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Moving to Need: The Effect of Federal Contracts on Service Provider Location

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Abstract: Place matters, particularly when one considers human services. Proximity to individuals served is particularly important in those human services dedicated to people with low mobility or elevated fears of difference. Our project aims to explore the location decisions of job placement and training nonprofits at a national level. Relying on four separate data sets - 990 data from the National Center of Charitable Statistics, federal contracting from the Federal Audit Clearinghouse, and American Community Survey data at the census tract level - we analyze nonprofit movement from 2008–2012 and assess the impact of federal contracts on the prevalence to move. This analysis finds that federal contracts played a powerful but double-edged role in redistributing job placement and training agencies. First, federal contracts seem to have helped nonprofits move to ‘better’ neighborhoods post-recession. Second, and somewhat contradictory, we also find that post-recession these same agencies were located in far worse neighborhoods than non-contracted counterparts that also moved during the recession.

Keywords: contracting, human services

The concept of a welfare state conjures images of overlapping government programs of resource assistance for the least fortunate in society. Historically, Americans have imagined a division between the deserving and undeserving poor: those who have simply faced temporary misfortune and need a ‘hand up’, as opposed to those who have systematically used the system to indulge in a life of idleness, or a ‘hand out’ (Katz 2013; Skocpol 1992). While these images are jaundiced and inaccurate, welfare programs have ultimately been shaped by this dichotomous perception. The result is a decentralized system intended to incentivize work and dis-incentivize idleness (Allard 2009; Katz 2013).

Here we look at the centerpiece of the contemporary American welfare system, job-training and placement. Enshrined in the Personal Responsibility

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and Work Opportunity Reconciliation Act (PRWORA) of 1996, commonly known as welfare reform, is the organizing concept of welfare being temporary, service-based, and leading to futures of independence based in work (Grogger and Karoly 2005; Peck 2001). With close to two-thirds of welfare PRWORA spending being dedicated to services rather than cash assistance, there is an increased focus on welfare as government funded and privately produced by a system of contractors (Allard 2009). The system has many intended benefits, ranging from efficiency through competitive tendering to local flexibility in service delivery (Wolch 1990; Smith and Lipsky 1993). The number of welfare recipients has dropped precipitously over twenty years, yet there remain questions as to whether welfare reform is helping recipients to achieve sustainable work lives or is it bouncing the systemically disadvantaged out, ultimately to be supported by a patchwork of public programs and private charity (Grogger and Karoly 2005).

The largely privatized system of welfare provision leads to important questions about geography and space. While cash assistance, as predominated in the system prior to 1996, is not bounded by geography, the current system is predicated on physical access to human-service providers. PRWORA was designed to allow for geographic flexibility across states in program design, and across providers in program delivery. Here, we ask two questions about service-provider location: (1) are nonprofit job-training and placement contractors located where there is need, and (2) does the provision of federal contracts affect the location decisions of job-training nonprofit contractors? The Great Recession and the policy response of the American Recovery and Reinvestment Act (2009), provides an important opportunity to identify whether job-training nonprofit contractors' location decisions can be influenced by federal resources and policy. We find that federal contracts play a meaningful role in shaping nonprofit location decisions; however, this role is two-sided. Federal contracts provided or freed-up resources that helped nonprofits move to "better" neighborhoods post-recession. Yet, even in their "better" post-recession location, these same agencies were located in neighborhoods that faced far more economic distress than nonprofits that moved without federal contracts. Federal resources helped mobile nonprofits move to more stable neighborhoods, while still facilitating their ability to serve the areas of greatest relative need.

In this policy brief we will develop a short description of the current welfare system, with particular emphasis on job training and placement. We will consider a model to describe the movement of nonprofit job-training contractors in the 2008–2012 period. Lastly, we will discuss the contours of a future research agenda that accentuates the role of geography into understanding the contracted-out nature of the American welfare system.

