

# **The Emerging Sector: Nonprofits in Indian Country**

by

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## SECTION I OVERVIEW

### A. INTRODUCTION

"The Emerging Sector: Nonprofits in Indian Country\*" is the first comprehensive study of a growing and vital yet undocumented group of organizations that provide services to and for Native peoples.

Over the past 17 years First Nations Development Institute (FNDI) has worked with tribes and Native communities to develop strategies that strengthen tribal control of our own economies. This work has been driven by an understanding that there is no single "economic answer" to the problems confronting Native peoples and tribes. The answers lie with Native peoples themselves and, given the opportunity and resources to explore and develop their own answers, Native peoples will create unique, culturally relevant and sustainable economic development strategies and programs.

The study of the nonprofit sector in Indian Country is another step in our quest to identify, understand and mobilize previously untapped resources that can be used in reservation development strategies. Too often, our own inherent strengths, resources and assets are overlooked or ignored, and we seek answers from government or other outside forces. Nonprofits in Indian Country are unknown, untapped and underutilized resources which may enhance and supplement other development strategies.

But we do not know enough about the functions nonprofits perform in Indian Country and their role in the economy to use these emerging organizations to their fullest potential. In fact, we do not know or understand enough about our economic systems and the dramatic changes taking place before our eyes. Over the past 20 years we witnessed a transition from a century of control by the federal government to more tribal self-governance and control, and this transition is still happening.

In many ways, the economies of reservations can be compared to those of developing countries moving to unshackle themselves from the remnants of colonialism, or to countries in eastern Europe and the former Soviet Union struggling to change from a centrally planned and controlled economy to a more market driven approach or even to emerging nations of the Asia Pacific, homogeneous peoples confronted with exposure to the diverse global community. Significant study has been done on the nonprofit sector and the emerging civil society in these countries and what it means economically and in a global context.

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\* The term "Indian Country" used in this report refers to Native peoples, tribes, communities and organizations in the United States rather than the strict legal definition of a specific geographic area.

The economic transition in Indian Country, including the emergence of a vital nonprofit sector, shares many similarities with these nations. Yet no one has studied this emerging sector in Indian Country until now. As tribes gain more control over their own economies, it is critical that we, as Native people, learn all we can about the institutions we create and that touch and shape our lives. Tribal governments are not alone in their efforts to build stronger economies and improve the quality of life for Native people. The people themselves, organized in many different ways, are seeking the tools and structure that nonprofits offer to help improve the quality of life.

Beyond the reservation and rural Native community setting, urban-based Native nonprofits provide vital services and help to maintain ties to the culture for a large segment of the Native population. Depending on who and when you ask, anywhere from 40% to 60% of the more than two million Native peoples live off the reservation in urban settings. The Native population is fluid, moving between the rural reservation community to cities and back. Many Native nonprofits located in and serving urban Native peoples may, in fact, take the place of the tribal government or at a minimum provide a sense of community. Decades of government directed efforts to relocate Native peoples to cities has served oftentimes to divide the urban and reservation populations into adversarial and competitive factions. Yet this study will show that many urban based nonprofits provide vital services to both urban and reservation residents. Whether tribal government, business, nonprofit, family, or individual, or urban or rural, reservation-based, we are all interested in improving the quality of life for Native peoples wherever they live.

"The Emerging Sector: Nonprofits in Indian Country" is a step towards a better understanding of these organizations and their role in Indian Country. The more information we have about our own economies, the better able we are to make informed decisions about our futures.

## B. PURPOSE OF THE STUDY

The purpose of this study is, simply put, to learn about the nonprofit sector in Indian Country. The hypothesis posed by the research study was that "there are an increasing number of nonprofit organizations working on reservations and in Native communities." Within this hypothesis is the assumption that if this sector is growing, the organizations that comprise it are meeting needs and satisfying interests that are growing. Because tribal and reservation economies are in transition and because nonprofits may be a critical missing piece in our development strategies, it is important that we understand this phenomenon.

If one considers the role the nonprofit sector plays in the overall society, it was felt that this new emerging sector in Indian Country could support the efforts of government and for-profit businesses and aid Native communities in ways the other sectors cannot. With the devolution of federal programs, such as welfare, to the states and tribes, the government infrastructure in Indian Country is becoming even more strained. Nonprofit organizations, working to supplement and complement tribal government efforts, may provide added support for these efforts.

This study, for the first time, provides a profile of the nonprofits in Indian Country. It is designed to provide information on the size, structure, services and financing of nonprofits serving Native peoples thus allowing us to learn: if this sector is growing; what needs are being met; the

extent of employment opportunities; the sources and levels of funding; and the mix of urban and rural/reservation nonprofits.

This study also attempts to go beyond the mere numbers, to provide a context for, and analysis of, the role of nonprofits in Indian Country. Efforts are made to explore the historical factors and current situation that define the nonprofit sector in Indian Country and predict what the future may hold.

First Nations Development Institute is the sponsor of this study supported largely by the Aspen Institute's Nonprofit Sector Research Fund with some related funding from the Tides and Ford Foundations. First Nations has, since 1980, worked to help tribes and Native communities gain control of their reservation economies through sustainable and culturally appropriate economic development. In an effort to learn more about the institutions that make up and contribute to tribal economies and to better conduct outreach to Native groups that are working to serve Native peoples, FNDI launched the "Emerging Sector" study.

The main report is organized into six sections which: provide an overview of the purpose (Section I); describe the nonprofit sector in general (Section II); present a profile of the nonprofits that serve Native communities and address Native issues (Section III); analyze special groups (Section IV); discuss the role of nonprofits in Indian Country (Section V); and examine trends, present conclusions, recommendations and areas for further research (Section VI).

## C. OVERVIEW OF METHODOLOGY

The study methodology involved two major components: a survey of nonprofits in Indian Country; and a review and analysis of pertinent literature and other information sources regarding the role of nonprofits in Indian Country.

The 31-question survey instrument was sent to a list of 2,200 organizations compiled from a variety of sources including the Internal Revenue Service, Native American resource directories, lists gathered from other Native organizations and individuals and FNDI internal resource lists. This list was eventually culled to 1,538 organizations by determining which were actually nonprofits versus tribal government programs and for-profit entities. The overall response rate was 550 organizations, or 36% (excluding Alaska). Responses from Alaska were removed because of circumstances unique to these organizations and these results are shown separately.

The second component was to research anecdotal information on Native nonprofits and related topics and trends through various sources including literature, discussions with Native peoples in various positions, and previous research and knowledge of a variety of organizations. Especially useful was research on the nonprofit sector in developing countries and FNDI's internal database, research efforts and experience working in Native development over 18 years.

The result of these two efforts is a report that goes beyond the mere quantitative nature of nonprofits in Indian Country to explore the context and role of this emerging sector and their future

role. More specific information on the methodology and the limitations of the data are found in Appendix B.

## SECTION II THE NONPROFIT SECTOR

### A. WHAT IS THE NONPROFIT SECTOR?

Just about everyone has heard of the American Red Cross, Harvard University, the Boy Scouts of America, and the American Cancer Society. Very few people in this country have heard of First Nations Development Institute, the Adopt-A-Native-Elder Program, or the Navajo Landowner Rights Project, Inc. What do they have in common? They are all part of the nonprofit sector in the United States, and when compared to government and business, probably the least understood part of society and the national economy.

What is the nonprofit sector? First, let's discuss terminology. This sector can be called the nonprofit sector, independent sector, charitable sector, tax-exempt sector, voluntary sector, or the third sector (with government and business being the first and second sectors). This problem with terminology is just the beginning of the diversity and complexity of this sector.

There are "25 different categories of tax-exempt organizations under United States tax law, all of whom receive exemption from federal income taxes and property taxation at the local level."\* Only one category of tax-exempt organizations, those classified in section 501(c)(3) of the Internal Revenue Service (IRS) code exist to serve public purposes and are therefore the only group of all 25 that can receive tax-deductible contributions from individuals, foundations and corporations. These groups are organized to serve religious, educational, charitable, scientific and literary purposes and can include such diverse organizations as higher education institutions, day care centers, health care centers, museums, human service organizations, employment centers, and advocacy groups to name a few. This category also includes private and corporate foundations organized to support the above efforts. Churches and religious groups are also included and are perhaps the least recognized of all tax-exempt organizations.

According to the law these organizations may not be owned by individuals or exist for the purpose of making a profit. They may not collect taxes to implement programs as in government, and excess revenues may not be distributed to individual owners as in business organizations. Their sources of revenue vary and are often very different than either government or business. Nonprofit organizations are financed mainly through private contributions, government grants and contracts, earned income such as dues and fees, and volunteer efforts.

Another group of tax-exempt organizations, 501(c)(4), are included in the term "independent sector." These "social welfare organizations" can lobby for social or legislative changes but may not receive tax-deductible contributions. Many of these organizations are founded by 501(c)(3) organizations to lobby for their specific programs. Social welfare, or 501(c)(4) organizations, are not included in this study. We have opted to use the term "nonprofit sector" to describe 501(c)(3) organizations, the largest category of the 25 classifications.

To become a tax-exempt organization, a group must first be incorporated or chartered by a state or tribal government as a nonprofit corporation. Once this is accomplished, the nonprofit

corporation then may apply for tax-exempt status to the federal government, specifically the IRS. Most nonprofits apply to be classified as a 501(c)(3) tax-exempt organization.

Although the sector itself is large, with 6.5% of the national income generation in 1992 and 15.1 million employees (paid and volunteer), most charitable organizations are small.\* According to the NONPROFIT ALMANAC 1996-1997 there were 494,000 active 501(c)(3) organizations (excluding religious organizations and foundations) in 1993 that provided information to the IRS, with only 33% of those filing a Form 990 with financial information. Of these, 41% had expenses less than \$100,000.

The nonprofit sector in general is growing. The number of 501(c)(3) organizations doubled from 1977 to 1992 with nearly three-quarters (excluding religious organizations and foundations) founded since 1970. This sector's share of national income is also growing from 4.9% in 1977 to 6.3%, or \$354 billion in 1994. In comparison, in 1994 the for-profit sector's share of national income was 78% and the government's share was 15.1%.

Employment in the nonprofit sector also grew from 5.3% in 1977 to 6.7% in 1994. Business employment declined slightly from 75.2% in 1977 to 75% in 1994 while government employment declined from 18.8% in 1977 to 17.3% in 1994. Employment by gender is also different in the nonprofit sector, with women constituting 68% of paid employees compared with 44% among employees in other sectors of the economy.

## B. WHY DOES THE NONPROFIT SECTOR EXIST?

First one must understand the historical context of nonprofit organizations. Although this type of organization emerged from the early history of the United States and is an important part of society and the economy, the structure can now be seen in other nations, particularly those with a democratic form of government and a market economy. In other countries, these structures are often called "non-governmental organizations" or NGOs.

As Lester M. Salamon states in his book, America's Nonprofit Sector: A Primer, "society predates the state...communities formed before governments...people had to tackle problems on their own and often found it useful to join with others in voluntary organizations to do so." Even after governments formed, people either remained fearful of it or recognized a continuing need not met through government. Hence, citizens still take matters into their own hands.

Although "the sector interacts with both government and business sectors, its fundamental contributions are to foster community and improve the quality of life for citizens through a vast array of associations, service organizations, and educational, religious and arts and cultural institutions."\* The sector in essence, functions between the family and the larger government and business sectors.

Salamon goes on to identify four other major reasons, besides history, why the nonprofit sector exists. These are market failure, government failure, pluralism/freedom, and solidarity. No one would deny that market failures exist in our economy. That is, that there are certain services and

products, typically collective goods, that cannot be dealt with by the market. Nonmarket mechanisms must be found. Government is one nonmarket mechanism as is the nonprofit sector. "Nonprofit organizations allow groups of individuals to pool their resources to produce collective goods they mutually desire but cannot convince a majority of their countrymen [or private business] to support or provide. This can happen, for example, when particular subgroups share certain cultural, social, or economic characteristics or interest not shared by all citizens of a country."\*

Government can also fail to correct for the market failures because it lacks majority support. "By forming nonprofit organizations, smaller groups of people can begin addressing needs that they have not yet convinced others to support. Even when majority support exists, however, there is still often a preference for some nongovernmental mechanism to deliver services and respond to public needs because of the unresponsiveness and bureaucratization that often accompanies government action."\* Many times nonprofits have the ability to react quicker than government and are also more able to foster creative approaches and responses to problems or issues.

Nonprofit organizations also "play a role in promoting a crucial social value--the value of freedom and pluralism." These organizations while diverse in mission, approach and constituencies served all encourage individual initiative. In fact, Salamon notes, "most of the major reforms in American society have originated in the nonprofit sector--civil rights, environmental protection, workplace safety, child welfare, and women's rights."

The final reason given by Salamon as to why the nonprofit or voluntary sector exists is to create a mechanism for joint action, to give expression to sentiments of solidarity. American society is individualistic yet one individual may be powerless--voluntary association provides for the combined action and initiative of many.

Perhaps most fundamentally, Salamon states, "The nonprofit sector functions as a *value guardian* in American society. Just as private [for-profit] enterprises serve as vehicles for promoting individual initiative for the private good, nonprofit organizations provide a mechanism for promoting such initiative [for the public good]. In the process, they foster pluralism, diversity and freedom."

No one would deny the existence of the nonprofit sector and the vital, vibrant role it plays in American society and the economy. It makes up for both market and government failure and promotes both individual and collective action separate from government and business.

