Nonprofits as Local Government Service Contractors

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Nonprofit organizations play a prominent role in delivering government financed public services. As such they are partners with local government in producing services to address community needs and service demands. As the scope of local public service provision and contracting has expanded over the last couple decades, nonprofit organizations have been challenged to work collaboratively with governments to find better ways to respond to social needs (Smith and Lipsky, 1993; Gronbjerg, 1993).

One area in which nonprofits are particularly active is in the delivery of elder services. Elder services are provided by most large and medium size cities but outsourcing to nonprofits entirely or in part is quite common (DeHoog, 1984). Elder services are general human services and are often targeted to low-income elderly populations. Oversight and control of the delivery of elder services can be challenging for local governments because of the intangible qualities of service production (DeHoog, 1984). Also, because elder services are labor intensive, specially trained personnel that can deal with problems specific to elderly populations are attractive to local government service providers. Nevertheless, private organizations can sometimes be reluctant to contract with local government for delivering this type of human service because it can require them to work within strict regulations, and contracting standards (need citation).

Despite the growing role that contracts with nonprofits play in local service delivery, only limited scholarly attention has been directed to why some cities rely on more on nonprofits to produce services or how political institutions influence the role nonprofits in service provision (DeHoog, 1990; Boyne, 1998; Gooden, 1998, Stein, 1990;
Ferris and Graddy, 1986; 1994; 1996). To investigate these issues we present a transaction cost explanation that focuses on how political system characteristics and the structures of service markets, not just the characteristics of goods, shape the costs on negotiating, monitoring and enforcing contracts. These political and market factors also influence the transaction risks for nonprofit organizations that might contract with government. Where political uncertainty is high, nonprofits will unwilling to contract or demand costly contractual protections from political uncertainty. In these situations it may be more advantageous for local governments keep services in-house.

We estimate the use of nonprofit organizations to jointly or exclusively deliver elder services with data from a survey of local government service delivery arrangements conducted by ICMA. The results indicate that forms of government, mayoral turnover, racial segregation, and the market of nonprofit producers shape the role of nonprofits in delivering elder services, but decisions to contract exclusively with a nonprofit are subject to different influences than decisions to jointly produce service with a nonprofit organization.\(^1\)

**Transaction Costs in Municipal Service Delivery**

Whether to contract out products and services or provide them internally (i.e., the make or buy decision) has been a central concern for students of public and private

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\(^1\) Previous analysis examined day care as well as elder services. We focus here on elder services because elder services exhibit greater variation in production arrangements, their outcomes are less tangible and their measurement more complex making this service potentially more sensitive to transaction cost problems (Feiock, Stream, and Clingermayer 2004). Also elder services are much more likely to be provided by municipal governments. The earlier analysis found only very modest evidence of institutional influences on production arrangements for day care. Mayor council government encouraged exclusive nonprofit production but not joint contracting with nonprofits. We speculate these differences may be accounted for by the service characteristics but stronger conclusions await analysis that more systematically measures production characteristics across a larger set of services.
organization. Building from the work of Coase (1937), explanations for vertical integration in the private sector have stressed transaction costs incurred in negotiating, monitoring, and enforcing a contract or agreement. Much work in new institutional economics is constructed on this foundation and views the organization of transactions within firms as contingent upon the relative costs of internal production and external exchange (Williamson 1975, 1985; Klein, Crawford and Alchian 1978; Grossman and Hart 1978). When the costs of negotiating and enforcing contracts in the market are high, firms have incentives to produce products and services themselves.

Like firms, governments seek efficient production (as long as it doesn’t directly conflict with other political interests). But production efficiencies in government can be lost when transaction costs are high, just as they can be in private firms. Vertical integration can help control valuable specific assets that might be lost if outside suppliers reneged on a contractual agreement or re-interpreted a contract in ways detrimental to the interests of a firm. Williamson argues that these kinds of reneging—hold-up problems, non-cooperative behaviors, etc.—can be more easily prevented within vertically integrated firms than between firms linked by contracts. Reneging occurs within firms as well as between them, thus the key question is whether internal governance mechanisms are superior to the diligent monitoring of a carefully written contract. Miller (2000a) charges that “contractual problems, that are supposed to be resolved by the creation of the firm, re-appear within the firm itself, creating the dilemmas that constitute the challenge of effective management” (2000a: 539).

