

NONPROFIT GROWTH RATES: DO POLICY ADVOCACY ORGANIZATIONS
GROW SLOWER THAN DIRECT SERVICE ORGANIZATIONS?

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by

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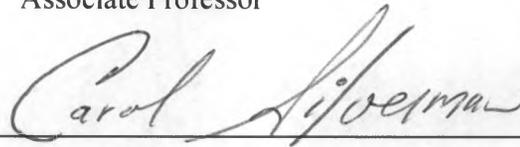
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CERTIFICATION OF APPROVAL

I certify that I have read *Nonprofit Growth Rates: Do Advocacy Organizations Grow Slower than Direct Service Organizations?* by Amanda Jeanne Akers, and that in my opinion this work meets the criteria for approving a thesis submitted in partial fulfillment of the requirement for the degree Master of Public Administration at San Francisco State University.



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NONPROFIT GROWTH RATES: DO POLICY ADVOCACY ORGANIZATIONS
GROW SLOWER THAN DIRECT SERVICE ORGANIZATIONS?

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2015

Nonprofits that do policy advocacy work speak for those who cannot speak for themselves. However, existing literature documents a number of barriers to nonprofit advocacy work that may be hindering the growth in these types of organizations. This study uses existing financial data from 2008-2011, from 8,074 nonprofit organizations in the San Francisco Bay Area, Washington, D.C., and Indiana, to investigate if nonprofit advocacy organizations are growing slower than direct service organizations. Findings show that advocacy organizations do grow more slowly than direct service organizations, with the differences concentrated in Washington, D.C., and large organizations.

I certify that the Abstract is a correct representation of the content of this thesis.



Chair, Thesis Committee



Date

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1. Introduction

Nonprofits play an important role in our society, serving those most in need. Most often, it is direct service providers that come to mind when one considers public charities. Examples include shelters, food banks, and mentoring organizations. These types of public charities provide services for the most vulnerable, and are rarely controversial in their existence. On the other hand, policy advocacy organizations often create conflict (Boris, 2006, p. 2). Salamon (2012) notes that the purpose of advocacy organizations is to identify unaddressed problems and bring them to the public's attention. Some of the social movements that have come to light as a result of public policy advocacy include the antislavery, women's suffrage, environmental, gay rights, and conservative movements (p. 12).

The differences between policy advocacy organizations and direct service organizations extend beyond creating conflict and not. The literature in the field of advocacy nonprofits describes numerous barriers that advocacy organizations must face, including unclear governmental regulations, funding challenges, and a fear of retribution. This leads one to wonder how these additional barriers affect advocacy work and the growth and health of advocacy organizations. This paper will explore the growth rates of nonprofit advocacy organizations and compare those growth rates to direct service organizations.

Why is it important that advocacy organizations are as financially healthy as direct service organizations? Perhaps as taxpayer subsidized entities, nonprofits should

stick to services like running shelters and food pantries and be excluded from interacting with government. However, advocacy provides more than the Band-Aid that direct services provide – advocacy creates fundamental changes in the system (Berry, 2001, p. 1; Morariu & Brennan, 2009, p. 100). Additionally, nonprofits represent their constituent clients before government (Berry, 2001, p. 2; Reid, 2006, p. 344). Groups such as the homeless, foster children, or victims of domestic violence are often too consumed with their own challenges to advocate for policy changes. Frequently it is the nonprofit agencies who must speak for their clients. As a democratic society, it is critical that the representatives of our local, state and federal governments hear from those who are most affected by the policies that these governments create. To ensure the continuation of these practices, it is important to understand the state of these organizations, and how these types of nonprofit organizations function.

Therefore, this research begins the exploration into the growth of nonprofit policy advocacy organizations. It begins with a review of the literature regarding the growth rates of nonprofits, as well as barriers to the work of advocacy organizations. It then describes a methodology to test the growth of policy advocacy organizations against the growth of direct service and analyzes the results. At the conclusion, key findings are reviewed, along with methodological limitations, policy implications, and recommendations for further research.

2. Literature Review

This review draws on academic and practitioner literature, and was conducted using library resources and Internet search engines. This literature review presents relevant works regarding the growth rates of nonprofits and the barriers that nonprofits face when performing policy advocacy work.

2.1. Growth Rates of Nonprofits

One of the limiting factors of nonprofit work is money. Additional funds can always be spent on salaries to hire more staff to do more work, to buy more food to serve more meals, and to buy more books with which to help more children read. To be fair, a program of poor quality will not help many people no matter how much money it has, but money does “influence the type and level of activity that can be pursued” (De Vita, Montilla, Reid, & Fatiregun, 2004). Because of this powerful influence of money, and as nonprofits are mission driven entities (as opposed to profit driven entities), Galaskiewicz, Bielefeld, & Dowell (2006) argue that from an economic perspective, this motivates nonprofits to grow and expand. The more services they can provide, and the more work they can do, the better they can fulfil the organization’s mission (p. 340).

Of course, growth is not always possible for all organizations. There is a limited amount of funds, and nonprofits are constantly competing for funds. Those organizations that cannot raise enough money to make progress on achieving their missions will exit the market. When studying the factors that are associated with the entry and exit of

human service nonprofit organizations, Twombly (2003) demonstrates that organizations with more funds show greater stability, while smaller organizations are more likely to fail (p. 217). With the knowledge that larger organizations are more stable and can accomplish more of their mission, one can conclude that positive organizational growth is optimal, and that individual organizations strive to grow.

In terms quantifying how much organizations should ideally grow or how much organizations have grown historically, there is little in the literature. Twombly and Auer (2005) use median percentage growth as one indicator of the sector's financial health when assessing the safety net for children in the Washington, D.C., area. From 1998 to 2000, the region's median revenues grew 17 percent, with a range of 10-23 percent throughout various counties in the vicinity of Washington, D.C. However, the authors were only using the data as benchmarks, to compare one county to another, and to compare the counties' growth to future growth. There was no analysis of the methodology of using growth rates as a measure of financial health, nor anything to suggest a target growth rate that indicates health. Salamon (2012) uses growth rates to show the health of the sector, which was growing from 3.6 percent per year from 1977 through 1996, then increased to 4.3 percent per year from 1997 through 2007 (p. 45). However, these data use a different unit of analysis, and does little to help predict how individual organizations may grow.

Ultimately, while there is not a lot of literature regarding growth rates, there are some hints as to how they can be used. Organizations are looking to grow, so positive

growth rates are a good indicator. However, even if an organization has a positive growth rate, there is no mention of a strategic level of how much growth to target. Therefore, researchers have used growth rates in a comparative fashion, rather than as stand-alone numbers.

2.2. Barriers

The literature indicates that there are three main barriers to nonprofit agencies performing advocacy work. The first is that unclear government regulations have led to policy work being hidden in the background, and therefore less likely to be funded. The second is that policy advocacy organizations face an additional set of challenges that direct service organizations do not have to face when raising funds. The third is that policy advocacy organizations are exposed to retribution or retaliation from opposing entities, which has led to a fear of retribution. All three of these barriers contribute to the fact that nonprofit policy advocacy organizations can be hesitant to discuss their advocacy work, which leads to a lack of funding for advocacy work.

2.2.1. Barrier – Unclear Regulations

The Internal Revenue Service (IRS) is the administrative agency that grants an organization the nonprofit status and regulates its activities. All organizations with the 501(c) designation do not pay taxes on their income. This 501(c) status covers a wide variety of types of organizations including social welfare organizations - 501(c)(4),

unions - 501(c)(5), cemetery companies - 501(c)(13), and employee funded pension trusts - 501(c)(18) (National Center for Charitable Statistics, 2015). Included in the broad category of nonprofits are public charities, designated as 501(c)(3) nonprofits, which are “expected to serve broad public purposes, not just the interests and needs of the organizations’ members” (Salamon, 2012, p. 7). Because these organizations serve a general interest, and not, for example, specific union members, the US government incentivizes giving to these organizations. The unique incentive that 501(c)(3) nonprofits are able to offer that other types of nonprofits, including 501(c)(4) social welfare organizations, are not able to offer is the incentive of tax deductions to individuals and businesses for their donations (IRS, 2013a). However, this opportunity comes at a price. In this case, part of the price includes limitations on the organization’s lobbying activities.

Lobbying is a specific type of advocacy activity, directed toward influencing policymakers (Berry & Arons, 2003, p. 44), “targeted to influence specific legislation” (Boris & Maronick, 2012, p. 398). According to the tax code, as long as a specific law is not mentioned, it is not considered lobbying. Using this definition, in practice, few nonprofit organizations actually engage in lobbying activities, although it is a legal activity in limited amounts. In 2005, only two percent of all nonprofits reported lobbying expenditures (Salamon, 2012, p. 63), and this rate has held steady over time (Reid, 2006, pp. 354–355). Many more nonprofits engage in other types of general advocacy activities that are not considered lobbying.

