

**EXECUTIVE SUMMARY**  
**ANALYSIS OF THE TEXAS NONPROFIT INFRASTRUCTURE**  
**AND CAPACITY-BUILDING RESOURCES – PHASES I-IV**  
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**PREPARED FOR**



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## NOTES, DISCLAIMER, AND ADDITIONAL INFORMATION

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**DISCLAIMER:**

The contents of this report reflect the views of the author who is responsible for the facts and the accuracy of the data presented herein. The contents do not necessarily reflect the views or policies of the OneStar Foundation: Center for Social Impact, The Meadows Foundation, or the Bush School of Government and Public Service.

**QUESTIONS AND ADDITIONAL INFORMATION:**

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If you have any questions or wish for additional information regarding OneStar Foundation's activities related to nonprofit capacity building, network activities for nonprofit management assistance providers, or the nonprofit support infrastructure in Texas relative to the content of this report or more generally, please contact Erin Brackney at [erin@onestarfoundation.org](mailto:erin@onestarfoundation.org) /512-287-2019, or Anna McElearney at [amac@onestarfoundation.org](mailto:amac@onestarfoundation.org) /512-287-2026.

**ANALYSIS OF THE TEXAS NONPROFIT INFRASTRUCTURE  
AND CAPACITY-BUILDING RESOURCES:  
EXECUTIVE SUMMARY OF MULTI-PHASE RESEARCH**

## Background

Commissioned by OneStar Foundation: Texas Center for Social Impact, with funding from the Meadows Foundation and in-kind administrative and research support from the Bush School of Government and Public Service, Texas A & M University, the research study reported on herein provides a multi-layered perspective of the nonprofit infrastructure and capacity-building landscape in Texas. The study comprised four phases of research, involved the labor of four teams of people, and took place from September 1, 2009 through May 31, 2011. This Executive Summary includes a listing of key research questions driving the overall research agenda, a brief overview of research methods, and an inventory of recommendations that emerge from the varied phases of the study.

OneStar Foundation “supports the Texas nonprofit sector and its stakeholders through initiatives that increase civic engagement, research, rigorous evaluation and nonprofit organizational excellence” and seeks to “to achieve sustainable social impact throughout the larger nonprofit infrastructure.”<sup>1</sup> Further, OneStar Foundation plays a number of key roles in the Texas nonprofit sector. It acts as the Texas Commission on Volunteerism and Community Service as well as the Governor’s Office of Faith-Based and Community Initiatives. OneStar Foundation also seeks to connect and strengthen the Texas nonprofit sector through the work of its divisions: *Service and Volunteerism*; *Nonprofit Organizational Excellence*; *Research, Evaluation and Learning*; and *Social Innovation and Entrepreneurship*. The Research, Evaluation and Learning Division of OneStar Foundation provides data and analysis to help nonprofits solve challenges and develop best practices. As part of this commitment, the division initiated this study of the Texas nonprofit infrastructure to determine solutions for informing policy and practices, as well as to address gaps in and challenges facing the state’s nonprofit infrastructure.

With a commitment to evidence-based practices, OneStar identified a critical need in Texas for data about the sector's infrastructure and systems of support. The results of this study expand Texas' current knowledge of supportive infrastructure entities across the state and enable more effective recommendations and action among funders and other stakeholders regarding gaps, challenges and needed infrastructure investment to improve the overall health of the sector.

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<sup>1</sup> OneStar Foundation. (2011). *About OneStar Foundation*. First para. Accessed online May 10, 2011.

Study findings and recommendations have potential uses for OneStar and Meadows Foundations in their work relating to support of the nonprofit infrastructure, as well as uses for nonprofits, funders, policymakers, and other nonprofit infrastructure organizations. Potential uses include: understanding the current landscape (in terms of its functions and interactions) of the Texas nonprofit infrastructure; evaluating the current resources in terms of nonprofit needs, and identifying and making recommendations relative to any insufficiencies, gaps and strengths in the Texas nonprofit infrastructure.

Primary research questions that drove the study were:

- *What are the organizations and functions of the Texas nonprofit infrastructure (across the state and within communities)?*
- *How does the nonprofit infrastructure function? How do key nonprofit infrastructure organizations interact?*

Secondary research questions addressed by the study included:

- *How do nonprofits (defined broadly) perceive the nonprofit infrastructure in Texas?*
- *What are the organizations and functions of the nonprofit sector in other comparison states? How does the Texas infrastructure compare to these key other states?*

## **Research Phases**

The study and related research methods were oriented by paradigm with a strategic focus on the nonprofit infrastructure as a system<sup>2</sup>, rather than the more conventional focus on capacity-building resources seen in both the academic and practice literatures. The study comprised four distinct phases, and sought data from multiple vantage points including nonprofit leaders, heads of management support organizations, academic providers, and capacity-building consultants, and organizational and community data relating to structural and demographic aspects of the nonprofit infrastructure.

**Phase One** of the project was a **replication of a national study of nonprofit infrastructure** at the state level, the first of its kind in the nation. This research was carried out by a team of graduate students at the Bush School of Government & Public Service as part of a 2009/2010 capstone research seminar. The research involved study of nearly 3,000 nonprofit infrastructure organizations in Texas, from which 389 infrastructure organizations were

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<sup>2</sup> The paradigm builds on David Renz's 2008 research on the national network of nonprofit infrastructure organizations. Please see the Phase One and Phase Four Reports for additional information. Renz's work can also be accessed directly through the following publication: Renz, David O. (2008). The U.S. Nonprofit Infrastructure Mapped. *The Nonprofit Quarterly*, Winter, 17-20.

identified and, through an analysis of public documents, categorized according to the type of infrastructure support that they provide.

**Phase Two** of the study, completed in August 2010 in conjunction with the Renewing Our Communities Account efforts through HB 492, was **a statewide survey of nonprofits to gather feedback on nonprofit perceptions of support, capacity needs and barriers to partnership with government**. OneStar and the Bush School Team, including students from a 2010-2011 capstone research seminar, partnered with a host of statewide networks, associations and the Health and Human Services' Task Force for Strengthening Nonprofit Capacity to conduct the survey, which collected responses from 711 nonprofit stakeholders. In addition to assisting OneStar with this Infrastructure Study through the Bush School, the results of the survey contributed to a report with recommendations to state policy makers for the 82nd Texas Legislative session.

The **Third Phase** of the research included a **needs assessment and social network analysis of the Texas Network of Nonprofit Management Assistance Providers** (i.e., TNMAN, which has formally dissolved as a corporation and is now operating as a program of OneStar). This research involved in-depth interviews with the nearly thirty member organizations, including heads of nonprofit Management Support Organizations, Academic Providers of nonprofit management education or research, statewide nonprofit intermediary organizations or associations, and private consultants. The research also involved respondent completion of a social network analysis survey, designed to garner data on collaborative relationships of network members, and the relative trust, value, and influence of such relationships. This research was particularly important and timely for OneStar and Meadows Foundation, as OneStar has assumed leadership of the functions previously carried out by TNMAN and as Meadows has been a significant funder of TNMAN and the leading funder and innovator in the area of nonprofit management assistance in Texas to date.