The use on nonprofits can be seen as a response to the transaction cost risks in contracting services. Sclar (2000) frames the make or buy decision as a tradeoff between
bureaucratic inefficiencies of public agencies and the costs of managing external contracts. Outsourcing municipal services promises flexibility and cost savings (Jang 2005) but these benefits can be offset by transaction costs. Local government choices to rely on nonprofits rather than in-house production or other service contractors has been attributed to the ability of nonprofits to provide the flexibility and cost efficiencies or private production while protecting against problems of accountability that emerge from the self-interested behavior of for-profit providers and the potential for firms to exploit information asymmetries between local government agencies and vendors. While all problems of self-interest seeking behavior are not eliminated by employing nonprofit organizations, the nature of their funding process and governance and character of volunteerism can reduce the risks local governments face in contracting out certain services.

Nonprofit organizations are typically governed by a small board of directors who do not expect to benefit financially from the performance of the organization and are legally barred from doing so (Salamon 1992; Kearns, 1994). The governing structure of nonprofits implies the board members represent community interests (Smith and Lipsky, 1993; Ferris, 1998). The advocacy orientation of nonprofit organizations on behalf of service recipients protects against opportunistic behavior with regard to community standards of service and care. Nonprofits are deemed particularly valuable for responding to specific service demands that cannot be easily differentiated and satisfied through purely governmental provision (Weisbrod, 1988, 1997). When a local government recognizes emergent social problems, nonprofit contracting allows it to acquire special experts and talents for which there is programmatic or budget flexibility.
(Smith and Lipsky, 1993). Nevertheless, contractors also face transaction cost problems in dealing with government.

We expect that nonprofits will be employed when efficiency gains from private production are likely but transaction costs for government are high. Extant research relies on a very narrow definition of transaction costs in service contracting that focuses primarily on characteristics of goods such as the need for transaction specific assets or difficulties in measuring outcomes and neglect transaction costs for contractors. We argue that transaction cost problems for local government service contracting need to be considered more broadly to include other factors that raise costs in negotiating, monitoring and enforcing contracts. We contend that an investigation of transaction cost that can influence the role of nonprofits in service delivery also should include: 1) institutional characteristics of political systems that make commitments more or less credible, 2) turnover in government that disrupts relationships between government and nonprofits leaders, 3) characteristics of target populations, particularly heterogeneity in service preferences, and 4) the scope of the market of nonprofit providers. In a contract situation both principals and agents can act opportunistically and uncertainty in the public sector creates transaction risks for private producers. Each of these transaction cost problems and their implications for governments and service delivery agents are discussed below.

**Political Institutions and Credible Commitment**

Potential opportunism on the part of either government or service delivery agents
creates transaction costs that make contractual relationships risky. Contracts may offer incentives for efficiency, but they may also motivate the parties to act opportunistically. For governments, this threat may be reduced when service responsibility is given to non-profit organizations because they are perceived as more trustworthy agents than private vendors, more likely to share public interest goals, and they are monitored by a combination of donors, clients, and government officials (Young 1999). Nonprofits motivated by low-power organizational incentives, rather than high-power profit incentives, do not face the same imperatives to skimp on quality, renege on promised service levels, or lower costs of production by homogenizing services (Young 1999; Steinberg 1997).

Negotiating a complex contract is simplified if the parties trust each other (DeHoog 1984). For nonprofits, the risks of opportunistic behavior by local government officials are constrained by the institutions of local political systems (Feiock 2004). Frant argues that electoral gains in a political system are equivalent to economic gains in a market in that they create “high-power” incentives to act in opportunistic ways. The progressive reform ideology of separation of politics and administration institutionalized in “reformed” political structures allows administrators and elected officers to more easily resist opportunistic behavior by replacing high-power political incentives with low-power bureaucratic incentives (Frant 1996; Feiock Jeong and Kim 2003). Elected officials who are wary of displeasing political coalitions and constituents may be unable to make credible commitments to other stakeholders. Reform institutions may constrain these incentives and reduce the risk of opportunism.