1 A Service-Based System of Temporary Welfare Provision

Temporary Aid to Needy Families (TANF), the hallmark program coming out of PRWORA, is largely intended to be a temporary support for family heads to develop job skills. In order to do so, social supports such as childcare vouchers and mental health counseling are also included. The majority of spending on TANF is intended for human services, as opposed to cash assistance (Allard 2009). In addition, TANF is not an entitlement program and is predicated on recipients participating in an approved work activity (either work itself or job training). The implementation of TANF allows for greater flexibility at the state level through block grants, and even at the county level for a small number of states. States have been able to alter the duration of eligibility for participants, both as an aggregate total as well as singular durations; the level of cash benefit; and, the level of penalty for working (under AFDC, every dollar earned while working resulted in one dollar less in cash benefit to the recipient; with TANF, most states have sought to mitigate this perverse incentive against earning in the formal economy) (Grogger and Karoly 2005). TANF services are delivered by a constellation of government, nonprofit, and for-profit organizations. Contractors may be paid by recipients (often through vouchers, such as the childcare voucher program) or directly by a unit of government (state or federal governments) (Salamon and Elliott 2002). Recipients are required to participate in a sanctioned activity that can include either formal work or vocational training.

There is a generations-long transition of human services from public to private provision, mirroring a trend in public management to the “contracted-out” or “hollow state” (Brinton and Provan 2000). While there is general disagreement about the genesis of this process - Skocpol (1992) tracks the process to the settlement movement around the turn of the twentieth century, while Smith and Lipsky (1993) track its formal development to the Social Security Amendments of 1965- empirical data show that government contracting for human services has grown precipitously over the course of fifty years (Smith and Lipsky 1993). The rhetoric behind the movement was concisely articulated by President Reagan in stating that America is a generous society (Salamon 1995); by moving human services to local nonprofit organizations, the logic states that government would cease to be an impediment to disadvantaged citizens getting the help that they need. In the 1990s, Osborne and Gaebler (1992) provided a popular voice to the positive aspects of contracting out government. Moving government from providing services to merely funding them allows for: great flexibility in their implementation, lower costs through private contractors, competition to provide the

most effective interventions, and germane for this paper, locating providers in the communities where they are needed most.

2 The Geography of Public Services

Given the place-based nature of the services that nonprofits provide, policy makers and those that fund them have a particular need to consider the linkage between vulnerable populations and the finite amount of services that they need. The field of human geography, or the study of the interaction of space and human action, has looked to the relationship of service demanders and service providers for fifty years. Here we will briefly look at the arc of this intellectual development.

Public location theory began as a critique of [private] location theory that predominated in the 1960s (Teitz 1968; DeVerteuil 2000). The critique that Tietz developed was about the values that scholars and practitioners tended to highlight: efficiency and reliability. Location theory was predicated on using quantitative methods to increase the locational efficiency of industry: ensuring that the steel smelter was ideally located to the iron-ore mining operation (Teitz 1968). Public facilities, meaning those that serve the public interest but are not necessarily public organizations, must maximize other values such as access and representativeness (Dear 1974). For example, drug treatment centers must be accessible by patients with limited mobility. The quantitative nature of location theory quickly ran headlong into the realities of public location decisions being inherently political (Harvey 1973). Dear and Taylor (1982) explored NIMBY-ism as it related to mental healthcare in Toronto. Likewise, Wolch (1980) used quantitative methods to understand residential patterns of the urban poor, yet with Dear and Wolch (1987) made a transition to including in-depth qualitative methods to address why there is an agglomeration effect for services aimed at homeless individuals.

As human services moved from being publicly produced to being publicly funded, human geographers considered the impacts of this transition. For example, Wolpert and Wolpert (1976) examined the process of de-institutionalizing mental healthcare in the United States, with a particular focus on the negative effects for minority patients in state mental hospitals. Wolch and colleagues at the University of Southern California focused on the influence of funding and zoning decisions on the creation of ‘service ghettos’, as typified by Skid Row in Los Angeles (e.g. Dear and Wolch 1987). The process of urban gentrification has put intense pressure on service ghettos to move (DeVerteuil 2015); as inner-city neighborhoods become more desirable for redevelopment, human service providers must face higher rents and animosity from upper middle-class neighbors and their elected representatives.

Human geographers have also looked at the macro-context of the shift of the nonprofit/voluntary sector from one of grassroots advocacy up through the 1970s to one predicated on public service delivery (Wolch 1989; Wolch 1990; Fyfe and Milligan 2003; Milligan and Conradson 2011). A dominant concern has been about the possibility of nonprofit organizations being captured by public funders as the contract regime tips the balance to the interests of government over the interests of the community. DeVerteuil (2015) updates the argument to identify the resilience of organizations in the face of tremendous pressure by local governments to relocate out of gentrifying neighborhoods.