It is also noteworthy that, with over half of the nonprofit groups in the country providing human services and relying heavily on government financial support, the boundaries between the two sectors, government and nonprofit, are blurring. The devolution of federal programs is exacerbating this and "over the past 25 years, state and local governments increasingly contracted with nonprofit groups to provide human services."\* This movement has been termed "nonprofitization" of government services, as compared to "privatization" of government services to business. Nonprofitization creates a relationship of **mutual dependence** between government and nonprofit organizations.\*

To a degree the same phenomenon is happening between the nonprofit and for-profit sectors. In a recent paper by Richard Nathan, "The Nonprofitization Movement as a Form of Devolution," it is noted:

*“Roughly speaking, three types of developments are ascendent: Nonprofits seem to be behaving more like businesses; business seems to be acting more like nonprofits; and hybrid forms and practices are emerging which are hard to classify as either for-profit or nonprofit.”*

Our economy is amazingly complex and becoming more so. Yet even given this complexity, it is useful to consider from where nonprofits emerge. Nonprofits can emerge from the informal sector, ad hoc informal groups of people joining in some common cause or interest that sometimes moves to become a formal legal entity. Business also can evolve from the informal sector building from a home-based or microenterprise business into a more established or store front operation.

Nonprofits can evolve from the government sector as in the "nonprofitization" movement, created to carry out programs previously conducted by the government or to meet a need not being addressed by government. This is often based on the presumption that the service will be more efficient and effective, or to simply lessen the strain on government infrastructure.

The for-profit sector can also spawn nonprofits directly, as such businesses develop a nonprofit arm for a particular purpose, such as a day care center for employees' children. Or a growing business sector can indicate the need for a business association.

The nonprofit sector "has helped give rise to a distinctively American version of the modern welfare state, which features extensive interaction between government and nonprofit groups [and business] to help respond to public needs."\* Although Indian Country is distinct from the United States by virtue of history, culture and a legal framework, it also has a complex interwoven relationship with American society and economy which cannot be denied. What is the nonprofit sector in Indian Country and why does it exist? Sections III and IV will describe the nonprofit sector in Indian Country and Sections V and VI will present some ideas on why it exists and the relationship with other institutions in Indian Country.

## SECTION III PROFILE OF NONPROFITS IN INDIAN COUNTRY

For the first time, a profile of a significant and growing sector of Indian Country, nonprofits serving Native peoples can be characterized. Based on survey responses from 550 organizations, or a sample of approximately 36%, the present section provides a profile overview, information on the basic characteristics, services and organizational focus, revenue levels and sources, effects of the decrease in funding, and a comparative analysis. Detailed charts and tables appear in Appendix A. The methodology and limitations of data appear in Appendices B and C.

### A. PROFILE OVERVIEW

The nonprofit sector in Indian Country is a recent phenomenon and is growing. Efforts were made to identify as many nonprofits serving Indian Country as possible. Although 1,538 were identified in this study, continuing research indicates that there may be many more. If the trend continues, more nonprofits will be founded and receive their tax-exempt status in the 1990s than in the decades of the 1980s or 1970s.

Nonprofits serving Indian Country are located in every state and the District of Columbia with the largest number found in Alaska and California. The formation of nonprofits in different parts of Indian Country may be related to the unique history of particular tribes, different government policies, and other development efforts. For example, special legislation in Alaska has led to a larger number there. In Hawaii there are no federally recognized Native governments. Native groups use the nonprofit tax-exempt structure. Many of the nonprofits in the eastern part of the country reflect a growing trend of nonfederally recognized tribes, many of whom are located in the East, using nonprofit legal status.

The majority of organizations are located in urban areas and indicate that they serve **both** an urban **and** rural/reservation-based constituency. This finding could indicate continuing close links between urban and rural/reservation communities as well as the continuing migration of Native peoples between rural/reservation communities and urban centers. A closer look reveals that those groups that serve only a rural/reservation-based constituency are of more recent origins than the general group, possibly indicating increased needs and/or interests at the reservation level.

Nonprofits in Indian Country provide a wide array of services and address diverse interests. The mission statements demonstrate their tremendous diversity and the sheer magnitude and range of their efforts. They serve all segments of the population in many different areas and primarily deliver direct services. Education and arts, humanities and culture are the primary focus areas, although economic development, children and youth, employment and jobs, and traditional tribal/Native culture are also frequent focus areas.

## Governance

The boards of directors of these organizations are, on average, ten members with the majority, or 55%, male. Election is the primary selection method. Over 80% of the organizations reporting have a majority of Native board members. Of those organizations without a Native majority of board members, the average size board is 14 members with only two Native members.

## Staffing

The majority of the paid staff of these organizations are Native with Native women constituting the largest segment of the workforce. Although over 40% of the organizations use volunteers to aid their efforts, Native peoples do not constitute a majority of the volunteers. Those organizations that serve only a rural/reservation-based constituency use volunteer staff less although they have a higher percentage of Native paid staff and Native volunteers than the larger group.

The nonprofit organizations that serve Native communities, are, on average, small in staff size with over 60% reporting no staff or fewer than five total paid staff. Many report use of both part-time and seasonal staff.

The small size of the staff notwithstanding, estimates indicate that the nonprofit sector on reservations may provide 3% of total employment. This percentage would vary widely given the particular location and history of a reservation or Native community. This compares to an estimated average 46% of reservation employment in the government sector.

## Funding

Government grants and contracts are the primary source of financial support for over half the nonprofits reporting, which compares similarly to nonprofits in the general society. Non-grant based income such as earned and investment income, memberships, and individual contributions constitute significant percentages of the second and third primary sources of revenue. Grants from tribal gaming operations do not constitute a large percentage of revenue at this time.

Regardless of the high percentage of government funding, nonprofits in Indian Country operate with limited resources. Based on the survey responses, 37% report annual revenue less than \$100,000. The age of the organization is a factor in the annual revenue with 63% of those founded in the last eight years having annual revenues less than \$100,000 while 55% of those founded in the 1960s have revenue over \$500,000.

Organizations that report government funding as their primary funding source are typically larger in terms of annual revenue. Thirty-four percent (34%) of those with government funding as their primary revenue source have annual revenues less than \$100,000 and 46% have annual revenues over \$500,000.

There are also differences in primary funding sources for organizations with different focus areas. Those organizations with employment and jobs as their main focus receive 100% of their funding from government sources and those with arts, culture and humanities as their main focus area receive only 41% of their funding from government but receive 31% from earned income.

Over 52% of those organizations receiving federal funding report experiencing a decrease over the past year. Although the decreases reported were often up to 50% of past funding, most reported only moderate cuts in services. Many groups that reported effects indicate they tried to reduce expenses rather than cut services.

Cuts in funding did not appear to be across the board. The majority of those organizations receiving funding from tribal and state governments reported staying at the same level. However of the 50% of the organizations receiving funding from foundations, 36% did report a decrease in the past year. Groups with education and employment and jobs as main focus areas appear to be most effected by federal funding decreases as well as those organizations with larger revenues, a majority of which comes from government sources.

Over 61% of the organizations report that they use information technologies, primarily for communication and research. Twenty-two percent (22%) of the organizations report using this technology to assist in fundraising and over 31% report having their own homepage.

What would a snapshot of nonprofits serving Indian Country look like based on these characteristics?

*The typical nonprofit in Indian Country is about 17 years old and was started to meet specific needs of Native people. The organization provides direct services to thousands of Native people in both urban and rural/reservation communities, and is located in an urban area west of the Mississippi. The primary focus is either education or arts, culture and humanities with a related focus on economic development. Traditional tribal or Native culture is important to the organization as are health issues, closely followed by children and youth related services. The staff is small, with fewer than five paid staff, predominantly Native women. Volunteers assist in the work with 40% of the volunteers being Native. The board is elected and has 10 members, 8 Native and six of the 10 board members are male. The revenue base is small, under \$250,000, with government funding the primary source and foundation funding as the second primary source. Non-grant based income provides significant revenue, which is increasingly important as federal funding decreases. Services are only moderately affected at this time as the organization strives for operating efficiencies. One of the new tools used is information technology which is helping with fundraising, other research and communications.*

This snapshot is simply a composite and cannot reveal the rich detail of the diversity of nonprofits in Indian Country. The rest of Section III provides significantly more detail on these organizations.

## B. BASIC CHARACTERISTICS

The nonprofit sector in Indian Country is a recent phenomenon and is growing. This study shows that almost 83% of the organizations responding were founded since 1970. And 90% of the organizations responding received their 501(c)(3) tax-exempt status in the past 27 years. In

comparison, in the general economy, nearly 75% were founded since 1970. This indicates that nonprofits in Indian Country are a more recent phenomenon than in the overall United States.

The data also show that this trend is continuing. While the 1970s yielded the highest number of newly founded organizations or 33%, the 1980s are to date the decade in which the highest percentage of organizations received their tax-exempt status, 31%. However, almost 30% had received their tax-exempt status in the 1990s. If this trend continues throughout the decade, the 1990s will account for 34% of the organizations receiving their tax-exempt status.

And where are these organizations located? Nonprofits serving Native communities were identified in all 50 states and the District of Columbia. Alaska and California had the highest number of identified nonprofit organizations in the master list with 351 and 200 respectively. Because of circumstances unique to Alaska, their responses were removed from the larger group and analyzed separately (see Section IV).

The majority, or 51% of organizations responding are located in urban areas with another 46% located on reservations, in rural areas or on traditional Indian land. The remaining 3% report “other” location. One might naturally assume that those located in urban areas serve an urban Native population and those located in rural/reservation areas serve this population group. This is not the case.

Nearly 60% of the organizations indicate that they serve **both** an urban and rural/reservation constituency. A higher percentage of urban-based groups, 66%, say they serve **both** urban and rural/reservation constituencies than do rural/reservation-based groups at 46%. There were no questions on the survey to determine specifically what is meant by provision of services to both. This could indicate continuing close links between urban and rural/reservation Native communities as well as the continuing migration of Native people between rural/reservation communities and urban centers. Native peoples living in urban areas often return to the reservation for specific services. Urban groups provide services to those coming to the cities from reservations and may consider this serving a rural/reservation-based constituency. In other cases, it may be that the urban centers are close to reservations and provide direct services to reservation residents as part of their service delivery area.

The mission statements of the organizations demonstrate their tremendous diversity and the sheer magnitude and range of their efforts. Some missions relate to the segment of society they serve such as: elders, youth, women, orphans, college students, homeless, economically disadvantaged, or artists. Other missions relate specifically to tribal and intertribal activities such as: serving or assisting tribal members; promoting the well-being of the people; protecting tribal land; and representing the interests of one tribe or multiple tribes.

Some missions are issue or category specific such as: providing drug and alcohol treatment; protecting the environment; providing housing; delivering health care; preserving the land; promoting economic development; providing legal services; preserving the languages; educating youth; and creating jobs. Some missions are defined by place as in: urban centers; tribal communities; specific institutions; and particular reservations. While the diversity of the groups is

evident through their missions, most organizations incorporate traditional culture and values into their missions, by recognizing the importance of Native spirituality in whatever they do.

Native people make up nearly 63% of the paid staff of the Native nonprofit sector based on the organizations responding. Including full-time, part-time and seasonal staff, 10,200 people were employed as paid staff by the 550 organizations responding. Volunteer staff (not including board members) make a significant contribution to the nonprofit workforce with 41% of all organizations responding that they use volunteers. Native people make up almost 40% of the total 4,762 volunteers. This was the only staff category where there was not a Native majority.

Can we make any assumptions about the total workforce of the nonprofit sector in Indian Country based on these findings? Using this 36% sample which reports a paid workforce of 10,200, we could assume a workforce for the total number of organizations on the master list to be 29,145 paid staff. This would amount to nearly 18,365 Native paid staff (63%). Given that 46% of the organizations are located on reservations, in rural areas and traditional Indian land, this assumes that the rural/reservation-based Native employment in this sector to be 8,448. The remaining 9,917 Native staff would be in urban areas. In the 1993 Bureau of Indian Affairs (BIA) Labor Force Estimates, the "on or near" reservation employment was at 296,860 (a potential labor force of 549,744 with 54% employed). This would mean that the nonprofit sector in rural/reservation areas employs nearly 3% of all Native people employed. Caution must be exercised when using these figures because of the underlying assumptions such as what constitutes "on or near." Also, the BIA data is from 1993 and the nonprofit data is from 1996/97.

The nonprofit organizations that serve Native communities are, on average, small in staff size. Forty-eight percent (48%) of the organizations responding have five or fewer total staff and 60% have five or fewer full-time staff. A number of organizations have no staff and operate with volunteers, 13%, or with only part-time staff, 2%. A number of larger organizations in the sample have staff sizes that range from 16 to 50 at 19% and over 50 total staff at 8%.

Native women constitute the majority of the staff of nonprofit organizations. Nearly 62% of both the total staff are women and 63% of the Native staff are Native women. Overall, Native women constitute 43% of the total staff and native men 25%. While this is a significant percentage of women staff, it is less than the 68% women employees in the overall United States nonprofit sector.

A majority of the organizations responding have an elected Native-controlled board of directors. Native control is defined for purposes of this study to be more than 50% Native members. Eighty-one percent (81%) of the organizations indicate that a majority of their board is Native. The high number of Native-controlled organizations may not be representative of the total universe of nonprofits in Indian Country but may be affected by how the list was compiled and those groups responding. However, given the growth of this sector in Indian Country and growing control by Native people of their governments and other institutions, it should not be difficult to assume that nonprofits serving Indian Country will follow the same trend.

Although Native women constitute a majority of the staff, Native men constitute a majority of the board with 54% compared to 46% Native women. The average size board is 10 members.

The boards of directors of nonprofits in Indian Country are primarily elected to their positions with 49% of the organizations responding reporting this method of board selection. Another 26% of the boards are appointed, 15% are self-selecting, with 10% using a combination of selection methods.

### C. PRIMARY FUNCTION AND FOCUS

Nonprofits in Indian Country are primarily providing direct services to people. Over 80% of the organizations responding indicate that their primary function is the provision of direct services. Another 10% indicate that their primary function is in policy and advocacy area; 6% indicate that they primarily conduct research; with 3% indicating more than one primary function.