The progressive reform prescription has provided bureaucrats with a useful myth and protective ideology. The useful myth is that of the
politics/administration dichotomy, and the protective ideology is the ideology of neutral professional competence. Together, these often provide a credible constraint on the efficiency-undermining rent-extraction activities of those in political power (Miller 2000b, 314).

Conversely, the incentive structure of mayor-council government and partisan elections may create incentives for officials to promote personal and political goals in service delivery decisions. The potential for nonprofit contracting to be politicized may be especially high when an organization is given exclusive responsibility for providing service rather than sharing responsibility with government through a joint production arrangement. Recent work by Marwell (2004) contends that nonprofit contracting has become the new patronage. Community based nonprofits operate like political machines by creating reliable voting constituencies for elected officials (Marwell 2004).

**Leadership Turnover**

A service provider’s uncertainty regarding future expectations and commitments is heightened by executive turnover in local government. Turnover in government leadership cause difficulties in negotiating and monitoring agreements, thereby making contracting decisions more difficult and less likely. Officials who come into office during the life of an agreement may not be satisfied with the provisions and may wish to re-negotiate. Government officials may not be willing to enter into agreements for lengthy periods that would lock them into a particular mode of service delivery and specify explicit quantities of service, quality characteristics, or distributive criteria. More open-ended and flexible contracts with nonprofit providers that would enable governments to modify service provisions are possible, but such arrangements impose costs upon the contractor that can make them unwilling to work with government or
demand a premium for accepting possible interventions. In such instances, the cost savings from outsourcing are lost (Sappington and Stiglitz, 1987). Most important, if the officials responsible for making policy decisions are likely to be out of office soon, their commitments may not be viewed as credible (Horn 1997). Leadership turnover would be especially problematic when a service is entirely contacted to a nonprofit organization (exclusive contracting) rather than joint contracting in which government retains some production capacity.

Target Populations and Diversity of Preferences

Certain characteristics of target populations can also be linked to the role of nonprofits in service delivery. The attribute given the most attention in the literature is heterogeneity in the demographic composition of service recipients. Heterogeneous communities with more diverse citizen preferences have greater need for nonprofit organizations. “Dealing with diversity” – which is fundamentally a problem of information – presents provision difficulties for government that can be overcome by making use of nonprofit organizations (Weisbrod 1988; 1997). In racially and socially heterogeneous communities’ service delivery responsibility may be contracted to nonprofit organizations because government is unable to adequately differentiate its services in response to heterogeneous preferences in the community. The information costs of government are minimized by allowing nonprofit service agents to customize service provision to specific constituency groups (Young 1999). Where local governments serve diverse populations we expect more contracting with nonprofits particularly joint production arrangements between city government and one or more
nonprofit organization.

**Service Markets**

The market for service delivery is shaped by the number and size of enterprises that could supply services. The availability of nonprofit providers has implications for government because efforts to impose accountability are made difficult by monopoly in the supply of service (Kettl 1993; Kramer 1981). The supply of potential contractors is presumed to enhance efficiency and control of opportunism in contracting. In metropolitan areas, there are frequently many potential providers for a service (Bielefeld 2000). With multiple providers, competition may drive down production and transaction costs and reduce the possibility of a long interruption of service if one provider fails to provide adequate service and must be replaced. The supply of potential contractors has been highlighted in the literature as central to the efficiency of service contracts (Stein 1993), but extant research examines whether a city is located in a metropolitan area as a proxy for potential contractors rather than directly measuring the availability nonprofit service providers. We expect governments in communities with large numbers of nonprofit potential service providers will be more likely to rely on nonprofits either as partners in joint production or as exclusive producers of elder services.

Both production costs and transaction costs are expected linked to the use of nonprofits contractors. The make or buy decision has been described as a tradeoff between the bureaucratic inefficiencies of public agencies and the costs of managing external contracts Sclar (2000). The transaction characteristics of elder services require safeguards against contractor opportunism and the transaction costs of external
production opportunism. Nonprofits can provide these safeguards, thus we expect that nonprofits will be favored over in-house production when there are opportunities for efficiency gains from outsourcing. Nevertheless, the economic gains from contracting can be lost if political uncertainty imposes costs on contractors. Because risks of opportunism by government increase costs for nonprofits, the potential for government to realize costs savings is reduced.