Seemingly disconnected from the rich literature in human geography, nonprofit scholars have also developed a literature on nonprofit location to develop maps of the sector (Never 2010; 2011). Bielefeld, Murdoch, and Waddell (1997) explore the demographic composition of neighborhoods in the Dallas metropolitan area and the types of nonprofit organizations that operate in those geographies. Peck (2008) similarly describes the relationship of nonprofits focused on anti-poverty efforts and neighborhood characteristics in Phoenix. Never (2013) looks nationally at the relationship of financially-distressed nonprofits and the socio-economic status of the communities in which they reside. Much of this literature has been based on the National Center for Charitable Statistics Core Files drawn from Form 990 IRS tax returns. As McDougale (2015) identifies some of the major challenges of using the Core Files for spatial analysis, including the lack of understanding program location (where services are delivered as opposed to headquarters location). Lacey and Thornton (2016) identify the Federal Assistance Award Data System (FAADS) as a means to surmount this fundamental issue because it identifies the location of contract fulfillment as opposed to the headquarters location of contractors.

The foundation sector has championed the inclusion of place in influencing the allocation of limited philanthropic resources. Place-based philanthropy and community-change initiatives (CCIs) have sought to carefully target communities in need with philanthropic funding scaled to address complex problems. While there remains doubt as to whether such place-based involvement has been successful, it does indicate that there is a desire for both scholars and funders to better understand the interaction of organizations and service recipients (or non-recipients).

This paper addresses an issue that so far has not been addressed: that of organizational movement. Contractors in general and nonprofit contractors in particular, have evolved into the human service producers of choice because of their abilities to be nimble and responsive to government requirements and community needs. While population ecology models have assumed static organizations unable to adjust to resource availability, we test whether job training and placement agencies, in particular, are able to be mobile when needed. In

addition, are nonprofit contractors more responsive than non-contractors? We use multiple sources of data to address this question.

We consider job training and professional development nonprofit organizations because of the concerted effort of the Obama Administration and Congress to provide relief to unemployed Americans at the nadir of the recession. Enshrined within the American Recovery and Reinvestment Act (ARRA) of 2009, several funding streams were allocated to job training. Close to \$4 billion total was appropriated, with \$1.25 billion used to fund programs for dislocated workers and a further \$500 million flowing to public-assistance (TANF) recipients (U.S. Department of Labor 2017). The lion's share of dollars flowed to private contractors (inclusive of nonprofit organizations). It represents an important initiative in providing human services through the contract mechanism, with a finite start and stop point.

3 Data

In this section, we briefly discuss the sources and limitations of the data, followed by a preliminary interrogation of our findings. There are four sources of data for this project: the National Center for Charitable Statistics (NCCS), the federal contract database through www.usaspending.gov, the Federal Audit Clearinghouse, and the U.S. American Community Survey. NCCS data provide specific information on nonprofits located in the United States that generate at least \$25,000 in revenue. Data on government contracting in 2009 and 2010 were available through the USASpending.gov portal. These represent direct federal contracts and not pass-through funding. The Federal Audit Clearinghouse examines all contracts legally required to be audited – all federal contracts of \$500,000 or more (Lecy and Thornton 2016). This source of data is essential to connect the NCCS data, which uses the Employer Identification Number (EIN) as a unique identifier, and the federal spending data, which use a DUNS number for identification. Finally, the U.S. Census was used to collect the American Community Survey (ACS) data at the census tract level. Five-year ACS data for the period 2008–2012 are joined to the dataset based upon the census tract geographic identifier. The final dataset contains 43,929 observations of unique records based upon EIN. All organizations are identified as Human Services under the NCCS' major NTEE code; the analysis is then restricted to NAICS codes for Job and Professional Training (Codes 561310 and 624310).