Nonprofit organizations are serving a substantial client base. The organizations responding indicate that direct services are provided annually to over 2,500,000 clients with an average of 7,250 clients served. Almost 40% of the organizations serve more than 500 clients annually. It must be noted that these are not unduplicated figures and these organizations may also serve other than Native people. However, this 2,500,000 clients served annually is what is actually reported from a 35% sample. If one considers the entire universe of nonprofits in Indian Country, the number of clients served annually would be substantially larger.

Education and arts, humanities and culture constitute the major focus areas of those organizations responding. Thirty-two percent (32%) of the organizations indicate that education is one of their three priority areas and an additional 15% report that education is a focus area but did not rank their responses. Twenty-two percent (22%) of the organizations indicate that arts, culture and humanities is one of their three priority focus areas and an additional 15% report that this is a focus area while not necessarily being in the top three. Respondents selected from a list of 26 major groups based on the National Taxonomy of Exempt Organizations classification system.

The major categories selected by the respondents differ somewhat from the overall United States nonprofit sector although a direct comparison cannot be made. In the overall economy, 14.8% of the organizations are classified in the education group and 10.7% in the arts, culture and humanities group. Almost 18% of the organizations fall into the health classification in the overall United States. Because of the governmental structure of the health care delivery system in Indian Country, there is a significantly lower percentage of nonprofits with health as a main focus (7.6% of those responding), although it ranks in the top five focus areas.

It is also significant to compare the 22% of the organizations in this survey who selected arts, culture and humanities as a priority focus area to the 10.7% in the general nonprofit sector. An additional 15% selected traditional tribal/Native culture as one of their three focus areas. This may indicate a continuing strong link of Native peoples to their culture, including arts-related areas. The need for people's expression of their culture in all of its many forms may be occurring through the nonprofit sector.

The top ten prioritized focus areas of those organizations responding are: education; art, culture and humanities; economic development; traditional tribal/Native culture; health; children and youth; employment, jobs; mental health; legal services; and housing.

#### D. REVENUE LEVELS AND SOURCES

The nonprofits in Indian Country operate with limited resources. Forty-eight percent (48%) of those organizations responding indicate that their annual revenue was less than \$200,000, with 37% reporting annual revenue less than \$100,000. In the comparison to the overall United States nonprofit sector, 41% of the nonprofits report annual expenses of \$100,000 or less.

In those organizations responding, 37% report annual revenue less than \$100,000, 29% report revenue between \$100,000 and \$500,000, and 34% report revenue over \$500,000. Using 1992 data for the overall United States nonprofit sector, 41% report annual expenses under \$100,000, 31% report expenses between \$100,000 and \$500,000, and 27% report expenses over \$500,000. (Please note these comparisons are between revenue and expenses.) Although nonprofits in Indian Country do operate with limited resources, so do organizations in the overall nonprofit sector.

Government grants and contracts are the primary source of financial support for nonprofits in Indian Country. When organizations ranked their number 1 source of financing, 52% indicate that government grants and contracts are their primary source. A significantly smaller number, 14%, indicate that their primary, number one source of operating revenue is foundation grants and contracts although 31% indicate that their number two source of revenue is foundation grants and contracts. Twelve percent (12%) indicate that their number one source is earned income.

It is interesting to note that earned income (12%), direct individual contributions (10%), memberships (4%), and interest and investment income (1%) constitute more than 25% of the number one ranked source of revenue. These sources also constitute nearly 39% of the number two source of revenue and 56% of the number three source of revenue. This is an indication of the significance of non-grant based revenue to nonprofit organizations in Indian Country.

There has been a good deal of discussion recently about the revenue from tribal gambling operations with many non-Native people or uninformed people presuming that this revenue is of such a size as to supplant all other sources of revenue. And that tribes with gambling revenue should be providing funding to meet all of the needs of Indian Country. Of those organizations responding, only 34, or 6%, identified grants or contributions from tribal gambling operations as a source of revenue. Only one group identified it as the number one source; 4.5% identified it as a number two source; 3% identified it as a number three source; and 4% did not rank it. As of this report, gaming is not a significant source of revenue to nonprofits in Indian Country.

#### E. EFFECTS OF DECREASES IN FUNDING

There are many people concerned about the cuts in government funding, particularly federal funding, and their potential effects on the people served. This concern is even more pronounced in

Indian Country because of tribes' unique relationship with the federal government and historic lack of relationship with state and other government entities. Native peoples face a disproportionate share of federal government funding decreases. Tribal governments have a direct relationship with the federal government; hence much of the funding comes directly to the tribes through programs such as the BIA and Indian Health Service (IHS). These programs have decreased in terms of real dollars over the past few years. Now with devolution of programs to states, tribes and Native peoples may face a disproportionate decrease in funding and services because states oftentimes do not adequately provide for Native peoples or communities.

A number of groups are interested in the effects of devolution on tribes, Native nonprofits, and Native peoples. Native Americans in Philanthropy, a membership organization affiliated with the Council on Foundations, is conducting a research study specifically on the effects of devolution on Native nonprofits. The National Congress of American Indians is conducting a research study on the effects of devolution on tribal governments. Both of these efforts will provide significantly more information than this study. However, this survey does address the nonprofits in Indian Country on the effects of decreases in federal funding and other sources of revenue. The results appear below.

Of the organizations responding, 56% indicate that they receive federal funding. Fifty-two percent (52%) of those organizations that reported receiving federal funds said they experienced a decrease in that funding in the last 12 months. Forty-eight percent (48%) did not experience a decrease. It must be noted that the survey question was asked in such a way that this response relates to direct federal funding and does not include those organizations that may receive state, tribal or other government funds that originated at the federal level. However, questions were asked about decreases in funds from these sources also.

Of the 52% that report decreases in federal funding, 27% report decreases ranging from 25% to 49%. Another 23% report a decrease in federal funds of less than 10%, 31% report decreases of 11% to 24%, and 18% report a decrease in federal funds of over 50%.

When asked how the services they provide were affected, 23% said that the decrease had no effect on program services; 48% responded that they had to cut back services moderately; 23% reported significantly reduced services; and only 6% had to eliminate services. It is important to note that many organizations wrote that rather than cut back in any way on services, they tried to reduce their expenses.

Organizations with larger revenue were affected more by the decreases. Forty-nine percent (49%) of those organizations with revenues over \$500,000 experienced decreases while only 20% of those organizations with a revenue under \$100,000 experienced a decrease. Please note that less than 30% of those with revenues under \$100,000 report receiving federal funds while almost 65% of those with revenues over \$500,000 report receiving federal funds.

Of the organizations with education as the main focus, 40% experienced decreases in federal funding over the past 12 months. Of those with economic development as a focus, 32% experienced a decrease; health, 30% experienced a decrease; children and youth, 25% experienced a decrease; arts, culture and humanities, 17% experienced a decrease.

Of those organizations that receive funding from tribal and state governments, 43% and 44% respectively, most groups report staying at the same funding level. In addition, 26% report receiving increases in tribal government funding over the past 12 months. It is only in the case of foundation funding, received by 50% of the organizations, that a large percentage report decreases (37%). Twenty-four (24%) percent report an increase in foundation funding over the past 12 months and 39% report staying at the same level.

## F. COMPARATIVE ANALYSES

The older a nonprofit organization is, the higher its annual revenue. And conversely, younger organizations are less likely to have large annual revenues. Sixty-three (63%) percent of those organizations founded and 63% of those organizations receiving their tax-exempt status in the 1990s have annual revenues of less than \$100,000. Only 13% of those organizations founded and 16% of those organizations receiving their tax-exempt status in the 1990s have annual revenues in excess of \$500,000. Over half (55%) of those organizations receiving their tax-exempt status in the 1960s have annual revenue in excess of \$500,000 and 46% of those receiving their tax-exempt status in the 1970s have revenue in excess of \$500,000.

Organizations that have government as their primary funding source are typically larger in terms of revenue than those organizations with other primary revenue sources. Forty-six percent (46%) of organizations that identify government as their primary source of revenue have annual revenue levels over \$500,000; only 16% of those organizations that identify foundations as their primary source of revenue have annual revenues over \$500,000; and only 25% of those organizations that identify earned income as their primary revenue source have annual revenues over \$500,000. Of those organizations with direct individual contributions as their primary source of revenue, 58% have revenues under \$100,000. Those with government, foundation and earned income as their primary source of revenue, 21%, 46%, and 38% respectively, have revenues under \$100,000.

Differences in the size of the organization (based on revenue only) can be seen between different focus areas. Those organizations with a main focus area of education break down as 25% with revenues under \$100,000; 33% with revenues between \$100,000 and \$500,000; and 42% with revenues over \$500,000. By comparison, 66% of those organizations with a main focus on traditional tribal/Native culture have revenues less than \$100,000, while 70% of those organizations with a main focus on health have revenues over \$500,000.

Organizations with different focus areas receive revenue from different sources. Those organizations that selected arts, culture and humanities as a primary focus receive 41% of their revenue from government; 26% from foundations; 8% from earned income; 20% from individual contributions; and 2% from corporations. This compares to education focused organizations which receive 13% of their revenue from government; 41% from foundations; 17% from earned income; 4% from direct individual contributions.

**Those organizations that selected children, youth as a primary focus receive none of their revenue from government; 28% from foundations; 22% from earned income; and 38% from direct individual contributions.**

## G. USE OF TECHNOLOGY

Information technology is critical in today's society and workplace. Access to information is key to better decision making, more effective management of resources and the ability to take advantage of opportunities. The ability to communicate beyond local and regional contacts and to network with the global community and share information is a necessary element of survival. Many Native communities are located in remote geographic areas. Even those located not far from more populated areas are sometimes isolated socially, politically and economically. The use of information technology may be the most viable and effective tool for education, research, and communication.

This study indicates that sixty percent (60%) of those organizations that responded use information technologies such as the Internet. Eighteen percent (18%) of those that use information technology use it for communication; 20% for research; and 12% to help with fundraising. Other uses include: job recruitment; advocacy; distance learning and education; outreach; banking transactions; and reporting news. One half of the groups responding report they have their own homepage, another 5% report that they are developing a homepage.

## SECTION IV SPECIAL GROUPS

### A. ALASKA

#### 1. INTRODUCTION

In Alaska, nonprofit organizations serving Native communities have a history that has made it necessary to separate the analysis of this group of organizations from those located elsewhere. The Alaska Native Claims Settlement Act of 1971 (ANCSA) provided for the establishment of a corporate structure superimposed upon the existing tribal and Native structure. These corporations, established under the law of the state of Alaska, could be either for-profit or nonprofit at the village level.

Over the past 25 years, this corporate structure has dominated the governance, social and economic aspects of the Alaska Native peoples. In 1993, the Assistant Secretary of Indian Affairs clarified that over 200 Alaska Native villages are tribes, and the pendulum swung back to a tribal government entity versus corporate. Whereas in the rest of Indian Country, the nonprofit corporate entity is newly evolving, for Alaska Native peoples it has existed for a longer period of time, but with different foundations and reasons for being. ANCSA created a nonprofit sector unlike that found anywhere else. If, in the general society, the nonprofit sector and government sector are blurring in distinction, in Alaska, the Native nonprofit sector has been the governing structure of Native society.

It is interesting to note, as covered in Section V, that outside of Alaska, there are signs that tribal governments, historically the only recognized entity in Indian Country, are confronted with the newly emerging nonprofit sector and their role. In Alaska, it is the recognized nonprofit corporations as governing entities that are confronted with newly re-energized or emerging tribal governments and their roles.

#### 2. GENERAL OVERVIEW OF ALASKA NONPROFITS

In developing the master list of nonprofit organizations in Indian Country, 351 organizations located in Alaska were identified. One hundred one (101) survey responses were received from Alaska which was a 16% response out of all 651 total responses. These 101 constitute an 29% response from all organizations identified in Alaska. It is difficult with this sample size to determine any significant findings. However, general characteristics appear below.

In looking at the age and growth of the nonprofits in Alaska, it is difficult to determine any significant trends regarding the number of organizations founded and receiving their 501(c)(3) status by decade. All 41 organizations with a founding date prior to 1960 are villages, which is expected.

The constituency served shows that 47 organizations, or 47%, of the total reporting, indicate that they serve a rural/reservation population with 46, or 46%, indicating service to

both urban and rural/reservation constituencies. These organizations are predominantly located in Alaska villages, rural areas or on traditional Indian land with 75 groups, or 74%, reporting these locations.

The focus areas of the Alaska organizations are somewhat different from those in the other Native nonprofits. The top five focus areas that Alaska groups ranked first are: education; traditional tribal/Native culture; community improvement; children, youth; and employment, jobs. In the other nonprofits the top five focus areas are: education; arts, culture and humanities; economic development; traditional tribal/Native culture; and health.

The clear majority, 80%, of the Alaska organizations report that direct services is their primary function. This compares to 80% of the main group of nonprofits in Indian Country. This group reports serving a total of 135,187 clients annually. Again the client population may be duplicated and include non-Native people.

**The paid staff configurations of 78% full-time, 16.5% part-time, and 5.5% seasonal compare closely to other nonprofits in Indian Country with 77%, 14%, and 10% overall respectively. However, volunteers constitute only 16% of the total paid and volunteer workforce in Alaska as compared to 32% in the other nonprofits in Indian Country. In Alaska, Native staff constitute a larger percent of the total paid and total staff (including volunteers) at 65% and 59% compared to 62% and 55%, respectively, at other nonprofits in Indian Country. The staff gender breakdown indicates a significantly higher percentage female staff, 67%, than male, 33%. This changes only slightly when looking at Native paid staff with 68% female and 31% male.**

The average board size in Alaska is eight members with 86%, or 87 of the organizations indicating 50% or more Native members. The board gender is 59% male and 41% female for total members and 52% male and 48% female for Native members.

**Ninety-seven (97) of the 101 reported their annual revenue range as follows: 34% under \$100,000; 32% between \$100,000 and \$500,000; and 34% with over \$500,000.**

Responses on sources of revenue indicate that 83% of the organizations responding to this question identified government grants and contracts as their primary source of revenue. When all ranked and unranked revenue source selections are considered, government grants and contracts are still the primary source identified by 83, or 82% of the organizations.