The **Phase Four** research includes an extension of the Phase One research on the nonprofit infrastructure in Texas, to include **an eight state comparison of nonprofit infrastructure**. This phase of the research was also led by a team of graduate students at the Bush School carried out under the auspices of the School's 2010-2011 capstone seminar. (Students in this seminar also contributed to the stateside survey of nonprofits and the development of the related legislative report.) Researchers extended Renz's conception, and collected and utilized a complex and large mixed method data set in their analysis.

The review of recommendations that follows illustrates the utility of OneStar Foundation, Meadows Foundation, and Bush School investments in this important stream of research. Further, it suggests the need for more immediate and longer term action, as well as directions for future research.

## Recommendations and Implications

Four reports have been generated as part of this study, and include: the Legislative task force on strengthening nonprofit infrastructure; the TNMAN needs assessment and social network analysis; the 2010 Bush Capstone; and the 2011 Bush School Capstone. While examining different issues and areas of the nonprofit infrastructure from a diversity of vantage points, the various recommendations presented within these reports center around five common themes. These themes and the recommendations pertaining to each report are presented below.

### 1. Using formal networks and alliances to increase coordination and communication across the sector

All four reports recommend the creation or expansion of formal networks intended to foster communication and coordination across the nonprofit sector.

- The task force for on strengthening nonprofit capacity calls upon the state, funding organizations, and nonprofit organizations to take an active role in increasing coordination.
  - On behalf of the state, the Interagency Coordinating Group (ICG) should help strengthen coordination between state agencies and the nonprofit sector through several different techniques, including: unifying and simplifying the grant application process, bolstering sustainable partnerships between state agencies and nonprofits, and expansion of the ICG to includes several state agencies to allow for the sharing of information and best practices.
  - Additionally, the task force asks funding organizations and leaders in the Texas nonprofit community to prioritize and foster increased collaboration among nonprofit organizations in public policy development and advocacy;
  - Regarding nonprofit organizations, task force members recommend that nonprofit organizations themselves should take several actions to increase networking, including: seek out and join networks to ensure they are contributing relevant information in a timely manner, including research, funding opportunities, and promising practices; take an active interest and approach to strengthening their organization's ability to be a strong partner with the State
- The 2010 Bush School Capstone report recommends the creation of a network of representatives from each of the Council of Governments (COGs) in Texas as well as strengthening associations that deal with nonprofit infrastructure.
- The 2011 capstone report provides several strategies, including:
  - The creation of a nonprofit alliance
  - Strengthening the nonprofit state association
  - Increasing coordination of MSO's
  - Fostering a council of foundations

- The needs assessment of the TNMAN network also specifically calls for the creation of a nonprofit alliance to increase coordination of key stakeholders across the Texas nonprofit sector. Additionally, this study notes the importance of continuing to develop valuable networks such as TNMAN, noting the need for greater coordination of network members, an MSO specific network, and affinity and affiliate groups to coordinate within the network itself.

## **2. Creation of an online database for information sharing**

Three of the studies recommend some type of database to house information. This information sharing could be to the benefit of state agencies, researchers, and nonprofit organizations themselves. Specific recommendations include the following:

- The legislative task force on strengthening capacity building suggests that the Department of Information Resources should partner with the ICG to develop a user-friendly portal for local FCBOs to access information on state funding and sharing of best practices.
- The 2011 capstone report recommends a database that houses contact information, service provision functionally and geographically, and financial information on individual nonprofits AND nonprofit infrastructure organizations more specifically. This will help with coordination amongst nonprofit organizations, information and sharing, collaboration for projects and grants, and nonprofit research.

The combination of these recommendations pinpoint an additional challenge within the sector; researchers, state agencies, and organizations alike can not currently assess the sector as a whole. These recommendations emphasize the importance of projects such as the Texas Connector at OneStar, further bolstering the importance and power of coordination and information sharing and the potential OneStar has to transform the sector.

## **3. Expanding nonprofit infrastructure provision in underserved areas**

All but one of the studies recommends increasing nonprofit infrastructure services in the underserved areas of Texas. This includes funding, resources, and information sharing to these parts of the state. Individual recommendations include:

- The legislative task force on strengthening capacity building directs HHSC to conduct special outreach to nonprofits in historically disadvantaged and underserved communities, specifically in regards to funding
- The 2011 capstone report found that several areas, especially the *colonias*, lacked presence of nonprofit infrastructure organizations. This report calls for an increase the presence of nonprofit infrastructure organizations in these underserved areas
- Needs assessment for the TNMAN network provides an indirect recommendation for underserved areas. The author emphasizes that OneStar must keep in mind that network

membership carries costs beyond a membership fee, particularly time and travel costs for those organization in traditionally remote and underserved areas of Texas.

Rural and underserved areas traditionally suffer from lacking funding and resources, particularly in areas with low population density. GIS mapping conducted within the 2011 capstone report suggests that nonprofits tend to center around urban “hubs” such as Dallas and Austin. Nonprofit organizations and services, however, are still demanded within rural areas. Consistent emphasis on this through different reports and research implies a great need for more services. While it is recognized that service provision in rural areas is difficult, clearly defined needs implies OneStar’s central role in helping facilitate these services.

#### **4. Advocating for nonprofit sector funding**

The 2011 capstone and the legislative capstone reports place emphasis on the need to increase funding for nonprofit organizations and specifically capacity building and nonprofit infrastructure. The following provides a summary of funding and finance related recommendations offered within the reports.

Recommendations from the legislative task force:

- The legislator should create a line-item appropriation for the Renewing Our Communities Account (ROCA), in the Health and Human Services Commission (HHSC) budget, to build the capacity of small- and medium-sized FCBOs.
- The legislator should direct more committees which deal with improving nonprofit organization’s access to credit and capital for social innovations
- The Texas Health of Insurance should aid nonprofit organizations in providing group sponsored health insurance for employees
- Nonprofit organizations should be able to maintain their current tax exempt status
- All state agencies should work to maximize their federal funding for the nonprofit sector
- Funding organizations should provide flexible and reliable funding to nonprofit organizations to adequately support the nonprofit sector;

Recommendations from the 2011 capstone report and needs assessment

- Advocate to increase capacity building grants to nonprofit infrastructure organizations and financial intermediaries
- Advocate to increase funding for community foundations
- Diversify revenue streams of nonprofit infrastructure organizations
- Develop and foster revenue expansion in nonprofit infrastructure organizations, both in terms of donative and earned revenue
- Cultivate a culture of giving amongst Texas residents, with an emphasis on greater understanding of the role of nonprofits and their capacity needs

The combination of these two sets of financial recommendations provides a two prong conceptualization of funding. The first prong, those recommendations from the task force, addresses macro level issues dealing with state policies and strategies to increase funding through the legislature. The second prong, addresses funding issues at the organizational and infrastructure

(or inter-organizational) level. OneStar can play a direct role in both of these areas, serving as an advocate at the state level and an adviser at the network and organizational level.

## **5. Nomenclature**

Researchers commonly voice the difficulty of defining terms relating to capacity building; the conception of nonprofit infrastructure is also complicated by unfamiliarity or competing conceptualizations. The 2011 capstone report notes inconsistencies regarding the term capacity building and nonprofit infrastructure through the nonprofit literature. Relatedly, two of the reports examined address specific recommendations regarding terminology and mission clarification amongst capacity building organizations.