The term of advocacy is defined simply by Boris and Maronick (2012) as “activities and communications designed to influence public policy” (p. 397). Examples include testifying at legislative hearings, working with the public on behalf or against a proposed bill, responding to requests for information from those in government, working in an advisory group that includes government officials, meeting with government officials about work the nonprofit is doing, encouraging members to write or call policymakers, releasing research reports, and interacting socially with government officials (Berry & Arons, 2003, p. 68). LeRoux and Goerdel (2009) differentiate grass-roots advocacy from standing in decision making. Grass-roots advocacy encompasses an organization mobilizing their constituency to take action, while standing in decision making occurs when the nonprofit communicates directly with legislators or bureaucrats (p. 516). Both of these types of advocacy are common activities for nonprofits to perform. For the purposes of this paper, the use of the term advocacy refers to public policy cause advocacy, encompassing either grass-roots advocacy and standing in decision making, but not individual case advocacy (such as the advocacy of social workers).

Although both policy advocacy and lobbying are legal activities for 501(c)(3) nonprofits, the tax code is vague regarding the quantity of lobbying activities in which a nonprofit may participate. Current IRS regulations state that “no organization may qualify for section 501(c)(3) status if a substantial part of its activities is attempting to influence legislation (commonly known as lobbying)” (IRS, 2013c). Berry and Arons

(2003) argue that it is the use of *substantial* that is the source of confusion (p. 53). Is substantial measured in funds spent or percent of an organization's time spent lobbying? Does substantial mean 90 percent? Or could it mean more than 50 percent? Or 10 percent? As it stands, there is no IRS definition of what constitutes substantial for 501(c)(3) organizations. However, if a nonprofit was to exceed that undefined substantial threshold, the punishment would be severe. Its tax-exempt status would be revoked, which means that it would no longer be able to offer a tax deduction to its donors. This tax deductibility is the lifeblood of public charities. Losing it would be detrimental to its fundraising abilities and ultimately its existence.

A number of misconceptions have evolved from this ambiguous law. The Berry and Arons' (2003) survey showed that 68 percent of conventional nonprofits believed that they were not allowed to lobby if they receive federal funds. Additionally, 55 percent did not know that they were legally allowed to sponsor a forum or candidate debate for elected office, and 46 percent did not know that they could support or oppose federal legislation (p. 59). Berry's (2005) interviews with nonprofit executives found additional misinformation. Some executives believed that they were not allowed to do any lobbying, some cited a specific percentage of their budget that they were allowed to devote to lobbying, and some used "linguistic contortions" to describe their lobbying activities as not actually lobbying activities (p. 575). The fact that there are these misconceptions is unfortunate because there is impactful work that organizations could be doing but are not because the tax code is unclear.

According to Drabble & Abrenilla (2000), these misconceptions also lead to policy work being rendered invisible. In a study of seventy public policy organizations in California, Drabble & Abrenilla found that organizations felt they needed to obscure their policy work because they did not want to be perceived as an organization that engaged in lobbying. Organizations changed their language and the focus of their message when communicating with the general public and funders about their advocacy work, if they mentioned it at all. As a result, there was no money to pay for their advocacy work when the time came.

Salamon (2012) attributes some of the unwillingness of charities to ask for advocacy funds to the hesitancy of foundations to fund this type of work. IRS restrictions on foundation support for lobbying have made foundations less likely to fund broader advocacy activities (p. 63). The rules for private foundations are complicated and include:

1. Private foundations are prohibited by the IRS from earmarking funds for lobbying activities or engaging directly in lobbying activities;
2. A private foundation cannot be the sole funder of a project that includes lobbying; and
3. The amount of the foundation's grant cannot exceed the non-lobbying amount of the project.

There also may be additional rules depending in which state they are located, or the state they are in may define lobbying differently than the IRS (Hanson, Peters,

Abrams, Rogers, & Karlin, n.d.). It is the responsibility of the foundation to know this, and be abreast of any changes that may happen over time.

To be clear, a private foundation may still fund advocacy work and give general operating support to an organization that performs lobbying work, but proper due diligence is required. All of this takes time, resources, and a thorough understanding of the law. It is much simpler for foundations to deny funding out of hand for any organization that does anything with government, which is often the case for smaller family foundations with limited resources. Even if a foundation does support advocacy, Drabble (2000) found that there was a perception that the foundations tended “to gravitate toward ‘safe’ grants such as university based research, think tanks, service, training, and publication of reports rather than activism, community organization, or litigation” (p. 25). Ultimately, this means that one of the most effective methods of making lasting change in the system is not even being considered by a whole host of funders.

2.2.2. Barrier – Funding Challenges

A second barrier to advocacy is that policy advocacy activities do not align with foundations’ basic funding requirements, and therefore will have trouble qualifying for grants. Most foundation funding have grant periods of one year (Bass, Arons, Guinane, & Carter, 2007, p. 19; Bothwell, 2001, p. 75; Drabble, 2000, p. 21; Innovation Network, 2008, p. 3), and then at the end of the year, the grant recipient must write a report

explaining what was accomplished using the funds. Even an unsophisticated direct service organization can report simple outputs such as the number of meals served, the increased reading scores, or the number of trees planted. It is not so simple for many organizations doing policy advocacy work. If a policy advocacy organization's sole metric was legislation passed or policies changed, it would look like most organizations failed (Gen & Wright, 2013, p. 4). Policy change is incremental, often taking decades to make change (Fagen, Reed, Kaye, & Jack, 2009; Rees, 2001, p. 10; Sabatier, 1988, p. 131). John Kingdon (2003) writes that a "long softening up process is critical to policy change" (Theodoulou & Cahn, 2013, p. 160). Within the timing of a traditional one year funding cycle, concrete accomplishments are challenging to measure. Without an indicator of success, funding becomes difficult to attain. Additionally, in the time that it actually takes to make policy change, foundations may have moved on to the next issue or program, many changing their focus after one to three years (Drabble, 2000).

If, perhaps, an organization finds a window of opportunity, and a policy that the organization has been working on for years has been implemented, a single organization would be ethically challenged to claim that its work alone was the cause of change. Change is usually the result of many actors (Sabatier, 1988, p. 131), and as it stands currently, most foundations demand specific activity attribution (Innovation Network, 2008, p. 3; Morariu & Brennan, 2009, pp. 101–102). Because change takes so long and there are often many organizations working on a single issue, an organization does not necessarily know when its activism has been pivotal (Gen & Wright, 2013, p. 4; Morariu & Brennan,

2009, p. 101; Suárez & Hwang, 2008, p. 107). Baumgartner and Leech (1998) believed that this is trying to “measure the unmeasurable” (p. 60). Fagen et al. (2009) propose a solution to this conundrum, which includes “using nontraditional reporting techniques such as extended memos and intense debriefing meetings.” For now though, most foundations expect activity attribution in their final reports, and without it, future funding is in jeopardy.

A third cause of funding challenges is that “donors bring their own set of values, interests, and preferences” (De Vita et al., 2004). Although an organization and donor may align on goals or outcomes, the method used in which to get there could differ. De Vita et al. use the example of a corporation that wants to support children, and gives money to an organization working to improve policies that affect children. Problems may result if the advocacy organization proposes to improve the lives of children by recommending a new tax, which corporations typically eschew (p. 25). Organizations must carefully navigate these issues, and either risk losing the funding, or risk abandoning their constituents.

These challenges to receive foundation funding present major impacts to advocacy organizations – more so than direct service organizations. For the nonprofit sector as a whole, fee for service is the largest source of income. In 2008, 69.8 percent of the sector’s total revenue was composed of these fees for service, while foundation funding only made up only 12.4 percent (Wing, Roeger, & Pollak, 2010, pp. 2–3). However, a study by Innovation Network (2008) found that the vast majority (79.9 percent) of

advocacy organizations reported that their largest source of revenue for their advocacy work came from private sources, including foundations (p. 6) This shows us that non-advocacy focused organizations have a steadier source of funding in their fee collection, and are not as dependent on yearly foundation grant cycles for the majority of their funding. Considering how dependent advocacy organizations are for these funds, and the large amount of funds available from foundations (in 2008, foundations gave out \$38.44 billion (Giving USA Foundation, 2010, p. 11)), these challenges present the loss of a significant opportunity.

2.2.3. Barrier – Fear of Retribution

A third barrier is that advocacy work often leads to controversy, and organizations have a fear of retribution. As there are usually at least two sides to every issue, there is at least one other interest group working to either preserve the status quo or enact an alternative solution. The results of such controversies could be that current or potential donors shy away from supporting the organization. In one set of interviews of nonprofits advocacy practices, Bass et al. (2007) report that a number of nonprofits are hesitant to take policy positions for fear of losing government grants (pp. 18–19). Plitt Donaldson (2007) also found similar results, with one executive director noting that “[agencies] just shrink back because that’s where they get their funding, and ...you don’t bite the hand that feeds you” (p. 154). If enough individual donors, foundations, or corporations pull

their support, the organization will become financially unstable and could eventually fold.