These data are limited in several ways. First, it is well known that the NCCS data are problematic for spatial analysis (see McDougale 2015 for a recent review). One of the most important criticisms is that a nonprofit's address may not reflect

the location of its service delivery. For example, a nonprofit providing Meals on Wheels is likely to have a centralized location (and address) but its primary service delivery will not be at its formal address. The data used in this study are biased towards larger organizations. As noted above, the data from the Federal Audit Clearinghouse target only the biggest nonprofits with annual revenues in excess of \$500,000. Therefore, our analysis does not account for impacts to smaller nonprofit organizations. These data span the duration of the Great Recession. In our efforts to assess the impact of federal contracts, we must attempt to differentiate these effects from those of the broader recession. Finally, these data make it difficult to assess movement for two reasons. First, census tracts are merely administrative boundaries. They are updated, changed, and created anew over time. Consequently, it is possible for an organization to remain in place and yet be “moved” to a new census tract. Second, the address is used to determine the GPS coordinates for each nonprofit. However, small differences in the coordinates themselves can actually lead to nonprofits “moving” to a new neighborhood. Both of these scenarios are problematic and can lead to over-reporting of nonprofit mobility. Rather than rely specifically on the nonprofit address as the unit of analysis, we focus on the neighborhood (the census tract) of that nonprofit’s mailing address. A census tract is a “small, relatively permanent statistical subdivision ... [that] generally have a population between 1,200 and 8,000 people, with an optimum size of 4,000.”¹ This unit of analysis allows us to ask whether nonprofits are moving to different neighborhoods.

Still, this unit of analysis poses a problem too. It is possible that a nonprofit stays at its location but is administratively located in a new census tract. In fact, this is true of 8,000 observations in our dataset. It is still also possible that an organization might move but does so within its same neighborhood. Again, this is true of almost 9,000 observations. Therefore, we define a nonprofit as moving if it changed addresses and census tracts. In doing so, we find that approximately 17% of the nonprofits in our dataset moved from 2008 and 2012.²

The geographic distribution of nonprofits with federal contracts appears to follow population. Table 1 shows the concentration of nonprofits and nonprofits that had received a federal contract during the recession. Examining the relative shares of nonprofits and nonprofits with contracts illustrates a clear pattern. There appears to be a population-based distribution mechanism of these contracts. The same pattern follows when the sample is restricted to job placement

1 Geographic Terms and Concepts, U.S. Census Bureau: https://www.census.gov/geo/reference/gtc/gtc_ct.html.

2 Utilizing either definition separately yields mobility rates of nearly 40%. This two-part definition is the most limiting we can apply.

Table 1: Distribution of federal funding by 2012.

State	Nonprofits	Share of total NPOs	NPOs with contracts	Share of total contracts	Share with contracts
NY	9,423	7.2%	559	10.0%	5.9%
CA	14,672	11.2%	552	9.9 %	3.8%
OH	5,581	4.2%	337	6.0 %	6.0 %
PA	6,271	4.8 %	317	5.7 %	5.1%
TX	7,568	5.8%	267	4.8 %	3.5%
IL	5,222	4.0 %	254	4.5 %	4.9%
MA	4,228	3.2%	225	4.0 %	5.3%
FL	5,917	4.5 %	219	3.9 %	3.7%
MI	4,270	3.2%	185	3.3 %	4.3%
WI	2,977	2.3%	142	2.5 %	4.8 %

Source: NCCS Core Files, 2012. The contracts are merged to the core files from the Federal Audit Clearinghouse data files. They only account for contracts in excess of \$500,000. Consequently, the contract totals undercount the actual number of federal contracts disbursed throughout the country.

and training agencies only. Consequently, our results must be interpreted with this population bias in mind.

Our analysis focuses on the socioeconomic characteristics of nonprofit neighborhoods. We break these characteristics down into demographic and economic factors. Demographic variables include the share of census tract populations that are African American and Hispanic. We also include the median age of the neighborhood. We characterize the economic health of the neighborhoods using the unemployment rates, median income, non-labor force participation rates, and economic distress. The economic distress variable was created by subtracting a census tract’s median income from the census tract mean. If the variable is negative, the tract’s median income is greater than the average neighborhood. Consequently, if the tract’s distress is positive, it means it is relatively poorer than the average census tract. The descriptive statistics are included in Table 2.