- The needs assessment of the TNMAN network provides two related recommendations: First, OneStar needs to clearly define the future role and mission of the network moving forward. Second, OneStar must also define its own mission and role more clearly with regard to its leadership of the network, and vis-à-vis both network members and other stakeholders, particularly other statewide or intermediary organizations.
- The 2010 capstone report notes difficulty in identifying and categorizing specific nonprofit infrastructure organizations, due to unclear mission definition. This is problematic from a research and analytic point of view, but also from a market and end user perspective.

Both nonprofit capacity-building and nonprofit infrastructure (and related terms) lack a clear definition. It is vital that OneStar continue its important work to develop a common lexicon and vision for nonprofit infrastructure. Further, it will be helpful for individual organizations to define their individual roles within these conceptualizations. This issue becomes paramount in the advocacy and funding arena. Clear definition of the importance of nonprofit infrastructure and capacity building will aid in increasing its legitimacy and funding.

### **Additional Recommendations**

The following provides additional recommendations which did not fall into one of the above common themes.

- The task force on strengthening nonprofit capacity provided several additional recommendations, including:
  - Nonprofit organizations should identify or provide internal leadership and management training and develop leadership and management opportunities. The nonprofit sector should establish priorities for enhancing volunteer status through various strategies, including public recognition and special benefits.
- The TNMAN needs assessment and social network analysis provides several additional recommendations pertaining specifically to OneStar's role in absorbing the network, including:
  - OneStar must provide staffing continuity and nonprofit management expertise

- The creation of a code of conduct for both OneStar and TNMAN members to assure ethical behavior
  - OneStar staffing with a emphasis on and specific attention to the area of capacity building
  - Further research is needed to discern desired services for network members
  - OneStar and network members need to service as advocates for capacity-building
- The 2011 Bush School Capstone report recommends a strategic focus on resource allocation throughout the nonprofit sector as a whole, with a salutatory effect on nonprofit infrastructure. This seems to be particularly salient in comparing Texas with other states in which the nonprofit sector and the nonprofit infrastructure are larger or more robust.

Despite the call for improved nonprofit performance by funders and greater reliance on nonprofits, the mechanisms in place to support nonprofits are relatively weak nationwide, and in Texas, as well. Resources for nonprofit capacity building and related nonprofit infrastructure are not well researched and not well funded generally. OneStar Foundation fills this gap by providing research relative to its mission to improve capacity building and strengthen nonprofit infrastructure in Texas. This study's importance is heightened in consideration of the current economic recession and pending public funding cutbacks. Nonprofits are relied upon to provide critical services to the community during stable, healthy economic times and even more so when a crisis or economic recession occurs. The nonprofit infrastructure helps to ensure that nonprofits are capable to serve their constituencies by supporting and enhancing the services of the organizations. The present research reveals that in Texas, like much of the nation, the nonprofit sector continues to grow in assets, scope, and clients served, attention to the nonprofit infrastructure has not expanded at a similar or adequate pace. The present research, however, points to strengths in the Texas nonprofit infrastructure and capacity-building landscape, and provides an empirical basis for moving forward, in both dialogue and deeds.

**Addenda:**  
**Compendia of Recommendations**  
**from All Study Phases**  
**(Unabridged)**

## **PHASE ONE: Analysis of Nonprofit Infrastructure in Texas**

### **Recommendations from the 2010 Capstone Report**

The researchers hope that this report will be widely disseminated. By stimulating discussion and additional research related to nonprofit infrastructure, this report will contribute to the continuing improvement of data and information related to the Texas nonprofit sector. The following is a discussion of informal recommendations for practice, remaining questions, and areas for future research that were developed throughout the course of this descriptive research.

#### **Recommendations for Practice**

Throughout this research, several important recommendations for improving the practice of nonprofit organizations became clear. The researchers offer these recommendations as a starting point for future discussions about how to improve the Texas nonprofit sector and its infrastructure.

- Educate nonprofit managers about the importance of updating their organization's publicly available information. If their website or Guide Star reports are not current, researchers and practitioners cannot accurately analyze the organization.
- Organizations with a mission to support the nonprofit sector should clarify their focus based on the definitions of capacity-building and infrastructure developed by David O. Renz. Do they intend to support the entire nonprofit infrastructure in Texas, or, do they only intend to support Function Nine (Capacity Development and Technical Assistance)?
- Strengthen associations of nonprofit infrastructure organizations throughout the state of Texas. This will benefit nonprofit organizations through improved communication among infrastructure organizations, and economies of scale and scope.
- Facilitate the creation of a network of representatives from each COG. This organization can serve as a point of contact for matters about the nonprofit infrastructure of that COG.

#### **Questions to Consider**

Though the descriptive research provided within this report is the first step in improving our understanding of the nonprofit infrastructure in Texas, myriads of questions remain:

- What kind of entity is needed to support or unify the infrastructure organizations in the Texas sector?
- Is there empirical data supporting the assumption that infrastructure organizations increase the effectiveness of the nonprofit sector?
- Is overlap on the maps positive or negative? Is there such thing as too much infrastructure support?
- Are the organizations identified actually performing the functions for which they have been categorized? Additional research should be conducted to confirm the roles and functions of each organization identified in this research to increase the accuracy of the data regarding Texas' nonprofit infrastructure organizations based on what organizations are really doing, and for whom.
- Some maps in this study analyzed nonprofit infrastructure organizations according to the geographical location of their headquarters. Can further research and additional mapping be conducted based on the service area, or scope of Texas nonprofits?
- Do Texas nonprofits perceive their needs are being met by organizations performing Renz's eleven functions? Can this be examined on a per capita basis?
- Function One (Accountability and Self-Regulation) and Function Two (Advocacy, Policy, and Governmental Relations) are not well-represented in Texas. Are nonprofits' needs being met in these functions? Is there a need for more organizations to perform these functions? Is there a need to strengthen the current nonprofits that perform these functions? Would expanding the scope to include broader IRS organizational classifications, such as 501(c)(4) or 501(c)(6) organizations, which serve more explicit advocacy or membership purposes, create a different picture of infrastructure support, particularly with regard to Function Two?
- Would applying Renz's methodology to databases other than GuideStar, such as the Foundation Center, provide a different picture of infrastructure organizations in Texas?
- Would it be important to also consider the role and functions of private consultants and firms that provide support to the nonprofit sector in a broader conceptualization of nonprofit infrastructure? Similarly, would it be important to also consider the role and

functions that government agencies, particularly those contracting with nonprofit organizations, might play in a broader conceptualization of the nonprofit infrastructure?

- What is the capability of organizations performing multiple functions? Do nonprofits prefer to work with organizations that offer more functions?
- What would the COG maps look like if they illustrated the organizations' scope of service area? How do they compare to the current COG maps which only show physical location?

### **Future Research**

According to The *Nonprofit Quarterly* Study on Nonprofit and Philanthropic Infrastructure, “the nonprofit infrastructure lacks the reach to serve the vast majority of the sector which is made up of small to mid-size nonprofits, most of which are very local and very deeply woven in to the fabric of their own communities” (Brown, et al. 2008, 9). To validate that statement on a state or regional level, further analysis must be performed.