Joint contracting arrangements provide mechanisms to share risk and thus can make contracts more efficient for both parities.

**Design**

Several recent studies of service delivery focus on human services because they are more frequently delivered by both local government and external providers and thus provide greater variation in contractor choice than most other services (Boyne 1998; Feiock, Stream, and Clingermayer 2003). Where transaction costs in relationships with nonprofits are low, we expect greater reliance on nonprofit organizations to provide services. Nonprofit organizations have been substantially involved in the delivery of elder service programs for decades and nonprofit delivery of these public services has slightly increased in the past ten years.

Isolating communities in metropolitan areas allows us to include the measures of the number of potential nonprofit service providers and racial segregation that are absent in extant research. The data come from 797 cities located in metropolitan areas (SMSAs)
that responded to the International City and County Management Association’s (ICMA) 1997 Alternative Service Delivery Survey. Our analysis examines overall reliance on nonprofits and then separates out joint and exclusive contracting. Decisions to contract elder program with nonprofit organizations are estimated with a model that identifies the influences of the transaction cost factors described above controlling for several additional political and economic constraints.

Table 1 reports that of 472 communities that provided elder services, nonprofits participated in joint production 14.2 percent of the time and had exclusive contacts for elder service provision in 6.6 percent of the communities. Joint contracting arrangements are coded based on survey response that that elderly services are contracted to nonprofits as well as produced in house or by another organization. Over 20 percent of the cities contract with nonprofit organization for elderly services, however 14 percent report multiple service providers for services contracted with nonprofits, mostly in-house production.

We first examine local government decisions to contract with a nonprofit organization for elder services whether or not the nonprofit is the sole producer or joint producer. We next examine differences between the choice of nonprofits as exclusive or joint producer of elder services. The mutually exclusive outcome categories are no nonprofit involvement, exclusive nonprofit production, and joint production with nonprofits. This discrete nominal variable requires a multinomial logit estimator.
Independent Variables

Characteristics of political systems that enhance or diminish credible commitment are captured by identifying cities with mayor-council form of government and partisan elections. The data on forms of government and partisanship of elections were taken from the International City and County Management Association’s 1996 Form of Government Survey. If a city was not included in the 1996 survey, the election system for the last reported year was coded. Disruption of interorganizational relationships due to government turnover was measured by the proportion of years that a new mayor or manager took office for the period from 1990 though 1997. These data were coded from directories included in the ICMA’s Municipal Yearbooks from 1990 though 1998.

The characteristics of target populations that reflect lack of homogeneity in service preferences include the proportion of the city population that was non-Hispanic white reported in the 2000 Census of Population and an index of black white dissimilarity to capture racial heterogeneity (Weisbrod, 1997). Tract level data was used to identify differences in residential patterns of one group in relation to another to construct an index of black white dissimilarity for the metro areas in which a city was located.²

The analysis also addresses how the scope of the nonprofit sector influences the service and contracting choices of local governments. We directly measure the size of the market of nonprofit providers in the metro area. Following the methodology

\[ d = \left( \frac{1}{2} \right) \sum \left| \frac{B_i}{B} - \frac{W_j}{W} \right| \]

² The segregation scores are dissimilarity indices that measures differences in residential patterns of one racial/ethnic group in relation to another. The following formula was used to generate the black/white segregation scores (Lewis Mumford Center 2002).
described by Bielefeld (2000), we use data from the National Center for Charitable Statistics (NCCS) to identify the total number of nonprofit organizations in the service sector per capita for the metro area in which each community was located.

We also control for additional factors that have been linked to service delivery choices including population, whether municipalities operate under state imposed the property tax limits, median household income, and local government total taxes per capita reported in the 1997 Census of Government Finances.

We identify whether municipalities operate under state imposed the property tax limits (TELS). TELS may constrain municipalities’ ability to generate revenue to support services thus municipalities operating under TELS will have an incentive to reduce costs by contracting our service production.