Foundation grants and contracts were selected as a primary source by only one organization and as the second ranked source by 18 organizations. Overall, 31 organizations identified it as a source, making it the second top selected choice at 12.4%. Earned income was the third most selected choice with 26 organizations or 12%. (In the other nonprofits in Indian Country, government grants and contracts and foundation grants and contracts were the top first and second most selected sources of revenue but with earned income ranked third.)

(In looking at different institutional sources of funding over the past 12 months, 84 groups, or 83%, report receiving federal government funding; 26 groups, or 26%, report receiving tribal

government funding; 50, or 50%, report receiving state government funding; and 24, or 24%, report receiving foundation funding.) Except in the case of foundation and tribal government funding, over 50% of those receiving funding from other sources report decreases in that funding over the past 12 months. While some organizations receiving foundation funding (21%) and tribal government funding (27%) report decreases, they were fewer than 50% of those reporting.

## B. GROUPS THAT SERVE ONLY RURAL AND RESERVATION COMMUNITIES

### 1. INTRODUCTION

Nonprofit organizations that indicate they serve only a rural and reservation-based constituency total 153, or 25% of the 268 organizations responding to the survey. As previously mentioned, Alaska groups were not included in these results. First Nations Development Institute's mission is to assist tribes and Native groups in rural areas and reservation communities to develop their economies. Because of this mission, efforts are directed at gaining a better understanding of all of the institutions that play a role in the rural and reservation economy. To improve our and others' efforts at helping to develop reservation economies, it is imperative that we all learn what we can about nonprofit organizations that serve this constituency.

In determining which subgroup of organizations to consider in this profile, it was decided not to include those organizations that indicated that they serve both a rural/reservation and urban based constituency. Because the survey did not question in detail what types of services were provided to the different geographic-based constituencies, it offers no clarity regarding the extent to which groups provided services to rural and reservation-based constituencies. In the next phase of this research a separate and more detailed survey will be sent to all organizations that indicated they serve rural/reservation constituencies, and to those that serve both rural/reservation and urban constituencies, in an effort to obtain this next level of detail.

### 2. PROFILE OF NONPROFITS THAT SERVE A RURAL AND RESERVATION-BASED CONSTITUENCY

This analysis is intended only to present a general profile of the organizations that serve a rural and reservation-based constituency. The 68 organizations responding, while representing 25% of the total respondents, only represent 3% of the total number (2,220) of organizations identified on the master list. Therefore, it is impossible to present more than the general characteristics of this group of organizations.

The 68 organizations in this group are located in 23 states with 44 groups, or 65%, in six states: South Dakota, New Mexico, Montana, Arizona, California, and Oklahoma. The age and growth of these organizations reveals that 89% of them have been founded since 1970, and 82% have received their 501(c)(3) status since 1980. In the general profile of nonprofits in Indian Country presented in Section III, 85% were founded since 1970 and 65% received their

501(c)(3) status since 1980. This is an indication that nonprofit organizations serving this constituency are an even more recent phenomenon than in general in Indian Country.

The majority of these organizations serve their constituency from a close location with 45, or 81% of the organizations reporting that they are located on reservations, in rural communities or on traditional Indian land. Only 16% serve this constituency from an urban location. It is also not evident from the data whether those located in urban areas are located near to reservations.

This group also functions primarily as a provider of direct services and serves almost 104,000 clients annually. This is not an unduplicated count and may include non-Native clients.

The top 5 focus areas ranked as the number one priority are: arts, culture and humanities; children, youth; economic development; education; and housing, shelter.

The configuration of staff type between full- and part-time staff is somewhat different than in the general group of nonprofits in Indian Country. In the rural and reservation groups, total full-time staff make up 86% of the total paid staff as compared to 78.5% in the general group. Part-time staff constitute only 5% of the staff in the rural and reservation group and 13% of the staff in the general group.

In terms of volunteer staff, those serving rural and reservation communities report significantly lower numbers of volunteers than in the general Native nonprofit group. In the general group, volunteers make up 32% of the total paid and volunteer staff while volunteers make up only 8% of the total paid and volunteer staff in rural and reservation-based groups. The percent of Native volunteers, 7%, is also significantly lower in the rural and reservation group than the general nonprofit at 24.5%.

Those organizations serving a rural and reservation-based constituency have a higher percentage of Native paid staff (80%) and Native paid and volunteer staff (79%) than in the general group at 65% and 58% respectively. Based on this information, one could assume that because the majority of these organizations are located in rural areas or on reservations, they have a larger Native workforce from which to draw their staff.

The staff size of these organizations is fairly comparable to the overall group of nonprofits in Indian Country. However, two areas bear identifying. First, only 10% of the rural and reservation groups reported no paid staff as compared to 21% overall. Second, the 24% of the overall group report staff sizes above 16 while only 16% of the rural and reservation group report this staff size.

There is a significant difference in the breakdown in gender for the staff of rural and reservation groups. In the overall group, the staff gender ratio is 60% female to 40% male. It is almost opposite in this group with 56% male staff and 44% female staff. Without additional information and analysis from these groups it is difficult to know if this is a true characteristic or an aberration from this particular sample.

Except in the area of gender ratios, the board characteristics of organizations that serve a rural and reservation constituency are very similar to the general group of nonprofits in Indian Country. The average size is 10 members and 74% of the organizations report boards with more than 50% Native members. This equates with 10 members and 76% Native controlled organizations in the general group.

The primary method of board selection in this subgroup is by election (48%); 19% are self-selecting; 22% are appointed, and 11% use other methods or a combination of methods. This compares to 48% elected; 16% self-selecting; 26% appointed; and 10% other/combination in the general nonprofit group.

The boards of these organizations have a higher percentage of male membership at 66% than the overall nonprofits at 55%. For Native men, the percentage is even higher at 67% with 33% female. Again, caution must be exercised when considering this as it may be an aberration of this sample size. Additional information and analysis would be needed to determine if this is a true characteristic.

The nonprofits that serve rural and reservation constituencies have a higher percentage of organizations (42%) with revenues in the medium range (between \$100,000 and \$500,000) than the general group at 32%. They also report a lower percentage of organizations (30%) in the small (<\$100,000) range than the overall group at 32% and at the large range (>\$500,000) at 28% compared to 31%.

Fifty-nine percent (59%) of the organizations ranked their number one primary source of revenue as government grants and contracts. This compares to 53% in the general group. Government grants and contracts constitute 24.5% of the total number of sources identified. This compares to 23% in the overall group. In the general group the other sources compare closely with the sources for the rural and reservation group. Earned income constitutes 15.5% of the total selected for the rural and reservation group as compared to 13.5% for the overall group. In the general group, direct individual contributions was the third most selected source of revenue next to government and foundation grants and contracts at one and two respectively. In the rural and reservation group, earned income was third after government and foundation grants and contracts.

Thirty-six (36) groups, or 53% of the 68 organizations, reported receiving federal government funding and 50% of those reported that it has decreased over the past 12 months. This compares to 54% of the overall group that report receiving federal funding with 62% reporting a decrease. As with the general group, although the decrease ranged from less than 10% to 49%, the majority report that the effect on services was moderate or had no effect. Many reported cutting costs rather than services.

Seventeen (17) groups, or 47% of the 68 organizations, report receiving funds from foundations and the majority (75%) said such funding increased or stayed the same over the past 12 months.

## C. ORGANIZATIONS WITH ANNUAL REVENUES UNDER \$25,000

### 1. INTRODUCTION

Nonprofit organizations that report annual revenues under \$25,000 total 97, or 17% of the 268 organizations responding to the survey. Alaska groups were not included in these results. These organizations were selected as a special group because they may represent future trends in Native nonprofits and may give some insight into the efforts of grassroots community-based groups.

Groups with annual revenues under \$25,000 are not required to report to the Internal Revenue Service. Therefore, other methods to identify these newly emerging groups had to be employed. Efforts included requesting lists of organizations from other Native groups, reviewing lists of organizations and other reference materials, and reviewing First Nations' internal technical assistance request lists.

### 2. PROFILE OF ORGANIZATIONS WITH ANNUAL REVENUES UNDER \$25,000

This analysis is intended to present only a general profile of the organizations with revenues under \$25,000. The 46 organizations responding, while representing 17% of the total respondents, represent only 2% of the total number (2220) of organizations identified on the master list. Therefore it is impossible to present more than the general characteristics of this group.

The 46 organizations in this group are located in 30 states and the District of Columbia with 50% east of the Mississippi River. The locations of these organization may reflect the evolution of nonfederally recognized tribes, many of which are located in the eastern and southern United States, toward nonprofit structures.

The age and growth of these organizations indicate that 91% have been founded and 98% have received their 501(c)(3) status since 1970. Forty-two (42%) percent were founded and 67% received their tax-exempt status since 1990. Many of these organizations are, in fact, of very recent origin.

The majority of these organizations are located in urban areas with 26, or 56%, reporting this location. Seventeen (17), or 37%, are located on reservations, in rural communities or on traditional Indian land. Over 60% of the 46 organizations indicate they serve both a rural/reservation and urban-based constituency.

This group also functions as a provider of direct services with 70% reporting this as their primary function. Despite their meager resources, they provide services to over 17,500 clients annually.

The main focus areas of these organizations do not differ substantially from the larger group of Native nonprofits. The top five focus areas are: education; arts, culture and humanities; children and youth; traditional tribal/Native culture; and economic development.

One would expect the staff size to be small or nonexistent given the revenues and this is true. Almost 60% report no staff and 82% of the staff is either part-time or seasonal. Native people are the majority of the total paid staff at 85%. Volunteers contribute significantly to making these organizations viable. Volunteers constitute 84% of the total paid and volunteer staff and Native volunteers constitute 74% of all volunteers. This differs from the overall nonprofits in Indian Country percentage of Native volunteers at 44%.

These organizations indicate that both the staff and board breakdowns by gender are even at 50% men and women. This does not differ when considering Native staff and board. The average board size is seven members, slightly smaller than the average 10 members in the general Native nonprofit group.

The primary method of board selection in this subgroup is by election with 53% reporting this method; 18% are self-selecting; 24% are appointed; and 5% use other methods or a combination. This compares to 48% elected; 16% self-selecting; 26% appointed; and 10% other/combination in the larger group.

Thirty-seven percent (37%) of the nonprofits with revenues under \$25,000 rank government grants and contracts as their number one source of revenue. The next highest number one source of revenue is direct individual contributions at 23%. Foundation grants and contracts are the number two main source of income. And corporate grants and contracts are the number three main source of income.

Seven (7) groups report receiving funding from the federal government; 5 groups report receiving funding from tribal government; and seven report receiving funding from state government. Of the seven groups reporting federal funding, 5 report decreases in the last 12 months with the majority reporting that it decreased by 25% or more and caused moderate cutbacks in services.

Fifteen (15) groups, or 33% of the groups receive foundation funding and half of those report decreases over the last 12 months with only two reporting increases.

## D. OTHER GROUPS (HAWAIIAN AND ARTS-RELATED)

Two other groups of organizations merit special attention: Native nonprofits in Hawaii; and Native nonprofits with an arts-related focus.

Because of our definition of the term "Indian Country" -- "refers to Native people, tribes, communities and organizations in the United States rather than the strict legal definition of specific geographic area" -- we are including Native Hawaiian nonprofits in this study. We recognize that Native Hawaiian people and communities are unique among Native groups indigenous to what is now the United States. However, we felt it was important to include information about these Native nonprofits in the study. Native Hawaiians do not have tribal government structures or reservation land as we apply these terms in the other 49 states.

A special question was included on the survey designed to collect data on the types of services provided by nonprofits to Native artists and craftspeople. This data is part of a separate research effort conducted by First Nations Development Institute. However, this data gives further insight into the types of services provided by nonprofits in Indian Country and is briefly summarized for this study.

### 1. NONPROFITS SERVING NATIVE HAWAIIAN PEOPLE

This research study identified 45 nonprofits serving Native peoples in Hawaii. Based on further research since the survey and analysis was done, at least a dozen other groups have been identified. Eight (8) groups, or 18% of those identified, responded to this survey so this analysis cannot accurately portray this larger group. This analysis is intended only to present a profile of those groups responding. Further research on nonprofits serving Native Hawaiians should be conducted to gain a clearer picture of this sector, any trends and potential for future development.

Four (4) groups, or one-half, received their tax-exempt status prior to 1980 and four groups since that time. Six (6) of the organizations state that they serve both urban and rural Native Hawaiian people and are evenly located in urban and rural areas.

Two (2) of the groups responding have no staff; one (1) has a staff of 127; and the remainder range from two (2) full-time staff to 27 full-time staff. Almost 80% of the full-time staff are Native. Ninety-six percent (96%) of the part-time staff are Native with 70% women staff, 78% of which are Native women. Only three (3) groups indicate that they use volunteers of which a third are Native.

The average board size is nine (9) members with 67% male membership. All of the organizations responding have a Native-controlled board with half indicating that the board is elected and half indicating that the board is appointed.

The majority of those reporting have substantial annual revenue, with five over \$500,000. Six (6) have government as their primary source of revenue. Of those six (6), five (5) receive federal government funding and three (3) report decreases in this funding over the previous year, with one (1) reporting significant reductions in services because of federal funding decreases.

Five (5) report foundation grants and contracts as their second primary source of revenue with four (4) reporting decreases over the past year.

The organizations are primarily providing direct services in a variety of areas. No clear majority in terms of focus areas is evident with groups providing services in legal, economic development, employment and jobs, arts, education, and health. Children and youth, aging and food-related focus areas are also reported.

## 2. ARTS-RELATED ORGANIZATIONS

Eighty-one (81), or 30%, of the 268 organizations reporting (excluding Alaska) indicate that they provide services to Native artists and craftspeople.