The research and findings presented in this report are not sufficient to support conclusions about gaps, overlap, strength, or health of the nonprofit infrastructure in Texas as this research was solely descriptive. It would be misleading to suggest that the needs of nonprofits are not being met simply because there are few organizations performing certain roles or functions. Simply knowing where an infrastructure organization is located does not indicate who they serve or how effective they are in their work to ultimately strengthen the nonprofit sector.

The present research does, however, provide the foundation for the necessary future research. Replications of this study will be conducted by the Bush School of Government and Public Service at Texas A&M University. This study, and future replications, will allow for further insight into how the nonprofit infrastructure in Texas compares to other states.

Additional research plans include a statewide randomized and weighted survey of nonprofit organizations. This will add an important dimension to this study as it will capture how nonprofits perceive the adequacy of the Texas nonprofit infrastructure in its current shape and condition. The survey will attempt to pinpoint to whom nonprofit organizations within the state of Texas turn for leadership and from whom the organizations receive the most support.

Furthermore, to determine the effectiveness of the state and regional infrastructure, the researchers will perform a network analysis of the identified infrastructure organizations in the

state of Texas. The analysis will look at the organizations and the ties between them. Gaps in the network, direction of interaction, exchange of resources and information, level of trust, and visibility of the network will be some of the variables in the analysis.

To complete the network analysis, a network tool available through [partnertool.net](http://partnertool.net) will be used. PARTNER has pre-developed a valid and reliable survey instrument incorporating key network variables that can be used and sent to selected organizations. The survey can be edited and tailored to the research team conducting the network analysis. Once a list of organizations has been set, PARTNER distributes the survey and responses are analyzed as they are returned to PARTNER.

The network analysis will also be useful in finding areas of the group of organizations comprising Texas' nonprofit infrastructure where services overlap and provide a visual representation of the efficiency of the group. In addition, in depth interviews will be conducted with a select number of infrastructure organizations to better understand the process of their work and their operational challenges and strengths. Potential research questions include:

- What is the nature and extent of relationships among infrastructure organizations?
- How is the nonprofit infrastructure functioning?
- Is there sufficient investment? What does the investment look like?
- Which infrastructure needs are currently being met?
- What gaps should be addressed?

## **PHASE TWO: Texas HHSC Task Force on Strengthening Nonprofit Capacity Legislative Report**

### **Legislative Recommendations from the Task Force on Strengthening Nonprofit Capacity**

The task force identified four recommendation-categories using the four criteria below and aligned each recommendation under the appropriate category. Task force members agreed that legislative recommendations must satisfy the following criteria:

- Be specific and measurable;
- Be within the purview of the Texas legislature;
- Align and be congruent, as a whole; and
- Be consistent with applicable state and federal law.

### Legislative Recommendations

#### **Nonprofit Capacity Building**

1. The legislature should create a line-item appropriation for the Renewing Our Communities Account (ROCA), in the Health and Human Services Com
2. The legislature should direct HHSC to conduct and document special outreach to nonprofits in historically disadvantaged and underserved communities in soliciting ROCA proposals, and to give priority to historically disadvantaged and underserved communities in the awarding of funds.
3. The Lieutenant Governor of Texas and the Speaker of the Texas House of Representatives should issue interim charges directing one or more legislative committees to examine issues relating to nonprofit organizations' access to credit, and to explore ways in which the state could improve the nonprofit sector's access to capital for social innovations.
4. The legislature should direct the Texas Department of Insurance to develop mechanisms for affordable group employer-sponsored health insurance for employees of nonprofit organizations.

## Grants and Contracts Process

5. The legislature should direct the Interagency Coordinating Group (ICG), established by House Bill 492, 81st Legislature, Regular Session, 2009, to develop and implement a plan to improve contracting relationships between state agencies and the nonprofit sector. In developing the plan, the ICG should:
  - Lead and manage a multi-agency effort to develop a simplified standardized grants and contracting system for use by state agencies that will include, but not be limited to:
    - Common application, metrics/reporting, compliance, and payment processes;
    - A state-wide communications plan regarding state funding opportunities for nonprofit organizations with a special emphasis on reaching underserved areas;
    - Coordinated audit functions, including financial audits and monitoring;
    - Prompt payment provisions;
    - Use of “net grant principle” in grant and contract solicitations (net grant principle assures that the cost in time and money associated with applying for the grant is commensurate with the size of the grant awarded); and
    - Consideration of alternative and in-kind resources to meet local match requirements for nonprofit grantees and contractors.
  - Develop strategies for investing in sustainable partnerships between state programs and nonprofit providers, including:
    - Aligning available funding to ensure that deliverables required of grantees and contractors realistically reflect the level of state funding appropriated and do not place grantees and contractors at a financial disadvantage;
    - Establishing reasonable and appropriate indirect and administrative cost structures; and
    - Encouraging multiple-year contracts and grants and continuation of funding for programs which have demonstrated success.
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In developing the plan, the legislature should direct the presiding officer of the ICG to seek input from nonprofit contractors and grantees doing business with the state, including establishing workgroups and task forces as appropriate.

## Communications Coordination

6. The legislature should continue the ICG. The ICG should be expanded to include the Governor’s Office, Department of Public Safety, Department of Insurance, Public Utility Commission, Office of the Attorney General, Department of Agriculture, Comptroller of Public Accounts, and other agencies. The ICG should be charged with sharing best practices

for state agency and nonprofit cooperation and collaboration, identify duplication and gaps in service delivery among state agencies, and identify strategies for addressing these deficiencies. The ICG should establish a task force to assist them in this effort with representatives from private funders, local government, and FCBOs.

7. The legislature should direct the Department of Information Resources to consult with the ICG and its advisory committee to develop a user-friendly portal for local FCBOs to access information on state funding opportunities, including grants and contract opportunities, best practices, and other pertinent information.

## Tax Related Issues

8. The legislature should ensure a stable environment for nonprofit organizations by maintaining current tax policies related to nonprofit organizations.
9. The legislature should direct state agencies to maximize their acquisition of federal funds for nonprofit grant and contract programs.

## Non-Legislative Recommendations

The Task Force on Strengthening Nonprofit Capacity discussed the following non-legislative recommendations during public meetings. These recommendations are meant to complement the legislative recommendations the task force submits with its report to the Texas legislature.

- Nonprofit organizations should identify or provide internal leadership and management training and develop leadership and management opportunities;
- Nonprofit organizations should take advantage of resources and training made available by the state;
- Nonprofit organizations should seek out and join networks to ensure they are contributing relevant information in a timely manner, including research, funding opportunities, and promising practices;
- Nonprofit organizations should take an active interest and approach to strengthening their organization's ability to be a strong partner with the State;

- Funding organizations should provide flexible and reliable funding to nonprofit organizations to adequately support the nonprofit sector;
- Funding organizations and leaders in the Texas nonprofit community should prioritize and foster increased collaboration among nonprofit organizations in public policy development and advocacy; and
- The nonprofit sector should establish priorities for enhancing volunteer status through various strategies, including public recognition and special benefits.

## **PHASE THREE: Texas Nonprofit Management Assistance Network (TNMAN) Transition Needs Assessment and Social Network Analysis**

### **Recommendations from the Texas Nonprofit Management Assistance Network (TNMAN) Transition Needs Assessment and Social Network Analysis**

The recommendations below stem from the implications of this study, but also extend beyond them to integrate and emphasize additional emergent recommendations. They are summarized below, without any preferential ordering.