**Results**

Table 2 examines how transaction costs influence city choices to use nonprofit organizations to deliver elderly services. In Table 2 a binary probit model estimates whether the services were produced all or in part by nonprofits. Potential ways in which nonprofits could be used include complete production through nonprofit contracting and joint contracting with non-profits (i.e., the providing government shares production with nonprofit organizations).

The estimation results reveal that form of government, mayoral turnover, racial segregation, and the market of nonprofit producers each influence the use of nonprofits. For the relationships that were statistically significant, Table 2 reports that change in the probability of nonprofit contracting resulting when an independent variables moves from
the value at the 25th percentile to the 75th percentile, of from 0 to 1 for dichotomous variables. Form of government was an important predictor. Cities with mayor-council governments were less likely to contract out elder programs to nonprofits than cities with council-manager forms of government. The presence of mayor-council government reduced the likelihood of using a nonprofit by .115. Partisan elections did not influence contracting choices. While turnover in the office of the manager turnover had little impact, turnover among mayors made contacting with nonprofits for elder services less likely. An increase in the turnover rate from the 25th to 75th percentile reduced the probability of using nonprofits by .05.

Table 2 here

Where there is great diversity in service preferences, Weisbrod contends that local governments seek out community organizations to provide services that better accommodate divergent service preferences. For this reason our estimation of nonprofit contracting includes the proportion of population non-Hispanic white and the black/white racial segregation measure described above. We found modest support for Weisbrod's contention that diversity encourages nonprofit production. The proportion of the population that was non-Hispanic-white had no relationship with nonprofits production, but black white residential segregation had the predicted positive impact on the likelihood of using nonprofits. The number of nonprofit service providers in the community increased contracts with nonprofits for elder services consistent with our expectations. TELS and, to a lesser extent per capita taxation, also increased probability of nonprofit contracting.
We next estimate the relative likelihood of exclusive contacts with nonprofits versus other service delivery options using multinomial logit techniques. This allows us to distinguish between joint production using nonprofits and contracts that provide exclusive service production by nonprofit organizations. Technically multinomial logit selects one base category to compare coefficients with other categories. In our case we set no nonprofit involvement in service production as the base category and compare no nonprofit production with joint and with exclusive nonprofit contracting. Under joint contracting government often retains partial responsibility for service production and some capacity of service production. A mix of sectors may be advantageous to maximize efficiency to create competitive market for contracting by avoiding high asset specificity. Retaining some production capacity allows municipal governments to reduce risks from vendors reneging on obligations. The multinomial results are reported below in Table 2. The model also includes the use of robust standard errors clustered on each state’s code to control for heteroscedasticity (Greene, 1997; White 1978).  

Table 3 here

Consistent with the results in Table 2, mayor-council government significantly reduced the likelihood of joint contacting for elder services rather than in-house production. The effect was weaker and not statistically significant for exclusive contracting. The influence of partisan elections was confined to the choice between joint and exclusive provision by nonprofits. Cities with partisan elections were more likely to

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3 Since we have multiple municipalities from each state, we need to account for potential heteroscedasticity. By clustering observations on the state, we can adjust the fact that municipalities across states are independent of one another.
use exclusive rather than joint contracting arrangements for delivering elder services.

Turnover among mayors led to a significant reduction in the likelihood of exclusive production. This is consistent with the expectation that exclusive contracting arrangements will be particularly vulnerable to political uncertainties resulting from turnover. The number of potential nonprofit service providers also increased the likelihood of using nonprofits both in joint and exclusive contracting. Segregation between blacks and whites increased the likelihood of joint contracting but not exclusive contracting. Population and TELS increased the likelihood of joint contracting with nonprofits and cities with higher taxes were more likely to use exclusive contracts with nonprofits over either in-house or joint production.

**Discussion**

One finding that stands out in this analysis is the difference between joint production and contracts for exclusive service production by nonprofits. Studies of local government contracting have tended to focus on one approach or the other but have not examined these choices together. The results reported here suggest that factors that explain exclusive production by a single sector are somewhat different than the factors that explain the use of multiple sectors. This may reflect the fact that complete contracting with nonprofits is somewhat unusual (Lamothe and Lamothe 2005). Political factors are more strongly linked to exclusive contracting and contextual factors appear to be particularly important to joint contracting.

