52	$33.91	$26.29	$18.67	$11.05	$3.43	$-4.19
Total Tax Dependency	59.99%	60.01%	60.03%	60.06%	60.08%	60.10%	60.13%	60.15%	60.18%	60.20%	60.23%
Sales Tax Dependency	26.39%	26.08%	25.76%	25.44%	25.11%	24.79%	24.45%	24.12%	23.78%	23.44%	23.10%

Table A2. Impact of COVID—19 on Local Government Revenue, FY 2021

Variable	Quarter 1										
	Baseline	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
Operating Ratio	1.05	1.04	1.04	1.04	1.03	1.03	1.02	1.02	1.02	1.01	1.01
Revenues/Capita		$6.17	$12.33	$18.50	$24.67	$30.84	$37.00	$43.17	$49.34	$55.50	$61.16
Taxes/Capita		$3.50	$6.99	$10.49	$13.99	$17.48	$20.98	$24.47	$27.97	$31.47	$34.96
Surplus (Deficit)/Capita	$73.66	$67.49	$61.32	$55.16	$48.99	$42.82	$36.66	$30.49	$24.32	$18.16	$11.99
Total Tax Dependency	61.59%	61.64%	61.69%	61.74%	61.79%	61.84%	61.90%	61.95%	62.01%	62.08%	62.14%
Sales Tax Dependency	28.00%	27.78%	27.56%	27.34%	27.13%	26.91%	26.69%	26.47%	26.24%	26.02%	25.80%

Variable	Quarter 2										
	Baseline	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
Operating Ratio	1.05	1.04	1.03	1.02	1.02	1.01	1.00	0.99	0.99	0.98	0.97
Revenues/Capita		$12.33	$24.67	$37.00	$49.34	$61.67	$74.00	$83.34	$98.67	$111.01	$123.34
Taxes/Capita		$6.99	$13.99	$20.98	$27.97	$34.96	$41.96	$48.95	$55.94	$62.94	$69.93
Surplus (Deficit)/Capita	$73.66	$61.32	$48.99	$36.66	$24.32	$11.99	$-0.35	$-12.68	$-25.01	$-37.35	$-49.68
Total Tax Dependency	61.59%	61.69%	61.79%	61.90%	62.01%	62.14%	62.28%	62.43%	62.60%	62.79%	63.01%
Sales Tax Dependency	28.00%	27.56%	27.13%	26.69%	26.24%	25.80%	25.36%	24.92%	24.48%	24.04%	23.61%

Variable	Quarter 3										
	Baseline	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
Operating Ratio	1.05	1.04	1.02	1.01	1.00	0.99	0.98	0.97	0.96	0.95	0.94
Revenues/Capita		$18.37	$36.73	$55.10	$73.47	$91.84	$110.20	$128.57	$146.94	$165.30	$183.67
Taxes/Capita		$10.41	$20.83	$31.24	$41.65	$52.07	$62.48	$72.89	$83.31	$93.72	$104.13
Surplus (Deficit)/Capita	$73.66	$55.29	$36.92	$18.56	$0.19	$-18.18	$-36.54	$54.19	$-73.28	$-91.65	$-110.01
Total Tax Dependency	61.59%	61.73%	61.89%	62.07%	62.27%	62.51%	62.78%	63.11%	63.52%	64.04%	64.75%
Sales Tax Dependency	28.00%	27.35%	26.70%	26.04%	25.38%	24.72%	24.07%	23.43%	22.83%	22.27%	21.81%

Variable	Quarter 4										
	Baseline	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
Operating Ratio	1.05	1.03	1.02	1.00	0.99	0.97	0.66	0.94	0.93	0.91	0.90
Revenues/Capita		$24.47	$48.93	$73.40	$97.87	$122.34	$146.80	$171.27	$195.74	$220.20	$244.67
Taxes/Capita		$13.87	$27.74	$41.91	$55.49	$69.36	$83.23	$97.10	$110.97	$124.84	$138.72
Surplus (Deficit)/Capita	$73.66	$49.19	$24.72	$0.26	$-24.24	$-48.68	$-73.14	$-97.61	$-122.08	$-146.55	$-171.01
Total Tax Dependency	61.59%	61.79%	62.01%	62.27%	62.59%	62.99%	63.52%	64.25%	65.37%	67.39%	72.33%
Sales Tax Dependency	28.00%	27.13%	26.26%	25.38%	24.50%	23.65%	22.83%	22.11%	21.60%	21.61%	23.42%

Journal of Public and Nonprofit Affairs
Vol. 6, No. 3

A Research Agenda for Women and Entrepreneurship: Identity through Aspirations, Behaviors, and Confidence by Patricia G. Greene and Candida G. Brush

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Greene, P. G. & Brush, C. G. (2018). A research agenda for women and entrepreneurship: Identity through aspirations, behaviors, and confidence. Cheltenham, UK: Edward Elgar Publishing. $35.79 (Paperback), ISBN 978-1785365362.