Our initial descriptive analysis also identifies the relationship between mobility, federal contracts, and labor placement and training organizations. As previously noted, just over 17% of the nonprofits in our final dataset moved between 2008 and 2012. Labor placement and training organizations were slightly less mobile overall (15%). This is true of nonprofits with federal contracts in general. Cross-tabulation indicates that 15.2% of nonprofits with federal contracts moved. Tables 1 and 3 provide additional descriptive data that focus on the geographic distribution of federal contracts. These tables reveal that

Table 2: Variable descriptions.

Category	Variable	Description	Source
Dependent variable	Moving	A binary variable reflecting whether an organization moves from census tract between 2008 and 2012	National center for charitable statistics core files (2008–2012)
Independent variables	African American	% of tract population that is African American	2008–2012 5-Yr American community survey
	Hispanic	% of tract population that is hispanic	2008–2012 5-Yr American community survey
	Age	Median age in tract	2008–2012 5-Yr American community survey
	Unemployment	Unemployment rate in tract	2008–2012 5-Yr American community survey
	Distress	Average of a tract median income	2008–2012 5-Yr American community survey
	Poverty	Poverty rate in tract	2008–2012 5-Yr American community survey
	Labor	Dummy variable for job placement and training organization	National center for charitable statistics core files (2008)
	Contract	Dummy variable for whether organization received federal contract	USASpending.gov

Table 3: Nonprofit dynamics.

Year	Death rates	Birth rates	Net growth	Mobility rates
2009	4.50 %	7.39 %	2.89 %	11.25%
2010	6.01 %	5.83 %	−0.18%	6.96%
2011	7.46 %	10.82%	3.36%	8.44 %
2012	8.18 %	6.30 %	−1.88%	6.07%

Source: NCCS Core Files, 2008–2012. Death Rates indicate the rate of employer identification numbers (EINs) that did not make it to the following year. Birth rates reflect the share of EINs that did not exist in the preceding year. Mobility rates indicate when an EIN was located in a different census tract in 2012 than it was in 2008.

federal contracts appear to be dispersed according to population, but the distribution is quite egalitarian.³

With our dataset complete, we turn next to answering the question: can job placement and training location decisions be impacted by federal policy and resources? More specifically, we are looking to see if job placement and training agencies locate in communities with more severe needs and, if so, looking to assess the impact of receiving a federal contract on future location decisions. In the next section, we briefly discuss the methodology used to analyze these questions. Then we move on to present the analysis (Table 4).

Table 4: Descriptive statistics (2008).

Variable	Obs.	Mean	St. Dev.	Min	Max
African American	45,264	13.30	19.81	0.01	100.00
Hispanic	45,264	8.95	13.16	0.01	100.00
Age	45,264	38.44	7.08	12.90	77.30
Unemployment	45,264	9.10	5.97	0.05	100.00
Distress	45,264	0	\$14,776	−\$97,150	\$27,909
Poverty	43,906	15.88	13.17	0.02	100
Moved	45,287	0.38	0.48	0.00	1.00
Labor	45,264	0.02	0.30	0.00	1.00
Contract	28,997	0.10	0.15	0.00	1.00

4 Methodology

This analysis is focused on changes in neighborhood characteristics over time for a treatment group, i. e. those nonprofits that received federal contracts. Our analysis focuses on the census tract, not the address of the individual nonprofit. However, we do rely on the address to generate GPS coordinates for the agency. These coordinates are then used to map the nonprofit to its neighborhood (i. e. census tract). In an effort to minimize the impact of the Great Recession on our analysis, we utilize estimates for 2012 from the five-year ACS estimates for 2008–2012. The process is as follows. First, we generate the GPS coordinates for each nonprofit in 2008 by geocoding on the agency’s address. Then, we map those coordinates to a 2012 census tract. This represents the organization’s starting

³ A GINI coefficient of this distribution would approximate zero. The states that accommodate the smallest 20% of nonprofits received just under 20-percent of federal contracts in 2009 and 2010.

location pre-recession. Next, we find the nonprofit coordinates for all human service agencies in the NCCS 2012 file. We map those to the same 2012 census tract shapefile. Lastly, we identify which nonprofits actually moved. But, here we run into the address issue noted above. To accurately identify movers, we employ a rather strict definition of moving. The organization must have a different address in 2012 than it did in 2008 and, importantly, their 2008 and 2012 addresses must place them in different 2012 census tracts. If both criteria are met, we classify that organization as having moved. Now that our neighborhoods are defined and the agencies that moved identified, we turn to the specific methods we use in this brief.