The influence of form of government on decisions to contract with nonprofit organizations is notable. Not only can council manager government enhance the credibility of commitment, the conventional wisdom holds that city managers are
oriented more to efficiency concerns than their elected counterparts in mayor-council government systems. For these reasons we expected cities with council manager governments to be more likely to engage in service contracting with nonprofits. This was confirmed in the case of elder services. In particular council manager governments were more likely to engage in joint production arrangements nonprofits.

The influence of partisan electoral politics on provision arrangements that give exclusive production to a nonprofit organization gives some credence to Marwell’s (2004) claims that nonprofit contracting is the new patronage. According to this model, community based nonprofits act as political machines to influence the allocation of service based social provision in cities by creating reliable voting constituencies for elected officials. Because nonprofit profit organizations may be better positioned to mobilize constituencies of service recipients than government agencies, they may be able to provide political resources for the reelection efforts of elected officials who support them with government contracts. This interpretation is consistent with our finding that partisan elections increased the likelihood of exclusive, rather than joint contracts with nonprofits. Instability and turnover in the local political regime may disrupt this type of nonprofit patronage. Where mayors remained in office for extended periods, exclusive contracts with nonprofits were more likely but where mayoral turnover was frequent, they were less likely.

The market of nonprofit providers has been presumed important to government contracting choices but has not been adequately tested in extant research. Nonprofit contracting is consistently reported to be higher for communities within MSAs than communities not in a metro area, but these differences could be due to multiple factors.
that characterize urban metropolitan areas, not just availability of nonprofit providers. By isolating the number of nonprofit service providers in each metro area, we are better able to test this proposition. We find modest evidence the market of nonprofit organizations increases the role of nonprofit organizations in municipal contracting.

Finally, we found support for Weisbrod’s expectation that population diversity leads to nonprofit contracting, especially joint contracting arrangements. Extending this political transaction cost model of nonprofit contracting to additional service areas could be valuable. If the findings reported here prove robust, they have important implications for understanding the potential roles for nonprofits in the delivery of municipal services.
REFERENCES


<table>
<thead>
<tr>
<th>Elderly Programs</th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>No nonprofit Involvement</strong></td>
<td>374 (79.2%)</td>
</tr>
<tr>
<td>Exclusive In-house</td>
<td>102</td>
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<tr>
<td>Exclusive other Government</td>
<td>72</td>
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<td>Exclusive Private</td>
<td>3</td>
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<tr>
<td>Nonprofit Joint Production</td>
<td>67 (14.2%)</td>
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<tr>
<td>Exclusive Nonprofit Production</td>
<td>31 (6.6%)</td>
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<tr>
<td>Total Cities Providing Service</td>
<td>472</td>
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Source: Survey of Profile of Local Government Service Delivery, International City Management Association
Table 2
Probit Estimates for Use of Nonprofits in Elder Service Production

<table>
<thead>
<tr>
<th>Nonprofit Production (Joint &amp; Exclusive)</th>
<th>Elder Programs (n=388)</th>
<th>Coefficient</th>
<th>Z</th>
<th>Change in predicted probability</th>
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<tbody>
<tr>
<td>Mayor-Council</td>
<td>-5266**</td>
<td>-2.37</td>
<td>.1154</td>
<td></td>
</tr>
<tr>
<td>Partisan Elections</td>
<td>-.2053</td>
<td>-0.77</td>
<td>-----</td>
<td></td>
</tr>
<tr>
<td>Mayor Turnover</td>
<td>-.5179*</td>
<td>-1.65</td>
<td>.0515</td>
<td></td>
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<tr>
<td>Manager Turnover</td>
<td>-.0254</td>
<td>-0.06</td>
<td>-----</td>
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<tr>
<td>Non-Hispanic white</td>
<td>-.0069</td>
<td>-1.19</td>
<td>-----</td>
<td></td>
</tr>
<tr>
<td>Black/White Segregation</td>
<td>.0151**</td>
<td>2.71</td>
<td>.0740</td>
<td></td>
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<tr>
<td>Nonprofit Providers</td>
<td>.0243**</td>
<td>2.21</td>
<td>.0321</td>
<td></td>
</tr>
<tr>
<td>Population</td>
<td>.2246**</td>
<td>2.73</td>
<td>.0065</td>
<td></td>
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<tr>
<td>Per capita Taxes</td>
<td>.0005**</td>
<td>2.05</td>
<td>.0276</td>
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<tr>
<td>Per capita income</td>
<td>.000003</td>
<td>0.78</td>
<td>-----</td>
<td></td>
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<tr>
<td>TELS</td>
<td>.5389**</td>
<td>2.75</td>
<td>.1151</td>
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<tr>
<td>Constant</td>
<td>-4.542**</td>
<td>-3.69</td>
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Likelihood Ratio Chi² 44.14**