Besides losing donors, antagonizing members of the legislature can result in retribution involving the loss of the organization's 501(c)(3) tax exempt status, and therefore the ability to fundraise. In 1966, the Sierra Club notoriously had their 501(c)(3) nonprofit status revoked as a result of one \$10,000 grassroots lobbying campaign that provoked the anger of a Congressman (Berry & Arons, 2003, pp. 75–77). Although this incident happened more than thirty years prior, Berry & Arons found in a 2001 survey that a number of nonprofits specifically mentioned the Sierra Club example, and felt that “if the IRS can go after a popular national organization like the Sierra Club, think how easy it would be for them to bust a small nonprofit like ours” (p. 75).

Even if an organization does not lose its tax exempt status, congressionally requested audits and investigations can be costly, and may act as a deterrent to advocacy work. One recent, well-known example involves the NAACP, classified as a 501(c)(3) organization. In 2004, on the 50th anniversary of *Brown v. Board of Education*, the NAACP posted a civil rights speech by its Board Chair, Julian Bond, to its website (Hill, 2005, p. 1). Within the speech, Bond makes negative comments about President George W. Bush, who at the time was in the midst of his second campaign for president. As 501(c)(3) nonprofits are not allowed to get involved in electoral politics, an IRS investigation was made at the request of two senators and a number of representatives, all Republicans (Fears, 2006). A number of Democratic senators came to the defense of the

NAACP (Hill, 2005, pp. 3–5), turning this into a politically charged fight. The Commissioner of the IRS claimed that investigations are based on tax law and not partisanship, but Bond contended that he gave a policy speech that was critical of an administration’s policies, never telling anyone how to vote. In the end, the IRS ruled that the NAACP did not violate its tax-exempt status. However, the IRS warned that it would “step up its Political Intervention Program with renewed investigations” (Reid, 2006, p. 367). Although the IRS eventually ruled in favor of the NAACP, it still had to spend significant resources defending itself. Additionally, this was an incident that was played out in the media, for all nonprofits to see. The NAACP had the resources to fight this battle and defend its advocacy work, but would a smaller, less funded organization? “This threat, real or perceived, can chill political engagement and political criticism” (Reid, 2006, p. 367).

Each of these barriers, unclear governmental regulations, funding criteria that do not align with policy work, and a fear of retribution, leads to policy advocacy work being hidden. When an agency’s work is hidden, it becomes more challenging to get funded. When programs do not get funded, they get canceled. Because this work is critical to our democracy, the voice of nonprofits, and the people they serve, it is important to know if these barriers are creating a measurable impact. Silverman & Patterson (2011) found that there was a perception among executives of nonprofit advocacy organizations that there was a lack of funding for their work (p. 442), but is it having an impact on the growth of policy advocacy nonprofits?

This is a much larger question than this research is able to answer, but it is the direction the research is heading. At this point in time, the research on advocacy organizations is so limited that even the most basic information on the general health of these organizations is not known. This research will show whether or not the growth rates of advocacy organizations is different than the growth rates of direct service organizations. Based on the number of barriers to advocacy work and the barriers to fundraising, one would expect that nonprofit advocacy organizations would grow slower than direct service organizations.

3. Methodology

This is a quantitative study of the growth rates of nonprofit organizations over time in specific geographical locations. The unit of analysis is the nonprofit. Although 501(c)(3) designated organizations do not account for all charitable organizations, for example churches are also nonprofits that do not need to register as a 501(c)(3), it does cover the majority of nonprofits (Grønbjerg & Paarlberg, 2002, p. 569). Data from the entire population of 501(c)(3)s from the geographical focus will be used. The independent variable is primary activity (policy advocacy organizations versus direct service organizations), and the dependent variable is growth rates.

3.1. Data Collection

To measure the growth rate of advocacy organizations versus direct service nonprofit organizations, the dependent variable needs to be appropriately operationalized.

In order to understand the size of an organization, Gammal, Simard, Hwang, and Powell (2005) recommend using annual expenditures as a proxy (p. 16). Other researchers have also used expenditures as performance measures, including Galaskiewicz et al. (2006) and Mosley (2010). The National Center for Charitable Statistics (NCCS) stores and maintains the publically available financial information for all 501(c)(3) nonprofits collected by the IRS (National Center for Charitable Statistics, n.d.). Starting in 2008, the IRS began requiring all 501(c)(3)s to file a tax return on a yearly basis using either the 990, 990-N, or the 990-EZ, depending on the size of the organization's income. (Previously, only organizations with incomes over \$50,000 needed to file a tax return (IRS, 2013b).) These forms ask for varying amounts of financial information, but all require total expenses to be stated for the year. Because of this, 2008-2011 are the first four years with complete data.

Taking the perspective that these organizations are being impacted over the long term, one growth rate for each organization will be calculated across the time period. The small variations from year to year are less important than assessing the overall changes over time. To calculate the growth rate, the straight line formula was used: Percent Change = $100 \times (\text{Future Value} - \text{Past Value}) / \text{Past Value}$. For these purposes, the formula is translated to: $100 \times (2011 \text{ Expense} - 2008 \text{ Expense}) / 2008 \text{ Expense}$.

When determining an agency's primary activity, researchers often use the National Taxonomy of Exempt Entities (NTEE) classification system (Berry & Arons, 2003; Boris & Maronick, 2012; Child & Grønbjerg, 2007; Joassart-Marcelli & Salamon,

2011; Krehely, 2001; Suárez & Hwang, 2008; Twombly, 2003). This is the code I used to classify organizations as either policy advocacy organizations or direct service. The Suárez & Hwang (2008) rubric was used as a guide, with some modifications, to determine which NTEE codes are aligned with organizations whose primary work was advocacy (Appendix A: Advocacy vs Direct Service Rubric. There were also a number of NTEE codes for which neither advocacy nor direct service activities applied. Examples include codes for foundations, pensions and retirement funds, and monetary codes. Organizations with this “other” type of activity were removed from the dataset.

Starting with a total of 28,559 nonprofits in the three regions (described below), 4,881 organizations with the primary activity of “other” were removed. Organizations were then excluded if they were founded after 2008, moved outside the region of study, changed sector, did not have financials for 2008 or 2011 or had \$0 in expenses for 2008 (mathematically, one cannot compute a growth rate starting a \$0). This left us with 8,234 organizations. Additionally, hospitals and universities were also removed because their large size makes them statistical outliers (Berry & Arons, 2003, p. 44), the majority of their income is fee for service, and they are all direct service. A total of 8,074 organizations remained (Appendix B).

3.2. Variables

Once an organization's primary activity and its growth rates were determined, three additional variables were used to gain further understanding of the relationship: geography, sector, and organization size.

3.2.1. Regions of study

For this analysis, the three regions of study I used were: 1. the San Francisco Bay Area (as defined as the seven counties including Alameda, Contra Costa, Marin, San Francisco, San Mateo, Santa Clara, and Santa Cruz); 2. Washington, D.C.; and 3. the State of Indiana. Although the geographic size of each region is different, they each had a similar number of advocacy organizations (N=316-436).

Each of these regions has unique characteristics that make it of interest to study. The San Francisco Bay Area has a good mix of direct service and advocacy organizations at the local, state, and national levels. It also has a strong history of activism, and its foundations were early to support social movements (Jenkins, 2001, p. 54). Washington DC is the headquarters of the federal government and hosts a high concentration of advocacy organizations, but also has one of the highest rate of people living in poverty (Short, 2013, p. 13). While these two regions are atypical of the nation as a whole, the high number of advocacy organizations makes it such that the outcomes are not dependent on a handful of advocacy organizations. A region that is more typical of the country is Indiana, which Child and Grønberg (2007) describe as "fairly middle of the

road in terms of demographics, economy, and culture, suggesting that patterns [found] there may be suggestive of patterns in other states” (p. 266). Combining the three regions allows for the opportunity to discern individual and common trends across different geographic locations.

3.2.2. Sectors & Size

It was also essential to examine the various sectors individually to control for differences between sectors. I used the *NTEE Major Code (12)* to categorize organizations by sector. The NTEE Major Code (12) divides organizations into the following sectors: arts, culture, and humanities; higher education; education; hospitals; environment; health; human services; international; mutual benefit; public and societal benefit; religion; and unknown. As mentioned above, hospitals and higher education were excluded from the data set. Of the remaining ten, the categories of art, religion, mutual benefit, and unknown only had a small number of organizations, and were combined into one “other” category. In all, there were a total of seven distinct sectors: education, environment, health, human services, international, public benefit, and other.