Direct marketing of products is done by 56% of these 81 organizations; 67% purchase products directly or on consignment; 30% provide technical assistance in business plan development; and 40% provide technical assistance in marketing. Financial assistance, in the form of loans or grants, is provided by only 22% of the 81 organizations reporting. The states with the most respondents were: South Dakota (8), New Mexico (7), New York (6), and Michigan, Arizona, and California (5 each).

To gain a clearer picture of the dimensions of the nonprofit sector in Indian Country and the role nonprofits play in the society and the economy, it is important to consider the history of Indian Country and the contextual framework in which nonprofits in Indian Country exist. This perspective is important because in the general U.S. society, the nonprofit or voluntary sector developed for reasons that are largely historical, based on the actions and beliefs of immigrants to this country. The experience of Native peoples in this country follows a different history.

Part A provides a historical overview of Indian Country; Part B provides the contextual framework of tribal governments and the economy; and Part C explores the role of nonprofits and their relationship to tribal government and other institutions in Indian Country.

## A. BACKGROUND

The literature supports the theory that a voluntary sector developed very early in the democratic experiment of the U.S. because of the individualistic nature of the immigrants and their fear of the controlling government structures they left behind in Europe and elsewhere. Although the nonprofit or voluntary sector idea has expanded to other countries and societies, it is defined to be unique to the "American experience" and a critical component of the modern American welfare state.

The experience of Native peoples in this country follows a different history. In the mid to late 1800s, starting around the time Alexis de Toqueville stated, "Nothing, in my opinion, is more deserving of our attention than the intellectual and moral associations of America," most American Indians were being "organized" into a "reservation system" as a result of treaties and other agreements with the U.S. government. This system superimposed governmental and other structures on Native peoples, denying and sometimes destroying their traditional societal structures in the process. What resulted and continued over the next century or so, was a centrally-planned and controlled economy for Native peoples with the federal government at the head. It has only been within the past 20 years that Native tribes and peoples are breaking free of the federal government as the central planning authority. In some cases, the movement is to a more diverse, mixed economy and in other cases, the tribal governments are now the central planning authorities.

From early colonization through the 1800s and beyond, religious groups of many different faiths sought to Christianize the Native peoples of this country. During the reservation era, these groups set up churches and schools on most reservations. This was most likely the first contact Native peoples had with the voluntary or nonprofit sector which includes religious organizations.

In the late 1800s through the turn of the century, problems with Indian land magnified and conditions on reservations became deplorable which led Native peoples to more encounters with the voluntary sector -- in this case associations of reformers, religious and others, mainly from the East, seeking to improve the plight of Indians and assimilate them into American culture. These reform movements led to American Indians gaining citizenship in 1924 and to the 1928 Meriam Report, prepared by the Brookings Institution, which precipitated significant changes in Indian Country.

In 1934, the Indian Reorganization Act (IRA) was passed seeking to promote self-government by encouraging tribes to adopt constitutions and to form federally chartered corporations.\* One hundred and eighty-one (181) tribes adopted constitutions and 77 rejected the IRA. Many saw the legislation as continuing the assimilation policies and thwarting traditional leadership and governing structures. However, many see the act as important in providing a framework for the exercise of political authority by tribes. Perhaps as an outgrowth of this reform movement and the Indian Reorganization Act, the National Congress of American Indians, a nonprofit organization, started in 1944 and continues today as the leading representative body of Native peoples and tribes.

At the end of World War II, many Native veterans began moving to cities to seek employment. The Indian relocation policy of the 1950s, continuing an assimilation focus, also precipitated the movement of people from reservations to the cities. Without the cultural, social and other support provided by living together as a tribe, many "urban" Indians from different tribes came together in the cities and formed informal groups which in the late 1960s and early 1970s developed into nonprofit urban Indian centers and organizations. These groups provided more than a social and cultural environment for people, expanding to meet the growing and complex needs of Native peoples trying to exist in a setting and culture foreign to them. There are varying estimates on Native peoples living in urban areas today, ranging from 40 to 60%, but suffice it to say that many maintain close ties to the reservation, returning often for services or for familial, and cultural reasons.

The early 1960s through to the present day is sometimes called the "self-determination" era, characterized by expanded recognition and applications of the powers of tribal self-government. In 1975, Congress passed the Indian Self-Determination and Education Assistance Act which gave tribes a mechanism to assume the administrative responsibility to manage federal programs that were designed for their benefit. Appropriations for Indian programs, including both the Bureau of Indian Affairs (BIA) and the Indian Health Service (IHS), significantly expanded during the 1970s.

In 1987, Congress passed the Tribal Self-Governance Demonstration Project Act. The Self-Governance Project allowed for 30 tribes to act on their own behalf in obtaining funding and providing services for their members. In 1994, the Tribal Self-Governance Act was passed (P.L. 103-413) which established self-governance as a permanent option for tribal governments and allows up to 20 additional tribes to participate in this initiative each year. Under P.L. 93-638, the BIA is the administrator and the tribes are contractors. Under self-governance, the tribes are responsible for programs in their entirety and while they must negotiate their annual contracts (compacts) with BIA and the office of Self-Governance, the BIA is not involved in the management of the programs. At present, only Interior Department and IHS monies are available for self-governance compacts.

Over the past 20 years we witnessed a transition from a century of control by the federal government, primarily the BIA, to more tribal self-governance and control. From the BIA and IHS administering programs for Native tribes and peoples twenty years ago, there is now significant control by tribal and Native governments. In 1995, the BIA had about 1500 self-determination contracts, totaling about \$650 million, with virtually every federally recognized tribe, covering the full range of services. There were also, in 1995, 53 self-governance annual funding agreements for

\$150 million with approximately 180, or a third of all federally recognized tribes, covering activities ranging from social services to law enforcement to trust related programs.\* The IHS in 1995 transferred more than \$770 million to support health delivery programs of tribal nations, through self-determination contracts and self-governance compacts, representing one-third of the IHS services budget.

This transition from the federal government to tribal governments has strengthened self-governance, provided direct funding to tribal government and decentralized planning authority from the federal government to tribal governments. In Fiscal Year 1996, \$5.7 billion dollars was appropriated by the federal government for Indian programs with much of it going to tribal governments. While moving to a mixed economy, most tribal economies today are still dominated by the government sector with 46% of employment on reservations in this sector. In the overall U.S. economy, employment in the government sector was 17.3% in 1994.

It may be unfair to compare the economies of reservations to the U.S. economy in terms of employment because of a variety of factors. First, tribal governments are different than other forms of government in the U.S. because they govern primarily a particular cultural group, a tribe or tribes that are bound together by more than just geography. The patterns of employment on reservations may relate to the nature of the culture. Second, tribal governments directly operate many "business enterprises," blurring the lines between the business and government sectors. The high government employment percentage most likely includes people who are employed in these types of "public" enterprises. The third reason is that there are few options for employment in many tribal economies given the lack of private business and nonprofit development. The average unemployment rate is 46% with some reservations experiencing rates as high as 80%. And last, there have only been 20 years of significant efforts to develop tribal economies, an insufficient time to see dramatic changes in the expansion of either a private for-profit or nonprofit sector or the contraction or expansion of government.

Starting in the early 1980s with the Reagan administration, tribes began to experience decreases in funding in certain federal programs. This brought with it a corresponding increase in tribal government's focus on economic and business development. On some reservations this development is directed and controlled through the government sector, meaning the tribal government develops and operates most businesses. On others, tribal governments have developed the infrastructure to support and nurture private business development. In other places it is a combination. Suffice it to say, that given sometimes insurmountable obstacles to economic development, tribal governments consider many approaches to development.

With self-determination contracts and self-governance compacts, tribal governments have taken on more and more administration of what were once federal programs. Tribal governments are also developing new programs to meet the needs of their members which had not been previously addressed. In many cases this leaves tribal government resources, both people and finances, stretched and overwhelmed. This is particularly true with small tribes that must manage the same types and number of programs as larger tribes.

This transition in control of Native programs has not been limited to the government sector. Along with efforts to gain more control of tribal governments have come efforts to gain control over

all the institutions that serve Native people. In the late 1960s, the Indian-controlled school movement sought and achieved more involvement in education institutions. The first tribal college, on the Navajo reservation, was started in 1969 with many of the other 29 starting in the 1970s and 1980s.

Many of these movements led to the creation of nonprofit organizations, some coming from community efforts, others from the efforts of tribal governments, and still others as a result of government programs. For example, the tribal college movement evolved primarily from community efforts, with the support of tribal governments. In addition to the individual tribal colleges, this movement has led to the creation of the American Indian Higher Education Consortium and the American Indian College Fund, both national Native nonprofit organizations designed to meet specific needs. The Council of Energy Resource Tribes was initiated primarily by tribal and federal government action. Indian health boards based in IHS areas and the National Indian Health Board, all nonprofits, grew from government programs and the need for Native peoples to have a voice in health care.

Although Indian Country is still largely dominated by the government sector, there is no doubt that the private business sector is growing and is also a recent phenomenon. The 1992 Survey of Minority Owned Enterprises Report, issued by the Department of Commerce, identified 102,234 total firms owned by American Indians, Eskimos and Aleuts. Native business grew at a rate of 93% between 1987 and 1992 as compared to 26% of all U.S. businesses in the same period. In one study done by the North Dakota Native American Business Development Program, it was found that 80% of the Indian businesses in the state of North Dakota were started since 1980.

Nonprofits in Indian Country are emerging to support and complement the business sector. For example, the National Indian Business Association, a nonprofit organization, represents businesses at the national level while local, reservation-based for-profit business associations are serving the needs of businesses at the local level.

In urban communities the same type of development is taking place. Native nonprofit organizations in cities have, in some ways, taken the place of tribal governments, providing much-needed services in education, health, employment and general welfare for Native peoples in their service areas. As new interests arise or needs become more complex, new organizations emerge to meet that demand. And in some cases, national alliances of urban groups have formed.

Indian Country is complex and very diverse considering both urban and rural/reservation-based populations. While the government sector on reservations dominates the economy, the private for-profit and nonprofit sectors are emerging to complement and supplement one another and the tribal government. Regional and national nonprofit organizations are also emerging to address diverse issues and to meet growing needs.

## B. THE ROLE OF TRIBAL GOVERNMENTS AND THE ECONOMY

There are over 550 federally recognized and over 100 nonfederally recognized tribes and a total Native population of over two million people in the U.S. Tribal membership ranges in size from a

handful to over 200,000. It is estimated that 40 to 60% of this population resides in urban areas rather than on reservations or on traditional Indian land. There is significant and continuous migration between reservations and urban areas. It is also true that a large percentage of the urban Native population maintain ties to their tribe, reservation or community.

American Indian tribes and their land bases, typically reservations, are unique entities in the U.S. socio-economic and political landscape. Federally recognized American Indian tribes have a unique government-to-government relationship with the federal government. Their governmental powers are "inherent powers of a limited sovereignty that have never been extinguished" and tribal governments are "unique aggregations possessing attributes of sovereignty over both their members and their territory."\* It should also be noted that nonfederally recognized tribes also possess inherent sovereign powers although the federal government fails to recognize them.

Tribal lands include specific tracts designated by treaty, executive order, and statute, including reservations and traditional Indian land over which tribal governments exercise jurisdiction, subject to certain limitations. Today, Indian land, both tribal and individual owned, amounts to 55 million acres. There are over 380 reservations ranging in size from an acre to over 15 million acres.

Tribal governmental powers include the power to: establish a form of government; determine membership; exercise police power; administer justice; exclude persons from the reservation; charter business organizations; levy taxes; and exercise their sovereign immunity from suit. Tribes may adopt, as a basic element of sovereignty, whatever form of government best suits their own practical, cultural, or religious needs.\* However, the majority of tribes adopted constitutions based on the U.S. model pursuant to the Indian Reorganization Act of 1934.

It is difficult to generalize across all tribes and reservations when discussing historic, cultural, political and economic characteristics because there is tremendous diversity. Historic contact with outside influences, geographic locations, resource bases, relationships with federal and state governments, forms of government, size of reservation and membership are a few of the characteristics that influence a tribe's current socio-economic and political environment. In terms of this analysis, these factors also play a critical role in the emergence of nonprofits and their relationship to tribal governments.

For purposes of this analysis, generalizations will be made about tribal governments, reservation economies and the role and relationship with nonprofits. Attempts will be made to note exceptions to this generalization as applicable. For example, as previously reported in Section IV, nonprofits serving Native communities in Alaska have a different history and influence.

It is recognized that tribal and reservation economies can be more likened to those of developing countries than the U.S. economy. As noted in Section V, Part A, tribal and reservation economies have, for the most part, been organized as centrally planned and controlled economies, with the federal government exercising the control. It has only been within the past 20 years that tribes have begun taking control of the programs designed to serve them through self-determination contracts and control of the entire government functions through self-governance compacts.

As is the case with many developing countries, many reservations have as a source of revenue and employment, a wealth of natural resources which have been extracted and depleted over the years. Other characteristics tribal economies share with developing countries is that they: import more than they export; have inadequate infrastructure; have an unskilled labor force; a lack of capital; and political instability. Because of the past development experience and lack of regulatory infrastructure, many reservations are now confronted with significant environmental problems.

The development of private businesses on reservations has also increased over the past 20 years. In a study of reservation economies in North Dakota, it was found that 80% of the Indian businesses were started within the past 20 years. Although development of the private for-profit sector on reservations is increasing, it would still be difficult to find any reservation with a healthy vibrant private small business sector. Many reservation "business sectors" are comprised of tribal enterprises, chartered, operated, financed, and many times subsidized, by the tribe. In many cases, these enterprises are operated directly by the tribal government blurring the lines between the government and private for-profit sector.

Over the past 20 years, tribal governments have increasingly focused on economic development as a priority. Because of the conditions of many reservations, economic infrastructure development has necessarily been the first step in building strong reservation economies. Tribal governments are also working to develop the regulatory framework necessary to foster business and other development. Commercial codes have been recently developed or are in development at most tribes.