- **OneStar must clearly define the future role and mission of the network** . This recommendation relates to clarification for parties internal to the network, as well as to other infrastructure organizations, funders, nonprofits themselves, and the general public. A significant challenge, well documented in this report and in the literature, relates to understanding and support of capacity building and views of its necessity. These issues are critical to nonprofits, investors to capacity building, and network members. In the current economic milieu, this messaging will be more pressing and difficult---yet vital.
- **OneStar must define its own mission and role more clearly for itself in its new network management role, for network members, and for other stakeholders, as well.** While respondents reported general respect for OneStar’s professionalism, questions and ambiguities (and even some degree of ambivalence) surrounding OneStar’s role and mission were also reported by TNMAN members’ (even some seemingly close collaborators). This is particularly true in terms of distinctions between OneStar, TANO, and MSOs. Further, concern exists regarding OneStar’s ability to manage the multiple, and sometimes competing or conflicting, roles of funder, capacity-builder itself, and convener, as well as the management of those roles vis-à-vis the network. These points are general in nature and specific to the network in terms of OneStar needing to build trust with some network members, who view the relationship with OneStar as collaborative at best, and, competitive, at worst.
- **Beyond the network role, OneStar should create a “Nonprofit Alliance”,** a “meta-organization” or intermediary organization comprising other infrastructure organizations, key funders, the Attorney General’s office, etc. This alliance can service to increase coordination, role clarification, communication, resource leveraging, and represent the interests of the network more broadly. See the MN Nonprofit Allies as a well-working example of such an alliance.<sup>3</sup>
- **OneStar must provide staffing continuity and nonprofit management expertise.** One of the things that TNMAN members appreciated most was the availability of the CEO of TNMAN and her long history in nonprofit management. Again, while OneStar staff is viewed with respect, concern was expressed by several respondents that the majority of

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<sup>3</sup> <http://www.minnesotanonprofits.org/projects-partners/partners-and-affiliations/nonprofit-allies>

staff are not seasoned nonprofit professionals with extensive nonprofit CEO, board, or capacity building experience. Further, respondents report frustration with changing staffing at OneStar, including staff members who are parsed across projects. For the network to work well, members report the need for a dedicated contact for coordination and network management. For capacity-building and nonprofit management expertise, respondents report that additional staffing at OneStar that is perceived as having nonprofit management expertise will be necessary. This is particularly important for new MSO and consulting staff that need coaching and content expertise consulting. Moreover, seasoned MSO, university, and consultant members alike hope that content expertise will emerge complementary/at a peer level or at a more seasoned level. One potential solution to this might be to contract out a component of this to a sitting network member executive who holds such expertise.

- In terms of membership composition:
  - **MSOs want a single-MSO core network group.** This desire was clearly articulated, with near unanimity.
  - **All respondents see the need for affiliate or affinity groups, as well as a mechanism for connections across all network groups.**
    - Specific affinity groups should continue to include the present academic providers and consultants.
    - Additional affinity groups include funders, volunteer centers, subfield MSOs (e.g., those that serve specific nonprofit subfields such as CDC, faith-based organizations, arts organizations, etc.)
- **OneStar must keep in mind that network membership carries costs beyond a membership fee, particularly time and travel.** Meetings must be perceived as valuable, participatory, with high-level skilled facilitation, and mindful of geographic barriers and available technologies.
- **Network members need greater engagement in the network,** both in terms of network offerings to members and in terms of the network's use of member expertise and resources. Relatedly, the new network model should foster increased communication among network members. This can be accomplished through facilitated online communities, participatory or educational conference calls or webinars, or regional associations.
- **Ethical and trust considerations were and are a great concern.** There is a need to coordinate a structure for the network moderated by rules, code of ethics, standards, and such. Such a code should serve as both a gate-keeping and ongoing self-regulation mechanism.
- **Further, beyond the network's code of ethics, there is a desire by individual members to measure their own performance and articulate outcomes,** difficult and diffuse as they may be, to external audiences, including clients, potential clients, donors, and policymakers.
- **Research on nonprofit management, capacity, and the nonprofit sector are critical. The network and OneStar can play a pivotal role in building and fostering this research area.** Some of this can be done in partnership with universities, by fostering

partnership between university members and other members, and by OneStar itself, particularly in an active dissemination role to network members.

- **OneStar, and the network, can and should play a role in vetting consultants and other capacity building resources.** Respondents indicated that network members, particularly MSOs, have insight into high quality consultants and capacity-building tools, particularly in their local contexts. Further, respondents indicated that nonprofit clients need assistance in learning how to assess the quality of consulting and other capacity building resources. OneStar and the network could build on this knowledge by:
  - Providing information on consultants and resources vetted by the network (and potentially including network members themselves);
  - Creating self-assessment tools for nonprofits to understand their own capacity-building needs (e.g., potentially building on OneStar’s CCAT tool); and
  - Creating tools for nonprofits to use to evaluate and manage consulting and other-capacity-building contracts and relationships.
- **Greater attention needs to be provided across member staff levels and in terms of specific content areas.** Some of this might be established through affinity groups. Additional thought could be given to fostering capacity building content or other areas of specialization or committees (i.e., fundraising/trainings and education/networking) to help members in their specific areas of need.
- **In terms of desired services and membership offerings, this study produced generally positive recommendations, but recommendations that were vague in nature.** Further inquiry, including additional market research and benchmarking, is needed in this area. This will be an important area for ongoing feedback to OneStar from members.
  - **Clear areas of perceived shortcomings of TNMAN and future desires for network action were expressed and include:**
    - OneStar itself, along with network members, need to serve as advocates for capacity building to funders, policy-makers, and the general public. Part of this can emerge from OneStar’s research leveraging activities and translation for external audiences.
    - Opportunities for shared funding proposals among network members.
- Given budget exigencies, OneStar would be wise to consider two organizing alternatives for the network:
  - A low cost/collaborative model that builds on current member resources and the most pressing desire for communication and relationship building. In this model, members can play key volunteer leadership roles. An annual gathering might occur as an adjunct to an extant statewide gathering (e.g., nonprofit summit annually)
  - A longer, more extensive model requiring greater financial sustainability, though reliance on broader membership and earned income.

## **PHASE FOUR: Multi-State Comparison of Nonprofit Infrastructure**

### **Recommendations from 2011 Capstone Report**

This report contributes not only to the data and information related to the Texas nonprofit sector, but to the nonprofit sector of the entire United States as well. It contributes the first systematic measurement of nonprofit infrastructure. Recommendations for practice and areas of future research were developed throughout the course of this exploratory research and are provided below.

### **Recommendations for Practice**

During the course of the research, several important recommendations for improving the nonprofit infrastructure across the nation became clear. More specifically, recommendations for improving the quality of the nonprofit infrastructure in Texas were determined. The researchers present these recommendations as a foundation for future discussions on enhancing the Texas nonprofit sector and its infrastructure. First, increasing coordination within the sector and related recommendations will be discussed. These are followed by advocating for investment in nonprofit infrastructure and related recommendations.

#### **INCREASE COORDINATION WITHIN THE SECTOR**

A recurring theme in recommendations for practice is that increased coordination between multiple parties within the sector is necessary for nonprofit infrastructure growth. Strategic alliances between not only nonprofit infrastructure organizations, but among funders and state associations will help to achieve a healthy nonprofit infrastructure as well. Recommendations for increasing coordination within the sector follow.