We utilize two different methods of analysis to answer our research questions. To determine if job placement and training agencies located in areas of greater relative need, we conduct difference of means tests on the 2012 census tract socio-economic characteristics associated with nonprofit locations in 2008. This approach allows us to answer two related questions: Who received federal contracts? And, where were they located? Next, we address the impact of federal contracts in two ways. First, we estimate a series of logistic regressions that assess the factors that shape mobility, including receipt of a federal contract. Second, we estimate the differences-in-differences. This method eliminates any time invariant factors, such as state-level fixed effects for example. It further insulates the analysis from the effects of the Great Recession.

5 Results

Job placement and training agencies did locate in neighborhoods of substantially lower socio-economic status pre-recession. Using a *t*-test, comparing the mean rates of job placement and training agencies versus all other human service agencies, we find the typical 2008 job placement and training agency neighborhood had higher shares of African Americans (3.8%) and much higher levels of economic distress (on average their neighborhood's median household income was \$2,186 below the average census tract income level), higher rates of unemployment (0.96%), and much higher rates of poverty (3%).⁴ Knowing this, we extend the analysis to uncover how federal contracts were targeted. Looking only at job placement and training agencies, we see large and statistically significant differences in the neighborhood characteristics of agencies that received federal contracts and those that did not. Overall, job placement and training agencies that received federal contracts were located in neighborhoods with: much higher shares of African Americans (9.32%) and Hispanics (3.7%), higher rates of unemployment (1.85%), and

⁴ All of these differences were statistically significant at the five percent risk level.

dramatically higher rates of poverty (6.52%) than their counterparts that did not get a federal contract. In summary then, job placement and training agencies located in census tracts with substantially and (statistically) significantly socioeconomic characteristics than the typical nonprofit agency. Moreover, federal contracting appears to target job placement and training agencies that are in extremely deprived neighborhoods. These findings lead to our next question. How do nonprofits use this influx of additional resources? Do they move? If so, where do they move?

We use logistic regression to evaluate the likelihood that a nonprofit would move from its 2008 neighborhood. Table 5 presents the results. We estimate five models. Model (1) provides a baseline estimate. Model (2) addresses non-linear

Table 5: Logistic model results.

Odds of moving	(1)	(2)	(3)	(4)	(5)
African American (Ln)	1.0869***	1.0882***	1.0850***	1.0781***	1.0769***
Hispanic (Ln)	1.0712***	1.0736***	1.0716***	1.0709***	1.0751***
Age	0.9911***	0.9336***	0.9336***	0.9320***	0.9306***
Distress	0.9879***	0.9855***	0.9813***	0.9812***	0.9810***
Labor	0.8844**	0.8862**	0.8868**	0.8859**	0.8825
Contract	0.8611***	0.8621***	0.8614***	0.4989	0.4955
Distress (Sq)		0.9999**	0.9998**	0.9998**	0.9999**
Age (Sq)		1.0007***	1.0007**	1.0008***	1.0008***
African American (Ln)*Distress			1.0023**	1.002**	1.002**
Contract*African American (Ln)				1.0933**	
Contract*Hispanic (Ln)				1.008	
Contract*Distress				1.0004	
Contract*Age				1.009	
Labor*Contract*African American (Ln)					1.1409
Labor*Contract*Hispanic (Ln)					0.8105
Labor*Contract*Distress					1.0763**
Labor*Contract*Age					1.0048
Observations	28,148	28,148	28,148	28,148	28,148
Pseudo R ²	0.0094	0.0099	0.0102	0.0104	0.0111
AIC	24,772	24,765	24,759	24,761	24,759

All coefficients are presented in odds ratios, or the probability of moving divided by the probability of not moving. Levels of significance are:
*p < 0.05, **p < 0.01, ***p < 0.001.

effects of economic distress and age on moving. Model (3) incorporates an interaction term between race and economic distress. Models (4) and (5) test for differences in the effects of federal contracts and job placement agencies specifically.

Federal policy has a meaningful impact on nonprofit location decisions in general, and job placement and training agency location decisions specifically. The logistic results for model (1) provide the estimates of our baseline model. These results demonstrate the meaningful impact of federal contracts during the Great Recession. Nonprofits that received a federal contract in 2009 or 2010 were approximately 14% less likely to move between 2008 and 2012. Federal contracts, on average, helped nonprofits to stay in those communities of highest need.