Keywords: Entrepreneurship, Gender, Aspirations, Research

In *A research agenda for women and entrepreneurship: Identity through aspirations, behaviors and confidence*, Patricia G. Green and Candida G. Brush have compiled a collection of contemporary research that explores the complexity of women's entrepreneurship from a variety of perspectives, methodological approaches, and compelling challenges. This book is a "sandbox," where researchers are able to play with untrodden ideas and explore new frontiers related to the concept of identity—specifically, how entrepreneurial identity informs women, their businesses, ventures, and experiences. The editors organize the scholarship through a framework divided into three areas: aspirations (i.e., what women want to create or achieve), behaviors (i.e., how women create and grow businesses), and confidence (i.e., the degree of trust and self-assurance that entrepreneurial women possess). Green and Brush argue that these interrelated concepts "shape and enhance a woman's identity in the entrepreneurial process" (p. 2).

The purpose of this book is to provide new insights into women's entrepreneurship in order to lay the groundwork for an increased focus on gendered research. The literature explored within the book inspires new research questions about provisional and enduring identities and the contextual factors that influence them as well as about credibility-building behaviors, identity validation, and self-efficacy. In this collection of geographically diverse studies, Green and Brush accomplish three outcomes. First, they propose an ambitious research agenda for current and emerging scholars in the entrepreneurial space. Next, they inform policymakers concerned with supporting women entrepreneurs. Finally, they inspire practitioners to map a direction for future scholarship.

This body of work is especially compelling in its attempt to accelerate the feminine perspective in entrepreneurial research, the vast majority of which has historically been conducted using male populations relying on expected masculine behaviors. In response, the research featured

Ramers, L. H. (2020). A research agenda for women and entrepreneurship: Identity through aspirations, behaviors and confidence by Patricia G. Greene and Candida G. Brush. *Journal of Public and Nonprofit Affairs*, *6*(3), 401-403. https://doi.org/10.20899/jpna. 6.3.401-403

in this book focuses on qualitative and quantitative research conducted with women and men, but primarily focuses on outcomes related to women, using examples from around the world.

In the introductory chapter by Green and Brush, the concept of identity is explored using research from social science disciplines. The editors present a robust review of identity theory, setting the stage for the nine studies included in the book. These studies range from founder decision-making to motherhood as a springboard for entrepreneurial action to crowdfunding performance by women. First, they describe what identity is, how it is constructed, and how it is linked to aspirations, behaviors, and confidence. Personal identity, social identity theory, and identity theory are outlined. Research on identity construction, saliency, durability, and conscious identity is also briefly discussed. Next, entrepreneurial identity construction is explored, with a focus on role identity and organizational identity and its manifestation through the "culture of the emerging venture" (p. 5). Then, identity is explored through a gendered lens. Finally, the editors propose entrepreneurial identity typologies and identity as the root drivers of entrepreneurial behaviors. The first chapter concludes with a discussion of confidence and self-efficacy and how related skills and traits differ for women and men.

Chapters 2, 4, and 6 feature qualitative studies on women entrepreneurs in Chile (using a study with an *n* of 8), India (using a study with an *n* of 15), and Canada (using a study with an *n* of 134), respectively. Interviews and document analysis are the primary data collection methods used in these chapters. Chapter 3 (which focuses on a study using an *n* of 1,234) and chapter 8 (which focuses on a study using an *n* of 2,038) are quantitative studies that analyze survey data. Chapter 7 is a single case study using ethnographic techniques that takes place over an 18 month period. Finally, chapters 5 and 9 utilize extant literature to propose new thinking around entrepreneurial identity and the role of motherhood on entrepreneurial behavior.

In total, the studies in this book illuminate the need to increase critical discourse around women entrepreneurs and their identities, specifically and uniquely related to the intersection of their aspirations, behavior, and confidence. Given the wide array of topics covered in the featured studies, this book should be of particular significance for burgeoning researchers looking for innovative approaches and new ideas to explore issues related to identity in women entrepreneurs. Those interested in entrepreneurial education, the practice of entrepreneurship, how identity is constructed and shaped through the entrepreneurial process, and the formation of policies that support women entrepreneurs will also find this book to be an informative and valuable resource.

The editors use the "ABC framework" (aspirations, behavior, and confidence) to group and present the research contained within this book. Fundamentally, the ABC framework is a tidy organizational approach, but does it ultimately work for a book about gendered identity within the context of entrepreneurial research? The framework has somewhat limiting effects on the overall presentation, as it only loosely connects aspirations, behaviors, and confidence within different contexts. Thus, it at times neglects to convey the complexity of women's entrepreneurial leadership across these three dimensions. Readers may find themselves asking, "How do aspirations influence behavior? How does confidence emerge and how does confidence inform one's aspirations?"

There are many words beginning with "C" that could have informed this framework, potentially providing a more cohesive overall picture. Context, for instance. Or, perhaps culture. For example, given a particular context, women's aspirations may change. This change will likely have an effect on behavior. The problem is not the use of confidence in the framework—it does. One can question, however, whether context would work better. Is not the context, or even the culture of women's entrepreneurship, even more connected to aspirations and behaviors than an individual's confidence?

Ultimately, the book achieves its purpose in laying out an agenda for entrepreneurial research that has historically neglected women. It provides new and exciting potentialities in a field that has been understudied. While it takes into account the unique experiences of women entrepreneurs, in its attempt to convey the ideas through a simple framework, complexity is at times sacrificed.

Author Biography

Lauren H. Ramers is a leadership studies doctoral student at the University of San Diego. Her research interests include education reform, social justice in K-12 education, servant leadership, and women in leadership. She aspires to inspire educators to become resident researchers who investigate innovative solutions that remove barriers to learning.

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