##### *1. Strategically focus resources to maximize positive spillover effects throughout the entire sector*

This research demonstrates that when measuring the size and scope of the nonprofit sector along five dimensions (nonprofit organizations, nonprofit infrastructure organizations, state associations, foundations, and social capital), states tend to have similar rankings across each dimension, with the exception of social capital measures. Furthermore, correlation analysis reveals that both nonprofit infrastructure organizations and foundations are positively related to nonprofit organizations. These findings indicate that increasing the strength of a single dimension can have positive effects on the other aspects of the sector. For example, strengthening foundations can indirectly strengthen nonprofit infrastructure organizations.

Maximizing spillover effects is particularly relevant in Texas, which ranks below average for nonprofit organizations, foundations, state associations, and nonprofit infrastructure. If individuals have a zero-sum mentality, particularly in regard to funding, they may conclude that

concentrating resources on one area of the sector automatically reduces resources in another. The data suggests, however, spillover effects in one area of the nonprofit sector can indirectly benefit other areas of the sector. For example, providing additional resources to a state association enables the association to aid nonprofit organizations and nonprofit infrastructure organizations. Instead of viewing each component individually, they can be conceptualized as an intertwined network; the findings point towards a holistic strategy for improvement. In addition, this recommendation specifically relates to the recommendation proposed by members of the Task Force on Strengthening Nonprofit Capacity Report for funding organizations and leaders in the Texas nonprofit community, such as OneStar, to foster increased collaboration amongst organizations in public policy development and advocacy (The Task Force on Strengthening Nonprofit Capacity Building, 2010). Collaboration in public policy development and advocacy will advance the concerns of the sector and spill over to reach multiple areas for improving the infrastructure.

The reality of spillover effects has strategic implications for OneStar, as it advances its mission to make the nonprofit sector in Texas one of the strongest in the country. Funding, resources, and time are always limited, but this research indicates these elements can be maximized if there is a focus on improving one aspect of the sector to positively influence other aspects. Thus, instead of diverting resources to foundations and nonprofit infrastructure separately, strategic planning can take into consideration how resources reaching these organizations are interrelated. Texas's national ranking for both the nonprofit sector and nonprofit infrastructure may seem discouraging. Positive spillover effects within the sector, however, suggest that by taking advantage of the existing relationships between components of the sector, even small steps toward improvement can be multiplied and maximized.

## *2. Create a nonprofit alliance*

Drawing upon the above recommendation, one method for key players within the nonprofit sector to strategically approach nonprofit sector improvement collectively is to create a nonprofit alliance. Through conversation and cooperation, a nonprofit alliance will allow leaders to understand what is available throughout the entire sector, to avoid unnecessary duplication of resources, to work together in the provision of services, and to unite under the common goal of improving the sector. Texans can look to the nonprofit alliance in Minnesota for guidance. The Minnesota Nonprofit Allies “collaborate, partner, and share information to ensure that nonprofits have ample resources and services to help individual organizations accomplish their mission” (MNCN, 2011). Organizations with varying missions make up the alliance and include: MAP for nonprofits, the Nonprofits Assistance Fund, the Charities Review Council, the Minnesota Council on Foundations, the Minnesota Council of Nonprofits, several universities, as well as other organizations.

In Texas, the building blocks for an alliance can begin with the collaboration of OneStar and TANO. These two organizations have considerable influence throughout the Texas nonprofit sector. Collaboration between OneStar and TANO would help the alliance gain legitimacy and successfully recruit similar organizations. Based on the research of the 2009-2010 Capstone

team, it may also be advisable to include the Council of Governments (COGs) in the nonprofit alliance (Bush School of Government and Public Service Capstone Seminar, 2010). Creating a network consisting of one representative from each of the state's 24 COGs would allow members to communicate and articulate nonprofit infrastructure issues and concerns from their respective regions. Articulating infrastructure needs from a geographic standpoint is important given this research on the variability in concentration of infrastructure organizations in Texas. Input from COG members that are extremely familiar with their respective regions would be a vital resource to the nonprofit alliance.

In addition to the collaboration between OneStar, TANO and the COGs, the researchers also suggest the recommendation from the Task Force on Strengthening Nonprofit Capacity Report for the Interagency Coordinating Group (ICG) to collaborate with actors of the nonprofit alliance to share best practices for collaboration among state agencies and nonprofits (The Task Force on Strengthening Nonprofit Capacity Building, 2010). Collaboration with the ICG will be beneficial for identifying duplication and gaps within services between state agencies and nonprofits.

### *3. Strengthen state nonprofit associations across the nation*

Strong state associations are a vital component of the nonprofit landscape. They increase collaboration amongst nonprofits within the state, which enhances the state nonprofit sector and infrastructure (Salamon, 2002). Additionally, the call for strong state associations builds upon the previous two recommendations in that state associations provide a conduit for coordination and strategic planning. For example, in states such as New York and Michigan, strong state associations are affiliated with a strong nonprofit sector and nonprofit infrastructure because state associations often advocate on behalf of the sector and offer many services and resources to improve the organizations that make up the entire sector.

As evident from the data from the National Nonprofit Comparison, strengthening state associations can help to improve other portions of the sector, supporting the claim that state associations act as a unified representative of the sector (Salamon, 2002) and transmit knowledge and resources to the sector. Most nonprofit state associations are nascent (Salamon, 2002); therefore the recommendation to strengthen state associations is made to the nation.

Given Texas' ranking on advocacy in the Renz comparison, a state association push for advocacy would be a strategic strength to the sector. In addition, most state associations perform a majority of the remaining functions constituting Renz's conception of nonprofit infrastructure. Strengthening the state nonprofit association would be a direct answer to the recommendation within the Task Force of Strengthening Nonprofit Capacity Report for encouraging more nonprofits to seek out and join networks to ensure they are knowledgeable of and contributing to research, funding opportunities, and promising practices (The Task Force on Strengthening Nonprofit Capacity Building, 2010).

#### *4. Increase coordination of management support organizations (MSOs) nationwide*

Texas excels in the area of collaboration among management support organizations. Texas Nonprofit Management Assistance Network (TNMAN) is the only organization of its kind in the eight comparison states. With its facilitation of informal relationships and knowledge exchange, TNMAN provided both technical assistance and convening power. Members of TNMAN gained access to resources, contacts, training, and other collective goods (Bies, 2011).

The benefits provided to Texas MSOs by TNMAN would likely hold in other states. MSO coordination is an area in which other states could seek to emulate Texas. Whether as the responsibility of a state association or a separate entity like TNMAN or OneStar, other states could incorporate the services that TNMAN provided into their objectives and activities.

As OneStar subsumes coordination of the Texas MSOs, it will be important to carry on the legacy of success while improving upon the resources and communication originally offered. Research emphasizes the importance of strong leadership by OneStar in maintaining and further developing the community of management support organizations. The coordination of MSOs also provides an opportunity for Texas to lead its peer states. The power of coordination across areas of the sector is exemplified in the success of TNMAN, and further demonstrates a rationale for increased coordination of not only MSOs, but all portions of the sector.