The size of the organization is another variable that was examined. In the past, much of the research has been focused on large, national organizations (Andrews & Edwards, 2004, p. 500). This analysis allowed for a comparison to other studies that have also studied large organizations, but it can also give insight to small organizations. The organizations’ 2008 expenses in interval form were used as a control variable, but additional analysis was done to examine any differences that the groups of organizations

may have had with respect to size. Organizations were divided by quartile based on their 2008 expenses. Extra small organizations encompass an organization size of \$1-\$90,219; small organizations had expenses of \$90,219-\$301,729; medium organizations had expenses of \$301,729-\$1,314,746; and large organizations had expenses over \$1,314,746.

A description of each of the variables is outlined in the following chart (Table 1).

Table 1. Description of Variables

	Variable	Type	Description
Dependent Variable	Growth Rate	Interval	Growth of expenses from 2008 to 2011
Primary Independent Variable	Primary Activity Type (Advocacy vs. Direct service)	Categorical	NTEE Code Rubric
Secondary Independent Variables	Location	Categorical	Defined by Location in 2008: SF Bay Area (7 counties), Washington DC, Indiana
	Size	Ordinal	Defined by Expenses in 2008: Extra Small: \$1-\$90,219 Small: \$90,219-\$301,729 Medium: \$301,729-\$1,314,746 Large: \$1,314,746+
	Sector	Categorical	NTEE Major Code (12): Education, Environment, Health, Human Services, International, Public & Societal Benefit, Other(Art, Mutual Benefit, Religion, Unknown); Higher Education and Hospitals removed
Control Variables	Expenses in 2008	Interval	
	Organization Age	Interval	Founding Year

3.3. Analytic Methods

Considering the barriers to nonprofit 501(c)(3) organizations performing advocacy and receiving funding for their work, the goal of this study was to understand the relationship of advocacy versus direct service work, and its relationship with the organization's growth rate. Multivariate regression allows for analysis of several independent variables and a dependent variable, and tests the proportion of variation accounted for by the model. Using this method, I was able to test the relationship, while also controlling for size of organization, location, sector, and age of the organization. While the literature leads one to believe that advocacy organizations grow slower than direct service organizations, there is still the possibility that the results could swing the other direction and direct service organizations could grow more slowly than advocacy organizations. Therefore, I did not assume directionality, and used the following, more conservative, two-tailed hypotheses:

$H_0: \beta = 0 \rightarrow$ There is no relationship between the organizations' primary work of advocacy and growth rate (under the condition that direct service was coded as 0, and advocacy was coded as 1).

$H_1: \beta \neq 0 \rightarrow$ There is a relationship between the organizations' primary work of advocacy and growth rate.

4. Results

Table 2 summarizes the distribution of the advocacy and direct service population. As expected, direct service organizations greatly outnumbered advocacy

organizations. In Washington, D.C., however, advocacy organizations made up nearly a third, while the other two geographic locations made up 10-12 percent. DC organizations were also larger in size as a percentage of organizations overall, which is consistent with the fact that DC is the home of the nation's federal government, and large, well-funded organizations would be located there. As a percentage of the totals, advocacy organizations also skewed larger in the Bay Area, but smaller in Indiana. In fact, the Bay Area and DC had low percentage of policy advocacy organizations in the extra small category (expenses < \$90,219), while only 12 percent of Indiana's advocacy organizations were large.

Table 2. Size and Location Distribution of Advocacy and Direct Service Organizations

		Bay Area	DC	Indiana	Grand Total
Advocacy	ExtraSmall	61	33	93	187
	Small	104	74	97	275
	Medium	142	128	87	357
	Large	113	201	39	353
	Total	420	436	316	1,172
Direct Service	ExtraSmall	866	141	824	1,831
	Small	896	186	662	1,744
	Medium	901	282	479	1,662
	Large	843	380	442	1,665
	Total	3,506	989	2,407	6,902
Grand Total		3,926	1,425	2,723	8,074

		Bay Area	DC	Indiana	Grand Total
Advocacy	ExtraSmall	14.52%	7.57%	29.43%	15.96%
	Small	24.76%	16.97%	30.70%	23.46%
	Medium	33.81%	29.36%	27.53%	30.46%
	Large	26.90%	46.10%	12.34%	30.12%
	Total	100.00%	100.00%	100.00%	100.00%
Direct Service	ExtraSmall	24.70%	14.26%	34.23%	26.53%
	Small	25.56%	18.81%	27.50%	25.27%
	Medium	25.70%	28.51%	19.90%	24.08%
	Large	24.04%	38.42%	18.36%	24.12%
	Total	100.00%	100.00%	100.00%	100.00%
Grand Total		100.00%	100.00%	100.00%	100.00%

Table 3. Measures of Central Tendencies: Average Growth Rates

	<i>N</i>	Median	Mean	Std. Deviation	Variance
Direct Service	6,902	5.37%	65.90%	1,689%	28,533%
Advocacy	1,172	3.70%	30.39%	257%	661%

In examining the measures of central tendencies, one can see that the mean average growth rate of direct service organizations (65.9 percent) was much higher than advocacy organizations (30.4 percent). Assuming unequal variances, a two-tailed *t*-test found the means of the two groups to be significantly different at the 90 percent confidence level ($t(8,031) = 1.64, p = 0.10$). The following histograms (Figure 1 and Figure 2) of the population's growth rates depict a cluster of organizations around a central point, which may look normal at first glance, but in fact are positively skewed with extreme outliers (min -100 percent, max 134,672 percent). Therefore, I focused this

research on comparing median growth rates, and not the means which are more sensitive to extreme outliers. Overall, the median growth rate for advocacy organizations was 3.7 percent, just slightly lower than the 5.4 percent median growth rate for direct service organizations.

Figure 1. Distribution of the 2008-2011 Growth Rates, 100%-400% only

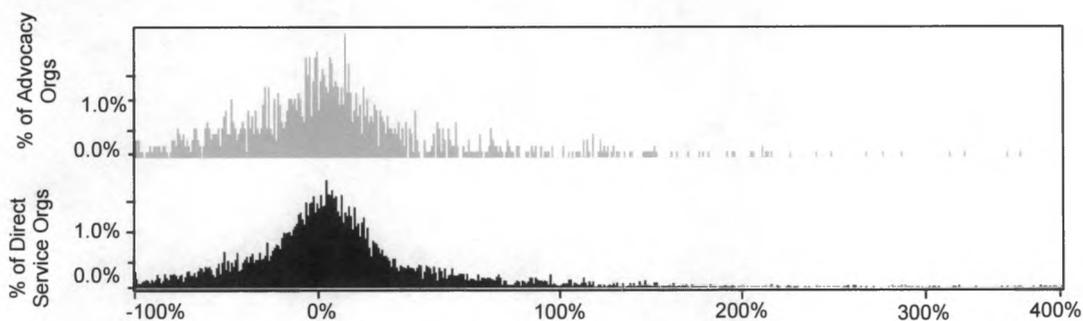
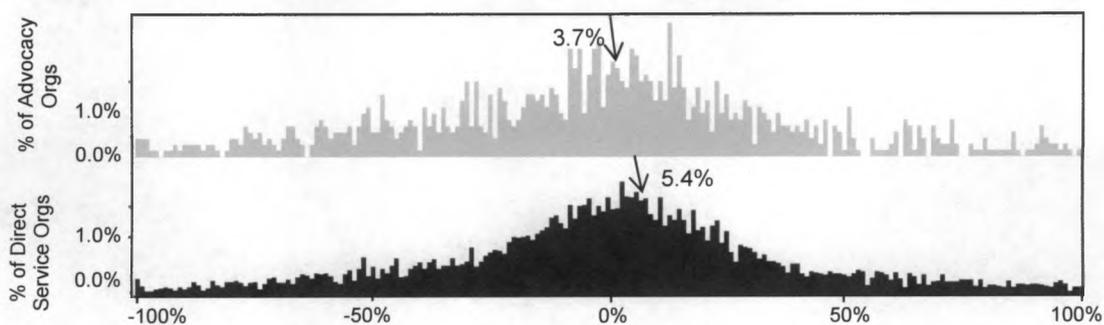


Figure 2. Distribution of the 2008-2011 Growth Rates, 100%-100% – arrows indicate medians



Although the medians showed a difference in growth rates, I performed further tests to assess if the difference was statistically significant. It was necessary to determine if the two groups (advocacy organizations and direct service organizations) were actually

from different populations, or if the difference in medians was due to chance. The standard independent samples t -test was inadequate for this purpose because it tests the difference of means and is most applicable for data that is normally distributed. Nonparametric tests, however, do not assume a normal distribution, and for this analysis, I ran two-tailed independent sample nonparametric tests. The Mann-Whitney U test resulted with the best fit. Presented statistically, the following hypotheses were tested:

H_0 : median advocacy = median direct service \rightarrow Advocacy organizations and direct service organizations come from the same population.

H_1 : median advocacy \neq median direct service \rightarrow Advocacy organizations and direct service organizations are different populations.