Tribes can promote economic development through various methods. Tribes can establish tribal businesses as an arm of government; they can provide for tribal members and non-Indians to incorporate businesses and nonprofits under the tribe rather than the state; and they can allow Indian and non-Indian businesses and nonprofits incorporated under a state to operate on a reservation. Tribes also regulate and tax business activity on the reservation.

In a 1992 Department of Commerce report on minority owned enterprise, 102,234 firms owned by American Indians, Eskimos and Aleuts were identified. It is not known what percentage of these businesses are located on reservations or traditional Indian land.

A seldom recognized or discussed but vital part of reservation economies is the informal sector. This sector may be described in differing ways such as the underground or hidden economy but it is productive activity, occurring typically at the household level, that is not taken into account by any formal measures such as employment and income. It is in this sector where much of the traditional tribal activity occurs -- at the family, household and community level. People meet basic needs through both cash and non-cash methods, many times supplementing other sources of income. In a study of a large reservation with unemployment sometimes exceeding 80%, over 100 different types of productive activities were conducted by individuals, families and households to meet basic needs, supplement income and insure survival.

According to a BIA 1993 report on labor force estimates, of the total potential reservation labor force, 46 percent were unemployed in 1993. Of the 54% employed, only 27% earn \$7,000 or more. Although there has been a significant increase in the rate of employment, 24% between 1991 and

1993, the unemployment has remained stable because of increases in the total potential labor force. Native Americans have a birth rate almost double that of the general population and are, on the average, younger than the general population with a median age of 23 years.

Tribal governments must confront many varied and sometimes enormous barriers in trying to provide for their people. The economies are underdeveloped, federal resources have decreased or are decreasing, revenues from taxes and natural resources are inadequate, relationships with states are adversarial and often nonexistent, threats to sovereignty are constant, and the people's needs are increasing and becoming more complex. Even tribes that have significant revenue from gambling and other enterprises or natural resources feel the strain on overextended government programs stretched to the limit.

It is a common saying in Indian Country, that the Bureau (of Indian Affairs) took care of you from cradle to grave. With the transition from federal government control to tribal government control, this mantle is now passing to the tribe. Given the lack of necessary resources, both financial and human, the increasing demands on tribal governments, the growing diversity of Native peoples and the increasing complexity of Native issues, it may not be possible or even desirable for tribal governments to meet all the needs of their members. This may be especially true given the recent changes in welfare programs. While tribes have the legal authority to take over welfare programs for their members, they have neither the resources nor existing infrastructure of the states. Tribal colleges and other reservation-based nonprofit organizations may provide some answers to this critical need.

It is important to remember that in tribal society historically, it was not one single governing structure that took care of all of the needs of the people but the people themselves, organized in multiple structures and associations based on their value system -- a value system that assured that all were taken care of. In most cases, the tribal government structures in existence today are modern developments. And many have only the federal government bureaucracy as a role model.

The role of Native people in society has also changed. Years of domination and control by the federal government in addition to the understanding that government programs are rights as provided for in treaties has changed the nature of tribal society. Traditional structures and relationships between people which formed the foundations of society were either destroyed or pushed underground in an effort to stamp out the culture and assimilate the people. Native people grew to expect the government to take care of them and all of their needs -- education, medical care, economic opportunities, income, housing. And for more than a century, the federal government did try to meet these needs, quality and quantity notwithstanding. Now as tribes take over these programs, there is an expectation among many tribal members that the tribal government meet these needs. Tribes will face many difficult choices.

As the role of the federal government diminishes and the tribal governments gain more control, it is critical that new roles and structures of tribal governments and other institutions be explored. These new roles and structures should not continue to foster dependency among the people but should seek to meet the needs of the people and provide the support necessary for people to realize their own potential. Emerging businesses and nonprofit organizations can complement and supplement the efforts of tribal governments.

## C. ROLE OF NONPROFITS IN THE ECONOMY AND RELATIONSHIP TO TRIBAL GOVERNMENTS

Nonprofits in Indian Country must be analyzed and studied not just as a subgroup of the nonprofits in the U.S. but as a newly emerging institutional form serving Native peoples and communities. As such, their relationship to tribal governmental institutions, other institutions, and the people and their role in reservation and Native economies must be considered.

It is also important to consider the role and relationship of urban nonprofits to the reservation economy and tribal governments. This research study demonstrates that a large percentage of nonprofits indicate they serve **both** a rural/reservation and urban Native population (60%). A majority (55%) of these organizations are located in urban areas yet play a role in the reservation economy.

Part C will explore the reasons why the nonprofit sector in Indian Country exists, why it is a growing sector and the tensions created by this growth.

If there is little understanding and knowledge of the nonprofit sector in the general U.S. society, there is even less in Indian Country. This is due to the fact that up until about 20 years ago, the federal government dominated Indian Country. Tribal governments are gaining more control but the government sector is still dominant. In many cases, the control is merely moving from the federal to tribal government.

This lack of knowledge and understanding of the nonprofit sector in Indian Country can be detrimental to both Native people and tribal governments. Without the knowledge and understanding of our economies and how they are changing, we may miss potential solutions and opportunities to address critical problems facing Native people. We may misuse or underuse our limited resources and creative capital or we may create an adversarial environment where one need not exist.

Many of the early nonprofit groups on reservations and serving Native peoples were largely religious-based organizations with their focus on charity rather than social change, advocacy or development. Most of these organizations, although locally-based, were, and still are, part of large religious systems, not controlled by Native peoples or tribal governments.

As a whole, the nonprofit sector in Indian Country is growing and changing. For the most part, charity-based groups are in the minority, diminishing their presence or expanding and changing their programs to include social change and development. The "dole-out" approach of religious charitable organizations was, and still is, seen as creating dependency. Nonprofit groups providing services, advocating for a particular issue, promoting social change, and facilitating development strategies are the wave of the future.

In the U.S. and developing countries, the evolution of nonprofit organizations is changing from charity-based to social welfare to development. In Indian Country the same trend is emerging. Charity-based approaches are giving way to more development-focused efforts. While there are many nonprofits in Indian Country providing social welfare services, many of these and other organizations are adding development-oriented programs and services. It is critical that tribal

governments, nonprofits and other groups and people learn what these new institutions have done, and can do, to support tribal development efforts and improve the quality of life for Native people.

As discussed earlier in Section II, there are major reasons why the nonprofit sector exists. These are: historical; market failure; government failure; pluralism and freedom; and solidarity. Do these same reasons apply in Indian Country?

While the specific history of Indian Country is different than the U.S. in general, it is especially true in Indian Country that "communities formed before governmental structures...were in place to help deal with common concerns." In some instances, the traditional structures in tribal society were not extinguished in the century of outside control and domination. These continuing traditional forms of organization may be evolving into nonprofit entities. On reservations and Native communities the nonprofit sector, in essence, functions between the family and the larger government and business sectors.

There are other historical reasons for the emergence of nonprofits in Indian Country. The movement and relocation of Native peoples to urban areas created a void of defining social, political and economic structures in the cities. The nonprofits developed by and serving urban communities are some of the earliest Native nonprofit organizations to emerge. Now in more recent history, the transition of control to tribal governments is occurring at the same time as the emergence of nonprofits in general and particularly those serving rural/reservation communities.

In a perfect free market economy, the market provides all goods and services people need depending on their ability to pay. The market fails if required to provide certain collective goods and services such as public safety and health, public education, a clean environment for which people cannot or will not pay. Nonmarket mechanisms must be found. Government is one nonmarket mechanism as is the nonprofit sector. In reservation and Native communities, the tribal or other government entities provide some of these collective goods, a police force or justice system or health care program. Certain groups of people, because of particular interests or characteristics, may want some collective goods or services that they cannot convince the government or business to provide. A good example would be a Native community developing their own nonprofit health care clinic because they cannot convince the government that they are underserved and need the program.

Market failure also exists in Indian Country because people do not have the ability to pay or are perceived not to have the ability to pay the price the market demands. An example of this is the lack of banking services on reservations. Some tribal and federal programs exist to provide this service but on some reservations nonprofit organizations are emerging to provide financial and credit services.

Government can also fail to correct for the market because it lacks majority support or lacks the resources to provide a service or program. In reservation and Native communities, groups of people may recognize a new problem such as environmental pollution or the need for a school or college but they have not yet convinced the government to act. Or they do not feel the government should take on the effort because of the real or perceived unresponsiveness or bureaucratization inherent in government. They may form a nonprofit organization to conduct their efforts. Many times

nonprofits have the ability to react quicker than government, are more able to foster creative approaches and responses to problems or issues, and can take advantage of opportunities.

The fourth major reason for the existence of nonprofits is pluralism and freedom. Tribal governments are for the most part modeled on the federal government and its agency, the Bureau of Indian Affairs. As government entities, they offer little diversity and opportunity for varied and creative approaches. Nonprofit organizations offer an outlet for difference and freedom of expression. In the U.S. society in general, nonprofits have precipitated significant social change in such areas as civil rights, environmental protection, child welfare and women's rights. Examples of these diverse types of social change efforts in Indian Country are the Indian controlled school movement, repatriation efforts, culture and language restoration, and environmental activism to name a few. Without the varied interests of tribal members and the freedom to take action, these efforts may not have been possible.

Solidarity, or the capacity for joint action, is the final major reason why nonprofit organizations exist. Native societies differ from the U.S. in that they were not traditionally individualistic. Traditional tribal societies were, and still are in many cases, group oriented. Historically, efforts were made to assimilate Native peoples so we would become more individualistic, and today's structures tend to continue this separation. Nonprofits offer Native people the opportunity to join together in diverse efforts and to incorporate traditional structures and cultural values. This type of effort may not be viable through either government or business.

The reasons why the overall nonprofit sector in Indian Country is growing are complex and may differ depending on the specific tribe or community and their unique history. No one single reason or set of reasons may explain the growth of this sector as there are complex circumstances and relationships at work. The trend toward more tribal control, the growing diversity and empowerment of Native peoples, the move to business and community development, the rebirth of cultural awareness, the growing sophistication of tribal governments, among other reasons, may all be contributing to this phenomenon.

One theory as to why the nonprofit sector in general is growing is that as societies become more diverse, more heterogeneous, its citizens' preferences also become diverse and "a government that meets the wants of the majority, will leave many people undersatisfied..."\* As diversity grows so does the importance of the nonprofit sector. Indian Country is not a monolithic society with a homogeneous group of people although there are many shared aspects. Tribes and Native communities may, in fact, be seeing a growing diversity not only in the people who comprise tribal and community membership but in their preferences and needs as well. Are tribal governments meeting the needs of all of their members? Can and should tribal governments try to meet the needs of all of their members? If they are not meeting all of the needs, then there is a good chance that the people will seek to meet these needs outside of the government, either informally or through other structures such as the for-profit and nonprofit sectors.

The tribal government structure can effect the strength, growth and development of the nonprofit sector as well as the for-profit sector. As government expands, the effect on the nonprofit sector may be to limit its growth. As government contracts, there may be growth in the nonprofit sector. But the relationship is not so straightforward in Indian Country. At the same time the

federal government is contracting, tribal governments' role is expanding. This expansion in tribal government may be limited to control of the programs rather than the actual expansion of government (services and funding) itself. In fact, because of decreasing federal dollars, tribal governments may be decreasing services and nonprofits may be emerging to meet a growing unmet need.

Reservation economies, for the most part, function as centrally-planned and controlled economies. Centralized governments have traditionally served to limit the development of nonprofits and are more intolerant to pluralistic initiatives. On some reservations, government may be the only recognized sector and while some nonprofits may exist, they are controlled by the government. If the economies of some reservations remain under the central control of government and this control increases, we can expect to see a limit in the growth of nonprofits as well as private business. Some reservations may move toward a more mixed economy with government playing less of a role and fostering for-profit and nonprofit development while others may remain centrally controlled and become more so. As Indian Country becomes more diverse and pluralistic, how will tribal governments respond to and tolerate this pluralism?

Government programs on reservations are sometimes viewed as supporting a ruling class or the more affluent members of society, the "haves" versus the "have-nots." This may be true or thought to be true for many tribes but again may differ, based on the particular history of the group. In any case, it may be an indication that tribal government is not meeting the needs of all tribal members. In cases where tribal or community members perceive that government programs are inequitable, there may be growth in nonprofit organizations designed to make the group's society more equitable.

The growth in nonprofits may be related to the negative consequences of economic development. Tribal governments may not be able to bring about equitable economic development or it may be perceived that government development programs favor growth of large industries, detrimental to the environment and unsustainable over the long term. While most reservations have not experienced rapid economic development, almost all tribes have tried, or are trying various economic development strategies. Most of the early efforts at economic development were dictated and controlled by the federal government. Tribal and community members may not like these strategies or feel they have negative consequences and may form nonprofit organizations to advocate for alternative strategies based on the culture and sustainable in nature. An example of this is the activism of certain tribal members against toxic waste facilities in their communities. Tribal and Native community members have joined together to form grassroots organizations and coalitions to advocate for environment-friendly development and to mitigate environmental damage. Some of these efforts are directed toward tribal governments.

The growth of the nonprofit sector may be related to the growth in the for-profit sector. Business cannot exist without the government or the nonprofit sector. As businesses develop and people go to work, other diverse needs present themselves. People may need child care, more training which may not be available in either the informal (family or community) or government sector. Nonprofit child care centers develop. Employment and training programs emerge. Business associations form to advocate for and protect the interests of business. The result is more nonprofit organizations.

Tribes are working together now in many different ways. Intertribal organizations represent and advocate for a variety of interests at local, state, regional, national and even international levels. The organizations formed are nonprofits.

Existing nonprofit organizations may be collaborating and coming together on special interests necessitating a new structure. An example of this are the tribal colleges forming a consortium and a vehicle to raise funds. Groups of people brought together through existing nonprofit organizations may also form nonprofits to meet special interests. Examples are various student organizations, such as American Indian Business Leaders and American Indian Science and Engineering Society, addressing the specific needs of students interested in business and science and mathematics-related fields. These are nonprofit organizations.