#### *5. Foster a council of foundations in states where councils do not exist*

The coordination of foundations is important to the nonprofit sector and infrastructure because many nonprofits are significantly funded by foundations and grantmakers. Whereas many foundations and grantmakers do not typically fund infrastructure initiatives, a council of foundations could address collective funding issues concerning the nonprofit sector, such as increasing nonprofit infrastructure funding. This research found that Michigan, Minnesota, and New York each have state-wide foundation councils that increase the scope and impact of foundations and grantmakers within the state by increasing corporate foundation giving, having a greater voice within the policy arena, advocating for funding of the nonprofit infrastructure, fostering collaboration, and transmitting knowledge and information.

A specific recommendation for OneStar is to assist in the formation of a statewide network association of foundations within Texas. The Conference of Southwest Foundations (CSWF) is a regional foundations council that accepts membership from foundations and grantmakers in the southwest region, which includes Texas. Although the CSWF is based in Texas, a Texas foundation council could enhance the Texas nonprofit infrastructure by addressing policy, practice, and networking directly related to Texas foundations. Additionally, an entirely new council may not be needed: a Texas-specific chapter of the CSWF would also foster Texas-specific conversations and coordination of foundations.

#### *6. Increase the presence of nonprofit infrastructure organizations in underserved geographic areas*

This recommendation stems from the research conducted using GIS mapping techniques and the qualitative research. GIS maps show large areas of each state in which no organizations performing at least one of the eight mapped Renz functions are located, often corresponding with areas of low population density. Building upon the concept of increased coordination introduced in previous recommendations, outreach to underserved areas would ensure that all nonprofit organizations across the state are incorporated into the interconnected network of the nonprofit sector. Technology may be the best remedy for the lack of infrastructure organizations in areas with lower population densities. Nonprofit infrastructure support could be offered via online training sessions, conference calls, or video conference meetings. The alternative solution is to locate more infrastructure support organizations in the underserved areas, but infrastructure organizations have not fared well in relatively sparse areas due to lack of funding support. An example of difficulties is the TNMAN network, which sought to build nonprofit management support statewide (and arguably did), but which faced financial challenges (TNMAN, 2010). Members of the network represent a few organizations providing outreach along the Texas/Mexico border, with member offices located in El Paso, Edinburg, and Laredo. This recommendation is another rationale supporting the importance of OneStar's continued commitment to strengthening the TNMAN network. Additionally, a "one-stop shop" organization that provides a variety of infrastructure support services in the areas of states with low population densities may be the best use of resources.

The GIS maps only divulge where nonprofit infrastructure organizations are located, but do not communicate the service reach of the mapped organizations. The findings of the qualitative research on Texas, however, reinforce that there are underserved areas of the state, particularly in West Texas and along the Texas-Mexico border. A lesson that can be drawn from New York is that region-specific infrastructure organizations may help in providing services to the underserved areas of the state. In addition, Texas can learn from California where there are region-specific nonprofit infrastructure organizations due to the long size of the state. Dispersing management support organizations in Texas, or at the very least, holding workshops in the underserved areas of the state, could increase services to the underserved regions and coordination across the state.

The nonprofit alliance mentioned above could allow OneStar and TANO to further understand and address outreach to underserved areas and could include coordination with all key players throughout the sector. In addition to OneStar and TANO, state agencies would also be necessary for addressing outreach needs to underserved communities. This would be a direct solution to the recommendation from the Task Force on Strengthening Nonprofit Capacity Report for the Texas Health and Human Services Commission (HHSC) to conduct and document special outreach to nonprofits in underserved communities in soliciting ROCA proposals, and to give priority to underserved communities in the awarding of funds (The Task Force on Strengthening Nonprofit Capacity Building, 2010).

*7. Create a database that houses contact, services, and financial information for individual nonprofit organizations*

In conducting this study, the researchers encountered several barriers to finding available information on individual nonprofit organizations. A database is needed to house contact, services, and financial information for each nonprofit organization. Collecting this information will substantially facilitate the ability to conduct research on the sector. As noted through this report, data collection was limited, and open source information will allow more accurate research to take place. The database could also aid in the coordination of nonprofits themselves. Having access to information about potential collaborative partners may facilitate greater cooperation between nonprofits and stakeholders throughout the sector.

In Texas, OneStar could partner with TANO, 211, the State Charity Registrar, NCCS, Texas Impact, and others to develop a comprehensive database of nonprofit organizations in Texas. This database would facilitate research on nonprofits and provide nonprofits with useful information about potential nonprofit partners and collaboration for everything from funding to provision of services.

An additional recommendation to increase knowledge management is to connect individuals working with nonprofit organizations in Texas with nonprofit education programs and/or academic research. Examples of successful initiatives for knowledge management include a lending library for nonprofits located in Michigan and the strong nonprofit studies programs at Syracuse, NYU, and Columbia in New York.

OneStar should explore the possibility of enhancing their Texas Connector project by adding a database that includes the full contact, services, and financial information with the aforementioned partners. As the coordinating agency for the database project, OneStar could house the database in their Texas Connector project so that the interactive mapping tool can be used in conjunction with the database of organization contact information. This comprehensive database combined with the mapping tool will fundamentally improve the way in which nonprofit research can be conducted in Texas and facilitate coordination between organizations across the state.

## **ADVOCATE FOR INVESTMENT IN NONPROFIT INFRASTRUCTURE**

In exploring the size and scope of the nonprofit sectors in Texas and beyond, data from the Nonprofit Sector Comparison and the Nonprofit Infrastructure Comparison continually ranked Texas low on the basis of its organizational revenues and assets. Additional analysis of organizational revenue streams within the qualitative comparison compliments this finding by demonstrating Texas's weaknesses in terms of funding. Given this information, the following recommendations are provided to help Texas advocate for investment in nonprofit infrastructure: increasing grants for capacity building to MSOs and financial intermediaries, increase funding for community foundations, diversify revenue streams, develop fundraising skills, and cultivate a culture of giving.

## *8. Increase Capacity Building grants to infrastructure organizations and Financial Intermediaries*

The research utilizing foundation grant data from 2008 to 2011 demonstrates that Texas ranks high for the total amount of capacity building grants per nonprofit organization among the eight states. This indicates that Texas grant funders highly support capacity building activities in comparison to the other seven states. However, the findings suggest that Texas's capacity building grants focus heavily on building the internal capacity of a single nonprofit organization. In comparison, capacity building grants providing nonprofit management support to general nonprofit infrastructure organizations and to subfield nonprofit infrastructure organizations are insufficient. Those states ranking higher than Texas for nonprofit infrastructure (California, Michigan, Minnesota, and New York) have more grants for general nonprofit infrastructure organizations and financial intermediaries. Thus, Texas needs to support more general nonprofit infrastructure organizations and financial intermediary grants while continuing support for capacity building grants to individual nonprofit organizations. OneStar can directly address this problem by providing more capacity building grants to general nonprofit infrastructure organizations and financial intermediaries.

In addition, it is necessary to encourage Texas foundations to fund nonprofit management support organizations. According to the Foundation Center, only the Meadows Foundation and the Carl B. and Florence E. King Foundation funded general nonprofit infrastructure organizations in Texas. Since the capacity building grants data is only for 2008-2011 (through April), it is possible that other main grantmakers were excluded. However, it is clear that Texas has fewer funders than those states with strong nonprofit infrastructure.