The results confirmed that there was a significant difference between the populations of advocacy and direct service organizations. With 90 percent confidence, the null hypothesis can be rejected. There is a correlation between advocacy organizations and lower growth rates ($U = 3,910,919.0$, $N_{dir} = 6,902$, $N_{adv} = 1,172$, $p = 0.07$).

4.1. Regression Analysis Results

As there were a number of independent variables that could have been contributing to the differences in the advocacy group and the direct service group, I used multivariate regression to identify which variables were significantly correlated to an organization's growth rate. In selecting the reference group, I used the largest category

for each variable. The geographic location with the highest number of cases was the San Francisco Bay Area, and the sector with the largest number of cases was Human Services.

The regression model indicates that overall, advocacy organizations correlate with lower growth rates than direct service organizations (Table 4). The null hypotheses can be rejected with a confidence level at 95% (two-tailed test). With a β coefficient of -1.24, advocacy organizations have growth rates approximately 1.24 percent lower than direct service organizations. It should be noted that with an adjusted coefficient of multiple determination at 3 percent, these independent variables do not account for a high percentage of the variance. The equation representing the model overall is:

$$Y = -46.58 - 1.24x\text{PrimaryActivity} + 1.23x\text{DC} - 0.18x\text{Indiana} - .000000002x\text{2008Expenses} + 0.0002x\text{OrganizationAge} - 0.16x\text{Education} - 3.52x\text{Environment} - 0.40x\text{Health} - 0.71x\text{International} - 0.17x\text{PublicBenefit} - 0.66x\text{OtherSector}$$

Table 4. Summary of Regression Models

Dependent Variable: 2008-2011 Growth Rate*			
	β	t	Sig.
(Constant)	-46.58	-2.12	0.03
Advocacy	-1.24	-2.11	0.04
Location: DC	1.23	2.43	0.02
Location: Indiana	-0.18	-0.46	0.65
2008 Expenses	-2.40E-09	-0.22	0.78
Organization Age	0.00	2.15	0.03
Sector: Education	-0.16	-0.29	0.77
Sector: Environment	3.53	4.00	0.00
Sector: Health	-0.40	-0.63	0.53
			(cont.)

<i>Cont.</i>	β	<i>t</i>	Sig.
Sector: Public Benefit	-.17	-0.24	0.81
Sector: Others	-.66	-1.31	0.18
<hr/>			
Adjusted R^2	0.030		
<i>F</i> test	3.003		
<i>N</i>	8074		

*Growth rate expressed as a decimal proportion

While all other variables were held constant, there were other independent variables that were also found to be significantly correlated with growth rates of nonprofit organizations. These variables include location (Washington, D.C., $\beta = 1.23$, $p < 0.05$), organization age ($\beta = 0.00$, $p < 0.05$), and sector (environment, $\beta = 3.53$, $p < 0.01$). Expenses were not found to be correlated with growth rates in a linear model. More analysis on these factors will be discussed in the sub-categories section.

4.1.1. Analysis of Sub-Categories

Location, organization size, and sector were also analyzed individually to test the relationship between these variables and an agency's growth rate. All sub-category tests were run using two-tailed hypotheses. (See Appendix C for sub-category distributions and Appendix G through Appendix I for sub-category regression tables.) Overall, the data showed a limited relationship between the various sub-categories and growth rates.

4.1.1.1. *Geography and Size*

With regards to geography and size, organizations located in Washington, D.C., and large organizations (over \$1.3 million) were the only two sub-sectors that showed a significant difference between the growth rates of policy advocacy and direct service organizations. The Mann-Whitney U test showed that the advocacy and direct service organizations were from different populations (Washington, D.C.: $U(N_{\text{dir}} = 989, N_{\text{adv}} = 436) = 262,708, p = 0.01$; large organizations: $U(N_{\text{dir}} = 1665, N_{\text{adv}} = 353) = 262,708, p = 0.002$). Multivariate regression showed that advocacy organizations did correlate with lower growth rates than direct service organizations (Washington, D.C.: $\beta = -5.79, t(9) = -2.32, p = 0.02$; large organizations: $\beta = -0.09, t(11) = -1.91, p = 0.06$). As 46 percent of Washington, D.C.'s organizations fit into the large category, it is logical that they would share similar characteristics. None of the other geographic or size variables showed a significant relationship between growth rates of advocacy organizations versus the growth rates of direct service organizations.

Figure 3. Median Growth Rates by Location – Washington, D.C., is the only location with a significant difference.

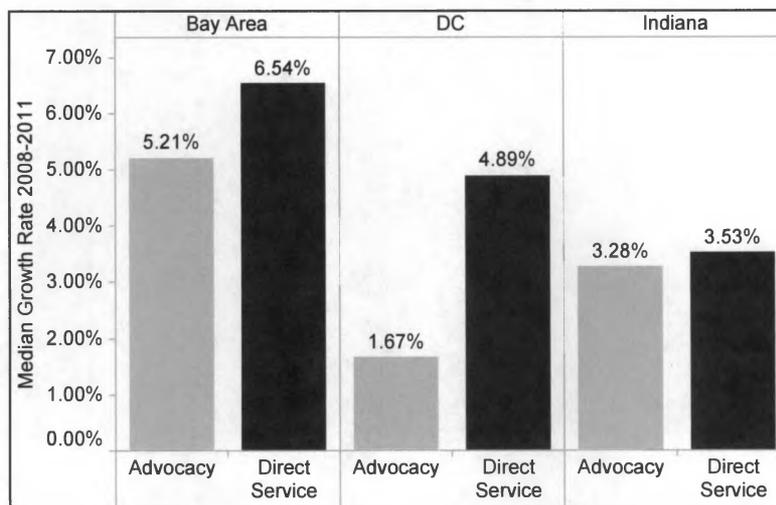
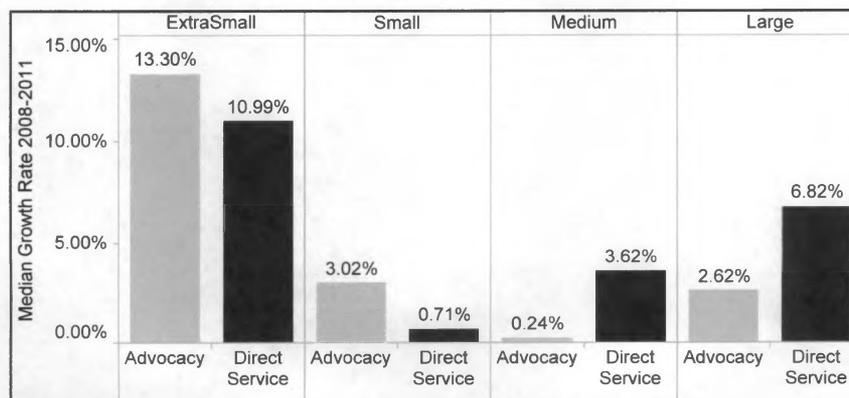


Figure 4. Median Growth Rates by Size – The only size category with a statistically significant difference is the large category.



The fact that it was only large organizations that showed a difference between the growth rates of advocacy versus direct service organizations is consistent with the theory described above that there are more barriers to advocacy work than direct service. Organizations with budgets well over a million dollars are going to have professional staff, a fundraising team writing grants proposals to numerous foundations, and

something to lose if their 501(c)(3) status gets rejected. Barriers like funding challenges, fear of retribution, and unclear regulations will affect these larger, more professional organizations the most. Organizations with budgets under \$90K, however, do not get as much foundation funding, and may or may not even have staff to be affected by these barriers.

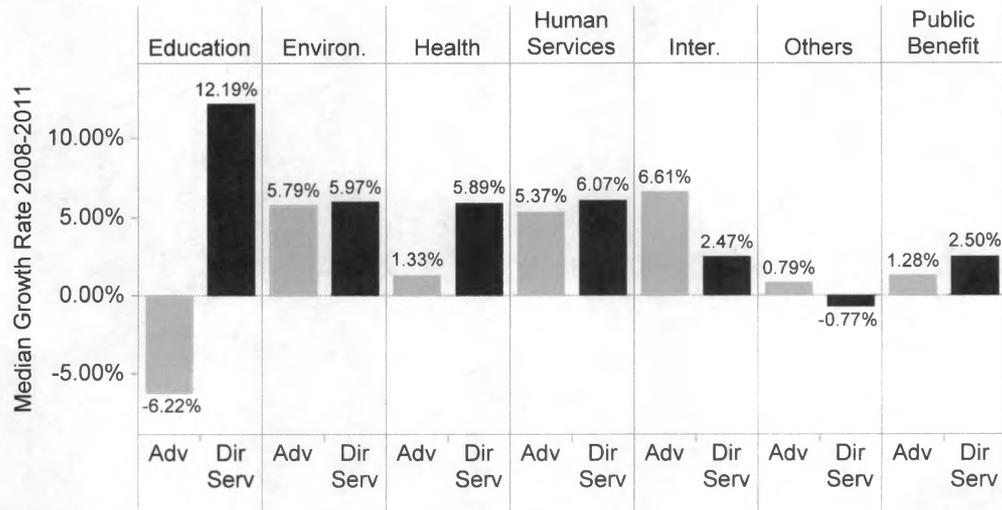
Additionally, the variance of the growth rates of the extra small organizations was extremely high. Most of the growth rate outliers from this study came from the extra small organizations. The highest growth rate came from an organization that formed in 2007, spent \$381 in 2008, and grew to having expenses of \$513,482 in 2011. In contrast, there was another organization that had \$3,772 in 2008 and grew to \$3,918 in 2011. The wide range of growth rates in these small organizations most likely reflects a difference of intent, not a result of potential barriers.