The growth in nonprofits may also be a direct result of the action of Native people. Tribal and community members are more educated and empowered and less dependent on government. They recognize that they can make a difference and want a voice in how their communities should be developed. Nonprofit organizations offer a structure for their efforts whether they are in protecting the environment, women's rights, cultural and language restoration, family services, economic development or any other field.

Although nonprofits located on reservations and in rural communities are growing, this study indicates that 55% are located in urban areas and 60% serve both an urban and rural/reservation-based constituency. In urban areas, Native peoples may recognize their continuing ties and relationships to reservation communities and seek to find a role where they can assist in improving the quality of life for their families and relations. Another factor may be that urban sprawl is bringing the cities closer to the reservation precipitating a growth in nonprofits serving both groups.

Indian Country is changing. Tribal governments are gaining control but are now confronted with decreasing resources and increasing needs. New challenges present themselves on a regular basis. Businesses are developing, started by individuals or the tribal government. Nonprofits are emerging. The people are organizing and becoming empowered. Change of this nature and magnitude creates tensions and problems but it also creates opportunities.

On some reservations or Native communities, there is a "love-hate" relationship between tribal governments and some nonprofit organizations. While both are working towards common ends, specifically trying to meet the needs of the people and improving the quality of life for their members, they are often cast in an adversarial stance. This is particularly true when dealing with such volatile issues as environmental concerns and social activism. Politics may also play a role in creating tension if those in a nonprofit organization have a different political agenda than the tribal government. This can be perceived by tribal governments as competition for power.

As more Native nonprofits emerge and existing groups expand to meet new or unmet needs, scarce and declining resources may create new tensions. This study shows that the primary source of funding for over half of the nonprofits responding is from government, much of this from the federal government. Tribal governments and nonprofits increasingly may be in competition for these resources.

Private philanthropy or funding from various foundations is the second primary source of funding for Native nonprofits. As tribal governments seek alternative resources from these same sources, tribes and nonprofits may see themselves in competition. This can be especially problematic when a nonprofit group seeks funding to provide services inadequately or inequitably provided by the government, to advocate for changes in government programs or to mitigate effects of government failures.

As tribes move to more control of their governments, they are exploring and testing the reality of tribal sovereignty. What does tribal sovereignty actually mean when you begin to have real control over your government and economy? Does protecting tribal sovereignty require a strong centralized government leaving little room for private business development, nonprofit development, tribal member development and expression? How do you have a strong government, protect tribal sovereignty and still have a healthy and diversified economy and a strong, vibrant and supportive tribal membership? As the nonprofit sector in Indian Country grows, we can expect to see the dilemmas presented by these questions expressed in various ways.

## SECTION VI FUTURE OF THE NONPROFIT SECTOR IN INDIAN COUNTRY: CONCLUSIONS AND RECOMMENDATIONS

The nonprofit sector in Indian Country is emerging, growing and changing the structure of Native communities. There is tremendous potential for Native peoples, tribes and communities to use this nascent sector to address needs, develop options, choices and solutions to critical problems, and help improve the quality of life for Native people. What is the future for these organizations?

Section VI contains a review of trends affecting the nonprofit sector in general and Indian Country specifically, identification of critical areas to address and a definition of possible strategies for development. The identification of critical areas and possible strategies are broken down into three categories: reservation or Native economies; nonprofit organizations; and Native peoples and communities.

Over the past 30 years, there has been a devolution of the government which has spawned a "nonprofitization" movement. "State and local governments have contracted with nonprofits for human and community development services, and the resulting partnership has encouraged the growth of nonprofit service providers that rely heavily on government for financial support." The expansion of government social welfare programs since the start of the "Great Society" days of the 1960s stimulated the growth of the nonprofit sector as well. Devolution to state, local and tribal governments continues today, particularly in the area of welfare reform.

Tribes and Native peoples have also been beneficiaries of increased federal programs and funding with substantial increases in the 1970s. These resources came through programs specific to Native groups and through government social welfare programs directed at the general populace. In the 1980s with the Reagan administration, federal resources for tribes began to decline as did federal funding for programs of interest to nonprofits.

During this time government support to nonprofits in general declined by almost 25% and, except for medical- and health-related organizations, the programs for which funding declined had, by 1994, still not returned to the 1980 levels. Shifts in spending patterns occurred when "the medical share of total social welfare spending increased significantly as federal outlays on Medicare and Medicaid continued to soar while spending on other aspects of social welfare (education, social services, and community development) sharply declined." In 1992, total annual funds in the health services subsector of the nonprofit sector represented 51% of total annual funds for the entire sector. Because health services for tribes are funded, and often provided, by a federal government agency, the Indian Health Service, the "medicalization" of the nonprofit sector did not occur to the same extent as in the general population. This is evident through the low numbers of Native health-related nonprofits in the master list of nonprofits and those responding to the survey. However, more of an effect may have occurred in urban areas as urban Indian health clinics are not so dominated by the IHS system.

The other effect of the cutbacks and shifts in government spending is the "commercialization" of the nonprofit sector. Nonprofit organizations, faced with government funding reductions, sought other financial sources to sustain their activity. The tremendous growth of the nonprofit sector in general, 79% between 1977 and 1989, was fueled by increases in fees and service charges,

accounting for 55% of this growth. There is not comparable longitudinal data on nonprofits in Indian Country to ascertain if they are experiencing the same trend towards commercialization. However, this study shows that non-grant based revenue, including earned income, investment income, and membership income combined, constitute a significant source of revenue to Native nonprofits.

As government continues to devolve programs to the tribal, state and local governments without commensurate funding, as is the case with unfunded mandates, nonprofit organizations in general and in Indian Country will feel the strain. Given the added effect of welfare reform, the population groups these organizations serve will become increasingly unable to pay fees for services. However, in the case of tribal governments which lack the immediate infrastructure required to administer their own welfare programs, nonprofit organizations may be needed to address the needs and problems created by this change. Already, tribal colleges are feeling the effect of welfare reform through higher enrollments as tribal members seek education and training to meet the demands of welfare reform. Unfortunately, they are trying to meet this need without additional funding, putting pressures on already inadequate funding.

Another trend is the need for nonprofit organizations to adapt to these changing social conditions. In a recent study of public-service organizations, it was recognized that "the market is saturated with nonprofits...with not enough money to go around." From 1977 to 1989 nonprofits grew by 79% with only 15% of the growth of the sector fueled by private giving. From 1977 through 1992, the sector grew by 100%. This study indicates that 92% of the nonprofits in Indian Country received their tax-exempt status since 1980. If this growth rate continues for the rest of the 1990s, 43% of the nonprofits in Indian Country will receive their tax-exempt status in this decade. Indian Country may follow the same trend as in the rest of the country with a saturation of nonprofits.

The report "Organizations Serving the Public: Transformation to the 21st Century" suggests that organizations that survive will: put client needs at the center; collaborate with others; consider alternative approaches and solutions to problems; update employees' skills; and establish ways to measure on a regular basis how well goals are accomplished.

A leading expert on the nonprofit sector, Lester Salamon, agrees that nonprofits are confronting "an extraordinary array of challenges at the present time, challenges that threaten the sector in harmful ways." In the recent report "Holding the Center: America's Nonprofit Sector at a Crossroads," Salamon notes that the sector is facing a fiscal crisis, an economic crisis, a crisis of accountability and a crisis of legitimacy. He calls for "a sensible strategy of renewal" to be "vigorously pursued" which includes: a model of partnership with the government and business sectors; a re-examination of the nonprofit sector's basic values and beliefs in light of contemporary realities; and new vehicles for action and legal approaches.

There are numerous trends and challenges in Indian Country that affect or may affect Native nonprofits. As this study shows, the nonprofit sector in Indian Country is growing and emerging and making its presence known. These nonprofits are joining and working together in new and exciting ways. Urban Indian centers have recently joined together in a coalition. Many national Native nonprofits have held a series of meetings over the past year to assess the challenges of

raising private funding resources and to see where and how they might collaborate. A number of new intertribal organizations have formed over the past few years to address specific issues and needs.

Although the need for collaboration between nonprofits is recognized by the groups themselves as critical and necessary to providing more effective services, some of this change is being driven by funding sources requiring collaboration and coordination. In the 1980s private foundations funded only a handful of Native nonprofits. Now, because of more interest and awareness on the part of philanthropy and the increased number of Native nonprofits, there is more funding from this source. The door to private giving from both organized philanthropy and individual donors has been opening over the past decade. A study by Native Americans in Philanthropy (NAP) shows that philanthropic giving (by foundations) to Native issues and causes has increased from .16 of one percent to .66 of one percent from 1988 to 1994, although only \_\_\_% goes to Native controlled organizations.

As reported in a related study by NAP, giving to Native issues and programs by Native foundations and grantmaking programs is growing. There is more interest, more funding structures are in place and developing, and in some cases tribes are interested in developing philanthropic vehicles. A growing number of tribes have revenues from gaming enterprises, and although only a few have sufficient revenues to look beyond their own internal needs, an interest in developing formal structured philanthropy is emerging.

Tribes with gaming revenues often provide resources in an informal and ad hoc manner to organizations and communities in their local and regional areas to foster support and provide compensation for increased services. Some tribes have gone beyond the confines of their own areas and are making grants to other Native groups throughout the country. As indicated in this study, only 6% of the organizations reporting identify grants or contributions from tribal gambling operations as a source of revenue. No group identified it as a primary source of revenue. This may change, however, as tribal governments look to set up formal structures to administer their philanthropy as a way to lessen the growing demands on the government infrastructure to respond to requests for funds.

It can be anticipated that within the next few years, or even sooner, some tribes will set up various philanthropic vehicles including community foundations and join organized philanthropy as peers. Unfortunately tribes are also faced with Congressional proposals to tax their revenue from gambling as well as state efforts to get a larger piece of the tribal gaming pie. Setting up formal philanthropic organizations may help to allay some of this pressure and if tribes are confronted with tax implications, Native nonprofits serving the tribal communities may provide a shelter for some of this income. This will most certainly effect the Native nonprofit sector.

The most significant challenge facing tribes is the continual threat to tribal sovereignty. The proposed tax implications on gambling revenue is but one example. There are many instances in which tribes are under extreme pressure to relate to states in various ways. Tribes have a historic and unique relationship with the federal government and the Congress and efforts to force tribes to deal with states may serve to undermine tribal jurisdiction and threaten sovereignty. The national gaming legislation requires tribes and states to enter into compacts. And the current welfare reform

legislation is also forcing partnerships with states where none previously existed. While tribal-state partnerships may not ultimately be negative and could, in fact, be a positive trend for the future, efforts must be made to understand the implications of these partnerships for tribal sovereignty. Increased tribal-state partnerships could foster the development of the Native nonprofit sector, particularly on reservations. Nonprofit organizations may already be working with various state government agencies and programs and could ease the way for tribes in building these relationships.

Another trend that will effect nonprofits in Indian Country is the growing number of Native businesses. As stated earlier, Native businesses grew by 93% from 1987 to 1992. The growth in business will demand new and different services some of which will be provided by the nonprofit sector. One example may be a growth in business associations and advocacy groups.

One final trend in Indian Country that is affecting nonprofit growth and development is the change in the people and their sense of community. Over the past 20 to 30 years there has been a rebirth, or rekindling, of Native culture. There are more celebrations, ceremonies and an increased cultural awareness and pride. This empowerment is evident in the repatriation efforts, in the efforts to preserve and restore the language, in the efforts to protect the environment, in the efforts to increase sobriety, and to rebuild Native religion. As tribal governments are gaining more control over their programs, tribal people are gaining more control over their own lives. Decreasing reliance and dependency on government and increasing responsibility for our own lives is creating a movement to a sense of "tribal citizenship" and what that means. This is demonstrated in many ways including an emergence of nonprofit organizations addressing these areas and controlled by Native people. Efforts to reintegrate the culture in the community and daily life would not be possible only through government or business. They are increasingly facilitated through nonprofits. The days of charities doling out blankets and clothes and food are waning and a new wave of development-oriented Native nonprofits is emerging.

The final part of this report is to identify critical areas and possible strategies and recommendations to use the nonprofit sector in Indian Country to enhance the quality of life for Native peoples. This is presented in three sections: economic opportunities; organizational strategies; and Native peoples and communities. These strategies and recommendations are directed to a wide audience including: tribal governments; nonprofit organizations; funding agencies; and Native peoples.

Tribal and reservation economies are in a state of transition. Tribal governments need to proactively plan the structure they want their economies to take into the next century. Recognizing and understanding the nonprofit sector that currently exists and plays a role in that economy is a critical step. Many tribes are currently developing and enhancing their regulatory infrastructure. The regulations must address, and hopefully enhance and protect, the emerging nonprofit sector. Having reservation-based nonprofits seek incorporation from the tribe rather than the state can enhance tribal sovereignty. However, nonprofits must be assured that changing political administrations will not jeopardize their legal standing.

Nonprofit organizations in Indian Country can be critical and beneficial collaborators with tribes given the continuing fiscal and jurisdictional crises facing tribal governments. Tribal government programs need not duplicate existing nonprofit services and may in fact work to

enhance services to tribal members through these organizations. Tribes can use nonprofit organizations to assess the interests, needs and viewpoints of a growing diverse membership. Meeting with representatives of nonprofits or requesting presentations to tribal councils can avert adversarial positioning and serve to educate and inform one another of common interests and potential areas of collaboration.

As tribes begin to deal more with state governments, nonprofit organizations may be beneficial partners because many may have already developed a relationship with state agencies. Nonprofit leaders may help advise tribal government leaders on how best to negotiate with state officials. Tribes may also want to consider using a nonprofit structure to help alleviate strain on already overtaxed tribal governments. This may be particularly true in the case of welfare reform. While tribes have the legal authority to take over welfare programs for their members, most do not have the programmatic infrastructure to administer these programs at the current time. It may be that a nonprofit structure could be more efficient and effective and better able to attract nongovernmental resources than a tribal government.