The researchers also found that several key funders, such as the Kellogg Foundation, the John Knight Foundation, the Bush Foundation, and the Meadows Foundation in Texas, stand out as significant funders for nonprofit capacity building. It is necessary to further investigate the outcomes of the previous investment in capacity building by these key funders in order to better strategize and maximize future grant funding in Texas from these organizations.

## *9. Increase Funding for Community Foundations*

In addition to funding resources, it is necessary to increase community foundation endowment size and support awareness of community foundations more generally. The individual endowment rate for community foundations is lower than other funding resources in Texas. OneStar can play a direct role through campaigning and making citizens aware of the positive impact community foundations have within a community. Increased revenue for community foundations can lead to focused financial support on Texas's weak areas of nonprofit infrastructure. Based on the examination of the Renz functions by state, Texas is weak in the areas of Financial Intermediaries; Advocacy, Policy, and Governmental Relations; and Workforce Development and Deployment. The researchers expect that community foundations would provide targeted help in these areas through increased revenue and endowment size.

## *10. Diversify Revenue Streams*

Texas infrastructure organizations rely on a small number of sources for income. Comparison with other states indicates that states with stronger nonprofit infrastructures rely on a more diverse array of funders. Research supports this claim, noting a relationship between organizations with diverse income streams and strong nonprofit infrastructure (Chang & Tuckman, 1991). Texas could seek new and varied funding through a variety of sources, whether through different types of foundations or government grants, investments, or program services. Additionally, OneStar could consider offering education for nonprofit infrastructure organizations on the importance of income portfolio diversity and on technical assistance focused on diversification.

### *11. Develop Fundraising Skills*

Even though Texas has a strong dispersion of financial intermediaries like United Ways and community foundations, the amount of revenues per organization and per capita are low. Texas also scored low on the Financial Intermediaries category as defined by Renz. Nurturing organizations serving as financial intermediaries would help bolster the financial health and infrastructure of the sector. OneStar could consider providing training and technical support for financial intermediaries to strengthen financial inflows to community foundations and United Ways.

### *12. Cultivate a Culture of Giving*

The analysis of the Nonprofit Infrastructure measure demonstrates that charitable contributions are positively related to nonprofit infrastructure. In other words, as the strength of a state's nonprofit infrastructure increases, so do charitable contributions. States with relatively high charitable contributions, such as New York and Minnesota, also tend to have high performing nonprofit sectors and nonprofit infrastructure. Correlation analysis cannot imply causal relationships between variables, nor can it attribute which variable is influencing the other. This finding, however, does suggest that increasing charitable contributions is associated with increasing nonprofit infrastructure within a state.

As Texas implements strategies and policies to augment charitable contributions, findings suggest that Texas has a need for improvement. When measuring average charitable contributions per IRS tax return, Texas has one of the lowest rankings amongst the eight states, at just over \$1,200 per person. Upon examining the average percentage of adjusted gross income Texans contribute to charity, Texas again ranks low with just over 1%. A limitation of this data surrounds the use of tax filer information, which only captures data for those individuals who itemize their taxes. The United States Tax Foundation reports that in 2005, only 35.61% of Americans itemized their tax returns. Texas falls lower than the national average ranking number 44 with only 25.99% of individuals itemizing their tax returns (Prante, 2007). Thus, data may be slightly inaccurate due to missing information. More research is needed to fully understand the extent of charitable contributions within Texas.

Implications of these findings are relevant for OneStar, which has the resources and ability to stimulate charitable contributions throughout the state. Possible strategies for fostering a culture of giving within Texas could include:

- Public campaigns promoting both giving and the positive impact of public charities throughout the state.
- Provision of specified training to nonprofit organizations focusing on the encouragement of giving within their community.
- Creation of an organization that provides information for people about charitable organizations such as Minnesota's Charities Review Council (CRC). As mentioned earlier in the report, the Council focuses on providing informational resources to potential individual givers on charitable organizations based on the Council's Accountability Standards. With this information, donors can feel assured that their donation has a positive influence in the community. The CRC also provides charities with information on how they can "meet and maintain the Council's Accountability Standards" (CRC, 2010).
- This research suggests that charitable giving is positively related to volunteerism. This implies that communities with a culture of volunteerism may foster a culture which values charitable contributions. OneStar has the unique ability to build upon the high volunteerism rates it has effectively helped build in Texas, and cultivate charitable contributions using similar strategies.
- Because giving to nonprofit infrastructure organizations can be viewed as a more indirect contribution, individuals may prefer to contribute to organizations that directly provide services. OneStar can help increase contributions to nonprofit infrastructure organizations by focusing public campaigns for giving on the positive service and impact of nonprofit infrastructure organizations.

## **Future Research**

In reviewing the existing literature on capacity building and in performing exploratory research, several topics for future research are particularly salient. The researchers determined that future avenues for research on nonprofit infrastructure should include the following:

- The relationship between social capital and a strong nonprofit sector. While literature reviewed supported the measure of social capital as a component of nonprofit infrastructure, positive correlations were not discovered in the present research. In other words, states scoring high in measures of nonprofit organizations, nonprofit infrastructure, state association and foundations did not necessarily score high for social capital measures. The interaction between social capital and other portions of the sector requires further exploration.

- The extent to which regional differences prohibit the application of best practices from one region of the country to another. Analysis revealed clear regional differences between nonprofit sectors, and a closer examination of the generalizability of best practices across different regions would allow stronger recommendations to be made based on the success of states in other geographic areas.
- A greater determination of which characteristics can be applied from states with strong nonprofit infrastructures to states that struggle with developing effective nonprofit infrastructure. This recommendation builds upon the previous point, suggesting that a greater understanding is needed both at the regional and state level. A deeper examination of the Renz functions in states with strong nonprofit infrastructures will illuminate the characteristics that should be emulated.
- The service quality and impact of nonprofit infrastructure organizations. Because the present research covers only the size and scope of the nonprofit sector, a better understanding of the service and geographic gaps in the national nonprofit infrastructure need to be determined.
- The implications of the dispersion of nonprofit infrastructure organizations within a state. This research does not conclude that having nonprofit infrastructure organizations dispersed throughout the state (like Florida) is a relative strength. Nor does it indicate what the exact implications are between having dispersed nonprofit infrastructure organizations in states like Florida compared to states like Minnesota where infrastructure organizations are largely located in one metropolitan area.
- The service area of the mapped infrastructure organizations. This will help gain a clearer picture of the geographic areas which are in most need of infrastructure support. GIS maps depict the location of various organizations performing the Renz functions; however they do not indicate the density of service provision. A more robust analysis including client reach is needed to determine where there are service gaps.
- The relationship between the state government and nonprofit infrastructure organizations in exemplary states. By understanding the interaction between the public and nonprofit sectors in exemplar states, researchers can develop models for healthy relationships between state governments and nonprofit organizations—especially infrastructure organizations.
- The role of government-funded grants in nonprofit infrastructure. Further research is needed to compare the government-funded grants to the foundations grants that were researched.

- An analysis of nonprofit infrastructure and religious organizations. Due to data limitations, the analysis does not include religious organizations, which constitute a major portion of the nonprofit sector. Further research is needed with the inclusion of religious organizations to fully understand differences in nonprofit sectors across the country.