*p<.05,  **<.01
### Table 3
Multinomial Logit Estimates of Nonprofit Elder Service Production

<table>
<thead>
<tr>
<th>NPO PRODUCTION</th>
<th>None vs Joint Coefficient</th>
<th>z</th>
<th>None vs Exclusive Coefficient</th>
<th>Z</th>
<th>Joint vs Exclusive Coefficient</th>
<th>z</th>
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<td>Mayor-Council</td>
<td>-1.224** (.5010)</td>
<td>-2.31</td>
<td>-.8757 (.7344)</td>
<td>1.38</td>
<td>3.492 (.8382)</td>
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<td>-1.105 (.5737)</td>
<td>-1.63</td>
<td>.6758 (.7183)</td>
<td>1.02</td>
<td>1.781** (.8354)</td>
<td>1.96</td>
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<td>Mayor Turnover</td>
<td>-.9117 (.4190)</td>
<td>-1.41</td>
<td>-2.401** (.9221)</td>
<td>-1.97</td>
<td>-1.490 (.1010)</td>
<td>-1.11</td>
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<tr>
<td>Manager Turnover</td>
<td>.0703 (.8023)</td>
<td>0.08</td>
<td>.0292 (.8369)</td>
<td>0.02</td>
<td>-.0471 (.9544)</td>
<td>-0.03</td>
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<td>Non-Hispanic white</td>
<td>-.0147 (.0077)</td>
<td>-1.28</td>
<td>-.0240 (.0203)</td>
<td>-1.41</td>
<td>-.0032 (.0203)</td>
<td>-0.48</td>
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<td>Black/White Segregation</td>
<td>.0238** (.0078)</td>
<td>2.08</td>
<td>.0218 (.0146)</td>
<td>1.37</td>
<td>-.0020 (.0161)</td>
<td>-0.11</td>
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<tr>
<td>Nonprofit Providers</td>
<td>.0375* (20.96)</td>
<td>1.72</td>
<td>.0417** (26.71)</td>
<td>1.64</td>
<td>.0420 (20.65)</td>
<td>0.15</td>
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<td>Population</td>
<td>.000001* (.786e-07)</td>
<td>1.85</td>
<td>-.0000004 (1.12e-06)</td>
<td>-0.17</td>
<td>-.000002 (1.17e-06)</td>
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<tr>
<td>Per capita Taxes</td>
<td>.0016** (.0005)</td>
<td>3.29</td>
<td>-.0010 (.0018)</td>
<td>-0.84</td>
<td>-.0027** (.0018)</td>
<td>-2.05</td>
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<tr>
<td>Per capita income</td>
<td>.000008 (8.44e-06)</td>
<td>0.92</td>
<td>-.00001 (0.0001)</td>
<td>-0.66</td>
<td>-.000021 (0.0002)</td>
<td>-1.02</td>
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<td>TELS</td>
<td>1.071** (.4764)</td>
<td>2.50</td>
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<td>1.59</td>
<td>-.1965 (.7198)</td>
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<td>Constant</td>
<td>-4.229 (.8952)</td>
<td>-3.16</td>
<td>-1.975 (1.842)</td>
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<td>2.254 (1.778)</td>
<td>0.99</td>
</tr>
</tbody>
</table>

LR Chi2 53.87**

*p<.05, **p<.01 for two tailed tests of significance.
Robust standard error is reported in the parentheses.