Neighborhood characteristics shape mobility decisions too. Nonprofits located in racially and ethnically segregated neighborhoods were, on average, five- to seven percent more likely to move. Where nonprofits appear to be leaving racially and ethnically segregated neighborhoods, they tended to move to older neighborhoods or neighborhoods of relative distress. Both effects are relatively small but statistically significant. These initial results in model (1) were robust across specifications.

Model (2) incorporates the second-order effects of economic distress and age. Both are significant. Combined with the estimates from model (1), we see that economic distress tends to reduce mobility but at decreasing rate. Put differently, as a census tract gets increasingly distressed, the average nonprofit is less inclined to stay in place. Age, on the other hand, exhibits the opposite effect. As the neighborhoods ages, nonprofits become increasingly likely to stay put. Model (3) is our preferred model. It extends Model (2) with the addition of an interaction term between race and economic distress. Model (3) indicates that nonprofits in neighborhoods of higher racial residential concentration and economic distress are more likely to move. This runs counter to the desired behavior. We extend this analysis to specifically test for differences due to the federal contracts in the odds of moving across explanatory factors. Model (4) indicates that federal contracts do not interact in significant ways with neighborhood characteristics, except for the population of African Americans. Nonprofits that received federal contracts in predominantly African Americans were much more likely (9.3%) to move between 2008 and 2012. Finally, model (5) looks specifically at the role of federal contracts on the moving decisions of job placement and training agencies. Surprisingly, it finds that federal contracts made it more likely (about 7.6%) that job placement and training nonprofits would leave highly distressed neighborhoods.

The results from the logistic regression indicate that federal resources, federal policy, and neighborhood factors interact to shape nonprofit mobility. We now turn to the final question: Does federal policy affect where job placement and training nonprofits move to?

Federal funding plays a complex but nevertheless meaningful role in shaping the location decisions of nonprofits. The first column in Table 6 below presents the differences of the neighborhood characteristic over time based upon receipt of a federal contract. Only one effect is statistically significant. Agencies with

Table 6: Difference-in-differences.

	DID (2012–2008)	t-statistic	Diff-2012 (Contract-No Contract)	t-statistic
African American (Ln)	−7.62	1.59	11.08	2.55*
Hispanic (Ln)	−2.26	0.77	−0.91	0.29
Age	2.28	1.17	−1.53	0.96
Unemployment	−4.09	2.29*	1.06	0.77
Distress	\$ (1,956)	0.71	\$ (7,609)	2.54*
Poverty	−5.65	1.49	5.47	1.77

contracts moved to neighborhoods with much lower unemployment rates than their 2008 neighborhood. In contrast, those agencies without contracts moved to neighborhoods with roughly the same rates of unemployment. This is a strange result. It seems that job placement and training nonprofits were able to use the federal contract to move away from neighborhoods of greatest need. The rest of the first column in Table 6 reinforces this conclusion. Although they are not statistically significant, the patterns are quite clear. Agencies that moved with contracts relocated to substantially better neighborhoods, relative to the relocations of agencies that did not have federal contracts. Even though these changes indicate job placement and training nonprofits moved to “better” neighborhoods, examining the differences across neighborhood characteristics in their ultimate location adds more complexity to the story.

Job placement and training agencies with federal contracts relocated to neighborhoods of much lower socio-economic status relative to agencies that did not have a federal contract. Table 6 calls out these dramatic differences. Job placement and training agencies that moved with federal contracts made substantial improvements, but they still ended up locating in neighborhoods of the greatest relative need. Two effects stand out. First, these receiving neighborhoods have much higher relative shares of African American residents (11.08% higher). Second, these neighborhoods have dramatically higher relative rates of economic distress (\$7,600 less). In both instances, the gap between those with and without contracts has grown substantially.

6 Discussion

This policy brief set out to evaluate the role federal funding plays in shaping nonprofit location decisions. We addressed two specific research questions.