Economic development in Indian Country has historically meant creating jobs for tribal members. Nonprofit organizations help to create jobs either directly with their own staff or through their programs. Although these numbers may vary widely depending on the reservation or community, this study determined that overall, the nonprofit sector on reservations and in Native communities accounted for 3% of all employment. Employment in the nonprofit sector gives people options outside of government and private business. Nonprofit organizations may also serve to draw tribal members back to the reservation, particularly those who would not be interested in government employment. This could serve to provide employment opportunities to the increasing number of Native people with college degrees, specifically those graduating from tribal colleges. Keeping people on the reservation by providing various options for their talents and abilities can assure a new generation of tribal leadership.

Tribal support for the nonprofit sector can take many forms. Tribes can set up community foundations which would serve as a funding vehicle for reservation and community nonprofit efforts. A healthy economy is one in which there are many options and outlets for creativity and productivity. Solutions to many problems and new and innovative ways to do things can come from the nonprofit sector. Reservation and community nonprofits can also provide opportunities for tribal members living off of the reservation or outside of the community to contribute to its well-being. These tribal members may not think of, or want to make donations to tribal government but may be interested in supporting nonprofit organizations such as tribal colleges, language programs, and other efforts.

Other funders such as private foundations are oftentimes unaware that they can make grants to tribal governments, unsure how to make grants to tribal government, or unable to make grants to government entities because of their legal restrictions. Nonprofit organizations, because of their tax-exempt status are the primary beneficiaries of private foundation funding. Nonprofit organizations on reservations or in Native communities therefore serve as a mechanism for bringing more money into the tribal and Native economies. This money translates into salaries, benefits, purchases and other benefits to the local economy.

Other programs also direct funding to nonprofits. One example of this is the Community Reinvestment Act (CRA) which, under new compliance rules recently instituted, now emphasizes community development partnerships between banks and community groups. The CRA assigns banks and other financial institutions an "affirmative obligation to help meet the credit needs of the local communities in which they are chartered" and from where they get deposits. Federal regulatory agencies examine banks biennially for compliance with the CRA. Banks can receive credit toward CRA compliance for loans to nonprofits servicing primarily low- and moderate-income community development needs. And these needs do not have to deal with economic development, narrowly defined, but can extend to social service-related activities. This is one timely example but there are other funding resources which may only be available to nonprofits.

Whether Native nonprofit organizations are located on reservations, in Native communities or in urban settings, there are many critical areas and possible strategies and recommendations for the future. Many of the trends identified earlier in this section affect nonprofits no matter where they are located.

Given the growth of the nonprofit sector in Indian Country, each new nonprofit will be faced with the need to secure financial and human resources to provide services and attain their goals. Efforts must be made to coordinate and collaborate effectively wherever possible. For too long, our economies and communities have been negatively affected by strategies and programs that do not recognize the complex nature of our societies and problems. Often single intervention strategies fail to recognize and address the interrelationships between problems and solutions. For example, programs designed to address economic development must deal with complex social and political issues. Bringing groups together to discuss strategies, share information and design innovative efforts is the wave of the future and will be needed for survival of these organizations. It is not uncommon on reservations for many organizations, particularly in government programs, to duplicate services or not be aware of what other organizations are doing. There needs to be coordination, not only among nonprofits, but also with government agencies. Resources are too scarce and the problems too complex to waste or duplicate efforts.

And nonprofit organizations must be proactive in evaluating their effectiveness, not simply to meet the needs of funding agencies, but to respond to clients and beneficiaries of services. As Native peoples, not just tribal governments, gain more control over their lives, they also learn accountability and responsibility. Because so much of the past has been tied to government funding, Native peoples have encountered very little flexibility and adaptability in measuring the success of program efforts has been possible. The nonprofit structure allows the necessary flexibility to incorporate culturally-appropriate evaluation methodologies.

The nonprofit structure can also provide flexibility, creativity and innovation in other areas. Management and administration as well as work processes can be adapted to meet the cultural needs of a community. A non-hierarchical governing structure and consensus decision-making, both traditional Native ways of life, can be incorporated into a nonprofit structure. This may not be possible in a government setting.

Current leadership in nonprofit organizations in Indian Country must also recognize the need for mentoring new and emerging Native leadership. As the nonprofit sector grows, there will be a

continuing and growing need for qualified, interested and committed people to serve as staff and board. While many of the same skills and education may be gained through business training, there is specific training, education and experience necessary for nonprofit management. The governing and policy setting boards of nonprofit organizations may need training in the roles and responsibilities of their positions.

Native nonprofits should develop internship and volunteer programs. Some nonprofits reported the effective use of interns. The outlay of resources is relatively low, work is being done, and training occurs. Anecdotal information indicates that some nonprofits both on reservations and in urban areas use Native college students as interns. While almost 50% of the nonprofit organizations responding indicate using volunteers, only 44% were Native overall, and only 25% of the reservation-based nonprofits used volunteers. Because of the stark unemployment picture on reservations and in Native communities, a non-wage paying job may be a low priority. However, the training and experience someone may get through a volunteer position could serve to enhance their employability over time.

Coming out of the challenges and crises of the 1980s reported earlier, nonprofits in general began to form associations of nonprofits, primarily to defend the sector in the future. Nonprofit organizations began to form statewide associations and these associations are now in existence in more than half of the states. Because these associations are relatively new and the Native nonprofit sector itself is new, it is doubtful that there are many Native nonprofits that are members of state nonprofit associations. Nonprofits in Indian Country should seek out information about membership in these associations. In addition to being part of a state and possible national advocacy effort, they also may offer group benefits and other services. Native nonprofits should also become acquainted with and informed about other representative, advocacy and training organizations directed to the nonprofit sector. A key organization is the Independent Sector, a membership organization representing over 800 nonprofits nationwide.

Given the growth and emergence of the nonprofit sector in Indian Country, it is not too outrageous to imagine that these nonprofits themselves could organize into an association. Through this study and other efforts a data base of Native nonprofits is developing. It may be beneficial in the long run, given the unique setting and special needs of this group, to develop a special and new nonprofit organization, The Association of Native Nonprofits, or TANN.

Education about the nonprofit sector is critical both within the Native community and outside of it. This is particularly true of funding agencies including government and private philanthropy. Oftentimes, funders are only aware of the tribal government and not of the other efforts on reservations and in Native communities. Nonprofits in Indian Country must recognize the need for a public education effort with their own communities and tribes and other publics.

Tribal government organizations at the local, regional, intertribal and national level should put the topic of nonprofits in Indian Country on their policy agenda. There is a lack of information about nonprofits, the sector in general and particularly Indian Country. And where there is little information, there is an environment for misunderstanding and potential conflict. The results of this study and other studies, presentations on nonprofits and discussion groups on the topic must be brought forward in tribal forums. As we consider the direction our economies are going, and how

we, as Native people will meet the needs of our people wherever they may live, in cities or on reservations, we must consider this important and vibrant sector.

There is a movement in this country to reinvigorate "civil society" or active and engaged citizen participation in society. What does this mean for Indian Country? What does it mean to be a tribal member or tribal "citizen" in today's society? The growth and emergence of the nonprofit sector in Indian Country is a reflection or indication that tribal members are actively looking at their own participation and engagement. And they are looking for ways to help their tribes, communities, and families improve the quality of life for all. Nonprofit organizations are simply tools to help them do this. And to do it by incorporating the culture and traditional values.

Further research on the nonprofit sector in Indian Country must be conducted to get a clearer picture of the depth and dynamics of these organizations. This study presents only a snapshot of one point in time. We need to study the emergence and effects of these organizations over time to assess their true impact. We also need to look at specific groups of Native nonprofits, including a more in-depth look at urban nonprofits and the role they play in their local communities and the rural/reservation communities. While this study tried to develop an initial look at the sector, it raised many more questions about these organizations.

## OVERVIEW OF METHODOLOGY

The "Emerging Sector" study was designed to research only those organizations classified under Section 501(c)(3) of the United States tax code. The organizations that qualify under this single category constitute the largest segment of "the 25 separate sections under which organizations can claim exemption from federal income taxes as nonprofit organizations."\* Section 501(c)(3) organizations are operated exclusively for "religious, charitable, scientific, literary, or educational purposes"\* to serve the public interest and are the only nonprofit organizations that are "eligible to receive tax deductible gifts from individuals and corporations."\* Section II describes the nonprofit sector in more detail.

This study is the first phase in a two phase research effort to gain information about the nonprofit sector in Indian Country. Phase one seeks information about the overall nonprofit sector in Indian Country. Phase two will seek more specific information about those nonprofits that serve a rural and reservation-based constituency to research their unique role in the tribal economy.

Phase one involved two major components: a survey of nonprofits in Indian Country; and a review and analysis of pertinent literature and other information sources regarding the role of nonprofits in Indian Country.

The first component included three main activities: data gathering to develop a list of the nonprofits serving Native communities; a survey questionnaire sent to all organizations identified in the data gathering phase; and the analysis of the survey responses. A total of 2,220 organizations were identified and a five page, 31 question survey instrument was sent to all organizations. The number of usable returns totaled 300, or 13.5% of the 2220 total list. Returns from Alaska were removed from the overall response and analyzed separately because of circumstances unique to Alaska. With the Alaska responses removed, the overall response rate was 268, or 14.5%.

The analysis of the database of 268 responses included compiling summative information from all 31 questions. Separate relational analyses were then conducted comparing certain responses. The analyses were then compiled into a narrative report.

The second major component involved the review and analysis of pertinent literature and other information sources on the role of nonprofits in Indian Country. While we could locate no other studies or reports on the overall nonprofit sector in Indian Country, we were able to identify various anecdotal information on specific nonprofit efforts and various reports on the economies in Indian Country, specific to some reservations and in general. Literature on the nonprofit sector in other countries, specifically in developing countries, also provided useful information as well as various studies and research efforts done on the nonprofit sector in the United States. Finally, our own internal data base, research efforts and experience working in Indian Country for the past 17 years proved immensely useful.

The result of these two major components is a report that goes beyond the mere quantitative nature of nonprofits in Indian Country to explore the context and role of this emerging sector.

## LIMITATIONS OF THE DATA

As with all large social science research efforts, one must view all analyses with caution. The various data and analyses presented here are intended to be descriptive of the composite nonprofit organization not any one particular organization. The following are specific limitations of the data.

### 1. Representative

It was always the intent of this study to survey the entire universe of nonprofits even though the focus changed from those serving Native communities and located on reservation or in rural communities to all nonprofits serving Native communities regardless of location. This was based on our estimate that the total universe would not exceed 1,000 organizations with an estimated 500 located on reservation and in rural communities. Both these figures were seen as manageable for an inclusive survey. When the total exceeded 2,200, we were faced with a choice of conducting a random sample, stratified random sample, selected sample, or surveying the entire universe. It was decided to conduct a survey of the entire universe for two reasons: an expected high response rate and a desire to have all identified groups have the opportunity to participate. A stratified random sample would have been ideal but without initial data upon which to base the different strata, this would have been difficult.

The overall response rates, 13.5% including Alaska, and 14.5% excluding Alaska, are good and above what is typically found in nonprofit surveys. A 30% return rate was expected because that was the response on an earlier shorter four question survey sent to 1,100 organizations.

Although this response was good, it is difficult to assess whether the 14.5% return is truly representative of all nonprofits serving Native communities. There are places in the analysis and this report where the findings from the 14.5% return are extrapolated to the larger group of nonprofits. This is so noted.

### 2. Non-responses

In some cases, organizations did not answer certain questions. In the analysis, this was handled by using only the number of organizations responding. For example, 257 of the 268 returns responded to the year the organization was founded. This necessitated using 257 as base rather than 268. The term "of those responding" is used to indicate this.

### 3. Prioritizing Responses

There were two questions that necessitated the respondent to indicate a 1, 2, and 3 priority or rank. These were question 22 on the top three foci of the organizations and question 23 on the top three sources of revenue. Some respondents ranked more than three, did not rank any but simply checked their choices, and some had only one main focus or source of revenue. In the analysis, this difference in response was shown using both the ranked and unranked responses demonstrating the priority as well as the total times a choice was selected regardless of priority or rank.

#### 4. Board Control - Native and Non-Native

One of the critical questions posed in developing the study was whether or not nonprofit organizations serving Native peoples were controlled by Native people. In this case, control is defined as a Native majority on the board of directors. The data indicated a high response of Native controlled organizations, 76% when using a majority of the board and 80% when considering at least one half Native representation. It is not clear if this response is truly representative because of two factors. First, it may be possible that a higher number of those organizations with a Native majority on the board responded to the survey. Second, this rate may also be indicative of how the original lists were compiled. The approximately 800 organizations found through the IRS Form 990 data base are presumed to be the most objective list. The other list sources came from Native organizations and reference guides. Therefore, one can presume that they may have a majority of Native controlled organizations.

#### 5. Tribes and Tribal Programs

The survey was also sent to all non-federally recognized tribes in the United States. This was done because non-federally recognized tribes are not legally recognized as governments. The only legal recognition they may have is through their nonprofit status. This is not to suggest or convey that they are any less sovereign governments than federally recognized tribes. In most cases, their responses only indicated when they received their 501(c)(3) status rather than when they were founded, as most would claim centuries rather than decades. There were insufficient responses in this category to skew the data.

In some cases, federally recognized tribes may also have a 501(c)(3) status. While their reasons for this were not questioned on the survey, the purpose may be to seek tax-deductible contributions, although it is not required for federally recognized tribes to obtain a 501(c)(3) classification to accept tax-deductible contributions. However, the public more easily recognizes this than the IRS revenue ruling. Federally recognized tribal governments with a 501(c)(3) status were not included in the study results.

In other cases, some programs of federally recognized tribal governments may have a 501(c)(3) status. An example might be a tribal housing authority which is an

arm or program of the tribal government but with a 501(c)(3) status just relating to its program. These organizations were included within the study.

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