

## **Nonprofit Human Services Agencies and Reliance Upon Government Funding Implications For Organization Development**

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Based on interviews with the executive directors of twenty human service agencies from San Francisco, CA, which received 60% or more of their funding from government sources, this study explores what organizational and operational benefits and challenges these executives attribute to reliance on government for funding support.

The theoretical framework for the study relies on resource dependency theory within a natural or open systems model of organizational development. This illuminates the relationships between nonprofit human services agencies and the government agencies that fund them. The dependency relationship is seen as being of mutual benefit, although power distribution within these relationships is not equal. Due to their dependence on funding, nonprofit agencies may be pressured to develop or operate in ways that are not self-determinant. This study explores this influence from an organizational perspective, seeking to determine what effect, if any, this funding dependency has on organizational structure, internal systems, allocation of resources, targeting of consumers, and program (product) choice and delivery. Specific inquiry concerns the adequacy of government support for the operations of the programs and the indirect costs associated with their operation.

This study finds reliance on government funding has considerable influence on the organizational infrastructure and internal systems of the recipient agencies, both in response to the demands placed on them by virtue of this funding relationship and in passive consideration of resource allocation and the support of activities and structures that could reduce their level of dependency. Respondents note serious consequences for agency infrastructure and human resource practices, particularly occurring over time, as most government contracted funding fails to keep pace with wage inflation and increases in the general costs of doing business. An impression of a service delivery system in decline develops, largely attributed to these non-compensated inflationary factors.

Conclusions seed recommendations for the reexamination of funding and contracting policies of government agencies to improve the health and well-being of the service delivery systems they fund, including steps local government could consider to help ensure service delivery-system health. The study questions the strategic decisions of nonprofit operators and the resistance of many to attempt balancing government support with private and foundation fundraising. It recommends the adoption of -- and investment in -- diversified funding strategies.