4.1.1.2. Sector

Examining the differences between advocacy and direct service organizations through the lens of different sectors also leads to limited findings of significance. When running the Mann-Whitney U non-parametric test, the only sector that showed a significant difference between advocacy and direct service organizations was education ($U(N_{\text{dir}} = 1071, N_{\text{adv}} = 53) = 22,578, p = 0.012$). However, when analyzing education organizations using multivariable regression, neither the primary activity (advocacy vs direct service) nor the ANOVA model as a whole showed statistical difference (Appendix

I). In fact, the only sectors to show that the primary activity had a relationship to growth rates were the environmental sector and the health sector. In the regression model, the environmental sector only had one other significant variable, which was DC, but not the size of the organization. The health sector's only other significant variable was the age of the organization.

Figure 5. Median Growth Rates by Sector – Note that the only sector with a significant difference between advocacy and direct service was education.



4.1.2. Analyzing share

One possible criticism of this work is that the analysis was focused on the growth/decline of individual organizations instead of the whole ecosystem. As a reality check, I also examined how the money was distributed between direct service organizations and advocacy organizations. This way, it becomes less important as to how an individual organization is performing, and instead, what type of work was valued by

individual and institutional funders. For this analysis, all organizations were included except for organizations that moved outside the area and organizations without an NTEE code (because they could not be classified as either advocacy or direct service). The result is that while both direct service and advocacy work continued to grow, direct service organizations were growing faster. Direct service organizations were getting a larger share of the pie, and growing steadily over the time period. This is a second piece of evidence that advocacy organizations are not keeping pace with direct service organizations.

Table 5. Growth of Sector Share

	2008	2009	2010	2011
Advocacy	\$3,786,657,255	\$3,874,035,867	\$3,610,277,452	\$3,959,620,656
Direct Service	\$52,404,242,532	\$54,720,320,130	\$55,027,903,350	\$62,011,755,112
Total	\$56,190,899,787	\$58,594,355,997	\$ 58,638,180,802	\$65,971,375,768
Share of Advocacy	6.74%	6.61%	6.16%	6.00%
Share of Direct Service	93.26%	93.39%	93.84%	94.00%

5. Discussion

The intention of this research was to test for a difference in the growth rates of policy advocacy organizations and direct service organizations. Analyses showed that there is a significant difference in the growth rates, but those differences appear to be

concentrated in the specific geography of Washington, D.C., and the largest quartile of organizations.

It so happens that there is substantial overlap between the organizations in Washington, D.C., and the cohort of large organizations. As discussed above, larger, more professional organizations would be more susceptible to the barriers described in the literature. But what does this mean for advocacy in the nation's capital? Is the federal government hearing from those representing the most vulnerable when setting national policy? Findings suggest that this could be a possibility. On the flip side, the fact that no statistical difference was found between the policy advocacy group and the direct service group in Indiana and San Francisco, although encouraging, is not definitive. There are a number of limitations to this study that show that further investigation is necessary.

5.1. Limitations

First, as touched on above, the geographic regions studied are not representative of the United States as a whole. While Indiana was studied because previous research has found it to be representative of the country, San Francisco and Washington DC were chosen specifically because of their high concentration of nonprofits, and the fact that these areas are home to a higher number of advocacy organizations. Nearly half of the organizations in DC have budgets over \$1.3 million, whereas over half of Indiana's advocacy nonprofits have budgets that would qualify as extra small or small, being less than \$301,729. In regards to the findings, Indiana did not show any statistical difference

between advocacy and direct service organizations, which may be an indicator as to how the rest of the country may fare. However, if most of our nation's advocacy organizations are concentrated in big cities, a definitive conclusion cannot be drawn. Organizations in San Francisco did not show a difference, while organizations in Washington, D.C., did. Further study is needed to understand if the significant variable is size, location, or target level of government, be it local, state, or federal.

A second limitation is that the data used for analysis is all self-reported, and therefore should be subject to some scrutiny. Some states and funders require organizations to have their financials audited if their income or expenses exceed a certain dollar threshold, however, this is not a requirement for all organizations (National Council of Nonprofits, n.d.). Still, many larger organizations have it done optionally, but for smaller organizations, these services could be cost prohibitive. Additionally, without professional finance staff, smaller organizations may have errors in their reported expenses, and may also be less knowledgeable of the IRS reporting requirements. If a mistake was made in the reporting of expenses, this research will not detect it. As the original purpose of the data was to be a report to the IRS, it is expected that the individual agencies took some care when submitting their information, but it cannot be guaranteed. Presuming that reported expenses are more reliable for large organizations than small organizations, the methodology includes a comparison of organizations by size.

Additionally, some may have concerns that expenses reported to the IRS could have been purposefully manipulated, for the purpose of either impacting potential tax

burdens or minimizing indirect expenditures through the creation of a separate 501(c)(4) organization. While reporting personal income on an IRS Form 1040 has financial implications for the individual filer, 501(c)(3)s do not have to pay taxes on its regular income, so there should be no cause for concern that the organization would purposefully file incorrect information to evade tax payments. In regards to detecting organizations trying to minimize the appearance of indirect expenditures by creating separate but related organizations to do their advocacy work, 1. Only large organizations would do this, and I have already controlled for size; and 2. Any division of primary activity type should actually allow for a cleaner separation of direct service and advocacy work. However, there are more than 1,100 advocacy organizations and even more direct service organizations, so variations in a few organizations should not affect the overall validity.

In regards to the way the study was designed, using expenses as a proxy for organization size was imperfect, but was ultimately the best choice for this purpose. As much of the rationale for a slower growth of advocacy organizations dealt with income (i.e. challenges in fundraising), it might have made sense to operationalize organizational size using annual income instead of expenses. Others such as Child & Grønbjerg (2007) have operationalized organization size through the use of annual revenues instead of expenditures, but there are drawbacks to that methodology too. The biggest weakness is that the total sum of a multi-year grant must be reported the first year it is received. For example, if an organization received a three year, ten million dollars per year grant, the organization reports this as a thirty million dollar grant the first year, and there is no

income reported in the second and third year. This skews the numbers so that it could look like an organization shrank in size, when really the organization was continuing to expend funds granted in an earlier year. As multi-year grants are quite common, this was the primary reason I operationalized organization size with expenses. On the other hand, expenses do not align perfectly with an organization's yearly cash expenditures either, due to some technicalities in accrual accounting methods. Generally accepted accounting principles allow for some deferment of expenditure reporting, for example the amortization of an asset purchase. This changes the actual reported expenses from year to year, although the purpose is generally to smooth out the impact of a large purchase, and ultimately has the effect of being a good indicator of organizational size. In the end, I used the data point that provided smoother, more consistent growth rates over time, which was annual expenditures.

In terms of test-re-test reliability, federal elections could have skewed the data during the time period being studied. During the 2008 presidential election, a record number of donations were reported, exceeding \$5 billion for the first time in history (Center for Responsive Politics, 2008). Additionally, the 2010 federal election was the most expensive midterm election up to that time period, with candidates and outside interests spending a combined \$3.6 billion (Ronayne, 2011). It could be reasoned that a significant number of donations were given to campaigns instead of 501(c)(3) charities, and this could have affected advocacy organizations more than direct service organizations. However, there will continue to be presidential elections every four years

and congressional elections every two years, and these types of outside influences will always be a factor. As more data becomes available, it will be helpful to continue to monitor these growth rates over time.

Another factor that could affect reliability is that the time period includes the Great Recession. This was an unusual time period, and all types of organizations were closing their doors at unprecedented rates. Also, the need for direct services grew immensely during this time, especially in the human services sector, and the government invested heavily in its stimulus program (Gordon, 2012). This injection of federal stimulus dollars could have skewed the results, and in fact looking at the year over year growth rates, the growth rates in direct service human service organizations was much bigger in the early years than the later years. To control for this, sectors were examined individually, and the rate of growth was examined over the longer four year period instead of using an average of year over year growth. However, the Great Recession probably had impacts beyond my efforts to control for its effects, and further study over a longer time period is necessary.