First, do job placement and training nonprofit agencies tend to locate in neighborhoods of greater need? Second, what role, if any, do federal contracts play in shaping the ultimate location decisions of those same agencies? The results tell a somewhat complex story. This analysis shows that federal resources and federal policy have the ability to affect the mobility and location decisions of nonprofits. Federal policy can be used to change the distribution of nonprofit services by redirecting services to those geographies that need them most.

The first-generation public-facility location theory of the 1960s and 1970s (e. g. Teitz 1968) employed the logic of urban planning to state that there was an ideal placement of public services and that through quantitative analysis public leaders could determine this location. Quickly it became apparent that the political realities of local democracies led to intense discussions of what is meant by ‘ideal’ (Dear and Taylor 1982). Conceptually, over thirty years there has been a shift in the meta-discussion about whether public officials should be placing public facilities in their communities, or whether they should be selecting contractors best able to serve communities in need. The tool of government has increasingly moved from direct provision to contracts and vouchers (Salamon and Elliott 2002). With this transition comes the questions addressed here: can public officials, using these tools, steer publicly-funded services to the communities that need them?

The answers are that there are not linear, facile relationships between federal funding and the movement of nonprofit contractors. As the logistic regression shows, Models 1–3 that do not take into account the interaction of variables indicate that receiving a federal contract results in a 14% decrease in moving. But, when looking into how variables can interact with each other, we find that the interaction of having received a contract and an increase in the African-American neighborhood population results in a 9% increase in the odds of moving (Model 4). Job training contractors are 7.6% more likely to move from distressed neighborhoods (Model 5). An important question for further research is whether organizations move because they have stable federal funding and hence are potentially able to afford higher-rent locations. Does the receipt of a contract subsidize moving to wealthier or less diverse communities?

Nonprofit organizations are undeniably dynamic, representing a tremendous advantage in potentially evolving as the spatial distribution of needs changes over time. Presented here is an initial foray into understanding this spatial dynamism. In order for scholars of welfare policy to remain relevant, they must get a handle on the implications of space on a fragmented, decentralized welfare system. Data, particularly for large-*n* studies, has become more refined vis-à-vis location of nonprofit organization. IRS Form 990 data continues to use mailing address as location, which is inherently misleading in two ways: many

organizations, particularly larger ones, deliver services in locations other than their main office; smaller organizations rely more prevalently on PO Boxes or addresses not associated with service delivery (such as the home of a board chair or key employee). Up until this point scholars have relied on independent searches to confirm the location of service delivery (e. g. Peck 2008) or relied on directories that required the listing of program locations. The DUNS number, associated with government contracts or grants, is theoretically helpful as it is tied to the location of service provision although this must be explored in order to determine its veracity (similar to what McDougale (2015) has accomplished with the NCCS). Dun & Bradstreet require all applicants for a DUNS number to indicate each physical location for the organization; federal contracts are then tied to that physical location.

It is also crucial for scholars to account for the location of the entire universe of private service providers: nonprofit and for-profit. In fields as diverse as daycare, vocational training, and hospice care, the private sector has a large presence and is largely unaccounted for in nonprofit studies. Federal contracting and grants data is promising in that it is not restricted to nonprofit organizations and that it can capture information about private organizations that otherwise would be proprietary.

Lastly, we are only addressing half of the equation if we do not take into account the location of service recipients. They must 'live' the system of human services, and this lived experience can become secondary for scholars who are trained to consider the organization as the unit of analysis. Government data sources, such as the suite of Census and Bureau of Labor Statistics products, have become one means to understand communities of interest. Identifying individuals who access services is particularly difficult. Organizations working in healthcare tend to have the best information about clients through Medicaid and/or Medicare data, yet this data can be hard to access for researchers due to its complexity and concerns over privacy. Many non-medical nonprofit organizations do not collect information about clients nor do they have systematic understanding of non-clients in a neighborhood. While for-profit organizations have developed sophisticated maps of community characteristics in order to understand their markets, non-hospital nonprofits have been slow to follow suit.

To return to the study presented here, public policy and the funds that follow it can incentivize the movement of human service contractors to communities of need. This has traditionally not been a central consideration in developing welfare policy, but for the past two generations there has been an assumption that nonprofits are particularly flexible and able to respond to community need. We find that human service nonprofit contractors generally are able to move locations

to where their services are located, but much work remains for future scholarship on the human geography of nonprofit human service provision.

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