5.2. Future Work

Due to the factors listed above, it would be beneficial to repeat this study over a longer period of time with a wider geographical region. As more data becomes available, it is crucial to see if these outcomes become more pronounced over time, or if they were just the byproduct of a tumultuous economic period. Additionally, as this study showed

that there were significant regional differences, it would behoove us to examine the data from the entire United States. For this study, while only the Washington, D.C., region was found to have a significant difference between advocacy and direct service organizations, one cannot presume to know the cause. It could have been that it is the home of the federal government, or it could be the fact that it was the most urban area (the San Francisco variable included the entire bay area, which includes many suburban areas). Further study could provide greater understanding and insight into the financial health of our nonprofit policy advocacy organizations.

Another future study should include input from the organizations themselves. While this study using existing data eliminates problems with response bias, it presents challenges because there is still a lot of information missing. The most important piece of missing information, as mentioned earlier, is the intention of the organization to grow. Perhaps policy advocacy organizations are content to grow incrementally, while direct service organizations have designs to double their capacity. This could account for the difference in growth rates, and it would be good to know if this had an impact. Second, this study was focused on organizations whose primary activity is policy advocacy and comparing them to organizations whose primary activity was direct service. This makes no allowances for organizations that primarily perform direct service work but also promote their clients and causes with advocacy work. Previous studies have found that many organizations have overlap, and although the percentage of advocacy work tends to be small, it would be useful to be able to divide the growth of the two types of work.

Insights into these two areas could be gained by surveys and interviews, although it would not be possible to get the same breadth of cases.

5.3. Policy Implications

The fact that nonprofit policy advocacy organizations are growing is good. It is good for the people that these advocacy organizations represent, and good for our democracy as a whole, that the voices of the marginalized are continuing to be heard. However, the fact that they are not growing at the same rate as direct service organizations is cause for concern, and further study is needed to understand what is causing this discrepancy.

In the meantime, it is essential that we continue to educate the public as to the vital nature of nonprofit policy advocacy and the rules framing this activity. Further education needs to be done with both funders and nonprofit managers. Funders need to know that advocacy is an impactful activity that can make actual changes to the system, and that they as funders are legally allowed to grant money to these organizations. They also need to understand that while advocacy can make meaningful and far-reaching change in the system, this type of work may not have easily quantifiable success metrics every grant cycle. Grantors and grantees may have to work together to define short-term and medium-term measures of success if reports are still needed on an annual basis. From the other perspective, nonprofit leaders need to know that that both advocacy and lobbying are legal activities, and be reassured that there are funders willing to pay for this

work. These activities need to come out of the shadows, praised for their impact, and funded at appropriate levels. That way, when windows of opportunity occur, the infrastructure is in place for these nonprofits to be the voice for those that need it.

Additionally, policy makers need to be made aware that there are indeed consequences to the IRS's vague language. In this case, it could be contributing to hampering the growth of a sector that is vital to our democracy. Using *substantial* as a unit of measurement is imprecise and leads to confusion. Changing this word to a quantifiable amount, whether it be a specific dollar amount, or percentage of expenses, would allow nonprofits the safety of knowing where the boundaries are, and how much they can do without exceeding the limit.

6. Conclusion

Understanding the growth rates of policy advocacy organizations is fundamental to our understanding of the field. This research tested whether or not, when a number of factors were held constant, whether it mattered if an organization's primary activity was advocacy or direct service work. However, the only variables that were held constant were organization size, location, sector, and age. There are a number of other factors that would also be integral to influencing the growth of an organization, including quality of the program, experience of the executive, public perception of the importance of the mission, and the organization's goal for growth. It makes sense that those factors would be responsible for much of the variation in growth rates. However, an organization's advocacy status is related to a small part of that variation.

This research shows that advocacy organizations are not growing as fast as direct service organizations, and are in fact losing ground when it comes to the percentage of funding they receive, as compared to direct service organizations. These could be the first indicators that advocacy organizations are not as financially healthy as direct service organizations. There is evidence in the literature that shows that this might be the case. Successful advocacy campaigns require financial resources, and foundations spend very little of their grant money on advocacy work. Additionally, it is challenging to raise money for advocacy work because the life cycle of policy change is drastically different from a typical foundation's grant cycle. However, a conclusion of linking fundraising abilities to growth rates is outside the bounds of this work. This is a much larger question that would need additional research.

Ultimately, this study is an exploratory study of nonprofit advocacy organizations. This study has a simple design which lends itself to gaining foundational knowledge over a large number of organizations, in a field of study in which there is limited information. There is inherent value in having a better understanding of these important organizations, and future researchers will be able to build from this new knowledge.

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Appendix A: Advocacy vs Direct Service Rubric

Advocacy NTEE Codes*	Direct Service NTEE Codes	Other
01 – All Alliance/Advocacy Orgs 05 – Research Institutes & Public Policy Analysis C:20-36 – Pollution Abatement and Control Services, Natural Resource Conservation and Protection; E:42 – Family Planning (Women’s Rights); G:81- AIDS; I:70-73 – Protection Against and Prevention of Neglect, Abuse, Exploitation; I:80-83- Legal Services, Public Interest Law/Litigation; P:80, 81, 88 – Services to Promote the Independence of Specific Populations; Q:41-43- International Peace and Security; Q:70-71 – International Human Rights; R:20-99 – Civil Rights, Social Action, and Advocacy; S:20-32, 41 - Community/Neighborhood Development, Improvement; Economic Development; Business and Industry T:40-50Volunteerism and Philanthropy Promotion V:Social Science Research Institutes, W:20-40, 70, 90 Gov & Public Admin, Military & Veterans Orgs, Leadership, Consumer Protection	A:3-99 – Arts, Culture and the Humanities; B:3-99 – Education; C: 3,5, 40-99 – Botanical, Horticultural and Landscape Services, Environmental Beautification, Environmental Ed and Outdoor Survival Programs; D: 3,5, 20-61 – Animal Protection and Welfare, Wildlife Preservation Protection, Vet Services, Zoos; E: 3,5, 20-32, 40-99 – Health, Hospitals and Primary Med Car Facilities, Health Support Services, Public Health Programs, Nursing Services; F: 3,5, 20-99 – Mental Health Crisis Intervention; G: 3,5, 20-80, 84-98 – Diseases, Cancer, Medical Disciplines; H: 3, 20-99 – Medical Research; I: 3,5, 20-60, 99 – Crime Prevention, Correctional Facilities, Rehabilitation, Law Enforcement Agencies; J: 20-99 – Employment, Job Related; K: 3,5, 20-40 – Agriculture, Food, Nutrition; L: 3,5, 20-99 – Housing, Shelter; M: 3, 20-99 – Public Safety, Disaster Preparedness and Relief;	02 – Management & Tech Assistance 03 – Professional Societies & Associations 11 – Monetary Codes 12 - Monetary Support 19 – Nonmonetary Support Not Elsewhere Classified T:20-31, 70-99 – Foundations, Private, Corporate, Public Y: 30-99, Pension & Retirement Funds, Fraternal Societies Direct Service Cont.: N: 3, 20-99 – Recreation, Sports, Leisure, Athletics; O: 20-99 – Youth Development P: 3,5, 20-76, 80,81, 82, 83, 84,85 86, 87,88, 99 – Human Services; Q: 3,5, 20-40. 50-51, 99 – International Cultural Exchange, Development, Relief Services; S: 3,5, 40, 43-99 – Community Improvement; U: 20-99 Science & Tech W: 50-60, 80,99 Public, Society Benefit X: Religion, Spiritual Development Y:20 Insurance Providers

*Changes to Suárez Hwang(2008) Rubric bolded

Appendix B: Detailed Organization Exclusion Data

Characteristic	Organizations Removed	Organizations Remaining
Bay Area (7 counties), DC, Indiana		28,559
Removed "Other" Organizations	4,881	23,678
Removed if moved outside the original region or changed sectors	1,140	22,538
Removed if founded during or after 2008, or no rule date	3,343	19,195
Removed if organization had no data for either 2008 or 2011	10,426	8,769
Removed if organization had expenses of \$0 for 2008	535	8,234
Removed if hospital or university	160	8,074

Appendix D: Measures of Central Tendencies by Size

2008-2011 Growth Rates

		Median	Mean	N	Std. Deviation	Variance
Extra Small	Direct Service	10.99%	203.09%	1831	3267.98%	106797.07%
	Advocacy	13.30%	123.73%	187	613.22%	3760.33%
	Total	11.18%	195.74%	2018	3118.46%	97247.77%
Small	Direct Service	0.71%	20.60%	1744	214.78%	461.32%
	Advocacy	3.02%	26.97%	275	101.64%	103.31%
	Total	1.08%	21.47%	2019	203.11%	412.53%
Medium	Direct Service	3.62%	12.87%	1662	75.35%	56.77%
	Advocacy	0.24%	9.17%	357	69.44%	48.22%
	Total	3.20%	12.21%	2019	74.33%	55.26%
Large	Direct Service	6.82%	15.43%	1665	76.62%	58.71%
	Advocacy	2.62%	5.07%	353	49.08%	24.09%
	Total	6.00%	13.62%	2018	72.66%	52.79%
Total	Direct Service	5.37%	65.90%	6902	1689.16%	28532.71%
	Advocacy	3.70%	30.39%	1172	257.02%	660.61%
	Total	5.17%	60.75%	8074	1564.86%	24487.86%

Appendix E: Measures of Central Tendencies by Location

2008-2011 Growth Rates

		Median	Mean	N	Std. Deviation	Variance
Bay Area	Direct Service	6.54%	50.20%	3506	437.90%	1917.56%
	Advocacy	5.21%	35.05%	420	275.74%	760.33%
	Total	6.30%	48.57%	3926	423.53%	1793.76%
DC	Direct Service	4.89%	191.74%	989	4318.56%	186499.59%
	Advocacy	1.67%	35.00%	436	315.97%	998.39%
	Total	4.19%	143.78%	1425	3602.14%	129754.38%
Indiana	Direct Service	3.53%	37.08%	2407	488.28%	2384.19%
	Advocacy	3.28%	17.83%	316	79.70%	63.52%
	Total	3.52%	34.85%	2723	459.91%	2115.14%
Total	Direct Service	5.37%	65.90%	6902	1689.16%	28532.71%
	Advocacy	3.70%	30.39%	1172	257.02%	660.61%
	Total	5.17%	60.75%	8074	1564.86%	24487.86%

Appendix F: Measures of Central Tendencies by Sector

2008-2011 Growth Rates

		Median	Mean	N	Std. Deviation	Variance
Education	Direct Service	12.19%	54.98%	1071	280.16%	784.89%
	Advocacy	-6.22%	97.60%	53	678.27%	4600.45%
	Total	11.64%	56.99%	1124	310.11%	961.69%
Environment	Direct Service	5.97%	684.08%	202	9474.53%	897667.04%
	Advocacy	5.79%	32.25%	171	111.02%	123.26%
	Total	5.95%	385.26%	373	6972.40%	486143.80%
Health	Direct Service	5.89%	23.15%	694	116.01%	134.58%
	Advocacy	1.33%	90.33%	77	684.79%	4689.39%
	Total	5.35%	29.86%	771	242.49%	588.03%
Human Services	Direct Service	6.07%	67.12%	2875	690.85%	4772.71%
	Advocacy	5.37%	23.90%	317	145.44%	211.53%
	Total	6.02%	62.83%	3192	657.36%	4321.19%
International	Direct Service	2.47%	59.11%	287	387.38%	1500.64%
	Advocacy	6.61%	14.71%	73	57.87%	33.49%
	Total	3.90%	50.10%	360	347.19%	1205.40%
Others	Direct Service	-0.77%	18.93%	1537	190.01%	361.04%
	Advocacy	0.79%	-5.50%	11	38.18%	14.58%
	Total	-0.73%	18.76%	1548	189.37%	358.61%
Public Benefit	Direct Service	2.50%	11.40%	236	73.21%	53.60%
	Advocacy	1.28%	19.96%	470	131.80%	173.70%
	Total	1.73%	17.10%	706	115.58%	133.59%
Total	Direct Service	5.37%	65.90%	6902	1689.16%	28532.71%
	Advocacy	3.70%	30.39%	1172	257.02%	660.61%
	Total	5.17%	60.75%	8074	1564.86%	24487.86%

Appendix G: Subsector Regression Data by Size

Dependent Variable: 2008-2011 Growth Rate****								
	Extra Small		Small		Medium		Large	
	β	t	β	t	β	t	β	t
(Constant)	-90.23	-0.97	-8.89	-1.43	-6.47	-2.81	-2.30	-1.21
Advocacy	-3.07	-1.09	0.09	0.58	0.04	-0.85	-0.09*	-1.91
Location: DC	9.78	3.76	-0.08	-0.53	0.06	1.33	-0.07	-1.64
Location: Indiana	-1.16	-0.79	-0.16	-1.59	-0.04	-1.02	-0.01	-0.17
2008 Expenses	0.00	-4.56	0.00	-0.22	0.00	-0.49	0.00	0.97
Organization Age	0.00***	1.07	0.00	1.49	0.00***	2.90	0.00	1.29
Sector: Education	-1.64	-0.79	0.04	0.24	0.01	0.22	0.17***	3.34
Sector: Environment	12.42***	3.71	0.05	0.23	-0.02	-0.27	0.11	1.23
Sector: Health	-1.91	-0.59	0.01	0.03	-0.02	-0.41	0.01	0.16
Sector: International	-2.97	-0.62	-0.23	-0.95	-0.05	-0.57	0.16**	2.22
Sector: Public Benefit	-2.00	-0.63	-0.28	-1.34	-0.01	-1.43	-0.01	-0.11
Sector: Others	-2.10	-1.18	-0.25**	-2.10	-0.10**	-1.98	-0.07	-1.16
Adjusted R^2	0.02		0.001		0.01		0.01	
F test	5.38		1.10		1.86		2.97	
N	2018		2019		2019		2018	

*Significant at 0.10 level.

**Significant at 0.05 level.

***Significant at 0.01 level.

****Growth rate expressed as a decimal proportion.

Appendix H: Subsector Regression Data by Location

Dependent Variable: 2008-2011 Growth Rate****						
	SF		DC		Indiana	
	β	<i>t</i>	β	<i>t</i>	β	<i>t</i>
(Constant)	-18.96**	-2.22	-198.99	-1.57	-19.38*	-1.76
Advocacy	-0.098	-0.40	-5.77**	-2.32	-.205	-0.61
2008 Expenses	0.00	-0.25	0.00	-0.24	0.00	-0.11
Organization Age	0.00**	2.31	0.001	1.59	0.00*	1.80
Sector: Education	-0.11	-0.55	-0.69	-0.21	-0.00	-0.02
Sector: Environment	-0.50	-1.44	23.73***	4.70	-0.27	-0.64
Sector: Health	-0.55**	-2.19	0.22	0.06	-0.16	-0.52
Sector: International	-0.63	-1.52	0.29	0.09	0.20	0.29
Sector: Public Benefit	-0.61**	-2.10	2.69	0.84	-0.14	-0.33
Sector: Others	-0.66***	-3.57	-1.29	-0.42	-0.22	-0.91
Adjusted R^2	0.004		0.01		0.002	
<i>F</i> test	2.56		3.11		0.57	
<i>N</i>	3926		989		2407	

*Significant at 0.10 level.

**Significant at 0.05 level.

***Significant at 0.01 level.

****Growth rate expressed as a decimal proportion.

Appendix I: Subsector Regression Data by Sector

Dependent Variable: 2008-2011 Growth Rate****								
	Education		Environment		Health		Human Services	
	β	<i>t</i>	β	<i>t</i>	β	<i>t</i>	β	<i>t</i>
(Constant)	-4.10	-0.41	-606.49	-1.26	-24.31**	-2.15	-34.80**	-2.35
Advocacy	0.42	0.94	-14.67*	-1.90	0.55*	1.86	-0.48	-1.24
Location: DC	-0.12	-0.45	27.16***	2.55	.286	1.16	0.04	0.10
Location: Indiana	-0.18	0-.79	-1.91	-0.24	0.07	0.37	-0.34	-1.38
2008 Expenses	0.00	-1.29	0.00	-0.41	0.00	0.21	0.00	-0.38
Organization Age	0.00	0.48	0.003	1.28	0.00**	2.16	0.00**	2.40
Adjusted R^2	-0.001		0.013		0.008		0.002	
<i>F</i> test	0.73		2.00		2.29		2.03	
<i>N</i>	1124		373		771		3192	

Dependent Variable: 2008-2011 Growth Rate****						
	International		Public Benefit		Others	
	β	<i>t</i>	β	<i>t</i>	β	<i>t</i>
(Constant)	-52.14*	-1.68	-13.29**	-2.13	-10.68*	-1.68
Advocacy	-0.45	-0.95	0.03	.31	-0.28	-0.48
Location: DC	0.57	1.35	0.06	.54	0.07	0.48
Location: Indiana	0.43	0.72	0.04	.38	0.09	0.79
2008 Expenses	0.00	-0.20	0.00	.17	0.00	0.50
Organization Age	0.00*	1.69	0.00**	2.14	0.00*	1.71
Adjusted R^2	0.002		0.001		-0.001	
<i>F</i> test	1.17		1.13		0.73	
<i>N</i>	360		236		1537	

*Significant at 0.10 level.

**Significant at 0.05 level.

***Significant at 0.01 level.

****Growth rate expressed as a decimal proportion.